



## Prospectus for Saud Hizam Al-Qahtani Company for Public and International Auctions

A Saudi closed joint stock company according to the Ministerial Resolution No. (Q/4), dated 06/01/1439H (corresponding to 26/09/2017G), Commercial Registration No. 2050087357, dated 19/1/1433H (corresponding to 14/12/2011), renewed on 08/01/1439H (corresponding to 28/09/2017), with a capital of twenty million Saudi Riyals (SAR 20,000,000), divided into two million (2,000,000) Ordinary shares of a par value of SAR 10 each, paid in full. The Company intends to offer seven hundred and eighty thousand (780,000) Ordinary shares in the Parallel Market to Qualified Investors. The Offer Shares represent 39% of the total Shares of the Company at SAR \*\* per share.

Offering Period: Starting from Thursday 09/06/1440H (corresponding to 14/02/2019G) to Monday 27/06/1440H (corresponding to 04/03/2019G)

Saud Hizam Al-Qahtani Company for Public and International Auctions was established on 19/01/1433H (corresponding to 14/12/2011G) as a partnership company in the name of Saud Hizam Al-Qahtani and his Partner Solidarity Company for Public and International Auctions. It was registered under Commercial Registration No. 2050087357, with its capital of SAR (100,000) one hundred thousand Saudi Riyals. Later, it was converted into a one person limited liability company on 28/02/1438H (corresponding to 28/11/2016G) under the name Saud Hizam Al-Qahtani Auction Company for Public and International Auctions. The Company has maintained its capital, number of shares, date of Commercial Registration and its branches. On 06/01/1439H (corresponding to 26/09/2017G), the Ministerial Resolution No. (Q/4) was issued, converting the Company to a Saudi closed joint stock company with a capital of SAR (20,000,000) twenty million Saudi Riyals, fully paid, divided into (2,000,000) two million ordinary shares, with a par value of SAR (10) ten Saudi Riyals per share. The increase amounting to (SAR 19,900,000) nineteen million and nine hundred thousand Saudi Riyals was fulfilled via transferring an amount of SAR (17,041,454) seventeen million, forty one thousand and four hundred and fifty four Saudi Riyals from the retained earnings for the year 2016G and transferring an amount of SAR (2,858,546) two million, eight hundred and fifty eight thousand and five hundred and forty six Saudi Riyals from the partners credit current account balance to the Company's capital account, as indicated in the audited financial statements for the year ended on 31 December 2017G. (For more information, please refer to section 3-2 "Company's Establishment Phases and Capital's Changes").

The Offering will be for the categories of Qualified Investors ("Offering") for seven hundred and eighty thousand (780,000) Ordinary Shares ("Offer Shares") at a par value of SAR 10 per Shares. The Offering price will be SAR \*\* per Share. The Offering represents 39% of the Company's Share Capital. All Shares of the Company, including the Offer Shares, are Ordinary Shares of one class. There are no preferential rights for any shareholder. Any shareholder is entitled to attend the General Assembly's shareholders' meetings ("General Assembly") and to vote on its resolutions regardless of the number of shares the shareholder holds in the Company. The Offer Shares shall be entitled to any profits announced by the Company from the date of the Prospectus and in the subsequent financial years. (For further details, please refer to Section 5 - Dividend Policy).

After the Company was transformed into a closed joint stock company, the Company's ownership was changed as it became owned by three Shareholders, each with more than 5% of the Share Capital, who are the ("Substantial Shareholders"). Mr. Saud's Hizam Jaafar Al-Qahtani owns 80% of the Share Capital, while Mr. Faleh Saud Hizam Al-Qahtani and Mr. Saeed Saud Hizam Al-Qahtani own 10% each. (For more information please refer to page (x) of this Prospectus).

The Offering is limited to the categories of Qualified Investors, namely:

- 1) Authorised Persons acting for their own account.
- 2) Clients of a person authorised by the Authority to conduct managing activities provided that this Authorised Person has been appointed as an investment manager on terms which enable it to make decisions concerning the acceptance of an Offer and investment in the Parallel Market on the client's behalf without obtaining prior approval from the client.
- 3) The Government of the Kingdom, any government body, any supranational authority recognised by the Authority or the Exchange, and any other stock exchange recognised by the Authority or the Securities Depository Center.
- 4) Government-owned companies, either directly or through a portfolio managed by a person authorised to carry out managing activities.
- 5) Companies and funds established in a member state of the Cooperation Council for the Arab States of the Gulf.
- 6) Investment Funds.
- 7) Non-resident foreigners permitted to invest in the Parallel Market and who meet the requirements stipulated in the Guidance Note for the investment of Non-Resident Foreigners in the Parallel Market.

- 8) Qualified foreign financial institutions.
- 9) Any other legal persons allowed to open an investment account in the Kingdom and an account at the Depository Center.
- 10) Natural persons allowed to open an investment account in the Kingdom and an account at the Depository Center, and fulfil any of the following criteria:
  - a. Has conducted transactions in security markets of not less than 40 million Saudi Riyals in total, and not less than ten transactions in each quarter during the last twelve months.
  - b. His net assets is not less than 5 million Saudi Riyals.
  - c. Works or has worked for at least three years in the financial sector.
  - d. Holds the General Securities Qualification Certificate, which is recognised by the Authority.
  - e. Holds professional certificate that is related to securities business and accredited by an internationally recognised entity.
- 11) Any other persons prescribed by the Authority.

The Offer Shares will be sold by the Selling Shareholders of the Company listed on page (x) (referred to as "Selling Shareholders") who owned 100% of the Company's Shares before the Offering. Once the Offering is complete, the Selling Shareholders will have 61% of the Shares, which means that they retain the control share in the Company. The Offering Proceeds will be distributed to the Selling Shareholders according to their respective ownership ratios, after deduction of the Offering Expenses and the Company will not receive any portion of the net Offering Proceeds. (For more details please refer to section "6- Use of Proceeds and Future Projects"). It is prohibited for Selling Shareholders to dispose any of their shares for twelve (12) months ("Lock-up Period") from the date of commencement of trading the Shares of the Company in the Parallel Market, and they may dispose any of their Shares after the expiry of the Lock-up Period without prior approval from the Capital Market Authority ("CMA").

The Subscription Form can be submitted to the head office of the Financial Advisor and Lead Manager "Musharaka Capital Company" during the above-mentioned Offering Period (for details of the address, please refer to the page iv).

Any additional information will be available to Qualified Investors during the Offering Period through a data room where all the documents listed in section "11-Documents Available for Inspection" are displayed.

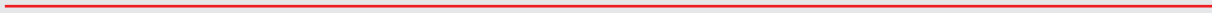
The maximum number of Offer Share to be subscribed for by Qualified Investors is (99,999) ninety-nine thousand nine hundred and ninety-nine Shares, while the minimum number of Offer Share to be subscribed for by Qualified Investors is ten (10) Shares. The Subscription Form must be completed and submitted to the Financial Advisor and the funds transferred to the Escrow Account of the Offering. The final allocation of the Offer Shares and surplus monies, if any, to be refunded will be announced no later than Monday 11/07/1440H (corresponding to 18/03/2019G). There will be no commissions or deductions by the recipient of the Offering Proceeds. (For further details, please refer to section "8. Information Concerning the Shares and Terms and Conditions of the Offer"). Prior to the Offering of the Company Shares in the Parallel Market, 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 Parallel Market. All supporting documents required by the CMA have been supplied, and all relevant approvals pertaining to this Prospectus and the Offering have been granted. Trading in the Offer Shares on the Parallel Market is expected to commence shortly after the final allocation of the Offer Shares and the satisfaction of necessary conditions and procedures (see the section "Key Dates for Investors and Subscription Procedures"). Qualified Investors who meet the conditions will be allowed to trade in the Shares of the Company, after registering Shares in the Parallel Market. The "Important Notice" and "Risk Factors" sections of this Prospectus should be carefully considered by potential investors before they decide to subscribe to the Offer Shares.

This prospectus includes information provided in compliance with the Rules on the Offer and Continuing Obligations issued by Capital Market Authority of the Kingdom of Saudi Arabia (the "Authority"). The directors, whose names appear on page (iii), collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omissions of which would make any statement in the prospectus misleading. The Authority and the Exchange do not take any responsibility for the contents of this prospectus, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Those wishing to buy listed shares under this prospectus shall verify the information related to the shares being offered; and consult a licensed financial advisor when facing any difficulty understanding the contents of this prospectus.

This Prospectus was issued on 17/01/1440H (corresponding to 27/09/2018G).



شركة سعود القحطاني للمزادات  
Saud Qahtani Auction Company



## IMPORTANT NOTICE

This Prospectus “the Prospectus” contains detailed information related to Saud Hizam Al-Qahtani Company for Public and International Auctions and the Offer Shares. When submitting a Subscription Form for the Offer Shares, investors will be treated as applying solely on the basis of the information contained in this Prospectus, copies of which are available for collection from the Company’s Head Office or Musharaka Capital Company, or by visiting the websites of the Company ([www.qahtaniauction.com](http://www.qahtaniauction.com)), Musharaka Capital Company ([www.musharakacapital.com](http://www.musharakacapital.com)), the CMA ([www.cma.org.sa](http://www.cma.org.sa)) or the Exchange website ([www.tadawul.com.sa](http://www.tadawul.com.sa)).

In respect to the Offering, Musharaka Capital Company has been appointed by the Company as the Financial Advisor (“Financial Advisor”), and the Lead Manager (“Lead Manager”).

This Prospectus includes information that has been presented in compliance with the requirements for the registration and admission to listing of the Shares on the Exchange in accordance with the Rules on the Offer of Securities and Continuing Obligations issued by the CMA (“CMA”) and the Listing Rules approved by the CMA Board. The Directors whose names appear on page (iii), collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus, and they confirm that according to their knowledge and belief, and after undertaking all possible reasonable enquiries, there are no other facts or omissions from this Prospectus that would make any statement contained therein misleading. The CMA and the Exchange do not take any responsibility for the contents of this Prospectus, and do not make any representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

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

This Prospectus is not to be regarded as a recommendation on the part of the Company, the Selling Shareholders, 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 the individual investment objectives, the financial situation or any particular investment needs of the persons who intend to invest in the Offer Shares. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice from a CMA licenced Financial Advisor in relation to the Offering and the appropriateness of both the investment opportunity and the information herein with regard to the recipient’s individual objectives, financial situation and needs,

This Offering is limited to Qualified Investors who have been defined according to the list of terms used in CMA regulations and rules as:

- 1- Authorised Persons acting for their own account.
- 2- Clients of a person authorised by the Authority to conduct managing activities provided that this Authorised Person has been appointed as an investment manager on terms which enable it to make decisions concerning the acceptance of an Offer and investment in the Parallel Market on the client’s behalf without obtaining prior approval from the client.
- 3- The Government of the Kingdom, any government body, any supranational authority recognised by the Authority or the Exchange, and any other stock exchange recognised by the Authority or the Securities Depository Center.
- 4- Government-owned companies, either directly or through a portfolio managed by a person authorised to carry out managing activities.
- 5- Companies and funds established in a member state of the Cooperation Council for the Arab States of the Gulf.
- 6- Investment Funds.
- 7- Non-resident foreigners permitted to invest in the Parallel Market and who meet the requirements stipulated in the Guidance Note for the investment of Non-Resident Foreigners in the Parallel Market.
- 8- Qualified foreign financial institutions.
- 9- Any other legal persons allowed to open an investment account in the Kingdom and an account at the Depository Center.

- 10- Natural persons allowed to open an investment account in the Kingdom and an account at the Depository Center, and fulfil any of the following criteria:
  - a- Has conducted transactions in security markets of not less than 40 million Saudi Riyals in total, and not less than ten transactions in each quarter during the last twelve months
  - b- His net assets is not less than 5 million Saudi Riyals.
  - c- Works or has worked for at least three year in the financial sector.
  - d- Holds the General Securities Qualification Certificate, which is recognised by the Authority.
  - e- Holds professional certificate that is related to securities business and accredited by an internationally recognised entity.
- 11- Any other persons prescribed by the Authority.

## **FINANCIAL INFORMATION**

The audited financial statements for the fiscal year ended 31 December 2017G, and the accompanying notes thereto, have been prepared in compliance with accounting standards issued by the Saudi Organization for Certified Public Accountants (“SOCPA”). The Company’s audited financial statements for the first quarter of 2018G, and the accompanying notes thereto, which are included in this Prospectus have been prepared in compliance with the International Financial Reporting Standards (IFRS). The Company Issues its financial statements in Saudi Riyals. .

## **FORWARD-LOOKING STATEMENTS**

Forecasts set forth in this Prospectus have been prepared on the basis of assumptions made and announced by the Company. Future operating conditions may differ from the assumptions used and consequently no affirmation, representation, or warranty is made with respect to the accuracy or completeness of any of these forecasts. Certain statements in this Prospectus constitute, or may be deemed to constitute, “forward-looking statements”. Such statements can generally be identified by their use of forward-looking words such as “plans”, “estimates”, “believes”, “expects”, “anticipates”, “may”, “will”, “should”, “expected”, “would be” or the negative thereof 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 but 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 Section 2 (Risk Factors) of this Prospectus. Should any of these risks or uncertainties materialize or any underlying assumptions prove to be incorrect or inaccurate, the Company’s actual results may vary materially from those described in this Prospectus as anticipated, believed, estimated, planned or expected.

Subject to the requirements of the Rules on the Offer of Securities and Continuing Obligations, the Company must submit a Supplementary Prospectus to the CMA if, at any time after this Prospectus has been issued and before completion of the Offering, the Company becomes aware that: (i) there has been a significant change in any material information contained in this Prospectus or any document required by the Rules on the Offer of Securities and Continuing Obligations; or (ii) the occurrence of additional significant matters that have become known which would have been required to be included in this Prospectus. Except in the aforementioned circumstances, the Company does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of the aforementioned 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 qualified investors should consider all forward-looking statements in light of these explanations and should not place undue reliance on the forward-looking statements.

# CORPORATE DIRECTORY

## Company's Board of Directors

Name	Position	Capacity	Nationality	Age	Date of Appointment	Shares Ownership	
						Before Offering	After Offering
Saud Hizam Jaafar Al-Qahtani	Chairman	Non-executive/ Non-independent	Saudi	63	21/09/2017G	1,600,000	976,000
Saeed Saud Hizam Jaafar Al-Qahtani	Deputy Chairman	Non-executive/ Non-independent	Saudi	29	21/09/2017G	200,000	122,000
Faleh Saud Hizam Al-Qahtani	CEO and Managing Director	Executive/ Non-independent	Saudi	41	21/09/2017G	200,000	122,000
Fahad Mohammed Jaafar Almasoudi	Member and Board Secretary	Executive/ Non-independent	Saudi	46	21/09/2017G	-	-
Mohammed Hasan Swoyed Aldosary	Member	Non-executive/ independent	Saudi	35	21/09/2017G	-	-
Melhem Fahad Melhem Al Masoud	Member	Non-executive/ independent	Saudi	35	21/09/2017G	-	-

Source: Company Management

### Company Address

**Saud Hizam Al-Qahtani Company for Public and International Auctions**

Dammam - Abqaiq Road  
P.O.Box 255, Dammam 31461  
Kingdom of Saudi Arabia  
Phone: + 966 (13) 8089551  
Fax: + 966 (13) 8223462  
E-mail: sr.vp@qahtaniauction.com  
Website: www.qahtaniauction.com

شركة سعود القحطاني للمزادات  
Saud Qahtani Auction Company



### Representatives of the Company to the Capital Market Authority

First Representative	Second Representative
<p><b>Faleh Saud Al Qahtani</b> Dammam - King Fahad Road P.O. Box 255 Dammam 31461 Kingdom of Saudi Arabia Tel: +966 (13) 842 2188 Fax: +966 (13) 842 1288 E-mail : ceo@qahtaniauction.com</p>	<p><b>Khalid Chouhani</b> Dammam - King Fahad Road P.O. Box 255 Dammam 31461 Kingdom of Saudi Arabia Tel: +966 (13) 842 2188 Fax: +966 (13) 842 1288 E-mail: kchouhani@qahtaniauction.com</p>

### Secretary of the Board of Directors

**Fahad Mohammed Jaafar Al Masoudi**

Dammam - Abqaiq Road  
P.O.Box 255, Dammam 31461  
Kingdom of Saudi Arabia  
Phone: + 966 (13) 8089551  
Fax: + 966 (13) 8223462  
E-mail: fahad@qahtaniauction.com

## Stock Market

### Saudi Stock Exchange (Tadawul)

Abraj Attawoniya, Northern Tower  
700 King Fahad Road  
P.O.Box 60612, Riyadh 11555  
Kingdom of Saudi Arabia  
Phone: +966 (11) 2189999  
Fax: +966 (11) 2181260  
E-mail: info@tadawul.com.sa  
Website: www.tadawul.com.sa



## Financial Advisor and Lead Manager

### Musharaka Capital Company

Al Khobar- Prince Turki Bin Abdul Aziz Street  
Adeer Tower- 13<sup>th</sup> Floor  
PO Box 712, Al Khobar 34413  
Kingdom of Saudi Arabia  
Tel: +966 (13) 804 4644  
Fax: +966 (13) 881 8412  
E-mail: info@musharaka.co  
Website: www.musharakacapital.com



## Legal Advisor

### Abdulwahab Al Essa & Associates Office - Lawyers & Legal Consultants

Riyadh - Al-Olaya General Road  
Al-Risais Commercial Tower - 7<sup>th</sup> Floor - Office 707  
PO Box 6468, Riyadh 3857-12211  
Kingdom of Saudi Arabia  
Tel: +966 (11) 4602906  
Fax: +966 (11) 4602907  
E-mail: alessa@awa.sa  
Website: www.awa.sa



## External Auditor

### Associated Accountants - Hamoud Al-Rubian & Partner (Chartered Accountants & Consultants) Independent Member of Geneva Group International

Riyadh, Al Worood District, Olaya General Road, Al Andalus Commercial Center, 6<sup>th</sup> Building  
PO Box 6093, Riyadh 3857-11555  
Kingdom of Saudi Arabia  
Tel: +966 (11) 4602551  
Fax: +966 (11) 4602470  
E-mail: info@aacpa.com.sa  
Website: www.aacpa.com.sa



## Authorized Person Selling the Shares

### Musharaka Capital Company

Al Khobar- Prince Turki Bin Abdul Aziz Street  
Adeer Tower- 13<sup>th</sup> Floor  
PO Box 712, Al Khobar 34413  
Kingdom of Saudi Arabia  
Tel: +966 (13) 804 4644  
Fax: +966 (13) 881 8412  
E-mail: info@musharaka.co  
Website: www.musharakacapital.com



*Note: All of the aforementioned parties have given and not withdrawn their written consent for indicating their names and logos along with including their statements in the form and context set out in this Prospectus; and none of these parties have withdrawn their consents until the date of this Prospectus; and neither of these parties nor any of their relatives or affiliates have any shares or interest of any kind in the Company as at the date of this Prospectus*

## Commercial Banks That the Company Deals With

### National Commercial Bank

King Abdulaziz Road  
P.O. Box 3555, Riyadh 21481  
Kingdom of Saudi Arabia  
Tel: +966 (12) 6464000  
Fax: +966 (12) 6464466  
E-mail: contactus@alahli.com  
Website: www.alahli.com



### Bank Albilad

Riyadh, Salah Al-Din Street  
P.O. Box 140, Riyadh 11411  
Kingdom of Saudi Arabia  
Tel: +966 (11) 479 8888  
Fax: +966 (11) 479 8909  
E-mail: info@bankalbilad.com  
Website: www.bankalbilad.com



### Al Rajhi Bank

Riyadh Al Olaya General Street  
P.O. Box 28, Riyadh 11411  
Kingdom of Saudi Arabia  
Tel: +966 (11) 2116000  
Fax: +966 (11) 2116400  
E-mail: contactcentre1@alrajhibank.com.sa  
Website: www.alrajhibank.com.sa



### Alinma Bank

Riyadh, King Fahad Road  
P.O. Box 66674, Riyadh 11586  
Kingdom of Saudi Arabia  
Tel: +966 (11) 2185555  
Fax: +966 (11) 2185000  
E-mail: info@alinma.com  
Website: www.alinma.com



## Receiving Bank of the Offering Proceeds – Escrow Account

### Arab National Bank

P.O. Box 56291, Riyadh 11564  
Kingdom of Saudi Arabia  
Tel: +966 (11) 402 9000  
Fax: +966 (11) 402 7747  
E-Mail: info@anb.com.sa  
Website: www.anb.com.sa



## OFFER SUMMARY

Prospective investors who desire to subscribe for the Offer Shares should read this entire Prospectus in full before making their decision to invest in the Offer Shares.

The Company	<p>Saud Hizam Al-Qahtani Company for Public and International Auctions was established on 19/01/1433H (corresponding to 14/12/2011G) as a partnership company in the name of Saud Hizam Al-Qahtani and his Partner Solidarity Company for Public and International Auctions. It was registered under Commercial Registration No. 2050087357, with a capital of SAR (100,000) one hundred thousand Saudi Riyals, divided into (10,000) shares. Later, it was converted into a one person limited liability company on 28/02/1438H (corresponding to 28/11/2016G) under the name Saud Hizam Al-Qahtani Company for Public and International Auctions. The Company has maintained its capital, number of shares, date of Commercial Registration and its branches. On 06/01/1439H (corresponding to 26/09/2017G) the Ministerial Resolution No. (Q/4) was issued, which converts the Company to a Saudi closed joint stock company with a capital of SAR (20,000,000) twenty million Saudi Riyals, fully paid, divided into (2,000,000) two million ordinary shares, with a par value of SAR (10) ten Saudi Riyals per share. The Company's capital was increased via transferring an amount of SAR (17,041,454) seventeen million, forty one thousand and four hundred and fifty four Saudi Riyals from the retained earnings for the year 2016G and transferring an amount of SAR (2,858,546) two million, eight hundred and fifty eight thousand and five hundred and forty six Saudi Riyals from the partners credit current account balance to the Company's capital account, as indicated in the audited financial statements for the year ended on 31 December 2017G. The Company maintained its name and Commercial Registration without change.</p>																													
Company's Activities	<p>The Company Articles of Incorporation stipulates that the Company's purposes include the following:</p> <ol style="list-style-type: none"> <li>1- Import and export of heavy and light machinery and equipment and their spare parts and holding auctions.</li> <li>2- Financial and business services as well as other services.</li> <li>3- Trade</li> <li>4- Mines and petroleum and their branches</li> <li>5- Manufacturing industries and its branches per industrial licenses.</li> <li>6- Electricity, gas, water and their branches</li> <li>7- Construction and building</li> <li>8- Transport, storage and cooling</li> <li>9- Social, group and personal services</li> <li>10- Information technology</li> <li>11- Security and safety</li> <li>12- Agriculture and Fishing</li> </ol>																													
Substantial Shareholders	<p>The following table indicates the names of the Substantial Shareholders and their Ownership in the Company Pre- and Post-Offering:</p> <table border="1" data-bbox="509 1503 1396 1771"> <thead> <tr> <th rowspan="2">Shareholder's Name</th> <th colspan="2">Pre-Offering</th> <th colspan="2">Post-Offering</th> </tr> <tr> <th>Number of Shares</th> <th>Ownership (%)</th> <th>Number of Shares</th> <th>Ownership (%)</th> </tr> </thead> <tbody> <tr> <td>Saud Hizam Jaafar Al-Qahtani</td> <td>1,600,000</td> <td>80%</td> <td>976,000</td> <td>48.8%</td> </tr> <tr> <td>Faleh Saud Hizam Al-Qahtani</td> <td>200,000</td> <td>10%</td> <td>122,000</td> <td>6.1%</td> </tr> <tr> <td>Saeed Saud Hizam Al-Qahtani</td> <td>200,000</td> <td>10%</td> <td>122,000</td> <td>6.1%</td> </tr> <tr> <td><b>Total</b></td> <td><b>2,000,000</b></td> <td><b>100%</b></td> <td><b>1,220,000</b></td> <td><b>61%</b></td> </tr> </tbody> </table>	Shareholder's Name	Pre-Offering		Post-Offering		Number of Shares	Ownership (%)	Number of Shares	Ownership (%)	Saud Hizam Jaafar Al-Qahtani	1,600,000	80%	976,000	48.8%	Faleh Saud Hizam Al-Qahtani	200,000	10%	122,000	6.1%	Saeed Saud Hizam Al-Qahtani	200,000	10%	122,000	6.1%	<b>Total</b>	<b>2,000,000</b>	<b>100%</b>	<b>1,220,000</b>	<b>61%</b>
Shareholder's Name	Pre-Offering		Post-Offering																											
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<b>Total</b>	<b>2,000,000</b>	<b>100%</b>	<b>1,220,000</b>	<b>61%</b>																										
Share Capital	(20,000,000) twenty million Saudi Riyals.																													
Total Number of Company Shares	(2,000,000) two million Ordinary Shares.																													
Nominal Value	(SAR 10) ten Saudi Riyals.																													
Total Number of Offer Shares	(780,000) seven hundred and eighty thousand Ordinary Shares.																													



Percentage of Offer Shares from the Share Capital	(39%) Thirty-nine percent.
Offer Price	(SAR ٥٥) ٥٥ Saudi Riyals per Share.
Total Value of Offer Shares	(SAR ٥٥) ٥٥ Saudi Riyals
Use of Proceeds and Future Projects	The Offering Proceeds amounting to SAR (٥٥) will be distributed to the Selling Shareholders based on pro rata basis (after deduction of the Offering Expenses (amounting to SAR ٥٥)) and the Company will not receive any portion of the net Offering Proceeds. (For more details please refer to section “6- Use of Proceeds and Future Projects“).
Targeted Categories of Investors	<p>The Qualified Investors are:</p> <ol style="list-style-type: none"> <li>1- Authorised Persons acting for their own account.</li> <li>2- Clients of a person authorised by the Authority to conduct managing activities provided that this Authorised Person has been appointed as an investment manager on terms which enable it to make decisions concerning the acceptance of an Offer and investment in the Parallel Market on the client’s behalf without obtaining prior approval from the client.</li> <li>3- The Government of the Kingdom, any government body, any supranational authority recognised by the Authority or the Exchange, and any other stock exchange recognised by the Authority or the Securities Depository Centre.</li> <li>4- Government-owned companies, either directly or through a portfolio managed by a person authorised to carry out managing activities.</li> <li>5- Companies and funds established in a member state of the Cooperation Council for the Arab States of the Gulf.</li> <li>6- Investment Funds.</li> <li>7- Non-resident foreigners permitted to invest in the Parallel Market and who meet the requirements stipulated in the Guidance Note for the investment of Non-Resident Foreigners in the Parallel Market.</li> <li>8- Qualified foreign financial institutions.</li> <li>9- Any other legal persons allowed to open an investment account in the Kingdom and an account at the Depository Centre.</li> <li>10- Natural persons allowed to open an investment account in the Kingdom and an account at the Depository Centre, and fulfil any of the following criteria: <ol style="list-style-type: none"> <li>a- Has conducted transactions in security markets of not less than 40 million Saudi Riyals in total, and not less than ten transactions in each quarter during the last twelve months</li> <li>b- His net assets is not less than 5 million Saudi Riyals.</li> <li>c- Works or has worked for at least three year in the financial sector.</li> <li>d- Holds the General Securities Qualification Certificate, which is recognised by the Authority.</li> <li>e- Holds professional certificate that is related to securities business and accredited by an internationally recognised entity.</li> </ol> </li> <li>11- Any other persons prescribed by the Authority.</li> </ol>
Subscription Method	The Financial Advisor will provide the Subscription Forms at his head office as well as the Company’s head office. The Subscription Forms should be submitted to the Financial Advisor only.
Minimum Number of Offer Shares to be applied for	(10) Shares
Value of the Minimum Number of Offer Shares to be applied for	(SAR ٥٥) ٥٥ Saudi Riyals
Maximum Number of Offer Shares to be applied for	(99,999) Ninety nine thousands nine hundred and ninety nine shares
Value of Maximum Number of Offer Shares to be applied for	(SAR ٥٥) ٥٥ Saudi Riyals

Method of Allocation and refund of excess monies	The Subscription to Offer Shares will be through submitting the Subscription Forms and transfer of funds to the Escrow Account of the Offering directly pursuant to the Subscription Form. Shares offered for subscription will be allocated as proposed by the Financial Advisor and the Lead Manager in consultation with the Issuer. The Offering excess monies (if any) will be refunded to subscribers without deductions or commissions. The final allocation and refund of the Subscription Surplus, if any, will be announced by the end of Monday 11/07/1440H (corresponding to 18/03/2019G).
Offering Period	Starting from Thursday 09/06/1440H (corresponding to 14/02/2019G) to Monday 27/06/1440H (corresponding to 04/03/2019G)
Shares' Entitlement for Dividends	The Offer Shares shall be entitled to any profits announced by the Company from the date of the Prospectus and in the subsequent fiscal years (see Section 5 - Dividend Policy).
Voting Rights	Any shareholder may attend the meetings of the General Assembly and vote on its resolutions regardless of the number of shares he holds in the Company; noting that there are no preferential rights for any Shareholder.
Lock-up Period/ Restrictions on Dealings with Shares	Any of the persons whose names are shown in this Prospectus (Page x) may not dispose of their Shares within the twelve months period following the date on which the Company's Shares start to be traded. Such persons may dispose of their Shares after the expiry of this period without the need to obtain the approval of the Capital Market Authority.
Listing of Shares	Prior to the Offering of the Company Shares in the Parallel Market, 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 Parallel Market. All supporting documents required by the CMA have been supplied, and all relevant approvals pertaining to this Prospectus and the Offering have been granted. Trading in the Offer Shares on the Parallel Market is expected to commence shortly after the final allocation of the Offer Shares and the fulfillment of necessary conditions and procedures (see the Section "Key Dates and Subscription Procedure")

## KEY DATES AND SUBSCRIPTION PROCEDURE

### Key Dates

The following table shows the expected date of the Offering, which must be known by the Investors:

Item	Dates
Offering Period	Starting from Thursday 09/06/1440H (corresponding to 14/02/2019G) to Monday 27/06/1440H (corresponding to 04/03/2019G)
Deadline for transfer of subscription monies	Monday 27/06/1440H (corresponding to 04/03/2019G)
Announcement of final Offer Shares allocation and notifying the subscribers	Tuesday 05/07/1440H (corresponding to 12/03/2019G).
Refund of excess subscription monies (if any)	Monday 11/07/1440H (corresponding to 18/03/2019G)
Expected trading commencement date for the Shares	The Shares trading commencement in the Parallel Market is expected to start after completing all the relevant legal requirements and procedures. Announcement of the Shares trading commencement will be made through local newspapers and Tadawul's website ( <a href="http://www.tadawul.com.sa">www.tadawul.com.sa</a> ).

*Note: The above timetable and dates therein are indicative. Actual dates will be communicated through announcements appearing in local daily newspapers and on the Tadawul website ([www.tadawul.com.sa](http://www.tadawul.com.sa)), Financial Advisor website ([www.musharakacapital.com](http://www.musharakacapital.com)), and the Company's website ([www.qahtaniauction.com](http://www.qahtaniauction.com)).*

## HOW TO APPLY FOR THE OFFERING

Qualified Investors should submit a signed Subscription Form to the Financial Advisor and Lead Manager, whether by hand or by email (with the obligation to deliver the original copies by post mail) as a necessary step to demonstrate their willingness to subscribe. The Subscription Form and the transfer of funds to the Escrow Account and the deposit of funds into that Account must be done by 4 p.m. on Monday 27/06/1440H (corresponding to 04/03/2019G), which represents the last days of the Offering Period. The Qualified Investor shall attach all the required documents in the Subscription Form, in accordance with the instructions set forth in Section 8 “Information Concerning the Shares and Terms and Conditions of the Offer”. Upon completion of the Subscription Form, each Investor acknowledges that he has received and read this Prospectus and hereby acknowledges his wish to subscribe to the Offer Shares as set forth in the Subscription Form submitted by him.

The Company and the Financial Advisor reserve the right to reject any investment in whole or in part in the event that any of the Subscription Terms and conditions is not met. It is not permitted to amend or withdraw the Subscription Form after receiving it by the Financial Advisor. The Subscription Form constitutes a binding agreement between the Investor and the Company. In case of issuance of a Supplementary Prospectus, the Qualified Investor who subscribed to the Shares prior to the publication of the Supplementary Prospectus may cancel or amend its subscription to such Shares before the expiry of the Offering Period.

## SUMMARY OF BASIC INFORMATION

This summary is a brief overview of the information contained in the Prospectus and does not include all information that may be of interest to Qualified Investors. The recipients of this Prospectus must read it fully before making any decision whether to invest in the Company or not, meaning that the Summary should not be read solely. Some of the terms and abbreviations in this Prospectus are defined in the “Terms and Definitions” section.

## THE COMPANY

Saud Hizam Al-Qahtani Company for Public and International Auctions was established on 19/01/1433H (corresponding to 14/12/2011G) as a partnership company in the name of Saud Hizam Al-Qahtani and his Partner Solidarity Company for Public and International Auctions. It was registered under Commercial Registration No. 2050087357, with its capital of SAR (100,000) one hundred thousand Saudi Riyals divided into (10,000) ten thousand shares. Later, it was converted into a one person limited liability company on 28/02/1438H (corresponding to 28/112016G) under the name Saud Hizam Al-Qahtani Auction Company for Public and International Auctions. The Company has maintained its capital, number of shares, date of Commercial Registration and its branches. On 06/01/1439H (corresponding to 26/09/2017G) the Ministerial Resolution No. (Q/4) was issued, which converts the Company to a Saudi closed joint stock company with a capital of SAR (20,000,000) twenty million Saudi Riyals, fully paid, divided into (2,000,000) two million ordinary shares, with a par value of SAR (10) ten Saudi Riyals per share. The increase amounting to (SAR 19,900,000) nineteen million and nine hundred thousand Saudi Riyals was fulfilled via transferring an amount of SAR (17,041,454) seventeen million, forty one thousand and four hundred and fifty four Saudi Riyals from the retained earnings for the year 2016G and transferring an amount of SAR (2,858,546) two million, eight hundred and fifty eight thousand and five hundred and forty six Saudi Riyals from the partners credit current account balance to the Company’s capital account, as indicated in the audited financial statements for the year ended on 31 December 2017G. The Company maintained its name and Commercial Registration without change.

As stated in the Commercial Registration, the Company’s activities are wholesale and retail sale trading, import and export of heavy and light machinery and equipment and their spare parts, holding and organizing auctions under the letter of the Directorate of Traffic in the Eastern Province No. 7/3/3328/6, dated 10/09/1438H. It is worth mentioning that the said letter has no expiry date and it allows the Company to organize auctions all over other provinces of the Kingdom. The letter was issued from the Eastern Province, as it is the province where the head office of the Company is located. The Company has also obtained an authorization letter from the Ministry of Municipal and Rural Affairs – General Directorate of Markets, under No. 39026754, dated 02/04/1439H. This letter is renewed annually upon expiry via addressing a letter to the General Directorate of Markets in the Eastern Province Governorate, attached with all official documents of the Company. The authorization letter is issued for a one-year period. The Company also obtains an independent authorization to hold each auction. It addresses letters to the Governorate where the auction will be held, to the Administrative Control Department in the Governorate Police Department, the Ministry of Commerce and Investment branch, and Traffic Department branch in order to obtain the required temporary authorizations and ensure that there are no legal issues that prevent sale of properties offered at the auction. Procedures to obtain temporary authorizations for each auction are relatively easy.

## Substantial Shareholders in the Company Pre- and Post-Offering (Selling Shareholders):

The following table indicates the names of the current Shareholders (Selling Shareholders) and their Ownership in the Company Pre- and Post-Offering:

Shareholder's Name	Pre-Offering		Post-Offering	
	Number of Shares	Ownership (%)	Number of Shares	Ownership (%)
Saud Hizam Jaafar Al-Qahtani	1,600,000	80%	976,000	48.8%
Faleh Saud Hizam Al-Qahtani	200,000	10%	122,000	6.1%
Saeed Saud Hizam Al-Qahtani	200,000	10%	122,000	6.1%
<b>Total</b>	<b>2,000,000</b>	<b>100%</b>	<b>1,220,000</b>	<b>61%</b>

Source: Company Management

Selling Shareholders are prohibited from disposing of their shares for a period of twelve (12) months from the date of the commencement of the trading of the Company's Shares in the Parallel Market, which represents the Lock up Period. They may dispose of their shares after the end of the Lock up Period without the prior approval of CMA. With the exception of this Lock up Period, there are no existing reservations, prohibitions or restrictions on the shares of the Selling Shareholders.

## Company Vision

The Company seeks to be the biggest of the Companies specialized in organizing auctions for all purposes and in the various means in the local and regional markets.

## Company Mission

Provide distinct services to customers while maintaining confidentiality of information; accuracy of work, commitment and professional honesty, thus contributing to the enhancement of the Company's name and position among competitors.

## Company Values and Business Strategy

Pillars of Company values and business strategy are summarized as follows:

- 1- Customer comes first: The Company believes that the main reason for its distinction and continuity is the attention it pays to customers, as it cares for the satisfaction of its customers and fulfillment of their needs and requirements in a quick and efficient manner.
- 2- Quality: The Company is very keen on applying its own quality criteria that are applied internally among its employees and are reflected on its customers.
- 3- Social Responsibility: The Company undertakes its business in a manner that ensures its support to the local community and in line with the Kingdom directions.
- 4- Professionalism: The Company provides a professional and attractive work environment and it supports the career development of its distinct employees.
- 5- Respect: The Company works in a manner that ensures respect of all parties, including employees, customers and others. Culture of respect, credibility and transparency are among the most important principles of the Company.

## **Competitive Advantages of the Company**

The most important competitive advantages of the Company are:

- 1- Distinct reputation
- 2- Fees are not applied on returns.
- 3- Fees are not applied on Company's auction grounds.
- 4- High professionalism and provision of advice to customers with respect to the best methods and times for auctions.
- 5- Broad geographical outreach, whether through the branches of the Company in Dammam, Jeddah, and Yanbu; or through organizing and holding auctions in clients' locations.
- 6- Quick dealing and responding to customers.
- 7- Great attention to media; the Company continues to participate in and sponsor events that enhance the Company's reputation and its trademark, in line with the Company's plan to continue leading the market in which it operates and in coincidence with opening its two branches in the cities of Jeddah and Yanbu and its future expansion plans.
- 8- High profit margins and financial returns.

## SUMMARY OF FINANCIAL INFORMATION

The financial information summarized below should be read in conjunction with the Company's audited financial statements and explanatory notes contained in this Prospectus. The condensed financial information is based on the Company's audited financial statements for the year ended on 31st of December 2017G and the audited financial statements for the first quarter of 2018G.

### Operational Performance

Income Statement (in SAR)	As on 31 <sup>st</sup> of December 2017G	Q1 of 2018G
Revenue	29,221,434	8,057,588
Cost of revenue	(7,118,938)	(2,070,513)
Gross profit	22,102,496	5,987,075
Selling and marketing expenses	(1,285,400)	(232,435)
General and administration expenses	(1,586,815)	(590,770)
Income from Operations	19,230,281	5,163,870
Other income	688,174	191,800
Net Income before Zakat	19,918,455	5,355,670
Zakat	(678,795)	(113,376)
Net Income for the period	19,239,660	5,242,294

Source: The audited financial statements for the year ended on 31<sup>st</sup> of December 2017G and the audited financial statements for the first quarter of 2018G

### Financial Position

Statement of Financial Position (in SAR)	As on 31 <sup>st</sup> of December 2017G	Q1 of 2018G
Current assets	33,017,795	21,169,261
Non-current assets	10,992,010	28,262,033
<b>Total assets</b>	<b>44,009,805</b>	<b>49,431,294</b>
Current liabilities	3,469,634	5,148,947
Non-current liabilities	669,150	9,914,272
<b>Total liabilities</b>	<b>4,138,784</b>	<b>15,063,219</b>
Equity	39,871,021	34,368,075
<b>Total liabilities and equity</b>	<b>44,009,805</b>	<b>49,431,294</b>

Source: The audited financial statements for the year ended on the 31<sup>st</sup> of December 2017G and the audited financial statements for the first quarter of 2018G

### Cash Flowss

Statement of Cash Flows (in SAR)	As on the 31 <sup>st</sup> of December 2017G	Q1 of 2018G
Net cash from operating activities	26,132,959	(1,897,006)
Net cash used in investing activities	(608,644)	0
Net cash from financing activities	(28,353,415)	1,798,650
Net cash (used in) / generated during the period	(2,829,100)	(98,356)
Net cash at the beginning of the year	8,274,166	5,445,066
Cash at year end	5,445,066	5,346,710

Source: The audited financial statements for the year ended on the 31<sup>st</sup> of December 2017G and the audited financial statements for the first quarter of 2018G

## Key Indicators

Key Indicators	As on the 31 <sup>st</sup> of December 2017G	Q1 of 2018G
Return on equity	48%	15%
Return on assets	44%	11%
Average growth of revenue compared to corresponding period last year	(1%)	48%
Gross profit margin	76%	74%
Profit margin from operating activities	66%	64%
Net profit margin	66%	65%
Trading Ratio (times)	10	4

Source: Based on the audited financial statements for the year ended on the 31<sup>st</sup> of December 2017G and the audited financial statements for the first quarter of 2018G

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## 1. Terms and Definitions

The following table lists terms, definitions, and abbreviations used in this Prospectus:

**Table (1-1): Terms and Definitions**

Term	Definition
Al-Qahtani Auctions Company / Saud Al-Qahtani Auctions Company / Company / Issuer	Saud Hizam Al-Qahtani Company for Public and International Auctions.
Par value	Ten (10) Saudi Riyals per Share.
Offer Shares / Shares offered for subscription	780,000 Ordinary Shares of the Company.
The Offering	Seven hundred and eighty thousands (780,000) Ordinary Shares, representing thirty nine percent (39%) of the Company's total Share Capital.
Shareholders Shares before the Offering	2,000,000 Ordinary Shares of equal value representing 100% of the Company total Share Capital.
Shareholders Shares after the Offering	1,220,000 Ordinary Shares of equal value representing 61% of the Company total Share Capital.
Executive Management / Management / Higher (Senior) Management	Higher management and managers at Higher management levels of Saud Hizam Al-Qahtani Company for Public and International Auctions.
Official Newspaper	Um Al Qura Newspaper, Official Gazette of the Government of Saudi Arabia.
The Government	The Government of the Kingdom of Saudi Arabia.
The Market / the Exchange	the Saudi Stock Exchange Company ("Tadawul") or the Saudi Stock Exchange including where the context permits any committee, sub-committee, employee, officer, affiliate or agent to whom any function of the Exchange may for the time being be delegated, and "on Exchange" means any activity taking place through or by the facilities provided by the Exchange.
Parallel Market	The market of Exchange where shares, that have been registered and offered pursuant to Part 8 of the Rules on the Offer of Securities and Continuing Obligations, are traded.
Person	Any natural or legal person recognized as such under the laws of the Kingdom.
Financial Statements	The Company's audited financial statements for the financial year ended 31 December 2017G and the audited financial statements for the first quarter of 2018G.
Subscriber / Investor	Each Qualified Investor who subscribes or submits an application for subscription in accordance with the terms and conditions of subscription.
Shareholders	Shareholders at any time.
Financial Advisor / Lead Manager / Authorized Person for Offering or Selling of Shares	Musharaka Capital Company, which has been appointed by Saud Hizam Al-Qahtani Co. for Public and International Auctions as the Financial Advisor and Lead Manager with regard to the Offering of its Shares in the Parallel Market.
Kingdom	The Kingdom of Saudi Arabia.
By-Laws	The By-Laws (Articles of Association) of Al-Qahtani Auctions Company
The Ministry	The Ministry of Commerce and Investment, Kingdom of Saudi Arabia.
Riyal or SAR or SR	The Saudi Riyal, the local currency of the Kingdom of Saudi Arabia.
Offer Price	SAR 10 per Share.
Offering Period	From Thursday 09/06/1440H (corresponding to 14/02/2019G) to Monday 27/06/1440H (corresponding to 04/03/2019G)
Offering Proceeds	Total value of subscribed Shares.
Net Offering Proceeds	Net of Offering proceeds after deduction of Subscription expenses.
Escrow Account	An account with the Arab National Bank dedicated to the deposit of Offering Proceeds, which shall be transferred to the Company's account or the accounts of Selling Shareholders at the end of the Offering process.

Term	Definition
Rules on The Offer of Securities and Continuing Obligations	Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Capital Market Authority pursuant to its resolution No. 3-123-2017 dated 9/4/1439H (corresponding to 27/12/2017G) based on the Capital Market Law issued by Royal Decree No. M / 30 dated 2/6/1424H as amended by resolution of the Board of the Capital Market Authority No. 3-45-2018 dated 07/08/1439H (corresponding to 23/04/2018G).
Listing rules	The Listing Rules proposed by the Board of the Exchange and approved by the Board of the Authority.
The Board / the Board of Directors / Directors	Board of Directors of Saud Hizam Al-Qahtani Company for Public and International Auctions.
Listing	The listing of securities in the Parallel Market, or where the context allows, submitting an application to the Exchange for listing securities.
Company Consultants/Advisors	Are the Company Advisors in connection with the listing of its Shares in the Parallel Market and whose names appear on page (iv) of this Prospectus.
Prospectus	This Prospectus, which is the document required to offer securities in the Parallel Market in accordance with the Capital Market Law and the Rules on the Offer of Securities and Continuing Obligations.
Subscription Form	Subscription Form for offered Shares.
Capital Market Authority (CMA)/ the Authority	The Capital Market Authority, including where the context permits any committee, sub-committee, employee or agent to whom any function of the Authority may be delegated.
The Saudi Authority for Accredited Valuers	The Saudi Authority for Accredited Valuers was established by Royal Decree No. M/43 dated 9/7/1433H as an independent and non-profit legal entity. It operates under the supervision of the Ministry of Commerce and Investment with an independent budget and a Board of Directors headed by the Minister of Commerce and Investment. The Authority seeks to regulate and develop the valuation profession, certify qualified valuers and implement international valuation standards to educate and increase community awareness of this profession.
The Law	The Capital Market Law issued by Royal Decree Number. M/30, dated 02/06/1424H and any amendments thereto.
Companies law / Regulations	The Companies Law issued by Royal Decree No. (M/3) on 28/1/1437H, and all amendments thereto.
Selling Shareholders	Shareholders of the Company listed on page (x).
Substantial shareholder	A persons holding (5%) or more of the class of shares of the issuer.
General Assembly	The General Assembly of the Company Shareholders.
Corporate Governance Regulations	Corporate Governance Regulations issued by the Board of the Authority.
Risk Factors	Is a set of potential risks that must be known and hedged before taking an investment decision. These risks can be categorized into: <ol style="list-style-type: none"> <li>1- Risks related to the Company's activities and operations.</li> <li>2- Risks related to the market and the sector in which the Company operates.</li> <li>3- Risks related to the Offered Shares.</li> </ol>
Related Party / Parties	With respect to the Rules on Offering Securities and Continuing Obligations, shall refer to the following: Affiliates of the Issuer. <ol style="list-style-type: none"> <li>1- Substantial Shareholders of the Issuer.</li> <li>2- Members of the Board of Directors and Executive Management of the Issuer.</li> <li>3- Members of the Boards of Directors and Executive Management of Issuer's affiliates.</li> <li>4- Members of the boards of directors and Executive Management of Substantial Shareholders in the Issuer.</li> <li>5- Any relatives of the persons referred to in (1, 2, 3, 4 or 5) above.</li> <li>6- Any company controlled by any person referred to in (1, 2, 3, 4, 5 or 6) above.</li> </ol>
Closing day	The end date of the Offering Period which shall be on Monday 27/06/1440H (corresponding to 04/03/2019G)

Term	Definition
Prohibition Period/Lock-in	Substantial Shareholders of the Company whose names are shown in this Prospectus may not dispose of their Shares within the twelve months period following the date on which the Company's Shares start to be traded in the Parallel Market (refer to Section "Substantial Shareholders in the Company Pre- and Post-Offering (Selling Shareholders)", page (x)). Such persons may dispose of their Shares after the expiry of this period without the need to obtain the approval of the Capital Market Authority.
First-degree relatives	Father, mother, husband or wife, sons and daughters.
VAT	Is an indirect tax imposed on all goods and services purchased and sold by firms, with some exceptions. The Kingdom of Saudi Arabia has imposed a value added tax equals to 5% starting from 14/04/1439H (corresponding to 01/01/2018G). The value added tax is levied at each stage of the supply chain from production to distribution to the final sale of a commodity or service. The consumer pays the cost of VAT on the goods and services he or she buys, and firms pay the value added tax collected from consumer purchases to the General Authority of Zakat and Tax. Firms also recover the tax they paid to their suppliers.
Saudization/ Nationalization	Labor regulations in the Kingdom of Saudi Arabia that require companies operating in the Kingdom to employ a specified percentage of Saudis.
Voting rights	all the voting rights attributable to the shares of a company which are exercisable at a general meeting.
Award of Contracts and Approvals	These are approval letters issued by the Execution Courts in the Kingdom to award contracts to the Company to hold public auctions for the sale and liquidation of assets and property of parties where judicial rulings are issued for them.
Guidance Note for the investment of Non-Resident Foreigners in the Parallel Market	The Guidance Note for the investment of Non-Resident Foreigners in the Parallel Market issued by the Capital Market Authority Board pursuant to Decision No. (4-95-2017) dated 26/01/1439H, (corresponding to 16/10/2017G), pursuant to the Capital Market Law promulgated by Royal Decree No. M/30 and dated 02/06/1424H.
Qualified Investor / Investors	<p>Any of the following persons:</p> <ol style="list-style-type: none"> <li>1- Authorized Persons acting for their own account.</li> <li>2- Clients of a person authorized by the Authority to conduct managing activities provided that this Authorized Person has been appointed as an investment manager on terms which enable it to make decisions concerning the acceptance of an Offer and investment in the Parallel Market on the client's behalf without obtaining prior approval from the client.</li> <li>3- The Government of the Kingdom, any government body, any supranational authority recognized by the Authority or the Exchange, and any other stock exchange recognized by the Authority or the Securities Depository Center.</li> <li>4- Government-owned companies, either directly or through a portfolio managed by a person authorized to carry out managing activities.</li> <li>5- Companies and funds established in a member state of the Cooperation Council for the Arab States of the Gulf.</li> <li>6- Investment Funds.</li> <li>7- Non-resident foreigners permitted to invest in the Parallel Market and who meet the requirements stipulated in the Guidance Note for the investment of Non-Resident Foreigners in the Parallel Market.</li> <li>8- Qualified foreign financial institutions.</li> <li>9- Any other legal persons allowed to open an investment account in the Kingdom and an account at the Depository Center.</li> <li>10- Natural persons allowed to open an investment account in the Kingdom and an account at the Depository Center, and fulfil any of the following criteria: <ol style="list-style-type: none"> <li>a. Has conducted transactions in security markets of not less than 40 million Saudi riyals in total, and not less than ten transactions in each quarter during the last twelve months.</li> <li>b. His net assets is not less than 5 million Saudi Riyals.</li> <li>c. Works or has worked for at least three years in the financial sector.</li> <li>d. Holds the General Securities Qualification Certificate which is recognized by the Authority.</li> <li>e. Holds a professional certificate that is related to securities business accredited by an internationally recognized entity.</li> </ol> </li> <li>11- Any other persons prescribed by the Authority..</li> </ol>

Term	Definition
Non-resident foreigners allowed to invest in the Parallel Market	<p>The following categories of foreigners who do not reside in the Kingdom are allowed to invest in the Parallel Market:</p> <ul style="list-style-type: none"> <li>a- Qualified foreign investor according to the Rules for Qualified Foreign Financial Institutions Investment in Listed Securities.</li> <li>b- Ultimate beneficiary in swap agreement with an authorized person.</li> <li>c- Legal person allowed to open an investment account in the Kingdom and an account at the Depository Center and are licensed or incorporated in a jurisdiction that applies regulatory and monitoring standards equivalent to those of the Authority or acceptable to it in accordance with the list of jurisdictions issued by the Authority as required in sub-paragraph (2), and sub-paragraph (3) of paragraph (a) of article 6 of the Rules for Qualified Foreign Financial Institutions Investment in Listed Securities.</li> <li>d- Natural person holding the nationality of a country that applies regulatory and monitoring standards equivalent to those of the Authority or acceptable to it in accordance with the list of jurisdictions issued by the Authority as required in sub-paragraph (2), and subparagraph (3) of paragraph (a) of article 6 of the Rules for Qualified Foreign Financial Institutions Investment in Listed Securities, and resides in such countries, and fulfil any of the following criteria: <ul style="list-style-type: none"> <li>1- Has conducted transactions in security markets of not less than 40 million Saudi riyals in total and not less than ten transactions in each quarter during the last twelve months.</li> <li>2- Has an average portfolio that exceeds 10 million Saudi Riyals during the last twelve months.</li> <li>3- Holds a professional certificate specialized in the securities business and accredited by the Authority or by an internationally recognized entity.</li> </ul> </li> </ul>

## 2. Risk factors

Investment in the Shares offered under this Prospectus involves high risks, and may only suit investors capable of assessing the benefits and risks of this investment, and bear any losses may result thereof.

Anyone wishing to invest in the Offer Shares must carefully study all the information contained in this Prospectus, including the risk factors set out below before making the investment decision. The risks described below may not cover all the risks that the Company may face. In fact, there could be additional factors not currently known to the Company that might affect its operations.

The Company's business, financial conditions, future prospects, operating results and cash flows may be adversely and significantly affected if any of the risks included in this section are realized, which the Company management deems at present to be immaterial. As well as any other risks not identified by the Board of Directors or currently classified as immaterial, but may actually occur and become material.

Equity investment is only suitable for investors who are able to assess the risks and rewards of such investment and who have sufficient resources to bear any loss that may result from such investment. The investor (who is qualified to invest in the Offer Shares), who has any doubt as to the action to be taken with respect to the appropriateness of the investment, should consult a professional adviser who is specialist in giving advice with respect to the purchase of Offer Shares and securities.

If any risk of the risks occurs or is realized which the management currently believes to be significant, or any other risk the management is unable to determine or which it deems to be insignificant at present is realized, the Company may suffer a decline in its share price and an impairment of its ability to distribute dividends to shareholders. Moreover, a potential investor may suffer total or partial loss of his investment in the Shares of the Company.

Members of the Board of Directors hereby acknowledge that, to the best of their knowledge and belief, there are no other significant risks as at the date of this Prospectus other than those mentioned in this section, which may affect investors' decisions whether to invest in the Offer Shares.

The risks and uncertainties set out below are presented in a random sequence that does not reflect their significance. Additional risks and uncertainties, including those currently unknown or immaterial, may have the effects described above.

### 2-1 Risks related to Company operations

#### Risks related to concentration of revenues

The Company's current business activity is mainly organizing and preparing auctions, with 96.91% of the Company total revenues from organizing and preparing auctions. Other revenues from other support activities including service revenues (transfer of ownership), vehicle insurance services, Government services and after-auction sales services including auto maintenance and polishing center accounted for 3.09% of the Company total revenue. Because of the nature of the auction activity, in terms of executing contracts that may be open-ended contracts and associated with multiple auctions during the contract term or contracts of a non-continuous nature (i.e. the Company executes only one auction for the client), there is no concentration of revenue by specific clients. Moreover, the Company diversifies its client base to include private companies and Government entities. The contract signed with the Civil Aviation Authority is considered to be the Company's largest ongoing contract. However, the percentage of revenues resulting from carrying out some of this contract auctions in 2017G accounted for only 6.86% of the Company total revenues since it is carried out in stages.

In view of the above, if the Company main activity is interrupted for any reason, including any new related regulatory order, Company breaches one of its large contracts, Company failure to retain its continuous clients who have signed open contracts (even if there is no revenue concentration from a single client), or if current contracts expire or cannot be renewed, there will be a negative and material impact on Company operations, financial position and profitability.

#### Risks of increased competition

The Company faces risks related to the possibility of price pressures due to the nature of its activity, specifically in the eastern region of the Kingdom, where the Company main competitors are present. If competitors or one of them reduces the fees they charge for organizing public auctions, then the Company will also reduce its fees in line with competitors, which will have a negative and substantial impact on the Company revenue, profitability and financial position.

### **Risks related to reputation and quality**

The Company intends to expand its current activities to include new ones such as real estate auctions as well as entering new markets, which will make it a challenge for the Company to maintain its reputation and quality. Although the Company is confident of its ability to maintain its reputation and the quality of its services, yet, it may face conditions that affect its ability to complete the expansions and / or make it unable to raise its efficiency and maintain quality and reputation, whether due to its failure to adapt to market changes or take necessary decisions to enhance the Company reputation or due to the inability of the Company staff to serve its new clients in a manner that ensures their satisfaction with quality and performance. If any of these occur, it will adversely affect the Company revenues and operational results.

### **Risks related to Company's inability to manage its current and future operations under one management team**

The Company currently operates in Dammam, Jeddah and Yanbu, but it is considering primarily to expand and enter new cities in the Kingdom. If the Company succeeds to do that, it will face a major challenge in terms of being able to manage its operations under a single management team. In the event that the Company management is unable to deal with these changes in its operations while maintaining efficiency and quality at the same time, the Company operational results and financial position will be adversely affected.

### **Risks related to management decisions**

Company operational results are dependent mainly on the ability of its management team to make the right and appropriate decisions regarding its business and activities. If the Company management makes the wrong decisions regarding its business, this will negatively impact the Company performance, profitability and operational results.

### **Risks related to dependence on key Staff**

The Company depends on the capabilities and expertise of its key employees, and thus the Company ability to achieve its objectives and success depends greatly on its ability to retain its key employees and attract the appropriate competencies for Company business. If the Company is unable to do so, then the Company operations, financial position and operational results will be negatively and significantly affected.

### **Risks of staff misconduct**

Any employee misconduct that may constitute a breach of any applicable laws or regulations will result in penalties or financial obligations on the Company or hurt the Company reputation. Such errors may include illegal activities, misuse of information, disclosure of confidential information, involvement in the dissemination of misleading information or non-compliance with internal controls. If such errors occur, this will adversely affect the Company performance and operational results.

### **Risks related to employees who are not under the company sponsorship**

The Company has signed contracts for the use of labor with companies owned by the Chairman of the Board, which means the presence of foreign employees in the Company who are not under its sponsorship. Moreover, the Company has Saudi employees who are not registered within the Company employees at the General Organization for Social Insurance as at the date of this Prospectus. The total number of Company employees as at 31 March 2018G was 76 employees, including 5 Saudi employees and 14 non-Saudi employees under the Company sponsorship and registered with the General Organization for Social Insurance, representing 25% of the total number of employees. For the rest of employees (57, 75%), contracts have been signed to use their services as mentioned under the "numbers of the Company employees", Section 3 - "Background on the Company and the Nature of its Business". All contracts are for one year renewable at the beginning of each contract. The Company is currently in the process of transferring all employees to be under its sponsorship in accordance with contracts concluded with the companies and establishments of Mr. Saud Al-Qahtani (a related party). These contracts have been approved by the Board of Directors unanimously on 23/06/1439H corresponding to 11/03/2018G for a year ending on 29 February 2019G. It is expected that sponsorship of employees will be transferred before the end of the contractual period. If the transfer is not carried out or if the Company does not renew the contracts, then Company may find it difficult to provide suitable replacement for these employees, which will negatively affect Company operations and financial performance.

It is worth mentioning that the Company has obtained approval for these transactions from shareholders (other than



related parties) on 23/ 06/ 1439H (corresponding to 11/03/2018G). They are Mr. Saeed Saud Hizam Al Qahtani (Vice Chairman) who owns 10% of the Company and Faleh Saud Al-Qahtani (CEO and Managing Director) who also owns 10% of the Company's Shares. Therefore, the Company is not in violation of the labor regulations or Companies' Law, since these workers are legally registered under companies owned by the Chairman of the Board, and contracts have been signed for using their services, and this has been voted in the General Assembly.

### Risk of high labor cost

The Company relies heavily on leased labor. Consequently, leased labor costs are likely to rise after the expiry of contracts signed between the Company and other companies that sponsor the employees. Moreover, even after transferring the employees under the Company sponsorship, labor costs may rise because of any regulatory or other reasons. If any of the foregoing occurs, this will adversely affect the Company operations and financial performance. It is worth mentioning that Saudi Arabia has imposed monthly fees on expatriate workers dependents as of July 2017 within the program of financial balance approved by the Council of Ministers in the Kingdom. Moreover, the Kingdom will impose fees on all expatriate workers, irrespective if their numbers are more or less than the specified ratios, during the year 2018. These fees will rise gradually in the years 2019 and 2020, in line with the increased fees on expatriate workers dependents. The following table shows details of these fees and how they will increase from year to year:

**Table (2-1): Expatriate dependent fees**

Year	Expatriates Exceed Allowed Ratios	Expatriates Within Allowed Ratios	Dependents
July 2017G	-	-	100 Riyals per month as of first of July
2018G	Increase to 400 Riyals per month as of first January	300 Riyals per month as of first January	Increase to 200 Riyals per month as of first July
2019G	Increase to 600 Riyals per month as of first January	Increase to 500 Riyals per month as of first January	Increase to 300 Riyals per month as of first July
2020G	Increase to 800 Riyals per month as of first January	Increase to 700 Riyals per month as of first January	Increase to 400 Riyals per month as of first July

Although the vast majority of Company non-Saudi employees currently reside alone, yet the Company may have difficulty in retaining some of its employees who are currently accompanied by their families. It may also be difficult to recruit more non-Saudi employees in the coming years because they may not see the above fees as feasible for living in the Kingdom. The Company does not bare dependent fees, since only five employees are accompanied by their families as of the date of this Prospectus. As for the financial burden that the Company will incur as a result of fees paid for expatriates in excess of the Saudis, it will negatively affect the Company, its profits, its operational results and its financial position. The Company management expects the negative impact in 2018 to be SR 262,800 (this includes current employees leased from other companies as indicated in "Risks of employees who are not under Company sponsorship"). This will increase to SR 428,400 in 2019, and to SR 624,000 in 2020 by the end of the expatriate dependent fees program, based on the expected number of employees whether they are under the Company's sponsorship or leased from other companies during those years.

### Risks related to the Saudization

The labor laws in the Kingdom of Saudi Arabia require all firms to have a minimum Saudization rate not less than a specified percentage, which varies depending on the companies activities. The Ministry of Labor and Social Development may decide to impose stricter policies on companies with regard to the required Saudization rate in the future. In the event that the Company fails to comply with these laws, it may face penalties such as suspending the issuance of necessary work visas, suspending the issuance of necessary approvals to transfer the sponsorship of non-Saudi employees, and prohibiting the Company from getting any loans and other government incentives, which may negatively impact Company operations and financial performance. The Company has achieved the required Saudization rate, which reached 21% as at 31/12/2017.

## Risks related to legal cases

There are no legal cases brought by or against the Company or threatened to be brought against the Company in the near future as of the date of this Prospectus. However, in general, the Company may be at risk of future legal cases. If legal cases are filed against the Company in the future and court rules for the Company to pay money to others, then this will adversely affect the Company financial position and operational results at the time.

However, there are legal cases brought against other companies and establishments owned by the Selling Shareholders and have been transferred and charged to the Selling Shareholders in their personal capacity due to delays in resolving the cases by those companies and establishments. The following table details these cases:

**Table (2-2): Summary of legal cases**

Defendant	Name of applicant	Date of case/suit	Type of case / suit	Amount (SR)	Case/ Suit Summary
Saud Al Qahtani & Partner Co. for General Contracting	Arabian Tasheelat Establishment: Member of Almajdouie Motor Company	06/11 / 1439H	Delayed payment	2,800,000	Arabian Tasheelat Establishment filed a lawsuit with the Execution Court in Dammam, due to the delayed payment of installments by "Saud Al-Qahtani & partner Co. for General Contracting". These installments are monthly payments for one hundred and twenty cars purchased in 2012. Note that the mentioned company committed to pay since the date of purchase of cars and the delay was for this year 2018 only. The case is currently being finalized. A conciliation record will be made to waive the case on 29 Muharram 1440H by paying SR 1 million and the remaining balance will be paid later.
Saud Al Qahtani Transport Est	Haji Husein Alireza & Co. Ltd.	17/10 / 1439H	Delayed payment	1,100,000	Haji Husein Alireza & Co. Ltd. filed a case with the Execution Court in Al Khobar against Saud Al-Qahtani Transport Est regarding the delay in payments for heavy vehicles purchased on installments from the company. The settlement and payment have been made, and case will be waived definitively on 21 Muharram 1440 AH.
Faleh Saud Hizam al-Qahtani	El Safw Limited Company	15/09 / 1439H	Check payment	38,000,000	A case was filed against Mr. Faleh Saud Hizam Al-Qahtani at the Execution Court in the city of Baqeeq by El-Safw Limited Company to demand payment of a personal guarantee check of 38 million. An amount of SR 15 million has been paid, and both parties agreed on reconciliation after payment of SR 3 million. The current seizure on Mr. Faleh will be lifted on 23 Muharram 1440H, and then complete the payment not later than Safar 1440H. Note that there is no objection to the sale of Mr. Faleh Shares in the Auction Company.
Saud Al - Qahtani Exhibitions Est	Petromin Company	08/09 / 1439H	Delayed payment	2,400,000	Petromin filed a lawsuit with the Execution Court in Jeddah against Saud Al - Qahtani Exhibitions Est for delayed payment of the final installment of a car deal between the two parties. A sum of 500,000 riyals was paid during the month of Shawwal, 1439H. Both agreed to sign a conciliation record and the payment of one million Riyals on 10 Muharram 1440H.
<b>Total</b>	-	-	-	<b>44,300,000</b>	

## **Risks related to failure to implement the action plan and achieve the targeted growth strategy**

The Company intends to enter into new markets within the Kingdom in the next five years. It is well known that entering new markets requires market studies and an understanding of each market variables and success factors. The Company will request a specialized entity to prepare a detailed market study after it is listed in the Parallel Market - Nomu - to find out if it is feasible to enter new markets or not. The Company will also enter into real estate auctions in 2018 to diversify its activities. However, there is a possibility that the Company may not achieve what it wants from these plans and expansions. The Company has signed two contracts for two real estate auctions, one in Jeddah from the Cedar Group (Salman Bay) and the other in Yanbu City through the Execution Court. However, these auctions have not been executed until the date of this Prospectus due to their request to postpone the execution of these auctions. No specific date has been set for the execution of these auctions until the date of the Prospectus. The Company is now in the process of completing its membership in the Saudi Authority for Accredited Valuers, and has registered with the Ministry of Justice system, and thus will be able to enter into real estate auctions tenders. If the new expansion plan for the targeted growth strategy fails for any reason, whether internal reasons such as failure to understand new market variables or external reasons such as changing relevant regulations that affect the future business plan, for example, then this will have negative and substantial impact on Company revenues, profitability and financial position.

## **Risks related to the recent transformation to a joint stock company and lack of experience in managing a listed joint stock companies**

Since the Company was previously managed as a limited liability Company, and it became a closed shareholding Company on 06/01/1439H (corresponding to 26/09/2017), senior management have limited experience in managing shareholding companies and how to comply with rules and regulations governing listed shareholding companies. Therefore, senior management or senior executives will have to make additional efforts to ensure that the Company complies with relevant regulations and disclosure requirements, which may reduce the time available to Executive Management to manage the daily Company business and thus, may negatively affect the Company business and operating results.

## **Risks of internal systems failure**

The Company has its own bylaws. If these bylaws fail or are not applied, this will have a negative impact on the Company financial position and operational results.

## **Risks associated with management information systems**

The Company signed a contract with Bahr Al Arab Information Systems Company on 09/01/2018 for developing an integrated ERP program that helps the Company make financial, administrative and regulatory decisions using the SMACC 6 version. The Company also made sure to provide technical support for its electronic systems, e-mail, and programs by entering into contract with CompuPower and Dimonive Company for safekeeping Company files and data. The total reliance on these systems or programs or its malfunction for any reason may result in erroneous decisions that have a negative and material impact on the Company, its financial position and operational results. The contract signed with Bahr Al Arab Information Systems includes training, warranty and maintenance for one year.

## **Risk of not getting a chance to organize new auctions**

Given the nature of the Company business, it faces the risk of not getting a chance to organize new auctions, as the organization of public auctions may not always be available. If the Company is unable to conduct new auctions in the future, then its profitability, operations and financial position will be adversely and significantly affected.

## **Risks of relying on leased sites**

The Company rents its entire premises in Dammam, Jeddah and Yanbu, including areas specific for auction yards. The lease contract for the auction yard of the Dammam branch extends for a period of ten years beginning on 15/04/2016, while the lease contract for the branch of Jeddah extends to twelve years from 01/02/1438H, and the lease contract for Yanbu branch extends to five years as of 01/02/1438 AH. In the event that the Company is unable to maintain the continuity of lease contracts beyond the mentioned periods or renew them under the same conditions or preferential conditions, the Company and its operational results will be adversely affected, as it may be difficult for the Company to find alternative plots of land suitable for the nature of its activities.

### **Risks of inability to obtain finance**

Although the Company hasn't got any loans or financing from third parties such as banks, finance companies, etc., it may resort to this option in the future. However, due to the nature of the Company activity, lenders may not agree to provide the necessary financing or may impose high fees on the Company, which will adversely affect the Company operations and profitability.

### **Risks of natural phenomena and disasters**

Natural disasters beyond the control of the Company may significantly damage its facilities and infrastructure in general. Any damage to the Company facilities, whether from floods, earthquakes, storms, fires or any other natural disaster may cause the Company to incur significant costs to rectify the effects of such disaster, and will severely affect the Company ability to carry out its operations and thus adversely affect its revenues and financial position.

### **Risks related to lack of insurance coverage**

The Company may incur very high costs when undertaking repairs due to catastrophic events such as fires and natural disasters that result in heavy losses. The Company has not obtained insurance coverage to cover such costs or losses as on the date of preparation of this Prospectus, which would adversely affect the Company operations and financial results. Furthermore, even if the Company obtained insurance coverage in the future, such insurance coverage may not be sufficient to cover the costs or losses the Company may incur.

### **Risks of inability to protect the brand**

The Company has a registered trademark in its name, so in case of any event that harms the reputation of this brand, it will have a negative impact on its value and the resulting revenue, which means that Company profitability will be affected negatively.

### **Risks of noncompliance with corporate governance regulations**

The Company complies with corporate governance provisions of the Companies' Law. As for the Corporate Governance Regulations issued by the Capital Market Authority (CMA), they are guidelines for companies listed on the Parallel Market as of the date of this Prospectus. The Company has taken some measures to implement corporate governance in accordance with the Corporate Governance Regulations of CMA, particularly with regard to the formation of the Board of Directors and its committees in order to understand and apply these regulations before they are mandatory. However, when the Corporate Governance Regulations become mandatory, the Company success in applying governance properly depends primarily on the extent to which the board members and employees, particularly the senior management, understand all these rules and procedures. Furthermore, when the Corporate Governance Regulations become mandatory, the violation of the rules and procedures stipulated in these Regulations will expose the Company to criminal offenses by the Capital Market Authority, which will adversely affect the Company reputation, operations and profitability.

### **Risks related to the Recent Formation of Board Committees**

The Company has formed the Audit Committee and the Nomination and Remuneration Committee to carry out the specific tasks assigned to each committee in accordance with the Corporate Governance Regulations issued by the Capital Market Authority (CMA) as mentioned above in "Risks of Non-compliance with the Corporate Governance Regulations". In view of the relatively recent decision to form these committees, at the time the Company became a closed joint stock company on September 26, 2017G, this may cause the discovery of some substantial matters related to the Company that were not known prior to the formation of these committees. In the event that the members of the committees appointed by the Company are not familiar with their duties or not experienced and aware of the operational requirements of these committees, this will have a negative impact on the Company business, financial position and operational results.

### **Risks of non-compliance with the Capital Market Law and its Implementing Regulations**

After listing the offered shares in the Parallel Market, the Company will be subject to the Capital Market Law as well as the rules, regulations, and circulars issued by the Capital Market Authority. If the Company fails to comply with these regulations and rules, it will be subject to penalties and fines, which will adversely affect the Company's operations, profitability and financial performance.

## **Risks of dependence on expatriate employees**

The Company relies heavily on expatriate staff in its operations, where foreign employees ratio is **80%** of the total staff. In addition, about **57%** of these foreign employees are from only three nationalities: Egyptian nationality (**21%**), Indian nationality (**21%**) and Yemeni nationality (**15%**). Therefore, if the regulations in the Kingdom change regarding the employment of expatriates or if the Company is unable to retain its employees, Company operations will be affected in a negative and substantial manner, which will negatively affect its profitability and financial position.

## **Risks of failure to obtain and renew necessary licenses, permits and certificates**

The Company shall obtain and maintain all necessary licenses, permits and regulatory approvals in respect of its activities and the conduct of its business. Such licenses include, but are not limited to, a license to conduct public auctions issued by the Ministry of Municipal and Rural Affairs, Company Registration Certificate issued by the Ministry of Commerce and Investment, Certificate of Membership in the Chamber of Commerce, Brand Registration Certificate, certificate of Saudization, Zakat and the General Organization for Social Insurance. In addition, most of these licenses and permits are subject to conditions under which licenses, certificates, permits and approvals may be suspended or terminated if the Company fails to meet and comply with those conditions. The Company has obtained all the necessary regulatory licenses. However, if the Company is unable to renew its existing licenses, if any of its licenses have been suspended or renewed on less favorable terms, or if the Company is unable to obtain additional licenses it may require in the future, its operations may be disrupted. Such disruption may result in additional costs to the Company, which will adversely affect the results of its operations and financial position. The Board of Directors acknowledges that all licenses and permits are valid and have not been suspended or their renewal suspended during the five years prior to this Prospectus.

## **Risks of non-compliance with Companies Regulation (Law)**

The Companies' law imposes certain regulatory requirements that the Company must comply therewith. The Company is currently in compliance with all requirements in the Companies' law, and must take the necessary measures to ensure continuity of compliance with such requirements, which may affect the Company's business plan or delay its implementation. The Companies' law imposed strict penalties for violating its mandatory provisions and rules. Therefore, the Company will be subject to such penalties in the event of non-compliance with these rules and provisions, which would have a negative and material impact on Company operations, financial position, and profitability.

## **Risks of related parties transactions**

Contracts and transactions with related parties include transactions with companies owned or controlled directly or indirectly by the Selling Shareholders, and transactions with the Selling Shareholders in their personal capacity. These transactions include the payment of some financial amounts due on the Company, in addition to some financing and commercial transactions. It also includes the leasing of land owned by a partner (the land of the main branch) under a long-term lease. The Company also leased labor from companies owned by Mr. Saud Hizam Al-Qahtani.

The Company does not guarantee that these agreements and transactions will continue in the future or will be approved to be renewed on an annual basis pursuant to the Companies' law. The Company Board of Directors and the General Assembly may not approve the renewal of such contracts and agreements. Related parties also may not agree to renew the existing contracts and agreements in accordance with the terms specified by the Company.

In the event that the Board of Directors or the General Assembly do not approve the renewal of these agreements or if the related parties do not agree to renew them on current terms, whether with respect to the leasing of land or labor or the use of transport services, the Company will bear more costs or face challenges in carrying out its operations. Understandably, this will negatively affect the Company performance and results.

As indicated in the audited financial statements for the first quarter of **2018G**, balance of debit transactions amounted to **SR 6,476,767**, all of which relate to amounts due on Mohammed Saud Al-Qahtani Equipment Rental Est. While balance of credit transactions amounted to **SAR 228,589** for the same period, amounts due to Mr. Saud Hizam Al-Qahtani and Saud Al-Qahtani Est for Transportation. However, Mohammed Saud Al-Qahtani Equipment Rental Est has fully paid its outstanding amounts. This will be reflected in the audited financial statements for the third quarter of **2018G**, which will be prepared by the Company on time, as the due date is **18 July 2018G**.

The audited financial statements for the first quarter of 2018G indicate that Mr. Saud Hizam Al-Qahtani paid the full amount he had previously withdrawn from the Company account amounting to SAR 17,653,076 as per the audited financial statements for the financial year ended 31 December 2017G. Payment was made by transferring his profits as at the date of conversion from one-person limited liability Company to a closed joint stock company on 26 September 2017G as these profits of SR 11,047,365 belonged to him alone as the only partner in the Company at the time. He also completed the required payment by assigning assets, which are equipment owned by him personally, to the Company. The assets were valued at SR 6,605,800, as assessed by the official authority approved by the Ministry of Trade and Investment, which is the authorized valuer in the Eastern Province. Thus, Mr. Saud Hizam Al-Qahtani paid a total of 17,653,165 Riyals, 89 Riyals more than the amount due to the Company.

Accordingly, the amounts due to related parties as at 31 December 2017G amounting to SR 263,500 represented 6.37% of the Company total liabilities (SR 4,138,784). However, in the first quarter of 2018G amounts due to related parties were SR 228,589, representing 1.52% of the Company total liabilities (SAR 15,063,219).

### **Risks related to lack of internal auditor**

The Company performs some internal control procedures that includes receiving periodic reports from the department managers about their observations and taking necessary actions based on these observations. The Company has also formed an audit committee, but there is no internal auditor or internal audit department at the Company until the date of this Prospectus. This limits the work of the Audit Committee, affects the Company's ability to achieve internal control and prepare reports required for the Audit Committee, and makes it difficult to investigate irregularities within the Company. This leaves the Company exposed to various risks related to compliance with the continued disclosure requirements of CMA after listing the Company in the Parallel Market, as well as other operational, administrative and supervisory risks, which will adversely affect the Company operations. The Company intends to appoint an internal auditor for the Company during the year 2018.

### **Risks related to value added tax (VAT)**

Saudi Arabia has applied the value added tax as of 01/01/2018G, an indirect tax imposed on all goods and services purchased and sold by the enterprises, with some exceptions specified by the General Authority for Zakat and Income. VAT is levied at each stage of the supply chain, from production to distribution to final sale. The consumer pays the cost of the value added tax on the goods and services he buys, while the enterprises pay the value added tax collected from consumer purchases, and recover the value added tax they paid to their suppliers.

According to the foregoing paragraph, the Company collects the value added tax (VAT) of 5% from its customers. This percentage applies to the fees clients pay to the Company (2.5% on the buying customers and 4% on the selling customers), not on the full value of the auction or full value of Goods sold, because the Company does not own these goods or assets. The Company arranges to display them in auctions and only executes those auctions. In other words, if the Company executes a public auction and the total auction revenue is ten million Saudi Riyals, the Company calculates its commission from the auction, namely two hundred and fifty thousand Riyals on the buyers (2.5%) and four hundred thousand Riyals on the sellers (4%). The VAT applies only to these fees, not to the full amount of revenue of the executed auction. The Company also pays VAT to all firms that provide services or sell goods to the Company. Therefore, the Company is required to pay the difference to the General Authority for Zakat and Income, which is the difference between the value added tax received by the Company from its customers and value added tax it paid to other firms. The Company applies the value added tax (VAT) appropriately, but there is no guarantee that this will continue, or that it will take all necessary measures to protect the Company against the Zakat and Income Tax Authority. If the Company fails to implement the VAT properly, then its operations, financial performance and profitability will be negatively affected.

## **2-2 Risks related to the market and the sector in which the Company operates**

### **Risks due to the easy business model**

The Company business activities do not require high Academic Qualifications or rare specializations, and the business model required for its activities is a simple model compared to some other activities that require competencies with high qualifications and extensive experience. Therefore, it is easy for those wishing to enter the market to simulate the business model followed by the Company and similar companies, which will increase the level of competition in the market and adversely affect Company operations and profitability.

### **Risks of low barriers to entry**

There are no factors that limit the entry of new competitors into the market in which the Company operates, whether those factors are regulatory requirements, monetary or others. Therefore, it is easy for new competitors to enter the market, which can adversely affect the Company profitability and operations.

### **Risks related to competition and inability to maintain market share**

The Company faces some competition, especially in the eastern region of the Kingdom. The Company's main competitors are present in this region compared to the rest of the Kingdom, such as Jeddah and Yanbu, which have no specialized auction companies. The Company opened new branches at the end of 2016 in both Jeddah and Yanbu, with one branch in each city. It also signed several agreements that allow it to operate in other areas of the Kingdom, which are still valid. Any change in the competitive environment may result in price changes, lower margins or loss of market share. The Company also may not achieve the desired results of its mentioned expansions and contracts for any reason. If any of the foregoing occurs, Company profitability and operations will be adversely affected.

### **Risks related to the general economy**

In general, there is a correlation between all companies and their performance with the economy in general, whether it is a positive or negative correlation. Since inception, the Company has achieved growth in the number of auctions per year and growth in the annual revenues of auctions organized. Although the economy witnessed slowdown in the Kingdom during the years 2015 and 2016G, the Company witnessed rapid growth in the number of auctions and the volume of revenues as a result of financial conditions faced by some companies that forced them to sell some of their assets through public auctions, and this reflected positively on the Company revenues. Hence, as per the general outlook for economy recovery, the Company may be subject to some slowdown in terms of growth in the number of auctions and / or the volume of revenues compared to those years. This is because permanent and / or temporary clients will only offer their surplus assets or may desire to hold auctions only for replacement of old equipment and assets.

### **Risks related to the introduction of new laws and regulations**

The Company is subject to a number of laws and regulations that may be changed or updated by the competent authorities. New laws and regulations may also be issued by relevant official authorities from time to time. In the event of any material change in any related regulations that is not in the interest of the Company, or the introduction of additional regulations that have a direct impact on the Company performance and profitability, the Company will be adversely affected as a result.

## **2-3 Risks related to the Offer Shares**

### **Risks of actual control by the Selling Shareholders**

Upon completion of the Offering process in this Prospectus, the Selling Shareholders will jointly hold 61% of Company Shares. Therefore, they will have as a group the power to influence Company decisions, because their interests may differ from the interests of the new shareholders, and since they will collectively constitute the majority in the General Assemblies, they will be able to influence substantive decisions, including decisions regarding the election of members of the Board of Directors, dividends and others. If such actions occur, this will adversely affect the Company business, financial performance and profitability.

### **Risks related to the liquidity of Offer Shares**

Until now, there has been no stock market to trade the Company Shares. The absence of an active and continuous market for trading Company Shares after the Offering Period will adversely affect the liquidity and price of Company Shares.

### **Risks related to potential fluctuations in the share price**

The share price after the Offering may differ from the Offering share price, and subscribers may not be able to sell their Shares at the Offer Price or at a higher price. The Company share price may be highly volatile and may not be stable due to several factors including, but not limited to, the overall state of the economy, market conditions related to stocks, any regulatory changes in the sector, deterioration of the Company results, entry of new competitors and speculations on the Company Shares.

### **Risks related to no dividends distribution**

Any decision to pay dividends to Company shareholders shall be subject to the provisions of the By-Laws of the Company, and at the discretion and recommendation of the Board of Directors. The Board of Directors will also take into consideration several factors including the financial position of the Company, its business results, growth opportunities and the need for internal financing (see Section “5- dividend policy “). If there were no dividends distributions to shareholders, they may not receive any returns from their investment in the Company except from selling their Shares at a price higher than the purchase price.

### **Risk of selling or offer additional shares in the future**

If the Company decides to issue new Shares in the future, the share price will be negatively impacted or the shareholders ownership in the Company will be reduced if they do not subscribe to those Shares at the time.

### **Risk of selling a large number of Shares in the market after the Offering**

Selling Shareholders will be subject to a 12-month lock-up period commencing from the date of trading the Company Shares in the Market, during which they will not be able to dispose of any of their Shares. However, after the end of the lock-up period, Selling Shareholders will jointly hold 61% of the Shares. If a large number of Shares are sold on the market after Offering is completed or after the lock-up period expires, or if such an event is expected to occur, this will adversely affect the Company Share price.



### 3. Company Background and Nature of Business

#### 3-1 Overview of Saud Hizam Al-Qahtani Company for Public and International Auctions

Saud Hizam Al-Qahtani Company for Public and International Auctions was established on 19/01/1433H (corresponding to 14/12/2011G) as a partnership company in the name of Saud Hizam Al-Qahtani and his Partner Solidarity Company for Public and International Auctions. It was registered under the Commercial Registration No. 2050087357, with its capital of SAR (100,000) one hundred thousand Saudi Riyals divided into (10,000) ten thousand shares, and its registered address is Abqaiq Road, Dammam city 31461, P.O. Box 2550. Later, it was converted into a one person limited liability company on 28/02/1438H (corresponding to 28/11/2016G) under the name Saud Hizam Al-Qahtani Auction Company for Public and International Auctions. The Company has maintained its capital, number of shares, date of Commercial Registration and its branches. On 06/01/1439H (corresponding to 26/09/2017G) the Ministerial Resolution No. (Q/4) was issued, converting the Company to a Saudi closed joint stock company with a capital of SAR (20,000,000) twenty million Saudi Riyals, fully paid, divided into (2,000,000) two million ordinary shares, with a par value of SAR (10) ten Saudi Riyals per share. The increase amounting to (SAR 19,900,000) nineteen million and nine hundred thousand Saudi Riyals is satisfied fulfilled via transferring an amount of SAR (17,041,454) seventeen million, forty one thousand and four hundred and fifty four Saudi Riyals from the retained earnings for the year 2016G and the transferring an amount of SAR (2,858,546) two million, eight hundred and fifty eight thousand and five hundred and forty six Saudi Riyals from the partners credit current account balance to the Company's capital account, as indicated in the audited financial statements for the year ended on 31 December 2017G. The Company maintained its name and Commercial Registration without change.

In addition to the Company's Head Office, located in the city of Dammam, the Company owns another two branches, one in the city of Jeddah and the other in the city of Yanbu'. As stated in the Commercial Registration, the activity of the Company is wholesale and retail sale trading, import and export of heavy and light machinery and equipment and their spare parts, holding and organizing auctions under the letter of the Directorate of Traffic in the Eastern Province No. 6/3328/3/7, dated 10/09/1438H. It is worth mentioning that the said letter has no expiry date and it allows the Company to organize auctions all over other provinces in the Kingdom. The letter was issued from the Eastern Province, as it is the province where the Company's Head Office is located. The Company has also obtained an authorization letter from the Ministry of Municipal and Rural Affairs – General Directorate of Markets, under No. 39026754, dated 02/04/1439H. This letter is renewed annually upon expiry via addressing a letter to the General Directorate of Markets in the Eastern Province Governorate, attached with all official documents of the Company. The authorization letter is issued for a one-year period. The Company obtains also an independent authorization to hold each auction. It sends letters to the Governorate where the auction will be held, to the Administrative Control Department in the Governorate Police Department, the Ministry of Commerce branch and the Traffic branch in order to obtain the required temporary authorizations and ensure that there are no legal issues that prevent the sale of the properties offered at the auction. Procedures to obtain temporary authorizations for each auction are routine. As such, the Company has obtained all statutory authorizations or permits required to carry out its current activities.

In 2011G, Saud Hizam Al-Qahtani Company for Public and International Auctions was established as a company specialized in holding and managing auctions. The Company started its businesses on one of the biggest auction areas in the Eastern Province in the city of Dammam where its Head Office is located. The auction area is 50,000 square meters. Since its establishment, the Company worked to compete strongly with companies and establishments working in the auction field. It has been able to hold and organize auction in other areas of the Kingdom due to of its expansionary plans. In 2016G, and in order to be able to achieve its strategic goals and expand its activity, the Company opened two branches, one in the city of Yanbu' with an area of 17,000 square meters and another branch in the city of Jeddah with an area of 28,000 square meters during the year 2016G. This has contributed to enhancing the competitive edge of the Company.

The Company has held several giant auctions for various entities, whether governmental authorities or private companies. These entities include but are not limited to National Water Company (Taif, Mecca, Jeddah, Riyadh), Cristal Limited Company (Tasnee) in the city of Yanbu', Mohammed Salem Al Suwaidi Company for Equipment and Transport Ltd. in the city of Jubail, Al Yamama Company for Trade and Contracting in the city of Dammam in addition to organizing several auctions for the Ministry of Justice Enforcement Courts.

The Company has recently signed a number of still valid important contracts with the General Authority of Civil

Aviation, Air Navigation Services, Aviation Security Department of the Saudi Ministry of Interior, Enforcement Courts in the city of Al-Khobar (Maan Al-Sanea Properties Liquidation Auction, which has been implemented partially as it will be held in different stages), National Water Company, Universal Motors Agencies, Aljabr Trade Company (KIA Agents), Sraco, Aljazirah Vehicles Agencies and Wared Transport Company Ltd. There are other valid contracts that are not mentioned as they are small or medium in size. Some of these contracts are confidential since some customers are not willing to disclose their names and identities in the auctions executed by the Company for them. The percentage of contracts with the Governmental authorities during the first quarter of 2018G stood at 37% of the total Company's contracts during that period, with its revenue reaching 13.5% of total revenue. The number of confidential contracts in the year 2017G was only one contract, contributing to 1.85% of total revenue. However, there was not any confidential contract during the first quarter of 2018G. The following table shows details of the most important current contracts of the Company:

**Table (3-1): Details of the most important current contracts of the Company**

Entity Name	Contract Start Date	Contract Term	Auction Execution Cost
National Water Company	As of 2016G and the contract was renewed in 2017G	Duration of the main contract signed in 2016G is one year, and was renewed in the year 2017G for two years (until October 2019G)	Average cost is SAR150.000 per auction
General Authority of Civil Aviation	As of 2017G	One year (renewable) and renewed in 2018G	Average cost is SAR120.000 per auction
Air Navigation Services	As of 2017G	Open-ended contract	Average cost is SAR60.000 per auction
Aviation Security Department of the Saudi Ministry of Interior	As of 2017G	Two years	Average cost is SAR64.000 per auction
Enforcement Courts in the city of Al-Khobar (Maan Al-Sanea Properties Liquidation Auction)	As of 2018G	Open-ended tolling and authorization contracts	Average cost is SAR250.000 per auction
Universal Motors Agencies (Agents of Chevrolet and GMC Motors)	As of 2018G	Open-ended contract	Average cost is SAR80.000 per auction
Aljazirah Vehicles Agencies (Ford Motors Agents)	As of 2018G	Open-ended contract	Average cost is SAR80.000 per auction
Wared Transport Company Ltd.	As of 2018G	Open-ended contract	Average cost is SAR80.000 per auction
Royal Commission of Jubail and Yanbu'	As of 2018G	One year	Average cost is SAR60.000 per auction
Gulf Advantage Automobiles (agents of Renault Motors)	As of 2018G	Open-ended contract	Average cost is SAR80.000 per auction
Al Jabr Trade Company (Kia Motors Agents)	As of 2016G	Open-ended contract	Average cost is SAR160.000 per auction
Sraco	As of 2017G	Open-ended contract	Average cost is SAR150.000 per auction
Samara	As of 2018G	Open-ended contract	Average cost is SAR140.000 per auction
Taajeer Group	As of 2018G	Open-ended contract	Average cost is SAR160.000 per auction
Al Yamama for Trade and Contracting	As of 2016G	Open-ended contract	Average cost is SAR180.000 per auction
East Projects Company	As of 2016G	Open-ended contract	Average cost is SAR120.000 per auction
Saudi Ekhwan Trading Company	As of 2016G	Open-ended contract	Average cost is SAR130.000 per auction

Entity Name	Contract Start Date	Contract Term	Auction Execution Cost
Al Suwaidi Equipment and Transport Company	As of 2015G	Open-ended contract	Average cost is SAR150,000 per auction
Jet Aviation Saudi Arabia Ltd.	As of 2017G	Open-ended contract	Average cost is SAR120,000 per auction

Source: Company's Management

As stated above, there are valid contracts not mentioned in the table since they are relatively small and medium size contracts. Some of these contracts are confidential since some of the Company's customers are not willing to disclose their names and identities in the auctions executed by the Company for them.

It shall be clarified that the costs of the contracts indicated in the table above represent the cost that the Company bears against holding the auctions. These costs are expenditures related to the costs of advertisement, costs of preparing the auction as well as hospitality expenditures. These expenditures vary from one auction to another and all of them are totaled with workers' wages in each auction added to them.

Furthermore, the Company will enter the real estate auctions filed during 2018G in order to diversify its activities. The Company has signed two contracts to hold two real estate auctions, one for properties of Cedar Group, located in Salman Gulf in the city of Jeddah, while the other auction will be in the city of Yanbu'. The Enforcement Court has issued its resolution authorizing the Company to hold an auction for some the properties. These two auctions have not been held until the date of this Prospectus due to request to delay the auctions. No specific date has been assigned to hold the two auctions until the date of this Prospectus. In addition, the Company is in the process of finalizing its membership in the Saudi Authority for Accredited Valuers in order to become accredited valuer. However, no date has been set for the membership. The Company also registered in the Ministry of Justice System, which allows it to enter into the real estate auctions bids. In addition, the Company intends to open new branches in Riyadh and Madinah during 2018G and 2019G, in line with its expansionary plans and goals. After listing in the Parallel Market – Nomu - the Company intends to appoint a specialized consultant to study the market in United Arab Emirates and Arab Republic of Egypt. The purpose is to identify how much these two markets are attractive and the feasibility of opening branches for the Company in them.

It is worth mentioning that the Company pays great attention to media and it continues to participate in and sponsor events which enhance its reputation and trademark, in line with its plan to continue leading the market where it operates and in coincidence with opening Jeddah and Yanbu' branches as well as its future expansion plan.

### 3-2 Company's Establishment Phases and Capital's Changes

Following is a description of the changes of the Company Capital and equities:

- The Company was established as a partnership company under Commercial Registration no. 2050087357, dated 19/01/1433H (corresponding to 14/12/2011G), with a capital of SAR (100,000), divided into (10,000) cash shares of equal value, with SAR (10) value per share.

**Table (3-2): Company Equity Structure as at 19/01/1433H (corresponding to 14/12/2011G):**

Owner	Number of Shares	Share Value (SAR)	Total (SAR)	Equity Percentage
Saud Hizam Jaafar Al-Qahtani	7,500	10	75,000	75%
Mohammed Saud Jaafar Al-Qahtani	2,500	10	25,000	25%
<b>Total</b>	<b>10,000</b>	<b>-</b>	<b>100,000</b>	<b>100%</b>

Source: Company's Management

- The Company was converted to a one person limited liability company under the name Saud Hizam Al-Qahtani Company for Public and International Auctions on 28/02/1438H (corresponding to 28/11/2016G) with the capital remained unchanged.

**Table (3-3): Company Equity Structure as at 28/02/1438H (corresponding to 28/11/2016G):**

Owner	Number of Shares	Share Value (SAR)	Total (SAR)	Equity Percentage
Saud Hizam Jaafar Al-Qahtani	10,000	10	100,000	100%
<b>Total</b>	<b>10,000</b>	<b>-</b>	<b>100,000</b>	<b>100%</b>

Source: Company's Management

- According to the Ministerial Resolution No. (Q/4), dated 06/01/1439H, (corresponding to 26/09/2017G), the Company was converted into a closed joint stock Company. Mr. Saud Hizam Jaafar Al-Qahtani waived part of his shares in the Company, numbering (1,000) shares in the amount of SAR (10,000) ten thousand Saudi Riyals to Mr./ Faleh Saud Hizam Al-Qahtani. Mr. Saud Hizam Jaafar Al-Qahtani also waived part of his shares in the Company, amounting to (1,000) shares in the amount of SAR (10,000) ten thousand Saudi Riyals to Mr./ Saeed Saud Hizam Al-Qahtani. As such, the mentioned persons have entered as new partners in the Company. The partners increased the Company's Capital from SAR (100,000) to SAR (20,000,000) twenty million Saudi Riyals. The increase amount was entirely fulfilled through the transfer of the amount of SAR (17,041,454) seventeen million, forty one thousand and four hundred and fifty four Saudi Riyals from the retained earnings for 2016G and also the transfer of the amount of SAR (2,858,546) two million, eight hundred and fifty eight thousand and five hundred and forty six Saudi Riyals from the partners credit current account balance to the Company's Capital account, as shown in the financial statements for the period ended 31 March 2018G. As such, the Company equity becomes as set forth below:

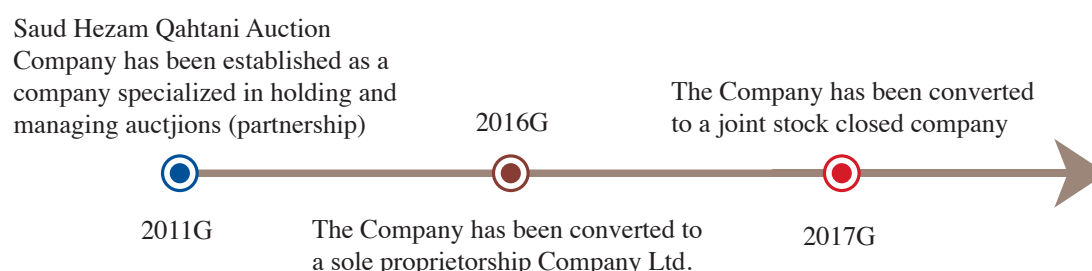
**Table (3-4): Company equity structure as at 06/01/1439H (corresponding to 26/09/2017G)**

Owner	Number of Shares	Share Value (SAR)	Total (SAR)	Equity Percentage
Saud Hizam Jaafar Al-Qahtani	1,600,000	10	16,000,000	80%
Faleh Saud Hizam Al-Qahtani	200,000	10	2,000,000	10%
Saeed Saud Hizam Al-Qahtani	200,000	10	2,000,000	10%
<b>Total</b>	<b>2,000,000</b>	<b>-</b>	<b>20,000,000</b>	<b>100%</b>

Source: Company's Management

### 3-3 Most Important Events and Developments

The following figure summarizes the most important events and developments of the Company until the date of this Prospectus:



### 3-4 Company Vision

The Company seeks to be the biggest of the Companies specialized in organizing auctions for all purposes and in the various means in the local and regional markets.

### 3-5 Company Mission

Provide distinct services to customers while maintaining confidentiality of information; accuracy of work, commitment and professional honesty, thus contributing to the enhancement of the Company's name and position among competitors.

### 3-6 Purposes of the Company

The Company articles of incorporation stipulates that the purposes of the Company include the following:

- 1- Import and export of heavy and light machinery and equipment and their spare parts and holding auctions.
- 2- Financial and business services as well as other services.
- 3- Trade.
- 4- Mines and petroleum and their branches.
- 5- Manufacturing industries and its branches per industrial licenses.

- 6- Electricity, gas, water and their branches.
- 7- Construction and building.
- 8- Transport, storage and cooling.
- 9- Social, group and personal services.
- 10- Information technology.
- 11- Security and safety.
- 12- Agriculture and Fishing.

### **3-7 Services provided by the Company**

The Company organizes two main types of auctions, the internal auctions and the custom auctions. The following are the details of these two types:

Internal Auctions:

They are organized in the name of the auction company, and divided into the following:

- 1- A group of individuals or small enterprises that are brought together in a single auction.
- 2- An auction for an entity that requests to hide its name (finance companies – banks – private government agencies - private companies).

Custom Auctions:

These auctions are organized in the name of the Owner (governmental entities – quasi-governmental entities – private companies) and are organized either in one of the Company`s branches or headquarters of the owner.

There are general and special categories of the auctions that are organized by the Company. General categories include the following:

- 1- Vehicles (of various sizes).
- 2- Equipment.
- 3- Trucks and appurtenances.
- 4- Electrical generators and air generators.
- 5- Welding machines.
- 6- Transport buses.
- 7- Fuel tanks and water tanks.
- 8- Hotel furniture.
- 9- Precast rooms (known as portables).
- 10- Damaged materials (scrap), including iron and copper and others.

Special categories include the following:

- 1- Plant (factories).
- 2- Special equipment such as heavy load cranes and similar big equipment.
- 3- Excavation equipment.
- 4- Special materials such as solar panels and necessary equipment.

The Company also provides the General Directorate of Traffic (TAM) service, which enables its customers to transfer the vehicles ownership from the seller to the buyer quickly and easily and in the same place, in exchange of fees that constitute additional income for the Company. In addition, the Company possesses a Vehicle Maintenance and Polishing Center in its branch in the city of Dammam. The purpose of the Center is to fix some technical problems and polish vehicles displayed in the auctions, contributing to selling such vehicles. The said services are also provided to vehicles buyers who wish to have such services. This service sometimes helps in selling vehicles that have not been sold during auctions (which generate post-auction sales commissions). The Company sells the vehicles or equipment that are not sold during the auction directly after the auction period and on which a commission is obtained in coordination with the Owner. This Center in addition to TAM service mentioned above, represent an additional income to the Company. It is worth mentioning that the Company intends to open

similar maintenance centers in all of its other branches. The Company also provides vehicles insurance service in cooperation with some insurance companies. However, this activity is very simple compared to the main activity of the Company. In addition, the Company provides expeditors services in the governmental offices relative to its activity in exchange for financial fee. All of the said services aim to support the main activity of the Company. The following table shows percentage of services revenues against the Company total revenues.

**Table (3-5): Services Revenue Percentage to Total Revenues per Financial Statements ended 31/12/2017G**

Ser.	Description	Value	Percentage
1	Sales commission	28,319,624	97%
2	TAM services revenue (vehicles ownership transfer)	385,960	1%
3	Vehicles insurance revenues	172,050	1%
4	Post-auctions sales commission	265,600	1%
5	Expediting service revenues	78,200	0%
<b>Total</b>		<b>29,221,434</b>	<b>100%</b>

Source: Company's Management

Save as mentioned above, members of the Board of Directors acknowledge that there are no other services provided by the Company.

Board members acknowledge that there is no intention to make any material change in the Company's nature of business. They also acknowledge that the Company has no business activity or assets outside the Kingdom. In addition, the Company has no policy with respect to research and development due to the nature of its business. Board members further acknowledge that there has been no interruption in the Company's business, which may affect or has had a significant impact on the financial position during the last twelve months preceding this Prospectus.

### 3-8 Company Values and Business Strategy

The Company adopts many values and strategies, which contributed to the formation of a good image about the Company by its customers. The Company believes that continuous interest in its values and strategies and developing them in line with the activity's developments will contribute to enhancing the Company's position and its importance in the market. These values and strategies are summarized as follows:

- 1- Customer comes first: The Company believes that the main reason for its distinction and continuity is the attention it pays to customers, as it cares for the satisfaction of its customers and the fulfillment of their needs and requirements in a quick and efficient manner.
- 2- Quality: The Company is very keen on applying its own quality criteria that apply internally among its employees and are reflected on its customers.
- 3- Social Responsibility: The Company undertakes its business in a manner that ensures its support to the local community and in line with the Kingdom's directions.
- 4- Professionalism: The Company provides a professional and attractive work environment and it supports the career development of its distinct employees.
- 5- Respect: The Company works in a manner that ensures respect of all parties, including employees, customers and others. Culture of respect, credibility and transparency is one of the most important principles of the Company.

The Company has a clear credit policy set forth in all of its contracts with its customers. The Company clearly clarifies to its customers the payment mechanism, deadlines to finalize payments and penalty conditions in the event of delay or failure of payment. The Company incorporates its credit policy in all of its contracts with customers and its auction advertisements, whether such customers are individuals, companies or governmental authorities.

The buyer customer shall pay 30% advance payment of the value of his procurements once the auction has been awarded to him. The buyer customer shall also pay to the Company a commission of 2.5% of the total value of the procurements. The buyer customer is given three-days period as from the date of purchase, to settle the remaining amount payable. Upon completion of payment of procurements value, the Company deducts 4% of the value of seller customer sales prior to handing over to him the amount paid by the buyer customer. As an explanatory example, if the auction has been awarded to the buyer in the amount of SAR (1,000,000)

one million Saudi Riyals, the buyer shall pay an advance payment of SAR (300,000) three hundred thousand Saudi Riyals immediately upon award. He shall also pay to the Company as a commission, an amount of SAR (25,000) twenty five thousand Saudi Riyals representing 2.5% of the total purchase value. The Company gives the buyer only three-days period to complete payment of the remaining amount, which, in this example, equals SAR (700,000) seven hundred thousand Saudi Riyals. Immediately upon payment of the remaining amount by the buyer, the Company deducts its commission from the total amount upon which the award has been based prior to handing over the amount to the seller. As such, the Company deducts the amount of SAR (40,000) forty thousand Saudi Riyals and the remaining amount will be handed over thereafter to the seller, which equals SAR (960,000) nine hundred and sixty thousand Saudi Riyals. The cost of the auction is fully borne by the Company. This cost represents expenses related to advertisement costs, auction preparation costs and hospitality expenses. These expenses differ from one auction to another. All of these expenses are added to the expenses related the wages of workers in such auction.

In the event the buyer customer has failed to pay during the stipulated and stated period, he shall not, in any way, have the right for a refund of the advance payment paid by him at the time of the award. In addition, if the buyer customer has withdrawn from the auction after the award and prior to the end of the period specified for payment, the Company will deduct the advance payment amount fully for the benefit of the seller and will maintain its right to calculate its full commission at 2.5% of the procurements value.

### 3-9 Competitive Advantages of the Company

The most important competitive advantages of the Company are:

- 1- Distinct reputation.
- 2- Fees are not applied on returns.
- 3- Fees are not applied on auction grounds.
- 4- High professionalism and provision of advice to customers with respect to the best methods and times of selling.
- 5- Broad geographical outreach, whether through the locations of the Company three branches or through organizing and holding auctions in the locations where customers are present in other cities and in their yards, (there are no fees against holding auctions whether in Company branch or in the customers' yards, other than the sales commission agreed upon with each customer against holding the auction. This commission differs from one auction to another, per the nature of the contract and bids competitiveness). Quick dealing and responding to customers is another competitive advantage of the Company.
- 6- Great attention to media; the Company continues to participate in and sponsor events that enhance the Company's reputation and its trademark, in line with the Company's plan to continue leading the market in which it operates and in coincidence with opening its two branches in the cities of Jeddah and Yanbu' and its future expansion plan.
- 7- Increased profit margins and financial returns.

### 3-10 Company Branches

The Company has a Head Office in the city of Dammam and two branches in the city of Jeddah and the city of Yanbu'. The following table shows a list of these branches:

**Table (3-6): Company Branches**

Description	Commercial Registration Number	City	Issue Date	Expiry Date
Head Office	2050087357	Dammam	19/01/1433H	18/01/1441H
Saud Hizam Al-Qahtani Auction Company Branch	4030290473	Jeddah	29/10/1437H	29/10/1440H
Saud Hizam Al-Qahtani Auction Company Branch	4700020086	Yanbu'	30/01/1438H	29/01/1443H

Source: Company's Management

It is noteworthy that all the Company's branches are established on rented locations. The following table shows the details of the contracts of these branches:

**Table (3-7): Details of the contracts of Company branches**

Description	Commercial Registration Number	Location	Annual Rental Value	Area	Contract Duration	Contract Start Date	Expiry Date
Head Office	2050087357	Dammam	1,500,000	50,000m <sup>2</sup>	10 years	15/04/2016G	14/04/2026G
Saud Hizam Al-Qahtani Company Branch	4030290473	Jeddah	400,000	28,000m <sup>2</sup>	12 years	01/11/2016G	31/10/2028G
Saud Hizam Al-Qahtani Company Branch	4700020086	Yanbu'	250,000	17,000m <sup>2</sup>	5 years	01/11/2016G	31/10/2021G

Source: Company's Management

Board members acknowledge that there are no subsidiaries of the Company.

### 3-11 Trademarks

The Company has registered its trademark in the Ministry of Commerce and Investment to protect its intellectual property. The following table shows the Company's Trademarks:

**Table (3-8): Trademarks**

Registration Number	Registration Date	Protection Start Date	Protection End Date	Trademark
1438020459	15/11/1438H	05/09/1438H	05/09/1448H	

Source: Company's Management

### 3-12 Marketing and Promotional Activities

The Company focuses significantly on marketing and promotional activities due to their importance in increasing awareness of the Company's name and trademark and adding value to it. This is done through organizing promotional campaigns, and publishing the Company's news related to organizing auctions and signing contracts, etc. on all types of available advertising media such as newspapers, publications, social media and relevant internet sites. This represents a successful policy to reach as many recipients as possible.

The Company undertakes these activities throughout the year. It announces all auctions it organizes in advance, which helps in maximizing revenues of auctions. The Company uses a variety of marketing techniques including newspapers advertisements, advertising brochures, text messages on mobile devices, road billboards in addition to advertisements in social media networks.

The following table shows the Company's marketing and promotional expenses and the average cost of advertisement per auction.

**Table (3-9): marketing and promotional expenses**

Item	2014G		2015G		2016G		2017G	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Newspapers ads.	785	29%	843	34%	1,361	21%	909	13%
Brochures	208	8%	262	11%	413	6%	187	3%
Text messages on mobiles devices	52	2%	76	3%	105	2%	62	1%
Road Billboards	46	2%	52	2%	96	1%	71	1%
Advertisements in social media networks	13	0%	28	1%	45	1%	56	1%



<b>Total</b>	<b>1,104</b>	<b>41%</b>	<b>1,261</b>	<b>52%</b>	<b>2,020</b>	<b>31%</b>	<b>1,285</b>	<b>18%</b>
Revenues cost	2,698	100%	2,448	100%	6,605	100%	7,119	100%
Number of auctions	13		15		23		24	
Average cost of advertisement per auction	85		84		88		54	

Source: Company's Management

\* Note: Figures in the table are in Saudi thousand Riyals save as number of auctions

### 3-13 Major Customers

The Company has a huge base of customers who are reputable in the Kingdom. The following table summarizes the four major customers of the Company in the last three years and its major customers during the current year until the date of this Prospectus. The Company has classified these customers based on the volume of auctions and revenue generated by the Company from these auctions.

**Table (3-10): Major Customers**

2015G	2016G	2017G	2018G
Abdulali Al Ajmi Company for Trade and Contracting	National Water Company	Rajeh Handhal Almurry Company (Enforcement Court in Buqayq)	Enforcement Court in Al-Khobar (Maan Alsanea Properties Liquidation Auction)
Mohammed Salem Alsuwaidi Company for Equipment and Transport Ltd	Aljabr Holding Company	Civil Aviation Authority Auction	Aljazirah Agencies (Ford Agency)
Aldalwa Transport Company	Al Yamama Company for Trade and Contracting	Renault Vehicles Agency Auction	Universal Motors Agencies (Agents of Chevrolet and GMC Motors)
National Water Company	National Titanium Dioxide Company (Cristal), subsidiary of the National Industrialization Company	National Titanium Dioxide Company (Cristal), subsidiary of the National Industrialization Company	Air Navigation Service

Source: Company's Management

### 3-14 Number of Company Employees

The following table shows the number of Company employees during the years 2015G, 2016G, 2017G in addition to the number of employees as at 31 March 2018G:

**Table (3-11): Number of Company Employees**

Description	2015G		2016G		2017G		As at 31 March 2018G	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
Saudi Nationals	3	5%	7	9%	16	22%	15	20%
Non-Saudis	63	95%	67	91%	58	78%	61	80%
<b>Total</b>	<b>66</b>	<b>100%</b>	<b>74</b>	<b>100%</b>	<b>74</b>	<b>100%</b>	<b>76</b>	<b>100%</b>

Source: Company's Management

The following is the number of employees per department:

**Table (3-12): Number of Company employees per department**

Description	2015G		2016G		2017G		As at 31 March 2018G	
	Saudi Nationals	Non-Saudis	Saudi Nationals	Non-Saudis	Saudi Nationals	Non-Saudis	Saudi Nationals	Non-Saudis
Contracts Department	-	9	-	9	2	9	2	8
Human Resources Department	1	4	2	4	3	3	3	3
Legal and Administrative Affairs	2	6	4	7	5	4	5	5
Marketing Department	-	9	1	9	5	7	4	8
Sales Department	-	8	-	9	1	6	1	8
Maintenance and Operation	-	20	-	22	-	22	-	22
Accounting and Finance	-	7	-	7	-	7	-	6
Investor Relations	-	-	-	-	-	-	-	1
<b>Total</b>	<b>3</b>	<b>63</b>	<b>7</b>	<b>67</b>	<b>16</b>	<b>58</b>	<b>15</b>	<b>61</b>

Source: Company's Management

It is worth noting that the Company has signed contracts to avail services of laborers of companies owned by the Chairman of the Board. This means that there are non-Saudi employees who are not under the sponsorship of the Company, and Saudi employees who are not registered within the employees of the Company in the General Organization for Social Insurances, as at the date of this Prospectus. The total number of employees of the Company as at 31 March 2018G was 76 employees, including 5 Saudi employees registered in the General Organization for Social Insurances and 14 non-Saudi employees who are under the Company's sponsorship. These employees represent 25% of the total number of employees in the Company. The remaining 57 employees (75%), contracts have been signed to avail their services, as shown in the following table:

**Table (3-13): Laborers' Lease Contracts**

Leasing Entity	Number of Employees		Contract Start Date	Contract Duration	Date of Assembly Voting	Remarks
	Saudi Nationals	Non-Saudis				
Saud Hizam Al-Qahtani and Partner Company for General Contracting	8	37	01/03/2018G	One year, renewable	11/03/2018G	A company owned at a rate of 75% by Saud Hizam Jaafar Al-Qahtani and at a rate of 25% by Mohammed Saud Hizam Al-Qahtani
Saud Hizam Al-Qahtani Vehicles Showroom	2	9	01/03/2018G	One year, renewable	11/03/2018G	100% owned by Saud Hizam Jaafar Al-Qahtani
Saudi Hizam Al-Qahtani Trading Establishment for Building Materials and Industrial Equipment	-	1	01/03/2018G	One year, renewable	11/03/2018G	100% owned by Saud Hizam Jaafar Al-Qahtani
<b>Total</b>	<b>10</b>	<b>47</b>				

Source: Company's Management

All contracts are valid for one year renewable as of the starting date of each contract. The Company is working currently on transferring sponsorship of all employees to it. Per the contacts signed with the companies and establishment of Mr. Saud Al-Qahtani (related party) and after unanimously approved by the Board of Directors on 23/06/1439H (corresponding to 11/03/2018G), the contractual period is one year ending on 29/02/2019G. It is expected that the transfer of employees' sponsorship will be made prior to the end of the contractual period.

It is worth mentioning that the Company has obtained a temporary approval of shareholders other than related parties on these transactions on 23/06/13439H (corresponding to 11/03/2018G). These shareholders include Mr./ Saeed Saud Hizam Al-Qahtani (Deputy Chairman) who owns 10% of the Company shares and Mr./ Faleh Saud Hizam Al-Qahtani (Chief Executive Officer and Managing Director), who owns 10% of the Company shares. Therefore, the Company is not breaching the Labor Laws or the Companies Law as said employees are legally registered in a company owned by the Chairman of the Board. Contracts have been signed to avail their services by voting of the General Assembly.

### **3-15 Plan for Transition to International Financial Reporting Standards (IFRS)**

On 21/11/1438H (corresponding to 13/08/2017G), and as part of its efforts to comply with the laws, the Company contracted with Ibrahim Abbasi Company and Partners (members of the international company, Moore Stephens) to work as an advisor to prepare an integrated plan for transition to International Financial Reporting Standards (IFRS) instead of the Saudi Organization for Certified Public Accountants (SOCPA) standards. Starting 2018G, all joint stock companies are required to prepare their financial statements in line with IFRS. On 04/09/1439H (corresponding to 19/05/2018G), the Company approved the draft accounting policies in line with IFRS. In addition, the Company issued the financial statement for the first quarter of 2018G based on IFRS. Per the financial statements of the Company issued for the first quarter of 2018G, no material differences have arisen from adopting the International Financial Reporting Standards.

## 4. Ownership and Organizational Structure

### 4-1 Pre and post offering ownership structure

The following table shows the Company’s ownership structure before and after the offering:

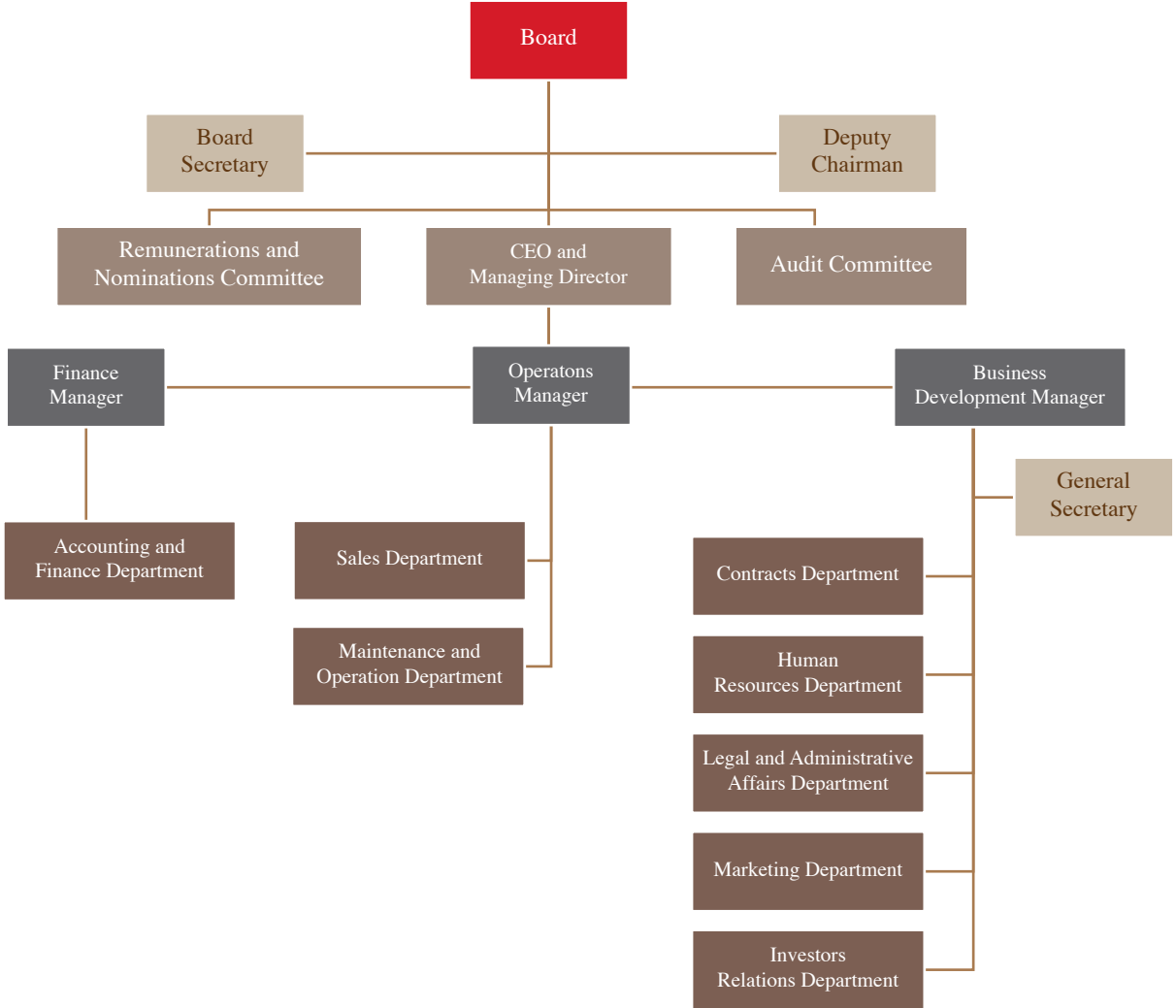
**Table (4-1): Pre and post Offering Ownership Structure**

Name	Before Offering		After Offering	
	Number of Shares	Ownership Percentage	Number of Shares	Ownership Percentage
Saud Hizam Jaafar Al-Qahtani	1,600,000	80%	976,000	48.8%
Faleh Saud Hizam Al-Qahtani	200,000	10%	122,000	6.1%
Saeed Saud Hizam Al-Qahtani	200,000	10%	122,000	6.1%
Ownership of Qualified Investors		0%	780,000	39%
<b>Total</b>	<b>2,000,000</b>	<b>100%</b>	<b>2,000,000</b>	<b>100%</b>

Source: Company’s Management

### 4-2 Organizational Structure

The following figure shows the Company’s organizational structure:



### 4-3 Board of Directors

The Board of Directors is comprised of (6) members as follows:

**Table (4-2): Board Members**

Name	Position	Capacity	Nationality	Age	Date of Appointment	Equities	
						Before Offering	After Offering
Saud Hizam Jaafar Al-Qahtani	Chairman	Non-executive/ Non-independent	Saudi	63	21/09/2017G	1,600,000	976,000
Saeed Saud Hizam Al-Qahtani	Deputy Chairman	Non-executive/ Non-independent	Saudi	29	21/09/2017G	200,000	122,000
Faleh Saud Hizam Al-Qahtani	CEO and Managing Director	Executive/ Non-independent	Saudi	41	21/09/2017G	200,000	122,000
Fahad Mohammed Jaafar Almasoudi	Member and Board Secretary	Executive/ Non-independent	Saudi	46	21/09/2017G	-	-
Mohammed Hasan Swoyed Aldosary	Member	Non-executive/ independent	Saudi	35	21/09/2017G	-	-
Melhem Fahad Melhem Al Masoud	Member	Non-executive/ independent	Saudi	35	21/09/2017G	-	-

*Source: Company's Management*

With the exception of the Shares owned by Directors stated in the above table, neither Directors nor any of their relatives have any shares or interest of any kind in the Company.

Duties and responsibilities of the Board Chairman and members are summarized as follows:

#### Board Chairman:

- Ensures that the Board members obtain full, clear, correct and non-misleading information in a timely manner.
- Ensures that the Board discusses all key issues in an effective and timely manner.
- Represents the Company in front of the third parties as set forth in the Companies Act, its Implementing Regulations and the Company's bylaws.
- Encourages Board members to exercise their duties effectively and as in the interest of the Company.
- Ensures that the channels for actual communication with shareholders are present and communicates their views to the Board.
- Encourages constructive relationships between the Board and executive management; and the executive and non-executive independent members of the Board and their effective participation, and implants a culture that encourages constructive criticism.
- Prepares the agenda of Board meetings, taking into consideration any matter raised by a Board member or the auditor, and consults with Board members, the CEO and the Managing Director upon preparing the agenda of the Board.
- Holds periodic meetings with the non-executive Board members without the presence of any executive in the Company.
- Informs the ordinary General Assembly in its meetings about the works and contracts in which a Board member has a direct or indirect interest.

### **Chief Executive Officer (CEO) and Managing Director:**

- Works on Company's continuous development.
- Issues all instructions, orders and regulations for implementation of the business in a manner that realizes profits and achieves the Company's objectives.
- Proactively sets up specific criteria and compares them with the actual achievement to determine the integrity of implementation and achievement of objectives.
- Follows up with the Company's business on a regular basis through observing department managers, measuring performance, knowing deviations and issuing instructions to address the said deviations.
- Approves the annual balance sheets and financial results, reviews the monthly financial positions issued by the Accounts Section and provides relevant directions.
- Discusses performance reports submitted by the department managers and takes necessary decisions.
- Develops the necessary administrative and financial policies.
- Verifies that the executive management works in line with the approved policies.
- Holds periodic meetings with the executive management to discuss progress, obstacles and problems, and discusses important information with respect to Company's business.
- Develops performance criteria for the executive management that harmonize with the Company objectives and strategies.
- Reviews and assesses performance of the executive management.
- Develops succession plans for the management of the Company

### **Board Members:**

- Submit proposals to develop the Company's strategy.
- Monitor executive management performance and the extent of achievement of the Company's goals and objectives.
- Review Company performance reports.
- Verify the soundness and integrity of the Company financial statements and information.
- Verify that the Company's financial control and the risk management systems are strong.
- Identify the appropriate levels of the remunerations of the executive management members.
- Express opinion on the appointment and dismissal of executive management members.
- Take part in setting up a succession and a replacement plan for the Company's executive functions.
- Fully comply with the provisions of the Companies' Act, Capital Market Law and their regulations, in addition to the relevant laws and the bylaw; and abstain from undertaking or taking part in any act that may constitute abuse in managing Company's affairs.
- Attend Board and General Assembly meetings, and not to be absent from such meetings without a valid excuse notified to the Chairman in advance or for contingent reasons.
- Allocate enough time to carry out responsibilities, prepare and participate effectively in the Board meetings and its committees, including addressing relevant questions and discussion with the Company's Executive Management.
- Study and analyze information related to the topics considered by the Board before expressing opinion.
- Enable other Board members to express their opinions freely and urge the Board to discuss topics and explore the opinions of specialists from the Company's executive management members and opinions of others, if the need arises.
- Inform the Board fully and immediately of any personal interest, whether direct or indirect, – in the business and contracts made for the Company's account, including the nature and limits of interest, the names of any concerned persons, the benefits expected to be obtained directly or indirectly from that interest, whether such benefit is financial or non-financial. That member shall not take part in voting on any resolution issued to that effect, in accordance with the provisions of the Companies' Act, the Capital Market Law and their Implementing Regulations.
- Inform the Board in full and immediately of the participation – whether direct or indirect, in any business that may compete with the Company or competes with the Company – directly or indirectly – in one of the activity branches exercised by the Company, in accordance with the Companies' Act, the Capital Market

Law and their Implementing Regulations.

- Not to report or divulge to any Company shareholder or to third parties, any secrets he is informed of by way of his membership in the Board – unless such reporting or divulgence takes place during the General Assembly meetings – in line with the provisions of the Companies’ Act, the Capital Market Law and their Implementing regulations.
- Work based on full information, in good faith and exercise due care and attention for the benefit of the Company and all shareholders.
- Recognize his duties, roles and responsibilities arising from membership.
- Develop his knowledge in the field of the Company’s activities and businesses and in the relevant financial, commercial and industrial fields.
- Resign from the Board if he is not fully able to fulfill his obligations in the Board.

#### 4-4 Brief overview of Board Members

Following is a brief overview of the Company’s Board members:

Saudi Hizam Jaafar Al-Qahtani	
Nationality	Saudi
Age	63 years
Position	Chairman
Academic Qualifications	Business Administration Diploma, King Abdulaziz University, Jeddah, 1977G
Experiences	<ul style="list-style-type: none"> <li>• Founder, Allamsa Alarabiya Ceramics Establishment , 1437H</li> <li>• Founder, Saud Hizam Al-Qahtani Transport Establishment, 1434H</li> <li>• Founder, Equipment and Vehicles Maintenance and Operation Centers Establishment, 1428H</li> <li>• Founder, , Saud Hizam Al-Qahtani Establishment for Trade, 1426H</li> <li>• Founder and Partner, Saud Al-Qahtani Company for General Contracting, 1425H</li> <li>• Saud Al-Qahtani Automobiles Showroom Establishment, 1399H</li> </ul>

Faleh Saud Hizam Al-Qahtani	
Nationality	Saudi
Age	41 years
Position	CEO and Managing Director
Academic Qualifications	Bachelor of Mechanical Engineering, King Fahad University of Petroleum and Minerals, Dharan, 1999G
Experiences	<ul style="list-style-type: none"> <li>• Deputy Chairman of Saud Hizam Al-Qahtani Group, since 2015G to date</li> <li>• General Manager of Al-Qahtani Company for General Contracting, from 2014G to 2015G.</li> <li>• Human Resources Manager, Saudi Arabian Oil Company (Saudi ARAMCO) for Gas Services from 2012G to 2014G</li> <li>• Engineering Inspection Training Chief, Saudi Arabian Oil Company (Saudi ARAMCO), from 2008G to 2012G</li> <li>• Non-destructive Engineering Consultant in Saudi Arabian Oil Company (Saudi ARAMCO), from 2004G to 2007G</li> <li>• Inspection Engineer in Saudi Arabian Oil Company (Saudi ARAMCO) Ras Tannourah Refinery, from 2000G to 2004G.</li> </ul>

**Fahad Mohammed Jaafar Almasoudi**

Nationality	Saudi
Age	46 years
Position	Board Member, Secretary and Business Development Manager
Academic Qualifications	Bachelor of Law, King Abdulaziz University, Jeddah, 1997G
Experiences	<ul style="list-style-type: none"><li>• Business Development Manager in Saud Al-Qahtani Auctions Company since 2012G to date</li><li>• Branch Manager of Karim Company for Food Industries, Western Province, from 2005G to 2011G</li><li>• Assistant Manager, Projects Department, Al Juraisy Holding Group, from 2002G to 2005G</li><li>• Legal Affairs Assistant, Al Juraisy Holding Group, from 1998G to 2002G.</li></ul>

**Saeed Saud Hizam Al-Qahtani**

Nationality	Saudi
Age	29 years
Position	Deputy Chairman
Academic Qualifications	Diploma of Marketing, College of Technology, Dammam, 1431H
Experiences	<ul style="list-style-type: none"><li>• Showroom Manager, Gulf Automobiles Showrooms Establishment, from 1431G to 1433G</li></ul>

**Mohammed Hasan Sweid Aldosary**

Nationality	Saudi
Age	35 years
Position	Board Member
Academic Qualifications	Diploma of Aircraft Maintenance, Prince Sultan College for Aviation Science, 2007G
Experiences	<ul style="list-style-type: none"><li>• General Manager, Artal Alasima Company for Medical Services, since 2014G to date</li><li>• Data Reviewer, Aircraft Maintenance Department, Saudi Airlines, from 2007G to 2014G</li></ul>

**Melhem Fahad Melhem Al Masoud**

Nationality	Saudi
Age	35 years
Position	Board Member
Academic Qualifications	Diploma in Information Technology, College of Technology, Dammam, 2004G
Experiences	<ul style="list-style-type: none"><li>• General Manager of Afaq Al Mahara Company for Contracting, since 2015G to date.</li><li>• Executive Manager, Iqtab Alasima Group, from 2011G to 2015G</li><li>• Assistant Networks Engineer, National Guard, from 2001G to 2011G</li></ul>



## 4-5 Board Committees

The Board of Directors, in its meeting No. 17-130, dated 07/01/1439G (corresponding to 27/09/2017G) formed the Audit Committee and the Remunerations and the Nominations Committee. Details of these two committees are as follows:

### Audit Committee

Through a resolution of the ordinary General Assembly, an Audit Committee was formed of three (3) members other than the executive Board members. The functions of the Audit Committee are to monitor the Company business. To that effect, the Audit Committee has the right to review the Company records and documents and request any explanation or statement from the Board members or the executive management members. The Audit Committee may request the Board of director to call the General Assembly of the Company to convene if the Board has hindered its work or if the Company was subject to grave damages or losses. The Audit Committee shall examine the financial statements of the Company as well as the reports and remarks submitted by the auditor and shall present its views, if any. The Audit Committee shall also prepare a report on its opinion regarding the adequacy of the Company's internal audit system and on its other works within the scope of its jurisdiction. There is no internal auditor in the Company until the date of this Prospectus. However, the Company intends to appoint an internal auditor during the year 2018G (for more information, please refer to page (12): Risks related to the lack of internal auditor").

The Audit Committee is formed of the members stated in the following table:

**Table (4-3): Audit Committee Members**

Name	Position
Mohammed Hasan Sweid Aldosary	Chairman
Fahad Saud Mehmas Al-Qahtani	External Member
Hazem Alsayed Fathi Albhuti	External Member

Source: Company's Management

The resume of Mr. / Mohammed Hasan Sweid Aldosary is indicated in page (30) of this Prospectus. Following is the resume for Mr./ Fahad Saud Mehmas Al-Qahtani and the resume of Mr. Hazem Alsayed Fathi ALbhuti:

Fahad Saud Mehmas Al-Qahtani	
Nationality	Saudi
Age	30 years
Position	Company Branch Manager in the city of Yanbu
Academic Qualifications	Master's degree in Electrical Engineering, University of South Florida, United States of America, 2016G
Experiences	<ul style="list-style-type: none"> <li>Company Branch Manager, city of Yanbu, since the beginning of 2017G</li> <li>Instrumentation Technician, Saudi Arabian Oil Company (Saudi Aramco), from 2005G to 2013G</li> </ul>
Hazem Alsayed Fathi Albhuti	
Nationality	Egyptian
Age	41 years
Position	External Audit Committee Member
Academic Qualifications	Bachelor of Commerce, Tanta University, Arab Republic of Egypt, 2001G
Experiences	<ul style="list-style-type: none"> <li>General Accountant, Company Branch, Yanbu, from 2015G to date</li> <li>General Accountant, Tolaytila Trading and Contracting Company, from 2013G to 2015G</li> <li>Accountant, Egyptian Post, Arab Republic of Egypt, from 2005G to 2012G</li> <li>Accountant, Alsalam Company for Trade and Import, Arabic Republic of Egypt, from 2002G to 2005G</li> </ul>

## Remunerations and Nominations Committee:

The functions of the Remunerations and Nominations Committee are as follows:

- 1- Develop a clear policy for the remunerations of the Board members, the Board committees and the executive management.
- 2- Clarify the relationship between the remunerations granted and the applicable remunerations policy, and indicate any material deviation from this policy.
- 3- Periodic review of the remunerations policy, and assess the extent of its efficiency in achieving the forecasted objectives.
- 4- Recommend remunerations of Board members and Executive Management to the Board in line with the applicable policy.

The Remunerations and Nominations Committee consists of the members indicated in the following table:

**Table (4-4): Remunerations and Nominations Committee Members**

Name	Position
Melhem Fahad Melhem Al Masoud	Chairman
Ayoub Ahmed Ayoub Ali	External Member
Hosam Ismaiel Abdulhamid Ali	External Member

Source: Company's Management

The resume of Mr./ Melhem Fahad Melhem Al Masoud is indicated in page (30) of this Prospectus. The following is the resume for Mr./ Ayoub Ahmed Ayoub Ali and the resume Mr./ Hosam Ismaiel Abdulhamid Ali:

Ayoub Ahmed Ayoub Ali	
Nationality	Egyptian
Age	51 years
Position	External Member in the Audit Committee
Academic Qualifications	Bachelor of Commerce, University of Alexandria, Arab Republic of Egypt, 1989G
Experiences	<ul style="list-style-type: none"><li>• Finance Manager, Saud Al-Qahtani Companies Group, since 2005G to date</li><li>• Accounts Manager, Saud Al-Qahtani Automobiles Showroom, from 2001G to 2005G</li><li>• Senior Accountant, Aldsaeg Company for Trade and Contracting, from 1998G to 2001G</li><li>• General Accountant, Saeed Mohammed Alneami Establishment for Trade and Contracting, from 1993G to 1998G</li><li>• General Accountant, Delta Company for Constructions and Building, Arab Republic of Egypt, from 1990G to 1993G</li></ul>

Hosam Ismaiel Abdulhamid Ali	
Nationality	Egyptian
Age	46 years
Position	External Member in the Audit Committee
Academic Qualifications	Diploma of Commerce, Cairo University, Arab Republic of Egypt, 1989G
Experiences	<ul style="list-style-type: none"><li>• Accountant, Saud Al-Qahtani Auction Company, since 2010G to date</li><li>• Projects Accountant, Bin Thafra Trading Group, from 2007G to 2010G</li><li>• Accountant, Abu Haythem Trading Group, from 1998G to 2007G</li><li>• Accountant, Hamad Aldosary Contracting Establishment, from 1994G to 1998G</li></ul>

## 4-6 Executive Management

The following table shows the Company's executive management members and their positions:

**Table (4-5): Executive Management**

Name	Position	Nationality	Age	Joining Date
Faleh Saud Hizam Al-Qahtani	Chief Executive Officer and Managing Director	Saudi	41	June 2015G
Fahad Mohammed Jaafar Almasoudi	Business Development Manager, Board Member and Secretary	Saudi	46	March 2012G
Abdullah Saud Hizam Al-Qahtani	Operations Manager	Saudi	30	November 2017G
Hani Mohammed Zayed Fargali	Finance Manager	Egyptian	43	April 2014G

Source: Company's Management

## 4-7 Brief Overview of Executive Management

The brief resume of Mr./ Faleh Saud Hizam Al-Qahtani (CEO and Managing Director) and the resume of Mr. Jaafar Mohammed Jaafar Almasoudi (Business Development Manager, Board Member and Secretary) are indicated in section "4-4 Brief Overview of Board Members". The following is a brief overview of Mr. Abdullah Saud Hizam Al-Qahtani and Mr. Hani Mohammed Zayed Fargali:

Abdullah Saud Hizam Al-Qahtani	
Nationality	Saudi
Age	30 years
Position	Operations Manager
Academic Qualifications	Diploma of Marketing, College of Technology, Dammam, 1429H
Experiences	<ul style="list-style-type: none"> <li>Operations Manager, Saud Hizam Al-Qahtani Auctions Company, since 1439H to date</li> <li>Human Resources Manager, Al-Qahtani Auctions Company, from 1436H to 1438H</li> <li>Personnel Manager, Al Qahtani General Contracting Company, from 1433H to 1436H</li> <li>Public Relation Manager, Al-Qahtani General Services Company, from 1430H to 1433H</li> </ul>
Hani Mohammed Zayed Fargali	
Nationality	Egyptian
Age	43
Position	Finance Manager
Academic Qualifications	Bachelor of Commerce, Cairo University, Arab Republic of Egypt, 1997G
Experiences	<ul style="list-style-type: none"> <li>Finance Manager, Saud Hizam Al-Qahtani Auctions Company, from 2014G to date</li> <li>Accounts Manager, Al Abudlrahman Company for General Contracting, from 2011G to 2014G</li> <li>Accounts Manager, Alfadel Establishment for Trade, from 2009G to 2010G</li> <li>Accountant, Alfadel Establishment for Trade, from 2001G to 2009G</li> </ul>

## 5. Dividends Policy

The dividends policy is subject to the contents of Article 48 of the Company's Bylaws. The Company distributes its annual net profits as follows:

- 1- Ten (10%) of the net profit shall be set aside to form a statutory reserve. The Ordinary General Assembly may discontinue such allocations of the statutory reserve when the statutory reserve amounts to 30% of the paid-up capital.
- 2- The Ordinary General Assembly may, at the request of the Board, set aside certain percentage of the net profits to build up an additional reserve for certain purpose.
- 3- A percentage of the remainder equals to 5% of the Company's paid-up capital shall be distributed to the Shareholders.
- 4- Subject to the provisions of article twenty one of the By-Laws and article seventy-sixth of the Companies Law, the Ordinary General Assembly may, if the Company's profits exceed 25% of its capital, after the above distributions, allocate a percentage not to exceed (5%) of the balance for the remuneration of the Board of Directors, provided that the entitlement of such remuneration shall be commensurate with the number of meetings attended by every Director.
- 5- The Company may, after fulfilling the controls set by the competent authorities, distribute semi-annual and quarterly dividends.

The Offer Shares shall be eligible for any profits announced by the Company from the date of the Prospectus and in the subsequent financial years.

Although the Company has distributed annual dividends to its shareholders in some previous years, it gives no guarantees that it will distribute dividends in the future and does not guarantee the value of dividends it intends to distribute in any given year.

As disclosed in the audited financial statements for the year ended 31 December 2017G, the Company has not distributed any dividends. In the first quarter of 2018G, as per the audited financial statements, the Company distributed dividends transferred to a related party amounting to SAR 11,047,365 to Mr. Saud Hizam Al-Qahtani as a non-cash transaction, for amounts due from him to the Company as shown in the "Transactions with Related Parties".

## 6. Use of Proceeds and Future Projects

The expected value of the proceeds from the Offering is SAR (••), of which SR (••) will be paid for expenses related to the Offering. These expenses include the charges of the Financial Advisor, expenses of marketing, printing and distribution, expenses of opening the Escrow Account and other expenses related to the Offering. Note that the subscribers will not incur any special expenses related to the Offering.

The net Offering Proceeds will be paid in full to the Selling Shareholders according to their percentage of ownership in the Company's Capital. The Company will not receive any amounts from the proceeds to use for financing any future projects.

## 7. Declarations

The Company's Board members declare that:

There has been no interruption in the Issuer's business that could affect or had a significant effect on its financial conditions during the past 12 months.

- 1- There has not been any interruption in the business of the Issuer which may have or has had a significant effect on the financial position in the last 12 months.
- 2- No commissions, discounts, brokerages or other non-cash compensation have been granted within the last year preceding the application for registration and offer of Shares that are the subject of this prospectus in connection with the issue or offer of any securities by the Issuer.
- 3- There has not been any material adverse change in the financial and trading position of the Issuer in the last year preceding the application for registration and offer of Shares.
- 4- Other than what is mentioned on page (27) of this Prospectus, no director nor any of their relatives have interest of any kind in the Issuer.
- 5- The Board members recognize that the Risk Factors Section (Risks related to legal cases, page 8) includes all judicial, administrative or arbitration proceedings and investigations that exist or are threatened to be filed (as far as they know), in which one of the Board members is a party which would, individually or collectively, have a negative and material impact on the Company and its results of operations.
- 6- The Board members agree that all transactions with related parties are to be presented during the first General Assembly's meeting after listing the Company.

## 8. Information Concerning the Shares and Terms and Conditions of the Offer

All investors must read carefully the information about the Shares and the terms and conditions of the Offering before completing the Subscription Form. Signing the Subscription Form and submitting it to the Financial Advisor shall be considered as an endorsement of acceptance of the Subscription terms and conditions. The Company has submitted a request to the CMA to register and offer the Shares in the Parallel Market. This Prospectus and all supporting documents requested by the CMA have been approved and all formal approvals for the Offering have been obtained.

### 8-1 The Offering

The Offering consists of (780,000) Ordinary Shares with a nominal value of SAR 10 per share representing 39% of the Company's Share Capital, which will be offered at SAR (●●) per share, at a total value of SAR (●●). The Offering is limited to the categories of Qualified investors as follows:

- 1- Authorised Persons acting for their own account.
- 2- Clients of a person authorised by the Authority to conduct managing activities provided that this Authorised Person has been appointed as an investment manager on terms which enable it to make decisions concerning the acceptance of an Offer and investment in the Parallel Market on the client's behalf without obtaining prior approval from the client.
- 3- The Government of the Kingdom, any government body, any supranational authority recognised by the Authority or the Exchange, and any other stock exchange recognised by the Authority or the Securities Depository Centre.
- 4- Government-owned companies, either directly or through a portfolio managed by a person authorised to carry out managing activities.
- 5- Companies and funds established in a member state of the Cooperation Council for the Arab States of the Gulf.
- 6- Investment Funds.
- 7- Non-resident foreigners permitted to invest in the Parallel Market and who meet the requirements stipulated in the Guidance Note for the investment of Non-Resident Foreigners in the Parallel Market.
- 8- Qualified foreign financial institutions.
- 9- Any other legal persons allowed to open an investment account in the Kingdom and an account at the Depository Centre.
- 10- Natural persons allowed to open an investment account in the Kingdom and an account at the Depository Center, and fulfil any of the following criteria:
  - a- Has conducted transactions in security markets of not less than 40 million Saudi Riyals in total, and not less than ten transactions in each quarter during the last twelve months
  - b- His net assets is not less than 5 million Saudi Riyals.
  - c- Works or has worked for at least three year in the financial sector.
  - d- Holds the General Securities Qualification Certificate, which is recognised by the Authority.
  - e- Holds professional certificate that is related to securities business and accredited by an internationally recognised entity.
- 11- Any other persons prescribed by the Authority.

### 8-2 How to Subscribe

Potential Qualified Investors must submit their Subscription Forms to subscribe to the offered Shares at the times and dates specified in accordance with the mechanism stipulated in the Subscription Form. Any Subscription Form submitted by the Qualified Investor to the Financial Advisor and the Lead Manager shall be deemed to be a binding agreement between the Company and the Subscriber.

The Selling Shareholders currently own 100% of the Company's Capital, and their ownership will decrease to 61% of the Company's Capital at the end of the Offering. Investors can obtain an electronic copy of this Prospectus and the Subscription Form from the Financial Advisor and the Lead Manager by communicating as per the following contact information available in this Prospectus:

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**Musharaka Capital Company**

Al Khobar- Prince Turki Bin Abdul Aziz Street  
Adeer Tower- 13<sup>th</sup> Floor  
PO Box 712, Al Khobar 34413  
Kingdom of Saudi Arabia  
Tel: +966 13 804 4644  
Fax: +966 13 881 8412  
E-mail: info@musharaka.co  
Website: www.musharakacapital.com



### 8-3 Offering Period and Terms

The receipt of the Subscription Forms will start from Thursday 09/06/1440H (corresponding to 14/02/2019G) to Monday 27/06/1440H (corresponding to 04/03/2019G). The Financial Advisor will review the form and the required documents immediately after signing and submitting the Subscription Form. In case the form is complete, the Financial Advisor will stamp the Subscription Form and provide the investor with a copy thereof. In case the form has incomplete or incorrect information or if the form is not stamped by the Financial Advisor, the Subscription Form will be considered null and void.

The Investor must clarify in the Subscription Application Form the number of Shares to be subscribed to, so that the total subscription amount is the sum of the number of Shares to be subscribed to multiplied by the Offering Price of SR (••) per share. The minimum subscription is 10 Shares, while the maximum subscription is 99,999 ninety-nine thousand and nine hundred ninety-nine Shares for each Investor.

The Qualified Investor is considered subscribed to the number of the Offer Shares upon fulfillment of the following conditions:

- 1- Submission of the Subscription Form by the Qualified Investor to the Financial Advisor.
- 2- Submission of the Subscription Form accompanied by the documents required in the Subscription Form, as shown below.
- 3- Payment of the full amount of the subscription (as shown above).
- 4- Receiving the allocation notice from the Financial Advisor specifying the number of Shares allocated to the Qualified Investor.

Upon submission of the Subscription Form during the Offering Period, the following documents must be attached (as applicable), and the Financial Advisor shall verify the copies against the originals and return the original to the Subscriber or the Agent:

- Original and copy of the national identity card (for the individual Investor).
- Original and copy of the power of attorney (when submission of the Subscription Form by the Agent is on behalf of the Investor).
- Origin and copy of the residency permit for non-Saudis where appropriate (for individual Investor).
- Copy of the Commercial Registration and copy of the signature authorization (if the Investor is a company).
- Copy of the Commercial Registration and copy of the identity of the authorized signatory and a copy of the CMA's licenses (if the Investor is a licensed company from the CMA or an investment fund). A copy of the agreement between the Investor and the licensed company shall be attached in case of investment portfolios or investment agreements).
- Any other documents that are requested or should be viewed.

The full amount of the subscribed Shares must be paid by making a direct transfer to the Escrow Account with the bank receiving the Offering proceeds. However, the Financial Advisor has the right to reject the Subscription Form in whole or in part if the form does not meet the Offering terms and conditions. The Subscriber will accept the number of Shares allocated to him unless these Shares are more than what he requested to subscribe to.

### 8-4 Allocations and Refunds

The Financial Advisor and the receiving bank will open an Escrow Account called "Initial Offering on the Parallel Market for Saud Hizam Al-Qahtani for Public and International Auctions Company". The prospective Qualified Investors will directly transfer the amounts subscribed to the Escrow Account mentioned in the Subscription Form.



Qualified Investors shall submit to the Financial Advisor and the Lead Manager a signed Subscription Form confirming their offer to invest in the Offer Shares, either by hand or by email (with the obligation to deliver the original copies of the required documents by mail in accordance with the instructions). They should be fully delivered no later than 4 p.m. on the date of the closing. Upon completion of the Subscription Form, each Investor acknowledges that he has received and read this Prospectus and accordingly acknowledges his desire to subscribe to the Offered Shares as set out in the Subscription Form.

The Subscription in the Offer shares will be through submitting the Subscription Form and transfer of funds directly to the Escrow Account specified for the Offering process according to the Subscription Form. The minimum subscription is 10 Shares. The offered Shares will be allocated according to the Financial Advisor and the Lead Manager discretion in consultation with the Issuer, and the excess funds (if any) will be refunded to the subscribers without any charges or deductions from the Lead Manager. The final allocation and refund of the excess funds, if any, will be announced by no later than Monday, 11/07/1440H (corresponding to 18/03/ 2019G).

The Financial Advisor will send notices to the Subscribers to inform them of the final number of Shares allocated to each of them and the excess funds to be returned to them, if any, and that will be refunded without any charges or deductions.

## **8-5 Miscellaneous provisions**

- 1- The Subscription Form and all related terms, conditions and undertakings shall be binding and for the benefit of the Subscribing parties, their successors, assignors, executors, heritage directors and heirs. The Subscription Form or any rights, interests or obligations arising therefrom shall not be waived or delegated by the Subscribing parties without the prior written consent of the other party.
- 2- These instructions, items and any receipt of the Subscription Forms or contracts resulting from them shall be subject to the Kingdom's regulations and shall be interpreted and implemented accordingly.
- 3- This Prospectus will be distributed in Arabic after CMA approval.

## **8-6 Circumstances when Offering may be Suspended**

### **Suspension of Offering or Cancellation of Listing**

The CMA may at its sole discretion cancel the application for registration of Shares and offer them on the Parallel Market whenever it deems that such application has been suspended. In such a case, the cancellation of the application shall result in submission of a new application by the Issuer in accordance with the procedures laid down in the Rules on the Offer of Securities and Continuing Obligations if he wishes to register and offer the canceled Shares in the Parallel Market. Furthermore, the Market may, at its sole discretion, cancel the application for listing if it considers that the application has been suspended. In this case, the Market shall notify the Issuer and the CMA in writing immediately upon the issuance of its decision. If the Issuer wishes to list its Shares that were the subject of the application, it shall submit a new application in accordance with the procedures provided for in the Listing Rules.

According to Article 36 of the Listing Rules:

- a- The CMA may, at any time, suspend or cancel the listing as it deems appropriate, in any of the following circumstances:
  - 1- The Authority considers it necessary for the protection of investors or the maintenance of an orderly market;
  - 2- The Issuer fails, in a manner which the Authority considers material, to comply with the Capital Market Law, its Implementing Regulations or the Exchange Rules;
  - 3- If the Issuer fails to pay on time any fees due to the Authority or the Exchange or any fines due to the Authority;
  - 4- The Authority considers that the Issuer or the issuer's (business, level of operations or assets) are no longer suitable to warrant the continued listing of its Shares on the Exchange;
  - 5- In respect of the listed funds, the Authority considers that the fund or the fund's (business, level of operations or assets) are no longer suitable to warrant the continued listing of its units on the Exchange.
  - 6- In the case of cross listed securities, the listing of the foreign issuer's securities has been cancelled elsewhere.

- 7- In respect of the listed funds, the Authority believes that the custodian and/or the market maker (as applicable) failed in a manner which the Authority considers material to comply with the Capital Market Law, its Implementing Regulations and the Exchange Rules.
  - 8- Upon the expiry of the fund in respect of the listed funds.
  - 9- Upon the expiry of term of debt instruments and convertible debt instruments.
  - 10- Upon the announcement of a reverse takeover containing insufficient information about the proposed transaction. If the issuer announces sufficient information regarding the target, and the CMA is satisfied, following the issuer's announcement, that there will be sufficient information available for the public about the proposed transaction of the reverse takeover, the Authority may decide not to suspend at this stage.
  - 11- Upon the leakage of information of the proposed transaction of reverse takeover, and the issuer is unable to assess accurately its financial position and unable to inform the Exchange accordingly.
- b- The suspension of trading pursuant to paragraph (a) of this Article may be lifted by considering:
    - 1- Whether the events which led to the suspension have been sufficiently remedied, and whether the suspension is no longer necessary for the protection of investors.
    - 2- Whether the lifting of the suspension is not likely to interrupt the normal operation of the Exchange.
    - 3- The issuer's compliance with any other conditions imposed by the Authority.
  - c- The Exchange will suspend the trading of the issuer's securities in any of the following circumstances:
    - 1- Upon the issuer's noncompliance with the disclosure of its periodic financial information within the specified period pursuant to the relevant Implementing Regulations;
    - 2- When the auditor's report on the financial statements of the issuer includes an adverse opinion or a disclaimer of opinion;
    - 3- In respect of the listed funds, when the auditor's report on the financial statements of the fund includes an adverse opinion or a disclaimer of opinion;
    - 4- If the liquidity requirements set out in Part 2 and Part 8 of the Listing Rules are not satisfied after lapse of the period determined by the Exchange to the issuer to rectify its position, unless the Authority agrees otherwise;
    - 5- If the trading of the foreign issuer's securities has been suspended elsewhere, in case of cross listed securities, until such suspension is lifted in the other exchange; or
    - 6- Upon a resolution issued by the Extraordinary General Assembly of the issuer reducing the issuer's capital for the two trading days following the issuance of the resolution.
  - d- The Exchange will lift the suspension referred to in subparagraphs (1), (2), (3) of this article after one trading session following the end of the suspension circumstances.
  - e- The Exchange may at any time propose to the Authority to suspended the trading of any listed security or cancel its listing where in its opinion it is likely that any of the circumstances of paragraph (a) of this Article to occur.
  - f- An issuer whose securities are subject to a listing suspension must continue to comply with the Capital Market Law, its Implementing Regulations and the Exchange Rules.
  - g- Where the suspension of an issuer continues for six months without the issuer taking appropriate action to resolve the reasons that lead to the suspension, the Authority may cancel that issuer's listed securities.
  - h- Upon completion of a reverse takeover by the issuer, the listing of the issuer's shares shall be cancelled. Should it wish to re-list its shares, the issuer must submit a new application for listing in accordance with these Rules and comply with applicable requirements under the Rules on the Offer of Securities and Continuing Obligations.
  - i- This Article shall not prejudice the suspension of trading or cancellation of the listing resulting from the losses of the Company pursuant to the relevant Implementing Regulations and Exchange Rules.

### **Voluntary Cancellation of Listing**

- a- An issuer whose securities have been listed may not cancel the listing of its securities on the Exchange without the prior approval of the Authority. In order to obtain the Authority's approval, the issuer must submit a request of the cancelation to the Authority with a simultaneous notification to the Exchange and include in its request the following information:

- 1- specific reasons for the request for the cancellation;
  - 2- a copy of the form of the disclosure described in paragraphs (e) or (f) of this Article, as applicable;
  - 3- if the cancellation is to take place as a result of an acquisition or other corporate action by the issuer, a copy of the relevant documentation and a copy of each related communication to shareholders;
  - 4- where the issuer is a special purposes entity, a copy of the relevant documentation and a copy of any related communication sent to the owners or the debt instruments holders, if the cancellation is to take place as a result of an action taken by the special purposes entity or the sponsor; and
  - 5- the names and contact details of the financial advisor and legal advisor appointed pursuant to the relevant Implementing Regulations.
- b- The Authority may at its discretion accept or reject the request for cancellation.
  - c- An issuer must only obtain the consent of its extraordinary general assembly to cancel a listing after the Authority has approved that cancellation, and the consent of the special assembly for the debt instruments holders if the issuer is a special purposes entity.
  - d- In respect of the Listed Funds, the issuer must obtain the consent of unitholders -through an ordinary fund resolution- to cancel a listing after the Authority has approved that cancellation.
  - e- Where a cancellation is made at the issuer's request, the issuer must make a disclosure to the public as soon as possible. This disclosure must include at least the reason for cancellation and the nature of the event resulting in the cancellation and the extent to which it affects the issuer's activities.
  - f- In respect of the Listed Funds , where a cancellation is made at the issuer's request, the issuer must make a disclosure to the public as soon as possible. This disclosure must include at least the reason for cancellation and the nature of the event resulting in the cancellation and the extent to which it affects the fund's activities.

### **Temporary Trading Suspension at the request of the Issuer**

- a- An issuer may request from the Exchange a temporary trading halt upon the occurrence of an event that occurs during trading hours which requires immediate disclosure under the Capital Market Law, its Implementing Regulations and the Exchange Rules and the issuer cannot maintain the confidentiality of this information until the end of the trading period, the trading halt of that issuer's securities will be made by the Exchange immediately upon receiving the request.
- b- Where a trading halt is made at the issuer's request, the issuer must disclose to the public as soon as possible the reason for the trading halt, the anticipated period of the trading halt and the event that has led to it and the extent to which it affects the issuer's activities.
- c- In respect of the Listed Funds, where a trading halt is made at the issuer's request, the issuer must disclose to the public as soon as possible the reason for the trading halt, the anticipated period of the trading halt and the event that has led to it and the extent to which it affects the fund's activities.
- d- The Authority may impose a trading halt without a request from the issuer where the Authority becomes aware of information or circumstances affecting the issuer's activities which the Authority considers would be likely to interrupt the operation of the Exchange or the protection of investors. An issuer whose securities are subject to a trading halt must continue to comply with the Capital Market Law, its Implementing Regulations or the Exchange rules.
- e- In respect of the Listed Funds, the Authority may impose a trading halt without a request from the issuer where the Authority becomes aware of information or circumstances affecting the fund's activities which the Authority considers would be likely to interrupt the operation of the Exchange or the protection of investors. An issuer whose units are subject to a trading halt must continue to comply with the Capital Market Law, its Implementing Regulations or the Exchange rules.
- f- The Exchange may propose that the Authority exercise its powers under paragraph (d) of this Article if it becomes aware of information or circumstances affecting the issuer's activities which the Exchange considers would be likely to interrupt the operation of the Exchange or the protection of investors.
- g- In respect of the Listed Funds, the Exchange may propose that the Authority exercise its powers under paragraph (e) of this Article if it becomes aware of information or circumstances affecting the fund's activities which the Exchange considers would be likely to interrupt the operation of the Exchange or the protection of investors.
- h- A trading halt will be lifted at the end of the period referred to in the disclosure specified in paragraphs (b) and (c) of this Article, unless the Authority or the Exchange decides otherwise.

## **8-7 Resolutions and Approvals under which the Shares are Offered**

Resolutions and Approvals under which Shares are offered are as follows:

### **The Company's Board of Directors Approval to submit the application for registration and Offering in the Parallel Market**

The Board of Directors have agreed to submit the application for registration and Offering in the Parallel Market to the CMA on 07/08/1439H (corresponding to 23/04/2018G), by Offering part of the Company's Shares in the Parallel Market after obtaining the necessary regulatory approvals.

### **CMA's Approval**

This Prospectus and all supporting documents requested by the CMA have been approved as stated on its official website on Thursday 17/01/1440H (corresponding to 27/09/2018G).

The Board of Directors affirms that there are no necessary approvals from any other government bodies or other entities regarding offering the Shares.

## **8-8 Existing Arrangements to prevent Disposition of Shares**

Substantial Shareholders, whose names appear in the Prospectus as holders of shares in the Issuer, must not dispose of their Shares within the twelve months following the date of commencement of trading of the Issuer's Shares on the Exchange unless the Issuer specifies a longer lock-up period in this Prospectus

## 9. Subscription Declarations

### 9-1 Subscribers Acknowledgments

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

- a- Agrees to subscribe to the Company's Shares in the number of such Shares specified in the Subscription Form;
- b- Declares that he has read the Prospectus and understood all its contents;
- c- Accepts the Company's Bylaws and all Offering instructions and terms mentioned in this Prospectus and Subscription Form;
- d- Declares that neither he nor any of his family members included in the Subscription Form has previously subscribed to Shares and that the Company has the right to reject any or all of his applications in case of duplicate applications;
- e- Accepts the number of Shares allocated to him (within the maximum amount subscribed to) under the Subscription Form.
- f- Undertakes not to cancel or amend the Subscription Form after submission to the Financial Advisor and Lead Manager.

### 9-2 Shares' Register and Trading Arrangements

Tadawul shall keep a Shareholders' Register (Record) containing their names, nationalities, addresses, professions, the Shares held by them and the amounts paid for these Shares.

### 9-3 Saudi Stock Exchange (Tadawul)

Tadawul was founded in 2001G as the successor to the Electronic Securities Information System (ESIS). The electronic trading system was introduced in the Kingdom in 1990G. Trading in Shares occurs on the "Tadawul" system through a fully integrated trading system covering the entire trading process from execution of the trade transaction through settlement thereof. Trading occurs on each business day of the week between 10:00 am and 3:00 pm from Sunday to Thursday, during which orders are executed. However, during other than those times, orders can be entered, amended or cancelled from 9:30 am to 10:00 am. The said times are subject to change during the month of Ramadan and they are announced by the Tadawul Management.

Tadawul System works on an automated matching for the orders according to the price. In general, the market orders are implemented first, i.e. the orders that are placed at the best price, and then followed by the specific price orders, i.e. the orders placed at a specified price. In case of introducing several orders at the same price, they will be implemented regularly according to the entry time.

Tadawul system distributes a comprehensive range of information through various channels, most notably "Tadawul" website on the Internet; and the market data are provided immediately to the information provision agencies, such as "Reuters".

The security (i.e., transfer of the executed securities from the seller's investment portfolio to the buyer's investment portfolio) is settled directly during the day. However, a cash settlement (i.e., transfer of the price of the security executed from the buyer's investment account to the seller's investment account) takes place only two business days after the transaction is executed. Thus, the settlement of securities transactions is completed only after two business days from the date of execution of the transaction, known as T+2. There is no impact on the traders because the settlement is not completed immediately when the transaction is executed. The buyer can sell the securities in the place of the purchase once the transaction is executed without having to wait for the completion of the security settlement. The seller will also be able to acquire the purchasing power that enables him to buy new securities once the sale is executed directly without having to wait for the completion of the cash settlement.

The Company must disclose all material decisions and important information through Tadawul, which is responsible for monitoring the market in its capacity as the operator of the mechanism through which the market works in order to ensure the fairness and easy flow of share exchange.

## **9-4 Trading of Shares in the Parallel Market**

An application has been made with the CMA to register and offer the Company's Shares on the Parallel Market. Trading in the Company's shares is expected to begin after the final allocation of these shares is completed. Tadawul will announce the date on which the shares will be traded on time. The dates and times mentioned in this Prospectus are preliminary dates mentioned only for reference and may be changed or extended with the approval of the CMA. Shares can only be traded after allocated Offer Shares have been credited to Subscribers' accounts at Tadawul, the Company has been registered and its Shares are listed on the Exchange. Pre-trading in Shares 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 connection with pre-trading activities.

Trading in equities listed on the Parallel Market is restricted to Qualified Investors (refer to section "Terms and Definitions" on page (1) of this Prospectus).

## **9-5 Allocation Process**

The Shares offered for subscription will be allocated according to the proposal of the Financial Advisor and the Lead Manager in consultation with the Issuer. Subscription Surplus (if any) will be returned to the Subscribers without any charges or deductions. The final allocation and refund of the Subscription Surplus, if any, will be announced by Monday 11/07/1440H (18/03/2019G). The Financial Advisor and the Lead Manager will send notices to the Applicants informing them of the final number of Shares allocated to each of them and the excess amounts to be returned to them, if any, where they will be refunded without any charges or deductions.

## **10. Procedures of Incomplete Offer**

If the Offering is not completed on the date set for the expiry of the Offering as shown in this Prospectus (refer to page (viii): “Key Dates And Subscription Procedure”), the Financial Advisor and the Lead Manager will, within 10 days of the end of the Offering Period, submit a written signed notice to the CMA, confirming the noncompletion of the Offering, and will then notify the subscribed investors. The amounts collected from the investors (if any) will be refunded without any charge or withholding, in coordination with the bank that will receive the Offering proceeds.

In addition, the Financial Advisor may, in consultation with the Company, extend the period of the Offering before its expiry. The Qualified Investor who has subscribed to the Shares prior to the extension of the period of the Offering may cancel or amend its subscription.

## 11. Documents Available for Inspection

The following documents will be available for inspection at the Head Office of the Financial Advisor in Al-Khobar city, Prince Turki bin Abdul Aziz Street – Adeer Tower – 13<sup>th</sup> Floor, During business days from Thursday 09/06/1440H (corresponding to 14/02/2019G) to Monday 27/06/1440H (corresponding to 04/03/2019G) from 09:00 am to 04:00 pm during the term of the Offering period:

- 1- The Company's Bylaws.
- 2- The Company's Articles of Association and the amendment thereto as per the Shareholders' resolution to convert the Company from a limited liability company to a joint stock company.
- 3- The Main Commercial Registration.
- 4- The Board of Directors' decision to approve the Offering.
- 5- A copy of the CMA's announcement approving the Offering of the Company's Shares.
- 6- The Legal due diligence letter (as of September 26, 2017).
- 7- The audited financial statements for the year ended on the 31<sup>st</sup> of December 2017G and the audited financial statements for the first quarter of 2018G.
- 8- Letters of approval for the inclusion of the name and logo in this Prospectus for:
  - a- The Financial Advisor, Musharaka Capital Company.
  - b- The Auditor.
  - c- The Legal Advisor

There will be a possibility to request additional information, and the Financial Advisor's team will be available to assist the investors and answer their questions and queries.



## **12. External Auditor's Report**

### **12-1 Company's audited financial statements for the year ended 31 December 2017G**

**Saud Hezam Al-Qahtani**

For Public and International Auctions Company (Closed Joint Stock Company)

**Dammam – Saudi Arabia**

Financial Statements and

**Independent Auditors' Report**

For the year ended December 31, 2017



# ASSOCIATED ACCOUNTANTS

Houmod Al Robian and Co. - Certified Accountants and Consultants

## Independent Auditors' Report

### To, Shareholders

### Saud Hezam Al-Qahtani For Public and International Auctions Company

(Closed Joint Stock Company)

Dammam – Saudi Arabia

### Opinion:

We have audited the financial statements of **Saud Hezam Al-Qahtani For Public and International Auctions Company (the company)** which comprises of balance sheet as at December 31, 2017 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended and a summary of significant accounting policies and explanatory notes from 1 to 21.

In our opinion, the financial statements referred to above in whole present fairly, in all material respects, the financial position of **(the company)** as of December 31, 2017 and the results of its operations, its cash flows and changes in shareholders' equity for the year then ended are in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia.

### Basis for Opinion:

We conducted our audit in accordance with the generally accepted auditing standards in the Kingdom of Saudi Arabia and International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Saudi Arabia, and we have fulfilled our other ethical responsibilities in accordance with IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Matters:

- In accordance with Ministerial Resolution number Q/4 dated 6th Muharram 1439H corresponding to September 26, 2017; the legal procedures to convert the company into a Closed Joint Stock Company and increase the share capital from one hundred thousand Saudi Riyal (100 thousand) to twenty million Saudi Riyal (20 million) divided into (2,000,000) shares of a par value of (10) Saudi Riyal per share were completed during the year
- We draw your attention that the comparative figures for the year ended December 31, 2016 were not audited and used by Company's management for different purposes including publishing it to the public. We also draw your attention that the first statutory financial statements of the Company as a Closed Joint Stock Company is from date of commercial registration 26 September, 2017 till December 31, 2018.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements:

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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# ASSOCIATED ACCOUNTANTS

Houmod Al Robian and Co. - Certified Accountants and Consultants

## Independent Auditors' Report (continued)

### Auditor's Responsibilities for the Audit of the Financial Statements:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not guarantee that an audit conducted in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of those financial statements.

As part of an audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia and ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exist, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion, our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient audit evidence regarding the financial information of the entities or business within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have compiled with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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# ASSOCIATED ACCOUNTANTS

Houmod Al Robian and Co. - Certified Accountants and Consultants

## Independent Auditors' Report (continued)

### Auditor's Responsibilities for the Audit of the Financial Statements (continued):

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements:

Based on the information that has been made available to us, nothing has come to our attention that causes us to believe that the Company is not in compliance, in all material respects, with the applicable requirements of the Regulations for companies and the Company's By-law in so far as they affect the preparation and presentation of the financial statements.

Date: June 4, 2018

Associated Accountants  
Independent Member of Geneva Group International



Hamoud Ali Al-Rubian  
(License No. 222)



## Saud Hezam Al-Qahtani For Public and International Auctions Company

(Closed Joint Stock Company)

### Balance Sheet

as of December 31, 2017

(Saudi Riyal)

	Note	2017 (Audited)	2016 (Unaudited)
Assets			
Current assets:			
Cash in hand and at banks	3	5,445,066	8,274,166
Accounts receivable		117,222	259,037
Advances from customers	5	292,683	6,277,620
Other receivables and prepayments	4	1,199,331	1,916,983
Due from related parties	6&19	25,963,493	-
<b>Total current assets</b>		<b>33,017,795</b>	<b>16,727,806</b>
Non-current assets:			
Property and equipment, net	2&7	10,992,010	11,636,630
<b>Total assets</b>		<b>44,009,805</b>	<b>28,364,436</b>
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable		58,813	-
Advances from customers	5	2,501,407	2,552,413
Other payables and accruals	8	183,741	386,062
Provision for Zakat	2&16	725,673	483,838
<b>Total current liabilities</b>		<b>3,469,634</b>	<b>3,422,313</b>
Non-current liabilities:			
Due to related parties	6	263,500	5,511,968
Provision for end of service benefits	2&9	405,650	360,471
<b>Total non-current liabilities</b>		<b>669,150</b>	<b>5,872,439</b>
<b>Total liabilities</b>		<b>4,138,784</b>	<b>9,294,752</b>
Shareholders' Equity:			
Share capital	10	20,000,000	100,000
Statutory reserve	11	2,023,966	100,000
Retained earnings		17,847,055	18,869,684
<b>Total shareholders' equity</b>		<b>39,871,021</b>	<b>19,069,684</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>44,009,805</b>	<b>28,364,436</b>

The accompanying notes from 1 to 21 are an integral part of these financial statements.

## Saud Hezam Al-Qahtani For Public and International Auctions Company

(Closed Joint Stock Company)

### Statement of Income

for the year ended December 31, 2017

(Saudi Riyal)

	Note	2017 (Audited)	2016 (Unaudited)
Revenues	2&12	29,221,434	29,427,209
Cost of revenues	13	(7,118,938)	(6,605,294)
<b>Gross profit</b>		<b>22,102,496</b>	<b>22,821,915</b>
Selling and marketing expenses	2&14	(1,285,400)	(1,921,930)
General and administrative expenses	2&15	(1,586,815)	(1,546,463)
<b>Operating income</b>		<b>19,230,281</b>	<b>19,353,522</b>
Other income		688,174	-
<b>Net income before zakat</b>		<b>19,918,455</b>	<b>19,353,522</b>
Zakat charge	2&16	(678,795)	(483,838)
<b>Net income for the year</b>		<b>19,239,660</b>	<b>18,869,684</b>

The accompanying notes from 1 to 21 are an integral part of these financial statements.

## Saud Hezam Al-Qahtani For Public and International Auctions Company

(Closed Joint Stock Company)

### Statement of Cash Flows

for the year ended December 31, 2017

(Saudi Riyal)

	2017 (Audited)	2016 (Unaudited)
<b>Cash Flows from Operating Activities:</b>		
Net income for the year	19,239,660	18,869,684
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation	1,253,264	1,403,547
Provision for end of service benefits	91,629	62,904
Provision for income zakat	678,795	483,838
Prior year adjustments	(1,296,869)	-
Changes in the components of working capital:	19,966,479	20,819,973
Decrease in accounts receivable	141,815	4,701,864
Decrease (Increase) in refundable receivable	5,984,937	(6,277,620)
Decrease/(Increase) in other receivables and prepayments	717,652	(120,865)
Increase/(Decrease) in accounts payable	58,813	(1,600,526)
(Decrease)/Increase in advances from customers	(51,006)	2,552,413
(Decrease)/Increase in other payables and accruals	(202,321)	345,874
End of service benefits paid	(46,450)	(31,504)
Zakat paid	(436,960)	(224,890)
<b>Net cash flows provided by operating activities</b>	<b>26,132,959</b>	<b>20,164,719</b>
<b>Cash Flows from Investing Activities:</b>		
Acquisition of property and equipment	(608,644)	(1,460,500)
Net cash flows used in investing activities	(608,644)	(1,460,500)
<b>Cash Flows from Financing Activities:</b>		
Net change in bank facilities	-	(2,040,000)
Net change in due to related parties balances	(28,353,415)	(7,808,738)
Dividends paid	-	(9,206,947)
Net cash flows used in financing activities	(28,353,415)	(19,055,685)
<b>Net cash used during the year</b>	<b>(2,829,100)</b>	<b>(351,466)</b>
Cash and banks balances at the beginning of the year	8,274,166	8,625,632
<b>Cash and banks balances at the end of the year</b>	<b>5,445,066</b>	<b>8,274,166</b>
Schedule of non-cash transactions:		
Transfer from retained earnings to share capital (note 18)	17,041,454	-
Transfer from related party to share capital (note 18)	2,858,546	-

The accompanying notes from 1 to 21 are an integral part of these financial statements.

**Saud Hezam Al-Qahtani For Public and International Auctions Company**

(Closed Joint Stock Company)

**Statement of Changes in Shareholders' Equity**

for the year ended December 31, 2017

**(Saudi Riyal)**

	Share capital	Statutory reserve	Retained earnings	Total
<b>2016 (Unaudited)</b>				
Balance as of December 31, 2015	100,000	100,000	9,206,947	<b>9,406,947</b>
Net income for the year	-	-	18,869,684	<b>18,869,684</b>
Dividends paid	-	-	(9,206,947)	<b>(9,206,947)</b>
<b>2017(Audited)</b>				
Balance as of December 31, 2016	100,000	100,000	18,869,684	<b>19,069,684</b>
Net income for the year	-	-	19,239,660	<b>19,239,660</b>
Transfer to statutory reserves	-	1,923,966	(1,923,966)	-
Transfer from retained earnings to share capital (note 18)	17,041,454	-	(17,041,454)	-
Transfer from related party to share capital (note 18)	2,858,546	-	-	<b>2,858,546</b>
Prior year adjustment	-	-	(1,296,869)	<b>(1,296,869)</b>
<b>Balance as of December 31, 2017</b>	<b>20,000,000</b>	<b>2,023,966</b>	<b>17,847,055</b>	<b>39,871,021</b>

The accompanying notes from 1 to 21 are an integral part of these financial statements.



## **Saud Hezam Al-Qahtani For Public and International Auctions Company**

(Closed Joint Stock Company)

### **Notes to the financial statements**

for the year ended December 31, 2017

#### **1- Legal Status and Activities**

Saud Hezam Al-Qahtani for Public and International Auctions Company (“the Company”) is a Closed Joint Stock Company registered in Damam under CR. No. 2050087357 dated 19 Mohram, 1433H corresponding to December 14, 2011G.

Saud Hezam Al Qahtani and Partner’s For Public and International Auctions Company (Limited partnership) has been converted into Saud Hezam Al-Qahtani For Public and International Auctions Company (limited liability company of one person) on 28 Safar, 1438H corresponding to November 28, 2016G.

Saud Hezam Al Qahtani Auction Company (limited liability company of one person) has been converted into Saud Hezam Al-Qahtani For Public and International Auctions Company (Closed Joint Stock Company ) on 6 Muharram, 1439H corresponding to September 26, 2017.

The main activity of the company is to engage in whole sale and retail trade , import and export of heavy and light machineries and equipments and their spare parts and arranging open auctions as per letter of Traffic Department in Eastern Province under # 7/3/3328/6 dated 10 Ramadan, 1438H .

The Company also have the following Branches :

- a- Branch of Saud Hezam Al-Qahtani For Public and International Auctions Company (Jeddah City). Its main activity is to engage in arranging public auctions and whole and retail trade in non agricultural heavy and light machineries and equipments and their spare parts, as per CR No. 4030290473 issued from Jeddah City dated 29 Shawwal 1437H corresponding to August 3, 2016G.
- b- Branch of Saud Hezam Al-Qahtani For Public and International Auctions Company (Yanbu City). Its main activity is to engage in arranging public auctions and whole and retail trade in non agricultural heavy and light machineries and equipments and their spare parts, as per CR No. 4700020086 issued from Yanbu City dated 30 Muharram 1438H corresponding to October 31, 2016G .

#### **2- Significant Accounting Policies**

The accompanying financial statements have been prepared in accordance with the accounting standards promulgated by the Saudi Organization for Certified Public Accountants (“SOCPA”). Significant accounting policies adopted in preparation of these financial statements are as follows:

##### **Using of estimates:**

The preparation of financial statements is in conformity with generally accepted accounting standards in the kingdom of Saudi Arabia which requires the use of estimates and assumptions that could affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date of financial statements, in addition to the reported amounts of revenues and expenses during the year. Although these estimates are based on management’s best knowledge of current events and activities available with the management, actual results ultimately may differ from those estimates.

## Saud Hezam Al-Qahtani For Public and International Auctions Company

(Closed Joint Stock Company)

### Notes to the financial statements

for the year ended December 31, 2017

## 2- Significant Accounting Policies (continued)

### Property and equipment:

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed over the estimated useful lives of the assets using the straight-line method, adopting the annual depreciation percentages as follows:

Buildings	5%
Motor vehicles	10%
Tools and equipment	10%
Furniture and fixtures	10%
Electrical devices	10%

Repairs and maintenance expenses that do not substantially increase the useful life of assets are charged to the expenses.

### Provision for Zakat:

Zakat is provided for each year separately in accordance with Zakat regulations applicable in the Kingdom of Saudi Arabia. Any difference in estimates is recorded in the statement of income, when the final assessment is approved in accordance with the presentation and disclosure standard requirements applicable to the accounting changes.

### Provision for end of service benefits:

Benefits payable to the employees at the end of their services are provided for in accordance with Saudi Labor Regulations.

### Revenue recognition:

Revenues from services are recognized when the services rendered are completed and accepted by clients.

### Operating leases:

When the risks and rewards of owning asset remain with the lessor, a lease is accounted for as operating lease. The amounts paid are charged under operating leases at the statement of income on a straight line basis over the lease term.

### Selling and marketing expenses:

Selling and marketing expenses principally comprise of costs incurred in the sales and marketing of the Company's services

### General and administrative expenses:

General and administrative expenses include expenses related to management, and not related to cost of revenues or selling and marketing as required in accordance with the accounting principles promulgated by the Saudi Organization for Certified Public Accountants ("SOCPA"). Allocations between cost of revenues, general and administrative expenses, when required, are made on consistent basis.

## Saud Hezam Al-Qahtani For Public and International Auctions Company

(Closed Joint Stock Company)

### Notes to the financial statements

for the year ended December 31, 2017

(Saudi Riyal)

#### 3- Cash in Hand and at Banks

	2017	2016
Cash in hand	5,401,378	8,041,660
Cash at banks	43,688	232,506
	5,445,066	8,274,166

#### 4- Other Receivables and Prepayments

	2017	2016
Prepaid expenses	1,042,917	1,694,983
Margin deposits	100,000	100,000
Due from employees	11,714	56,800
Petty cash to employees	2,200	65,200
Others	42,500	-
	1,199,331	1,916,983

#### 5- Refundable Receivable/Advances from Customers

- Refundable receivable: These refundable receivable represent the amounts received from the public auctions and value of goods presented in the auctions as on December 31, 2017.
- Advances from customers: Represents the amounts due to the original owners of the goods that were made public for auctions and amounts that are not paid to sellers as on December 31, 2017.

## Saud Hezam Al-Qahtani For Public and International Auctions Company

(Closed Joint Stock Company)

### Notes to the financial statements

for the year ended December 31, 2017

(Saudi Riyal)

#### 6- Related Parties Transaction

Related party	Nature of relationship	Nature of transactions	Balance 2016	Transactions during the year		Balance 2017
				Debit	Credit	
A-Due from related parties:						
Saud Hezam Jaffer Al Masoud Al Qahtani (note 19)	Shareholder	Financing	-	17,653,076	160,000	17,493,076
Mohamed Saud Al Qahtani Establishment for Equipments Rental*	Establishment owned by a member of the shareholders' family	Trading	-	8,470,417	-	8,470,417
			-	26,123,493	160,000	25,963,493
B-Due to related parties						
Saud Al Qahtani Establishment for Transportation	Affiliate Company	Trading	388,498	578,850	453,852	263,500
Saud Hezam Jaffer Al Masoud Al Qahtani	Shareholder	Financing	5,123,470	5,123,470	-	-
			5,511,968	5,702,320	453,852	263,500

During 2017, the Company has conducted transactions with the above related parties that include financing and trading transactions. These transactions were conducted at an arm's length and were approved by the board of directors. Such balances are not subject to finance charges and there are no specific terms of settlement.

\*Mohamed Saud Al Qahtani Establishment for Equipment's Rental purchased goods from the auction amounted to SR. 8,263,822 where the commission of income due to the company amounted SR. 206,595 as a result of such transactions.

## Saud Hezam Al-Qahtani For Public and International Auctions Company

(Closed Joint Stock Company)

### Notes to the financial statements

for the year ended December 31, 2017

(Saudi Riyal)

## 7- Property and Equipment

	Buildings*	Motor vehicles**	Tools and equipment**	Furniture and fixtures	Electrical devices	Total
Cost						
Balance as of December 31, 2016	8,671,147	1,046,076	6,375,285	311,560	64,214	16,468,282
Additions	-	285,370	323,274	-	-	608,644
Balance as of December 31, 2017	8,671,147	1,331,446	6,698,559	311,560	64,214	17,076,926
Accumulated depreciation						
Balance as of December 31, 2016	(1,632,762)	(529,685)	(2,510,097)	(133,622)	(25,486)	(4,831,652)
Charge for the year	(433,557)	(112,274)	(669,856)	(31,156)	(6,421)	(1,253,264)
Balance as of December 31, 2017	(2,066,319)	(641,959)	(3,179,953)	(164,778)	(31,907)	(6,084,916)
Book value:						
As of December 31, 2017	6,604,828	689,487	3,518,606	146,782	32,307	10,992,010
As of December 31, 2016	7,038,385	516,391	3,865,188	177,938	38,728	11,636,630

\* Buildings are constructed on leased lands from different parties including a shareholder / Saud Hezam Jaffer Al Qahtani, (Bqaiq - Al Ahsaa Road) by a 10 years lease contract starting from April 15, 2016 with a annual lease amount due of SR. 1,500,000.

\*\* Additions to motor vehicles and equipment were purchased from the auction directly.

Depreciation charged to the cost of revenues amounted to SR. 1,253,264 (2016: SR. 1,403,549).

## Saud Hezam Al-Qahtani For Public and International Auctions Company

(Closed Joint Stock Company)

### Notes to the financial statements

for the year ended December 31, 2017

(Saudi Riyal)

#### 8- Other Payables and Accruals

	2017	2016
Accrued expenses	138,741	386,062
Others	45,000	-
	183,741	386,062

#### 9- Provision for End of Service Benefits

	2017	2016
Balance at the beginning of the year	360,471	329,071
Provided during the year	91,629	62,904
Paid during the year	(46,450)	(31,504)
Balance at the end of the year	405,650	360,471

#### 10- Share Capital

The Company's share capital of SR. 20,000,000 consists of 20,000 equity shares of SR. 10 each and is divided among Shareholders as follows:

	No. of shares	Percentage of Ownership %	Amount
Saud Hezam Jaffer Al Masoud Al Qahtani	1,600,000	80	16,000,000
Faleh Saud Hezam Al Masoud Al Qahtani	200,000	10	2,000,000
Saeed Saud Hezam Al Masoud Al Qahtani	200,000	10	2,000,000
	2,000,000	100	20,000,000

#### 11- Statutory Reserve

In accordance with Saudi companies law and the Company's By-law, 10% of the annual net income is required to be transferred to a statutory reserve until this reserve equals 30% of the share capital. Such reserve is not available for dividends distribution.

#### 12- Revenues

	2017	2016
Auctions commissions revenues	28,319,624	28,736,959
Others revenues related to auctions	901,810	690,250
	29,221,434	29,427,209

## Saud Hezam Al-Qahtani For Public and International Auctions Company

(Closed Joint Stock Company)

### Notes to the financial statements

for the year ended December 31, 2017

(Saudi Riyal)

#### 13- Cost of Revenues

	2017	2016
Salaries, wages and other benefits	1,914,560	1,468,540
Rentals	2,150,000	1,663,046
Depreciation	1,253,264	1,403,549
Hospitality	1,095,274	1,202,570
Auctions preparation	492,580	512,139
Transport and loading	213,260	355,450
	7,118,938	6,605,294

#### 14- Selling and Marketing Expenses

	2017	2016
Advertising expenses	1,285,400	1,921,930

#### 15- General and Administrative Expenses

	2017	2016
Salaries, wages and other benefits	1,018,500	1,098,650
End of service benefits expenses	91,629	62,904
Maintenance and repairs	82,750	58,154
Rent	76,500	144,000
Miscellaneous	317,436	182,755
	1,586,815	1,546,463

## Saud Hezam Al-Qahtani For Public and International Auctions Company

(Closed Joint Stock Company)

### Notes to the financial statements

for the year ended December 31, 2017

(Saudi Riyal)

#### 16- Provision for Zakat

A- The Company's Zakat base is comprised of the followings:	2017	2016
Opening shareholders s' equity	19,069,684	
Opening provisions, prior year adjustments and other Zakat able items	(935,970)	
Book value of long term assets	(10,992,010)	
Adjusted net income for the year	20,010,084	
Zakat base (Equity method)	27,151,788	
Zakat base (Net income adjusted method)	20,010,084	
Zakat charge @ 2.5%	678,795	
B- The movement of provision for Zakat is as follows:	2017	2016
Balance at beginning of the year	483,838	224,890
Provided during the year	678,795	483,838
Payment during the year	(436,960)	(224,890)
Balance at the end of the year	725,673	483,838
C- Zakat status:	2017	2016
The Company has obtained the zakat certificate for the year 2016 from GAZT.		

#### 17- Contingent Liabilities

The Company has a contingent liability as of December 31, as follows:

	2017	2016
Letters of guarantee	160,000	320,000

#### 18- General

According to Ministerial Resolution number Q/4 dated 6th Muharram 1439H corresponding to September 26, 2017; the Company have concluded the legal procedures to approve the conversion of its statues from a limited liability company to Closed Joint Stock Company and increased the share capital from one hundred thousand Saudi Riyal (100 thousand) to twenty million Saudi Riyal (20 million) divided into (2,000,000) shares of a par value of (10) Saudi Riyal per share where the increase in the share capital amounting (19,900,000) nineteen millions and nine hundred thousand Saudi Riyal have been fully paid.



## **Saud Hezam Al-Qahtani For Public and International Auctions Company**

(Closed Joint Stock Company)

### **Notes to the financial statements**

for the year ended December 31, 2017

**(Saudi Riyal)**

#### **19- Subsequent Events**

During the subsequent period; a settlement done for a debit balance for a related party (the shareholder- chairman of the board of directors ) amounted to SR 17,493,076 as of December 31, 2017 through distribution of dividends in accordance with the extraordinary general assembly meeting dated March 11, 2018 amounted to SR.11,047,365 related to the for period from November 29, 2016 to September 25, 2017 and also through purchase of equipments and machineries (from the shareholder- Chairman of the board of directors) amounted to SR.6,605,800 that was also approved by the extraordinary assembly meeting dated March 11, 2018.

#### **20- Comparative Figures**

- Certain prior year figures were reclassified to conform to the current year presentation.
- The comparative figures for the year ended on December 31, 2016 were unaudited.

#### **21- Financial Instruments - Risk Management**

##### **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 transactions. As the Company's financial instruments are compiled under the historical cost method, differences can arise between the book amounts and the fair value estimates.

##### **Credit risk:**

Is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Cash is placed with national and multinational banks with good credit ratings. Credit risk on trade receivables is stated net of provision for doubtful debts.

##### **Liquidity risk:**

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

The Company's management monitors liquidity requirements on a regular basis and ensures that sufficient funds are available to meet any future commitments.

## **12-2 The audited financial statements for the first quarter of 2018G**

**Saud Hezam Al-Qahtani**

For Public and International Auctions Company (Closed Joint Stock Company)

**Dammam – Saudi Arabia**

Financial Statements and

**Independent Auditors' Report**

For the three months period ended March 31, 2018



# ASSOCIATED ACCOUNTANTS

Houmod Al Robian and Co. - Certified Accountants and Consultants

## Independent Auditor's Report

To, Shareholders

**Saud Hezam Al-Qahtani For Public and International Auctions Company**

(Closed Joint Stock Company)

**Dammam – Saudi Arabia**

### Opinion:

We have audited the financial statements of **Saud Hezam Al-Qahtani For Public and International Auctions Company (the company)** which comprises of Statement of financial position as at March 31, 2018 and statement of profit or loss and other comprehensive income, changes in shareholders' equity, cash flows and for the period ended and a summary of significant accounting policies and explanatory notes from 1 to 24.

In our opinion, the financial statements referred to above in whole present fairly, in all material respects, the financial position of **(the company)** as of March 31, 2018 and the results of its operations, its cash flows and changes in shareholders' equity for the period then ended are in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia.

### Basis for Opinion:

We conducted our audit in accordance with the generally accepted auditing standards in the Kingdom of Saudi Arabia and International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Saudi Arabia, and we have fulfilled our other ethical responsibilities in accordance with IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Matters:

- These financial statements were prepared in accordance with the requirements of the Company's management for publishing purposes. Notwithstanding, that the first statutory financial period of the starts from the date of commercial registration issued as a closed joint stock company from September 26, 2017 up to December 31, 2018.
- The financial statements for the period ended on 31 March 2017 were audited by another external auditor who issued his unqualified report on them. However, a re-classification and separation of activates result were carried as disclosed in Note (21).

### Responsibilities of Management and Those Charged with Governance for the Financial Statements:

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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# ASSOCIATED ACCOUNTANTS

Houmod Al Robian and Co. - Certified Accountants and Consultants

## Independent Auditor's Report (continued)

### Auditor's Responsibilities for the Audit of the Financial Statements:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not guarantee that an audit conducted in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of those financial statements.

As part of an audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia and ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exist, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion, our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient audit evidence regarding the financial information of the entities or business within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have compiled with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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# ASSOCIATED ACCOUNTANTS

Hourmod Al Robian and Co. - Certified Accountants and Consultants

## Independent Auditor's Report (continued)

### Auditor's Responsibilities for the Audit of the Financial Statements (continued):

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Date: July 31, 2018

Associated Accountants  
Independent Member of Geneva Group International



Hamoud Ali Al-Rubian  
(License No. 222)

## Saud Hezam Al-Qahtani For Public and International Auctions Company

(Closed Joint Stock Company)

### Statement of Financial position

as of March 31, 2018

(Saudi Riyal)

	Note	March 31,2018	December 31,2017	March 31,2017 (Restated)
Assets				
Non-current assets:				
Property, plant and equipment, net	5&6	17,180,104	10,992,010	12,059,974
Right to use	5&7	11,081,929	-	-
<b>Total Non-current assets</b>		<b>28,262,033</b>	<b>10,992,010</b>	<b>12,059,974</b>
Current assets:				
Cash in hand and at banks	5&8	5,346,710	5,445,066	3,650,165
Accounts receivable		8,559,672	409,905	1,800,390
Other receivables and prepayments	9	786,112	1,199,331	883,332
Due from related parties	10	6,476,767	25,963,493	4,830,841
<b>Total current assets</b>		<b>21,169,261</b>	<b>33,017,795</b>	<b>11,164,728</b>
<b>Total assets</b>		<b>49,431,294</b>	<b>44,009,805</b>	<b>23,224,702</b>
Shareholders' Equity and Liabilities				
Shareholders' Equity:				
Share capital	11	20,000,000	20,000,000	100,000
Statutory reserve	12	2,548,195	2,023,966	100,000
Retained earnings		11,819,880	17,847,055	21,872,297
<b>Total shareholders' equity</b>		<b>34,368,075</b>	<b>39,871,021</b>	<b>22,072,297</b>
Non-current liabilities:				
Due to related parties	10	228,589	263,500	435,008
Provision for end of service benefits	5&13	415,298	405,650	101,962
lease contracts obligations non- current portion	5&7	9,270,385	-	-
<b>Total non-current liabilities</b>		<b>9,914,272</b>	<b>669,150</b>	<b>536,970</b>
Current liabilities:				
Accounts payable		2,103,022	2,560,220	480,188
lease contracts obligations - current portion	5&7	1,811,544	-	-
Other payables and accruals	14	395,332	183,741	28,150
Provision for Zakat	5&19	839,049	725,673	107,097
<b>Total current liabilities</b>		<b>5,148,947</b>	<b>3,469,634</b>	<b>615,435</b>
<b>Total liabilities</b>		<b>15,063,219</b>	<b>4,138,784</b>	<b>1,152,405</b>
<b>Total shareholders' equity and liabilities</b>		<b>49,431,294</b>	<b>44,009,805</b>	<b>23,224,702</b>

The accompanying notes from 1 to 24 are an integral part of these financial statements.

## Saud Hezam Al-Qahtani For Public and International Auctions Company

(Closed Joint Stock Company)

### Statement of Profit or Loss and Other Comprehensive income

For the three months period ended March 31, 2018

(Saudi Riyal)

	Note	March 31,2018	March 31,2017 (Restated)
Revenues	5&15	8,057,588	5,437,876
Cost of revenues	16	(2,070,513)	(1,804,097)
<b>Gross profit</b>		<b>5,987,075</b>	<b>3,633,779</b>
Selling and marketing expenses	5&17	(232,435)	(369,602)
General and administrative expenses	5&18	(590,770)	(386,870)
<b>Operating income</b>		<b>5,163,870</b>	<b>2,877,307</b>
Other income		191,800	185,525
<b>Net income before zakat</b>		<b>5,355,670</b>	<b>3,062,832</b>
Zakat charge	5&19	(113,376)	(60,219)
<b>Net income for the period</b>		<b>5,242,294</b>	<b>3,002,613</b>
Other comprehensive income			
Items that may be reclassified subsequently to Statement of Profit or Loss		-	-
Total comprehensive income for the period		5,242,294	3,002,613
Earnings per share:			
Earnings per share from net income for the period from operations	5&20	2,62	-
Earnings Per share from total comprehensive income		2,62	-
Weighted average for number of outstanding shares		2,000,000	-

The accompanying notes from 1 to 24 are an integral part of these financial statements.

**Saud Hezam Al-Qahtani For Public and International Auctions Company**

(Closed Joint Stock Company)

**Statement of Changes in Shareholders' Equity**

For the three months period ended March 31, 2018

(Saudi Riyal)

	Share capital	Statutory reserve	Retained earnings	Total
<b>For the three months period ended March 31, 2017 (Restated)</b>				
Balance as of December 31, 2016	100,000	100,000	18,869,684	19,069,684
Net income for the period	-	-	3,002,613	3,002,613
Balance as of March 31, 2017	100,000	100,000	21,872,297	22,072,297
<b>For the three months period ended March 31, 2018</b>				
Balance as of December 31, 2017	20,000,000	2,023,966	17,847,055	39,871,021
Net income for the period	-	-	5,242,294	5,242,294
Transfer to statutory reserves	-	524,229	(524,229)	-
Dividends transferred to related party	-	-	(11,047,365)	(11,047,365)
Prior year adjustments	-	-	302,125	302,125
<b>Balance as of March 31, 2018</b>	<b>20,000,000</b>	<b>2,548,195</b>	<b>11,819,880</b>	<b>34,368,075</b>

The accompanying notes from 1 to 24 are an integral part of these financial statements.



## Saud Hezam Al-Qahtani For Public and International Auctions Company

(Closed Joint Stock Company)

### Statement of Cash Flows

For the three months period ended March 31, 2018

(Saudi Riyal)

	March 31,2018	March 31,2017 (Restated)
<b>Cash Flows from Operating Activities:</b>		
Net income for the period before zakat	5,355,670	3,062,832
Adjustments to reconcile net income to net cash flows (used in) / provided by operating activities:		
Depreciation	417,706	185,300
Provision for end of service benefits	34,700	21,320
Prior year adjustments	302,125	-
<b>Changes in the components of working capital:</b>	<b>6,110,201</b>	<b>3,269,452</b>
(Increase) /Decrease in accounts receivable	(8,149,767)	4,716,259
Decrease in other receivables and prepayments	413,219	1,033,651
Decrease in accounts payable	(457,198)	(2,052,217)
Increase /(Decrease) in other payables and accruals	211,591	(357,912)
End of service benefits paid	(25,052)	(279,829)
Zakat paid	-	(436,960)
Net Cash flows (used in) / provided by operating activities	(1,897,006)	5,892,444
<b>Cash Flows from Investing Activities:</b>		
Acquisition of property and equipment	-	(608,644)
Cash flows used in investing activities	-	(608,644)
<b>Cash Flows from Financing Activities:</b>		
Net change in due to related parties balances	1,798,650	(9,907,801)
Cash flows provided by / (used in) financing activities	1,798,650	(9,907,801)
<b>Net cash used during the period</b>	<b>(98,356)</b>	<b>(4,624,001)</b>
Cash and banks balances at the beginning of the period	5,445,066	8,274,166
<b>Cash and banks balances at the end of the period</b>	<b>5,346,710</b>	<b>3,650,165</b>
Schedule of non-cash transactions:		
Acquisition of equipment from related party	(6,605,800)	-
Dividends transferred to related party	(11,047,365)	-
Right of use additions and lease contracts obligations	(11,081,929)	-

The accompanying notes from 1 to 24 are an integral part of these financial statements.

## **Saud Hezam Al-Qahtani For Public and International Auctions Company**

(Closed Joint Stock Company)

### **Notes to the financial statements**

For the three months period ended March 31, 2018

#### **1- Legal Status and Activities**

Saud Hezam Al-Qahtani For Public and International Auctions Company (“the Company”) is a Closed Joint Stock Company recognized in Dammam under CR. No. 2050087357 dated 19 Mohram, 1433H corresponding to December 14, 2011G.

Saud Hezam Al-Qahtani and Partner’s For Public and International Auctions Company (Solidarity) was converted into Saud Hezam Al-Qahtani For Public and International Auctions Company (limited liability company of one person) on 28 Safar, 1438H corresponding to November 28, 2016G.

Saud Hezam Al-Qahtani Auction Company (limited liability company) was converted into Saud Hezam Al-Qahtani For Public and International Auctions Company (Closed Joint Stock Company) on 6 Moharram, 1439H corresponding to September 26, 2017.

The main business of the company’ is to engage in whole sale and retail trade , import and export of heavy and light machineries and equipments and their spare parts and arranging of open auctions as per letter of Traffic Department in Eastern Province under # 7/3/3328/6 dated 10 Ramadan, 1438H .

The Company also have the following Branches:

- a- Branch of Saud Hezam Al-Qahtani For Public and International Auctions Company (Jeddah City). Its main business is to engage in arranging of public auctions and whole and retail trade in nonagricultural heavy and light machineries and equipment and their spare parts, as per CR No. 4030290473 issued from Jeddah City dated 29 Shawwal 1437H corresponding to August 3, 2016G.
- b- Branch of Saud Hezam Al-Qahtani For Public and International Auctions Company (Yanbu City). Its main business is to engage in arranging of public auctions and whole and retail trade in non-agricultural heavy and light machineries and equipment and their spare parts, as per CR No. 4700020086 issued from Yanbu City dated 30 Moharram 1438H corresponding to October 31, 2016G .

#### **2- First Time Adoption of International Financial Reporting Standards**

The Board of directors of the Saudi Council of Saudi Organization for Certified Public Accountants (SOCPA) in 1433H (2012) approved the plan of conversion into international accounting and auditing standards (IFRS). As per decision of the board of directors of the Saudi Council of SOCPA, the implementation of the international financial report standards approved by the Council as from beginning of the year 2017 for the companies listed in the Capital Market and beginning of the year 2018 for the non-listed companies in the Capital Market . Therefore, the first annual financial statements for the company prepared in accordance with international financial reporting standards shall be those for the year 2018. Accordingly, January 1, 2017 is the transitional period for the conversion to the international financial reporting standards “IFRS” as it represents comparison for first financial statements prepared in accordance IFRS.

Whenever the expression “ international financial reports standards” in the Note refers to the “international financial reports standards” endorsed in the Kingdom of Saudi Arabia and the other standards and issues endorsed by the Saudi Council of SOCPA. The endorsed international standards are the international standards issued by the International Accounting Council in addition to the requirements and disclosures endorsed by the Saudi Council of SOCPA for some other standards as specified in the IFRSs endorsements paper. The other standards means those standards approved by the Saudi Council of SOCPA of technical opinions and standards for subjects not covered by the original set of IFRS such as Zakat.

## **Saud Hezam Al-Qahtani For Public and International Auctions Company**

(Closed Joint Stock Company)

### **Notes to the financial statements**

For the three months period ended March 31, 2018

#### **3- Basis of preparation:**

- These financial statements were prepared in accordance with international financial reports standards.
- The financial statements are presented in Saudi Riyal which represents the functional currency of the company's activities.
- The preparation of the financial statements in accordance with IFRS require the use of some significant accounting assessments and also requires the Company's Management to practice judgments in implementation of the accounting policies. The disclosure of significant estimates and assumption, carried in the preparation of these financial statements, are disclosed in the paragraph of "Significant accounting estimates and assumptions "hereunder.

#### **4- Significant Accounting Estimates and Assumptions:**

The preparation of the financial statements in accordance with applicable accounting standards requires the use of judgments, assessments and assumptions that may affect the value of revenues, expenses, assets and liabilities and attached notes besides disclosure of emergent liabilities. The uncertainty in respect of these assumptions and assessments may require material adjustment to the carrying amount of asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the company. Such changes are reflected in the assumptions when they occur. In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the interim condensed consolidated financial statements:

##### **A- Going concern principle**

The company's management has no doubt about continuity of the company. Accordingly, the financial statements were prepared on going concern basis.

##### **B- Estimated useful life for properties, plants and equipment:**

The cost of property, plants and equipment are depreciated over the expected service period which is estimated based on the estimated usage, obsolescence due to technology advancements and considerations of residual value of the assets. The company's management did not estimate any residual value for its assets due to immateriality.

##### **C- Provision of expected credit losses:**

The provision of expected credit losses is determined through many factors to insure that the accounts receivable balances are not overstated as a result of un-collectability, including quality and aging of the accounts receivables and other consideration of un-collectability through continuous credit evaluation for the financial positions of the customers and guarantees required from the customers in certain circumstances.

##### **D- Actuarial evaluation for obligation of end of service benefits for employees:**

An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

## **Saud Hezam Al-Qahtani For Public and International Auctions Company**

(Closed Joint Stock Company)

### **Notes to the financial statements**

For the three months period ended March 31, 2018

#### **4- Significant Accounting Estimates and Assumptions (continued):**

##### **E- Measurement of fair value:**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- Or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

#### **5- Significant Accounting Policies:**

##### **A- IFRS issued but not yet effective:**

###### **IFRS (3) "Business combination" and IFRS (11) "Joint arrangements"**

Describes how the Company should account for increasing its share in the joint operations.

- If the another party kept/or obtained joint control, no re-measurement should be carried on the original share of the join operations.
- If another party obtained control, it is considered a transaction that entails business combination on stages basis which also requires other party to re-measure the original share on fair value.

###### **IFRS (12) Income taxes:**

The standard elaborate all matters related to the income taxes resulting from distributions of profits (including payments for financial instruments classified as equity). It is recognized in fixed basis within the transaction that resulted in distributable profits in the "profits or losses statements" or other comprehensive income or owners' equity.

###### **Other amendments:**

The new standards and amendments on the below standards not implemented till date and it is not expected to have significant impact on the preliminary financial information of the company.

- Characteristics of advance payments with negative compensations (amendments on IFRS 9)
- Long term shares in affiliates and joint ventures (amendments of IFRS 28).
- Amendments of employment plans or settlement (amendments on IFRS19).

## **Saud Hezam Al-Qahtani For Public and International Auctions Company**

(Closed Joint Stock Company)

### **Notes to the financial statements**

for the three months period ended March 31, 2018

## **5- Significant Accounting Policies (continued):**

### **A- IFRS issued but not yet effective (continued):**

#### **IFRS (16) “Leases”**

The IFRS (16) specifies the principles of recognition, measurement and disclosure of lease contracts which replaces IFRS (17) “leases “. This standard require the lessees to include all lease contracts qualified for capitalization as items in statement of the financial position.

The standard provide two exemption for capitalizing a lease contract:

- low value lease contract
- Short term lease contracts (12 months or less).

At the commencement date of a lease contract’ the lessee shall recognize an obligation of payments of lease (present value of due lease payments) and an asset (right to use) representing the right of using the leased assets during the period of contract where the difference between the total value of due lease payments under the lease contract and present value of lease payment shall be recognized as financing expenses.

The standard requires the lessees to re-measure the lease obligation upon occurrence of certain events affecting the lease contract where the lessee shall generally recognize the amount of re-measurement of ease obligation as an adjustment to the right of use asset.

Nonetheless, IFRS 16 requires comprehensive disclosures for the lessees comparing to IFRS (17). The mandatory date for adoption for the standard is 1 January 2019, and allows early adoption. The company has adopted the standard as from 31 March 2018 and the financial impact for such adoption is disclosed in Note (7) of these financial statements.

### **B- IFRS issued and effective :**

#### **IFRS (15) “Revenue from contracts with customers”:**

The IFRS (15) establishes a comprehensive conceptual framework for determining the amount and timing of revenue recognition. The new standard replaces IFRS (18) “revenues” and IFRS (11) “construction contracts” and related interpretations. The company recognize revenues once the customer accept the service rendered and / or obtaining control on goods at certain time frame which fulfils the recognition requirements as per IFRS (15). However, the implementation of the standard has no significant impact on the company financial statements.

#### **IFRS (9) “Financial Instruments”**

IFRS 9 “Financial Instruments” specifies the requirements for recognition and measurement of financial assets and financial liabilities and some contracts of purchase or sale of non-financial assets. This standard replaces IAS (39) “Financial Instruments: recognition and measurement “.

Hereunder is the new significant accounting policies and nature of changes that occurred to the previous accounting policies.

#### **Classification and Measurement of financial assets and liabilities:**

IFRS (9) retains, to significant extent, the current requirements of IAS (39) of classification and measurement of financial liabilities but excludes certain categories allowed previously in IAS (39) related to the financial assets designated till maturity dates, loans and available for sale.

## Saud Hezam Al-Qahtani For Public and International Auctions Company

(Closed Joint Stock Company)

### Notes to the financial statements

for the three months period ended March 31, 2018

(Saudi Riyal)

## 5- Significant Accounting Policies (continued):

### B- IFRS issued and effective (continued):

#### International Financial Reports Standard No. 9 “Financial instruments”

##### Classification and Measurement of financial assets and liabilities:

The implementation of the IFRS (9) has no significant impact on the company related to financial liabilities and financial assets. Below is the effect of the international financial standard on classification and measurement of the financial assets.

In accordance with IFRS (9) , upon initial recognition the financial assets is classified as financial assets measured by amortized costs or fair value through the profits and losses (FVPL) or through the other comprehensive income (FVOCI). The classification of the financial assets as per IFRS (9) depends on the business model through which these assets are managed and also the characteristics of its contractual cash flows.

A financial asset is measured at amortized cost if it meets both of the following conditions:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

The company, upon initial measurement, may measure a financial assets (irrevocably) at fair value through profit and loss if it eliminates or reduces significantly, the non-consistency of measurement or recognition (non-accounting consistency) that arises otherwise from measurement of assets and liabilities or recognition of gains and losses thereof on different basis.

The following accounting policies shall be implemented to the subsequent measurement of financial assets of the company:

<b>Financial assets at amortized cost</b>	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss
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The following table presents the original measurement categories in accordance with SOCPA standards and the new measurement categories under IFRS (9) on 31 March 2018:

Financial assets and financial liabilities	Original classification as per SOCPA standards	New classification as per IFRS (9)	Original book value as per SOCPA standards	New book value as per IFRS (9)
Cash in hand and at banks	Loans and receivables	Amortized cost	5,346,710	5,346,710
Accounts receivable	Loans and receivables	Amortized cost	8,559,672	8,559,672
Accounts payable	Loans and receivables	Amortized cost	(2,103,022)	(2,103,022)
<b>Total</b>		<b>Amortized cost</b>	<b>11,803,360</b>	<b>11,803,360</b>

## **Saud Hezam Al-Qahtani For Public and International Auctions Company**

(Closed Joint Stock Company)

### **Notes to the financial statements**

for the three months period ended March 31, 2018

## **5- Significant Accounting Policies (continued):**

### **B- IFRS issued and effective (continued):**

#### **International Financial Reports Standard No. 9 “Financial instruments” (continued)**

##### **Impairment of financial assets**

##### **Presentation of impairment of value**

The IFRS (9) replaces the impairment model from “incurred loss model” as per IAS (39) into a new model “expected credit loss model”. The new impairment model is applied on financial assets measured at amortized cost, contract assets and investment in debt instruments measured at FVOCI but not for investments measured at FVPL.

##### **Credit impaired financial assets:**

The company, at date of each reporting period, should assesses whether the financial assets designated at amortized cost is credit impaired. The financial assets is deemed as “credit impaired” when the occurrence of a one damaging event or more impact the future cash flows estimated for the financial asset.

##### **Hedge accounting:**

The IFRS (9) require the company to insure that the relations of hedge accounting conforms with objectives and strategies of company’s risk management and implements more unique methods and future looking to evaluate hedging effectiveness.

### **C – Significant Accounting Policies Applicable to the nature of the Company’s Activity:**

#### **Use of assessments**

The preparation of financial statements in conformity with generally accepted accounting standards in the kingdom of Saudi Arabia require the use of estimates and assumptions that could affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date of financial statements, in addition to the reported amounts of revenues and expenses during the period. Although these estimates are based on management’s best knowledge of current events and activities available with the management, actual results ultimately may differ from those estimates.

#### **Properties, plant and equipment**

##### **A – Recognition and measurement:**

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in statement of income as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

The purchased software, that represent integral part of functions of the relevant systems, are capitalized as part of those systems. If a major part of a components of the existing assets within the properties, plant and equipment has a different useful life from the original main asset, it is be considered as an independent element of the properties, machineries and equipment .

## Saud Hezam Al-Qahtani For Public and International Auctions Company

(Closed Joint Stock Company)

### Notes to the financial statements

for the three months period ended March 31, 2018

## 5- Significant Accounting Policies (continued):

### C- Significant Accounting Policies Applicable to the nature of the Company's Activity (continued):

#### Properties, plant and equipment (continued)

##### A- Recognition and measurement: (continued)

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income when the asset is de-recognized.

##### B - Subsequent capital expenditure

Replacement cost of a part of an items in properties, plants and equipment and any other subsequent capital expenditure is recognized at the book value if :

- It is probable that the future economic benefits will flow to the company due to the added part, expense or cost incurred.
- Its cost can be measured reliably. The book value of the asset that was replaced shall be written off.

##### C - Depreciation

Depreciation is calculated at cost less the residual value by adopting straight-line method over the useful life of the assets in accordance with the following table:

Item	Percentage of depreciation	Number of years
Property and buildings	5%	20
Motor vehicles	10%	10
Tools and equipment	10%	10
Furniture and fixtures	10%	10
Electrical devices	10%	10

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

#### Lease contract (rights to use)

Lease payments of low value or whose period is less than one year is accounted for as expenses during the lease period or at maturity. However, lease contracts that exceeds one year is being capitalized as 'right to use' by accounting for all due lease payments over the expected lease term but no less than the cancelable period.

- 'Right to use' represent The present value of leases payment over the least term or fair value of the leased assets whichever is lower; while the lease contract obligation is recognized at present value of lease payments.
- The 'right to use' is amortized over the useful life of the leased assets or lease contract terms whichever is shorter.



## **Saud Hezam Al-Qahtani For Public and International Auctions Company**

(Closed Joint Stock Company)

### **Notes to the financial statements**

for the three months period ended March 31, 2018

## **5- Significant Accounting Policies (continued):**

### **C – Significant Accounting Policies Applicable to the nature of the Company’s Activity (continued):**

#### **Lease Contract (rights to use) - (continued)**

After the commencement date of the lease contract, the lessee shall recognize, in profit or loss statement, each of the following cost, unless such cost were accounted for in the book value of another asset by applying another standards:

- Financing cost on obligation of lease contract.
- Variable payments of lease contract not included in the measurement of obligation of the lease contract, for the period in which the event occurred or circumstance that led to those expenses.
- Amortization of the ‘rights to use’.

#### **Cash at hand and in banks**

- Represent cash in hand, bank balances and deposit balances with banks and any short term investment with high liquidity which can be converted into known amounts of cash that are not subject to significant change in value.
- For cash flows statement purposes, the cash at hand and in the banks compose of cash in hand, bank balances and short-term investments ready for conversion into known cash amounts and its maturity period is three months or less.

#### **Revenues**

Revenue recognition is booked as follows:

#### **Rendering of services**

The Company recognizes revenue only when it satisfies a performance obligation by transferring control of a promised service to the customer. The Company expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the service. In preparing to IFRS 15, the Company is considering the following.

#### **Gain or losses resulted from disposal of properties, plants and equipment.**

The gain and losses resulted from disposal of properties, plants and equipment is recognized in the statement of profit and loss on the period by which any of those assets is sold.

#### **Recovery of credit losses**

Recovery of credit losses is recognized as reduction from provision of credit loss provision upon collection.

#### **Other revenues**

The other revenues is recognized in the statement of profit or losses when the conditions of its realization are fulfilled.

#### **Provision for Zakat:**

Zakat is provided for each year separately in accordance with Zakat regulations applicable in the Kingdom of Saudi Arabia. Any difference in estimates is recorded in the statement of income, when the final assessment is approved in accordance with the presentation and disclosure standard requirements applicable to the accounting changes.

## **Saud Hezam Al-Qahtani For Public and International Auctions Company**

(Closed Joint Stock Company)

### **Notes to the financial statements**

for the three months period ended March 31, 2018

## **5- Significant Accounting Policies (continued):**

### **C- Significant Accounting Policies Applicable to the nature of the Company's Activity (continued):**

#### **Provision for end of service benefits:**

Benefits payable to the employees at the end of their services are provided for in accordance with Saudi Labor Regulations.

#### **Selling and Marketing Expenses:**

Selling and marketing expenses principally comprise of costs incurred in the sales and marketing of the Company's services.

#### **General and administrative expenses:**

General and administrative expenses include expenses related to management, and not related to cost of revenues or selling and marketing. Allocations between cost of revenues, general and administrative expenses, when required, are made on consistent basis.

#### **Impairment of non-financial assets**

At each reporting date, the company reviews the carrying amounts of its assets to assess whether there is an indication that those assets may be impaired. If any such indication exists, the company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows attributable to the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss statement.

#### **Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

## **Saud Hezam Al-Qahtani For Public and International Auctions Company**

(Closed Joint Stock Company)

### **Notes to the financial statements**

for the three months period ended March 31, 2018

#### **5- Significant Accounting Policies (continued):**

##### **C- Significant Accounting Policies Applicable to the nature of the Company's Activity (continued):**

###### **Foreign currencies transactions:**

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of a gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or interim condensed consolidated statement of income, respectively).

###### **Earnings Per Share:**

Earning is calculated by dividing the profit or loss for the period attributable to the shareholders of ordinary shares on the weighted average for number of ordinary shares existing during the period.

## Saud Hezam Al-Qahtani For Public and International Auctions Company

(Closed Joint Stock Company)

### Notes to the financial statements

for the three months period ended March 31, 2018

(Saudi Riyal)

#### 6- Property, plant and Equipment

	Property and buildings*	Motor vehicles	Tools and equipment**	Furniture and fixtures	Electrical devices	Total
Cost						
Balance as of December 31, 2017	8,671,147	1,331,446	6,698,559	311,560	64,214	17,076,926
Additions	-	-	6,605,800	-	-	6,605,800
Balance as of March 31, 2018	8,671,147	1,331,446	13,304,359	311,560	64,214	23,682,726
Accumulated depreciation						
Balance as of December 31, 2017	(2,066,319)	(641,959)	(3,179,953)	(164,778)	(31,907)	(6,084,916)
Charge for the period	(108,390)	(33,286)	(266,636)	(7,789)	(1,605)	(417,706)
Balance as of March 31, 2018	(2,174,709)	(675,245)	(3,446,589)	(172,567)	(33,512)	(6,502,622)
Book value:						
As of March 31, 2018	6,496,438	656,201	9,857,770	138,993	30,702	17,180,104
As of December 31, 2017	6,604,828	689,487	3,518,606	146,782	32,307	10,992,010

The property and buildings are constructed on lands leased from non-related parties and one shareholder 'Saud Hezam Jaffer Al Qahtani', whose the owner of Dammam (Bqaiq - Al Ahsaa Road) land through a lease contract over 10 years starting from April 15, 2016 and a lease amount of SR. 1,500,000 due annually.

\*\* Additions of equipment were purchased (from the shareholder)- Chairman of the board by an amount of SR. 6,605,800 that also made by an approval of the extraordinary assembly meeting dated March 11, 2018

Depreciation charged to the cost of revenues amounted to SR. 417,706 (2017: SR. 1,403,549).

## Saud Hezam Al-Qahtani For Public and International Auctions Company

(Closed Joint Stock Company)

### Notes to the financial statements

for the three months period ended March 31, 2018

(Saudi Riyal)

#### 7- Right of use

The company entered into land lease contracts in Dammam, Jeddah and Yanbu to arranging auctions on them for long-term period. They are utilized as follows:

- Dammam contract from related party amounted to of SR 1,500,000 due annually for a period of 10 years starting from 15 April 2016 to 14 April 2026.
- Jeddah contract from independent party amounted to SR 400,000 due annually for a period of 12 Hejri years starting from 1 Safar 1438H corresponding 1 November 2016.
- Yanbu contract from independent party by amounted to of SR 250,000 due annually for a period of 5 Hejri years starting from 1 Safar 1438H corresponding 1 November 2016.
- The company has made an early adoption to IFRS 16 “leases” as of March 31, 2018.
- The above contracts were capitalized as of March 31, 2018 in accordance with IFRS (16) using of discount rate of 10% and the disclosed the book value for those assets “ rights of use “ as follows :

Cost	March 31 , 2018
Additions	11,081,929
Balance as of 31 March 2018	11,081,929

- The obligation and the related finance charges resulted as of March 31, 2018 are as follows:

	2018		
	Current portion	Non- current portion	Total
Lease contracts obligation	2,150,000	14,600,000	16,750,000
Discount on lease obligation	(338,456)	(5,329,615)	(5,668,071)
	1,811,544	9,270,385	11,081,929

- The future minimum lease payments after the financial position statement date are as follows:

Year	Minimum future lease payments
2018	2,150,000
2019	2,150,000
2020	2,150,000
Thereafter	10,300,000
	16,750,000

## Saud Hezam Al-Qahtani For Public and International Auctions Company

(Closed Joint Stock Company)

### Notes to the financial statements

for the three months period ended March 31, 2018

(Saudi Riyal)

#### 8- Cash in Hand and at Banks

	March 31 , 2018	December 31 , 2017
Cash in hand	5,127,146	5,401,378
Cash at banks	219,564	43,688
	<b>5,346,710</b>	<b>5,445,066</b>

#### 9- Other Receivables and Prepayments

	March 31 , 2018	December 31 , 2017
Prepaid expenses	486,292	1,042,917
Margin deposits	157,320	100,000
Due from employees	100,000	13,914
Others	42,500	42,500
	<b>786,112</b>	<b>1,199,331</b>

#### 10- Related Parties Transaction

Related party	Nature of relationship	Nature of transactions	March 31 , 2018		December 31 , 2017	
			Debit	Credit	Debit	Credit
Saud Hezam Jaffer Al Masoud Al Qahtani	Shareholder	Financing	-	160,089	17,493,076	-
Mohamed Saud Al Qahtani Establishment for Equipments Rental	Establishment owned by a member of the shareholders' family	Trading	6,476,767	-	8,470,417	
Saud Al Qahtani Establishment for Transportation	Affiliate Company	Trading	-	68,500	-	263,500
			<b>6,476,767</b>	<b>228,589</b>	25,963,493	263,500

The following are details of major transactions with related parties during the period:

Relationship owner	Nature of transactions	March 31 , 2018
Shareholders	Dividends	11,047,365
Shareholder	Acquisition equipment	6,605,800
Shareholder	Salaries and incentives	315,000
Saud Al Qahtani Establishment for Transportation	Trading transactions	58,730

During the period ended March 31, 2018, the Company has conducted transactions with the above related parties that include financing and trading transactions. These transactions were conducted at an arm's length and were approved by the board of directors. Such balances are not subject to finance charges and there are no specific terms of settlement.

## Saud Hezam Al-Qahtani For Public and International Auctions Company

(Closed Joint Stock Company)

### Notes to the financial statements

for the three months period ended March 31, 2018

(Saudi Riyal)

#### 11- Share Capital

The Company's share capital of SR. 20,000,000 consists of 2,000,000 equity shares of SR. 10 each and is divided among Shareholders as follows:

	No. of shares	Percentage of Ownership %	Amount
Saud Hezam Jaffer Al Masoud Al Qahtani	1,600,000	80	16,000,000
Faleh Saud Hezam Al Masoud Al Qahtani	200,000	10	2,000,000
Saeed Saud Hezam Al Masoud Al Qahtani	200,000	10	2,000,000
	2,000,000	100	20,000,000

#### 12- Statutory Reserve

In accordance with Saudi companies law and the Company's By-law, 10% of the annual net income is required to be transferred to a statutory reserve until this reserve equals 30% of the share capital. Such reserve is not available for dividends distribution.

#### 13- Provision for End of Service Benefits

	March 31 , 2018	December 31 , 2017
Balance at the beginning of the period	405,650	360,471
Provided during the period	34,700	91,629
Paid during the period	(25,052)	(46,450)
Balance at the end of the period	415,298	405,650

- Due to the complexity of the actuarial valuation, its substantial costs and immateriality of the provision for end of service benefits to the company, no evaluation was carried by the actuarial consultant. The materiality is reviewed once or more per period when necessary.

#### 14- Other Payables and Accruals

	March 31 , 2018	December 31 , 2017
Refundable credit of value addition tax	310,308	-
Accrued expenses	55,024	138,741
Others	30,000	45,000
	395,332	183,741

#### 15- Revenues

	March 31 , 2018	March 31 , 2017
Auctions commissions revenues	7,453,989	5,052,127
Others revenues related to auctions	603,599	385,749
	8,057,588	5,437,876

## Saud Hezam Al-Qahtani For Public and International Auctions Company

(Closed Joint Stock Company)

### Notes to the financial statements

for the three months period ended March 31, 2018

(Saudi Riyal)

#### 16- Cost of Revenues

	March 31 , 2018	March 31 , 2017
Salaries	519,600	430,642
Rentals	537,500	537,500
Depreciation	417,706	185,300
Hospitality	400,360	453,043
Transport and loading and Auctions preparation	195,347	197,612
	2,070,513	1,804,097

#### 17- Selling and Marketing Expenses

	March 31 , 2018	March 31 , 2017
Advertising	232,435	369,602

#### 18- General and Administrative Expenses

	March 31 , 2018	March 31 , 2017
Salaries, wages and other benefits	254,000	244,650
Professional and consultations fees	140,250	-
End of service benefits expenses	34,700	21,320
Rent	19,125	19,125
Miscellaneous	142,695	101,775
	590,770	386,870



## Saud Hezam Al-Qahtani For Public and International Auctions Company

(Closed Joint Stock Company)

### Notes to the financial statements

for the three months period ended March 31, 2018

(Saudi Riyal)

#### 19- Provision for Zakat

A- The Company's Zakat base is comprised of the followings:	March 31 , 2018	December 31 , 2017
Opening Shareholders s' equity	28,823,656	19,069,684
Opening provisions, prior year adjustments and other Zakat able items	1,106,271	(935,970)
Book value of long term assets	(17,180,104)	(10,992,010)
Adjusted net income for the period	5,390,370	20,010,084
Zakat base (Equity method)	18,140,193	27,151,788
Zakat base (Net income adjusted method)	5,390,370	20,010,084
Zakat charge @ 2.5%	113,376	678,795
B- The movement of provision for Zakat is as follows:	March 31 , 2018	December 31 , 2017
Balance at beginning of the period	725,673	483,838
Provided during the period	113,376	678,795
Payment during the period	-	(436,960)
Balance at the end of the period	839,049	725,673
C- Zakat status:	March 31 , 2018	December 31 , 2017
The Company has obtained the zakat certificate for the year 2016 from GAZT.		

#### 20- Earnings per Share

Earning is calculated by dividing the profit or loss for the period attributable to the shareholders of ordinary shares on the weighted average for number of ordinary shares existing during the period.

	March 31 , 2018	March 31 , 2017
Net income attributable to shareholders of ordinary shares	5,242,294	-
Weighted average for number of outstanding shares	2,000,000	-
Earnings per share	2.62	-

No earning per share calculation were made for comparative figures since the legal statues of the company has changed from a limited liability company into closed stock company as on 26 September 2017.

## Saud Hezam Al-Qahtani For Public and International Auctions Company

(Closed Joint Stock Company)

### Notes to the financial statements

for the three months period ended March 31, 2018

## 21- Re-classification and Separation of Results of Activates which has been Issued

In these financial statements we outlined the impact of restatement, previously reported in the period ended March 31, 2017 as a result of an accounting error in the 'due from related parties balance' and retained earnings in addition to segregating the results of its operating activities for the period from January 31, 2017 to March 31, 2017 from the resulted dated from November 29, 2016 to March 31 including the reclassifications of certain expenses. The details of the impact for the adjustments on the statement of financial position and statement of profit and loss are as follows:

Statement of financial position	Balance for the period ended 31 March 2017 in the previously issued statements	Adjustments	Balance for the period ended 31 March 2017 after adjustment
Due from related parties	-	4,830,841	4,830,841
Retained earnings	17,041,456	4,830,841	21,872,297

Statement for profit or loss	Balance for the period ended 31 March 2017 in the previously issued statements	Adjustments	Balance for the period ended 31 March 2017 after adjustment
Revenues	6,270,211	(832,335)	5,437,876
Cost of revenues and selling and marketing and general and administrative expenses	2,431,631	128,938	2,560,569
Zakat Expense	107,097	(46,878)	60,219

## 22- Contingent Liabilities

The Company has a contingent liability as follows:

	March 31 , 2018	December 31 , 2017
Letters of guarantee	160,000	160,000

## **Saud Hezam Al-Qahtani For Public and International Auctions Company**

(Closed Joint Stock Company)

### **Notes to the financial statements**

for the three months period ended March 31, 2018

**(Saudi Riyal)**

## **23- Financial Instruments - Risk Management**

The risks which the company faces and methods of minimizing such risks by the Management is listed briefly as follows:

### **Risks management:**

The risks is an integral part in company's activities. It is managed by determining its nature and continuous measurement and observation to risk limits. The process of risks management is important for continuous profitability of the company. The company's activities are exposed to many various financial risks that basically includes the market, credit risk and liquidity risks.

### **Risks management structure:**

#### **Board of directors:**

The board of directors has the overall responsibility for the supervision of company's risk management and also, responsible for the establishment and oversight of the company's risk management.

### **Risks nature:**

#### **Market risk**

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

#### **Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Riyals and therefore the management believes that it is not significantly exposed to currency risk.

#### **Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments in debt securities. The carrying amounts of financial assets represent the maximum credit exposure. Impairment losses on financial assets recognized in profit or loss.

#### **Liquidity risk**

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

The Company's management monitors liquidity requirements on a regular basis and ensures that sufficient funds are available to meet any future commitments. The sales terms of the company requires repayment a credit sale value within 30 days from sales transactions date.

## Saud Hezam Al-Qahtani For Public and International Auctions Company

(Closed Joint Stock Company)

### Notes to the financial statements

for the three months period ended March 31, 2018

(Saudi Riyal)

The below table summarizes the maturity of current assets and current liabilities of the company as on 31 March:

	Less than 3 months	3 to 12 months	1 to 5 years	Total
Cash in hand and at banks	5,346,710	-	-	5,346,710
Accounts receivable	8,559,672	-	-	8,559,672
Other receivables and prepayments	225,001	561,111	-	786,112
Due from related parties	-	6,476,767	-	6,476,767
	14,131,383	7,037,878	-	21,169,261

	Less than 3 months	3 to 12 months	1 to 5 years	Total
Accounts payable	2,103,022	-	-	2,103,022
Other payable and accruals	395,332	-	-	395,332
Due from related parties	228,589	-	-	228,589
Provision for end of service benefits	-	50,000	365,298	415,298
leases contracts obligations	-	1,811,544	9,270,385	11,081,929
Provision for Zakat	-	839,049	-	839,049
	2,726,943	2,700,593	9,635,683	15,063,219

### 24- Approval of Board of Directors:

The financial statements were approved by the board of directors on July 31, 2018.



شركة سعود القحطاني للمزادات  
Saud Qahtani Auction Company