

Enhanced Framework of Tradable Rights



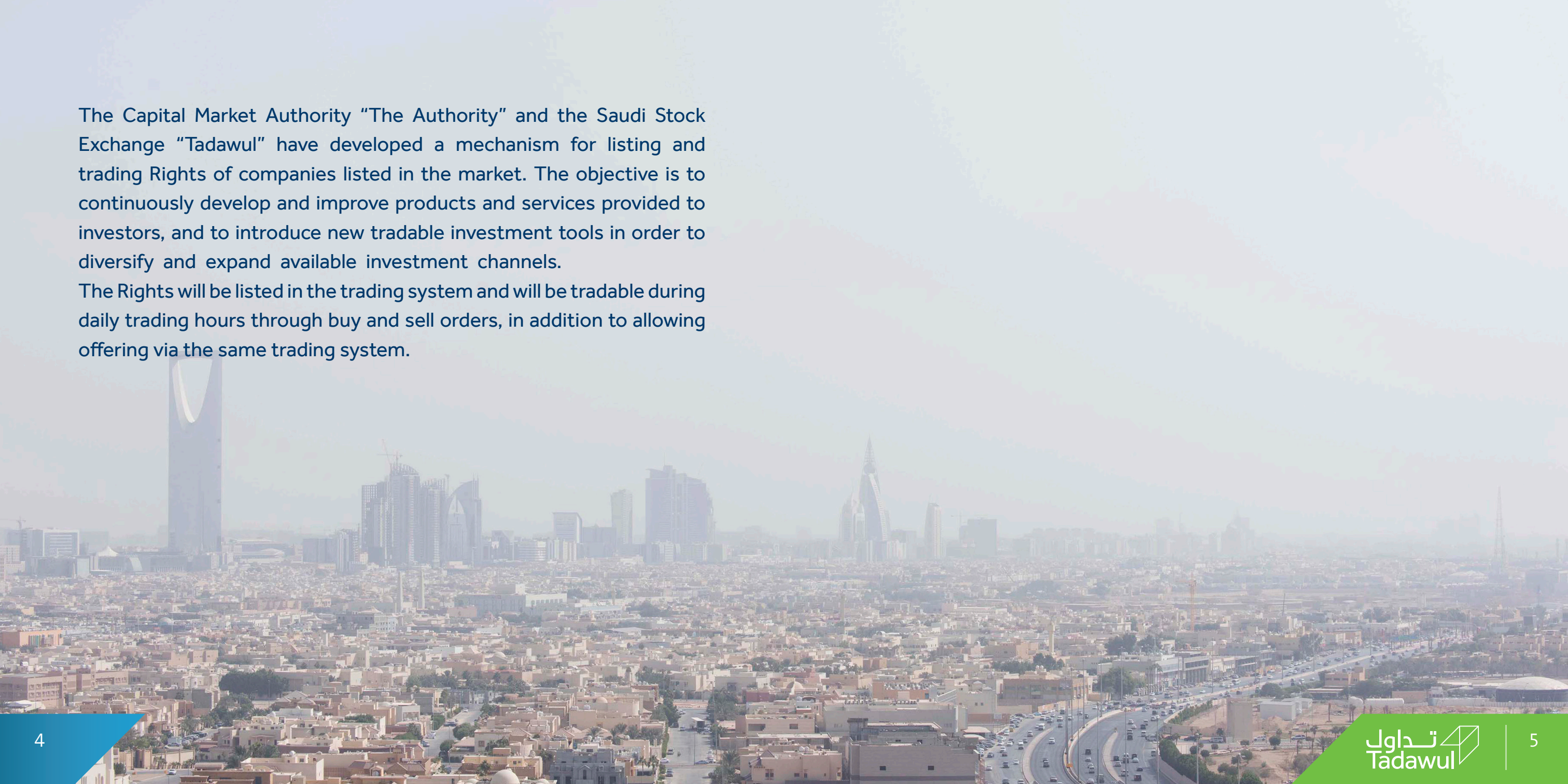
تداول
Tadawul

السوق المالية السعودية
Saudi Stock Exchange



The Capital Market Authority “The Authority” and the Saudi Stock Exchange “Tadawul” have developed a mechanism for listing and trading Rights of companies listed in the market. The objective is to continuously develop and improve products and services provided to investors, and to introduce new tradable investment tools in order to diversify and expand available investment channels.

The Rights will be listed in the trading system and will be tradable during daily trading hours through buy and sell orders, in addition to allowing offering via the same trading system.



Terminology

TERM	DEFINITION
Tradable Rights	Tradable securities that entitle right holders to subscribe to new shares listed during a capital increase. These securities become an acquired right for all shareholders registered in the company's records by the end of the Extraordinary General Meeting. Each right entitles its holder to a new share subscription at the offering price.
Registered Shareholders	Shareholders registered in the company's records by the end of the Extraordinary General Meeting (EGM); also known as the "eligibility date".
Right Price	The trading price of a Right as determined by the supply and demand mechanism in the market.
Indicative Value of Right	The difference between the market value of a company's shares during the trading period and the offering price.
Offering Price	The value of subscription to new shares as specified in the prospectus.
New Shares	Shares offered for subscription to registered shareholders as a result of a capital increase in the issuing company.
Exercise of the Right	Subscription to new shares offered as a result of a capital increase in the issuing company.

DEFINITION OF TRADABLE RIGHTS

Tradable Rights are tradable securities that entitle right holders to subscribe to new shares offered during a capital increase. All shareholders registered in the company's records at the end of the Extraordinary General Meeting (EGM) are entitled to tradable rights. The EGM is convened for voting on the decision of the capital increase ('Registered Shareholders'). Each Right grants its holder the eligibility to subscribe to a new share at the offering price.

SUMMARY OF THE ENHANCED FRAMEWORK

Allocating one subscription period for all investors

All investors can subscribe in one phase instead of two separated Phases

Introducing live subscription feature

Investors can subscribe immediately after the settlement of bought Rights

Subscribing through the trading platform

Similar to the buy/sell mechanism of shares, all investors may subscribe to Rights through the trading platform. This will be in addition to any other subscription channel provided by the broker – custodian

Shortening periods of Tradable Rights

The entire Tradable Rights process (starting from the EGM date until allocation) will be shortened to a maximum of 28 days instead of 34 days

THE MECHANISM OF TRADABLE RIGHTS

INCLUDES THE FOLLOWING PHASES:

After Holding the Extraordinary General Meeting (EGM)

EGM approval of capital increase through offering Rights:

- Share price is adjusted;
- Tradable Rights are deposited in the form of securities in the portfolios of registered shareholders, after holding the EGM. The Rights will appear in the portfolios of registered shareholders under a new code allocated to Tradable Rights. Trading or subscribing to these Rights will only be permitted at the beginning of the trading and subscription periods.

Note: The value of these Rights in the portfolios of registered shareholders will not appear during the period preceding its trading; only the number of Rights will appear. As for the value of Rights, the Saudi Stock Exchange will constantly calculate and publish indicative values on its website throughout the period that precedes the trading of Rights.

Specify trading and subscription period

The EGM will specify one period for subscription (9 business days), including 6 business days of trading to allow all registered and non-registered shareholders to exercise their Rights. This will also be detailed in the updated prospectus and company announcements.

Trading and Subscription of Rights:

Both trading and subscription will start simultaneously until trading ends on day 6, while subscription continues until day 9. Registered shareholders will be allowed to subscribe to the new shares added in their portfolios, and sell a portion or all of the shares if they do not wish to exercise subscription. However, if registered shareholders are willing to subscribe to additional Rights, this can be facilitated through buying these Rights then subscribing to them.

Non-registered shareholders can buy Rights from their owners, then subscribe to these Rights within the same period directly after the buying process is settled.

According to the New Tradable Rights Mechanism, Registered Shareholders May Undertake One of the Following Options:

- Exercising the right to subscribe to all deposited Rights in order to maintain shareholder ownership percentages in the company;
- Selling all or a portion of the acquired Rights through the Market by placing sell orders through brokers operating in the Market. This option enables the shareholder to obtain financial indemnity for the total or partial sale of the acquired Right;
- Buying additional Rights through the Market. The system will enable placing buy orders (and sell orders as well) through brokers. All buyers are entitled to subscribe to the Rights any time after settling the bought Rights;
- Refraining from exercising or selling Rights. In this case, the remaining shares will be offered during the rump offering period, as a result of failing to exercise or sell the Rights.

According to the New Tradable Rights Mechanism, New Shareholders May Undertake One of the Following Options:

- Purchasing Rights during the trading period, then subscribing to these Rights immediately after settling the trade.
- Refraining from exercising Rights by the end of the subscription period. In this case, the remaining shares will be offered during the period of rump offering, as a result of failing to exercise or sell the Rights.

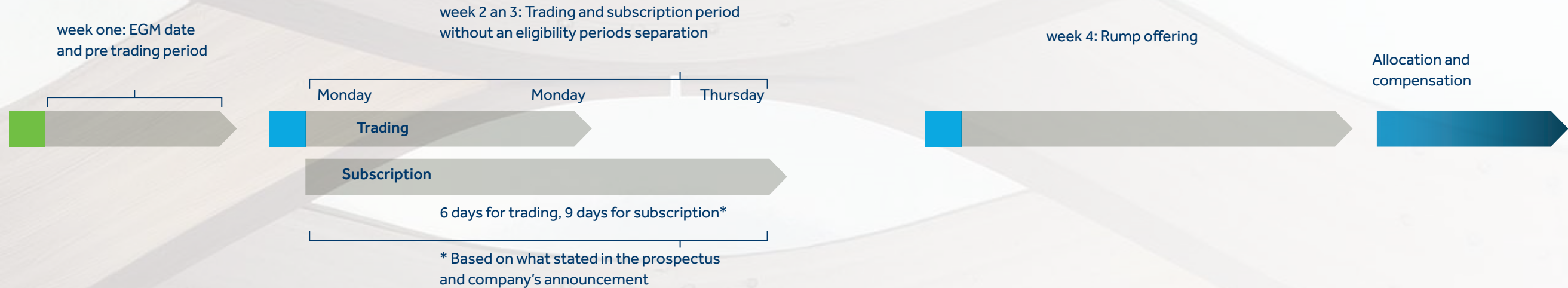
Rump offering period:

- In the event a portion of shares or fractional shares, if any, remain unsubscribed during the trading and subscription period, these shares will be offered to a number of institutional investors at offering price at least. Institutional investors are obligated to submit buy offers for rump shares. Shares will be allocated to institutional investors with priority given to those with higher offers versus lower offers. Moreover, shares will be proportionally allocated to institutional investors that submit the same offer.
- The subscription price of the new rump shares during this period will be limited to the offering price at minimum.
- If the sale price of the rump shares is higher than the offering price, the difference, if any, will be distributed to holders of tradable Rights who did not subscribe to their Rights by their ownership percentage.

Allocation of Shares to Subscribers

The prospectus will specify the period of allocation of shares to subscribers and the date of transferring the indemnities, if any.

Graphic Illustration of the New Tradable Rights Mechanism



■ The day of the General Assembly
■ weekend

RIGHT'S INDICATIVE VALUE AND PRICE LIMITS

INDICATIVE VALUE OF A RIGHT

The Right's indicative value reflects the difference between the market value of the company's share, during the trading period, and the offering price. For example, if the price of a share is SAR 45 (the adjusted price after the capital increase) and the offering price is SAR 10, then the Right's indicative value equals (share's market price - offering price) = SAR 35.

The Saudi Stock Exchange "Tadawul" will constantly calculate and publish the indicative value during the trading period on its website with a delay period of 5 minutes. In addition, Tadawul will provide other data published by Market Information Service Providers to enable all investors to review indicative values when entering orders.

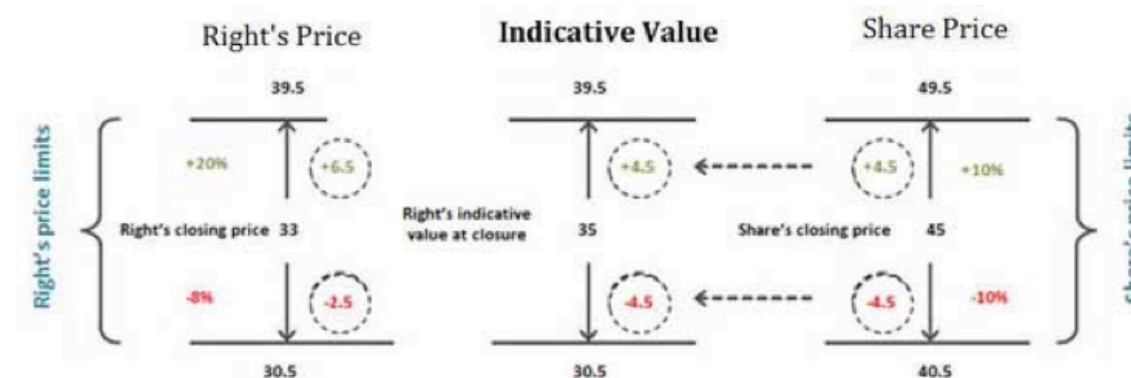
Right's indicative value = Share's market value - offering price

DAILY PRICE LIMITS (TR):

There is a direct correlation between the company's share price and the Right's indicative value, as previously mentioned. Accordingly, the daily price limits of Rights trading are affected by the daily price limits of shares trading. The following example explains how to calculate the daily price limits of Rights:

Illustrative example

Item	Value
Closing price of the company's shares	SAR 45
Share's price percentage of change	SAR ± 10%
Share's daily price limits	SAR ± 4.5 (40.5-49.50)
Right's closing price	SAR 33
Offering price	SAR 10
Right's indicative value at closure	SAR 35 (45-10)



Right's Daily Price Limits

Right's daily price limits	Right's indicative value at closure ± (Value of the variation of share price)	-1
	Right's closure price	

Based on the previous example, the Right's daily price limits = +20%, -8%

Tadawul and brokers will update these rates on a daily basis after market closure, to enable shareholders to review the new rates on Tadawul's website and broker's websites.

Note: the minimum fluctuation rate of tradable Rights is ± 1%.

TRADABLE RIGHTS TRADING COMMISSION:

The trading commission is 15.5 Basis Points (BPS).

Illustrative hypothetical example:

A listed Saudi Joint Stock Company with 1 million listed shares at a market value of SAR 40 million has announced a capital increase to collect SAR 2 million as part of its Extraordinary General Meeting to support the company's growth and expansion strategies through offering Tradable Rights. The company's shareholders have approved the capital increase by offering one new share for each five shares at an offering price of SAR 10, equivalent to 200,000 new shares to be issued at the price of SAR 10 per share to collect SAR 2 million.

During the first day of subscription and trading of Rights, the opening price of tradable Rights will be equivalent to the share's closing price on the previous day minus the offering price (SAR 37 - SAR 10 = SAR 27).

Item	Value
Total existing and issued shares before offering	1,000,000 shares
Closing price on the day of the Extraordinary General Meeting	SAR 40
Market value	SAR 40,000,000
Offering size	200,000 shares
Offering price	SAR 10
Total offering value	SAR 2,000,000
Offering coefficient	1:5 shares
Total existing and issued shares after offering	1,200,000 shares
Market value after offering	SAR 42,000,000
Adjusted price after the Extraordinary General Meeting	SAR 35
If the closing price of the company's share on the day preceding listing the Right (for example)	SAR 37
The Right's opening price will be	SAR 27

Item	Description	Value
MARKET VALUE BEFORE OFFERING	Existing and issued shares x Closing price on the day of the Extraordinary General Meeting	1,000,000 x SAR 40 = SAR 40,000,000
TOTAL OFFERING VALUE	At the request of the company	SAR 2,000,000

OFFERING PRICE	Based on the study and approval of concerned bodies	SAR 10 per Right
NUMBER OF OFFERED SHARES	$\frac{\text{Total offering value}}{\text{Offering price}} = \frac{\text{SAR 2,000,000}}{\text{SAR 10}} = 200,000 \text{ shares}$	
OFFERING COEFFICIENT	$\frac{\text{Number of offered shares}}{\text{Number of existing and issued shares}} = \frac{200,000}{(20\%) 1,000,000} = 1:5 \text{ shares}$	
TOTAL EXISTING AND ISSUED SHARES AFTER OFFERING	Number of existing and issued shares + Number of offered shares	1,000,000 + 200,000 = 1,200,000 shares
MARKET VALUE AFTER OFFERING	Market value + offering value	SAR 40,000,000 + SAR 2,000,000 = SAR 42,000,000
ADJUSTED PRICE AFTER THE EGM CONVENTION	$\frac{\text{Market value after offering}}{\text{Total number of shares}} = \frac{\text{SAR 42,000,000}}{1,200,000 \text{ shares}} = \text{SAR 35/share}$	
CLOSING PRICE OF THE COMPANY'S SHARE ON THE DAY PRECEDING OFFERING THE RIGHT	For example	SAR 37
RIGHT'S OPENING PRICE	Share's closing price - offering price	SAR 37 - SAR 10 = SAR 27



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