Draft Regulatory Provisions Relating to the Exchange Rules and Procedures

a) Objectives of the Draft:

The Draft seeks to develop the Parallel Market through the enhancement of the provisions governing the treatment of companies with accumulated losses, including the suspension of trading and the cancellation of listing. The Draft further entails updating the criteria for transfer to the Main Market and strengthening the disclosure requirements relating to ownership, financial performance and forward-looking projections, as well as amending the listing conditions applicable to an issuer wishing to conduct an offering on the Parallel Market for the purpose of exit, or for the purpose of exit combined with a capital increase.

b) Regulatory Provisions:

First: The Authority may suspend trading in the listed securities of companies whose shares are listed on the Parallel Market, and the Exchange shall make such securities available for trading over the counter, upon the occurrence of any of the following circumstances:

- Where the company continues to record accumulated losses amounting to 50% or more of its capital for a period of 3 financial years.
- Where the company records accumulated losses amounting to 50% or more of its capital, such losses are reduced through a capital restructuring, and the company continues to incur losses after the restructuring within the period of the 3 financial years.

Second: The Authority may cancel the listing of a company whose shares are listed on the Parallel Market upon the lapse of two years from the date of suspension.

Third: In addition to the provisions of paragraph (b) of Article 38 of the Listing Rules, the lifting of a trading suspension shall be subject to the following considerations:

- Where the accumulated losses fall below 50% of the capital in companies whose shares are listed on the Parallel Market. Where the reduction in accumulated losses results from a capital restructuring, at least one financial year, following the financial year in which the restructuring was carried out, must have elapsed since the last restructuring action before the trading suspension is lifted, provided that no increase is recorded in the accumulated losses line item.

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Fourth: Subject to the provisions of paragraph (g) of Article 43 of the Listing Rules, the expected aggregate market value, as at the date of listing, of all shares to be listed must not be less than 300 million Saudi riyals for an issuer wishing to conduct an offering on the Parallel Market for the purpose of exit, or for the purpose of exit combined with a capital increase.

Fifth: Subject to the provisions of Article 35 of the Listing Rules, upon the transfer of a company whose shares are listed on the Parallel Market to the Main Market, the Exchange shall publish, on the Saudi Exchange (Tadawul) website, a list of the names and ownership percentages of the shareholders who own (1%) or more of the shares of such company, or of the largest (20) shareholders, whichever is greater in number, using the same mechanism applied to the disclosure of the ownership of major investors, for a period of one year following the transfer.

Sixth: Subject to the provisions of Article 46 of the Listing Rules, a company whose shares are listed on the Parallel Market must disclose its financial statements on a quarterly basis, for each of the first, second and third quarters, for a period of one year preceding the submission of the application for transfer to the Main Market.

Seventh: Subject to the provisions of paragraph (c) of Article 46 of the Listing Rules, prior to submitting the application for transfer to the Main Market, a company whose shares are listed on the Parallel Market must have achieved net operating profits for the two financial years preceding the transfer, in addition to satisfying one of the following conditions:

- That the average net profit, excluding non-recurring profits, is not less than 30 million riyals over the two years.
- Or that the average annual revenue exceeds 200 million riyals, with an average annual growth rate of 20% or more achieved over the two years.

Eighth: Dispensing with the provision of paragraph (j) of Article 46 of the Listing Rules, such that the market value requirement upon transfer is eliminated.

Ninth: With reference to paragraph No. (9) of Annex No. (11) of the Listing Rules, the Transfer Document must include:

(a) The forward-looking statements and projections of the company whose shares are listed on the Parallel Market, including the forward-looking indicators of financial performance (for the period completing the last financial period included in the Transfer Document, in addition to, at a minimum, the financial year following

that period), while verifying that the forward-looking statements and projections of performance are clear, not misleading, and based on reasonable and measurable grounds.

(b) The Transfer Document must include a clear disclosure of the methodology adopted in preparing the forward-looking statements and projections, the material assumptions on which they are based, and the principal risks and factors that may affect the achievement of such projections or cause the actual results to differ from them.

(c) The financial advisor, when advising the company whose shares are listed on the Parallel Market in respect of the forward-looking statements and projections of performance, must exercise due professional care in order to reach a reasonable opinion thereon.