Chairman's Report

Dear Shareholders,

It gives me great pleasure to welcome you to the Annual General Meeting of your company. On behalf of the Board of Directors, I would like to present before you the Annual Report for the year 2022 along with the audited consolidated financial statements of A'Sharqiya Investment Holding Co. (SAOG) and its subsidiary, Qalhat Real Estate Investments & Services LLC (QREIS).

Investment Environment 2022

The World Economy is estimated to have grown by 3.4% in 2022 after an increase of 6.0% in 2021. The global fight against inflation, Russia's war in Ukraine, and a resurgence of COVID-19 in China weighed on global economic activity in 2022. Global inflation is estimated to have reached 8.8% in 2022 from 4.7% in 2021. Despite these headwinds, real GDP was surprisingly strong in the third quarter of 2022 in numerous economies, including the United States, the euro area, and major emerging market and developing economies due to stronger than expected private consumption and fiscal support. In the fourth quarter of 2022, however, this uptick is estimated to have faded in most—though not all—major economies.

Oman's real GDP grew by 4.5 per cent in the first nine months of 2022 and Brent crude averaged USD 103.71 per barrel in the first 10 months of 2022. Key rating agencies upgraded the Country's credit rating and revised their outlook upward as a result of ongoing fiscal consolidations and higher oil prices. It is expected that Oman will be able to further improve its credit ratings and outlook through the implementation of its fiscal consolidation plan. The credit rating agencies stressed the importance of continuing with fiscal consolidation measures to overcome any adverse impact on financial and economic stability due to likely reversal in the high oil price environment- it should be noted that the Brent crude price closed at USD 85.91/ barrel for the year after reaching a high of USD 127.98/ barrel in early March 2022.

The financial markets across asset classes had a difficult year in 2022 driven by increasing interest rates affecting asset valuations, though the effect of higher interest rates on earnings growth was not fully reflected in 2022. S & P 500 declined 18.9% for the year 2022, while the S & P Global Developed Aggregate Ex-Collateralized bond index posted a negative return of 16.69% in 2022.

2022 witnessed improved operating performance of certain key holdings due to the recovery from the pandemic and removal of restrictions related to Covid-19 and the regional economic strength due to higher oil price. The Company is constantly aiming to increase focus towards sectors in a structural growth trend like education etc. We expect the operating performance of certain key holdings to further improve in 2023 due to complete reopening in geographies that they operate.

The investment strategy of your company is to generate long-term shareholders wealth by identifying investment opportunities that generate attractive sustainable long-term returns. Such a strategy entails a vision that looks beyond the short-term volatilities in the market. The Company also allocates a portion of its capital to investment opportunities that look attractive in the medium-term. Selection of these opportunities is dictated by market conditions and other macroeconomic factors impacting the

investment environment. This opportunistic allocation is a strategy to minimize the negative impact of volatilities in the market on our overall portfolio. The portfolio holdings are continuously reviewed to ensure the operational performance and progress of key milestones by the portfolio companies are on track with our long-term forecasts.

Performance for the year

In line with the investment environment, your company is constantly monitoring and continues to take significant efforts to stay focused on adding value to its investee companies with a long term perspective and to take advantage of attractive new investment opportunities.

For the full year ended December 31, 2022, your company generated an Operating Income of RO 1,166,950 as compared to RO 1,150,150 during the previous year 2021 reflecting an increase of 1.46%. The profit after tax arising from the company's operations during this period was RO 486,185 as compared to RO 530,660 during the previous year 2021, reflecting a decrease of 8.38%.

The net change in the fair value of the company's investment portfolio under the FVOCI was a negative RO 113,845 for the year 2022 as compared to an increase of RO 1,382,729 for the year 2021. The total comprehensive income for the year 2022 is RO 372,340 as compared to an income of RO 1,913,389 in 2021. The substantial drop is primarily driven by overall market performance in comparison to the previous two years and also on account of exits in certain holdings.

Despite the drop in fair value, the company with its long term perspective is firm in its belief that the investments will yield long term growth and returns based on each company's underlying fundamentals. The long term relationship with OLNG through its association with its Subsidiary Qalhat Real Estate investment continues to be strong and the company looks forward to continued association in the years to come which will be mutually beneficial to both.

The total assets of the company is RO 18,704,326 at the end of the year as compared to RO 18,658,938 at the end of 2021. The company's Shareholder Funds increased by 0.17% to RO 14,803,573 at the end of 2022 compared to RO 14,778,235 at the end of 2021. The book value of the company's equity share remained the same at 164 Baizas per share on December 31, 2022.

Outlook for 2023

The global GDP is projected to grow 2.9% in 2023 and 3.1% in 2024 as per the IMF's World Economic Outlook (WEO) Update in January 2023. The IMF forecasts Oman's GDP to have grown 4.4% in 2022 and forecasts it to increase by 4.1% in 2023.

The Sultanate's budget for 2023 estimates total revenues at OMR 10.1 billion, a reduction of 5% compared to 2022 budget. The overall public spending is estimated at RO 11.4 billion leading to a fiscal deficit target of RO 1.3 billion- development expenditure is estimated at RO 900 million, the same level budgeted for 2022, while the actual

development expenditure for 2022 was RO 1.1 billion. 70% of the 2023 budget deficit is expected to be covered by external and domestic borrowing while the remaining 30% will be covered by drawing on the reserves.

The Sultanate's general budget 2023 allocated 4.3 billion of the total current spending on basic services, which will be distributed as follows: 44% on education, 22% on social welfare, 22% on health and 12% on housing.

The FY 2023 Oman budget represents the third year of the Tenth Five-Year Development Plan (2021-2025). It takes into account Oman Vision 2040 priorities and fiscal framework and objectives to achieve fiscal sustainability, and reduce the ratio of the size of public debt to GDP.

The 2023 Budget framework aims at achieving a set of objectives and priorities, notably fiscal sustainability, control inflation, a diversified economy, improve Oman's Credit Rating, digital transformation etc. These initiatives are expected to bode well for the economy in the long-term.

The outlook for our investee companies is due to the return to normalcy in economic and social activities. The Company will continue to support its investee companies in the local market with a long-term view, and focus on opportunities in other markets to achieve effective diversification of the portfolio.

Corporate Governance

I am pleased to confirm that the company is fully committed to the Capital Market Authority's Code of Corporate Governance for Public Listed Companies. The Board of Directors has established a fully empowered Audit Committee which is effectively performing its role in accordance with the aforementioned Code. A report on Corporate Governance and a Management Discussion and Analysis forms part of the Annual Report. The Corporate Governance Report has been audited by the statutory auditor and forms part of the Annual Report.

Acknowledgment

On behalf of the Board of Directors, I would like to express our sincere gratitude to His Majesty Sultan Haitham bin Tariq for his able leadership and for his support to the private sector for the development of the country. I also thank the shareholders for their continued support and for the confidence reposed on the company. My appreciation also goes to the company's management and staff for their contributions and commitment to the company.

Mohammed Ali Mohammed Al Fannah

Chairman

February 15, 2023