Management Discussion and Analysis Report for 2023

I am pleased to present the Management Discussion and Analysis Report for the year 2023.

Objective: A'Sharqiya Investment Holding Co.'s principal objective is to identify, promote and nurture long-term investments to create wealth for our shareholders. The asset allocation process adopted by the Company targets to achieve long-term returns from its key holdings and also healthy risk-adjusted returns in the medium term from other investments.

Strategy: To act as more than just a financial partner to our investee companies but to provide strategic guidance in achieving long-term goals of our investee companies. This necessitates a long-term view that is not inhibited by short-term and medium-term volatilities in the business cycle.

The management has also allocated a certain portion of the asset portfolio towards investments that can generate attractive returns in the medium-term with a view to balancing the short and medium term volatility in its' key holdings in the local market.

It is to this end, the management constantly monitors the strategic initiatives undertaken by our investee companies and the achievement of key milestones towards this in order to assess the progress in achieving the set goals. The management constantly monitors and analyzes the macroeconomic landscape to assess the impact and opportunities for these companies.

Operational and Financial Performance

The Management has been encouraged through the Year 2023 by the improvement in economic fundamentals of Omani economy as well as the regional growth. To take advantage of the changing economic environment, the Company has taken a lot of initiatives to engage with companies seeking investments, toward creating value assets, which is expected to yield good returns for stakeholder in the coming years.

Financial Highlights

(Amount in RO '000)

Year ended December 31	**2023**	2022	% Inc./(Dec.)
Total Operating Income	**1,221**	1,143	6.83
Total Operating Expenses	**660**	605	9.11
Net Profit/(Loss) before taxes	**562**	538	4.27
Income Tax	**70**	52	33.63
Net Profit/Loss after Tax	**492**	486	1.11
Net Changes in FV of FVOCI investments	**(341)**	(114)	(199.91)
Total Comprehensive Income for the Year	**150**	372	(59.67)

Financial Position as on December 31,	**2023**	2022	**% Increase /(Decrease)**
Fair Value through Other comprehensive income			

financial assets - FVOCI	**7,948**	8,977	(11.46)
Financial Assets at Fair Value through Profit and Loss	**416**	95	336.85
Investment in Bonds at Amortized Cost	**2,295**	--	100
Lease Receivables	**4,373**	5,036	(13.17)
Lease Liabilities	**3,535**	3,551	(0.42)
Net Worth	**14,614**	14,804	(1.28)
Other assets	**3,445**	4,596	(25.04)
Other liabilities	**344**	350	(1.60)
Reserves and Retained Earnings	**5,608**	5,804	(3.38)
Share Capital	**9,000**	9,000	-
Total Assets	**18,477**	18,704	(1.23)
Total Equity + Liabilities	**18,477**	**18,704**	(1.23)

The total assets of the Company were RO 18,477,020 at the end of the year as compared to RO 18,704,326 at the end of 2022 resulting in a decrease of 227 K. The key factors for the decline is due to a valuation drop in market price of the invested companies as well as drop in lease income on its real estate assets. This decline has been partly compensated by a diversification plan of investing in fixed income Bond instruments.

The Company's Shareholder's Equity stands at RO 14,613,952. The book value of the Company's equity share decreased by 2 Baiza to 162 baizas per share as on December 31, 2023, as compared to 164 baiza as on December 31, 2022.

The Company's Profits/Losses (attributable to the parent Company's shareholders), dividend payout, and net equity for the last five years are given below:

(Amount in RO)

Year	2023	2022	2021	2020	2019
Net profit after tax	491,578	486,185	530,660	528,784	504,036
Dividend					
a) Cash	450,000	450,000	450,000	450,000	450,000
b) Bonus Shares	Nil	Nil	Nil	Nil	Nil
Net Equity	14,613,952	14,803,573	14,778,235	12,937,540	12,035,289

*Subject to shareholders approval

Risk Management

The three main revenue streams of the group are investment income, lease income, and operations & maintenance income from the Hay Al Shroouq Complex project that are exposed to different kinds of risks.

In the case of Hay Al Shroouq Complex, the risks associated with the operational phase of the project have been adequately addressed by means of a long-term agreement with Oman LNG. The Company has a positive relationship with Oman LNG. Further, the Hay AL Shroouq Complex project is no longer exposed to interest rate

risk since the Company has no debt obligation on the project.

The investment portfolio of the Company faces risks associated with financial markets such as market risk, currency risk and interest rate risk. The management team has had a proactive approach to track markets and related news/events closely to anticipate market scenarios and their effects on the Company's portfolio. Further investment decisions are done on basis of detailed research and in accordance with the Investment and Nomination & Remuneration Committee's oversight.

Investment decisions are made in accordance with a well-defined investment policy formulated after taking into account the risks inherent in different asset classes and the long-term investment objectives of the Company.

2024 Outlook, Opportunities, and Threats

The Omani economy as well as the regional markets is buoyed by positive energy prices. This has further accelerated the growth and investment trajectory of respective governments. The positives from the budget continue to be government's increased focus on economic diversification and enhancing the participation of private sector. Some of the initiatives are outlined in the budget. These are expected to boost the economy in the long-term and usher new investment opportunities.

While the GCC region continues to benefit for resilient energy prices, the global economy is seeking strong measures to curtail inflation due to supply chain issues, war as well as the impact of commodity prices. The rise in interest rates has had its impact in the financial markets and this provides new opportunities for long term investors to invest with a longer term perspective.

Against this backdrop, we anticipate the following opportunities and threats to the Company's business in 2024.

Opportunities

Increased investment Opportunities in Oman and GCC region both in the listed arena as well as long term project funding in fixed income generating assets.

Repricing in the global financial markets due to the impact of Fed's decision to increase interest rates has provided new opportunities to invest in long term assets both in equities and bond markets.

Threats

The Company's performance is dependent on the operating performance of the portfolio companies and also the performance of financial markets. Since the Company's investment outlook is long-term in nature, short-term volatilities are not expected to have a lasting impact on the portfolio. The Company constantly monitors adverse movements in the key variables that affect its investments, and takes necessary timely actions to minimize losses and preserve capital in such scenarios.

Other matters

Corporate governance

The Company has taken necessary steps to comply with the corporate governance norms in line with the guidelines of the Capital Market Authority. The Corporate Governance Report for the year 2023 has been reviewed by the Company's statutory auditor and forms part of the annual report.

Internal controls

The Company has designed and implemented its internal control systems and mechanisms based on the specific business requirements and these have been working satisfactorily. They include manuals for different operating functions outlining the policies and procedures. Adherence to the provisions in the various manuals is monitored on a regular basis.

Personnel and Omanization

The Company is staffed by personnel who are well qualified, experienced, and skilled. Omanisation level stood at 63% as compared to 71% in the previous year. It is the

Company’s constant endeavor to strengthen and improve the skill sets of its human resources to meet the increasing challenges in the business and investment environment.

Venkiteswaran Rajesh

General Manager

February 21, 2024