

AFRICA ISRAEL RESIDENCES LTD.

Date: 22.10.2025

Subject: Immediate Report on a Transaction with a Controlling Shareholder Not Requiring General Meeting Approval

In accordance with the Securities Regulations (Periodic and Immediate Reports), 1970, and the Companies Regulations (Relief in Transactions with Interested Parties), 2000 (hereinafter: the "Relief Regulations"), the company is pleased to submit an immediate report regarding a transaction pursuant to Regulation 1(4) of the Relief Regulations, as follows:

1. General Background and Main Points of the Transaction

- **1.1. General**
 - **1.1.1.** During August 2025, the Israel Land Authority (hereinafter: the "Issuer") published a tender for the construction and marketing of residential apartments, as well as the establishment of buildings and public institutions, in one complex, in the Shchakim neighborhood in Yehud-Monosson (hereinafter: the "Tender" and the "Complex", respectively).
 - **1.1.2.** According to the rights applicable to the complex, it is possible to build 241 residential units (subject to certain conditions) as well as approximately 572 sqm of buildings and public institutions (hereinafter: the "Project").
 - **1.1.3.** The company intends, through Africa Israel Residences Partnership Limited (in which the company holds 100% of the rights in the general partner and 80% of the rights as a limited partner) (hereinafter: the "Partnership"), to join DANYA CEBUS LTD. (hereinafter: "DANYA CEBUS LTD."), a company controlled by the controlling shareholder of the company, and to enter into an agreement with it to submit a joint bid within the tender, and subsequently, to promote and manage the project(s) they win (hereinafter: the "Agreement").

Below is a description of the main arrangements set forth in the Agreement:

- **1.2. The Joint Venture**

- **1.2.1.** Subject to winning the tender, the Partnership and DANYA CEBUS LTD. will operate within a joint venture, in which each party is entitled to benefits and bears the obligations of the joint venture, according to its share (hereinafter: the "Joint Venture"). The Partnership's share in the Joint Venture is 60% and DANYA CEBUS LTD.'s share is 40%.
- **1.2.2.** Each party to the agreement will be responsible for providing its share of the guarantees required for submitting the bid to the tender, and for bearing all external costs and expenses related to the preparation and submission of the bid according to a budget approved in advance by the parties, in accordance with its share in the Joint Venture.
- **1.2.3.** Any transfer (including pledge) of rights of any of the parties in the Joint Venture, directly or indirectly, by one party, is subject to the prior written approval of the other party, unless otherwise agreed.

- **1.3. Joint Management**

- **1.3.1.** For the purpose of promoting the actions required in connection with submitting a bid within the tender and/or promoting the project, the parties will establish a steering committee consisting of 4 members, with each party appointing 2 representatives at its sole discretion. The steering committee will be responsible for managing participation in the tender and implementing the project in all respects.

2. Any examination, and it will have, among other things, the powers and duties detailed below:

- Settlements regarding payments to third parties, and the manner of their payment;
- Opening a joint bank account, if required;
- Setting a timetable for preparing the bid for the tender;
- Employing consultants on behalf of the parties for preparing the bid and managing their work;
- The manner of preparing the bid by the parties;
- Recommending approval of the bid, project planning, and construction;
- Project financing, marketing, and sale of residential units in the project.

1.3.2. Decisions of the steering committee will be made unanimously by the representatives of both parties participating in the discussion. Any dispute in the steering committee will be resolved by the representatives of the parties, and if they cannot reach an agreement – by the CEO of DANYA CEBUS LTD. and the CEO of the company.

1.4. Division of Tasks Between the Parties

As part of the division of labor between the parties, it was agreed that each party will provide services to the Joint Venture, as detailed below:

1.4.1. The Partnership and DANYA CEBUS LTD., jointly:

- Will provide the Joint Venture with project pricing services for the tender submission;
- Project planning;
- Guidance of the project manager;
- Selection of the project's consultants and planners;
- Accompanying and managing negotiations with the financial entity that will finance the project;
- Handling all matters related to arranging insurance for the project;
- Ongoing close supervision of the construction and development works and accompanying the acceptance of the works upon completion;
- Responsibility for operating and guiding the supervisor (for the avoidance of doubt, it is clarified that if DANYA CEBUS LTD. also serves as the contractor for the project, the authority to guide the supervisor will be under the sole responsibility of the Partnership. However, any document and/or instruction and/or decision (including decisions made by the supervisor and the company) and/or protocol and/or report, etc., in connection with the above, will be immediately forwarded to DANYA CEBUS LTD. In any case where DANYA CEBUS LTD. objects to any of the above, the matter will be referred to the steering committee for a decision).

1.4.2. The Partnership:

- Will provide the Joint Venture with the following services: marketing of the apartments;
- Accompanying budgetary control;
- Marketing management;
- Financial management;
- Arranging contracts with consultants and planners for the project;
- Accompanying lawyers and surveyors in all project registrations and promoting registration procedures;
- Coordination of planning management;
- Ongoing dealings with the financing entity;
- Handling betterment levy and tax requirements, if any;
- Legal support for the project.

1.4.3. DANYA CEBUS LTD.:

- Will provide the Joint Venture with the following services: management of the construction works;
- Accompanying the management of planning and execution of development and infrastructure works;
- Negotiating with the local authority and planning authorities, including accompanying negotiations regarding any payment to the local authority in connection with the project, if applicable, and/or obtaining exemption from such payment;
- Coordination and promotion of obtaining building permits from the local authority;
- Accompanying the process of obtaining Form 4 and completion certificates;
- Negotiating with suppliers, contractors (if DANYA CEBUS LTD. does not serve as the construction contractor in the project) or subcontractors (if DANYA CEBUS LTD. serves as the construction contractor in the project), as needed;
- Handling tenant inquiries, including during the warranty periods (provided that if DANYA CEBUS LTD. does not serve as the construction contractor in the project, handling inquiries during the construction period will be the responsibility of the Partnership).

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Each party will bear its own expenses arising from the division of responsibilities as stated above, but expenses to third parties in connection with the above will be borne by the parties according to their holdings in the Joint Venture.

It should also be noted that the division of tasks as stated was made, taking into account the management fees to be paid to each party, as detailed below.

1.5. Management Fees

- **1.5.1.** For the services provided by the Partnership, including legal services, the company will be entitled to management fees at a rate of 2.1% of the project sales proceeds.
- **1.5.2.** For the services provided by DANYA CEBUS LTD., DANYA CEBUS LTD. will be entitled to management fees at a rate of 0.7% of the project sales proceeds.
- **1.5.3.** The management fees will be paid quarterly, for the previous quarter, and will be paid plus VAT as required by law.

1.6. Contracting Works

- **1.6.1.** Under the agreement, DANYA CEBUS LTD. grants the Joint Venture an option to perform the contracting works for the construction of the project at a total and final lump sum price (hereinafter: the "Option"). Based on the above, the bid prices in the tender were priced.
- **1.6.2.** If and to the extent that the Joint Venture's bid is selected as the winning bid in the tender, the option price will be set as a lump sum price for performing all the contracting works in the project (hereinafter: the "Option Price"). Subsequently, the Joint Venture will conduct a competitive process,
 - in which at least three contractors, who are in the quality and financial strength group of DANYA CEBUS LTD., will be approached to submit bids for the contracting works in the project at a price not exceeding the Option Price.
 - If bids are received at the same or higher price than the Option Price, or if no bids are received at all, and subject to obtaining the required approvals by law, including Section 275 of the Companies Law, the Joint Venture will exercise the Option, and the contracting works will be performed by DANYA CEBUS LTD. at the Option Price or lower (according to the Option Price reduction mechanism, in case of a decrease in execution prices).
 - It should be noted that exercising the Option will be subject to obtaining the required approvals by law, including Section 275 of the Companies Law.

1.7. Financing

- **1.7.1.** The parties will be responsible, according to their share in the Joint Venture, for raising and/or providing all the financing required in connection with the project, including for the purpose of participating in the tender, its planning, construction, and operation.
- **1.7.2.** A party that does not provide its full share of the required financing in connection with the project as stated in this section will have its share in the Joint Venture diluted. The dilution rate will be determined by an external appraiser, not related to the Lapidot Capital Group and/or its controlling shareholder.

1.8. Breach

In the event that a party commits a breach event that is not remedied within a reasonable time after being required to do so, the other party may notify the breaching party of the cancellation of the agreement and the termination of the breaching party's participation in the Joint Venture.

****4.**** (including the steering committee) and in the bid to be submitted within the tender

1.9. Assignment of Rights

- **1.9.1.** The parties have undertaken not to assign and/or transfer and/or pledge their rights and/or obligations under the agreement, except with the prior written consent of the other party.
- **1.9.2.** If and to the extent that the Issuer decides to disqualify one of the parties to this agreement, then all the rights of the disqualified party in the Joint Venture will be immediately assigned without any consideration to the other party (subject to the Issuer's approval), who will be entitled to continue participating in the tender as a sole bidder, without the disqualified party having any claim and/or demand against the approved party.

1.10. The engagement in the agreement is subject to obtaining all approvals required by law, including approval by DANYA CEBUS LTD. in accordance with the provisions of the Companies Law.

1.11. For the avoidance of doubt, it is clarified that no decision has yet been made by the company to submit a bid within the tender. Therefore, there is no certainty that the company will submit a bid within the tender, whether together with DANYA CEBUS LTD. or in any other way.

2. Summary of the Audit Committee and Board of Directors' Reasons

- **2.1.** The main activity of the company's group is the initiation of projects in the field of construction, mainly for residential purposes, by locating land, purchasing it, improving the land by changing its designation (if necessary and possible), constructing buildings, marketing and selling residential units and/or plots in Israel, which constitutes the core business of the company.
- **2.2.** For the purpose of the company's group activity as stated, the group enters into agreements with various parties in the construction field, for the establishment of projects on land located and purchased by the company, whether in cash transactions or combination transactions, according to demand areas and market needs.
- **2.3.** Given that construction cost is a significant component in pricing the bid, in the Partnership's assessment, joining DANYA CEBUS LTD. and involving it in the Joint Venture enables obtaining DANYA CEBUS LTD.'s commitment within the Option to perform the contracting works at the Option Price, thereby reducing exposure to possible adverse changes in the contracting market conditions.
- **2.4.** Furthermore, in the event of winning the tender, the Joint Venture will seek additional bids from unrelated parties who are in the quality and financial strength group of DANYA CEBUS LTD., with the Option Price serving as the maximum price. Therefore, if a lower bid is received for the contracting works, the profitability of the Joint Venture can be increased.
- **2.5.** This course of action will allow the Joint Venture to benefit from the experience and expertise of DANYA CEBUS LTD., even if it does not serve as the construction contractor in the project, thereby increasing the chances of achieving an optimal business result in the event it does serve as the construction contractor. It should be noted that in order to enable DANYA CEBUS LTD. to commit to the Joint Venture within the Option, the company shares part of the entrepreneurial profit with DANYA CEBUS LTD. In addition, DANYA

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CEBUS LTD. undertakes to bear 40% of the obligations of the Joint Venture, thereby also reducing the entrepreneurial risk of the Partnership in the project.

2.6.

In the directors' assessment, based on estimates and calculations presented to them, the "internal" input costs that each party will provide for the project and the management fees paid for them, although not identical in their content due to the different areas of expertise of the parties, correspond to the ratio between the management fees paid to the parties as stated above. In any case, in the overall view of the total expected investment in the project (and especially the construction cost of the project, which constitutes a significant component of the total investment in the project), the differences that may arise (considering their shareholdings and the management fees paid as stated) between the costs of the "internal" inputs do not establish a material difference in the total investment scope of each party, relative to their shares in the Joint Venture.

2.7.

Given that the agreement essentially constitutes a partnership agreement (as opposed to an agreement for the purchase or sale of a service or asset), in which there is a clear and decisive preference for the degree of cooperation between the parties, in line with the company's procedure regarding the obligation for a competitive process in transactions with controlling shareholders, the audit committee believed that there is no place for a competitive process for this engagement.

2.8.

The engagement in the agreement does not include a "distribution", as defined in the Companies Law.

2.9.

In light of all the above, the audit committee and the board of directors of the company approved that the terms of the agreement are not materially different between the parties, considering their relative shares in the Joint Venture, in accordance with Regulation 1(4) of the Relief Regulations.

Respectfully,

AFRICA ISRAEL RESIDENCES LTD.

Signed by: Ronit Eshed Levi, CEO