



مجموعة الحكير
al hokair group

Shareholder's Circular

**Abdul Mohsen Al Hokair Group for Tourism and Development
(Al Hokair Group)**

**Company's Capital Reduction of three hundred and thirty-five million (335,000,000)
Saudi Riyals**

**From six hundred and fifty million (650,000,000) Saudi Riyals
To
three hundred and fifteen million (315,000,000) Saudi Riyals**

The Extraordinary General Assembly

****/**/****H (corresponding to **/**/****G)**

Financial Advisor



www.alhokair.com

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Company information, financial advisor and auditor

Company's Address

Abdul Mohsen Al Hokair Group for Tourism and Development

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مجموعة الحكير
al hokair group

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Terms and Definitions

Term	Definition
Company / Issuer	Abdul Mohsen Al Hokair Group for Tourism and Development (Al hokair Group)
Extraordinary General Assembly	Extraordinary general assembly of the company's shareholders.
Capital Market Authority	The Capital Market Authority of KSA.
Saudi Exchange	The Saudi Exchange Company is one of the Saudi Tadawul Group, established in accordance with the Council of Ministers Resolution on 29/02/1428H (corresponding to 19/03/2007G), in implementation of the Capital Market Law as a Saudi public joint stock company, and the only entity authorized to operate as a stock exchange market in Saudi Arabia, where it lists and trades securities.
Saudi Stock Exchange, the market, or Tadawul	The Saudi Stock Exchange.
Ministry of Commerce	Ministry of Commerce in the KSA.
Circular / Shareholders Circular	This document prepared by the company and submitted to the extraordinary general assembly of the company's shareholders regarding the reduction of the company's capital.
Auditor's Report	It is a limited assurance report on the capital reduction prepared by the company's Auditor to study the reasons for the capital reduction and the impact of that reduction on the company's liabilities and shareholders' equity.
Eligible shareholders	All shareholders of the company registered in the company's records with the Saudi Stock Exchange (Tadawul) at the end of trading on the second day following the day of the extraordinary general assembly, and this includes shareholders who did not attend the extraordinary general assembly meeting, as well as shareholders who attended the meeting and did not vote or voted against the decision to reduce the capital.
e-voting	A free electronic service for companies listed on the Saudi Stock Exchange, allowing shareholders the opportunity to exercise their rights to vote on the items of the agenda of the general assemblies without personally attending, through the Tadawulati platform of the Securities Depository Center Company (Edaa).

Background

- Abdul Mohsen Al Hokair Group for Tourism and Development (hereinafter referred to as the “Company” or “The Issuer” or “Al Hokair Group”) was initially established as a sole proprietorship under the name “Abdul Mohsin Al Hokair Group for Trade and Industry” and was registered in the Commercial Register issued in Riyadh No. (1010014211) on 16/08/1398H (corresponding to 22/07/1978G), on 08/04/1424H (corresponding to 09/06/2003G) the name of the company was changed to “Abdul Mohsen Al Hokair Group for Operation and Maintenance”, on 21/03/1427H (corresponding to 19/04/2006G) the name of the company was changed to Abdul Mohsen Al Hokair Group for Tourism and Development; and on 11/08/1427H (corresponding to 03/09/2006G) the legal entity of the company was converted from a sole proprietorship to a closed joint stock company, pursuant to Ministerial Resolution No. (2161). On 28/08/1435H (corresponding to 26/06/2014G), the company's shares were listed on the main Saudi stock market and turned into a Saudi public joint stock company.
- The company's capital as on the date of this circular is six hundred and fifty million (650,000,000) Saudi riyals, divided into sixty-five million (65,000,000) ordinary shares with a nominal value of ten (10) Saudi riyals per share.
- The head office of the company is located in the city of Riyadh -Al Murooj District, Northern Ring Road, between Exit 4 and 5, after DoubleTree by Hilton Hotel, PO Box 57750 Riyadh 11584, KSA.
- The company's main activity is in the hospitality, restaurants, entertainment and commercial centers sectors. In the hospitality and restaurants sector, the company manages and operates hotels, hotel apartments and restaurants that are located in a number of locations in the KSA and the UAE, while the company's activities are concentrated in the entertainment sector, managing and operating centers. Entertainment in a number of locations in the KSA, the UAE and the Arab Republic of Egypt. In addition, the company manages and operates a number of commercial complexes in the KSA.

Contact Information

Contact Officer Name: Investor Relations Department

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Background

■ Company capital development:

The capital of the company as on the date of this circular is six hundred and fifty million (650,000,000) Saudi riyals, divided into sixty-five million (65,000,000) ordinary shares, with a nominal value of ten (10) Saudi riyals per share, fully paid in value. The following is the development of the capital since the establishment of the company :

Date	Event
16/08/1398H (corresponding to 22/07/1978G)	Abdul Mohsin Al Hokair Group for Tourism and Development Company was established as a sole proprietorship under the name "Abdul Mohsin Al Hokair Group for Trade and Industry" and was registered in the Commercial Register issued in Riyadh with No. (1010014211) dated 16/08/1398H (corresponding to 22/07/1978G) with a capital of two hundred and seventy-four thousand (274,000) Saudi riyals.
1991G	The capital was increased from two hundred and seventy-four thousand (274,000) Saudi riyals to seventy-one million six hundred and seventy-four thousand (71,674,000) Saudi riyals, and the increase of seventy-one million four hundred thousand (71,400,000) Saudi riyals was met by capitalizing the retained earnings.
2005G	The capital was increased from seventy-one million six hundred and seventy-four thousand (71,674,000) Saudi riyals to two hundred and forty-nine million (249,000,000) Saudi riyals, and the increase of one hundred and seventy-seven million three hundred and twenty-six thousand (177,326,000) Saudi riyals was met by capitalizing the retained earnings .
01/01/1427H (corresponding to 31/01/2006G)	The capital was increased from two hundred and forty-nine million (249,000,000) Saudi riyals to two hundred and seventy-one million six hundred and seventy-four thousand (271,674,000) Saudi riyals, and the increase of twenty-two million six hundred and seventy-four thousand (22,674,000) Saudi riyals was met by capitalizing the retained earnings .
11/08/1427H (corresponding to 03/09/2006G)	The legal entity of the company has been converted from a sole proprietorship to a closed joint stock company, pursuant to Ministerial Resolution No. (2161) dated 11/08/1427H (corresponding to 03/09/2006G).
06/07/1430H (29/06/2009G)	The extraordinary general assembly of shareholders agreed to increase the company's capital from two hundred and seventy-one million six hundred and seventy-four thousand (271,674,000) Saudi riyals to four hundred and seven million five hundred and eleven thousand (407,511,000) Saudi riyals, thus increasing the number of the company's shares from twenty-seven million one hundred and seven Sixty thousand four hundred (27,167,400) ordinary shares, to forty million seven hundred and fifty-one thousand (40,751,100) ordinary shares, equal in value, the value of each of which is ten (10) Saudi riyals, and the increase of one hundred and thirty-five million eight hundred and thirty-seven thousand (135,837,000) Saudi riyals has been met by capitalizing retained earnings.
23/07/1434H (02/06/2013G)	The extraordinary general assembly of shareholders agreed to increase the company's capital from four hundred and seven million five hundred and eleven thousand (407,511,000) Saudi riyals to five hundred and fifty million (550,000,000) Saudi riyals, thus increasing the number of the company's shares from forty million seven hundred and fifty-one thousand and one hundred (40,751,100) Ordinary share, up to fifty-five million (55,000,000) ordinary shares of equal value, the value of each of which is ten (10) Saudi riyals, the increase of one hundred and forty-two million four hundred and eighty-nine thousand (142,489,000) Saudi riyals was met by transferring the amount of eighty-three million nine hundred and fifty thousand one hundred and seventy-five (83,950,175) Saudi riyals from the statutory reserve account, and transferring the amount of fifty-eight million five hundred and thirty-eight thousand Eight hundred and twenty-five (58,538,825) Saudi riyals from the retained earnings account.



Background

Date	Event
08/07/1435H (corresponding to 07/05/2014G)	The Saudi Capital Market Authority has agreed to offer sixteen million five hundred thousand (16,500,000) shares for public subscription, which represents (30%) of the company's shares of fifty-five million (55,000,000) ordinary shares, for the purpose of listing the company's shares in the main Saudi capital market.
28/08/1435H (corresponding to 26/06/2014G)	After the completion of the above-mentioned offering process, all of the company's shares were listed on the main Saudi capital market with a number of fifty-five million (55,000,000) ordinary shares, with a nominal value of ten (10) Saudi riyals per share. This is after obtaining the approval of the Capital Market Authority and the Saudi Stock Exchange (Tadawul).
28/11/1442H (corresponding to 08/07/2021G)	<p>The extraordinary general assembly of the company's shareholders approved the following:</p> <ol style="list-style-type: none"> 1) Reducing the company's capital by (37.64%), from five hundred and fifty million (550,000,000) Saudi riyals, to three hundred and forty-three million (343,000,000) Saudi riyals, and thus reducing the number of shares from fifty-five million (55,000,000) ordinary shares, to thirty-four million three hundred thousand (34,300,000) ordinary shares, of equal value, the value of each of which is ten (10) Saudi riyals, by revoking twenty million seven hundred thousand (20,700,000) shares of the company's shares, i.e. reducing one share for each (2.6570) shares, for the purpose of restructuring the company's capital to extinguish the accumulated losses as on September 30, 2020G, amounting to two hundred and seven million (207,000,000) Saudi riyals. 2) Increasing the company's capital by (89.50%) (after completing the capital reduction process mentioned above), from three hundred and forty-three million (343,000,000) Saudi riyals, to six hundred and fifty million (650,000,000) Saudi riyals, thus increasing the number of shares from thirty-four million Three hundred thousand (34,300,000) ordinary shares, to sixty-five million (65,000,000) ordinary shares, of equal value, each of which is ten (10) Saudi riyals, by offering rights issues of thirty million seven hundred thousand (30,700,000) shares, with a value of three hundred and seven million (307,000,000) Saudi Riyals This approval was announced on the Saudi Exchange website (Saudi Exchange).
14/11/1443H (corresponding to 13/06/2022G)	The company announced, through the Saudi Exchange website, the recommendation of its board of directors to reduce the company's capital from six hundred and fifty million (650,000,000) Saudi riyals to three hundred and fifty million (350,000,000) Saudi riyals, with a decrease of 46.15%, thus reducing the number of the company's shares from sixty-five million (65,000,000)) shares to thirty-five million (35,000,000) shares by revoking thirty million (30,000,000) shares of the issued shares of the company, after obtaining all the necessary statutory approvals and the approval of the extraordinary general assembly.
04/02/1444H (corresponding to 31/08/2022G)	The company announced, through the Saudi Tadawul website, an addendum announcement to amend the recommendation of its board of directors to reduce the company's capital from six hundred and fifty million (650,000,000) Saudi riyals to three hundred and fifteen million (315,000,000) Saudi riyals, a decrease of 51.54%, thus reducing the number of the company's shares from five Sixty million (65,000,000) shares to thirty-one million five hundred thousand (31,500,000) shares by canceling thirty-three million and five hundred thousand (33,500,000) shares of the issuing company's shares, after obtaining all the necessary statutory approvals and the approval of the extraordinary general assembly.
23/02/1444H (corresponding to 19/09/2022G)	The Capital Market Authority approved a request to reduce the company's capital from six hundred and fifty million (650,000,000) Saudi riyals to three hundred and fifteen million (315,000,000) Saudi riyals, with a decrease of 51.54%, thus reducing the number of the company's shares from sixty-five million (65,000,000) shares to thirty-one million five hundred thousand (31,500,000) shares by canceling thirty-three million five hundred thousand (33,500,000) shares of the issued company's shares, and this approval was announced on the website of the Capital Market Authority and the Saudi Exchange website.
xx/xx/xxxxH (corresponding to xx/xx/xxxxG)	The extraordinary general assembly agreed to reduce the company's capital from six hundred and fifty million (650,000,000) Saudi riyals to three hundred and fifteen million (315,000,000) Saudi riyals, with a decrease of 51.54%, thus reducing the number of the company's shares from sixty-five million (65,000,000) shares to thirty-one million five hundred thousand (31,500,000) shares by canceling thirty-three million five hundred thousand (33,500,000) shares of the issued company's shares, and this approval was announced on the website of the Capital Market Authority and the Saudi Exchange website.

Background

- Names and ownership percentages of the shareholders in the company:

Name	Before Capital Reduction		After Capital Reduction		Ownership Percentage %	
	No. of shares	Value Saudi Riyal	No. of shares***	Value Saudi Riyal	Direct	Indirect
Al Hokair and Sons Holding Company	20,475,000	204,750,000	9,922,500	99,225,000	31.50%	-
Abdul Mohsen Abdulaziz Fahd Al Hokair*	8,103,550	81,035,500	3,928,050	39,280,500	12.47%	18.51%
Board of Directors **	321,518	3,215,180	154,350	1,543,500	0.49%	4.72%
Public	36,099,932	360,999,320	17,495,100	174,951,000	55.54%	-
Total	65,000,000	650,000,000	31,500,000	315,000,000	100.00%	23.23%

Source: The company and traded as on 14/09/2022G

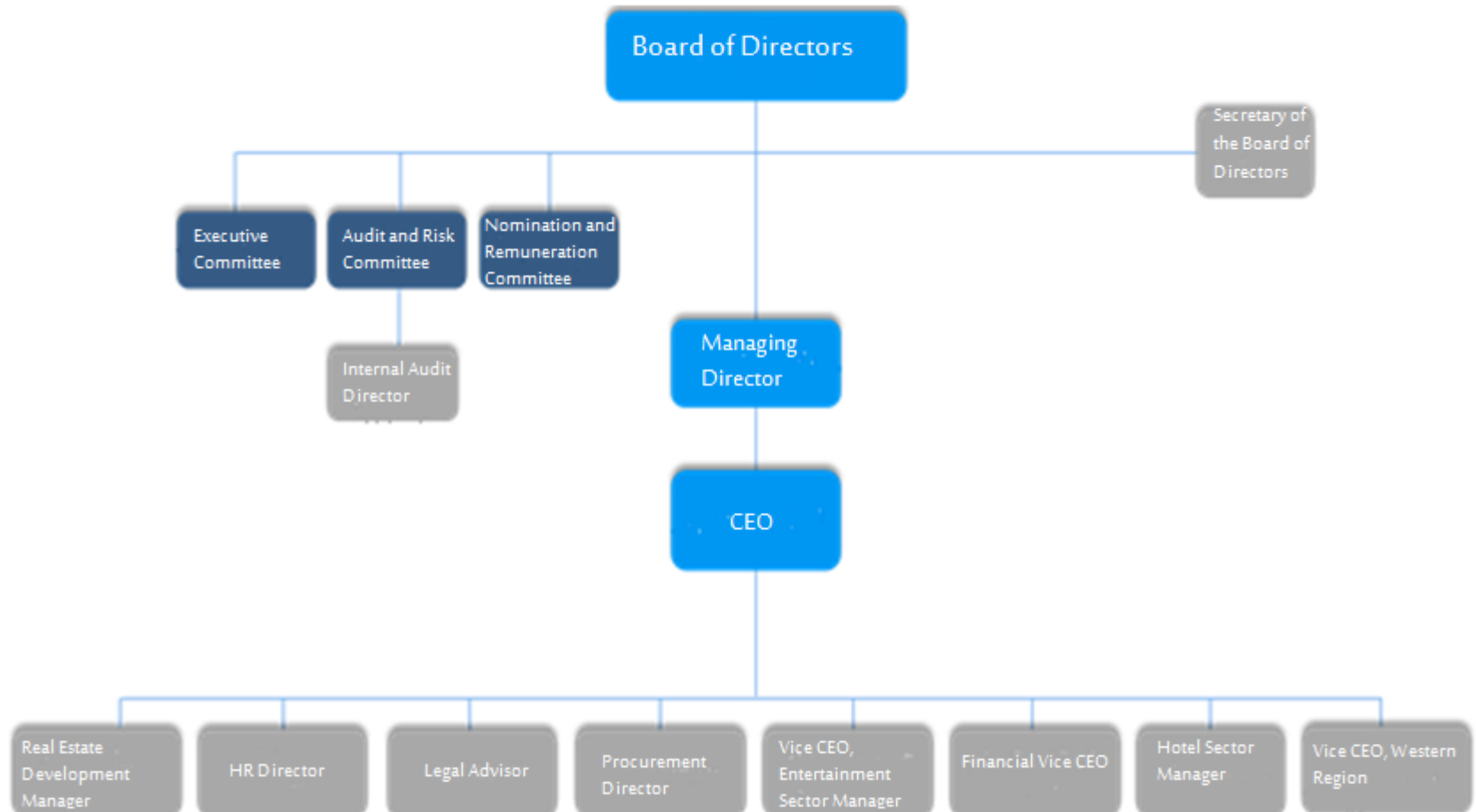
*The indirect ownership of Mr. Abdulmohsin Abdulaziz Fahd Alhokair results from his ownership of (58.75%) in Abdulmohsen Alhokair and Sons Holding Company, which owns (31.50%) of the shares of Abdulmohsen Alhokair Group for Tourism and Development.

** The indirect ownership of the members of the Board of Directors results from the ownership of each of Mr. Majed Abdulmohsen Abdulaziz Alhokair and Mr. Sami Abdulmohsen Abdulaziz Alhokair (7.49%) in Abdulmohsin Alhokair and Sons Holding Company, which owns (31.50%) of the shares of Abdulmohsen Alhokair Group Company Tourism and development.

*** The company will collect any fractional shares (if any) in one portfolio that will result from the capital reduction process and then sell it in the market at the prevailing price at the time, and then the proceeds of its sale will be distributed to the company's shareholders, each according to his ownership within (30) thirty days from the date of the shareholders' approval in the extraordinary general assembly to reduce the company's capital.

Background

- Organizational Chart:



Background

■ Board of Directors:

Name	Position	Membership status	Nationality	Age	Ownership of the shares before the reduction As on 14/09/2022G				Membership Date*
					Direct		Indirect***		
					No.	ownership percentage	No.	ownership percentage	
Majed Abdul Mohsen Abdulaziz Al Hokair **	Chairman	Non executive	KSA	55	-	-	1,535,625	2.36%	19/04/2021G
Amr Abdulaziz Abdullah Al-Jalal **	Vice Chairman	Independent non executive	KSA	43	-	-	-	-	19/04/2021G
Sami Abdul Mohsen Abdulaziz Al Hokair **	Managing Director	executive	KSA	54	-	-	1,535,625	2.36%	19/04/2021G
Bandar Khaled Abdel Mohsen Al Hokair	Member	Non executive	KSA	43	321,518	%0.49	-	-	19/04/2021G
Iyad Abdul Rahman Muhammad Al-Bunyan	Member	Independent	KSA	46	-	-	-	-	19/04/2021G
Raed Abdulaziz Hamid Abu Zinada	Member	Independent	KSA	50	-	-	-	-	19/04/2021G
Ramzi Kanaan Youssef Abu Khadra	Member	Independent	KSA	56	-	-	-	-	19/04/2021G
Faisal Muhammad Amin Shaker	Member	Independent	KSA	47	-	-	-	-	19/04/2021G
Khaled Anib	Member	Independent	Fenland	57	-	-	-	-	19/04/2021G

Source: Company and Saudi Exchange

- The Company's Ordinary General Assembly, in its meeting held on 06/09/1442H (corresponding to 18/04/2021G), approved the election of the above-mentioned members of the Board of Directors for the current session, which started on 07/09/1442H (corresponding to 19/04/2021G) for a period of three years ending on 09/10/1445H (corresponding to 18/04/2024G).
- ** The Board of Directors decided in its meeting held on 07/09/1442H (corresponding to 19/04/2021G) to appoint Mr. Majed Abdul Mohsen Abdulaziz Al Hokair as Chairman of the Board, and Mr. Amr Abdulaziz Abdullah Al Jalal as Vice Chairman of the Board of Directors, and Mr. Sami Abdul Mohsen Abdulaziz Alhokair Managing Director.
- *** The indirect ownership referred to in the above table results from the ownership of each of them by (7.49%) in Abdul Mohsen Al Hokair and Sons Holding Company, which owns (31.50%) of the shares of Abdul Mohsen Al Hokair Group for Tourism and Development.

Note:

It was recommended by the members of the company's board of directors mentioned above in the meeting of the board of directors held on 03/02/1444H (corresponding to 30/08/2022G), to reduce the company's capital from six hundred and fifty million (650,000,000) Saudi riyals to three hundred and fifteen million (315,000,000) Saudi riyals with a decrease of 51.54%, thus reducing the number of the company's shares from sixty-five million (65,000,000) shares to thirty-one million and five hundred thousand (31,500,000) shares by revoking thirty-three million five hundred thousand (33,500,000) shares of the issued company's shares, after obtaining all the necessary statutory approvals and the approval of the extraordinary general assembly.

Background

■ Senior Management:

Name	Position	Nationality	Age	Appointment Date	Ownership of the shares before the reduction As on 14/09/2022G			
					Direct		Indirect**	
					No.	%	No.	%
Sami Abdul Mohsen Abdulaziz Al Hokair *	Managing Director	KSA	54	29/02/2020G	-	-	1,535,625	2.36%
Fahad Mohammed Al-Fawaz	CEO	KSA	57	01/07/2021	-	-	-	-
Alaa Mansour	Financial Vice CEO	Jordan	42	06/06/2021G	-	-	-	-
Bader Khaled Abdel Mohsen Al Hokair	Vice CEO, Western Region	KSA	43	01/01/2012G	331,500	0.51%	-	-
Mohammed Attia	Entertainment Sector Manager	Egypt	40	01/12/2021G	-	-	-	-
Cliff Julian Smith	Hotel Sector Manager	UK	54	08/09/2018G	-	-	-	-
Abdul Majeed Mohammed Abdullah Al Omair	Real Estate Development Manager	KSA	40	26/08/2019G	-	-	-	-
Hayel Ali Fayez Al Shaalan	Legal Advisor	KSA	49	01/12/2020G	-	-	-	-
Gibran Hadi Ahmed Rabie	Procurement Manager	KSA	46	02/01/2021G	-	-	-	-
Sultan Abdul Ghaffar Aziz Al-Ayyash	HR Manager	KSA	38	26/12/2013G	-	-	-	-
Khaled Jamal Mohammed Hamadaneh	Internal Audit Manager	Jordan	36	06/11/2021G	-	-	-	-

Source: Company and Saudi Exchange

- The Board of Directors decided on 20/11/1442G (corresponding 30/06/2021G) to appoint Mr. Fahd Muhammad Al-Fawaz as CEO of the company as of 21/11/1442H (corresponding to 01/07/2021G) and the end of the period of assigning Mr. Sami Abdulmohsen Al Hokair to assume the duties of CEO while remaining as a Managing Director.
- ** The indirect ownership of Mr. Sami Abdulmohsen Abdulaziz Alhokair results from his ownership of (7.49%) in Abdulmohsin Alhokair and Sons Holding Company, which owns (31.50%) of the shares of Abdulmohsin Alhokair Group for Tourism and Development.

Development of the company's accumulated losses and their causes

Fiscal year	Net loss(in thousand Saudi riyals)	Accumulated losses(in thousand Saudi riyals)	Accumulated Losses to Capital Ratio - %	The reason for the high accumulated losses
2018G	(76,048)	(30,882)	5.6%	<ul style="list-style-type: none"> Decreased revenue from operations in the hotel and leisure sectors. Capital losses from closing some sites in the leisure sector. Revenues were affected as a result of the cancellation of the spring holiday in the Kingdom. Increasing financial burdens.
2019G	(142,989)	(102,178)	%18.6	<ul style="list-style-type: none"> Decreased revenue from operations in the hotel and leisure sectors. Implementation of IFRS 16. Capital losses from closing some locations in the hotel, leisure and commercial sectors. Increasing financial burdens.
2020G	(200,156)	(302,334)	55.0%	<ul style="list-style-type: none"> The company's revenues in general were negatively affected by the repercussions of the Corona Virus "Covid-19" pandemic, such as the suspension of international flights, the precautionary measures and preventive measures taken by the Kingdom in order to reduce the risks of the spread of the Corona virus "Covid-19", which negatively affected the number of users of the company's services. The decrease in the company's share in the net profits of joint ventures, mainly due to the impact of those joint ventures with the Corona Virus "Covid-19" pandemic. Decreased demand for the hotel sector by the business sector and individuals, including the demand for rooms, banquet halls, meeting rooms and external catering. Closing a number of poorly performing sites during the past year, including hotel, entertainment and commercial sites, which were achieving operating losses.
2021G	(171,575)	(272,291)	41.9%	<ul style="list-style-type: none"> Continuation of precautionary measures to limit the spread of the Corona virus (in whole or in part) during the year 2021, including the suspension of international flights and Umrah rituals, banning holding events and parties, operating wedding halls and meeting rooms, and obligating social distancing measures in activities and events, which negatively affected the speed of recovery of the hotel sector business and Entertainment in all regions of the Kingdom. Non-recurring losses resulting from the suspension of operations in recreational centers, starting from February 4, 2021, until March 6, 2021G. Non-recurring losses resulting from closing a number of poorly performing sites and excluding their assets in 2021G.
June 30, 2022G	(66,340)	(338,631)	52.10%	<ul style="list-style-type: none"> Continuation of precautionary measures to limit the spread of the Corona virus (in part) during most of the first quarter of 2022. Revenues from entertainment centers are lower than expected due to the emergence of a mutated strain or micron of the emerging corona virus. Decreased demand for the hotel sector by the business sector and individuals, including the demand for rooms, banquet halls, meeting rooms and external catering.

Source: Company and Saudi Exchange

The company's plan and corrective steps to stop losses

- **The company intends to take the following corrective steps:**

- ✓ **Complete the implementation of business plans in accordance with the approved group strategy.**

Includes business development in line with market trends in hospitality and entertainment and attracting entertainment activities and ideas that keep pace with the changes and modern trends in the market, which enables the provision of entertainment options suitable for different age groups with a focus on developing the leading hotel portfolio and restructuring hotel services provided to targeted customer segments in proportion to their needs with a focus on major markets and cities.

- ✓ **Continuing to restructure the company's sectors to improve effectiveness and efficiency in the operational and administrative aspects.**

The company is taking several strategic and operational initiatives aimed at increasing profitability levels by improving effectiveness and efficiency, which include initiatives of potential acquisitions of hotel assets that the company rents and the resulting reduction in operating costs and enhancing its financial position, in addition to investment initiatives in human capital by attracting Competencies, employee training, process automation, and continue to build strategic partnerships with international entities to benefit from best practices, create centralized/consolidated departments, and rationalize expenditures by improving and developing operational standards in managing its day-to-day operations.

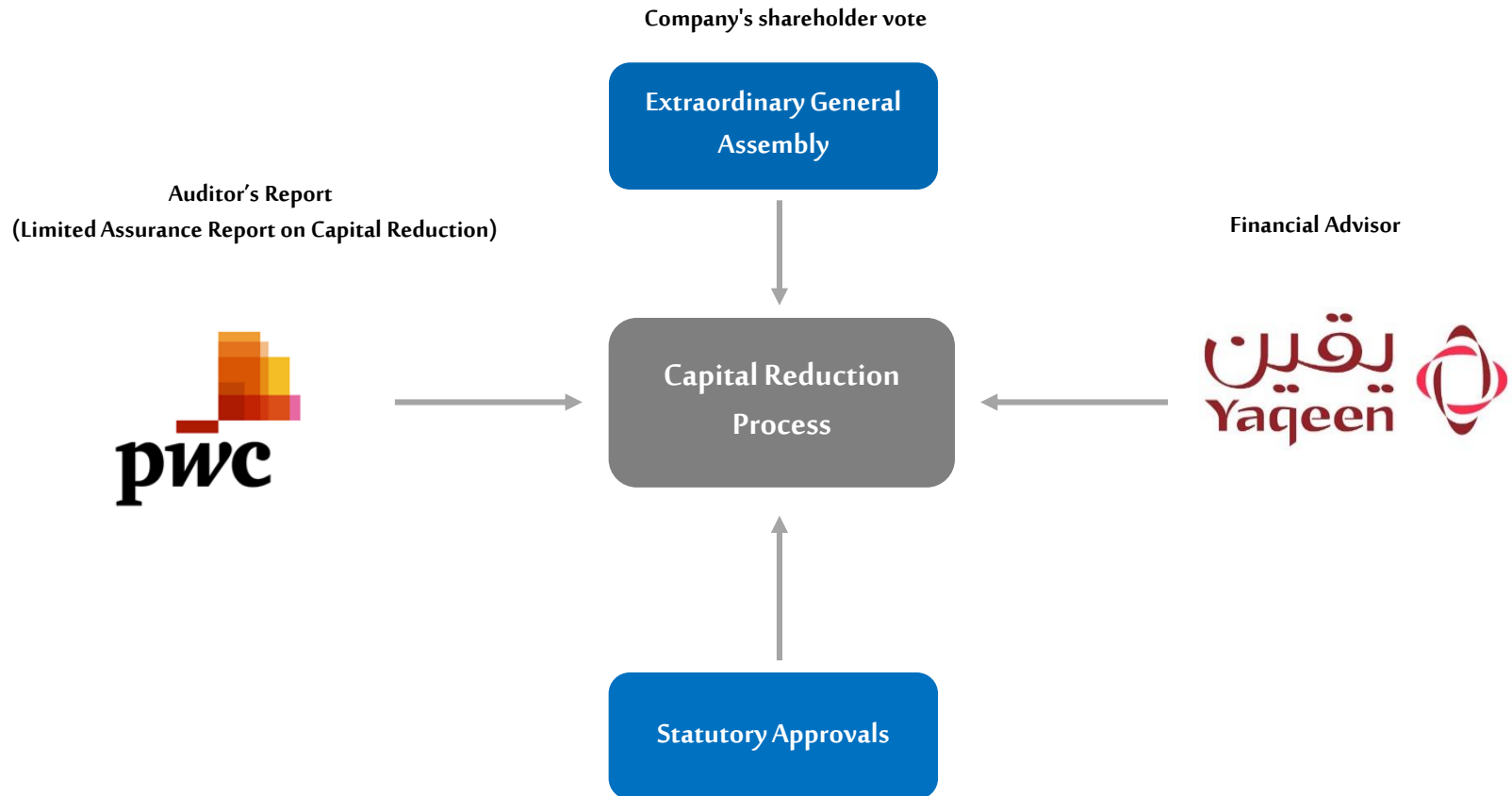
- ✓ **Continuing to evaluate the group's projects and exit from the poorly performing projects that generate operational losses.**

The group periodically evaluates the performance of its projects in various sectors and renews and modernizes these projects in line with market requirements to maintain its quality and competitiveness level and in line with the financial feasibility of such diverse projects in the foreseeable future, with keenness to study exit options in the absence of financial feasibility from Continuing in that position to maintain the Group's operating profitability levels.



Capital Reduction

- Structure of the parties involved in the capital reduction process:



Capital Reduction

■ The general structure of the proposed capital reduction:

- The company's current capital is six hundred and fifty million (650,000,000) Saudi riyals, divided into sixty-five million (65,000,000) ordinary shares with a nominal value of ten (10) Saudi riyals fully paid, and the company's capital will be reduced to three hundred and fifteen million (315,000,000) Saudi riyals, divided into thirty-one million five hundred thousand (31,500,000) ordinary shares with a nominal value of ten (10) Saudi riyals per share.
- The capital reduction percentage is 51.54%, and the reduction process will be done by revoking thirty-three million five hundred thousand (33,500,000) shares of the company's issued shares, i.e. the revoking rate of 67 shares for every 130 shares, to extinguish 98.93% of the total accumulated losses, which amounted as on June 30 2022 AD Three hundred and thirty-eight million six hundred and thirty-one thousand (338,631,000) Saudi riyals.
- The company will collect any fractional shares (if any) in one portfolio that will result from the capital reduction process and then sell them in the market at the prevailing price at the time, and then the proceeds of selling them will be distributed to the company's shareholders, each according to his ownership within (30) thirty days from the date of approval Shareholders in the extraordinary general assembly to reduce the company's capital.
- The date of the financial statements from which the values to be determined for the purposes of capital reduction were taken: The interim condensed consolidated financial statements (unaudited) for the six-month period ending on June 30, 2022G.



Capital Reduction

■ Reasons for capital reduction, management discussion and analysis in this regard:

- The company's board of directors decided to reduce the capital by an amount of three hundred and thirty-five million (335,000,000) Saudi riyals for the purpose of restructuring the company's capital to extinguish 98.93% of the total accumulated losses amounting to as on June 30, 2022G three hundred and thirty-eight million six hundred and thirty-one thousand (338,631,000) Saudi riyals .
- During its discussion and analysis of the company's current situation, the company's management worked to adhere to the company's strategy that aims to support the future growth and financial performance of the company, and reached a decision to restructure the company's capital by reducing the capital.

■ Capital Reduction Procedures:

- ✓ The process of reducing capital is subject to the following procedures:
- ✓ The company's board of directors recommendation to reduce the capital.
- ✓ Appointment of a financial advisor for the capital reduction process.
- ✓ Appointing a chartered accountant to prepare the accounting report on the capital reduction process.
- ✓ Preparing and submitting a capital reduction request to the CMA in accordance with the conditions of Article 58 of the Rules on Offer of Securities and Continuing Obligations, and related to the conditions of capital reduction.
- ✓ The approval of the CMA on the request to reduce the capital.
- ✓ Submit a notice to Tadawul.
- ✓ The approval of the extraordinary general assembly to reduce the capital.
- ✓ Finalize the relevant procedures with the Ministry of Commerce to extract the company's updated Bylaw and the updated commercial register.

■ Company's board of directors statement :

- The members of the company's board of directors confirm, to the best of their knowledge and belief, that the capital reduction is in the interest of the company and the shareholders.



Capital Reduction

- The company announced, through the Saudi Exchange website, on 14/11/1443H (corresponding to 13/06/2022G) the recommendation of its Board of Directors in its meeting held on 14/11/1443H (corresponding to 13/06/2022G) to reduce the company's capital by (46.15%), from six hundred and fifty million (650,000,000) Saudi riyals, to three hundred and fifty million (350,000,000) Saudi riyals, thus reducing the number of shares from sixty-five million (65,000,000) ordinary shares to thirty-five million (35,000,000) ordinary shares of equal value. Each of them is ten (10) Saudi riyals, by revoking thirty million (30,000,000) shares of the issuing company's shares, i.e. reducing (3) shares for every (6.5) shares, in order to restructure the company's capital to extinguish 98.79% of the total accumulated losses as on March 31, 2022G, amounting to three hundred and three million six hundred and fifty-seven thousand (303,657,000) Saudi riyals, after obtaining all the necessary regulatory approvals and the approval of the extraordinary general assembly.
- On 04/02/1444H (corresponding to 31/08/2022G), the company announced, through the Saudi Exchange website, an addendum announcement to amend the recommendation of its board of directors to reduce the company's capital from six hundred and fifty million (650,000,000) Saudi riyals to three hundred and fifteen million (315,000,000) Saudi riyals with a decrease of 51.54%, thus reducing the number of the company's shares from sixty-five million (65,000,000) shares to thirty-one million and five hundred thousand (31,500,000) ordinary shares, equal in value to ten (10) Saudi riyals each, by revoking thirty three million five hundred thousand (33,500,000) shares of the company's issued shares, i.e. a reduction of (67) shares for every (130) shares, in order to restructure the company's capital to extinguish 98.93% of the total accumulated losses as on June 30, 2022G, amounting to three hundred and eight Thirty million six hundred and thirty-one thousand (338,631,000) Saudi riyals, after obtaining all the necessary statutory approvals and the approval of the extraordinary general assembly.
- The company obtained the approval of the Capital Market Authority on the request to reduce the company's capital on 23/02/1444H (corresponding to 19/09/2022G), and this approval was announced on the Market Authority's website and the Saudi Exchange website on 23/02/1444H (corresponding to 19/09/2022G).
- The company called for this extraordinary general assembly and announced it on the Saudi Exchange website on **/**/****H (corresponding to **/**/****G), and a copy of this offer was included in the announcement. .

The effect of capital reduction on the company's liabilities

- The company has appointed PricewaterhouseCoopers - Chartered Accountants as an Auditor to prepare the accounting report on the capital reduction process (a limited assurance report on the capital reduction), through which the reduction mechanism and its expected impact on the company's liabilities were clarified.
- There will be no impact of the capital reduction on the company's liabilities as in the attached chartered accountant's report.

The effect of reducing the capital on the equity of the company's shareholders

- The company's accumulated losses as of June 30, 2022G amounted to three hundred and thirty-eight million six hundred and thirty-one thousand (338,631,000) Saudi riyals, i.e. (52.10%) of the capital. The capital reduction by three hundred and thirty-five million (335,000,000) Saudi riyals will lead to amortization (98.93%) of the total accumulated losses as on June 30, 2022G, bringing the total accumulated losses after the capital reduction process to three million six hundred and thirty-one thousand (3,631,000) Saudi riyals, or (1.15%) of the company's capital after the reduction.
- The impact on shareholders' equity based on the interim condensed consolidated financial statements (unaudited) for the six-month period ended June 30, 2022G will be as follows:

Shareholder's Equity (in thousand Saudi riyals)	Before Capital Reduction	After Capital Reduction	Effect
Capital	650,000	315,000	(335,000)
Other reserves	(967)	(967)	0
Accumulated losses	(338,631)	(3,631)	335,000
Total shareholder's equity	310,402	310,402	-

Source: the attached Auditor's report, and the interim condensed consolidated financial statements (unaudited) for the six-month period ending on June 30, 2022G.

The effect of reducing the capital on the equity of the company's shareholders

- The company intends to reduce its capital from six hundred and fifty million (650,000,000) Saudi riyals to three hundred and fifteen million (315,000,000) Saudi riyals, with a decrease of 51.54%, and thus reduce the number of the company's shares from sixty-five million (65,000,000) shares to thirty-one million five hundred thousand (31,500,000) shares by revoking thirty-three million five hundred thousand (33,500,000) shares of the company's issued shares, i.e. at a revoking rate of 67 shares for every 130 shares, to extinguish 98.93% of the total accumulated losses amounting to three hundred and thirty-eight million six hundred and thirty-one One thousand (338,631,000) Saudi riyals.
- The company will collect any fractional shares (if any) in one portfolio that will result from the capital reduction process and then sell them in the market at the prevailing price at the time, and then the proceeds of selling them will be distributed to the company's shareholders, each according to his ownership within (30) thirty days from the date of approval Shareholders in the extraordinary general assembly to reduce the company's capital.
- The reduction of the company's capital will not affect the market value of the company's shareholders' portfolio, as shown below, an example of a shareholder who has in his portfolio one thousand (1,000) shares of the company's shares before the reduction.

Clause (estimated)	Before capital reduction	After capital reduction	Unit
Shares owned before the reduction	1,000	1,000	Share
Share price before reduction (Close 14/09/2022G - default) *	11.02	11.02	Saudi Riyal
The market value of the shares before the reduction	11,020	11,020	Saudi Riyal
discount percentage	N/A	51.54%	%
Number of shares canceled from the shareholder's investment portfolio	N/A	516	Share
Shares owned after reduction	N/A	484	Share
Share price after reduction (estimated) **	N/A	22.74	Saudi Riyal
Market value of shares after reduction (estimated)	N/A	11,006.16	Saudi Riyal
Compensation value resulting from share fractures (estimated)	N/A	13.84	Saudi Riyal

* The offer to shareholders will be updated by adding the closing price of the share on the day of the Extraordinary General Assembly.

** The expected share price has been rounded up after capital reduction from 22.7397 to 22.74 SAR.



The effect of reducing the capital on the equity of the company's shareholders

- It should be noted that the shareholder who owns one share of the company's shares in his portfolio will have this share revoked and compensated. The table below shows the impact of the shareholder who owns one, two, three, four or five shares as follows:

Clause (Estimated)	Value					Unit
Shares owned before the reduction	1.00	2.00	3.00	4.00	5.00	Share
Share price before discount (Close 14/09/2022G- default) *	11.02	11.02	11.02	11.02	11.02	Saudi Riyal
Revoked shares	1.00	2.00	2.00	3.00	3.00	Share
Shares owned after the reduction	N/A	N/A	1.00	1.00	2.00	Share
Share price after discount (estimated) **	22.74	22.74	22.74	22.74	22.74	Saudi Riyal
The market value of the shares before the reduction	11.02	22.04	33.06	44.08	55.10	Saudi Riyal
Market value of shares after reduction (estimated)	N/A	N/A	22.74	22.74	45.48	Saudi Riyal
Compensation value resulting from stock fractures (estimated)	11.02	22.04	10.32	21.34	9.62	Saudi Riyal

* The offer to shareholders will be updated by adding the closing price of the share on the day of the Extraordinary General Assembly.

** The expected share price has been rounded up after capital reduction from 22.7397 to 22.74 SAR.



The effect of reducing the capital on the equity of the company's shareholders

- The closing price of the company's share today **/**/****H (corresponding to **/**/****G) (the day of the Extraordinary General Assembly) is (****) Saudi riyals, and it is expected that The adjusted share price in case the extraordinary general assembly approves the capital reduction process will reach (****) Saudi riyals at the opening of the market on **** dated **/**/****H (corresponding to **/**/****G), and this change represents an increase of (**) over the closing price of the company's share today.
- The following table shows the effect of adjusting the share price after the capital reduction:

Clause (estimated)	Value	Unit
*Share closing price today 18/02/1444H (corresponding to 14/09/2022G) - hypothetical (Extraordinary General Assembly day)	11.02	Saudi Riyals
Capital reduction value	335,000,000	Saudi Riyals
Number of shares revoked	33,500,000	Share
Number of shares outstanding and issued before capital reduction	65,000,000	Share
Number of shares outstanding and issued after capital reduction	31,500,000	Share
Market value of shares before capital reduction	716,300,000	Saudi Riyals
**Company share price after capital reduction (estimated)	22.74	Saudi Riyals

* The offer to shareholders will be updated by adding the closing price of the share on the day of the Extraordinary General Assembly.

** The expected share price has been rounded up after capital reduction from 22.7397 to 22.74 SAR.

Method of calculating the share price after capital reduction

- The following table shows how to calculate the share price after capital reduction:

Clause (estimated)	Value	Unit
(a) Share price before capital reduction * Share closing today 18/02/1444H (corresponding to 14/09/2022G) - hypothetical (Extraordinary General Assembly day)	11.02	Saudi Riyals
(b) The number of shares before the reduction	65,000,000	Share
(c) The market value of the company's shares before the reduction = (a) x (b)	716,300,000	Saudi Riyals
(d) The number of shares after the reduction	31,500,000	Share
Share price after capital reduction = (c) ÷ (d)	22.74	Saudi Riyals

* The offer to shareholders will be updated by adding the closing price of the share on the day of the Extraordinary General Assembly.





Possible risks as a result of reducing the company's capital

- According to the Auditor's report about the capital reduction process, in which the expected impact on the company's liabilities and shareholders' rights was clarified, the company's management believes that there are no potential risks as a result of the capital reduction that could affect the rights and obligations of the company's shareholders, as the company aims to reduce the capital from the capital reduction process to restructure its capital to amortize 98.93% of the total accumulated losses, which amounted as on June 30, 2022G, three hundred and thirty-eight million six hundred and thirty-one thousand (338,631,000) Saudi riyals.

Necessary statutory approvals

- The company obtained the approval of the Capital Market Authority on 23/02/1444H (corresponding to 19/09/2022G) on a request to reduce the company's capital from six hundred and fifty million (650,000,000) Saudi riyals to three hundred Fifteen million (315,000,000) Saudi riyals, a decrease of 51.54%, thus reducing the number of the company's shares from sixty-five million (65,000,000) shares to thirty-one million five hundred thousand (31,500,000) shares by revoking thirty-three million five hundred thousand (33,500,000) shares from The issued shares of the company, and this approval was announced on the website of the Capital Market Authority and the Saudi Exchange website on 23/02/1444H (corresponding to 19/09/2022G).
- The process of capital reduction depends on the approval of the extraordinary general assembly, and the shareholders should note that if the approval of the extraordinary general assembly is not obtained for this capital reduction process, the capital reduction process will stop completely.
- In the event that the approval of the extraordinary general assembly is obtained for the capital reduction process, the company will address the Ministry of Commerce to obtain its approval to amend the commercial register and the company's articles of association.
- Other than what was mentioned above, there are no other regulatory approvals that the company must obtain to complete the capital reduction process.





Related rules and regulations

- The Companies Law issued by Royal Decree No. (M/3) dated 28/01/1437H (corresponding to 10/11/2015G) and the amendments thereto.
- The Capital Market Law issued by Royal Decree No. (M/30) dated 02/06/1424H (corresponding to 31/07/2003G) and the amendments thereto.
- Rules for Offering Securities and Continuing Obligations issued by the Board of the Capital Market Authority pursuant to Resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G), amended by Resolution No. (5-5-2022) dated 02/06/1443H (corresponding to 05/01/2022G) and any amendments thereto.
- Listing Rules Approved by CMA Board Decision No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G), amended by Resolution No. (1-52-2022) dated 12/09/1443 H (corresponding to 13/04/2022G) and any amendments thereto.
- Procedures and instructions for companies listed in the market whose accumulated losses amounted to 20% or more of their capital, issued by the Board of the Capital Market Authority pursuant to Resolution No. 4-48-2013 dated 15/01/1435H (corresponding to 18/11/2013G) based on the financial market law and its amendments issued by Royal Decree No. M/30 dated 02/06/1424H, as amended by CMA Board Decision No. 1-77-2018 dated 05/11/1439H (corresponding to 18/07/2018G).
- Company's AOA.



Auditor's Report

- The company has appointed PricewaterhouseCoopers –Chartered Accountants as an auditor to prepare a limited assurance report on the capital reduction to study the reasons for the capital reduction and the impact of that reduction on the company's liabilities and shareholders' equity, in order to obtain the approval of the Capital Market Authority on the capital reduction request .
- Reading the Auditor's report, based on Article 144 of the Companies Law issued by Royal Decree No. (M/3) dated 28/01/1437H (corresponding to 10/11/2015G) and the amendments thereto, which states that the decision shall be made only after reading a special report prepared by the auditor on the reasons, the obligations of the company, and the effect of the reduction in these obligations.
- A copy of the chartered accountant's report was included in the announcement of the invitation to this extraordinary general assembly on the Saudi Exchange website on **/**/****H (corresponding to **/**/****G).



The duration for the capital reduction process

Article 58 - b
- 4

Date	Event
13/06/2022G	The company's board of directors' recommendation to reduce the capital from (650,000,000) Saudi riyals to (350,000,000) Saudi riyals.
13/06/2022G	Announcing the appointment of the financial advisor for the company's capital reduction process.
31/08/2022G	Addendum announcement to amend the company's board of directors' recommendation to reduce the capital from (650,000,000) Saudi riyals to (315,000,000) Saudi riyals.
08/09/2022G	Submit a request to reduce the company's capital to the Capital Market Authority.
19/09/2022G	The approval of the Capital Market Authority on the request to reduce the company's capital, and this approval was announced on the website of the Capital Market Authority and the Saudi Exchange website.
//****G	Calling for this extraordinary general assembly and announcing it on the Saudi Exchange website. A copy of this offer is also included in the announcement.
//****G	Announcing the start of electronic voting on the items of the Extraordinary General Assembly meeting, including reducing the capital (the first meeting).
//****G	Convening the Extraordinary General Assembly that includes reducing the capital (the first meeting), and in the event that the quorum required for holding the first meeting is not complete, the second meeting will be held an hour after the end of the period specified for convening the first meeting. In the event that the quorum required to hold the second meeting is not complete, the third meeting will be held within (30) days from the end of the period specified for the second meeting.
//****G	Announcing the results of the extraordinary general assembly meeting.
//****G	Announcing the deposit of the sums from the sale of fractional shares resulting from the reduction of the company's capital in the accounts of eligible shareholders within (30) days from the date of the shareholders' approval in the extraordinary general assembly to reduce the company's capital.

Important Information

- With reference to the procedures and instructions of companies whose shares are listed in the market, and whose accumulated losses amounted to 20% or more of their capital, issued by the Board of the Capital Market Authority pursuant to Resolution No. 4 - 48 - 2013 dated 15/01/1435H (corresponding to 18/11/2013G) on the Capital Market Law issued by Royal Decree No. M/30 dated 02/06/142H, as amended by CMA Board Decision No. 1-77-2018 dated 05/11/1439H (corresponding to 18/07/2018G). And based on the Companies Law and the amendments contained therein issued by the Ministry of Commerce pursuant to Royal Decree No. (M/3) dated 28/01/1437H (corresponding to 10/11/2015G), and in particular Article (150) thereof (which states that: If a company incurs losses amounting to half of the paid-in capital at any time during the fiscal year, any of the company executives or the auditor shall promptly, upon knowledge thereof, inform the chairman of the board, who shall promptly inform board members. The board of directors shall, within 15 days from the date of notification, call for an extraordinary general assembly meeting to be held within 45 days from the date of its knowledge of the losses, to decide whether to increase or decrease the company's capital, in accordance with the provisions of the Law, to the extent where losses are decreased below half of the paid-in capital, or to dissolve the company prior to the date set forth in its articles of association. The company shall be deemed terminated by the force of law if the extraordinary general assembly fails to meet within 45 days; if the assembly convenes but fails to issue a decision on the matter; or if it decides to increase the capital in accordance with this Article but the shares issued are not fully subscribed within 90 days from the assembly's decision to increase the capital. Then the company should:
- Promptly disclose the public without delay by an independent announcement when its accumulated losses reach 20% or more and less than 35% of its capital, provided that the announcement includes the amount of accumulated losses and their percentage of the capital and the main reasons that led to these losses, with reference in the announcement that these procedures and instructions will be applied and if the disclosure required in accordance with this paragraph coincides with the announcement of the initial or annual financial results, the company is exempted from disclosing a separate announcement if it was included in the announcement of the initial or annual financial results.
- Promptly disclose the public without delay by an independent announcement when its accumulated losses reach 35% or more and less than 50% of its capital, provided that the announcement includes the amount of accumulated losses and their percentage of the capital and the main reasons that led to these losses, with reference in the announcement that these procedures and instructions will be applied and if the disclosure required in accordance with this paragraph coincides with the announcement of the initial or annual financial results, the company is exempted from disclosing a separate announcement if it was included in the announcement of the initial or annual financial results.
- Promptly disclose the public without delay by an independent announcement when its accumulated losses reach 50% or more of its capital, provided that the announcement includes the amount of accumulated losses and their percentage of the capital and the main reasons that led to these losses, with reference in the announcement that these procedures and instructions will be applied and if the disclosure required in accordance with this paragraph coincides with the announcement of the initial or annual financial results, the company is exempted from disclosing a separate announcement if it was included in the announcement of the initial or annual financial results.

Important Information

- Companies with accumulated losses are classified according to the Saudi Exchange website (Saudi Exchange) into:

- The company's accumulated losses reach 20% or more and less than 35% of its capital.

- The company's accumulated losses reach 35% or more, and less than 50% of its capital.

- The company's accumulated losses reach 50% or more of its capital.

- According to Article (94) of the Companies Law, the Extraordinary General Assembly shall not be valid unless attended by shareholders representing at least half of the company's capital, in the absence of this quorum in the first meeting, an invitation shall be sent to a second meeting, and the second meeting will be valid if attended by a number of shareholders representing at least a quarter of the capital, in the absence of the necessary quorum at the second meeting, an invitation shall be sent to a third meeting, and the third meeting shall be valid regardless of the number of shares represented therein.
- In accordance with Article (94) of the Companies Law, the decisions of the Extraordinary General Assembly are issued by a two-thirds majority of the shares represented in the meeting, unless this decision is related to an increase or decrease in the capital, an extension of the company's term, the dissolution of the company before the expiry of the period specified in its AOA , or its merger into a company or In another institution, the decision shall not be valid unless it is passed by a majority of three quarters of the shares represented at the meeting.
- In the event that the company's shareholders agree to reduce the capital, the reduction decision will be effective for all shareholders of the company registered in the company's records with the Saudi Stock Exchange (Saudi Tadawul) at the end of trading on the second day following the day of the extraordinary general assembly, and this includes shareholders who did not attend the extraordinary general assembly's meeting, as well as shareholders who attended the meeting and did not vote or vote against the decision to reduce the capital.



Documents available for viewing

- The shareholders' circular will be published and made available to the public within a period of no less than (14) days before the date of the Extraordinary General Assembly to reduce the company's capital. The company will make the following documents available to the company's shareholders for review at the company's headquarters (located in Riyadh, Al Murooj District, Northern Ring Road, between Exit 4 and 5, after DoubleTree by Hilton Hotel), from the date of the approval of the Capital Market Authority at 23/02/1444H (corresponding to 19/09/2022G) until the date of the Extraordinary General Assembly meeting at ****/**/****H** (corresponding to ****/**/****G**) during official working hours from 8 am to 4 pm.
- ✓ A copy of the company's board of directors' recommendation to reduce the company's capital.
- ✓ Hard copy of the Capital Market Authority's announcement of approval of the company's capital reduction request, which is published on the Capital Market Authority's website and the Saudi Exchange website.
- ✓ A copy of the Auditor's report (a limited assurance report on the capital reduction of the company).
- ✓ A copy of the letter of appointment of the financial advisor regarding the reduction of the company's capital.
- ✓ A copy of the shareholders' circular (the offer made to the company's shareholders at the extraordinary general assembly meeting).

Attachments

- A copy of the Auditor's report
- POA form to attend the extraordinary general assembly meeting





The - Directors
Abdulmohsen Al-Hokair Group for Tourism and Development Company
P.O. Box 57750
Riyadh 11584
Kingdom of Saudi Arabia

September 8, 2022

Limited assurance report on the share capital reduction as of June 30, 2022 for Abdulmohsen Al-Hokair Group for Tourism and Development Company

We have undertaken a limited assurance engagement in respect of the accompanying Board of Directors' Declaration on share capital reduction as at June 30, 2022 (the "Declaration") (attached as Appendix I) relating to Abdulmohsen Al-Hokair Group for Tourism and Development Company (the "Company") prepared by the Directors in accordance with the applicable criteria mentioned below so as to comply with the requirements of Article 144 of the Regulations for Companies issued by the Ministry of Commerce and Article 58 (a) (3) of the Capital Market Authority Rules on the Offer of Securities and Continuing Obligations.

Subject matter

The Subject Matter for our limited assurance engagement is the accompanying Declaration to reduce the share capital of the Company.

Criteria

The applicable criteria is the requirement of Article 144 of the Regulations for Companies issued by the Ministry of Commerce (2015-1437H) which states that the extraordinary general assembly may decide to decrease the capital if it is in excess of the need of the company or if the company incurs losses after considering the grounds for decrease, the Company's liabilities and the effect of decrease on such liabilities; and Article 58 (a) (3) of the Capital Market Authority ("CMA") Rules on the Offer of Securities and Continuing Obligations (the "Rules") which requires the Company's application to be accompanied by an external auditor's report on the reasons for the capital reduction and the impact of the capital reduction on the issuer's liabilities.

Directors' responsibility

The Directors of the Company are responsible for the preparation of the Declaration in accordance with the Criteria and ensuring its completeness. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation of the Declaration that is free from material misstatement, whether due to fraud or error.

The Directors are also responsible for ensuring the Company's compliance with the applicable laws and regulations.

Management of the Company is responsible for making available to us, on a timely basis, all information necessary for performing our limited assurance work and Company's personnel to whom we may direct inquiries.



The Company's Directors or the management, as the case may be are also responsible for:

- creating and maintaining of all accounting and other records supporting the Company's declaration;
- extracting the figures in the declaration from the underlying accounting records of the Company;
- retention of sufficient, appropriate evidence to support the reported data; and
- providing us with written representations.

Our independence and quality control

We have complied with the independence requirements of the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, and the ethical requirements that are relevant to our limited assurance engagement in the Kingdom of Saudi Arabia, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1, as endorsed in the Kingdom of Saudi Arabia, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the Declaration based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information', as endorsed in the Kingdom of Saudi Arabia. This standard requires that we plan and perform this engagement to obtain limited assurance about whether anything has come to our attention that causes us to believe that the Company has not complied, in all material respects, with the applicable requirements of Article 144 of the Regulations for Companies and Article 58 (a) (3) of the CMA Rules in the preparation of the Declaration as at June 30, 2022.

The procedures selected depend on our judgment, including the assessment of risks such as failure of systems and controls, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's compliance with the requirements of Article 144 of the Regulations for Companies and Article 58 (a) (3) of the CMA Rules in the preparation of the Declaration. Our procedures included examining, on a test basis, evidence supporting systems and controls in respect of the preparation of the Declaration in accordance with the requirements of Article 144 of the Regulations for Companies and Article 58 (a) (3) of the CMA Rules.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.



Summary of work performed

We planned and performed the following procedures to obtain limited assurance over the Company's compliance with the requirements of Article 144 of the Regulations for Companies and Article 58 (a) (3) of the CMA Rules in the preparation of the Declaration:

1. Obtained the unaudited statements of financial position and shareholders' equity of the Company as at June 30, 2022;
2. Calculated whether the accumulated losses are more than 50% of the paid-in share capital of the Company as at June 30, 2022;
3. Obtained the Declaration stating that the accumulated losses of the Company exceeded 50% of its paid-in share capital as at June 30, 2022 and the proposed action plan;
4. Obtained the Declaration stating the Company's liabilities, and that the proposed share capital reduction will not have any effect on the liabilities or obligations of the Company as it is a non-cash transaction which will also not change the total equity of the Company; and
5. Inspected the signed Board of Directors' resolution dated August 30, 2022 recommending to the shareholders of the Company to decrease the paid-in share capital of the Company to absorb its accumulated losses as outlined in the Declaration to address the Article 150 of the Regulations for Companies that existed as at June 30, 2022.

Inherent limitations

Our procedures regarding systems and controls relating to the preparation of the Declaration in accordance with the requirements of the Article 144 of the Regulations for Companies and Article 58 (a) (3) of the CMA Rules are subject to inherent limitations and, accordingly, errors or irregularities may occur and not be detected. Furthermore, such procedures may not be relied upon as evidence of the effectiveness of the systems and controls against fraudulent collusion, especially on the part of those holding positions of authority or trust.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000 (Revised), as endorsed in the Kingdom of Saudi Arabia. Consequently, the nature, timing and extent of the procedures outlined above for gathering sufficient appropriate evidence were deliberately limited relative to a reasonable assurance engagement, and therefore less assurance is obtained with a limited assurance engagement than for a reasonable assurance engagement.

Our procedures did not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, as endorsed in the Kingdom of Saudi Arabia, and, accordingly, we do not express an audit opinion or a review conclusion in relation to the adequacy of systems and controls around the preparation of the Declaration.

This conclusion relates only to the Declaration as at June 30, 2022 and should not be seen as providing assurance as to any future dates or periods, as changes to systems or controls may alter the validity of our conclusion.




Limited assurance conclusion

Based on our work described in this report, nothing has come to our attention that causes us to believe that the Company has not complied, in all material respects, with the applicable requirements of Article 144 of the Regulations for Companies and Article 58 (a) (3) of the CMA Rules in the preparation of the Declaration reflecting the share capital reduction to absorb accumulated losses as at June 30, 2022.

Restriction of use

This report, including our conclusion, has been prepared solely upon the request of the Board of Directors of the Company, to assist the Company and the Directors in fulfilling their reporting obligations to the extraordinary general assembly in accordance with Article 144 of the Regulations for Companies and Article 58 (a) (3) of the CMA Rules. The report should not be used for any other purpose other than as set out above. We do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come except where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers



Khalid A. Mahdhar
License Number 368

8 September 2022

Board of Directors' Declaration

A. Grounds and reasons for share capital decrease

Based on the unaudited condensed consolidated interim financial statements as of and for the six-month period ended June 30, 2022, the Company's accumulated losses exceeded 50% of its share capital as at June 30, 2022 as follows:

In Thousands Saudi Riyals

Share capital	650,000
Accumulated losses	(338,631)
Percentage of accumulated losses to share capital	52.1%

As per Article 150 of the Regulations for Companies, the accumulated losses of the Company should not reach or exceed fifty per cent (50%) of the share capital of the Company. Therefore, the amount of Saudi Riyals 335,000,000 is proposed to be reduced from the share capital of the Company as at June 30, 2022 to absorb the accumulated losses for the same amount to comply with the Regulations for Companies.

B. Company's liabilities

Based on the unaudited condensed consolidated interim financial statements as of and for the six-month period ended June 30, 2022, the Company's liabilities as at June 30, 2022 are as follows:

In Thousands Saudi Riyals

Current	518,593
Non-current	1,143,809
Total liabilities	1,662,402

C. Impact of the share capital decrease on the Company's liabilities

The board of directors believes that the proposed share capital decrease will not have any impact on the liabilities or obligations of the Company as it is a non-cash transaction which will not change the total equity of the Company before and after the proposed share capital decrease.

**Chairman of the
Board of Directors**

Mr. Majed Al Hokair

Chief Executive Officer

Mr. Fahad Al Fawaz

Chief Financial Officer

Mr. Alaa Mansour