



# **Tourism Enterprise Company**

A Saudi joint stock Company incorporated pursuant to Ministerial Resolution No. 819,  
dated 23/09/1411H (corresponding to 09/04/1991G)  
with a Commercial Registration No. (2050021572) issued in Dammam  
on 20/01/1412H (corresponding to 31/07/1991G).

## **Shareholders Circular**

Relating to

### **Capital Reduction**

By forty-eight million nine hundred and thirty-three thousand seventy (48,933,070) Saudi Riyals  
Representing four million eight hundred and ninety-three thousand three hundred and seven  
(4,893,307) ordinary shares

In accordance with the requirements of Article 58 of the Rules on the Offer of 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) based on the Capital Market Law promulgated by Royal Decree  
No. M/30, dated 02/06/1424H as amended by CMA Board Decision No. 1-7-2021, dated 01/06/1442H  
corresponding to 14/01/2021G.

### **Extraordinary General Assembly**

**\*\*/\*\*/\*\*\*\*H (corresponding to \*\*/\*\*/\*\*\*\*G**

## **IMPORTANT NOTICE**

The Company has prepared this Circular to provide information to the Company's Shareholders so that they can make an informed decision when voting on the Board of Directors' recommendation to reduce the capital during the Extraordinary General Assembly meeting.

The Company has appointed Adeem Capital as the Company's financial advisor (the "**Financial Advisor**") and Al Bassam & Co, Certified Public Accountants (the "**Auditor**") in connection with the Capital Reduction of the Company.

This Circular provides full details of the information related to the process of reducing the Company's capital. When the votes of the registered Shareholders are taken on the date of the Extraordinary General Assembly that will be held for this purpose, the voting Shareholders will be treated on the basis that their decision is based on the information contained in this Circular, copies of which can be obtained from the Company's head office or by visiting the Company's website [www.shamstourism.com](http://www.shamstourism.com) or the website of the Capital Market Authority, [www.cma.org.sa](http://www.cma.org.sa).

This Circular has been prepared in accordance with the requirements of the Rules on the Offer of Securities and Continuing Obligations. The members of the Board of Directors whose names appear on page (7) in this Circular bear collectively and individually full responsibility for the accuracy of the information contained in this Circular, and confirm, to the best of their knowledge and belief, after conducting all possible studies to a reasonable extent, that there are no other facts the omission of which can make any statement contained therein misleading.

The information included in this Circular at the date of its issuance is subject to change as the Company's financial position and the value of its shares could change negatively as a result of any future developments (see Section 10 "Risk Factors Relating to Capital Reduction" of this Circular). The presentation of this Circular or any oral or written information relating to the Capital Reduction Process, or its interpretation or reliance in any way on it shall not be considered as confirmation, promise or acknowledgment regarding the achievement of any future revenues, results or events.

The Capital Market Authority and the Saudi Stock Exchange (Tadawul) take no responsibility for the contents of this Circular, do not give any assurances regarding its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss resulting from what is stated in this Circular or from reliance on any part thereof.

## Terms and Definitions

Term	Definition
The Company or Shams	Tourism Enterprise Company, a Saudi joint stock Company.
Advisors	The Company's advisors whose names are shown on page (5).
Capital Market Authority or the Authority	The Capital Market Authority in the Kingdom of Saudi Arabia.
Saudi Stock Exchange or the Exchange or Tadawul	Saudi Stock Exchange Company.
The Board or Board of Directors	Board of Directors of Tourism Enterprise Company.
Bylaws or Articles of Association	The Company Bylaws
Capital Reduction or Capital Reduction Process of the Company's Capital Reduction Process	Reducing the Company's capital from one hundred and one million five hundred thousand (101,500,000) Saudi Riyals (representing ten million one hundred and fifty (10,150,000) thousand ordinary shares) to fifty-two million five hundred and sixty-six thousand nine hundred and thirty (52,566,930) Saudi Riyals (representing five million two hundred and fifty-six one thousand six hundred and ninety-three (5,256,693) ordinary shares) by canceling four million eight hundred and ninety-three thousand three hundred and seven (4,893,307) shares, representing a Capital Reduction of (48.21%).
The Extraordinary General Assembly	The Extraordinary General Assembly of Shareholders held on **/**/****H (corresponding to **/**/****G) to vote on the Capital Reduction Process.
The Kingdom	Kingdom Saudi Arabia.
The Management	Management of the Tourism Enterprise Company.
Shareholder's Circular or the Circular	This document prepared by the Company in connection with the Capital Reduction.
Limited Assurance Report on the Capital Reduction or the Auditor's Report on the Capital Reduction	The Auditor's limited assurance report that shows the reasons for the Capital Reduction and its impact on the Company's obligations, submitted to the Extraordinary General Assembly held on **/**/****H (corresponding to **/**/****G).
Riyal or Saudi Riyal	The Saudi Riyal is the official currency of the Kingdom of Saudi Arabia.
Shareholders or Company's Shareholders	Shareholders of the Company
The Shares or the Company Shares	The Company's ordinary shares, totaling to (10,150,000) ten million one hundred and fifty thousand ordinary shares before the Capital Reduction Process, at a nominal value of ten (10) Riyals per share.

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## Company information and Advisors

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**شركة إبراهيم أحمد البسام وشركاؤه**  
**محاسبون قانونيون - البسام وشركاؤه**

## 1 Company Background

Tourism Enterprise Company (“**Shams**” or “**the Company**”) was established as a Saudi joint stock Company pursuant to Ministerial Resolution No. (819) dated 23/09/1411H (corresponding to 09/04/1991G), with a Commercial Registration No. (2050021572) issued in Dammam on 20/01/1412H (corresponding to 31/07/1991G), and headquartered in Dammam, Kingdom of Saudi Arabia.

The Company is engaged in the establishment and management of resorts and tourist facilities, including chalets, motels, hotels, parks, restaurants, entertainment cities, sports stadiums, swimming pools, rest houses, central service stations and all services needed by tourist resorts.

The main activity of the Company is in the only tourist project (Palm Beach Resort) which is located on a land leased from the Municipality of Dammam for a period of 40 years starting from 01/01/1410H (corresponding to 03/08/1989G) till 30/12/1450H (corresponding to 14/05/2029G). Palm Beach Resort consists of 232 chalets spread over an area of 550,000 square meters, in addition to one restaurant, three recreational centers and three sports centers.

### Contact Information

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## 2 Capital

The Company’s current capital is one hundred and one million five hundred thousand (101,500,000) Saudi Riyals divided into ten million one hundred and fifty thousand (10,150,000) with a nominal value of ten (10) Saudi Riyals per share, paid in full. Following is the development of the Company's capital since its establishment:

Date	Event
23/09/1411H (Corresponding to 09/04/1991G)	The Company was established as a Saudi joint stock Company pursuant to Ministerial Resolution No. (819) dated 23/09/1411H (corresponding to 09/04/1991G), with a capital of one hundred and one million five hundred thousand (101,500,000) Saudi Riyals divided into one million and fifteen thousand (1,015,000) ordinary shares with a nominal value of one hundred (100) Saudi Riyals per share.
10/02/1419H (Corresponding to 04/06/1998G)	The nominal value of the share was changed in preparation for the Company’s listing on the Saudi Stock Exchange. The Extraordinary General Assembly of the Company held on 10/02/1419H (corresponding to 04/06/1998G) approved the amendment of Article Six (6) of the Articles of Association relating to the Company’s capital, dividing the nominal value of the share from one hundred (100) Saudi Riyals to fifty (50) Saudi Riyals and doubling the number of shares to two million and thirty thousand (2,030,000) shares.
22/06/1420H (Corresponding to 02/10/1999G)	The Company's shares were listed on Tadawul on 22/06/1420H (corresponding to 02/10/1999G), after obtaining approval of the Ministry of Commerce and the Saudi Central Bank (formerly Saudi Arabian Monetary Authority).

27/02/1427H (Corresponding to 27/03/2006G)	Based on the decision of the Council of Ministers on 27/02/1427H (corresponding to 27/03/2006G) stipulating that the nominal value of joint-stock companies' shares shall be ten (10) Saudi Riyals per share, the nominal value of the Company's share was divided accordingly from fifty (50) Saudi Riyals to (10) ten Saudi Riyals per share, bringing the total number of shares listed on Tadawul to ten million one hundred and fifty thousand (10,150,000), at a nominal value of (10) ten Saudi Riyals per share, all of which are cash shares.
(27/03/1443H) Corresponding to (02/11/2021G)	The Company obtained the approval of the Capital Market Authority on the Capital Reduction request on (27/03/1443H) Corresponding to (02/11/2021G), and this approval was announced on the websites of the Capital Market Authority and Tadawul on (27/03/1443H) Corresponding to (02/11/2021G).
(**/**/****H) Corresponding to (**/**/****G)	The Company has called for this Extraordinary General Assembly and announced it on Tadawul website on (**/**/****H) corresponding to (**/**/****G). A copy of this Circular is included in the announcement.

### Board of Directors

Name	Position	Membership Type	No. of shares owned directly	Percentage of Company's capital	Nationality	Membership starting date
Abdul Ilah bin Nasser Al-Zaraa	Chairman of the Board	Independent	1,000	0,0098522%	Saudi	28/05/2021G
Abdullah bin Omar Al-Suwailem	Vice Chairman of the Board and Managing Director	Executive	1,000	0,0098522%	Saudi	28/05/2021G
Khalid bin Muneef Al-Soor	Board Member	Independent	-	-	Saudi	28/05/2021G
Ahmed bin Abdul Latif Al-Barrak	Board Member	Independent	-	-	Saudi	28/05/2021G
Rasheed bin Suleiman Al-Rasheed	Board Member	Independent	10	0,000985%	Saudi	28/05/2021G
Fahd bin Abdullah Al-Samih	Board Member	Independent	10	0,000985%	Saudi	28/05/2021G

Faisal bin Mohammed Al-Harbi	Board Member	Independent	-	-	Saudi	28/05/2021G
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Source: The Company and Tadawul

The Company's Ordinary General Assembly, in its meeting held on 15/10/1442H (corresponding to 27/05/2021G), agreed to elect the members of the Board of Directors whose names are mentioned above for membership of the Board of Directors starting from the date of 28/05/2021G, for a period of three Gregorian years until the date of 27/05/2024G.

The Board of Directors decided in its meeting held on 15/10/1442H (corresponding to 27/05/2021G) to appoint Abdul Ilah bin Nasser Al-Zaraa as Chairman of the Board of Directors and to appoint Abdullah bin Omar Al-Suwailem as Vice Chairman of the Board of Directors and Managing Director.

### Executive Management

Name	Position	Scientific Qualification	Nationality	Appointment Date
Ali Abdullah Ibrahim Al-Salham	Chief Executive Officer (CEO)	Master of Business Administration	Saudi	11/04/2021G
Ahmed Mohamed Suleiman	Chief Financial Officer (CFO)	Bachelor of Accounting	Egyptian	07/07/2019G

Source: The Company and Tadawul

Neither the Company's Executive Management nor its employees have any ownership in the Company, whether directly or indirectly.



## The Company's Organization Structure



### 3 Development of Accumulated Losses

The following table shows the evolution of the Company's accumulated losses since 2015G.

Date	Net Profit (Loss) (SAR)	(Accumulated Losses) (SAR)	Percentage	Reason
31/12/2015G	2,009,444	(8,809,942)	(8.68%)	The reason of the decrease in the net profit for the period compared to the same period of the previous

				year is due to the start of maintenance and renovation work of the units and facilities.
31/12/2016G	561,106	(8,304,947)	(8.18%)	The reason of the decrease in the net profit for the period is due to a decrease in rental, services and other revenues and an increase in depreciation expenses of assets, although there was a decrease in rental, services, administrative and marketing expenses.
31/12/2017G	330,593	(8,007,413)	(7.89%)	The reason of the decrease in the net profit for the period is mainly due to the decrease in the revenues of the rental and services of Al-Palm Tourist Resort by 25.69% compared to the same period of the previous year.
31/12/2018G	(7,043,591)	(17,047,100)	(16.80%)	The net loss is due to a decrease in the income of rental, services, and investments as well as other income, and an increase in administrative and marketing expenses and service costs.
31/12/2019G	(4,185,441)	(26,520,303)	(26.13%)	<p>The reason for the decrease in net loss is due to the increase and diversification of other revenues for the current year and the settlement of the Zakat provision despite the increase in general and administrative expenses for the current year due to:</p> <ul style="list-style-type: none"> <li>- Disposal of outstanding receivables from previous years during the previous Board of Directors period</li> <li>- Increasing the provision for doubtful accounts for the years prior to applying the International Financial Reporting Standard (IFRS) No (9).</li> <li>- Increasing depreciation expenses of fixed assets to implement International Financial Reporting Standard.</li> </ul>
31/12/2020G	(8,195,380)	(34,770,370)	(34.25%)	The reason of the increase in the net loss is due to the fact that the general and administrative expenses for the period included provisions for receivables, in

				<p>addition to setting aside provisions for facing cases based on a preliminary ruling, for which final ruling is still pending before the judiciary authorities (at the time), but the provisions were set aside based on the principle of prudence and based on the recommendation of the Company's legal advisor.</p>
31/03/2021G	(941,441)	(35,725,483)	(35.20%)	<p>This quarter witnessed a significant increase in revenues compared to the corresponding quarter of the previous year, due to the easing of precautionary measures for the Corona pandemic compared to the previous year, in addition to the decrease in general and administrative expenses. The revenues of the current quarter amounted to 3,205,835 Saudi Riyals and the revenues of the same quarter for the previous year amounted to 1,732,489 Riyals. The general and administrative expenses for the current quarter amounted to 1,085,369 Saudi Riyals, and the general and administrative expenses for the same quarter of the previous year amounted to 1,447,615 Saudi Riyals.</p> <p>The decrease in net losses for this quarter compared to the previous quarter is due to the fact that the previous quarter included provisions to face cases and receivables, in addition to the decrease in general and administrative expenses for the current quarter compared to the previous quarter. Claims provision expenses in the previous quarter amounted to 1,966,300 Saudi Riyals, while general and administrative expenses for the previous quarter amounted to 3,116,466 Riyals. The general and administrative expenses for the current quarter amounted to 1,085,369 Saudi Riyals. Accordingly, the net loss decreased from (2,006,110) Saudi Riyals for the previous quarter to (941,441) Saudi Riyals for the current quarter.</p>

30/06/2021G	(13,193,919)	(48,933,074)	(48.21%)	The reason for the increase in losses in this quarter is due to making a provision for legal claims that were not included during the same quarter of the previous year and making provisions for receivables and an increase in Zakat expenses as a result of differences in settlements relating to Zakat for the years 2019 and 2020 despite the increase in revenues at the Company's Palm Beach Resort.
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Source: The Company

#### 4 Company Plan and Remedial steps to stop losses

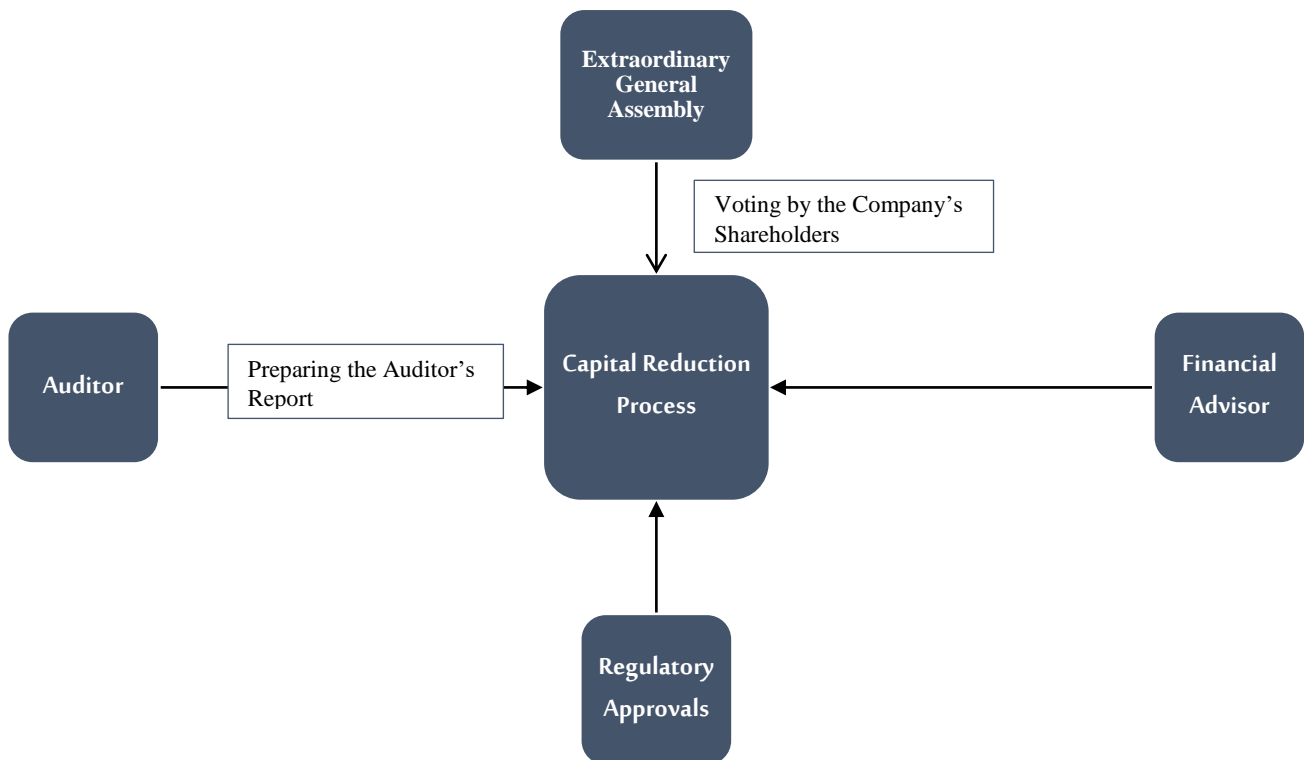
The Company's Board of Directors, in its meeting held on 16/01/1443H (corresponding to 24/08/2021G), recommended restructuring the Company's capital starting with the Capital Reduction Process and then increasing the capital by way of rights issue from fifty-two million five hundred and sixty-six thousand nine hundred and thirty (52,566,930) Saudi Riyals to three hundred and sixty-seven million nine hundred and sixty-eight thousand five hundred and ten (367,968,510) Saudi Riyals, thus increasing the number of Shares from five million two hundred and fifty-six thousand six hundred and ninety-three (5,256,693) shares to thirty-six million seven hundred and ninety-six thousand eight hundred and fifty-one (36,796,851) shares, an increase of thirty-one million five hundred and forty thousand (31,540,000) shares.

The main objective of the Company's capital increase is to increase its financial solvency and improve its ability for strategic expansion to support the future growth and financial performance of the Company.

The Company intends to take the following corrective steps:

- Improving the quality and renovating the rooms of the Palm Beach Resort and raising the level of maintenance to increase the occupancy capacity of the chalets and cabins, which will contribute to increasing the income.
- Raising the level of recreational services, catering services and restaurants to increase the number of visitors, whether for the purpose of staying overnight or enjoying one day, which will help increasing the income.
- Improving services and raising the level of maintenance in the Company-owned building in Al Khobar to increase the number of tenants in shops, offices and apartments, which will contribute to increasing income.
- Studying a number of expansion tourism projects within the resort, especially with the availability of untapped lands, where the Development and Investment Committee is working to select the best investment opportunities and study them during the coming periods.
- Studying the development of the marina and increasing the capacity of yachts and cruises in the future due to the importance of marine tourism. This project comes among the priorities under consideration by the Development and Investment Committee.
- After completing the feasibility study of the investment opportunities which are under consideration by Development and Investment Committee, and after presenting them to the Board of Directors and approving them, any developments will be announced in a timely manner to the Shareholders.

#### 5 Parties involved in the Capital Reduction Process



## 6 General structure of Capital Reduction

The current capital of the Company is one hundred and one million five hundred thousand (101,500,000) Saudi Riyals divided into ten million and one hundred and fifty thousand (10,150,000) shares at a nominal value of ten (10) Saudi Riyals per share, fully paid up.

The capital of the Company will be reduced as follows:

- a. The nominal value of the capital before and after the Capital Reduction:
  - Before Capital Reduction: one hundred and one million five hundred thousand (101,500,000) Saudi Riyals.
  - After Capital Reduction: fifty-two million five hundred and sixty-six thousand nine hundred and thirty (52,566,930) Saudi Riyals.
- b. Number of shares of the issuer before and after the Capital Reduction:
  - Before the Capital Reduction: ten million one hundred and fifty (10,150,000) thousand ordinary shares.
  - After Capital Reduction: five million two hundred and fifty-six thousand six hundred and ninety-three (5,256,693) ordinary shares.
- c. Percentage of the number of shares remaining after the Capital Reduction to the number of shares before the Capital Reduction:
 

(51.79%).
- d. Percentage of the number of shares canceled for a Capital Reduction to the number of shares before the Capital Reduction:
 

(48.21%)
- e. Amount of Capital Reduction:
 

Forty-eight million nine hundred thirty-three thousand seventy (48,933,070) Saudi Riyals.
- f. Method of Capital Reduction:

Four million eight hundred and ninety-three thousand three hundred and seven (4,893,307) shares of the Company's Shares will be canceled in proportion with the shareholding of each Shareholder, i.e., a reduction in the capital of (48.21%) and at a cancellation rate of (1) share for every (2.0742618) shares held before Capital Reduction.

g. Details of dealing with fractional shares (if any):

The Company will collect any fractional shares (if any) in one portfolio, which 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 such fractional shares will be distributed to the Eligible Shareholders, each according to his ownership, within thirty (30) days from the date of the Shareholders' approval at the Extraordinary General Assembly to reduce the Company's capital.

h. The date of the financial statements from which the values to be determined for the purpose of Capital Reduction are taken:

The (unaudited) financial statements for the financial period ending on 30/06/2021G.

## **7 Reasons of Capital Reduction**

The Company's Board of Directors decided on 16/01/1443H (corresponding to 08/24/2021G) to amend the previous recommendation dated 03/09/1442H (corresponding to 04/15/2021G) and recommended reducing the Company's capital from one hundred and one million five hundred thousand (101,500,000) Saudi Riyals to fifty-two million five hundred and sixty-six thousand nine hundred and thirty (52,566,930) Saudi Riyals to restructure the Company's capital to amortize an amount of forty-eight million nine hundred and thirty-three thousand and seventy (48,933,070) Saudi Riyals of accumulated losses by canceling four million eight hundred and ninety-three thousand three hundred and seven (4,893,307) shares in proportion to the shareholding of each shareholder, representing a reduction in the Company's capital by (48.21%), a cancellation rate of (1) share for every (2,0742618) shares held before the Capital Reduction, after obtaining all regulatory approvals necessary and the approval of the Extraordinary General Assembly.

The main reason for the Board of Directors' recommendation to reduce the capital is to amortize all of the accumulated losses, i.e., 100% of the total accumulated losses of the Company, based on the (unaudited) financial statements of the Company for the period ending on 30/06/2021G, amounting to (48,933,074) Saudi Riyals, representing 48.21% of the Company's capital.

Other reasons for reducing the Company's capital are:

- Increasing the earning per share, when the Company moves to profits in the future.
- Appropriate presentation of shareholders' equity in the financial statements to maintain a credit rating acceptable to credit rating agencies in the future.

## **8 Impact of the Company's Capital Reduction on its operations and obligations**

The Company has appointed Al-Bassam & Co., Certified Public Accountants as the Auditor to prepare the auditor's report on the Capital Reduction Process, through which the reduction mechanism and its expected impact on the Company's obligations are clarified.

There will be no effect of the Capital Reduction on the Company's operations and obligations, and there will be no effect of the Capital Reduction on the Company's cash accounts and liabilities, as well as its operations.

## **9 Impact of the Company's Capital Reduction on Shareholders' Equity**

The total number of shares owned by any Shareholder will decrease as a result of cancellation of 48.21%, at a cancellation rate of (1) share for every (2.0742618) shares held by the Shareholder before the Capital Reduction without any effect of the Capital Reduction on the net shareholders' equity. The primary impact on shareholders' equity will be an increase in earnings per share when the Company moves to generate profits in the future.

Table No. (1): Shareholders Equity before and after Capital Reduction

Shareholders' Equity (as at 30/06/2021G)	Before Capital Reduction	After Capital Reduction	Impact
Capital	101,500,000	52,566,930	(48,933,070)
Statutory Reserve	2,913,121	2,913,121	0
Accumulated Losses	(48,933,074)	(4)	48,933,070
<b>Total Shareholders' Equity</b>	<b>55,480,047</b>	<b>55,480,047</b>	<b>0</b>

Source: The Auditor's report and financial statements as on 30/06/2021G.

It should be noted that the Share price in the following examples and tables is a hypothetical price for the purpose of clarifying the effect of the Capital Reduction on the market value of the Shareholders' portfolios and the method of calculating the compensation amount.

Below is the method of calculating the Share price after Capital Reduction.

Table No. (2): Method of Calculating the Share Price after Capital Reduction

Item	Unit	
(A) Number of Shares before Capital Reduction	Share	10,150,000
(B) Share price before Reduction*	SAR	74.8
(C) Market value of Shares before Reduction = (A) * (B)	SAR	759,220,000
(D) Number of Shares after reduction	Share	5,256,693
Share price after Reduction (hypothetical)** = (C) ÷ (D)	SAR	144.43

Source: The Company

\* The Share price is hypothetical for illustrative purposes, based on the closing price of the Company's Share on 23/02/1443H (corresponding to 30/09/2021G).

\*\* The Share price is hypothetical for illustrative purposes. The Share price has been rounded up after reducing the capital (hypothetical) from 144.4292 to 144.43 Saudi Riyals for the purpose of clarification.

The presentation to the Shareholders will be updated by amending the closing price of the Company's Share on the day of the Extraordinary General Assembly.

Below is an example showing the effect of the Capital Reduction on a Shareholder who has in his portfolio one thousand (1,000) shares of the Company's shares before the Capital Reduction.

Table No. (3): Effect of Capital Reduction on the market price of the Shareholders' portfolios

Item (Estimated)	Unit	With Capital Reduction	Without Capital Reduction
Shares owned before Capital Reduction	Share	1,000	1,000

Share price before Capital Reduction*	SAR	74.8	74.8
Market value of the Shares before Capital Reduction	SAR	74,800.00	74,800.00
Capital Reduction percentage	%	48.21%	48.21%
Canceled Shares	Share	483	N/A
Shares owned after Capital Reduction	Share	517	N/A
Share price after Capital Reduction (hypothetical)**	SAR	144.43	N/A
Market value of the Shares after Capital Reduction	SAR	74,670.31	N/A
Compensation amount	SAR	129.69	N/A

Source: The Company

\* The Share price is hypothetical for illustrative purposes, based on the closing price of the Company's Share on 23/02/1443H (corresponding to 30/09/2021G).

\*\* The Share price is hypothetical for illustrative purposes. The Share price has been rounded up after reducing the capital (hypothetical) from 144.4292 to 144.43 Saudi Riyals for the purpose of clarification.

Below is an example showing the method of calculating the compensation amount and the effect of the Capital Reduction Process on the market value of up to 5 shares. It is also worth noting that the Shareholder who owns one Share of the Company's Shares in his portfolio will have his Share canceled and compensated as shown below.

Table No. (4): Effect of Capital Reduction on the Shareholder's portfolio who owns up to 5 Shares owned before Capital Reduction

Item (Estimation)	Unit					
Shares owned before Capital Reduction	Share	1	2	3	4	5
Share Cancellation Percentage	%	48.21%	48.21%	48.21%	48.21%	48.21%



Number of Shares after Capital Reduction**	Share	0.52	1.04	1.55	2.07	2.59
Canceled Shares	Share	1	1	2	2	3
Number of Shares in the portfolio after Capital Reduction	Share	0	1	1	2	2
Share price before Capital Reduction*	SAR	74.80	74.80	74.80	74.80	74.80
Market value of the Shares before Capital Reduction	SAR	74.80	149.60	224.40	299.20	374.00
Share price after Capital Reduction (hypothetical)***	SAR	144.43	144.43	144.43	144.43	144.43
Market value of the portfolio after Capital Reduction	SAR	0.00	144.43	144.43	288.86	288.86
Compensation amount for fractional Shares****	SAR	74.80	5.17	79.97	10.34	85.14

Source: The Company

\* The Share price is hypothetical for illustrative purposes, based on the closing price of the Company's Share on 23/02/1443H (corresponding to 30/09/2021G).

\*\* Number of Shares after reduction, including fractions

\*\*\* The Share price is hypothetical for illustrative purposes. The Share price has been rounded up after reducing the capital (hypothetical) from 144.4292 to 144.43 Saudi Riyals for the purpose of clarification.

\*\*\* The stock price is hypothetical for illustrative purposes. The Share price has been rounded up after reducing the capital (hypothetical) from 144.4292 to 144.43 Saudi Riyals for the purpose of clarification.

\*\*\*\* Assuming that there is no change in the Share price as on the date of the Extraordinary General Assembly and the average selling price of fractional shares.

## 10 Risk Factors Relating to Capital Reduction

The Company's Shareholders who are going to vote on the Capital Reduction at the Extraordinary General Assembly meeting must carefully study all the information contained in this Circular, including the risk factors set out below.

### Risk relating to the Company and its operations

The Company recorded accumulated losses of forty-eight million, nine hundred and thirty-three thousand and seventy-four (48,933,074) Saudi Riyals as at the end of the first half ending on 30/06/2021G, which represents (48.21%) of the Company's capital. There are no guarantees that the Company will not sustain more losses in the future. In the event that the Company continues to realize losses or in the event of liquidation the Company, the Shareholders will lose part or all of their investment in the Company's Shares.

## Risks relating to the Shares

The Company's Share price may be subject to a large degree of fluctuation and instability as a result of several factors including market conditions related to the Shares, regulatory changes in the sector, deterioration of the Company's business results, inability to implement future plans, entry of new competing companies and competition with the Company's operations. In the event of a decrease in the market price of the Share after the Capital Reduction Process, the Shareholders will lose the value of their investments in the Company's Shares.

In the event that the accumulated losses amounted to (20%) or more of the Company's capital, the Company will be subject to the Authority's regulation on "Procedures and Instructions for listed companies whose accumulated losses amounted to 20% or more of their capital".

## 11 Timeline for Capital Reduction

The following table shows the timetable for the Capital Reduction Process:

Table No. (5): Timeline of the Capital Reduction Process

Timetable	Date
The Board of Directors' recommendation to reduce the capital	16/01/1443H (corresponding to 24/08/2021G)
Appointment of the Financial Advisor for the Capital Reduction Process	14/02/1443H (corresponding to 21/09/2021G)
The Capital Market Authority's approval of the Capital Reduction request. This approval was announced on the websites of the Authority and Tadawul	(27/03/1443H) Corresponding to (02/11/2021G)
Invitation to attend the Extraordinary General Assembly that was announced on the website of Tadawul, and a copy of this Shareholders' Circular was included in the announcement.	**/**/****H (corresponding to **/**/****G)
Announcing the start of electronic voting on the items of the Extraordinary General Assembly.	**/**/****H (corresponding to **/**/****G)
Holding the Extraordinary General Assembly to reduce the Company's Capital (First Meeting) *.	**/**/****H (corresponding to **/**/****G)
Announcing the results of the Extraordinary General Assembly meeting	**/**/****H (corresponding to **/**/****G)
Announcing the Share price adjustment and suspension of Shares on the Tadawul website for two days	**/**/****H (corresponding to **/**/****G)

Payment of compensation amounts (if any) to those entitled to fractional Shares

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

\* The first meeting is considered valid if attended by Shareholders representing at least half of the Company's capital. If the necessary quorum is not met to hold this meeting, the second meeting will be held an hour after the end of the period specified for convening the first meeting, and the second meeting will be valid if attended by Shareholders representing at least a quarter of the Company's capital. If the necessary quorum is not present at the second meeting, the third meeting will be held 21 days after the end of the period specified for the second meeting, and the third meeting shall be valid regardless of the number of shares represented therein.

## **12 Capital Reduction Procedures**

The Capital Reduction Process is subject to the following procedures:

- The Board of Directors' recommendation to reduce the capital.
- Appointment of a financial advisor for the Capital Reduction Process
- Appointing an auditor to prepare the auditor's report on the Capital Reduction Process
- Preparing and submitting a Capital Reduction request to the Capital Market Authority in accordance with the conditions of Article 58 of the Rules on the Offer of Securities and Continuing Obligations, related to the terms of capital reduction.
- Approval of the Capital Market Authority on the Capital Reduction request
- Submission a notice to Tadawul
- Approval of the Extraordinary General Assembly to reduce the capital
- Finalizing the relevant procedures with the Ministry of Commerce to obtain the updated Articles of Association and the updated commercial registration of the Company.

## **13 Declaration of the Company's Board of Directors**

The members of the Company's Board of Directors confirm, to the best of their knowledge and belief, that the reduction of the Company's capital is in the interest of the Company and its Shareholders.

## **14 Regulatory Approvals**

The Company obtained approval of the Capital Market Authority on (27/03/1443H) Corresponding to (02/11/2021G) on the Capital Reduction request, and this approval was announced on the websites of the Authority and Tadawul on (27/03/1443H) Corresponding to (02/11/2021G).

The Capital Reduction Process depends on the approval of the Extraordinary General Assembly. The Shareholders should note that if the approval of the Extraordinary General Assembly on the Capital Reduction Process is not obtained, the Capital Reduction Process will not take place.

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 Company's Commercial Registration and Articles of Association.

Other than what was mentioned above, there are no other statutory approvals that the Company must obtain to complete the Capital Reduction Process.

## 15 Relevant Laws and Regulations

- The Companies Law in the Kingdom of Saudi Arabia 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 amended by Resolution No. (52) issued by the Council of Ministers on 18/01/1441H (corresponding to 17/09/2019G) and amendment thereto.
- Rules on the Offer of 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 of the Board of the Capital Market Authority Number 1-7-2021 Dated 01/06/1442H (Corresponding to 13/01/2021G).
- Listing Rules approved by the Board of the Capital Market Authority pursuant to its Resolution Number (3-123-2017 Dated 09/04/1439H (Corresponding to 27/12/2017G) amended by Resolution of the Board of the Capital Market Authority (1-22-2021) Dated 12/07/1442H (Corresponding to 24/02/2021G).
- Procedures and instructions of listed companies 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 Capital Market Law and amendments thereto issued by Royal Decree No. M/30 dated 02/06/1424H and amended by CMA Board Decision No. 1-77-2018 dated 05/11/1439H (corresponding to 18/07/2018G).
- The Company's Articles of Association.

## 16 Auditors Report

- The Company has appointed Ibrahim Ahmed Al-Bassam & co. Certified Public Accountants as an auditor to prepare an assurance report to study the reasons for the Capital Reduction and the impact of that reduction on the Company's obligations and shareholders' equity in order to obtain approval of the Capital Market Authority on the Capital Reduction request.
- 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, the reduction decision is not issued until after reading a report prepared by the auditor about the reasons for the reduction, and the obligations of the Company, and the effect of the reduction on these obligations.
- A copy of the limited assurance report prepared by the Auditor was included in the announcement of the invitation to this Extraordinary General Assembly on Tadawul website on \*\*/\*\*/\*\*\*\*H (corresponding to \*\*/\*\*/\*\*\*\*G).

## 17 Important Information

The Company called for the Extraordinary General Assembly to reduce the Company's capital on \*\*/\*\*/\*\*\*\*H (corresponding to \*\*/\*\*/\*\*\*\*G).

Each Shareholder registered in the Company's Shareholders register at the Depository Center at the end of the trading session preceding the Extraordinary General Assembly meeting is entitled to attend the Assembly meeting. The Extraordinary General Assembly meeting (the first meeting) is valid if attended by Shareholders representing at least half of the capital.

If the quorum necessary to hold the first meeting is not present, the Company will call for a second meeting an hour after the end of the period specified for the first meeting, and the second meeting will be valid if Shareholders representing at least a quarter of the capital are present.

If the necessary quorum is not present at the second meeting, the Company will call for a third meeting 21 days after the end of the period specified for the second meeting, and the third meeting will be valid regardless of the number of Shares represented therein.

Decisions of the Extraordinary General Assembly are issued by a two-thirds majority of the Shares represented in the meeting, unless the decision is related to an increase or decrease in the capital, or the extension of the Company's term, or the dissolution of the Company before the expiry of the period specified in its Articles of Association, or its merger with another Company or organization. The decision is not valid unless it is passed by a majority of three quarters of the Shares represented at the meeting. As stipulated in Article 144 of the Companies Law, the decision to reduce the capital is not issued until after reading a special report prepared by the auditor on the reasons for the reduction, the obligations of the Company, and the effect of the reduction in these obligations.

In the event that the Company's Shareholders agree to reduce the capital, the reduction decision will be effective for all Company Shareholders registered in the Company's records with the Securities Depository Center Company at the end of trading on the second day following the Extraordinary General Assembly. This includes the Shareholders who have not attended the Extraordinary General Assembly meeting as well as the Shareholders who attended the meeting and did not vote or vote against the decision to reduce the capital.

The Company must disclose to the public immediately and without delay 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 reaching these losses. Losses, indicating in the announcement that these procedures and instructions will be applied to them, and in the event that the required disclosure in accordance with this paragraph coincides with the announcement of the interim or annual financial results. The Company is exempted from disclosing a separate announcement if it included it in the announcement of the interim or annual financial statements.

The Company must disclose to the public immediately and without delay 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 it will be applying the procedures and instructions of listed companies, whose accumulated losses amounted to (50%) or more of their capital. The Company is exempted from disclosing a separate announcement if it included it in the announcement of the interim or annual financial statements.

The Company must disclose to the public immediately and without delay in 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. The announcement shall indicate that that the Company will be applying the procedures and instructions of listed companies whose accumulated losses amounted to (50%) or more of their capital. The Company is exempted from disclosing a separate announcement if it included this information in the announcement of the interim or annual financial statements.

With reference to the announcement of the Capital Market Authority on 02/12/2020G, in which the Capital Market Authority clarified Royal Order No. (15016) dated 16/03/1442H regarding the suspension of some provisions of the articles of the Companies Law, and a reference to the joint coordination between the Capital Market Authority and the Ministry of Commerce, the implication of the Royal Decree regarding listed joint stock companies are:

- As an exception to the provisions of Article (150) of the Companies Law:
  - a. Extend the period that the board of directors must invite the extraordinary general assembly as of its knowledge that the losses of the joint stock company have reached 50% or more of its capital, to become (60) days from the date of the Board of Directors becoming aware of the losses, for a period of two years from 01/08/1441H
  - b. Extend the period during which the extraordinary general assembly meeting must be held to become (180) days from the date on which the board of directors became aware of the losses, for a period of (two years) as of 01/08/1441H.
- Paragraph (2) of Article (150) of the Companies Law shall be suspended for a period of (two years) from 01/08/1441H, which included that the company shall be deemed terminated by force of law if the extraordinary general assembly did not meet within the specified period, or if it met and was unable to issue a decision in the matter, or if it decides to increase the capital in accordance with the conditions established in this Article, and the subscription for each capital increase has not taken place within (90) days from the

issuance of the assembly's decision to increase the capital. The joint stock companies, when their losses reach the amount specified in paragraph (1) of Article (150) of the Companies Law, must disclose the developments of their losses on an ongoing basis in accordance with the controls set by the Ministry of Commerce and the Capital Market Authority - each in its jurisdiction.

## **18 Documents Available for Inspection and Appendices**

The Company will make the following documents available to Shareholders for review at the Company's headquarters in Dammam, from the date of approval by the Capital Market Authority on (27/03/1443H) Corresponding to (02/11/2021G) until the date of holding the Extraordinary General Assembly on \*\*/\*\*/\*\*\*\*H (corresponding to \*\*/\*\*/\*\*\*\*G) during the official working hours from 8 am to 4 pm:

- Copy of the Board of Directors' recommendation to reduce the capital
- Copy of the Capital Market Authority's announcement of approval of the Capital Reduction request, which is published on the websites of the Capital Market Authority and Tadawul
- Copy of the limited accounting assurance report on the Capital Reduction process - Appendix No (1)
- Copy of the letter of appointment of the Financial Advisor regarding the Capital Reduction
- Copy of this Shareholders' Circular submitted to the Shareholders at the Extraordinary General Assembly meeting
- Proxy form for attending the Extraordinary General Assembly meeting.



## Appendix (1): Auditor's Report on Capital Reduction



**Ibrahim Ahmed Al-Bassam & Co**  
Certified Public Accountants - Al-Bassam & Co.  
(member firm of PKF International)

### ASSURANCE REPORT OF THE INDEPENDENT AUDITOR

**To: The shareholders of  
Tourism Enterprise Company (Shams)  
(Saudi Joint Stock Company)**

At the request of the management of the Tourism Enterprises Company (Shams) (the "Company"), we have acted to issue a limited assurance as to whether there is any matter which has come to our attention that causes us to believe that the subject matter of the assurance detailed below (the "Assurance Subject") has not been reported and presented, in all material respects, in accordance with the relevant controls set out below ("Controls").

#### Emphasis topic

The subject of confirmation is related to Appendix No. (1), the attachment prepared by the company's management, which includes the reasons for the management's proposed reduction of the company's capital and the impact of the decrease in capital on the company's obligations.

Appendix No. (1) attached to the proposed reduction in the company's capital from 101,500,000 Saudi Riyals (one hundred and one million five hundred thousand Saudi riyals) to 52,566,930 Saudi riyals (fifty-two million five hundred and sixty-six thousand and nine hundred and thirty Saudi Riyals) by canceling 4,893,307 shares (four million eight hundred and ninety-three thousand three hundred and seven shares) according to the recommendation of the company's board of directors in their meeting held on 16 Muharram 1443H (corresponding to 24 August 2021).

#### Relevant controls

1. Article (144) and Article (150) of the Saudi Companies Law issued by the Ministry of Commerce and Investment.
2. Article (58) of Chapter Two of the Rules on Offering Securities and the Continuing Obligation issued by the Capital Market Authority.
3. Article (15) of the company by laws.
4. The Board of Directors' decision issued on 16 Muharram 1443H (corresponding to 24 August 2021) related to the capital reduction, which presents the reasons for the proposed reduction of the capital from 101,500,000 Saudi Riyals to 52,566,930 Saudi Riyals.

#### Management responsibility

The company's management is responsible for preparing and presenting the subject of the assurance in a correct manner in accordance with the relevant controls, and it is also responsible for choosing the methods used in that. The company's management is also responsible for establishing and maintaining an appropriate internal control system for preparing and presenting the subject matter of the assurance free from material errors, whether arising from fraud or error, as well as selecting and applying appropriate controls, maintaining adequate records and taking reasonable provisions according to the circumstances.

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## ASSURANCE REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)

**To: The shareholders of  
Tourism Enterprise Company (Shams)  
(Saudi Joint Stock Company)**

### **Our responsibility**

Our responsibility is to express a limited assurance conclusion on the subject matter of the assurance based on the limited assurance engagement performed in accordance with International Standard on Assurance Engagements (3000) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" issued by the International Assurance and Auditing Standards Board approved in the Kingdom of Saudi Arabia as well as Terms of Reference to assign us to carry out the work in accordance with the agreement with the Company.

Our procedures are designed to obtain a limited level of assurance on which to base our conclusion and which does not provide all the evidence necessary to provide a reasonable level of assurance. The procedures we have performed are based on the assertion of our judgment, including that there are significant risks involved in the assertion, whether due to fraud or error. Since we take into account the effectiveness of management's internal control when determining the nature and size of our procedures, the assurance engagement we performed does not aim to provide assurance about the internal control system.

We are independent of the Company in accordance with the rules, ethics and professional conduct approved in the Kingdom of Saudi Arabia relevant to the assurance engagement we have been assigned, and we have fulfilled our other ethical responsibilities in accordance with those rules.

Our office applies the Quality Control Standard (1) approved in the Kingdom of Saudi Arabia and accordingly maintains a comprehensive quality control system that includes documented policies and procedures related to compliance with the requirements, ethics and conduct of the profession, professional standards and applicable legal and regulatory requirements.

### **Procedure summary**

The procedures we have performed in a limited assurance engagement are different in nature and timing and are less in size than a reasonable assurance engagement. Accordingly, the level of assurance that would be obtained in a limited assurance engagement is substantially lower than the assurance that would be obtained if we had performed a reasonable assurance engagement.

The scope of the limited assurance is substantially less than the review process, which aims to express an opinion on the subject matter of the assurance, and to show the reasons for the management of the proposed reduction in capital and the impact of the reduction of capital on the obligations of the company. Accordingly, we will not express such an opinion.

Our procedures include but are not limited to:

- Comparing the proposed reduction in the company's capital in the matter of confirmation with the decision of the company's board of directors related to reducing the capital to 52,566,930 Saudi Riyals.
- Comparing the financial information in the matter of confirmation with the financial statements that were examined for the company as on 30 June 2021.
- Emphasis on the arithmetic accuracy of the subject matter of confirmation.



**ASSURANCE REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)**

**To: The shareholders of  
Tourism Enterprise Company (Shams)**  
(Saudi Joint Stock Company)

**Limited assurance conclusion**

Based on our limited assurance procedures and the evidence we obtained, nothing has come to our attention that causes us to believe that the information in the assurance subject has not been prepared and presented in all material respects in accordance with the relevant controls.

**Other Matters**

The proposed reduction in the company's capital will be shown in the company's financial records after the approval of the company's shareholders and completion of the legal procedures with the Ministry of Commerce.

**Restrictions on the use of our report**

Our report was prepared at the request of the company's management to fulfill the requirements of article (144) and article (150) of the company's by law, in order to complete the legal procedures related to the company's capital reduction, and it may not be used for any other purpose.

For Al Bassam & Co.

**Ibrahim A. Al Bassam**  
License No. 337

09 October 2021  
03 Rabi' Al-Awwal 1443H  
Dammam, Kingdom of Saudi Arabia



**Appendix 1**  
**Capital Reduction Report**  
**Tourism Enterprise Company (Shams)**  
**9 October 2021**

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The reasons why it is necessary to reduce the capital, and the effect of the proposed reduction on these obligations	8

#### **1- Description of the company's requirements**

- As on 30 June 2021, the accumulated losses of the company amounted to 48,933,074 Saudi Riyals, which represents 48.21% of the company's capital.
- In their meeting held on 16 Muharram 1443H (corresponding to 24 August 2021), the Company's Board of Directors recommended amortizing the accumulated losses by an amount of 48,933,070 Saudi Riyals, which represents 48.21% of the total capital.
- Reducing 48.21% of the capital will be through a reduction of 1 share (one share) for every 2.07426 shares.
- Suggested ways to reduce capital: Cancellation of 4,893,307 shares to offset the amount of 48,933,070 Saudi Riyals of accumulated losses.

## 2- Related articles of rules and regulations

### 2.1 Capital Market Authority

- **Article (58) Conditions and Requirements Related to Reducing the Issuer's Capital from the Rules on Offering Securities and Continuing Obligations Issued by the Capital Market Authority:**
  - A) The issuer who wishes to reduce its capital must submit an application to the Authority that includes - as a minimum - the information contained in Annex (19) of these rules: to obtain its approval before obtaining the approval of the extraordinary general assembly on the capital reduction, provided that it is attached with the following request:
    - 1) Letter of appointment of the financial advisor.
    - 2) Letter of appointment of the legal advisor (if any).
    - 3) A report from an external chartered accountant on the reasons for the capital reduction and the impact of that reduction on the issuer's obligations.
    - 4) The proposed method of capital reduction and the expected effects of that reduction.
    - 5) A copy of the shareholders' circular referred to in paragraph (b) of this article.
    - 6) Any other documents required by the Authority.
  - B) The issuer shall issue a circular to its shareholders containing the information necessary to enable the shareholders to vote in the extraordinary general assembly meeting based on their awareness and knowledge. The circular must include - at a minimum - the following information:
    - 1) The general structure of the proposed capital reduction.
    - 2) The reasons for reducing the capital, including the discussion and analysis of the management in this regard.
    - 3) Risk factors related to capital reduction.
    - 4) The time period of operation.
    - 5) A statement from the issuer's board of directors confirming their belief that the capital reduction is in the interest of the issuer and the shareholders.
  - C) The shareholders' circular - which is submitted to the Authority regarding the request to reduce the issuer's capital - must be prepared in Arabic, and in the margin of the circular reference to the relevant paragraphs stipulated in these rules, with an explanation of any change from a previous draft, and each draft must include the Circular on the first page of the draft and date of submission.

### 2.2 Corporate Laws

- Article (144) of the Companies Law: The Extraordinary General Assembly may decide to reduce the capital if it exceeds the company's needs or if it suffers losses. Only in the latter case may the capital be reduced below the limit stipulated in Article (54) of the system. The reduction decision shall not be issued until after reading a special report prepared by the auditor on the reasons for it, the obligations of the company, and the effect of the reduction in these obligations.
- Article (146) of the Companies Law: The capital shall be reduced in one of the following ways:
  - A) Cancellation of a number of shares equivalent to the amount required to be reduced.
  - B) The company purchases a number of its shares equivalent to the amount required to be reduced, and then cancels it.
- Article (147) of the Companies Law: If the capital reduction is by canceling a number of shares, equality between shareholders must be observed, and those shareholders must submit to the

company on the date specified by the shares decided to be canceled, otherwise they will be considered canceled.

### **2.3 Company's By Laws**

- **Article (7) Capital:**  
The company's capital was set at 101,500,000 Saudi Riyals (one hundred and one million five hundred thousand Saudi Riyals), divided into 10,150,000 shares (ten million one hundred and fifty thousand shares) of equal value, each with a nominal value of (10) (ten) Saudi Riyals, all of which are ordinary cash shares.
- **Article (15) Capital Reduction:**  
By a decision of the Extraordinary General Assembly, the company's capital may be reduced if it exceeds its needs and if it suffers losses after the approval of the competent authority. Only in the latter case may the capital be reduced below the limit stipulated in Article (fifty-fourth) of the Companies Law. A decision to reduce shall not be issued until after reading the auditor's report on the reasons for it and on the obligations of the company and the effect of the reduction thereof. If the reduction is the result of the capital exceeding the company's need, the creditors must be called to express their objections to it within (60) sixty days from the date of publishing the reduction decision in a daily newspaper distributed in the area where the company's head office is located. If one of them objects and submits documents to the company on the mentioned date the company must pay him his debt if it is a solution, or provide a sufficient guarantee to meet it if it is a term.

### 3- Historical Financial Data

#### Condensed Statement of Financial Position (un-audited)

As at 30 June 2021

(All amounts are in Saudi Riyals)

	30 June 2021	31 December 2020
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment, net	47,955,050	50,074,710
Investment property, net	6,659,757	6,775,126
<b>Total non-current assets</b>	<b>54,614,807</b>	<b>56,849,836</b>
<b>Current assets</b>		
Trade receivables, net	2,592,062	3,197,279
Prepayments and other receivables, net	521,902	667,121
Cash and cash equivalents	17,431,652	15,776,891
<b>Total current assets</b>	<b>20,545,616</b>	<b>19,641,291</b>
<b>Total assets</b>	<b>75,160,423</b>	<b>76,491,127</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Shareholders' Equity</b>		
Share capital	101,500,000	101,500,000
Statutory reserve	2,913,121	2,913,121
Accumulated losses	(48,933,074)	(34,770,370)
<b>Total shareholders' Equity</b>	<b>55,480,047</b>	<b>69,642,751</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
End of service provision	1,339,560	1,204,872
<b>Total non-current liabilities</b>	<b>1,339,560</b>	<b>1,204,872</b>
<b>Current liabilities</b>		
Trade payables	559,237	168,666
Accrued expenses and other credit balances	5,408,641	2,909,548
Provision for claims	11,423,601	1,966,300
Accrued zakat	949,337	598,990
<b>Total current liabilities</b>	<b>18,340,816</b>	<b>5,643,504</b>
<b>Total liabilities</b>	<b>19,680,376</b>	<b>6,848,376</b>
<b>Total Shareholders' Equity and Liabilities</b>	<b>75,160,423</b>	<b>76,491,127</b>



### 3- Historical Financial Data (Continued)

**Condensed Statement of Profit or Loss and Other Comprehensive Income (un-audited)**  
**For the Three and Six- Month Period Ended 30 June 2021**  
 (All amounts are in Saudi Riyals)

	For the Three-Months Period Ended 30 June		For the Six-Months Period Ended 30 June	
	2021	2020	2021	2020
<b><u>Continuing operations</u></b>				
Revenue	4,773,176	2,134,937	7,979,011	3,867,426
Cost of revenue	(3,263,773)	(2,487,715)	(5,969,851)	(5,171,129)
<b>Gross profit (Loss)</b>	<b>1,509,403</b>	<b>(352,778)</b>	<b>2,009,160</b>	<b>(1,303,703)</b>
Selling and distribution expenses	(298,913)	(109,909)	(519,768)	(291,385)
Administrative expenses	(4,170,786)	(1,375,057)	(5,256,155)	(2,822,672)
Legal provision expense	(9,457,301)	--	(9,457,301)	--
Other gains	20,434	12,000	35,460	17,715
<b>Loss before zakat</b>	<b>(12,397,163)</b>	<b>(1,825,744)</b>	<b>(13,188,604)</b>	<b>(4,400,045)</b>
Zakat expense	(796,756)	(150,000)	(946,756)	(267,152)
<b>Loss for the year</b>	<b>(13,193,919)</b>	<b>(1,975,744)</b>	<b>(14,135,360)</b>	<b>(4,667,197)</b>
<b><u>Other comprehensive income:</u></b>				
<b>Other comprehensive income not to be reclassified to profit or loss in subsequent years (net of zakat):</b>				
Actuarial loss from Re-measurements of post-employment benefit obligations	(13,672)	(27,292)	(27,344)	(54,584)
<b>Other comprehensive loss for the year, net of zakat</b>	<b>(13,672)</b>	<b>(27,292)</b>	<b>(27,344)</b>	<b>(54,584)</b>
<b>Total comprehensive loss for the year, net of zakat</b>	<b>(13,207,591)</b>	<b>(2,003,036)</b>	<b>(14,162,704)</b>	<b>(4,721,781)</b>
<b><u>Loss per share</u></b>				
Loss per share before zakat	(1.22)	(0.18)	(1.30)	(0.43)
<b>Loss for the year</b>	<b>(1.30)</b>	<b>(0.20)</b>	<b>(1.40)</b>	<b>(0.47)</b>



### 3- Historical Financial Data (Continued)

**Statement of Changes in Shareholders' Equity (un-audited)**  
**For the Six– Month Period Ended 30 June 2021**  
 (All amounts are in Saudi Riyals)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Accumulated losses</u>	<u>Total</u>
Balance as at 31 December 2019	101,500,000	2,913,121	(26,520,303)	77,892,818
Net loss for the year	--	--	(4,667,197)	(4,667,197)
Actuarial loss	--	--	(54,584)	(54,584)
Total comprehensive loss for the year	--	--	(4,721,781)	(4,721,781)
Balance as at 30 June 2020 (Unaudited)	<u>101,500,000</u>	<u>2,913,121</u>	<u>(31,242,084)</u>	<u>73,171,037</u>
<b>Balance as at 31 December 2020</b>	<b>101,500,000</b>	<b>2,913,121</b>	<b>(34,770,370)</b>	<b>69,642,751</b>
Net loss for the year	--	--	(14,135,360)	(14,135,360)
Actuarial loss	--	--	(27,344)	(27,344)
Total comprehensive loss for the year	--	--	(14,162,704)	(14,162,704)
<b>Balance as at 30 June 2021</b>	<b><u>101,500,000</u></b>	<b><u>2,913,121</u></b>	<b><u>(48,933,074)</u></b>	<b><u>55,480,047</u></b>

### 3- Historical Financial Data (Continued)

**Condensed Statement of Cash Flows (un-audited)**  
**For the Six- Month Period Ended 30 June 2021**  
(All amounts are in Saudi Riyals)

	<b>For the Six- Month period</b>	
	<b>Ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
<b><u>Operating activities</u></b>		
Net loss before zakat	<b>(13,188,604)</b>	(4,400,045)
<b>Adjustments for:</b>		
Depreciation of property, plant and equipment	2,873,272	2,915,135
Depreciation of investment in property	115,369	116,008
Provision for doubtful debt	1,478,654	(157,500)
Provision for employees' end of service benefits	209,638	145,020
Provision for legal expense	9,457,301	--
Loss for Write-off WIP	433,754	
Gain on sale of property, plant and equipment	--	(12,000)
<b>Changes in operating assets and liabilities:</b>		
Trade receivables	<b>(873,437)</b>	(776,951)
Prepayments and other receivables, net	145,219	(255,281)
Trade payables	390,571	21,782
Accrued expenses and other credit balances	<b>2,499,093</b>	1,650,729
<b>Net cash generated from/ (used in) operations</b>	<b>3,540,830</b>	<b>(753,103)</b>
EOS paid	<b>(102,294)</b>	(170,775)
Zakat paid	<b>(596,409)</b>	(810,951)
<b>Net cash generated from (used in) operating activities</b>	<b>2,842,127</b>	<b>(1,734,829)</b>
<b><u>Investing activities</u></b>		
Purchase of property, plant and equipment	<b>(1,187,366)</b>	(214,587)
Proceeds from sale of property, plant and equipment	--	12,000
<b>Net cash used in investing activities</b>	<b>(1,187,366)</b>	<b>(202,587)</b>
<b>Change in cash and cash equivalents</b>	<b>1,654,761</b>	(1,937,416)
Cash and cash equivalents at the beginning of the year	<b>15,776,891</b>	11,547,822
<b>Cash and cash equivalents at the end of the year</b>	<b>17,431,652</b>	<b>9,610,406</b>

#### 4- Notes about the condensed financial statements:

##### 4.1 Liabilities

The total current liabilities represent 93.19% of the company's total liabilities as on 30 June 2021. The liabilities mainly consist of payables, accrued expenses, other payables, claims provision and zakat provision, which represent 93.19% of the total liabilities of the company.

##### 4.2 Accumulated losses

The accumulated losses of the company amounted to 48,933,074 Saudi Riyals as of 30 June 2021.

Reducing the capital by 48,933,070 Saudi Riyals will reduce the accumulated losses from 48,933,070 Saudi Riyals to 4 Saudi Riyals.

##### 4.3 Capital

The paid-up capital of the company is 101,500,000 Saudi Riyals, divided into 10,150,000 shares, the value of each share is 10 Saudi riyals.

#### 5- The reasons why it is necessary to reduce the capital, and the effect of the proposed reduction on these obligations

##### 5.1 Reasons why the reduction is necessary

- 1- The main impact on the shareholders will be the increase in earnings per share, when the company moves to the company's profit in the future.
- 2- Appropriate presentation of shareholders' equity in the financial statements to maintain a credit rating acceptable to credit rating agencies in the future.
- 3- Supporting the company to achieve the company's strategic plan by diversifying its investments and strengthening its financial position.

##### 5.2 Effect of Capital Reduction

The capital reduction on shareholders' equity will be based on the financial statements for the period ending on 30 June 2021, which were examined as follows:

Shareholders' Equity	Before Reduction	After Reduction	Impact
	(All amounts are in Saudi Riyals)		
Share capital	101,500,000	52,566,930	(48,933,070)
Statutory reserve	2,913,121	2,913,121	--
Accumulated losses	(48,933,074)	(4)	48,933,070
<b>Total shareholders' Equity</b>	<b>55,480,047</b>	<b>55,480,047</b>	<b>--</b>

The Capital Reduction will not affect company's cash accounts, net equity and liabilities or company's operations.