

Best greetings to you all,

After referring to the above subject, and since I had previously submitted a request to convene the General Assembly of Shareholders to vote on the dismissal of the current Chairman of the Board of Directors, Moataz Qusay Al-Azzawi, according to Article Six of the Corporate Governance Regulations, "Shareholder Access to Information", and since the reasons for requesting the Assembly to be held are among the information that must be available, we explain the reasons for the request. As the following:

and given that in the previous stage we attributed the deterioration of the company's condition and the decrease in its profits to the factors that are announced, while we are not convinced of them due to our full knowledge and awareness of this entity that it established for (40) years, and whereas what was raised during the past days according to the announcement issued by the company and published via the media platforms designated for publishing the advertisements of the listed company on 04/08/2024G, which included that the increase in the company's losses in the second quarter of the fiscal year 2024G is due to a number of considerations, including "the increase in general administrative expenses, which included the liquidation of dues to former executives in the company, including the implementation of a judicial ruling from the labor court in favor of the former acting CEO, Mr. Khaled Ahmed Al-Saeed, which led us to conduct a financial examination, which showed that A number of matters as follows:

- 1- The judicial ruling that acquired the executive formula was issued against the company on 09/14/1445G corresponding to 03/24/2024 AD (first quarter).
- 2- The former CEO submitted the application to the Execution Court on 14/09/1445 H corresponding to 03/24/2024G (first quarter).
- 3- The company was notified of the Execution Court's decision requiring the implementation of the contents of the bond within five days from 16/09/1445H corresponding to 26/03/2024G (first quarter).
- 4- Due to the Chairman of the Board of Directors' failure to implement the Execution Court's decision, the Execution Court issued its decision No. 6648092001 ordering the executive seizure of the company's funds in the Central Bank on 21/09/1445H corresponding to 31/03/2024G (first quarter).

5- A forced execution was made on the companies account, the execution claim amount was withdrawn, and the suspension of the company was lifted on 21/09/1445H corresponding to 31/03/2024G (first quarter).

It is clear from the previous transactions that the former CEO's dues amounting to (2,380,526) Riyals should have been reflected in the expenses of the first quarter, in which the total profit amounted to (448,244) to be (net profit and loss = loss 1,932,282) and concealing the existence of the loss is apparent for the reason of this to mislead shareholders about the company's profitability, which has decreased since he took over from (160,837,179) riyals to suffering losses amounting to (23,697,915) riyals in this quarter and the previous quarter, if the financial statements were not tampered with and expenses were recorded at the correct time.

As it became clear to us according to the disclosure that the increase in Zakat expense by an amount of (8,094,759) Riyals in the second quarter of 2024 was due to Zakat settlements for previous years, and one of the reasons for the company's losses was misleading shareholders and changing the financial facts, as provisions had been previously made to meet Zakat obligations for the years before 2021. The balance of the Zakat provision on January 1, 2021 amounted to (13,667,451) Riyals, but unfortunately, as of 2021, it stopped making sufficient provisions to pay Zakat obligations for the years 2021 to 2023 and using the aforementioned provision to pay the annual Zakat (the total amount added to the provision for the years 2021 to 2023 amounted to (3,742,613) Riyals, while what was actually paid for the same years amounted to (14,649,969) Riyals, with a difference of up to (10,907,356), which led to a decrease in the balances of zakat provisions to an amount of 9,272,345 - 4,706,247 and 2,379,467 million Riyals for the years 2021, 2022, 2023G, respectively.

It should also be clarified that the company has approved in the 2020 budget a provision of 6,400,000 million Riyals to meet the additional tax assessment for the years 2014 to 2018, amounting to 19,400,000 million Riyals, and the assessment for the years 2014 to 2020 has been adjusted to increase and reach 21,150,000 Riyals, according to what is included in the company's announced budgets from the year 2021G Despite the increase in additional zakat liability, the company reduced the provisions to reach 2,379,467 Riyals on December 31, 2023G.

The reasons for the bakery sector's loss of more than two million riyals were not disclosed and stated in its announcement published on 04/08/2024G for the results of the second quarter of 2024 AD, unlike what was included in the lists published three days after that announcement, and the reasons

for the losses were not stated, as the bakery sector did not incur any losses since the company was established until this quarter, in which the company claims that the cause of its loss is Khaled Al-Saeed's dues, according to the governance rules of Herfy Company M: 20 (Board of Directors' responsibilities and powers), C: "The responsibilities and tasks of the board include the tasks of the independent member "13": ensuring the accuracy and integrity of the data and information that must be disclosed in accordance with the policies and laws of disclosure and transparency".

It is clear from this that the Chairman of the Board does not deviate from two matters, both of which are grounds for dismissal, either negligence or aggression, and his responsibility towards those statements is based on what was decided by (Article 20) of the Corporate Governance Regulations issued by the Board of the Capital Market Authority (paragraph 9), that among his duties is "preparing the initial and annual financial statements of the company and approving them before publishing them," and what was decided by (paragraph 11) of the same article "ensuring the accuracy and integrity of the data and information that must be disclosed in accordance with the applicable disclosure and transparency policies and systems." It was also proven that he had breached his duties contained in the same article, as Article (28) stated for a number of duties that he had breached, as it was found that he had not "reviewed the reports on the company's performance" in violation of paragraph (3), and had not verified the integrity and honesty of the company's financial statements and information in violation of paragraph (4), and had not verified that the financial control and risk management systems in the company were strong" in violation of paragraph (5), and had not devoted sufficient time to carry out his responsibilities and preparing for and actively participating in the meetings of the Board of Directors and its committees, including directing relevant questions and discussing them with the company's senior executives, in violation of paragraph (11). Thus, the Chairman of the Board of Directors attempted to conceal these failures by violating Chapter Nine of the Corporate Governance Regulations (Disclosure and Transparency) by issuing misleading disclosures, not publishing influential matters in a timely manner, and concealing essential matters, and exploiting provisions that were supposed to remain untouched, and the aforementioned matters were chosen as samples to prove this, and to prove that the chairman of the board did not act with due diligence and the principles of transparency and clarity, nor did he preserve the interests and the financial affairs of the company and the rights of the shareholders, which led to quarterly losses estimated at (23,698,915) Riyals. As it became clear from the foregoing events, there were profits recorded in the company's financials by delaying the recording of expenses, and this is a manipulation

of the financial positions to conceal the occurrence of losses, which requires considering the provisions of Article 260 of the Companies Regulations against the chairman of the board, which criminalizes and describes serious crimes against "any director, officer, member of the board of directors, auditor, or liquidator who intentionally records false or misleading data or information in the company's financial statements or in any reports prepared by him, or in the data related to reducing the company's capital or the sufficiency of its assets to pay its debts upon liquidation, and other reports and data that are presented to the partners, the general assembly, or the shareholders in accordance with the provisions of the system, or intentionally neglected to mention a material fact in any of the foregoing with the intent to show the company's financial position in a manner contrary to the truth."

Due to personal harm, I have suffered from these actions and behaviors that led to a decrease in the company's profits and a decline in the share price in a way that does lead us to accept the assumption of good management, and because the responsibility for the aforementioned actions lies primarily with the chairman of the board, whom I previously requested to be dismissed pursuant to a request submitted on 27/02/2022 due to my long experience with this entity since its establishment and my keenness on its interests and profitability, and the best evidence is the condition of the company since he took over, and for all of the above, and because the chairman of the board has concealed the correct financial position of the first quarter of this year and the financial position of Zakat provisions.

So, accordingly, and to achieve the interest of Herfy Company and its shareholders, I request that the shareholders' meeting be held for the reasons mentioned above to vote on the dismissal of the current Chairman of the Board of Directors of Herfy Company, Moataz Qusay Al-Azzawi, by the regulations of the system.