



Shareholders' Circular

Raydan Food Company
(RAYDAN)

Reducing the Company's capital by an amount of one hundred seventy-nine million four hundred fifteen thousand three hundred thirty (179,415,330) Saudi riyals

From

Three hundred thirty-seven million five hundred thousand (337,500,000) Saudi riyals.

To

one hundred fifty-eight million eighty-four thousand six hundred seventy (158,084,670) Saudi riyals.

Extraordinary General Assembly (EGM)

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

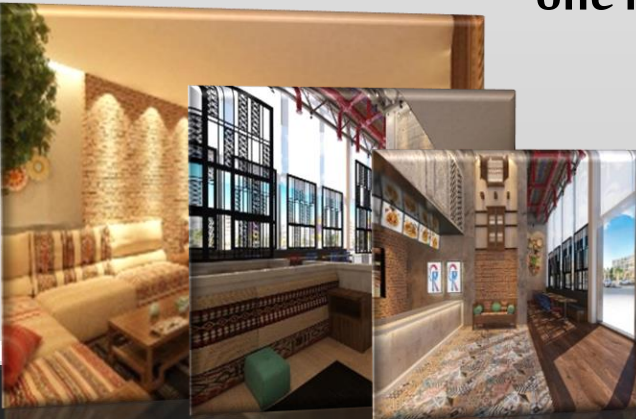


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Information of the Company, Financial Advisor and Auditor

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Information of the Company, Financial Advisor and Auditor

Auditor for limited assurance report on the capital reduction

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Auditor for the (non-reviewed) interim condensed consolidated financial statements for the six-month period ending on June 30, 2022

Ibrahim Ahmed Albassam & Co. (Albassam & Co.) - Chartered Accountants

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Terms and Definitions

Term	Definition
Company / Issuer	Raydan Food Company ("Raydan").
Extraordinary General Assembly (EGM)	The Company's Shareholders' Extraordinary General Assembly.
Capital Market Authority (CMA)	The Capital Market Authority of the Kingdom of Saudi Arabia.
Saudi Exchange (Tadawul)	Saudi Tadawul Company (formerly the Saudi Stock Exchange Company) one of the Saudi Tadawul Group companies, established in accordance with Cabinet's Resolution dated 29/02/1428H (corresponding to 19/03/2007G), in implementation of the Capital Market Law. It is a Saudi joint stock company, and the only entity It is authorized to operate as a stock exchange in the Kingdom of Saudi Arabia, where it lists and trades securities.
Saudi Stock Exchange, Market, or Tadawul	Saudi Exchange for trading of securities
Ministry of Commerce	Ministry of Commerce in the Kingdom of Saudi Arabia.
Circular / Shareholders Circular	This document as prepared by the Company and submitted to the Company's Extraordinary General Assembly of Shareholders regarding the Company's Capital reduction.
Auditor's Report	It is a limited assurance report on the capital reduction prepared by the Company's Auditor to study the reasons for capital reduction and the impact of such reduction on the Company's Liabilities and Equity.
Eligible Shareholders	All Company's registered in the Company's records at Saudi Stock Exchange (Tadawul) at the end of trading session on the second trading day following the date of the EGM. This includes shareholders who did not attend the EGM meeting, as well as shareholders who attended EGM and did not vote for or voted against the resolutions of capital reduction.
E-voting	A free e-service for companies listed on the Saudi Stock Exchange, allowing shareholders to exercise their rights to vote on the items listed in the agenda of the General Assemblies without personally attending, through Tadawulaty Platform of the Securities Depository Center Company.



Company Overview

- Raydan Food Company (hereinafter referred to as the “Company” or “Raydan”) was initially established as a sole proprietorship under the name “Al-Salami Real Estate Development Group” and was registered under Commercial Registration No. (4030064059) dated 12/07/1409H (corresponding to 19/02/1989G) and a branch of the proprietorship under the name “Raydan Cuisines and Restaurants” registered under Commercial Registration No. (4030123324) dated 18/09/1418H (corresponding to 17/01/1998G). On 29/04/1429H (corresponding to 05/05/2008G), the Company was established as a closed Saudi joint stock company under the name “Raydan Kitchens and Restaurants Company” pursuant to Ministerial Resolution No. (149/Q) dated 29/04/1429H (corresponding to 05/05/2008G) after transferring the assets of Al-Salami Real Estate Development Group and the branch of the proprietorship, Raydan Cuisines and Restaurants. On 29/05/1438H (corresponding to 26/02/2017G, the Company’s shares were listed on the parallel Saudi stock market and turned into a Saudi public joint stock company. The Company’s name was changed after the approval of the Extraordinary General Assembly on 10/10/1440H (corresponding to 18/06/2019G) to change the Company’s name from Raydan Cuisines and Restaurants Company to Raydan Food Company. On 24/03/1441H (corresponding to 21/11/2019G), the Company was transferred and listed and its shares started trading in the main Saudi stock market (Tadawul).
- The company's current capital is three hundred and thirty-seven million five hundred thousand (337,500,000) Saudi riyals, thirty-three million seven hundred and fifty thousand (33,750,000) ordinary shares with a nominal value of ten (10) Saudi riyals per share.
- The Company's head office is located in Jeddah - Al-Safa District, P.O. 138680, 21323 Jeddah, Kingdom of Saudi Arabia.
- The Company's main activity is in restaurants with service - kitchens - preparing banquets for parties.

Contact Information

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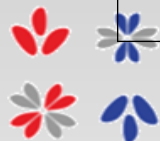


Company Overview

■ Company's Capital Development

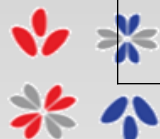
The Company's capital as on the date of this circular is three hundred thirty-seven million five hundred thousand (337,500,000) Saudi riyals, divided into thirty-three million seven hundred and fifty thousand (SAR 33,750,000) ordinary shares with a nominal value of ten (10) Saudi riyals per share, fully paid in value. The following is the development of the capital since the establishment of the Company:

Date	Event
1989G	Raydan Food Company started its activity before as a sole proprietorship owned by Awad Allah Ahmed Ayed Al-Humaie Al-Salami in the name of "Al-Salai Group for Real Estate Development", registered in the commercial registry in the city of Jeddah with the number 4030064059, dated 07/12/1409H (corresponding to 19-02-1989G) and its capital reached At that time, one hundred thousand (100,000) Saudi riyals. And a branch of the institution under the name "Raydan Cuisines and Restaurants" in the commercial register No. (4030123324) dated 09-18-1418H (corresponding to 01-17 1998G).
11-06-1429H (corr.to 15-06-2008G)	The Company was established as a closed joint stock company pursuant to Ministerial Resolution No. (149/Q) dated 29-04-1429H (corresponding to 05-05-2008G) under the name "Raydan Cuisines and Restaurants" in accordance with Commercial Registration No. 4030180055, with a capital of one hundred million (100,00,000) Saudi riyals divided into one hundred thousand (100,000) in-kind shares of equal value, the value of each of which is one thousand (1,000) Saudi riyals
11-06-1435H (corr.to 12-03-2018G)	The extraordinary general assembly of shareholders agreed to increase the Company's capital by 45% from one hundred million (100,000,000) Saudi riyals to one hundred and forty-five million (145,000,000) Saudi riyals, and thus increase the number of the Company's shares from ten million (10,000,000) ordinary shares to fourteen million and five hundred thousand (14,500,000) ordinary shares of equal value, the value of each of which is ten (10) Saudi riyals, by capitalizing the shareholder loan to the Company, amounting to forty-five million (45,000,000) Saudi riyals, in order to acquire the Raouche International Sweets Company.
16-01-1436H (corr. to 09-11-2014G)	The extraordinary general assembly of shareholders agreed to increase the Company's capital by (55.17%) from one hundred and forty-five million (145,000,000) Saudi riyals to two hundred and twenty-five million (225,000,000) Saudi riyals, thus increasing the number of the Company's shares from fourteen million five hundred thousand (14,500,000) an ordinary share to twenty-two million five hundred thousand (22,500,000) ordinary shares of equal value, the value of each of which is ten (10) Saudi riyals, through a cash deposit from shareholders of sixty-seven million (67,000,000) Saudi riyals and a transfer of thirteen million (13,000,000) Saudi riyals from the balance of the retained earnings account until 31-08-2014G to the capital account
29-05-1438H (corr. to 26-02-2017G)	The Company's board of directors decided to offer six million seven hundred and fifty thousand (6,750,000) shares and to register and list in the parallel Saudi financial market. The percentage of offered shares represents (30%) of the Company's capital shares, which at the time amounted to two and twenty-five million (225,000,000) Saudi riyals of the Company's capital, divided to twenty-two million five hundred thousand (22,500,000) ordinary shares of equal value with a value of ten (10) Saudi riyals



Company Overview

Date	Event
15-10-1440H (corr.to 18-06-2019G)	The Extraordinary General Assembly approved changing the Company's name from "Raydan Cuisines and Restaurants" to "Raydan Food Company".
24-03-1441H (corr.to 21-11-2019G)	The Company has been transferred, listed and its shares started trading in the main Saudi stock market with twenty-two million five hundred thousand (22,500,000) ordinary shares and a nominal value of ten (10) Saudi riyals per share, after obtaining the approval of the Saudi Stock Exchange Company (Tadawul).
03-12-1442H (corr.to 13-07-2021G)	The extraordinary general assembly of shareholders agreed to increase the Company's capital by (50%) from two hundred and twenty-five million (225,000,000) Saudi riyals, to three hundred and thirty-seven million five hundred thousand (337,500,000) Saudi riyals, and thus increase the number of shares from twenty-two million five hundred thousand (22,500,000) ordinary shares to thirty-three million seven hundred and fifty thousand (33,750,000) ordinary shares. The value of each is equal to ten (10) Saudi riyals, by issuing eleven million two hundred and fifty thousand (11,250,000) new ordinary shares as rights shares with a nominal value of ten (10) Saudi riyals per share. This approval was announced on the Saudi Tadawul website (Tadawul).
27-01-1444H (corr.to 25-08-2022G)	The Company announced, through the Saudi Tadawul website, the recommendation of its board of directors to reduce the Company's capital from three hundred and thirty-seven million five hundred thousand (337,500,000) Saudi riyals to one hundred and fifty-eight million and eighty-four thousand six hundred and seventy (158,084,670) Saudi riyals, with a decrease of 53.16%, and therefore Reducing the number of the Company's shares from thirty-three million seven hundred and fifty thousand (33,750,000) shares to fifteen million eight hundred and eight thousand four hundred and sixty-seven (15,808,467) shares by canceling seventeen million nine hundred and forty-one thousand five hundred and thirty-three (17,941,533) shares of the Company's issued shares This is after obtaining all the necessary statutory approvals and the approval of the extraordinary general assembly.
25-02-1444H (corr.to 21-09-2022G)	The Capital Market Authority approved a request to reduce the Company's capital from three hundred and thirty-seven million five hundred thousand (337,500,000) Saudi riyals to one hundred and fifty-eight million and eighty-four thousand six hundred and seventy (158,084,670) Saudi riyals, with a decrease of 53.16%, thus reducing the number of the Company's shares from Thirty-three million seven hundred and fifty thousand (33,750,000) shares to fifteen million eight hundred and eight thousand four hundred and sixty-seven (15,808,467) shares by canceling seventeen million nine hundred and forty-one thousand five hundred and thirty-three (17,941,533) shares of the Company's issued shares. This approval is on the website of the Capital Market Authority and the Saudi Tadawul website.
--1444H (corr.to **-**-2022G)	The Extraordinary General Assembly agreed to reduce the Company's capital from three hundred and thirty-seven million five hundred thousand (337,500,000) Saudi riyals to one hundred and fifty-eight million and eighty-four thousand six hundred and seventy (158,084,670) Saudi riyals with a decrease of 53.16%, thus reducing the number of the Company's shares from three Thirty million seven hundred and fifty thousand (33,750,000) shares to fifteen million eight hundred and eight thousand four hundred and sixty-seven (15,808,467) cm by canceling seventeen million nine hundred and forty-one thousand five hundred and thirty-three (17,941,533) shares of the Company's issued shares. Approval on the website of the Capital Market Authority and the Saudi Tadawul website.



Company Overview

- shareholder equity

Name	Before capital reduction		After capital reduction		Shareholding %	
	Number of shares	Value SAR	Number of shares*	Value SAR	Direct	Indirect
Mansour Awadallah Ahmed Al-Salami	4,966,988	49,669,875	2,326,532	23,265,321	%14.717	-
Board Members	2,086	20,860	977	9,771	%0.0061808	-
The Public	28,780,926	287,809,265	13,480,958	134,809,578	%85.28	-
Total	33,750,000	337,500,000	15,808,467	158,084,670	%100.0	

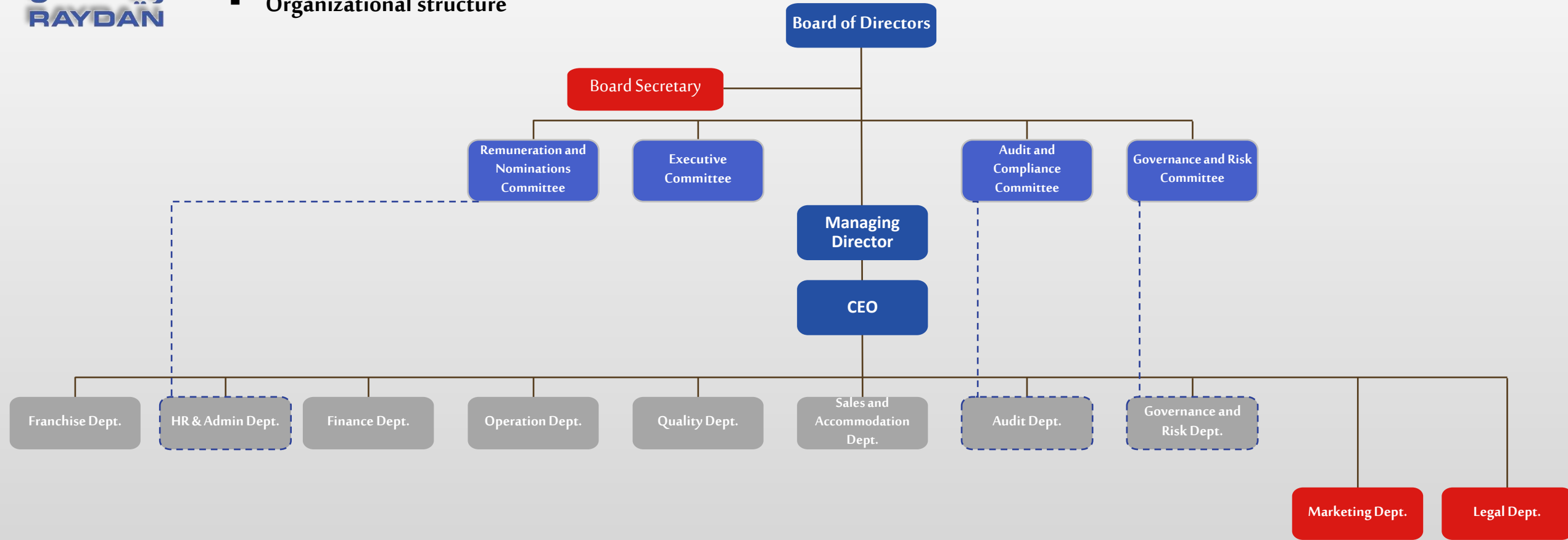
Source: The Company and Tadawul as of 13/09/2022G.

The Company will combine any fractions (if any) in one portfolio and sell them in Tadawul at the prevailing price at that time. Then, sale proceeds shall be distributed to Company shareholders each according to its shareholding percentage within thirty (30) days from date of shareholders' approval issued in Extraordinary General Assembly to Company capital reduction.



Company Overview

- Organizational structure



Company Overview

Board of Directors

Name	Position	Membership Capacity	Nationality	Age	Shareholding before Deduction as at 13/09/2022				Membership Date*
					Direct		Indirect		
					No.	Shareholding %	No.	Shareholding %	
Omar RabeH Sitter Al-Sulami **	Chairman	Non-Executive	Saudi	42	1,000	0.0029630%	-	-	21/04/2022
Nair Bayan Muhji Al-Sulami**	Vice Chairman	Non-Executive	Saudi	47	1,000	0.0029630%	-	-	21/04/2022
Mansour Nasser Awad Allah Al-Sulami **	Managing Director & CEO	Executive	Saudi	31	75	0.0002222%	-	-	21/04/2022
Sultan Mohammed Rashid Al-Huwaimel	Board Member	Independent Non-Executive	Saudi	41	-	-	-	-	21/04/2022
Faisal Saad Al-Sadi Al-Subaie	Board Member	Independent Non-Executive	Saudi	36	11	0.0000326%	-	-	21/04/2022

Source: The Company and Tadawul

* The Company's Ordinary General Assembly, in its meeting held on 19/09/1443G (corresponding to 20/04/2022G), approved the election of the above-mentioned members of the Board of Directors for the current session, which began on 20/09/1443H (corresponding to 21/04/2022G) and for a period of three years ending on 22/10/1446H (corresponding to 20/04/2025G).

* The Board of Directors decided in its meeting held on 23/09/1443H (corresponding to 24/04/2022G) to appoint Omar RabeH Mister Al-Muslimi as Chairman of the Board of Directors, and to appoint Nair Bayan Muhaji Al-Sulami as Vice Chairman of the Board of Directors, and to appoint Mansour Nasser Awad Al-Salaa as Managing Director.

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 26/01/1443H (corresponding to 24/08/2022G), to reduce the Company's capital from three hundred and thirty seven million five hundred thousand (337,500,000) Saudi riyals to one hundred fifty-eight million eighty-four thousand six hundred and seventy (158,084,670) Saudi riyals, with a decrease of 53.16%, and consequently reducing the number of the Company's shares from thirty-three million seven hundred and fifty thousand (33,750,000) shares to fifteen million eight hundred and eight thousand four hundred and sixty-seven (15,808,467) shares by canceling seventeen million nine hundred and forty-one thousand five hundred and thirty-three (17,941,533) shares of the Company's issued shares, after obtaining all necessary statutory approvals and the EGM approval.



Company Overview

Executive Management

Name	Position	Nationality	Age	Appointment date	Shareholding before Deduction as at 13/09/2022			
					Direct		Indirect	
					No.	Shareholding %	No.	Shareholding %
Mansour Nasser Awad Allah Al-Sulami	Managing Director & CEO	Saudi	30	24/04/2022	75	0.0002222%	-	-
Hosni Abdel-Wareth El-Sayed Abdel-Nabi	Head of Internal Audit Department	Egyptian	63	07/10/2021	-	-	-	-
Turki Nasser Al-Mouh	Head of Governance and Risk Dept.	Saudi	48	18/07/2022	-	-	-	-
Ahmed Talal Obaid Morsi	Head of HR & Admin Dept.	Saudi	36	16/05/2022	-	-	-	-
Fahad Nasser Al-Sulami	Head of Sales and Accommodation Dept.	Saudi	37	01/09/2022	-	-	-	-
Gamal Nasser Ahmed Abdel Karim	Head of Finance Dept.	Egyptian	40	25/04/2004	-	-	-	-
Ahmed Al-Houri	Head of Operation Dept.	Jordanian	46	05/09/2022	-	-	-	-
Mohamed Fathi Lashin	Head of Franchise Dept.	Egyptian	48	03/10/2021	-	-	-	-
Ghalia Ibrahim Ahmed Salam	Head of Marketing	Saudi	35	07/06/2022	-	-	-	-
Roai Hilal Hussein Hajji	Head of Legal Dept.	Saudi	26	01/11/2021	-	-	-	-
Mohammed Moaz Ali	Head of Quality Dept.	Sudanese	51	16/10/2011	-	-	-	-

Source: The Company and Tadawul

On 23/09/1443H (corresponding to 24/04/2022H) decided to appoint Mansour Nasser Awad Al-Sulami as CEO of the Company as of 30/09/1443H (corresponding to 01/05/2022G).



Development of the Company's accumulated losses and related reasons

Financial year	Net Loss (SAR)	Retained Profits/ accumulated Losses (SAR)	Retained Profits/ accumulated Losses to Capital (%)	Reason for accumulated Losses
2020	(116,770,173)	(111,571,909)	49.59%	- The repercussions of the Corona pandemic (Covid-19) greatly affected the group's business, as the group closed some of its branches temporarily and permanently as a result of the measures presented by the government of the Kingdom of Saudi Arabia. This resulted in a sharp drop in sales while the group continued to incur fixed and semi-variable expenses which affected the financial performance and cash flows of the group.
2021	(42,223,505)	(157,504,107)	46.67%	- Losses of absorbing real estate, machinery and equipment. - Decrease in the value of assets held for sale - Decline in the value of right-of-use assets. - Decrease in the value of real estate, plant and equipment. - The Company's share of the associate's losses. - Losses from discontinued operations of the subsidiary - Operational losses
June 30, 2022	(21,910,388)	(179,415,330)	53.16%	- Operational losses and net loss - Losses on the disposal of property, plant and equipment - Decrease in the value of assets held for sale - Decrease in the value of right-of-use assets - Fall in the value of real estate, plant and equipment - The Company's share of the losses of the associate - Losses from discontinued operations of the subsidiary

Source: The Company and Tadawul



The Company's Plan and corrective actions to prevent losses

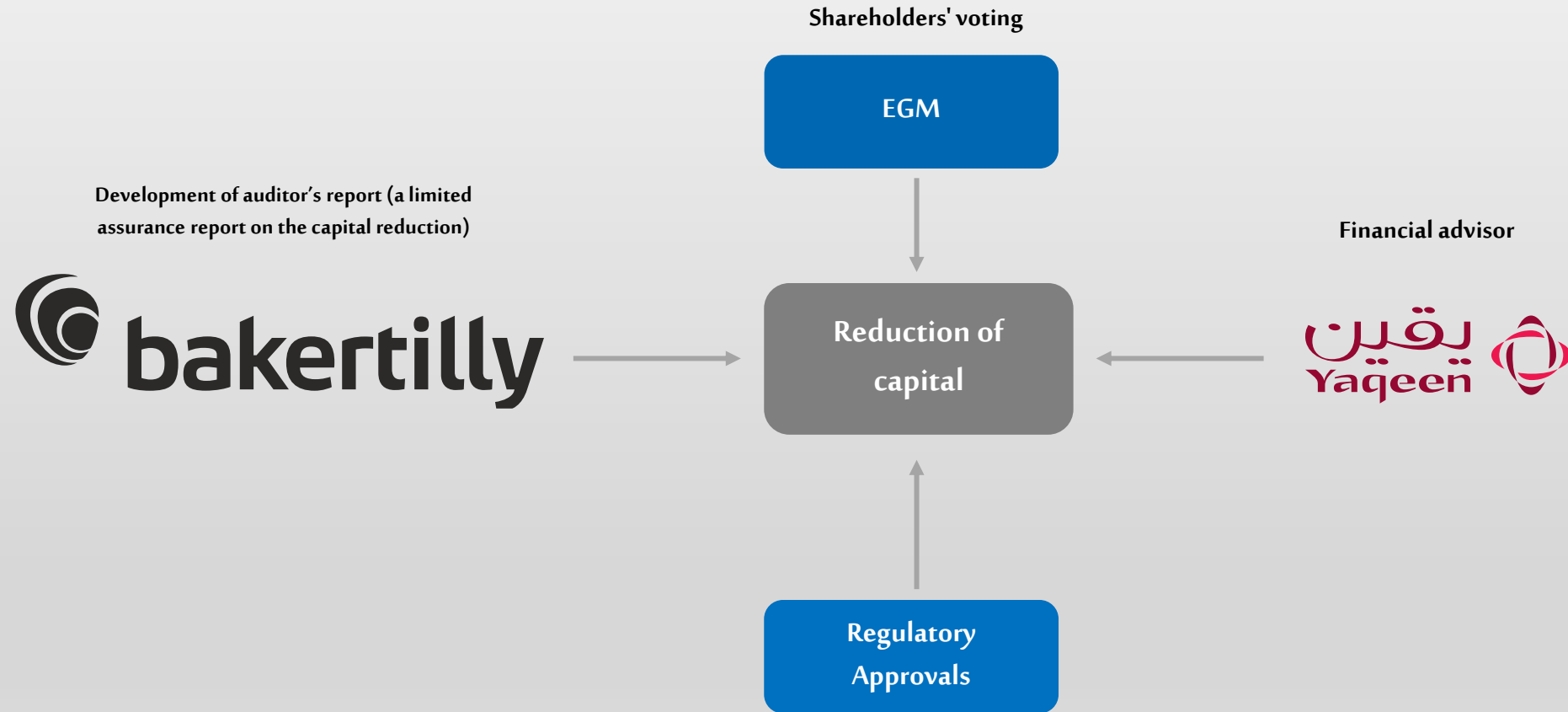
■ The Company intends to take the following corrective steps:

- ✓ Follow up the plan for the implementation of the capital increase proceeds schedule.
- ✓ Expansion of existing operations through three main modes:
 - 1) Direct operation pattern: the completion of projects related to the opening of new branches and the expansion plan of the Company's branches, as the Company aims to open 5 medium branches and 6 small branches.
 - 2) Commercial franchise pattern: Supporting the expansion plan by granting commercial franchise rights targeting other regions in the Kingdom in addition to a number of Gulf countries
 - 3) Institutional catering: Supporting growth in casual catering by targeting multiple destinations in the Hajj and Umrah seasons in addition to accommodation contracts.
- ✓ Developing a plan for logistical support for selling the Company's products to franchise agents as well as supporting the Company's branches, by providing basic materials for franchise branches to maintain the level of food quality and effective customer service levels and establishing a production plant for mixtures and some of the Company's products and selling them to franchise branches and branches own.
- ✓ Restructuring and working to raise operational efficiency through several initiatives, represented by the following:
 - Reducing direct and indirect costs by opening unified service centers to reduce labor costs and adopting modern food preparation methods.
 - Reducing capital expenditure by expanding the small branch model
 - Restructuring human resources and attracting qualified competencies, which are expected to contribute to increasing productivity and keeping pace with the requirements of the current stage.
- ✓ Developing the appropriate marketing plan to achieve the same.



Capital Reduction

- Structure of parties involved in capital reduction



Capital Reduction

- **General structure of the proposed capital reduction**
 - The Company's current capital is three hundred and thirty-seven million and five hundred thousand (337,500,000) Saudi riyals, divided into thirty-three million seven hundred and fifty thousand (33,750,000) ordinary shares with a nominal value of ten (10) Saudi riyals paid in full, and the Company's capital shall be reduced to become one hundred and fifty-eight million and eighty-four thousand and six hundred and seventy (158,084,670) Saudi riyals, divided into fifteen million eight hundred and eight thousand and four hundred and sixty-seven (15,808,467) ordinary shares with a nominal value of ten (10) Saudi riyals per share.
 - The capital reduction percentage is 53.16%. The reduction process shall be done by canceling seventeen million nine hundred and forty-one thousand and five hundred and thirty-three (17,941,533) shares of the Company's issued shares, i.e. a cancellation rate of 1.06 shares for every 2 shares, in order to amortize 100% of the total accumulated losses amounting to one hundred and seventy-nine million four hundred and fifteen thousand and three hundred and thirty (179,415,330) Saudi riyals as on June 30, 2022.
 - The Company shall collect any fractional shares (if any) in one portfolio that shall result from the capital reduction process and then sell the same in the market at the prevailing price at the time. Consequently, the proceeds of selling the same shall be distributed to the Company's shareholders, each according to the ownership thereof within (30) thirty days from the date of the Shareholders' approval in the Extraordinary General Assembly to reduce the Company's capital.
 - Date of the financial statements from which the values, to be determined for the purposes of capital reduction, were taken: The (non-reviewed) interim condensed consolidated financial statements for the six-month period ending on June 30, 2022.



Capital Reduction

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

- The Company's Board of Directors decided to reduce the capital by one hundred and seventy-nine million four hundred and fifteen thousand and three hundred and thirty (179,415,330) Saudi riyals for the purpose of restructuring the Company's capital in order to amortize 100% of the total accumulated losses amounting to one hundred and seventy-nine million four hundred and fifteen thousand and three hundred and thirty (179,415,330) Saudi riyals as on June 30, 2022.
- As part of the Company's discussion and analysis of the current situation thereof, the Company's department worked to adhere to the Company's strategy that aims to support the future growth and financial performance of the Company. The said department 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.

■ The statement of the members of the Company's Board of Directors:

- The Company's Board of Directors sees that capital reduction is in the interest of the Company and shareholders and will not affect the Company's liabilities, as the capital will be restructured to amortize accumulated losses.



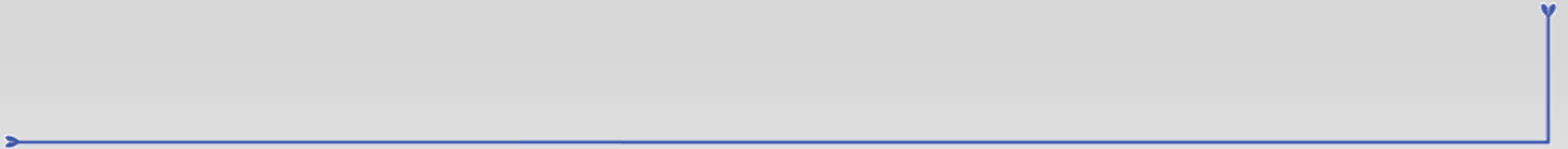
Capital Reduction

- The Company announced through the Saudi Tadawul website on 01/27/1444H (corresponding to 08/25, 2022G) of the recommendation of its Board of Directors Meeting, held on 01/26/1444H (corresponding to 24-08-2022G), to reduce the Company's capital by (53.16%) from three hundred and thirty-seven million five hundred thousand (337,500,000) Saudi riyals to one hundred and fifty-eight million and eighty-four thousand six hundred and seventy (158,084,670) Saudi riyals, and thus reduce the number of Company shares from thirty-three one million seven hundred and fifty thousand (33,750,000) shares to fifteen million eight hundred and eight thousand four hundred and sixty-seven (15,808,467) shares of equal value, the value of each being ten (10) Saudi riyals, by canceling seventeen million nine hundred and forty-one thousand five hundred and thirty-three (17,941,533) shares of the Company's issued shares, i.e. by reducing (1.06) shares for every (2) shares, in order to restructure the Company's capital, amortizing 100% of the total accumulated losses as on June 30, 2022, amounting to one hundred and seventy-nine million four hundred and fifteen thousand and three hundred thirty (179,415,330) Saudi riyals, after obtaining all the necessary regulatory 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 25-02-1444H (corresponding to 21-09-2022G). The above Approval was announced on the website of the Capital Market Authority and the Saudi Tadawul website on **/ ** / **** H, (corresponding to **/**/**** G).
- The Company has called for the said Extraordinary General Assembly and announced it on the Saudi Tadawul website on **/**/**** H (corresponding to **/**/**** G), and a copy of this offer is included in the Announcement.



Effect of Capital Reduction on the Company's Liabilities

- The Company appointed Bakertilly K.M.C. & Co. Chartered Accountants to prepare the auditor's report related to capital reduction (Limited assurance report on capital reduction) whereby reduction mechanism and expected effect on the Company's liabilities were indicated.
- There will be no effect of capital reduction on cash accounts of the Company and there will be no effect on shareholders equities and the Company's liabilities as indicated in the Auditor's Report.



Effect of Capital Reduction on the shareholders' equities

- The Company's accumulated losses as of June 30, 2022 AD amounted to one hundred and seventy-nine million four hundred and fifteen thousand three hundred and thirty (179,415,330) Saudi riyals, i.e. (53.16%) of the Capital, which will lead to a reduction of the Capital by one hundred and seventy-nine million four hundred and fifteen thousand three hundred and thirty (179,415,330) Saudi riyals to amortize (100%) of the total accumulated losses as on June 30, 2022 AD, bringing the total accumulated losses after the process of reducing (zero) Saudi riyals, i.e. (0%) 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, 2022) will be as follows:

Shareholders' Equity	Before Capital Reduction	Effect	After Capital Reduction
Capital	337,500,000	(179,415,330)	158,084,670
Statutory reserve	27,413,798	-	27,413,798
Accumulated losses	(179,415.330)	179,415.330	-
Reserve foreign currency translation	418,110	-	418,110
Total equity of the Company's Shareholders	185,916,578	-	185,916,578
Rights of non-controlling interest holders	5.469	-	5,469
Total Shareholders' Equity	185,922,047	-	185,922,047

Source: The attached chartered accountant's report and the interim condensed consolidated financial statements (unaudited) for the six-month period ended June 30, 2022



Effect of Capital Reduction on the shareholders' equities

- The Company intends to reduce its Capital from three hundred and thirty-seven million five hundred thousand (337,500,000) Saudi riyals to one hundred and fifty-eight million and eighty-four thousand six hundred and seventy (158,084,670) Saudi riyals, with a decrease of 53.16%, thus reducing the number of Company shares from thirty-three million seven hundred and fifty thousand (33,750,000) shares by canceling seventeen million nine hundred and forty-one thousand five hundred and thirty-three (17,941,533) shares of the Company's issued shares, i.e. at a cancellation rate of 1.06 shares for every 2 shares, to extinguish 100% of the total accumulated losses, which amounted to one hundred as on June 30, 2022 Seventy-nine million four hundred and fifteen thousand three hundred and thirty (179,415,330) Saudi riyals.
- 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 them will be distributed to the Company's shareholders, each according to their 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 their portfolio one thousand (1,000) shares of the Company's shares before the reduction.

Item (estimated)	Before the Capital Reduction	After the Capital Reduction	Unit
Owned shares before the capital reduction	1,000	1,000	Share
Share price before the capital reduction (closing on 14/09/2022G – default) *	12.30	12.30	SAR
Market value of shares before the capital reduction	12,300	12,300	SAR
Ratio of capital reduction	NA	53.16%	%
Number of shares cancelled from shareholder's investment portfolio	NA	532	Share
Owned shares after the capital reduction	NA	468	Share
Share price after the capital reduction (estimated)	NA	26.26	SAR
Market value of shares after the capital reduction (estimated)	NA	12,289.68	SAR
Value of compensation resulting from fractional shares (estimated)	NA	10.32	SAR

*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 after Capital reduction has been rounded from 26.2597 to 26.26 SAR.



Effect of Capital Reduction on the shareholders' equities

- It should be noted that shareholders who own one share in their portfolio will have these shares canceled and compensated; the table below shows how shareholders who own one, two, three, four or five shares are affected as follows:

item (estimated)	Value					Unit
Owned shares before the capital reduction	1.00	2.00	3.00	4.00	5.00	Share
Share price before the capital reduction (closing on 13/09/2022G – default) *	12.30	12.30	12.30	12.30	12.30	SAR
canceled shares	1.00	2.00	2.00	3.00	3.00	Share
Owned shares after the capital reduction	N/A	N/A	1.00	1.00	2.00	Share
Share price after the capital reduction (estimated) **	26.26	26.26	26.26	26.26	26.26	SAR
Market value of shares before the capital reduction	12.30	24.60	36.90	49.20	61.50	SAR
Market value of shares after the capital reduction (estimated)	N/A	N/A	26.26	26.26	52.52	SAR
Value of compensation resulting from fractional shares (estimated)	12.30	24.60	10.64	22.94	8.98	SAR

*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 after Capital reduction has been rounded from 26.2597 to 26.26 SAR.



Effect of Capital Reduction on the shareholders' equities

- 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 17/02/1444H (corresponding to 13/09/2022G) - hypothetical (Extraordinary General Assembly day) *	12.30	Saudi Riyals
Capital reduction value	179,415,330	Saudi Riyals
Number of shares revoked	17,941,533	Share
Number of shares outstanding and issued before capital reduction	33,750,000	Share
Number of shares outstanding and issued after capital reduction	15,808,467	Share
Market value of shares before capital reduction	415,125,000	Saudi Riyals
Company share price after capital reduction (estimated) **	26.26	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 after Capital reduction has been rounded from 26.2597 to 26.26 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 17/02/1444H (corresponding to 13/09/2022G) - hypothetical (Extraordinary General Assembly day) *	12.30	Saudi Riyals
(b) The number of shares before the reduction	33,750,000	Share
(c) The market value of the company's shares before the reduction = (a) x (b)	415,125,000	Saudi Riyals
(d) The number of shares after the reduction	15,808,467	Share
Share price after capital reduction = (c) ÷ (d)	26.26	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 100.0% of the total accumulated losses, which amounted as on June 30, 2022G, one hundred and seventy-nine million four hundred and fifteen thousand three hundred and thirty (179,415,330) Saudi riyals.



Necessary statutory approvals

- The Company obtained the approval of the Capital Market Authority on 25-02-1444H (corresponding to 21-09-2022G) on the request to reduce the Company's capital from three hundred and thirty-seven million five hundred thousand (337,500,000) Saudi riyals to one hundred and fifty-eight million and eighty-four thousand six hundred and seventy (158,084,670) Saudi riyals, with a decrease of 53.16%, thus reducing the number of the Company's shares from thirty-three million seven hundred and fifty thousand (33,750,000) shares to fifteen million eight hundred and eight thousand four hundred and sixty-seven (15,808,467) shares by canceling seventeen million nine hundred and forty-one thousand five hundred and thirty-three (17,941,533) shares of the Company's issued shares, and this approval was announced on the website of the Capital Market Authority and Saudi Tadawul website on 25-02-1444H (corresponding to 21-09-2022G)
- 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 Baker Tilly & Co. 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

Date	Event
24/08/2022G	The Company's board of directors' recommendation to reduce the capital from (337,500,000) Saudi riyals to (158,084,670) Saudi riyals.
07/09/2022G	Announcing the appointment of the financial advisor for the company's capital reduction process.
08/09/2022G	Submit a request to reduce the company's capital to the Capital Market Authority.
21/09/2022G	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.



Important Information

- 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 Jeddah - Al-Safa district), from the date of the approval of the Capital Market Authority at 25-02-1444H (corresponding to 21-09-2022G) until the date of the Extraordinary General Assembly meeting at **/**/****H (corresponding to **/**/*** *m) 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

