مجموعة الحكير
al hokair group

prospectus

Offer Period: 7 days starting

From 29/07/1435H (corresponding to 28/05/2014G)

To 05/08/1435H (corresponding to 03/06/2014G)

This prospectus relates to the sale of 16,500,000 Ordinary Shares representing 30% of the Share Capital of Abdulmohsen Al Hokair Group for Tourism and Development Company through an Initial Public Offering at an Offer Price of SAR (50) per Share

Abdulmohsen Al-Hokair Group for Tourism and Development Company

A Saudi Joint Stock Company with Commercial Registration No.1010014211, dated 16/08/1398H (corresponding to 22/07/1978G) pursuant to Ministerial Decision No. 2161, dated 11/08/1427H (corresponding to 03/09/2006G).

Abdulmohsen Al-Hokair Group for Tourism and Development Company ("**Al-Hokair Group**", the "**Company**" or "**Issuer**") was founded as a sole proprietorship in KSA operating under the name of Abdulmohsen Al Hokair Group for Trading and Industry with commercial registration number 1010014211 on 16/8/1398H (corresponding to 22/7/1978G) with a share capital of SAR 274,000. In 1991 the Company's share capital was increased from SAR 274,000 to SAR 71,674,000 by capitalizing the retained earnings. The Company was renamed Abdulmohsen Al Hokair Group for Operations and Maintenance on 8/4/1424H (corresponding to 9/6/2003G). In 2005 the share capital was increased from SAR 71,674,000 to SAR 249,000,000 by capitalizing the retained earnings. On 21/03/1427H (corresponding to 19/06/2006G) the Company changed its name to became "Abdulmohsen Al Hokair Group for Tourism and Development Establishment".The Company's headquarters are in Al-Dirah (Taameer Trade Centre, 2nd floor). The Company was converted from a sole proprietorship into a closed joint stock company pursuant to Minister of Commerce and Industry decision Number 2161 dated 11/08/1427H (corresponding to 3/9/2006G) and in the same year its share capital was increased from SAR 249,000,000 to SAR 271,674,000 (divided into 27,167,400 ordinary shares with a nominal value of SAR 10) each by capitalising SAR 271,400,000 from retained earnings. In 2009, the Company increased its share capital to SAR 407,511,000 (divided into 40,751,100 ordinary shares with a nominal value of SAR 10 each) by capitalising SAR 135,837,000 from retained earnings. In 2013 the Company's share capital was increased once again to SAR 550,000,000 (divided into 55,000,000 ordinary shares with a nominal value of SAR 10 each) by capitalising SAR 83,950,175 from the statutory reserve and SAR 58,538,825 from retained earnings (the "**Shares**").

The Initial Public Offering of the Company's shares (the "**Offering**" or "**Subscription**") will be for 16,500,000 Shares (the "**Offer Shares**" or **Subscription Shares**") with a fully paid nominal value of SAR 10 each. The Subscription price is set at of SAR (50) per Share. The Subscription Shares represent 30% of the issued share capital of the Company and shall be limited to two segments of investors; namely:

- **Tranche (A) Institutional Investors:** comprising a number of institutions, including mutual funds (the "**Institutional Investors**") (please see Section 1 "Terms and Definitions"). The number of Offer Shares to be allocated to Institutional Investors is 16,500,000 Offer Shares, representing 100% of the Offer. However, the Lead Manager has the right to reduce the number of Shares allocated to Institutional Investors to 8,250,000 Shares, representing 50% of the Offer Shares, in the event there is sufficient demand by Individual Subscribers (as defined in Segment (B) below) and subject to the CMA's consent. 80% of the Offer Shares allocated to this tranche will be reserved for investment funds, with this percentage adjustable depending on insufficient demand by other Institutional Investors for the remaining (20%) or if investment funds do not subscribe to the full 80% allocated to them; and

- **Tranche (B) Individual Subscribers:** Investors, comprising individuals holding the Saudi Arabian nationality, including a Saudi female divorcee or widow from a marriage to a non-Saudi who can subscribe for her own benefit, in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children. (collectively "Individual Subscribers" and individually "Individual Subscriber"). Subscription of a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature has been proved to have occurred, then the regulations shall be enforced against the concerned applicant. A maximum of 8,250,000 Shares representing 50% of the Offer Shares shall be allocated to Individual Subscribers. In the event of insufficient take up by Individual Subscribers, the Lead Manager may reduce the number of shares allocated to Individual Subscribers in proportion to the number of shares subscribed by them, subject to the approval of the Captial Market Authority ("**CMA**").

The Offer Shares are being sold by the shareholders whose names appear on pages XX and XXI (collectively, the "**Selling Shareholders**"), who collectively own 100% of the Company Shares. Upon completion of the Subscription, the Selling Shareholders will collectively own 70% of the Shares and will consequently retain a controlling interest in the Company. The major Shareholders of the Company are Abdulmohsen Al Hokair and Sons Holding Company (the "**Holding Company**"), Tourism Opportunities Commercial Company, and Abdulmohsen Bin Abdulaziz Al-Hokair. After deducting the Offering expenses, the proceeds from the Offering (the "**Net Proceeds**") will be distributed to the Selling Shareholders pro-rated to the percentage owned by each Shareholder in the Subscription Shares. The Company will not receive any part of the Net Proceeds (see section 8 "Use of Proceeds").The Underwriters will commit to fully underwrite the Offering (see section 12 "Underwriting Commitment").

The Offering will commence on 29/07/1435H (corresponding to 28/05/2014G) and will remain open for a period of 7 days up to and including the closing day on 05/08/1435H (corresponding to 03/06/2014G) (the "**Offering Period**"). Subscription to the Offer Shares can be made through any of the branches of Receiving Agents (the "**Receiving Agents**") listed on pages IX and X (see the "How to Apply" section on page XV) during the Offer Period. Institutional Investors can subscribe to the Offer Shares through the Institutional Investors Register Manager who establishes an Order Record prior the Offering being made available to Individual Subscribers.

Each Individual Subscriber who subscribes to the Offer Shares must apply for a minimum of 10 Shares. The maximum number of Offer Shares that can be subscribed to is 250,000. The balance of the Offer Shares, if any, will be allocated on a pro-rata basis based on the percentage subscribed to by each Subscriber to the total number of subscribed shares. In the event that the number of Subscribers exceeds 825,000, the Company will not guarantee the minimum allocation of 10 Offer Shares per Subscriber, and the Offer Shares will be allocated equally between all Subscribers. If the number of Subscribers exceeds 8,250,000, the allocation will be determined at the discretion of the Issuer and Financial Advisor after consulting with the CMA. Excess subscription monies, if any, will be refunded to the Subscribers without any charge or withholding by the Lead Manager or the Receiving Agents. Notification of the final allotment and refund of subscription monies, if any, will be made at the latest by 12/08/1435H (corresponding to 10/06/2014G) (see section 15 "Subscription Terms and Conditions").

The Company has one class of ordinary shares. Each Share entitles its holder to one vote, and each shareholder (a "**Shareholder**") with at least 20 Shares has the right to attend and vote at a General Assembly. No Shareholder benefits from any preferential voting rights. The Offer Shares will entitle holders to receive dividends declared by the Company from the date of this Prospectus and subsequent fiscal years (see section 7 "*Dividend Distribution Policy*").

Prior to the Offering, the Company Shares have never been listed either in KSA or elsewhere. An application has been made to the CMA for the admission of the Shares at the CMA: all supporting documents required by the CMA have been supplied, all relevant requirements have been met in full, and the approvals pertaining to this prospectus (the "**Prospectus**") and the Offering have been granted. Trading in the Offer Shares is expected to commence on the Saudi Stock Exchange (the "**Exchange**") shortly after the final allocation of the Offer Shares and the fulfilment of all relevant legal requirements (see the "Key Dates and Subscription Procedures" section on page XV). Upon listing of the Shares, Saudi nationals, residents of KSA, and nationals of other GCC countries as well as companies, banks, Saudi and GCC investment funds and foreigners will be permitted to trade in the Shares through Swap Agreements.

Sections titled "Important Notice" and "Risk Factors" of this Prospectus should be considered carefully prior to making a decision to invest in the Offer

Financial Advisor, Lead Manager, Bookrunner and Underwriter

السعودي الفرنسي كابيتال
Saudi Fransi Capital

Receiving Agents

samba سامبا | Al Rajhi Bank مصرف الراجحي | بنك الرياض riyad bank | بنك الجزيرة BANK ALJAZIRA | العربي anb | جدوى للإستثمار Jadwa Investment | البنك السعودي للاستثمار The Saudi Investment Bank | البنك السعودي الفرنسي Banque Saudi Fransi | NCB الأهلي

This Prospectus includes information given in compliance with the Listing Rules of the CMA. The Directors, whose names appear on page IV, collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The CMA and the Saudi Stock Exchange do not take any responsibility for the contents of this Prospectus, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document.

This Prospectus is dated 23/07/1435H (corresponding to 22/05/1435G)

This Prospectus is an English Translation of the Official Arabic Language Prospectus. In case of any differences between the two, the Arabic version shall prevail

Important Notice

This Prospectus contains detailed information relating to the Company and the Offer Shares. When applying for the Offer Shares, both corporate and individual investors will be treated as applying solely on the basis of the information contained in this Prospectus, copies of which are available for collection from the Receiving Agents or by visiting the websites of the Company (www.alhokair.com) or the CMA (www.cma.org.sa) and the Financial Advisor (www.sfc.sa).

Saudi Fransi Capital ("SFC") has been appointed by the Company to act as the financial advisor in respect to the Offering (the "Financial Advisor"). SFC has also been appointed as bookrunner (the "Bookrunner") and lead manager ("Lead Manager). The Company also appointed SFC as underwriter (the "Underwriter") in relation to the Offering.

This Prospectus includes information given in compliance with the Listing Rules of the Capital Market Authority of the Kingdom of Saudi Arabia ("CMA"). The Directors, whose names appear in section 5.1 "Corporate Structure and Governance – Board Members", collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

While the Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as at the date hereof, a substantial portion of the information in the Prospectus relevant to the market and industry in which the Company operates is derived from external sources While neither the Financial Advisor, the Company nor any of the Company's advisors, whose names appear on pages VII and VIII of this Prospectus (the "Advisors"), has any reason to believe that any of the market and industry information is materially inaccurate, neither the Company nor any of the Advisors has independently verified such information, and no representation or assurance is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus as at the date hereof is subject to change. In particular, the actual financial condition of the Company and the value of the Offer Shares may be adversely affected by future developments such as inflation, interest rates, taxation or other economic, political and any other factors, over which the Company has no control (see section 2 Risk Factors). Neither the delivery of this Prospectus nor any oral or written information in relation to the Offer Shares is intended to be — or should be construed as or relied upon in any way — as a promise, affirmation or representation as to future earnings, results or events.

The Prospectus is not to be regarded as a recommendation on the part of the Company, the Directors, the Selling Shareholders or the Advisors to participate in the Offering. Moreover, information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, financial situation or particular investment needs. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice in relation to the Offering and must rely on its own examination of the Company and the appropriateness of both the investment opportunity and the information herein with regard to the recipient's individual objectives, financial situation and needs.

the Offer is being made to:

(A) Institutioanl Investors comprising a number of institutions including mutual funds (please refer to Section 1 "Definitions and Abbreviations"); and

(B) Individual Investors, comprising individuals holding the Saudi Arabian nationality, including a Saudi female divorcee or widow from a marriage to a non-Saudi who can subscribe for her own benefit, in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children. Subscription of a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature has been proved to have occurred, then the regulations shall be enforced against the concerned applicant.

The distribution of this Prospectus and the sale of the Offer Shares in any country other than Saudi Arabia are expressly prohibited. All recipients of this Prospectus must inform themselves of any regulatory restrictions relevant to this Offering and the sale of the Offer Shares and to observe all such restrictions.

Industry and Market Data

In this Prospectus, information and data on the hospitality and entertainment industries in KSA and the United Arab Emirates (the “UAE”) has been obtained or derived from market research in respect to the hospitality and entertainment industries conducted on behalf of the Company by Colliers International, an independent consulting firm specialising in the industry (“Market Consultants” or “Colliers”).

It is worth mentioning that Colliers is a leading global firm specialisingin real estate services. Established in 1976 as a collaboration of three real estate service providers, Colliers has 12,300 employees operating in 522 offices across 62 countries. Colliers also offers various services to its clients including management of lease contracts, property management and development. Colliers assists property owners, occupants and developers in achieving their goals by offering various integrated property and commercial studies and services.

The Company believes the information obtained or derived from the market research in respect to the hospitality and entertainment industries conducted by Colliers is reliable, but none of the Company, the Directors, the Selling Shareholders or the Advisors have independently verified such information and data. As such, no guarantee can be provided as to its accuracy or completeness.

Neither Colliers, nor any of its affiliates, shareholders, directors or their relatives hold any shares or any interest in the Company. Colliers has given, and not withdrawn, its written consent to the use of the information supplied by it to the Company in the manner and format set out in this Prospectus.

Financial and Statistical Information

The proforma consolidated financial statements for the financial years ending on 31 December, 2010, 2011, 2012 and the notes thereto have been prepared by the Company’s Management and the report concerning its consolidation was prepared by the Auditors (Ernst & Young) in accordance with the review standards used in Saudi Arabia and the International Standard on Assurance Engagements (ISAE) 3420 to “issue a report on the consolidation of the consolidated proforma financial information included in a Prospectus” issued by the International Auditing and Assurance Standards Board (“IAASB”). It is worth noting that the Consolidated Proforma Financial Statements were based on a number of key assumptions in the Audited Consolidated Financial Statements of Sparky’s UAE and the audited financial statements of the Company.

Furthermore, the audited, consolidated financial statements for the financial year ending on 31/12/2013 and the accompanying notes have been prepared according to accounting standards promulgated by the SOCPA, which have been reviewed by Ernt & Young in accordance with the review procedures issued by SOCPA. Please see Section 18 “External Auditor’s Report”.

The financial and statistical information contained in this Prospectus is subject to rounding. Accordingly, where numbers have been rounded up or down, percentages may not add up to 100%.

Forecasts and Forward-Looking Statements

Forecasts set forth in this Prospectus have been prepared on the basis of certain stated assumptions. Future operating conditions may differ from the assumptions used and consequently no affirmation, representation or warranty is made with respect to the accuracy or completeness of any of these forecasts.

Certain statements in this Prospectus constitute “forward-looking statements”. Such statements can generally be identified by their use of forward looking words such as “plans”, “estimates”, “believes”, “expects”, “anticipates”, “may”, “will”, “should”, “expected”, “would be”, or the negative thereof or other variations of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company with respect to future events, and are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the Company to be significantly different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Prospectus (see section 2 “Risk Factors” and section 4 “The Company”). Should any of these risks or uncertainties materialize or any underlying assumptions prove to be inaccurate or incorrect, actual results may vary materially from those described in this Prospectus.

Subject to the requirements of the Listing Rules, the Company must submit a supplementary Prospectus to the CMA if, at any time after the Prospectus has been approved by the CMA and before admission to the Official List, the Company becomes aware that (i) there has been a significant change in any material information contained in the Prospectus or any document required by the Listing Rules, or (ii) additional significant matters have become known which would have been required to be included in the Prospectus. Except in the aforementioned circumstances, the Company does not intend to update or otherwise revise any information in this Prospectus, whether as a result of new information, future events or otherwise. As a result of the aforementioned and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Prospective investors, both corporate and individual, should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward looking statements.

Definitions and Abbreviations

For an explanation of certain defined terms and abbreviations, please see section 1 “Terms and Definitions”.

Corporate Directory

Table A–**1** Board of Directors

No.	Name	Position	Nationality	Age	Exec./Non-Exec.	Direct Shareholding (%)**		Indirect Shreholding (%)**		*Membership Date	Representing
						Pre Offering	Post Offering	Pre Offering	Post Offering		
1	Musaed Abdulmohsen Al Hokair	Chairman	Saudi	53	Executive	-	-	2.97***	2.08***	9/6/2012	AHHC
2	Sami Abdulmohsen Al Hokair	CEO and MD	Saudi	46	Executive	-	-	2.97***	2.08***	9/6/2012	AHHC
3	Majid Abdulmohsen Al Hokair	Vice Chairman	Saudi	47	Executive	-	-	2.97***	2.08***	9/6/2012	AHHC
4	Ahmed Aqeel Al Khateeb	Board member	Saudi	49	Non-Executive	-	-	5.26	3.68****	1/5/2012	Jadwa (as manager of the Tourism and Hospitality Fund)
5	Abdullah Abdulatif Al Fouzan	Board member	Saudi	49	Non-Executive/ Independent	-	-	0.63*****	0.44*****	1/5/2012	-
6	Walid Ibrahim Shukri	Board member	Saudi	45	Non-Executive/ Independent	-	-	-	-	1/5/2012	-
7	Faisal Mohammed Al Malik	Board member	Saudi	39	Non-Executive	-	-	-	-	30/5/2012	AMAH
8	Tariq Ziad Al-Sudairy	Board member	Saudi	38	Non-Executive	-	-	-	-	30/5/2012	Jadwa (as manager of the Tourism and Hospitality Fund)
9	Abdulaziz bin Saleh bin Abdullah Al Rebdi	Board member	Saudi	52	Non-Executive/ Independent	-	-	-	-	2/4/2013	-

Source: The Company

** Dates listed in this table are the dates of appointment into current positions as mentioned in the table. The resumés of the Board members detail their individual dates of appointment onto the Board.*

*** Ownership of shares does not signify membership of the Board. Each Board member owns shares to the value of SAR 10,000 (shares guaranteeing membership). This is pursuant to the Company's statutes and legal provisions related to corporate regulation.*

**** Through their shareholding in AHHC.*

***** Ahmad Al Khateeb owns this indirect share in the Company through shares owned legally (but not beneficially) in each of TOCC and Jadwa, which represent a gross indirect share of 5.075% in the Company share capital, in addition to the indirect beneficial ownership of 0.1844% in Jadwa Investment, which in turn owns units in the Jadwa Fund.*

****** Through his investment in Jadwa Fund units, which indirectly owns the benefit to the shares held by TOCC in the issued share capital.*

Registered Office Registered Office

Abdulmohsen Al-Hokair Group for Tourism and Development Company
Al Dirah-Al Taameer Centre-2nd Floor
P.O. Box 57750
Riyadh 11584
Kingdom of Saudi Arabia
Tel: +966 (11) 413 4444
Fax:+966 (11) 413 1111
Website: www.alhokair.com
Email: info@alhokair.com

مجموعة الحكير
al hokair group

Company Representative

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Tel: +966 (11) 413 4444
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Website: www.alhokair.com
Email: sami@alhokair.com

Company Representative

(2) Tariq Ziad Al Sudairi
Sky Towers – King Fahad St – 2nd Floor
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Riyadh 11584
Tel: +966 (11) 2114898
Fax: +966 (11) 4169865
Website: www.jadwa.com
Email: talsudairy@jadwa.com

Board of Directors’ Secretary

Khalid Al Ali Saleh Mekbaa
Al Dirah-Al Taameer Centre-2nd Floor
P.O. Box 57750
Riyadh 11584
Kingdom of Saudi Arabia
Tel: +966 (11) 413 1000
Fax: +966 (11) 413 1111
Website: www.alhokair.com
Email: khalidali@alhokair.com

Main Banks of the Companyy

National Commercial Bank
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P.O. Box 5171
Jeddah 21481
Kingdom of Saudi Arabia
Tel.: +966 (12) 646 4999
Fax: +966 (12) 661 2348
Website: www.alahli.com
Email: contactus@alahli.com

Al Jazira Bank
Jeddah – King Abdulaziz Road
P.O. Box 6277
Jeddah 21442
Tel.: +966 (12) 609 8888
Fax: +966 (12) 609 8881
Website: www.baj.com.sa
Email: info@baj.com.sa

Riyad Bank
Riyadh – Bathaa Street – opposite Saudi Post
P.O. Box 22622
Riyadh 11416
Kingdom of Saudi Arabia
Tel.: +966 (11) 401 3030
Fax: +966 (11) 414 9116
Website: www.riyadhbank.com
Email: customercare@riyadhbank.com

The Saudi Investment Bank
Riyadh – Al Maathar Street – adjacent to the Marriott Hotel
P.O.Box 3533
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Fax: +966 (11) 477 6781
www.saib.com.sa
Email: info@saib.com.sa

Share Registrar

Saudi Stock Exchange (Tadawul)
Abraaj Attawuneiya
700 King Fahad Road
P.O.Box 60612,
Riyadh 11555,
Kingdom of Saudi Arabia
Tel: +966 (11) 218 9999
Fax: +966 (11) 218 1220
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Email: webinfo@tadawul.com.sa

Advisors

Financial Advisor, Bookrunner and Lead Manager

Saudi Fransi Capital
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Legal Advisor to the Issuer

Freshfields Bruckhaus Deringer LLP,
in association with the Law Firm of Salah Al-Hejailan
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Auditors

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PricewaterhouseCoopers*
Kingdom Tower, floor 21
P.O. Box 8282
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Kingdom of Saudi Arabia
Tel: +966 (11) 465 4240
Fax: +966 (11) 211 0401
Website: www.pwc.com
Email: khalid.mahdhar@sa.pwc.com

** PWC was the Company's auditor in 2010 before the acquisition of Sparky's UAE*

Financial Due Diligence and Working Capital Advisors

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Riyadh – King Fahad Road
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Market Consultant

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Receiving Agents	
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	Bank AlJazira Jeddah – King Abdulaziz Rd. P.O. Box 6277 Jeddah 21442 KSA Tel.: +966 12 609 8888 Fax: +966 12 609 8881 Website: www.baj.com.sa Email: info@baj.com.sa
	Riyadh Bank Riyadh – Al Bathaa Rd. – opposite Saudi Post P.O. Box 22622 Riyadh 11614 KSA Tel.: +966 11 401 3030 Fax: +966 11 404 2618 Website: www.riyadbank.com Email: customercare@riyadbank.com
	Saudi Investment Bank Riyadh – Al Maazar Rd. – next to the Mariott P.O. Box 3533 Riyadh 11431 KSA Tel.: +966 11 478 6000 Fax: +966 11 477 6781 Website: www.saib.com.sa Email: ir@saib.com.sa
	Banque Saudi Fransi Riyadh – Al Maazar Rd. P.O. Box 56006 Riyadh 11554 KSA Tel.: +966 11 404 2222 Fax: +966 11 404 2311 Website: www.alfransi.com.sa Email: communications@alfransi.com.sa

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Fax: +966 11 279 1571
Website: www.jadwa.com
Email: info@jadwa.com

Al Rajhi Bank
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Riyadh 11411
KSA
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Fax: +966 11 460 0705
Website: www.alrajhibank.com.sa
Email: alrayesm@alrajhi-capital.com.sa

Samba Financial Group
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Riyadh 11421
KSA
Tel.: +966 11 477 4770
Fax: +966 11 217 7979
Website: www.samba.com.sa
Email: customercare@samba.com.sa

Note: The above advisors and Auditors have given and have not withdrawn their written consent to the publication of their names, addresses, and logos in the Prospectus, and do not themselves, or any of their employees, relatives or affiliates, have any shareholding or interest of any kind in the Company as of the date of this Prospectus.

Summary of the Offering

Company Name, Description and Establishment Information	Abdulmohsen Al-Hokair Group for Tourism and Development Company ("Al-Hokair Group", the "Company" or "Issuer") was founded as a sole Saudi proprietorship operating under the name of "Abdulmohsen Al Hokair Group for Trading and Industry" with commercial registration number 1010014211 on 16/8/1398H (corresponding to 22/7/1978G) with a share capital of SAR 274,000. It was renamed "Abdulmohsen Al Hokair Group for Operations and Maintenance" on 8/4/1424H (corresponding to 9/6/2003G). On 21/03/1427H (corresponding to 19/06/2006G) the Company changed its name to became "Abdulmohsen Al Hokair Group for Tourism and Development Establishment". The Company was converted from a sole proprietorship into a closed joint stock company pursuant to Minister of Commerce and Industry decision Number 2161 dated 11/08/1427H (corresponding to 3/9/2006G) with an increase in its share capital to SAR 271,674,000 divided into 27,167,400 ordinary shares with a nominal value of SAR 10 each by capitalizing SAR 271,400,000 from its retained earnings. Pursuant to a decision issued by the Extraordinary General Assembly that convened on 06/07/1430H (corresponding to 29/06/2009G), the Company increased its share capital to SAR 407,511,000 divided into 40,751,100 ordinary shares with a nominal value of SAR 10 each by capitalising SAR 135,837,000 from its retained earnings. The Company's share capital was increased again pursuant to the decision of the Extraordinary General Assembly convened on 23/07/1434H (corresponding to 2/6/2013G) to SAR 550,000,000 divided into 55,000,000 ordinary shares with a nominal value of SAR 10 each by capitalising SAR 83,950,175 from the statutory reserve and SAR 58,538,825 from retained earnings.
Activities of the Company	The Company was established for the purposes of set-up, management, operation and maintenance of amusement parks, entertainment centres, health and tourist resorts, restaurants, coffee shops, relaxation centres, gardens, hotels, furnished apartments, commercial centres and training and educational centres. Turist services, and organizing tours, passenger transportation services within cities and sububs. The travel and tourism agencies, commercial agencies, import and export services and marketing to others. In addition to the wholesale and retail trade in perfumes, cosmetics, and pure metals and gems and jewellery, photography tools, watches, sunglasses and beads, antiques, toys, leather goods, decorative materials, fabrics and textiles, foorwear, bicycles of all kinds.
Major Shareholders, their No. of Shares and Shareholdings before and after the Offering	The major shareholders of the Company are Abdulmohsen Al Hokair and Sons Holding Company, Tourism Opportunities Commercial Company and Abdulmohsen Bin Abdulaziz Al-Hokair. Their shareholding percentages and number of shares before and after the Offering are listed in Table (A-5).
Share Capital	SAR 550,000,000
Total Number of Issued Shares	55,000,000 fully paid Ordinary Shares
Nominal Value per Share	SAR 10 per share
Total Number of Offered Shared	16,500,000 Ordinary Shares

Percentage of Offer Shares	The Offer Shares represent 30% of the issued share capital of the Company
Offer Price	SAR 50 per Offer Share.
Total Value of Offer Shares	SAR 825,000,000
Use of Proceeds	The proceeds of SAR (799,000,000) from the Offering, (after deducting the Offering expenses that are expected to be approximately SAR 26,000,000), will be paid to the Selling Shareholders on a pro rata basis. The Company will not receive any proceeds from the Offer. (For further information on the use of proceeds, see section 8 "Use of Proceeds").
Number of Offer Shares Underwritten	16,500,000 Ordinary Shares
Total Offer Value Underwritten	SAR 825,000,000
Targeted Investors	Subscription shall be limited to: Tranche (A) Institutioanl Investors comprising a number of institutions including mutual funds (please refer to Section 1 "Definitions and Abbreviations") Tranche (B) Individual Investors, comprising individuals holding the Saudi Arabian nationality, including a Saudi female divorcee or widow from a marriage to a non-Saudi who can subscribe for her own benefit, in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children. Subscription of a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature has been proved to have occurred, then the regulations shall be enforced against the concerned applicant.
Total Offer Shares available for each of the Targeted Investor:	
Number of Offer Shares available to Institutioanl Investors	16,500,000 Shares. However, the Lead Manager has the right to reduce the number of Shares allocated to Institutional Investors to 8,250,000 Ordinary Shares, representing 50% of the Offer Shares, in the event there is sufficient demand by Individual Investors (as defined in Segment (B) above) subject to the CMA's consent.
Number of Offer Shares available to Individual Investors	Individual Investors will be allocated a maximum of 8,250,000 Ordinary Shares of the total Offer Shares.
Method of Subscription for each Targeted Investor:	
Institutioanl Investor	Institutional Investor as defined in section 1 "Terms and Definitions" may apply for subscription. The Bookrunner will provide the subscription applications to the Institutional Investor during the bookbuilding period.

Individual Investor	Subscription forms will be available during the Offering Period through the Lead Manager and Receiving Agents. The subscription will be accessible via internet, telephone and automated teller machines “ATMs” at the branches of the Receiving Agents that provide some or all of these channels to Subscribers who have recently participated in previous initial public offerings, provided that: 1) the Subscriber must have a bank account at the Receiving Agent which offers such services; and 2) there have been no changes to the personal information of the Subscriber since he/she last participated in an initial public offering.
Minimum number of Offer Shares to be applied by each of the Targeted Investor:	
Minimum Number of Offer Shares to be applied by Individual Investors	10 Ordinary Shares
Minimum Number of Offer Shares to be applied by Institutioanl Investors	100,000 Ordinary Shares
Minimum Subscription amount by each of the Targeted Investor:	
Minimum Subscription Amount by Individual Investors	SAR 500
Minimum Subscription Amount by Institutioanl Investors	SAR 5,000,000
Maximum number of Offer Share to be applied by each of the Targeted Investor:	
Maximum Number of Offer Shares to be applied by Individual Investors	250,000 Ordinary Shares
Maximum Number of Offer Shares to be applied by Institutional Investors	2,749,999 Ordinary Shares
Maximum Subscription Amount by each of the Targeted Investor:	
Maximum Subscription Amount by Individual Subscribers Investors	SAR 12,500,000
Maximum Subscription Amount by Institutioanl Investors	SAR 137,499,950
Method of Allocation and Refunds for each of the Targeted Investor:	
Individual Investors	The allocation and refund of the offer shares will be announced no later than Tuseday the 12/8/1435H (Corresponding 10/6/2014IG). 10 shares will be allocatted to each subscriber as a minimum. The remaining Offer Shares, if any, will be allocatted on a pro rata basis. If the number of Individual Subscribers exceeds 825,000, the Company cannot guarantee the minimum allocation and the Offer Shares will be equally allocatted between all Individual Investors. If the number of Subscribers exceeds 8,250,000, the offer shares will be allocated as suggested by the issuer, the Financial Advisor, after discussions with the CMA. The surplus, if any, will be refunded to the applicants without any commission or deduction by the Lead Manager or the Receiving Agents.

Institutional Investors	Offer Shares will be allocated to the Institutional Investors by the Bookrunner once the Individual Subscription process is complete.
Refund of Excess Subscription Monies	Excess subscription Monies, if any, will be refunded to Applicants without any charges, commission or withholdings by the Lead Manager or Receiving Agents. Notification of the final allocation and refund of subscription Monies, if any, will be made by latest 12/8/1435H (corresponding to 10/6/2014G) (Refer to Section 15 "Subscription Terms and Conditions").
Offering Period	The Offer will commence on 29/7/1435H (corresponding to 28/5/2014G) and will remain open for a period of 7 days up to and including the closing date which is 5/8/1435H (corresponding to 3/6/2014G).
Dividends	The Offer Shares will be entitled to receive any dividends declared by the Company after the Offering Period and for subsequent fiscal years. (See section 7 "Dividend Distribution Policy").
Voting Rights	The Company has one class of Shares. Each Share entitles the holder to one vote, and each Shareholder holding at least 20 Shares has the right to attend and vote at General Assembly Meetings. No Shareholder has any preferential voting rights. (See section 11.8.9 "Description of the Shares After the Offering – Voting Rights").
Restrictions on the Shares (Lock-in Period)	Tourism Opportunities Commercial Company may not dispose of any Shares for the period of six months from the date on which trading of the Offer Shares commences on the Exchange (the "Lock-in Period"). The remaining shareholders whose names are displayed in table 4-1 (A) in this prospectus face a lock-in period of 18 months. After the restriction period has elapsed, the Selling Shareholders may only dispose of their Shares after obtaining CMA approval
Shares previously listed by the Issuer	Prior to the Offering, their has been no public market for the Shares in the Kingdom or elsewhere. An application has been made to the CMA for the admission and all relevant approvals relating to the Offer and pertaining to this Prospectus, all other supporting documents requested by the CMA, and all relevant regulatory approvals required to conduct the Offering have been granted. Trading is expected to commence on the Exchange soon after the final allocation of the Shares. (See "Key Dates and Subscription Procedures" section on page XV).
Note about Risk Factors and the Important Notice	There are certain risks relating to an investment in the Offer. These risks can be generally categorised into (i) Risks related to the Company's Activity and Operations; (ii) Risks related to market in which the Company operates and (iii) Risks Related to the Offer Shares. These risks should be considered carefully prior to making an investment decision in the Offer Shares (see section 2 "Risk Factors" as well as the important notice in the beginning of this Prospectus prior to taking any decision to invest in the Offering Shares).

Expenses	The Selling Shareholders will be responsible for all of the costs and expenses associated to the Offer, which are estimated to be around SAR 26,000,000. These costs will be deducted from the proceeds of the Offer amounting to SAR (825,000,000). These expenses include the fees of the financial advisor, underwriter, the Company's legal advisor, due diligence advisor, working capital, reporting accountant in addition to the fees of receiving agents, and marketing agents, printing and distribution expenses and other relevant expenses.
Underwriter	Saudi Fransi Capital Riyadh – King Fahad Rd. P.O. Box 23454 Riyadh 11426, KSA Tel.: +966 11 282 6666 Fax: +966 11 282 6823 Website: www.sfc.ca Email: info@fransicapital.com.sa

Key Dates and Subscription Procedures

Table A-**2** Anticipated Time Table for the Offering

Offer Period is 7 days starting from:	29/7/1435H to 5/8/1435H (corresponding to 28/5/2014G to 3/6/2014G)
Last date for submission of Subscription Forms for Instituional Tranche	21/7/1435H (corresponding to 20/5/2014G)
Last date for submission of Subscription Forms and Payment for Subscribed Shares for Retail Tranche	5/8/1435H (corresponding to 3/6/2014G)
Notification of final allocation and Refund of any subscription funds (in the event of over-subscription)	12/8/1435H (corresponding to 10/6/2014G)
Expected date of commencement of trading in the Offer Shares	Upon completion of all relevant regulatory procedures – announcement will be made via the Tadawul site.

The above timetable shows indicative dates. Actual dates will be conveyed through announcements appearing in national daily newspapers and on the Tadawul website (www.tadawul.com.sa) and CMA websites (www.cma.gov.sa).

How to Apply for Subscription

Subscription in the Offer Shares is directed at and may be accepted by:

Tranche (A): Institutional Investors, including a number of institutions that include mutual funds (please see Section 1 "Terms and Definitions") These investors may apply in accordance with the conditions set forth in this Prospectus. Institutional Investors can obtain an application form from the Lead Manager of the Institutional Subscription Register.

Tranche (B): Individual Investors, including individuals having the Saudi Arabian nationality, including a Saudi female divorcee or widow from a marriage to a non-Saudi who can subscribe in the names of her minor children. Subscription of a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature has been proved to have occurred, then the regulations shall be enforced against the concerned applicant (each individually referred to as "Individual Subscriber" and together as "Individual Subscribers").

Subscription application forms will be available during the Offer Period at the branches of the Selling Agents. Subscription may also be made through the internet, telephone banking or ATMs at any of the Selling Agents, which offer such services to Retail Investors who have recently participated in previous initial public offerings, provided that the following requirements are satisfied:

1. The Individual Investor must have a bank account at the Selling Agent which offers such services; and
2. There should have been no changes in the personal information of the Individual Investor by way of exclusion or addition of any member of his family since such investor last subscribed in an initial public offering.

All Individual Investors are required to fill out the subscription application according to the instructions provided within the “Subscription Terms and Conditions” section of this Prospectus. The Company reserves the right to decline any subscription application, in part or in whole, in the event any of the subscription terms and conditions is not met. Amendments to and withdrawal of the subscription application shall not be permitted once the subscription application has been submitted. Furthermore, the subscription application shall, upon submission, represent a binding agreement between the Individual Investor and the Company. Please refer to Section 15 (Subscription Terms and Conditions) for further information.

Summary of Basic Information

This summary of basic information is intended to give an overview of the information contained in this Prospectus. As such, it does not contain all of the information that may be important to prospective investors. Accordingly, this summary must be read as an introduction to this Prospectus, and recipients of this Prospectus are advised to read the entire Prospectus in full. Any decision to invest in the Offer Shares by prospective investors should be based on a consideration of this Prospectus as a whole.

1. The Company

1 - 1 Overview of the Corporate History

The Company was established 35 years ago on 16/8/1398H (corresponding to 22/7/1978G), when Abdulmohsen Abdulaziz Al Hokair established Al-Rabwa Park in Riyadh, as a sole Saudi proprietorship operating under the name of “Abdulmohsen Al Hokair Group for Trading and Industry” with commercial registration number 1010014211 and a share capital of SAR 274,000. Since then, the Company has been growing and prospering in the entertainment field. The Company expanded its activities in this field to open other entertainment parks throughout the Kingdom. In hospitality, the Company opened its first hotel in Riyadh in 1988G named Al Andalusia Hotel.

In 1991, the Company increased its capital from SAR 274,000 to SAR 71,674,000 through a capitalisation of retained earnings. On 8/4/1424H (corresponding to 09/06/2003G), the Company was renamed “Abdulmohsen Al Hokair Group for Operations and Maintenance” with a share capital of SAR 71,647,000. In 2005 the share capital was increased from SAR 71,674,000 to SAR 249,000,000 through a capitalization of retained earnings. On 21/3/1427H (corresponding to 19/4/2006G), the Company changed its name to “Abdulmohsen Al Hokair for Tourism and Development Establishment”, with its headquarters located in Al-Dirah (Taameer Trade Centre, 2nd Floor).

The Company was converted from a sole proprietorship to a Saudi closed joint stock company pursuant to Minister of Commerce and Industry decision number 2161 dated 11/08/1427H (corresponding to 03/09/2006G) and in the same year increased its share capital from SAR 249,000,000 to SAR 271,674,000 (divided into 27,167,400 ordinary shares with a nominal value of SAR 10 per share) by capitalizing the retained earnings.

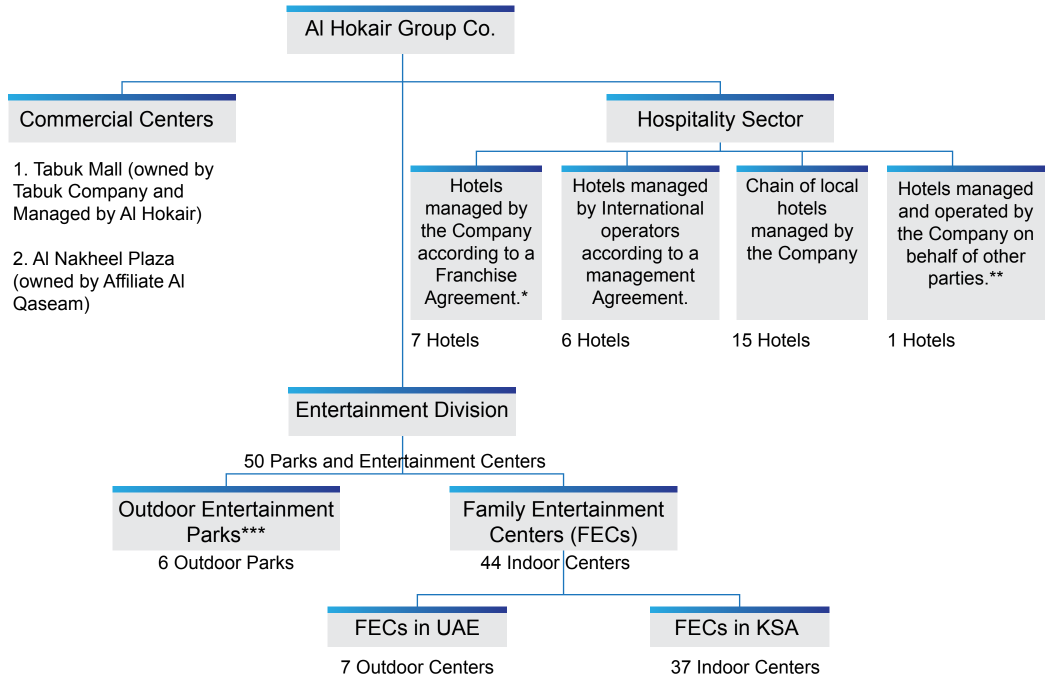
In 2009, the Company increased the paid-up capital again, from SAR 271,674,000 to SAR 407,511,000 (divided into 40,751,100 ordinary shares with a nominal value of SAR 10 per share) by capitalizing SAR 135,837,000 from retained earnings. On 2 June 2013G, the Company increased its share capital from

SAR 407,511,000 to SAR 550,000,000 (divided into 55,000,000 ordinary shares with a nominal value of SAR 10) by transferring SAR 83,950,175 from the statutory reserve and SAR 58,538,825 from retained earnings.

On 22 May 2012G, Jadwa Investment Company, on behalf of Jadwa Tourism and Hospitality Opportunity Fund (a Shariah-compliant closed-ended investment fund supported by the Jadwa Investments internal Shariah committee) and as the fund manager entered into a Sale Arrangement Agreement with Abdulmohsen Abdulaziz Al Hokair ("AMAH") and Abdulmohsen Al Hokair and Sons Holding Company ("AHHC"), under which it arranged for the acquisition of 35% of the then issued share capital of the Company from AMAH and AHHC, that is to buy 14,262,885 shares of Company's shares (TOCC's shareholding increased to 19,250,000 shares as a result of the Company's share capital increase on 02/06/2013G). On 31/12/2012, the Company, entered into a share purchase agreement with Sami Al Hokair to purchase Sparky's Land, Sparky's Digital, Sparky's Oceanica and Sparky's RAK (please refer to section 11-4-2 "Summary of Sale Arrangement Agreement with TOCC":).

1 - 2 The Company's principal activities

The Company's activities are primarily in the hospitality and entertainment industries. The activities in the hospitality industry consist of managing and operating hotels and restaurants across KSA and UAE. The Company's activities in the entertainment industry consist of managing and operating indoor and outdoor entertainment venues and water parks in numerous locations throughout KSA and UAE. The Company also plans to expand its locations throughout KSA and UAE for its hospitality and entertainment operations. In addition to its main activities, the Company manages and operates two commercial centres.



* This category includes local hotels in addition to furnished apartments and resorts
** Number of hotels managed by the company is 28 hotels (One hotel foe which the company plays a supervisory role over its operations for a related party is not counted which is Golden Tulip Dubai)
*** The number of outdoor parks managed by the Company is 6 parks (One park for which the Company plays a supervisory role over its operations for a related party is not counted which is Al Hokair Land)

1 - 2 - 1 Hospitality Division

The Company is a key player in the hospitality field as it operates several mid-scale international hotels in addition to several furnished apartments and resorts. The Hospitality Division is a key revenue source for the Company and contributed by approximately 61% of the Company's overall revenues in 31/12/2013G. As of 31/12/2013G, the Hospitality Division consisted of 28 hotels (including furnished apartments) and 13 restaurants.

In the Hospitality Division, the Company's activities include hotels, furnished apartments and other activities related to restaurants as shown below.

1 - 2 - 1 - 1 Hotels

The Company has established 28 hotels (including three furnished apartments and three resorts) in mid-scale categories across the KSA. In addition to the 28 hotels, the Company oversees the management of another hotel on behalf of a related party, and it is Golden Tulip Suites Dubai in the UAE which is owned by Abdulmohsen Abdulaziz Al Hokair Group for Operations and Maintenance Est. (see section 11.3 "Summary of Related Party Agreements and Transactions" for more information regarding this hotel's management agreement). During the first quarter of 2013G, the Company opened the Hilton Double Tree in Dhahran and the Golden Tulip in Jubail in KSA as part of the 28 hotels managed and operated by the Company. The Company is also associated with some of the finest international and regional brands in the hotel industry, namely Holiday Inn, Hilton Garden Inn, Hilton Double Tree, Novotel, Suite Novotel, Golden Tulip and Tulip Inn.

The Company manages and operates these Hotels in four different models comprising: (1) Hotels managed by the Company based on franchise agreement (they are 15 out of 28 Hotels as of the date of this prospectus); (2) Hotels Managed by international operator based on management agreement (they are 6 out of 28 Hotels as of the date of theis prospectus); (3) Local Hotels managed by the Company (they are 7 out of 28 Hotels as per the date of this prospectus) and (4) Hotels managed by the Company Related Parties (it is 1 hotel as of the date of this prospectus)

As of 31/12/2013G, the Company's hotels have a wide geographical footprint in KSA spread across 11 major cities and have a capacity of 3,473 rooms (the actual number of available rooms is 3,305 at present due to renovations taking place in some of the Company Hotels). The total area of these rooms covers approximately 572,943 square meters (which comprises the overall plot and floor sizes). The Company Hotels are not only present in the main cities of Riaydh, Jeddah and Dammam, but also in other cities such as Hail, Al Baha, Yanbu, Taif, Khobar, Dhahran, Jubail and Haql. The Company's hotels are situated in prime locations adjacent to major business and shopping districts and government offices.

The Company's Hotels offer high quality accommodation services: a clean environment, a wide variety of foods and beverages, different types of restaurants and coffee shops, meeting and conference rooms; and health and spa facilities.

The Company's hotel clientele fall into three main categories: (1) corporate/business travel, (2) leisure travel (visiting friends and family) and (3) religious tourism.

The following table shows the key performance indicators for the hotels during the period from 2008G to 2013G:

Table A–3 Al Hokair Group's Hotels KPIs

Year	2008G	2009G	2010G	2011G	2012G	2013G
No. of available rooms	2,103	2,591	2,645	2,817	3,226	3,305
Room occupancy Rate (%)	58%	53%	57%	61%	59%	61%
Average Daily Rate (SAR)	410	447	452	462	480	484
Average Revenue Per Available Room (SAR)	239	236	259	283	285	293

Source: The Company

The Company continued to increase its portfolio of hotels and number of rooms from 2,645 in 2010G to 3,305 in 2013G; an increase of 25%. The total number of rooms was 3,305 rooms as of 31/12/2013G. The average daily rate continued to increase from SAR 410 in 2008G to SAR 484 in 2013G. The difference between the total and available number of rooms is because some rooms were undergoing renovations as of that date.

The Company, is keeping in line with its strategy plans to enhance its hotel portfolio in the midscale category in order to appeal to a wider clientele and further strengthen its position as one of the leaders in the hospitality sector. The Company recently opened the Hilton Double Tree in Dhahran and the Golden Tulip in Jubail in KSA during the first quarter of 2013G. There are further plans to open three more hotels in 2014G: the Hilton Double Tree in Riyadh, the Radisson Blu in Jizan and Holiday Inn in Jeddah. These planned hotels will add another 549 new rooms to the current capacity. Furthermore, the Company plans to manage and operate another third-party hotel in 2014G: the Mena Suites in Khobar, which has a capcity of 39 rooms and 35 suites.

Al Hokair also entered into a joint venture with Rezidor Hotels ApS Danmark ("Rezidor") during the final quarter of 2013G. The joint venture aims to develop and manage the "Radisson Blu" and "Park Inn" brands in KSA (the "Partnership"). Rezidor is one of the world's fastest growing hotel companies. Rezidor owns a group of hotels under world renowned brands including Radisson Blu, Park Inn and Missoni (please see section 4.5.1 "Hospitality Division" and Section 11.2 "Summary of Material Agreements" for more information about the joint venture with Rezidor).

1 - 2 - 1 - 2 Furnished apartments

The Company manages and operates three furnished apartment buildings in order to offer tailored accommodation to guests who require a longer stay. Furnished apartments contribute less than 1% contribution to total revenue. The Company does not have any current plans to expand this division in the future.

1 - 2 - 1 - 3 Restaurants

The Company has a variety of international and locally developed restaurants brands (please see Table 4.16 "Al Hokair Group Restaurants" for information about international brands) with a wide geographical presence in more than 5 major cities across KSA. At present, the Company has 13 restaurants including 7 restaurants located within the Company's entertainment centres, offering a wide range of cuisines to appeal to its patrons.

The Company plans to maintain its present restaurants and improve their performance and operations, or sell them to an investor at an opportune time. The Company has no current plans for major future expansions in the restaurant management and operation business.

1 - 2 - 2 Entertainment Division

The second main pillar of the Company's operations is the Entertainment Division which contributed close to 35% of the Company's revenues in 2013. The Company's entertainment venues have a wide geographical spread covering 16 locations in KSA. The Company manages and operates 43 entertainment venues in KSA with total area of 862,456 square meters as well as 7 entertainment venues in the UAE with a total area of 19,810 square meters (this figure includes venues owned by the Company, its subsidiaries and affiliates). In addition, the Company oversees the management of Al Hokair Land on behalf of a related party, Al-Riyadh Company for Tourism, Amusement & Commercial Project Abdulmohsen Al Hokair and Partners, in consideration for a management fee consisting of 5% of the total revenue on a monthly basis (see section 11.3 "Summary of Related Party Agreements and Transactions" for more information regarding the management agreement related to this centre).

It is worth noting that the demand for the Company's entertainment venues is primarily driven by the sizable young population of KSA and UAE. Approximately, 40.9% of the population is below the age of 19 In KSA, while 7.5% of Emirati citizens are under the age of 18. Entertainment venues in KSA received around 55.3 million visitors in 2012G, the Company's Family Entertainment Centres ("FECs") were visited by over 9.2 million visitors in the same time period (8.5 million visitors in KSA, 0.7 million visitors in UAE). The Company's venues have also benefitted from increased domestic and international tourism, with the number of tourists in KSA increasing to 41.4 million in 2012G.

The Company's entertainment venues are divided into two main models as follows:

1 - 2 - 2 - 1 Family Entertainment Centres (FECs)

The Company's entertainment venues in KSA have a wide geographical footprint with locations in 16 cities across KSA. The FECs are mostly located in the shopping malls of the major cities of Riyadh, Jeddah and Dammam as well as other cities like Taif, Jizan, Abha and Tabouk. FECs offer various rides and games for kids and teenagers as well as games that appeal to young adults.

The Company has also increased its footprint in the wider GCC market and acquired Sparky's UAE in 2012G, which manages and operates a number of indoor entertainment venues in the UAE. The Company had been managing Sparky's UAE entertainment venues in the UAE since 2008G. As of 31/12/2013G, Sparky's UAE had 7 locations spread across four of the seven Emirates with a total area of 19,811 square meters, offering a comprehensive range of recreational and entertaining activities for families including roller coaster rides, skill games, river rafts and other rides and games. The Company has also recently ventured into the "edutainment" field alongside a number of GCC investors by establishing Alkhalijia Entertainment Co. on 18/09/2013. Alkhalijia Entertainment Co. will manage and operate edutainment centres expected to initially open in Riyadh and Jeddah during the first quarter of 2015G under the name "Minopolis".

1 - 2 - 2 - 2 Outdoor Entertainment Venues

The Company has six outdoor venues in different cities in KSA: two in Taif, one in Dammam, one in Yanbu, one in Baljurashi and one in Jeddah. These venues saw around 917,000 visitors during 2013G. The outdoor parks provide many facilities including thrill rides and games for visitors of all age groups, especially families, in addition to open areas and gardens suitable for family outings and aqua rides, artificial lakes and many restaurants and football fields. These outdoor venues are more prone to seasonal and holiday variability. For instance, parks in Taif are usually busy around the summer and other public holidays. Due to weather conditions, seasonal factors and entertainment trends there was adecreased revenue from outdoor entertainment venues during the period from 2010G to 2013G; the Company closed 4 outdoor entertainment venues during the past two years. The Company may, in future, close more of its low revenue outdoor venues that are impacted by seasonality and the weather.

Table A–4 Al Hokair Group's Entertainment Division KPIs

Year	2008	2009	2010	2011	2012	2013
No. of visitors	6,138,095	6,778,941	7,840,566	8,338,668	9,176,880	8,678,745
Average amount spent by each visitor (SAR)	26	24	26	27	29	30

Source: The Company

The Company is planning to open two more FECs in KSA in 2014G, in Riyadh and Dammam. The Company is also planning to open an indoor venue in Fujairah, UAE during the first quarter of 2014G.

The Company is at present studying the re-branding of all its trademarks so that all its venues will either be known as "Sparky's" or "Digital Land" due to the appeal these brands have with clients and the ability to market them effectively.

2. Shareholding Structure of the Company

The following table summarises the shareholding structure of the Company before and after the Offering:

Table A–5 Shareholding Structure of the Company Before and After the Offering

Shareholder	Pre-Offering			Post-Offering		
	No. of Shares*	%	Capital (SAR)	No. of Shares*	%	Capital (SAR)
Abdulmohsen Al-Hokair & Sons Holding Company	24,750,000	45%	247,500,000	17,325,000	31.5%	173,250,000
Tourism Opportunities Commercial Company	19,250,000	35%	192,500,000	13,475,000	24.5%	134,750,000
Abdulmohsen Bin Abdulaziz Al-Hokair**	9,795,500	17.81%	97,955,000	6,856,850	12.47%	68,568,500
Bandar Khalid Abdulmohsen Al-Hokair	401,500	0.73%	4,015,000	281,050	0.51%	2,810,500
Bader Khalid Abdulmohsen Al-Hokair	401,500	0.73%	4,015,000	281,050	0.51%	2,810,500
Ahmad Khalid Abdulmohsen Al-Hokair	401,500	0.73%	4,015,000	281,050	0.51%	2,810,500
Public	-	-	-	16,500,000	30%	165,000,000
Total	55,000,000	100%	550,000,000	55,000,000	100%	550,000,000

Source: the Company

* *These shares represent shares guaranteeing Board Membership.*

** *These shares are legally owned by Abdulmohsen Abdulaziz Al Hokair although he assigned beneficiary title to Abdulmohsen Abdulaziz Al Hokair Group for Operations and Maintenance Est. pursuant to a deed of assignment dated 26/1/2014G so that these share are entered in the financial statements of Abdulmohsen Abdulaziz Al Hokair Group for Operations and Maintenance Est. These shares will remain legally owned by AMAH after the Offer and will not affect his capacity as shareholder with regards to disposal or transaction rights*

An overview of the Selling Shareholders is set out in Section 4.4 "Shareholding Structure and Overview of the Selling Shareholders".

3. Company Mission, Vision and Strategy

Vision

To be the leader in the hospitality and entertainment sectors in the contries it operates in.

Mission

To be the best and most reliable choice for its clients, offering quality, value and leisure by capitalising on vast experience in the hospitality and entertainment sectors and partnerships with select international brands.

Values and Goals

"One Company, Two Main Sectors": focus on investment in the hospitality and entertainment industries through the following values and goals:

- Maximizing shareholders' Wealth: striving for continued growth and increasing profit to maximize shareholders' wealth.

- Strengthening and developing skills and leadership: attracting and localizing leadership and young talent through vocational training and development of personal skills, in addition to revitalizing work environments, encouraging initiative, granting autonomy, determining clear career paths and incentivizing achievement.
- Reliable customer service: commitment to providing high quality services with the utmost level of professionalism and reliability, while continuously developing services to be aligned with the customers' needs and requirements.
- Maintain operational excellence: maintaining a corporate culture that strives to reach high efficiency and continued development while maintaining quality and the highest level of safety, and implementing procedures to ensure individual and group accountability.
- Social responsibility: maintaining a balance between work and social privileges, ensure environmental protection and continued growth, working responsibly and upholding ethics within the societies where the Company operates.

Strategy

In the Hospitality Division, the Company aims to maintain its focus on the Saudi market by strengthening its leading position in various areas. The Company will enhance its market status by developing its current hotel portfolio and opening new mid- and upscale international brand hotels in line with demand and based on the Company's in-depth knowledge of the market and its experience in finding, leasing and equipping new locations. The Company will continue to primarily target business travellers and domestic tourists.

As for the Entertainment Division, the Company aims to strengthen its leading position in KSA. It also aims to invest selectively in UAE to be the first company to operate in areas that have a shortage of entertainment facilities. The Company will primarily grow through opening new FECs in addition to constructing standalone entertainment centres in select locations based on market needs. The Company will primarily target toddlers and children, and to a certain extent, older youth, by utilising its strong brands and developing new entertainment concepts.

4. Key Strengths

There are a number of factors that give the Company an advantage over potential competitors and provide a platform for sustainable and profitable growth. These factors allow the Company an ability to generate business continuously in the hospitality and entertainment divisions and also to compete with other companies in these fields by focusing on its key strengths. These five competitive factors are:

- Portfoilo of well-known international hotel brands
- Established strategic partnerships
- Unique investment model with market leading capital returns
- Large-scale, diversified operations
- Experienced senior management

5. Overview of the Hospitality and Entertainment Sectors in KSA

Information contained in this section is taken from the "Overview of the Hospitality and Entertainment Sectors in KSA" prepared by Colliers International exclusively for the use of the Company.

5 - 1 KSA Hospitality Market and Tourism Economics

The contribution of tourism to GDP primarily reflects the economic activity generated by primary industries such as hotels, travel agents, airlines and other passenger transportation services, but also reflects secondary industries such as the restaurant and leisure sectors. The total contribution of travel and tourism to the KSA GDP was SAR 119 billion in 2011G, rising by 5% in 2012G to reach SAR 125 billion. The tourism economy in KSA grew at a CAGR of 6.9% between 2008G and 2012G.

Despite fluctuations in the number of tourists between 2005G and 2012G, the aggregate number of Inbound and domestic tourists increased as a whole from 38.3 million tourists in 2005G to 41.4 million tourists in 2012G (estimate).

Overall, of the total 39.7 million nights spent by domestic and inbound tourists, 32.4% of the demand is met by hotel establishments, while the remaining demand is satisfied by other forms of accommodation.

5 - 2 KSA Entertainment Market Overview

KSA's entertainment sector presently offers a limited number of opportunities, as fewer types of group entertainment are available as compared to other countries. This means that family parks and indoor entertainment centres are the major destination for fun and amusement seekers outside their homes. In addition, the conjunction of shopping with entertainment provides these centres with the possibility to attract a segment of shoppers. Seasonality also impacts the entertainment sector, as most of these entertainment centres experience increased footfall over the weekends and during holiday seasons.

KSA has a young and fast growing population, where 69% of its 29 million populations are under the age of 35. More specifically, children of the age 19 and below constitute 40.9% of the total population, which represents the age group with the highest demand for entertainment centres. Thus, demand for entertainment centres is expected to increase with the growth of the population. At present, certain modes of entertainment such as cinemas, concert halls, mixed entertainment parks and family rides within FECs are not allowed, which limits entertainment options available on the market in addition to KSA's almost year-round hot weather. As such, entertainment demand is focused on food and beverages, FECs and malls.

6. Summary Financial Information

The selected financial information presented below is based on the pro-forma financial statements for the financial years ended 31 December 2010G, 2011G, 2012G and the reviewed consolidated financial statements for the financial year that ended on 31 December 2013, including, in each case, the notes thereto. The below financial summary should be read with the Company's financial statements.

On 31 December 2012, the Company acquired Sparky's UAE in the UAE and the management prepared the proforma consolidated financial statements to reflect the impact of the acquisition on the Company's position and cash flows for the years ending on 31 December 2010G, 2011G and 2012G as if the acquisition had taken place on 01/01/2010G. It is worth noting that the proforma financial statements were consolidated by Management, and the report on their consolidation was prepared by the Auditors (Ernst & Young) based on the International Standard on Assurance Engagements (ISAE-3420), 'Assurance Engagements to Report on the Compilation of Proforma Consolidated Financial Information included in the Prospectus' issued by the International Auditing and Assurance Standards Board ("IAASB"). Also noteworthy is that the proforma financial statements are based on the audited consolidated financial statements of Sparky's UAE and Al Hokair Group's audited consolidated financial statements

Furthermore, the audited consolidated financial statements for the year ending 31/12/2013G were prepared according to the accounting standards issued by the SOCPA (please see Section 18 – External Auditor's Report).

Table A–6 Key Financial Highlights (SAR '000)

	2010G	2011G	2012G	2013G
Statement of Income				
Revenue	649,036	722,588	811,629	880,063
Direct Costs	420,611	446,851	501,720	554,208
Gross Profit	228,425	275,737	309,909	325,855

	2010G	2011G	2012G	2013G
Selling, Marketing, General and Administrative Expenses	113,203	125,982	147,211	156,411
Net Income	139,130	175,781	185,845	195,654
Balance Sheet				
Current Assets	206,728	348,284	158,389	329,153
Non-Current Assets	879,431	874,090	842,549	885,552
Total Assets	1,086,159	1,222,373	1,000,937	1,214,705
Current Liabilities	247,022	228,615	249,847	269,139
Non-Current Liabilities	188,372	167,223	172,714	187,013
Total Liabilities	435,394	395,838	422,561	456,153
Shareholders' Equity	650,765	826,536	578,375	758,552
Cash Flows				
Operating Activities	223,737	287,737	205,976	196,477
Financing Activities	(67,184)	(232,612)	(106,104)	39,439
Investment Activities	(151,238)	(56,571)	(63,593)	(238,778)
Net Cash Flows	5,315	(1,446)	36,279	(2,863)
Key Performance Indicators				
Gross Profit Margin	35.2%	38.2%	38.2%	37%
Net Profit Margin	21.4%	24.3%	22.9%	22.2%
Total Current Assets/Total Current Liabilities	0.84	1.52	0.63	1.22
Total Liabilities/Total Assets	40.1%	32.4%	42.2%	37.6%
Total Liabilities/ Total Equity	66.9%	47.9%	73.1%	60.1%
Return on Equity	21.4%	21.3%	32.1%	25.8%
Return on Assets	12.8%	14.4%	18.6%	16.1%
Revenue Growth Rate	-	11.3%	12.3%	8.4%
Net Income Growth Rate	-	26.3%	5.7%	5.3%

Source: Proforma financial statements for the years 2010, 2011 and 2012 and audited consolidated financial statements for year ending on 31/12/2013G.

TABLES AND FIGURES

1. Terms and Definitions

The following sets out certain definitions and abbreviations used in this Prospectus.

Defined Term	Definition and Abbreviations
AAMH	Ahmed Khalid Abdulmohsen Al Hokair
Admission	Admission of the Offer Shares to trading on the Exchange; and where the context allows, the submission of the admission form and listing approval.
ADR	Average Daily Rate is a performance indicator in the hospitality sector used to compare the performance of competing hotels. ADR is calculated by dividing total room revenue over the number of rooms.
Advisors	The Company's advisors in relation to the Offering whose names appear on page VIII of this Prospectus
Affiliates	Together the Tourism and Real Estate Development Co ("Touresco"), Tarfeeh Company for Tourism Projects ("Tarfeeh"), Al Qaseem Company for Entertainment and Commercial Projects ("Al-Qaseem") and Asateer Company for Entertainment ("Asateer")
AHHC	Abdulmohsen Al Hokair & Sons Holding Company, Reg. Certificate no. 1010168806 dated 10/06/1422H
Al Hokair Group or Company	Abdulmohsen Al-Hokair Group for Tourism and Development Company. Reg. No. 1010014211 dated 16/08/1398H.
Al Hokair Group Est.	Abdulmohsen Abdulaziz Al Hokair Group Establishment for Operation and Maintenance, Reg. No. 1010051616 dated 12/01/1404H whose name changed from "Abdulmohsen Abdulaziz Al Hokair Group (Riyadh Plastics Factory)" to "Abdulmohsen Abdulaziz Al Hokair for Trading" on 02/07/1433H. The name changed again on 16/02/1435H to "Abdulmohsen Abdulaziz Al Hokair Group Establishment for Operation and Maintenance"" The purpose of the organization is the maintenance, operation and cleaning of recreational facilities, restaurants, hotels and public buildings including residential, commercial, educational and health facilities, and demolition work and the repair, maintenance and landscaping of gardens. Al Hokair Group Est. includes the following establishments: 1. Al Hokair Group Est.'s investment funds in KSA which invests in publicly offered securities trading on Saudi Stock Exchange according to the rules and regulations governing investment funds; 2. persons licensed to trade in securities as principals; and 3. companies listed on the Saudi stock exchange through portfolieos managed by licensed persons and bank or insurance sector companies listed on the Saudi Stock Exchange, as long as such investments do not lead to a conflict of interest and are in accordance with CMA regulations.
AMAH	Abdulmohsen Abdulaziz Fahad Al Hokair
Amusement Solutions	A company that provides Arcade games and equipment for various types of thrill rides
Arcade	Electronic and video game devices usually found in entertainment venues and parks.
Articles of Association	The Articles of association of the Company
Auditor	Ernst & Young for the years 2011, 2012 and 2013, and PWC for 2010.

Defined Term	Definition and Abbreviations
CMA	The Capital Market Authority of KSA
BAMH	Bandar Khalid Abdulmohsen Al Hokair
Bay Tek	A company that provides childrens' games, commercial products, arcade games and spare parts for games.
BDAMH	Bader Khalid Abdulmohsen Al Hokair
Board or Board of Directors	The board of directors of the Company
Business Day	Any day on which the Receiving Agents are open for normal business with the exception of Fridays, Saturdays and public holidays.
By-Laws	The by-laws of the Company
CAGR	Compound Annual Growth Rate
Cheer Amusement	A large Chinese company established in 1994. It specializes in designing and installing "Soft Play" toys and indoor and outdoor toddler playgrounds.
Chairman	The chairman of the Board
CML	Capital Market Law issued under Royal Decree M/30 dated 2/6/1424H as amended
Colliers or Market Consultant	Colliers International
Companies Regulations	The Companies' Regulations issued under Royal Decree No. M/6 dated 22/3/1385H, as amended
Corporate Governance Regulations	The Corporate Governance Regulations of the KSA, issued by the CMA pursuant to Resolution No. 1/212/2006 dated 21/10/1427AH (corresponding to 12/11/2006G), amended by Resolution No. 1/10/2010 of the CMA dated 30/03/1431H (corresponding to 16/03/2010G).
Institutional Investors	Institutional Investors that are eligible to place bids in the IPO must fall under one of the following categories: (a) Investment funds that are established in the KSA in accordance with the regulations of the CMA (b) Authorized persons who are authorized by the CMA to carry on the business of dealing as principals in accordance with the regulations of the CMA (c) Banking and insurance companies that are listed on Tadawul, and (d) Publicly listed companies on Tadawul with discretionary investment portfolios managed by an Authorized Person Institutional Investors that do not fall under any of the above listed categories may not place bids in the IPO or participate in the Institutional Offer.
Directors or Members of the Board	The members of the Company's Board of Directors
EIU	The Economist Intelligence Unit; one of the most important sources of financial and business information. The EIU gathers financial and economic data and statistics and provides reports to both public and private entities.
Exchange or Tadawul	The Saudi Stock Exchange or the automated Saudi securities trading system.

Defined Term	Definition and Abbreviations
External Restaurant	The restaurants and cafes managed by the Company outside of Hotels.
Extraordinary General Assembly	An extraordinary general assembly of the Shareholders convened in accordance with the By-Laws
Fabbri	A company that specializes in designing and manufacturing rides for entertainment venues and other games custom made to attract clients in entertainment centres.
FECs	Family Entertainment Centres
Financial Advisor	Saudi Fransi Capital
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
General Assemblies	An Extraordinary General Assembly and/or an Ordinary General Assembly, and “General Assembly” shall mean any general assembly of the Company
Government	Government of KSA
Hotels	Refers to hotels, resorts and furnished apartment buildings.
IAAPA	The International Association of Amusement Parks and Attractions
IALEI	The International Association for the Leisure and Entertainment Industry
Individual Subscribers	Saudi natural persons, including Saudi women who are divorced or widowed and who have children by a non-Saudi husband.
KSA	The Kingdom of Saudi Arabia
Labour Law	The Labour Law issued under Royal Decree No.M/51 dated 23/8/1426H, as amended.
Lead Manager or Institutional Investors Record Manager	Saudi Fransi Capital
Listing Rules	The Listing Rules issued by the CMA pursuant to Article 6 of the CML promulgated under Royal Decree No. M/30 dated 2/6/1424H (corresponding to 31 July 2003G) as amended from time to time.
LLC	Limited Liability Company
Lock-in Period	Tourism Opportunities Commercial Company may not dispose of any Shares for the period of six months from the date on which trading of the Offer Shares commences on the Exchange (the “Lock-in Period”). The remaining shareholders whose names are displayed in table 4-1 (A) in this prospectus face a lock-in period of 18 months. After thisperiod has elapsed, the Selling Shareholders may only dispose of their Shares after obtaining CMA approval.
Management	The management of the Company
MECSC	Middle East Council of Shopping Centres
Mena Education	Mena Company for Education and Development of Human Resources LLC (a branch of which is the Abdulmohsen Al-Hokair High Institute for Hospitality)

Defined Term	Definition and Abbreviations
Net Proceeds	The proceeds of the Offering, after deducting all related expenses
Occupancy	Key performance indicator in the hospitality industry that indicates the number of occupied rooms as a percentage of the total number of rooms in a hotel.
Offer Price	SAR (50) per Offer Share
Offer Shares	16,500,000 Shares to be offered pursuant to the Offering
Offering	The initial public offering of the Offer Shares
Offering Period	The period starting from 29/7/1435H (corresponding to 28/5/2014G) for a period of 7 days up to and including the closing day on 5/8/1435H (corresponding to 3/6/2014G)
Official List	The list of securities maintained by the CMA in accordance with the Listing Rules
Ordinary General Assembly	An ordinary general assembly of the Shareholders convened in accordance with the By-Laws
Plastic Factory	Riyadh Plastic Factory (LLC), Reg. No. 1010245684 which was transformed from a Branch of a Sole Proprietorship to an LLC on 12/06/1434H.
Receiving Agents	SFC, Riyad Bank, NCB, Al Jazira Bank, ANB, Jadwa Investment, Al Rajhi Bank, Saudi Investment Bank, Samba Financial Group
Related Parties	"Related Parties" refers to the following: 1) Subsidiary company 2) Major shareholders in the Company. 3) Board Members and senior executives in the Company 4) Board Members and senior executives in the subsidiary company 5) Board Members and senior executives of major shareholders in the company. 7) Legal and financial advisors of the Company 8) Any relatives of persons included in points 1-5 above 9) Any company controlled by a person included in points 1-7 above. "Control" here refers to the ability to affect a Related Party's decisions and actions either directly or indirectly through: • control of at least 30% of the voting rights in the company; and • the right to appoint 30% of the Board Members .
Restaurant(s)	The restaurants and cafes managed by the Company
RevPAR	Revenue per available room is one of the most important performance indicators in the hospitality industry. It is calculated by multiplying occupancy and the ADR.
Rezidor	The Rezidor Hotels ApS Denmark Company
Riyadh Company	Al-Riyadh Company for Tourism, Amusement & Commercial Projects Abdulmohsen Al Hokair and Partners.
SAR	Saudi Arabian Riyal
SBF Visa Group	A company specialized in manufacturing carousels and other mechanical rides.

Defined Term	Definition and Abbreviations
SCTA	Saudi Commission for Tourism and Antiquities
Secretary	The secretary of the Board
Selling Shareholders	AHHC, TOCC, AMAH, BAMH, BDAMH and AAMH.
Senior Management	Those officers of the Company identified at section 5.3
SFC	Saudi Fransi Capital
Shares	Ordinary shares with a nominal value of SAR 10 each in the share capital of the Company
Shareholders	Registered holders of Shares
SOCPA	Saudi Organization for Certified Public Accountants
Sparky's	Sparky's Land Amusement Toys L.L.C. (Abu Dhabi) and its subsidiaries: Sparky's Digital Land (Abu Dhabi), Sparky's Oceanica and Sparky's Digital Land (Ras Al Khaimah) (the "Subsidiaries").
Sparky's Land or Subsidiary	Sparky's Land Amusement Toys L.L.C. (Abu Dhabi)
STR	A global company specialized in the hospitality field. STR gather and analysis data from the hospitality industry to feed a global database and statistics. It offers more than eight different products and services globally marketed.
Subscribers	Individual and Institutional Investors as defined in this Section (1) "Terms and Definitions"
Subscription Form	The subscription form to be used by the Subscribers to subscribe to the Offer Shares
Tabuk Company	Tabuk Company for Amusement & Commercial Projects owned by Abdulmohsen and Hokair and Co. LLC
TEA	Themed Entertainment Association
TOCC	Tourism Opportunities Commercial Company
Vice-Chairman	The vice-chairman of the Board
UAE	United Arab Emirates
Underwriter	Saudi Fransi Capital
Underwriting Agreement	The underwriting agreement to be entered into between the Company, the Selling Shareholders and the Underwriter in connection with the Offering.
Upscale	Five-star hotels
WWA	World Waterpark Association
Zamperla	A company specialized in manufacturing thrill rides, carousels and coin-operated or smart card operated rides made for indoor entertainment centres.

2. Risk Factors

Before deciding whether to purchase the Offer Shares, prospective investors are advised to carefully consider all the information in this Prospectus, particularly the risk factors described below. The risks described below may not include all the risks that the Company or its affiliate may encounter, and additional factors may exist that are not currently known by the Company that may affect its operations or those of its Affiliate.

The Company and its Affiliate's activities, financial position, results of operations, cash flows and future operations could be adversely and materially affected if any of the following risks — identified as material — occur, or if any other risks that the Directors have not identified or are currently consider not to be material, actually occur or become material.

The Company's Board of Directors affirm that according to their knowledge and belief, that there is no significant risk that may affect the decision of the shareholders that is not disclosed below, according to the information available to them as of the date of this Prospectus.

An investment in the Offer Shares is only suitable for investors who are capable of evaluating the risks and merits of such an investment and who have suffcient resources to bear any loss that might result from such investment. A prospective investor who is in any doubt about the action he/she or it should take should consult a financial advisor who specializes in advising on investment in the Offer Shares.

In the event of the occurrence of any other risk factors which the Company currently believes to be substantial, or the occurrence of any other risks that the Company did not identify, or that it does not currently consider to be material, the value of the Offer Shares may decrease and prospective investors may lose all or part of their investment in the Offer Shares.

The order in which the risks and the uncertainties are listed below is not intended to reflect their likely significance.

2 - 1 Risks Related to the Company's and Affiliate's Operations

2 - 1 - 1 The Company's newly set-up ventures/properties may not succeed despite historic records

The Company's startegy is to expand its hospitality and entertainment division in the upcoming years by opening new Hotels and entertainment centres. The set-up of any new venture/proptery brings its own set of challenges, such as finding new locations at competitve rates, reaching the best contractual terms and the Company's ability to equip these locations within the time frames determined for the project or location. As such, there is no guarantee that the opening of new ventures/properties will be successful. The failure of a newly set-up venture/property may have a material and adverse effect on the Company's business prospects, financial condition and results of operations.

2 - 1 - 2 The Company's licenses and permits are subject to non-renewal or termination

The Company is required to obtain and maintain appropriate licenses, permits and regulatory consents in respect of its activities in the hospitality and entertainment sectors. Such licenses include, but are not limited to, housing facility operation licenses, classification certificates, price lists issued by the SCTA, shop licenses issued by the Ministry of Municipal and Rural Affairs, Registration Certificates for the Company and its branches issued from the Ministry of Commerce and Industry, Trademark Registration Certificates and Saudisation and Zakat Certificates. The Company is also subject to regular review and rating by the SCTA, which occurs at least once every year.

Some of the licenses held by Company-managed and operated hotels and entertainment centres recently expired and are currently under renewal (these include 9 shop licenses out of 43 licenses related to entertainment venues and 9 classification certificates out of 28 certificates for the Hotels). Moreover, the Company, as of the date of this Prospectus, is seeking to obtain a number of new licenses (including 5 shop licenses out of 43 licenses in entertainment venues and 5 operation licenses out of 28 licenses for Hotels). In addition, most of the Company's licenses are subject to suspension or termination if the Company fails to comply with the licensee conditions. Furthermore, when a license is sought to be renewed or amended there can be no guarantee that the relevant authority will renew or amend the scope of the license, or, if it were to do so, that it would not impose conditions that may adversely impact the Company's performance. Furthermore, the KSA government recently announced a plan to introduce specific regulations to govern entertainment venues and the Company cannot predict what effect these new regulations might have on its current or future operations.

If the Company fails to renew a license, or has a license suspended or terminated, or has a license renewed on unfavourable terms, or if the Company is not able to obtain additional licenses that may be required in the future, the Company may be required to cease certain operations, which could result in operational interruptions and/or additional costs, any one or combination of which could have a material adverse effect on the Company's business prospects, financial position and results of operations.

2 - 1 - 3 The Company's franchise and management agreements may be terminated or not renewed under various circumstances

The Company has entered into 17 franchise agreements that relate to various properties within the hospitality division; in particular to 15 Hotels and 2 Restaurants. Under these agreements, the Company is allowed to use the relevant franchisor's/operators' trademark (e.g., Holiday Inn, Golden Tulip, Tulip Inn and Novotel). The Company has also entered into 6 management agreements under which management has a right to use certain international trademarks like Holiday Inn, Golden Tulip, Tulip Inn and Novotel. It is worth noting that these franchise and management agreements do not include any penalty clauses (please see section 11.2 "Summary of Material Agreements" for more information on these franchise and management agreements.)

Of the 17 franchise agreements, 11 can be terminated by the franchisor/brand owner at the franchisor's will under a written notification to that effect. Furthermore, 6 franchise agreements allow/enable the franchisor/operators to terminate the agreement if specified performance standards at the property are not met (including, for example, standards relating to the level of service, fire systems and compliance with HACCP safety standards) or if there is a breach by the Company of any substantial obligation (please see section 11.2 "Summary of Material Agreements" for more information on the termination events of these franchise agreements). All of the franchise agreements allow the franchisor to assign its rights to a third party. If this occurs, there is no assurance that the third party to which the rights are assigned will continue to satisfactorily perform its obligations under such agreements.

There are other risks presented by the likelihood that some of the major franchisors or operators or groups of them might have conflicting interests or interests that are not in line with the Company's interests, especially in the absence of exclusive franchise rights of the Company from these franchisors with relation to most of the Hospitality Division franchise agreements. This could result in the franchisors or operators exiting their current agreements with the Company. In relation to the management agreements, the brand partner/operator managing the relevant property is allowed to terminate the agreement only in the case of a material breach by Al Hokair Group of its obligations (please see section 11.2 "Summary of Material Agreements" for more information on the termination events of these management agreements).

Seven of the nine franchise agreements relating to the Golden Tulip and Tulip Inn Hotels will expire over the coming three years (see paragraph 2.1.20 "Concentration of the Company's Revenue and Profits" below). The Company does not intend to renew these franchise agreements with Golden Tulip and Tulip Inn Hotels, but intends to convert these hotels (with the exception of the Golden Tulip In Regency and Golden Tulip Jeddah) into Raddison Blu or Park Inn hotels. This is planned under an agreement concluded between the Company and Rezidor Hotels ApS Denmark ("Rezidor") in the final quarter of 2013 (please see figure 4.14 "Al Hokair Group Hotels expected to be re-branded into JV Hotels ("Re-branded Hotels") as of 31/12/2013"). These hotels may be re-branded to take the name of other international brands.

The Company's Hotels are subject to reclassification by the SCTA, which could impact the present financial revenue if the classification of the Hotels is downgraded. If such downgrading is considered a material breach of the franchise or management agreements, the global operators/ franchisors have the right to terminate such agreements. Any of the above factors may have an adverse and material impact on the Company's business prospects, financial position and the outcome of its operations.

Furthermore, the Company may be exposed to the risk of one of its international brand hotels converting into a local brand as a result of non-renewal or termination of the relevant franchise or management agreements, which could cause lower occupancy rates and ADRs. The agreement with Holiday Inn Olaya will end on 30/9/2015 and the agreement does not address a mechanism for renewal following its conclusion.

Some of the Company's franchise and management agreements include non-disclosure clauses pertaining to certain information about said agreements without the previous consent of the parties to these agreements. While the Company has obtained written consents from the aforementioned parties concerning the disclosure of information pertaining to these agreements in this Prospectus, the Company did not obtain the written consent of SOCIETE ANIMATRICE DE LA FRANCHISE (SAF) (concerning Brioche Dorée) and Flamingo Hotel Management Co. (concerning Al Jubail Golden Tulip) as of the date of this Prospectus. This could result in the Company breaching the terms of these agreements, which may be followed by claims that could ultimately result in the termination of said agreements.

The termination of franchise and/or management agreements for any reason or the Company's inability to renew such agreements on terms favourable to the Company could have a material adverse effect on the Company's business prospects, financial position and results of operations.

2 - 1 - 4 The Company's lease agreements may not be renwed, or if renewed may not be renewed under the same terms

The Company has entered into 86 lease agreements with third parties acting as landlords. These lease agreements are entered into in relation to its Hotels and entertainment centres.

As a result of the above (save for Holiday Inn Al Olaya House owned by Touresco – an Affiliate), the Company does not own any of the properties through which it is running its hospitality and entertainment operations. The relevant leases are long-term leases with an average life ranging from 5-26 years. 3 of the leases can be terminated at will by the landlord with a six-month notice period in writing. Furthermore, there are lease contracts that allow the landlord to terminate the agreement if the Company closes an entertainment center for a period between 5 to 30 days. The termination of any of the Company's hotel or entertainment center lease contracts may lead to the termination of operations of such hotels or entertainment venues. This could, in turn, lower the Company's revenue and have an adverse and material impact on its business, prospects, financial status and results of operations.

In addition, 8 leases have governmental authorities as landlords and 5 of these lease agreements provide for termination at will by these government authorities on the grounds of "public interest". Four of these leases with governmental authorities were made with third parties then subleased by the Company, or the Company is the operator of the property or facility on the land owned by the relevant governmental authority against varying operation fees.

Lease contracts also include 25 contracts with individuals or sole proprietary establishments. The terms of the lease agreements prescribe that the successors are bound by the terms of the lease, meaning that if the original landlord passes away, the heirs are legally bound by the terms of the lease until their expiration. However, once these lease agreements expire, there is no guarantee that these heirs will agree to enter into agreements on similar terms if at all.

There is also no guarantee that the lease agreements to which the Company is a party will be renewed or if they are renewed, that they will be renewed on similar terms. The lack of renewal provisions in the lease agreements or any renewal on unfavourable terms may have a material adverse effect on the Company's business prospects, financial condition and results of operations.

For instance, the Tulip Inn Olaya House lease contract expired in August 2012G and was not renewed because the Company and hotel owner could not agree on acceptable renewal terms. As a result, the Hotel's operations were closed. This Hotel had a good occupancy rate (around 70%), a RevPAR of SAR 275 and an average gross profit margin of 49% between 2010G and 2012G. Revenues from Tulip Inn Al Olaya House represented 4.7% (SAR 18 million) and 4.4% (SAR 18.3 million) of overall Hotel revenue in 2010G and 2011G respectively. The Hotel also achieved SAR 12.2 million in revenue, accounting for 2.6% of overall Hotel revenue during the seven months of operation in 2012. As such, closing this hotel had an adverse impact on the Company's revenues and profits.

Furthermore, there are three other expired lease contracts for a number of entertainment locations in KSA (the contracts of Digital Land, Sultan Commercial Centre, King Fahad Gardens, and Lunar Park) representing 5.39% of the Entertainment Division's revenues that have not been renewed as of the date of this Prospectus. The Company also has 7 lease contracts for its entertainment locations in KSA that will expire within a year of this Prospectus which represent 19.23% of the Entertainment Division's revenues. Those ten lease agreements comprise 24.62% of the Entertainment Division's revenues. The renewal of any of these contracts at higher rents, or the Company's inability to renew such contracts may have a material adverse effect on the Company's business, prospects, financial status and results of operation

2 - 1 - 5 Risk related to Sub-Lease Contracts

The Company entered into a sub-lease contract with Tabuk Company for Amusement and Commercial Projects owned by Abdulmohsen Al Hokair and Co. LLC ("Tabuk Company"), which is the principal lessee in the lease agreement with the Municipality of Tabuk. The principal lease requires the Municipality of Tabuk's prior approval to sub-lease the property. While the Company corresponded with Tabuk Company to ensure that Tabuk Company received the Municipality of Tabuk's prior approval, neither the Company nor Tabuk Company has received such prior approvals as of the date of this Prospectus.

Breach of the principal lease between the original tenant and the Municipality of Tabuk could lead to the termination of the lease and thus the termination of the Company's activities at the relevant location. This could, in turn, lower the Company's revenue and have a material adverse impact on the Company's business, prospects, financial position and results of operation.

2 - 1 - 6 The Company relies on transactions with related parties

The Company depends heavily on a number of material or important transactions with related parties that may be on preferential terms. These transactions represent lease contracts for the Hotels and locations managed and operated by the Company, in addition to administrative offices and employee residences. There are also a number of service contracts provided by related parties. These include engineering, design and technical services for projects relating to the Hotels and entertainment centers, game maintenance services in case of major malfunctions in the entertainment venues, training and designing of development programs for the Company's employees and workers, maintenance, operation and cleaning services by providing workers to perform these services as well as a plastic products supply contract and a lease contract for certain electronic games (video games). The Company has also purchased and sold assets from and to related parties and entered into management and supervision contracts pursuant to which the Company manages an entertainment centre (Al Hokair Land Amusement Park owned by Al Riyadh Company) and oversees the management of a hotel (Golden Tulip Suites Dubai in the UAE owned by Al Hokair Group Est.) on behalf of related parties. (Please see section 11.3 "Summary of Related Party Agreements and Transactions" for more information about transactions with related parties).

The Company also relies on associates and enterprises controlled by some Directors, controlling Shareholders and/or other related parties for certain key development and support activities, including the maintaining of various lease agreements where the Company is the tenant (and in some cases, the landlord). For the financial period ending 31/12/2013G, the Company entered into transactions with related parties with an aggregate value of SAR 85,501,418. Furthermore, related party transactions for the financial period ending 31/12/2012G amounted to SAR 73,833,107 and SAR 36,698,695 as of 31/12/2011G.

The Company has entered into 86 lease contracts. 32 of those contracts are made with Directors, controlling Shareholders and/or other related parties acting as landlords where the Company is the tenant; i.e. representing around 35% of the Company's total lease contracts and 30.6% of the total rent paid during 2013 (please see section 11.3 "Summary of Related Party Agreements and Transactions" for more information about transactions with related parties).

Some of the Company's related party transactions have not been conducted at an arm's length basis. Furthermore, there is no guarantee that related party contracts will be renewed upon expiry; as the Company's Board or General Assembly may not approve the renewal of such contracts. Also, the parties to such contracts may not agree to a renewal based on the Company's required terms. Since the Company relies heavily upon these contracts, their termination may have a material adverse impact on the Company's profitability and therefore its business, prospects, financial position and results of operations.

2 - 1 - 7 The Company is reliant upon the proper maintenance of its properties, including infrastructure

The Company's success depends, in part, on its ability to maintain the integrity of all of its properties and infrastructure, including its hospitality and entertainment venues. The Company also relies on third-party computer systems, broadband and other communications systems and service providers. Any interruptions, outages or delays in its systems and infrastructure, its businesses, its affiliates and/or third parties, or deterioration in the performance of these systems and infrastructure, could impair the Company's ability to provide services, fulfill orders and/or process transactions, which could have a material adverse impact on the Company's business, prospects, financial position and the results of operations.

2 - 1 - 8 The Company is reliant upon third party reservations systems

The Hospitality Division has multiple third party reservation systems, such as hotel operator systems and electronic booking systems, through which customers can make their reservations for the various relevant properties. These reservation systems are crucial to the success of the hospitality division. In 2013, around 25% to 30% of the total reservations in Company Hotels were made through electronic booking.

Any failure of the Company's multiple reservation systems could lead to prolonged service disruption and may result in significant business interruption and subsequently have a material adverse impact on the Company's forecasts, financial position and the results of its operations. Furthermore, lack of investment in these systems may also result in reduced competitiveness. Failure to maintain an appropriate technology strategy and select the right technology systems could erode the Company's long-term competitiveness, which may have a material adverse effect on the Company's business, financial condition and results of operations.

2 - 1 - 9 The Company is exposed to risks related to possession of confidential employee and guest information

The Company is increasingly dependent upon the availability, integrity and confidentiality of information including, but not limited to, guest and employee credit card, financial and personal data, business performance and financial reporting.

The reputation and the current and future performance of the Company may be adversely affected if it fails to maintain the confidentiality of this information and ensure relevant controls are in place to enable the release of information only through the appropriate channels and in a timely and accurate manner.

2 - 1 - 10 The Company requires the right people, skills and capability to manage growth and change

In order to remain competitive, the Company must employ the right people. This includes hiring and retaining highly skilled employees with a particular emphasis on their expertise or leadership capability. The implementation of the Company's strategic business plans could be undermined by a failure to build a resilient corporate culture, recruit or retain key personnel, the unexpected loss of key senior employees, hiring new upper management staff, failures in the Company's succession planning and incentive plans, or a failure to invest in the development of key skills. The Company hired three senior management staff members over the past year. Despite the Company's confidence in the capabilities of the new employees and their ability to perform their duties, there are no guarantees related to the performance of new employees with the requirements of the positions to which they have been appointed.

The Company competes against other companies in the hospitality and entertainment sectors and other sectors for suitably qualified or experienced employees. Furthermore, since the markets in which the Company operates are emerging markets, it is sometimes difficult to recruit suitably qualified staff and/or attract the right talent. Failure to attract and retain employees may threaten the success of the Company's operations, forecasts and results of its operations.

2 - 1 - 11 Compliance with Saudisation Requirements

As on 31/12/2013G, approximately 22% of the Company's employees are Saudi nationals. The Ministry of Labour has launched the "Nitakat" programme, which is designed to encourage companies to recruit Saudi nationals and to gradually increase the percentage of Saudi nationals in the workforce. Under the "Nitakat" programme, a company's compliance with Saudisation requirements is measured against the percentage of Saudi nationals in its workforce compared to the average percentage of Saudisation at companies operating in the same sector. The Ministry of Labour decided to implement stricter Saudisation policies early in 2013G under a new "Nitakat" programme.

Moreover, the Government takes measures to regulate the hiring of foreign employees in KSA under the Labour Law and residence regulations in the Kingdom with the aim of taking action towards foreign employees who (a) work for an employer other than the one who is sponsoring them; and (b) perform duties that are not in line with their occupation (as stated in their work permits). There are no guarantees that the Company will be able to hire in favourable conditions and this may have an adverse and material effect on the Company's business, financial position and results of operations. It is worth mentioning that the Company is not dependent on seasonal or foreign labourers who are not sponsored by the Company, save for those disclosed in the Maintenance, Operation and Cleaning Service Agreement (see section 11.3 "Summary of Related Party Agreements and Transactions").

The current percentage of Saudi employees at the Company places it in the Green Category. The Company was able to achieve Saudisation level of about 22% compared to the required 18% (based on the number of employees in the Company as of 31/12/2013G.) However, with the planned expansion of the Company's business, which we expect to be accompanied by an increase in the number of employees at the Company, it may be difficult for the Company to recruit and retain the same percentage of Saudi nationals and may fall short of continuing to comply with the requirements of the "Nitakat" programme. If the Company fails to continue to comply with the requirements of the "Nitakat" programme, it may be categorised as falling within the Yellow or the Red Categories. In such an event, the Company could be subject to a number of sanctions, including:

- the suspension of the Company's applications for work visas;
- the suspension of the Company's applications to transfer the sponsorship of an employee or a potential employee;
- the Company's expatriate employees will be prevented from changing their occupation on their work visas;
- the Company may not open files for its entities with the Ministry of Labour; and
- the Company's expatriate employees may transfer their employment and work visas to companies falling under the Green and Premium Categories without the Company's consent.

The Company's operations are labour intensive, especially in the areas of maintenance and operations, as is the case with all hospitality and entertainment businesses. As such, any change in the laws relating to residence permits may result in an increase of costs associated with hiring expatriates or the issuance or renewal of their residence permits. This may have a material adverse effect on the Company's business, its financial position and the results of its operations. The Ministry of Labour has increased the fees for renewing work permits for expatriates from SAR 100 to SAR 2,500 for each expatriate employee above the number of Saudis working at the Company. This has had a direct effect on the Company as the renewal fees for the Company's expatriate employees reached SAR 5,315,000 as of 31/12/2013G.

The Company also faces challenges in retaining its Saudi employees and as such, the Company faces the risk of falling into the yellow or red categories and accordingly the occurrence of all or any of the above events which could have a material adverse effect on the Company's business prospects, financial condition and results of operations.

2 - 1 - 12 The Company's entertainment division faces health and safety risks that are prevalent in this industry

There are inherent health and safety risks in the entertainment industry. Most of the Company's centers include "thrill rides" or other types of relevant machinery and there are risks involved with these attractions. It is worth mentioning that one of the Company's entertainment venues (Metropolis in Panorama Mall) had an accident during March 2013, which resulted in the injury of a number of guests riding one such mechanical rides. Four lawsuits were filed against the Company by those injured in this incident; two of which are still pending and two settled on 11/11/2013G and 8/01/2014G with the payment of SAR 70,000. (Please see section 2.1.14 below "The Company is subject to the inherent risk of litigation and fines" for more details).

An accident or an injury at any of the Company's entertainment centers may reduce attendance at the Company's properties or prompt governmental authorities to stop certain types of rides or ban school trips to FECs which could have a material adverse effect on the Company's business prospects, financial condition and results of operations.

Personal injuries and accidents have, and may, occur from time to time, which could subject the Company to claims and liabilities for personal injuries. If the Company were to incur significant liability as a consequence of the disruption of its operations or injury to any person resulting from health and safety related aspects of its operations, this could have a material adverse impact on the Company's business prospects, financial condition and results of operations. It is worth noting that the Company is subject to oversight and scrutiny by the Civil Defence Department, which is generally responsible for the health and safety aspect of public properties and the SCTA, which is responsible for the commercial aspects of the entertainment properties. The Civil Defence Department and the SCTA regularly monitor properties and in the event that they detect a breach of their regulations, they may take action involving fines and/or legal action against the Company.

2 - 1 - 13 Adequate Insurance Coverage

The Company's insurance policies provide coverage for Company assets, public liability, and against theft of cash and breach of trust. The Company maintains insurance policies that provide adequate coverage within the limits deemed sufficient, according to the Company's discretion, to protect the Company against material financial loss due to personal injury that might befall individuals within the Company's venues (like FECs or Hotels), work related injuries of damages to its assets (or property). However, there are no guarantees that these insurance policies will be sufficient at all times and in all circumstances.

The Company cannot guarantee that its insurance coverage will be adequate in all events or will include all risks that may befall the Company. For instance, future events may occur that are not covered or included under the Company's current insurance policies or cannot be insured, particularly when the loss suffered is not easily quantifiable or in the event of severe damage to the Company's reputation. Even if a claim is made under an existing insurance policy, due to exclusions and limitations on coverage, the Company may not be able to successfully assert its claim for any liability or loss under said insurance policy. Any of the aforementioned could have a material adverse impact on the Company's business prospects, financial condition and results of operations.

In addition, in the future, the Company may not be able to maintain insurance of the types or in the amounts that are currently deemed necessary or adequate, or at premiums that are considered appropriate. The occurrence of an event for which the Company is not adequately or sufficiently insured or the successful assertion of one or more large claims against the Company that exceed available insurance coverage, or changes in the Company's insurance policies (including premium increases or the imposition of large deductibles or co-insurance requirements), could have a material adverse effect on the Company's business prospects, financial condition and results of operations.

Insurance documents usually contain certain limitations and exceptions. They also may not cover all potential risks fully. If the Company is subject to any such exceptions, limitations or liabilities that are uninsured or inadequately insured, this could increases costs and as such, may adversely impact the Company's business prospects, financial position and results of operations.

2 - 1 - 14 The Company is subject to the inherent risk of litigation and fines

The Company could be at risk of litigation from many parties, including guests, customers, joint venture partners, suppliers, employees, regulatory authorities e.g., SCTA, civil defence department, franchisors/operators, the owners of hotels it manages and the landlords of properties that the Company has entered into lease arrangements with such as properties related hotels and entertainment centers operated by the Company.

Being subjected to litigation costs in defence cases, rulings issued against the Company in such cases or the payment of large fines imposed by regulatory entities may have a material adverse impact on the Company's business prospects, financial position and results of operations.

During 2010G, the owners of the property relating to Golden Tulip Jeddah (Ahmad Saleh Kaaki and Abdullah Saleh Kaaki) filed a claim against the Company to settle the annual rent fees. The Company filed a counter-claim due to the property owner's failure to equip the hotel according the required standards. The Company is at present attempting to settle this dispute, but continues to operate the Hotel with limited services, so as to minimize the costs associated with running the Hotel at full capacity. However, there is no guarantee that the outcome of this dispute will be in the Company's favour. This dispute may result in the termination of the current lease contract, the Hotel's franchise agreement, payment of compensation or the settlement of the dispute. However, there is no confirmed outcome as of the date of this Prospectus. It is also worth mentioning that the Golden Tulip Jeddah operation license has been issued and it is still under the name of AMAH. It has not been transferred to the Company name as of the date of this Prospectus in view of the pending dispute. There is no guarantee that the Company will be able to transfer the license to its name prior to settling the dispute. As such, the Company might be requested to cease and desist from operating in that hotel, resulting in the delay of company business and additional costs. Any of the above occurrences can have a material adverse impact on the Company's business prospects, financial position and results of operations. The outstanding amount due on the lease from the Company as of 31/12/2013G was SAR 22.7 million. The Company entered the annual costs of the rent value under "Operating Costs" in its Statement of Income. Two years ago, the Department of Civil Defence found that this hotel did not comply with health and safety regulations (because the landlord did not equip the Hotel according to the required standards, as mentioned above). The Company did not pay any financial fines as a result of this violation. However, the Company did install the required safety and security features in order to meet the requirements of the Department of Civil Defense for the two relevant floors in the hotel, with the remaining floors also currently being equipped to the same standard.

Moreover, two claims were raised against the Company at the General Court in Riyadh in 2013G by two individuals. The claims concerned the injuries they sustained during the incident that took place in Metropolis (Panorama Mall) when the belt on one of the rides broke. The total value of these claims is approximately SAR 2 million (see section 11.7 "Litigation" for more information about these claims).

2 - 1 - 15 The Company faces risks related to the reputation of the brands and the protection of its intellectual property rights

The Company has 35 registered trademarks for its entertainment centres and some of the Hotels it manages and operates. The Company has also entered into various franchise and management agreements with brand partners/operators in order for the Company to be able to use these brands for its various hospitality division properties. These agreements grant the Company specific rights by the brand partners/operators under the various franchise/management agreements (please see section 2.1.3 for more details on the risks related to the hospitality franchise and management agreements). The brands used for the restaurants and the Entertainment Division have been registered with the Ministry of Commerce and Industry ("MOCI") in order protect their rights, with the exception of brands including the names of roads and public areas (such as Metropolis (Panorama Mall) in the Entertainment Division and Al Sulaimania Villas and Al Takhassusi Apartments in the Hospitality Division) which MOCI does not generally allow to be registered as trademarks. (Please see section 11.5 for more details on the intellectual property).

Any event that damages the reputation of one or more of the Company's brands and/or fails to sustain the appeal of the Company's brands to its customers may have an adverse impact on the value of that brand and subsequent revenues from that brand or business. Any violation, unlicensed or illegal use of the Company's intellectual property rights may harm the Company's operations, financial position and the results of its operations.

2 - 1 - 16 The Company's hospitality division is subject to risks related to identifying, securing and retaining franchise and management agreements

The Company's growth strategy depends on its success in identifying, securing and retaining franchise and management agreements. Competition with other hospitality companies may reduce the number of suitable franchise, management agreements and investment opportunities offered to the Company and improve the bargaining position of brand owners/operators. The terms of new franchise or management agreements may not be as favourable as current arrangements and the Company may not be able to renew existing arrangements on similarly favourable terms if at all.

There can also be no assurance that the Company will be able to identify, retain or add franchisors/operators to the Company's operations or to secure management contracts. For example, the availability of suitable sites, market saturation, planning and other local regulations or the availability and affordability of finance may all restrict the supply of suitable hospitality properties development opportunities under franchise/management agreements.

2 - 1 - 17 The Company's hospitality and entertainment division is dependent on its ability to lease, acquire and develop relevant venues

The Company's long-term success in the hospitality and entertainment industry will depend in part on the availability of centers and its ability to lease these centers on terms that are considered commercially viable. As many of these agreements are held with third parties, the Company might be unable to enter into new agreements on acceptable terms if at all. The Company's ability to obtain new agreements on favourable terms depends on a number of other factors, many of which are also beyond the Company's control, such as national and local business conditions and competition from other business operators, and the entry of new companies to the market. If the terms of any new lease agreement for a new venue are unacceptable or incompatible with the Company's existing operations, the Company may decide to forego these opportunities.

The Company plans to continue expanding its hospitality and entertainment operations through the development of new centers and the expansion of existing centers, which poses a number of risks, including:

- Refurbishment of entertainment and hospitality venues may result in cost overruns and delays including unanticipated delays or expenses;
- Desirable entertainment and hospitality centers may be unavailable or costly; and
- The attractiveness of the Company's current venue locations may deteriorate over time.

Additionally, the market potential of hospitality and entertainment venues cannot be precisely determined, and the Company may face competition in the relevant markets from unexpected sources. Because of this competition, the Company might be unable to add to, or maintain, the number of its current locations on terms it considers acceptable. This may have an adverse and material impact on the Company's business prospects, financial position and the results of its operations.

2 - 1 - 18 The Company may not have effective control over its Affiliates and as such might be unable to implement its vision/strategy at the Affiliates' level

The Company has Affiliates through which it operates some of its businesses in the hospitality and entertainment division (please see section 4 "The Company" for more information on the Affiliates' activities). Some of these Affiliates are the Tourism and Real Estate Development Co. ("Touresco"), Tarfeeh Company for Tourism Projects ("Tarfeeh"), Al Qaseem Company for Entertainment and Commercial Projects ("Al-Qaseem") and Asateer Company for Entertainment ("Asateer"). The Company's shareholding in these Affiliiates is 50% except for Touresco in which it owns 48.5% with the remaining 1.5% owned by some of the Directors.

The fact that the Company does not have majority ownership of the Affiliates means that it cannot unilaterally approve any of the Affiliates' shareholders decisions. This may have an impact on the Affiliates' operations as the Company might be unable to implement its own vision and strategy. Consequently, the Company might be unable to ensure that these Affiliates continue to perform in the same manner as they have historically, or grow as the Company expects them to do. This may have a material adverse impact on the Company's business prospects, financial position and results of operations. It is worth noting that the Affiliates contribute approximately 13% of the Company's profits as of 31/12/2013G.

2 - 1 - 19 The Company and its Senior Officers may lack experience in managing a publicly listed company

Since its incorporation, the Company operated as a private company and, accordingly, the Senior Officers have limited or no experience in managing a publicly listed company. Similarly they have limited or no experience complying with the laws and regulations pertaining to public companies in the KSA. The regulatory oversight and reporting obligations imposed on public companies will require substantial attention from the Senior Officers and may divert their attention from the day-to-day management of the Company, which could have a material adverse effect on the Company's business prospects, financial position and results of operations.

2 - 1 - 20 Concentration of the Company's Revenues and Profits

(A) Hospitality

Holiday Inn Hotels form a significant part of the Company's hotel portfolio. They contribute 47.9%, 47.2%, 43.3% and 39% of the overall hospitality revenue for the financial years ending on 31 December 2010G, 2011G, 2012G and 2013G, respectively. As such, any discrepancy or deficiency in the contractual relationship with the Holiday Inn brand owner may have an adverse and material impact on the Company's business prospects, financial position and results of operations. Furthermore, Golden Tulip Hotels accounted for approximately 19.7% of the overall hospitality revenue during the period from 2010G to 2013G, while Tulip Inn Hotels represented around 5.3% of overall hospitality revenue for the same period. The Company does not intend to renew the Golden Tulip and Tulip Inn franchise agreements as the Company intends to convert these hotels (with the exception of Golden Tulip Inn Regency and Golden Tulip Jeddah) to the "Radisson Blu" or "Park Inn" brands as planned under the joint venture with Rezidor made during the last quarter of 2013 (please see figure 4.14 "Al Hokair Group Hotels expected to be re-branded to JV Hotels ("Re-branded Hotels") as of 31/12/2013"). Alternatively, these Hotels may be re-branded to other international brand hotels. (See Future Plans in section 4.5.1.2 "Furnished apartments" for more information about the Rezidor Joint Venture).

(B) Entertainment

The Company manages and operates 43 entertainment centres in KSA. However, the revenue from 10 entertainment centers accounted for approximately 53% of the overall revenue of the Company's Entertainment Division in KSA in 2013. In particular, Metropolis in Riyadh, Vortex in Jeddah and Sparky's in Dhahran together contributed around 20% of the overall Entertainment Division revenue. The incident which recently took place at Metropolis Panorama caused a sharp drop in the number of visitors, school trips and parties in all the Company's centers in general and Metropolis in particular. The drop in Metropolis Panorama revenue as a percentage of overall revenue is 1.3% when compared to the previous year. If the Company is unable to diversify and increase the level of demand for its entertainment venues or if competition increases, there could be an impact on the Company's revenue and profitability which will have a material adverse impact on the Company's business prospects, financial position and results of operations.

2 - 1 - 21 Credit Facility Agreements

The Company entered into four credit facility agreements with various banks in KSA to finance some of its business and expand its different activities including: Riyad Bank, Al Jazira Bank, Saudi Investment Bank and National Commercial Bank (please see section 11.2.3 "Finance Agreement" for more information on the finance agreements).

Pursuant to the relevant credit facility agreements, these banks have the right to cancel, suspend or lower the facility value without prior notice. There are no guarantees that these banks will not take such a measure against the Company. This may have an adverse and material impact on the Company's business prospects, financial position and results of operations as they rely upon these facilities.

Since the facility agreements require that the Company obtain the prior approval of the relevant banks to change its shareholding structure, legal form or shareholders, the Company has obtained initial approval from these banks for the anticipated changes to its shareholding structure as a result of the Offering.

The Company contacted both Riyad Bank and the Saudi Investment Bank to amend some of the terms of their facility agreements as they have conditions that might be challenging for the Company to fulfill after the Offering (such as conditions regarding changes to the Shareholding structure or the death of a shareholder). For example, the Company will not be able to obtain the approval of these banks or notify them of every change that occurs in the Shareholder structure after the offering because the Shares will be constantly traded on the Exchange. The National Commercial Bank agreement also has a number of events of default that allow than bank to demand immediate settlement of the facility amount. Among these events of default is the death or withdrawal of any of the partners. Because such events are highly likely to occur after the Offering, the Company has obtained the initial approval of Riyad Bank, the Saudi Investment Bank and the National Commercial Bank to amend some of the terms of the relevant facility agreement to be more in line with the Company's status as a listed company. If the facility agreements are not permanently amended, the Company will be in default of these agreements, which will lead to their termination. The termination of any of the facility agreements may have an adverse and material impact on the Company's business prospects, its financial position and the results of its operations.

The Company's obligations under the facility agreements are guaranteed through the personal guarantees provided by the Company's individuals Shareholders with further guarantees provided by the firms invested in the Company (please see Section 11.2.3 "Finance Areements" for more information about the facility agreements and relevant guarantees). As of the date of this Prospectus, no bank has waived their guarantees (with the exception of Al Jazira Bank, which waived its guarantees in writing on 24/10/2013G). Some other banks have expressed their willingness to waive personal guarantees after the listing of the company's shares. There is no guarantee that the Company's corporate Shareholders will continue to provide personal guarantees after the company's listing, and this may affect the company's ability to secure credit facilities in the future. This could, in turn have an adverse and material impact on the Company's business prospects, its financial position and the results of its operations.

2 - 1 - 22 Hotels managed and operated by the Company are subject to reclassification

The Company manages and operates several midscale global Hotels in addition to furnished apartments. These Hotels are regularly monitored by the SCTA. The SCTA classifies these Hotels and issues Classification Certificates based on the level of service and amenities at any such Hotel, as well as other factors pertaining to the relevant star rating of these Hotels. There are no guarantees that the Company's Hotels will not be re-classified by the SCTA into a lower class. Such an occurrence may lower the rates of the Hotels as well as those of the franchise or management agreements of some of the Hotels with the operators or franchisors. Any of these events can have an adverse and material impact on the Company's reputation, its present and future prospects, financial position and the results of its operations.

2 - 1 - 23 The “Brioche Doree” Franchise Agreement

The “Brioche Doree” license agreement was concluded on 26/07/2007G between the Al Hokair Group Est and SOCIETE ANIMATRICE DE LA FRANCHISE (“SAF”). It is worth mentioning that this agreement was made with Al Hokair Group Establishment and not the Company, and it was anticipated that Al Hokair Group Establishment would finance the cost of establishing and equipping Brioche Doree’s branches in KSA and then the management of these branches would be transferred to the Company. At present, the Company is working with SAF to transfer the franchise to its name, in addition to making some amendments to the terms of the franchise agreement including some articles that have erroneous information regarding Al Hokair Group’s shareholding structure and other terms that require SAF’s prior approval to making any changes to the Company’s shareholding structure. According to this agreement, SAF grants exclusive rights to operate and develop Restaurants under the brand “Brioche Doree” in KSA.

While the Company is currently working with SAF to transfer the franchise to its name and has made the above amendments, these have not occurred as of the date of this Prospectus. As such, there is no guarantee that SAF will complete the transfer of the franchise, agree to the required amendments or grant its previous approval to the Company concerning the Offering in terms of changes in the Company’s shareholding structure. In the event that the all or any of the above matters fails to occur, SAF may request the termination of the agreement, which may have an adverse effect on the Company’s business and the results of its operations. This agreement accounts for approximately 1% of the Company’s overall revenue.

2 - 1 - 24 The Sparky’s UAE Acquisition and Resulting Goodwill

The Company acquired Sparky’s UAE on 31/12/2012G from a related party (Sami Abdulmohsen Al Hokair, Company’s CEO/MD). The Management prepared the proforma consolidated financial statements to show the impact of the acquisition on the Company’s financial position and cash flows for the years ending on 31 December 2010G, 2011G and 2012G on the assumption that the acquisition took place on 01/01/2010G. As a result, the goodwill value resulting from the acquisition was determined at SAR 39.3 million. The present goodwill value in the financial statements represent the excess of the acquisition cost over the net fair value of the probable assets and liabilities and commitments of Sparky’s UAE. As the acquisition occurred at the end of the financial year, the Company recorded the total assets and liabilities of Sparky’s UAE based on its book value as on 31/12/2012G. The Company has also undertaken a detailed study to analyze the acquisition price, which was completed at the end of 2013G. As such, the value of Sparky UAE assets and liabilities currently recorded in the Company’s financial statements may be marked up or down to reflect the fair value of such assets and liabilities. Furthermore, the registered goodwill value is tested for impairment annually or whenever there is an indication that its recoverable value is less than its book value. Any impairment in goodwill value is immediately acknowledged as a loss on the Statement of Income. As such, there is no guarantee that impairment will not occur in future and that such an occurrence might have a material adverse impact on the Company’s business prospects, financial position and results of operations. (Please see section 6.5.2 “Pro-Forma Balance Sheet” for more information on the goodwill identified as a result of the acquisition of Sparky’s UAE).

2 - 1 - 25 Restaurant Revenue and Profitability

Restaurants contributed around 1.6% to the Company’s revenue during the period from 2010G to 2013G. However, the Restaurants did not achieve positive profit margins over the previous years. Consequently, the Company has closed two unprofitable Restaurants.

If the Company’s Restaurants continue to sustain losses and are not able to improve their performance there may be a material adverse impact on the Company’s business prospects, financial position and the results of its operations.

2 - 1 - 26 Incomplete Zakat Withholding

The Company has not completed its Zakat withholding for the years 2007 to 2011, though the Company has paid the required amounts and received a provisional Zakat certificate. The final certificate has not yet been issued because the Zakat and Income Tax Authority has requested additional information. The Company did not disclose agreements whose value exceeds SAR 100,000 between 2007 and 2013 and the Company may be required to bear the tax on behalf of the foreign party. As such, there is a risk that the Zakat and Income Tax Authority might impose further Zakat payments on the Company on past years, which would have a direct negative impact on new Shareholders. This can also have a direct nevgative impact on the present and future Shareholders of the Company who will have to indirectly bear the Zakat payments in addition to what has already been allocated in the financial statements as of 31/12/2013 (please see section 6.5.1.6 "Zakat" for forther information on Zakat allocations).

2 - 1 - 27 None Compliance with Regulations

Due to the diversified nature of its business, Al Hokair Group's operations are subject to the laws and regulation regarding safety, security, health, service and maintenance – according to the Department of Civil Defense, Ministry of Trade and Industry, Ministry of Trade and Industry, Ministry of Health, Ministry of Labor, Tourism and Antiquity Authority, and the various municipalities in the countries where the Company has business (including KSA and UAE). These laws and regulations are subject to change. Regulatory changes caused by political, economic and/or environmental factors can have a significant impact on the Company's business and financial results. The Company may change the way it carries out its business pursuant to any such changes in laws and regulations in the future, which could have an adverse impact on its business prospects and financial position in general.

Furthermore, the Company may incur costs, fines, and civil or penal claims, or may be required to incur significant costs to undertake an investigation or remedy a certain situation if the Company violates any laws or regulations or becomes liable under them. No assurance can be given that such violation has not or will not occur as a result of the Company's inability to obtain permits or due to human error, equipment malfunction or any other reasons. Any such violation can harm the Company's business and financial position.

2 - 1 - 28 Participation of Company Directors with AMMH in business activities in competition with the Company

Some of the Company's Directors and AMAH are involved in businesses that may be competing with the Company's business. Table 11-9 and Table 11-10 of the Prospectus offers information about these Directors and AMMH along with the names of the competing businesses and their activities.

Because these Directors and AMAH occupy positions or own shares in these companies, it is likely that this will lead to conflict of interest between the Company, these Directors, AMAH and the potentially competing companies. This could have a material adverse impact on the Company's business prospects, its financial position and results of operation.

2 - 1 - 29 Basic Hotel portfolio revenue

The Company's basic hotel portfolio is comprised of Hotels opened and operated before 2009G (14 out of the 28 Hotels managed and operated by the Company). The basic Hotel portfolio maintained an average gross profit margin of 42.4% (compared to 39.6% for all the Company Hotels) and an EBITDA of 34% (compared to 30.5% of all the Company Hotels) during the period from 2010G to 2012G. They also achieved a gross profit margin of 42.5% (39.3% for all the Company Hotels) and an EBITDA of 30.9% (28.7% for all the Company Hotels) during the period ending on 31 December 2012G and 2013G. However, the basic hotel portfolio achieved a CAGR of only 2.7% during the period from 2010 to 2013G. The profits of this portfolio decreased by 1.2% in 2013G. The future growth of this basic portfolio relies on the level of competition with other hotel operators and managers and the Company's ability to renew this Hotel portfolio to maintain its revenue and profit growth. If the Company is unable to increase the level of demand for its basic Hotel portfolio, or if competition from other hotel managers and operators were to increase, this may lead to a drop in the Company's revenue and profitability, consequently having a material adverse impact on its business prospects, financial position and results of operations.

The Company has estimated a capital expenditure of SAR 167.9 million for the renovations and expansion of some existing hotels (Red Sea Palace Hotel in Jeddah, the Al Hamra Pullman Hotel in Jeddah, and the Holiday Inn Salam, Jeddah) during 2014. If the Company is unable to provide the levels of capital needed to increase demand for the basic hotels portfolio, or in the event of increased competition, then there may be a decline in the company's revenues and profitability, thereby having a material adverse impact on its business prospects, financial position and results of operations.

2 - 1 - 30 Use of Proforma Financial Statements

Default financial statements used in this Prospectus to discuss and analyze the Company's financial position and results of operations are based largely on assumptions of the Company's management, who are not neutral parties in terms of their interest of a positive outcome of the Company's operations. Although these proforma financial statements have been reviewed, they have not been audited by an external auditor, which may reduce their objective value. Total reliance on the proforma financial statements may lead a incomplete discussion and analsysis of the Company's financial position and the result of its operations.

2 - 2 Risks Related to the Market

2 - 2 - 1 KSA's Economic Performance

To a large extent, the Company's performance depends on the activity in the local economy. The contribution of the oil sector to KSA's GDP continues to be substantial, despite the Government's diversification policies. Fluctuations in oil prices, in particular material declines in such prices, could have a direct adverse impact on the economy and economic activity in KSA's, including the hospitality and entertainment industries in which the Company operates. Such an impact may have a material adverse effect on companies operating in KSA, including the Company.

2 - 2 - 2 The Company faces risks related to events that adversely impact domestic or international travel

The room rates and occupancy levels of the properties belonging to the Company's Hospitality Division could be adversely impacted by external events that reduce domestic or international travel, such as regulatory changes, actual or threatened acts of civil disturbances, epidemics, travel-related accidents, travel-related industrial action, increased transportation and fuel costs and natural disasters, resulting in reduced worldwide travel or other local factors impacting individual hotels. A decrease in the demand for hotel rooms as a result of such events may have an adverse impact on the Company's operations and financial results.

2 - 2 - 3 The Company faces risks related to the cyclical nature of the hospitality and entertainment industry

The future operating results of the Company could be adversely affected by weak demand due, in part, to the cyclical nature of the hospitality and entertainment industry, or other differences between planning assumptions and actual operating conditions. This can impact the two main divisions of the Company:

(a) Hotels: reductions in room rates and occupancy levels for the hospitality industry can have a material adverse impact on the Company's result of operations;

(b) Entertainment: reductions in average amount spent or number of visitors in the entertainment industry could adversely impact the results of the Company operations.

Due to changes in weather, seasons and entertainment preferences, the revenue from the Company's current outdoor entertainment centres witnessed a continuous drop during the period from 2010G to 2013G with a total decline of SAR 17.7 million (i.e. a compound annual decrease of 18.6%). This decline was accompanied by the closure of four outdoor entertainment centres during the same period, which resulted in a drop in revenue by SAR 5.9 million in 2011G, SAR 5.7 million in 2012G and SAR 5.9 million in 2013G.

Any or all of the above can have a material adverse impact on the Company's business prospects, financial position and results of operations.

2 - 2 - 4 The Company faces competition from third parties, which impacts the Company's hospitality and entertainment divisions

The Company faces competition from local and regional providers of hospitality and entertainment services. Competition in the hospitality sector mainly comes from Saudi Hotels and Resorts Co. (Sharaco), Boudl Hotel Suites and Resorts, Elaf Group, Almassa Hotels and Arab Resorts Areas Co. (ARAC).

Competition in the entertainment sector mainly comes from Al Othaim Real Estate Development Company ("Al Othaim"), Abdullah Fouad Group, Abdulmohsen K. Al Mogren and Brothers Group ("Al Mogren") and to a lesser extent from Arabian Centres and A Rashid Trading & Contracting Co. Ltd Real Estate and Investment ("RTCC") in KSA and The Company faces competionin the UAE from Landmark Group, Majid Al Futtaim ("MAF") and to a lesser extent from Emaar (see section 3.9.3 "Al Hokair Group's FEC Competitors" for more information about the Company's competition).

Furthermore, the Company's franchise agreements in the Hospitality Division are non-exclusive (please see section 11.2 "Summary of Material Agreements" for more information on these franchise agreements) meaning that the Company could face potential competition on a local level from other operators that use the same brand name as the Company (e.g., Holiday Inn, Novotel, etc.). The Company's ability to successfully compete in this sector depends on its ability to provide value for its customers and franchisors. The Company's competitors may be willing to accept a lower profit margin than the Company in order to retain existing customers/franchisors and/or win new customers/franchisors. In addition, the Company may face competition from new local or international entrants to the hospitality and entertainment sectors in KSA, and in the case of UAE as well, which could have greater financial and/or operational resources supporting them.

In relation to the entertainment division, and more specifically the FECs, the Company's FECs compete with other entertainment centers and with other types of recreational facilities and forms of entertainment. The principal competitive factors of an FEC include location, price, the uniqueness and perceived quality of the rides and attractions, the atmosphere and cleanliness of the center and the quality of its food and entertainment. If the Company is unable to compete effectively against entertainment alternatives or on the basis of the principal competitive factors of an FEC, the Company's business, financial position or results of operations may be adversely affected

There can be no assurance that the Company will be able to compete effectively against current or future competitors in the sectors in which it operates. Changes in the competitive environment may result in price reductions, reduced profit margins or loss of market share of the Company which, in turn, could have a material adverse effect on the Company's business prospects, financial position and results of operations.

2 - 2 - 5 The Company faces risks related to political developments in the region

Prospective investors should consider the geopolitical risks in the Middle East which could have an adverse effect on KSA's economy, the Company's customers and/or the Company and its operations. Such risks could adversely impact the value of any investment in the Company.

2 - 2 - 6 The Company faces risks from any changes in the regulatory environment

The Company's businesses are subject to regulation in KSA. The regulatory environment in which the Company operates may change. Regulatory changes caused by political, economic, technical and/or environmental factors could significantly impact the Company's operations by restricting the development of the Company or its customers, restricting operations and sales of the Company's services and products or increasing the potential for additional competition. The Company may deem it necessary or advisable to modify its operations in order to operate in compliance with such regulations, which may have a material adverse effect on the Company's business prospects, results of operations and financial condition.

2 - 3 Risks Related to the Offer Shares

2 - 3 - 1 Effective control by the Selling Shareholders

Following the Offering, the Selling Shareholders will collectively own 70% of the Shares. The Selling Shareholders will, therefore, be able to influence all matters requiring Shareholder approval, including significant corporate transactions, capital adjustments and the appointment of Directors. As a result, the Selling Shareholders could exercise their rights (as shareholders) in a manner that may not be in the best interests of other Shareholders or that could have a material effect on the Company's business prospects, financial position and results of operations.

Furthermore, any change in the business strategy and/or policy towards the Company by the Selling Shareholders could result in unpredictable consequences for the Company's business that, in turn, could adversely affect the Company's business prospects, financial position and results of operations.

2 - 3 - 2 Absence of a prior market for the Shares

Prior to the Offering, there has been no public market for the Shares. Furthermore, there can be no assurance that an active trading market for the Shares will develop or be sustained after the Offering. If no active trading market for the Shares develops, the liquidity of the Shares will be affected, and this may negatively affect the market price of the Shares.

The Offering price has been determined based on several factors such as the Company's position, future prospects, the market in which is competes and the valuation of the Company's administrative, operational and financial results. Factors such as the difference between the financial results, general landscape, general economic situation and regulatory environment in which the Company operates as well as other factors beyond the Company's control may result in significant fluctuations in the Shares' liquidity and price.

2 - 3 - 3 Liquidity or volatility of the Share price

Subscribers may not be able to resell their Offer Shares at or above the Offer Price, or at all, as the market price of the Offer Shares after the Offering may be adversely affected by factors within or outside of the Company's control, including, but not limited to, variations in the Company's results of operations, market conditions, or changes in Government regulations. Market fluctuations, as well as economic conditions, may adversely affect the market price of the Shares.

2 - 3 - 4 Significant sales of the Shares after the Offering

Sales of substantial amounts of the Company's Shares in the financial market following the completion of the Offering, or the probability that these sales will occur, could adversely affect the market price of a share.

Tourism Opportunities Commercial Company may not sell any of their Shares for a period of six months from the date on which trading of the Shares commences. The remaining shareholders whose names are displayed in table 4-1 (A) in this prospectus face a lock-in period of 18 months. After this period has elapsed, the Selling Shareholders may only sell their Shares after obtaining CMA approval. There can be an adverse impact on the Company's shares if the Shareholders dispose of a large portion of their shares after this six-month Lock-in Period, thereby decreasing the share price in the market. Each of AMAH and AHHC (both major shareholders) sold parts of their shares in 2012G to TOCC (on behalf of the Tourism and Hospitality Opportunities Fund). These represented 35% of the Company's share capital at that time. In addition, all of the Company's Shareholders are going to sell a portion of their Shares in the Offering (see section 4.4 "Shareholding Structure and Overview of Selling Shareholders"). It is expected that TOCC will sell all shares in the Company following the conclusion of the Lock-in Period. As this may occur five years prior to the completion date of the offering of Units in the fund to investors, the Fund Manager has the right to extend the period of the fund for an additional two years, by informing Unit Holders in writing of such an extension.

2 - 3 - 5 Future dividend payments by the Company

The distribution of dividends by the Company will be dependent upon a number of factors, including the future profit, financial position, capital requirements, statutory reserve requirements, the amount of distributable reserves, available credit of the Company and general economic conditions and other factors that the Directors deem significant from time to time. The Company cannot offer guarantees that favourable conditions will occur that allow it to distribute dividends to its Shareholders.

2 - 3 - 6 Potential Issuance of New Shares in the Future

The Company does not currently intend to issue additional Shares immediately following the Offering. If and when the Company issues Shares in the future, the percentage holding of a Shareholder in the Company (and, therefore, the economic investment made by the Shareholder) will be diluted if the Shareholder does not acquire his/her proportional entitlement of additional new Shares.

3. Market and Industry Overview

The Company has appointed Colliers in collaboration with real estate professionals to conduct a market study on KSA hospitality and entertainment sectors together with an assessment of the entertainment market in the UAE. Information pertaining to the market and industry was obtained from outside sources (including the IFM, SAMA, SCTA, GACA, STR Global and other resources) in addition to Collier's own estimates. As such, up to date information about the market that was not published by various government and regulatory bodies may not have been available. The Company, however, has no reason to believe that significant changes occurred to the market's key performance indicators for the present period.

Colliers is a leader in global real estate services and was founded in 1976G through the collaboration of three property services firms. Colliers employs 12,300 employees worldwide operating from 522 offices in 62 countries. Colliers serves clients through managing leases and managing and developing their properties. Colliers helps owners, occupiers and developers achieve their goals with integrated commercial property services.

Unless expressly stated otherwise, the report prepared by Colliers is the source of the information relating to the hospitality and entertainment markets. Colliers has provided and not withdrawn its written consent for the use of their report in the form and context included in this Prospectus. Neither Colliers nor its employees or any of their relatives or affiliates has any shareholding or interest of any kind in the Company or any of its Subsidiaries.

3 - 1 KSA Economic Overview

3 - 1 - 1 Key Economic Indicators of KSA

Despite the slow growth of its domestic production, lately KSA's GDP has seen significant growth. In 2012G, real GDP growth in KSA was 6.2% compared to 27.1% in 2011G and it is forecasted that actual GDP will decrease 3.9% in 2013 compared to 2011G and 2012G. Annual inflation was 4.1% in 2009G and decreased to 3.8% in 2010 and then continued to be around the same level in the following year with a drop to 2.9% in 2012. The table below illustrates a number of economic indicators of KSA's economy for the years 2009G to 2012G.

Table 3–1 Key Economic Indicators

Key Indicators	2009G	2010G	2011G	2012G
Real GDP (SAR bn)	1,609	1,975	2,510	2,666
Real GDP Growth	-	22.7%	27.1%	6.2%
GDP per Capita (SAR)	60,489	71,558	88,380	91,301
Inflation	4.1%	3.8%	3.7%	2.9%
Current-account balance (SAR bn)	79	250	595	618
Current-account balance (% of GDP)	4.9%	12.7%	23.7%	23.2%

Source: Saudi Arabian Monetary Agency, 49th Annual Report

3 - 1 - 2 Demographics

It is estimated that the population of KSA has grown at a CAGR of 2.9% between 2000G and 2012G. An analysis of the intergenerational composition of KSA's population highlights the needs and expectations of the current and future demand for hospitality and entertainment. Children aged 19 and under constitute 40.9% of the Saudi nationals' population, which represents the age group with the highest demand for entertainment centres.

In KSA the 20 to 54 age group represents around 52.3% of the population. The future success of KSA's lodging industry in the next two decades will depend on its ability to adapt hospitality offerings to meet the needs of this age group.

It is worth mentioning that age group demographics were not detailed in the 47th, 48th and 49th annual reports issued by the Saudi Arabian Monetary Agency. The table below illustrates the demographics of KSA based on age group in mid 2009G as presented in the "46th Annual Report" issued by SAMA:

Table 3–2 Demographics

Age Group	Men	Women	Total	Generation (%)
0-4 yrs.	1,500,877	1,432,197	2,933,074	40.9%
5-9 yrs.	1,347,774	1,314,916	2,662,690	
10-14 yrs.	1,264,646	1,251,364	2,516,010	
15-19 yrs.	1,161,584	1,166,372	2,327,956	
20-24 yrs.	1,094,776	1,071,626	2,166,402	52.3%
25-29 yrs.	1,264,585	1,025,979	2,290,564	
30-34 yrs.	1,140,008	1,522,832	2,662,840	
35-39 yrs.	1,369,599	888,472	2,258,071	
40-44 yrs.	1,119,921	639,604	1,759,525	
45-49 yrs.	822,655	452,496	1,275,525	
50-54 yrs.	573,192	342,116	915,308	
55-59 yrs.	366,427	247,710	614,137	5.1%
60-64 yrs.	221,238	178,725	399,963	
65-69 yrs.	141,731	132,895	274,626	
70-74 yrs.	91,950	91,454	183,404	1.7%
75+ yrs.	130,806	124,225	255,031	
TOTAL	13,611,769	11,882,983	25,494,752*	100.0%

Source: Saudi Arabian Monetary Agency

** Mid year population estimates issued by the CDSI in Saudi indicated that the population in KSA will reach around 29.2 million in 2012.*

3 - 2 KSA Hospitality Market and Tourism Economics

Tourism contribution to GDP primarily reflects the economic activity generated by primary industries such as hotels, travel agents, airlines and other passenger transportation services in addition to secondary industries such as the restaurant and leisure sectors. The total contribution of travel and tourism to KSA GDP was SAR 119.0 billion in 2011G, rising by 5% in 2012G to reach SAR 125.0 billion. The tourism economy in KSA grew at a CAGR of 6.9% between 2008G and 2012G.

3 - 2 - 1 Purpose of Visit

In order to analyse the market in a granular manner, one can broadly classify the tourism demand by the purpose of visit, which can simply be classified into domestic or international visitors. The following are the definitions of domestic and inbound tourism as well as domestic and international visitors as provided by the Saudi Commission for Tourism and Antiquities.

- **Domestic Tourism:** Domestic tourism comprises the activities of residents of KSA traveling to and staying in places inside the Kingdom.
- **Inbound Tourism:** Inbound tourism comprises the activities of non-resident visitors (i.e. travellers who do not live in KSA) inside the Kingdom.

Visitors can also be classified as domestic and inbound:

- **Domestic Visitors (Domestic Tourists):** Refers to any person residing in KSA, who travels to a place within the Kingdom, other than that of his/her regular residence for less than 12 consecutive months, and whose main purpose of visit is other than the exercise of an activity remunerated from the place visited.
- **Inbound Visitors (Inbound Tourists):** Refers to any person travelling to a country other than the one in which he/she has his/her regular residence, but outside his/her usual environment, for less than 12 consecutive months and whose main purpose of trip is other than the exercise of an activity remunerated from the place visited.

3 - 2 - 2 Tourism Demand Growth

Despite fluctuations in the number of tourists between 2005G and 2012G, the aggregate number of inbound and domestic tourists increased as a whole from 38.3 million tourists in 2005G to 41.4 million tourists in 2012G (estimate). The following table depicts the historic tourism demand growth in KSA:

Table 3–3 Inbound and Domestic Tourists

(Thousand Visitors)	2005G	Change	2006G	Change	2007G	Change	2008G	Change
Inbound Tourism	8,037	-	8,620	7.3%	11,531	33.8%	14,757	28.0%
Domestic Tourism	30,236	-	27,080	(10.4)%	28,549	5.4%	28,775	0.8%
Total	38,273	-	35,700	(6.7)%	40,080	12.3%	43,532	8.6%

(Thousand Visitors)	2009	Change	2010	Change	2011	Change	2012 (Estimate)	Change	CAGR
Inbound Tourism	10,896	26.2%	10,850	(0.4)%	17,498	61.3%	19,248	10.0%	13.3%
Domestic Tourism	32,014	11.3%	22,780	(28.8)%	22,474	(1.3)%	22,172	(1.3)%	(4.3)%

(000' Visitors)	2009	Change	2010	Change	2011	Change	2012 (Estimate)	Change	CAGR
Total	42,910	(1.4)%	33,630	(21.6)%	39,972	18.9%	41,420	3.6%	1.1%

Source: Saudi Commission for Tourism and Antiquities

Though the number of domestic tourists has declined over the years.It has been offset by the increase in inbound tourists. While inbound tourism accounted for only 21.0% of overall tourism in KSA in 2005G, this figure increased to around 46.5% during 2012G (estimate).

The main purpose of inbound tourism in KSA is religious tourism, which constitutes 40.0% of overall inbound Tourism during 2011G. Although Makkah – and to a lesser extent Madinah – are the key destinations for this segment, tourism to Makkah is often achieved by travelling through Jeddah. For this reason, hotels in Jeddah are able to capture demand from religious tourists either before or after their Hajj or Umrah. Visiting family and friends, leisure and business are also significant sources of inbound tourism accounting for 20.5%, 14.2% and 3.5% respectively of overall inbound tourism. The majority of these visitations are to Riyadh, the capital city. This is due to the strict visa regulations that limit the potential for leisure visitation. Business visas, on the other hand are easier provided the required steps and procedures are observed.

Kuwait, Jordan, UAE, India, and Bahrain were the top five sources of inbound tourism to KSA in 2011G. The combined number of visitors from these countries was 8.5 million visitors, representing approximately 48.6% of the overall inbound tourism to the Kingdom.

The table below provides a summary of the inbound tourism in the Saudi market in 2011 by purpose of visit:

Table 3–4 Inbound Tourism

Purpose of Visit (No. of Visits)	Inbound Tourism	Percentage (%)
Religious	6,991,194	40.0%
Visiting Friends and Family	3,580,436	20.5%
Leisure and Shopping	619,173	3.5%
Business	2,490,439	14.2%
Other	3,816,747	21.8%
Total	17,497,989	100.0%

Source: Saudi Commission for Tourism and Antiquities

3 - 2 - 2 - 1 Domestic Tourism

Unlike inbound tourism, leisure and shopping dominate the purposes of domestic tourism. While the leisure and shopping market represents less than 4.0% of the inbound tourism market, this sector accounts for 47.6% of overall visit purposes within the domestic market in 2011. Conversely, religious tourism represents 40.0% of inbound tourism, but accounts for only 23.0% of domestic tourism. In addition, visiting family and friends is a major source of domestic tourism, accounting for 22.0% of overall domestic tourism in 2011.

The below tables provides details on the purpose of visit for domestic tourists in KSA during 2011:

Table 3–5 Domestic Visitation

Purpose of Visit	Domestic Tourism	Percentage (%)
Religious	5,169,741	23.0%
Visiting Friends and Family	4,943,164	22.0%
Leisure and Shopping	10,698,484	47.6%
Business	741,016	3.3%
Other	921,245	4.1%
Total	22,473,650	100.0%

Source: Saudi Commission for Tourism and Antiquities

3 - 2 - 3 Tourist Spending Trends

Although inbound tourists account for only 44% of the overall number of tourists in the KSA, their total spending reached SAR 49 billion in 2011G, compared to SAR 35.5 billion spent by the domestic tourists during the same year.

Despite the difference in spending preferences for Domestic and Inbound Tourists, accommodation and shopping seem to be a common denominator. For inbound tourists, accommodation expenses represented 38.5% (SAR 18.8 billion) of overall inbound tourist spending and 25.5% (SAR 9.1 billion) of the domestic tourist spending in 2011G. As for shopping, it constituted around 25.0% (SAR 12.2 billion) of the total inbound domestic spending and 24.9% (SAR 8.8 billion) of overall domestic tourist spending in 2011G.

The table below provides a summary of spending trends for both inbound and domestic tourists in 2011:

Table 3–6 Inbound Tourism Expenditure

(SAR million)	Religious	Leisure & Shopping	Family and Friends	Business	Other	Total
Accommodation	13,121	308	446	3,518	1,451	18,844
Food and Beverages	3,146	143	551	671	424	4,935
Domestic Transport	6,491	120	225	874	923	8,633
Recreation	60	176	180	379	143	938
Shopping	6,698	885	1,500	1,451	1,710	12,244
Others	1,200	52	683	818	664	3,416
Total	30,716	1,684	3,588	7,714	5,314	49,009
Percentage (%)	62.7%	3.4%	7.3%	15.7%	10.8%	100.0%

Source: Saudi Commission for Tourism and Antiquities

Table 3–7 Domestic Tourism Expenditure

(SAR million)	Religious	Leisure & Shopping	Family and Friends	Business	Other	Total
Accommodation	3,203	308	3,866	1,399	293	9,068
Food and Beverages	1,883	270	2,393	2,021	199	6,765
Domestic Transport	1,414	244	1,076	1,125	154	4,013
Recreation	908	169	3,229	1,140	131	5,576
Shopping	1,530	544	4,283	2,264	240	8,834
Others	634	41	206	308	105	1,294
Total	9,570	1,575	15,053	8,239	1,121	35,558
Percentage (%)	26.9%	4.4%	42.3%	23.2%	3.2%	100.0%

Source: Saudi Commission for Tourism and Antiquities

3 - 2 - 4 Hotel Demand

Overall, of 39.7 million nights spent by domestic and inbound tourists in KSA in 2011, Hotel establishments capture 32.4% of the demand, while other forms of accommodation satisfy the remaining demand. In less mature markets, furnished apartments and private accommodation tend to capture more demand due to a variety of reasons, including a shortage of branded hotel accommodation (in emerging cities), and a lack of differentiation in perceived service standards between furnished apartments and hotel accommodation.

In Riyadh, 27.1% of the demand is captured by Hotel establishments compared to 43.6% in Makkah and 53.0% in Madinah 2011. These three cities are key destinations in KSA that hold a significant share of the demand created by business and religious tourism visitors.

The following table illustrates the hotel demand captured by the major Saudi cities in 2011:

Table 3–8 Hotel Demand

(No. of Tourist Nights)	Hotel Demand	Overall Demand	Share Captured by Hotels
Riyadh	1,663,089	6,144,162	27.1%
Makkah	7,105,371	16,300,104	43.6%
Madinah	2,555,550	4,819,779	53.0%
Al Qaseem	49,256	396,491	12.4%
Eastern Province	1,017,658	7,043,616	14.4%
Asir	266,184	1,436,997	18.5%
Tabuk	80,284	929,341	8.6%
Hail	3,989	319,900	1.2%
Jizan	76,622	1,156,390	6.6%

(No. of Tourist Nights)	Hotel Demand	Overall Demand	Share Captured by Hotels
Najran	7,729	149,623	5.2%
Al Baha	33,368	688,418	4.8%
Al Jouf	10,240	233,431	4.4%
Northern Borders	474	111,834	0.4%
Total	12,869,814	39,730,086	32.4%

Source: Colliers Research; Saudi Commission for Tourism and Antiquities.

3 - 2 - 5 Hotel Performance Indicators – Major KSA Cities

For hotel accommodation, Riyadh typically leads the KSA market in terms of ADR, while Jeddah achieves the strongest occupancy rates driven by religious tourism. Moreover, Riyadh, being the capital city and one of the key commercial centres, has one of the highest ADR driven by corporate and business travellers. The table below depicts average rate, revenue per average room (RevPAR) and occupancy (see section 1 "Terms and Definitions") for each major city in KSA in the period from 2010G to 2012G.

Table 3–9 Key Performance Indicators for Hotels in Major Cities

	Occupancy			ADR (SAR)			RevPAR (SAR)		
	2010G	2011G	2012G	2010G	2011G	2012G	2010G	2011G	2012G
Riyadh	60%	62%	63%	949	1,013	1,027	569	628	650
Jeddah	66%	71%	77%	735	765	836	485	543	641
Makkah	54%	55%	54%	758	893	840	409	491	451
Madinah	56%	51%	59%	428	476	522	239	243	308
Dammam-Khobar	43%	52%	57%	703	692	712	302	360	402

Source: STR Global; Colliers Research.

RevPAR is one of the most important indicators used to measure performance, and is calculated by multiplying occupancy with ADR. Although Jeddah has the highest occupancy rates among all major cities, Riyadh was able to achieve the highest RevPAR primarily due to the high ADR. It is worth mentioning that corporate and business travellers are less sensitive to high room rates and prefer to stay in branded hotels that are synonymous with quality and that cater to the needs of that segment of travellers such as having health clubs, conference and meeting rooms and are strategically located near the main business district or close to government entities.

3 - 3 Riyadh Hospitality Market

As the capital of KSA, Riyadh is primarily a corporate destination that receives significant inbound corporate tourism. The most significant demand generator is undoubtedly the central business district along King Fahd road, as it is close to the various corporate and financial institutions headquarters and the ministries. There are forthcoming developments that are expected to generate further demand for corporate tourism, some of these developments are:

- **King Abdullah Financial district (KAFD)** – the first of its kind in the Middle East in terms of size, organization, technical specifications and expected role. Construction is currently ongoing in northern Riyadh on plot size of 1.6 million square meters. It is set to become the new business hub in the capital, as it will hold the CMA, the Exchange, financial companies, law firms, banks and other financial sector businesses.

- **Business Gate** - is a planned development which will include a Fairmont Hotel, Fraser Place, a convention centre and commercial real estate that is intended to house regional and multinational corporations including Sony, Samsung Pfizer, and Lockheed Martin. The development spans some 134,500 square meters.
- **The Information Technology & Communication Complex** (ITCC) - is set over a land area of 776,000 square meters and will comprise a mix of administration, technical, research, training and development and software production companies. The development will also include hotels, restaurants, a convention centre, residential apartments, and governmental buildings.
- **King Saud University Endowment** - The University Towers Project is located in northern Riyadh and directly opposite the King Saud University, comprising eleven towers on a land area of 450,000 square meters. The development will include medical clinics, offices, residential apartments, retail, hospitality, panoramic restaurant and convention halls. The main focus of the development will be on the office towers, which will utilize 40% of the planned development, with hotels making up 20% of the project's total BUA.

3 - 3 - 1 Airport Passenger Flow – King Khalid International Airport in Riyadh

The number of international passengers in King Khalid International Airport in Riyadh has historically been growing at a faster pace than the number of domestic passengers – while international passengers accounted only for 37.9% of overall passengers in 2005G, this figure grew to 51.6% in 2012G out of the total passenger flow through King Khalid International Airport in Riyadh in 2012G (estimate); i.e. with a CAGR of 11.1% during the period from 2005G to 2012G (est).

Table 3–10 Passenger flow through King Khalid International Airport in Riyadh

(Thousand Passengers)	2005G	Change	2006G	Change	2007G	Change	2008G	Change
Domestic Passengers	6,542	-	6,670	2.0%	7,064	5.9%	6,317	(10.6%)
International Passengers	3,991	-	4,292	7.5%	4,645	8.2%	5,148	10.8%
TOTAL	10,533	-	10,962	4.1%	11,709	6.8%	11,465	(2.1%)

(Thousand Passengers)	2009G	Change	2010G	Change	2011G	Change	2012G (est)	Change	CAGR
Domestic Passengers	6,682	5.8%	6,875	2.9%	7,428	8.0%	7,840	5.5%	3.1%
International Passengers	5,954	15.7%	6,692	12.4%	7,408	10.7%	8,364	12.9%	13.1%
TOTAL	12,636	10.2%	13,567	7.4%	14,836	9.4%	16,204	9.2%	7.4%

Source: General Authority of Civil Aviation; Colliers Research

3 - 3 - 2 Guests in Riyadh Accommodation

The number of hospitality guests in Riyadh reached approximately 6.0 million in 2011G, which was the highest that it has been in recent years, representing a 52.0% increase from 2010G. Estimates also indicate that the number of hospitality guests in Riyadh will grow during 2012 so that the total number of domestic and inbound tourists will reach around 6.8 million guests (estimated); i.e. an increase of 15.3% from 2011G.

Table 3–11 Riyadh International and Domestic Guests

(Guests)	2005G	Change	2006G	Change	2007G	Change	2008G	Change
International Guests	933,000	-	852,000	(8.7%)	1,580,351	85.5%	2,498,491	58.1%
Domestic Guests	4,941,000	-	3,892,000	(21.2%)	3,852,459	(8.0%)	3,227,649	(9.9%)
TOTAL	5,874,000	-	4,744,000	(19.2%)	5,162,810	8.8%	5,726,140	10.9%

(Guests)	2009	Change	2010	Change	2011	Change	2012 (est)	Change	CAGR
International Guests	1,580,351	(36.7)%	1,821,264	15.2%	4,155,806	128.2%	5,330,700	28.3%	28.3%
Domestic Guests	3,582,459	11.0%	2,044,319	(42.9%)	1,718,078	(16.0%)	1,440,724	(16.1%)	(16.1%)
TOTAL	5,162,810	-9.8%	3,865,583	(25.1%)	5,873,884	52.0%	6,771,424	15.3%	2.1%

Source: Saudi Commission for Tourism and Antiquities; Colliers Research

The most significant aspect of the data above is the large shift in the composition of tourism in 2011, which was primarily composed of international visitation. Representing 70.8% of overall visits compared to only 15.9% in 2005G. This highlights Riyadh's growing importance as an international commercial destination. While the flow of international passenger increased by 5.5% in 2012G compared to 2011G, international accommodated guests increased by 28.3% for the same period.

3 - 3 - 3 Length of Stay - Riyadh

The table below depicts the average length of stay (no. of nights) by star category in Riyadh.

Table 3–12 Length of Stay

(Av. No. of Nights)	2008G*	2009G	2010G	2011G	2012G (est)
Five-star		2.8	1.8	1.5	1.5
Four-star		4.2	3.4	2.6	3.1
Three-star		5.1	4.1	3.0	3.8
Two-star		4.4	2.5	1.8	1.9
Total	1.5	3.7	2.7	2.1	2.3

** The calculation of the average was taken from the Tourism Information and Research Center (MAS), which is responsible for gathering tourism information and data and conducting research and studies related to tourism in KSA, taking into consideration that the Center did not provide information on average length of stay according to star classification during 2008, but provided average length of stay for all hotel classes.*

Source: Saudi Commission for Tourism and Antiquities; Colliers Research

The three- and four-star hotel segments have the longest length of stay for the entire period from 2008G to 2012G (estimated), which positively impacts hotel occupancy rates in this category. The average length of stay in 2011G for domestic visitors was 1.9 nights while inbound visitors stayed 2.6 nights on average.

The relatively long length of stay for international tourists suggests that international tourists are more attracted to branded hotels. Internationally branded hotels would therefore be ideally positioned to target longer-staying guests, thus having a positive impact on occupancy. As shown in Table 3-11, the number of international hotel guests increased with a CAGR of 20.9% between 2008G and 2012G (estimated), which indicates the importance of Riyadh as an international commercial location that attracts international tourists for commercial purposes and therefore increasing demand for banded hotels.

3 - 3 - 4 Existing Hotel Supply - Riyadh

The hotel supply in Riyadh has fluctuated over the period under consideration, experiencing a CAGR of 40% since 2006G. The cause of this fluctuation of supply in Riyadh, as in other cities in KSA, is the efforts put by the SCTA to re-categorise the available supply to match international standards, as some rooms were dropped from such categories during 2010G and returned to certain categories after complying with the new standards in following years, in addition to the introduction of new hotels in Riyadh. In 2012G (estimated), the total room supply in Riyadh stood at 8,281 rooms. The table below illustrates the hotel supply in Riyadh in terms of number of available rooms.

Table 3–13 Existing Hotel Supply - Riyadh

(Rooms)	2006G	2007G	2008G	2009G	2010G	2011G	2012 (est)
Two-star/ below	664	743	1,526	3,953	1,055	1,647	1,647
Three-star	1,950	2,032	1,790	1,598	1,031	1,002	1,178
Four-star	3,025	3,073	3,191	1,442	932	3,041	3,041
Five-star	2,451	2,451	3,165	2,014	2,975	2,415	2,415
Total	8,090	8,299	9,672	9,007	5,993	8,105	8,281

Source: Saudi Commission for Tourism and Antiquities; Colliers Research

As shown above, with the exception of 2009G, four and five-star hotels dominated most of the available supply in Riyadh. In addition, while the total number of hotel guests in Riyadh grew by 15.3% from 5.9 million guests in 2011G to nearly 6.8 million in 2012G (estimated), the supply of available hotel rooms in Riyadh grew by only 2.2% during the same period, which indicates that there is an opportunity to cater to this demand by adding new rooms.

3 - 3 - 5 Riyadh Market Wide Hotel Performance

Riyadh's hotel occupancy rates were slightly affected in 2010G by the global financial crisis. However, demand for hotel accommodation quickly rebounded, showing positive improvements from 2011G to 2012G. Occupancy grew significantly from 2011G. The same also applied to RevPARs and ADRs. In 2012G, RevPAR was SAR 650, recovering to its level prior to the crisis.

Table 3–14 Key Performance Indicators for hotels in Riyadh

	2008G	2009G	2010G	2011G	2012G
ADR (SAR)	934	1,001	949	1,013	1,027
RevPAR (SAR)	663	621	569	628	650
Occupancy	71%	62%	60%	62%	63%

Source: STR Global; Colliers Research

3 - 4 Jeddah Hospitality Market

As the gateway to Makkah, Jeddah captures a significant amount of demand from pilgrims en route to Makkah. As Makkah itself does not have an airport, pilgrims must travel to Jeddah and make the remainder of the journey by car. Most often these pilgrims stay in Jeddah for a few days before or after their pilgrimage as leisure tourists.

There are plans to develop an Airport City in the land around King Abdulaziz International Airport, which will have business, education and leisure components. The large-scale expansion plans of Jeddah's main airport will potentially translate into significant increases in demand for accommodation in the city.

3 - 4 - 1 Airport Passenger Flow - Jeddah

International passengers represent the majority share of total passengers, accounting for 71.8% of overall flow in 2012 (estimated) due to the above mentioned factors relating to religious tourism. Domestic passengers have grown at a CAGR of 2.6% between 2005G and 2012G (est), during which time international passengers have grown at a CAGR of 6.9%.

Table 3–15 Domestic and International Passengers - Jeddah

(Thousand Passengers)	2005G	Change	2006G	Change	2007G	Change	2008G	Change
Domestic Passengers	5,903	-	5,835	(1.2%)	6,192	6.1%	6,172	(0.3%)
International Passengers	11,253	-	11,404	1.3%	12,371	8.5%	11,338	(8.4%)
TOTAL	17,156	-	17,239	0.5%	18,563	7.7%	17,510	(5.7%)

(Thousand Passengers)	2009G	Change	2010G	Change	2011G	Change	2012G (est)	Change	CAGR
Domestic Passengers	6,088	(1.4%)	6,231	2.3%	6,814	9.4%	7,043	3.4%	2.6%
International Passengers	11,578	2.1%	13,567	17.2%	16,003	18.0%	17,951	12.2%	6.9%
TOTAL	17,666	0.9%	19,798	12.1%	22,817	15.2%	24,994	9.5%	5.5%

Source: General Authority for Civil Aviation

3 - 4 - 2 Guests in Jeddah Accommodation

Contrary to what would be expected, the demand for hotel accommodation in Jeddah primarily stems from the domestic market, which represented an average of 68.3% of overall visits to Jeddah in 2012 (e), while Inbound Tourists represented an average of 31.7% during the same period. On the other hand, the rise in demand for Jeddah hotels in previous years was backed by a strong influx of international guests, as the number of international visitors increased at a CAGR of 21.8% during the period between 2005G to 2012G (estimated), while the number of domestic guests declined at a CAGR of 3.9% for the same period.

Table 3–16 International and Domestic Guests-Jeddah

(Guests)	2005G	Change	2006G	Change	2007G	Change	2008G	Change
International Guests	466,840	-	520,000	11.4%	770,933	48.3%	2,092,073	171.4%
Domestic Guests	5,302,000	-	5,674,000	7.0%	4,834,525	(14.8%)	5,673,210	17.3%
TOTAL	5,768,840	-	6,194,000	7.4%	5,605,458	(9.5%)	7,765,283	38.5%

(Guests)	2009G	Change	2010G	Change	2011G	Change	2012G (est)	Change	CAGR
International Guests	1,752,353	(16.2%)	1,535,542	(12.4%)	1,527,881	(0.5%)	1,861,700	21.8%	21.8%
Domestic Guests	6,525,555	15.0%	4,569,603	(30.0%)	4,174,362	(8.6%)	4,011,269	(3.9%)	(3.9%)
TOTAL	8,277,908	6.6%	6,105,145	26.2%	5,702,243	(6.6%)	5,872,969	3.0%	0.3%

Source: Saudi Commission for Tourism and Antiquities; Colliers Research

3 - 4 - 3 Length of Stay – Jeddah

The table below depicts the average length of stay (no. of nights) by star category in Jeddah.

Table 3–17 Length of Stay

Av. No. of Nights	2008G*	2009G	2010G	2011G	2012G (e)
Five-star		6.1	3.6	3.0	3.5
Four-star		5.1	4.4	2.9	3.3
Three-star		5.4	4.7	2.9	3.3
Two-star		4.1	4.8	2.9	3.3
Total	1.9	5.5	4.1	2.9	3.3

Source: Saudi Commission for Tourism and Antiquities

** The calculation of the average was taken from the Tourism Information and Research Center (MAS), which is responsible for gathering tourism information and data and conducting research and studies related to tourism in KSA, taking into consideration that the Center did not provide information on average length of stay according to star classification during 2008, but provided average length of stay for all hotel classes.*

As shown in the table, all hotel categories experience similar lengths of stay, which are relatively high compared to Riyadh, for example. The average length of stay for all Hotel categories was 2.3 nights in 2012 (est). In particular, five-star hotels had the longest stays, suggesting significant demand by leisure and business tourists.

3 - 4 - 4 Existing Hotel Supply – Jeddah

It would seem that a large number of hotels in Jeddah were re-categorized in 2009G in line with the SCTA's efforts to follow global standards. This would explain the sharp drop in hotel supply in 2009G compared to 2008G, as the available supply dropped from 29,425 rooms in 2008G to 11,778 rooms in 2009G. It is notable that four and five-star hotels dominated the market in Jeddah with around 76.5% of the available supply in 2012G (est).

Moreover, branded hotels represent 38.2% of the total hotel stock in Jeddah. While most four and five-star hotels are branded, two-star hotels, and to a lesser extent three-star hotels, and hotels with limited services are most probably not branded. This indicates a good opportunity for growth in this category of hotels.

The following table depicts the historical growth of the hotel stock in Jeddah.

Table 3–18 Hotel Stock in Jeddah

(Rooms)	2006G	2007G	2008G	2009G	2010G	2011G	2012G (e)
Two-star/ below	3,481	3,714	1,821	589	558	458	458
Three-star	17,968	19,172	9,399	2,160	2,176	1,784	1,853
Four-star	6,995	9,405	8,616	4,032	4,080	3,345	3,464
Five-star	7,786	10,468	9,589	4,997	4,975	4,077	4,077
Total	36,230	42,759	29,425	11,778	11,789	9,664	9,852

Source: Saudi Commission for Tourism and Antiquities; Colliers Research

3 - 4 - 5 Jeddah Market Wide Hotel Performance

Jeddah's hotel occupancy rates were slightly affected in 2010G by the global financial crisis. However, demand for hotel accommodation quickly rebounded, showing strong positive improvements from 2011G to 2012G. The occupancy rates in Jeddah are the highest in the Kingdom reaching 77% in 2011G. This is mainly due to the fact that 39% of the total number of passengers in KSA passed through the King Abdulaziz International Airport in Jeddah where most will stay for a duration en route to Makkah and Madina for pilgrimage or thereafter.

Jeddah is one of the most popular tourist destinations in KSA, especially with domestic tourists. It offers a selection of beach resorts to the north of the city and numerous shopping centres, both of which are strong drivers of high occupancy rates during summer and weekend holidays. For these reasons, Jeddah is not strongly affected by large fluctuations in occupancy due to seasonality, and hotel demand is predictable and constant - a benefit to hotel owners and operators.

Table 3–19 Key Performance Indicators Jeddah

	2008G	2009G	2010G	2011G	2012G
ADR (SAR)	596	671	735	765	836
RevPAR (SAR)	435	483	485	543	641
Occupancy	73%	72%	66%	71%	77%

Source: STR Global; Colliers Research

3 - 5 Dammam-Khobar Hospitality Market

The Eastern Province is an important hub for the industrial sector in KSA, particularly the oil industry as the Eastern Province captured 86.0% of the basic industries sector. Dammam and Al Khobar are located on the Arabian Gulf and benefit from increased domestic tourism geared towards servicing the oil sector. Al Khobar also hosts a large number of domestic tourists.

3 - 5 - 1 Airport Passenger Movements – Dammam

The following table depicts King Fahd International Airport's passenger movements between 2005G and 2012G (estimated).

Table 3–20 Domestic and International Passengers Dammam

(Thousand Passengers)	2005G	Change	2006G	Change	2007G	Change	2008G	Change
Domestic Passengers	1,800	-	1,914	6.3%	2,248	17.5%	2,073	(7.8%)
International Passengers	1,213	-	1,427	17.6%	1,593	11.6%	1,810	13.6%
TOTAL	3,013	-	3,341	10.9%	3,841	15.0%	3,883	1.1%

(Thousand Passengers)	2009G	Change	2010G	Change	2011G	Change	2012G (est)	Change	CAGR
Domestic Passengers	2,144	3.4%	2,205	2.8%	2,335	5.9%	2,429	6.7%	4.8%
International Passengers	2,006	10.8%	2,364	17.8%	2,932	24.0%	3,443	17.4%	16.1%
TOTAL	4,150	6.9%	4,569	10.1%	5,267	15.3%	5,935	12.7%	10.2%

Source: General Authority of Civil Aviation; Colliers Research

The number of domestic tourists has been growing at a CAGR of 4.8% since 2005G, while international tourism has been growing at a CAGR of 16.1% during this period. Although the high growth rate of international passenger flow in the Eastern Province has positive implications for hotel accommodation, they are still fairly low when compared to the other two major airports; namely King Khalid and King Abdulaziz International Airports. In 2012G (estimated), approximately 5.9 million passengers travelled through King Fahd International Airport compared to 16.2 million in King Khalid International Airport and 25.0 million in King Abdulaziz International Airport.

3 - 5 - 2 Guests in Dammam-Khobar Accommodation

Typically, it is Dammam that receives the lion's share of tourists, with Khobar receiving only 17.5% of the overall visitors of Dammam. International tourism to Dammam-Khobar has been growing at a rate of 16.9% since 2005, during which domestic tourism has been falling about 5.1% annually. Khobar in particular has seen a faster decline in domestic tourism than Dammam, as the domestic market has been falling by approximately 25% annually since 2005. In 2011, inbound tourism outstripped domestic tourism for the first time, which suggests the increasing significance of Dammam-Khobar as an international destination.

Table 3–21 International and Domestic Guests

(Guests)	2005G	Change	2006G	Change	2007G	Change	2008G	Change
International Guests	1,058,495	-	1,095,130	3.5%	1,260,765	15.1%	1,769,962	40.4%
Domestic Guests	2,847,000	-	2,925,727	2.8%	2,922,335	(0.1%)	2,951,374	1.0%
TOTAL	3,905,495	-	4,020,857	3.0%	4,183,100	4.0%	4,721,336	12.9%

(Guests)	2009G	Change	2010G	Change	2011G	Change	2012G (est)	Change	CAGR
International Guests	1,280,591	(27.6%)	1,073,095	(16.2%)	2,636,689	145.7%	3,160,129	19.9%	16.9%
Domestic Guests	3,481,050	17.9%	2,189,960	(37.1%)	2,064,393	(5.7%)	1,974,543	(4.4%)	(5.1%)
TOTAL	4,761,641	0.9%	3,263,055	(31.5%)	4,701,082	44.1%	5,134,672	9.2%	4.0%

Source: Saudi Commission Tourism and Antiquities; Colliers Research

Approximately 48% of overall tourism to Dammam and Khobar is for leisure and shopping purposes. A further 30% of tourism is for VFR, which can also be categorized under the leisure segment; given the nature of this tourism, a significant proportion stay with friends and relatives rather than seek hotel accommodation.

While international travellers increased by 17.4% in 2012G (estimated), international accommodated guests increased by 19.9%, indicating that a higher number of international travellers are taking accommodation in the Eastern Province.

3 - 5 - 3 Length of Stay – Dammam and Khobar

As is evident from the table, the length of stay in hotels in Dammam-Khobar is significantly longer in comparison to Riyadh and Jeddah, which is due to the extended stays of domestic guests.

Table 3–22 Length of Stay – Dammam and Khobar

The below table depicts the average length of stay at hotels in Dammam and Khobar:

Avg. No. of Nights	2008G*	2009G	2010G	2011G	2012G (e)
Five-star		6.2	5.6	4.5	4.5
Four-star		8.3	7.9	6.3	6.1
Three-star		6.1	6.6	5.2	4.9
Two-star		8.9	6.2	5.0	5.5
Total	1.7	7.6	6.8	5.4	5.4

** The calculation of the average was taken from the Tourism Information and Research Center (MAS), which is responsible for gathering tourism information and data and conducting research and studies related to tourism in KSA, taking into consideration that the Center did not provide information on average length of stay according to star classification during 2008, but provided average length of stay for all hotel classes*

Source: Saudi Commission Tourism and Antiquities

3 - 5 - 4 Existing Hotel Supply – Eastern Province

The two and three star segment represented approximately 47.1% of the overall supply in 2012G (e), while the four and five star segments represent the remaining 52.9% of the market. Currently 46.3% of hotel supply in the Eastern Province is internationally branded, and mostly in Dammam and Al Khobar. Seems to be there is clear preference towards four-star hotel accommodations in Dammam-Khobar, which only account for 18.6% of total hotel supply in 2012G (e). This indicates a strong opportunity for growth in the four-star hotel category to cater to this growing demand.

The cause for fluctuation in the available supply in the Eastern Province during 2009G, 2010G and 2011G is the same as given before for Riyadh and Jeddah; i.e. the re-categorization of available supply conducted according to the general hotel classification standard and the standard applicable for furnished apartments prepared by the SCTA to match global standards, which includes all the specifications and services that should be available in a hotel to receive a certain classification.

Table 3–23 Existing Hotel Supply – Eastern Province

(Rooms)	2006G	2007G	2008G	2009G	2010G	2011G	2012G (e)
Two-star/ below	505	505	247	2,083	455	2,288	2,384
Three-star	1,658	1,713	1,529	2,054	690	1,527	1,527
Four-star	1,688	1,742	1,816	112	734	1,548	1,548
Five-star	1,715	1,875	4,326	859	2,390	2,850	2,850
Total	5,566	5,853	7,918	5,108	4,269	8,213	8,309

Source: Saudi Commission Tourism and Antiquities

3 - 5 - 5 Al Khobar Market-Wide Hotel Performance

Al Khobar's hotel occupancy rates were slightly affected in 2010G by the global financial crisis. However, demand for hotel accommodation quickly rebounded, to show strong positive improvements from 2011G to 2012G. The low season tends to be between February and April, with peaks in occupancy between the months of August and September. However, ADRs remain constant throughout the year, which is a plus for hotel owners and managers.

Table 3–24 Key performance Indicators – Khobar

	2008G	2009G	2010G	2011G	2012G
ADR (SAR)	784	767	703	692	712
RevPAR (SAR)	461	437	302	360	402
Occupancy	59%	57%	43%	52%	57%

Source: STR Global; Colliers Research

3 - 6 Secondary Cities - Hospitality Market

The secondary cities of KSA, namely Al Baha, Jizan, Hail, Tabouk and Yanbu, have a limited supply of hotel rooms (1,246 rooms), because a significant part of the accommodation (76%) is categorized as furnished apartments.

Supply of hotels and serviced apartments in secondary cities is generally of low quality and with poor operating standards. There are currently only five international operators present in the aforementioned secondary cities. Tabuk and Jizan don’t have any international hotels. Therefore, there is a clear opportunity for international brand hotels to take advantage of this gap, as these cities are currently undergoing development.

For instance, Jizan is currently developing an Economic City, which is a large-scale project that will include several modern industries and potentially have a direct positive impact on demand for hotel accommodation due to the anticipated increase in population and labour force.

The Company plans to expand into Jizan, which saw an increase in occupancy at a CAGR of 2.6% during the period from 2008G to 2012G, accompanied by a rise in RevPAR at a CAGR of 1.6% for the period between 2008G and 2012G. Demand for hospitality services in Jizan is expected to increase over the coming years, especially after the completion of the Economic City, which will accommodate 250,000 people and be managed by a working force of 500,000 workers.

3 - 7 Competition

3 - 7 - 1 KSA Local Hotel Companies

This section analyses the local hotel companies in KSA that both own and operate hotels in the KSA and are potential competitors of the Company. Although the Company does not have a direct competitor given its diversified business model and geographical spread, Saudi Hotels and Resorts Company (“SHARACO”) model is nevertheless somewhat similar to that of the Company, except that the Company leases the buildings of Hotels it manages and operates, while SHARACO owns the lands and buildings of its hotels.

SHARACO is a Saudi listed company that owns properties through partnerships and manages them under its own brand, Makarim. Their geographical presence is predominantly in the western part of the Kingdom, especially in the Makkah Province. Overall, SHARACO has a portfolio of 1,880 keys (number of rooms).

Boudl Hotel Suites and Resorts is a local brand that mostly operates serviced apartments in various parts of the KSA. The firm currently operates 23 properties – most of which are classified as furnished apartments – with a geographical predominance in Riyadh and the Eastern Region. Boudl has a portfolio of 1,458 rooms (apartments) in KSA.

Elaf Group is a hotel company that manages hotels in Makkah, Jeddah and Madinah. Its hotels are branded under the Elaf brand, and range from 3- to 5-star. Overall, Elaf has a portfolio of approximately 3,867 rooms in KSA.

Fawaz Al Hokair – FAS Hotels is a company owned by Fawaz Abdulaziz Al Hokair that does not currently operate or own any hotels. It is expected to open its first hotel in November 2014, and is thus not currently considered a competitor. FAS will focus on the ownership of 4- and 5-star hotels. It has collaborated with international operators like Marriott International and Starwood to operate hotels on its behalf.It is expected that FAS will exceed 1,045 hotel rooms.

Al Massa Hotels operates properties in Taif, Makkah and Madinah, with both unbranded and branded hotels. Five of its hotels are currently branded under the Ramada brand. Overall, Al Massa has a portfolio of approximately 3,427 rooms.

Arab Resorts Areas Co. (ARACO) owns and operates hotels, resorts and apartments through its ARACO brand, among others, through which it manages and operates Taiba Residential Suites. Its hospitality assets are predominantly located in the Western region of KSA, such as Madinah and Makkah. Overall, ARACO has a portfolio of approximately 1,573 rooms in KSA.

3 - 7 - 2 Al Hokair Group Fair Share – Overall KSA Market

Al Hokair Group holds 2.1% of the overall KSA market in terms of number of rooms available in all Hotel classes (3,306 as of 2012). Al Hokair Group ranks as the third largest local hotel company in KSA and is the largest local hotel company (among those analysed) in the key areas in which it operates: Riyadh, Jeddah, Dammam and Khobar.

Table 3–25 (A) Al Hokair Group Fair Share - KSA

Hotel Name	Fair Share (no. of rooms available)	No. of Rooms Available*
Elaf	2.5%	3,936
AlMassa	2.2%	3,463
Al Hokair Group	2.1%	3,306
SHARACO	1.1%	1,732
ARAC	0.5%	787
Boudl	0.3%	472
Other	91.3%	143,734
TOTAL	100.00%	157,430

Source: Colliers Analysis

** No. of rooms available includes hotel rooms only and does not include apartments. This figure is based on the outcome of multiplying the fair share of each hotel with the total no. of rooms in 2012. As a result there may be some discrepancy between the numbers mentioned here and in section 3.7.1.*

Al Hokair Group dominates the Riyadh, Jeddah and Eastern Province markets with a fair share of 12.4%, 9.5% and 8.7% respectively. Al Hokair Group's competitors, however, dominate the other cities within KSA including Jizan, Tabuk, Yanbu and others.

Table 3–25 (B) Al Hokair Group Fair Share – KSA

	Fair Share (no. of rooms available)	No. of Rooms Available*
Riyadh		
Al Hokair Group	12.4%	1,027
Other Companies	87.6%	7,254
Jeddah		
Al Hokair Group	9.5%	918
Other Companies	90.5%	8,745

	Fair Share (no. of rooms available)	No. of Rooms Available*
Eastern Province		
Al Hokair Group	8.7%	715
Other Companies	91.3%	7,498

Source: Colliers Analysis

** No. of available rooms was calculated by dividing the number of available nights during the year over 365 days.*

3 - 8 KSA Entertainment Market Overview

3 - 8 - 1 Entertainment Sector - KSA

KSA's entertainment sector presently offers a limited number of opportunities for the younger population, as fewer types of group entertainment are available when compared to other countries. This means that indoor entertainment cities and centres are the major destination for fun and amusement seekers outside of their homes. In addition, the conjunction of shopping with entertainment provides these centres with the possibility to attract a segment of shoppers. Seasonality also impacts the entertainment sector, as most of these entertainment centres experience increased footfall over the weekends or during holiday seasons.

The entertainment sector in the Kingdom can be divided into two main types; Indoor Family Entertainment Centres (FEC's) and Outdoor Amusement Parks; FECs are mostly located in large shopping malls that offer distinguished design, bigger shops, supporting services such as fast food restaurants, coffee shops, prayer rooms, and car parking. These recreation centres provide an alternative to the outdoor parks and are not impacted due to harsh weather. Outdoor amusement parks (including water parks) have seasonal demand experiencing higher traffic during holidays (Eid and summer break).

3 - 8 - 2 Demographics

KSA has a young and fast growing population where 69% of its inhabitants are under the age of 35, according to the census by age group included in the 46th Annual Report issued by the SAMA. More specifically, children aged 19 and under constitute 40.9% of the total population, which represents the age group with the most demand for entertainment centres. Thus, demand for entertainment centres is expected to increase with the growth of the population.

3 - 8 - 3 Limited Entertainment Options in KSA

Certain modes of entertainment, such as movie theaters, concert halls, are currently not permitted in KSA. This limits entertainment services in the market and current revenue to certain opportunities such as Food & Beverages ("F&B") services, FEC's and malls.

3 - 8 - 4 Harsh Weather Conditions in KSA

The weather in most of the country is hot for most of the year, which is why entertainment is mostly in enclosed spaces that are not affected by weather. This further puts a limitation on the offering of outdoor entertainment centres within KSA.

3 - 8 - 5 Disposable Income

Disposable income is another factor impacting the entertainment market within KSA, where high income per capita means higher disposable income. Historical data reveals that spending in the entertainment sector (without taking inflation rates into account) increased by 37% from 2005-2009 and stood at around SAR 40 billion in 2010.

3 - 8 - 6 Possible Growth in Emerging Cities

There are more than 25 cities in KSA with a total population ranging between 100,000 and 520,000 individuals. Some of these cities have no entertainment centres while others have fewer than three entertainment centres per city, which indicates an opportunity for growth in these emerging cities.

3 - 9 KSA Entertainment Market Analysis

3 - 9 - 1 Demand Analysis – Total Visits to Theme/Amusement Parks

The following table provides the estimated number of visits within the entertainment market of relevance:

Table 3–26 Total Visits to Entertainment Centres

(Thousand Visitors)	2009	2010	2011	2012
Riyadh	10,476	10,737	11,004	11,277
Jeddah	11,090	11,366	11,648	11,938
Dammam/Khobar	4,527	4,640	4,755	4,873
Secondary Cities	25,303	25,932	26,577	27,237
Total	51,397	52,674	53,983	55,325

Source: Colliers Estimates ; SCTA; EIU

According to the table above, the estimated number of visits in the secondary cities (including Jizan, Tabouk, Taif and Al Baha) is more or less the same as the number of visits in the three main cities of KSA. This is due to the population concentration amongst the three major cities, which represented around 38.0% of total KSA population in 2010. The remaining variability could be due to the supply of entertainment centres within these cities, which is 54.0% of the total KSA supply.

The majority of the centres in the main cities are located within retail malls which target mainly households with higher income. Visitors with higher income tend to have increased repreat visits, though by varying amounts – reflecting the higher purchasing power of the high-income households. The average visitor per property is lower than the city average. This can be attributed to the fact that outdoor centres tend to have higher visitations due to their target market of mid & lower income groups while indoor FEC's mostly target mid & higher income groups. The average amount spent per visitor is higher though in indoor FEC's when compared to outdoor centres – due to difference in target market.

3 - 9 - 2 Supply Analysis – KSA Market

The following provides supply estimates of entertainment parks in KSA in 2011, including FECs, outdoor parks, zoos and water parks:

Table 3–27 Supply of Entertainment Parks

Factor	Number
Recorded Supply of Centres	245
Estimated Total Supply*	429
Total Visitors	53,983,096
Average Visitors Per Property	125,834

Source: Colliers Research and Estimates; SCTA

** Estimated total supply incudes all the entertainment parks registered at the SCTA in addition to Collier's estimates of unregistered parks.*

As reliable information on spending per customer was not available, Colliers estimated the figures below based on the available secondary information. The following provides this data for the period between 2009G and 2012G:

Table 3–28 Average Amount Spent Per Customer in FECs and Outdoor Parks

	2009G	2010G	2011G	2012G
Average Spending on Entertainment per Customer (SAR)*				
KSA	27.2	27.9	28.6	29.4
Average Spending on Games, Toys and Food per Customer (SAR)				
Riyadh	60.8	62.4	64.0	65.7
Jeddah	106.0	108.8	111.7	114.7
Dammam-Al Khobar	55.5	56.9	58.5	60.0
Secondary Cities	49.0	50.3	51.6	53.0

Source: Colliers Research and Estimates; SCTA

** The SCTA calculated average spending per customer by dividing overall KSA spending over the total number of entertainment venue visitors.*

As is evident from the table, the average amount spent per customer in the big cities is more than in the secondary cities, where income levels are low. Jeddah being a popular tourist destination has the highest FECs spending per customer. Estimated visitors to FECs and outdoor parks for Saudi cities increased by 2.5% (from 51 million visitors to 55 million visitors) on average between 2009 and 2012, while spend per customer on games increased at a CAGR of 2.7% (from SAR 27.2 to SAR 29.4) during the same period.

3 - 9 - 3 Al Hokair Group FEC Competitors

Table 3–29 Competitors

	Brand Name	No. of Properties
Primary Competitors in KSA*		
Al Othaim	Saffori Land	9
Abdulla Fouad	Toy Town	6
Al Mogren	RamRoma	4
Secondary Competitors		
Arabian Centres	Billy Beez	3
RTCC	Fun Oasis	2

** This table includes competitors who mainly operate FECs within malls.*

Source: Colliers Research; Al Hokair Group

Some of the Company’s competitors such as Al Othaim, Arabian Centres and Al Mogren, use their own shopping centres to operate the FECs. Arabian Centres is a new entrant to the entertainment sector, particularly family entertainment, and it operates its FECs under the brand “Billy Beez”. Its first centre was opened in 2011 within the Haifa complex in Jeddah. It then expanded to a number of other malls owned by Arabian Centres. The Company does not believe that entry into this field by Arabian centres will have an adverse effect on the Company’s ability to expand in the future because of the difference in entertainment facilities offered by both Companies: the business model of Billy Beez focuses on providing games appropriate for young children, such as mazes, while Al Hokair Group FECs serve different age groups, from children to older youth, by offering a mix of electronic games, mechanical rides and light play equipment. In addition to this, the sector is experiencing growing demand, as the average amount spent on entertainment continued to rise during the period from 2009 to 2012.

Al Hokair Group has a total market share of 9.8% of the entertainment sector in KSA, based on the number of centres it operates, and is considered a leader in entertainment with 41 centres opened in 16 cities across the KSA.

Table 3–30 No. of FECs and Outdoor Parks

	Al Hokair Group	Other Centres
Number of Centres and Parks	41	387
Market Share	9.8%	90.2%

Source: Colliers Estimates; SCTA

3 - 9 - 4 Industry Dynamics

The entertainment and amusement parks sector is an attractive and profitable sector that is attractive to new players and also to the existing players because of the limited options of entertainment in the Kingdom. Barriers to entry do exist, such as finding a proper location to open new entertainment outlets. Large entertainment cities are being developed such as Thumamah Park in Riyadh that offers attractive locations for firms to open new entertainment centres; capital requirements are intensive mainly because of the high cost of amusement products such as bumper cars and arcade games, and due to high overall rent since such centres require large spaces.

The limited number of entertainment options, social factors and harsh weather conditions in the Kingdom has left children with amusement and entertainment centres as the only place to enjoy their weekends and summers. Substitute products are not available, but there is a large supply of other entertainment centres in the Kingdom. It is estimated that there are 429 centres across the Kingdom with 34%, 18% and 16% located in Makkah, Central and Eastern Provinces respectively.

3 - 10 UAE Economic Overview

UAE is the fourth largest oil producer in the OPEC, making oil revenues a significant part of the GDP. The country’s real GDP growth in 2012 was estimated to be 5.8%. The UAE has a young and fast growing population where 67% of its 3.4 million inhabitants are under the age of 35. To be more specific, children of the age 19 and below constitute 24% of the total population.

3 - 10 - 1 Tourism Contribution to GDP

In 2012, UAE tourism contributed 6.6% of the GDP, which suggests that the travel and tourism industry is closely aligned with the country’s economy. Domestic tourist spending was estimated to reach AED 33.1 billion by the end of 2012, with foreign visitor spending estimated at AED 121 billion in 2012.

Around 77.3% of UAE tourism spending in 2012 went on leisure activities. Leisure travel spending reached AED 122 billion by year-end in 2012. Business travel spending totalled AED 36 billion in 2012.

3 - 10 - 2 Demand Analysis – Entertainment Market Size of UAE

UAE had a total of 7.9 million FEC visitors in 2012 with Al Hokair Group’s Sparky’s visitors representing 9.3% of total visitors. FEC sales were estimated to amount to a total AED 332.7 million in 2012, and had a CAGR of 4.2% between 2009 and 2012. The following provides the estimated size of FECs of relevance within the UAE:

Table 3–31 FEC Demand in UAE

Year	Total FEC Visitors (AED)	Total FEC Sales (AED)
2009	6,671,367	293,972,412
2010	7,054,436	306,342,955
2011	7,459,502	319,234,059
2012	7,887,826	332,667,628

Source: Colliers Estimates

The number of visitors to FEC increased from 6.7 million to 7.9 million in 2012 at a CAGR OF 5.7% and in the same period the spending increased by 4.2%.

3 - 10 - 3 UAE Market Share

Through its subsidiary, Al Hokair Group operated six FECs in the UAE in 2012 with a fair share of 16.2% of the total number of FECs (this percentage was calculated by dividing the number of FECs owned by the Subsidiary in KSA over the total number of FECs in main business districts in UAE). Landmark Group and MAF are the main competitors of the Company in the area of family entertainment. Other competitors are less significant as they operate only one or two FECs at most. The following provides Al Hokair Group's fair share in UAE when compared with other FECs.

Table 3–32 Competition

	Brand	No. of Centres
Main Competitors in the UAE		
Landmark Group	Fun City	13
MAF	Magic Planet	5
Secondary Competitors		
Emaar	Sega Republic	2

Source: Colliers Research

Table 3–33 UAE Fair Share

	Al Hokair Group	Other Centres
No. of Centres	6	31
Market Share	16.2%	83.8%

Source: Colliers Estimates

4. The Company

4 - 1 Introduction

Abdulmohsen Al Hokair Group for Tourism and Development Company (referred to as "Al Hokair Group", the "Company" or the "Issuer") was founded 35 years ago in 1978G when Abdulmohsen Al Hokair set up Al Rabwa Park, an outdoor entertainment park in Riyadh. Since then, the Company has grown from strength to strength in terms of its Entertainment Division, and with regards to its Hospitality Division: it opened its first hotel — the Al Andalusia — in Riyadh in 1988G.

The Company's main operations are in the hospitality and entertainment sectors, where the Company manages and operates 28 Hotels. In addition, the Company oversees the management of another hotel on behalf of a related party; namely the Golden Tulip Suites in Dubai, UAE owned by Al Hokair Group Est for Operations and Maintenance (please see section 11.3 "Summary of Related Party Agreements and Transactions" for more information about the relevant management agreement). During the first quarter of 2013, the number of Hotels increased as the Company opened the Hilton Double Tree Dhahran and the Golden Tulip Al Jubail in KSA (It should be noted that the Company intends to convert Golden Tulip Al Jubail as outlined in Table 4.14 "Al Hokair Group Hotels expected to be re-branded to JV Hotels ("Re-branded Hotels") as of 31/12/2013G). These Hotel operations are made up of into 22 hotels, 3 resorts and 3 furnished apartment, as of 31/12/2013G.

The Company's Entertainment Division manages and operates 50 FECs in KSA (43 FECs) and the UAE (7 FECs) (please see section 4.5.1 "Hospitality" and 4.5.2 "Entertainment" for more information about hotel establishments and entertainment locations managed by the Company and its Affiliates and Subsidiaries). Furthermore, the Company oversees the management of another FEC on behalf of a related party; namely Al Hokair Land owned by Al Riyadh Tourism and Entertainment Company Abdulmohsen Al Hokair and Partners (please see section 11.3 "Summary of Related Party Agreements and Transactions" for more information about the management agreement for this centre).

In addition to the Company's main operations, the Company manages and operates a commercial centre (Tabuk Commercial centre) and one of the Company's sister firms (Al Qasim Co) owns another centre (Al Nakheel Plaza).

The Company has registered all of its 43 branches at the Ministry of Commerce and Industry, through which the Company manages its Hotels and entertainment centers.

As of 31/12/2013G, the Company has 2,729 employees and workers in KSA, and 224 at Sparky's UAE. The number of Saudis working in the Company is 603, representing around 22% of the total work force in KSA as of 31/12/2013G according to the Company's figures.

4 - 2 Key Developments/Corporate History

The Company was established 35 years ago on 16/8/1398H (corresponding to 22/7/1978G) as a sole Saudi proprietorship operating under the name of "Abdulmohsen Al Hokair Group for Trading and Industry" with commercial registration number 1010014211 with a share capital of SAR 274,000 when Abdulmohsen Abdulaziz Al Hokair first established Al-Rabwa Park in Riyadh.

In 1991G, the Company increased its capital from SAR 274,000 to SAR 71,674,000 through capitalisation of retained earnings. In 2005 the share capital was increased from SAR 71,674,000 to SAR 249,000,000 through capitalization of retained earnings. On 21/3/1427H (corresponding to 19/4/2006G), the Company changed its name to "Abdulmohsen Al Hokair for Tourism and Development Company", with its headquarters in Al-Dirah (Taameer Trade Centre, 2nd Floor). The same year the Company increased its share capital from SAR 249,000,000 to SAR 271,674,000 through capitalization of retained earnings.

The Company was converted from a sole proprietorship to a Saudi closed joint stock company pursuant to the Minister of Commerce and Industry's decision Number 2161 dated 11/08/1427H (corresponding to 03/09/2006G). In 2009, the Company increased its share capital from SAR 271,674,000 to SAR 407,511,000 by capitalising SAR 135,837,000 of retained earnings. In 2013 the Company's share capital was increased once again from SAR 407,511,000 to SAR 550,000,000 by capitalising SAR 83,950,175 of the statutory reserve and SAR 58,538,825 of retained earnings.

On 22 May 2012G, Jadwa Investment Company, on behalf of Jadwa Tourism and Hospitality Opportunity Fund (a Shariah-compliant closed-ended investment fund supported by the Jadwa Investments internal Shariah committee) entered into a Sale Arrangement Agreement with Abdulmohsen Abdulaziz Al Hokair ("AMAH") and Abdulmohsen Al Hokair and Sons Holding Company ("AHHC"), under which it arranged for the acquisition of 14,262,885 shares of the Company by Tourism Opportunities Commercial Company ("TOCC") (representing 35% of the then issued share capital of the Company) from AMAH and AHHC (TOCC's shareholding increased to 19,250,000 shares as a result of the Company's share capital increase on 02/06/2013G).TOCC is a limited liability special purpose vehicle that was established to hold legal title to the 35% shareholding in the Company, which is indirectly beneficially held by Jadwa Investments Company, through a custody arrangement with Al-Bilad Investments Company in its capacity as Fund Trustee. Fund units were offered to a group of investors (current unit holders) through a private placement in 2012. (Please see Figure 4 "Company's Structure Chart" and table 4-4 for details of the TOCC shareholding structure).

4 - 3 Mission / Vision

4 - 3 - 1 Vision

Al Hokair Group strives to be the leader of the hospitality and entertainment sectors in every country it operates in.

4 - 3 - 2 Mission

To be the best and most reliable choice for its clients, offering quality, value and leisure by capitalising on its vast experience in the hospitality and entertainment sectors and its partnerships with select international brands.

4 - 3 - 3 Values and Goals

"One Company, Two Main Sectors": focus on investment in the Hospitality and Entertainment industries through the following values and goals:

- **Maximizing Shareholders' Wealth:** striving for continued growth and increasing profits to maximize the Shareholders' wealth.
- **Strengthening and Developing Skills and Leadership:** attracting and Nationalize leadership and young talent through vocational training and development of personal skills, in addition to revitalizing the work environment, encouraging initiative, granting autonomy, determining clear career paths and incentivizing achievement.
- **Reliable Customer Service:** commitment to providing high quality services with the utmost level of professionalism and reliability, while continuously developing services to be aligned with the customers' needs and requirements.
- **Maintain Operational Excellence:** maintain a corporate culture that strives to reach high efficiency and continued development while maintaining quality and the highest level of safety, and implementing procedures to ensure individual and group accountability.
- **Social Responsibility:** maintain balance between work and social privilages, ensure environmental protection and continued growth, work responsibly and uphold ethics within the societies where the Company operates.

4 - 3 - 4 Strategy

In the Hospitality Division, the Company aims to maintain its focus on the Saudi market by strengthening its leading position in various areas. The Company will enhance its market status by developing its current hotel portfolio and opening new midscale and upscale international brand hotels in line with demand and based on the Company's indepth knowledge of the market and its experience in finding, leasing and equipping new locations. The Company will continue to primarily target business travellers and domestic tourists.

As for the Entertainment Division, the Company aims to strengthen its leading position in KSA. It also aims to invest selectively in UAE to be the first company to operate in areas that have a shortage of entertainment facilities. The Company will primarily grow through opening new FECs in addition to constructing standalone entertainment centres in select locations based on market needs. The Company will primarily target toddlers and children, and to a certain extent, older youth, by utilising its strong brands and developing new entertainment concepts.

4 - 4 Shareholder Structure and Overview of the Selling Shareholders

The following table summarizes the shareholding structure of the Company before and after the Offering:

Table 4–1 (A) Company's Shareholders

Shareholder	Pre-Offering			Post-Offering		
	Shares*	%	Capital (SAR)	Shares*	%	Capital (SAR)
Abdulmohsen Al-Hokair & Sons Holding Company	24,750,000	45%	247,500,000	17,325,000	31.5%	173,250,000
Tourism Opportunities Commercial Company LLC	19,250,000	35%	192,500,000	13,475,000	24.5%	134,750,000
Abdulmohsen Bin Abdulaziz Al-Hokair**	9,795,500	17.81%	97,955,000	6,856,850	12.47%	68,568,500
Bandar Khalid Abdulmohsen Al-Hokair	401,500	0.73%	4,015,000	281,050	0.51%	2,810,500
Bader Khalid Abdulmohsen Al-Hokair	401,500	0.73%	4,015,000	281,050	0.51%	2,810,500
Ahmad Khalid Abdulmohsen Al-Hokair	401,500	0.73%	4,015,000	281,050	0.51%	2,810,500
Public	-	-	-	16,500,000	30%	165,000,000
Total	55,000,000	100%	550,000,000	55,000,000	100%	550,000,000

Source: Company

** These shares include the guarantee of membership of the Board of Directors shares.*

*** These shares are legally owned by Abdulmohsen Abdulaziz Al Hokair although he assigned beneficiary title to Abdulmohsen Abdulaziz Al Hokair Group for Operations and Maintenance pursuant to a deed of assignment dated 26/1/2014 so that these share are entered in the financial statements of Abdulmohsen Abdulaziz Al Hokair Group for Operations and Maintenance. These shares will remain legally owned by AMAH after the Offering and will not affect his capacity as shareholder with regards to disposal or transaction rights.*

Table 4–1 (B) Shareholders with more than 5% of Company Shares

Shareholder	Pre-Offering Direct Shares*	Indirect Shares	%	Capital (SAR)	Post-Offering Shares*	Indirect Shares	%	Capital (SAR)
Abdulmohsen Al-Hokair & Sons Holding Company	24,750,000	-	45%	247,500,000	17,325,000		31.5%	173,250,000
Tourism Opportunities Commercial Company LLC	19,250,000	-	35%	192,500,000	13,475,000		24.5%	134,750,000
Abdulmohsen Bin Abdulaziz Al-Hokair**	9,795,500	14,132,250***	43.5%	97,955,000	6,856,850		12.5%	68,568,500
Jadwa Investment Company	-	3,844,500****	6.9%	38,445,000	-	2,691,150	4.9%	26,911,500
Al-Zamil Group Holding Company	-	2,967,950*****	5.4%	29,679,500	-	2,077,565	3.8%	20,775,650

Source: Company

** These shares include guarantee of membership of the Board of Directors shares.*

*** These shares are legally owned by Abdulmohsen Abdulaziz Al Hokair although he assigned beneficiary title to Abdulmohsen Abdulaziz Al Hokair Group for Operations and Maintenance pursuant to a deed of assignment dated 26/1/2014 so that these share are entered in the financial statements of Abdulmohsen Abdulaziz Al Hokair Group for Operations and Maintenance. These shares will remain legally owned by AMAH after the Offering and will not affect his capacity as shareholder with regards to disposal or transaction rights.*

**** Abdulmohsen Al Hokair's indirect shares are through his 57.1% ownership in Abdulmosen Al Hokair and Sons Holding Company which owns 24,750,000 shares in the Company.*

***** Jadwa Investment Company's indirect shares are through its 21.5% ownership in Tourism Opportunity Commercial Company.*

****** Al-Zamil Group Holding Company's indirect shares is through its 99.75% ownership in Al-Zamil Investment Group which owns 14.4% in Tourism Opportunity Commercial Company. In addition, Al-Zamil Group Holding Company's ownership in Jadwa Investment Company which owns 21.5% in Toursim Opportunity Commercial Company.*

4 - 4 - 1 Abdulmohsen Al Hokair & Sons Holding Company (AHHC)

AHHC ("the Holding Company") is a limited liability company registered in Riyadh under commercial registration number 1010168806 dated 10/06/1422H (corresponding to 29 August 2001G) with a share capital of SAR 10,000,000. The activities of AHHC include:

- Construction and management of entertainment centers;
- Construction, management, opertation, leasing and maintenance of hotels and furnished apartments;
- Third party marketing services and export and import services for third parties;
- Purchase of land for the purposes of constructing buildings and investing it by way of sale or lease in favour of the company;
- Commercial agencies in line with the Company's objectives.

Pursuant to its Articles of Association, AHHC may participate in the share capitals of its subsidiaries with a controlling majority. It can also acquire shares in other established companies or merge with such companies.

AHHC operations, as of the date of this Prospectus, are limited to its participation in the Company and in Al-Riyadh Company for Tourism, Amusement & Commercial Projects owned by Abdulmohsen Al Hokair and Co. (at 40.42%) ("Riyadh Company") and Tabuk Entertainment and Commercial Projects owned by Abdulmohsen Al Hokair and Co. (at 60%) ("Tabuk Company"). While Riyadh Company and Tabuk Company both conduct similar activities to the Company, as of the date of this Prospectus, these activities are limited to: (a) ownership of Al Hokair Land (this is the only location owned by Riyadh Company and which is managed and supervised by Al Hokair Group) and (b) ownership of Tabuk Centre (the only location owned by Tabuk Company and which is leased by Al Hokair Group). Neither Riyadh Company nor Tabuk Company's business sizes are large when compared to that of Al Hokair Group's scale. As such, AHHC does not have any competing businesses as of the date of this Prospectus and does not intend to conduct any business of competing nature with the Company in the future.

AHHC has separate financial statements from the Company and only receives dividends as a shareholder in the Al Hokair Group.

Abdulmohsen Al Hokair is the majority shareholder in AHHC, with the remaining shares held by members of the Al Hokair family, as shown below. AHHC has entered into three leases, as a lessor, with the Company, as the lessee. Following the Offering, AHHC will hold 17,325,000 Shares, representing 31.5% of the Company's share capital and will continue to be the largest shareholder of the Company.

Table 4–2 AHHC's shareholders

No.	Shareholder	Shares	Par value (SAR)	Percentage Shareholding
1	Abdulmohsen Abdulaziz Fahad Alhokair	5,710	5,710,000	57.1%
2	Musaed Abdulmohsen Abdulaziz Fahad Alhokair	660	660,000	6.6%
3	Majid Abdulmohsen Abdulaziz Fahad Alhokair	660	660,000	6.6%
4	Sami Abdulmohsen Abdulaziz Fahad Alhokair	660	660,000	6.6%
5	Mishal Abdulmohsen Abdulaziz Fahad Alhokair	660	660,000	6.6%
6	Modi Mohammed Fahad Alhokair	660	660,000	6.6%
7	Ferial Abdulmohsen Abdulaziz Fahad Alhokair	330	330,000	3.3%
8	Mashael Abdulmohsen Abdulaziz Fahad Alhokair	330	330,000	3.3%
9	Majda Abdulmohsen Abdulaziz Fahad Alhokair	330	330,000	3.3%
Total		10,000	10,000,000	100%

Source: The Company

The following details both the direct and indirect shareholding structure in AHHC:

Table 4–3 AHHC's Direct and Indirect Shareholding Structure in the Company

	Before the Offering			After the Offering		
Shareholder	No. of Direct Shares	No. of Indirect Shares	%	No. of Direct Shares	No. of Indirect Shares	%
AbdulMohsen Abdulaziz Fahad Alhokair*	9,795,500	14,132,250	43.51%	6,856,850	9,892,575	30.45%
Musaed Abdulmohsen Abdulaziz Fahad Alhokair	-	1,633,500	2.97%	-	1,143,450	2.08%
Majid Abdulmohsen Abdulaziz Fahad Alhokair	-	1,633,500	2.97%	-	1,143,450	2.08%
Sami Abdulmohsen Abdulaziz Fahad Alhokair	-	1,633,500	2.97%	-	1,143,450	2.08%
Mishal Abdulmohsen Abdulaziz Fahad Alhokair	-	1,633,500	2.97%	-	1,143,450	2.08%
Modi Mohammed Fahad Alhokair	-	1,633,500	2.97%	-	1,143,450	2.08%
Ferial Abdulmohsen Abdulaziz Fahad Alhokair	-	816,750	1.49%	-	571,725	1.04%
Mashael Abdulmohsen Abdulaziz Fahad Alhokair	-	816,750	1.49%	-	571,725	1.04%

Shareholder	Before the Offering			After the Offering		
	No. of Direct Shares	No. of Indirect Shares	%	No. of Direct Shares	No. of Indirect Shares	%
Magda Abdulmohsen Abdulaziz Fahad Alhokair	-	816,750	1.49%	-	571,725	1.04%
TOTAL	9,795,500	24,750,000	62.83%	6,856,850	17,325,000	43.97%

Source: The Company

** AMAH's shares (before and after the Offering) in the Issuer's share capital mentioned in this table represent his direct and indirect share holding through his ownership in AHHC. The total direct and indirect share held by AMAH in the Issuer's share capital is 43.51% before the Offering and 30.45% after the Offering.*

4 - 4 - 2 Tourism Opportunities Commercial Company (TOCC)

TOCC is a limited liability company (LLC) registered in Riyadh under commercial registration number 1010341217 dated 16/07/1433H (corresponding to 6 June 2012G) with a share capital of SAR 50,000. It was established as a special purpose vehicle with the sole purspose to legally own a 35% share in Al Hokair Group. TOCC does not conduct any other activities or operations, and does not compete with the Company's business, and was only established for the sole purpose of holding shares in the Company on behalf of the Tourism and Hospitality Opportunities Fund ("Fund") as investment funds do not possess a legal entity. TOCC is owned by Jadwa Investment Opportunities (95%) and by Ahmed Aqeel Fahad Al Khateeb (5%). Ahmad Aqeel Al Khateeb signed a contract confirming that he was appointed by Jadwa Investment Opportunities, in its capacity as the Tourism and Hospitality Opportunities Fund Manager, to act on the Fund's behalf regarding the shares held by him in TOCC as a legal, but not beneficial, holder of TOCC's shares in the Company.

Jadwa Investment Opportunities is a LLC registered in Riyadh under commercial registration number 1010320765 dated 01/01/133H (corresponding to 26/11/2011G), with a share capital of SAR 50,000. It is owned by Mr. Ahmed Aqeel Al Khateeb (10%) and Al-Bilad Investment Company (90%). Al-Bilad Investment Company was appointed by Jadwa Investment Opportunities to act as a trustee pursuant to relevant regulations issued by the CMA with respect to TOCC's shares in the Company held by Al-Bilad Investment Company through its direct ownership interest in Jadwa Investment Opportunities.

The following tables demonstrate the shareholding in both TOCC and Jadwa Investment Opportunities:

Table 4–4 TOCC Shareholding Structure

#	Shareholder	No. of Shares	Total Value of Shares (SAR)	Shareholding (%)
1	Jadwa Investment Opportunity Company	47,500	47,500	95%
2	Ahmed Aqeel Fahad Al Khateeb	2,500	2,500	5%
TOTAL		50,000	50,000	100%

Source: The Company

Table 4–5 Jadwa Investment Opportunity Shareholding Structure

#	Shareholder	No. of Shares	Total Value of Shares (SAR)	Shareholding (%)
1	Al Bilad Investment Company*	45	45,000	90%
2	Ahmed Aqeel Fahad Al Khateeb	5	5,000	10%
TOTAL		50	50,000	100%

Source: The Company

** Al Bilad Investments is wholly owned by Al Bilad Bank*

The indirect beneficiaries of TOCC's 35% stake in the Company are the unit holders in the Fund; a closed-ended investment fund established according to the Investment Fund Regulations and licenses by the CMA. The Fund aims to achieve long-term capital gains by investing in tourism projects. Based on the nature and legal description of investment funds as mentioned in Article (39) of the CMA Law, which applies to the Fund, the Fund can be described as a joint investment program that aims to allow its investors the opportunity to collectively partake in the program's profits and is managed by a fund manager.

The Fund is Shariah compliant and managed by Jadwa Investment Company (please see Figure 1 "Diagram Illustrating the Investment of Toursim and Hospitality Opportunity Fund in the Company"). The legal implication of the relationship between the fund manager and unit holders is limited between them and does not impact the Company or its Shareholders. The fund manager solely represents the interests of the Fund in the Company, including any voting rights. The rights of unit holders are limited to their right to receive the profits gained by the Fund through its investment in the Company. None of the unit holders are considered to be legal shareholders in the Company and they may not practice any rights under the Company By-Law, the CMA Law and its regulations or the Company's Articles of Association (including voting or any other rights that may be accrued by Shareholders by reason of their shareholding in the Company). The Fund does not interfere in the management of the Company's daily operations and its role is limited to introducing strategic and operational strategies and improving governance by participating in the Company's Board and relevant committees through the Fund's representatives.

The following summarises the Fund's key information:

Date of Establishment: The Fund was established on 29/5/2012G. It should be noted that the Sale Arrangement Agreement concluded by Jadwa Investment on behalf of the Fund with AAMH and AHHC was finalized on 22/5/2012G (i.e. the signing of the agreement and the establishment of the fund did not occur on the same date).

Period: the period of the Fund is five Gregorian years starting from the date of closing the subscription in the Fund or any shorter term if the Fund is terminated by the Fund Manager. The Fund Manager may also extend the period of the Fund by two Gregorian years after notifying the Unit Holders.

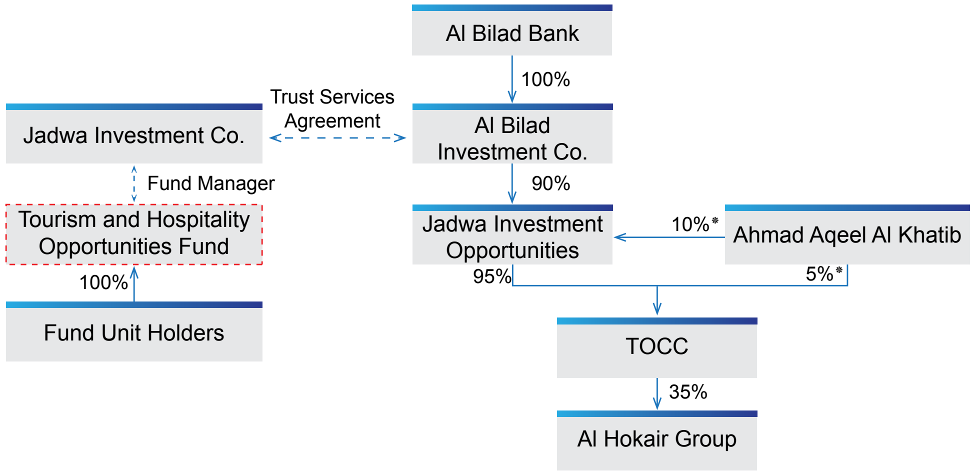
Voting Policy: the Fund's voting policy is based on its opjectives and strategies which focuses on introducing strategic and operations developments and improve governance in the Company in line with its objectives and Articles of Association. Unit Holders of the Fund do not have any voting rights in the Company according to the Fund's own Terms and Conditions.

Investment Policy: the goal of each investor is to achieve returns on their investment. The Fund also aims to achieve returns on its investment in Al Hokair Group in a Sharia compliant manner as approved by its internal Sharia committee. As such, the Fund does not have a firm payout policy in place, but will determine the most suitable method to achieve its opjectives, including increasing its investment in the Company, divestment of its shares in the Company either: through selling Shares on the financial markets following the conclusion of the lock-in period; through selling Shares to the Strategic Investors in one deal; or by transferring such shares to the Fund's Unit Holders proportionally according to their stake in the fund, following the conclusion of the lock-in period.

Fund Expiry Process: The Fund will expire five years from the date of completion of Unit offerings in the Fund to investors. The Fund Manager is entitled to extend the Fund's term an additional two years or close the Fund before the five years have passed, by means of written notice to Unit Holders of the Fund.

The Fund's Board and Representatives: The Fund has five directors on its Board, namely Tariq Al Sudairi, Dr. Mohammad Al Sahli, Dr. Waleed Addas, Raed Al Ammari and Jerry Tod (it is likely that the Fund's board of directors will be changed through the exit of Jerry Tod, and the introduction of a new board member). The Fund is represented in the Company's Board of Directors by its manager Ahmad Al Khateeb and Tariq Al Sudairi, and in the Audit and Risk Committee by Amr Al Jallal. Tariq Al Sudairi is also a member in the Executive Committee and the Nominations and Remunerations Committee.

Figure 1: Diagram Illustrating the Investment of Toursim and Hospitality Opportunity Fund in the Company



Shariah compliant private investment fund

* The legal owner of these shares is Ahmed Al Khatib, but the beneficial owner is the Tourism and Hospitality Opportunity Fund

Source: Jadwa Investment Company

Indirect and Direct The following table summarizes the structure of shares held directly and indirectly in Al Hokair Group by Tourism and Hospitality Fund's board members as of 06/05/2014G.

Table 4–6 Indirect and Direct Ownership of Tourism and Hospitality Fund's Board Members in Al Hokair Group Company

Shareholder				Ownership in the Fund	Ownership in the Company
	Direct Shares	Indirect Shares	Direct Shares	Indirect Shares	Shareholding (%)
Tariq Sudairy	-	-	-	-	0.00%
Jerry Tod**	-	3	-	18,034	0.033%
Mohammed AlSihly	-	-	-	-	0.00%
Waleed Addas	-	-	-	-	0.00%
Raed Al Emari	-	1	-	3,280	0.006%

Source: Jadwa Investment Company

**Calculated based on the sum of indirect ownership in the Company which has resulted from the direct and indirect ownership in Jadwa Investment Company in addition to the sum of the indirect ownership in the Company whih has resulted from the direct and indirect ownership in the fund*

***There is a possibility of changing the voard members of the fund through the exit of Jerry Tod and the introduction of a new board member to the fund's board*

After the completion of the IP, TOCC will own 13,475,000 shares which represent 24.5% of the Company's share capital. Hence, TOCC will remain amongst the largest shareholders for the Company.

The following table summarizes the structure of shares held directly and indirectly in Al Hokair Group by investors in the Fund who own 5% or more from the Company's shares as of 06/05/2014:

Table 4–7 (A) Investors in Tourism and Hospitality Fund who have 5% or more Direct and Indirect Beneficial Ownership in Al Hokair Group

Investor	Units	Before the Offering	After the Offering	%	No. of Direct Shares	No. of Indirect Shares	%
		No. of Direct Shares	No. of Indirect Shares				
Jadwa Investment Company	699	-	3,844,500	6.99%	-	2,691,150	4.89%
Al Zamil Investment Group Limited	504	-	2,772,000	5.04%	-	1,940,400	3.53%

Source: Jadwa Investment Company

Jadwa Investment Company has confirmed (as fund manager) to Al Hokair Group that no units will be traded from any of the fund's investors till the date of listing. The following table summarizes the direct and indirect ownership structure of Jadwa Investment Company's board members as of 06/05/2014.

Table 4–7 (B) Direct and Indirect Ownership Structure of Jadwa Investment Company's Board Members in Al Hokair Group

Investor					Ownership in the Fund	Ownership in the Company
	No. of Direct Shares	No. of Indirect Shares	%	No. of Direct Shares	No. of Indirect Shares	%
Adib Al Zamil	-	33	-	-	187,395	0.34%
Azman Mokhtar	-	-	-	-	-	0.00%
Howard Marks	-	-	-	-	-	0.00%
Iqbal Khan	-	-	-	-	-	0.00%
Michael Powell	-	-	-	-	-	0.00%
Abdulaziz Al-Subeaei	-	17	-	-	91,242	0.00%
Abdulrahman Al-Ruwaita	-	123	-	-	135,253	0.25%
Ahmed Al-Khateeb	-	92	-	-	101,440	0.18%
Nasser Al-Hamdan	-	12	-	-	13,525	0.025%

Source: Jadwa Investment Company

**Calculated by summing the indirect ownership in the Company which results from the direct and indirect ownership in Jadwa Investment Company in addition to the indirect ownership which results from the direct and indirect ownership in the fund*

The table summarizes the shareholders who own 5% or more in Jadwa Investment Company.

Table 4–7 (C) Shareholders who own 5% or more in Jadwa Investment Company

Investor	Before the Offering		
	No. of Direct Shares	No. of Indirect Shares	%
Mohammed Al-Subeaei	12,000,000	-	14.07%
Abdullah Al-Subeaei	12,000,000	-	14.07%
Toby Investment	8,527,500	-	10.00%
HRH Faisal bin Salman bin Abdulaziz	7,500,000	-	8.80%
Al Bilad Investment Company	5,786,250	-	6.79%
Al Zamil Holding Group	4,500,000	-	5.28%
Tawazon Arabia Company for Commercial Investment	4,500,000	-	5.28%
Abdul Rahman Saleh Al Rajhi and Partners Co.	4,500,000	-	5.28%

Source: Jadwa Investment Company

Table 4–7 (D) Shareholders who own 5% or more in AlZamil Investment Group

Investor	%
Al Zamil Holding	95.0%
Eastern Company of Industrial Investment	5.0%

4 - 4 - 3 Abdulmohsen Bin Abdulaziz Al Hokair

Abdulmohsen Al Hokair is the founding shareholder of the Company. Abdulmohsen Al Hokair is a well-known and prominent Saudi figure in the Middle Eastern tourism industry. He is also the chairman of AHHC, which is a major Shareholder.

Abdulmohsen Al Hokair has held several chairmanship positions of other tourism related companies in Tunisia and Egypt, which include Entertainment and Games Company (Tunisia) from 1989G until 2002G, and Northern Tourism Company (Tunisia) from 1989G until 2001G. Abdulmohsen is a member of the Saudi Business Counsel with Jordan, Syria, Lebanon, Yemen, Bahrain, Egypt, Sudan, Tunisia, Morocco and Algeria. He is also currently serving as a director on the boards of several tourism companies, including Al-Taif Touristic Investment Company since October 1995G and Touristic Projects Company since March 1998G. Abdulmohsen also served on the board of directors of Riyadh Taameer Company from October 2001G until November 2007G – construction, leasing and management of commercial buildings, construction and residential projects and service buildings.

Abdulmohsen Al Hokair also serves as a director on the boards of several charitable organizations, such as the Organization for Cancer, the Saudi Organization for the Deaf, the Organization for Kidney Failure Care and the Organization for Care of Orphans.

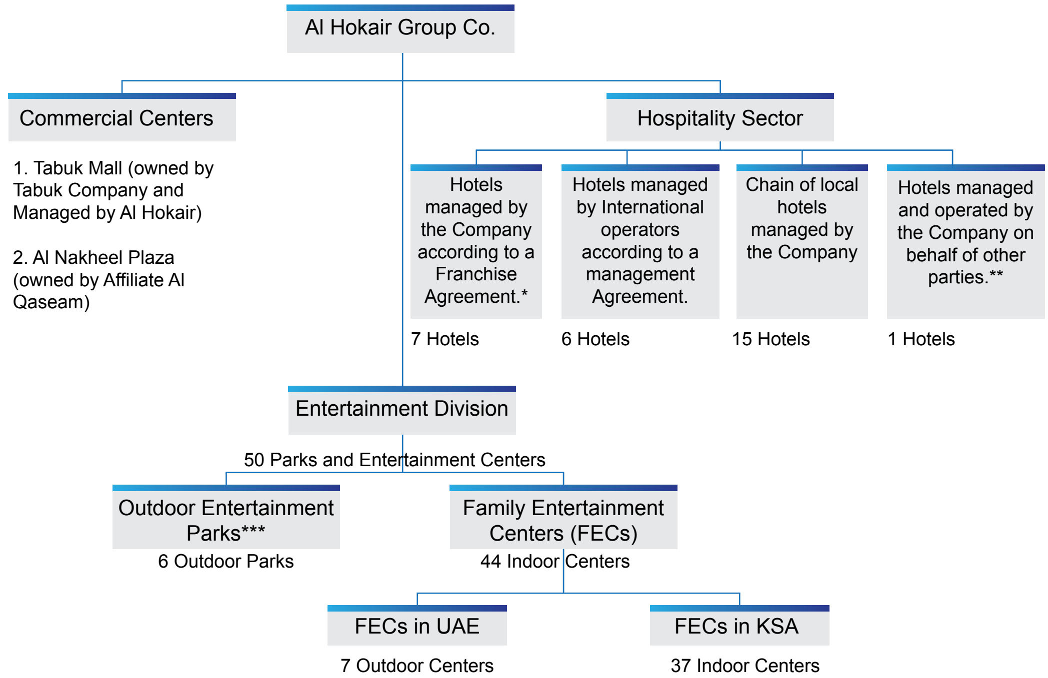
4 - 4 - 4 Heirs of Khalid Bin Abdulmohsen Al Hokair

The heirs of Khalid Abdulmohsen Al Hokair (Bandar Khalid, Bader Khalid and Ahmad Khalid Abdulmohsen Al Hokair), each own 0.51% of the Company's shares. This ownership is limited to them and is not on behalf of other individuals:

- Bandar Khalid Abdulmohsen Al Hokair (BAMH) has been a Board member in AHHC since 01/07/2004G to the date of this Prospectus. He is also Vice Chairman and Board Member for Healthy Recovery Co. and the General Supervisor and Coordinator of Projects in the Health Division since 17/03/2012G until the date of this Prospectus. He was a Board Member in the Company between 26/11/2005G and 30/05/2012G. He was also a Senior Supervisor of Investment Management in Samba Financial Group between 01/01/2003G to 16/04/2005G. BAMH received his BA in Business Management from King Saud University in 2001G.
- Bader Khalid Abdulmohsen Al Hokair (BDAMH) has been Al Hokair Group's Western Province Vice Chairman since 1/1/2012 to the date of this Prospectus. He is also a member of the Economic Committee and the Hospitality Committee at the Chamber of Commerce and Industry in Jeddah. He worked at the National Commercial Bank (Investment Dept./ Treasury Division) between August 2005 and January 2007. He managed Al Olaya House from February 2007 until December 2011. BDAMH received his BA in Marketing at the Management Scineces College in King Saud University in 2005. In 2010, he received a Masters Degree in Executive Management from the College of Economy and Management in King Abdulaziz University in Jeddah.
- Ahmad Khalid Abdulmohsen Al Hokair (AAMH) is currently studying to receive a BA in Finance at Prince Sultan University and is expected to graduate in 2014G

4 - 5 Company's Principle Activities

Figure 2: Demonstrates the Company's Principal Activities



* This category includes local hotels in addition to furnished apartments and resorts
** Number of hotels managed by the company is 28 hotels (One hotel foe which the company plays a supervisory role over its operations for a related party is not counted which is Golden Tulip Dubai)
*** The number of outdoor parks managed by the Company is 6 parks (One park for which the Company plays a supervisory role over its operations for a related party is not counted which is Al Hokair Land)

4 - 5 - 1 Hospitality Division

The Company is a key player in the hospitality field as it operates several midscale international hotels in addition to some furnished apartments and resorts. The Hospitality Division is a key revenue source for the Company and has contributed more than 61% of the Company's overall revenues in 2013G. As of 31/12/2013, the Hospitality Division consists of 28 Hotels (including furnished apartments and resorts) and 13 restaurants.

4 - 5 - 1 - 1 Hotels

The Company has established 28 hotels (including furnished apartments and resorts) in midscale categories across the KSA. In addition to the 28 hotels, the Company oversees the management of another hotel on behalf of a related party: Golden Tulip Suites Dubai in the UAE which is owned by Abdulmohsen Abdulaziz Al Hokair Group for Operations and Maintenance (see section 11.3 “Summary of Related Party Transactions and Contracts” for more information regarding this hotel’s management agreement). During the first quarter of 2013G, the Company opened the Hilton Double Tree in Dhahran and the Golden Tulip in Jubail in KSA as part of the 28 hotels managed and operated by the Company. The Company intends to convert the Golden Tulip Hotel in Al Jubail (as explained in figure 4.14 “Al Hokair Group Hotels”) to become a Re-branded Hotel. This conversion was completed on 31/12/2013). The Company is also associated with some of the finest international and regional brands in the hotel industry namely Holiday Inn, Hilton Garden Inn, Hilton Double Tree, Novotel, Suite Novotel, Golden Tulip and Tulip Inn. The Company operates and manages these Hotels through four different types of structures which are as follows:

1. **Hotels Managed by the Company according to franchise agreement:** Ownership of the business, management control and day to day operations remain with the Company in return for a franchise fee paid to the international hotel operator, and other fees against participation in marketing and in the booking system, and overall, they represent of 1-5% of room revenues (please see section 11.2 “Summary of Material Agreements” for more information on the relevant franchise agreements). As of 31/12/2013G, 15 out of the 28 hotels are Company managed according to this structure. These hotels represent 57.4% of total Hotel revenues.
2. **Hotels Managed by International Operators according to management agreement:** The Company rents and equips locations and Hotels according to the specifications of an international hotel operator who manages the property and day-to-day operations. The Company pays a basic management fee to the international hotel operator as well as an incentive based fee and complementary fees. These fees represent 5-11% of the gross operating profit (please see section 11.2 “Summary of Material Agreements” for more information on the relevant management agreements). As of 31/12/2013G, 6 out of the 28 Hotels are managed by international hotel operators pursuant to this structure. These hotels represent 24.6% of total Hotel revenues.
3. **Chain of Local Hotels Managed by the Company:** The Company manages and operate a number of hotels (including furnished apartments) under a locally created and registered brand (please see section 11.2 “Summary of Material Agreements” for more information on the relevant management agreements). As of 31/12/2013G, 7 of the 28 Hotels are managed by the Company under this structure. These hotels represent 14.7% of total Hotel revenues.
4. **Hotels Managed and Operated by the Company on behalf of Other Parties:** the Company manages and operates the day-to-day operations of the Hotel based on its expertise on behalf of other parties against 5% of the hotel’s revenues and earnings. As of 31/12/2013G, the Company oversees and manages one Hotel under this structure: the Golden Tulip Suites Dubai in the UAE owned by Al Hokair Group Est. (please see section 11.3 “Summary of Related Party Agreements and Transactions” for more information).

The respective international hotel operators provide the Company with their software for bookings and provide training to the staff, specific knowledge in relation to the brand, and technical assistance related to hotel design as and when required. This has ensured that the services offered at the Hotel are in line with the fire and safety, maintenance and room service standards set out by the respective international operators. The Company refurbishes and renovates hotel rooms, meeting and banquet halls in its existing portfolio of hotels to maintain its high standard of service, maintain its current client base and attract new clients.

The Company’s Hotels have a wide geographical footprint in KSA across 11 major cities and a capacity of 3,473 rooms (the actual number of available rooms is 3,305 at present due to renovations taking place in some of the Company Hotels). The total area of these rooms covers approximately 572,943 square meters (representing the total land size plus floor size). Company Hotels are not only present in the main cities of Riyadh, Jeddah and Dammam, but also in other cities like Hail, Al Baha, Yanbu, Taif, Khobar, Dhahran, Jubail and Haql. The Company’s Hotels are situated in prime locations adjacent to main business and shopping districts and government offices.

The Company's Hotels offer high quality accommodation services, a clean environment, a wide variety of foods and beverages, different types of restaurants, coffee shops, meeting and conference rooms and health and spa facilities. These amenities are available to both its local guests and clients in addition to those visiting from abroad.

The range of services provided differs according to the classification of the Hotel. Geographical location is also an important factor in determining the service package. The Company also benefits from a global booking system because of its link with global hotel brands. The number of travellers and travel companies using this electronic system for their bookings is constantly growing. This is beneficial to the Company, as the number of individuals using the Internet to make their bookings has also increased over the past few years. Online or electronic booking accounted for 25% to 30% of the total Hotel bookings in 2013. The Company's Hotels in Khobar and Riyadh see the largest number of corporate visitors, while its Hotels in Jeddah see a significant number of visitors for religious or leisure purposes. In other emerging cities, Hotels focus on catering mainly to domestic visitors.

During 2012, the Company also implemented a loyalty program called "Hayakom" in which customers can earn points at any of the company's entertainment properties. As on 31/12/2013G, a total of 113,748 membership cards for the Hayakom loyalty program have been issued. This will further help to strengthen brand loyalty and increase the Company's future client base as clients can use their Hayakom points to book rooms in the Company's Hotels or use them at any of its entertainment locations.

The demand for Company's Hotels rooms is driven by increased domestic tourism, corporate and business travel, religious tourism, and locals visiting friends and families in other cities. In 2011, there were 3.3 million domestic and international business travellers; around 10 million people travelled for leisure purposes and 8.5 million travelled to meet family and friends. The Company's hotel clientele fall in three main categories; namely Corporate/Business travellers, Leisure (visiting friends and family) and Religious Tourism:

Corporate/Business travellers - The Company believes that its Hotels, especially in Riyadh, are the preferred choice of accommodation for business travellers and corporate customers, whether local or visiting from abroad, as the Company's Hotels offer quality services at competive prices and are strategically located in the centre of the city. Also attractive are the range of specialized services that cater to the needs of this category of guests, such as meeting and conference rooms to accommodate large groups and the wide selection of foods and beverages. The main traffic for the Company's Hotels is driven by business travellers who visit Riyadh, as it is fast becoming a major commercial centre and home to the head offices of the financial institutions, multinationals and government institutions.

The Hotels also provide accommodation to domestic travellers who visit Riyadh for matters and work related to various ministries such as visas for the foreign countries, medical reasons and international events like seminars and conferences.

Leisure travel (visiting friends and family) – the second main category of clientele for the Company's Hotels, especially in Jeddah and Khobar, mainly comprises of people travelling for leisure purposes or to meet family and friends. The demand for the Company's Hotels increases significantly during the summer vacations and holidays. The Corniche area in Jeddah is one of the biggest attractions for families due to the availability of beach activities and entertainment facilities. Abhur, which is north of the city, is well known for its resorts and private beaches and captures significant leisure demand.

Religious Tourism – Jeddah is the gateway to Makkah and Madinah and a significant number of pilgrims stay in Jeddah for a few days before emabrking on their journey to the two holy cities. The demand for Company Hotels peaks during the Hajj and Umrah seasons, especially in Raamdan.

The following table shows the key performance indicators for the hotels during the period from 2008G until 2013G.

Table 4–8 Al-Hokair Hotels KPIs

Year	2008G	2009G	2010G	2011G	2012G	2013G
No. of rooms	2,103	2,591	2,645	2,817	3,226	3,305
Room occupancy Rate (%)	58%	53%	57%	61%	59%	61%
Average Daily Rate (SAR)	410	447	452	462	480	484
Average Revenue Per Available Room (SAR)	239	236	259	283	285	293

Source: The Company

The Company continued to increase its portfolio of Hotels and number of rooms from 2,645 in 2010 to 3,305 in 2013; i.e. an increase of 25%. The total number of rooms was 3,305 (as of 31/12/2013G). The average daily rate continued to increase from SAR 410 in 2008 to SAR 484 in 2013G. Table 4-9 shows the locations of the Company's Hotels followed by 3 tables that divide the Hotels into 3 categories depending on the legal structure, and provides a detailed analysis of each Hotel. The difference between the total and available number of rooms is due to renovations being carried out on some of the rooms. Table 4-9 does not include Golden Tulip Suites Dubai owned by Al Hokair Group Est, the operation and management of which is supervised by the Company.

The Company has developed and reinvented a brand of cafes in its Hotels known as "La Mode Restaurant and Café", a registered trademark in KSA (please see section no. 11.5 "Intellectual Property" for more information about the Company's brands). As of 31/12/2013, there are 14 cafes within the Company's hotels serving different flavours of coffee as well dessert and a variety of hot and cold beverages at competitive prices, with a high level of service in keeping with the principals of hospitality.

4 - 5 - 1 - 2 Furnished Apartments

The Company manages and operates three furnished apartment buildings in order to offer ideal accommodation to guests who require a longer stay. The Company has entered into long term lease contracts with AMAH (two lease contracts) and Abdulaziz Hamad Al Wasel (one lease contract) concerning these furnished apartments. These furnished apartments form a small section of the Hospitality Division contributing less than 1% to the overall revenue (please see section 11.2.4 "Lease Agreements" for more information about the lease contracts). The Company does not currently have any plans to expand this division in the future.

Table 4–9 Company Hotel locations as on 31/12/2013:

No.	Riyadh
1	Holiday Inn Al Qasr
2	Golden Tulip Al Nasiriya
3	Hilton Garden Inn Olaya
4	Holiday Inn Olaya
5	Al Andalusia
6	Al Souleimania Villas
7	Suite Novotel
8	Yamama Resort
9	MENA Riyadh
10	Al Takhassousi Apartments

	Jeddah
11	Holiday Inn Al Salam
12	Golden Tulip Jeddah
13	Tulip Inn Regency
14	Al Hamra Pullman
15	Red Sea Palace
	Al Khobar
16	Holiday Inn Khobar
17	Holiday Inn Corniche
18	Golden Tulip Khobar
19	Half Moon Bay Holiday Inn Resort
	Dammam
20	Novotel Business Park
21	Tulip Inn Dammam
	Dhahran
22	Hilton Double Tree Dhahran
	Al Jubail
23	Golden Tulip Al Jubail
	Yanbu
24	Tulip Inn Yanbu
	Taif
25	Tulip Inn Taif
	Baha
26	Qasr Al Baha Golden Tulip Hotel and Resort
	Hail
27	Golden Tulip Hail
	Haql
28	Haql Beach Resort
28	TOTAL

Source: The Company

As of the date of this Prospectus, the Company has no hotels outside KSA, except the Golden Tulip Suites Dubai in the UAE which the company manages on behalf of a related party, which is Al Hokair Group Est. (see section 11.3 "Summary of Related Party Agreements and Transactions" for more information).

The figure below provides details about Hotels operated by the company including Hotels run in accordance with franchise agreements, hotels managed by the international operators according to management agreements, the chain of local hotel run by the company, the hotels managed by the company for the benefit of other parties, and the furnished apartments.

Table 4–10 Hotels Managed by the Company According to Franchise Agreements as of 31/12/2013

No.	Hotel	City	Opening Date	Cat.	No. of Rooms	Description of the Property	Size (Sq. Mt.)	Period of Franchise	Franchise Expiry	Property Ownership (owned/ leased)	Landlord
1	Holiday Inn Hotel, Al Khobar	Al Khobar	2001	4 star	97 rooms, 9 suites	The Hotel has rooms and suites equipped with modern facilities including broadband internet service and satellite TV. It can accommodate up to 1,000 people in its convention and banqueting facilities. This Hotel's other facilities include health club, La Mode Restaurant and Café, swimming pool, 3 conference rooms and 3 shops.	12,230	20 years	31/08/2028	Leased	Related Party
2	Holiday Inn Qasr	Riyadh	2006	5 star	160 rooms, 43 suites	Located in the heart of the business district of Riyadh, adjacent to the shopping malls and other attractions. The Hotel is accessible from many main roads in the city. The facilities include a lobby, La Mode Restaurant and Café, four conference rooms and four banquet halls, business centre, swimming pool, health club and 2 shops. This hotel was renovated in 2007 and 2008 at a cost of SAR 51 million.	16,357	20 years	29/3/2027	Leased	3rd Party
3	Holiday Inn, Al Salam	Jeddah	2008	3 star	299 rooms, 20 suites	Located in the heart of the commercial district in Jeddah. The Hotel's facilities include 2 multipurpose halls, 4 conference rooms, a business centre, restaurant, two cafes, a health club, swimming pool and 6 shops. 70 rooms were renovated at a cost of SAR 6.8 million during the last quarter of 2013.	109,438	20 years	31/08/2028	Leased	Related Party

No.	Hotel	City	Opening Date	Cat.	No. of Rooms	Description of the Property	Size (Sq. Mt.)	Period of Franchise	Franchise Expiry	Property Ownership (owned/ leased)	Landlord
4	Holiday Inn, Al Khobar-Corniche	Al Khobar	2009	4 star	166 rooms, 20 suites	The Hotel is located in the “Yarmouk” district, which is a short drive from Al Khobar Corniche and shopping malls. It has modern facilities that include a banqueting hall, 3 conference rooms, restaurant, café, 2 swimming pools, a health club and 3 shops.	19,716	20 years	7/5/2029	Leased	3rd Party
5	Golden Tulip Hotel, Al Khobar	Al Khobar	2008	3 star	74 rooms, 32 suites	The Hotel is located in the Corniche area in the midst of the commercial and entertainment district of Al Khobar. Its facilities include a lounge, 4 meeting rooms, La Mode Restaurant and Café and a health club.	15,147	3 years**	31/12/2010 (automatically renewed unless notified otherwise)*	Leased	Related Party
6	Golden Tulip Qasr Al Baha Hotel and Resort, Al Baha	Al Baha	1999	4 star	66 rooms, 60 suites	This Hotel is located at the top of Al-Sefa mountain with views of downtown and Tihama Valley, 45 kms from Al Baha airport and 3 kms from downtown. The facilities include a lounge, banquet hall, 2 meeting rooms, a business centre, La Mode Restaurant and Café, health club and a gift shop. The resort part of the Hotel has 45 bungalows in the form of domes located at the top of Mehran mountain, some is 2000 metres above sea level. Its facilities include meeting and seminar facilities as well as special tour programs. All the rooms have been newly renovated (2013) at a cost of SAR 4.8 million.	10,427	3 years**	30/11/2011 (automatically renewed unless notified otherwise)*	Leased	3rd Party

No.	Hotel	City	Opening Date	Cat.	No. of Rooms	Description of the Property	Size (Sq. Mt.)	Period of Franchise	Franchise Expiry	Property Ownership (owned/ leased)	Landlord
7	Golden Tulip, Al Nasriah, Riyadh	Riyadh	2008	4 star	180 rooms, 8 suites	The Hotel is located near King Faisal Specialist Hospital and Ministry of Interior and other government offices and shopping malls. Its facilities include 3 banquet halls, 2 conference rooms, business centre, La Mode Restaurant and Café, health club and 10 shops.	12,709	3 years**	31/12/2010 (automatically renewed unless notified otherwise)*	Leased	Related Party
8	Golden Tulip, Jeddah	Jeddah	2007	3 stars	219 rooms	This Hotel is located in downtown Jeddah, close to government offices and shopping malls. Its facilities include 2 banquet halls, a meeting room, health club, restaurant, swimming pool and 4 shops. Renovations on two floors are ongoing (2013-2014G) at a cost of SAR 6.2 million.	17,475	3 years**	31/12/2010 (automatically renewed unless notified otherwise)*	Leased	3rd Party
9	Golden Tulip, Hail	Hail	2009	3 stars	50 rooms, 31 suites	The Hotel is located in downtown Hail close to government offices and shopping malls. Its facilities include small banquet hall, lounge, 2 meeting rooms, business centre, La Mode Restaurant and Café, health club, swimming pool and a gift shop. 31 rooms were added in 2012, 20 rooms in 2013 and 55 rooms will be added in 2014 at a cost of SAR 6.2 million during 2013 and 2014.	12,745	5 years**	31/12/2014 (automatically renewed unless notified otherwise)*	Leased	3rd Party
10	Tulip Inn Regency, Jeddah	Jeddah	2009	3 stars	36 furnished apartments	The Hotel is located on Sari Street close to Jeddah Corniche. It has 3 shops and restaurants.	3,336	5 years	31/12/2013 (automatically renewed unless notified otherwise)*	Leased	Related Party

No.	Hotel	City	Opening Date	Cat.	No. of Rooms	Description of the Property	Size (Sq. Mt.)	Period of Franchise	Franchise Expiry	Property Ownership (owned/ leased)	Landlord
11	Tulip Inn Hotel, Dammam	Dammam	2004	3 stars	55 suites	The Hotel is located in Al-Shati district in Dammam close to government offices and shopping malls. The Hotel is only 35 kms from the airport. Its facilities include lounge, meeting room, La Mode Restaurant and Café, health club and a gift shop. It is currently being fully renovated at a cost of SAR 10 million. Renovations are expected to be completed during the first quarter of 2014.	6,206	3 years**	31/12/2011 (automatically renewed unless notified otherwise)*	Leased	Related Party
12	Tulip Inn, Taif	Taif	2009	3 stars	68 rooms, 16 suites	Located in the heart of the city of Taif close to government offices, banks and shopping malls. The facilities include a meeting room, restaurant, fitness centre and swimming pool.	4,203	3 years**	30/11/2011 (automatically renewed unless notified otherwise)*	Leased	Related Party
13	Half Moon Holiday Inn Resort, Dhahran	Al Khobar	2004	Not rated	60 chalets, 41 rooms	The Hotel is located on Half Moon Bay, one of the shorelines of the Arabian Gulf. The facilities include a multipurpose banquet hall, 2 meeting rooms, restaurant, La Mode Café, 3 swimming pools, fitness centre and water sports centre.	12,012	20 years	31/8/2028	Leased	Related Party*

No.	Hotel	City	Opening Date	Cat.	No. of Rooms	Description of the Property	Size (Sq. Mt.)	Period of Franchise	Franchise Expiry	Property Ownership (owned/ leased)	Landlord
14	Tulip Inn, Yanbu	Yanbu	2012	3 stars	6 rooms, 45 suites	The Hotel is overlooking the Red Sea close to government offices and shopping malls and its also only 7 kms from the airport. The facilities include a restaurant, a meeting room, swimming pool and a health club. It is being renovated and the number of rooms will increase to 120 at a cost of SAR 26.6 million. Completion is anticipated during 2014-2015.	9,164	3 years	31/12/2010 (automatically renewed unless notified otherwise)*	Leased	Related Party
15	Suite Novotel	Riyadh	2012	4 stars	60 rooms, 55 suites	The Hotel is located in Olaya street close to office towers, high-end restaurants and shopping centres. The facilities include 3 meeting rooms, 3 business centres, La Mode Restaurant and Café, swimming pool, health club and 2 shops.	13,841	10 years	31/10/2022	Leased	Related Party

Source: The Company (please see section 4.5.1.1 for more information about the management model of these hotels).

** The above termination dates are those of the initial terms of these agreements. These agreements have been automatically renewed pursuant to their relevant terms (please see section 11.2 "Summary of Material Agreements" for more information about the terms of the relevant agreements). It is beholdent upon either party wishing to terminate the agreement to provide written notice of termination according to a timeframe specified in the agreement.*

*** The Company is currently negotiating the extension of the agreements for a period of one year only. The Company does not intend to renew the agreements following that year (please see section 14.4 "Al Hokair Group Hotels that are expected to become Partnership Hotels ("Re-branded Hotels") as of 31/12/2013)*

Table 4–11 Hotels Managed by the Company on behalf of Other Parties as of 31/12/2013

No.	Hotel	City	Opening Date	Cat.	No. of Rooms	Description of the Property	Size (Sq. Mt.)	Period of Franchise	Franchise Expiry	Property Ownership (owned/ leased)	Landlord
1	Golden Tulip Suites Dubai	Dubai	2007	4 stars	30 rooms, 60 suites	This hotel is located on Sheikh Zayed road close to Emirates Mall in Dubai, UAE. The facilities include 2 meeting rooms, restaurant, swimming pool and health centre.	19,500	3 years	31/12/2011 (automatically renewed)*	-	Related Party

Source: The Company (please see section 4.5.1.1 for more information about the management model of these hotels).

** The above termination dates are those of the initial terms of these agreements. These agreements have been automatically renewed pursuant to their relevant terms (please see section 11.2 "Summary of Material Agreements" for more information about the terms of the relevant agreements). It is beholdent upon either party wishing to terminate the agreement to provide written notice of termination according to a timeframe specified in the agreement.*

Table 4–12 Hotels Managed by International Operators According to a Management Agreement as of 31/12/2013

No.	Hotel	City	Opening Date	Cat.	No. of Rooms	Description of the Property	Size (Sq. Mt.)	Period of Franchise	Franchise Expiry	Property Ownership (owned/ leased)	Landlord
1	Hilton Garden Inn, Olaya, Riyadh	Riyadh	2009	3 stars	152 rooms, 28 suites	This is the first Hilton Garden Inn in the Middle East and Africa. Located in Olaya, which is the heart of the business district of Riyadh, adjacent to the shopping malls and other attractions like Faisaliah Mall. Its facilities include a lobby, business centre, 3 meeting rooms, fitness centre, swimming pool and a convenience mart.	15,658	20 years	31/12/2029**	Leased	Related Party

No.	Hotel	City	Opening Date	Cat.	No. of Rooms	Description of the Property	Size (Sq. Mt.)	Period of Franchise	Franchise Expiry	Property Ownership (owned/ leased)	Landlord
2	Holiday Inn, Olaya, Riyadh	Riyadh	1999	4 stars	257 rooms, 41 suites	This property is located in the business and shopping district of Riyadh, adjacent to ministries and government offices and the exhibition centre. It offers different levels of accommodation from regular rooms to executive rooms, suites and a penthouse. Its facilities include lobby lounge, business centre, poolside restaurants, 3 banquet halls, a fitness centre and 14 meeting rooms. Affiliate Touresco owns the land and the building. 70 rooms are now under renovation at a cost of SAR 6.2 million.	32,676	15 years (renewed)	30/9/2015	Owned*	Affiliate
3	Novotel Business Park	Dammam	2011	4 stars	138 rooms, 21 suites	The Hotel is located in Dammam's business park close to various corporate offices. The facilities include a banquet hall, 7 meeting rooms, La Mode restaurant and Cafe, swimming pool, fitness centre and various shops.	77,754	15 years	30/5/2026** (automatically renewed)	Leased	Related Party

No.	Hotel	City	Opening Date	Cat.	No. of Rooms	Description of the Property	Size (Sq. Mt.)	Period of Franchise	Franchise Expiry	Property Ownership (owned/ leased)	Landlord
4	Al Hamra Hotel by Pullman	Jeddah	2012	5 stars	162 rooms, 91 suites	The Hotel is located in the heart of Jeddah close to the King Fahd fountain and government offices. The hotel's facilities include 2 banquet halls, 6 meeting rooms, 2 restaurants, La Mode café, a health centre, swimming pool and 3 shops. The hotel was previously operated by another company. As a result, the Company is planning to fully renovate the hotel during 2014 at a cost of SAR 40 million.	32,188	3 years	31/12/2013. When the term expires, the agreement may be renewed by mutual agreement unless one party informs the other in writing of their wish not to renew the lease six months prior to termination. A new agreement was signed on 31/10/2013 to start on 1/1/2014 for 10 years ending on 31/12/2023	Lease	Related Party
5	Hilton Double Tree	Dhahran	2013	4 stars	104 rooms, 54 suites	The Hotel is located in Dhahran street. It includes a banquet hall, 4 meeting rooms, business centre, 2 restaurants, café, swimming pool and 2 health centres. The hotel's facilities are being renovated at a cost of SAR 8 million.	17,733	20 years	31/8/2033**	Lease	Related Party

No.	Hotel	City	Opening Date	Cat.	No. of Rooms	Description of the Property	Size (Sq. Mt.)	Period of Franchise	Franchise Expiry	Property Ownership (owned/ leased)	Landlord
6	Golden Tulip	Al Jubail	2013	4 stars	65 suites	The Hotel is located in Al Qashla area in Jubail. It includes 3 meeting rooms, a business centre, La Mode restaurant and café, swimming pool and health centre.	7,241	5 years	31/12/2017 (automatically renewed for two periods)	Leased	Related Party

Source: The Company (please see section 4.5.1.1 for more information about the management model of these hotels)

** This hotel is owned by Touresco, an Affiliate where Al Hokair owns only 48.5%.*

*** The day and month of expiry of these agreements is calculated based on the actual day and month of opening the hotel.*

Table 4–13 Al Hokair Group's Local Brand Hotels and Furnished Apartments Managed by the Company as of 31/12/2013

No.	Hotels	City	Opening Date	Cat.	No. of Rooms	Description of the Property	Size (Sq. Mt.)	Period of Franchise	Franchise Expiry	Property Ownership (owned/ leased)	Landlord
1	Al Andalusia Riyadh Hotel	Riyadh	1988	3 stars	92 rooms, 15 suites	The Hotel offers different levels of accommodation to business travellers and families. It is located in the business and shopping district of Riyadh adjacent to ministries and government offices. The facilities include an executive floor, executive lounge, 3 meeting rooms, health club, restaurants and coffee shops.	8,764	26 years	31/12/2032 (automatically renewed)	Leased	Related Party
2	Red Sea Palace Hotel	Jeddah	2006	4 stars	262 rooms, 15 suites	The Hotel is located in the heart of downtown Jeddah overlooking the Red Sea in close proximity to leading corporate houses, government offices and shopping malls. The facilities include a lounge, 4 meeting rooms, business centre, health club, restaurants, , La Mode café, and a gift shop. 74 rooms were renovated at a cost of SAR 12.9 million during the last quarter of 2013. The Company is also planning to complete the renovation sometime in 2014 and 2015.	22,563	26 years	31/12/2032	Leased	Related Party

No.	Hotels	City	Opening Date	Cat.	No. of Rooms	Description of the Property	Size (Sq. Mt.)	Period of Franchise	Franchise Expiry	Property Ownership (owned/ leased)	Landlord
3	Al Mena Hotel, Riyadh	Riyadh	2008	4 stars	114 rooms, 50 suites	The Hotel is located in the heart of downtown Riyadh in close proximity to government offices and shopping malls. The facilities include a banquet hall, 2 conference rooms, business centre, La Mode restaurant and café, swimming pool and a health club. The Company plans to change the hotel name to be manager by a global operator.	11,039	15 years	19/2/2022	Leased	3rd Party
4	Haql Beach Resort	Haql	2009	Not rated	24 chalets	The resort overlooks the Red Sea. It is undergoing an expansion to be completed by 2015 to add 47 rooms and 28 suites at a cost of SAR 16.9 million.	8,176	20 years	15/10/2019	Leased	3rd Party
5	Sulaimaniya Villas	Riyadh	1990	Not rated	30 villas	The Hotel is located in Sulaimaniya district, Riyadh close to government offices and shopping malls.	5,940	10 years	13/6/2018	Leased	Related Party
6	Takhassusi Apartments	Riyadh	1991	Not rated	17 apartments	The Hotel is located in the heart of downtown Riyadh in close proximity to government offices and shopping malls.	3,024	5 years	25/1/1999 (automatically renewed)*	Leased	Related Party
7	Yamamah Resort	Riyadh	2012	Not rated	31 chalets	This resort is located on Al Kharj Road 35 kms from Riyadh. The facilities include a restaurant, swimming pools, amusement parks, playgrounds and a mini souk.	55,712	21 years	31/12/2032 (automatically renewed)	Leased	Related Party

Source: The Company (please see section 4.5.1.1 for more information about the management model of these hotels)

** The mentioned expiry date is that of the initial term of this agreement. The agreement has been renewed pursuant to its terms (please see section 11.2.4 "Lease Agreements" for more information about this agreement)*

Future Plans

The Company, in line with its strategy, plans to enhance its Hotel portfolio in the midscale category in order to appeal to a wider clientele and further strengthen its position as one of the leaders in the hospitality sector. The Company recently opened the Hilton Double Tree in Dhahran and the Golden Tulip in Jubail in KSA during the first quarter of 2013G. There are further plans to open 3 more Hotels in 2014; namely the Hilton Double Tree in Riyadh, the Radisson Blu in Jizan and Holiday Inn in Jeddah. These hotels will add 549 new rooms to the current capacity. Furthermore, the Company plans to manage and operate another third-party hotel in 2014G; Mina Suites in Khobar which includes 39 rooms and 35 suites. In addition, the expansion will result in Al Hokair Group having a presence in Jizan. The Company identified and leased the locations of the hotels planned for opening in 2014 and 2015 and these locations are currently being prepared (see section 4.15 "Al Hokair Group Hotels Planned for opening in 2014-2015" below).

Al Hokair Group also entered into a Joint Venture with Rezidor during the final quarter of 2013. The Joint Venture aims to develop and manage the "Radisson Blu" and "Park Inn" brands in KSA (the "the JV"). Rezidor is one of the world's fastest growing hotel companies. It owns a group of hotels under world renowned brands (i.e. Radisson Blu, Park Inn and Missoni). Its portfolio features more than 440 hotels in prime locations such as downtown areas, prestigious suburbs and airports in addition to high-class resorts. Rezidor hotels have more than 96,000 rooms in operation or under construction and over 35,000 employees in over 72 countries across Europe, the Middle East and Africa.

The partnership will either be in the form of a joint venture, by way of establishing a limited liability company, or a registered partnership, and in either case will be 60% owned by Rezidor and 40% owned by Al Hokair Group. It is planned that the same parties will enter into a shareholders' agreement that will determine the terms and conditions of ownership, expenses and division of profits relating to the company. The JV is also expected to enter into international management contracts with Al Hokair Group and other hotel owners (the "Management Contracts"), pursuant to which the JV will manage a group of Hotels under the "Radisson Blu" or "Park Inn" brands ("JV Hotels"). In particular, the JV Hotels are expected to include hotels owned by other parties, of which Al Hokair Group anticipates one will be developed for each year starting from 31/12/2017G until the earlier of either the end of the JV term on 1 January 2028 or 6 months after the signing of the JV agreement if certain obligations have not been satisfied during that period, which ever accures first The JV may also be mutually terminated if either party uses its status as an actual participant in the JV. The JV also expects that certain Al Hokair Group Hotels will be re-branded into JV hotels (the "Re-branded Hotels") as shown in the table 4-14 below. It is expected that the JV will contribute positively towards the Company's profits and revenues since the Company will collect a share of the management and supervision fees for the management of third party hotels and the Re-branded Hotels. In addition, the Company believes that the conversion of the Golden Tulip, Tulip Inn and the other local brands mentioned below will have a positive impact on occupancy rates and the RevPAR.

Table 4–14 Al Hokair Group's Local Brand Hotels anticipated to be re-branded into JV Hotels ("Re-branded Hotels") as on 31/12/2013*

Hotel	City	Area (built up in Sq. Mt.)	Approximate Conversion Date	No. of Rooms
Golden Tulip Al Khobar	Khobar	15,147	Q4, 2014	74 rooms, 32 suits
Golden Tulip Al Nasiria	Riyadh	12,709	Q4, 2014	180 rooms, 8 suits
Golden Tulip Al Jubail	Al Jubail	7,241	Q1, 2015	65 suits
Mina Al Riyadh	Riyadh	11,039	Q2, 2014	114 rooms, 50 suits
Red Sea Palace	Jeddah	22,563	During Q3, 2015	262 rooms, 15 suits
Golden Tulip Qasr Al Baha Hotel and Resort	Baha	10,427	Q4, 2014	66 rooms, 60 suits
Tulip Inn Al Taif	Taif	4,203	Q3, 2014	68 rooms, 16 suits
Tulip Inn Dammam	Dammam	6,206	Q2, 2014	55 suits
Golden Tulip Hail	Hail	12,754	Q1, 2015	50 rooms, 31 suits
Radisson Blu Jizan (under development)	Jizan	21,943	Q3, 2014	141 rooms, 9 suits

Source: Company

** please note that the Company may decide to postpone the approximate conversion date of any of the hotels expected to be re-branded based on the Company's interests at the time.*

Rezidor will provide license rights for the use of the "Radisson Blu" and "Park Inn" brands in favor of the JV. Simultaneously, the JV and Rezidor will enter into a management agreement pursuant to which Rezidor will provide branding and management services to the JV Hotels on behalf of the JV under the above mentioned Management Contracts (see section 11.2 "Summary of Material Agreements" for more information about the Rezidor JV).

The following table shows Al Hokair Group Hotels planned for opening in 2014 – 2015.

Table 4–15 Al Hokair Group's Hotels planned for opening in 2014-2015

No.	Hotels	City	Expected Opening Date	Cat.	No. of Rooms	Description of the Property	Size (Sq. Mt.)	Dev. Status	Lease/ Land Purchase Status*
1	Double Tree by Hilton	Riyadh	3rd Quarter of 2014	3 star	170 rooms, 49 suites	The Hotel is located in Al-Muroj area in Olaya in close proximity to King Abdullah Financial Centre and retail shops and will include the following facilities: 7 meeting rooms, 2 large ballrooms, 1 junior ballroom and a health club with an indoor swimming pool. The anticipated cost of this Hotel is SAR 27 million.	20,000	Construction complete. Hotel is being equipped	Leased from a Related Party for 20 years
2	Radisson Blu Hotel, Jizan	Jizan	3rd Quarter, 2014	3 stars	141 rooms, 9 suites	The Hotel will include the following facilities: coffee shop, 3 large meeting rooms, business centre, health club and 12 retail shops. The anticipated cost of this Hotel is SAR 25.9 million.	21,943	Construction complete. Hotel is being equipped	Leased from a Related Party for 25 years
3	Holiday Inn, Jeddah	Jeddah	3rd Quarter, 2014	3 stars	148 rooms, 32 suites	The Hotel is located in Madina street in Jeddah. It will include 3 large meeting rooms, small meeting room, business centre, health centre and a rooftop swimming pool. The anticipated cost of this Hotel is SAR 25.5 million.	18,656	Construction complete. Hotel is being equipped	Leased from a Related Party for 20 years
4	Mena Suites Hotel, Al Khobar	Al Khobar	2nd Quarter, 2014	3 stars	39 rooms, 35 suites	The Hotel is located in a prime commercial area, opposite Dhahran Mall which gives it close proximity to the city's landmarks and main business centres and will include the following facilities: 2 meeting rooms, swimming pool, gym and spa. The anticipated cost of this Hotel is SAR 50 million.	6,710	Preparations complete. Opening soon	No contract yet**

No.	Hotels	City	Expected Opening Date	Cat.	No. of Rooms	Description of the Property	Size (Sq. Mt.)	Dev. Status	Lease/ Land Purchase Status*
5	Mariott Hotel	Jeddah	Q3, 2015	4 stars	220 rooms, 44 suits	The Hotel is located in Al Bawadi Avenue on Madina highway. It comprises two towers with two sub-ground level parkings, 12 floors, a restaurant, 2 meeting rooms, a café and health club. The anticipated cost of this hotel is SAR 79 million.	45,195	Under construction	No contracts yet but a contract will be signed on 13/04/2014G

Source: The Company

** The Company will manage and operate this hotel for a 3rd party and it will not be leased by the Company.*

*** The Company will manage and operates this hotel for a third party and it will not be leased through the Company, it will also be re-branded to Radisson Blu AlKhobar*

4 - 5 - 1 - 3 Restaurants

The Company has a mixture of international and locally developed Restaurant brands with a wide geographical presence in more than 5 major cities across KSA. At present, the Company has 13 Restaurants including 7 Restaurants located within the Company's entertainment centres allowing the Company to provide comprehensive services to its clients and increase its revenues. The Company's Restaurants offer a wide range of food to appeal to its patrons. The Company has also acquired a number of international brands in addition to locally developed brands.

The restaurant business is a small part of the hospitality division contributing between 1% and 2% of the Company's overall revenue for the years 2010G, 2011G, 2012G and 2013G. The Company manages and operates its restaurants through the following structures:

Franchised Restaurants – The Company has entered into a franchise agreement with Perky's pizza (an American pizza chain), and Brioche Doree (a French bakery and café), for exclusive rights in the following countries: Iraq, Syria, Lebanon, Jordan, Yemen, Egypt, Sudan, Libya, Algeria, Morocco and Tunisia (please see section 11.2 "Summary of Material Agreements" for more information on the relevant franchise agreements); and

Local Brands – The Company has developed several brands such as Angus Wings and Fantasia. Angus Wings is a fast food restaurant serving hamburgers and hot dogs. Fantasia serves various international foods.

The following table shows the details regarding Al Hokair Group's Restaurants:

Table 4–16 Al Hokair Group's Restaurants as on 31/12/2013

No.	Restaurant	Legal Structure	No. of Branches	Details	Period of Franchise	Franchise Expiry
1	Perky's Pizza	Franchised Brand Model	5	Perky's Pizza is an international pizza chain offering premium quality pizzas, sandwiches and concession food. Perky's Pizza is located in 30 countries and has over 700 branches and has been an established chain for 24 years	10 years	17/02/2017

City	Opening Date	Location (within an FEC or standalone)	Size (Sq.Mt.)	Property Ownership Status (Leased/Owned)	Property Owner
Riyadh	2002	Within Al Hokair Land Park*	100	Leased	Related Party
Riyadh	2002	Within Al Hokair Land Park*	60	Leased	Related Party
Tabuk	2004	Within Fun Town Tabuk***	38	Within entertainment site**	Related Party

City	Opening Date	Location (within an FEC or standalone)	Size (Sq.Mt.)	Property Ownership Status (Leased/Owned)	Property Owner
Tabuk	2004	Within Tabuk Mall***	39	Within commercial site**	Related Party
Jeddah	2007	Within Roshan Mall	34	Leased	Other Party

** Al Hokair Land is owned by a Related Party, namely Riyadh Company (see section 11.3 "Summary of Related Party Agreements and Transactions and" for more information).*

*** This restaurant is located within an entertainment site rented by the Company. The restaurant has not paid independent rent to the Company (see section 11.2.4.2 "Private rent contracts in the Entertainment Sector)*

**** The Company has entered into a lease agreement with the Tabuk Centre as a subcontract with Tabuk Company for Commercial and Entertainment projects, of which Abdulmohsen Al Hokair and Partners LLC are owners. The company is a tenant of the Municipality of the City of Tabuk.*

No.	Restaurant	Legal Structure	No. of Branches	Details	Franchise Period	Franchise Expiry
2	Brioche Doree	Franchised Brand Model	2	Brioche Doree is a French café bakery style restaurant offering quick snacks like "Croissant", "baby pizza" and a variety of French pastries and drinks. Present in 24 countries with more than 500 branches, the Brioche Doree has been in operation for more than 30 years.	10 years	26/07/2017

City	Opening Date	Location (within an FEC or standalone)	Size (Sq.Mt.)	Property Ownership Status (Leased/ Owned)	Property Owner
Jeddah	2009	Within Mall of Arabia	140	Leased	Other party
Dhahran	2009	Within Mall of Dhahran	232	Leased	Other party

No.	Restaurant	Legal Structure	No. of Branches	Details	Franchise Period	Franchise Expiry
3	Angus Wings	Local Brand Model	1	Angus Wings is a fast food chain offering burgers, hot dogs and the like.	N/A (local brand)	N/A (local brand)

City	Opening Date	Location (within an FEC or standalone)	Size (Sq.Mt.)	Property Ownership Status (Leased/Owned)	Property Owner
Tabuk	2004	Within Tabuk Mall**	48	Within entertainment site*	Related party

** This restaurant is located within an entertainment site rented by the Company. The restaurant has not paid independent rent to the Company (see section 11.2.4.2 "Private rent contracts in the Entertainment Sector)*

*** The Company has entered into a lease agreement with the Tabuk Centre as a subcontract with Tabuk Company for Commercial and Entertainment projects, of which Abdulmohsen Al Hokair and Partners LLC are owners. The company is a tenant of the Municipality of the City of Tabuk.*

No.	Restaurant	Legal Structure	No. of Branches	Details	Franchise Period	Franchise Expiry
4	Fantasia Restaurant	Local Brand Model	1	Fantasia Restaurant is located at Obhur in the Corniche area and serves intercontinental food.	N/A (local brand)	N/A (local brand)

City	Opening Date	Location (within an FEC or standalone)	Size (Sq.Mt.)	Property Ownership Status (Leased/Owned)	Property Owner
Jeddah	2011	Within Fantasia Land Jeddah, an outdoor amusement park	6,469	Leased	Other party

No.	Restaurant	Legal Structure	No. of Branches	Details	Franchise Period	Franchise Expiry
5	Marina Restaurant	Local Brand Model	1	Marina Restaurant offers a variety of intercontinental seafood.	N/A (local brand)	N/A (local brand)

City	Opening Date	Location (within an FEC or standalone)	Size (Sq.Mt.)	Property Ownership Status (Leased/Owned)	Property Owner
Khobar	2013	Standalone location on Khobar Corniche	1,914	Leased	Other party

No.	Restaurant	Legal Structure	No. of Branches	Details	Franchise Period	Franchise Expiry
6	Baby Pizza	Local Brand Model	2	Baby Pizza is a fast food chain operated and managed by Tarfeeh (an Affiliate).	N/A (local brand)	N/A (local brand)

City	Opening Date	Location (within an FEC or standalone)	Size (Sq.Mt.)	Property Ownership Status (Leased/Owned)	Property Owner
Jeddah	2011	Within Mall of Arabia, and in Vortex Entertainment Centre	400	Within entertainment site*	Other party
Jeddah	2011	Within Red Sea Mall, and in Sparky's Entertainment Centre	200	Within entertainment site*	Other party

** This restaurant is located within an entertainment site rented by the Company. The restaurant has not paid independent rent to the Company (see section 11.2.4.2 "Private rent contracts in the Entertainment Sector)*

No.	Restaurant	Legal Structure	No. of Branches	Details	Franchise Period	Franchise Expiry
7	Fun Time Café	Local Brand Model	1	Fun Time Café offers hot and cold drinks. It is managed and operated by Tarfeeh (an Affiliate).	N/A (local brand)	N/A (local brand)

City	Opening Date	Location (within an FEC or standalone)	Size (Sq. Mt.)	Property Ownership Status (Leased/Owned)	Property Owner
Jeddah	1996	Within Fun Time entertainment centre	311	Within entertainment site*	Other party
TOTAL	13 Restaurants				

Source: The Company

** This restaurant is located within an entertainment site rented by the Company. The restaurant has not paid independent rent to the Company (see section 11.2.4.2 "Entertainment Division Lease Agreements")*

Future Plans

The Company does not plan to expand heavily in the field of restaurant management and operation. The Company also plans to maintain its present Restaurants and improve their performance and operations, or to divest any restaurants to an investor when appropriate.

4 - 5 - 2 Entertainment Division

The Entertainment Division is the other main pillar of Al Hokair Group's operations and contributes close to 35% of the Company's revenues as in 2013G. The Company's entertainment centers have a wide geographical spread and are located in 16 cities across KSA. The Company manages and operates 43 entertainment centers in KSA, with a total area of 862,456 sq. mt., and 7 entertainment centers in the UAE, with a total area of 19,810 sq.mt. (which includes centers owned by the Company, its subsidiaries and affiliates). In addition, the Company oversees the management of another park on behalf of a related party: namely Al Hokair Land, which is owned by Riyadh Company in consideration for a 5% management fee of of the overall revenue on a monthly basis (see section 11.3 "Summary of Related Party Transactions and Contracts" for more information on the management agreement related to this centre).

The Company leases locations in leading malls to open the entertainment centers. The Company has also formed strategic alliances with leading mall developers, such as Arabian Centres, Al Rashid Trading & Contracting Company, Kinan International Real Estate Development and Mohammad Al Habib Real Estate Co, to help the Company open entertainment centers in most of the leading malls in the major cities of Riyadh, Jeddah and Dammam as well as other cities like Abha, Al Ahsaa, Hail and Tabuk. Arabian Centres recently opened a Billy Beez entertainment center, but the Company does not believe this will have an adverse impact on the Company's future expansion abilities due to the different mode of entertainment offered by Billy Beez's business model focuses on providing games appropriate for young children, such as mazes, while Al Hokair Group's FECs serve different age groups, from children to older youths, and offer a mix of electronic games, mechanical rides and light play equipment. Additionally, the sector is experiencing rising market demand.

Demand for the Company's entertainment parks is primarily driven by the sizable young population of KSA and UAE and the limited choices for entertainment in KSA. 40.9% of the population is below the age of 19 years in KSA while youths under the age of 18 represent 7.5% of Emirati citizens. This age segment is the most demanding age group for the entertainment centres. Entertainment centers in KSA and UAE received around 55.3 million visitors and 7.9 million visitors in 2012, respectively, the Company's FECs were visited by more than 9.2 million visitors (8.5 million visitors in KSA, 0.7 million in UAE) in the same time period. The Company's centers also benefit from increased domestic and international tourism, whereby the number of tourists increased to 41.4 million in 2012.

The Company imports its rides, games and other entertainment related equipment from leading suppliers in the world. Given the swift changes in the customers' preferences and tastes, the Company ensures that it is following the latest trends in video games and thrill rides. The Company's management attends various exhibitions in relation to new rides and games in different countries to provide insight into the latest trends in the video games, thrill rides and family entertainment, which allows the Company a clear vision of the latest trends in the entertainment rides market as well as the mechanical rides and other thrill rides' market The following are the major suppliers for the rides:

Fabbri – Itailan company established in 1950, Fabbri Group designs and manufactures amusement rides for leisure parks and customized attractions to the theme parks.

Zamperla – Itailan company, established in 1976 Zamperla is specialized in manufacture of thrill rides, roller coasters and indoor coin operated rides.

SBF Visa Group – An Italian Company established in 1952. It specializes in manufacturing carousels and other mechanical rides. SBF Visa Group is the company that supplied the ride involved in the Panorama Mall incident, and the Company confirms that it has not ordered any new rides from this Group since that incident. The Company is not aware whether any instructions were issued by relevant government bodies to stop importing any rides from SBF Visa Group or not.

The following are Company's major suppliers for the other entertainment equipment:

Amusement solutions – Established in the UAE in 1999; Amusement solutions International provide arcade games and equipment for various types of thrill rides.

Bay Tek – Established in the USA in 1977 Bay Tek provides children's games, merchandise and arcade games as well as service parts.

Cheer Amusement – A major Chinese company established in 1994 which specializes in the design and installment of "Soft Play" indoor and outdoor playgrounds for children.

The Company has been working with the above suppliers for many years to bring rides and games that are popular worldwide and are in demand by the young population. The Company also ensures that the rides are customized as per the Company requirements based on market trends. Some of the outdoor rides have been modified to be used indoors. In many instances the Company is among the first to introduce new rides in its FECs in the local market.

The Company's entertainment centres also have restaurants and toy and gift shops. This allows the entertainment centres to offer integrated services to their clients and increase their revenues at the same time. There are 7 restaurants within the Company's entertainment centres; including international restaurant chains like Perky's Pizza (please see section 4.5.1.3 "Restaurants" above for more information about these restaurants). The Company developed a brand toy shops called "Go-Go Toys", which is registered in KSA (please see section 11.5 "Intellectual Property" for more information about the Company's brands). The Company developed and modernised the toy and gift shops within the entertainment centers and re-designed the layout of these shops to give them an attractive and modern image. The Company also contracted with large toys suppliers in KSA and the GCC to provide the latest children's toys on the market. As of 31/12/2013, there are 17 Go-Go Toys shops within the Company's entertainment centres and the Company expects to develop a number of Go-Go Toys shops in other entertainment centers.

Table 4–17 Locations of the Company's Entertainment Centers in KSA as on 31/12/2013

No.	City	No. of Entertainment Centres and Parks
1	Jeddah	10
2	Riyadh	10
3	Dammam	4
4	Madina	3
5	Taif	3
6	Dhahran	2
7	Jubail	2
8	Qateef	1
9	Ahsaa	1
10	Braida	1
11	Hail	1
12	Tabuk	1
13	Yanbu	1
14	Jizan	1
15	Abha	1
16	Baljurashi	1
TOTAL		43

Source: The Company

Table 4–18 Al Hokair Group's Entertainment Division KPIs

Year	2008G	2009G	2010G	2011G	2012G	2013G
No. of Visitors	6,138,095	6,778,941	7,840,566	8,338,668	9,176,880	8,678,745
Av. Spending per Visitor (SAR)	26	24	26	28	29	30

Source: The Company

4 - 5 - 2 - 1 Family Entertainment Centres (FECs)

The Company's entertainment centers in KSA, have a very wide geographical footprint with locations in 16 cities. The FECs, which are all indoor entertainment centers, are mostly located in the shopping malls in the major cities of Riyadh, Jeddah and Dammam as well as other emerging cities of Taif, Jizan, Abha and Tabouk. These centers offer a varaiety of rides catered to children and young adults in addition to rides that are suitable to kids of an older age. The games and rides offered by different FECs vary from centre to centre but in general these centres offer video games, as well as activities including ball pits, trains, kiddie rides, roller coasters, bumper rides, hydraulic rides and base rides. In addition to these, some FECs like Abcarino offer edutainment opportunities to young kids and other family members in the fields of health, social environment, geography, and science amongst other fields. The Company constantly strives to provide its customers best entertainment and experience when they visit FECs and has over the years introduced various new rides and games in its FECs; keeping in line with the international trends and tastes.

The Company has also increased its footprint in the GCC market and acquired Sparky's in 2012 a Company which, manages and operates all of the Sparky's entertainment centers in the UAE, all of which are indoor centres. However prior to that, the Company managed Sparky's entertainment centers in the UAE since 2008. As of 31/12/2013, Sparky's UAE has 7 locations spread across four of the seven emirates with a total area of 19,811 square meters, offering comprehensive set of recreational activities for families comprising of roller coaster rides, skill games, river rafts and other rides and games. The Company recently ventured in the edutainment sector with the establishment of Gulf Entertainment on 18/9/2013 with a Kuwaiti investor (Mohammad Bader Musaed Al Sayer). This company will manage and operate edutainment centres are expected to open initially in Riyadh and Jeddah during the first quarter of 2015 under the name "Minopolis". Please see Table 4-18 below for more analysis regarding Al Hokair Group's family entertainment centres.

Table 4–19 Al Hokair Group's Family Entertainment Centres as on 21/12/2013G

No.	Indoor Entertainment Centre (Name)	Number of Outlets	Description of the Property
1	Sparky's	10 in KSA and 7 in UAE	Sparky's offers a comprehensive set of recreational facilities to its visitors of all ages. These centres feature the latest arcade games, roller coaster rides, 4D simulators, river raft, bumping cars and various other rides and attractions. These centres were designed with fun decorations to create a joyous atmosphere of leisure for all family members. These centres also feature fast food restaurants and gift shops.

Location	City	Opening Date	No. of Rides/ Games	Size (Sq. Mt.)	Property Ownership Status (Leased/ Owned)	Property Owner
1. Mall of Dhahran	Dhahran	2005G	135	10,000	Leased	Other party
2. Salam Mall	Riyadh	2005G	86	3,144	Leased	Other party
3. Aziz Mall	Jeddah	2005G	94	3,720	Leased	Other party
4. Al Noor Mall	Madina	2008G	99	3,821	Leased	Other party
5. Hofuf Mall	Al Ahsaa	2010G	79	2,800	Leased	Other party
6. Lulu Mall	Riyadh	2011G	53	433	Leased	Other party
7. Kingdom Mall	Riyadh	2011G	81	874	Leased	Other party
8. Red Sea Mall	Jeddah	2008G	131	9,576	Leased	Other party

Location	City	Opening Date	No. of Rides/ Games	Size (Sq. Mt.)	Property Ownership Status (Leased/ Owned)	Property Owner
9. Andalus Mall	Jeddah	2007G	91	5,933	Leased	Other party
10. Khalidiyah Mall	Abu Dhabi	2008G	94	4,998	Leased	Other party
11. Al-Mazyad Mall	Abu Dhabi	2009G	72	1,823	Leased	Other party
12. Al Raha Mall	Abu Dhabi	2010G	26	407	Leased	Other party
13. Al Foah Mall	Al Ain	2011G	54	2,082	Leased	Other party
14. RAK Mall	RAK	2012G	62	2,500	Leased	Other party
15. Mushrif Mall	Abu Dhabi	2011G	95	4,451	Leased	Other party
16. Ghurair Mall	Dubai	2013G	95	3,550	Leased	Other party
17. Al Danah Mall	Al Jubail	2013	71	9,647	Leased	Other party

No.	Indoor Entertainment Centre (Name)	Number of Outlets	Description of the Property
2	Digital Land	11	Digital Land is a series of family entertainment centres that offer digital and other recreational games including video games. These outlets also offer rides which include ball pits, trains, laser tag, children rides, roller coaster and bumper cars. These centres are designed to provide children with a fun and exciting experience.

Location	City	Opening Date	No. of Rides/ Games	Size (Sq. Mt.)	Property Ownership Status (Leased/ Owned)	Property Owner
1. Sultan Mall	Jeddah	2004G	67	1,853	Leased	Other party
2. Aseer Mall	Abha	2005G	72	2,851	Leased	Other party
3. Obaikan Mall	Taif	2006G	76	3,534	Leased	Other party
4. Qatif City Mall	Al Qateef	2007G	39	1,300	Leased	Other party
5. Al Shiraa Mall	Dammam	2008G	56	2,165	Leased	Other party
6. Rashid Mall	Jizan	2010G	84	4,040	Leased	Other party
7. Aljamea Plaza	Jeddah	2005G	66	1,339	Leased	Other party
8. Roshan Mall	Jeddah	2006G	80	3,350	Leased	Other party
9. Ibn Khaldun Mall	Dammam	2002G	38	616	Leased	Other party

Location	City	Opening Date	No. of Rides/ Games	Size (Sq. Mt.)	Property Ownership Status (Leased/ Owned)	Property Owner
10. Fanateer Mall	Jubail	1995G	43	1,200	Leased	Other party
11. Gardenia Mall	Riyadh	2013	58	1,750	Leased	Other party

No.	Indoor Entertainment Centre (Name)	Number of Outlets	Description of the Property
3	Fun Studio	3	Fun Studio centres offer comprehensive recreational services to the entire family. These services include modern arcade games, children's theatres equipped with large screens offering cartoon animations and three dimension (3D) movies. These centres are designed to provide children with a fun experience.

Location	City	Opening Date	No. of Rides/ Games	Size (Sq. Mt.)	Property Ownership Status (Leased/ Owned)	Property Owner
1. Al Khayma Centre	Riyadh	2004G	58	1,389	Leased	Other party
2. Al Manar Plaza	Madina	2009G	62	3,039	Leased	Other party
3. Dareen Mall	Dammam	2009G	73	3,647	Leased	Other party

No.	Indoor Entertainment Centre (Name)	Number of Outlets	Description of the Property
4	Fun Town	2	Fun Town centres offer a variety of unique children rides such as track rides, miniature Ferris wheel rides, carousel rides, hydraulic rides, base rides, bumper car rides, swing rides. In addition to rides, Fun Town centres have arcade games. They also include open outdoor areas that allow families to enjoy a walk.

Location	City	Opening Date	No. of Rides/ Games	Size (Sq. Mt.)	Property Ownership Status (Leased/ Owned)	Property Owner
1. Nakheel Plaza	Buraidah	2004G	90	13,775	Leased	Other party
2. Tabuk Centre*	Tabuk	2004G	95	17,796	Leased	Related Party

** The Company has entered into a lease agreement with the Tabuk Centre as a subcontract with Tabuk Company for Commercial and Entertainment projects, of which Abdulmohsen Al Hokair and Partners LLC are owners. The company is a tenant of the Municipality of the City of Tabuk.*

No.	Indoor Entertainment Centre (Name)	Number of Outlets	Description of the Property
5	Abcarino (Smart Kids)	3	The Company has initiated a new pattern of edutainment centres that combine recreation with education and entertainment. The Abcarino centres provide learning but with a fun element i.e., edutainment for young school kids, as well as other family members in the field of health and social environment, science, geography and occupational fields through a practical experience.

Location	City	Opening Date	No. Rides/ Games	Size (Sq. Mt.)	Property Ownership Status (Leased/Owned)	Property Owner
1. Al Bustan Centre	Riyadh	2000	69	4,500	Leased	Other party
2. Jarir Mall	Jeddah	2005	63	2,421	Leased	Other party
3. Mall of Dhahran	Dhahran	2008	27	2,370	Leased	Other party

No.	Indoor Entertainment Centre (Name)	Number of Outlets	Description of the Property
6	TimTech	1	Tim Tech offers various kinds of children rides including Ferris wheel, miniature carousel, track ride and stationary platform rides. A special feature with these rides is that they combine motion with sound, and some feature flashing lights, pedals and buttons. Other facilities include dine-in restaurants, gift shops and kids' theatres and competitive games.

Location	City	Opening Date	No. of Rides/ Games	Size (Sq. Mt.)	Property Ownership Status (Leased/ Owned)	Property Owner
Rimal Centre	Riyadh	2006	94	10,407	Leased	Other party

No.	Indoor Entertainment Centre (Name)	Number of Outlets	Description of the Property
7	Oceanica	1	Oceanica centres are designed to provide a new form of entertainment and recreational services. Its electronics games are inspired by marine environment and these centres also have marine museums that educate visitors about the ocean and marine organisms. Oceanica also offers a variety of children rides such as carousel rides, hydraulic rides, base rides, bumper car rides, swing rides in addition to arcade games. There is only one branch of Oceanica and the Company is managing and operating it on behalf of its Affiliate Asateer.

Location	City	Opening Date	No. of Games/ Rides	Size (Sq. Mt.)	Property Ownership Status (Leased/ Owned)	Property Owner
Riyadh Gallery Mall	Riyadh	2008	108	8,026	Leased	Other party

No.	Indoor Entertainment Centre (Name)	Number of Outlets	Description of the Property
8	Safari	1	The Safari centre is specially designed for children. It features rides that are inspired by safaris. It also offers a variety of other children rides such as carousel rides, hydraulic rides, base rides, bumper car rides, swing rides in addition to arcade games.

Location	City	Opening Date	No. Rides/ Games	Size (Sq. Mt.)	Property Ownership Status (Leased/Owned)	Property Owner
Samah Centre	Hail	2003	40	1,500	Leased	Other party

No.	Indoor Entertainment Centre (Name)	Number of Outlets	Description of the Property
9	Jamboo	1	Jamboo centre offers different kinds of children rides such as track rides, miniature Ferris wheel rides, carousel rides, hydraulic rides, base rides, bumper car rides and swing rides. Jamboo also offers a giant rollercoaster, skating hall, jumbo ghost house in addition to arcade games. Jamboo also offers, in close proximity, dine-in restaurants facilities.

Location	City	Opening Date	No. of Rides/ Games	Size (Sq. Mt.)	Property Ownership Status (Leased/Owned)	Property Owner
Hayat Mall	Riyadh	2007	117	6,859	Leased	Other party

No.	Indoor Entertainment Centre (Name)	Number of Outlets	Description of the Property
10	Digi Fun	1	Digi Fun centre offers a variety of arcade games and creates a unique environment for visitors in that they are surrounded with technological gadgets.

Location	City	Opening Date	No. of Rides/ Games	Size (Sq. Mt.)	Property Ownership Status (Leased/Owned)	Property Owner
Al Rashed Mall	Madina	2008	113	5,454	Leased	Other party

No.	Indoor Entertainment Centre (Name)	Number of Outlets	Description of the Property
11	Vortex	1	Vortex centre offers the latest arcade games, toyshops and recreational areas for families including fast food. Vortex centre also offers a variety of rides suitable for children and teens like track rides, carousels, climbing walls and the latest video games.

Location	City	Opening Date	No. of Rides/ Games	Size (Sq. Mt.)	Property Ownership Status (Leased/Owned)	Property Owner
Mall of Arabia	Jeddah	2008	176	11,000	Leased	Other party

No.	Indoor Entertainment Centre (Name)	Number of Outlets	Description of the Property
12	Metropolis	1	Metropolis centre offers the largest ice rink in KSA as well as the largest roller coaster in all the indoor entertainment centres across the Kingdom and a range of games for children and teens. The available activities include human pinball, 5D cinema and a paintball field, along with other thrill rides and arcade games.

Location	City	Opening Date	No. of Rides/ Games	Size (Sq. Mt.)	Property Ownership Status (Leased/ Owned)	Property Owner
Panorama Mall	Riyadh	2010	108	7,325	Leased	Other party

No.	Indoor Entertainment Centre (Name)	Number of Outlets	Description of the Property
13	Fun Time	1	Fun Time centre offers different types of arcade games. It also offers a variety of children rides such as carousel rides, hydraulic rides, base rides, bumper car rides, swing rides. It is a standalone entertainment centre and has a Baby Pizza restaurant and Fun Time Café. There is only one Fun Time centre managed and operated by an Affiliate (Tarfeeh)

Location	City	Opening Date	No. of Rides/ Games	Size (Sq. Mt.)	Property Ownership Status (Leased/ Owned)	Property Owner
Corniche Area	Jeddah	1996	135	12,568	Leased	Other party
Total			37 in KSA and 7 UAE			

4 - 5 - 2 - 2 Outdoor Parks

The Company has 6 outdoor parks in different cities of the KSA namely Taif (2), Dammam (1), Yanbu (1), Baljurashi (1) and Jeddah (1). These outdoor parks saw 917 thousand visitors during 2013. The outdoor parks provide facilities for entertainment including thrill rides and games for families and visitors of all age groups. These outdoor parks also feature open areas and parks suitable for family picnics, water parks, artificial lakes and various ships, restaurants and football fields. These outdoor parks are more prone to seasonality and school holidays; parks in Taif, for example, are reliant on the summer and Eid breaks. In addition to these outdoor parks, the Company opened a race car arena in Happy Land Park in Dammam, which is the largest race car arena in the Eastern Province. Due to factors like the weather, seasonality and shifts in entertainment trends and choices, which lowered income from existing outdoor parks between 2010 and 2013, the Company closed down four of the outdoor parks during the past two years. The Company may also close down other low-revenue parks affected by weather and seasonality.

Table 4–20 Al Hokair Group's Outdoor Parks as on 31/12/2013G

No.	Outdoor Park	City	Opening Date	No. of Rides	Size (Sq. Mt.)	Property Ownership Status (Leased/ Owned)	Property Owner	Description of the Properties
1	Luna Park	Taif	1996	82	82,035	Leased	Other party	This location features an artificial pond with water games, in addition to a number of various mechanical rides, gift shops, toys and restaurants.
2	King Fahd Garden	Taif	1997	67	339,657	Leased	Other party	This park has a large artificial lake as well as a variety of water rides that attract visitors, especially in the summer. It also contains a variety of gif and accessories shops and restaurants.
3	Happyland	Yanbu	1997	29	86,498	Leased	Other party	This location is located on the Corniche Road overlooking the sea and has a celebration hall.
4	Luna Park	Baljurashi	2010	18	43,915	Leased	Other party	This location is around 3km from the centre of Baljurashi. It includes a group of mechanical rides for children.
5	Fantasia Land	Jeddah	2012	11	18,500	Leased	Other party	This location is located in Obhur around the Corniche area. It includes a Fantasia restaurant, and a number of rides suitable for children and families.
6	Happyland Water Park	Dammam	1995	87	120,000	Leased	Other party	The largest "Go Carting" arena in the Eastern Province was opened in this venue on September 2013 and it also includes a large artificial lake.

Source: The Company

Table 4–21 The Outdoor Entertainment Venue managed and operated by the Company for a Related Party as on 31/12/2013

No.	Outdoor Park	City	Opening Date	No. of Rides	Size (Sq. Mt.)	Property Ownership Status (Leased/Owned)	Property Owner	Description of the Properties
1	Al Hokair Land	Riyadh	2002	70	50,000	Leased	Related party	The Company oversees the management of this park on behalf of Riyadh Company. It offers entertainment services to women as it features a separate area for women and another for families.

Future Plans

The Company is planning to open two indoor entertainment centers in KSA in 2014 to be located in Riyadh and Dammam. The Company is also planning to open an indoor venue in Fujairah, UAE during the first quarter of 2014. The Company is currently expanding its activities in edutainment by entering into strategic partnerships with global leaders in this area. On 18/09/2013, Al Hokair Group established a company called "Gulf Entertainment Company" together with a number of GCC investors with the aim of enhancing the edutainment field in KSA. This company will manage and operate edutainment centers that are expected to be launched in Riyadh and Jeddah during the first quarter of 2015 under the name "Minopolis". Minopolis is an international entertainment chain established in Austria to provide children with the opportunity to play and learn about the real world by building a virtual city that mimics real life and has 38 educational areas that offer both fun and education at the same time.

The Company is at present studying the re-branding of all its trademarks so that all its centers will either be known as "Sparky's" or "Digital Land" due to the appeal these brands have with clients and the ability to market them effectively. The appropriate brand will be chosen for each location based on the type of games it has. It is worth mentioning that the Company may close any of its indoor or outdoor parks if they do not generate sufficient profits and if any such closure accords with the Company's future plans.

Table 4–22 Al Hokair Group's Entertainment Centres in UAE and KSA that have not been opened yet and are expected to be opened during the for 2014G

No.	Outdoor Park	City	Opening Date	No. of Rides	Size (Sq. Mt.)	Property Ownership Status (Leased/ Owned)	Property Owner	Description of the Properties
1	Sparky's, Galleria Mall	Fujairah	Q1, 2014G	62	2,948	Leased	Other party	This venue is expected to be opened during the first quarter of 2014G.
2	Sparkys Lulu	Riyadh	Q3, 2014G	50	760	Leased	Other party	This venue is expected to be opened during the third quarter of 2014G.
3	Sparkys Lulu	Dammam	Q3, 2014G	50	630	Leased	Other party	This venue is expected to be opened during the third quarter of 2014G.

Source: The Company

4 - 5 - 3 Commercial Centres

Al Hokair Group manages and operates one commercial centre, the Tabuk Commercial Centre, which is leased by the Company from Tabuk Company. The revenue from Tabuk Commercial Centre accounted for 1.9% of the Company's overall revenue as of 31/12/2013G. An affiliate of the Company, Al Qaseem for Entertainment and Commercial Projects ("Qaseem"),owns Nakheel Plaza and Al Hokair owns 50% of Al Qaseem Company, hence as a result Al Hokair owns 50% of Al Nakheel Plaza's earnings which accounted for 6.1% of the Company's net income and 1.3% of its revenues as of 31/12/2013G (please see section 4.11 "Company and its Affiliates Corporate Structure" for more information about Al Qaseem Company). Following is a description of both commercial centres:

Tabuk Commercial Centre

Tabuk Commercial Centre, owned by Tabuk Company, was opened in 2004G. The Company manages Tabuk Commercial Centre and is responsible for its day-to-day operations and the maintenance of the complex. As mentioned above, the Company leases the centre from Tabuk Company, which is owned by Abdulmohsen Al Hokair and Co. LLC (40% owned by AMAH and 60% by AHHC), for 12 years and the lease is automatically renewable for similar periods (the lease was concluded on 1/1/2007). The company is a tenant of the Municipality of the City of Tabuk. The centre is 27,823 sq. mt. in size and has more than 150 shops. It offers a mix of international and local brands for merchants and visitors, including brands like Mango, Mother Care, City Max and Mikiaji amongst others. The centre also includes Fun Town Tabuk, an entertainment venue owned by the Company.

Nakheel Plaza

Opened in 2005G, Nakheel Plaza is owned by an Affiliate (Al-Qaseem, which is a sister firm to the Company and is 50% owned by the Company and 50% owned by Arabian Centres Company). Arabian Centres Company exerts control and manages the operations of Al Qaseem including Nakheel Plaza under an operations agreement. Nakheel Plaza is located in Buraidah. Nakheel Plaza covers 48,955 sq. mt. and has more than 129 shops and commercial outlets that provide a mix of both local and international brands to visitors. The center includes a Hyper Panda, which provides an extensive shopping selection aimed at families. Nakheel Plaza has Fun Town Al Qaseem which is located within Nakheel Plaza and is an entertainment venue owned by the Company.

Future Plans

With the exception of a lease agreement between Al Qaseem Company (an Affiliate of the Company) with Mohammad Rasheed bin Jabr Al Rasheed (entered into on 1/1/2013G) for a commercial centre in

Hail known as Salma Centre, which will be developed by Al Qaseem as a commercial centre which will include a number of outlets and is expected to open during the second quarter of 2014G, no material change in the nature of the Company's business is contemplated.

4 - 6 Strengths and Competitive Advantages

The Company boasts a number of competitive advantages that place it ahead of its competitors and which offer a solid base for continued growth and profitability to the Company. The following is a summary of the Company's strengths and competitive advantages:

4 - 6 - 1 Portfoilo of well-known international hotel brands

Al Hokair Group's Hospitality Division has franchise and management agreements with some of the world's leading hotel brands such as Holiday Inn, Golden Tulip, Tulip Inn, Hilton Garden Inn, Hilton Double Tree, Novotel and Suite Novotel. Under the franchise agreements, management control and day-to-day operations remain with the Company in consideration for a franchise fee paid to the international hotel operator. Under the management agreements, the international hotel operator manages the property and the day-to-day operations, in consideration for which the Company pays royalty fees to the international hotel operator. The Company is the only player in the Saudi market with multiple franchise agreements with international hotels operators in KSA (please see section 11.2 "Summary of Material Agreements" for more information on the franchise and management agreements). The demand for internationally branded hotels in the midscale category market, in which the Company has a strong position, is expected to remain strong as these hotels provide consistently superior quality accommodation than unbranded hotels and offer competitive prices compared to the upper-scale hotels. These hotels provide clean environment, a selection of foods and beverages, different types of restaurants, coffee shops, meeting and conference rooms and health and spa facilities to their customers in line with the international standards.

4 - 6 - 2 Established Strategic Partnerships

Although the franchise and management agreements are not exclusive, the Company believes that, as of the date of this Prospectus, no other company in KSA has entered into multiple long terms partnerships with several international hotel operators at the same time. In addition, Al Hokair Group also entered into a JV with Rezidor during the final quarter of 2013G. The JV aims to develop and manage the "Radisson Blu" and "Park Inn" brands in KSA. Rezidor is one of the world's fastest growing Hotel companies. It owns a group of Hotels under world renowned brands, such as Radisson Blu, Park Inn and Missoni (please see section 11.2 "Summary of Material Agreements" for more information about the joint venture with Rezidor).

The Company has also formed strategic alliances with leading mall developers including Arabian Centres, Al Rashid Trading & Contracting Company, Kinan International Real Estate Development and Mohammad Al Habib Real Estate. These alliances helped the Company open entertainment centers in most of the leading malls in the major cities of Riyadh, Jeddah and Dammam rather than other cities like Abha, Al Ahsaa, Hail and Tabuk. These alliances will also provide the Company with an opportunity to further expand by renting locations for its entertainment centers in any future real estate developments of commercial centres while cementing its position as the leading entertainment provider in the KSA.

In addition, the Company sources its entertainment rides from some of the leading names in the industry such as Zamperla of Italy and SBF Visa Group; these companies have a long history of designing and manufacturing rides, including theme based rides, for children and families. These companies also ensure that the rides are installed according to international standards and guidelines. Some of the manufacturers have, upon the Company's request, customized the rides according to the Company's requirements. It is worth noting that SBF Visa Group is the company that supplied the ride that caused the accident at Panorama Mall. The Company confirms that it did not order any new rides from that company since the incident. The Company is unaware of any instructions issued by any concerned authority to stop the importation of toys from SBF Visa Group.

4 - 6 - 3 Unique Investment Model with high capital returns

Most of the real estate through which the Company and its Affiliates run the operations of their Hospitality and Entertainment Divisions is leased from third parties rather than being owned, with the exception of Holiday Inn Al Olaya, which is owned by Touresco (an Affiliate). This business model has enabled the Company to achieve growth and high profitability with limited capital investment year on year; the Company has been able to achieve one of the highest returns on capital employed ("ROCE") in the industry. This asset-light model has enabled the Company to expand its business at a faster rate than if it had to purchase the underlying real estate. For this reason the Company has been able to expand its footprint in both the hospitality and entertainment sectors not only in the major cities but also in emerging cities and the UAE while achieving a ROCE average of 17% during the years from 2010G to 2013G.

4 - 6 - 4 Large-scale and diversified operations

As at 31/12/2013G, the Company's Hospitality Division has 28 Hotels across KSA in 11 major cities with a capacity of 3,473 rooms; covering a total area of approximately 572,943 square meters. The Hospitality Division contributed 61% of the Company's overall revenue in 2013G. The Entertainment Division contributed more than 35% of the Company's revenues as in 2013G. The Company manages and operates 43 entertainment centers covering an area size of 862,450 sq.mt.across 16 cities in KSA, representing 10% of the total number of entertainment centers in KSA based on the market study as at 2012G. The Company also manages and operates 7 entertainment centers in the UAE covering an area size of 19,810 sq.mt. in four Emirates. The Company's entertainment centers catered to more than 8.7 million visitors in 2013G.

The Company has not only captured the midscale hospitality market in the main cities of Riyadh Jeddah and Dammam but has also opened hotels in the other cities of Baha, Hail, Taif, Yanbu, Tabuk and Jubail. As one of the first to arrive, the Company has been able to provide world-class hotel services in these other cities. The scale of its operations allows the Company to negotiate better terms with the suppliers of consumables and other durable goods like fittings, bed linens and furniture for its hotel business, thus consistently maintaining healthier margins.

In the entertainment sector, the Company has been able to open entertainment centers in most of the leading malls in the major cities of Riyadh, Dammam and Jeddah. Al Hokair Group is characterized by its presence in various cities across KSA. Therefore, the Company is well positioned to open new entertainment centers given its previous experience of opening and managing these centers in the main cities; including obtaining the necessary licenses and permits and understanding of client need for entertainment centers. Increase in population and lack of entertainment centers in the emerging cities will remain a catalyst for future demand,which will further fuel its future growth.

4 - 6 - 5 Experienced Senior Management

Al Hokair Group's Directors and Senior Management have over 30 years of experience in operating successfully various businesses, including businesses in the entertainment and hospitality sectors. The Senior Management team comprises highly qualified individuals with diverse profiles accumulated through years of experience in hospitality and entertainment whether prior to joining the Company or as a result of their long service with the Company. The Company continuously seeks to maintain its advantage by recruiting and retaining different industry specialists with the right skills and expertise to develop the different segments of the business. The Company's management team, which possesses a wealth of global and local experience is an example of this ethos.

Management's in-depth knowledge is reflected in the strong financial performance of the Company over the past years. The Company's CEO/MD and a number of Board Members have been members of a number of joint committees in the tourism and commercial sector and international associations and organization in the field of entertainment (please see section 5.1 "Board Members").

4 - 7 Strategy

4 - 7 - 1 Hospitaity Division

General Strategy

Geographical Spread

The Company plans to continue focusing on the Saudi market by enhancing its advantage as one of the leading hotel operators in major cities and expand into other cities that have a shortage in hotel hospitality services. The Company will take into consideration expansion into the GCC if any opportunities with attractive investment returns should present themselves.

Sub-Divisions

The Company will continue to focus on the mid and upscale hotel categories in line with the demand on these categories over the next five years. The Company will also capitalize on its in depth market knowledge and experience to find, lease and equip new locations.

Brands/ Concept

The Company will focus on international well-known brands, as the Saudi market still has a shortage of prestigious hotel services, based on a study conducted by the Company which showed that 67.6% of the demand on hospitality services is satisfied by other types of accommodation such as furnished apartments and private residences. The Company will benefit from its partnerships with international hotel operator and its in depth experience in hotel management and supervision to attract clients who are looking for a guaranteed level of services, suitable amenities and international loyalty programs.

Client Segment

The Company will target business travellers and domestic tourists, thereby utilizing its current hotel portfolio which offers quality, facilities and locations at a suitable value to its guests, in addition to using its multiple sales channels (direct bookings and sales, bookings through travel agents and online booking).

Strategic Initiatives

Enhancing the performance of current hotels and opening new ones

Opening new hotels is the main growth driver for the Company. The Company is always keen on conducting detailed market studies prior to any decisions to open a hotel in a new location, taking into consideration the geographic location, brand knowledge and potential management fees.

The Company's strategy also depends on creating significant value by enhancing the performance of current hotels by reinvesting in assets and avoiding delayed maintenance policies that can increase cost and lower customer satisfaction. The Company also employs comparative analysis methods with similar companies in the industry, leveraging the size and diversity of its portfolio of hotel locations and its association with international operators in order to increase asset efficiency by increasing its market share. The Company continually strives to develop more efficient ways to operate its hotels in line with the economic climate and working conditions by implementing cost control strategies, and the successful implementation of these strategies will surely enhance the performance of the Company's Hospitality Division.

The Market

The Company's Senior Management studies market needs by monitoring the KSA's overall economic policy, which has recently focused on developing several sectors, most important of which are health, education, transportation and the oil industry. Accordingly, Senior Management monitors ministries as well as public and private companies in the above sectors and works to provide for their needs in terms of accommodation and hospitality services.

Sales Policy

Supply and demand are two key factors that impact sales policies. Keeping vigilant watch over the supply and demand curve has a significant input when determining the most appropriate sales policy to maximize revenue.

In the hospitality industry, maximizing revenue is based on two main elements; occupancy rates and ADRs. The Company, based on a supply and demand curve, determines its rates based on market demand in terms of required rooms vs. available rooms in order to reach the highest sales average per hotel room.

Al Hokair Group aims to increase occupancy rates at existing Hotels continuously. Senior Management intends to drive this growth in occupancy rates, and hence overall revenues, by focusing on the following initiatives:

- Increasing hotel stays by existing clientele and increasing the number of new guests by offering its “Hayakom” program with the ultimate goal of establishing and increasing customer loyalty for Al Hokair Group’s Hospitality and Entertainment divisions;
- Aiming to improve the outlook of Al Hokair Group’s Hotels by investing in the renovation and refurbishment of existing facilities in order to maintain a competitive offering. This becomes increasingly relevant to a number of Hotels where occupancy rates are below market average due to their geographical location in congested areas;
- The corporate travel accommodation market as business traffic increases in KSA. Al Hokair Group’s Hotels, which have either 3 or 4 stars, are well-suited for business travellers due to their competitive rates and distinguished services.
- • Analysis of each Hotel separately and to understand its unique characteristics within its market with the aim of developing the ideal business mix for each Hotel, while placing an emphasis on adaptability to accommodate a constantly changing economic environment in order to enhance revenue growth.

Electronic Marketing

Al Hokair Group utilizes electronic marketing in dealing with its clients through the use of modern methods of communication, including the internet, smart phones and similar technologies to make reservations, initiate opportunities with tourism suppliers and offer greater access to facilities for visitors. Online reservations contribute 25% to 30% of total room reservations. The importance of electronic marketing lies in attracting new clients in strategic ways through advanced technologies. Electronic marketing is a simple method to enable direct contact between clients and service providers regarding questions and requests for information. Electronic marketing also facilitates communication between clients and a service providers of its accessibility at all times and locations. Additionally, Electronic marketing is more cost efficient and effective when compared to traditional marketing methods. As an example, the Company has partnered with an online travel agency to reach a wider segment of potential clients to guarantee continued growth in the number of bookings and client loyalty.

Room Rates

During the period from 2008G to 2013G, the Company was able to realize a healthy increase in the ADR and RevPAR rates as both increased at a CAGR of 3.4% and 4.2% respectively. Depending on the location of the Hotel and the brand name associated with it, the Senior Management plans to maintain gradual growth on room rates in order not to affect demand volumes with the aim of achieving better occupancy rates, thus, increasing the RevPAR.

Competition

The Marketing Department monitors competing hotels closely in order to stay up to date on all the changes in this dynamic sector in terms of service quality and where the Company’s hotels stand in comparison to the competition in terms of occupancy rates and ADRs on a periodic basis.

The competition monitoring policy is based on two key elements:

(a) Local Reports:

The Company conducts a field survey to determine daily occupancy rates and revenues in order for it to determine its position on the competition map based of hotel category.

(b) International Reports:

The Company receives periodic reports through international hotel brands it manages and operates (like Holiday Inn and Hilton). These hotels, in partnership with a number of international companies (Smith Travel Research and Rubicon Market Vision) study the competition in the market based on the hotel's category and obtain periodic reports from these companies. Room rates are determined during the periodic meeting between the heads of marketing and revenue management where market data is reviewed with the manager of each hotel. Therefore, Al Hokair Group adopts a flexible sales policy which is aligned to market demand on a periodic basis. Accor Hotels, managed and operated by the Company, will subscribe to receive such reports as of the fourth quarter in 2014G.

Dealing with Distinguished Clients

The Company deals with leading clients in various fields. Aramco, Global SantaFe and Wesson in the oil industry, Egypt Air, Pakistan Airlines, Air Asia and Nasair in the aviation industry, Danieli in the steel and metal industry, Al Shayea in the Contracting industry and government entities such as the Ministry of Education and University of Hail. The Company does not focus or rely completely or partially or any of these distinguished clients.

Diversification of Revenues

Al Hokair Group is also exploring new ancillary revenue sources, most important of which is F&B revenue generated by hotel restaurants, banquet halls, room service, catering, mini-fridge sales in rooms. F&B revenue formed an average of 28.4% of overall Hospitality sector revenue during the years 2011G to 2013G. In addition to F&B revenue, the Company has another source of revenue from leasing a few commercial spaces within Company hotels such as perfume shops, gifts and salons and car rentals, which formed an average of 5.3% of overall Hospitality Divisions' revenue between 2011G and 2013G.

Manage Costs

Al Hokair Group maintains strong relationships with brand owners, suppliers and wholesalers in order to benefit from price reductions and other cost efficiencies. The Company's large portfolio of properties allows the benefit of strong purchasing power and helps establish a cost effective supply chain resulting in lower operational costs as the Company is able to purchase guest requirements from main suppliers in quantities sufficient for 3-6 months at ideal prices. The Company also uses and installs smart electric appliances and devices to decrease power consumption. In the future, Al Hokair Group aims to increase its benefit from its growing scale of operations, which should result in a significant increase in margins.

4 - 7 - 2 Entertainment Division

General Strategy

Geographic Spread

The Company aims to enhance its advantage in the KSA entertainment market, with a specific focus on secondary cities, to guarantee its dominance in markets that have a shortage in entertainment facilities and options. As for the UAE market, the Company plans to target the Northern Emirates to capitalize on being among the first companies in these markets which are experiencing a shortage in entertainment facilities. The Company will consider expansion into the rest of the GCC when suitable opportunities arise.

Sub-Divisions

The Company will focus on FECs as they are a more lucrative and faster growing segment due to the various benefits that they offer: lack of impact by seasonality, attractiveness to shoppers in commercial centres and relatively low capital expenses. In addition, the Company will expand by opening standalone FECs outside commercial centres if the Company feels that the expansion of large commercial centres is slower than the rate of population and urban growth.

Brands/ Concept

The Company aims to utilise its strong brands and there are agreements already in place with major players in this field to introduce novel concepts that cater to needs of the Company's clients. For instance, the Company introduced the concept of sport entertainment and will introduce the concepts of safe children entertainment and edutainment to the market.

Customer Segment

The Company will mainly target toddlers, children, and to a certain extent, youth (as the segment under the age of 19 below forms 40.9% of the population in KSA) as they are the category with the highest demand for entertainment centres.

Strategic Initiatives

Unification of Brands

In order for the Company to maintain its leading position in the Central region and improve brand loyalty, the Company consolidated the brands of all of its entertainment centers in KSA by using mainly the "Sparky's" and "Digital Land" brands in all its current centers. This consolidation will be followed by a media campaign to introduce the public to these two brands to increase their brand loyalty.

Increase Revenue

In order to diversify sources of revenue at its entertainment centers, the Company opened party halls in most of its entertainment centres, in addition to providing educational toys that target a very young audience that may not be usually targeted by traditional games. The Company also aims to increase their sources of income by establishing toy shops like "Go Go Toys" and restaurant chains like "Perky's Pizza" inside its entertainment centres to achieve increased revenue.

The Company is also targeting school trips, corporate and other open days, wholesale ticket sales to companies (who can use them as gifts for their clients) to diversify revenues. One diversified source of revenue that the Company's aims to realize in the near future is the sale of advertising space inside its entertainment centers.

"Hayakom" Loyalty Program

In 2012, the Company launched its loyalty program "Hayakom", the first of its kind among FECs to increase client loyalty to its centers through the use of a game card with points that can be exchanged for free rides, additional credit, gifts from Al Hokair Group's various toyshops or to be used in the Company's Hotels. The Company also plans to link the "Hayakom" loyalty card with a number of cooperating enterprises such as restaurants, toyshops and telecommunication companies so that Al Hokair Group's clients can exchange their points with products and services from these companies as well.

Developing New Entertainment Concepts

Recently (during the third quarter of 2013), the Company shifted towards diversifying its portfolio of entertainment centers through a constant search for new entertainment concepts and a desire to revitalise the entertainment centre market in new directions. Through its constant contact with entertainment developers around the world and its own team, the Company was able to develop a number of new entertainment concepts. For example, sports entertainment is a new mix of sports and entertainment games that require the players to exert physical effort and use their own strength to play. This type of entertainment also includes a number of different sport arenas built with an entertaining and amusing atmosphere, such as mini soccer at the Happy Land centers in Dammam, Al Rimal Tim Tik in Riyadh and paint ball in Happy Land Dammam.

The Company is planning to develop a new concept of safe entertainment by creating or upgrading game centres that do not have any mechanical or electric toys, serving children form the ages of 3 to 12 years, where parents can leave their children in the care of the supervisors of that area while they enjoy shopping or a meal knowing that their children are enjoying themselves in a safe environment and cared for by the Company's professional staff who will be trained specifically to care for children in that age group. The Company expects to begin implementing this new concept during the third quarter of 2014.

The Company is also opening the first edutainment venue (Minopolis) in Riyadh. This will be followed by several openings in other cities across KSA. Modern edutainment centers are growing in popularity among children and parents who prefer these centers since they offer their children a chance to play new types of games that unleash their children's talents and enable them to have adult jobs in safe environment built specifically for their age. The Company plans to open these centers first in Riyadh and Jeddah during the first quarter of 2015.

Performance of Current Portfolio

Al Hokair Group's current strategy is to continuously assess the feasibility of its entertainment centres and parks while upgrading its operations when and where necessary. For example, in 2012, the Company closed a number of FECs that were no longer achieving acceptable results (e.g. Xtreme in Madina and Happy Farm in Riyadh).

Opening New Locations

The Company's current strategy is to open new locations in KSA and UAE. In order to select what entertainment centers to open, the Company relies on a number of factors that have a direct impact on its decision of what location to invest in. These factors are represented in the various market studies conducted by a group of global firms which analyzes markets in general, and markets outside KSA in particular. Because of its strategic relationships with developers of commercial centres, the Company is able to identify locations selected by these developers and conduct the necessary studies ahead of time. Another advantage of this network of contacts is that the Company is able to identify, beforehand, the characteristics of the relevant markets and names of shops and businesses that will be opened, especially the restaurants and cafes that will be located within food courts. In addition, the Company often participates in designing these spaces and selecting the types of restaurants that will be allowed to open in close proximity to its entertainment centers. Moreover, these strategic relationships allow the Company to have input on the design of the entertainment venue, its size and building specifications.

Variety of Games

The Company regularly visits many gaming exhibitions around the world. Al Hokair Group also uses its direct contacts with game manufacturers and memberships in international organizations to find the latest products in the entertainment field in order to ensure the continuous updating of its centers, with a view to increase customer loyalty. By updating and diversifying games also ensures that the Company is able to target all age groups and expand its target segment within the population of the area where a venue is located.

Safety

The Company is also keen on maintaining the safety of its clients and visitors. To that end, the Company established a safety and security department within the Entertainment Division that includes a group of highly specialized and trained safety officers accredited by the best international institutes. To ensure that the Company's premises implement the highest safety standards, Al Hokair Group entered into contracts with several international companies (such as M/S International Quality & Safety Co. Ltd. (IQS) and TUV Rheinland Arabia LLC (TURA) (TUV)) through their representative offices in KSA to conduct regular inspection of games and rides within the Company's entertainment centers. The Company also focuses on the continuous training of the technical teams responsible for maintenance with the aim of increasing their capacity and keeping them abreast of the latest and best maintenance methods. The Company has also established a quality control department with the objective of ensuring maintenance is conducted with the highest quality and that the best standards are applied during daily operations. The Company is keen on acquiring its toys from the best toy makers in Europe and the United States in order to guarantee their quality. Al Hokair Group communicates with all of its suppliers to ensure that all purchases meet the highest safety standards.

4 - 8 Corporate Social Responsibility

4 - 8 - 1 Ataa Centre

Due to the Company's belief in social responsibility and the role of the private sector in assisting in sustainable development and fostering community partnerships, the Company launched "Ataa Centre" (the "Centre") for community development in 2006G. The Centre is part of the Company's internal divisions (and not an independent entity) and has a single branch in Al Dirah (Taameer Commercial Centre, 2nd Floor). The Centre aims to serve and develop all segments of the community and costs Al Hokair Group between SAR 500,000 and 1 million per annum.

The Centre focuses on providing several programs aimed directly at family members starting from children, as the Centre is invested in helping this age group grow and develop their skills. In addition the Centre provides facilities, advice and guidance to youths to help them prepare feasibility studies on develop projects they are interested in pursuing.

During the period from 2012G to 2013G, the Centre signed a number of agreements:

- Craft Marketing Agreement in cooperation with the SCTA;
- Stay and Give Agreement that allows hotel guests to donate to a special needs children society; and
- Orphan Charity Agreement – Insan – that allows this society to benefit from the Company's Hotel and entertainment services and includes a training and hiring program for the members of the society.
- The Centre serves all facets of society but focuses on:
- Children – being the prime target of entertainment and as such a priority in community service; and
- Youth and job seekers – the young are the largest segment of society and the Company feels obligated to train and habilitate the young.

4 - 8 - 2 Ataa Programs

To achieve its goals related to community development and the enhancing the concept of social integration, the Centre offers "Ataa Programs", a group of comprehensive programs tackling some of the most important social issues, including:

- **Ataa Academic and Research Programs:** These programs focus on supporting education and research. One of the most important examples is the cooperation between the Centre and King Saud University to launch "Abdulmohsen Al Hokair Nutrition and Health";
- **Ataa Vocational Habitation and Employment:** As part of its Saudisation efforts, the Company offers the Ataa Vocational Habitation and Employment program to prepare Saudi youths for the employment market. Ataa Volunteer programs: these offer the youth volunteer opportunities to help strengthen their awareness and sense of responsibility towards their communities to enable them to drive change and development in the future.
- **Ataa Awareness Programs:** These programs focus on spreading awareness of several issues concerning the society by launching awareness campaigns that tackle these issues with the help of external specialists.
- **Ataa Support and Care Programs:** These programs help support and care for children with special needs by offering many activities and services in addition to establishing a number of coalitions with special needs organizations.

Among the achievements of the Araa Centre in 2012G-2013G are:

- an agreement to market handicraft products in cooperation with the Supreme Commission for Tourism;
- an agreement that allows hotel residents to make donations to a charity supporting children with special needs;
- an agreement to support an orphan charity that allows the charity to benefit from entertainment and hotel services as part of a rehabilitation, professional training and employment programme for orphans.

4 - 9 Membership of International Organisations and Awards

4 - 9 - 1 Membership of International Organisations

International Association of Amusement Parks and Attractions (IAAPA)

Al Hokair Group is a member of IAAPA since 1983G. Founded in 1918G, IAAPA is the largest international trade association for permanently situated amusement facilities worldwide. The organization represents more than 4,300 facility, supplier, and individual members from more than 93 countries. IAAPA strives to help members improve their efficiency, marketing, safety, and profitability while maintaining the highest possible professional standards in the industry.

International Association for the Leisure and Entertainment Industry (IALEI)

Al Hokair Group has been a member of IALEI since 1998G. IALEI is an association which provides information, educational programs, training manuals, special programs designed to help build and operate profitable entertainment and leisure business.

Middle East Council of Shopping Centres (MECSC)

Al Hokair Group has been a member of MECSC since 2004G. MESC, affiliated with the New York based International Council of Shopping Centres, is the regional body representing shopping mall owners, developers, leasing managers, retailers, consultants, property managers, financiers, government officials and industry suppliers. MECSC has been operating in the Middle East since 1994 and has hundreds of active members. MECSC is a voluntary body, governed by a Board and Executive Committee.

Themed Entertainment Association (TEA)

Al Hokair Group has been a member of the TEA since 2000G. TEA is an international non-profit association representing the world’s leading creators, developers, designers and producers of compelling places and experiences. TEA members include a vast number of restaurants, retail stores, museums, zoos and theme parks. TEA provides the proper channels and opportunities to help businesses to grow.

World Waterpark Association (WWA)

Al Hokair Group has been a member of the WWA since 1999G. WWA is an international not-for-profit organization whose primary purpose is to further enhance safety and profitability in the water park industry. WWA allows members to share and exchange information on important topics their peers from around the world. WWA hosts the most comprehensive waterpark educational program in the world, offering more than 50 seminars and intensive workshops on a vast number of water-leisure topics.

4 - 10 Human Resources

The Company had 2,729 employees in KSA and 224 in the UAE as of 31/12/2013. The number of Saudi nationals working with the Company was approximately 603 employees representing approximately 22% of the Company’s total workforce in KSA. It should be noted that the Company has adjusted the status of its foreign labour as directed by the Foreign Ministry, and as a result of this the total number of workers in the Company increased from 915 to 2729 as of 31/12/2013G.

Due to the Company's extensive operations in the hospitality and entertainment industries, it requires constant cleaning, maintenance and operation services. Therefore, the Company entered into a cleaning, maintenance and operation service agreement with Al Hokair Group Est.. on 1/11/2013G. Under this agreement, the Al Hokair Group Est. provides these services to a number of the Company's hotels, entertainment centers and restaurants, including supplying workers with sufficient skills to perform these services up to the Company's standards (please see section 11.3 "Summary of Related Party Agreements and Transactions" for more information on transactions with related parties). This ensures a continuous supply of all cleaning, maintenance and operation services required by the Company to manage its hotels, entertainment centers and restaurants.

Table 4–23 Number of Employees as of 31/12/2013G

(A) Number of Employees in KSA	2010	2011	2012	2013
Division				
Head Office	35	30	46	31
Hospitality	343	390	518	1546
Entertainment	164	238	322	1119
Commercial	38	29	29	33
TOTAL	580	687	915*	2,729*

** The increase in employees is a result of a labour status correction as of 31/12/2013.*

(B) Number of Employees in UAE*	
Company/ Division	
Regional Office	19
Sparky's Land	97
Sparky's Digital	14
Sparky's Oceanica	69
Sparky's RAK	25
TOTAL	224

** The Company acquired Sparky's UAE on 31/12/2012G. As such, the number of employees for years prior to 2013 was not mentioned, taking into consideration that Sparky's UAE is not required to fulfil any Saudisation requirements.*

*** The increase in employees is a result of a labour status correction as of 31/12/2013.*

Source: The Company

The strength and success of the Company can be attributed to the expertise and experience of its employees. Company employees undergo various training regimes that aim to inform the employees of best industry practices. These training regimes are run by Mena Education which is a related company owned by Sheikh Abdulmohsen Al Hokair, Musaed Abdulmohsen Al Hokair, Sami Abdulmohsen Al Hokair, Majid Abdulmohsen Al Hokair, Bandar Khalid Abdulmohsen Al Hokair, Bader Khalid Abdulmohsen Al Hokair and Mishaal Abdulmohsen Al Hokair. Mena Education owns Abdulmohsen Al Hokair High Institute for Hospitality, which is the entity responsible for training Al Hokair Group's employees within the Hospitality Division in accordance with a contract between Al Hokair Group and Mena Education. Usually, the Company's employees receive training at the Institute upon joining the Company for a period of six months to a year. They then return to the Company to assume their responsibilities. The Company pays a monthly salary of SAR 2,000 to employees in training directly to the Institute (please see section 11.3 "Summary of Related Party Agreements and Transactions and" for more information about the relevant training agreement). Abdulmohsen Al Hokair Hotel Academy provides several long and short-term courses to its attendees from other companies in fields like restaurants, hotels, catering and a number of Government bodies in KSA. Company staff responsible for game maintenance in the Company's Entertainment Division attend training on the maintenance of these games by the various game suppliers. This training is conducted when the Company acquires new games from its suppliers. The supplier trains Company workers on how to handle, operate and maintain these games. Training is conducted for a period of time that varies from one supplier to the next.

The table below illustrates the Company's present Saudi based workforce, broken down by department.

Table 4–24 Saudisation by Division as on 31/12/2010G, 2011G, 2012G and 31/12/2013G

Division	Saudi	Non-Saudi	TOTAL
Staff By Nationality 2010G			
Head Office	19	16	35
Hospitality	65	278	343
Entertainment	35	129	164
Commercial	31	7	38
TOTAL	150	430	580
Staff by Nationality 2011G			
Head Office	21	9	30
Hospitality	120	270	390
Entertainment	95	143	238
Commercial	24	5	29
TOTAL	260	427	687
Staff by Nationality 2012G			
Head Office	25	21	46**
Hospitality	121	397	518
Entertainment	95	227	322
Commercial	24	5	29
TOTAL	265	650	915***
Staff by Nationality as on 31/12/2013G			
Head Office	14	17	31**
Hospitality	312	1234	1546
Entertainment	256	863	1119
Commercial	21	12	33

Division	Saudi	Non-Saudi	TOTAL
TOTAL	603	2,126	2,729***

Source: The Company

* According to Company information recorded with the Ministry of Labour as on 05/12/2013, the Company has 2213 non-Saudi employees and 530 Saudi employees. The Company's total number of staff in KSA is 2743.

** The decline in the number of employees is a result of transferring a number of employees Company administration to the administration of specific sectors.

*** The increase in employees is a result of a labour status correction as of 31/12/2013.

Saudisation Policies

603 of the Company's employees were Saudi nationals as of 31/12/2013G. The Company's current Saudisation percentage of 22% puts it in the green category compared to the required percentage of 18% under the "Nitakat" program. The Company has been, and continues to be, fully committed to achieving the Government's policy on Saudisation. Accordingly,, the training and the development of Saudi skills and capabilities are a high priority for the Company. The Company has worked closely with the Ministry of Labour in this regard and as a result has implemented a comprehensive plan to increase the number of Saudi nationals that it employs in order to continue to exceed the national goal. These Saudisation efforts are further strengthened by the Abdulmohsen Al Hokair High Institute for Hospitality (please see above paragraph for more information on the training efforts that are being pursued by the Company).

4 - 11 Company and its Affiliates Corporate Structure

Al Hokair Group has four Affiliates: the Tourism and Real Estate Development Company (Touresco), Tarfeeh Company for Tourism Projects (Tarfeeh), Al Qaseem Co. for Entertainment and Commercial Projects (Qaseem) and Asateer Entertainment Co. (Asateer). In addition, the Company has one Subsidiary (Sparky's UAE). The following is an overview of the Company's Affiliates and its Subsidiary (see section 6 "Management Discussion and Analysis" for more information about the Affiliates' performance).

4 - 11 - 1 Tourism and Real Estate Development Company (Touresco)

Touresco is a Saudi closed joint stock company operating in the KSA under Commercial Registration number 1010144121 dated 26/07/1417H (corresponding to 06/12/1996G). The company has a paid up capital of SAR 100,000,000 divided into 10,000,000 ordinary shares with a nominal value of SAR 10 each. The principal business activity of Touresco is to manage and operate recreational centres and hotels. The Company has a 48.5% stake in Touresco whilst Majid, Musaed and Sami Al Hokair each hold a 0.5% stake in the share capital of Touresco. The remaining 50% is owned by an unrelated third party: Abdul Rahman Al Mousa Sons Company.

Table 4–25 Touresco Share Structure

#	Shareholder	No. of Shares	Total Share Value (SAR)	%
1	Abdul Rahman Al Mousa and Sons	5,000,000	50,000,000	50%
2	Al Hokair Group	4,850,000	48,500,000	48.50%
3	Musaed Abdulmohsen Al Hokair	50,000	500,000	0.50%
4	Majid Abdulmohsen Al Hokair	50,000	500,000	0.50%
5	Sami Abdulmohsen Al Hokair	50,000	500,000	0.50%
TOTAL		10,000,000	100,000,000	100%

Source: The Company

The only activity of Touresco is the ownership of the land and the building on which the Holiday Inn Al Olaya (Riyadh) is located, , which is a 4 star hotel opened in 1999G and occupying an area of 32,676 sq. m. The hotel has 298 rooms and is located in the heart of the business and shopping district of Riyadh. The hotel is managed by H H France Holdings S.A.R.L (the “Holiday Inn” brand owner) under a management agreement (please refer to table 4-12 above for more information regarding the property and section 11.2 “Summary of Material Agreements” below for more information on the management agreement).

Touresco also receives the Holiday Inn Al Olaya revenue according to the management agreement with the hotel operator. The Company receives its share of the profit in Touresco based on its 48.5% shareholding. Majid, Musaed and Sami Al Hokair each receive their profits shares based on a 0.5% shareholding for each of them in Touresco. The remaining 50% is held by a third party, namely Abdurrahman Abdullah Al Mousa and Sons Co.

4 - 11 - 2 Tarfeeh Company for Tourism Projects (Tarfeeh)

Tarfeeh is a Saudi limited liability company operating in KSA under Commercial Registration number 4030122300 dated 4/6/1418H (corresponding to 06/10/1997G). The company has a paid up capital of SAR 1,000,000 divided into 1,000 ordinary shares with a nominal value of SAR 1,000 each. The Company owns a 50% stake in Tarfeeh’s share capital with the remaining 50% owned by Amer Mohammad Fahad Al Abboud. Tarfeeh’s principle business activities are to manage and operate entertainment centres and restaurants.

Table 4–26 Tarfeeh Share Structure

#	Shareholder	No. of Shares	Total Share Value (SAR)	%
1	Al Hokair Group	500	500,000	50%
2	Amer Mohammad Fahad Al Abboud	500	500,000	50%
TOTAL		1,000	1,000,000	100%

Source: The Company

As of the date of this Prospectus, Tarfeeh manages and operates one entertainment venue, Fun Time (Jeddah) - an indoor entertainment venue. Fun Time offers different types of arcade games and children rides and it is located on the Corniche (Jeddah). This centre opened in 1996, occupies an area of 12,568 sq. m (please refer to table 4-18 above for more information regarding this property). Tarfeeh also manages and operates Fun Time Café in Jeddah, a café located in Jamah Sales Exhibition, which opened in 1996. Tarfeeh also manages and operates Baby Pizza restaurants with their two outlets in the Mall of Arabia and Red Seal Mall in Jeddah. The two restaurants opened in 2011 and occupy a total area of 600 sq. m – please see table 4-15 above for more information on Fun Time Café and Baby Pizza. Tarfeeh does not have any transactions with any related parties as on the date of this Prospectus.

4 - 11 - 3 Al Qaseem Co. for Entertainment and Commercial Projects (Al-Qaseem)

Al Qaseem is a Saudi limited liability company operating in KSA under Commercial Registration number 1131017545 dated 19/10/1423H (corresponding to 29/12/2002G). The company has a paid up capital of SAR 500,000 divided into 500 ordinary shares with a nominal value of SAR 1000 each. The Company owns a 50% stake in Al-Qaseem’s share capital with the remaining 50% owned by Arabian Centres Co. LLC (50% owned by FAS Saudi Holding and 50% owned by Fawaz Abdulaziz Al Hokair and Partners Holdings Co.). Al-Qaseem’s principle business activities are limited to maintenance, operation and management of malls and commercial compounds.

Table 4–27 Al Qaseem Share Structure

#	Shareholder	No. of Shares	Total Share Value (SAR)	%
1	Al Hokair Group	250	250,000	50%
2	Arabian Centres	250	250,000	50%
TOTAL		500	500,000	100%

Source: The Company

Al-Qaseem owns Al Nakheel Plaza which is a commercial centre located in Buraidah and has more than 129 shops and commercial outlets providing a mix of both local and international brands to the retailers and visitors. It is the only major retail and entertainment centre in the region. Al Qaseem's operations are supervised and managed by Arabian Centres including Al Nakheel Plaza. The anchor tenant is Hyper Panda which provides an extensive shopping selection aimed at families. The Plaza occupies an area of 48,955 sq. m and opened in 2005 (please see section 4.5.3 above for more information on this Commercial Centers).

Al-Qaseem entered into a lease agreement with Mohammad Rasheed bin Jabr Al Rasheed on 1/1/2013 for a commercial centre in Hail called Salma Mall. . The lease has a term of 9 years and five months with the annual lease value amounting to SAR 1,000,800. This amount will be increased annually based on a schedule agreed between the parties. Al-Qaseem will develop the location into a commercial centre which will have a variety of outlets including food& beverage and an FEC. The cost of developing the location is around SAR 13 million. The mall is expected to open during the second quarter of 2014.

4 - 11 - 4 Asateer Company for Entertainment (Asateer)

Asateer is a Saudi limited liability company operating in he KSA under Commercial Registration number 1010256305 dated 14/9/1429H (corresponding to 14/09/2008G) with a paid up capital of SAR 500,000 divided into 500 ordinary shares with a nominal value of SAR 1,000 each. The Company owns a 50% stake in Asateer's share capital with the remaining 50% owned by an unrelated third party; namely Nama Property Development Ltd. (owned 33.33% by Fahad Mohammad Abdullah Al Muqbil, 33.33% by Abdullah bin Hamad Al Mishaal and 33.33% by Abdulmohsen Mohammad Al Zikri). The principal business activity of Asateer is managing and operating entertainment centers.

Table 4–28 Asateer Share Structure

#	Shareholder	No. of Shares	Total Share Value (SAR)	%
1	Al Hokair Group	250	250,000	50%
2	Arabian Centres	250	250,000	50%
TOTAL		500	500,000	100%

Source: The Company

The company manages and operates Oceanica which is an indoor entertainment venue located at Galleria Mall in Riyadh on behalf of Asateer. Oceanica provides a new form of entertainment and recreational services with a marine theme and environment. This venue occupies an area of 8,026 sq. m and opened in 2008 - please see table 4-19 above for more information on this property.

4 - 11 - 5 Sparky's

Until recently, Sami Al Hokair was the sole owner of: (i) Sparky's Land Amusement Toys ("Sparky's Land"), (ii) Sparky's Digital Land Amusement Toys ("Sparky's Digital"), and (iii) Sparky's Oceanica ("Sparky's Oceanica") (iv) Sparky's Digital Land Amusement Toys (RAK) ("Sparky's Digital RAK"). These entities were established as sole proprietorships registered in the emirate of Abu Dhabi, and RAK the UAE. These proprietorships will be referred to as ("Sparky's" or "Sparky's UAE").

Al-Hokair Group has been engaged in the management and operation of the (6) Sparky's outlets set up by these entities since 2008G through an agreement signed on the same year in consideration for of 5% of the total revenue per outlet going to Al Hokair Group.

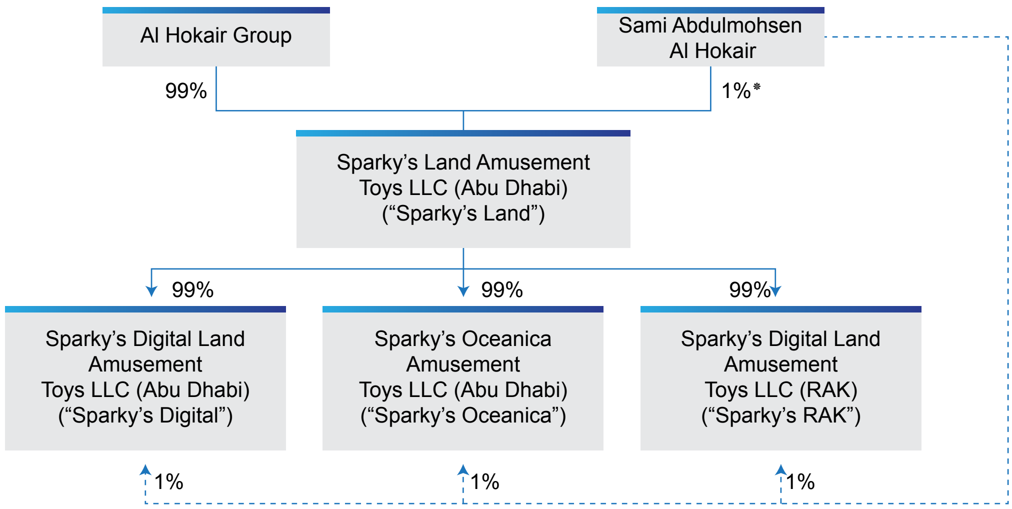
On 31 December 2012G, Al Hokair Group entered into a share purchase agreement with Sami Al Hokair in relation to the acquisition of each of Sparky's Land, Sparky's Digital and Sparky's Oceanica and Sparky's Digital RAK.

The acquisition has taken place by way of conversion of each of Sparky's Land, Sparky's Digital and Sparky's Oceanica from sole proprietorships, into LLCs, and a subsequent transfer of Sparky's Land (which has a shareholding in each of the aforementioned three Subsidiaries at 99%) to Al Hokair Group. As part of this transaction, Sparky's RAK was transformed from a sole proprietorship to a LCC and Sami Al Hokair (in his capacity as a partner in Sparkys RAK) and the Company signed its Articles of Association before the RAK Notary Public on 23/10/2013G. The LLC was registered at the RAK Department of Economic Development under license number 37453 under the trade name "Sparky's Digital Land Amusement Toys LLC".

The total consideration for the acquisition of these companies was AED 87,089,283. (please see section 6.5.2 "List of Financial Centres" for more information on the valuation process for assets and goodwill) The Company acquired both direct and indirect ownership of these companies' shares and an agreement was signed with Sami Al Hokair stating that his ownership of the remaining 1% in each of these companies is beneficially owned by Al Hokair Group. On 26/11/2013G, ownership of Sparky's trademarks in the UAE were transferred to the Company, after being previously registered in Sami Al Hokair's name.

Below is a description of the three Sparky's entities following the acquisition:

Figure 3: Sparky's Share Structure Chart



** Al Hokair Group is the legal beneficial owner of these shares as an agreement was signed with Sami Al Hokair stating that Al Hokair Group will be the beneficial shareholder of his 1% legal shareholding. This procedure was necessary because UAE company laws require that LLCs be owned by at least two shareholders. Therefore, it was agreed that Sami Al Hokair will remain a partner holding 1% for the benefit of the Company to enable the Company to comply with applicable laws.*

Source: The Company

The Company intends to expand its operations in the UAE through opening additional Sparky's outlets in Dubai and Fujairah. The Company expects to establish two additional corporate vehicles in these emirates to undertake the operation and management of the new outlets.

4 - 11 - 5 - 1 Sparky's Land

Sparky's Land was converted into a LLC pursuant to a Contract for the Conversion of a Sole Establishment into an LLC and a Memorandum of Association dated 20 January 2013G, as notarised by the Notary

Public at Emirate of Abu Dhabi Judicial Department on 23 January 2013G. It is registered at the Department of Economic Development of Abu Dhabi (DEDA) under the commercial licence number CN-1137280 and the trade name of 'Sparky's Land Amusement Toys LLC'. Sparky's Land owns a branch registered at DEDA under commercial license number CN-1137280-1, with a trade name of 'Sparky's Land Amusement Toys - Branch'. The share capital of Sparky's Land is AED 150,000. No changes to the share capital took place prior to the acquisition of Sparkys Land by the Company on 31/12/2012 (see this section 4.11.5 for more information about Sparky's acquisition).

Pursuant to its Memorandum of Association, the main objects of Sparky's Land are the ownership and management of (i) electronic games hall, (ii) children amusement games hall, and (iii) electrical games. In addition to its main objects, Sparky's Land is entitled to carry on any other activities incidental or supplementary to its objects. Table 4-33 below shows Sparky's outlets in the UAE currently managed and operated by Sparky's Land.

Table 4–29 Shareholding structure of Sparky's Land:

No	Shareholder	Shares	Value (AED)	Ownership %
1	Al Hokair Group	99	148,500	99%
2	Sami Abdulmohsen Al Hokair	1	1,500	1%*
Total		100	150,000	100%

Source: The Company

** Al Hokair Group is the legal beneficial owner of these shares as an agreement was signed with Sami Al Hokair stating that Al Hokair Group will be the beneficial shareholder of his 1% legal shareholding. This procedure was necessary because UAE company laws require that LLCs be owned by at least two shareholders. Therefore, it was agreed that Sami Al Hokair will remain a partner holding 1% for the benefit of the Company to enable the Company to comply with applicable laws.*

4 - 11 - 5 - 2 Sparky's Digital

Sparky's Digital was converted into a LLC pursuant to a Contract for the Conversion of a Sole Establishment into an LLC and a Memorandum of Association dated 25 April 2013G, as notarised by the Notary Public at Emirate of Abu Dhabi Judicial Department on the same date. It is registered at the DEDA under the commercial licence number CN-1180610 under the trade name of 'Sparky's Digital Land Amusement Toys LLC'.

Pursuant to its Memorandum of Association, the main objects of Sparky's Digital are the ownership and management of (i) electronic games hall, (ii) children amusement games hall, and (iii) electrical games. In addition to its main objects, Sparky's Digital is entitled to carry on any other activities incidental or supplementary to its objects. Table 4-33 below shows the Sparky's outlets in the UAE currently managed and operated by Sparky's Digital.

Table 4–30 Shareholding structure of Sparky's Digital:

No	Shareholder	Shares	Value (AED)	Ownership %
1	Sparky's Land Amusement Toys LLC	99	148,500	99%
2	Sami Abdulmohsen Al Hokair	1	1,500	1%*
Total		100	150,000	100%

** Al Hokair Group is the legal beneficial owner of these shares as an agreement was signed with Sami Al Hokair stating that Al Hokair Group will be the beneficial shareholder of his 1% legal shareholding. This procedure was necessary because UAE company laws require that LLCs be owned by at least two shareholders. Therefore, it was agreed that Sami Al Hokair will remain a partner holding 1% for the benefit of the Company to enable the Company to comply with applicable laws .*

Source: The Company

4 - 11 - 5 - 3 Sparky's Oceanica

Sparky's Oceanica was converted into a LLC pursuant to a Contract for the Conversion of a Sole Establishment into an LLC and a Memorandum of Association dated 25 April 2013G, as notarised by the Notary Public at Emirate of Abu Dhabi Judicial Department on the same date. It is registered at the DEDA by under the commercial licence number CN-1245388 under the trade name of 'Sparky's Oceanica LLC'.

Pursuant to its Memorandum of Association, the main objects of Sparky's Oceanica are the ownership and management of (i) electronic games hall, (ii) children amusement games hall, and (iii) electrical games. In addition to its main objects, Sparky's Oceanica is entitled to carry on any other activities incidental or supplementary to its objects. Table 4-33 below shows the Sparky's outlets in the UAE currently managed and operated by Sparky's Oceanica.

Table 4–31 Shareholding structure of Sparky's Oceanica:

No	Shareholder	Shares	Value (AED)	Ownership %
1	Sparky's Land Amusement Toys LLC	99	148,500	99%
2	Sami Abdulmohsen Al Hokair	1	1,500	1%*
Total		100	150,000	100%

Source: The Company.

** Al Hokair Group is the legal beneficial owner of these shares as an agreement was signed with Sami Al Hokair stating that Al Hokair Group will be the beneficial shareholder of his 1% legal shareholding. This procedure was necessary because UAE company laws require that LLCs be owned by at least two shareholders. Therefore, it was agreed that Sami Al Hokair will remain a partner holding 1% for the benefit of the Company to enable the Company to comply with applicable laws..*

4 - 11 - 5 - 4 Sparky's RAK

Sparky's RAK was converted into a LLC pursuant to a Contract for the Conversion of a Sole Establishment into an LLC and a Memorandum of Association dated 23 October 2013G, as notarised by the Notary Public at Emirate of Abu Dhabi Judicial Department on the same date. It is registered at the DEDA by under a professional licence number 37453 under the trade name of 'Sparky's Digital Land Amusement Toys LLC'.

Pursuant to its Memorandum of Association, the main objects of Sparky's RAK are the ownership and management of (i) electronic games hall, (ii) children amusement games hall, and (iii) electrical games. In addition to its main objects, Sparky's RAK is entitled to carry on any other activities incidental or supplementary to its objects. Table 4-33 below shows the Sparky's outlets in the UAE currently managed and operated by Sparky's Oceanica.

Table 4–32 Shareholding structure of Sparky's Digital Land:

No	Shareholder	Shares	Value (AED)	Ownership %
1	Sparky's Land Amusement Toys LLC	99	148,500	99%
2	Sami Abdulmohsen Al Hokair	1	1,500	1%*
Total		100	150,000	100%

** Al Hokair Group is the legal beneficial owner of these shares as an agreement was signed with Sami Al Hokair stating that Al Hokair Group will be the beneficial shareholder of his 1% legal shareholding. This procedure was necessary because UAE company laws require that LLCs be owned by at least two shareholders. Therefore, it was agreed that Sami Al Hokair will remain a partner holding 1% for the benefit of the Company enabling the Company to comply with applicable laws.*

Source: The Company.

Table 4–33 Outlets managed and operated by Sparky's entities in the UAE

No.	Sparky's Entity managing or operating the Outlet	Location	Emirate	Opened	Area (Sq. M.)	Book Value of Assets (SAR)
1	Sparky's Land Amusement Toys	Khalidiyah Mall	Abu Dhabi	2008G	5,025	24,694,273
2	Sparky's Land Amusement Toys	Mazyad Mall	Abu Dhabi	2009G	1,823	3,250,900
3	Sparky's Digital	Al Raha Mall	Abu Dhabi	2010G	407	1,004,027
4	Sparky's Digital	Al Foah Mall	Al Ain	2011G	2,082	6,815,200
5	Sparky's Oceanica	Mushrif Mall	Abu Dhabi	2011G	4,451	18,058,840
6	Sparky's RAK	RAK Mall	Ras Al Khaimah	2012G	2,500	8,342,863
7	Sparky's Al Ghurair	Al Ghurair Mall	Dubai	2013G	3,550	1,740,053
	All					63,906,156

Source: The Company

Table 4–34 Key Financial Indexes of Sparky's Entities in the UAE

	2010G	2011G	2012G	31/12/2013G
Revenue*	21,800,067	27,904,339	42,571,200	44,251,570
Profits*	7,786,020	8,449,099	10,090,395	11,388,740
Total Assets*	28,923,470	53,275,367	60,559,730	63,906,156
Total Liabilities*	760,017	4,708,083	12,016,999	3,974,684

Source: Consolidated audited financial statements for the Company for the years ending 31/12/2010, 2011, 2012, 2013

** In AED*

4 - 11 - 6 Gulf Entertainment

Gulf Entertainment is a Saudi LLC operating in KSA and registered under number 10100388533 on 13/11/1434H (corresponding to 19/09/2013G), with a paid up share capital of SAR 100,000 divided into 100 shares at a nominal value of SAR 1000 per share. The Company has a 50% share holding in Gulf Entertainment, while the remaining 50% is owned by a third party, Mohammad Bader Musaed Al Sayer (a Kuwaiti national). The company's key activities include the management, maintenance and development of property, construction, management, operation and maintenance of entertainment centers and trading.

Table 4–35 Shareholding structure of Gulf Entertainment:

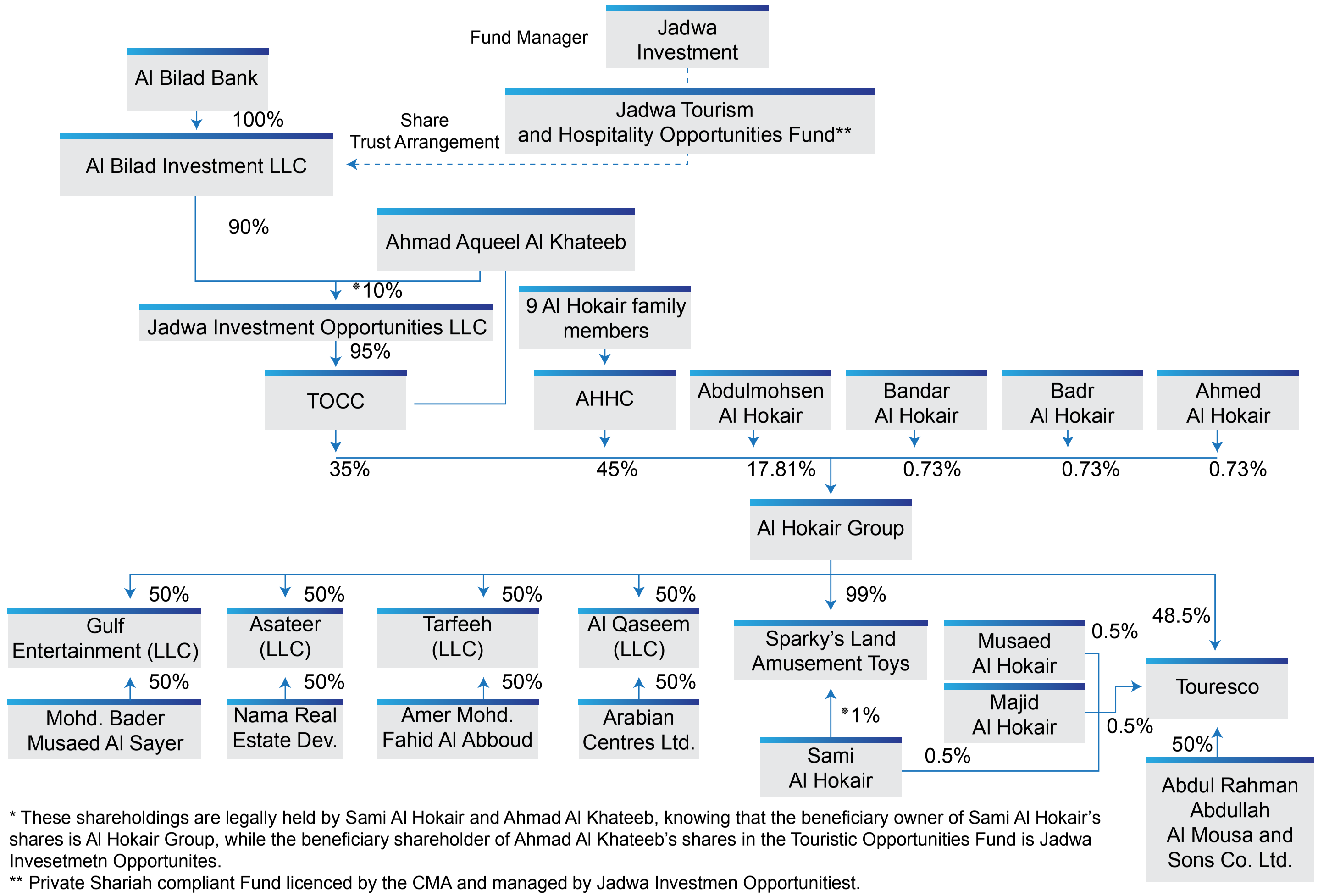
No	Shareholder	Shares	Value (SAR)	Ownership %
1	Al Hokair Group	50	50,000	50%
2	Mohammad Bader Musaed Al Sayer	50	50,000	50%
Total		100	100,000	100%

Source: the Company.

Gulf Entertainment plans to manage and operate the edutainment centres expected to open initially in Riyadh and Jeddah during the first quarter of 2015 under the name "Minopolis", an international entertainment chain established in Austria to give children the opportunity to play and participate in daily and practical life by building a virtual city that mimics real life. The centre includes 38 educational areas offering both an educational and entertaining experience. Gulf Entertainment is a new company which has yet to start operations as of the date of this Prospectus and has no impact on the Company's results.

4 - 11 - 7 Company Structure Chart

Figure 4: Company Structure Chart



* These shareholdings are legally held by Sami Al Hokair and Ahmad Al Khateeb, knowing that the beneficiary owner of Sami Al Hokair's shares is Al Hokair Group, while the beneficiary shareholder of Ahmad Al Khateeb's shares in the Touristic Opportunities Fund is Jadwa Invesetmetn Opportunites.

** Private Shariah compliant Fund licenced by the CMA and managed by Jadwa Investmen Opportunitiest.

*** Direct shares are owned by legally owned by Abdulmohsen Al-Hokair only.

5. Corporate Structure and Governance

5 - 1 Board Members

The Company has an experienced Board of Directors composed of highly qualified and respected individuals in the business community. None of the Directors holds any Shares directly in the Company except for Musaed Al Hokair, Sami Al Hokair and Majid Al Hokair each of whom owns an indirect stake of 2.97% in the Company. This indirect stake is a result of their shareholding in AHHC, which is one of the Company's main shareholders. Ahmad Aqeel Al Khateeb also owns an indirect shareholding in the Company equal to around 5.26% on account of his legal (not beneficial) shareholdings in each of TOCC and Jadwa Investment Opportunities totalling around 5.075% of the Company's share capital in addition to his indirect beneficial stake of 0.1844% by way of his shareholding in Jadwa Investment Opportunities which in turn holds units in the Tourism and Hospitality Opportunities Fund. (please see section 4.4.2 "TOCC" for more information about the share structure of TOCC, Jadwa Investment Opportunities and the Fund). Following the Offering, the indirect stake of Musaed, Sami and Majid Al Hokair will amount to 2.08% each while Ahmad Aqeel Al Khateeb's stake will amount to 3.69%.

Table 5–1 Al-Hokair Board Members

No.	Name	Position	Nationality	Age	Exec./Non-Exec.	Direct Shareholding (%)**		Indirect Shareholding (%)**		Membership Date*	Repre-senting
						Pre Offering	Post Offering	Pre Offering	Post Offering		
1	Musaed Abdulmohsen Al Hokair	Chairman	Saudi	53	Executive	-	-	2.97***	2.08***	9/6/2012G	AHHC
2	Sami Abdulmohsen Al Hokair	CEO and MD	Saudi	46	Executive	-	-	2.97***	2.08***	9/6/2012G	AHHC
3	Majid Abdulmohsen Al Hokair	Vice Chairman	Saudi	47	Executive	-	-	2.97***	2.08***	9/6/2012G	AHHC
4	Ahmed Aqeel Al Khateeb	Board member	Saudi	49	Non-Executive	-	-	5.26	3.68****	1/5/2012G	Jadwa (as manager of the Tourisem & Hospitality Fund)
5	Abdullah Abdulatif Al Fouzan	Board member	Saudi	49	Non-Executive/ Independent	-	-	0.63*****	0.44*****	1/5/2012G	-
6	Walid Ibrahim Shukri	Board member	Saudi	45	Non-Executive/ Independent	-	-	-	-	1/5/2012G	-
7	Faisal Mohammed Al Malik	Board member	Saudi	39	Non-Executive	-	-	-	-	30/5/2012G	AMAH
8	Tariq Ziad Al-Sudairy	Board member	Saudi	38	Non-Executive	-	-	-	-	30/5/2012G	Jadwa (as manager of the Tourisem & Hospitality Fund)

No.	Name	Position	Nationality	Age	Exec./Non-Exec.	Direct Shareholding (%)*		Indirect Shareholding (%)*		*Membership Date	Repre-senting
						Pre Offering	Post Offering	Pre Offering	Post Offering		
9	Abdulaziz bin Saleh bin Abdullah Al Rebdi	Board member	Saudi	52	Non-Executive/ Independent	-	-	-	-	2/4/2013G	-

Source: the Company

** Dates listed in this table are the dates of appointment into current positions as mentioned in the table. The resumés of the Board members detail their individual dates of appointment onto the Board.*

*** Ownership of shares does not signify membership of the Board. Each Board member owns shares to the value of SAR 10,000 (shares guaranteeing membership). This is pursuant to the Company's statutes and legal provisions related to corporate regulation.*

**** Through their shareholding in AHHC.*

***** Ahmad Al Khateeb owns this indirect share in the Company through shares owned legally (but not beneficially) in each of TOCC and Jadwa, which represent a gross indirect share of 5.075% in the Company share capital, in addition to the indirect beneficial ownership of 0.1844% in Jadwa Investment, which in turn owns units in the Jadwa Fund.*

****** Through his investment in Jadwa Fund units, which indirectly owns the benefit to the shares held by TOCC in the issued share capital..*

Pursuant to the Company's Articles of Association and the Company's Bylaw, each of the board members must hold shares valued at SAR 10,000. (1,000) shares have been given to each of the above mentioned directors by the Issuer's current shareholders according to Company's Bylaw. Upon admission and listing of the Shares, the same number of granted shares (i.e. (1,000) will be reserved for each of the above Directors) through the automated system at Tadawul by the Issuer's current shareholders.

Khalid Al Ali Saleh Mekbaa is the Secretary of the Board but does not hold any shares in the Company.

5 - 1 - 1 Resumes of Directors

Musaed Abdulmohsen Abdulaziz Al Hokair

Age:	53
Nationality	Saudi
Position:	Chairman
Date of Appointment:	9/6/2012
Education:	BA in literature from King Saud University, Riyadh in 1985. Musaed has also participated in several courses in finance, marketing, management of entertainment and tourism fields.
Experience:	Musaed was appointed as the deputy CEO of the Western region from October 1985 until December 2001, and the nature of the work was focused in the entertainment field. In September 2006, he was appointed as the Managing Director of the Company until June 2012 and since then he has been appointed as the Chairman. Musaed was a member of the National Tourism Committee at the Saudi Council of Chambers from 1996 to 1997, and the Tourism Committee of Jeddah in the same period.
Other Positions:	• Board member in AHHC (LLC) from September 2001, nature of business: investment in companies operating, developing and managing entertainment places. Management and operation of hotels and furnished apartments as well as renting and maintaining this service. Also, marketing to other companies as well as importing and exporting services on behalf of others. Purchase of land to construct buildings and then selling or renting such buildings. • Board memeber in the Real Estate and Tourism Development Co. (closed Saudi joint stock company) since September 1996, nature of business: tourism and hotels. • Board member in Al Qaseem (LLC) since December 2002, nature of business: acquisition of commercial centres. • Board member in Tabuk (LLC) since December 2002, nature of business: acquisition of commercial centres. • Board member in H Care (LLC) since February 2012, nature of business: opening, management and operation of health clubs. • Board member in Mena Education (LLC) since May 2012, nature of business: opening, management and operation of education and training projects. • Board member in the Plastic Factory (LLC) since February 2008, nature of business: manufacturing plastics porducts. • General Manager of Asateer (LLC) since September 2008, nature of business: entertainment. Asateer is an affiliate of the company in which it owns 50%, the remaining 50% is owned by a third party. • Board member in European Company for Investments, Tourism and Hotels (JSC in Jordan) since March 2008; its nature of business: hospitality and entertainment. • Board member in Asateer Entertainment and Tourism (LLC in Egypt) since May 2011; its nature of business: hospitality and entertainment. • Manager of Al Khalidiya Towers Company (LLC) since October 2007; its nature of business: operation, maintenance and construction of residential units. • Member in various joint committees in the tourism and commercial industry between KSA and foreign countries as well as memeber in charities. He represents Al Hokair Group in a number of international associations like the IAAPA, EAASI, AAAA, IALEI, WWA, the American Hotels and Motels Association and the Themed Entertainment Association.

Age:	46
Nationality:	Saudi
Position:	CEO/ MD
Date of Appointment:	9/6/2012
Education:	Bachelor Degree in Administrative Sciences, King Saud University, Riyadh (1990). Sami has attended several international conferences on tourism and leisure as well as exhibitions for hotels and restaurants.
Experience:	Sami Al Hokair was appointed as General Manager of Al Andalusiya hotel since January 1991 till December 1997; its nature of business: tourism. Sami was appointed as a member of the Company's board in 2006 and in 9/6/2006. He was appointed as Deputy CEO/MD until 9 June 2012 when he was promoted to the role of CEO/MD. Sami also served on the board of Al Batnah Company (Oman) from 2002 to 2003 and Tunisian Tourism Company from 1993 to 1998.
Other Positions:	• Board member in AHHC (LLC) since September 2001; its nature of business: investment in companies operating in the hospitality and entertainment business. Management and operation of hotels and furnished apartments as well as renting and maintaining this service. Also, marketing to other companies as well as importing and exporting services on behalf of others. Purchase of land to construct buildings and then selling or renting such buildings. • Board member in Saudi Airlines Catering (Saudi Joint Stock Company since 2008), nature of business: catering and sales on board the Saudi Airlines. • Board member in Strategic Catering Company LLC since October 2007, nature of business: catering and sales in airport halls and air trips. • Board member in Real Estate and Development Company (Closed Saudi Joint Stock Company) since November 1996, nature of business is tourism and hotels. • General manager of Sparky's Land Amusement Toys (LLC) since January 2013; its nature of business: ownership and management of electronic video games centers as well as soft playgrounds and mechanical rides. • General manager of Sparky's digital Land Amusement Toys (LLC) since April 2013; its nature of business: ownership and management of electronic video games centers as well as soft playgrounds and mechanical rides. • General manager of Sparky's Oceanica Amusement Toys (LLC) since April 2013; its nature of business: ownership and management of electronic video games centers as well as soft playgrounds and mechanical rides. • General manager of Sparky's Digital Land Amusement Toys – RAK (LLC) since October 2013; its nature of business: ownership and management of electronic video games centers as well as soft playgrounds and mechanical rides. • Board member in European Company for Investments, Tourism and Hotels (JSC in Jordan) since March 2008; its nature of business: hospitality and entertainment. • Board member in Asateer Entertainment and Tourism (LLC in Egypt) since May 2011; its nature of business: hospitality and entertainment. • Manager of Half Moon Beach Resort Company since November 2001; its nature of business: opening, management and operation of hotels, entertainment centers and resorts. • Vice President of the Tourism Committee of Chamber of Commerce and Industry in Eastern province since 2000.

Majid Abdulmohsen Abdulaziz Al Hokair

Age:	47
Nationality:	Saudi
Position:	Vice Chairman
Date of Appointment:	9/6/2012
Education	Bachelor Degree in Business Administration, King Saud University, Riyadh (1986). Majid has also attended several courses in marketing, insurance and management of entertainment venues.
Experience:	Majid was appointed as general manager of the establishment since July 1986 till September 2006; its nature of business: entertainment and tourism. Majid was appointed to the board of Al-Hokair in September 2006 and became the Company's CEO on January 2008 to 9 June 2012. Majid has also served as the Head of Technical Committee of the Saudi Football Association from April 2002 to April 2008.
Other Positions:	• Board member in AHHC (LLC) since September 2001; its nature of business: investment in companies operating in the hospitality and entertainment business. Management and operation of hotels and furnished apartments as well as renting and maintaining this service. Also, marketing to other companies as well as importing and exporting services on behalf of others. Purchase of land to construct buildings and then selling or renting such buildings. • Board member in the Real Estate and Tourism Development Co. (Closed Saudi Joint Stock Company) since November 1996, nature of business: tourism and hotels. • Board member in H Care (LLC) since February 2012, nature of business: opening, managing and operating health clubs. • Board member in the Plastic Factory (LLC), since February 2008, nature of business: manufacturing plastics. • Board member in Al Hokair Toy Manufacturing Co. (LLC) since May 2013, nature of business: manufacturing sports and amusement games. • Board member in Tabuk Co. (LLC) since December 2002, nature of business: acquisition of commercial centre. • Board member in Al Qaseem Co. (LLC) since December 2002, nature of business: acquisition of commercial centres. • GM of Riyadh Co. for Tourism & Entertainment (LLC) since September 2003, nature of business: management and operation of entertainment centres. • Member of various tourism related committees including the National Tourism Committee, as well as several joint committees between Arab and foreign countries. Majid is also a member of the IAAPA, EAASI, AAAA, IALEI, WWA, the American Hotels and Motels Association and the Themed Entertainment Association. • Board member in European Company for Tourism and Hotels Investments, (JSC in Jordan) since March 2008; its nature of business: hospitality and entertainment. • Board member in Asateer Entertainment and Tourism (LLC in Egypt) since May 2011; its nature of business: hospitality and entertainment. • General manager of al Khalijiya Entertainment (LLC) since September 2013; its nature of business: retail purchase of toys, establishing, managing and maintaining entertainment parks as well as electronic games centers and coffee shops. • General manager of Saudi Emirates House General Trading (LLC) since August 2011; its nature of business: importing and exporting, wholesale and retail of plastic material. • Chairman of Technical Supplies and Services Company (MLC) since July 2013; it nature of business: production of insulated and non-insulated metal panels. • Manager of Cosmoplast Riyadh Company (MLC) since October 2012; its nature of business: production of plastic tables, chairs, plastic containers to fill diaries products and other plastic containers, plastic cups, plates, boxes, and home appliances. • Manager of Tents and Awning Company (LLC) since May 2008; its nature of business: wholesaling and retailing in rental of tents and awnings.

Abdullah Abdulatif Ahmad Al Fouzan

Age:	49
Nationality:	Saudi
Position:	Director
Date of Appointment:	1/5/2012
Education:	Bachelor Degree in Accounting, King Saudi University, Riyadh (1989)
Experience:	Mr. Al Fouzan served as General Manager for the Eastern Province for building supplies company Abdulatif and Mohammad Al Fouzan Co (a limited partnerships company at that time that has since been converted to a closed joint stock company) between 1991 and 1999. This company acts as a wholesale trader of furniture, carpets, home and office furniture, building supplies (healthcare, electronics, construction), carpentry tools, metal, and land purchases. Mr. Al Fouzan was appointed as board member in the company in May 2012 and has over 20 years of experience in management including various boards of directors memberships, as shown below.
Other Positions:	• Managing Director of Abdulatif and Mohamed Al Fouzan Co (a limited partnerships company that has been converted to a joint stock company) since 2000. This company acts as a wholesale trader of furniture, carpets, home and office furniture, building supplies (healthcare, electronics, construction), carpentry tools, metal, and land purchases. • Chairman of Al-Fouzan Holding Company (CJSC) since August 2009, nature of business: purchase of land and real estate with the intention of construction, development and investment through sale, development and maintenance of property – general contracting for buildings. Building material wholesale and retail sales. • Chairman of Electronics United Company (Extra) (JSC), since December 2009, nature of business: wholesale and retail sale of electrical and electronic devices, computers and accessories. • Chairman of Saudi Bloom Investment Company (CJSC), since August 2006, nature of business: providing consultations and custody concerning financial securities. • Chairman of Bawan Holding Company (JSC) since April 2011, nature of business: production of steel cables, grids, hangers, iron works, barbed wire, fencing, carts, iron doors and windows, scaffolding, supports, aluminium platforms, decoration pipes and aluminium kitchens. • Vice Chairman Al-Oula for Real Estate Development Company (CJSC) since October 2002, nature of business: buying lands and property with the intention to build, develop them and invest in them by sale, property development and maintenance, general contracting, commercial buildings, educational, sports, and health establishments, hotels, restaurants and participation in other companies. • Vice Chairman of the Arabic Paper Manufacturing Company (Waraq) (CJSC) since February 2012, nature of business: production of papers using radiation technology to measure the quality of the products, wholesale and retail sale of paper products, paper manufacturing, packaging and printing machines and equipment an conversion industries. • Vice Chairman of Al-Dhahran International Exhibitions Company (CJSC), since October 2012, nature of business: construction, acquisition, management and organization of international and local exhibitions and ancillary facilities, and introduce the same to all media including through conferences, establishment and management of an international Arab trade centre, wedding halls and sports venues. • Board member in Emaar Middle East (LLC) since February 2006, nature of business: development, management, operation and maintenance of property, purchase of lands for the purpose of construction and investment by sale or lease to the company and general contracting. • Board member in Ma'ali Holding Co. (CJSC) since August 2006, nature of business: wholesale and retail sale of building materials, buying land and construction of buildings and investment by sale, trading in construction materials, carpentry tools and household appliances.

Other Positions:	• MD of Abdul Latif and Mohammad Al Fozan Co. since February 2000, nature of business: wholesale of furniture, carpets, home and office furniture – building material (sanitary – electric – construction), carpentry tools, and purchase of land. • GM of Sumow Arabia Global Trading Ltd. (LLC) since November 2011, nature of business: wholesale and retail sale of foodstuff, produce, textiles, fabrics and household appliances. • GM of Ezdan Al Sharq Trading Ltd. (LLC) since December 2010, nature of business: wholesale and retail sale of electronic and digital devices and spare parts. • GM of Ezdan Arabia Trading Ltd. (LLC) since December 2010, nature of business: wholesale and retail sale of foodstuff, produce, textiles, fabrics and household appliances. • Mr. Al Fouzan also holds a couple of political positions in the Eastern Province Governorate and the Social Charity Fund.

Faisal Mohammed Ibrahim Al Malik

Age:	39
Nationality:	Saudi
Position:	Director
Date of Appointment:	30/5/2012
Education:	Bachelor’s Degree in Industrial Engineering, King Saudi University (1998)
Experience:	Faisal was appointed as board member in the company in May 2012 has over 10 years of experience in management. Before joining Al Hokair Group in 2003, Faisal worked as premier relationship manager for banking affairs at the National Commercial Bank (NCB) for 2 years since January 2004 till October 2005. Before joining NCB, Faisal worked as financial consultant for the Saudi Industrial Development Fund (SIDF) in Riyadh for 5 years since October 1998 to November 2003. During his time at the SIDF, Faisal attended the renowned credit analyst program at Chase Manhattan Bank in New York (USA).
Other Positions:	VP Financial Affairs in Al Hokair Group Est since October 2005, nature of business: imports and exports, wholesale and retail sale of toys, games, restaurant and medical equipment, buildings, refurbishment, maintenance and gardening services.

Ahmed Aqeel Fahad Al Khateeb

Age:	49
Nationality:	Saudi
Position:	Director
Date of Appointment:	1/5/2012
Education:	Bachelor's Degree in Business Administration from King Saud University (1991) and Diplomas in Financial Planning and Wealth Management from the Institute of Banking at the University of Dalhousie, Canada (2002).
Experience:	Ahmed was appointed as board member of the company in May 2012. He is the founder, CEO and managing director of Jadwa Investment (Jadwa) which is a leading middle east investment bank with a capital of SAR 568,490,000. Ahmed founded Jadwa in 2006 but before establishing Jadwa, Ahmed was deputy general manager and head of private banking at the Saudi Arabian British Bank (SABB) until January 2006. Before joining SABB in 2004, Ahmed worked for 11 years at Riyadh Bank in which he successfully set-up the Management of Investment Services department in 1992.
Other Positions:	• MD, CEO, Member of the Executive Remuneration and Nominations Committee, the Investment Committee and the Compliance Committee in Jadwa Investment (CJSC), nature of business: trading as principal and agent, underwriter, founder and manager of investment funds, portfolio management, coordination, providing consultancy services to manage arrangements and steps related to investment funds, portfolio management and trading. Ahmed Al Khateeb has filed his resignation from his current position as CEO and Managing Director in Jadwa Investment Company. His last working day is set to be Thursday 08/05/2014 and accordingly he might exit the board of Jadwa Investment Company and the its committees. • Board member in Tadawul (CJSC) since November 2007, Head of the Risk Committee, nature of business: provide and manage mechanisms for trading securities and conduct settlement and offset transactions for securities and the submission, registration and publication of information related to the same. • Board member in Saudi Aramco Lubricating Oil Refining Company (Luberef) (LLC) since December 2007, nature of business: exporting crude lubrication oil to manufacturing companies. • Board member in Saudi Aramco Entrepreneurship Centre (Wa'ed) (LLC) since November 2012, nature of business: development and finance of small and medium enterprises in KSA. • Member of the Investment Committee in Riyadh Valley Company (CJSC), nature of business: driving business entrepreneurship and banking investment in KSA. • Board member in Saudi Research and Marketing Group (Saudi Public Joint Stock Company) since May 2013, nature of business: trading, marketing, advertising, distribution, printing and publishing.

Tariq Ziad Abdurrahman Al Sudairy

Age:	38
Nationality:	Saudi
Position:	Director
Date of Appointment:	30/5/2012
Education:	Bachelor's Degree in Economics from Williams University, USA (1999) and an MBA from Harvard University, USA (2005).
Experience:	Tariq became a Director in May 2012. Before joining Jadwa in March 2011, Tariq was Vice President for Amwal Al Khaleej, a regional private equity firm headquartered in Riyadh, KSA from July 2008 until June 2010. Before his role at Amwal Al Khaleej, Tariq worked at McKinsey & Company in Dubai (UAE) from 2005 till 2008 where he led project teams advising major companies and government institutions in the GCC on a wide variety of issues related to strategy, organization, and implementation which he joined in July 2005 and left in May 2008. Tariq began his professional career as an economic advisor at Lexicon Company an economics consulting firm in Boston (USA) in which he spent four years from August 1999 till May 2003.
Other Positions:	• Head of the Private Equity and Investment Banking in Jadwa Investment since March 2011. Tarek Al Sudairy will be appointed as CEO and Managing Director for Jadwa Investment Company as of 11/05/2014. • Board member in Digital Innovations (LLC) since October 2012, nature of business: IT services. • Board member in Al Hammadi Group (CJSC) since February 2013, nature of business: management and operation of hospitals. • Board member in Al Zamil Industrial Co. (LLC) since April 2012, nature of business: trading and manufacturing of tanks and building materials. • Board member in Gulf Union Food Co. (CJSC) since April 2011, nature of business: production of drinks and beverages. • Board member in United Matbouli Group (LLC) since June 2011, nature of business: distribution and retail sale of electronics and household appliances.

Walid Ibrahim Mohammad Shukri

Age:	45
Nationality:	Saudi
Position:	Director
Date of Appointment:	1/5/2012
Education:	Bachelors Degree in Industrial Management (accounting specialty) from King Fahad University of Petroleum and Minerals (KFUPM) (1989), CPA accredited in USA and KSA
Experience:	Walid was appointed as a board member in the company in May 2012. He has over 22 years experience in auditing. He started his career as a senior assistant auditor at Juraid & Company (Juraid) in 1989, which at the time was associated with Deloitte & Touche (Deloitte). Waild was promoted to senior auditor in 1992. In 1993, Walid was seconded to Deloitte & Touche in Portland (USA) until 1995 when he returned to Juriad as a manager. In 1999, Walid was promoted to a partner with Juraid (at that time Juraid & Partners became associated with PriceWaterhouseCooper (PWC) as well as Deloitte and in 2006 Walid was promoted to Managing Partner of Juraid Member Firm of PWC. In addition, he was part of PWC Middle East Leadership Team. In 2008, Waild was again promoted at Al Juriad to Country Senior Partner for KSA till May 2010. Walid has also been a member of the audit committee for various companies amongst which is Takween, Chemical Development Company, Walla Insurance and Al Khorayef. He is also a member of the board of directors of Matbouli Group and chairman of the audit committee. Walid has also been a member of the board of directors of SOCPA.
Other Positions:	• Board member in United Matbouli Group (LLC) since April 2013, nature of business: distribution and retail sale of electronics, household appliances and head of the auditing committee. • Member in the auditing committee in Takween Advanced Industries (PJSC) since December 2011, nature of business: manufacturing and sale of plastic wrapping materials and unwoven fabrics. • Member in the auditing committee in Amana Cooperative insurance (PJSC) since February 2013, nature of business: provide a number of insurance products to companies and individuals. • Member in the auditing committee in Al Tanmia Chemicals (CJSC) since November 2012, nature of business: development and investment in solar energy and specialized chemicals. • Member in the auditing committee in Al Khrayef Group (CJSC) since August 2012, nature of business: investment in several industries such as oil, lubricants, equipment, and distribution of printing and paper manufacturing machines and water and power technology.

Abdulaziz bin Saleh bin Abdullah Al Rebdi

Age:	52
Nationality:	Saudi
Position:	Director
Date of Appointment:	2/4/2013
Education:	Bachelors in Degree in Industrial Management, King Fahad University of Petroleum and Minerals, Dhahran, KSA (1985)
Experience:	Mr. Al Rebdi was appointed as a board member of the company in April 2013. He started his career in the projects department of the Saudi Arabian Industrial Development Fund (SIDF) where he was employed there between April 1987 till December 1991 where his role eventually became a projects manager. After leaving the SIDF, Abdulaziz was employed as an economic advisor at the Saudi consulate in Dubai from January 1992 till December 1992. After leaving the Saudi consulate in Dubai, Abdulaziz went back to the SIDF in January 1993 but in the role of the head of the lending unit which lasted till December 1995. In January 1996, Abdulaziz became the general manager for Lazourdi Industrial Investment Group until February 2000. Thereafter, on February 2000, Abdulaziz was appointed as managing director of the National Company for Agricultural Development (NADEC) for around 3 years until January 2003. ASR Consulting is a consultancy office that offers services in the public and private financial, management and industrial sectors within KSA and GCC.
Other Positions	• Board member in Saudi United Cooperative Insurance Company (PJSC) since 2007 to date, nature of business: insurance and re-insurance. • Board member in Al Obaikan Glass (CJSC) since 2008, nature of business: manufacturing of plate glass. • Board member in Abdullah Al Otheim Markets Co. (PJSC) since 2009, nature of business: retail. • Board member in Takween Advanced Industries (PJSC) since 2012, nature of business: various industrial investments. • Head of Abdulaziz Saleh Al Rebdi Firm for Financial Consultancies since 2003. • Chief Executive Officer of ASR Consulting since 2013 (Financial Consulting).

5 - 2 The Secretary of the Board

Khalid Al Ali Saleh Mekbaa

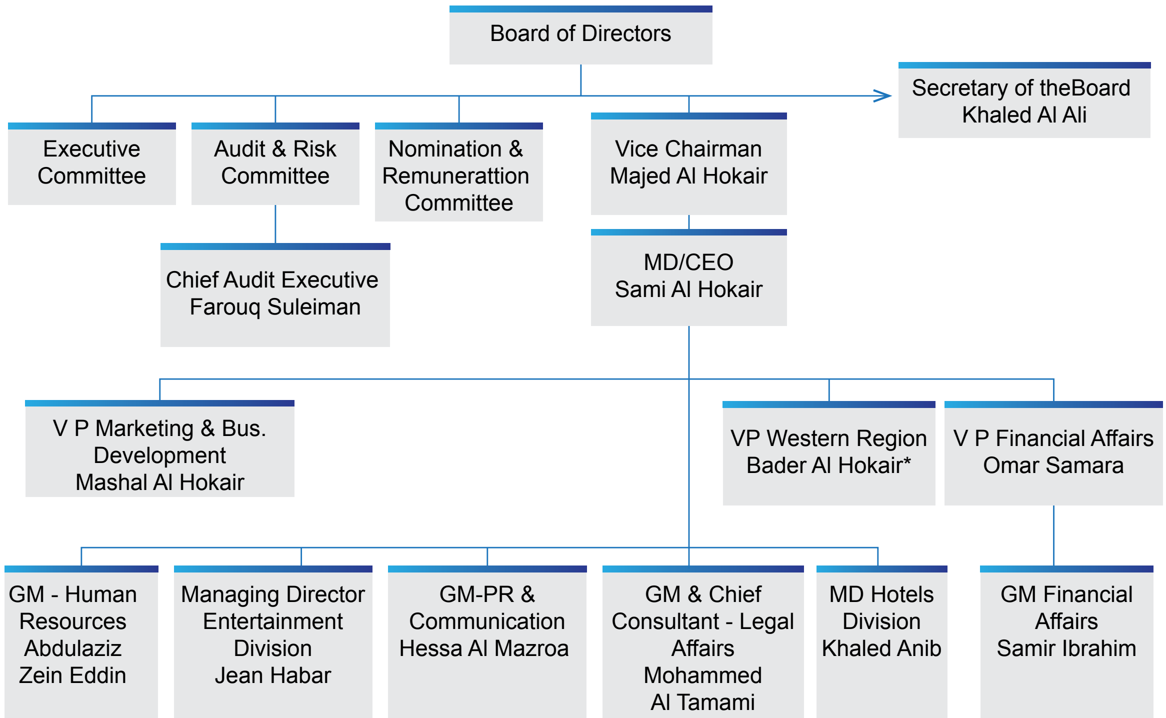
Age:	43
Nationality:	Yemeni
Position:	Secretary of the Board and Manager of the Chairman’s Office
Education:	Senior High School in 1992 in Riyadh. In addition, Khalid participated in several courses in management marketing and human resource development.
Experience:	Khalid was appointed as the office manager for the Chairman from 1994 till now and became Secretary of the Board in 2012, a position which he still holds.

5 - 3 Senior Management

The Company is managed by a highly experienced team with the necessary knowledge and skills to manage the Company's operations. The Company is organized into nine departments which report to the CEO.

Set out below is a summary of the composition of the senior management team:

Figure 4 Organization Structure Chart



* Given the Company's wide spread operations in the Western region of the Kingdom (17 entertainment centers and 7 hotels) a VIP-Western Province position was created to facilitate the continuous supervision of the Company's operations in that region.

Table 5–2 Company's Senior Management

Name	Position	Nationality	Age	Percentage of Shares held Pre-Offering	Percentage of Shares held Post-Offering
Sami Al-Hokair	CEO/MD	Saudi	46	2.97%*	2.08%*
Khalid Anib	MD – Hotels Division	Finnish	48	-	-
Jean Elias Habar	MD – Entertainment Division	French	53	-	-
Badr Al Hokair	VP – Western Région	Saudi	33	0.73%**	0.51%**
Mishaal Al Hokair	VP – Marketing and Business Development	Saudi	30	2.97%*	2.08%*
Omar Sami Samara	VP – Financial Affairs	Jordanian	37	-	-
Abdulaziz Zein Eddin	M – HR	Saudi	49	-	-
Farouq Hamdan Suleiman	Chief Audit Executive	Jordanian	35	-	-

Name	Position	Nationality	Age	Percentage of Shares held Pre-Offering	Percentage of Shares held Post-Offering
Samir Ibrahim	GM – Financial Affairs	Egyptian	47	-	-
Hessa Hazim Almazroa	General Manager – Public Relations & Communication	Saudi	30	-	-
Mohammad Al Tamami	General Manager and Chief Consultant – Legal Affairs	Saudi	30	-	-

Source: Company

** Sami and Mishaal Al Hokair both own these shares indirectly through their shareholdings in AHHC equal to 6.6% each (prior to the Offering).*

*** Bader Al Hokair owns these shares through his direct shareholding in the Company's share capital.*

5 - 3 - 1 Resumes of Senior Management

Sami Abdulmohsen Fahad Al Hokair

Please refer to section 5.1 "Board Members" for a detailed resume of Sami Al Hokair.

Khalid Ahmad Mohammad Anib

Age:	48
Nationality:	Finnish
Position:	Managing Director – Hotels Division
Education:	Marketing and Export Business Diploma, Finland (1995), Masters in Business Administration from Strathclyde University (UK) (2006).
Experience:	Mr. Anib has over 20 years of experience in the hospitality sector. He was appointed to his current position at Al Hokair Group in 2012. Prior to that, Khaled held the position of Director of Operations of Al Hokair Group's Eastern Province Hotels. However, before joining the Company, he held the position of General Manager in a number of hotels across the GCC, including the Banyan Tree in Bahrain in 2010, the Sofitel City Centre in Dubai in 2008, the Novotel Al Dana in Bahrain in 2005 and the Mercure Grand Golden in Jeddah in 2004. In May 2001, Khalid was managing Coralia Club Palmariva in Morocco till June 2004. Since May 1999 till April 2001, he was Deputy GM of Sofitel Royal Golf in Morocco. Since September 1996 till April 1999 GM of Sofitel Mansoor Hotel, Morocco. Since 1993 till 1999 manager of Silja Line Restaurant Finland.

Jean Elias Habre

Age:	53
Nationality:	French
Position:	Managing director – Entertainment Division
Education:	Bachelor of Architecture from ALBA University in Beirut, Lebanon 1984
Experience:	Jean has ample knowledge in the field of architecture and entertaiment; he began his career in 1985 with Al Hokair Group in Riyadh in establishing the project department till 1990. He then moved to France to work at J.J.ORY STUDIO (LLC) in Paris. He then returned to Al Hokair Group in 1996 to work in developing projects department that serve hospitality and entertainment divisions simultaneously and occupied this position till 2005. After which he was given the role of heading the entertainment division of Al Hokair from 2005 till 2012 where the division received the ISO 9001-2008. Also at that time Sparky's UAE was developed and operated. Since 2012 and till December 2013, Jean was appointed as executive director for developing international business for Al Hokair Group. Given Jean's vast experience in the entertainment sector he was given the role of managing the entertainment division and was then appointed as Managing Director of the Entertainment Division. Jean is a member of the Lebanese, French and Saudi Engineer Unions and active in the fields of entertainment rides safety in January 2014 in the Middle East (MESF) located in dubai, as well as a member in the IAAPA organization.

Bader Khalid Abdulmohsen Al Hokair

Age:	33
Nationality:	Saudi
Position:	VP – Western Region
Education:	BA in Business Administration and Marketing – King Saud University (2004)
Experience:	Mr. Bader started his career at the National Commercial Bank (Closed Joint Stock Company) in 2006 as an Investment Manager in the Corporate Division until 2007 when he was hired by Al Hokair Group for the position of Hotel Manager for Al Olaya House until December 2011. As the Company was expanding into the Western Region (17 FECs and 7 Hotels), in 2012 a VP position was dedicated to continuously oversee the Company's activities in the western region Bader has been occupying this position since its creation,

Mishaal Abdulmohsen Abdulaziz Al Hokair

Age:	30
Nationality:	Saudi
Position:	VP – Marketing and Business Development
Education:	BA in Marketing – King Fahad University of Petroleum and Minerals, KSA (2006)
Experience:	Mr. Mishaal started his career in 2003 as a part time employee in Holiday Inn Al Khobar, then Hagen Daaz where he was an assistant marketing manager and supervisor for about three years until 2006. He was then appointed as trainee in Samba Financial Group (PJSC) in Riyadh. In 2007, Mishaal joined SABB (PJSC) as a Relations Manager – Corporate Banking for three years until 2010 when he was hired by Al Hokair Group as VP – Marketing and Business Development. Since then, his responsibilities included preparing strategies and plans for Al Hokair Group, business development activities, development of customer retention plans like "Hayakom" as (please see section 4.7.2 "Entertainment Division" for more information about Hayakom).

Omar Sami Qasim Samara

Age:	37
Nationality:	Jordanian
Position:	VP – Financial Affairs
Education:	Double Major Bachelor in Accounting and Decision Science and Management Information Systems from George Mason University, USA (2002). Omar is also a Certified Public Accountant (CPA) by the State of California, USA (2002).
Experience:	Omar has an extensive track record including strategic and financial planning, risk management and financial controls. He also has considerable experience in treasury and banking facilities. Mr. Samara started his career in 2000 even before graduation (when he obtained a degree in Accounting as an Accountant) in Capital Furniture in USA until 2001 when he joined the UAE Embassy in USA as a Senior Accountant. In 2002, he worked as an Audit Associate at Cotton & Company (LLC), USA which lasted till 2003 when he was hired by Ernst & Young (LLC) in Jordan as a Senior Auditor. In 2004, Ernst & Young promoted Omar to the role of Business Risk Services Supervisor. In 2005, Omar became the Group Head of Internal Audit at Aramex International, Jordan (public joint stock company listed in dubai financial market) until 2008 when Omar moved to KSA and became the Vice President for Finance and Chief Financial Officer for Mohammed Al Ali Al Swailem Company. In May 2013, Omar joined the Company as the Vice President for Financial Affairs.

Abdulaziz Ahmad Abdulaziz Zainuddin

Age:	49
Nationality:	Saudi
Position:	General Manager – Human Resources
Education:	Diploma of Administrative Science on 01/02/1985 from Columbus University in Georgia USA, Hotel Management Diploma on 01/06/1993 from the Oberoi Institute in India.
Experience:	Abdulaziz began his career as a training manager in Sheraton Dammam in KSA from 2001 to 2005. In 2005, Abdulaziz became the General Manager of Tulip Inn Al Andalusia (Khobar) in Al Hokair Group until 2006. From 2006 to 2008, he was the Manager of Tulip Inn Dammam in Al Hokair Group until he was promoted to Regional General Manager of the Hospitality Division in 2008 until the end of 2013. Abdulaziz was promoted again to General Manager of Human Resources in the beginning of 2014 until now.

Farouq Hamdan Fayeq Suleiman

Age:	35
Nationality:	Jordanian
Position:	Chief Audit Executive
Education:	Bachelor degree in Accounting from Applied Science University (2000) Jordan , Master of Business Administration from New York Institute of Technology, (2003) Jordan, Certified Internal Auditor (CIA) from Institute of Internal Audit (IIA), USA (2007) and a Certified Risk Management Assurance from the (IIA), in USA (2013)

Experience:	Farouq has an extensive experience in Corporate Governance, risk management and internal auditing. He started his career with Arthur Anderson & Co. as a trainee in 2000 then as an associate in the Business Risk Services (BRS) at Ernst & Young (E&Y) Riyadh in 2003, where he was involved in carrying out internal audit services for different companies. In 2005, Farouq was promoted to a Senior Auditor in BRS where he was involved, besides leading internal audit teams, in delivering financial due diligence assignments and risk assessment for leading companies in KSA. During this period, Farouq also worked with E&Y Audit Assurance and E&Y Tax department in delivering audit assurance as well as Zakat and Tax services. In 2007, Farouq became Assistant Manager/Supervisor in E&Y BRS responsible for leading different internal audit teams. Farouq was promoted to a Manager in 2008 where he managed several assignments for different companies. In 2010, Farouq became a Senior Manager in E&Y Risk Advisory Services where he managed several internal audit and corporate governance assignments. He was appointed as Chief Audit Executive in the Company in March 2013.

Samir Ibrahim Ahmad Ibrahim

Age:	47
Nationality:	Egyptian
Position:	General Manager – Financial Affairs
Education:	Bachelor degree in accounting from Tanta University, Egypt (1988). . He also attended courses in Financial Management Strategies for CFO in November 2010 and various other related courses over the past 10 years
Experience:	Samir has over 20 years of experience in the accountancy field. Samir started his career as an accountant in Egypt National Project in 1990. Thereafter he was appointed as an accountant at Andalusia Hotel in 1992 and thereafter became the chief accountant for Olaya House from 1994 till 1996. In 1998 Samir was promoted to the role of internal auditor for Al-Hokair's hotel division until 2001 when he became the Riyadh area chief accountant for the hotel division. Samir was promoted again to the role of assistant regional finance manager in 2001 and in 2003 he became the regional finance manager. He stayed in the role of regional finance manager for Al-Hokair until October 2011 when he was promoted to his current role at the Company.

Hessa Hazim Mohammad Al Mazroa

Age:	30
Nationality:	Saudi
Position:	General Manager – Public Relations & Communication
Education:	English Diploma from Imam University, KSA (2003)
Experience:	Hessa has over 9 years of experience in PR and Communication affairs. She started her career as a PR Executive at Al Hokair Group in 2006 where she also handled the Customer Service Department and developed Al Hokair Group's Social Responsibility (CSR) programs (Ata'a) (please see section 4.8.2 "Ataa Program: for more information about the Company's "Ataa" program). Hessa was then promoted to Public Relations Manager in 2007. Hessa also started a voluntary initiative (Shabab Ata'a) in 2008 as the first youth community program sponsored scheme in the private sector. In 2013, she was promoted to her current role of General Manager – PR and Communication.

Mohammad Abdul Rahman Muhammad Al Tamami

Age:	30
Nationality:	Saudi
Position:	General Manager and Chief Consultant and Head of Legal Affairs
Education:	BA in Law from King Saud University in (2006), Masters in International Commerce Law from Central Lancashire University – UK (2010).
Experience:	• Mohammad Al Tamami has extensive legal experience, especially in commercial and financial market laws in addition to experience in litigation before all degrees of courts as part of his work at Saudi law firms. • He started his career in 2006 as an attorney in training and consultant in Al Suaib Legal Firm (in Riyadh). During that period, he represented a number of clients at Court, established companies under the direct foreign investment law in KSA. That same year, he travelled to the UK to complete his studies in the field of commercial law. In 2010, he joined Dr. Hasan Al Mulla's Law Firm in Riyadh as Head of the Legal Division. During that time, he was responsible for communications with clients. Attending meetings and general assemblies in addition to his duties as an attorney and legal consultant. He gained significant experience relating to a number of laws and relevant developments especially the Saudi Company Law until 2011. In October of the same year, he was appointed in Tadawul as a legal consultant and head of general legal services. These services include consultations, litigation, management of legal complaints and drafting laws. During that period, he participated in drafting the Securities Deposit Centre Laws until they were approved by decision no. (2-17-2012) issued on 27/4/2012 by the CMA Board. This Law remained in effect at Tadawul until June 2013. During that same month, he joined the Company as General Manager and Chief Consultant and Head of Legal Affairs.

5 - 4 Administrative and Other departments

The Company has a number of administrative departments that support its various business activities. Set out below is a brief description of the activities of the main departments accordingly:

5 - 4 - 1 Public Relations and Communication Department

The main responsibilities of Public Relations and Communication department are summarised below:

- carrying out all announcements and PR related activities of the Company;
- following up on all company-related news to be published in the local media, press and magazines;
- preparing and arranging publication of appropriate responses (if required);
- maintaining and strengthening relations with the local media and provide them with the company's information and profile;
- coordination with media channels in order to provide coverage to vital events and any visit by VIPs;
- preparing a periodic publications on the Company's and Shareholders' activities in addition to local developments in the entertainment and hotel sectors;
- managing the corporate social responsibility program for the Company and prepare the annual report for the CSR;
- managing the customer loyalty program and customer service program for the Company;
- maintaining and monitoring the appearance of the Company's branding in all media channels; and
- commination with official and unofficial bodies to develop and maintain positive public relations.

5 - 4 - 2 Financial Affairs Department

The main responsibilities of the Financial Affairs Department are as follows:

- supervision of the finance and accounting units and monitor their performance;
- insure implementation of the financial regulations, procedures and policies;
- maintaining all of the Company's accounting books, records, documents and files;
- preparation of the consolidated financial statements of the Company;
- managing the Company's cash flow and liquidity;
- control of the Company's bank accounts, letters of credit, bank guarantees and negotiation, together with the financing and investment function, the arrangement of banking facilities;
- preparation of the Company's budget in coordination with the different departments in different divisions;
- preparation of the financial performance indicators;
- coordination with the internal and external auditors and facilitate the audit process; and
- following up on the issuance of the Zakat certificate and the requirements of the Department of Zakat and Income Tax.

5 - 4 - 3 Human Resources and Department

The main responsibilities of the Human Resources and Development Department are as follows:

- development annual staffing plans in coordination with the respective divisions' management;
- hiring qualified, well-trained and experienced staff;
- development of job descriptions for all categories which are reviewed periodically;
- establishment of a communication system based upon the hierarchy of the corporate structure chart;
- conducting periodic performance evaluations through heads of department with the main focus on strengths and weaknesses of employees;
- ensuring compliance with Saudisation requirements as stipulated by respective governmental bodies;
- ensuring strict compliance with applicable labour laws and Company's internal procedures;
- maintaining confidentiality of the employees personnel data;
- preparing and maintaining salary scale and structure;
- ensuring that the necessary administrative support is provided to the relevant divisions; and
- ensuring that the administrative affairs functions at each division is working satisfactorily and in compliance with the Company's policies and procedures.

5 - 4 - 4 Internal Audit Department

The Internal Audit department follows an independent internal audit practice. The department has spread its activity all over the Company's departments and divisions. The department functions autonomously and reports directly to the Audit & Risk Committee that reports to the Board.

The department plays a crucial role in many aspects of the business. The following are some of the main responsibilities of the department:

- setting standards and means in internal audits in-line with international internal audit standards and the Company's constitutional documentation;
- managing the auditing processes and ensure proper application of internal audit policies and procedures in the Company;
- ensuring that the Company's policies and procedures are instilled with the Company's departments with a major focus on transactions which have financial and administrative implications;
- ensuring that the internal policies and procedures relating to financial tasks have been put

into operation e.g., primarily payroll, fixed assets, inventory management, revenue capturing, credit controls, pricing applications, receivables and payables control, and general ledger accounting processes;

- review of the accuracy and reliability of the Company's accounting records and financial reports;
- examination and evaluation of the adequacy and effectiveness of the internal control systems throughout the Company's various operations and activities;
- liaising with external auditors at corporate level for the completion of the audit and ensure recommendations are taken into consideration throughout the Company;
- ensuring that resources are economically acquired; used efficiently and with adequate safeguards; and
- generation of periodic reports to the Audit & Risk Committee on areas that require their attention.

5 - 4 - 5 Legal Affairs Department

The main functions of the Legal Affairs Department are as follows:

- handling all legal matters related to the Company;
- reviewing all legal and constitutional documentation and provide legal advice to the Board, Senior Management with respect to all matters;
- preparing drafts of legal contracts and agreements entered into with third parties;
- following up on claims filed by the Company against third parties and defend any such claims against the Company;
- providing legal support and advice to all the Company's departments;
- recommending appropriate procedures to preserve the Company's interests;
- reviewing all regulations, circulars and directives issued by the government authorities in relation to the Company's business and circulate the relevant ones to the Directors, Senior Management and the Company's employees in general to ensure that they are complied with; and
- overseeing nominations and negotiations with external law firms when needed.

5 - 4 - 6 Marketing and Business Development Department

The Marketing and Business Development Department is essential in generating revenues by converting any inquiry or lead into a contract and then starting to develop the product or service in combination with the market's requirements. The department researches the public's requirements and how to promote the product to meet the public's expectations and that is how the department establishes the market's requirements.

The main functions of the Marketing and Business Development Department are as follows:

- preparing marketing plans and business development opportunities to be presented to the Board;
- communicating with all the Company's divisions to come up with a unified marketing and business developments plans formula.
- developing and spreading team spirit within the divisions through internal memos to employees and managers.
- developing and implement the (Hayakom) loyalty program to make it the best in KSA;
- implementing electronic marketing and develop it as the main marketing tool for all Company divisions;
- editing the "Dhaifa" magazine issued by the Company, which talks about tourism, entertainment and hospitality in the Middle East;
- continuously searching for ways to internally develop work between employees and divisions and externally for clients.

- looking for new and lucrative opportunities to be added to the Company's divisions such as suitable entertainment locations and hotel locations;
- developing processes in terms of revenue and expenses such as finding ways and solutions to minimize cost without affecting the business;
- working with the HR Department to create a suitable working environment within all the divisions;
- conducting studies and surveys on customer satisfaction with regards to service, in order to enhance the positive aspects and avoid the negatives;
- providing alternative and creative opportunities to develop revenue and present them to the management of the divisions; and
- submitting marketing and economic feasibility studies to the Board about the general state of relevant industries in the Saudi, Gulf and Arab markets.

5 - 5 Corporate Governance

The Company's policy is to adopt high standards of corporate governance. The Company undertakes to comply with the Corporate Governance Regulations issued by the the CMA, which it considers as an important factor to its success. These regulations, which entails the implementation of a clear and transparent disclosure process, ensures that the Board acts in the best interests of the Shareholders and presents a clear and fair view of the financial condition of the Company and the results of its operations.

With regard to the Company's compliance with Corporate Governance Regulations, applicable articles are: clauses (i) and (j) of Article (5), Article (9), clauses (b), (c) and (d) of Article (10), clauses (c), (e) and (g) of Article (12), Article (14) and Article (15).

The Company is complies with clause (i) of Article (5) as the Shareholders are allowed to peruse the minutes of the general assembly, clauses (c) and (e) of Article (12) as the majority of its directors are non-executive and the number of independent directors meets the requirement as per clause (e) of Article (12). The Company is also compliant with Articles (14) and (15) as the Board formed an audit and risk committee comprised of three members outside the Board's executive members, and the nominations and remunerations committee. The Company has a written policy that regulates conflict of interest and potential conflicts between directors, executive management and shareholders based on clause (b) of Article (10). In 2013, the Company adopted (11) internal regulations related to Governance as follows:

- Related Party Transactions Manual;
- Disclosure and Transparency Policy;
- Shareholders Manual;
- Investor Relations Manual;
- Board of Directors Cherter;
- Conflict of Interest Policy;
- Code of Business Conduct and Ethics;
- Internal Audit Cherter;
- Nominations and Remunerations Committee Cherter;
- Executive Committee Cherter; and
- Audit and Risk Committee Cherter;

Please see section 5.5.4 "Internal Company Policy" for more information about such internal regulations and policies.

As to clause (j) of Article (5), Article (9) and clause (g) of Article (12) of the Corporate Governance Regulations, the Company is not required to comply with these articles as of the date of this Prospectus because it is not currently listed. However, the Company undertakes to comply with the same once the CMA approves the listing to the Company at the Tadawul.

The Company and its Board Members further declare their compliance with Articles (69) and (70) of the Company Law and Article (18) of the Corporate Governance Regulations which states that "A Board member shall not, without a prior authorization from the General Assembly, to be renewed each year, have any interest (whether directly or indirectly) in the company's business and contracts. The activities to be performed through general bidding shall constitute an exception where a Board member is the best bidder. A Board member shall notify the Board of Directors of any personal interest he/she may have in the business and contracts that are completed for the company's account. Such notification shall be entered in the minutes of the meeting. A Board member who is an interested party shall not be entitled to vote on the resolution to be adopted in this regard neither in the General Assembly nor in the Board of Directors. The Chairman of the Board of Directors shall notify the General Assembly, when convened, of the activities and contracts in respect of which a Board member may have a personal interest and shall attach to such notification a special report prepared by the company's auditor". Clause (c) of the same article states that the company shall not grant cash loan whatsoever to any of its Board members or render guarantee in respect of any loan entered into by a Board member with third parties.

The Company's internal control systems have been adopted in all its departments. Currently, the Company has three corporate governance committees; the Internal Audit Committee, the Nomination and Remuneration Committee and the Executive Committee, which are responsible for reviewing the Company's operations within their particular areas of expertise and presenting their findings and suggestions to the Board. The Company undertakes to comply with all the directives and decisions issued by the CMA, including any future articles that may be added to the Corporate Governance Regulations that may apply to listed companies.

The Board of Directors includes 9 members appointed by the ordinary general assembly for a period not exceeding three years. The Board has formed the above mentioned committees and will strive to deliver the best performance to the Company. The Board of Directors will ensure that:

- all Committees will have clear terms of reference that outline the roles and responsibilities of each committee; and
- minutes of all board's meetings are prepared, reviewed and approved by the Board of Directors.

5 - 5 - 1 Audit and Risk Committee

The Audit Committee oversees financial, and the internal control aspects of the Company's operations. The conditions as to how members are selected to the committee, the duration of membership and the duties and responsibilities of the Audit and Risk Committee have already been approved by the General Assembly meeting held on 23/07/1434H (corresponding to 2 June 2013G). The duties and responsibilities of this committee include:

- supervision of the Company's internal audit department to ensure efficient performance of its duties specified by the Board;
- review of the internal audit procedures and the preparation of a written report regarding such procedures and any recommendations that the Audit Committee suggests;
- review of the internal audit reports and ensuring the implementation of the suggested measures provided for in the reports;
- recommendation of the appointment, dismissal or remuneration of external auditors to the Board;
- supervision of the activities of the external auditors as well as granting them permission for any activity that falls beyond the scope of their work but that is linked to the performance of their duties;
- review, together with the external auditor, of the audit plan and commenting thereon;
- review of the external auditor's comments on the financial statements as well as following up the actions taken further to the said comments;
- review of the interim and annual financial statements prior to their presentation to the Board, providing an opinion and recommendations thereon; and
- review of the accounting policies in force and advising the Board thereon.

The Audit and Risk Committee is comprised of the following members:

Table 5–3 Audit and Risk Committee Members

Name	Role
Walid Shukri	Chairman
Faisal Al Malik	Member
Amr Al Jallal	Member

Source: Company

Please refer to section 5.1.1 "Resumes of Directors" for a detailed resume of Walid Shukri and Faisal Al Malik. The resume of Amr Al Jalal is set out below.

Amr Abdulaziz Al Jallal

Age:	35
Nationality:	Saudi
Position:	Member of the Audit and Risk Committee
Education:	Bachelor's Degree in Management Information Systems from King Fahad University of Petroleum and Minerals in Dhahran, KSA (2002G); MBA from Rice University in Houstan – Texas, USA (2010)
Experience:	Amr Al Jallal has over 12 years of experience in investment banking and Company financing services. He started his career in Samba Financial Group as a Banking Credit Official in Commercial Banking Services. He then moved to work at the Capital Market Authority when it first launched its services in 2004, where he was one of the founders of the Company financing and listing as well as participated in developing the Saudi capital markets by working on several rules and Regulations like, offering of financial institutions and listing rules. In addition to developing a mechanism to value IPOs and rights issues, Amr worked on several IPO applications, rights issues and Sukuk during his time at the CMA. During 2012, he moved to Saudi Fransi Capital as Senior Vice President of Investment Banking where he worked on advising on several financial related aspects for different companies in relation to Sukuk and IPOs. In 2014, Amr moved to Jadwa Investments Company as Director of Private Equity and Investment Banking.

5 - 5 - 2 Nomination and Remuneration Committee

The Board formed a Nomination and Remuneration Committee, and the conditions as to how members are selected to the committee, the duration of membership and its duties and responsibilities have been approved by the Shareholders at the General Assembly meeting held on 23/07/1434H (corresponding to 2 June 2013G). The duties and responsibilities of this committee include:

- recommendation to the board of potential appointments of members to the Board in accordance with the approved policies and standards;
- an annual review of the required skills, capabilities and qualifications that a member must have, along with the preparation of a description of the same, including the time a Board member should reserve for the activities of the board;
- review of the Board structure and providing recommended changes;
- ascertaining the strengths and weaknesses of the Board and providing recommendations to address the same that comply with the Company's interest;
- an annual review of the autonomy of the independent members, as well as the clearing of any conflicts which may arise from any of the Board members holding other directorships; and
- drafting comprehensible policies regarding the indemnities and remuneration of the Board members and executive managers.

The Nomination and Remuneration Committee is comprised of the following members:

Table 5–4 Nomination and Remuneration Committee Members

Name	Role
Majed Al Hokair	Chairman
Tariq Al Sudairi	Member
Abdulaziz Al Rebdi	Member

Source: Company

Please refer to section 5.1.1 “Resumes of Directors” for a detailed resumes of the members of this committee.

5 - 6 Executive Committee

The Board formed an Executive Committee, and the conditions as to how members are selected to the committee, the duration of membership and its duties and responsibilities have been approved by the Shareholders at the General Assembly meeting held on 23/07/1434H (corresponding to 2 June 2013G). The duties and responsibilities of this committee include:

- review and provide recommendations to the Board with respect to Al Hokair Group’s main governance policies, procedures, and basic governance documents, such as the bylaws and committee charters;
- review of periodic management reports, evaluate performance, and review or endorse new investments/reinvestments (as per the authority mtrix) before being forwarded to the Board for final approval;
- review of annual budgets, plans, and investigate budgetary variances (if any) before being forwarded to the Board for final approval;
- recommendations on whether the joint ventures and mergers and acquisitions are in line with the investment vision;
- Review of investment plans regarding the Company’s excess liquidity;
- recommending the distribution of dividends to shareholders (cash & bonus shares); and
- recommending new bank facility agreements and cancelation of facility agreements in line with the conditions specified in the By-laws and Articles of Association and the authority matrix.
- recommending other matters within the scope of the Committee’s responsibilities to the Board.

The Executive Committee is comprised of the following members:

Table 5–5 Executive Committee Members

Name	Role
Majed Al Hokair	Chairman
Sami Al Hokair	Member
Tariq Al Sudairi	Member

Source: The Company

Please refer to section 5.1.1 “Resumes of Directors” for a detailed resume of Majid Al Hokair, Sami Al Hokair and Tariq Al Sudairy.

5 - 6 - 1 Internal Company Policies

In addition to the three committees mentioned above, the Company, through its General Assembly meeting on 23/07/1434H (corresponding to 2 June 2013G) approved various internal policies which are meant to regulate the way the Company conducts its business, regulate its relationship with third parties, the Shareholders and the regulating the conduct of the Board. These policies consist of the following:

- Code of Business Conduct & Ethics

Outlines the ethical requirements at Al Hokair Group on how best to serve the customer, avoiding conflicts of interest scenarios, customar service, competitive and fair dealing, protection of company's assets, etc. The Code is meant to be more of a guide to ethical decision-making. The Code sets its guidelines and expectations for Al Hokair Group's employees.

- Disclosure and Transparency Policy

Sets out the basic guiding principles, regulatory requirements and leading practices for Al Hokair Group when publishing data in the public domain. It intends to ensure that all communications made to the public are timely, complete and accurate in line with the listing rules and corporate governance regulations issued by the CMA. The policy is intended to extend to all employees including Senior Officers, consultants, Board members and others who are authorised or designated to speak on the Company's behalf;

- Investor Relations Manual

Regulates the Company's communication with the investment community and as such is concerned with ensuring that the genuine company information is released in a fair and trustworthy manner to the current and prospective target audience of the Company. The Manual is meant to create a climate of clear and open communication with all stakeholders, provide a disciplined and professional approach to the flow of information from Al Hokair Group at all times and provide appropriate channels for effective two-way communications i.e., from Al Hokair Group to the market and vice versa at all levels whilst assessing their effectiveness on a regular basis;

- Shareholders' Manual

Meant to be a guide for the rights and obligations of the Company's shareholders e.g., voting rights, right to receive the results of the Company's financial performance, dividend distribution, etc. in order to ensure fair and just treatment to all of the Company's shareholders;

- Related Party Transactions Manual

Created because Al Hokair Group recognised that related party transactions can present potential or actual conflicts of interest and as such this manual has been created to ensure that all related party transactions are conducted at arms' length. The Related Party Transaction Manual stipulates that all related party transactions must be approved or ratified by the CEO, Executive Committee, Board of Directors and the Shareholders General Assembly Meetings in line with required regulations. In addition, the manual states that if a related party transaction is on-going then these transactions shall be reviewed and assessed on an annual basis by the CEO, Executive Committee and Board of Directors. The manual also prescribes that a list of all related parties must be prepared and maintained by Al Hokair Group's Finance Department; and

- Conflict of Interest Policy

Meant to provide guidance in identifying and handling potential and actual conflicts of interest involving the Company. The Policy anticipates that in most instances, conflicts of interest scenarios can be avoided by exercising good judgment and the Policy relies on the Board members and the employees of Al Hokair Group generally exercising sound judgment. This policy was implemented because Al Hokair Group is committed to the highest levels of integrity. The Policy applies specific rules to all Al Hokair Group related entities including any family relatives of Al Hokair Group's employees and the Policy sets out specific disclosure requirements to deal with any conflict of interest scenarios.

5 - 6 - 2 The Company's Undertakings following Admission

Following Admission, the Company plans to:

- Complete the updated Form 8 and, in the event that the Company does not comply with any of the requirements of the Corporate Governance Regulations, to explain the reasons for such non-compliance;
- Provide the CMA with the date on which the first General Assembly will be held following Admission so that a representative may attend;
- Present current related party transactions to the Company during the first General Assembly following Admission and approve these transactions annually after excluding any related party from voting on these transactions (see table "11.4-B "Related Party Transactions that have been presented and accepted by the General Assembly on 3/4/2014G", table 11-4-D "new related party transaction" that will be presented at the next General Assembly" and Table 11-9 "Board members involved in companies with similar or competing interests either through board membership or shareholding" for more information about related party transactions).

5 - 7 Service Contracts

5 - 7 - 1 Employment Contracts for Directors and Senior Management

The Company has entered into employment contracts with some members of the Executive Board (see figure 5.6), although there is no requirement for members of the Board to enter into employment contracts with Al Hokair Group. Such contracts are renewable and subject to the Labour Law. These contracts also include a number of benefits such as providing secured group or private transportation from residence to work, a physical residence or monthly allowance for residence, transportation or both. Also provided is healthcare coverage for Directors and their families. Please see relevant tables below for details regarding remuneration and benefits of directors (section 5.7.4).

The Company has entered into contracts with all members of Senior Management (see table 5.7). Such contracts are renewable and subject to the Labour Law. The value of benefits and remuneration has been defined in the relevant contracts which commensurate with their qualifications and experience. These contracts also include a number of benefits such as providing secured group or private transportation from residence to work, a physical residence or monthly allowance for residence, transportation or both. Also provided is healthcare coverage for employees and their families and annual travel tickets for employees and their families, subject to approval from their direct manager.

Table 5–6 Details of Board Members, CEO and Secretary* Employment Contracts

	Name	Position	Contract Date	Term of Contract
1	Sami Abdulmohsen Al Hokair	CEO/MD	1/1/2012G**	one year to be renewed automatically.
2	Majid Abdulmohsen Al Hokair	Vice Chairman	11/10/2007G	one year to be renewed automatically.
3	Khalid Ali Saleh Makbaa	Board Secretary	1/7/1994G	one year to be renewed automatically.

Source: Company

** The Company did not make service contracts with board members not mentioned in this table [as they do not hold executive positions in the Company]*

*** this is the renewal date of the employment contract but he was hired prior to that date.*

Table 5–7 Details of Senior Management Employment Contracts

	Name	Position	Contract Date	Term of Contract
1	Sami Al Hokair	CEO	Please see Table 5-6 above.	Please see Table 5-6 above.
2	Khalid Anib	Managing Director - Hotel Division	24/02/2012G*	Two years from commencement of work
3	Jean Elias Haber	Managing Director – Entertainment	25/05/1996G*	One year (automatically renewable)
4	Bader Al Hokair	VP Western Region	01/01/2012G*	Five years (automatically renewable)
5	Mishal Al Hokair	VP for Business Development and Marketing	01/01/2012G*	Five years (automatically renewable)
6	Omar Sami Samara	VP – Financial Affairs	04/05/2013G	Two Years (automatically renewable)
7	Abdulaziz Zainuddin	GM – HR	01/07/2005G	One year (automatically renewable)
8	Farouq Hamdan Suleiman	Chief Audit Executive	16/03/2013G	Two Years (automatically renewable)
9	Samir Ibrahim	General Manager – Financial Affairs	01/08/1992G	One year (automatically renewable)
10	Hessa Hazim Al Mazroa	GM – Public Relations and Communication	30/10/2004G	One year (automatically renewable)
11	Mohammad Abdul Rahman Al Tamami	General Council and Manager – Legal Affairs	08/06/2013G	Two years (automatically renewable)

Source: Company

** this is the contract renewal date but he was hired prior to that.*

5 - 7 - 2 Directors

The members of the Board of Directors are appointed at the Ordinary General Assembly. The Board of Directors exercises its powers pursuant to the By-Laws and the Companies Regulations. The members of the current Board of Directors have been appointed for a three-year period ending on 18 February 2015.

The responsibilities of the Chairman and the other members of the Board of Directors can be summarised as follows:

5 - 7 - 2 - 1 The Chairman

- Ensuring the clarity of the Board's functions, framework of duties, and the basis for the division of responsibilities
- Ensuring the clarity and precision of the Board's business plan and priority of topics brought before the Board
- Ensuring that the Board's responsibilities adhere to and fulfil the vision and strategy of the Company
- Leading the Board in selecting the CEO who will be responsible for the administration of the Company
- Supporting the Committees mentioned in section 5.5 "Corporate Governance " above through administrative guidance and performance evaluation
- Voting in relation to the appointment of senior management and executive officers
- Assessing the performance of the Directors

5 - 7 - 2 - 2 The Board

- Approving the mission and vision statements
- Participating in the overall direction and planning of the Company's future plans
- Overseeing the Executive Committee in ensuring the effective implementation of policies and objectives of the Company
- Participating in determining the Company's strategies and priorities and monitoring the effective and efficient utilization of the Company's assets
- Approving the appointment of the CEO, the members of the senior management and executive officers
- Documenting the deliberations and the resolutions issued by the Board through minutes executed by its members
- Including any related-party transactions on the agenda of the General Assemblies to approve the same
- Assisting in the evaluation and assessment of the executive officers and Board members; and
- Approving the Company's annual budget

5 - 7 - 3 CEO

Sami Al Hokair is the Chief Executive Officer of the Company pursuant to an employment contract dated 1 January 2012G. The initial term of the agreement is expired on 1 January 2013G and was automatically renewed.

Sami Al Hokair's remuneration consists of a monthly salary as well as lodging and transportation allowances during business trips.

Mr. Al Hokair currently holds 6.6% of AHHC which in turn holds 45% of Al Hokair Group. He therefore has an indirect shareholding in the Company equal to 2.97%.

5 - 7 - 4 Remuneration and Benefits of Directors and the five most senior of the Senior Management (including the CEO and CFO)

The Company's Articles of Association determined the remunerations of Directors at a percentage not exceeding 10% of the Company's net profit, after the shareholder profit distribution.

The Directors and the CEO are prohibited from voting on decisions relating to their own remuneration. The Directors and the Senior Officers of the Company are prohibited from borrowing from the Company. No Directors or the five most senior of the Senior Management of the Company have ever received bonuses or remuneration in kind. These contracts, however, include a number of benefits, such as providing a secured group or private transportation from residence to work, a physical residence or monthly allowance for a residence, transportation or both. (Please see relevant tables below for details regarding these employment contracts in section 5.7.4).

The total remuneration paid to the Directors and the five most senior of the Senior Management, including the CEO and CFO including annual salaries for the financial years ended 31 December 2010, 2011, 2012 and 2013 are detailed in the following table:

Table 5–8 Remuneration and Benefits of Directors and Top Five Senior Officers including the CEO and CFO for Financial Years 2010, 2011, 2012 and 2013

Description	2010 (SAR million)	2011 (SAR million)	2012 (SAR million)	2013 (SAR million)
Directors	1.2	1.2	1.7	1.9
Committee Members	-	-	-	-
Senior Officers	2.9	3.2	3.7	3.7
TOTAL (SAR)	4.1	4.4	5.4	5.6

Source: Company

5 - 8 Declarations of Directors, Senior Management, and Secretary of the Board

The Directors, Senior Management, and Secretary of the Board declare that:

- except as disclosed in sections 5.1 “Board Members”, 5.3 “Senior Management” and 11.3 “Summary of Related Party Agreements and Transactions” below and in this Prospectus, neither they nor any of their relatives or affliates have a direct or an indirect interest in the Shares the Company or the Subsidiary;
- the financial information included in this Prospectus, consolidated proforma financial information for the years ending 31/12/2010G, 2011G and 2012G and the audited consolidated financial statements for the year ending 31/12/2013G have been prepared pursuant to the legal accounting standards issued by SOCPA and the audit was completed according to SOCPA, which follows international standards in the absence of auditing standards related to KSA;
- the financial data have been extracted from the consolidated proforma financial statements without making any material change thereto for the years ending 31/12/2010G, 2011G and 2012G.
- the Company has a working capital that is sufficient for 12 months following the date of the issuing of this Prospectus;
- that there is no intention to make any change to the activities of the Company or the Subsidiary;
- there was no interruption in the operations of the Company or its Subsidiary Sparky’s that could have significant impact on the financial position during the last 12 months; and
- there was no material adverse change to the financial and trading position of the Company or its Subsidiary during the three financial years preceding the date of submitting the Admission application and approval of listing, in addition to the period covered by the report of the auditors until approval of this Prospectus.

The Directors undertake to:

- record all of its resolutions and deliberations in the form of written minutes of the meeting which shall be signed by them; and
- include brief details of any transactions with related parties in the agenda of General Assemblies so that the Shareholders may be given the opportunity to approve such transactions at such meetings.

The Directors, the CEO, the Secretary and the other Senior Officers declare that:

- they have not at any time, declared bankruptcy or been subject to bankruptcy proceedings;
- no company - in which they held an administrative or supervisory office - was declared insolvent in the past five years preceding the date of this Prospectus, with the exception of Abdullah Al Fouzan, Director, who is also a Director in Arcapita Bahrain (joint stock company (Headquarters in Bahrain, investment company) which voluntarily entered its current operations under restructuring procedures in March 2012 according to Chapter 11 of the Protection against Bankruptcy Law in the USA to restructure its debts but has exited such procedures during September 2013;
- except as disclosed in sections 5.1 “Board Member”, 5.3 “Senior Management” and 11.3 “Summary of Related Party Agreements and Transactions” below and in this Prospectus, they do not themselves, nor do any of their relatives, have any shares or interests of any kind whatsoever in the Company or its Subsidiary, nor does the Company have any employee options or other arrangements pursuant to which employees can have stakes in the Company;
- they do not have any power or rights to borrow money from the Company;
- no commissions, discounts, brokerages or other non-cash compensation have been granted by the Company or any of its subsidiaries within the three (3) years immediately preceding the application for listing in connection with the issue or sale of any securities of the Company.

5 - 9 Conflict of Interest

Directors do not possess any authority under the Company's Articles of Association or its internal regulations and policies to vote on any contract or proposal in which they might have material interest whether directly or indirectly. This is in accordance with Article (69) of the Companies' Law which states that no Director is allowed to have any interest, direct or indirect, in any transactions or contracts done in favour of the company unless with the approval of the General Assembly renewable annually. According the said article, a Director must disclose to the Company any personal interest he might have in transactions and contracts concluded for the company. The Chairman of the Board shall notify the General Assembly, when convened, of all transactions and contracts in which any Directors might have an interest, provided such disclosure is accompanies by a special report from the Auditor. This notification is entered into the Board minutes of meeting and the relevant Director may not participate in voting on such transactions and contracts. Based on the aforementioned, the Directors are committed to:

- comply with Articles (69) and (70) of the Company Law and Article (18) of the Corporate Governance Regulations;
- not vote on any contracts made with related parties during General Assembly meetings;
- not compete against the Company's activities and that all future related party transaction will be concluded on a competitive base pursuant to Article (70) of the Company Law.

Table 11-9 in section 11-9 provides information about the Issuer's Directors who, as of the date of this Prospectus, are participating in companies that have similar or competing activities with the Company.

6. Management Discussion & Analysis

6 - 1 Introduction

The following Management Discussion and Analysis of the Company's financial position and results of operations is based upon and should be read in conjunction with the proforma consolidated financial information for the years ended 31 December 2010, 2011 and 2012 and the audited consolidated financial statements for the financial year ended 31 December 2013 and the notes included therewith. The proforma consolidated financial statements of Al Hokair for the years ended 31 December 2010, 2011 and 2012 and the audited consolidated financial statements for the year ended 31 December 2013 and the notes included therewith

The Company acquired Sparky's UAE on 31 December 2012. As such, the proforma consolidated financial statements have been prepared by the Company's management to illustrate the impact of the acquisition on the Company's financial position and cash flows as at 31 December 2010, 2011 and 2012 as if the acquisition had taken place at 1 January 2010 based on the assumptions included in Section 6.3 "Summary of Important Accounting Policies"; the proforma financial information was used in this section for illustration purposes, that shows hypothetical situations which do not necessarily reflect the financial position or the actual performance of the Company at that time, but was developed to facilitate the comparison process for the investor. The Company's auditor has conducted their assurance procedure on the proforma consolidated financial statements. The assurance engagement is conducted under auditing standards generally accepted in the Kingdom of Saudi Arabia ("Saudi Auditing Standards"), of which it allows the use of international auditing standards in absence of the relevant Saudi auditing standards. It is important to note that the proforma financial statements are based on the audited consolidated financial statements of the Company and of Sparky's UAE.

This section contains forward-looking statements that involve risks and uncertainties. Actual results for the Company could differ materially from those contemplated by these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Prospectus.

Please note that the figures in this section have been rounded up to the nearest number. As such, if summed, the numbers may differ to those which are stated in the tables. It is also worth mentioning that all the annual percentages, margins, expenses and CAGRs are based on the rounded figures.

6 - 2 Directors' Declaration for Financial Statements

The Directors declare that the financial information presented in the Prospectus is extracted without material change, with the exception of the proforma consolidated financial statements assumptions, from the proforma consolidated financial statements for the years ended 31 December 2010, 2011 and 2012 and the audited consolidated financial statements for the year ended 31 December 2013. Furthermore, the financial information is presented in a manner consistent with the Company's audited annual financial statements.

The Board also declares that the proforma consolidated financial statements for the years ended 31 December 2010, 2011 and 2012 and their notes have been prepared by the Company's management and have undergone the assurance procedure by the auditor (Ernst & Young). As such, the Auditors (Ernst & Young) performed their assurance procedures which are in accordance with general accepted auditing standards in Kingdom of Saudi Arabia based on the International Standard on Assurance Engagements (ISAE - 3420), 'Assurance Engagements to Report on the Compilation of Proforma Consolidated Financial Information included in the Prospectus' issued by the International Auditing and Assurance Standards Board ("IAASB"). The proforma financial statements have relied on several primary assumptions on the reviewed financial statements of Sparky's as well as the reviewed financial statements of Al Hokair Group. The Board declares that the Company's audited consolidated financial statements for the year ended 31 December 2013 and the notes included therewith were prepared according to the standards issued by the SOCPA and audited by Ernst and Young in accordance with the auditing standards issued by SOCPA.

The Board confirms that the management of the Company prepared the audited financial statements for the years ended 31 December 2010, 2011 and 2012 according to accounting standards common in the Kingdom of Saudi Arabia and issued by the SOCPA. The financial statements for the year ended 31 December 2010 were audited by PricewaterhouseCoopers ("PwC"), whereas the financial statements for the years ended 31 December 2011, 2012 and 2013 were audited by Ernst & Young. In addition, the audited financial statements of Sparky's UAE for the years ended 31 December 2010, 2011 and 2012 were prepared according to international accounting standards and audited by Talal Abu Ghazaleh and Co. International, whereas the audited financial statements for Sparky's UAE for the year ended 31 December 2013 were based on the international accounting standards and have been audited by Ernst & Young.

The board declares that the Company has working capital sufficient for the twelve months immediately following the date of publishing this Prospectus. The Directors also declare that there has been no material adverse change in the Company's financial or business position since the period ended 31 December 2013 to the date of this Prospectus.

6 - 3 Summary of Important Accounting Policies

Assumptions and Adjustments

On 31 December 2012, the Company acquired Sparky's UAE for a total of SAR 88.8 million. The book value of the net specific assets on that date was SAR 49.5 million. As the Company's management assumed that the book value of the specific net assets of Sparky's UAE is equal to the fair value, it recorded a goodwill value of SAR 39.3 million as a result of this acquisition. The Company's management prepared the proforma financial statements to show the effect of the acquisition on the Company's financial position, performance and cash flows for the years ended 31 December 2010, 2011 and 2012 as if the acquisition took place on 1 January 2010. The proforma consolidated financial statements were prepared based on the following assumptions:

- Sparky's UAE was acquired on 1 January 2010 and the acquisition was financed through a long-term loan;
- Sparky's UAE financial statements were consolidated with the Company's financial statements as of 1 January 2010 and all significant balances and transactions resulting from the acquisition were eliminated from the proforma financial statements;
- The goodwill resulting from the acquisition remained at SAR 39.3 million during 2010, 2011 and 2012;
- The loan amount relating to the acquisition was fixed during 2010, 2011 and 2012;
- Financial commitment was determined using the actual borrowing rate of 4.21% based on facility agreements obtained during 2010, 2011 and 2012 (see section 11 "Legal Information" for more information about the bank facilities);
- Financial commitments due were calculated and entered as "Expenses Due" on a cumulative basis during 2010, 2011 and 2012;
- The statutory reserve was determined based on the Proforma Consolidated Financial Statements taking into consideration the impact of the Sparky's UAE net results;
- Zakat was calculated based on the audited financial statements of 2010, 2011 and 2012.

The Company's board also declares that no other assumptions were relied upon except for what is mentioned above in preparing the proforma consolidated financial statements.

6 - 4 Principal Factors Affecting the Company's Performance

6 - 4 - 1 Demand for Tourism

Demand for the Company's products and services are driven by the demand for travel within KSA primarily for business and leisure purposes and religious pilgrimage. Domestic tourism constitutes the majority of the total tourism market in KSA, however, inbound tourism has increased over the past few years taking a considerable share of the current demand. The Government has taken significant steps to improve the tourism industry by improving the quality of offered services and increasing the industry's contribution to the Kingdom's GDP by attracting Saudis to domestic tourism and increasing the opportunities for investment and development.

Over the past three years, inbound and domestic tourism led to an increase in occupancy rates and the number of visitors at entertainment venues, thereby increasing the Company's revenues and profits. The demand for the Company's hotels also increased as economic and business activity in the Kingdom improved during that period. It is worth mentioning that this commercial and economic activity in KSA and a decrease in economic activity in the future may lead to a decrease in demand for the Company's products and services. The demand for the entertainment centres is primarily driven by the increase in population of 2.9% annually between 2000 and 2012 and the demographic profile where approximately 40.9% of the population are below the age of 19.

Seasonality

The Company's customer profile changes due to seasonality. During the summer and holiday period, the hotel division welcomes more people travelling for leisure and religious reasons; corporate travel during the summer season declines. Religious tourism during Hajj and Umrah seasons lead to high occupancies in the Western region. The demand for domestic tourism in Jeddah remains comparatively high during the summer period as people travel to Jeddah for leisure and its summer tourism festivals, which helps maintain stable occupancy rates during a period where there is lower business travel. Similarly, the entertainment division's results of operations, especially those of FECs tend to witness higher levels of activity during the summer season as the number of visitors increase during summer holidays. On the other hand, outdoor parks in some cities across KSA witness a decrease in the number of visitors during summer as the temperature rises.

Competition

The Company's revenue and performance are affected by its occupancy rates and ADRs. Competition (including both current and future players in the market) affects the Company's ability to raise its occupancy rate without adversely affecting its ADR. Management regularly evaluates a number of variables such as competition, supply, demand, location, demographics and other elements to maintain its competitive edge.

The Group's pricing strategy is based on the supply and demand. Supply and demand are measured by closely monitoring the Government's economic strategy and on-going projects. In addition, the Group monitors anticipated competing hotel openings and current rates in order to design its own pricing strategy as well as the strengths and weaknesses of its own hotels. In addition, the Company conducts an analysis of revenue to determine prices are in line with the market. The Company was also able to increase its ADR during the analysed period due to the strategic location of its hotels, although there was a small decline in occupancy in 2012 due to an increase in competition.

Opening New Hotels and Entertainment Centers

The Company's future centers growth depends upon its ability to find attractive new locations for its hotels and entertainment centers. In the past, the Company leased several locations from related parties under lease agreements which range between 20 and 26 years in term. These lease agreements offer terms that are genuinely more favorable to the Company compared to lease agreements with external parties, which translates to better profit margins for these leased properties (See section 11 "Legal Information" for more information about lease contracts with related parties).

Hotels and entertainment centers typically see a ramp-up period of 8-24 months before they achieve normal operation rates. Profit margins during the start-up phase are usually lower than those of established hotels due to the high costs involved (such as marketing and other fixed costs) in helping the hotel reach the desired occupancy levels and number of visitors (please refer to section 6.5.1.1.3 "Hotel Revenue Analysis").

6 - 5 Results of Operations

6 - 5 - 1 Proforma income statements

The table below summarizes the proforma consolidated financial statements for the years ended 31 December 2010, 2011, 2012 and 2013.

Table 6–1 Income Statement

SAR (‘000)	2010	2011	2012	2013	YoY 2010-2011	YoY 2011-2012	YoY 2012-2013	CAGR 2010-2013
Revenue								
Hospitality	383,586	428,551	482,929	553,065	11.7%	12.7%	14.5%	13.0%
Entertainment	254,016	282,173	314,280	310,092	11.1%	11.4%	(1.3%)	6.9%
Other	11,434	11,864	14,421	16,906	3.8%	21.6%	17.2%	13.9%
Total Revenue	649,036	722,588	811,629	880,063	11.3%	12.3%	8.4%	10.7%
Direct Costs								
Hospitality	(242,871)	(258,395)	(297,408)	(342,495)	6.4%	15.1%	15.2%	12.1%
Entertainment	(172,886)	(183,111)	(198,650)	(205,798)	5.9%	8.5%	3.6%	6.0%
Others	(4,854)	(5,345)	(5,662)	(5,915)	10.1%	5.9%	4.5%	6.8%
Total Direct Cost	(420,611)	(446,851)	(501,720)	(554,208)	6.2%	12.3%	10.5%	9.6%
Gross Profit	228,425	275,737	309,909	325,855	20.7%	12.4%	5.1%	12.6%
Expenses								
Selling and Marketing	(23,472)	(25,533)	(31,042)	(33,055)	8.8%	21.6%	6.5%	12.1%
G&A.	(89,730)	(100,449)	(116,169)	(123,356)	11.9%	15.6%	6.2%	11.2%
Total Expenses	(113,203)	(125,982)	(147,211)	(156,411)	11.3%	16.9%	6.2%	11.4%
Income from Main Operations	115,222	149,755	162,698	169,444	30.0%	8.6%	4.1%	13.7%
Share in Net Results of Associates	25,838	29,455	27,890	26,251	14.0%	(5.3%)	(5.9%)	0.5%
Financial Charges	(13,567)	(11,444)	(7,667)	(9,433)	(15.6%)	(33.0%)	23.0%	(11.4%)
Other ncome	4,280	11,815	7,545	11,959	176.1%	(36.1%)	58.5%	40.8%
Income from from continuing Ops.	131,774	179,581	190,466	198,221	36.3%	6.1%	4.1%	14.6%

000' SAR	2010	2011	2012	2013	YoY 2010-2011	YoY 2011-2012	YoY 2012-2013	CAGR 2010-2013
Income from Discontinued Operations	10,109	-	-	-	-	-	-	
Income before Zakat	141,883	179,581	190,466	198,221	26.6%	6.1%	4.1%	11.8%
Zakat	(2,752)	(3,800)	(4,620)	(2,567)	38.1%	21.6%	(44.4%)	(2.3%)
Net Income	139,130	175,781	185,845	195,654	26.3%	5.7%	5.3%	12.0%
* Earnings Per Share								
Income from Main Operations	2.09	2.72	2.96	3.08				
Earnings Per Share	2.53	3.20	3.38	3.56				
As a Percentage of Revenue								
Gross Profit	35.2%	38.2%	38.2%	37.0%				
Operating Exp.	(17.4%)	(17.4%)	(18.1%)	(17.8%)				
Income from Main Operations	17.8%	20.7%	20.0%	19.3%				
Net Income	21.4%	24.3%	22.9%	22.2%				

** Earnings per share was calculated based on current 55 million shares*

Source: Proforma Financial Statements 2010-2012 and audited consolidated financial statements for the year 2013

Revenues

Revenue increased at a CAGR of 10.7% between 2010 and 2013, which was driven by growth in all divisions. The Hospitality Division revenue increased as new hotels opened. A total of seven hotels were opened during this period; including one hotel in 2011, four hotels in 2012 and two hotels in 2013, which added 827 new rooms whilst maintaining healthy occupancy rates and a growing average daily room rate. It is worth mentioning that the Company classifies restaurant revenue under the Hospitality Division revenue. The growth in the entertainment division was driven by an increase in the number of visitors of 838,000 visitors between 2010 and 2013, to reach 8.7 million in 2013, as well as an increase in the average spending per visitor during that period from SAR 26 to SAR 30. The number of visitors is calculated based on a percentage of mall visitors. The increase in the number of visitors was the result of the Company changing its strategy towards opening more indoor entertainment centres in the main commercial centres.

Costs

Direct costs are comprised of operational expenses which include depreciation, rent, franchise and management fees for hotel operators, salaries and benefits, in addition to utilities and maintenance expenses. During the period 2010 to 2013, direct costs increased at a CAGR of 9.6% from SAR 420.6 million to SAR 554.2 million. This was mainly due to an increase in rent, franchise and management fees at a CAGR of 7.8% from SAR 122.5 million to SAR 153.5 million over the same period. However, as a percentage of overall revenue, rent and franchise and management fees dropped from 18.9% in 2010 to 17.4% in 2013. In addition, salaries and allowance increased at a CAGR of 18.1% from SAR 89.5 million to SAR 147.5 million between 2010 and 2013. Salaries and allowances accounted for 16.8% of total revenue in 2013 compared to 13.8% of total revenue in 2010. This was mainly due to the increase of the minimum salaries of Saudi nationals alongside an increase in Saudisation according to the requirements of Nitakat. Furthermore, the increase in the workforce as a result of the opening of new entertainment centers and hotels during that period, where the number of employees whose salaries are related to the direct costs have increased from 1,974 employee in 2010 to 2,658 employee in 2013. It is clear that the increase in the salaries and allowances is not in line with the size of the increase in the number of employees. This was due to the fact that the Company was paying salaries and allowances expenses to a number of the employees who were not on the sponsorship of the Company, as a result of that the number of employees increased with a larger magnitude than the salaries and allowances expenses. However, given the Company's ability to increase revenue at a faster pace than the increase in direct cost, direct costs as a percentage of revenue decreased from 64.8% in 2010 compared to 63.0% of the revenue in 2013.

Gross margin increased from 35.2% in 2010 to 37% in 2013 rising from SAR 228.4 million to SAR 325.9 million at a CAGR of 12.6% primarily driven by the Holiday Inn, Golden Tulip and Hilton brands, coupled with an increase in the profitability of indoor entertainment centres. This was accompanied by the closure of 4 relatively low margin outdoor entertainment parks.

Total expenses, which comprise of general and administrative expenses and selling and marketing expenses increased at a CAGR of 11.4% from SAR 113.2 million in 2010 to SAR 156.4 million in 2013. General and administrative expenses increased at a CAGR of 11.2% from SAR 89.7 million to SAR 123.4 million due to an increase in staff costs and the Company's continued efforts to attract and hire appropriate senior management staff. General and administrative expenses increased a CAGR of 11.2% from SAR 89.7 million to SAR 123.4 million. The company was able to maintain the percentage of G&A to total revenues as it represented 13.8% of total revenue in 2010 and 14.0% of total revenue in 2013. Selling and marketing expenses increased at a CAGR of 12.1% over the historical period driven by an increase in gifts, promotions and advertisements, in addition to an increase in staff costs in line with the increase in headcount. As a percentage of total revenue, sales and marketing expenses increased slightly from 3.6% in 2010 to 3.8% in 2013.

Share in net results of Associates

Share in net results of Associates related to the operations of the Company's associates (Touresco, Asateer, Tarfeeh and Al Qaseem). The decrease in net affiliate income by SAR 3.2 million between 2011 and 2013 was largely due to a decrease in Touresco's revenue resulting from the closure of 70 rooms in Holiday Inn Al Olaya Riyadh for renovations in 2012 and 2013. Moreover, the decrease in Asateer's net profit because of renovations in its entertainment center, Oceanica in 2013. It is worth mentioning that there are three restaurants that are managed by Tarfeeh, namely Fun Time Pizza (one branch) and Baby Pizza (two branches) (See section 4-5-1-3 "Restaurants" for more information about Tarfeeh Company management and operation for Fun Time Pizza and Baby Pizza.

Other income

Other income mainly comprises of gains on sale of property, plant and equipment realized regularly, especially in relation to the Entertainment Division Other Income increased from SAR 4.3 million in 2010 to SAR 11.8 million in 2011 mainly due to the increase in profit that has resulted from the sale of property and equipment with the amount of SAR 5.3 million, the Company was able to sell vehicles for a selling price that was higher than its net book value; in addition to a reversal of an excess provision for bonus accruals of SAR 2.2 million in 2011. This reversal relates to provisions of bonuses for the year 2009 that were not paid by the Company. The value of these provisions represents the estimated value of the yearly bonuses which relate to performance that could have been distributed to the staff after the end of 2009. As such, the bonuses were cancelled in 2011. However, other income decreased in 2012 to SAR 7.5 million and mainly included gains on the sale of property and equipment. In 2013, other income increased from SAR 7.5 million in 2012 to SAR 11.9 million in 2013, which mainly included gains on sale of property and equipment plus the recovery of a surplus doubtful debts provision at an amount of SAR 4.7 million in the hotel division. This is due to the fact that the provision allocation was larger than expected.

Income from discontinued operations

Income from discontinued operations in 2010 was SAR 10.1 million and related to health clubs in the Company's hotels. The Company transferred the responsibility of equipping, managing and operating these clubs to H Care, which is owned by related parties (see section 11.3 "Summary of Related Party Agreements and Transactions"). H Care pays 27.5% of the overall revenue of the health clubs to the Company whilst maintaining its commitment to offer these health clubs to its hotel guests free of charge.

Net Income

Net income increased at a CAGR of 12.0% from SAR 139.1 million to SAR 195.7 million between 2010 and 2013. This was largely driven by a broad increase in revenue and gross margin across all business units. A slight slowing in growth of net income is noticeable during the last few years as net income increased by 26.3% between 2010 and 2011 as the result of an increase in gross profit margins from 35.2% to 38.2% over the same period. However, net income growth in the following periods slowed to an average of 5.5%, which was mainly due to the stability of gross profits margins between 2011 and 2012 at 38.2% and its decrease to 37.0% as a percentage of total revenue between 2012 and 2013. Moreover, the net income margins slightly declined due to an increase in operation costs as a percentage of revenue in addition to a decrease in the Company's share in net results of affiliate income during the years 2012 and 2013 which reached 22.9% and 22.2% of overall revenue for these years respectively. Although net income margins for these years decreased in comparison with 2011 (24.3%), the net income margin of 2013 increased in comparison with 2010 (21.4%).

6 - 5 - 1 - 1 Revenues

6 - 5 - 1 - 1 - 1 Revenue Classification

Table 6–2 Group Revenue by Division

SAR ('000)	2010	2011	2012	2013	YoY 2010-2011	YoY 2011-2012	YoY 2012-2013	CAGR 2010-2013
Revenue								
Hospitality	383,586	428,551	482,929	553,065	11.7%	12.7%	14.5%	13.0%
Entertainment	254,016	282,173	314,280	310,092	11.1%	11.4%	(1.3%)	6.9%
Other	11,434	11,864	14,421	16,906	3.8%	21.6%	17.2%	13.9%
Total Revenue	649,036	722,588	811,629	880,063	11.3%	12.3%	8.4%	10.7%
As a % of Revenue								
Hospitality	59.1%	59.3%	59.5%	62.8%				
Entertainment	39.1%	39.1%	38.7%	35.2%				
Other	1.8%	1.6%	1.8%	1.9%				

Source: Proforma Financial Statements 2010-2012 and audited consolidated financial statements for the year 2013

In 2011, total revenues increased by 11.3% from SAR 649.0 million in 2010 to SAR 722.6 million in 2011 driven by the growth in revenues across all divisions. In 2012, revenues grew by 12.3% from SAR 722.6 million in 2011 to SAR 811.6 million in 2012 as revenues in Hospitality and Entertainment Divisions continued to grow significantly. In 2013, revenue increased at a CAGR of 8.4% from SAR 811.6 million in 2012 to SAR 880.1 million due to an increase in the Hospitality Division's revenue as Hilton Double Tree Al Dhahran and Golden Tulip – Al Jubail opened 158 and 65 rooms respectively during 2013. It is worth mentioning that the Hospitality Division revenues also include the revenues of restaurants located inside and outside the hotels. Also noteworthy is that the top five clients of the Company together represented around 1.2% of the Company's total revenues in 2013 which ensures the non-reliance of the Company on these clients, who are:

- Pakistani Airlines,
- Saudi Red Crescent,
- Malaysian Airlines,
- Hyundai Heavy Industries, and
- The Ministry of Education. (Governmental Agency)

Table 6-2 (A) Occupancy Rate for the Company's Hotels

%	2010	2011	2012	2013
Occupancy Rate	57.3%	61.2%	59.4%	60.6%

Source: Company

Revenues Hospitality Division

Hospitality revenue was primarily generated from the different hotels managed by the Company across the Kingdom. The Hospitality Division is a core revenue driver for the Company, contributing on average of 62.8% of the total revenue in 2013. Revenue increased by 11.7% between 2010 and 2011, 12.7% between 2011 and 2012 and by 14.5% between 2012 and 2013, primarily due to the opening of seven new hotels including one in 2011, four in 2012 and two in 2013 which in turn added 832 more rooms (159 rooms in 2011, 450 rooms in 2012, 223 rooms in 2013). This was accompanied by a growth in RevPar and ADR which increased at a CAGR of 4.3% and 2.3% between 2010 and 2013, respectively. This increase was achieved alongside the fluctuating occupancy rates during that period, as occupancy rates increased from 57.3% in 2010 to 61.2% in 2011 driven by high demand in the Central, Eastern and Western provinces. These rates then decreased slightly between 2011 and 2012 to 59.4% as competing international brands opened new hotels in Riyadh. Occupancy rates soon increased by 1.2% from 59.4% in 2012 to reach 60.6% in 2013 as a result of opening Al Hamra Pullman in Jeddah, Suite Novotel in Riyadh and Golden Tulip Al Jubail which added high occupancy hotel's to the Company's hotel portfolio.

Entertainment Centers Revenues

In 2013, entertainment centres accounted for 35.2% of the Company's revenues. Between 2010 and 2013, entertainment revenues increased at a CAGR of 6.9% driven mainly by the increase in the number of visitors by 3.4% and spending per visitors at a CAGR 3.9% over the same period. This increase was mainly generated by the Company's indoor entertainment centres, despite the decrease in outdoor entertainment parks (4 parks were closed between 2010 and 2012) (which are Althumama and Sahil Al Thumama in Riyadh, Luna park in AlMadinah Al Khuraisurais digital land centre and Fun Town in Makkah) and the parks were closed because of lack of agreement between the company and the owner on the new contractual terms which led to halt the operations while Fun Town Makkah was closed because of the expropriation of the property in favour of Al Mashaaer Al Mugaddassah Metro project. The 5.4% decrease in the number of visitors during 2013 compared to 2012 was due to Ramadan coinciding with the summer holidays which shortened the main operation season for entertainment centers. This should be noted that this occurred in the past years but has a greater impact on the decrease of revenue in 2013 as results of Ramadan coinciding in the mid-summer holiday. In addition, Happy Land Dammam saw a drop in revenue due to the renovations and construction related to the Go-Carting course. Metropolis Panorama also saw a drop during its closure after the Panorama incident early in 2013. It is worth mentioning that the Company was able to restore the operation levels of Metropolis during the second half of 2013 to bring it to its previous normal levels. Indoor entertainment centres rely mainly on the opening of new commercial centres and the ramp-up periods of these entertainment venues depend on the appeal of the commercial centres they are located. The Company acquired Sparky's UAE on 31 December 2012 from a related party to strengthen its entertainment business further through geographical expansion. Sparky's UAE has seven centres in four Emirates, namely Abu Dhabi, Ras Al Khaimah, Al Ain and Dubai.

Other Revenue

Other revenue mainly consists of lease proceeds from renting shops, ATM machines, kiosks and others in Tabuk Mall, which increased at a CAGR of 13.9% during the period from 2010 to 2013, as a result of an increase in tenants. This sector presents 1.9% from the total revenue as 2013.

6 - 5 - 1 - 1 - 2 Revenue Analysis by Province

Table 6–3 Revenue Analysis by Province, 2010 - 2013

SAR ('000)	2010	2011	2012	2013	YoY 2010-2011	YoY 2011-2012	YoY 2012-2013	CAGR 2010-2013
KSA – Central	275,256	311,535	329,092	330,753	13.2%	5.6%	0.5%	6.3%
KSA – Western	201,653	209,704	236,788	271,248	4.0%	12.9%	14.6%	10.4%
KSA – Eastern	149,861	172,850	202,299	232,925	15.3%	17.0%	15.1%	15.8%
UAE	22,267	28,499	43,450	45,137	28.0%	52.5%	3.9%	26.6%
TOTAL	649,036	722,588	811,629	880,063	11.3%	12.3%	8.4%	10.7%
As a % of Revenue								
KSA – Central	42.4%	43.1%	40.5%	37.6%				
KSA – Western	31.1%	29.0%	29.2%	30.8%				
KSA – Eastern	23.1%	23.9%	24.9%	26.5%				
UAE	3.4%	3.9%	5.4%	5.1%				

Source: Company

Table 6-3 (a) Central Province Revenues"

SAR ('000)	2010	2011	2012	2013	YOY 2010-2011	YOY 2011-2012	YOY 2012-2013	CAGR 2010-2013
Hospitality	182,903	200,724	207,520	211,377	9.7%	3.4%	1.9%	4.9%
Entertainment	78,781	97,501	105,526	100,875	23.8%	8.2%	(4.4%)	8.6%
Others	13,572	13,310	16,046	18,501	(1.9%)	20.6%	15.3%	10.9%
Total	275,256	311,535	329,092	330,753	13.2%	5.6%	0.5%	6.3%
As a % of Revenue								
Hospitality	66.4%	64.4%	63.1%	63.9%				
Entertainment	28.6%	31.3%	32.1%	30.5%				
Other	4.93%	4.27%	4.88%	5.59%				

Source: Company

Central Province Revenues:

During the period between 2010 and 2013, Central Province revenues accounted for on average 40.9% of the Company's total revenue having grown at a CAGR of 6.3% over the same period. This was mainly due to opening Mena Plaza in Riyadh (renamed to Suite Novotel), in addition to an increase of SAR 5 in RevPAR for the same period. Occupancy rates also increased to 62.7% in 2011 compared to 57.6% in 2010. However, occupancy rates declined in 2012 to reach 55.8% compared to 62.7% in 2011 in parallel to the decline in RevPAR of SAR 28 over the same period. This was mainly due to new competition from other international hotel brands that were expanding their business in Riyadh. However, there was a rise of SAR 19 in ADRs over the same period. Occupancy rates increased in 2013 reaching 59.9% compared to 55.8% in 2012 due to an increase in occupancy rates at the Suite Novotel, which completed its ramp-up phase and reached the anticipated operation levels. The decrease of the growth rate in central province revenues in 2012 and 2013 was because of opening Suite Novotel hotel in the mid of 2012 and closing Olaya house hotel, Sahil Al Thumama and AlThumama parks in the same year in comparisons with other locations that opened in 2009 and 2010. (Hilton Garden Inn, Mena Hotel in Riyadh and metropolis in Panorama mall) that reached to maturity stage in 2011.

The Entertainment Division in the Central Province also helped increase revenue. During the period between 2010 to 2013, the number of visitors increased by around 487 thousand in 2011 out of 2,341 visitors in 2010 and it increased around 219 thousand in 2012, but the number of visitors dropped by 311 thousand in the Central Province in 2013 because Ramadan coincided with summer holidays, decreasing domestic tourism levels during the summer as visitors are inclined to spend their traveling time before the beginning of Ramadan. In addition, the operations being halted at Metropolis Panorama in 2013 and closing two locations which are Al Khuraisuris Digital Land Centre and Sahil Althumama that closed in ended 2012 because of the lack of agreement between the company and the owner on the new contractual terms that led to halt operations, Spending per visitor also increased over the same period from SAR 26.1 in 2010 to SAR 27.9 in 2013, as a result of game prices increased in some centers.

Other revenue resulting from Tabuk Mall which forms 91.0% of total other revenues for the region which has reached SAR 18.5 million in 2013. Revenues of outside restaurants formed 9.0% of total other revenues for the region. The increase from SAR 13.6 million in 2010 to SAR 18.5 million in 2013, at a CAGR of 10.9% was due to the increase in Tabuk Mall revenues from SAR 11.4 million in 2010 to SAR 16.9 million in 2013 due to the increase in rented outlets and the increase in the rental amount charged in this center.

Table 6-3 (b) Western Province Revenue

SAR ('000)	2010	2011	2012	2013	YOY 2010-2011	YOY 2011-2012	YOY 2012-2013	CAGR 2010-2013
Hospitality	81,313	90,530	113,488	147,971	11.3%	25.4%	30.4%	22.1%
Entertainment	111,446	111,683	117,505	116,889	0.2%	5.2%	(0.5%)	1.6%
Other	8,894	7,491	5,795	6,388	(15.8%)	(22.6%)	10.2%	(10.4%)
Total	201,653	209,704	236,788	271,248	4.0%	12.9%	14.6%	10.4%
As a % of Revenue								
Hospitality	40.3%	43.2%	47.9%	54.6%				
Entertainment	55.3%	53.3%	49.6%	43.1%				
Other	4.4%	3.6%	2.4%	2.4%				

Source; Company

Western Province Revenue

Western Province revenue increased at a CAGR of 10.4% from SAR 201.7 million in 2010 to SAR 271.2 million in 2013. This was mainly due to the performance of Holiday Inn Al Salam and the addition of Al Hamra Pullman in 2012 (Al Hamra Pullman is an existing hotel owned by a third party, purchased by Abdul Mohsin Abdulaziz Al Hokair and then rented by the Company on 1 October 2012. (See section 11.2.4 “Lease Agreement”). Occupancy rates in the Western Province improved in 2013 and increased from 58.8% in 2010 to 60.6% in 2013. RevPAR increased from SAR 158.0 in 2010 to SAR 242 in 2013. The Entertainment Division also contributed to overall Western province revenue growth due to an increase of visitors to Jeddah for religious, tourism and entertainment reasons. During the period 2010 and 2013 the number of visitors on Western Province increased by 498 thousand in 2011 out of 7841 thousand in 2010 and 838 thousand in 2012 but it decrease in 2013 by 498 thousand due to Ramadan coinciding with the summer holidays which shortened the main operation season. For entertainment centers namely Sparky’s in Jeddah, particularly Al Andalus Mall, Vortex in Mall of Arabia and Sparky’s in the Red Sea Center were the largest contributors to entertainment revenue as a percentage of 17.3% and it should be noted that Fun Town Centre in Makkah was closed in 2012 due to expropriations of property in favor of Al Mashaaer Al Mugaddassah Metro project.

Other revenue in Western province include only outdoor restaurants revenue which decreased from SAR 8.9 million to SAR 6.4 million, at a CAGR of 10.4% was mainly due to the closing of Al Khalidiya Resturant thet located in Fun Town Makkah that closed in 2012 because of expropriation of property of a favour of Al Mashaaer Al Mugaddassah Metro project.

Table 6 – 3 (C) Eastern Province Revenues

SAR (‘000)	2010	2011	2012	2013	YOY 2010-2011	YOY 2011-2012	YOY 2012-2013	CAGR 2010-2013
Hospitality	104,748	126,833	152,808	179,538	21.1%	20.5%	17.5%	19.7%
Entertainment	41,522	44,489	47,799	47,192	7.1%	7.4%	(1.3%)	4.4%
Other	3,591	1,528	1,692	6,195	(57.4%)	10.7%	266.1%	19.9%
Total	149,861	172,850	202,299	232,925	15.3%	17.0%	15.1%	15.8%
As a % of Revenue								
Hospitality	69.9%	73.4%	75.5%	77.1%				
Entertainment	27.2%	25.7%	23.6%	20.3%				
Other	2.4%	0.9%	0.8%	2.7%				

Source: Company

Eastern Province Revenues

In the Eastern province, revenue increased at a CAGR of 15.8% from SAR 149.8 million in 2010 to SAR 232.9 million in 2013.. Revenues in the Eastern province were impacted by the growth in the Hospitality division, largely due to the increase in revenue from Al Khobar Corniche Holiday Inn which opened in 2009 and Novotel Business Park which opened in 2011that include 186 and 159 respectively. These hotels contributed in the increase in occupancy rates from 53.9% to 61.4% during the period from 2010 to 2013 in the Eastern province.

There was an increased in the contribution entertainment sector at a CAGR 4.4% during the time 2010 to 2013 as a result of increasing the number of visitors from 1219 thousands to 1493 thousands during this period. During the period 2010 to 2013 , the number of visitors is the eastern province increased by 79 thousand visitors in 2011 out of 1219 thousands visitors in 2010. Also rose about 167 thousands visitors and 28 thousands visitors in 2012 and 2013 respectively. And this increased due to the increase in the number of visitors in 2013 because of Sparky’s opening in Al Danah Mall in Al Jubail.

UAE revenue is generated through Sparky's UAE, as revenues increased at a CAGR of 26.6%. from SAR 22.3 million in 2010 to 45.1 million in 2013.This was mainly driven by the opening of four entertainment centres between 2010 and 2013 in Abu Dhabi, Al Ain, Ras Al Kahimah and Dubai.

Other income of Eastern province include only outdoor restaurants revenue which increased from SAR 3.6 million to SAR 6.2 million, at a CAGR of 19.9% which was mainly due to opening Marina restaurant in Al Khobar in 2013.

6 - 5 - 1 - 1 - 3 Hotel Revenue Analysis

Table 6–4 Hotel Revenue Analysis by Star Category 2010 - 2013

SAR ('000)	2010	2011	2012	2013	YoY 2010-2011	YoY 2011-2012	YoY 2012-2013	CAGR 2010-2013
3-Star	142,941	163,839	169,331	134,302	14.6%	3.4%	(20.7%)	(2.1%)
4-Star	194,984	219,198	246,173	246,928	12.4%	12.3%	0.3%	8.2%
5-Star	-	-	12,581	113,432	-	-	801.6%	-
Other***	31,040	35,051	45,731	44,224	12.9%	30.5%	(3.3%)	12.5%
TOTAL	368,964	418,087	473,816	538,885	13.3%	13.3%	13.7%	13.5%
As a % of TOTAL								
3-Star	38.7%	39.2%	35.7%	24.9%				
4-Star	52.8%	52.4%	52.0%	45.8%				
5-Star	-	-	2.7%	21.0%				
Other	8.4%	8.4%	9.7%	8.2%				

Source: Company

** Note: Holiday Inn Al Qasr was reclassified from a 4 to a 5 Star during the second half of 2013 by the SCTA. Golden Tulip Al Nasiriya was also reclassified from a 3 to 4 Star. For the purpose of the above analysis, its 2013 revenues were entered under the new star classification.*

*** Note: the above hotel revenue does not include outdoor restaurant revenues which is SAR 14,180 million in 2013 (see table 6.6 "Restaurant Revenue Analysis") and (see section 1 "terms and definitions for definition of outdoor restaurants)*

**** Note: resorts and furnished apartments*

Hotel Revenue Analysis by Category

3 Star Hotels Revenue

The 3-Star hotel revenues increased from SAR 142.9 million in 2010 to SAR 163.8 million in 2011. This is mainly due to an increase of 7.4% in occupancy rates and 5.8% increase in the ADR over that period. Occupancy rate contributions were the largest from Golden Tulip Hail which increased from 53.0% in 2010 to 66.0% in 2011, Hilton Garden Inn Al Olaya which increased from 52.8% in 2010 to 65.3% in 2011 and Golden Tulip Al Khobar which increased from 65.3% in 2010 to 75.5% in 2011 Revenue also increased in 2012 to SAR 169.3 millon and this was mainly due to the addition of Tulip Inn Yanbu, which contributed SAR 3.4 million to the total revenue. The increase in the number of rooms, RevPARs and ADRs was met with a decline in occupancy rates of 4.0% in 2012, especially after the closure of Tulip Inn Al Olaya House (106 rooms) which had high occupancy rates and the hotel has been closed as a result of the expiration of the contract and the unwillingness of the owner to renew. From the 3-star hotel segment, revenues decreased to SAR 134.3 million in 2013 mainly due to the reclassification of Golden Tulip – Al Nasiriya from 3 to 4 stars.

4 Star Hotels Revenue

The 4-Star hotel revenues also increased from SAR 194.9 million in 2010 to SAR 219.2 million in 2011 as a result of a 5.3% increase in occupancy rates and a 14.5% increase in the number of rooms The occupancy rates increase was largely due to Al Khobar Corniche Holiday Inn (occupancy rates increased from 48.0% in 2010 to 65.6 in 2011), Riyadh Mena (occupancy rates increased from 62.0% in 2010 to 70.0% in 2011). The increase in the number of rooms is due to the opening of Novotel Business Park in Dammam (159 rooms) and the expansion of Al Khobar Corniche Holiday Inn (8 rooms) in 2011. Revenue increased to SAR 246.2 million in 2012 despite the total decrease in occupancy rates of 3.9%. The revenue increased mainly due to the start of operations at the Suite Novotel in Riyadh, which contributed SAR 7.1 million of the total revenue in addition to the increase in occupancy at Novotel Business Park Dammam (increased from 28.3% in 2011 to 64.5% in 2012). In 2013, the category's revenues increased by 0.3% as a result of higher occupancy rates although Holiday Inn Al Qasr was reclassified from 4 to 5 stars during the year.

5 Star Hotels Revenue

In 2013, revenues from 5-star hotels reached SAR 113.4 million as compared to SAR 12.6 million in 2012. This increase was due to the reclassification of the Holiday Inn Al Qasr from a 4-star hotel to a 5-star hotel, in addition to the opening of Al Hamra Pullman hotel which began its operations in the 4th quarter of 2012.

Other Revenue

Other revenue (represented by resorts and furnished apartments) increased from SAR 31.0 million in 2010 to SAR 35.1 million in 2011. This was mainly due to an increase of 17.4% in occupancy rates and revenue generated from the regional hotels office. The increase in revenue was mainly due to the Tulip Inn Regency (Furnished apartments) (occupancy rates increased from 33.9% in 2010 to 42.1% in 2011) and the Half Moon Holiday Inn Beach Resort (occupancy rates increased from 42.1% in 2010 to 46.0% in 2011). The revenue of the head office of the Hotel division included revenue from Diamond Cards and office lease. In 2012, revenue increased to SAR 45.7 million, which was mainly due to the addition of Al Yamama Resort (31 rooms). The 3.3% decrease in other revenue in 2012 to SAR 44.2 million was mainly due to the drop in occupancy rates at Holiday Inn Half Moon Bay Resort from 50.1% in 2012 to 45.8% in 2013. Looking at the entire period from 2010 to 2013, resort and furnished apartment revenues increased at a CAGR of 12.5%.

Like-for-like Hotel Analysis Hotels Revenue

Table 6–5 Like-for-Like Hotel Analysis* Hotels Revenue

SAR ('000)	No.	2010	2011	2012	2013	YoY 2010-2011	YoY 2011-2012	YoY 2012-2013	CAGR 2010-2013
Core Hotels	14	282,152	302,091	309,044	305,278	7.1%	2.3%	(1.2%)	2.7%
Hotels opened in FY 2009	6	70,035	90,939	97,339	99,814	29.8%	7.0%	2.5%	12.5%
Hotels opened in FY 2011	1	-	5,651	23,569	26,002	-	317.1%	10.3%	-
Hotels opened in FY 2012	4	-	-	28,195	80,254	-	-	184.6%	-
Hotels opened in FY 2013	2	-	-	-	23,928	-	-	-	-
Closed Hotels	1	16,778	18,279	12,206	-	8.9%	(33.2)%	-	-

(000') SAR	No.	2010	2011	2012	2013	YoY 2010-2011	YoY 2011-2012	YoY 2012-2013	CAGR 2010-2013
SUB-TOTAL		368,964	416,961	470,352	535,276*	13.0%	12.8%	13.8%	13.2%
Other**		-	1,127	3,464	3,609	-	207.4%	4.2%	-
TOTAL	27***	368,964	418,087	473,816	538,885	13.3%	13.3%	13.7%	13.5%
Gross margin									
Core Hotels		40.9%	43.0%	43.3%	42.5%				
Hotel opened in FY 2009		29.8%	37.4%	37.5%	38.6%				
Hotels opened in FY 2011		-	(38.1%)	9.6%	15.9%				
Hotels opened in FY 2012		-	-	25.1%	32.9%				
Hotels opened FY in 2013		-	-	-	50.4%				
Closed Hotels		45.2%	50.3%	47.0%	-				
SUB TOTAL		39.0%	41.0%	39.4%	39.4%				
Other **		-	(41.1%)	47.9%	27.3%				
Total		38.6%	40.8%	39.5%	39.3%				

** Note: the above hotel revenue does not include outdoor restaurants revenue which amounted of SAR 14,180 Million (see table 6-6 "Hotel Revenue Analysis) and see section 1 "terms and definitions for defining the outdoor restaurants)*

*** these revenues were produced by the head office of the Hotel Division*

****It doesn't include Holiday Inn Al Olaya because it is related to Affiliate company which is Touresco*

Source: Company

Core Hotels

Core hotels are those that opened before 2009 and were operational during the period from 2010-2013.

Core hotel revenue grew by 2.7% for the period 2010-2013 as most core hotels had reached peak performance. Core Hotels were able to maintain gross margins at around 42.4% of the total hotel revenue for 2013 due to the increase in ADRs at the Golden Tulip Al Baha Palace from SAR 194 to SAR 499, Red Sea Palace in Jeddah from SAR 287 to SAR 407 and the Holiday Inn Al Salam in Jeddah from SAR 272 to SAR 363.

Hotels that Opened in 2009

Hotels that opened in 2009 contributed the majority of revenue growth during the period 2010-2012. Among the hotels opened in 2009 are the Tulip Inn Taif, Golden Tulip Hail, Al Khobar Corniche Holiday Inn, Hilton Garden Inn Al Olaya in Riyadh, Haql Beach Resort and Tulip Inn Regency Jeddah. (see section 4-5-1 Hotels sector to find the dates of opening hotels)Hotels that opened in 2009 achieved an average gross profit of 35.8% during the period 2010-2013 due to the increase in occupancy rates in Golden Tulip Hail from 53% to 59%, Holiday Inn Al Khobar Corniche Holiday Inn from 48% to 67.9% and Hilton Garden Inn Al Olaya in Riyadh from 52.8% to 59.5%. The Company anticipates that these hotels will witness an increase in gross margins once the depreciation expenses related to furniture are completed in 2014, to a level close to the gross margins of the Company's core hotels Since the company's policy is based on the depreciation of furniture and furnishings to 4 years (25%) which means the depreciation expense will end by the end of 2015 for all hotels opened in 2009, depreciation expense will end at the end of 2013.

Hotels that Opened in 2011

Novotel Business Park Dammam was the only hotel that opened in 2011 and the Company management believe it is still in its ramp-up phase due to its location in the industrial area of Dammam. The hotel contributed revenue of SAR 23.6 million in 2012 and a gross profit margin of 9.6%. In 2013, the hotel's revenue climbed by 10.3% to reach SAR 26.0 million and the overall gross profit margin increased to 15.9%.

Hotels that Opened in 2012

Hotels that opened in 2012 contributed SAR 28.2 million and SAR 80.3 million to the total revenues in 2012 and 2013 respectively. Hotels that opened in 2012 include the Tulip Inn Yanbu, Riyadh Suite Novotel, Al Hamra Pullman in Jeddah and Al Yamama Resort. In general, these hotels, still in their initial operational years were able to achieve gross margins of 25.1% in 2012, which increased to 32.9% of the total revenues of these hotels.

Hotels that Opened in 2013

Hotels that opened in 2013 contributed SAR 23.9 million in 2013, which includes hotels that opened in 2013 which are Hillton Double Tree Al Dhahran, Golden Tulip Al Jubail. In general, these hotel were able to achieve gross profit 50.4% of total hotels revenue where they were in their first operational year in 2013.

Hotels that Closed

Only one hotel was closed by the Company during the period 2010-2013 which is Tulip Inn Olaya house because of the lack of an agreement between the owner and the company on the new contractual terms which led to halt in the the operations. The gross profit margin of the closed hotel (Tulip Inn Al Olaya House) increased from 43.7% in 2010 to 50.3% in 2011 driven by an improvement in occupancy rates (from 67.8% in 2010 to 72.0% in 2011). The gross profit margin then decreased to 47.0% in 2012 with revenue declining after the end of its lease in August 2012 when the landlord decided not to renew the lease.

Other Revenue

Other revenue represents the income from hotel's head office that include the income from hotel management fees collected from a related party, representing 5% - 6% out of total revenue of Golden Tulip suites hotel Dubai in UAE during 2012 and 2013, as the Company manages and supervises the hotel (see section 11.3 "Summary of Related Party Agreements and Transactions"). revenues from hotel's head office include revenue from Diamond Cards and office rent representing revenue resulting from lending part of the Company's offices to a third party.

Hotel Revenue Analysis

Table 6–6 Hotel Revenue Analysis, 2010-2013

SAR ('000)	2010	2011	2012	2013	YoY 2010-2011	YoY 2011-2012	YoY 2012-2013	CAGR 2010-2013
Room Revenue	248,093	278,902	307,873	349,601	12.4%	10.4%	13.6%	12.1%
F&B Revenue	106,266	119,033	139,071	159,023	12.0%	16.8%	14.3%	14.4%
Restaurant Revenue	14,622	10,464	9,113	14,180	(28.4%)	(12.9%)	55.6%	(1.0%)
Other Revenue	14,606	20,152	26,872	30,261	38.0%	33.3%	12.6%	27.5%
Total Revenue	383,586	428,551	482,929	553,065	11.7%	12.7%	14.5%	13.0%
As a % of Revenue								
Room Revenue	64.7%	65.1%	63.8%	63.2%				
F&B Revenue	27.7%	27.8%	28.8%	28.8%				
Restaurant Revenue	3.8%	2.4%	1.9%	2.6%				
Other Revenue	3.8%	4.7%	5.6%	5.5%				
KPIs								
Occupancy Rate(%)	57.3%	61.2%	59.4%	60.6%				
No. of Rooms available	2,645	2,817	3,226	3,305				
RevPAR (SAR)	259	283	285	293				
ADR (SAR)	452	462	480	484				
No. of Restaurants	14	11	12	11				

Source: Company

Room Revenue

The Company mainly operates 3 and 4 star hotels. Among its 3 star hotels are the Golden Tulip and Tulip Inn, while Holiday Inn represents the majority of the 4 star hotel category. There are two hotels in the 5 star category, namely Holiday Inn Al Qasr and Al Hamra Pullman in Jeddah managed by Accor. Other revenue represents revenue from Al Sulaimania Villas, Al Takhassusi Apartments and Tulip Inn Regency Furnished apartments in Jeddah in addition to the resorts.

In 2011, room revenues increased by 12.4% from SAR 248.1 million in 2010 to SAR 278.9 million in 2011, primarily due to an increase in occupancy rates from 57.3% to 61.2% along with an increase in RevPAR by 9.3%. The hotels which contributed to the increase in occupancy rates include Holiday Inn Salam Jeddah (69.5% in 2010 to 78.1% in 2011), Golden Tulip Al Khobar (65.3% in 2010 to 75.5% in 2011), Holiday Inn Al Khobar Corniche (48.0% in 2010 to 65.6% in 2011) and Hilton Garden Inn Olaya Riyadh (52.8% in 2010 to 65.3% in 2011). The number of rooms also increased in 2011 by 6.5% due to the opening of Novotel Business Park Dammam with 159 rooms and the expansion of Holiday Inn Al Khobar-Corniche which led to an addition of 8 new rooms in 2011.

In 2012, room revenue increased by 10.4% from SAR 278.9 million in 2011 to SAR 307.9 million in 2012 primarily due to a net increase of 14.5% in the number of rooms from the opening of three new hotels and new resort. Also an increase of 0.9% and 4.0% in RevPAR and ADR. The opening of new hotels include The Pullman Jeddah Al Hamra, Suite Novotel Riyadh, Tulip Inn Yanbu and Al Yamamah Resort. The increase in the number of rooms, Rev PAR and ADR offset the decrease of 1.8% in occupancy rate during 2012.

In 2013, room revenue increased by 13.6% from SAR 307.9 million in 2012 to SAR 349.6 million in 2013, mainly due to the opening of two new hotels, namely Hilton Double Tree Al Dhahran and Golden Tulip Al Jubail in addition to the revenue from Al Hamra Pullman, which was leased and operated during the last quarter of 2012. Occupancy rates and REVPar also increased to 60.6% and SAR 293 respectively.

Hotels Food and Beverages Revenue (F&B)

F&B revenue is driven by restaurants in hotels, banquet halls, room service, external catering and mini bar sales in hotel rooms.

Hotels F&B revenue increased by 12.0% from SAR 106.3 million in 2010 to SAR 119.0 million in 2011, in line with the growth in room revenue, primarily due to an increase in F&B revenues from Holiday Inn brand, which increased due to the opening of a new banquet hall in Holiday Inn Al Khobar-Corniche. F&B revenues also increased due to the opening of Novotel Business Park Dammam in mid 2011.

In 2012, hotels F&B revenue increased by 16.8% from SAR 119.0 million in 2011 to SAR 139.1 million in 2012, in line with room revenue, primarily due to a full year of operations after opening the Novotel Business Park Dammam and the opening of a banquet hall in Golden Tulip Hail.

In 2013, F&B revenue increased by 14.3% from SAR 139.1 million in 2012 to SAR 159 million in 2013 due to the opening of the Hilton Double Tree in Dhahran and the Golden Tulip in Jubail, the full operation of Al Hamra Pullman hotel and the outside catering services provided by Holiday Inn Al Qasr (which accounted for 3% of overall F&B revenue (i.e. 0.9% of total hotel revenue)).

Restaurant Revenue

Restaurant revenue is generated from outdoor restaurants (see section 4.5.1.3 “Restaurants” for a list of the Company’s Restaurants). The Company operates a chain of restaurants, mainly located either in FECs, shopping centres or somewhere near by. In 2011, revenue from restaurants decreased by 28.4% from SAR 14.6 million in 2010 to SAR 10.5 million in 2011 as the Company decided to close two restaurants due to low popularity. The assets of these two restaurants (Brioche Doree) were sold at book value to Abdul Mohsen Al Hokair Establishment for Operation and Maintenance as the contract was in the establishment’s name, keeping in mind that the Company repurchased the assets of these two restaurants from the establishment. At present, the contract with the owner of the Brioche Doree brand is being assigned to the Company’s name (See section 11-3-9 “Purchase of Brioche Doree Assets” for further details on the transaction). A new restaurant was also opened (Fantasia Jeddah). In 2012, restaurants revenues further declined by 12.9% to SAR 9.1 million mainly due to the decline in revenues from Angus Wings and Brioche Doree restaurants and the closing of Angus Wings in Riyadh because of decreased in revenue and Perky’s Pizza in Makkahh because of the expropriation of the property in favor Al Mashaaer Al Mugaddassah Metro project for Fun Town park in Makkah.

In 2013, restaurant revenue increased by 55.6% from SAR 9.1 million in 2012 to SAR 14.1 million in 2013, mainly due to the opening of Marina restaurant in Khobar, which was able to achieve SAR 3.9 million in revenue in 2013.

Other Revenue

Other revenue comprises of rent from gift shops, salons, car leasing and the Company's share in health clubs revenue. It also includes revenue from telephone and laundry services, revenue generated by the Head Office of the Hotel Division comprised of Diamond Card revenues as well as hotels managed by the Company for other parties.

Table 6–7 Hotel Revenue - Other Revenue, 2010 – 2013

SAR ('000)	2010	2011	2012	2013	YoY 2010-2011	YoY 2011-2012	YoY 2012-2013	CAGR 2010-2013
Rent	5,438	5,652	7,320	5.851	3.9%	29.5%	20.1%	2.5%
Telephone	1,793	1,035	786	430	(42.3)%	(24.1)%	(45.3)%	(37.9)%
Cleaning	3,904	4,667	6,014	7,406	19.5%	28.9%	23.1%	23.8%
Health Clubs	-	4,567	5,372	7,228	-	17.6%	34.5%	25.8%
Other	3,470	4,230	7,380	9,345	21.9%	74.5%	26.6%	39.1%
TOTAL	14,606	20,152	26,872	30,261	38.0%	33.3%	12.6%	27.5%

Source: proforma consolidated financial statements 2010-2012 and audited financial statements in 2013

** Health clubs revenue were classified as income from discontinued operations*

On 1 January 2011, the management of the health club division of the Company that was transferred to Abdul Mohsin Al Hokair Group Establishment for Operation and Maintenance. In exchange, the Company received approximately 25% of the total revenue which is paid to the Company and recorded as health clubs. Revenue from health clubs realized in 2010 was entered under "income from discontinued operations". From 2011 till 2012, revenue from health clubs was recorded under health clubs. In 2013, the health club agreement was amended and the Company's share of total health clubs revenue was increased to 27.5%. Accordingly, other hotel revenue increased by 38.0% from SAR 14.6 million in 2010 to SAR 20.2 million in 2011, mainly due to an increase in rent received from health clubs. In 2012, other revenue grew by 33.3% from SAR 20.2 million in 2011 to SAR 26.9 million in 2012 primarily due to an increase in rental and management revenues and health clubs revenue. (Please refer to section 11-3-5 "Service Agreements For Health Clubs" for further information on the transfer of health clubs assets operation).

Other revenue mainly comprises management fees and income from Diamond Cards. Other revenue grew from SAR 3.5 million in 2010 to SAR 4.2 million in 2011. This was mainly due to revenue from Diamond Cards (SAR 824,000) and ATM rentals (SAR 528,000). They increased further to SAR 7.4 million in 2012 due to discounts from suppliers (SAR 1.2 million) and revenue from Al Yamama Park (SAR 1.4 million).

In 2013, other revenue increased by 12.6% from SAR 26.9 million in 2012 to SAR 30.3 million in 2013. This is mainly due to an increase in the Company's share in health club revenue from 25% to 27.5% in addition to an increase in laundry service revenue by 23.1% from 2012 to 2013 due to the establishment of the Central laundry in Holiday Inn - AlKhobar in addition, the management from the hospitality division was able to take a discount from suppliers for the establishment of the central laundry in Holiday Inn Al Khobar at SAR 2.7 million in 2013 in comparison to SAR 1.1 million in 2012.

6 - 5 - 1 - 1 - 4 Entertainment Division Revenue

Table 6–8 Entertainment Division Revenue by Type, 2010-2013

SAR ('000)	2010	2011	2012	2013	YoY 2010-2011	YoY 2011-2012	YoY 2012-2013	CAGR 2010-2013
Rides and Video Games	206,831	231,277	265,551	256,985	11.8%	14.8%	(3.2%)	7.5%
Rent	19,246	18,768	19,158	18,337	(2.5%)	2.1%	(4.3%)	(1.6%)
Other	27,939	32,128	29,571	34,770	15.0%	(8.0%)	17.6%	7.6%
TOTAL	254,016	282,173	314,280	310,092	11.1%	11.4%	(1.3%)	6.9%
KPIs								
No. of Visitors (000')	7,841	8,339	9,177	8,679				
Spending per Visitor (SAR)*	26	28	29	30				
Unused credit on cards as a % of Other Revenue	51.5%	48.0%	42.0%	31.4%				

Source: proforma consolidated financial statements 2010-2012 auditied consolidated financial statements in 2013

** represents revenue from rides and video games divided by the number of visitors.*

Rides and Video Games

Revenue from rides and video games relates to revenues from the sale of cards charged electronically for rides and video games in all of the Company's parks and venues across the Kingdom. Revenue from rides and video games on average generated 82.7 % of the entertainment division revenues between 2010 and 2013.

In 2011, revenue from rides and video games increased by 11.8% from SAR 206.8 million in 2010 to SAR 231.3 million in 2011 due to an increase in the number of visitors and the average spending per visitor. In 2011, the number of visitors increased by 6.4% from 7.8 million visitors in 2010 to 8.3 million visitors in 2011, which is mainly driven by the openings of four new indoor parks including two in Riyadh, one in Abu Dhabi and one in Al Ain. In 2011, the average spending per visitor increased by 5.1% from SAR 26.0 in 2010 to SAR 28.0 per visitor in 2011 mainly due to the rise in disposable household income and the rise in domestic tourism because of political unrest in neighbouring countries such as Egypt, Syria and Tunisia.

In 2012, revenue from rides and video games increased by 14.8% from SAR 231.3 million in 2011 to SAR 265.6 million in 2012 due to an increase in game prices and the the number of visitors and average spending per visitor. In 2012, the number of visitors increased by 10.1% from 8.4 million visitors in 2011 to 9.2 million visitors in 2012 due to the expansion in indoor parks with the openings of two new locations in Jeddah and Ras Al Khaimah. In 2012, the average spending per visitor increased by 4.3% from SAR 28.0 per visitor in 2011 to SAR 29.0 per visitor in 2012.

In 2013, revenue from rides and video games decreased by 3.2% from SAR 265.5 million in 2012 to SAR 256.9 million in 2013, mainly due to the closing of two entertainment venues in the last quarter of 2012, namely Digital Land in Al Khurais Center and Sahil Al Thumama because of the termination of the agreement due to the disagreement due to the disagreement due to the disagreement on the terms of the contract between the Company and the landlord.that led to halt the operations .Rides and video games revenue from both locations reached around SAR 3 million in 2012, note that the assets of these centres had been transferred to other entertainment centres Furthermore, the number of visitors fell from 9.2 million in 2012 to 8.7 in 2013 as Ramadan coincided with the summer holidays, which had an impact on the number of visitors to the Company's venues, and shortening the operation season. As most visitors prefer to take their vacations before Ramadan. There was also the partial closing of Happy Land in Dammam for video arcade renovations and the construction of the Go-Carting track as well as the period in which Metropolis Panorama was closed over the same period.

Rent Revenue in Entertainment Sector

Rent revenue relates to the rental income of shops within the entertainment parks. Rent revenue remained broadly consistent between 2010 and 2013 comprising, on average, 6.5% of the total entertainment division revenues during that period. There was no increase in rent revenue despite the opening of new locations as this was offset by the closing of others location in 2011, which are Al Thumama park in Riyadh and, Fun Town in Makkah and Luna park in Al Madinah, that represent 1.2% of Company's total revenue in 2011, And closing two locations in 2012 which are Sahil Al Thumama park, Digital Land center Al Khuris that represent 0.4% of company;s total revenue in 2012. Al Thumama park Sahil Al Thumama park and Digital Land center Al Khuris have been closed because of the termination of their agreements due to the disagreement on the terms of the contract between the Company and the landlord that led to supervision of the operations. While the closing of Fun Town in Makkah was due to expropriation of property in favour of Al Mashaaer Al Mugaddasah Metro project. Rent revenue decreased by 4.3% in 2013 due to the closing of some shops in several centers because of marketing division requests and the reconciliation of the working force statuses in such shops.

Other Revenue

Other revenue primarily included the unused portion of cards relating to rides and video games; the Company policy is to consider unused credit as realised revenue one month after the purchase or recharge of a card. Other revenue also includes revenues generated through school trips and parties, toy and gift shops within the entertainment centres, management income from managing Al Hokair Land Theme Park and Oceanica Galleria, and revenues from light snack kiosks located in family entertainment centres. In 2011, other revenue increased by 15.0% from SAR 27.9 million in 2010 to SAR 32.1 million in 2011 primarily due to an increase in gift and toyshop sales as a result of the development and expansion of such shops in the entertainment centres and increased income from school trips. In 2012, other revenue decreased by 8.0% from SAR 32.1 million in 2011 to SAR 29.6 million in 2012 primarily due to the unused portion of cards used for rides and video games. However, this was offset by an increase in revenue from rides and video games. In 2013, other revenue increased due to the increase in toy and gift shop sales driven by the updates to the Go Go Toys shops in FECs where toys sales increased by approximately SAR 2 million in 2013 in comparison to 2012, as well as revenue from sponsors and the entertainment portfolios of companies and individuals.

Like-for-like Analysis of the Entertainment Sectors

Table 6–9 Entertainment Revenue by Type, 2010-2013

SAR ('000)	No. of Outlets	2010	2011	2012	2013	CAGR 2010-2013
Core FECs	32	183,839	195,865	214,723	210,853	4.7%
Opened 2010	7	42,958	54,870	56,584	49,090	4.5%
Opened 2011	4	-	8,807	25,727	26,432	-
Opened 2012	2	-	-	3,678	7,216	-
Opened 2013	3	-	-	-	3,185	-

SAR ('000)	No. of Outlets	2010	2011	2012	2013	CAGR 2010-2013
Closed	7	19,635	14,127	3,664	-	(100.0%)
Total Centres	55	246,432	273,669	304,376	296,776	6.4%
Other	2	7,584	8,504	9,903	13,316	20.6%
Grand Total	57	254,016	282,173	314,279	310,092	6.9%
% of Total Revenue						
Core FECs		72.4%	69.4%	68.3%	68.0%	
Opened 2010		16.9%	19.4%	18.0%	15.8%	
Opened 2011		0.0%	3.1%	8.2%	8.5%	
Opened 2012		0.0%	0.0%	1.2%	2.3%	
Opened 2013		0.0%	0.0%	0.0%	1.0%	
Closings		7.7%	5.0%	1.2%	0.0%	
Other		3.0%	3.0%	3.2%	4.3%	
TOTAL		100.0%	100.0%	100.0%	100.0%	

Source: Company

Core FECs are entertainment centres and parks that began their operations prior to 1 January 2010 and were operational during the period 2010-2013.

Revenue from Core Investments

Revenue from core FECs grew across all areas at a CAGR of 4.7% from SAR 183.8 milllion in 2010 to SAR 210.8 million in 2013. This increase was due to the completion of the ramp-up phase of a number of centres that opened prior to 2010 such as Sparky's in Al Andalus Mall, Jeddah, Sparky's Red Sea Mall, Jeddah and Fun Studio in Dareen Mall, Dammam, which was opened during the end of 2009. Therefore, its operations increased to the expected level during 2010 and 2011. This also applies to Fun Studio Al Manar in Madinah, which was opened during the first quarter of 2009. The continuous development policy whereby the entertainment portfolio of rides and electronic games is improved, whether by adding new ideas and games or rotation of popular rides and games between different centres. The Company also holds events and summer festivals during holidays and invites entertainment shows from around the world during summer holidays, which helped increase revenues.

Another factor that helped increase revenue from core FECs was the development of gift and toyshops in the entertainment centres, in addition to creating the "Go-Go Toys" brand, which helped increase sales of gifts and toys during that period. More school trips were arranged through competitive packages that were offered by entertainment centres and party halls within such centres. During the period from 2010 to 2013, the Company launched the card system in many of its major outlets to enable customers to use the Company's game cards in different locations and cities in KSA. This helped revenues to increase. Both the increase in disposable income that followed the salary increase in 2011 as well as the rise in domestic tourism as a result of the political unrest in neighbouring countries that used to be popular destinations for Saudis led to an increase in the number of visitors to entertainment centres at a CAGR of 3.7% from 6.2 million visitors to 6.8 million visitors during the period 2010-2013. To enhance revenue, the Company continuously examines its entertainment package prices to offer new packages at better prices to attract customers and stay proportionately in line with inflation rates.

Centres Opened in 2010

Entertainment centres opened in 2010 continuously increased revenues during the period 2010 to 2013 at a CAGR of 4.5% from SAR 42.9 million in 2010 to SAR 49.1 million in 2013. This is mainly due to the revenue generated from the Metropolis (Panorama Mall) in Riyadh, which is equipped with the latest rides, toys and video games. Since the end of 2011, the centre also featured the largest indoor rollercoaster, in addition to a children's gift shop equipped with the latest toys and cartoon figures, an ice skating rink and a banquet hall. These factors, in addition to Metropolis being situated in one of the largest and most prestigious malls in Riyadh, led to an increase in its revenues as spending per visitor rates was also high. The Digital Land Jizan in Al Rashid Mall in Jizan. The entertainment centre is equipped with the latest games and toys as well as a skating rink. The total revenue of centres that opened in 2010 increased gradually due to the start-up phase of these centres as well as the completion and preparation of commercial centres and food courts where these centers are located.

Centers opened in 2011

Centres that opened in 2011 include Sparky's Kingdom Mall in Riyadh, which is located in one of the most prestigious commercial centres in Riyadh. The centre was opened next to the food court and was equipped with the latest video and electronic games, a gift shop and a toyshop that offers popular toys for children. This helped to increase the centre's revenues during 2012 and 2013. The average spending per visitor increased from SAR 12.9 in 2011 to SAR 24.8 by the end of 2013. In addition, Sparky's opened in Lulu Centre in one of the most well-known commercial centres in Riyadh. Two more entertainment centres were opened in the last quarter of 2011 outside KSA; namely Sparky's in Mushrif Mall in Abu Dhabi and Sparky's Digital in Al Foah Centre in Al Ain, UAE. Both centres generated high revenue during 2012 as they reached maturity and reached the anticipated operational and performance levels within the year. The revenue in Sparky's Mushrif increased by more than SAR 10 million and Sparky's Al Foah achieved more than SAR 1.8 million in 2012 compared to 2011. Centres that opened in 2011 witnessed a significant increase in revenue in 2012 at a CAGR of 70.9% from SAR 8.8 million in 2011 to SAR 25.7 million in 2012. The increase in revenue continued in 2013 reaching SAR 26.4 million at a CAGR of 73.2% compared to 2011.

Centers Opened in 2012

In 2012, two centers opened, namely Fantasia Land in Jeddah, an outdoor center which opened at the end of the first quarter of 2012 and operated for 10 months and Sparky's in Ras Al Khaimah in UAE. The revenues for these centers increased from SAR 3.6 million in 2012 to SAR 7.2 million in 2013 as they reached operational maturity, especially Sparky's RAK which witnessed an increase in revenue of nearly 100% in 2013 compared to 2012 after being operational for the entire year of 2013.

Centers Opened in 2013

Digital Land Gardenia in Riyadh, Sparky's Al Dana in Jubail and Sparky's Al Ghurair in Dubai opened in 2013 and achieved revenues of SAR 3.2 million. It is worth mentioning that these locations opened in the third and fourth quarter of 2013 and as such, the revenue achieved in 2013 does not represent the anticipated revenue for these centers in the future.

Closed Centers

Although the Company closed seven centers and parks during 2010 to 2012, which were Sahil Al Thumama park in Riyadh, Luna park in Al Madinah and Digital Land center Al Khuris due to the termination of their agreements because the Company and the landlord failed to agree on the terms of the contract. The Company also closed Fun Town park in Makkah because of the expropriation of the property in favour of Al Mashaaer Al Mugaddasah Metro project in Makkah. In addition, the Company also closed Happy Farm Al Aziziya center and Xtreme center in Al Rashid Mall because theywere not contributing to the profitability of the Company. The Company did, however, open sixteen new entertainment centers and parks over the same periode. As such, the Company's revenue from the entertainment division increased at a CAGR of 6.9% over that period.

6 - 5 - 1 - 2 Cost of Sales and Gross Profit

Table 6–10 Direct Cost by Division, 2010-2013

SAR ('000)	2010	2011	2012	2013	YoY 2010-2011	YoY 2011-2012	YoY 2012-2013	CAGR 2010-2013
Hospitality	242,871	258,395	297,408	342,495	6.4%	15.1%	15.2%	12.1%
Entertainment	172,886	183,111	198,650	205,798	5.9%	8.5%	3.6%	6.0%
Other	4,854	5,345	5,662	5,915	10.1%	5.9%	4.5%	6.8%
TOTAL	420,611	446,851	501,720	554,208	6.2%	12.3%	10.5%	9.6%
% of Overall Revenue								
Hospitality	63.3%	60.3%	61.6%	61.9%				
Entertainment	68.1%	64.9%	63.2%	66.4%				
Other	42.5%	45.1%	39.3%	35.0%				
TOTAL	64.8%	61.8%	61.8%	63.0%				

Source: Proforma consolidated Financial Statementsfor 2010-2012 and Audited Consolidated Financial Statementsfor 2013

Direct cost is comprised of operational costs such as depreciation, rent, franchise and management fees for hotel operators, salaries and allowances in addition to utilities and maintenance. Total direct costs increased at a CAGR of 9.6% from SAR 420.6 million to SAR 554.2 million from 2010 to 2013. This increase was mainly due to an increase in rent and franchise and management fees at a CAGR of 7.8% from SAR 122.5 million to 153.5 million during that period. However, as a percentage of total revenue, rent and franchise and management fees decreased from 18.9% in 2010 to 17.4% in 2013. In addition, cost of salaries and allowances increased at a CAGR of 18.1% from SAR 89.5 million to 147.5 million from 2010 to 2013. The cost of salaries and allowances accounted for 16.8% of revenue in 2013 compared to 13.8% in 2010. This was mainly due to the increase in the minimum salary for Saudi nationals in addition to an increase in Saudisation in line with Niakat requirements. Additionally, the increase in staff is associated with the opening of new enteretainment centers and hotels over the same period, where the number of employees whose salaries are related to the direct costs have increased from 1,974 employee in 2010 to 2,658 employee in 2013. It is clear that the increase in the salaries and allowances is not in line with the size of the increase in the number of employees. This was due to the fact that the Company was paying salaries and allowances expenses to a number of the employees who were not on the sponsorship of the Company, as a result of that the number of employees increased with a larger magnitude than the salaries and allowances expenses. However, as a result of the Company's ability to increase its revenue at a pace higher than the rise in direct operational costs, direct costs as a percentage of revenue declined from 64.8% in 2010 to 63.0% in 2013. The transactions with the Company's top five suppliers accounted for 10.5% of total supplier transactions. These suppliers are:

- Saudi Fisheries Co.
- Fiafi Al Madina Trading
- Toy Triangle
- Darsie S.R.I. and
- I.E. Park

Direct costs of Hospitality Division

Table 6-10 (A) Direct Cost of Hospitality Division

SAR ('000)	2010	2011	2012	2013	YoY 2010-2011	YoY 2011-2012	YoY 2012-2013	CAGR 2010-2013
Depreciation	40,836	46,648	48,435	45,232	14.2%	3.8%	(6.6%)	3.5%
Rent	46,770	48,018	55,247	64,933	2.7%	15.1%	17.5%	11.6%
Salaries and allowances	55,953	61,414	75,055	93,945	9.8%	22.2%	25.2%	18.9%
Food and beverages	36,171	38,406	40,984	46,566	6.2%	6.7%	13.6%	8.8%
Others	63,141	63,909	77,686	91,819	1.2%	21.6%	18.2%	13.3%
Total	242,871	258,395	297,407	342,495	6.4%	15.1%	15.2%	12.1%

Source: Company

The direct costs of the Hospitality Division increased at a CAGR of 12.1% from SAR 242.9 million to 342.5 million from 2010 to 2013, this increase was in line with the expansion in the Hospitality Division operations (See section 6-5-1-1-3 for all the information on recently opened hotels). Depreciation expenses have increased from SAR 40.8 million to SAR 45.2 million for the period from 2010 to 2013, at a CAGR of 3.5% given the increase in depreciation expenses which have increased with the additions in property and equipment given the expansion of the Company's operation. Rent expenses have increased from SAR 46.8 million to SAR 65.0 million for the period from 2010 to 2013, at a CAGR of 11.6% because of opening new hotels during that period. In addition, salaries and allowances expenses have increased from SAR 56.0 million to SAR 94.0 million during the period from 2010 to 2013, at a CAGR of 18.9% due to hiring new staff to manage the Company's newly opened hotels and entertainment centers as well as amending the sponsorship of many of the Company's staff in 2013. There was an increase in the number of employees whose salaries are associated with direct cost in Hospitality Division from 1,285 employee in 2010 to 1,404 employee in 2013. Furthermore, F&B expenses (expenses of the restaurants located within and outside the Company's hotels and F&B offered to the hotels' guests) increased at a CAGR of 8.8% from SAR 36.2 million to 46.6 million.

Other direct costs consist of utility, maintenance and equipment expenses and franchise fees. The direct cost margin of the Hospitality Division decreased from 63.3% in 2010 to 61.9% in 2013 as the Company was able to increase its revenue in the hospitality division at a higher rate than the increase in the direct costs of the division.

Direct Costs for Entertainment Division

Table 6-10 (B) Direct Costs for Entertainment Division

SAR ('000)	2010	2011	2012	2013	YoY 2010-2011	YoY 2011-2012	YoY 2012-2013	CAGR 2010-2013
depreciation	47,508	51,165	50,800	52,701	7.7%	(0.7%)	3.7%	3.5%
Rent	61,921	64,723	72,637	62,780	4.5%	12.2%	(13.6%)	0.5%
Salaries and allowances	32,399	33,796	39,802	51,078	4.3%	17.8%	28.3%	16.4%
Others	31,058	33,428	35,410	39,239	7.6%	5.9%	10.8%	8.1%
Total	172,886	183,112	198,649	205,798	5.9%	8.5%	3.6%	6.0%

Source: Company

The direct costs for the Entertainment Division increased at a CAGR of 6.0% from SAR 172.9 million to 205.8 million from 2010 to 2013, at a CAGR of 6.0% which is in line with the expansions in the Entertainment Division (See setion 6-5-1-1-4 "Like-for-Like analysis of Entertainment Divison Revenues" for more information on the newly opened entertainment centres). Depreciation expenses have increased from SAR 47.5 million to SAR 52.7 million for the period from 2010 to 2013, at a CAGR of 3.5% due to the increase in additions in games and rides which have increased in line with the expansions in the Company's operations. Rental expenses have also increased from SAR 61.9 million in 2010 to SAR 62.8 million in 2013, at a CAGR of 0.5% because of opening of new entertainment centers during that period. In addition, salary and allowance costs increased at a CAGR of 16.4% from SAR 32.4 million to SAR 51.0 million from 2010 to 2013 due to hiring new staff to manage the Company's new entertainment centers as well as the correction of the sponsorship status of many of the Company's employees which happened in 2013and the number of employees whose salaries are associated with direct cost increased in the Entertainment Division from 654 employee in 2010 to 1,221 employee in 2013.

Others direct costs consists utility, maintenance and equipment expenses and franchise fees. As is the case with the Hospitality Division and as a result of the Company's ability to improve the gross profit margin of the Entertainment Division, direct costs as a percentage of revenues of the Entertainment Division declined from 68.1% in 2010 to 66.4% in 2013.

Table 6-10 (C) Other Direct Costs

SAR ('000)	2010	2011	2012	2013	YoY 2010-2011	YoY 2011-2012	YoY 2012-2013	CAGR 2010-2013
depreciation	322	846	291	380	162.7%	(65.6%)	30.6%	5.7%
Rent	2,500	2,500	2,500	2,500	0.0%	0.0%	0.0%	0.0%
Salaries and allowances	1,165	1,082	1,713	2,457	(7.1%)	58.3%	43.4%	28.2%
Others	868	918	1,159	578	5.8%	26.3%	(50.1%)	(12.7%)
Total	4,855	5,346	5,663	5,915	10.1%	5.9%	4.4%	6.8%

Source: Company

Other direct costs are costs relating to the Company's head office as well as the operational expenses of Tabuk Center which increased at a CAGR of 6.8% from SAR 4.9 million to 5.9 million from 2010 to 2013.On the other hand, other revenue grew at a CAGR of 13.9%. This increase was largely due to the increase in salaries and allowances at a CAGR of 28.2% from SAR 1.2 million to 2.5 million from 2010 to 2013, at a CAGR of 28.2% over the period from 2010 to 2013. Mainly due to the correction of the sponsorship situation of the staff working that happened in the Company in 2013.

Table 6–11 Gross Profit by Division, 2010 - 2013

SAR ('000)	2010	2011	2012	2013	YoY 2010-2011	YoY 2011-2012	YoY 2012-2013	CAGR 2010-2013
Hospitality	140,716	170,157	185,521	210,570	20.9%	9.0%	13.5%	14.4%
Entertainment	81,130	99,061	115,630	104,294	22.1%	16.7%	(9.8%)	8.7%
Other	6,579	6,519	8,759	10,991	(0.9%)	34.4%	25.5%	18.7%
TOTAL	228,425	275,737	309,909	325,855	20.7%	12.4%	5.1%	12.6%
Gross Profit Margin								
Hospitality	36.7%	39.7%	38.4%	38.1%				

SAR ('000)	2010	2011	2012	2013	YoY 2010-2011	YoY 2011-2012	YoY 2012-2013	CAGR 2010-2013
Entertainment	31.9%	35.1%	36.8%	33.6%				
Other	57.5%	54.9%	60.7%	65.0%				
TOTAL	35.2%	38.2%	38.2%	37.0%				

Source: Proforma Consolidated Financial Statements 2010-2012 and Audited Consolidated Financial Statementsfor 2013

The cost of sales primarily includes rent, direct labour costs, depreciation and public utilities, management fees and royalty fees.

In 2011, cost of sales increased by 6.2% from SAR 420.6 million in 2010 to SAR 446.8 million in 2011 primarily due to the increase in cost of sales broadly across all business units as an outcome of growing business, particularly the opening of new hotels and entertainment centres. In 2012, the cost of sales increased by 12.3% from SAR 446.8 million in 2011 to SAR 501.7 million in 2012 primarily due to an increase in costs in the hospitality division by the opening of four new hotels and two new entertainment centres. In 2013, cost of sales increased by 10.5% amounting to SAR 554.2 million due to the opening of two hotels, namely Hilton Double Tree and Golden Tulip Al Jubail as well as the full operation of Al Hamra Pullman and the opening of three entertainment centres.

In 2011, the hospitality division's gross margin increased from 36.7% in 2010 to 39.7% in 2011 due to improved operational performance across all brands and the successful opening of hotels in 2009, namely Holiday Inn, Al Khobar Corniche and Hilton Garden Inn Olaya, Riyadh. The hospitality division's gross margin declined slightly from 39.7% in 2011 to 38.4% in 2012 primarily due to the increase in cost of sales associated with the opening of four new hotels. Moreover, a slight decline in occupancy rates associated with the opening of these new hotels which were still in the ramp up phase. On average, a period of two years is required for new hotels to reach the ramp up stage. In 2013, the hospitality division's gross margin slightly decreased from 38.4% in 2012 to 38.1% in 2013 due to the increase in operation costs related to the openings of the hotels in 2013, namely the Hilton Double Tree Dhahran and Golden Tulip Jubail.The gross margin also declined due to the decrease in occupancy rates at some hotels that were under renovation such as Tulip Inn, Dammam, Golden Tulip, Jeddah and Golden Tulip, Hail. Despite the decline, the gross margin of the hospitality division reached 37.0% in 2013 from 35.2% in 2010.

In 2011, the gross margin for the entertainment division increased from 31.9% in 2010 to 35.1% in 2011 primarily due to an increase in the profitability of indoor parks that was achieved by an increase in the number of visitors and accompanied by a decrease in rent. The improvement in the gross margin for the entertainment division in 2011 was driven by the performance of Metropolis Panorama Mall, Riyadh and Sparky's Salam Mall, Riyadh. In 2012, the gross margin increased from 35.1% to 36.8%, primarily due to increases in the gross profit margin generated by Company's indoor centers as well as the openings of two new locations. The ramp-up period for the entertainment division is typically faster than the hospitality division. The increase in gross margin for the entertainment division in 2012 was driven by Sparky's Kingdom Tower, Riyadh and Digital Land Rashid Mall, Jizan, in addition to the closing of some outdoor parks and a decrease in depreciation. In 2013, the gross profit margin decreased from 36.8% in 2012 to 33.6% in 2013, mainly due to the closing of two entertainment venues during the last quarter of 2012, namely Digital Land Khurais and Sahil Al Thumama as well as a low number of visitors during the season, which was shortened by its concurrence with Ramadan. It is worth mentioning that the gross margin of the entertainment division in 2013 reached 33.6% in comparison to 31.9% in 2010.

Gross Profit by Province

Table 6–12 Gross Profit Margins by Province. 2010 - 2013

Province	2010	2011	2012	2013
Central	39.0%	42.8%	44.3%	43.0%
Western	31.5%	34.1%	34.0%	34.1%
Eastern	31.0%	23.9%	32.9%	32.4%
UAE	50.7%	48.1%	39.5%	34.6%
TOTAL	35.2%	38.2%	38.2%	37.0%

Source: Company

Gross profit margin in the Central Province increased to 42.8% in 2011 from 38.5% in 2010 due to an increase in the gross margins of the hospitality and entertainment divisions by 5.2% and 7.8% respectively. This increase was the result of an increase in occupancy rates in Holiday Inn Al Qasr Olaya, Riyadh, Hilton Garden Inn Olaya, Riyadh and Tulip Inn al Olaya House, Riyadh. The improvement in the gross margins of the entertainment division was driven by the performance of Metropolis Panorama Mall and Sparky's Salam Mall in Riyadh. In 2012, the gross margin increased by 0.7% due to the improvement in the overall gross profit margin for the hotel division by 6.7%, although there was a partial drop in the hospitality division margin by 1.7% during the same period. The overall rise in gross profit margin in the Central Province was driven by Sparky's Kingdom Tower, Riyadh and Digital Land - Al Rasheed Mall, Jizan. The decline in the overall gross margin in the Central province in 2012 reflected the overall decline in occupancy rates of all Hotels in Riyadh as a result of new competition from the launch of new hotels such as Marriott, Crown Plaza and Mercure. In 2013, the Central Province gross margin slightly decreased from 43.3% to 43.0%, mainly due to a decrease in the gross margin of the entertainment division in the Central province because of the temporary shut-down of Metropolis and the closing of Digital Land Al Khurais at the end of 2012.

In the Western province, the gross margin in 2011 reached 34.1% in comparison to 31.5% in 2010. The increase in the hotel division gross margin was attributable mostly to the Red Sea Palace hotel in Jeddah. The gross margins declined slightly to 0.1% in 2012 as a result of a decline in hotel profitability by 2.8% caused by a slight decline in occupancy rates by 4.5% at the Red Sea Palace hotel in Jeddah in addition to the loss realized by restaurants in 2012. The Western province maintained a steady gross profit margin in 2013 due to the stability of occupancy rates in the hospitality division in the area. In addition to that Sparky's Al Andalus Mall in Jeddah and Vortex Al Arab Mall in Jeddah have contributed to improving the gross margin of the entertainment division because of the slight increase in the number of visitors to the entertainment venues.

The gross margin in the Eastern province increased from 31% to 32.4% from 2010 to 2013. This was mainly driven by the gross margin of the hotel division that increased from 32.1% in 2010 to 36.2% in 2013 mainly due to the full operation of Holiday Inn, Cornish and the opening of Novotel Business Park in 2011. The gross profit margin of the entertainment division has decreased by 10.8% during the period from 2010 to 2013 (it has decreased from 34.3% in 2010 to 23.6% in 2013) because of the video game renovations and the construction of the Go-Carting track in Happy Land Dammam during this period, which contributed in the operation of the center and the number of its visitors. The decrease in the number of visitors of Al Hufouf center and the increase in salary and allowances costs due to the correction of the sponsorship situation of the staff working at Al Hufouf center during 2013 has led to the decrease in the gross margins of Sparky's Al Hufouf, driven by the drop in footfall at the commercial center. The increasing gross profit margin of the hospitality division slightly offset the decreasing gross margin of total revenue of the entertainment division in the Eastern province.

In the UAE, gross profit margins decreased, but remained within acceptable limits, at 16.1% between 2010 and 2013 as a result of a decline in the number of visitors while the cost of staff and rent remained relatively stable, especially in the older centres (Al Khalidia, Mizyed and Al Raha).

6 - 5 - 1 - 3 Selling and Marketing Expenses

Table 6–13 Selling and Marketing Expenses, 2010 - 2013

SAR ('000)	2010	2011	2012	2013	YoY 2010-2011	YoY 2011-2012	YoY 2012-2013	CAGR 2010-2013
Gifts, promotions, advertising	9,131	9,504	13,417	11,982	4.1%	41.2%	(10.7%)	9.5%
Staff Cost	6,440	6,507	8,391	10,146	1.0%	29.0%	20.9%	16.4%
Marketing Fees	4,841	5,283	5,605	5,250	9.1%	6.1%	(6.3%)	2.7%
Other	3,060	4,240	3,629	5,676	38.6%	(14.4)%	56.4%	22.9%
TOTAL	23,472	25,533	31,042	33,055	8.8%	21.6%	6.5%	12.1%
As a % of Revenue								
Gifts, promotions, advertising	1.4%	1.3%	1.7%	1.4%				
Staff Cost	1.0%	0.9%	1.0%	1.2%				
Marketing Fees	0.7%	0.7%	0.7%	0.6%				
Other	0.5%	0.6%	0.4%	0.6%				
TOTAL	3.6%	3.5%	3.8%	3.8%				

Source: Proforma Consolidated Financial Statements2010-2012 and the Audited Consolidated Financial Statements,2013

In 2013, selling and marketing expenses mainly comprise gifts, promotions and advertisements plus staff and marketing costs. Selling and marketing expenses increased at a CAGR of 12.1% from SAR 23.5 million in 2010 to SAR 33.1 million in 2013. As a percentage of revenue, S&M expenses remained relatively stable and between the range of 3.5-3.8%.

Gifts, Promotions and Advertisement

In 2011, gifts, promotions and advertisement expenses increased by 4.1% from SAR 9.1 million in 2010 to SAR 9.5 million in 2011 and further grew by 41.2% to SAR 13.4 million in 2012. This was primarily due to an increase in the distribution of gifts and prizes, brochures and other advertising material related to four entertainment centres and one hotel in new locations. In 2012, expenses related to gifts, promotions and advertisements have increased by 41.2% from SAR 9.5 million in 2011 to SAR 13.4 million in 2012, mainly due to the increase in gifts, promotions, brochures and other marketing material that relates to four new hotels and two entertainment centers. As a percentage of revenue, gifts, promotions and advertising remained relatively stable throughout the period. In 2013, the cost of gifts, promotions and advertising decreased by 10.7% compared to 2012 because of the advertising and promotional campaigns related to the hotels and entertainment venues that opened in the end of 2011 and 2012.

Staff Costs

Staff costs are primarily related to the hospitality division whose salaries are associated with selling and marketing costs. In 2011, staff costs increased by 1.0% from SAR 6.4 million in 2010 to SAR 6.5 million in 2011 partly due to the increase in salaries as well as additional marketing employees hired for the opening of a new hotel. In 2012, selling and marketing staff costs increased further by 29.0% from SAR 6.5 million in 2011 to SAR 8.4 million in 2012, driven by hiring 24 new employees due to the opening of four new hotels. In 2013, staff costs reached SAR 10.1 million, an increase of 20.9% of selling and marketing staff costs compared to 2012 due to the full year adding selling team of Al Hamra Pullman in 2013 compared to three months in 2012. This was further impacted by marketing costs of Hilton Double Tree, Dhahran and Golden Tulip, Jubail.

Marketing fees

Marketing fees are primarily related to the hospitality division. In 2011, marketing fees increased by 9.1% from SAR 4.8 million in 2010 to SAR 5.3 million in 2011 primarily due to an increase in the priority club awards market expenses that fall within management fees and it is provisioned as well as marketing and reservation expenses and travel agent commissions. In 2012, market fees increased by 6.1% from SAR 5.3 million in 2011 to SAR 5.6 million in 2012 primarily due to an increase in priority club awards market expenses as well as marketing and reservation expenses, which is in line with the four new hotel openings. In 2013, marketing expenses decreased by 6.3% from 2012 due to the expiry of the Golden Tulip franchise agreement for Al Andalusia and the reduction of marketing expenses.

Other Expenses

Other expenses mainly comprise subscription fees and travel expenses. These expenses remained relatively stable as a percentage of revenues during the period under analysis. In 2013, other expenses increased by 56.4% from SAR 3.6 million in 2012 to SAR 5.7 million in 2013, mainly due to the festival that was organized by the entertainment division which included offers, international acts and various international performers during the Summer, as well as expenses related to the marketing of Al Hamra Pullman and the hotels that opened in 2013 including Golden Tulip, Jubail and Hilton Double Tree, Dhahran.

6 - 5 - 1 - 4 General and Administrative Expenses

Table 6–14 General and Administrative Expenses, 2010 - 2013

SAR ('000)	2010	2011	2012	2013	YoY 2010-2011	YoY 2011-2012	YoY 2012-2013	CAGR 2010-2013
Staff Costs	62,155	63,173	77,825	86,640	1.6%	23.2%	11.3%	11.7%
Professional Fees	1,630	1,405	3,684	1,967	(13.8%)	162.2%	(46.6%)	6.5%
Utilities	2,374	2,411	3,682	2,848	1.6%	52.7%	(22.7%)	6.3%
Rent	4,675	4,747	3,459	1,407	1.5%	(27.1%)	(59.3%)	(33.0%)
Maintenance	1,952	2,840	3,395	3,065	45.5%	19.5%	(9.7%)	16.2%
Banking Fees	2,371	2,267	2,909	3,154	(4.4%)	28.3%	8.4%	10.0%
Transport	1,567	1,532	2,452	3,458	(2.2%)	60.1%	41.0%	30.2%
Pre-opening costs	-	3,046	2,365	1,064	NA	(22.4%)	(55.0%)	NA
Insurance	1,853	2,014	1,989	2,335	8.7%	(1.2%)	17.4%	8.0%
Gov. Fees	854	1,224	974	3,807	43.3%	(20.4%)	290.9%	64.6%
Provisions for doubtful debt	1,460	5,086	927	1,098	284.4%	(81.8%)	18.4%	(9.1%)
Others	8,840	10,705	12,508	12,512	21.1%	16.8%	0.0%	12.3%
TOTAL	89,730	100,449	116,169	123,356	11.9%	15.6%	6.2%	11.2%
As a % of Revenue								

SAR ('000)	2010	2011	2012	2013	YoY 2010-2011	YoY 2011-2012	YoY 2012-2013	CAGR 2010-2013
Staff Cost	9.6%	8.7%	9.6%	9.8%				
Other G&A Expenses	4.2%	5.2%	4.7%	4.2%				
TOTAL	13.8%	13.9%	14.3%	14.0%				

Source: Proforma Consolidated Financial Statements 2010-2012 and Audited Consolidated Financial Statementsfor 2013

General and administrative expenses increased by 11.9% from SAR 89.7 million in 2010 to SAR 100.4 million in 2011 and continued to increase further by 15.6% to SAR 116.2 million in 2012 and 6.2% to 123.4 million in 2013. This continuous growth was largely driven by an increase in staff costs and other costs.

Staff Costs

Annual staff costs of employees whose salaries are related to general and administrative expenses that include head office employees and entertainment and hospitality division employees which include salaries and other related benefits. In 2011, these staff costs increased by 1.6% from SAR 62.2 million in 2010 to 63.2 million in 2011 due to a growth in employees from 637 to 708 employees. Staff costs continued to grow by 23.2% from SAR 63.2 million in 2011 to SAR 77.8 million in 2012 as the number of employees grew to 740 as well as an increase in average salaries from SAR 92,000 in 2011 to SAR 105,200 in 2012. In 2013, staff costs increased by 11.3% to SAR 86.6 million compared to SAR 77.8 million in 2012 because of the increase in minimum salaries for Saudi nationals Although there was a decrease in the number of employees whose salaries are related to general and administrative expenses to reach 708 employee in addition to the increase in Saudisation in line with Nitakat requirements. As a percentage of revenue, staff cost remained relatively stable during the period.

Professional Fees

Professional fees are mainly related to expenses in connection with the Company's consultancy and auditing fees. In 2011, professional fees decreased by 13.8% from SAR 1.6 million in 2010 to SAR 1.4 million in 2011 primarily due to a decline in audit fees. In 2012, professional fees increased by 162.2% from SAR 1.4 million in 2011 to SAR 3.7 million in 2012 as the Company engaged a number of external consultants some of which were, KPMG , DLA Piper , Gulfmerger, Ernst and Young whose work was related tothe acquisition of Sparky's. In 2013, professional fees decreased by 46.6% from SAR 3.7 million in 2012 to SAR 2.0 million in 2013 to return to normal levels after the expiry of the Company's external consultant contracts.

Utilities

Utilities remained relatively stable at SAR 2.4 million between 2010 and 2011. In 2012, utilities increased by 52.7% from SAR 2.4 million in 2011 to SAR 3.7 million in 2012 primarily due to internet leased lines and DSL expenses of SAR 1.3 million in connection with the installation of the "intercard" system in the entertainment division's centers. This allowed visitors to use their cards across different locations. In 2013, utilities decreased by 22.7% from SAR 3.7 million in 2012 to SAR 2.8 million in 2013 due to the completion of the installation and the launch of internet lines with the telecommunications company.

Rent

Rent expenses are mainly related to the location rental and the head office of hotels management costs associated with the regional offices of the entertainment division and the Company's employees' accommodation. In 2011, rent expense slightly increased by 1.5% from 2010 to 2011. In 2012, rent expense decreased by 27.1% from SAR 4.7 million in 2011 to SAR 3.4 million in 2012 and further decreased by 59.3% to SAR 1.4 million in 2013 due to a reclassification of some rent costs according to employees and additional benefits which were estimated at SAR2.5 million.

Maintenance

Maintenance expenses are associated with maintenance and special accommodations for staff working in the Company's sites in addition to administrative offices, buildings, cars and computers, which increased at a CAGR of 16.2% due to increase in the number of sites opened.

Bank charges

Commissions on credit cards, and bank fees related to opening and closing of letters of credit and letters of guarantee which have increased at a CAGR of 10.0% in line with higher revenue

Transportation

Fees and expenses of business trips for staff and senior management, which rose at a CAGR of 30.0% due to the number of international exhibitions held for the entertainment and hospitality industry.

Pre-opening expenses

Miscellaneous expenses related to the processing and preparation of the hotel and entrainment sites in the pre-opening stage.

Insurance

Associated with buildings and management cars insurance , which increase at a CAGR of 8.0% due to the increase in the number of sites opened.

Government fees

Government fees are related to the transfer of sponsorship, renewal of iqama, issuing work permits which have increased by 290.9% in 2013 due to the correction of sponsorship position of the Company's staff.

Provisions for doubtful debt

Consists of expenses related to provisions for doubtful debt. It is worthy to note that the provisions have increased in 2011 due to the creation of a provision for supplier and staff credits that the Company has envisioned would not be collected. The Company's policy is to create a 50% provision for its credits that have exceeded 360 days and 100% provision for its credits that have exceeded 720 days (on a case by case basis).

Other General and Administrative Expenses

Other expenses include visitors hospitality expenses such as foreign delegations, as well as stationery, publications and training expenses. These remained relatively stable as a percentage of overall revenue during the period.

6 - 5 - 1 - 5 Net Income

Table 6–15 Net income for FYs, 2010 - 2013

SAR ('000)	2010	2011	2012	2013	YoY 2010-2011	YoY 2011-2012	YoY 2012-2013	CAGR 2010-2013
Net Income from Main Operations	115,222	149,755	162,698	169,444	30.0%	8.6%	4.1%	13.7%
Share in net results of Affiliates	25,838	29,455	27,890	26,251	14.0%	(5.3%)	(5.9%)	0.5%
Financial Commitment	(13,567)	(11,444)	(7,667)	(9,433)	(15.6%)	(33.0%)	23.0%	(11.4%)
Other net income	4,280	11,815	7,545	11,959	176.1%	(36.1%)	58.5%	40.8%
Income from Ongoing Operations	131,774	179,581	190,466	198,221	36.3%	6.1%	4.1%	14.6%
Income from discontinued Ops.	10,109	-	-	-	-	-	-	-
Income before Zakat	141,883	179,581	190,466	198,221	26.6%	6.1%	4.1%	11.8%
Zakat	(2,752)	(3,800)	(4,620)	(2,567)	38.1%	21.6%	(44.4%)	(2.3%)
Net Income	139,131	175,781	185,846	195,654	26.3%	5.7%	5.3%	12.0%
Net Income Margin	21.4%	24.3%	22.9%	22.2%				
EPS	2.53	3.20	3.38	3.56				

Source: Proforma Consolidated Financial Statements 2010-2012 and the Audited Consolidated Financial Statements for 2013

Table 6–16 Share in Net Results of Affiliates

SAR ('000)	2010	2011	2012	2013	YoY 2010-2011	YoY 2011-2012	YoY 2012-2013	CAGR 2010-2013
Touresco	11,864	12,494	8,837	8,453	5.3%	(29.3%)	(4.3%)	(10.7%)
Al Qaseem	10,221	10,630	12,110	11,502	4.0%	13.9%	(5.0%)	4.0%
Asateer Company for Entertainment Projects,	2,760	3,223	4,072	3,351	16.8%	26.3%	(17.7%)	6.7%
Tarfeeh Company for Tourism Projects	2,449	3,107	2,869	2,945	26.9%	(7.7%)	2.6%	6.3%
Catering and Distribution Ltd.	(1,456)	-	-	-	(100%)	-	-	-
Gulf entertainment company**	-	-	-	-	-	-	-	-
TOTAL	25,838	29,455	27,890	26,251	14.0%	(5.3%)	(5.9%)	0.5%

SAR ('000)	2010	2011	2012	2013	YoY 2010-2011	YoY 2011-2012	YoY 2012-2013	CAGR 2010-2013
% of Net Income								
Touresco	8.5%	7.1%	4.8%	4.3%				
Al Qaseem	7.3%	6.0%	6.5%	5.9%				
Asateer	2.0%	1.8%	2.2%	1.7%				
Tarfeeh	1.8%	1.8%	1.5%	1.5%				
Catering and Distribution Ltd.	(1.0%)	0.0%	0.0%	0.0%				
TOTAL	18.6%	16.8%	15.0%	13.4%				

Source: Proforma Consolidated Financial Statements 2010-2012 and the Audited Consolidated Financial Statements for 2013

Note: sale of company's share in catering and distribution Ltd.

Note: Gulf entertainment company didn't start its activity and its expected to begin in the first quarter of 2015 (see section 4-11-6 " Gulf entertainment" for more information)

The sharein net results of affiliates increased by 14.0% from SAR 25.8 million in 2010 to SAR 29.5 million in 2011 primarily due to the increase in profitability of all the affiliates including Tourism and Real Estate Development Co. ("Touresco") which owns Holiday Inn, Olaya. The decrease in affiliates' income by 5.3% from SAR 29.4 million in 2011 to SAR 27.9 million in 2012 was mainly due to the decline in Touresco's revenue as a result of closing 70 rooms in Holiday Inn Al Olaya Riyadh for renovations. This was partially offset by the performance of Al Qaseem, Asateer and Tarfeeh. The Company's share in the net affiliates' performance decreased in 2013 by 5.9% from SAR 27.9 million in 2012 to SAR 26.3 million in 2013 as a result of the continued renovations in Holiday Inn Al Olaya and the start of renovations and restorations at Oceanica Center, Riyadh owned by Asateer during the fourth quarter of 2013.

Touresco is a closed joint stock company with a paid up capital of SAR 100 million. Its main activity is the management and operation of hotels. It currently owns the Holiday Inn, Olaya in Riyadh.

Al Qaseem is a limited liability company with a paid up capital of SAR 500,000. Its main activity is to purchase land and construct buildings with the intention of lease or sale. It also provides maintenance, operation and management of commercial centres and residential complexes. It owns Al Nakheel Plaza in Jeddah.

Asateer is a limited liability company with a paid up share capital of SAR 500,000. Its main activity is the management and operation of entertainment centres. It manages the Oceanica centre in Mall Galleria in Riyadh.

Tarfeeh is a limited liability company with a paid up share capital of SAR 1.0 million. Its main activity is the management and operation of entertainment establishments. It currently manages Fun Time in Jeddah.

Financial Charges

Financial charges decreased by 15.6% from SAR 13.6 million in 2010 to SAR 11.4 million in 2011 due to the repayment of loans. Financial charges decreased further to SAR 7.7 million in 2012 due to the repayment of bank loans. In 2013, financial charges increased to SAR 9.4 million after the Company obtained new loans in 2013, all loans being Shariah compliant and certified by the shariah board within bank.

Other income

Other income increased from SAR 4.3 million in 2010 to SAR 11.8 million in 2011 primarily due to an increase in property and equipment divestment gains by SAR 5.3 million, as the Group was able to renovate old rides (Mechanical games) and sell it to two of its clients at significant profit margins. Additionally, a reversal of excess provision for bonus accruals of SAR 2.2 million in 2011. This reversal relates to bonus provisions for the years 2009 and 2010, which is performance bonuses that are paid to the employees for the achievement of the desired goals that the Company did not pay and reclaimed in 2011. Other revenue decreased to SAR 7.6 million, returning to its normal level. In 2013, other sources of income increased from SAR 7.5 million in 2012 to 12.0 million in 2013 as a result of sales which included the sale of property, equipment and games, as well as the recovery of surplus doubtful debts provision amounting to SAR 4.7 million in the hospitality division.

The Company has witnessed an overall steady growth in net income as a result of increased revenues and efficient operations. The improvement in the net income margin from 21.4% in 2010 to 24.3% in 2011 was due to the improved operations of both the hospitality and entertainment divisions. However, net income margin decreased from 24.3% in 2011 to 22.9% in 2012 and further decreased to 22.2% in 2013 due to a slight decline in hotel occupancy rates and a net loss of SAR 1.9 million incurred by the Company's restaurants.

6 - 5 - 1 - 6 Zakat

The Zakat provision movement was as follows:

Table 6–17 Zakat, 2010 - 2013

SAR ('000)	2010	2011	2012	2013
Beginning of the Year	3,011	5,763	9,563	7,808
Available during the year	2,752	3,800	4,620	4,161
Paid during the year	-	-	(6,374)	(1,025)
Surplus recovered during the year	-	-	-	(1,594)
At year end	5,763	9,563	7,808	9,350

Source: Proforma Consolidated Financial Statement2010-2012 and the Audited Consolidated Financial Statements for 2013

The Company has not completed its Zakat withholding for the period 2007-2011. It paid the amounts required and received a temporary certificate, but has yet to receive the final certificates as Department of the Zakat and Income Tax (DZIT) requested additional information. The Company provided the authority with all the additional information requested on 15/2/2013 and is awaiting completion of the Authority's review prior to issuing the final certificate. As such, there is a risk that the Authority might impose further zakat on the Company in addition to the amounts paid in previous years. Zakat provisions for the years 2007, 2008 and 2009 have been provisioned for with an amount of SAR 5.1 million, SAR 2.1 million of which has been paid to DZIT.

Zakat provisions for 2010 were SAR 2.8 million, SAR 3.8 million in 2011, SAR 4.6 million in 2012 and SAR 4.2 million in 2013 in line with the increase in income. A surplus of SAR 1.6 million was recovered from the zakat provision in 2013 because the Company has provisioned an amount greater than the amount required. The Company's zakat withholding has not been finalized for the years 2012 and 2013 due to the delay in finalizing the zakat withholding for the years from 2007 to 2011.

6 - 5 - 2 Proforma balance sheets

Table 6–18 Balance Sheets, 2010 - 2013

SAR ('000)	2010	2011	2012	2013
Assets				
Current Assets				
Balance in bank and in hand	12,663	11,202	47,471	44,608
Murabaha Deposits	-	-	-	90,000
Accounts Receivable	27,438	25,302	34,640	40,367
Prepayments and other current assets	42,655	34,915	50,136	107,961
Inventory	18,631	16,794	21,991	22,992
Due from related parties	105,341	260,071	4,151	23,225
Total current assets	206,728	348,284	158,389	329,153
Non-Current Assets				
Investments in Affiliates	96,324	89,478	89,069	106,992
Projects under construction	69,234	39,366	15,329	79,092
Property and Equipment	645,828	689,394	671,980	660,150
Goodwill	39,317	39,317	39,317	39,317
Other Assets	28,729	16,535	26,852	-
Other non-current assets	879,431	874,090	842,549	885,552
Total Assets	1,086,159	1,222,373	1,000,937	1,214,705
Liabilities and Shareholders Equity				
Liabilities				
Current Liabilities				
Accounts Payable	61,553	85,242	62,051	46,949
Expenses due and other current laibilities	104,860	115,806	116,347	117,282
Bank and term loans	76,833	23,134	68,766	104,712
Current portion of lease liabilities	3,775	4,433	2,684	196
Total current liabilities	247,022	228,615	249,847	269,139
Non-current liabilities				
Term Loans	154,206	131,693	130,321	146,530
Rent Comittment	6,375	2,669	403	41
End of Service	27,791	32,860	41,990	40,442
Total non-current liabilities	188,372	167,223	172,714	187,013
Total liabilities	435,394	395,838	422,561	456,153

SAR ('000)	2010	2011	2012	2013
Equity				
Share capital	407,511	407,511	407,511	550,000
Statutory reserve	49,338	66,916	85,501	19,565
Retained Earnings	193,927	352,130	85,392	120,237
Dividends Declared	-	-	-	68,750
Foreign currency exchange adjustments	(11)	(22)	(28)	-
Total equity	650,765	826,536	578,375	758,552
Total liabilities and equity	1,086,159	1,222,373	1,000,937	1,214,705

Source: Proforma Consolidated Financial Statements 2010-2012 and the Audited Consolidated Financial Statements2013

The Company's total assets are primarily composed of non-current assets, which represented 81.0%, 71.5%, 84.2% and 72.9% of total assets in 2010, 2011, 2012 and 2013 respectively.

The increase in total assets between 2010 and 2011 is primarily due to the increase in amounts due from related parties, which were predominantly settled by a dividend distribution in 2012. (Please refer to section 7 "dividend distribution policy" for more information). Total assets increased to SAR 1,214.7 million in 2013, which is mainly due to an increase in supplier advances related to the purchase of rides and entertainment equipment, in addition to advances offered to suppliers on purchasing furniture and hotel equipment. Total liabilities increased between 2010 and 2013 primarily due to an increase in loans acquired to finance the Company's operations.

6 - 5 - 2 - 1 Current Assets

Below are the current assets of the Company:

Table 6–19 Current Assets, 2010 - 2013

SAR ('000)	2010	2011	2012	2013
Bank Balances and Cash	12,663	11,202	47,471	44,608
Murabaha Deposits	-	-	-	90,000
Accounts Receivable	27,438	25,302	34,640	40,367
Advanced payments and other current assets	42,655	34,915	50,136	107,961
Inventory	18,631	16,794	21,991	22,992
Due payments from related parties	105,341	260,071	4,151	23,225
TOTAL	206,728	348,284	158,389	329,153
Days Sales Outstanding	15	13	15	17
Inventory Days Outstanding	16	14	14	16

Source: Proforma Consolidated Financial Statements 2010-2012 and Audited Consolidated Financial Statements 2013

Bank and Cash Balances

The Company maintains low cash in hand with all cash receipts in the hospitality and entertainment sectors being deposited in bank accounts on a daily basis.

The Company has not purchased any risky financial instruments or other assets that are difficult to value which could affect its financial position in 2013.

Bank and cash balances increased from SAR 11.2 million on 31 December 2011 to SAR 47.5 million on 31 December 2012 after the Management's decision to retain additional cash liquidity prior to settlement of loans, in addition to cash flows generated from new hotel operations.

Bank and cash balances increased from SAR 47.5 million on 31 December 2012 to SAR 44.6 million on 31 December 2013 mainly due to the payment of staff salaries for December 2013.

Murabaha Deposits

AlHokair group has two Murabaha deposits with Saudi Investment Bank with a total value of SAR90 million. The period of the deposits has ended on 15/1/2014.

Table 6–20 Bank and Cash Balances, 2010 - 2013

SAR ('000)	2010	2011	2012	2013
Bank balances	10,191	8,946	45,127	40,989
Cash balances	2,473	2,256	2,344	3,619
TOTAL	12,663	11,202	47,471	44,608

Source: Proforma Consolidated Financial Statements 2010-2012 and the Audited Consolidated Financial Statements 2013

Accounts Receivable

The balance on accounts receivable primarily relate to the hospitality division and and the amounts due from clients, both establishments and government entities at the end of that period. Receivables increased from SAR 27.4 million as at 31 December 2010 to SAR 40.4 million as at 31 December 2013 in parallel with the overall increase in sales and the opening of Golden Tulip Al Jubail and Hilton Double Tree in Dhahran as well as the inclusion of receivables generated from the acquisition of Al Hamra Pullman in Jeddah. As shown on the accounts on 31 December 2013, receivables are not the main focus of the Company. Its policy on doubtful receivables is to create a provision of 50% of the outstanding balances of more than 360 days and 100% of balances outstanding for more than 720 days. The Board's approval must be obtained to write-off any receivables. Provisions for doubtful debt has reached SAR 3.4 million in 31 December 2013.

Prepayments and Other Current Assets

Prepayments and other current assets are mainly comprised of prepaid expenses, advances to suppliers and unbilled revenue of the hotel sector. Prepayments and other current assets increased from SAR 50.1 million to SAR 108.0 million as at 31 December 2013, primarily due to an increase in advances to suppliers.

The increase in advances to suppliers relates to the purchase of rides and entertainment equipment, in addition to advances to suppliers to purchase furniture and hotel equipment in line with the addition of two hotels in 2013. Furthermore, there is an increase in prepaid rents by SAR 11.7 million.

Inventory

Inventory mainly includes spare parts and supplies required for the hospitality and entertainment divisions. Inventory balances increased from SAR 18.6 million as at 31 December 2010 to SAR 23.0 million as at 31 December 2013, primarily due to the increase in spare parts for rides and games as well as material and supplies for both the hotel and entertainment divisions.

The Company's policy for slow moving inventory is to book a 50% provision for inventory which exceeds 360 days and 100% provision for inventory which exceeds 720 days.

Amounts due from Related Parties

Table 6–21 Amounts Due From Related Parties, 2010 - 2013

SAR ('000)	Relation	2010	2011	2012	2013
Abdulmohsin Abdul Aziz Al Hokair Group for operation and maintenance	shareholder*	105,219	254,145	-	10,300
H Care		-	-	-	6,105
Tarfeeh	Affiliate	-	1,350	895	312
Asateer	Affiliate	-	1,587	2,907	3,007
Gulf Entertainment	Affiliate	-	-	-	3,238
Other	-	122	2,989	349	263
TOTAL		105,341	260,071	4,151	23,225

Source: Proforma Consolidated Financial Statements 2010-2012and Audited Consolidated Financial Statements2013

** Major shareholder because of beneficial ownership of Abdulmohsin Abdul Aziz Al Hokair shares*

In 2010 and 2011, the balance of due from related parties with Al Hokair Company Establishment comprised primarily of cash transfers and other expenses paid on behalf of the related parties. These balances represented a quasi-current account with AHG. There were no commissions or repayment terms associated with this balance. However, during 2012, the balances were settled through distribution of profits and a treasury department was created in the Company to manage its cash (please refer to section 7 "dividend distribution policy" for more information about the value of settlements with related parties). In 2013, the balances of amount due on Abdulmohsin Abdul Aziz Al Hokair Group for operation and maintenance was SAR 10.3 million, which is about the processes that took place between individual institution and during the year that include the sale of assets, employee service benefit, maintenance contract and other contract.

The balance of H Care Company (a company that manages health clubs in the hotels division) has reached SAR 6.1 million as of 31 December 2013 which is part of the amount due from health club revenues.

Asateer Company for Entertainment Projects, Tarfeeh Company for Tourism Projects and Gulf Entertainment are affiliates of the Company and the amounts due from these related parties are in relation to the transactions related to cash transfers, PPE transfers, management fees, dividend distributions and other expenses paid on behalf of these affiliates.

Gulf Entertainment was established in 2013 with a balance of SAR 3.2 million as at 31 December 2013. This amount represents the Company's contribution in constructing the edutainment projects for its affiliates and is not a loan (See section 4-11 "Company and its Affiliates Corporate Structure" for the full information on the Company's relationship with its affiliates).

Non-current Assets

Below are the non-current assets of the Company:

Table 6–22 Non-current Assets, 2010 - 2013

SAR ('000)	2010	2011	2012	2013
Investments in Affiliates	96,324	89,478	89,069	106,992
Projects under construction	69,234	39,366	15,329	79,092
Property and Equipment	645,828	689,394	671,980	660,150
Goodwill	39,317	39,317	39,317	39,317
Other assets	28,729	16,535	26,852	-
TOTAL	879,431	874,090	842,549	885,552

Source: Proforma Consolidated Financial Statements 2010-2012and Audited Consolidated Financial Statementsfor 2013

Investments in Affiliates

As at 31 December 2013, the Company had the following investments through direct ownership, with all companies registered in Kingdom of Saudi Arabia.

Table 6–23 Investments in Affiliates, 2010 - 2013

SAR ('000)	%	2010	2011	2012	2013
Touresco	48.5	59,566	68,665	58,587	63,160
Al Qaseem	50.0	17,511	8,339	20,449	31,951
Asateer	50.0	11,095	8,447	7,671	7,880
Tarfeeh	50.0	6,607	4,028	2,362	3,951
Gulf Entertainment Co.	50.0	-	-	-	50
Food and Distribution Co.	50.0	1,545	-	-	
TOTAL		96,324	89,478	89,069	106,992

Source: Proforma Consolidated Financial Statements 2010-2012and the Audited Consolidated Financial Statements for 2013

Table 6–24 Investments in Affiliates Movement, 2010 - 2013

SAR ('000)	2010	2011	2012	2013
Beginning of the year	114,775	96,324	89,478	89,069
Additions during the year	-	-	-	50
Share in net results	25,838	29,455	27,890	26,251
Shareholder profits	(33,362)	(30,425)	(28,299)	(8,378)
Written off advances when buying Affiliates	-	(1,745)	-	-
Other	(10,928)	(4,130)	-	-
Year end	96,324	89,478	89,069	106,992

Source: Proforma Consolidated Financial Statements 2010-2012and Audited Consolidated Financial Statements 2013

Touresco is a closed joint stock company with a capital of SAR 100 million. Its operations are concentrated on managing and operating hotels; it now owns one hotel which is Holiday Inn Al Olaya in Riyadh.

Food and Distribution Company is a limited liability company with a paid up capital of SAR 500,000. Its principal business activity is the production and sale of food products as well as managing and operating restaurants. In 2011, the Company sold its investment in the Food and Distribution Company resulting in a loss of SAR 745,000.

It is worth mentioning that the Company enters its share in the net profit from affiliates under the income statement.

Projects under construction

Table 6-25 Projects Under Constructions and Starting Dates for Main Projects

Project name	Starting Date	Estimated cost (SAR Thousands)	Amount paid (SAR Thousands)	Remaining amount(SAR Thousands)
Sparkys AlGhurair	August 2012	24,733	23,740	993
Sparkys AlJubail	May 2012	22,500	17,849	4,651
Holiday Inn Resort - AlHagel	November 2008	22,273	5,777	16,496
Golden tulip Hotel – Ha'al	March 2013	9,367	5,647	3,720
Holiday Inn hotel - Jeddah	November 2013	25,508	5,287	20,221
Sparkys- Alfujiara	September 2012	12,193	3,293	8,900
Various hotel projects*	-	45,225	16,575	28,650
Various entertainment projects*	-	8,925	925	8,000
Total	-	170,723	79,092	91,631

Source : Company

**Under constructions projects are related to renovation, renewing and replacement in hotels and entertainment centers.*

As at 31 December 2013, the projects under construction were primarily related to Hagl Beach resort which expanded its existing resort for an amount of SAR 5.8 million. Currently the resort had a capacity of 24 rooms and this is expected to increase to 75 rooms by the end of the project expected to complete in the fourth quarter of 2015. The Company has given the priority to other projects after starting Al Hagl beach resort which led to delay the project. In addition, the Company has undertaken furnishing the Holiday Inn Jeddah (SAR 5.3 million), and expansion activities in Golden Tulip Hail (SAR 5.6 million, which include the addition of 75 rooms), and construction works of both Sparky's Dana - Jubail (SAR 17.8 million) and Sparky's Al Ghurir - Dubai (SAR 23.7 million), which was opened experimentally in the fourth quarter of 2013. Additionally, projects under construction include the costs of establishing the Sparky's Al Fujirah (SAR 3.3 million) . Once these projects are completed, they will be moved to their relevant categories (i.e. rent improvements, furniture, air-conditioning…etc.).

It is worth mentioning that projects under construction include all the projects, renovations, restorations and upgrades currently ongoing in several Company hotels and entertainment centres as on the date of the Financial Statements.

Property and equipment

As per the Company's strategy, the Company opts to lease rather than own assets maintaining a light asset model. Knowing that 19 out of 28 of the Company's hotels are built on lands owned by the related parties. Property and equipment were mainly comprised of leasehold improvements and machinery and equipment together which represented 54.3% of total net book value as at 31 December 2013. All the Company's assets are recorded at historical costs less depreciation charges.

Table 6-26 Property and Equipment NBV

SAR ('000)	BV 1/1/2011	Additions	Exclusions	Moved from/to related parties	Moved from "project under construction"	Total Depreciation	NBV 31/12/2011
Leasehold improvements	428,525	31,978	-	(2,733)	37,000	(123,846)	370,924
Machinery and equipment	439,814	33,371	(8,456)	7,436	140	(269,848)	202,456
Furniture	113,870	5,687	(3)	(49)	8,705	(92,065)	36,146
Vehicles	26,557	833	(228)	(294)	576	(21,606)	5,839
AC	21,955	159	-	(291)	7,150	(13,120)	15,853
Computers	14,988	2,088	-	(205)	1,046	(10,265)	7,652
Tools	70,168	1,814	(147)	(2,975)	12,127	(30,462)	50,524
TOTAL	1,115,878	75,930	(8,835)	889	66,743	(561,211)	689,394

SAR ('000)	BV 1/1/2012	Additions	Exclusions	Transferred from/to related parties	Transferred from projects under construction	Total Depreciation	BV 31/12/2012
Leasehold improvements	494,770	25,769	(2,225)	(43,134)	28,248	(138,326)	365,102
Machinery and equipment	474,968 *	31,471	(7,256)	(18)	-	(303,920)	195,246
Furniture	128,202	6,008	(4,676)	1,013	5,074	(106,048)	29,573
Vehicles	27,444	3,085	(648)	801	-	(24,230)	6,453
AC	27,184 *	2,090	(580)	732	4,014	(15,178)	18,262
Computers	17,050*	2,280	(495)	305	70	(13,064)	6,144
Tools	80,986	6,958	(1,880)	7,932	2,423	(45,219)	51,200
TOTAL	1,250,605	77,662	(17,761)	(32,369)	39,829	(645,985)	671,980

SAR ('000)	BV 1/1/2013	Exclusions	Waste	Move from/to related party	Move from Project under construction	Total Depreciation	BV 31/12/2013
Leasehold improvements	503,428	29,274	-	(17,038)	3,153	(156,424)	362,392
Machines and equipment	499,166	41,410	(35,699)	(4,243)	65	(308,547)	192,152
Furniture	135,621	10,470	(7,851)	(2,077)	217	(109,942)	26,438
Vehicles	30,682	3,072	(10,068)	(266)	-	(17,378)	6,042
AC	33,441	2,895	(93)	35	-	(18,386)	17,892
Computers	19,209	2,685	-	(36)	169	(16,174)	5,853
Tools	96,419	7,118	(150)	(2,187)	-	(51,819)	49,381
TOTAL	1,317,966	96,924	(53,860)	(25,813)	3,604	(678,671)	660,150

Source: Proforma Consolidated Financial Statements2010-2012 and Audited Consolidated Financial Statements for 2013

** Some of the Company assets were moved (reclassified) between asset items in the fixed asset statement to unify asset categorization policy.*

Property and equipment additions during 2011 was related mainly to maintenance expenditure in current entertainment venues and hotels as well expenditure for new hotel and entertainment openings in 2011 such as Sparky's (Lulu Mall) – Riyadh, Sparky's (Kingdom Tower) – Riyadh, Sparky's Oceanica (Mushrif Mall) – Abu Dhabi, Digital Sparky's (Al Foah Mall) – Al Ain and Novotel Business Park - Dammam. Movements on 31 December 2011 were related to Novotel Business Park Dammam.

Additions to property and equipment during 2012 was related mainly to maintenance expenditure for current entertainment centres and hotels and Sparky's RAK and Suite Novotel Riyadh. Exclusions on 31 December 2012 mainly relate to the cost of unused rides and equipment sold in the University Sales Exhibition.

Movement from/to related parties during 2012 are related to the NBV of some assets in outdoor parks that were closed and the sale/transfer of assets of one hotel at NBV to Abdul Mohsin Al Hokair Company. Movement as at 31 December 2012 was related to Suite Novotel Riyadh costs.

Additions to property and equipment during 2013 mainly relate to the machines and equipment that was purchased for the entertainment and hospitality divisions.

Depreciation has been charged as follows:

(i) Leasehold improvements : 20 years

(ii) Machinery and equipment : 4 to 10 years

(iii) Furniture and fixtures : 4 to 10 years

(iv) Motor vehicles : 4 to 5 years

(v) Air conditioners : 4 to 8 years

(vi) Computers : 4 years

(vii) Tools : 3 to 10 years

Goodwill

Goodwill is initially recognized at cost being the excess of the value determined for the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity. Following initial recognition, the goodwill is measured at cost less any accumulated impairment losses.

The acquisition of Sparky's UAE in the proforma consolidated financial statements has been accounted for using the purchase method of accounting and considering that the acquisition has taken place on 1/1/2010 to illustrate the impact of the acquisition on the Company's financial position and cash flows as at 31 December 2010, 2011 and 2012. Accordingly, the purchase price paid has been allocated to the assets and liabilities based on the fair values of the assets acquired and liabilities assumed (See section 6-3 "Summary of Important Accounting Policies" for more information on the assumptions followed in preparing the proforma financials).

The Company has acquired Sparky's UAE on 31/12/2012 for a consideration of SAR 88.8 million. The book value of Sparky's UAE assets at the acquisition time was SAR 49.5 million. Based on that, a goodwill amount of SAR 39.3 million was booked as a result of the excess of the consideration paid over the book value of the assets acquired, this was the result of the extension period offered by the international standard followed, which allows companies a period of one year to value the fair value of the acquired assets. The Company has performed a valuation on Sparky's assets in February 2013 from which the result extracted was Sparky's UAE's fair value is at least equal to its book value.

Goodwill is tested annually for the impairment. According to the impairment test performed by management on 31 December 2013, goodwill book value was found to be less than its fair value. These calculations use cash flow projections based on the financial budgets approved by the management.

On 31 December 2012, the Company acquired Sparky's UAE from a related party for a total amount of SAR 88.8 million. The carrying value of the identifiable net assets of Sparky's UAE at that date amounted to SAR 49.5 million. Accordingly, goodwill of SAR 39.3 million was the result of an increase of purchase value over net asset value.

Sparky's assets are tested annually for impairment to ensure any decrease in the value of its assets. According to the test performed by Al Hoakir management in 31 December 2013, book value of assets we found to be less than fair value, which in turn did not result in any impairment of Sparky's assets. These calculations employ the expected cash flows based on financial considerations set by the Company's management.

Other Assets

Goodwill arising from the acquisition was assumed to remain constant at SAR 39,317,484 when preparing the proforma financials for the years 2012, 2011 and 2010. Given that goodwill respresents the addition in purchase price over fair value of assets for Sparky's as of the date of acquisition (31 December 2012), any change in shareholders' equity (book value of assets) for Sparky's during the years 2010 and 2011 in comparison with the purchase price has been allocated to other assets.

The decrease in other assets is due to the growth of the net book value of assets for Sparky's in 2010 and 2011.

6 - 5 - 2 - 2 Current liabilities

Below are the current liabilities of the Company:

Table 6– 27 Current Liabilities, 2010 - 2013

SAR ('000)	2010	2011	2012	2013
Accounts Payable	61,553	85,242	62,051	46,949
Due expenses and other current liabilities	104,860	115,806	116,347	117,282
Bank loans and current portion of term loans	76,833	23,134	68,766	104,712
Current portion of rent commitments	3,775	4,433	2,684	169
TOTAL	247,022	228,615	249,847	269,139

Source: Proforma Consolidated Financial Statements 2010-2012and the Audited Consolidated Financial Statements2013

Accounts Payable

Hotels formed the largest part of accounts payable at 65.1%, 68.4%, 68.7% and 69.8% of the Company's net accounts payable for 2010, 2011, 2012 and 30 2013 respectively. These balances relate mainly to the hospitality division of several suppliers whom supply material and food and beverages for hotels.

Accounts payable decreased from SAR 61.5 million as at 31 December 2010 to SAR 46.9 million as at 31 December 2013 with DPO ranging between 36 and 62 days. These payables mainly relate to the hospitality division with the highest accounts payable due to Holiday Inn Al Qasr – Riyadh with a total amount of SAR 5.1 million and Holiday Inn Khobar – Corniche with an amount of SAR 2.9 million.

Accrued expenses and other current liabilities

Accruals and other liabilities comprised of accrued rent, salaries, benefits and unearned revenue from the hospitality sector. The balance increased from SAR 104.9 million as at 31 December 2010 to SAR 117.2 million as at 31 December 2013, primarily due to an increase in accrued rent and leased internet.

Table 6-28 Bank Borrowings and Term Loans, 2010 - 2013

SAR ('000)	2010	2011	2012	2013
National Commercial Bank	-	-	17,019	16,663
Saudi Investment Bank	-	-	25,000	44,522
Al Jazira Bank	-	14,029	16,894	29,821
Riyad Bank	6,250	9,084	9,831	13,243
Abu Dhabi Commercial Bank	-	21	21	21
European Investment Bank	-	-	-	57
Gulf International Bank	57,083	-	-	-
SAAB	13,500	-	-	-
Short-Term Loans Total	76,833	23,134	68,766	104,712
Al Ahli Commercial Bank	-	-	-	11,454
Saudi Investment Bank	88,831	88,831	75,000	68,064
Al Jazira Bank	-	35,967	29,693	44,188
Riyad Bank	11,250	6,840	25,594	22,693
Abu Dhabi Commercial Bank	-	55	34	13
European Investment Bank	-	-	-	119
Gulf International Bank	23,750	-	-	-
SAAB	30,375	-	-	-
Long-Term Loans Total	154,206	131,693	130,321	146,530
TOTAL	231,039	154,827	199,087	251,242

Source: Company

Term Loans

All the Company's loans are Shariah compliant and certified by Al Shariah board within the banks. Short and long-term loans reached SAR 251.2 million as at 31 December 2013. This was mainly due to obtaining a loan of SAR 88.8 million from the Saudi Investment Bank for the acquisition of Sparky's Land. Based on an assumption, the loan was obtained on 1 January 2010 to prepare the proforma financial statements. The company paid a portion of the loan SAR 25 million with Saudi Investment bank.

Other facilities and term loans were obtained from Al Jazira Bank, Riyad Bank, SAAB, Gulf International Bank, National Commercial Bank and Abu Dhabi Commercial Bank to finance capital expenses and working capital. The Company's current loans are due to be settled by 2017. The Company also plans to obtain new facilities as is needed for its business requirements.

The Company has the capacity to fulfil the requirements and is committed to the financial agreements requirements. The Company obtained such facilities pursuant to personal guarantees from the shareholders and Abdul Mohsin Al Hokair Company as well as promissory notes.

It is worthy to note that the Company's commitments in relation to the bank facilities are guaranteed with personal guarantees presented by the Company's individual shareholders as well as other guarantees presented by institutional shareholders (See section 11-2-3 "Finance Agreements" for more information on bank facilities and the guarantees). As of the date of this prospectus, the banks have not waived the personal guarantees (with an exception of Bank Al Jazira which has waived this guarantee as per the letter provided on 24/10/2013). There is no guarantee that the personnel guarantees provided by the individual shareholders of the Company will continue after the Company is listed (See section 2-1-21 "Credit Facilities Agreements" for more information about the risk related to these guarantees).

Table 6–29 (A) Bank Borrowings and Term Loans, Repayment Schedule, 2014 - 2017

SAR ('000)	2014	2015	2016	2017
Riyad Bank	13,243	12,924	8,527	1,242
Al Jazira Bank	29,821	22,674	13,906	7,609
National Commercial Bank	16,663	10,573	881	-
Saudi Investment Bank	44,522	35,682	29,852	2,530
Abu Dhabi Commercial Bank	21	13	-	-
European Investment Bank	57	57	57	5
ANB	385	-	-	-
TOTAL	104,712	81,922	53,223	11,386

Source: Company

The following table details the bank loans and their terms:

Table 6–29 (B) Bank Borrowings and Term Loans, Repayment Schedule

Bank	Principal Amount SAR ('000)	Outstanding Balance 31/12/2013	Purpose	Guarantees
Saudi Investment Bank	100,000	75,000	Sparky's UAE Acquisition	- Total Liabilities/ net tangible assets not to exceed 1:1 - Working share capital rate less than 1:1.5 - No dividend distribution if there was not full commitment with the obligations contained in the agreement - No changes to Company structure without bank approval - Net value of tangible assets not less than SAR 520m - Payment through bank directly - ATM must be placed in Holiday Inn Al Salam and Al Hamra Pullman Jeddah - Personal guarantees signed by Abdul Mohsin, Majid, Musaed and Sami Al Hokair - Personal guarantees from TOCC covering 35% of the facility
	50,000	37,586	Import machines and spare parts	

Bank	Principal Amount (000') SAR	Outstanding Balance 31/12/2013	Purpose	Guarantees
Al Jazira Bank	80,000	72,965	Purchase games, machines and renovate venues	- Annual or quarterly payment for a max of 4 years - Personal guarantees from Abdul Mohsin, Majid, Musaed and Sami Al Hokair - No specific financial commitment - Performance bond signed by TOCC in the amount of SAR 28m - performance bond
Riyad Bank	40,000	35,884	Credit facilities	- Any changes in the Company's legal structure/ its partners/ limits of their responsibilities/ Capital/ Commitments before changes/ activity/ capacity/ eligibility/ legal representatives/ limit of their powers or otherwise will not impact the continuity of this contract - Payment according to agreement in the repayment schedule - Signed by Abdul Mohsin Abdulaziz Al Hokair
National Commercial Bank	41,000	28,117	Credit facilities to renovate 12 entertainment venues; LCs to the suppliers, payment of invoices to the suppliers	- Leverage ratio 1:1 - Due from related parties should not exceed 20% of total equity at any time - Bank must be notified 30 days ahead of any finance requirements exceeding SAR 40m - Statutory reserve to cover monthly payments in case of delay - Dividends must be distributed in case of making monthly payments - All entertainment revenue must be deposited in the bank - ATMs must be installed in the most lucrative hotel location - Personal guarantees from Abdul Mohsin, Bandar, Bader and Ahmad Al Hokair plus guarantees to pay facilities on its due date by Abdul Mohsin Al Hokair and Sons Holding Company and Abdul Mohsin Al Hokair Group Company.

Source :- Company

**The company has the initial approval from all banks on the expected changes in the contribution structure due to the subscription.*

Mortgages

Touresco (an affiliate) received a loan of SAR 50 million from SABB which was guaranteed by the land on which Holiday Inn Al Olaya is built. The payment of the loan is scheduled to end in 2015.

6 - 5 - 2 - 3 Non-Current Liabilities

Below are the current liabilities of the Company:

Table 6–30 Non-Current Liabilities, 2010 - 2013

SAR ('000)	2010	2011	2012	2013
Long Term Loans	154,206	131,693	130,321	146,530
Rent Commitment	6,375	2,669	403	41
End of Service	27,791	32,860	41,990	40,442
TOTAL	188,372	167,223	172,714	187,013

Source: Proforma Consolidated Financial Statements2010-2012 and the Audited Consolidated Financial Statements for 2013

Rent Commitments

These commitments relate mainly to the establishment agreement with a financial institute represented by a sale and lease-back agreement of some of the Company's assets. In addition, there are some assets such as vechicles being leased under a capital lease agreement. As of 31 December 2013 capital rental commitments have reached SAR 236.3 thousand, of which the non-current portion has reached SAR 40.5 thousand related to capital rental contracts for the Company's vehicles.

Minimum annual rentals for the five years subsequent to the consolidated balance sheet date and in aggregate are purchased in the table below:

Table 6– 31 Rent Commitments, 2010 - 2013

SAR ('000)	2010	2011	2012	2013
During Year 1	4,507	4,909	2,788	196
After Year 1 – within less than 2 years	4,575	2,648	359	41
After Year 2 – within less than 5 years	2,348	125	48	-
Minimum Rent Payment	11,430	7,682	3,194	236
Less: estimated finance fees	(1,281)	(579)	(108)	-
Current Minimum Rent Payment	10,150	7,103	3,087	236
Less: Current portion	(3,775)	(4,434)	(2,684)	(196)
TOTAL	6,375	2,669	403	41

Source: Proforma Consolidated Financial Statements 2010-2012 and Audited Consolidated Financial Statements for 2013

End of Service Benefits

The end of service benefits reflects the amount of money that each employee is entitled to get at the end of his job or service. The employee terminal benefits increased from SAR 27.8 million in 2010 to SAR 40.4 million in 2013 in line with the increase in the number of employees with an increase almost 2,149 employees and the duration of service of the existing employees.

6 - 5 - 2 - 4 Shareholders' equity

Table 6–32 Shareholder Equity, 2010 - 2013

SAR ('000)	2010	2011	2012	2013
Share capital	407,511	407,511	407,511	550,000
Statutory Reserve	49,338	66,916	85,501	19,565
Retained Profit	193,927	352,130	85,392	120,237
Proposed dividend distribution	-	-	-	68,750
Foreign currency exchange adjustments	(11)	(22)	(28)	-
TOTAL	650,765	826,536	578,375	758,552
Distributed Profits to Net Income	43.9%	58.0%	145.8%	-

Source: Proforma Consolidated Financial Statements2010-2012 and audited consolidated financial statements for 2013

The Company's total equity is composed of share capital, statutory reserve and retained earnings. In 1991, the Company increased its capital from SAR 274,000 to SAR 71,674,000 by capitalizing the retained earnings.

In 2005, the Company increased its capital to SAR 249,000,000 by capitalizing the retained earnings. In 2006, the Company further increased its capital to SAR 271,674,000 by capitalizing the retained earnings. In 2009, the Company further increased its share capital from SAR 271,674,000 to SAR 407,511,000 by capitalizing SAR 135,837,000 from its retained earnings. In 2013, the Company's share capital increased to SAR 550,000,000 by transferring SAR 83,950,175 from the statutory reserve and SAR 58,538,825 from its retained earnings.

In addition, Sparky's UAE did not have any share capital when it was a sole proprietorship before the acquisition as investments where financed directly by the previous owner. After the Company acquired Sparky's UAE and it converted to a limited liability company, the Company's share capital was set at AED 150,000 and covered from retained profits.

Statutory reserve represents the requirement under Article 176 of Saudi Arabian Companies regulation whereby all companies are required to transfer 10% of the annual net income to statutory reserve, until the reserve equals 50% of paid capital.

Retained earnings increased from SAR 193.9 million as at 31 December 2010 to SAR 352.1 million as at 31 December 2011, as the net income increased by SAR 175.8 million in 2011 and it continued in increasing to reach SAR 185.9 million in 2012. Dividends distribution with an amount of SAR 433.9 million for the previous years (cash dividends were SAR 87.6 million and SAR 346.4 was settlement of related party account). As a result, the retained earnings decreased to SAR 85.4 million as at 31 December 2012. As at 31 December 2013, retained earnings increased to SAR 120.2 million as net income reached SAR 195.7 million and dividend distributions of SAR 68.7 million (that will be approved and distributed in the second quarter of 2014), and SAR 58.5 million of the retained earnings were capitalized into the share capital (please refer to section 7 "Dividends Distribution Policy" for more information).

The following table shows historic profit distributions:

Table 6– 33 Dividends, 2010 - 2013

SAR ('000)	2010	2011	2012	2013
Declared Dividends	-	-	-	68,750
Paid Dividends	(40,751)	-	(433,999)	-

Source: Company

6 - 5 - 3 Cash flow

The table below summarises the Company's cash flow position for the three fiscal years ended 31 December 2010, 2011, 2012 and 2013.

Table 6– 34 Cash Flow Statements, 2010 - 2013

SAR ('000)	2010	2011	2012	2013
Operational Activities				
Net Income before Zakat	141,882	179,581	190,465	198,221
Adjustments				
Amortization	88,666	98,660	99,526	98,312
Doubtful Debts Provision	1,460	5,086	927	1,098
Slow moving inventory provision	-	-	-	131
Excess payment reversal	-	(2,155)	-	-
Share in net results of Affiliates	(25,838)	(29,455)	(27,890)	(26,251)
Reversal of Doubtful Debts Provision Surplus	-	-	-	(4,724)
Loss of investment disposal in associates	-	745	-	-
Profit from sale of property and equipment, net	(4,094)	(9,412)	(6,643)	(5,549)
End of service benefits, net	3,579	5,069	9,130	6,057
	205,655	248,118	265,517	267,294
Adjustments in current assets and liabilities				
Receivables and other assets	(8,936)	4,791	(25,486)	(64,328)
Inventory	(422)	1,838	(5,198)	(1,131)
Payable and other liabilities	27,440	32,990	(22,482)	(4,332)
Cash from operational activities	223,737	287,737	212,350	197,502
Paid Zakat	-	-	(6,374)	(1,025)

SAR ('000')	2010	2011	2012	2013
Net cash from operational activities	223,737	287,737	205,976	196,477
Investment Activities				
Murabaha deposits	-	-	-	(90,000)
Additions to property and equipment	(84,752)	(75,930)	(77,662)	(96,924)
Additions to projects under construction	(38,357)	(36,875)	(15,793)	(72,124)
profits received from affiliates	33,362	30,425	28,299	8,378
Proceeds from sale of property and equipment	19,226	12,615	11,880	11,942
Proceeds from Affiliates*	10,928	-	-	-
Proceeds from sale of investments in Affiliates	-	1,000	-	-
Additions to Affiliates	-	-	-	(50)
Acquisition of a subsidiary, net	(87,935)	-	-	-
Other assets	(3,709)	12,194	(10,317)	-
Net cash used in investment activities	(151,238)	(56,571)	(63,593)	(238,778)
Finance activities				
Proceeds from/(payment) of term loans, net	68,015	(79,259)	40,244	52,155
Commitment under capital lease contracts	-	-	-	(2,851)
Balances with related parties, net	(135,200)	(153,353)	(58,733)	(9,866)
Paid dividends	-	-	(87,615)	-
Net cash used in finance activities	(67,184)	(232, 612)	(106,104)	39,439
Bank and cash balances at year beginning	7,363	12,663	11,202	47,471
Increase (decrease) in bank and cash balances	5,315	(1,446)	36,279	(2,863)
Foreign currency exchange adjustments	(14)	(15)	(10)	-
Bank and Cash balances at year end	12,663	11,202	47,471	44,608

Source: Proforma Consolidated Financial Statements 2010-2012and Audited Consolidated Financial Statementsfor 2013

**Current account for Asateer and Tarfeeh (two of the Company's affiliates) which was reclassified in 2011 to be included under due from related parties account*

Table 6–35 Working Capital, 2010-2013

SAR ('000)	2010	2011	2012	2013
Receivables	27,438	25,302	34,640	40,367
Inventory	18,631	16,794	21,991	22,992
Payables	(61,553)	(85,242)	(62,051)	(46,949)
Commercial Working Share capital	(15,484)	(43,147)	(5,419)	16,410
Prepayments and other assets	42,655	34,915	50,136	107,961
Due payments and other liabilities	(104,860)	(115,806)	(116,347)	(117,282)
Total Operating Share capital	(77,689)	(124,037)	(71,631)	7,088
Av. No. of future sales days	76	57	65	43
Av. No. of inventory days	16	14	14	15
Av. No. payable accounts days	53	60	54	36
Cash conversion cycle	39	11	25	22

Source: Company

Cash flow from operating

Cash flow from operating activities increased from SAR 223.7 million in 2010 to SAR 287.7 million in 2011 primarily due to an improvement in operating income. This was also due to a decrease in the receivables account caused by changes in the collection policy for due payments where different credit managers have been appointed for each region, a new incentive program has been approved and new checking measures must be achieved prior to offering credit to its customers as well as an improvement in the average number of sales days from 76 days to 57 days over the same period. Cash conversion also decreased from 39 days in 2010 to 11 days in 2011 driven by faster collection.

Cash flow from operating activities decreased from SAR 287.7 million in 2011 to SAR 206.0 million in 2012 primarily due to the increase in receivables related to the acquisition of Al Hamra Pullman in Jeddah which resulted in increase in account receivable to SAR 7.7 million, in addition to the settlement of payables and an increase in inventory in line with the growth of the business. The increase in receivables was reflected as an increase in the cash conversion cycle to 25 days on 31 December 2012. The decrease in accounts receivable and other assets was due to increase in payments made to suppliers in both the hotel and entertainment. Operating cash flows reached SAR 196.5 million as at 31 December 2013 driven by working capital requirements in 2013 (especially receivables, which were offset partially by payables). The decline in cash flow from operations for 2013 was a result of advance payment that were paid under the expense of buying furniture, furnishings hotels, vehicles, electronic games for the entertainment sector.

Investing cash flows

The main categories of investing cash flows are additions to property and equipment, projects under construction, dividends from affiliates and the sale of property and equipment.

Apart from additions to property and equipment and projects under construction relating to various leased hotels and entertainment sites, the Company's major investment relates, mainly to the acquisition of Sparky's in UAE. The cash flows were prepared on the assumption that Sparky's UAE was acquired in 2010 for SAR 88.0 million, resulting in overall negative cash flow of SAR 151.2 million in 2010. In 2013, investing cash flows increased to SAR 259.1 million and was paid mainly as Murabaha deposits, additions to property and equipment and projects under construction. Al Hokair Group has two Murabaha deposits with Saudi Investment bank with total value SAR 90.0 million, the term of those deposits ended in 15/01/2014.

The Company received dividends from associates amounting to SAR 33.4 million, SAR 30.4 million, SAR 28.3 million and SAR 8.4 million in 2010, 2011, 2012 and 2013 respectively. The decline in profits from affiliates was mainly due to non-distribution of earnings from Al Qaseem in 2013 and the renovation on the Holiday Inn Al Olaya, which is financed by Touresco.

Proceeds from the sale of property and equipment primarily relating to rides and machines in the entertainment sector resulted in positive cash flows of SAR 19.2 million, SAR 12.6 million, SAR 11.9 million and SAR 11.9 million in 2010, 2011, 2012 and 2013 respectively.

Financing cash flows

The Company has used its cashflows to settle related party accounts and long-term loans (in 31 December 2010, 2011, 2012 and 2013) and to pay dividend in 2012 (SAR 87.6 million).

The Company's cash flows from financing activities decreased from an outflow of SAR 67.2 million in 2010 to an outflow of SAR 106.1 million due to the settlement of related party balances in the profit of their shares which amounted to SAR 254.1 million as at 31 December 2011. Furthermore, the payment of dividends, offset by proceeds from loans primarily relating to a term loan obtained from Saudi Investment Bank at an amount of SAR 100 million to finance the acquisition of Sparky's UAE. In December 2012, the Board of Directors approved the payment of interim cash dividends amounting to SAR 87.6 million. In addition to that Cash from finance activities increased and reached 39.4 million in 2013 driven by additional loans received and the non-distribution of cash dividends during the year.

6 - 5 - 4 Commitments and Contingencies

Capital commitments

As at 31 December 2013, the Company had capital commitments of SAR 31.0 million, an increase of SAR 27 million from 2012 as a result of the Company's expansion into projects under construction and the contracting agreements related to such projects (2012: SAR 4.1 million, 2011: SAR 4.8 million and 2010: SAR 16.2 million). The changes in capital commitments is due to obtaining new letters of credit to purchase rides and electronic video games for the entertainment sector as of the date of this prospectus.

Operating lease commitments – as lessee

The Company has various operating leases for building its hotels and others. Rental expenses for the year ended 31 December 2013 amounted to approximately SAR 132 million. (2012: SAR 134 million, 2011: SAR 120 million and 2010: SAR 116 million). Knowing that the rise in operating lease obligations is associated with the expansions in the Company's activity.

Operating lease payments are recognized as an expense on a straight line basis over the lease term. The future minimum lease payments under non-cancellable operating leases are as follows:

Table 6– 36 Obligations Under Operating Leases, 2010 - 2013

SAR ('000)	2010	2011	2012	2013
Not more than 1 year	94,644	93,324	123,335	144,054
After 1 year but less than 5 years	243,927	316,763	513,368	604,322
After 5 years	432,899	414,214	606,353	772,426
TOTAL	771,471	824,302	1,243,056	1,520,801

Source: Proforma Consolidated Financial Statements 2010-2012 and Audited Consolidated Financial Statements for 2013

Contingencies

As at 31 December 2013, the Company had outstanding letters of guarantees and credits amounting to SAR 8 million related to the purchase of equipment and furniture for hotels and games for entertainment centres that twill be borne by the company upon receipt of assets (2012: SAR 38.7 million, 2011: SAR 4.7 million and 2010: SAR 16.2 million).

In addition,during 2010, a landlord of one of the hotels under a lease agreement filed a legal claim against the Company for the settlement of the annual lease for one of its hotels. The ultimate outcome of these matters is uncertain at this stage. However, the Company accrued the annual lease amount for Jeddah Golden tulip, which was SAR 22.7 million as at 31 December 2013. The company has a provision for the rental amount and will bear the expense in case the legal procedures are finalized.

6 - 6 Capitalisation and Debts

The following table details the Company's capitalization and is based on the proforma consolidated financial statements for the financial years ended 31 December 2010, 2011, 2012 and 2013 in addition to the audited financial statements of the year ended 31 December 2013. This table should be read alongside the financial statements, including references therein in section 18 "External Auditor's Report/ Proforma and Audited Consolidated Financial Statements".

Table 6–37 Capitalisation, 2010 - 2013

SAR ('000)	2010	2011	2012	2013
Short Term Liabilities	247,022	228,615	249,847	269,139
Long Term Liabilities	188,372	167,223	172,714	187,013
Total Liabilities	435,394	395,838	422,561	456,153
Share Capital	407,511	407,511	407,511	550,000
Statutory Reserve	49,338	66,916	85,501	19,565
Retained Profits	193,927	352,130	85,392	120,237
Proposed Profit Distributions	-	-	-	68,750
Foreign exchange adjustments	(11)	(22)	(28)	-
Total Shareholder Equity	650,765	826,535	578,376	758,552
Total shareholder equity and liabilities	1,086,159	1,222,373	1,000,937	1,214,705

Source: Company: Proforma Consolidated Financial Statements 2010-2012and Audited Consolidated Financial Statementsfor 2013

6 - 7 Planned Capital Expenditures

Table 6–38 Planned Capital Expenditures, Estimate for 2014

SAR ('000)	FY ending 31/12/2014
Hotels	
Expansion Capex	102,638
Maintenance Capex	103,874
Entertainment	
Expansion Capex	13,048
Maintenance Capex	29,611
TOTAL	249,171

Source: Company

The planned capital expenditure includes the expected costs of establishing new hotels and entertainment centers as well as renewing and renovating the existing hotels and entertainment centres in 2014. The hospitality division comprises 82.8% of capital expenditure, amounting to SAR 206.5 million.These are divided into capital expenditure costs spent mainly on establishing and opening new hotels, namely Hilton Double tree Riyadh, Jazan and Radisson Blu, Holiday Inn Jeddah, which is expected to reach SAR 102.6 million during 2014. While the capital expenditure spent on maintenance, restoration and renewal of the existing hotels, such as the Red Sea Palace Hotel and Hotel Tulip Yanbu and Red Pullman Hotel and Hagl Beach resort SAR 103.9 million. The planned capital expenditures for entertainment division represents 17.2% of the total capital expenditure (up to of SAR 42.7 million). Those capital expenditures divided into the cost of establishing and opening new entertainment centers which are 3 entertainment centers namely , Sparkys Center in Lulu Mall in Riyadh , Sparkys center in Lulu Mall in Dammam and Sparkys Center Galleria Mall in Fujairah, which expected to reach SAR13 million during 2014. While it planned to reach capital expenditures for maintenance, restoration and renewal of the existing entertainment centers of entertainment such as Vortix Arab Mall in Jeddah , the Jumbo Hayat Mall in Riyadh , Fantazya in Jeddah , Sparkys Aziz Mall in Jeddah' and Digital Land Sultan mall in Jeddah of SAR 29.6 million.

Table 6-39 Capital Changes

Capital		Date	Capital Increase methodology
From	To		
274,000	71,647,000	1991	Capitalizing retained earnings
71,647,000	249,000,000	2005	Capitalizing retained earnings
249,000,000	271,647,000	2006	Capitalizing retained earnings
271,674,000	407,511,000	2009	Capitalizing SAR 135,837,000 from retained profit
407,511,000	550,000,000	2013	Transfer SAR 83,950,175 from statutory reserve and capitalizing SAR 85,538,825 from retained earnings

Source : Company

The Company has increased its capital five times through the capitalization of retained earnings and once by transferring a part from statutory reserve and another part by capitalizing retained earnings.

7. Dividend Record and Policy

The declaration and payment of any dividends will be recommended by the Board before being approved by the Shareholders at a meeting of the General Assembly. The Company is under no obligation to declare any dividend and any decision to do so will depend on, amongst other things, the Company's historical and anticipated earnings and cash flow, financing and capital requirements, market and general economic conditions, the Company's Zakat position as well as legal and regulatory considerations. The distribution of dividends is subject to certain limitations contained in the By-Laws (as described in section 11.1.34 "Summary of Company's By-Laws – Distribution of Dividends").

The Company intends to distribute dividends to Shareholders to enhance the value of their investment in line with its capital expenditure and investment requirements, based on the profits realized by the Company, its financial position, the condition of the market, general economic climate and other factors including the Company's urgent need to reinvest these profits, its capital requirements, future expectations and other legal and regulatory consideration. Dividends will be distributed in Saudi Riyals. Additionally, investors willing to invest in the Offering Shares should realize that the dividend distribution policy may change from time to time.

Although the Company intends to distribute annual dividends to its Shareholders, it cannot guarantee that such dividends will be paid, or offer any guarantees on the value of profits to be distributed on any given year. Dividend distribution is subject to certain limitation under the Company's By-Laws as net annual distributions will be made after deducting all general expenses and other costs as follows:

- 10% of the annual net profits shall be set aside to form a statutory reserve. Such amounts may be discontinued by the Ordinary General Assembly when said reserve totals one-half of the Company's capital;
- the Ordinary General Assembly may, upon request of the Board of Directors, set aside a percentage of the annual net profits to form an additional reserve to be allocated for specific purpose or purposes;
- out of the balance of the profits, if any, an initial payment of 5% of the paid-up capital, shall be paid to the Shareholders;
- 10% of the remaining amount shall be paid as compensation to the members of the Board of Directors; and
- the balance shall be distributed among the Shareholders additionally.

Following is a summary of dividends declared and paid during the period 2010-2012:

- dividends declared in 2010G, 2011G and 2012G are SAR 61,126,650, SAR 101,877,750 and SAR 270,994,815 respectively.
- dividends paid in 2010G were SAR 40,715,100, which were the dividends declared in 2009.
- dividends paid in 2012G were SAR 433,999,216 comprised the dividends declared for 2010G, 2011G and 2012G as follows:
- Board Resolution No. (1) of 2010G approving the distribution of dividends in the amount of SAR 61,126,650;
- Board Resolution No. (1) of 2011G approving the distribution of dividends in the amount of SAR 101,877,750;
- Board Resolution No. (1) of 2012G approving the distribution of dividends in the amount of SAR 101,877,750;
- Board Resolution No. (4) of 2012G approving the distribution of dividends in the amount of SAR 81,502,200;
- Board Resolution No. (10) of 2012G approving the distribution of dividends in the amount of SAR 87,614,865;
- Profit distributions were reconciled in a related party account, which represents cash withdrawals and expenses paid on behalf of Al Hokair Group Est. in the amount of SAR 346,384,350. The balance was paid in cash at SAR 78,614,865.

Based on the board's resolution, the company has announced the distribution of dividends for 2013 earnings which amounted to SAR 137,500,000

- Board Resolution No. (7) of 2013G approving the distribution of dividends in the amount of SAR 68,750,000;
- Board Resolution No. (1) of 2014G approving the distribution of dividends in the amount of SAR 68,750,000

The table below sets out the amounts of dividends distributed by the Company for the last three financial years:

Table 7-1 Distributed Dividends 2010-2012

SAR (000')	2010	2011	2012	2013	2014
Net Income	139,130	175,781	185,845	195,654	-
Declared Dividends	61,127	101,878	270,995	68,750**	68,750**
Paid Dividends	40,751*	-	433,999	-	-

Source: Company

** Represents earnings of 2009; the earnings distribution for the year 2009 were settled in the related party account which represents cash withdrawals and expenses paid on behalf of Al Hokair Group Est.*

*** SAR 68,750,000 was listed in balance sheet due to the board resolution published before 31/12/2013; the amount was listed within the financial statement notes due to board resolution after 31/12/2013*

8. Use of Proceeds

The total proceeds from the Offering are estimated to be SAR 825,000,000 of which around SAR 26,000,000 million will be applied towards the Offering expenses which include the fees of the Financial Advisor, legal advisors (to the Company and the Financial Advisor), reporting accountants, Underwriters, Receiving Agents, marketing and printing and distribution fees as well as other fees related to the Offering. It is worth mentioning that the Company will not bear any of the expenses related to the Offering but will deduct them from the proceeds of the Offering.

The net proceeds of the Offering will be approximately SAR 799,000,000, which will be distributed to the Selling Shareholders on a pro rata basis to number of Offer Shares which will be sold by each of them in the Offering. The Company will not receive any part of the proceeds from the Offering.

9. Statement by Experts

The Company has appointed Colliers in collaboration with real estate professionals to conduct a market study on KSA's hospitality sector. Colliers is a leading global firm specializing in real estate services. Established in 1976 as a collaboration of three real estate service providers, Colliers has 12,300 employees operating in 522 offices across 62 countries. Colliers also offers various services to its clients including management of lease contracts, property management and development. Colliers assists property owners, occupants and developers in achieving their goals by offering various integrated property and commercial studies and services.

Neither Colliers, nor any of its affiliates, shareholders, directors or their relatives hold any shareholding or any interest in the Company. Colliers has given ,and not withdrawn, its written consent to the use of the information supplied by it to the Company in the manner and format set out in this Prospectus.

10. Directors, CEO, Senior Officers and Secretary of the Board Declarations

The Directors, Senior Management, and Secretary of the Board declare that:

- Except as disclosed in sections 5.1 “Board Members”, 5.3 “Senior Management” and 11.3 “Summary of Related Party Contracts” below and in this Prospectus, neither they nor any of their relatives or affliates have a direct or an indirect interest in the Shares of the Company or the Subsidiary.
- The proforma financial information for the years ending 31/12/2010, 2011 and 2012 and the audited consolidated financial statements for the year ending 31/12/2013 included in this Prospectus has been prepared by Ernst & Young pursuant to the accounting standards issued by SOCPA, which allow the use of International Auditing Standards in the absence of corresponding Saudi standards. As such, the Auditors (Ernst & Young) performed their procedures based on the International Standard on Assurance Engagements (ISAE-3420), ‘Assurance Engagements to Report on the Compilation of Proforma Consolidated Financial Information included in the Prospectus’. The financial information has been extracted from the proforma financial statements without any material changes.
- The Company and its subsidiary have a working capital that is sufficient for 12 months following the date of the issuing of this Prospectus.
- There is no intention to make any change to the activities of the Company or the Subsidiary.
- The share capitals of the Company and its Subsidiary do not include options.
- There was no interruption in the operations of the Company or its Subsidiary that could have significant impact on the financial position during the last 12 months.
- There was no material adverse change to the financial and trading position of the Company or its Subsidiary during the three financial years preceding the date of submitting the Admission application and approval of listing, in addition to the period covered by the report of the auditors until approval of this Prospectus.
- They have not at any time, declared bankruptcy or been subject to bankruptcy proceedings.
- No company - in which they held an administrative or supervisory office - was declared insolvent in the past five years preceding the date of this Prospectus, with the exception of Abdullah Al Fouzan, Director, who is also a Director in Arcapita Bahrain (joint stock investment company with headquarters in Bahrain) which voluntarily entered its current operations under restructuring procedures in March 2011 according to Chapter 11 of the Protection against Bankruptcy Law in the USA to restructure its debts but has exited such procedures during September 2013.
- They do not have any power or rights to borrow money from the Company.
- No commissions, discounts, brokerages or other non-cash compensation have been granted by the Company or any of its subsidiaries within the three (3) years immediately preceding the application for listing in connection with the issue or sale of any securities of the Company.

In addition to the aforementioned declarations, the Directors, the CEO, the Senior Officers and the Secretary also declare the following:

- No power exists giving any of the Directors or the CEO the right to vote on any contract proposal in which they have a fundamental interest, giving them the right to participate in any business that may compete with the Company or granting them a commission or brokerage fees during the three years immediately preceding the application for listing in connection with the issue or sale of any securities of the Company;
- No powers exist giving any of the Directors or the CEO the right to vote on the remuneration granted to them; and
- No powers exist giving any of the Directors or the CEO the right to borrow money from the Company or its Subsidiary.

Directors shall inform the Board of any personal interests, direct or indirect, in any of the Company’s activities or contracts or those of the Subsidiary. Such declarations shall be recorded in the minutes of meeting and the relevant member shall not vote on the decision relating to such matters.

The Directors undertake to:

- Record all of its resolutions and deliberations in the form of written minutes of the meeting which shall be executed by them;
- Include brief details of any transactions with related parties in the agenda of General Assemblies so that the Shareholders may be given the opportunity to approve such transactions at such meetings; and
- To comply with articles 69 and 70 of the Company's Bylaws, and article 18 of the corporate governance regulations.

11. Legal Information

11 - 1 Summary of Company's Bylaws

11 - 1 - 1 Name of the Company

Abdulmohsen Al-Hokair for Tourism and Development Company, a Saudi joint stock company.

11 - 1 - 2 Head Office

The head office of the Company is in Riyadh, KSA. The Board of Directors may open another branch, office or agencies within or outside KSA.

11 - 1 - 3 Objectives of the Company

The objectives of the Company are as follows:

- Setting-up, management, operation and maintenance of [games cities], entertainment centres and health and tourist resorts ;
- Setting-up, management, operation and maintenance of restaurants, coffee shops, rest centres and gardens;
- Setting-up, management, operation and maintenance of hotels and furnished apartments; and
- Setting-up, management, operation and maintenance of commercial centres and training and educational centres.

11 - 1 - 4 Participation in Other Companies

The Company may acquire an interest in, merge with, or participate in any manner with other corporations or companies engaged in a business which is similar to the business of the Company or that may assist the Company to achieve its objectives. The Company may also invest in any other company provided that its interest in such company does not exceed (i) twenty percent (20%) of the Company's free reserves; and (ii) ten percent (10%) of the capital of the company in which it is investing. The total value of the Company's investments in other companies should not exceed its free reserves. The Ordinary General Assembly should be informed of any such investment(s) at its next meeting.

11 - 1 - 5 Term of the Company

The term of the Company is ninety-nine (99) years commencing on the date on which the Minister of Commerce and Industry issued the resolution announcing the setting-up of the Company. The term of the Company may be extended by a resolution adopted by the Extraordinary General Assembly at least one year prior to the expiry of its term.

11 - 1 - 6 Capital of the Company

The share capital of the Company is five hundred and fifty million Saudi Riyals (SAR 550,000,000), divided into fifty five million (55,000,000) registered Shares of equal value of ten Saudi Riyals (SAR 10) each. All Shares are of nominal value and shall not be issued at less than the par value.

The Founders subscribes to 55,000,000 shares in the amount of SAR 550,000,000 paid up in full and all are in kind.

11 - 1 - 7 Share Register

The nominal Shares shall be transferred by recording such transfers in the Shareholders' register containing the names of the Shareholders, their nationalities, their occupations, their domicile and address, the serial numbers of the Shares, and the amount paid-up on such Shares. The transfer of title to a Share shall not be effective vis-à-vis the Company or any third party except from the date on which the transfer is recorded in the Shareholders' register or the completion of the transfer process through Tadawul. Subscription in or ownership of the Shares by a Shareholder entails the acceptance by the Shareholder of the Company's By-Laws and his submission to the resolutions duly passed by the General Assemblies in accordance with the By-Laws, regardless of whether the Shareholder was present at such General Assemblies or whether he voted in favour of such resolutions.

Upon approval by the Minister of Commerce and Industry, and pursuant to the basis determined by him, the Company may issue preferred shares that do not allow their holders voting rights at no more than 50% of its share capital. In addition to receiving a portion of the net profits distributed to regular shares, these preferred shares shall allow the holders to:

a) Receive a certain percentage of net profits not less than 5% of the nominal value of the share after statutory reserve deductions and prior to any profit distribution;

b) Priority in recovering the value of their shares in the share capital upon liquidation of the Company, and to receive a certain percentage of the liquidation outcome.

The Company may purchase such shares according to the decision of the Shareholders General Assembly. These shares do not count towards the quorum required to convene a general assembly.

11 - 1 - 8 Increase of Capital

The Extraordinary General Assembly may, once it has ascertained the economic feasibility of a capital increase step and after obtaining the approval of the competent authorities, adopt a resolution to increase the Company's capital once or several times by issuing new Shares having the same nominal value as the original Shares, provided that the Company's capital shall have been paid in full and subject to the requirements of the Companies Regulations. Such resolution shall specify the mode of increasing the capital. The Shareholders, who shall have pre-emptive rights to subscribe for the new Shares, shall be notified of their pre-emptive rights by notice published in a daily newspaper or by written notice sent to the Shareholders by registered mail. Such notice shall notify each Shareholder of the capital increase and set out the terms of subscription in the new Shares. Each Shareholder may exercise his pre-emptive rights, within fifteen (15) days of the publication of such notice or receipt of such notice by registered mail.

Shares issued pursuant to an increase in capital shall be allotted to those original Shareholders who have elected to exercise their pre-emptive rights pro-rata to their respective shareholdings in the Company, provided that the number of Shares allocated to each Shareholder does not exceed the number of new Shares for which he has applied.

If a Shareholders fails to pay the share value on the determined date, the Board, after warning the Shareholder via registered mail to his address mentioned in the Shareholders' Register, may sell the share in a public auction. Yet, the defaulting Shareholder may pay any outstanding amount until the set date of the auction, plus any expenses incurred by the Company. The Company collects its dues from the sale proceeds and returns the balance to the shareholder. If these proceeds were insufficient, the Company may recover any amounts due to it from all of the shareholder's funds, cancel the sold share and issue a new share to the buyer with the same number as the cancelled share and record this in the Shareholders' Register.

11 - 1 - 9 Decrease of Capital

The Company may reduce its capital if it proves to be in excess of the Company's needs or if the Company sustains losses. Such decision must be made by a resolution of the Extraordinary General Assembly and requires the approval of the Minister of Commerce and Industry. Such resolution may only be passed after the preparation of a report by the Company's auditor's setting out the reasons for the reduction of the Company's capital, the obligations of the Company and the effect of such reduction on such obligations. The resolution shall set out the manner in which the reduction in capital is to be effected. If the reason for reducing the capital is due to the reduced amount being in excess of the Company's needs, the Company's creditors must be invited to express their objection to such reduction in capital within sixty (60) days from the date of publication of the resolution relating to the reduction in a daily newspaper published in the city where the Company's head office is located. If any creditor objects to the reduction in the capital of the Company and submits to the Company, within the said period, documentary evidence of his debt, the Company must settle such debt if it is due, or provide adequate security for its payment if it has not fallen due at the time.

11 - 1 - 10 Constitution of the Board of Directors

The Board comprise of nine members appointed by the Ordinary General Assembly for a term not exceeding three years. As an exception to the foregoing, the first Board shall be appointed for a term of five (5) years commencing on the date of the Ministerial Resolution setting-up the Company.

11 - 1 - 11 Qualification Shares

Each member of the Board shall be a holder of a number of Shares having a nominal value of no less than ten thousand Saudi Riyals (SAR 10,000). Such Shares shall be deposited in a bank designated by the Minister of Commerce and Industry within thirty (30) days from the date of the appointment of the Director. Such Shares shall be held to guarantee the liability of the Board members and shall be non-negotiable until the expiry of the period specified for hearing any action set out under Article (76) of the Companies' Regulations or until a judgment is rendered in any such action. Should a Director fail to submit such qualification Shares within the specified period, his appointment to the Board shall be deemed null and void.

11 - 1 - 12 Vacancies

A Director's membership of the Board shall be terminated upon the expiry of the Board's term, on the Director's resignation or death or if he is declared bankrupt, insolvent or requests a settlement with his creditors or stops repaying his debts in accordance with any applicable laws or regulations in the Kingdom. If the seat of a Director becomes vacant, the Board may appoint a temporary member to the vacant seat, provided that such appointment shall be laid before the next Ordinary General Assembly. The new Director shall complete the rest of his predecessor's term.

If the number of Directors falls below the quorum required for a Board meeting, an Ordinary General Assembly must be convened as soon as possible to appoint new Directors to the vacant seats on the Board.

11 - 1 - 13 Powers of the Board of Directors

Without prejudice to the powers conferred on the General Assembly, the Board shall be vested with the widest of powers to manage the business of the Company and supervise its affairs within and outside the KSA and dispose of its assets, property or real estate, and it has the right to, receive or pay the price, mortgage, redemption, sale, release, receive value and deliver valuables on the basis that the board minutes contain the reasons for the decision to dispose of the assets, property or real estate whilst taking into account the following conditions:

- the Board shall specify in its resolution the reasons and justifications of such sale;
- the sale price shall be at least equal to the market price;
- the sale shall be undertaken with immediate effect unless the circumstances necessitate otherwise, in which case, sufficient guarantees should be obtained; and
- such sale does not result in the Company's activities being suspended, or in any new obligations being assumed by the Company.

The Board may conclude loan agreements with governmental funds and institutions, conclude commercial loans with commercial banks, financial institutions and credit companies, and such agreements can be concluded for any period of time including loans that have a term exceeding three years however, the Board shall observe the following conditions in respect of any loan having a term exceeding three (3) years:

- the loan amounts executed in any one financial year not to exceed 50% of the Company's capital;
- the Board shall specify, in its resolution to approve any such loan, the manner in which the loan will be used and how it will be repaid by the Company; and
- that the terms of the loan and the guarantees provided in relation thereto do not prejudice the interests of the Company, its Shareholders or the securities offered to the Company's creditors.

The Board shall also have the right to settle, waive, contract, commit and bind the Company in its name and on its behalf and the Board as the right to do all works and actions that will achieve the Company's objectives.

The Board has the right to delegate to one or more of its members or to third parties, any work or works or specific works, or any of its powers and to cancel such delegation or authorization in part or in its entirety.

The Board, at its own discretion, shall have the right to discharge the Company's debtors from their obligations in accordance with what serves its interests best, provided that the Board minutes include the circumstances surrounding this decision and take into consideration the following conditions:

- one year has lapsed since the date on which the debt was created;
- the discharging of the debt shall be set as a maximum yearly limit per single debtor;
- the Board may not delegate its power to discharge debts to any party.

The Board has the power to form, from between its own members or third parties, certain committees in accordance with the Company's requirements. The Board will appoint the following for each established committee:

- the chairman and each other member of the committee; and
- the Board will determine the way that each committee will conduct its business, its areas of responsibility, number of members and the relevant quorum for its meetings.

These committees will exercise the powers given to them by the Board in accordance with the Board's instructions and directions. Any committee that is set-up will not be allowed to cancel or amend any of the resolutions or rules approved by the Board.

11 - 1 - 14 Remuneration of Directors

The remuneration of Directors shall be determined by the provisions of the Companies Regulations and the laws and regulations which are complementary thereto.

The annual report submitted by the Board of Directors to the Ordinary General Assembly shall contain a statement of all payments made to the members of the Board during the relevant fiscal year including salaries, share in profits, attendance allowance, expenses, and other benefits. This report shall also contain a statement of payments made in consideration for technical, administrative or consultancy assignments carried out by Board member(s) in favour of the Company and previously approved by the Ordinary General Assembly.

11 - 1 - 15 Chairman, Managing Director and Secretary

The Board shall appoint a Chairman and from among its members. The Board of Directors may also appoint a managing director (the "Managing Director") from among its members. The Chairman shall have the power to convene the Board, and the ordinary and extraordinary general assemblies to meet and shall preside over the Board meetings. The Chairman has a casting vote.

The Chairman and the Managing Director (if one is appointed) shall also be authorized to individually or jointly represent the Company in its relationship with others and the various courts including the Shariah Courts, the Board of Grievances, Labour Offices, Primary and Supreme Committees of Settlement of Labour Disputes, the Committee for the Enforcement of Negotiable Instruments, all other courts of law or judicial bodies, Boards of Arbitration, Police Departments, the Directorate of Civil Rights, Chambers of Commerce and Industry, and other private parties and all companies and establishments thereto, participate in tenders, receive, repayment, receive rights with third parties, issue Shariah powers of attorney on behalf of the Company, appoint and dismiss attorneys, claim, defend, plead, settle, assign, deny, request oath, reject the same, accept judgments and deny the same, arbitrate on behalf of the Company, request implementation of judgments; to accept and reject judgments on behalf of the Company, receive the resulting proceedings, sign all contracts and agreements, documents including, without limitation, articles of association of companies in which the Company shall participate in, and to amend the same, their annexes, sale of shares, open accounts and withdrawal from accounts in accordance with cheques or order of payments, deposit, issue cheques, transfer procedures and receive the same at the banks and issue bank guarantees with or without securities, and sign all papers, documents, cheques and all banking transactions and sign contracts and promissory notes, submit the necessary guarantees, receipt of documents, papers, bonds, bills, shipment policies relating to any cargo that might have been shipped for the Company with the right to allow any violations to the credit conditions, sign all contracts that relate to internet transactions or otherwise, all contracts relating to requests for information relating to banking operations through the banking systems and other electronic systems, prepare the work rules and regulations for the company and with regards to third party relations, establish regulations, formation of specialized labour committees and the setting of their authority and specialization and the mechanism for its appointment, submit pledges and guarantees and sign on behalf of the Company and they have the right to appoint an attorney or authorize a third party in pursuing an action or certain actions in all or part of is mentioned above.

The Managing Director shall have such other powers as are specified by the Board of Directors and shall carry out such directions as are given to him by the Board of Directors.

The Board of Directors shall appoint a Secretary from among its members or others and shall specify his remuneration. The Secretary's duties shall include preparing, maintaining and keeping a register of proceedings and resolutions of the Board of Directors including any other specialty areas that are assigned to him by the Board.

The term of the office of the Chairman, the Managing Director, and the Secretary (if the Secretary is a Board member) shall not exceed their respective terms of service as Directors. The respective terms of the Chairman, the Managing Director, and the Secretary of the Board may always be renewed.

11 - 1 - 16 Board Meetings

The Board of Directors shall be convened upon notice given by the Chairman at least three times a year. Such notice shall be in writing and delivered by hand or fax or email or sent by registered mail not less than two (2) weeks prior to the date set for the meeting, unless otherwise agreed by the Directors. The Chairman shall call a meeting of the Board if so requested by any two Directors.

11 - 1 - 17 Quorum and Representation

A Board meeting shall be quorate only if attended by at least five (5) members attending in person or in proxy. In the event that a Director appoints another Board member to attend a Board meeting as his proxy, then such proxy shall be appointed in accordance with the following guidelines:

- a member of the Board of Directors may not act as proxy for more than one Board member at the same meeting;
- a proxy shall be appointed in writing; and
- a Board member acting by proxy may not vote on resolutions on which his principal is prohibited from voting.

If any duly convened meeting is not quorate, then the meeting must be adjourned for seven (7) days, on the basis that the adjourned meeting is held at the same time and place of the adjourned meeting or in any other time and place agreed to by the chairman and Board members subject to the condition that the majority of Board members must be present either in person or in proxy.

Resolutions of the Board shall be adopted with the approval of the majority vote of the members present in person or represented by proxy.

The Board may adopt a resolution by circulation of resolutions unless a Board member requests in writing a meeting to deliberate on such resolution. Such Resolutions shall be adopted with the approval of all of the Directors and shall be laid before the Board in its next meeting.

11 - 1 - 18 Minutes of Meetings

Deliberations and resolutions of the Board shall be recorded in the form of minutes to be signed by the Chairman and the Secretary. Such minutes shall also be recorded in a register to be signed by the Chairman and the Secretary.

11 - 1 - 19 General Assembly

A General Assembly duly convened shall be deemed to represent all the Shareholders, and shall be held in the city where the Company's head office is located. Each Shareholder (no matter how many shares are owned by him) may attend the Constituent Assembly meeting in person through a proxy. Each Shareholder owning twenty (20) Shares (or more) shall have the right to attend a General Assembly, and each Shareholder may authorize another Shareholder (other than a member of the Board of Directors) to attend the General Assembly on his behalf.

11 - 1 - 20 Ordinary General Assembly

With the exception of those matters reserved for the Extraordinary General Assembly, the Ordinary General Assembly shall deal with all matters concerning the Company. The Ordinary General Assembly shall be convened at least once a year, within six (6) months following the end of the Company's fiscal year. Additional Ordinary General Assembly meetings may be convened as required.

11 - 1 - 21 Extraordinary General Assembly

The Extraordinary General Assembly shall have the power to amend the Company's By-Laws, (to the extent permissible under the Companies Regulations). Furthermore, the Extraordinary General Assembly may pass resolutions on matters falling within the competence of the Ordinary General Assembly, subject to the same requirements applicable to the Ordinary General Assembly.

11 - 1 - 22 Manner of Convening General Assemblies

The General Assembly shall be convened by the Board of Directors. The Board of Directors shall convene a meeting of the Ordinary General Assembly if requested to do so by the auditors or by a number of Shareholders representing at least five percent (5%) of the Company's capital. The Company must publish an invitation to Shareholders to attend the General Assembly in the Official Gazette and in a daily newspaper circulated in the location of the head office of the Company, at least twenty-five (25) days prior to the date of the General Assembly. The invitation must include the agenda of the meeting. A copy of the notice and the agenda shall be sent during the notice period to the Companies Department at Ministry of Commerce and Industry. A list of Shareholders attending the General Assembly in person or by proxy shall be prepared including their place of residence and the number of shares that are in their possession whether in person or through a proxy and the number of votes assigned to them and each person with an interest has the right to review this list.

11 - 1 - 23 Quorum of Ordinary General Assembly

A meeting of the Ordinary General Assembly shall be quorate if attended by Shareholders representing at least fifty percent (50%) of the Company's capital. If such quorum is not present at the first meeting, a second meeting shall be held within thirty (30) days following the time set for the first meeting. Notice of such meeting shall be published in manner prescribed in Article (30) of the Company's By Laws. The second meeting shall be deemed quorate irrespective of the number of shares represented at such meeting.

11 - 1 - 24 Quorum of Extraordinary General Assembly

A meeting of the Extraordinary General Assembly shall be quorate if attended by Shareholders representing at least fifty percent (50%) of the Company's capital. If such quorum is not present at the first meeting, a second meeting shall be convened in the same manner as set out in section 11.1.23 above.

The second meeting shall be quorate if attended by Shareholders representing at least one-quarter (1/4) of the Company's capital.

11 - 1 - 25 Voting Rights

Each Shareholder shall have one vote for each Share he represents at the Constituent General Assembly. Votes at the meetings of Ordinary and Extraordinary General Assemblies are counted on the basis of one vote for each Share represented at the meeting. In relation to the Ordinary General Assembly resolutions that relate to electing the Board members, the voting on these decisions will follow the cumulative voting principle in that each shareholder's voting capability is relative to the number of shares that he owns in the Company and the Shareholders will be allowed to use their votes in relation to one candidate or split them between the various candidates however without their being any repetition in the votes.

11 - 1 - 26 Voting Majorities

Resolutions of the Constituent General Assembly shall be passed if supported by an absolute majority of the Shares represented at the meeting. Resolutions of the Ordinary General Assembly shall be passed if supported by a majority of the Shares represented at the meeting. Resolutions of the Extraordinary General Assembly shall be passed if supported by a majority of at least two thirds of the Shares represented at the meeting. If the resolution to be adopted at a General Assembly relates to an increase or reduction of the Company's share capital, extending the Company's term, dissolving the Company prior to the expiry of its term or merging the Company with another company or establishment, then such resolution shall be passed if supported by a majority of at least three-quarters (3/4) of the Shares represented at the meeting.

11 - 1 - 27 Rights of Shareholders at the Meetings of the General Assembly

Each Shareholder shall have the right to discuss the items listed in the General Assembly's agenda and to direct questions to the members of the Board and the Auditor in relation to such matters. The Board of Directors or the Auditor shall answer the Shareholders' questions to the extent that this does not jeopardize the interests of the Company. Should a Shareholder consider the reply unsatisfactory, he can report to the General Assembly whose resolution will be considered final.

11 - 1 - 28 Proceedings of the General Assembly

The General Assembly shall be presided over by the Chairman or, in his absence, the Director designated by him. The Chairman shall appoint a secretary for the meeting and a canvasser (one or more as per the decision of the Assembly). Minutes of the meeting shall be prepared showing the names of the Shareholders present in person or represented by proxy, the number of the shares held by each, the number of votes attaching to such Shares, the resolutions adopted at the meeting, the number of votes in favour of and opposing such resolutions, and a comprehensive summary of the discussions that took place at the meeting. Such minutes shall be recorded after each meeting in a register to be signed by the Chairman of the General Assembly, the secretary and the canvasser.

11 - 1 - 29 Appointment of Auditor

The Company shall have an auditor to be selected from the auditors licensed to practice in KSA. The auditor shall be appointed annually by the Ordinary General Assembly and its compensation shall be fixed by the Ordinary General Assembly. The Ordinary General Assembly has the right to reappoint the same auditor.

11 - 1 - 30 Access to Records

The auditor shall have access at all times to the Company's books, records, and any other documents, and may request information and clarification as it deems necessary. It may investigate the Company's assets and liabilities.

11 - 1 - 31 Auditor's Report

The auditor shall submit a report annually to the Ordinary General Assembly setting out the extent to which the Company has provided the auditor with the information and clarifications it has requested, any violations of the Companies Regulations and the By-Laws which it has discovered and its opinion as to whether the Company's accounts are a true and fair reflection of the Company's position.

11 - 1 - 32 Financial Year

The Company's fiscal year shall commence on 1 January and expire on 31 December of each Gregorian year.

11 - 1 - 33 Annual Accounts

The Board of Directors shall prepare at the end of each fiscal year an inventory of the Company's assets and liabilities on such date, the Company's balance sheet and profit and loss account, a report on the Company's activities and its financial position for the preceding year and its proposals as to the distribution of the net profits. The Board of Directors shall prepare such documents at least sixty (60) days prior to the convening of the annual Ordinary General Assembly. The Board of Directors shall provide such documents to the auditor at least fifty-five (55) days prior to the time set for convening the annual Ordinary General Assembly. Such documents shall be signed by the Chairman of the Board and a set thereof shall be available at the Company's head office for inspection by Shareholders at least twenty-five (25) days prior to the time set for convening the General Assembly. The Chairman shall prompt the Company's balance sheet, profit and loss account, a comprehensive summary of the Board of Directors' report, and the full text of the auditor's report to be published in a newspaper circulated in the city where the Company's head office is located, and shall send copies of such documents to the Companies Department at MOCI at least twenty-five (25) days prior to the date set for convening the annual Ordinary General Assembly.

11 - 1 - 34 Distribution of Annual Profits

After deducting all general expenses and other costs, the Company's annual net profits shall be allocated as follows:

- ten percent (10%) of the annual net profits shall be set aside to form a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when the statutory reserve totals one-half (1/2) of the Company's capital;

- the Ordinary General Assembly may, upon request of the Board of Directors, set aside a percentage of the annual net profits to form an additional reserve to be allocated for such purpose or purposes as may be approved by the Ordinary General Assembly;
- the remainder shall be distributed to the Shareholders provided that it should not be less than five (5%) of the paid up capital; and
- after the above, a maximum of 10% of the remaining profits can be distributed to the Board of Directors as bonus with the remainder being distributed to the Shareholders as an extra portion of dividend.

11 - 1 - 35 Distribution of Dividends

The profits to be distributed among the Shareholders shall be paid at such place and time as determined by the Board of Directors, in accordance with the instructions issued by MOCI.

11 - 1 - 36 Company Losses

If the Company's losses total three-quarters (3/4) of its capital, then the members of the Board of Directors shall call a meeting of the Extraordinary General Assembly to consider whether the Company shall continue to exist or be dissolved prior to the expiry of the period specified therefore under Article six (6) of the By-Laws. The Extraordinary General Assembly's resolution shall be published in the Official Gazette.

11 - 1 - 37 Disputes

Each Shareholder shall have the right to bring an action in the name of the Company, against the members of the Board of Directors if they have committed a fault which has caused some particular damage to such Shareholder, provided that the Company still has the right to bring such action. The Shareholder shall notify the Company of his intention to file such action.

11 - 1 - 38 Dissolution and Winding up of the Company

Upon the expiry of the Company's term, or if it is dissolved prior to such time, the Extraordinary General Assembly shall, based on a proposal by the Board of Directors, decide the method of liquidation, appoint one or more liquidators and specify their powers and fees. The powers of the Board of Directors shall cease upon the expiry of the Company's term. However, the Board of Directors shall remain responsible for the management of the Company until the liquidator(s) are appointed. The Company's administrative departments shall maintain their powers to the extent that they do not interfere with the powers of the liquidator(s).

11 - 2 Summary of Material Agreements

11 - 2 - 1 Franchise Agreements

The Company has entered into 17 franchise agreements, that are still valid as of the date of this Prospectus, with international brand partners (15 hotels and 2 Company restaurants). It is worth mentioning that the franchise agreements do not contain any penal clauses. For more information on the nature of the business relating to these franchise agreements please refer to section 4.5 above. It should be noted that although some Company agreements are long term, the risks involved in such agreements have been explained in Section 2 "Risk Factors".

Golden Tulip Franchise Agreement (Nasiriya, Riyadh)

The agreement is dated 21 June 2007G and was entered into by Al Hokair Group and Golden Tulip Franchise Ltd. The latter grants a franchise to Al Hokair Group and the right to use its trademarks, operating and reservation systems and operating manuals. The rights granted to Al Hokair Group are non-exclusive in exchange of a number of fees, which mainly consists of an annual franchise, transaction and reservation fees. The term of the agreement is 3 years, is automatically renewed for 3 additional years, and it has been renewed accordingly. The Company is currently negotiating a one-year extension to the agreement, and does not intend as of this Prospectus to extend the agreement after the conclusion of that one year. (see table 4.14 “Al Hokair Group Hotels that are expected to be re-branded to JV hotels (“Re-branded Hotels”) as of 31/12/2013G”) The agreement may be terminated by either party with a written notice of at least 1 year prior to the term expiration. Either party may terminate the agreement with immediate effect if a breach of any of the terms and conditions is not remedied within 14 days of notification. The agreement is governed by the laws of Switzerland.

Golden Tulip Franchise Agreement (Al Khobar)

The agreement is dated 21 June 2007G and was entered into by Al Hokair Group and Golden Tulip Franchise Ltd. The latter grants a franchise to Al Hokair Group and the right to use its trademarks, operating and reservation systems and operating manuals. The rights granted to Al Hokair Group are non-exclusive in exchange of a number of fees, which mainly consists of an annual franchise, transaction and reservation fees. The term of the agreement is 3 years, is automatically renewed for 3 additional years, and it has been renewed accordingly. The Company is currently negotiating a one-year extension to the agreement, and does not intend as of this Prospectus to extend the agreement after the conclusion of that one year. (see table 4.14 “Al Hokair Group Hotels that are expected to be re-branded to JV hotels (“Re-branded Hotels”) as of 31/12/2013G”) The agreement may be terminated by either party with a written notice of at least 1 year prior to the term expiration. Either party may terminate the agreement with immediate effect if a breach of any of the terms and conditions is not remedied within 14 days of notification. The agreement is governed by the laws of Switzerland.

Golden Tulip Franchise Agreement (Qasr Al Baha)

The agreement is dated 10 October 2008G and was entered into by Al Hokair Group and Golden Tulip Franchise Ltd. The latter grants a franchise to Al Hokair Group and the right to use its trademarks, operating and reservation systems and operating manuals. The rights granted to Al Hokair Group are non-exclusive in exchange of a number of fees, which mainly consists of an annual franchise, transaction and reservation fees. The term of the agreement is 3 years, is automatically renewed for 3 additional years, and it has been renewed accordingly on 01/12/2011G for the period ending 30/11/2014G. Al Hokair Group does not intend to extend this agreement following the conclusion of this period (see table 4.14 “Al Hokair Group Hotels that are expected to be re-branded to JV hotels (“Re-branded Hotels”) as of 31/12/2013G”) The agreement may be terminated by either party with a written notice of at least 1 year prior to the term expiration. Either party may terminate the agreement with immediate effect if a breach of any of the terms and conditions is not remedied within 14 days of notification. The agreement is governed by the laws of Switzerland.

Golden Tulip Franchise Agreement (Hail)

The agreement is dated 26 January 2009G and was entered into by Al Hokair Group and GT Investments B.V. The latter grants a franchise to Al Hokair Group and the right to use its trademarks, operating and reservation systems and operating manuals. The rights granted to Al Hokair Group are non-exclusive in exchange of a number of fees, which mainly consists of an annual franchise, transaction and reservation fees. The term of the agreement is 5 years, is automatically renewed for 5 additional years. This agreement will expire on 31/12/2014G and the Company does not, as of the date of this Prospectus, intend to renew the agreement following its expiration. (see table 4.14 “Al Hokair Group Hotels that are expected to be re-branded to JV hotels (“Re-branded Hotels”) as of 31/12/2013G”). The agreement may be terminated by either party with a written notice of at least 1 year prior to the term expiration. Either party may terminate the agreement with immediate effect if a breach of any of the terms and conditions is not remedied within 14 days of notification. The agreement is governed by the laws of Switzerland.

Golden Tulip Franchise Agreement (Jeddah)

The agreement is dated 21 June 2007G and was entered into by Al Hokair Group and Golden Tulip Franchise Ltd. The latter grants a franchise to Al Hokair Group and the right to use its trademarks, operating and reservation systems and operating manuals. The rights granted to Al Hokair Group are non-exclusive in exchange of a number of fees, which mainly consists of an annual franchise, transaction and reservation fees. The period of the agreement is three years, automatically renewable for similar periods. The Company is currently negotiating an extension of the agreement for a period of three years. The agreement may be terminated by either party with a written notice of at least 1 year prior to the term expiration. Either party may terminate the agreement with immediate effect if a breach of any of the terms and conditions is not remedied within 14 days of notification. The agreement is governed by the laws of Switzerland.

Holiday Inn Half Moon Resort Franchise Agreement (Dhahran)

The agreement is dated 11 June 2009G and was entered into by Al Hokair Group and Six Continents Hotels Inc. The latter grants a franchise to Al Hokair Group and the right to use its trademarks, operating and reservation systems and operating manuals. The rights granted to Al Hokair Group are non-exclusive in exchange of a number of fees, the two main ones consist of a royalty fee and a marketing and reservation contribution. The term of the agreement is 20 years, which may be renewed subject to the written agreement of both parties. Al Hokair Group may terminate the franchise agreement by giving a 24 months written notice plus an agreed lump sum per license year. Six Continents Hotels Inc. may terminate the agreement by giving a 30 days notice if Al Hokair Group committed a material breach which has not been remedied within the period specified in the notice. The agreement is unaffected if Al Hokair Group's shareholders sell 50% or more of their shares providing certain conditions are met. The agreement is governed by the laws of KSA.

Holiday Inn Franchise Agreement (Al Salam Jeddah)

The agreement is dated 11 June 2009G and was entered into by Al Hokair Group and Six Continents Hotels Inc. The latter grants a franchise to Al Hokair Group and the right to use its trademarks, operating and reservation systems and operating manuals. The rights granted to Al Hokair Group are non-exclusive in exchange of a number of fees, the two main ones consist of a royalty fee and a marketing and reservation contribution. The term of the agreement is 20 years, which may be renewed subject to the written agreement of both parties. Al Hokair Group may terminate the franchise agreement by giving a 24 months written notice in addition to an agreed lump sum per license year. Six Continents Hotels Inc. may terminate the agreement by giving a 30 days notice if Al Hokair Group committed a material breach which has not been remedied within the period specified in the notice. The agreement is unaffected if Al Hokair Group's shareholders sell 50% or more of their shares providing certain conditions are met. The agreement is governed by the laws of KSA.

Holiday Inn Franchise Agreement (Qasr Al Olaya)

The agreement is dated 29 March 2007G and was entered into by Al Hokair Group and Six Continents Hotels Inc. The latter grants a franchise to Al Hokair Group and the right to use its trademarks, operating and reservation systems and operating manuals. The rights granted to Al Hokair Group are non-exclusive in exchange of a number of fees, the two main ones consist of a royalty fee and a marketing and reservation contribution. The term of the agreement is 20 years, which may be renewed subject to the written agreement of both parties. Al Hokair Group may terminate the franchise agreement by giving a 24 months written notice plus an agreed lump sum per license year. Six Continents Hotels Inc. may terminate the agreement by giving a 30 days notice if Al Hokair Group committed a material breach which has not been remedied within the period specified in the notice. The agreement is governed by the laws of the United Kingdom.

Holiday Inn Franchise Agreement (Al Khobar Corniche)

The agreement is dated 07 May 2009G and was entered into by Al Hokair Group and Six Continents Hotels Inc. The latter grants a franchise to Al Hokair Group and the right to use its trademarks, operating and reservation systems and operating manuals. The rights granted to Al Hokair Group are non-exclusive in exchange of a number of fees, the two main ones consist of a royalty fee and a marketing and reservation contribution. The term of the agreement is 20 years, which may be renewed subject to the written agreement of both parties. Al Hokair Group may terminate the franchise agreement by giving a 24 months written notice plus an agreed lump sum per license year. Six Continents Hotels Inc. may terminate the agreement by giving a 30 days notice if Al Hokair Group committed a material breach which has not been remedied within the period specified in the notice. The agreement is unaffected if Al Hokair Group's shareholders sell 50% or more of their shares providing certain conditions are met. The agreement is governed by the laws of KSA.

Holiday Inn Franchise Agreement (Al Khobar)

The agreement is dated 07 May 2009G and was entered into by Al Hokair Group and Six Continents Hotels Inc. The latter grants a franchise to Al Hokair Group and the right to use its trademarks, operating and reservation systems and operating manuals. The rights granted to Al Hokair Group are non-exclusive in exchange of a number of fees, the two main ones consist of a royalty fee and a marketing and reservation contribution. The term of the agreement is 20 years, which may be renewed subject to the written agreement of both parties. Al Hokair Group may terminate the franchise agreement by giving a 24 months written notice plus an agreed lump sum per license year. Six Continents Hotels Inc. may terminate the agreement by giving a 30 days notice if Al Hokair Group committed a material breach which has not been remedied within the period specified in the notice. The agreement is unaffected if Al Hokair Group's shareholders sell 50% or more of their shares providing certain conditions are met. The agreement is governed by the laws of KSA.

Tulip Inn Franchise Agreement (Dammam)

The agreement is dated 19 March 2008G and was entered into by Al Hokair Group and Golden Tulip Franchise Ltd. The latter grants a franchise to Al Hokair Group and the right to use its trademarks, operating and reservation systems and operating manuals. The rights granted to Al Hokair Group are non-exclusive in exchange of a number of fees, which mainly consists of an annual franchise, transaction and reservation fees. The term of the agreement is 3 years, then automatically renewed for 3 additional years, and has been renewed accordingly on 19/03/2011G. As of the date of this Prospectus, the Company does not intend to extend this agreement following its expiration (see table 4.14 "Al Hokair Group Hotels that are expected to be re-branded to JV hotels ("Re-branded Hotels") as of 31/12/2013G"). The agreement may be terminated by either party with a written notice of at least 1 year prior to the term expiration. Either party may terminate the agreement with immediate effect if a breach of any of the terms and conditions is not remedied within 14 days of notification. The agreement is governed by the laws of Switzerland. Any dispute arising out of it shall be submitted to the competent court in Lausanne, Switzerland.

Tulip Inn Franchise Agreement (Al Taif)

The agreement is dated 1 January 2006G and was entered into by Al Hokair Group and Golden Tulip Franchise Ltd. The latter grants a franchise to Al Hokair Group and the right to use its trademarks, operating and reservation systems and operating manuals. The rights granted to Al Hokair Group are non-exclusive in exchange of a number of fees, which mainly consists of an annual franchise, transaction and reservation fees. The term of the agreement is 3 years, then automatically renewed for 3 additional years, and has been renewed accordingly on 1/1/2012G. This agreement will expire on 31/12/2014G and the Company does not currently intend to extend this agreement following its expiration (see table 4.14 "Al Hokair Group Hotels that are expected to be re-branded to JV hotels ("Re-branded Hotels") as of 31/12/2013G"). The agreement may be terminated by either party with a written notice of at least 1 year prior to the term expiration. Either party may terminate the agreement with immediate effect if a breach of any of the terms and conditions is not remedied within 14 days of notification. The agreement is governed by the laws of Switzerland.

Tulip Inn Franchise Agreement (Yanbu)

The agreement is dated 10 October 2008G and was entered into by Al Hokair Group and Golden Tulip Franchise Ltd. The latter grants a franchise to Al Hokair Group and the right to use its trademarks, operating and reservation systems and operating manuals. The rights granted to Al Hokair Group are non-exclusive in exchange of a number of fees, which mainly consists of an annual franchise, transaction and reservation fees. The term of the agreement is 3 years, then automatically renewed for 3 additional years, and has been renewed accordingly on 10/10/2011G. It is expected that in 2014G Q4 this hotel will be re-branded to the brand Novotel Suites. The agreement may be terminated by either party with a written notice of at least 1 year prior to the term expiration. Either party may terminate the agreement with immediate effect if a breach of any of the terms and conditions is not remedied within 14 days of notification. The agreement is governed by the laws of Switzerland.

Tulip Inn Franchise Agreement (Regency-Jeddah)

The agreement is dated 10 October 2008G and was entered into by Al Hokair Group and Golden Tulip Franchise Ltd. The latter grants a franchise to Al Hokair Group and the right to use its trademarks, operating and reservation systems and operating manuals. The rights granted to Al Hokair Group are non-exclusive in exchange of a number of fees, which mainly consists of an annual franchise, transaction and reservation fees. The term of the agreement is 5 years, then automatically renewed for 5 additional years and has been renewed accordingly. The agreement may be terminated by either party with a written notice of at least 1 year prior to the term expiration. Either party may terminate the agreement with immediate effect if a breach of any of the terms and conditions is not remedied within 14 days of notification.

Suite Novotel Franchise Agreement

The agreement is dated 31 October 2012G and was entered into by Al Hokair Group and the Saudi French Hotel Management Company (Accor), pursuant to which the Company receives the right to use the “Novotel” brand. The rights granted to Al Hokair Group are none exclusive against a number of fees, primarily comprised of a royalty fee, a non-refundable lump sum, part of which will be paid upon concluding this agreement and the rest on opening the hotel. The period of this agreement is 10 years renewable for an additional 10 years upon mutual agreement. Either party may terminate this agreement immediately in case any of its terms are violated, including delay of any payments due to Accor, or if the hotel brand was used in an unauthorized manner unless this is remedied within 15 days after a second notice to the Company. Al Hokair Group will inform Accor and request its approval, in the event of assignment or transfer of this agreement to a third party. As such, Accor’s approval regarding the change of ownership at the Company upon Listing has been obtained. This agreement is subject to the laws of KSA.

Perky’s Pizza Franchise Agreement

The agreement was entered into on 18 February 1997G between Perky’s Foodservice Concepts Inc. (Perky’s) and Al Hokair Group. Al Hokair Group is granted the exclusive right to market Perky’s brand and products in the following jurisdictions: KSA, Bahrain, Kuwait, Qatar, Oman, United Arab Emirates, Iraq, Syria, Lebanon, Jordan, Yemen, Egypt, Sudan, Libya, Algeria, Morocco, and Tunisia. A lump sum fee was paid to Perky’s upon entry into the agreement. The initial term of the agreement was 10 years, which were extended to a further 10 year period. Perky’s may terminate the agreement if certain sale quotas are not met and in the event of bankruptcy of Al Hokair Group. The latter may terminate the agreement by giving Perky’s a 30 days written notice. Perky’s rights and obligations under the agreement inure to the benefit of, and are binding upon, its successors. The agreement is governed by the laws of the State of Florida.

Brioche Doree Franchise Agreement

The agreement is dated 26 July 2007G and was entered into by Al Hokair Group Est. and Societe Animatrice de la Franchise (SAF). SAF grants an exclusive right to Al Hokair Group Est. to operate and develop restaurants under the ‘Brioche Doree’ trademark in the United Arab Emirates, KSA, Qatar, Kuwait, Bahrain, and Oman subject to Al Hokair Group Est. compliance with the business plan agreed between the parties. Al Hokair Group Est. pays SAF a base entry fee and royalty fees, and undertakes to pay a certain amount for local promotion and advertising. The term of the agreement is 10 years, which is then automatically renewed for further periods of 5 years unless either party gives notice to the other party at least 6 months prior to the end of a given term and the agreement has been renewed. The agreement is governed by the laws of France.

11 - 2 - 2 Management Agreements

The Company has entered into 6 management agreements, that are all valid as of the date of this Prospectus, with international brand partners. It is worth mentioning that none of the management agreements contains any penal clauses. For more information on the Company's business that relate to these management agreements, please refer to section 4.5 "Company's Principle Activities" above.

Holiday Inn Management Agreement (Olaya, Riyadh)

The agreement is dated 22 September 1996G, and was entered into between Sheikh Abdulmohsen Al Hokair and Sheikh Abdul Rahman Al Mousa (Touresco) (in which Al Hokair Group owns 48.50%) and Holiday Inns (Middle East) Ltd. (Holiday Inn). Holiday Inn licenses Touresco to use the 'Holiday Inn' brand and provides management services for the operations of a hotel property to be named 'Holiday Inn Riyadh Olaya'. Holiday Inn exclusively determines all policies and practices relating to the hotel, and takes all necessary actions to operate it without interference by Touresco in its day to day operations. In exchange, a commitment fee was paid by Touresco to Holiday upon signing of the agreement. Touresco also pays a basic management fee, an incentive management fee, as well as system assessment fees for marketing contributions and reservation systems. The term of the agreement was 15 years as of the commencement date, which the parties agreed to renew until 30 September 2015 and the agreement does not include any provisions on renewal thereafter. Either party may terminate the agreement immediately namely in the event of a non-remedied material breach following the expiration of a 30 day notice given to the defaulting party. The agreement is governed by the laws of KSA.

Hilton Garden Inn Management Agreement (Al Muroj, Riyadh)

The agreement is dated 29 March 2009G and was entered into by Al Hokair Group and Hilton International Manage LLC (Hilton) and Abdulmohsen Abdul Aziz Fahad Al Hokair (the Property Owner). Hilton will provide development services for the design and construction of a hotel to be named 'Hilton Garden Inn Riyadh Al Muroj' and then manage its operations. Hilton is the sole and exclusive manager of the hotel, and has full control and discretion to manage its operations. In exchange, Hilton receives a development services fee. Hilton charges Al Hokair Group a license fee, a management fee, after deducting a furniture, fixtures and equipment reserve. The initial term of the agreement is 20 years following the opening of the hotel in 2009G, it can be extended upon the mutual written agreement of both parties. Events of default include failure by a party to make any payment within 30 days, or when a material default is committed. Al Hokair Group may not enter into a sale or transfer which would result in a change such that any shareholder gains an interest of 25% or more in Al Hokair Group without Hilton's prior written consent. Such written consent has been granted by Hilton with regard to the change in ownership at the Company upon the anticipated Listing. It should be noted that Hilton was notified and written consent obtained when 35% of Al Hokair Group's shares were sold to TOCC. The agreement is governed by the laws of KSA.

* In this Prospectus, reference will be made to the "Hilton" company. Hilton offers no confirmations or guarantees, explicit or implicit, regarding the accuracy, date, reliability or completeness or any information included in this Prospectus and bears no responsibility whatsoever with regard to any claims, loses or damage related to or resulting from this information. Hilton did not include any representations in this Prospectus or make any declarations upon which representations were included in this Prospectus. Hilton did not participate in the preparation of this Prospectus or any parts thereof, nor did it approve this Prospectus or cause the issuance of any parts thereof and expressly bears no responsibility o any kind related to this Prospectus.

Hilton Double Tree Management Agreement (Dhahran)

This agreement is dated 26 June 2013G between Al Hokair Group and Hilton International Manage LLC ("Hilton") and AMAH who owns both the location and the hotel ("Property Owner") and leases it to the Company (see Table 11.2.A "Rent Agreements with Related Parties in the Hospitality Division" for more information). Hilton provides development services to design and build a hotel under the name ("Hilton Double Tree Dhahran") and will manage its activities upon opening until 31/10/2023G. Hilton is the sole and exclusive manager of the hotel and has full authority and discretion to manage its business against a service fee. Al Hokair Group pays Hilton license fees and management fees, and deducts a contingency for maintenance and renovation of furniture and fixtures in the hotel. The initial term of the agreement is 20 years upon opening the hotel, renewable based on mutual written agreement. Events of default include default on payment of any instalments within 30 days or when there is material default. Al Hokair Group may not enter into a sale or transfer which would result in a change such that any shareholder gains an interest of 25% or more in Al Hokair Group without Hilton's prior written consent. Such written consent has been granted by Hilton with regard to the change in ownership at the Company upon the anticipated Listing. It should be noted that Hilton was notified and written consent obtained when 35% of Al Hokair Group's shares were sold to TOCC. The agreement is governed by the laws of KSA.

Novotel Hotel Management Agreement Business Park

The agreement is dated 01 October 2007G and was entered into by Al Hokair Group and Saudi French Company for Hotel Management (Accor), noting that Tanami Arabian Ltd. (owned by AMAH and Abdul Rahman Saleh Al Rajhi equally at 50%) owns the property and leases to the Company (see "Lease Agreements with Related parties in the Hospitality Division" in section 11.2.1 "Lease Agreements"). Accor will provide management and operation services, and a non-exclusive license for a hotel owned by Al Hokair Group under the 'Novotel' brand to be called 'Novotel Business Park Dammam'. Accor is the exclusive manager of the hotel, which is managed and operated without any interference by Al Hokair Group. Al Hokair Group pays Accor management fees, a 'basic fee', and an incentive fee. Al Hokair Group also contributes to a furniture, fixtures and equipment reserve account. The term of the agreement is 15 years from the hotel opening date to be automatically renewed for an additional term of 15 years unless either party notifies in writing the other party of its decision not to renew the agreement 180 days prior to the expiration of the term. Either party may terminate the agreement by serving a written notice to the other party namely in the event of an irremediable material breach, a material breach which was not remedied within 30 business days of a written notice on the breach, a failure to perform any material covenant or to pay any sum of money due to the other party. Al Hokair Group has an obligation to give first right of refusal to Accor if it intends to transfer its rights in the hotel by sale or lease to another operator. As such, the Company must notify Accor in writing of the terms of the transfer and its term (which must not be less than 60 days) and the transfer price acceptable to the Company. Based on such notice, Accor may accept of refuse the offer. The agreement is governed by the laws of the KSA.

Al Hamra Pullman Hotel Management Agreement

This agreement was made on 01 May 1985G between Al Bouqri and Al Sabban Co. (the previous owner of the hotel) and the Saudi French Hotel Management Company ("Accor"). According to an addendum to the agreement dated 07/10/2013G, the agreement was transferred from Al Bouqri and Al Sabban – the previous owner of the hotel – to Al Hokair Group following an assignment from the new owner to Al Hokair Group). Under the agreement, Accor has the exclusive right to manage and operate Al Hamra Pullman (managed by Pullman), and "Pullman" is a brand owned by Accor, in addition to "Novotel". In exchange, Accor charges several fees against managing and operating the hotel, including basic management fees based on revenue, management fees based on incentives and complementary fees. The terms of this agreement is three years from 01/01/2011G to 31/12/2013G. Upon expiry, this agreement is renewable b mutual agreement within 6 months from expiry unless one party notifies the other of their wish not to renew six months prior to expiry. Accordingly, the agreement was renewed on 31/10/2013G to start from 01/01/2014G and end on 31/12/2023G. Either party may terminate the agreement immediately if a breach of any of its terms is not remedied within 30 days from sending a written notice and within 60 days in the event of insolvency or restructuring. Accor also maintains the right to immediate termination in the event of physical damage to buildings without the proper repair being made. Accor may also terminate this agreement if any licenses or permits are withdrawn due to any unlawful acts or if the buildings are structurally unstable, none profitable or if any amounts due to Accor are not settled within 45 days. Accor is required to notify the owner of the hotel and request approval in case of assignment of this agreement to a third party. Alternately, the hotel owner may sell, lease or assign the hotel buildings based on its sole discretion. This agreement is subject to the laws of KSA.

Golden Tulip Al Jubail Management Agreement

This agreement was made on 2 August 2011G between Flamingo Management Ltd. ("Flamingo") and Al Ohali Holding Co. ("previous owner of the property"). While the Company did not obtain an official contract this agreement in its name, it has confirmed that this agreement was transferred to it according to the correspondence between the Company and Flamingo, which confirms Flamingo's knowledge of the agreement. After the transfer of the property ownership to the Company ("Property Owner"), the Company in turn leased the property (see table 11.2 (a) "Lease contracts with related parties in the hospitality sector"). Flamingo offers management and marketing services for the hotel under the "Golden Tulip Al Jubail" brand. Flamingo is the sole and exclusive manager of the hotel and has full authority and discretion to manage its business. The owner of the hotel agrees to renovate the hotel according to the Golden Tulip brand standards, and against its services Flamingo would charge fees to register the Golden Tulip brand, management fees, incentive fees, bookings and sales fees in addition to start up fees. The initial term of the agreement is five years and four months from 1/10/2013G. It is renewable for two consecutive terms of five years each based on a written agreement by both parties. Events of default include failure of the property owner to pay any amount due within 90 days, not providing enough funds to renovate the hotel, any material default by either party or the withdrawal of any licenses. The owner of the property may not assign its rights or obligations to a third party without Flamingo's approval, but may do so after consulting with Flamingo. The agreement is subject to the laws of the Netherlands.

11 - 2 - 3 Finance Agreements

The Company entered into 5 finance agreements with several banks, all Shariah complaint and approved by the Shairah Committees at each bank. It is worth mentioning that these agreements are still valid without any breach being committed as on the date of this Prospectus.

11 - 2 - 3 - 1 Riyad Bank Facility Agreement

Al Hokair Group has entered into a credit facilities agreement with Riyad Bank dated 28 January 2012 before the Bank's Shariah compliance committee, under which Riyad Bank agreed to renew and advance credit facilities of up to SAR 40 million (in the form of direct credit alternatives) to Al Hokair Group. The main facility is divided into two sub-facilities: (i) a refinancing facility of up to SAR 40 million; and (b) a facility of up to SAR 15 million for satisfying the obligations of Al Hokair Group (both within the limit of the SAR 40 million direct credit alternatives). The term of the facility ends on 28 January 2015.

The obligations of the Issuer in relation to this facility are secured by way of personal guarantees from Abdulmohsen Al Hokair, Majid Al Hokair, Sami Al Hokair and Musaed Al Hokair as on the date of this Prospectus. It should be noted that these personal guarantees were not waived before the bank and thus these personal guarantees are valid after the Listing. Risks related to the renewal of personal guarantees post-Listing are covered in section 2 "Risks Factors".

Riyad bank may cancel, suspend, reduce or limit the amount of the facility at any time without previous notice to the Company and request immediate settlement of any outstanding amounts from the Company.

The total amount drawn down by Al Hokair Group on this facility as of 31/12/2013 was SAR 35,883,734.

11 - 2 - 3 - 2 Bank Al Jazira Facilities Agreement

This facilities letter and agreement was entered into by Al Hokair Group and Bank Al-Jazira on 29/12/1433H (corresponding to 14 November 2012G) before the Bank's Shariah compliance committee (Al-Jazira Facility).

The Al-Jazira Facility consists of three sub-facilities:

- a revolving facility of SAR 80 million (sight, sales on deferred payment terms, Murabaha financed and/or Tawarruq (dinar programme) documentary credits) for the purposes of purchase and import of toys, fittings or furniture related to the operations of Al Hokair Group, to be repaid in semi-annual instalments over a period of four years;

- a facility of SAR 10 million (Tawarruq dinar programme facility) for the purposes of financing outstanding invoices and/or working capital, to be repaid in quarterly instalments over a period of (6) months; and
- a facility of SAR 5 million (letters of guarantee) for the purposes of guaranteeing deposit payments to reserve sites to be leased by Al Hokair Group.

The aggregate limit (i.e. ceiling) of the above sub-facilities is SAR 80 million at any time. The term of the Al-Jazira Facility starts on 14 /11/2012G and ends on 30/9/2013G and was renewed on 30/09/2013G.

The obligations of Al Hokair Group under the Al-Jazira Facility are secured in favour of Bank Al-Jazira by way of personal guarantees by Abdulmohsen, Musaed, Majid and Sami Al Hokair Group, in addition to guarantees of the companies to pay the facility amounts on their due dates from TOCC, but the bank waived these guarantees pursuant o a letter dated 24/10/2013G in which the bank confirmed the waiver provided the guarantors issue a signed declaration to reactivate the said guarantees if the Offering is not completed on 30/09/2013G.

The bank has the right to adjust, limit or cancel any or all of the facilities granted without prior notice and request immediate settlement of any outstanding amounts, the bank may also take additional protective measures at its discretion.

The total amount drawn down by Al Hokair Group on this facility as of 31/12/2013G was SAR 72,965,210.

11 - 2 - 3 - 3 Saudi Investment Bank Facility Agreement

Al Hokair Group has entered into a facilities agreement with The Saudi Investment Bank (SIB) on 29/12/1433H (corresponding to 14/11/2012G) before the Bank's Shariah compliance committee (the SIB Facility).

The facility provided is in the form of a long-term Murabaha with an amount of SAR 100 million. The purpose of the SIB Facility is to finance the acquisition costs of Sparky's Entertainment Centre. The availability period was up to 31/12/2012G, however the Company has until 31/12/2016G to repay that facility (this date represents the end of the agreement).

On 20/4/2013G, a letter of credit (spot or post dated) facility was added for the purpose of importing machines, equipment and spare parts in the amount of SAR 50 million. The facility will be made available from 2/4/2013G and ends on 20/4/2017G.

The obligations of Al Hokair Group under the SIB Facility are secured by way of personal guarantees by Abdulmohsen, Abdulaziz, Musaed, Majid and Sami Al Hokair, in addition to guarantees from AHHC and TOCC. It should be noted that the personal guarantees presented by TOCC have not been waived before the bank, and thus these personal guarantees will remain valid after the Listing. Risks related to the renewal of personal guarantees post-Listing are covered in section 2 “Risks Factors”.

The total amount drawn down by Al Hokair Group on this facility as of 31/12/2013G was SAR 37,586,122.

11 - 2 - 3 - 4 National Commercial Bank Facility

Al Hokair Group has entered into a commercial facility and banking services agreement with the National Commercial Bank (NCB) on 21/06/1433H (corresponding to 12/5/2012G) before the Bank's Shariah compliance committee (the NCB Facility).

Under the agreement, NCB agreed to extend a facility with an aggregate amount of SAR 41 million to Al Hokair Group. The term of the NCB Facility started on 12/5/2012G and ends on 30/06/2015G.

The NCB Facility comprise (5) sub-facilities, the purposes of which predominantly relate to renovation of 12 entertainment centres. The sub-facilities have different maturity dates with the latest falling on 28/2/2016G.

As of the date of this Prospectus, the obligations of Al Hokair Group are secured in favour of NCB by way of personal guarantees from Abdulmohsen, Bandar, Bader and Ahmad Al Hokair, in addition to company guarantees from AHHC and Al Hokair Group. It should be noted that the personal guarantees have not been waived before the bank, and thus these personal guarantees will remain valid after the Listing. Risks related to the renewal of personal guarantees post-Listing are covered in section 2 “Risks Factors”.

The bank has the right to suspend or cancel the facility at any time without prior notice and request settlement all amounts due.

The total amount drawn down by Al Hokair Group on this facility as of 31/12/2013G was SAR 28,116,816.

The below table shows the details of the facilities agreements with the above banks:

Table 11–1 Details of Banking Facility Agreements as of 31/12/2013G

Facility Agreement	Total Facility Value (SAR)	Total Draw-Down (SAR)	Agreement Term
Riyad Bank	40,000,000	35,936,000	3 years as of 28/01/2012G
Al Jazira Bank	80,000,000	74,009,000	From 14/11/2012G to 30/09/2013. Renewed on 1311/2013G to expire on 30/09/2014G.
Saudi Investment Bank	100,000,000	75,000,000	From 14/11/2012G to 31/12/2016G
Saudi Investment Bank	50,000,000	37,586,122	From 20/4/2013G to 20/4/2017G
National Commercial Bank	41,000,000	28,116,816	From 12/05/2012G to 30/6/2015G

Source: Company

11 - 2 - 4 Lease Agreements (with Related and 3rd Parties)

Al Hokair Group has entered into 86 leases for the operation of its hotels and entertainment/commercial venues.

Most of these agreements are traditional (i.e. they include an annual rent paid by the Company to the landlord). The Company has 5 lease agreements in the entertainment sector that include division of the location’s revenue between the landlord and the Company instead of paying a predetermined annual rent under the agreement.

32 of those 86 leases, or sub-leases, are entered into with related parties. 22 of those leases are for the hospitality division, 4 of those leases are for the entertainment/commercial division, and 6 leases include other types of leases such as the rental of office space or employee accommodation. Please find below a high-level summary of related party leases for the Hospitality, Entertainment or commercial divisions.

11 - 2 - 4 - 1 Hospitality Division Lease Agreements

The Company has 22 leases in place with related parties for the hotel division out of 30 leases in the Hospitality Division and 86 leases in total, that have a term ranging from 20 to 26 years. They are also automatically renewable unless notification is given by either party 3 to 6 months prior to the expiration of the term. Leases are deemed to be terminated if Al Hokair Group defaults on rent payments for a period exceeding 45 to 90 days. 18 out of the 21 leases grant Al Hokair Group the right to sublet the property without obtaining prior consent from the lessor. Furthermore, under those leases, lessors warrant that the terms and conditions of the lease are to remain unchanged if the property is transferred to a third party.

The Company recently started dealing with property companies in KSA to evaluate the locations to be leased from related parties in order to determine the fair lease value of the location. After that, a lease agreement is made according to the Related Party Transactions Manual.

Table 11–2 (A) Lease Agreements with Related Parties in the Hospitality Division

The Company has 30 leases in the Hospitality Division, 22 of which are with related parties. There is a grand total of 86 leases made by the Company.

No.	Building	City	Landlord	Date	Term	Renewal	Rent (SAR)	Size (Sq.M.)
1	Golden Tulip Al Nasiriya	Riyadh	AHHC	20/9/2007G	20 years	Automatic, unless written notice is given to the contrary within three months prior to renewal	2,165,000	12,709
2	Al Andalusia	Riyadh	Al Hokair Group	1/1/2007G	26 years	Automatic, unless written notice is given to the contrary within six months prior to renewal	1,000,000	8,764
3	Golden Tulip Khobar	Khobar	Sami Al Hokair	1/7/2008G	25 years	Automatic, unless written notice is given to the contrary within six months prior to renewal	2,000,000	15,147
4	Hilton Garden Inn Al Murooj	Riyadh	AMAH	1/7/2014G	20 years	Automatic, unless written notice is given to the contrary within three months prior to renewal	8,000,000	20,000
5	Hilton Garden Inn Al Olaya	Riyadh	AHHC	1/4/2007G	21 years	Automatic, unless written notice is given to the contrary within six months prior to renewal	1,600,000	15,658
6	Holiday Inn Al Salam	Jeddah	AMAH	1/3/2008G	24 years	Automatic, unless written notice is given to the contrary within three months prior to renewal	3,000,000	109,438
7	Holiday Inn Khobar	Khobar	Al Hokair Group	1/1/2007G	26 years	Automatic, unless written notice is given to the contrary within three months prior to renewal	3,000,000	12,230
8	Suite Novotel Hotel	Riyadh	AMAH	1/7/2009G	20 years	Automatic, unless written notice is given to the contrary within three months prior to renewal	1,150,000	13,841
9	Tulip Inn Dammam	Dammam	Sami Al Hokair	1/1/2007G	26 years	Automatic, unless written notice is given to the contrary within three months prior to renewal	750,000	6,206
10	Tulip Inn Taif	Taif	AHHC	16/4/2007G	20 years	Automatic, unless written notice is given to the contrary within six months prior to renewal	400,000	4,203
11	Tulip Inn Regency	Jeddah	AMAH	1/1/2008G	25 years	Automatic, unless written notice is given to the contrary within three months prior to renewal	500,000	3,336
12	Yamama Resort	Riyadh	AMAH	1/1/2012G	21 years	Automatic, unless written notice is given to the contrary within three months prior to renewal	500,000	55,712
13	Holiday Inn Jeddah	Jeddah	AMAH	1/6/2012G	20 years	Automatic, unless written notice is given to the contrary within three months prior to renewal	5,500,000	18,656
14	Tulip Inn Yanbu	Yanbu	AMAH	1/1/2012G	21 years	Automatic, unless written notice is given to the contrary within three months prior to renewal	700,000	9,164

No.	Building	City	Landlord	Date	Term	Renewal	Rent (SAR)	Size (Sq.M.)
15	Al Hamra Pullman	Jeddah	AMAH	1/10/2012G	20 years	Automatic, unless written notice is given to the contrary within six months prior to renewal	12,000,000***	32,188
16	Red Sea Palace	Jeddah	Al Hokair Group	1/1/2007G	26 years	Automatic, unless written notice is given to the contrary within six months prior to renewal	3,000,000	22,563
17	Half Moon Bay Holiday Inn	Khobar	Half Moon Bay Resort Co.*	6/12/2003G	10 years	The agreement was renewed as of 10/10/2014. Al Hokair Group has priority to renew the agreement if the land lease agreement in extended and the landlord was willing to continue to allow a third party to operate the buildings	6,106,000	12,012
18	Novotel Business Park	Dammam	Tanami Arabian Company Limited**	1/6/2011G	20 years	Automatic, unless written notice is given to the contrary within six months prior to renewal	3,350,000	77,754
19	Sulaimania Villas	Riyadh	AMAH	14/6/2013G	5 years	On mutual agreement at the end of the term	1,300,000	5,940
20	Golden Tulip	Al Jubail	AMAH	1/10/2013G	25 years	Automatic, unless written notice is given to the contrary within three months prior to renewal	2,516,000****	7,241
21	Hilton Double Tree	Dhahran	AMAH	18/2/2013G	20 years	Automatic, unless written notice is given to the contrary within three months prior to renewal	8,000,000******	17,733
22	Radisson Blu	Jazan	AMAH	1/9/2013G	16.5 years	Automatic, unless written notice is given to the contrary within three months prior to renewal	6,000,000 for the first three years 7,000,000 for the following three years 8,000,000 for the remaining term of the agreement (amounts have not been calculated in the total figure below as the rental period begins on 1/1/2015G)	21,943
Total							66,537,000*****	

Source: Company

******* *lease will increase from SAR 12,000,000 to 19,000,000 as of the 3rd year to the end of the lease.*

***** lease will increase from SAR 2,516,000 to 2,997,000 as of the 6th year to the end of the lease.*

****** lease will increase from SAR 8,000,000 to 10,000,000 as of the 6th year to the end of the lease.*

****** represents a total annual lease value for 2012-2013.*

The firm has no lease contracts with related parties in the hospitality sector other than those mentioned above as of the date of this Prospectus.

Table 11–2 (B) Lease Agreements with 3rd Parties in the Hospitality Division

The Company has 29 leases in the Hospitality Division, 8 of which are with related parties. This is out of a grand total of 83 leases made by the Company.

No.	Building	City	Landlord	Date	Term	Renewal	Rent (SAR)	Size (Sq.M.)
1	Golden Tulip Qasr Al Baha Hotel and Resort	Baha	KSA Ministry of Finance and Economy (Date as labelled)	7/11/1998G	20 years	Undetermined	500,000	10,427
2	Golden Tulip Hotel Hail	Hail	Hail Cooperative Society	1/5/2008G	20 years	Automatic, unless written notice is given to the contrary within two months prior to renewal	800,000 to be increased by 10% as of the 6th year	12,754
3	Golden Tulip Hotel	Jeddah	Ahmad, Mohammad and Abdullah Saleh Al Kaaki	12/7/2008G	15 Hijri years starting 4 months after signing the lease	Not automatically renewable	4,500,000 from the 6th to the 10 year and 5,000,000 from the 11th to the 15th year, plus 50,000 as a security deposit for utilities	17,475
4	Haql Beach Resort	Haql	Tabuk Municipality	16/10/1999G	20 years	Automatically renewed upon approval from the concerned authorities	17,000	8,176
5	Holiday Inn Qasr Al Olaya	Riyadh	Sheikh Abdullah bin Abdulaziz Al Rajhi	11/6/2006G	15 Hijri years	Undetermined	6,333,333	16,357
6	Holiday Inn Al Khobar Corniche	Khobar	Prince Turki bin Muqrin bin Abdulaziz Al Saud	15/12/2008G	16 years	Automatic, upon mutual agreement within six months prior to expiry	2,300,000 till the 10th year and 3,000,000 for the remaining 5 years	19,716
7	Mena Al Riyadh	Riyadh	Ibrahim bin Salim	20/2/2007G	15 years	Undetermined	2,000,000 until the 10th year, 2,500,000 for the remaining 5 years	11,039
8	Al Takhassusi building	Riyadh	Abdulaziz Hamad Al Wasil	26/1/1994G	5 years	Automatic, unless written notice is given to the contrary within one month prior to renewal	600,000	3,024
9	ALL						From 17,050,333 to 18,830,333*	

Source: Company

** represents a total annual lease value for 2012-2013.*

The firm has no lease contracts with related parties in the hospitality sector other than those mentioned in figure 11.2 as of the date of this Prospectus.

11 - 2 - 4 - 2 Entertainment Division Lease Agreements

The Company has 4 leases in place with related parties in the entertainment division out of 50 lease agreements in the entertainment division and 86 lease agreements in total that have a term ranging from 8 to 26 years. All leases are automatically renewable unless notification is given by either party, which ranges from 3 to 6 months prior to the expiration of the term for two of those leases. The lease agreements are deemed to be terminated if Al Hokair defaults on rent payments for a period exceeding 90 days. Al Hokair is also granted the right to sublet the lease without obtaining prior consent from the lessor. Furthermore, under those leases, lessors warrant that the terms and conditions of the lease are to remain unchanged if the property is transferred to a third party.

Table 11–3 (A) Lease Agreements with related parties in the Entertainment Division

The Company has 50 leases in the Entertainment Division, 4 of which are with related parties out of a grand total of 86 leases made by the Company.

No.	Building	City	Landlord	Date	Term	Renewal	Rent (SAR)	Size (Sq.M.)
1	Luna Park Beljurashi	Beljurashi	AMAH	1/11/2010G	8 years	Based on mutual agreement at the end of the term	65,900	43,915
2	Jamah Sales Exhibition	Riyadh	Al Hokair Group	1/1/2007G	26 years	Automatic, unless written notice is given to the contrary within three months prior to renewal	50,000	2,465
3	Tabuk Centre	Tabuk	Tabuk Company*	1/1/2007G	12 years	Automatic, unless written notice is given to the contrary within six months prior to renewal	2,500,000	27,823
4	Khobar Desert Centre	Khobar	AMAH	1/1/2015	20 years	Automatic, unless written notice is given to the contrary within six months prior to renewal	3,000,000 (amounts have not been calculated in the total figure below as the rental period begins on 1/1/2015G)	31,720
	ALL						2,615,900*	

Source: Company

** same rent as in the agreement between AMAH and Beljurashi Municipality. The agreement was made with a related party at the same value.*

*** The Company entered into the lease agreement with Tabuk Company for Entertainment and Trading Projects LLC ("Tabuk Company"), the principle lessee from Tabuk Municipality.*

**** represents a total annual lease value for 2012-2013.*

The Company does not have any related party leases in the entertainment sector other than the above mentioned as on the date of this Prospectus.

The table below shows the details of lease agreements related to the entertainment division:

Table 11–3-B Lease Agreements with 3rd Parties in the Entertainment Division

The Company has 50 leases in the Entertainment Division, 46 of which are with third parties. This is out of a grand total of 86 leases made by the Company.

No.	Building	City	Landlord	Date	Term	Renewal	Rent (SAR)	Size (Sq.M.)
1	Abcarino Jarir Centre	Jeddah	Jarir Commercial Investment Co.	15/6/2005G	10 Hijri years	Automatic, unless written notice is given to the contrary within six months prior to renewal	500,000	2,421
2	Digi Fun Al Rashid Mall	Madina	Khashman Muneer Al Osaimi	15/6/2008G	10 years	Automatic, unless written notice is given to the contrary within 12 months prior to renewal	2,142,299 plus 187,600 as bank guarantee, renewable annually	4,169
3	Digital Land Al Shiraa Commercial Centre	Dammam	Al Husaini United Investment Co. and Talal Al Ghunaim Real Estate Group	3/5/2008G	5 years	Renewable for an additional 5 years upon the agreement of both parties	Equivalent of 30% of the games revenues and 50% of the ice skating rink. The lease amount in 2013G is SAR 572,909	2,165
4	Digital Land Aseer Centre	Abha	Mohammad Abdulaziz Al Habib and Co. Real Estate Investment Co.	16/2/2006G	10 years	Automatic, unless written notice is given to the contrary within 2 months prior to renewal	600,000	2,851
5	Digital Land Al Rashid Mall	Jizan	Abdulrahman Saad Al Rashid and Sons Ltd.	10/6/2010G	10 years	Renewable for an additional five years, unless written notice is given to the contrary within 12 months prior to renewal	2,311,000 for years 3-4, SAR1,212,000 for years 5-6 and SAR 1,333,200 for the remaining years, plus a guarantee of 10% of the annual rent to be renewed annually	4,040
6	Digital Land Al Obaikan Centre	Taif	Al Obaikan Commercial Centre	1/8/2006G	5 years	Automatic, unless written notice is given to the contrary party within one month prior to renewal; it was renewed for an additional term ending in 1/8/2016G	50% of revenue, the lease amount in 2013G was SAR 800,000	3,534
7	Digital Land Al Qatif Mall	Al Qatif	Al Qatif City Mall	1/12/2007G	10 years	Automatic, unless written notice is given to the contrary within two months prior to renewal	357,500	1,300
8	Digital Land Sultan Mall	Jeddah	Ammar International Co.	15/6/2004G	10 Hijri years	Contract has expired and negotiations regarding renewal are currently taking place	555,954	1,853
9	Fun Studio Al Manar Plaza	Madina	Mohammad Abdulaziz Al Habib and Co. Real Estate Investment	1/9/2008G	10 years	Automatic, unless written notice is given to the contrary within six months prior to renewal	911,700 to be increased by 10% as of year 6	3,039

No.	Building	City	Landlord	Date	Term	Renewal	Rent (SAR)	Size (Sq.M.)
10	Fun Studio Darin Mall	Dammam	Developed Markets Co.	1/4/2009G	10 years	Automatic, unless written notice is given to the contrary within six months prior to renewal	1,094,100 to be increased by 10% as of year 6	3,647
11	Fun Studio University Plaza	Jeddah	Safola Group	20/10/2005G	10 years	Al Hokair Group may renew the agreement by written notice within two months prior to expiry upon the approval of the landlord	648,201.84	1,339
12	Fun Time Corniche	Jeddah	Abdullah Al Tasan	12/4/1994G	20 Hijri years expired on 6/9/2013 and renewed for 5 years	Agreement shall remain valid, unless written notice is given to the contrary within 4 months prior to expiry	4,000,000	12,568
13	Fun Town Ibn Khaldoun	Dammam	Al Olayan Real Estate Ltd.	24/6/2013G	6 years	Automatic, unless written notice is given to the contrary within two months prior to renewal	550,000 for the first three years, 611,000 for the remaining term	616
14	Happy Land	Dammam	Dar Al Tijara	11/12/1999G	5 years. Extended on 1/9/2011 for further term	Automatic, unless written notice is given to the contrary within two months prior to renewal	2,250,000	120,000
15	Happy Land Al Jubail – Al Fanateer Mall	Jubail	Al Aswad Trading and Contracting	29/1/1996G	5 years	Automatic, unless written notice is given to the contrary within two months prior to renewal	33% of revenue; the lease amount in 2013G was SAR 596,686	1,200
16	Happy Land Yanbu	Yanbu	Yanbu Municipality	2/6/1996G	20 years	Renewable upon mutual agreement	322,500 plus guarantee of 10% of rent	86,498
17	Jumbo Hayat Mall	Riyadh	Mohammad Abbdulaziz Al Habib and Co. Real Estate Investment	22/10/2005G	10 years	Automatic, unless written notice is given to the contrary within 6 months prior to renewal	2,263,470, increased by 10% as of year 6 plus a performance guarantee of 25%	6,859
18	King Fahad Park	Taif	Taif Municipality	28/11/1997G	15 Hijri years. The lease expired on 28/5/2012	Renewable upon mutual agreement of both parties. Contract has expired and negotiations regarding renewal are currently taking place	700,000	339,657
19	Luna Park	Taif	Taif Municipality	28/6/1995G	15 Hijri years. This lease expired on 19/9/2012	Renewable upon mutual agreement of both parties. Contract has expired and negotiations regarding renewal are currently taking place	200,000	82,035
20	Metropolis Panorama Mall	Riyadh	Jarir Commercial Investment	1/3/2009G	10 years as of 1/3/2009	Automatic, unless written notice is given to the contrary within 6 months prior to renewal	3,113,125, during the first 5 years and 3,424,438 from the 6th year onwards	7,325

No.	Building	City	Landlord	Date	Term	Renewal	Rent (SAR)	Size (Sq.M.)
21	Sparky's Al Andalus Mall	Jeddah	Al Andalus Real Estate Co.	2/5/2007G	10 years as of 2/5/2007	Automatic, unless written notice is given to the contrary within 6 months prior to renewal	1,958,890, to be increased by 10% as of year 6, plus two performance deposits each equal to 25% of the rent	5,933
22	Sparky's Red Sea Centre	Jeddah	Red Sea Markets Co. Ltd.	26/12/2006G	15 years	Automatic, unless written notice is given from Al Hokair Group to the contrary within 6 months prior to expiry	2,681,245 plus 25% of revenue exceeding 10,000,000; the lease amount for 2013G was 3,979,113	9,576
23	Oceanica Galleria Centre	Riyadh	Fahad bin Mohammad Al Muqbil	1/9/2008G	10 years	Automatic, unless written notice is given from Asateer to the contrary within 6 months prior to renewal	2,809,100	8,026
24	Safari Samah Commercial Centre	Hail	Samah Commercial Centre in Hail	1/10/2003G	10 years. This lease expired on 30/9/2013	Automatic, unless written notice is given to the contrary within two months prior to renewal	30% of net game revenue	1,500
25	Sparky's Kingdom Tower	Riyadh	Commercial Centre Co. Ltd.	1/7/2011G	5 years	Renewable upon the agreement of both parties	600,786 for year 3 and 1,092,500 for each additional year	874
26	Tim Tek Al Rimal Mall	Riyadh	Safola Group	1/3/2006G	10 years	Renewable by written notice from Al Hokair Group to the other party within two months prior to renewal upon the approval of the landlord	750,000	10,407
27	Tim Tek Roshan Mall	Jeddah	Safola Group	1/4/2006G	10 years	Renewable by written notice from Al Hokair Group to the other party within two months prior to renewal upon the approval of the landlord	1,340,000	3,350
28	Sparky's Al Danah	Jubail	Al Nabaa International Co.	1/4/2012G	21 Hijri years and 4 months	Undetermined	2,250,000	9,647
29	Sparky's Lulu Centre	Riyadh	Hyper Markets Saudi LLC	29/3/2012G	5 years	Not automatically renewable. The landlord has the right not to renew the lease	140,000 for years 1-2, 155,000 for years 3-4 and 170,000 for year 5 plus a deposit of 12,174	433
30	Abcarino Al Bustan Centre	Riyadh	Al Bustan Commercial Mall	1/1/2013G	5 years	Automatic, unless written notice is given to the contrary within two months prior to renewal	1,200,000 plus a 10% plus a security deposit of one year's rent	4,500
31	Fun Studio, Al Khaimah Mall	Riyadh	Mohammad Abdul Latif Al Shaeya	22/7/2006G	The lease was renewed on 1/10/2011 for 5 years	Al Hokair Group must send written renewal notice to the landlord six months prior to lease expiry	277,800 plus a contribution of 12,000	1,389

No.	Building	City	Landlord	Date	Term	Renewal	Rent (SAR)	Size (Sq.M.)
32	Abcarino Al Dhahran Centre	Khobar	Al Dhahran Commercial Complex Ltd.	3/3/2007G	10 Hijri years	Renewable for an additional year with the mutual agreement of the parties. The lease is automatically renewable as of this Prospectus	25% of revenue, increased to 30% as of year 7	2,370
33	Sparky's Al Dhahran Mall	Khobar	Arkan Arabian Centres Co.	1/4/2005G	10 years	Automatic, unless written notice is given to the contrary within two months prior to renewal. The lease is automatically renewable as of this Prospectus	4,250,000	10,000
34	Sparky's Al Noor Centre	Madina	Arkan Arabian Centres Co.	2/8/2008G	10 Hijri years	Renewable for an additional year upon mutual agreement. This lease is automatically renewed as of this Prospectus	2,856,750	3,821
35	Sparky's Aziz Mall	Jeddah	Arkan Arabian Centres	15/10/2005G	10 Hijri Years	Renewable for an additional year upon mutual agreement. This lease is automatically renewed as of this Prospectus	2,232,000	3,720
36	Sparky's Al Hufouf Centre	Ahsaa	Arkan Arabian Centres	29/12/2008G	10 years	Renewable for an additional year upon mutual agreement. This lease is automatically renewed as of this Prospectus	1,852,200 for years 5-6, 1,944,810 for years 7-8 and 2,042,051 for years 9-10	2,800
37	Fun Town Al Nakheel Plaza	Buraidah	Arkan Arabian Centres	1/12/2004G	5 years. Lease has expired	Renewable for an additional year upon mutual agreement and the provision of a written notice to the other party two months prior to expiry. This lease was renewed to expire by 1/12/2014G	3,010,000	13,775
38	Vortex Arabian Centre	Jeddah	Arkan Arabian Centres Co.	5/9/2008G	10 Hijri years	Renewable for an additional year upon mutual agreement. This lease is automatically renewed as of this Prospectus.	9,350,000 to be increased by 25% as of years 7	11,000
39	Sparky's Land Amusement Toys Al Khalidiah Mall (UAE)	Abu Dhabi	Lulu Centre LLC	9/2/2012G	4 years	Not automatically renewable	2,703,450 (AED)	5,025
40	Sparky's Oceanica Mushrif Mall (UAE)	Abu Dhabi	Line Investment and Real Estate LLC	15/9/2011G	10 years	Not automatically renewable	3,783,698 for years 1-2, 3,972,883 for years 3-4, 4,171,525 for years 5-6 , 4,380,103 for years 7-8 and 4,599,106 to the end of the contract (AED)	4,451
41	Sparky's Land Amusement Toys Mizyed Mall (UAE)	Abu Dhabi	Line Investment and Real Estate LLC	01/12/2009G	8 years and 10 months	Not automatically renewable	1,000,000 for the first three years, 1,100,000 to year 6 and 1,210,000 until the end of term	1,823

No.	Building	City	Landlord	Date	Term	Renewal	Rent (SAR)	Size (Sq.M.)
42	Sparky's Digital Al Raha Mall (UAE)	Abu Dhabi	Line Investment and Real Estate LLC	01/03/2010G	10 years	Not automatically renewable	160,500 to year 6, 171,735 to year 8 and 183,756 to the end of term	407
43	Sparky's Digital Al Foah Centre (UAE)	Al Ain	Line Investment and Real Estate LLC	19/10/2011G	3 years as of 15/5/2015	May be renewed for an additional 7 years	672,021 or 20% of overall sales (including shops and kiosks) whichever is greater (AED)	2,082
44	Sparky's RAK Mall (UAE)	RAK	Line Investment and Real Estate LLC	15/06/2012G	10 years	Not automatically renewable	1,000,000 to year 5 and 1,050,000 to year 10	2,500
45	Sparky's Al Ghurair Mall (UAE)	Dubai	Al Ghurair Mall LLC	03/11/2013G	6 years	Not automatically renewable	2,294,580 until year 1, 2,409,309 until year 2, 2,529,774 until year 3, 2,656,263 until year 4, 2,789,076 until year 5 and 2,928,530 until year 6 (AED)	3,553
46	Digital Land Gardenia Mall	Riyadh	Bader bin Abdulaziz Saad bin Saeed	1/3/2013G	5 years	Automatic, unless written notice is given to the contrary within one month prior to renewal	200,000 for years 1-2, 400,000 for year 3 and 420,000 for years 4-5	1,750
	ALL						From 76,482,839 to 82,885,946	

Source: Company

** represents a total annual lease value for 2012-2013.*

The firm has no lease contracts with related parties in the entertainment sector other than those mentioned in figure 11.3 as of the date of this Prospectus.

11 - 2 - 4 - 3 Additional Lease Agreements not related to the Hospitality and Entertainment Divisions

The Company has 5 additional lease agreements with related parties for its administrative locations and employee accommodation.

Table 11–4 (A) Lease Agreements with related parties – not related to the hospitality or entertainment divisions

No.	Building	City	Landlord	Date	Term	Renewal	Rent (SAR)	Size (Sq.M.)
1	Holiday Inn Khobar Corniche Employee Accommodation	Khobar	Sami Al Hokair Est.	1/4/2012G	5 years	Automatically, unless notified of non-renewal two months prior to the end of term	200,000	906
2	Holiday Inn Khobar Corniche Employee Accommodation	Khobar	Sami Al Hokair Est.	1/4/2012G	5 years	Automatically, unless notified of non-renewal two months prior to the end of term	250,000	2,566
3	Company administrative office	Dammam	Building Exhibitions Limited*	1/1/2008G	3 years	Automatically, unless notified of non-renewal 3 months prior to the end of term	660,000	1,100
4	Company administrative office	Jeddah	Abdulmohsen Al Hokair Group	20/12/2009G	22 years	Automatically, unless notified of non-renewal 3 months prior to the end of term	300,000	922
5	Employee Accommodation	Riyadh	AMAH	1/5/2012G	5 years	Automatically, unless notified of non-renewal 3 months prior to the end of term	240,000	1,200
6	Rental agreement for a wharehouse	Riyadh	Majid Abdulmohsen Al Hokair, Heirs of Khaled Al Hokair (Wahem Bandar Khald bin Abdulmohsen Al Hokair, Bandar Khaled bin Abdulmohsen Al Hokair, and Ahmed Khaled Abdulmohsen Al Hokair)	27/3/2014	10 years	Automatically, unless notified of non-renewal 3 months prior to the end of term	Not available (however, ownership fo the land will transfer to lessee at the end of the rental period)	33,656
	ALL						1,650,000	

Source: Company.

** The previous name of Tanami Arabian Ltd. (equally owned by AMAH and Abdul Rahman Saleh Al Rajhi)*

*** represents a total annual lease value for 2012-2013G.*

The Company has no additional leases with related parties with other than the above as on the date of this Prospectus.

11 - 3 Summary of Related Party Agreements and Transactions

In addition to the lease agreements with related parties detailed above (please see section 11.2.4 “Lease Agreements”) employment agreements with the Board members (please see section 5.7 “Service Contracts”), and contracts related to this Prospectus entered into between the Company and its Advisors (please see section 12.1 “Underwriters” and 12.2 “Summary of the Terms of the Underwriting Agreement), Al Hokair Group is party to various related party agreements shown below. The company confirms that as of the date of this Prospectus, there are no agreements with related parties other than those which have been disclosed in this Propsectus and that there are no negotiations or discussions with related parties in relation to new or potential agreements or transactions which have not been mentioned in this prospectus. The Company also agrees that it does not have any intention of changing or amending any of the existing related party transactions already disclosed in this Prospectus

11 - 3 - 1 Al Hokair Land Management Agreement

The agreement is entered into in 01/1/2005 for an undefined period between Al Hokair Group and Al Riyadh Company for Tourism, Entertainment and Trading Projects (Landlord). Al Hokair Group manages and operates the Landlord's entertainment park – 'Al Hokair Land Amusement Park'. The Landlord pays to Al Hokair Group a management fee of 5% of the total revenue on a monthly basis. The Landlord may terminate the agreement after having served a notice to Al Hokair 30 days ahead of termination that identifies at least one material breach which was not remedied during the time period specified. This is a related party transaction; AHHC owns 40% of the issued share capital of the Landlord.

11 - 3 - 2 Golden Tulip Dubai Management Agreement

The agreement is entered into in 01/1/2012G between Al Hokair Group and Al Hokair Group Est. (Landlord). Al Hokair Group manages and operates the Landlord's hotel – the 'Golden Tulip Suites Dubai'. The Landlord pays to Al Hokair Group a management fee of 2% of the total revenue of the hotel and an incentive fee of 6% of its gross operating profit on a monthly basis. The term of the agreement is 10 years as of the opening of the hotel in 2007, which is renewable upon the written agreement of both parties. The Landlord may terminate the agreement after having served a notice to Al Hokair Group 30 days ahead of termination that identifies at least one material breach which was not remedied during the time period specified. This is a related party transaction.

11 - 3 - 3 Engineering Services Agreement

This agreement was made between Al Hokair Group Est.. and Al Hokair Group on 1/1/2012G. Al Hokair Est. provides specialised services in engineering, design and technical services for projects relating to hotels, entertainment and the like for Al Hokair Group. In exchange of these services, Al Hokair Group pays the said Est. an annual fee of SAR 1,560,000 subject to an annual increase of 5%. The term of the current agreement is five years, automatically renewable unless one party notifies the other party in writing of its wish not to renew the agreement three months prior to its expiry.

11 - 3 - 4 Operation Agreement for Oceanica (Gallery Mall – Riyadh)

The agreement was entered into on 21/7/2008G between Asateer and Al Hokair Group. Asateer rents a property from Fahad Bin Mohammed Al Moqbel at Riyadh Gallery Mall in Riyadh for an entertainment site (Oceanica Gallery Mall, Riyadh). Asateer and Al Hokair Group agreed for the Company to manage, operate, and maintain the site. In exchange of its services, Al Hokair Group receives a management fee and incentive fee of 5% each of total revenues for games/rides. The term of the agreement is 6 years, which is automatically renewable unless either party notifies the other party of its intention not to renew 6 months prior to expiration in addition to specifying the reasons underlying such notice. The agreement will be renewed accordingly on 21/07/2014G. Asateer may terminate the agreement if, inter alia, Al Hokair Group neglects the operation of the site, does not provide adequate human resources, is not capable of operating the site, or withdraws cash from the site's revenues. The agreement is binding upon the successors and liquidators of either party, and any third-party to whom it is transferred. The agreement is governed by the laws of KSA, and any dispute arising between the parties is submitted to an arbitrator to be chosen by both, or alternatively if such appointment is delayed, to the competent judicial jurisdiction.

11 - 3 - 5 Service Agreements for Health Clubs

The agreement was entered into on 01/1/2011G between Al Hokair Group and H Care, 52% owned by AMAH. Musaed, Majid, Sami, Bandar, Bader and Mishaal Al Hokair also own 8% of H Care (each). It is worth mentioning that Bandar Khalid Abdulmohsen Al Hokair is the Vice Chairman and Director in H Care and the General Supervisor and Coordinator of the Health department since 17/03/2012 until the date of this Prospectus. The health clubs have previously been transferred from the Company to H Care as part of the Company's desire to transfer the management of the clubs to specialists. The period of the agreement is five years, where the Company equips H Care's health clubs with decoration and machines needed to operate and manage the health clubs against 27.5% of the health clubs' overall revenue paid to the Company. H Care is also required to receive Hotel guests in the health clubs for free.

11 - 3 - 6 Sale of Olaya House Hotel (Riyadh)

The Company has sold the Olaya House Hotel to Al Hokair Group Est. for a total book value of SAR 3,447,702 (three million and four hundred, and forty seven thousand, seven hundred and two Saudi Riyals) pursuant to a contract dated 15/8/2012G. These assets are decorations and enhancements to the building.

11 - 3 - 7 Sale of Various Properties to Al Hokair Group Est.

Pursuant to an agreement dated 1/1/2012G, the Company has sold several properties to Al Hokair Group Est., for a total book value of SAR 26,567,221.15 (Twenty six million and five hundred, and sixty seven thousand, and two hundred and twenty one Saudi Riyals (plus fifteen halalas)) - divided as follows (i) Al-Thumama Park, Riyadh (Buildings, and electronic devices) SAR 1,132,273.30; (ii) Al-Zohoor Garden, Madina (Buildings) SAR 333,601.88; (iii) Fun Town properties, Makkah (Buildings, electronic devices, AC units and furnishings) SAR 23,547,988.94; and (iv) Happy Farm Property, Riyadh (Décor and small consumer electronics) SAR 1,562,346.96.

11 - 3 - 8 Sale of Luna Park Assets to Al Hokair Group Est.

The Company sold assets related to the Luna Park location pursuant to an agreement entered into on 27/10/2013G to Al Hokair Group Est. in consideration for their book value of SAR 9,096,520.22 as on 1/1/2013G. These assets consists of constructions, machinery and furnishings.

11 - 3 - 9 Purchase of Brioche Doree Restaurants

The Company has purchased the Brioche Doree restaurants from Al Hokair Group Est., for a total book value of SAR 2,311,404.36 (two million and three hundred, and eleven thousand, four hundred and four Saudi Riyals (plus thirty six halalas)) pursuant to a contract dated 1/6/2012G. The assets include air conditioners, televisions, electrical appliances and furniture.

11 - 3 - 10 Arcade Games Lease (Video Gym)

This agreement was entered into on 19/02/1434H (corresponding to 1/1/2013G) between Al Hokair Group and the Riyadh Company. Under the lease, Al-Hokair Group agreed to lease certain arcade games to Riyadh Company for use in one of its outlets in the city of Riyadh, Kingdom of KSA. The term of the lease is (2) years commencing on 1/1/2013G and ending 31/12/2015G, automatically renewable unless either party notifies the other party of its wish not to renew. In consideration for the lease, Riyadh Company shall pay Al Hokair Group 60% of the total revenue generated in relation to the leased games. The Company operates and manages Al Hokair Land for Riyadh Company.

11 - 3 - 11 Game Maintenance Agreement

This agreement was entered into on 1/1/2013G (and amended by an addendum dated 11/6/2013G) between the Company and Al Hokair for Games Manufacturing LLC. Under the agreement, Al Hokair for Games Manufacturing shall provide maintenance services to the Company. The maintenance services are to cover all entertainment centres operated by the Al-Hokair Group. The consideration is determined at the discretion of both parties based on a proposal made by Al Hokair for Games Manufacturing to the Company for each service separately. Note the company is under no obligation to accept the proposal.

The last proposal was for SAR 10,796 in November 2013G for the repair of several games. The term of the agreement is (5) years, automatically renewable unless either party notifies the other party of its wish not to renew one month ahead of the termination date.

11 - 3 - 12 Warehouse Lease Agreement

This agreement was entered into on 4/6/2013G (and amended by an addendum dated 1/1/2013G) between the Company and Al Riyadh plastic Factory. Under the agreement, the Company agreed to lease to Riyadh Plastic Factory 5 hangars which form part of a warehouse built by the Company over a plot of land owned by AMAH, Sami, Musaed, Majid and Khalid Al Hokair. The lease contract for this plot was concluded on 27/3/2014G as noted in the summary below. The term of the lease is 10 years from 1/1/2013 to 31/12/2022, automatically renewable unless either party notifies the other party with its wish not to renew three (3) months ahead of the termination date.

11 - 3 - 13 Warehouse land lease agreement

The Company entered into an agreement on 27/3/2014G between Majid Abdulmohsen Al Hokair and the heirs of Khaled AL Hokair (lessor) and the Company (lessee) for the land upon which the warehouses are built on Al Kharj road, Riyadh. Under this agreement the Company can benefit from the full property or can lease all or part of the property or subcontract with any party to operate the leased property and invest it in their interest. In return, the company is committed to developing warehouses intended for commercial use. The ownership of these assets falls to the lessor at the expiration of the contract, and represents the rental value. The obligations mentioned have been agreed between the parties. It was agreed that the contract includes a period of rent from the date of signature for a period of 10 years, renewable on different terms if agreed upon by the two parties for this or similar periods unless one party notifies the other party of its intention not to renew before the end of at least three months.

11 - 3 - 14 Supply Agreement with Riyadh Plastic Factory

The Company has entered into a supply agreement with Al Hokair Group Est. on 2 January 2010 (and amended on 4/6/2013) pursuant to which Al Hokair Group purchases plastic products and other materials from Riyadh Plastic Factory. The term of the agreement is (5) years from 1 January 2010 to 31 December 2014G, automatically renewable for an additional year unless either party notifies the other party with its intention not to renew three (3) months ahead of the termination date. Riyadh Plastic Factory undertakes to regularly update the company with pricing offers, and that those shall not be in excess of the market price. It is worth mentioning that the transaction volume for 2012G was SAR 805,908 and SAR 615,390 for 2013G.

11 - 3 - 15 Hospitality Training Agreement

The Company has entered into a Hospitality Training Agreement for an undefined period with Abdulmohsen Al Hokair High Institute for Hospitality (the Institute) dated 16/04/2012G for the training and development of the Company's employees engaged in the hospitality division. The Institute also assists the Company in setting the criteria for selection and employment of its employees. The Company pays SAR 2,000 as monthly training salary per each employee. The training course is 3 months divided into four-hour daily courses five days per week. The deal represents investment of 1,666,000 and 75% of this fund has been obtained through the Human Resources Development Fund in accordance with the an agreement to support employee training. The agreement does not include an expiry date but is still valid as on the date of this Prospectus.

11 - 3 - 16 Asset Purchase of Central Maintenance Workshop

This agreement was made on 2/4/2013G between the Company and Abdulmohsen Al Hokair Est., pursuant to which the assets of the central maintenance workshop at Abdulmohsen Al Hokair Est. would be purchased to support the operations of the Hospitality Division by the Company for SAR 156,585, representing the net book value of the sold assets.

11 - 3 - 17 Maintenance, Operation and Cleaning Agreement

This agreement was made on 1/11/2013G between the Company and Al Hokair Group Est., pursuant to which the Al Hokair Group Est. provided maintenance, operation and cleaning services ("services") to a number of hotels, entertainment venues and restaurants ("locations") managed/operated by Al Hokair Group in a number of cities in KSA. According to the agreement, the establishment guarantees to Al Hokair Group a certain level of service, including the provision of workers with the appropriate skills to provide these services according to Al Hokair Group's requirements. Al Hokair Group is entitled to object to any services deemed to be substandard or request the replacement of any worker ("service provider") due to incompetence or ability to perform services or for committing a violation. Upon the agreement of the parties, Al Hokair Group would receive monthly statements of actual direct costs incurred plus a profit margin of 1% of the total of these costs (see section 2 "Risk Factors"). The initial period of the agreement is one year, automatically renewable for similar periods unless one party notifies the other of its wish not to renew at least three months prior to the expiry of the original or renewed term. Al Hokair Group may also terminate the agreement at any time pursuant to a thirty-day notice prior to expiry date. Al Hokair Group Est. may not assign the agreement or any part thereof to a third party without the written consent of Al Hokair Group. The agreement is subject to the laws of KSA.

11 - 3 - 18 "King of Sweets" Management Supervision Agreement

This agreement was made on 1/1/2013G between Al Hokair Group and Juzur Al Falak Desserts ("Juzur Al Falak Est.") owned by AMAH. Pursuant to this agreement, Al Hokair Group provided management, operation and technical consultancy services such as the initial draft of main specifications, supervision of all repairs and maintenance works ("Services") concerning four locations owned by Juzur Al Falak Establishment (the "locations") as the Company has a dedicated maintenance team. Al Hokair Group also offers Juzur Al Falak license to use a trademark registered under no. 8/926 dated 5/6/2007G (the "trademark") (See row 6 in Table 11-6 "registered trademarks for commercial and entertainment centres and restaurants" for more information about the brand). Juzur Al Falak undertakes to use the trademark only on the locations without the right to use it in any advertisements or other purposes without the written consent of Al Hokair Group. Juzur Al Falak pays Al Hokair Group an amount of SAR 1,869,000 per annum against the services and trademark. Also, should Juzur Al Falak default on any of its obligations, or if the agreement is terminated by it, it is required to the amount of outstanding fees until the end of the agreement term. The initial term of the agreement is one year (commencing 1/1/2013G and ending 31/12/2013G), automatically renewable for similar period(s) unless the other party expresses their wish not to renew via written notice at least three months prior to the end of the original or renewed period and it was renewed accordingly. The agreement is subject to the laws of KSA.

11 - 3 - 19 Sparky's Share Purchase Agreement

This agreement was made on 31/12/2012G between Sami Al Hokair ("Seller") and the Company ("Buyer") relating to the Buyer's acquisition of Sparky's Land, Sparky's Digital and Sparky's Oceanica ("Sold Companies") from the Seller.

Pursuant to the Purchase Agreement, the acquisition was concluded by converting the Sold Companies from sole proprietorships owned only by the Seller to limited liability companies. After that, share ownership was transferred from the Seller to the Purchaser at 99% from Sparky's Land which thereafter acquired each of Sparky's Digital and Sparky's Oceanica, while the Seller continues to hold 1% in each of the Sold Companies as a legal owner but with the beneficiary ownership of such shares belonging to the Buyer.

Total purchase price for all the Sold Companies was AED 87,089,000.

The Purchase Agreement included a number of guarantees and warranties offered by the Seller to the Buyer in addition to indemnity relating to any breach or violation of the terms of the guarantees and warranties offered by the Seller pursuant to the Purchase Agreement.

11 - 3 - 20 Radisson Blu Jazan Rental Agreement

This agreement was made on 1/4/2014G between AMAH (lessor) and the Company (the lessee) in relation to the Radisson Blu Jazan building in Jazan. Under this agreement, Al Hokair Group has property usufruct over the property which includes the right lease or sublease a portion or the entire property to third parties to operate and benefit from the property. The annual rent is set at SAR 6,000,000 for the first three years, SAR 7,000,000 for the the three years which follow, and SAR 8,000,000 for the remainder of the term of the agreement (ten and a half years). The lease is autamtically terminated if the lessee fails to make rental payments for a period of three montsh. The initial term of the agreement 16.5 years beginning on 1/1/2015G and terminating on 31/5/2031G. The agreement is renewed automatically for a similar period unless the other party expresses their wish not to renew via written notice at least three months prior to the end of the original or renewed period and it was renewed accordingly. The agreement is subject to the laws of KSA.

11 - 3 - 21 Khobar Sahara Centre Rental Agreement

This agreement was made on 1/4/2014G between AMAH (lessor) and the Company (the lessee) in relation to the Khobar Sahara Centre in Khobar. Under this agreement, Al Hokair Group has property usufruct over the property which includes the right lease or sublease a portion or the entire property to third parties to operate and benefit from the property. The annual rent is set at SAR 3,000,000. The lease is autamtically terminated if the lessee fails to make rental payments for a period of three montsh. The initial term of the agreement 20 years beginning on 1/1/2015G and terminating on 31/5/2034G. The agreement is renewed automatically for a similar period unless the other party expresses their wish not to renew via written notice at least three months prior to the end of the original or renewed period and it was renewed accordingly. The agreement is subject to the laws of KSA.

Table 11-4 (B) Related Party Transaction Submitted and approved by the General Assembly held on 3/4/2014

No.	Nature of transaction or agreement	Related party	Term	Value SAR	Sharholder restricted from voting
1.	Rental agreement for Andalusiah (Riyadh)	AMAH	26 years	1,000,000	AMAH
2.	Rental agreement for Golden Tulip Nasiriah (Riyadh)	AHHC	20 years	2,165,000	AHHC
3.	Rental agreement for Golden Tulip (Khobar)	Sami Abdulmohsen Hokair	25 years	2,000,000	none
4.	Rental agreement for Holiday Inn (Khobar)	Al Hokair Group Est	26 years	3,000,000	AMAH
5.	Rental agreement for Holiday Inn Salam (Jeddah)	AMAH	24 years	3,000,000	AMAH
6.	Rental agreement for Red Sea Palace Hotel (Jeddah)	Al Hokair Group Est	26 years	3,000,000	AMAH
7.	Rental agreement for Tabuk Centre (Tabuk)	Tabuk Company (owned by AMAH and AHHC)	12 years	2,500,000	AMAH AHHC
8.	Rental agreement for Hilton Garden Inn Olaya (Riyadh)	AHHC	21 years	1,600,000	AHHC
9.	Rental agreement for Tulip Inn (Taif)	AHHC	20 years	400,000	AHHC

No.	Nature of transaction or agreement	Related party	Term	Value SAR	Sharholder restricted from voting
10.	Rental agreement for Hilton Garden Inn Al Morooj (Riyadh)	AMAH	20 years	8,000,000	AMAH
11.	Rental agreement for Holiday Inn Half Moon Resort (Dammam)	Half Moon Resort Company (50% owned by AMAH)	10 years	6,106,000	none
12.	Rental agreement for Suite Novotel (Riyadh)	AMAH	20 years	1,150,000	AMAH
13.	Rental agreement for Tulip Inn Regency (Jeddah)	AMAH	25 years	500,000	AMAH
14.	Rental agreement for Holiday Inn (Jeddah)	AMAH	20 years	5,500,000	AMAH
15.	Rental agreement for Tulip Inn (Yanbu)	AMAH	21 years	700,000	AMAH
16.	Rental agreement for Yamama Resort (Riyadh)	AMAH	21years	500,000	AMAH
17.	Rental agreement for a building housing employees of Holiday Inn Corniche Al Khobar (Khobar)	Sami Abdulmohsen Al Hokair Establishment	5 years	200,000	none
18.	Rental agreement for (Jamiah st.) Sales Showroom building	Al Hokair Group Est.	26 years	50,000	AMAH
19.	Rental agreement for Sulaiymania Villas (Riyadh)	AMAH	10 years	1,300,000	AMAH
20.	Rental agreement for Golden Tulip (Jubail)	AMAH	25 years	2,516,000 for the first 5 years 2,997,000 for the remainder of the term	AMAH
21.	Rental agreement for Luna Park (Baljurashi)	AMAH	8 years	65,900	AMAH
22.	Rental agreement for a building housing employees of Holiday Inn (Khobar)	Sami Abdulmohsen Al Hokair Establishment	5 years	250,000	none
23.	Rental agreement for a building housing employees	Sami Abdulmohsen Al Hokair Establishment	5 years	240,000	AMAH
24.	Rental agreement for a Hamra Pullman Hotel (Jeddah)	AMAH	20 years	12,000,000 for the first 2 years 19,000,000 for the remainder of the term	AMAH

No.	Nature of transaction or agreement	Related party	Term	Value SAR	Sharholder restricted from voting
25.	Rental agreement for Hilton Double Tree Hotel (Dahran)	AMAH	20 years	8,000,000 for the first 5 years 10,000,000 for the remainder of the term	AMAH
26.	Management agreement for Golden Tulip Suites Hotel Dubai	AMAH	yearly	2% of revenue and 6% of gross profit	AMAH
27.	Rental agreement for a Novotel Business Park Hotel (Dammam)	Arab Development Company Ltd. (owned 50% by AMAH)	20 years	3,350,000	AMAH
28.	Rental Agreement for Administrative building (Dammam)	Showroom Construction Company Ltd. (owned 50% by AMAH)	3 years	660,000	AMAH
29.	Management, operation, and cleaning agreement	Al Hokar Group Est.	yearly	Monthly fee in addition to 1% profit margin	AMAH
30.	Al Hokair Land managment agreement	Riyadh Company for Tourism, Entertainment, and Trading (owned by AMAH and AHHC)	yearly	5% of gross revenues	AMAH AHHC
31.	Videogame rental agreement for Al Hokair Land	Riyadh Company for Tourism, Entertainment, and Trade (owned by AMAH and AHHC)	2 years	60% of gross revenues	AMAH AHHC
32.	Supply aggrement for plastic materials	Riyadh Plastic Factory (owned by AMAH, and board members Sami, Mousaed , and Majed Al Hokar as well as their partners)	5 years	Depending on submitted offer	AMAH

No.	Nature of transaction or agreement	Related party	Term	Value SAR	Sharholder restricted from voting
33.	Games maintenance agreement	Al Hokair Company for Entertainment Games (owned by AMAH, and board members Sami, Mousaed , and Majed Al Hokair as well as their partners)	5 years	Depending on submitted offer (and on the maintenance required)	AMAH
34.	Rental Agreement for five warehouses (Barrakah)	Riyadh Plastic Factory (owned by AMAH, and board members Sami, Mousaed , and Majed Al Hokair as well as their partners)	10 years	200,000	AMAH
35.	Agreement for the rental and operation of health clubs in the Company Hotels	Al Naqaha al Sahia Company (owned by AMAH, and board members Sami, Mousaed , and Majed Al Hokair as well as their partners)	yearly	27.5% of the gross monthly revenues	AMAH
36.	Engineering services agreement	Al Hokair Group Est.	5 years	1,560,000 in addition to 5% of the gross amount	AMAH
37.	Employee training agreement	MENA Education (owned by AMAH, and board members Sami, Massad, and Majed Al Hokair as well as other partners)		2,000 per month for each trainee	AMAH
38.	Management and oversight agreement regarding “Malek al Helwyat”	Jazr al-Falak Est. (owned by AMAH)	yearly	1,869,000	AMAH
39.	Rental agreement for an administrative building (Jeddah)	Al Hokair Group Est.	22 years	300,000	AMAH
40.	Operations agreement for Oceanica Riyadh Gallery	Asateer (an Affiliate)	6 years	Administrative fee of 5% of game revenues and incentive fee of 5% of gross profits (before asset depreciation)	none

No.	Nature of transaction or agreement	Related party	Term	Value SAR	Sharholder restricted from voting
41.	Rental agreement for Fun Town (Qassim)	Qassim Company (an Affiliate)	5 years	3,010,000	none
42.	Mousaed Abdulmohsen Al Hokair's participation in or ownership in similar or competing companies: - AHHC - Touresco - European Company for Tourism and Hotels Invetments, - Al Khalidya Housing Towers Company	Mousaed Abdulmohsen Al Hokair's	–	–	none
43.	Sami Abdulmohsen Al Hokair's participation in or ownership in similar or competing companies: - AHHC - Touresco - European Company for Tourism and Hotels Invetments,	Sami Abdulmohsen Al Hokair's	–	–	none
44.	Majed Abdulmohsen Al Hokair's participation in or ownership in similar or competing companies: - AHHC - Touresco - European Company for Tourism and Hotels Invetments, - Riyadh Company for Tourism, Entertainment, and Trading Projects	Majed Abdulmohsen Al Hokair	–	–	none
45.	Sale of Assets from Luna Park	Al Hokair Group Est.		9,096,520	AMAH

The related party transactions and agreements that have been disclosed above were presented to and accepted by the general assembly which took place on 3/4/2014G, and they will be presented to the first general assembly to convene after the listing. It worth mentioning that related party transactions and agreements will be presented for approval annualy at the ordinary general assemblies in accordance with article 18(a) of the CMA's Corporate Governance Regulations which corresponds to article 69 of the Company's Law.

Table 11-4 (C) Values of Transactions with Related Parties

Related Party Accounts	2011G	2012G	2013G
Transfer of property and equipment/ total property and equipment	2,752,582	30,144,362	7,653,766
Transfer of projects under construction/ total property and equipment	-	-	4,756,576
Transfer of end of service payments/ end of service payments	-	-	7,604,742
Transfer of Receivables/ Receivables	-	-	4,402,548
Rent expenses/ Direct Cost	24,603,042	30,344,604	40,250,005
Rent revenue/ Total Revenue	4,567,403	5,372,464	6,104,525
Management Fees Income/ Total Revenue	3,034,410	3,297,635	3,272,905
Sale of Property and Equipment/ Total Property and Equipment	1,741,258	3,114,042	9,668,351
Professional Fees Expenses/ Admin. And Gen. Expenses	-	1,560,000	1,638,000
Total	36,698,695	73,833,107	85,501,418*

** The increase in the value of transactions with related parties of SAR 73.8 million in 2012G to SAR 85.5 million in 2013G, was mainly due to the increase in the expenses of the lease relating to the direct costs of related parties of SAR 30.3 million in 2012G to SAR 40.3 million in 2013G as a result of Al Hamra Pullman Hotel rent, where the rent was paid only for three months during the year 2012G, with the value of SAR 3 million compared to the rent of the whole year in 2013G worth SAR 12 million. In addition to the transfer of the balance of end of service benefits for employees who their sponsorships have been corrected and transferred to the institution based on the services agreement with an amount of SAR 7.6 million. As well as the payment of an amount of SAR 4.8 million related to the construction of Alkhalijiah Entertainment Company.*

Table 11-4 (D) Percentage of Transactions with Related Parties out of Overall Transactions

Related Party Accounts	2011	2012	2013
Transfer of property and equipment/ total property and equipment	0.4%	4.49%	1.16%
Transfer of projects under construction/ total property and equipment			0.72%
Transfer of end of service payments/ end of service payments			18.8%
Transfer of Receivables/ Receivables			10.91%
Rent expenses/ Direct Cost	5.51%	6.05%	7.26%
Rent revenue/ Total Revenue	0.63%	0.66%	0.69%
Management Fees Income/ Total Revenue	0.42%	0.41%	0.39%
Sale of Property and Equipment/ Total Property and Equipment	0.3%	0.5%	1.5%
Professional Fees Expenses/ Admin. And Gen. Expenses	-	1.3%	1.3%

Table 11-4 (E) Related Party Transaction Submitted and approved by the General Assembly held on 3/4/2014

No.	Nature of transaction or agreement	Related party	Term	Value SAR	Sharholder restricted from voting
1.	Rental agreement for a property with a warehouse on Kharj road in Riyadh	Majed Abdulmohsen Al Hokair and the heirs of Khaled Al Hokair (Bandar Khaled bin Abdulmohsen Al Hokair, Badr Khaled bin Abdulmohsen Al Hokair, and Ahmad Khaled bin Abdulmohsen Al Hokair)	10 years	None (but assets built will be transferred to the lessor upon termination of the lease)	Majed Abdulmohsen Al Hokair and the heirs of Khaled Al Hokair (Bandar Khaled bin Abdulmohsen Al Hokair, Badr Khaled bin Abdulmohsen Al Hokair, and Ahmad Khaled bin Abdulmohsen Al Hokair)
2.	Rental Agreement for the Radisson Blu Jazan	AMAH	16.5 years	123,000,000	AMAH
3.	Rental Agreement for Sahara Al Khobar Resort	AMAH	20 years	60,000,000	AMAH

The related party transactions and agreements that have been disclosed above will be presented at the next general assembly to convene for approval. It worth mentioning that related party transactions and agreements will be presented for approval annualy at the ordinary general assemblies in accordance with article 18(a) of the CMA's Corporate Governance Regulations which corresponds to article 69 of the Company's Law.

11 - 4 Summary of Other Material Agreements

11 - 4 - 1 Summary of the Rezidor Joint Venture

The Company entered into a joint venture agreement with Rezidor in the final quarter of 2013G. This joint venture aims to develop and manage the "Radisson Blu" and "Park Inn" brands in KSA (the "JV").

The partnership will be in the form of a JV pursuant to a development contract or an LLC that is 60% owned by Rezidor and 40% by the Company initially be registered in the Jebel Ali Free Zone in Dubai. It is expected that the parties of this agreement will enter into a Shareholders Agreement which will include the terms and conditions of shareholding in the JV, expenses and the division of profits. It is expected that the JV will enter in to management contracts with the Company and 3rd party hotel owners ("Management Contracts") to manage a group of contracted hotels under the brands "Radisson Blu" or "Park Inn" ("JV Hotels"). Rezidor will grant franchise rights to use the "Radisson Blu" and "Park Inn" brands by the JV under the agreement. At the same time, the JV will conclude an internal agreement with Rezidor whereby Rezidor offer branding and management services of the JV Hotels on the JV's behalf in consideration for the above mentioned Management Contracts.

Under this agreement, rights are granted to each party in consideration for an agreement to divide profits annually to Rezidor on a pro-rata monthly bases to supervise and manage fifteen (15) of the JV's Hotels as a maximum as well as a separate amount for each JV Hotel above this limit.

Determining the annual profit for profit distribution in the JV will be based on the income/ revenue actually received by the JV from each of the JV Hotels, and as such, it basically includes: basic fee of the overall annual revenue of each JV Hotel, management fees of the overall operational profits for each JV Hotel based on the number of JV Hotels belonging to the Company, sales and marketing contribution of the overall annual revenue for the rooms in each of the JV Hotels, booking fees paid to the JV as revenue/income and technical services fees.

The agreement includes exclusive priority rights whereby Al Hokair Group grants the JV the exclusive priority right to enter into management contracts relating to all the potential contracts for 3, 4 and 5-star Hotels that are available or will be available, any new potential projects negotiated or renewed/extended, or with relation to any hotel owned by the Company with the potential of having its brand re-branded to Park Inn or Radisson Blu in KSA.

In exchange, Rezidor grants the JV an exclusive priority right to enter into management agreements relating to future opportunities for potential management agreements for the Park Inn and Radisson Blu in KSA. This exclusivity does not apply to Radisson Blu hotels if the Company fails to achieve and execute international management contracts and actual opening for three (3) additional Radisson Blu hotels in KSA during the first five (5) years after the execution of the Agreement.

The period of the agreement is the earlier of 6 months after the conclusion of the JV Agreement or [1 January 2028] or a mutual agreed termination date or either party losing their capacity as an actual shareholder in the JV.

Either party may terminate the JV with immediate effect via written notification if the other party commits a material breach of the JV or the Shareholders Agreement, or fails to perform other material covenants in the Agreement and such breach or failure was not remedied within 45 days from the date of the written notification. The Shareholders Agreement may also be terminated if the other party becomes insolvent or bankrupt. Moreover, Rezidor may terminate the JV via 60-day written notice if there is a shortage in the number conversion hotels opened and managed as JV Hotels. This agreement will initially be subject to the laws of England and Wales.

11 - 4 - 2 Summary of Sale Arrangement Agreement with TOCC

This Sale Arrangement Agreement (SAA) was entered into on 22/5/2012G between Jadwa Investment Company, acting as arranger (Arranger) for Jadwa Tourism & Hospitality Opportunity Fund, a Shariah-compliant closed-end investment fund (the Fund) - which at the time of the SAA was being established under the CMA IFRs - and each of Abdulmohsen Al Hokair and AHHC (together, the Sellers).

Under the SAA, the Arranger arranged the acquisition of 35% of the share capital of the Company from the Sellers.

The consideration for the shares purchased under the SAA was SAR 586,250,000 (the Consideration) for 14,262,885 shares representing 35% of the Company’s shares owned by the Sellers (the Sale Shares).

The SAA includes a number of warranties by the parties in relation to the transaction contemplated by the SAA. The warranties given by the Sellers are extensive and cover (inter alia) the Sale Shares, the capital of the Company, its incorporation, compliance with laws, governmental obligations, assets and properties, IP, employees, guarantees and indemnities and other matters. The Company is not party to this agreement and offers none of these guarantees.

The SAA is subject to the laws of KSA.

11 - 5 Intellectual Property

Although the Company and its Subsidiary do not have a definite policy on research and development of new products, the Company developed two local brands for its Hotels, Restaurants, entertainment and commercial centres as well as the commercial outlets within them.

11 - 5 - 1 Registered Trademarks – Hospitality Division

Table 11–5 Hospitality Division Registered Trademarks*

No.	Design	Mark	Owner	Classes	Date registered	Protection Started	Protection Expires
1.		Abdulmohsen Al Hokair Group Company for Tourism & Development – English/Arabic (Stylised)	Al Hokair Group	43	19/3/1430H	8/4/1429H	7/4/1439H
2.		MENA Grand – English (Stylised)	Al Hokair Group	43	18/7/1432H	24/7/1431H	23/7/1441H
3.		MENA Suites – English (Stylised)	Al Hokair Group	43	18/7/1432H	24/7/1431H	23/7/1441H
4.		MENA hotels & resorts – English/Arabic (Stylised)	Al Hokair Group	43	29/11/1430H	5/8/1429H	4/8/1439H
5.		Olaya House – English/ Arabic (Stylised)	Al Hokair Group	42	18/7/1416H	29/1/1426H	28/1/1436H
6.		Riyadh Plaza – English/ Arabic (Stylised)	Al Hokair Group	36	26/10/1413H	25/04/1434H	24/04/1444H

No.	Design	Mark	Owner	Classes	Date registered	Protection Started	Protection Expires
7.		Al Andalusia – English/ Arabic (Stylised)	Al Hokair Group	36	17/8/1411H	28/1/1431H	27/1/1441H
8.		Al Andalusia – Arabic (Stylised)	Al Hokair Group	36	17/8/1411H	28/1/1431H	27/1/1441H
9.		Oumnia – English/ Arabic (Stylised)	Al Hokair Group	43	12/06/1434H	12/01/1434H	11/01/1444H
10.		La Mode – English/ Arabic (Stylised)	Al Hokair Group	43	20/12/1433H	07/04/1433H	06/04/1443H

Source: Company

(*) it is worth mentioning that the Company was not able to register any of its trademarks that had the names of areas or public streets.

11 - 5 - 2 Registered Trademarks – Entertainment, Commercial Centres and Restaurants that are part of the Hospitality Division

Table 11–6 Entertainment, Commercial Centres and Restaurants Registered Trademarks

No.	Design	Mark	Owner	Classes	Date registered	Protection Started	Protection Expires
1.		Digital Land – English/Arabic (Stylised)	Al Hokair Group	41	26/6/1426H	24/10/1425H	23/10/1435H
2.		Sharqawi – Arabic (Stylised)	Al Hokair Group	41	27/10/1427H	28/3/1426H	27/3/1436H
3.		Happy Land – English/Arabic (Stylised)	Al Hokair Group	41	28/2/1417H	24/4/1426H	23/4/1436H

No.	Design	Mark	Owner	Classes	Date registered	Protection Started	Protection Expires
4.		Train Lake – English/Arabic (Stylised)	Al Hokair Group	41	28/2/1417H	24/4/1426H	23/4/1436H
5.		Aladdin's Kingdom – English/Arabic (Stylised)	Al Hokair Group	41	30/3/1417H	28/5/1426H	27/5/1436H
6.		King of Sweets – logo only	Al Hokair Group	43	19/5/1428H	12/2/1427H	11/2/1437H
7.		Fun Studio – English (Stylised)	Al Hokair Group	41	19/5/1428H	18/4/1427H	17/4/1437H
8.		Fun Town – English/Arabic (Stylised)	Al Hokair Group	41	6/8/1418H	17/11/1427H	16/11/1437H
9.		Angus Wings – English/Arabic (Stylised)	Al Hokair Group	43	9/6/1428H	20/11/1427H	19/11/1437H
10.		La Boucherie Restaurant – English (Stylised)	Al Hokair Group	43	11/7/1428H	1/1/1428H	30/12/1437H
11.		Ataa – Arabic (Stylised)	Al Hokair Group	45	19/3/1430H	18/6/1429H	17/6/1439H
12.		Ya Hala – English/Arabic (Stylised)	Al Hokair Group	45	19/3/1430H	18/6/1429H	17/6/1439H

No.	Design	Mark	Owner	Classes	Date registered	Protection Started	Protection Expires
13.		Luna Park – English/Arabic (Stylised)	Al Hokair Group	41	1/11/1420H	5/5/1430H	4/5/1440H
14.		Lagoon Park – English/Arabic (Stylised)	Al Hokair Group	41	29/6/1421H	28/8/1430H	27/8/1440H
15.		Vortex entertainment centre – English (Stylised)	Al Hokair Group	41	8/8/1431H	19/12/1430H	18/12/1440H
16.		Sindbad – English/Arabic (Stylised)	Al Hokair Group	41	17/8/1411H	28/1/1431H	27/1/1441H
17.		Forest Restaurant – English/Arabic (Stylised)	Al Hokair Group	43	10/11/1421H	7/5/1431H	6/5/1441H
18.		Marina – English/Arabic (Stylised)	Al Hokair Group	43	24/4/1422H	10/9/1431H	9/9/1441H
19.		Abcarino – Smart Kids (English/Arabic (Stylised)	Al Hokair Group	41	24/10/1422H	16/1/1432H	15/1/1442H
20.		Oceanica Family Entertainment Centre – English/Arabic (Stylised)	Asateer	41	20/11/1430H	27/3/1430H	26/3/1440H

No.	Design	Mark	Owner	Classes	Date registered	Protection Started	Protection Expires
21.		Youth & Joy – English/Arabic (Stylised)	Al Hokair Group	41	20/12/1433H	29/2/1433H	28/2/1443H
22.		Sparky's – English/Arabic (Stylised)	Al Hokair Group	41	8/11/1433H	20/2/1433H	19/2/1443H
23.		Sparky's – English/Arabic (Stylised)	Al Hokair Group	28	8/5/1434H	13/9/1433H	12/9/1443H
24.		Go Toys – English (Stylised)	Al Hokair Group	28	12/06/1434H	12/01/1434H	11/01/1444H
25.		Cartoon animation of a smiling child	Al Hokair Group	41	17/9/1434H	9/8/1432H	8/8/1442H
26.		Snowy Forest in English	Al Hokair Group	41	3/5/1435H	18/1/1435H	17/1/1445H

Source: Company

11 - 6 Insurance

The Company has entered into various insurance policies with Ace Arabia Company and Alinma Tokio Marine insurance companies affecting a range of insurance coverage which the Company believes is appropriate to cover the material risks associated with the Company's business. The Company intends to renew the insurance policies on their respective expiry dates.

The Company's insurance policies in the Entertainment and Hotel Divisions cover insurance of property, movable assets, work related injuries, infidelity, third-party liabilities, as and well as any damage to the property within the locations whether due to direct vandalism or natural causes (such as storms, rain and others) and compensation for entertainment revenue in case they should be shut down due to an accident.

Table 11–7 Summary of Company's Insurance Policies

Sectors	Class	Insurance Co.	Policy No.	Policy Period		Policy Value
				From	To	
Entertainment Division	Money Policy	Ace Arabia Co.	34ACE30142/1402	1-Jan-14	31-Dec-14	26,484
Entertainment Division	Property all Risks & Business Interruption Policy	Ace Araibia Co.	11ACE30183/14-03	1-Jan-14	31-Dec-14	478,619
Hospitality Division	Money Policy	Ace Araibia Co.	34ACE30141/14-02	1-Jan-14	31-Dec-14	56,876
Hospitality Division	Property all Risks & Business Interruption Policy	Ace Araibia Co.	11ACE30185/14-03	1-Jan-14	31-Dec-14	780,637
All Divisions	Public Liability Policy	Ace Araibia Co.	41ACE30089/13-04	1-Jan-14	31-Dec-14	85,500
Entertainment Division	Fidelity Guarantee Policy	Alinma Tokio Marine	P/102/14102/2013/0002	1-Jan-14	31-Dec-14	205,225
Hotel Division	Fidelity Guarantee Policy	Alinma Tokio Marine	P/102/14102/2013/0002	1-Jan-14	31-Dec-14	
Entertainment Division	Health Insurance Policy	Bupa Company	11032800	1-Jan-14	31-Dec-14	1,833,116
Hospitality Division	Health Insurance Policy	Bupa Company	11037700	1-Jan-14	31-Dec-14	2,996,053
General Administration	Health Insurance Policy	Bupa Company	11037800	1-Jan-14	31-Dec-14	232,849
Entertainment Division	Motor Vehicle Insurance Policy	Malaz Insurance Company	P/210/6501/13/10278599	1-Jan-14	31-Dec-14	149,996
Hospitality Division	Motor Vehicle Insurance Policy	Malaz Insurance Company	P/210/6501/13/10278597	1-Jan-14	31-Dec-14	178,669

Source: Company

11 - 7 Litigation

Aside from the cases detailed below, the Company's Board confirms that the Company is not party to any cases, claims, arbitration cases or administrative proceedings, whether joint or single, current or threatened that may adversely affect the Company's business or its financial position.

Al Hokair Group is subject to two disputes filed by two individuals concerning their injuries caused by the incident in Metropolis (Panorama Mall) as a result of a chain breaking on one of the rides. Al Hokair Group has also confirmed that none of its Affiliates nor its subsidiaries are subject to any disputes. Please is a summary of claims by/against the Company, and other contentious matters:

Claims by/against the Company

In 2010G, a legal claim was brought against the Company by the heirs of Ahmed Saleh Kaaki, and Abdullah Saleh Kaaki (Plaintiffs) the owners of Golden Tulip Hotel (Jeddah), for the settlement of the annual lease amount of the hotel under the relevant lease agreement. The Company subsequently brought a counter-claim against the Plaintiffs, under which it claimed that the condition of the property does not enable it to utilise the property as intended. Management has confirmed that the claim amount is SAR 22,654,445 as on 31/12/2013G (and it increases in accordance with the period of the underlying lease). Management has also confirmed that the amount of such claim has been provisioned in its financials for 2013G.

In addition, two cases were filed before the general court of Riyadh against the Company on 10/6/2013G by two individuals concerning their injuries caused by the incident in Metropolis (Panorama Mall) as a result of chain breakage on one of the rides. The total value of these claims is approximately two million riyals. No provisions were created for these disputes in the Company's financials as the general liability insurance policy covers these (see table no. 11-7 "Summary of the Company's Insurance Policies" for more information of the Company's Insurance Policies). The company settled, on 11/11/2013G and 08/01/2014G, the additional two cases cases arising from the same incident. The total settlement for these cases was SAR 70,000 out of which SAR 30,000 was paid to the parent of one individual and SAR 40,000 to the parent of the other individual, noting that the original claim amount of these cases was SAR 1,750,000.

Other Contentious Matters

An accident resulting in a fatality occurred at Jumbo Hayat Mall ,which is an entertainment venue, but it appears that no fault was attributed to the Company. The Company carried the treatment expenses of the deceased child prior to their death. The Company also has 5 outstanding insurance claims that have not yet been settled by insurance companies. The method of estimating the size of these claims is the value of damages or assets damaged. These have been treated in the 2012G financials by excluding the damaged assets from the books.

Table 11–8 Summary of Claims Concerning the Company's Insurance Policies

No.	Claim	Date of Incident	Amount (SAR)
1.	Falling of the "Drop Tower" in Metropolis	28/02/2013G	Not yet determined
2.	Damage to some video games in King Fahad Park	02/05/2013G	136,915
3.	Damage to some rides in Happy Land Dammam	01/05/2013G	Not yet determined
4.	Fire in one of Sparky's warehouses in Dhahran	31/05/2012G	331,976
6.	Damage to the venue due to the sand storms in Happy Land Dammam	08/05/2010G	1,011,176

Source: Company

11 - 8 Description of Shares

11 - 8 - 1 Share Capital

The share capital of the Company is SAR 550,000,000, consisting of 55,000,000 Shares with a nominal value of SAR 10 per Share, all of which are ordinary shares.

11 - 8 - 2 Ordinary Shares

The Shares may not be issued at less than their nominal value. However, the Shares may be issued at an issue price higher than their nominal value, in which case the difference in value is to be added to the statutory reserve, even if the reserve has reached its maximum limit. A Share is treated as indivisible by the Company. In the event that a Share is owned by more than one person, they must select one of them to exercise, on their behalf, the rights pertaining to the Share, and such persons are jointly responsible for the obligations arising from the ownership of the Share. The transfer of Shares is governed by, and must comply with, the regulations governing companies listed on Tadawul. Transfers made other than in accordance with such regulations are void.

11 - 8 - 3 Rights of the Holders of Ordinary Shares

Under Article 108 of the Companies Regulations, a Shareholder is vested with all the rights attached to Shares, which include in particular the right to receive a share in the profits declared for distribution, the right to a share in the Company's assets upon liquidation, the right to attend Constituent General Assemblies and participate in the deliberations and vote on the resolutions proposed at such meetings, the right to dispose of Shares, the right to access to the Company's books and documents, the right to supervise the acts of the Board of Directors, the right to institute proceedings against the Directors and the right to contest the validity of the resolutions adopted at General Assemblies. According to the Companies Regulations, Shareholders are not entitled to require the Company to buy-back their Shares.

11 - 8 - 4 General Assemblies

A General Assembly duly convened is deemed to represent all the Shareholders and must be held in the city where the Company's head office is located. Any Shareholder, regardless of the number of Shares he holds, has the right to attend the meeting of the Constituent General Assembly, and any Shareholder who holds at least 20 Shares has the right to attend the meetings of the Ordinary and Extraordinary General Assemblies.

With the exception of the Constituent General Assembly, the general meetings of Shareholders are either Ordinary General Assemblies or Extraordinary General Assemblies. With the exception of those matters reserved for the Extraordinary General Assembly, the Ordinary General Assembly deals with all matters concerning the Company. The Ordinary General Assembly must be convened at least once a year, within six (6) months following the end of the Company's fiscal year. Additional Ordinary General Assemblies may be convened as required.

The Extraordinary General Assembly has the power to amend the By-Laws (to the extent permissible under the Companies Regulations). Furthermore, the Extraordinary General Assembly may pass resolutions on matters falling within the competence of the Ordinary General Assembly, subject to the same requirements applicable to the Ordinary General Assembly.

11 - 8 - 5 Convening a General Assembly

The General Assembly must be convened by the Board of Directors. The Board of Directors must convene a meeting of the Ordinary General Assembly if requested to do so by the auditors or by Shareholders representing at least five percent (5%) of the Company's capital. The Company must publish an invitation to Shareholders to attend the General Assembly in the Official Gazette and in a daily newspaper circulated in the location of the head office of the Company, at least twenty-five (25) days prior to the date of the General Assembly. The invitation must include the agenda of the meeting. Alternatively, the Company may send a notice containing the invitation to the Shareholders to attend the General Assembly by registered mail during the period set out above. A copy of the notice and the agenda shall be sent during the notice period set out above to the Companies Department at MOCI. A list of Shareholders attending the General Assembly in person or by proxy shall be prepared.

11 - 8 - 6 Quorum of an Extraordinary General Assembly

A meeting of the Extraordinary General Assembly is quorate if attended by Shareholders representing at least fifty percent (50%) of the Company's capital. If such quorum is not present at the first meeting, a second meeting must be held within thirty (30) days following the time set for the first meeting. Notice of such meeting must be published in compliance with the procedures set out in paragraph 8.5 above.

The second meeting is quorate if attended by Shareholders representing at least twenty-five percent (25%) of the Company's capital.

11 - 8 - 7 Quorum of an Ordinary General Assembly

A meeting of the Ordinary General Assembly is quorate if attended by Shareholders representing at least fifty percent (50%) of the Company's capital. If such quorum is not present at the first meeting, a second meeting must be held within thirty (30) days following the time set for the first meeting. Notice of such meeting must be published in compliance with the procedures set out in paragraph 8.5 above. The second meeting is deemed quorate irrespective of the number of Shares represented at such meeting.

11 - 8 - 8 Transfer of Shares

Trading in Shares is governed by the regulations applicable to companies listed on Tadawul, and any trading in the Shares that does not comply with such regulations is deemed void.

11 - 8 - 9 Voting Rights

Each Shareholder owning at least twenty (20) Shares has the right to attend a General Assembly and may authorize in writing another Shareholder (other than a member of the Board of Directors who is a Shareholder) to attend the General Assembly on his behalf. Any Shareholder may attend the meeting of the Constituent General Assembly, regardless of the number of Shares he holds. Votes at the meetings of Ordinary and Extraordinary General Assemblies are counted on the basis of one vote for each Share represented at the meeting. In relation to the Ordinary General Assembly resolutions that relate to electing the Board members, the voting on these decisions will follow the cumulative voting principle in that each shareholder's voting capability is relative to the number of shares that he owns in the Company and the Shareholders will be allowed to use their votes in relation to one candidate or split them between the various candidates however without their being any repetition in the votes.

Resolutions of the Ordinary General Assembly are passed if supported by a simple majority of the Shares represented at the meeting. Resolutions of the Extraordinary General Assembly are passed if supported by a majority of at least two-thirds of the Shares represented at the meeting. If the resolution relates to an increase or reduction in the Company's capital, extending the Company's term, dissolving the Company prior to the end of its term specified under the By-Laws or merging the Company with another company or organization, then such resolution may only be passed if supported by a majority of at least three-quarters of the Shares represented at the meeting.

Each Shareholder has the right to discuss the items listed in the agenda for the General Assembly and to direct questions to the members of the Board and the Auditor in relation to such matters. The Board of Directors or the Auditor is required to answer questions from Shareholders other than where to do so may jeopardize the interests of the Company, for instance on commercially sensitive matters. Should a Shareholder consider the reply to be unsatisfactory, he can report to the General Assembly whose resolution will be considered final.

11 - 8 - 10 Term of the Company

The term of the Company is ninety-nine (99) Gregorian years commencing on the date of issuance of the Minister of Commerce and Industry's resolution announcing the setting up of the Company as a closed joint stock company. The term of the Company may be extended by a resolution adopted by the Extraordinary General Assembly at least one year prior to the expiry of its term.

11 - 8 - 11 Dissolution and Liquidation of the Company

Upon the expiry of the Company's term, or if, based on a proposal by the Board of Directors, the Extraordinary General Assembly decides to dissolve the Company, it will determine the method of liquidation and shall appoint one or more liquidators and specify their powers and fees. The powers of the Board of Directors cease upon the expiry of the Company's term. However, the Board of Directors remains responsible for the management of the Company until the liquidator(s) are appointed. The Company's departments maintain their powers to the extent that they do not interfere with the powers of the liquidator(s).

11 - 9 Participation of members fo the Board of Directors and AMAH in other companies with similar or competing pruposes to the Company

A number of the Company's Board members and AMAH are, through their memberships in Boards or through their shareholding, involved in companies which might pursue similar pruposes or be in competition with the Company. Tables 11-9 and 11-10 below provide regarding the interests of the Board Members and AMAH in companies which might be in compition or have similar purposes.

Table 11–9 Directors participating in companies conducting similar or competing activities with the Company through their position in the Board or Shareholding in these Companies:

#	Other companies related to the Director	Director's capacity in the related Company		Nature of related company's business	Does it compete with the Company?
		Owner	Director/ Manager		
1	Musaed Abdulmohsen Abdulaziz Al Hokair				
	AHHC	Yes	Yes	Building and management of entertainment venues; building, managing, operating, renting and maintenance of hotels, furnished apartments and suits	No – AHHC's operations, as on the date of this Prospectus, are limited to contribution in the Company (40.42%), Riyad Company, Tabuk Company (60%). While both the Tabuk comaby and Riyad Company enage in activities which may be in in competition with the Company, as of the date of the this Prospectus their activities are limited to (a) owning Hokair Land (the only location owned by Riyadh Company) which is operated by Al Hokair Group, and (b) ownership of the Tabuk Centre, the only property owned by Tabuk Company, which is rented by AL Hokair Group. The volume of these companies' business is not considered to be competitive to Al Hokair Group. AHHC does not conduct any competing activities as of the date of this Prospectus not does it intend to engage in such activities in the future.

#	Other companies related to the Director	Director's capacity in the related Company		Nature of related company's business	Does it compete with the Company?
		Owner	Director/ Manager		
	TOURESCO	Yes	Yes	Management and operation of entertainment venues and hotels	No – Touresco is an affiliate of Al Hokair Group. Its activities are limited, as on the date of this Prospectus, to ownership of the land and building of Holiday Inn Al Olaya in Riyadh. The Company receives its share of this hotel's profits through its shareholding.
	Al Qaseem Company	No	Yes	Ownership of commercial Centres	No – Al Qaseem is an affiliate of the Company. It activity is limited, as on the date of this prospectus, to ownership of Al Nakheel Plaza. Al Qaseem Company also signed a lease contract with Mohammad Rasheed bin Jabr Al Rasheed on 1/1/2013 for a commercial Centre in Hail (Salma Commercial Centre) which will be developed by Al Qaseem into a commercial centre.
	Tabuk Company	No	Yes	Ownership, leasing and maintenance of commercial and entertainment complexes	No – Tabuk Co., as on the date of this Prospectus, owns Tabuk Centre (its only location) and the Company rents this location from Tabuk Co.
	H Care	Yes	Yes	Building, management and operation of health clubs Management, building and operation of entertainment venues and hotels Wholesale trade in medical and surgical equipment, medicines (pharmacies and medical storage), hospital supplies, and cosmetics Maintenance of laboratory equipment Cleaning and organizing parks, resorts, hospitals and housing units General contracting Commercial licenses Building and operating health community colleges and unvirsities Third party import/export services Acquiring, developing, renovating, operating, maintaining, and investing through the lease or sale of real estate	No – the main activity of H Care, as on the date of this Prospectus, is to build, equip and operate health clubs, which does not compete with the Company's activities.

#	Other companies related to the Director	Director's capacity in the related Company		Nature of related company's business	Does it compete with the Company?
		Owner	Director/ Manager		
	Mena Education	Yes	Yes	Building, management and operation of education and training facilities Management, building and operation of entertainment venues and hotels Import, export, and wholesale trade in educational and physical education supplies and equipment Maintenance of scientific laboratory equipment Commercial powers of attorney Third party import/export services	No – the main activity of Mena Education as on the date of this Prospectus is to conduct hotel training under the letter issued by the Technical and Vocational Training Corporation, which is not considered a competing activity.
	Al Riyadh Plastic Factory	Yes	Yes	Manufacturing plastics Manufacturing dairy containers and gallons, plastic bags, home storage and utensils, polypropylene chairs, PVC pipes, garbage cans, and plastic wrap, Recycling used plastic pellets Manufacturing sports and entertainment goods, umbrellas, park benches, metal decorations for facades, and water fountains Manufacturing cardboard tubes, filling carboard,duplex cartons, wavey carton, reinforced carton, and paper bags Wholesale trade in plastic supplies, entertainment devices, restaurant equipment, shoes, leather goods, ready made clothes, school devices, educational and sport devices and equipment, and office supplies Building and operating factories, entertainment and tourist facilities, hotels, commercial and conference centres, regional. international and local workshops Building, operating, and outfitting factories, schools, scientific and health academies, colleges, public schools, universities, research laboratories, in addition to hotel, education, training, andtourism consultancies Maintenance of scientific laboratory equipment Commercial powers of attorney Third party import/export services	No – the main activity of the Plastic Factory, as on the date of this Prospectus, is to manufacture plastic containers and bags, household boxes and tools, garbage bins and plastic packaging rolls, which does not compete with the Company's activities.

#	Other companies related to the Director	Director's capacity in the related Company		Nature of related company's business	Does it compete with the Company?
		Owner	Director/ Manager		
	Asateer Entertainment	No	Yes	Owning, building an operating entertainment venues	No – Asateer is an affiliate of the Company and its activity, as on the date of this Prospectus, is to rent the "Oceanica" centre which is managed and operated by the Company
	Al Hokair Entertainment Games Manufacturing	Yes	No	Manufacturing of athletic and entertainment games, umbrellas, metal park benches, metal decorations for facades, water fountains Wholesale trade in plastic supplies, entertainment devices, restaurant equipment, shoes, leather goods, ready made clothes, school devices, educational and sport devices and equipment, and office supplies Building and operating factories, entertainment and tourist facilities, hotels, commercial and conference centres, regional. international and local workshops Maintenance of scientific laboratory equipment Commercial powers of attorney Third party import/export services	No – the current activities of the company as of the date of this Prospectus are the manufacturing of sports entertainment equipment, umbrellas, chairs, metal park benches, metal decorations for facades, and water fountains. These activities are not considered to be in competition with the Company.
	European Tourism and Hotel Investment Co.	No	Yes	Owning, building and operating entertainment and hospitality centres in all their forms Establishing tourism and entertainment projects	Yes, but this companies activities are limited to the Kindgom of Jordan and it has no operations in the KSA
	Asateer Entertainment and Tourism	Yes	Yes	Establishing and operating at least 3-star hotels and resorts with at least 50 rooms and all related services including, entertainment, sport, commercial, educational, on the condition that the areas sold do not exceed half of the aggregate of all constructed areas in the project Establishing amusement parks	No because the company is in the Republic of Egypt and has not carried out any activities which would compete with the Company's
	Abraaj Al Khaldiah Housing Company	No	Yes	Operating, maintaining and establishing housing units Buying and establishing buildings on real property, investing in these properties, either by sale or lease for the benefit of the company	Yes, as the company manages and operates the Abraaj Al Khaldiah in Riyadh
2	Sami Abdulmohsen Abdulaziz Al Hokair				

#	Other companies related to the Director	Director's capacity in the related Company		Nature of related company's business	Does it compete with the Company?
		Owner	Director/ Manager		
	Saudi Airlines Catering	No	Yes	Catering and sales services onboard Saudi Airline flights	No – this company does not compete with the Company's activities as of the date of this Prospectus
	Strategic Catering Co.	No	Yes	Catering and sales in airport halls and onboard flights	No – as this company does not compete with the Company's activities as of the date of this Prospectus
	AHHC	Yes	Yes	Please see item [1] above	Please see item [1] above
	Half Moon Bay Resort Company	No	Yes	Establishing, managing and operation of hotels, entertainment centres and resorts	No – Half Moon Bay Resort Co., as of the date of this Prospectus, owns Half Moon Bay Resort only (its only location) and the Company rents this location from Half Moon Bay Resort Company
	Touresco	Yes	Yes	Please see item [1] above	Please see item [1] above
	H Care	Yes	No	Please see item [1] above	Please see item [1] above
	Mena Education	Yes	No	Please see item [1] above	Please see item [1] above
	Riyadh Plastic Factory	Yes	No	Please see item [1] above	Please see item [1] above
	Al Hokair Entertainment Game Manufacturing	Yes	No	manufacturing of athletic and entertainment games	Please see item [1] above
	Sparky's Land Entertainment	Yes	Yes	Ownership and management of electronic games,, kids entertainment areas and electric rides	No – Sparky's Land is an subsidiary of the Company and Sami is only a legal partner with the beneficial ownership belonging to the Company.
	Sparky's Digital Land	Yes	Yes	Ownership and management of electronic games,, kids entertainment areas and electric rides	No – Sparky's Digital Land is a subsidiary of the Company and Sami is only a legal partner with the beneficial ownership belonging to the Company.
	Sparky's Oceanica	Yes	Yes	Ownership and management of electronic games,, kids entertainment areas and electric rides	No – Sparky's Oceanica is a subsidiary of the Company and Sami is only a legal partner with the beneficial ownership belonging to the Company.
	Sparky's Land RAK	Yes	Yes	Ownership and management of electronic games,, kids entertainment areas and electric rides	No – Sparky's Land RAK is a subsidiary of the Company and Sami is only a legal partner with the beneficial ownership belonging to the Company.
	European Tourism and Hotel Investment	No	Yes	Please see item [1] above	Please see item [1] above
	Asateer	Yes	Yes	Please see item [1] above	Please see item [1] above
3	Majid Abdulmohsen Abdulaziz Al Hokair				

#	Other companies related to the Director	Director's capacity in the related Company		Nature of related company's business	Does it compete with the Company?
		Owner	Director/ Manager		
	AHHC	Yes	Yes	Please see item [1] above	Please see item [1] above
	Touresco	Yes	No	Please see item [1] above	Please see item [1] above
	H Care	Yes	Yes	Please see item [1] above	Please see item [1] above
	Mena Education	Yes	No	Please see item [1] above	Please see item [1] above
	Riyadh Plastic Factory	Yes	Yes	Please see item [1] above	Please see item [1] above
	Al Hokair Entertainment Games Manufacturing	Yes	Yes	Please see item [1] above	Please see item [1] above
	Tabuk Company	No	Yes	Please see item [1] above	Please see item [1] above
	Al Qaseem Company	No	Yes	Please see item [1] above	Please see item [1] above
	Riyadh Entertainment and Commercial Enterprises Abdulmohsen Al Hokair and Co.	No	Yes	Establishment, management and operation of entertainment centres Renovating, managing and maintaining properties	No – Al Hokair Land is the only location owned by Riyadh Entertainment and Commercial Enterprises Abdulmohsen Al Hokair and Co. and this location is managed and supervised by the Company.
	European Tourism and Hotel Investment	No	Yes	Please see item [1] above	Please see item [1] above
	Asateer	Yes	Yes	Please see item [1] above	Please see item [1] above
	Gulf Entertainment Company	No	Yes	Establishing, managing and operation of hotels, entertainment centres and resorts Wholesale trade in ready to wear clothing, shoes, suitacases, office supplies, and children's toys Commercial agencies Third party import/export services	No – this is an Affliate company which does not as o f the date o fthis Propsectus conduct any activities in competition with Al Hokair Group
	Al Bait Saudi-Emarati General Trading Company	No	Yes	Import, export, wholesale trade in plastic materials Third party import/export services	No - this company does not compete with the Company's activities as of the date of this Prospectus
	Saudi Technical Service Supply Company	No	Yes	Manufacturing insulated and noninsulated metal panels and assembling the factory's products.	No - this company does not compete with the Company's activities as of the date of this Prospectus

#	Other companies related to the Director	Director's capacity in the related Company		Nature of related company's business	Does it compete with the Company?
		Owner	Director/ Manager		
	Cosmo Blast Riyadh	No	Yes	Manufactue and sale of plastic: tables chairs, containers, plates, cups, toys, crates, home implements, pipes. Manufacture and sale of aluminium sheets for packaging and cladding buildings, BET vials and bottles, polystyrene cups, insulated pipes, low density polyethylene pellets, BEC pellets, polypropolyene	No - this company does not compete with the Company's activities as of the date of this Prospectus
	Riyadh Company for Umbrellas and Tents	No	Yes	Wholesale and retail trade in manufacturing, preparing and renting tents and umbrellas	No – this company's activitities are different than those of Al Hokair Group and as such do not compete
4	Abdullah Abdul Latif Ahmad Al Fozan				
	Al Oula Real Estate Development Company	No	Yes	purchasing land and property to develop the and invest by sale, development and maintenance of property, general contracting of buildings, commercial buildings, educational, athletic and health buildings as well as hotels and restaurants and participation in other companies	No – this company's activitities are different than those of Al Hokair Group and as such do not compete.
5	Faisal Mohammad Ibrahim Al Malik*				
	-	-	-	-	He does not hold any shares or positions in any company conducting similar or competing activities to the Company as on the date of this Prospectus
6	Ahmad Aqeel Fahad Al Khateeb				
	-	-	-	-	He does not hold any shares or positions in any company conducting similar or competing activities to the Company as on the date of this Prospectus
7	Tariq Ziad Abdul Rahman Al Sudairi				
	-	-	-	-	He does not hold any shares or positions in any company conducting similar or competing activities to the Company as on the date of this Prospectus
8	Waleed Ibrahim Mohammad Shukri				
	-	-	-	-	He does not hold any shares or positions in any company conducting similar or competing activities to the Company as on the date of this Prospectus
9	Abdulaziz Saleh Abdullah Al Ribdi				

#	Other companies related to the Director	Director's capacity in the related Company		Nature of related company's business	Does it compete with the Company?
		Owner	Director/ Manager		
-	-	-	-		He does not hold any shares or positions in any company conducting similar or competing activities to the Company as on the date of this Prospectus.

Source: Company

** As stated in section 5.1.1 of this Prospectus, "Resumes of Directors" Faisal Malik holds the position of VP of Financial Affairs at Al Hokair Group Est. for Maintenance and Operation.*

As of the date of this Prospectus, no members of the Board participate in any company which pursues similar activities or competes with Al Hokair Group other than what has been disclosed above.

The transactions and agreements that have been disclosed above were presented to and accepted by the general assembly which took place on 3/4/2014G, and they will be presented to the first general assembly to convene after the listing. It worth mentioning that related party transactions and agreements will be presented for approval annually at the ordinary general assemblies in accordance with article 18(b) of the CMA's Corporate Governance Regulations which corresponds to article 70 of the Company's Law.

Table 11–10 Abdulmohsen Al-Hokair Participating in Companies Conducting Similar or Competing Activities with the Company through their Position in the Board or Shareholding in these Companies:

#	Other companies related to the Director	Director's capacity in the related Company		Nature of related company's business	Does it compete with the Company?
		Owner	Director/ Manager		
1	AHHC	Yes	Yes	Building and management of entertainment venues; Building, managing, operating, renting and maintenance of hotels, furnished apartments and suits Third party marketing services Third party import/export services Commercial agencies according within the company's competence after they have been issued from the agency register	No – AHHC's operations, as on the date of this Prospectus, are limited to contribution in the Company (40.42%), Riyad Company, Tabuk Company (60%). While both the Tabuk comaby and Riyad Company enage in activities which may be in in competition with the Company, as of the date of the this Prospectus their activities are limited to (a) owning Hokair Land (the only location owned by Riyadh Company) which is operated by Al Hokair Group, and (b) ownership of the Tabuk Centre, the only property owned by Tabuk Company, which is rented by Al Hokair Group. The volume of these companies' business is not considered to be competitive to Al Hokair Group. AHHC does not conduct any competing activities as of the date of this Prospectus not does it intend to engage in such activities in the future.
2	Half Moon Bay Resort Company	Yes	No	Establishing, managing and operation of hotels, entertainment centres and resorts	No – Half Moon Bay Resort Co., as of the date of this Prospectus, owns Half Moon Bay Resort only (its only location) and the Company rents this location from Half Moon Bay Resort Company
3	Tabuk Company	Yes	Yes	Ownership, leasing and maintenance of commercial and entertainment complexes	No – Tabuk Co., as on the date of this Prospectus, owns Tabuk Centre (its only location) and the Company rents this location from Tabuk Co.

#	Other companies related to the Director	Director's capacity in the related Company		Nature of related company's business	Does it compete with the Company?
		Owner	Director/ Manager		
4	H Care	Yes	No	Building, management and operation of health clubs Management, building and operation of entertainment venues and hotels Wholesale trade in medical and surgical equipment, medicines (pharmacies and medical storage), hospital supplies, and cosmetics Maintenance of laboratory equipment Cleaning and organizing parks, resorts, hospitals and housing units General contracting Commercial licenses Building and operating health community colleges and unvirsities Third party import/export services Acquiring, developing, renovating, operating, maintaining, and investing through the lease or sale of real estate	No – the main activity of H Care, as on the date of this Prospectus, is to build, equip and operate health clubs, which does not compete with the Company's activities.
5	Mena Education	Yes	No	Building, management and operation of education and training facilities Management, building and operation of entertainment venues and hotels Import, export, and wholesale trade in educational and physical education supplies and equipment Maintenance of scientific laboratory equipment Commercial powers of attorney Third party import/export services	No – the main activity of Mena Education as on the date of this Prospectus is to conduct hotel training under the letter issued by the Technical and Vocational Training Corporation, which is not considered a competing activity.
7	Al Riyadh Plastic Factory	Yes	Yes	Manufacturing plastics Manufacturing dairy containers and gallons, plastic bags, home storage and utensils, polypropylene chairs, PVC pipes, garbage cans, and plastic wrap, Recycling used plastic pellets Manufacturing sports and entertainment goods, umbrellas, park benches, metal decorations for facades, and water fountains Manufacturing cardboard tubes, filling carboard,duplex cartons, wavey carton, reinforced carton, and paper bags Wholesale trade in plastic supplies, entertainment devices, restaurant equipment, shoes, leather goods, ready made clothes, school devices, educational and sport devices and equipment, and office supplies Building and operating factories, entertainment and tourist facilities, hotels, commercial and conference centres, regional. international and local workshops Building, operating, and outfitting factories, schools, scientific and health academies, colleges, public schools, universities, research laboratories, in addition to hotel, education, training, andtourism consultancies Maintenance of scientific laboratory equipment Commercial powers of attorney Third party import/export services	No – the main activity of the Plastic Factory, as on the date of this Prospectus, is to manufacture plastic containers and bags, household boxes and tools, garbage bins and plastic packaging rolls, which does not compete with the Company's activities.

#	Other companies related to the Director	Director's capacity in the related Company		Nature of related company's business	Does it compete with the Company?
		Owner	Director/ Manager		
7	Al Hokair Entertainment Games Manufacturing	Yes	Yes	Manufacturing of athletic and entertainment games, umbrellas, metal park benches, metal decorations for facades, water fountains Wholesale trade in plastic supplies, entertainment devices, restaurant equipment, shoes, leather goods, ready made clothes, school devices, educational and sport devices and equipment, and office supplies Building and operating factories, entertainment and tourist facilities, hotels, commercial and conference centres, regional. international and local workshops Maintenance of scientific laboratory equipment Commercial powers of attorney Third party import/export services	No – the current activities of the company as of the date of this Prospectus are the manugacturing of sports entertainment equipment, umbrellas, chairs, metal park benches, metal decorations for facades, and water fountains. These activities are not considered to be in competition with the Company.
8	European Tourism and Hotel Investment Co.	Yes	Yes	Owning, building and operating entertainment and hospitality centres in all their forms Establishing tourism and entertainment projects	Yes, but this companies activities are limited to the Kindgom of Jordan and it was has no operations in the KSA
9	Abraaj Al Khaldiah Housing Company	Yes	No	Operating, maintaining and establishing housing units Buying and establishing buildings on real property, investing in these properties, either by sale or lease for the benefit of the company	Yes, as the company manages and operates the Abraaj Al Khaldiah in Riyadh
10	Asateer Entertainment and Tourism	Yes	Yes	Establishing and operating at least 3-star hotels and resorts with at least 50 rooms and all related services including, entertainment, sport, commercial, educational, on the condition that the areas sold do not exceed half of the aggregate of all constructed areas in the project Establishing amusement parks	No – the company is in the Republic of Egypt and has not carried out any activities which would compete with the Company's interests
11	Delta Saudi Company	Yes	No	IT and communications contracting, electronic and mechanical works, computer software and maintenance of such systems General construction contracting (construction, repair, demolition, and restoaration) Electrical contracting works (generation, transmission, and distribution of power), condensation, cooling, and sewerage Establishing, operating and managing commercial and housing unis, furnished apartments, hotels, parks, and resorts Maintenance of government facilities Maintenance and operation of electrical, mechanichal and electronic facilities Maintenance and repair of electrical, mechanical and electronic devices, and machines as well as printing machines, accounting machines, photocopiers and computers Wholesale and retail trade in electronic and electrical equipment, industrial photocopiers, printing machines, computer equipment, electrical generators, air and dust filtration equipment, turbines Third party marketing services Commercial agencies and distribution agencies in the company's definied activities, Supply of medical devices and their maintenance Landscaping Transport, storage, and disposal of chemicals and medical solutions Supply of of turbines, pumps, gear boxes, and their refurbishment Supply of valves and other equipment	No – the company is in the Republic of Egypt and has not carried out any activities which would compete with the Company's interests

#	Other companies related to the Director	Director's capacity in the related Company		Nature of related company's business	Does it compete with the Company?
		Owner	Director/ Manager		
12	Abdulmohsen Hokair Company	Yes	Yes	Management of tourism and industrial projects Manamgent of tourist and hospitality facilities	No – the company is in the Sultanate of Oman and has not carried out any activities which would compete with the Company's interests
13	Al Qaseem Company	No	Yes	Ownership of commercial Centres	No – Al Qaseem is an affiliate of the Company. It activity is limited, as on the date of this prospectus, to ownership of Al Nakheel Plaza. Al Qaseem Company also signed a lease contract with Mohammad Rasheed bin Jabr Al Rasheed on 1/1/2013 for a commercial Centre in Hail (Salma Commercial Centre) which will be developed by Al Qaseem into a commercial centre.
14	TOURESCO	No	Yes	Management and operation of entertainment venues and hotels	No – Touresco is an affiliate of Al Hokair Group. Its activities are limited, as on the date of this Prospectus, to ownership of the land and building of Holiday Inn Al Olaya in Riyadh. The Company receives its share of this hotel's profits through its shareholding.
15	Riyadh Company for Entertainment and Commercial Projects	Yes	No	Establishment, management and operation of entertainment centres Renovating, managing and maintaining properties	No – Al Hokair Land is the only location owned by Riyadh Entertainment and Commercial Enterprises Abdulmohsen Al Hokair and Co. and this location is managed and supervised by the Company.
16	Sea Tourism Company	Yes	No	Establishing and operating hotels, entertainment centres, and tourist resorts on beaches	No – as of the date of this Prospectus, this company is not carrying out any activities in competition to Al Hokair Group
17	Tanami Al Arabia Company	Yes	No	Maintenance, operation, and cleaning of commercial, industrial, and residential centres Buying land,constructing buildings and investing in the property by sale, purchase or lease for the benefit of the company	No – as of the date of this Prospectus, this company only owns the property of Novotel Business Park (Dammam) which is being rented by Al Hokair Group
18	Golden Tulip Furnished apartments - Dubai	Yes	Yes	Leasing of furnished apartments	No – Golden Tulip Suite Dubai is the only property owned by the company and is it is managed and overseen by Al Hokair Group.
19	Al Hokair Group Establishment	Yes	No	Operation and maintenance by virtue of order f/0255/35 of 16/2/1435H, and maintaining, operating, and cleaning entertainment centres, restaurants, as well as public, residential, and commercial buildings, educational and health facilities, Demolition and renovation works, maintenance and upkeep of gardens and afforestation	No – as of the date of this Prospectus, this company is not carrying out any activities in competition to Al Hokair Group

Source: Company

As of the date of this Prospectus, AMAH does not participate in any company which pursues similar activities or competes with Al Hokair Group other than what has been disclosed above.

The information in the table above has not been disclosed at general assembly and will not be disclosed at any general assembly after the offering as AMAH is a shareholder and not a director of the company.

12. Underwriting

12 - 1 Underwriter

The Company, the Selling Shareholders and the Underwriter (SFC) have entered into the Underwriting Agreement pursuant to which the Underwriter have agreed, subject to certain conditions, to fully underwrite the Offering of 16,500,000 shares at (50) per share. The principal terms of the Underwriting Agreement are set out below.

12 - 2 Summary of the Terms of the Underwriting Agreement

- The Selling Shareholders undertake to the Underwriter that they will sell all the Offer Shares to the Investors or Underwriter on the date of allocation.
- The Underwriter undertake to the Selling Shareholders that, on the Allocation Date, they will purchase any Offer Shares that are not subscribed for by Individual Investors or Institutional Investors, if any, according to the terms and conditions stated in the Underwriting Agreement.

13. Offering Expenses

Offering expenses shall include fees of each of the financial advisors, lead manager, Receiving Agents, legal advisors, financial due diligence advisors, market research and technical consultant, underwriter, marketing, printing and distribution expenses and other Offering related expenses.

It is expected that all expenses amount to SAR 26,000,000. It is worth mentioning that the Company will not bear any of the expenses related to the Offering as they will be deducted from the proceeds of the Offering, which will amount to 825,000,000.

14. Exemptions

The Company did not apply for exemption from any Admission requirement as mentioned in the Admission Rules.

15. Subscription Terms and Conditions

All Subscribers must carefully read the subscription terms and conditions prior to completing the Subscription Application Form, since signing the Subscription Application Form constitutes acceptance and agreement to the subscription terms and conditions.

15 - 1 Subscription to Offer Shares

The Offering will consist of 16,500,000 Shares at a fully paid nominal value of SAR 10 per share with an offer price of SAR (50) per share, representing 30% of the Company's issued share capital after the Offering. Offering to Individual Investors and the Admission is based on the Institutional Investors' coverage of the Offering as it must reach 100%. If the Offering is not fully covered at this stage, the transaction will be cancelled. The CMA may also suspend this Offering if the Company becomes aware, at any time after the approval of this Prospectus and prior to the Admission, of any material event that can have a material adverse impact on the Company's operations.

The Offering is limited to two investor segments:

Tranche (A) Institutional Investors:

Consisting of a number of corporations, including investment funds (the "Institutional Investors") (please see Section 1 "Terms and Definitions"). The number of Offer Shares to be allocated to Institutional Investors is 16,500,000 Shares, representing 100% of the Offer Shares. However, the Lead Manager has the right to reduce the number of Shares allocated to Institutional Investors to 8,250,000 Shares, representing 50% of the Offer Shares, in the event there is sufficient demand by Individual Subscribers (as defined in Segment (B) below) and subject to the CMA's consent. 80% of the Offer Shares allocated to this segment will be reserved for investment funds, with this percentage adjustable depending on insufficient demand by other Institutional Investors for the remaining (20%) or if investment funds do not subscribe to the full 80% allocated to them; and

Tranche (B) Individual Investors:

who are Saudi Arabian natural persons, including Saudi women who are divorced or widowed and who have children by a non-Saudi husband who may subscribe for Offer Shares in the name(s) of any of those children who are minors for her benefit, provided such women can submit proof of their maternity or social status as a divorcee or widow. The subscription by a person in the name of his divorced wife shall be deemed invalid and those who perform such transactions will be subject to penalty under the law. A maximum of 8,250,000 Shares representing 50% of the Offer Shares shall be allocated to Individual Subscribers. In the event of insufficient take up by Individual Subscribers, the Lead Manager may reduce the number of shares allocated to Individual Subscribers in proportion to the number of shares subscribed by them, subject to the approval of the CMA.

Establishment of Subscription Orders Register and Subscription by the Institutional Investors

The Institutional Investors shall submit an irrevocable subscription order for purchase of the Offer Shares accompanied with an undertaking of payment, prior to conclusion of fixing the Offer Price, which precedes commencement of the Offering Period. The Corporate Subscriber shall determine the number of Offer Shares they intend to subscribe for, which shall not be less than 100,000 Shares, in addition to the required Offer Price. Subscriptions by the Institutional Investors shall commence during the Offering Period, which also include the Individual Investors, according to the terms, conditions and detailed contained in the Subscription Applications Forms that have been delivered to the Institutional Investors.

Subscription by Individual Investors

Subscription application forms will be available during the Offering Period from branches of the Receiving Agents and on the internet at the following websites: SFC's website (www.sfc.sa), the CMA's website (www.cma.org.sa) and the Company's website (www.alhokair.com). Investors may also subscribe through the internet, telephone and automated teller machines "ATMs" at the branches of the Receiving

Agents that provide some or all of these channels to Subscribers who have recently participated in previous initial public offerings, provided that the following requirements are satisfied:

- the Subscriber must have a bank account at the Selling Agent which offers such services; and
- No changes should have been made to the personal information of the Subscriber since he/she last participated in an initial public offering.

Any Subscription form submitted and signed by the Subscriber to any Lead Manager branches or Receiving Agents shall be considered a binding agreement between the current Shareholders and the Subscriber. The maximum number of shares offered to Individual Subscribers is 8,250,000 shares, representing 50% of the Offering Shares. Potential Investors may obtain the main Prospectus, summary and Subscription forms from the following Receiving Agents:

Receiving Agents	
NCB الأهلي	National Commercial Bank Jeddah – King Abdulaziz Rd P.O. Box 3555 Jeddah 21481, KSA Tel.: +966 12 649 3333 Fax: +966 12 643 7426 Website: www.alahli.com Eamil: contactus@alahli.com
بنك الجزيرة BANK ALJAZIRA INNOVATIVE ISLAMIC BANKING مصرفية إسلامية حديثة	Bank AlJazira Jeddah – King Abdulaziz Rd. P.O. Box 6277 Jeddah 21442, KSA Tel.: +966 12 609 8888 Fax: +966 12 609 8881 Website: www.baj.com.sa Email: info@baj.com.sa
بنك الرياض riyad bank	Riyadh Bank Riyadh – Al Bathaa Rd. – opposite Saudi Post P.O. Box 22622 Riyadh 11614, KSA Tel.: +966 11 401 3030 Fax: +966 11 404 2618 Website: www.riyadbank.com Email: customercare@riyadbank.com
البنك السعودي للاستثمار The Saudi Investment Bank	Saudi Investment Bank Riyadh – Al Maazar Rd. – next to the Mariott P.O. Box 3533 Riyadh 11431, KSA Tel.: +966 11 478 6000 Fax: +966 11 477 6781 Website: www.saib.com.sa Email: ir@saib.com.sa

	Banque Saudi Fransi Riyadh – Al Maazar Rd. P.O. Box 56006 Riyadh 11554, KSA Tel.: +966 11 404 2222 Fax: +966 11 404 2311 Website: www.alfransi.com.sa Email: communications@alfransi.com.sa
	Arab National Bank Riyadh – king Faisal St. P.O. Box 56921 Riyadh 11564, KSA Tel.: +966 11 402 9000 Fax: +966 11 402 7747 Website: www.anb.com.sa Email: abinayba@anb.com.sa
	Jadwa Investment Riyadh – King Fahad Rd. P.O. Box 60677 Riyadh 11555, KSA Tel.: +966 11 279 1111 Fax: +966 11 279 1571 Website: www.jadwa.com Email: info@jadwa.com
	Al Rajhi Bank Riyadh – Olaya St. P.O. Box 28 Riyadh 11411, KSA Tel.: +966 11 211 6000 Fax: +966 11 460 0705 Website: www.alrajhibank.com.sa Email: alrayesm@alrajhi-capital.com.sa
	Samba Financial Group Riyadh – King Abdulaziz Rd. P.O. Box 833 Riyadh 11421, KSA Tel.: +966 11 477 4770 Fax: +966 11 217 7979 Website: www.samba.com.sa Email: customercare@samba.com.sa

The Receiving Agents will commence receiving Subscription Application Forms at their branches throughout KSA for 7 days from Wednesday 29/07/1435H to Tuesday 05/08/1435H (corresponding to 28/05/2014G to 03/06/2014G). Once the Subscription Application Form is signed and submitted, the Receiving Agents will stamp it and provide the Subscriber with a copy of the completed Subscription Application Form. In the event that the information provided in the Subscription Application Form is incomplete or inaccurate, or not stamped by the Receiving Agents, the Subscription Application Form will be considered void.

Each Subscriber is required to specify the number of Offer Shares applied for in the Subscription Application Form at the Offer Price. Subscriptions for less than 10 Offer Shares or fractional numbers will not be accepted. Increments are to be made in multiples of 10. The maximum number of shares to be applied for is 250,000 shares.

Each Subscriber is required to submit the Subscription Application Form during the Offering Period accompanied with an:

- Original and copy of the Subscriber's national identification card (in the case of individuals);
- Original and copy of the family identification card (for family members);
- Original and copy of a power of attorney (issued in favour of the person submitting the Subscription Application Form on behalf of the Subscriber);
- Original and copy of certificate of guardianship (for orphans);
- Original and copy of the divorce deed (in the case of minor children of a Saudi woman who is divorced from a non-Saudi husband);
- Original and copy of the death certificate (in the case of minor children of a Saudi woman from a deceased non-Saudi husband); or
- Original and copy of the birth certificate (in the case of minor children of a Saudi woman who is widowed or divorced from a non-Saudi husband).

In the event that an application is made on behalf of a Subscriber (parents and children only), the name of the person signing on behalf of the Subscriber should be stated in the Subscription Application Form accompanied with an original and a copy of the power of attorney supporting such person's authority to act on the behalf of the Subscriber. The power of attorney must be issued before a notary public for those who are in KSA and must be legalized through a Saudi embassy or consulate in the relevant country for those residing outside KSA. The Receiving Agents will verify all copies against the originals and will return the originals to the Subscriber.

One Subscription Application Form should be completed for each head of family applying for himself and members appearing on his family identification card if dependent Subscribers apply for the same number of Offer Shares as the prime Subscriber. In this case: (i) all Offer Shares allocated to the prime Subscriber and dependent Subscribers will be registered in the prime Subscriber's name; (ii) the prime Subscriber will receive any refund in respect of amounts not allocated and paid for by himself and dependent Subscribers, and (iii) the prime Subscriber will receive all dividends distributed in respect of the Offer Shares allocated to himself and the dependent Subscribers (in the event the Shares are not sold or transferred). If a wife wants to subscribe for the Offer Shares in her name/to her account, she must complete a separate Subscription Application Form as a prime Subscriber. In such case, applications made by husbands on behalf of their spouses will be cancelled and the independent Subscription Application of Form the wives will be processed by the Selling Agent.

Separate Subscription Application Forms must be used if: (i) the Offer Shares that will be allocated are to be registered in a name other than the name of the prime Subscriber/head of the family; (ii) dependent Subscribers wish to apply for a different number of Offer Shares than the prime Subscriber, and (iii) a wife subscribes for Offer Shares in her name and to her account (in which case she must complete a separate Subscription Application Form as a prime Subscriber). In the latter case, the Subscription Application Forms made by husbands on behalf of their spouses will be cancelled and the independent application of the wives will be processed by the Selling Agent.

Each Subscriber agrees to subscribe for and purchase the number of Offer Shares specified in the Subscription Application Form submitted by the Subscriber for an amount equal to the number of Offer Shares applied for multiplied by the Offer Price. Each Subscriber shall be deemed to have purchased the number of Offer Shares allotted to him/her upon: (a) delivery by the Subscriber of the completed Subscription Application Form to the Receiving Agents; (b) payment in full by the Subscriber to the Receiving Agents of the total value of Offer Shares subscribed for; and (c) delivery to the Subscriber by the Receiving Agents the allotment letter specifying the number of Offer Shares allotted to him/her.

The total value of the Offer Shares subscribed for must be paid in full to a branch of the Receiving Agents by the Subscriber authorizing a debit of its account held with the Selling Agent where the Subscription Application Form is being submitted.

If a submitted Subscription Application Form is not in compliance with the terms and conditions of the Offering, the Company shall have the right to reject, in full or in part, such an application. The Subscriber shall accept any number of Offer Shares allocated to him or her, as long as the number does not exceed the number of Offer Shares he has subscribed to.

15 - 2 Allocation and Refunds

The Receiving Agents shall open and operate escrow accounts named “Al-Hokair IPO”. Each of the Receiving Agents shall deposit all amount received by the Subscribers into the escrow accounts mentioned above.

Allocation of Offer Shares to Individual Investors

The minimum allocation per Subscriber is 10 Offer Shares, and the balance of the Offer Shares (if available) will be allocated on a pro-rata basis. In the event that the number of Subscribers exceeds 825,000, the Company will not guarantee the minimum allocation of 10 Offer Shares per Subscriber, and the Offer Shares will be allocated equally between all Subscribers. If the number of Subscribers exceeds 8,250,000, the allocation will be determined at the discretion of the CMA. Excess subscription monies, if any, will be refunded to the Subscribers without any charge or withholding by the Receiving Agents.

Allocation of Offer Shares to Institutional Investors

Following the allocation of offer Shares to the Individual Investors, the Allocation of Offer Shares to Institutional Investors shall be determined by the Company (as it deems appropriate) after discussions with the Lead Manager after the allocation of Offer Shares to the Individual Investors is completed provided, however, that the number of Offer Shares allocated to the Institutional Investors shall not be less than 8,250,000 Shares representing 50% of the Offer Shares.

Notification of the final allotment and refund of subscription monies, if any, will be made by 12/8/1435H (corresponding to 10/6/2014G). The Company will notify the Subscribers through advertising in local newspapers and will direct the Receiving Agents to commence refunds. The Receiving Agents will send confirmation/notification letters to their Subscribers informing them of the final number of Offer Shares allocated together with the amounts, if any, to be refunded. The Receiving Agents will also refund to the Subscribers any monies in respect of which no Offer Shares have been allocated to the relevant Subscribers, as provided in the confirmation/notification letters. Such amounts will be refunded without any fees or deduction and will be deposited in the Subscribers’ accounts with the Receiving Agents.

Subscribers should communicate with the branch of the Receiving Agents where they submitted their Subscription Application Form for any further information.

15 - 3 Miscellaneous

The Subscription Application Form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators, and heirs; provided that, except as specifically contemplated herein, neither the Subscription Application Form nor any of the rights, interests, or obligations arising pursuant thereto shall be assigned or delegated by any of the parties to the subscription without the prior written consent of the other party.

16. Declarations

All Subscribers must carefully read the subscription terms and conditions prior to completing and signing the Subscription Application Form, since the execution of the Subscription Application Form constitutes acceptance and agreement to the Subscription Terms and Conditions.

16 - 1 Subscribers' Declarations

By completing and delivering the Subscription Application Form, the Subscriber:

- accepts to subscribe to the number of shares specified in the Subscription Application Form;
- warrants that he has read the Prospectus and understood all its content;
- accepts the Bylaws and all subscription instructions and terms mentioned in the Prospectus;
- keeps his/her right to bring a claim against the Company for damages caused by incorrect or incomplete information contained in the Prospectus, or for the omission of material information in the Prospectus that could have affected the Subscriber's decision to purchase the Shares;
- declares that neither himself/herself nor any of his/her family members included in the Subscription Application Form have previously subscribed to the Company's shares and accepts that the Company has the right to reject all applications;
- accepts the number of shares allocated to him/her and all other subscription instructions and terms mentioned in the Prospectus and the Subscription Application Form; and
- warrants not to cancel or amend the Subscription Application Form after submitting it to the Receiving Agents.

16 - 2 Saudi Stock Exchange (Tadawul)

Tadawul was founded in 2001G as the successor to the Electronic Securities Information System. In 1990G, full electronic trading in KSA equities was introduced. Transactions take place through the automatic matching of orders. Each valid order is accepted and generated according to the price level. In general, market orders (orders placed at best price) are executed first, followed by limit orders (orders placed at a price limit), provided that if several orders are generated at the same price, they are executed according to the time of entry.

Tadawul distributes a comprehensive range of information through various channels, including, in particular, the Tadawul website and Tadawul Information Link. The Tadawul Information Link supplies trading data in real time to information providers such as Reuters. Exchange transactions are settled on an immediate basis, meaning that ownership transfer takes place immediately after the trade is executed. As such, the Company must disclose all the decisions and information of importance to investors via the Tadawul system.

16 - 3 Entry of Orders

Trading in shares occurs on "Tadawul" system through an integrated mechanism covering the entire trading process from execution of the trade transaction through settlement thereof. Trading occurs on each business day of the week between 11:00 am to 3:30 pm, during which orders are executed. However, during other than those times, orders can be entered, amended or deleted from 10:00 am to 11:00 am, additional bids may be netered starting 10:00 am for the session (which starts at 11:00 am). The said times change during the month of Ramadan and they are announced by the Management of Tadawul.

Tadawul performs the matching of orders based on the price and then time of entry. In general, market orders are executed first, followed by orders of limited price, and if several orders are entered at the same price, they are executed as they occur according to the time of entry. Tadawul distributes a comprehensive range of information through various channels, in particular the Tadawul website and Tadawul Information Link, which supplies trading data in real time to the information providers such as Reuters.

Exchange transactions are settled on a T+0 basis the same day, meaning that shares ownership transfer takes place immediately after the trade transaction is executed.

The Company is required to disclose all decisions and information that are important for the investors via Tadawul. Surveillance and monitoring of the Market is the responsibility of the Tadawul system in its automated capacity in which the Market functions, to ensure fair trading and smooth flow of trading in shares.

16 - 4 Trading of Company's Shares

It is expected that dealing in the shares will commence on Tadawul upon finalisation of the allocation process. Tadawul will announce the start date of trading once determined. Dates and times included in this Prospectus are indicative only and may be changed or extended subject to the approval of the CMA. Furthermore, shares can only be traded after allocated Shares have been credited to Subscribers' accounts at Tadawul, the Company has been registered in the Official List and its Shares listed on the Tadawul. Pre-trading in shares is strictly prohibited and Subscribers entering into any pre-trading activities will be acting at their own risk. The Company shall have no legal responsibility in such an event.

Furthermore, Offer Shares can only be traded electronically in Tadawul. They cannot be manually traded using certificates, which will be issued to investors upon request only for the purposes of establishing ownership of the shares.

Company share trading is subject to the provisions of Chapter Seven of the Listing Rules regarding the authority to suspend or cancel the Offering by the CMA and voluntary cancellation or suspension or temporary suspension by the Company.

17. Documents available for Inspection

The following documents will be available for inspection at the Company's head office in Riyadh, between the hours of 08:30 am to 3:30 pm Sunday to Thursday at least 20 days prior to and during the Offering Period:

- Commercial Registration of the Company;
- The By-Laws, together with amendments;
- The Articles of Association;
- The CMA's approval;
- Proforma and audited Financial Statements for the years ended 31 December 2010G, 2011G, 2012G and 2013G;
- Audited Financial Statements of the Subsidiary (Sparky's UAE) for the periods ending 31 December 2010G, 2011G, 2012G and 2013G.
- Company financial statements prior to the acquisition for years ending 31/12/2010G, 2011G, 2012G
- Valuation report of the Company;
- The market study conducted by Colliers;
- Letters of consent from:
  - Freshfields Bruckhaus Deringer LLP in cooperation with the Law Firm of Salah Al-Hejailan, to the inclusion of their name and logo in the Prospectus;
  - Ernst & Young for the publication of their Accountant's Report and the inclusion of their name and logo in the Prospectus;
  - PriceWaterhouseCooper for the publication of their Accountant's Report for the year ended 31 December 2010G and the inclusion of their name and logo in the Prospectus;
  - Colliers for the publication of their report on the hospitality and entertainment sectors and the inclusion of their name and logo in the Prospectus;
  - Underwriter, financial consultant and Lead Manager to the inclusion of their name and logo in the Prospectus; and
  - Copy of the agreements mentioned in section 11 "Legal Information" including related party agreements;
- Copies of any valid agreements disclosed in Section 11 "Legal Information" to any Director or, Senior Executive or any of their relatives of interest in the Company's business or (Sparky's UAE);
- Working Capital Report; and
- Underwriting agreement

18. External Auditor's Report

The Company's proforma financial statements for the financial years ended 31 December 2010G, 2011G and 2012G and 2013G have undergone a confirmation process to ensure that they conform with generally accepted standards in the KSA (Saudi Auditing Standards) that allows the use of international auditing standards procedure in the absence of relevant Saudi Standards. As such, the Auditors completed their procedures in accordance with International Standard on Assurance Engagements (ISAE) 3420 "Assurance Engagements to Report on the Compilation of Proforma Consolidated Financial Information Included in a Prospectus" issued by the International Auditing and Assurance Standards Board ("IAASB").The proforma financial statements have relied on several primary assumptions on the reviewed financial statements of Sparky's as well as the reviewed financial statements of Al Hokair Group.

Furthermore, the audited, consolidated financial statements for the financial year ending on 31/12/2013 and the accompanying notes have been prepared according to accounting standards promulgated by the SOCPA, which have been reviewed by Ernt & Young in accordance with the review procedures issued by SOCPA.

Abdulmouhsen Al-Hokair Group for Tourism and Development Company

(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013

ERNST & YOUNG

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Report on the Compilation of Proforma Consolidated Financial Information

To the shareholders of Abdulmouhsen Al-Hokair Group for Tourism and Development Company (A Saudi Joint Stock Company)

Introduction
We have completed our assurance engagement to report on the compilation of proforma consolidated financial information of Abdulmouhsen Al-Hokair Group for Tourism and Development Company (A Saudi Joint Stock Company) (the "Company") and its subsidiary (the "Group") by the Group's management. The proforma consolidated financial information consists of the proforma consolidated balance sheet as at 31 December 2012, 2011 and 2010 and the proforma consolidated statements of income, cash flows and changes in shareholders' equity for the years ended 31 December 2012, 2011 and 2010, and related notes from 1 to 29 forming part of these proforma consolidated financial information. The applicable criteria on the basis of which the Group's management has compiled the proforma consolidated financial information are described in Note 3 to the proforma consolidated financial information (the "assumptions").

The proforma consolidated financial information has been compiled by the Group's management to illustrate the impact of events and assumptions on the Group's financial position as at 31 December 2012, 2011 and 2010 and its financial performance and cash flows for the years ended 31 December 2012, 2011 and 2010 as if the events had taken place at 1 January 2010 as set out in Note 3. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Group's management from the Group's consolidated financial statements for the years ended 31 December 2012, 2011 and 2010, on which unqualified audit reports thereto have been issued.

Group management's responsibility for the Proforma Financial Information
The Group's management is responsible for compiling the proforma consolidated financial information on the basis of the assumptions.

Our Responsibilities
Our responsibility is to express an opinion about whether the proforma consolidated financial information has been compiled, in all material respects, by the Group's management on the basis of the assumptions.

We conducted our assurance engagement under auditing standards generally accepted in the Kingdom of Saudi Arabia ("Saudi Auditing Standards"), of which it allow the use of international auditing standards in absence of the relevant Saudi auditing standards. Accordingly, we performed our procedures in accordance with International Standard on Assurance Engagements (ISAE) 3420, 'Assurance Engagements to Report on the Compilation of Proforma Consolidated Financial Information Included in a Prospectus' issued by the International Auditing and Assurance Standards Board. This standard requires us to comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Group's management has compiled, in all material respects, the proforma consolidated financial information on the basis of the assumptions.

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For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the proforma consolidated financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the consolidated proforma financial information.

The purpose of proforma consolidated financial information is solely to illustrate the impact of significant events on unadjusted financial information of the Group as if the events had occurred at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events at 31 December 2012, 2011 and 2010 would have been as presented.

A reasonable assurance engagement to report on whether the proforma consolidated financial information has been compiled, in all material respects, on the basis of the assumptions involves performing procedures to assess whether the assumptions used by the Group's management in the compilation of the proforma consolidated financial information provide a reasonable basis for presenting the significant effects directly attributable to the event, and to obtain sufficient appropriate evidence about whether:

- The related proforma adjustments give appropriate effect to those assumptions; and
- The proforma consolidated financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgment, having regard to our understanding of the nature of the Group, the events and the assumptions in respect of which the proforma consolidated financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the proforma consolidated financial information.

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

Opinion

In our opinion, the proforma consolidated financial information has been compiled, in all material respects, on the basis of the assumptions stated in Note 3 to the proforma consolidated financial information.

for Ernst & Young

ERNST & YOUNG
PROFESSIONAL LICENCE No. 45

Fahad M. Al-Toaimi
Certified Public Accountant
Registration No. 354

Riyadh: 11 Jumada Thani 1434H
(21 April 2013)

Abdulmouhsen Al-Hokair Group for Tourism and Development Company

(A Saudi Joint Stock Company)

CONSOLIDATED BALANCE SHEET

As at 31 December 2013

	Note	2013 SR	2012 SR
ASSETS			
CURRENT ASSETS			
Bank balances and cash	4	134,608,448	47,470,968
Accounts receivable	5	40,366,677	34,639,697
Prepayments and other current assets	6	107,961,045	50,135,634
Inventories	7	22,992,288	21,991,478
Amounts due from related parties	8	23,224,513	4,150,732
TOTAL CURRENT ASSETS		329,152,971	158,388,509
NON-CURRENT ASSETS			
Investments in associates	9	106,992,017	89,069,121
Projects under construction	10	79,092,256	15,329,446
Property and equipment	11	660,150,161	671,980,468
Goodwill	12	39,317,484	39,317,484
TOTAL NON-CURRENT ASSETS		885,551,918	815,696,519
TOTAL ASSETS		1,214,704,889	974,085,028
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable		46,949,449	62,050,554
Accrued expenses and other current liabilities	13	117,282,248	104,971,462
Bank borrowings and term loans	15	104,711,929	68,766,354
Current portion of obligations under capital lease contracts	16	195,787	2,683,908
TOTAL CURRENT LIABILITIES		269,139,413	238,472,278

The attached notes 1 to 30 form an integral part of these consolidated financial statements.

Abdulmouhsen Al-Hokair Group for Tourism and Development Company

(A Saudi Joint Stock Company)

CONSOLIDATED BALANCE SHEET

As at 31 December 2013

	Note	2013 SR	2012 SR
NON-CURRENT LIABILITIES			
Term loans	15	146,530,444	130,320,790
Obligations under capital lease contracts	16	40,500	403,364
Employees' terminal benefits		40,442,341	41,990,264
TOTAL NON-CURRENT LIABILITIES		187,013,285	172,714,418
TOTAL LIABILITIES		456,152,698	411,186,696
SHAREHOLDERS' EQUITY			
Share capital	17	550,000,000	407,511,000
Statutory reserve		19,565,386	83,950,175
Retained earnings		120,236,805	71,437,157
Proposed dividends	28	68,750,000	-
TOTAL SHAREHOLDERS' EQUITY		758,552,191	562,898,332
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,214,704,889	974,085,028

The attached notes 1 to 30 form an integral part of these consolidated financial statements.

Abdulmouhsen Al-Hokair Group for Tourism and Development Company

(A Saudi Joint Stock Company)

CONSOLIDATED BALANCE SHEET

As at 31 December 2013

	Note	2013 SR	2012 SR
REVENUES			
Hotels	18	553,065,151	482,928,758
Entertainment		310,092,253	273,002,777
Others		16,905,541	14,420,663
TOTAL REVENUES		880,062,945	770,352,198
DIRECT COSTS			
Hotels		(342,495,008)	(297,408,119)
Entertainment		(205,798,112)	(172,348,829)
Others		(5,914,566)	(5,662,094)
TOTAL DIRECT COSTS		(554,207,686)	(475,419,042)
GROSS PROFIT		325,855,259	294,933,156

The attached notes 1 to 30 form an integral part of these consolidated financial statements.

Abdulmouhsen Al-Hokair Group for Tourism and Development Company

(A Saudi Joint Stock Company)

CONSOLIDATED BALANCE SHEET

As at 31 December 2013

	Note	2013 SR	2012 SR
EXPENSES			
Selling and marketing	19	(33,055,278)	(30,075,064)
General and administrative	20	(123,355,695)	(112,166,610)
TOTAL EXPENSES		(156,410,973)	(142,241,674)
INCOME FROM MAIN OPERATIONS		169,444,286	152,691,482
Share in earnings of associates	9	26,250,696	27,889,523
Financial charges	15	(9,432,502)	(4,365,342)
Other income, net	21	11,958,527	7,253,035
INCOME BEFORE ZAKAT		198,221,007	183,468,698
Zakat, net	14	(2,567,148)	(4,619,912)
NET INCOME FOR THE YEAR		195,653,859	178,848,786
EARNINGS PER SHARE	22		
Attributable to:			
Income from main operations		3.08	2.78
Net income for the year		3.56	3.25

The attached notes 1 to 30 form an integral part of these consolidated financial statements.

Abdulmouhsen Al-Hokair Group for Tourism and Development Company

(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 SR	2012 SR
OPERATING ACTIVITIES		
Income before zakat	198,221,007	183,468,698
Adjustments for:		
Depreciation (note 11)	98,312,064	93,662,636
Provision for doubtful debts (note 5)	1,097,774	926,948
Provision for slow moving inventories (note 7)	130,603	22,803
Share in earnings of associates (note 9)	(26,250,696)	(27,889,523)
Gain on sale of property and equipment, net (note 21)	(5,549,084)	(6,642,587)
Reversal of excess doubtful debts provision (note 5)	(4,724,454)	-
Employees' terminal benefits, net	6,056,819	8,865,041
	267,294,033	252,414,016
Changes in operating assets and liabilities		
Receivables and other assets	(64,328,259)	(23,644,442)
Inventories	(1,131,413)	(4,937,205)
Payables and other liabilities	(4,332,060)	(23,796,057)
Cash from operations	197,502,301	200,036,312
Zakat paid	(1,025,407)	(6,374,446)
Net cash from operating activities	196,476,894	193,661,866

Abdulmouhsen Al-Hokair Group for Tourism and Development Company

(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 SR	2012 SR
INVESTING ACTIVITIES		
Murabaha deposits (note 4)	(90,000,000)	-
Additions to property and equipment (note 11)	(96,924,216)	(67,705,143)
Additions to projects under construction (note 10)	(72,123,506)	(15,395,507)
Dividends received from associates (note 9)	8,377,800	28,298,711
Proceeds from sale of property and equipment	11,941,899	11,879,548
Addition of an associate (note 9)	(50,000)	-
Acquisition of a subsidiary, net (note 12)	-	(87,032,398)
Net cash used in investing activities	(238,778,023)	(129,954,789)
FINANCING ACTIVITIES		
Proceeds from bank borrowings and term loans, net	52,155,229	133,112,581
Obligations under capital lease contracts	(2,850,985)	(4,015,441)
Balances with related parties, net	(9,865,635)	(67,747,161)
Dividends paid	-	(87,614,865)
Net cash from (used in) financing activities	39,438,609	(26,264,886)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,862,520)	37,442,191
Cash and cash equivalents at the beginning of the year	47,470,968	10,028,777
CASH AND CASH EQUIVALENT AT THE END OF THE YEAR (NOTE 4)	44,608,448	47,470,968

Abdulmouhsen Al-Hokair Group for Tourism and Development Company

(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 SR	2012 SR
Non-cash transactions:		
Transfer from statutory reserve to share capital (note 17)	83,950,175	-
Transfer from retained earnings to share capital (note 17)	58,538,825	-
Dividends settled through the principal shareholder's account (note 28)	-	346,384,350
Transfer from projects under construction to property and equipment (notes 10 and 11)	3,604,120	39,828,955
Transfer of projects under construction to related parties (note 8)	4,756,576	-
Transfer of accounts receivables to a related party (note 8)	4,402,548	-
Transfer of employees' terminal benefits to a related party (note 8)	7,604,742	-
Transfer of property and equipment to related parties, net (note 8)	7,653,764	30,346,104

The attached notes 1 to 30 form an integral part of these consolidated financial statements.

Abdulmouhsen Al-Hokair Group for Tourism and Development Company

(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2013

	Share capital SR	Statutory reserve SR	Retained earnings SR	Proposed dividends SR	Total SR
Balance at 31 December 2011	407,511,000	66,065,296	344,472,465	-	818,048,761
Net income for the year	-	-	178,848,786	-	178,848,786
Transfer to statutory reserve	-	17,884,879	(17,884,879)	-	-
Dividends (note 28)	-	-	(433,999,215)	-	(433,999,215)
Balance at 31 December 2012	407,511,000	83,950,175	71,437,157	-	562,898,332
Transfer to share capital (note 17)	142,489,000	(83,950,175)	(58,538,825)	-	-
Net income for the year	-	-	195,653,859	-	195,653,859
Transfer to statutory reserve	-	19,565,386	(19,565,386)	-	-
Proposed dividends (note 28)	-	-	(68,750,000)	68,750,000	-
Balance at 31 December 2013	550,000,000	19,565,386	120,236,805	68,750,000	758,552,191

The attached notes 1 to 30 form an integral part of these consolidated financial statements .

1 ACTIVITIES

Abdulmouhsen Al-Hokair Group for Tourism and Development Company (the "Company") is a Saudi Joint Stock Company that operates under Commercial Registration number 1010014211 dated 16 Sha'aban 1398H (corresponding to 22 July 1978) and has branches and divisions operating in Riyadh, Jeddah, Khobar and other cities within the Kingdom of Saudi Arabia.

The Company was converted to a Saudi Joint Stock Company on 11 Sha'aban 1427H (corresponding to 3 September 2006) pursuant to the Ministry of Commerce and Industry's resolution number 2161.

The Company and its subsidiary listed below (the "Group") are engaged in the establishment, management and operations of the following:

- Hotels and furnished apartments,
- Entertainment centers, recreation centers and tourist resorts,
- Commercial mall,
- Restaurants, parks and similar facilities.

Following is the subsidiary included in these consolidated financial statements:

Subsidiary	Ownership*		Principal field of activity	Country of incorporation
	2013	2012		
Sparky's Land Amusement Toys ("Sparky's") (note 12)	100 %	100 %	Operation and management of electrical games hall, children amusement games hall and electronic games.	United Arab Emirates

* Direct and indirect ownership

In addition to the subsidiary mentioned above, the accompanying consolidated financial statements include the accounts of the Head Office of the Group and all the accounts of the following listed branches and divisions:

	Province						Total	
	Western		Central		Eastern			
	2013	2012	2013	2012	2013	2012	2013	2012
Entertainment sites	16	16	16	15	10	10	42	41
Hotels	8	8	11	11	8	6	27	25
Golden Tulip (a)	1	1	4	4	2	1	7	6
Tulip Inn (a)	3	3	-	-	1	1	4	4
Holiday Inn (a)	1	1	1	1	3	3	5	5
Hilton Garden Inn (b)	-	-	1	1	-	-	1	1
Novotel (b)	-	-	-	-	1	1	1	1
Red Sea Palace	1	1	-	-	-	-	1	1
Mena	-	-	1	1	-	-	1	1
Mena plaza	-	-	1	1	-	-	1	1
Al-Hamra Hotel (b) and (c)	1	1	-	-	-	-	1	1
Haqel Beach Resort (d)	1	1	-	-	-	-	1	1
Coral Hotel	-	-	-	-	1	-	1	-
Yamamah Resort	-	-	1	1	-	-	1	1
Furnished apartments	-	-	2	2	-	-	2	2
Commercial Center	-	-	1	1	-	-	1	1

(a) The Group has entered into franchise agreements with international hotel brand owners. The day-to-day operations of the hotels remain with the Group. The franchise fees are comprised of an initial fee based on number of rooms plus a continuing fee based on a percentage of room revenues. The franchisors have the right to periodically inspect the hotels to ensure that brand standards are maintained and provide advice with respect to hotel management and operations.

(b) These hotels operate under a management agreement with international hotel operators who manage and operate the hotels for a management fee calculated at a percentage of the hotels' gross revenues plus incentive fees based on performance.

(c) During the second half of 2012, the Group acquired the operations of Al-Hamra Hotel - Jeddah for a consideration of SR 6 million.

(d) Activity is still in the development stage.

Other hotels are operated by the Group and are not under a franchise or management agreement.

2 BASIS OF CONSOLIDATION

These consolidated financial statements include the assets, liabilities and results of operations of the Company and its subsidiary listed in note1 above.

A subsidiary company is that in which the Company has a long term investment comprising an interest of more than 50% in the voting capital and/or over which it exerts practical control. A subsidiary company is consolidated from the date on which the Company obtains control until the date that control ceases.

All significant inter-group accounts and transaction, as well as unrealized gains and losses arising from transactions with the subsidiary have been eliminated on consolidation.

3 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

Accounting convention

The accompanying consolidated financial statements have been prepared under the historical cost convention.

Use of estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Cash and cash equivalents

For the purpose of the preparation of the consolidated statement of cash flows, cash and cash equivalents consists of bank balances, cash on hand and deposits that have a maturity of three months or less when purchased.

Accounts receivable

Accounts receivable are stated at original invoice amount less provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Unbilled revenue

Unbilled revenue represents the value of services executed but not yet invoiced as at the balance sheet date. Such amount will be billed in the subsequent period.

Inventories

Inventories are stated at lower of cost or estimated net realizable value. Cost is determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business less any cost to complete the selling process. Appropriate provision is made for slow moving inventories, if any.

Investments in associates

Associates are entities over which the Group exercises significant influence and which are neither subsidiaries nor joint ventures. The Group's investments in associates are accounted for under the equity method of accounting whereby the investments are carried in the consolidated balance sheet at cost, adjusted by post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The consolidated statement of income reflects the Group's share of the net results of its associates, based on the management accounts of associates.

Unrealized profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any impairment in value. The cost less estimated residual value of property and equipment is depreciated on a straight line basis over the estimated useful lives of the assets.

Expenditure for repair and maintenance are recognized in the consolidated statement of income. Betterments that increase the value or materially extend the life of the related assets are capitalized.

Goodwill

Goodwill is initially recognized at cost being the excess of the value determined for the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity. Following initial recognition, the goodwill is measured at cost less any accumulated impairment losses

Impairment of non-current assets

The Group periodically reviews the carrying amounts of its long term tangible and intangible assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

If the recoverable amount of the asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. Impairment is recognized in the consolidated statement of income.

Except for goodwill, where impairment subsequently reverses, the carrying amount of the asset or the cash generating unit is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognized for the asset or cash generating unit in prior years. A reversal of impairment is recognized immediately in the consolidated statement of income.

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognized when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably.

Leases

Capital leases

Capital leases and, sale and leaseback transactions are classified as capital leases whenever the terms of the lease indicate a substantial transfer of all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under capital leases are recognized as assets of the Group within property and equipment at the lower of the present value of the minimum lease payments and the fair market value of the assets at the inception of the lease

Finance costs, which represent the difference between the total lease commitments and the lower of the present value of the minimum lease payments and the fair market value of the assets at the inception of the lease, are charged to the consolidated statement of income over the term of the relevant lease in order to produce a constant periodic rate of return on the remaining balance of the obligations for each accounting period.

Gains from the increase of selling price over the book value of sale and leaseback transactions are deferred and amortized using the straight line method over the lease term.

Operating leases

Rentals payments under operating leases are charged to the consolidated statement of income on a straight line basis over the term of the operating lease.

Zakat

Zakat is provided for in accordance with Saudi Arabian fiscal regulations. The provision is recognized in the consolidated statement of income.

The Group withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required by Saudi Arabian fiscal regulations.

Employees' terminal benefits

Provision is made for amounts payable to the Company's employees under the Saudi Arabian labor law (for the subsidiary, the United Arab Emirates law) applicable to employees' accumulated periods of service at the consolidated balance sheet date.

Statutory reserve

As required by Saudi Arabian Regulations for Companies, 10% of the Company's net income for the year is to be transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the share capital. The reserve is not available for distribution.

Dividends

Final dividends are recognized as a liability at the time of their approval by the General Assembly. Interim dividends are recorded as and when approved by the Board of Directors.

Revenue recognition

Hotel rooms' revenue is recognized when services are performed and / or food and beverages are provided to customers. Revenues from advance theme park ticket sales are recognized when the tickets are used. For non-expiring rechargeable playing cards, revenue is recognized based on an estimated usage pattern that are derived from historical usage patterns.

Other income is recognized when earned.

Foreign currencies

Transactions

Transactions in foreign currencies are recorded in Saudi Riyal at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the interim consolidated balance sheet date. All differences are recognized in the consolidated statement of income.

Translation

Financial statements of the foreign operation is translated into Saudi Riyal using the exchange rate at each consolidated balance sheet date, for assets and liabilities, and the average exchange rate for each period for revenues, expenses, gains and losses. Components of equity, other than retained earnings, are translated at the rate ruling at the date of occurrence of each component.Translation adjustments, if material, are recorded as a separate component of shareholders' equity.

Expenses

Selling and marketing expenses are those that specifically relate to salesmen and marketing activities. All other expenses except for financial charges are classified as general and administrative expenses.

Segmental reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

4 BANK BALANCES AND CASH

	2013 SR	2012 SR
Bank balances (a)	40,989,355	45,127,340
Cash in hand	3,619,093	2,343,628
Cash and cash equivalents	44,608,448	47,470,968
Murabaha deposits (b)	90,000,000	-
	134,608,448	47,470,968

(a) Bank balances include certain accounts with a total balance of SR 519,219 as at 31 December 2013 (2012: SR 1,107,237) which are in the name of related parties but have been assigned to the Group.

(b) Murabaha deposits are placed with a local bank for a period of more than three months but less than a year.

5 ACCOUNTS RECEIVABLE

	2013 SR	2012 SR
Accounts receivable	43,813,682	41,911,714
Less: provision for doubtful debts	(3,447,005)	(7,272,017)
	40,366,677	34,639,697

Movement in the provision for doubtful debts was as follows:

	2013 SR	2012 SR
At the beginning of the year	7,272,017	1,865,127
Addition from an acquisition (note 1, (c))	-	4,758,274
Charge for the year (note 20)	1,097,774	926,948
Amounts written off during the year	(198,332)	(278,332)
Reversal of excess doubtful debts provision (note 21)	(4,724,454)	-
At the end of the year	3,447,005	7,272,017

6 PREPAYMENTS AND OTHER CURRENT ASSETS

	2013 SR	2012 SR
Advances to suppliers	50,747,442	18,801,682
Prepaid expenses	35,464,201	18,212,264
Unbilled revenue	4,618,410	3,946,566
Employees' receivable	3,044,015	2,975,042
Prepaid franchise fees	1,331,409	1,005,819
Other current assets	12,755,568	5,194,261
	107,961,045	50,135,634

7 INVENTORIES

	2013 SR	2012 SR
Spare parts	9,071,545	7,072,107
Materials and supplies	5,177,094	5,604,317
Toys	4,134,700	3,850,339
Food and beverage	2,865,291	2,790,504
Other	4,052,678	4,852,628
	25,301,308	24,169,895
Less: provision for slow moving inventories	(2,309,020)	(2,178,417)
	22,992,288	21,991,478

Movement in the provision for slow moving inventories was as follows:

	2013 SR	2012 SR
At the beginning of the year	2,178,417	2,231,924
Addition from an acquisition (note 1, (c))	-	15,617
Charge for the year	130,603	22,803
Items written off during the year	-	(91,927)
At the end of the year	2,309,020	2,178,417

8 RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions

The following are the details of major related party transactions during the year:

		Amount of transaction	
Related Party	Nature of transaction	2013 SR	2012 SR
Shareholder	Cash transfers, net (a)	-	119,580,065
	Sale / transfer of property and equipment, net	17,322,115	33,460,146
	Transfer of projects under construction (note 10)	1,568,146	-
	Rent expense (b)	40,250,005	30,344,604
	Project management expenses	1,638,000	1,560,000
	Transfer of gross accounts receivable (c)	4,402,548	-
	Transfer of employees terminal benefits	7,604,742	-
Board of directors member	Salaries and related benefits (d)	2,880,000	1,350,000
Associate	Rent expense	14,204,453	13,185,004
	Transfer of projects under construction (note 10)	3,188,430	-
Affiliate	Rent revenue (e)	6,104,525	5,372,464
	Management fees (f)	3,272,905	5,469,284

(a) Principally represents settlement of payable to a shareholder.

(b) The Group operates 15 properties that are owned by a shareholder, who charges the Group a rent expense against the lease of these properties.

(c) These amounts represent the remaining gross accounts receivable balances that have been transferred to the Company upon the acquisition of Al-Hamra Hotel operation (note 1(c)). According to the agreement with Abdulmouhsen Abdul Aziz Al-Hokair Group for Trading ("AHG"), the Company transferred back to AHG the remaining gross accounts receivable balances that have not been collected as of 31 December 2013.

(d) Salaries and related benefits of SR 2.9 million (2012: SR 1.2 million), were paid to two members of the board of directors who are involved in the management of the Company.

(e) Represents rental fees charged to Naqaha Healthcare Company Limited for the space used in the hotels.

(f) The amount represents mainly management fees of two entertainment centers and one hotel owned by related parties.

Related party balances

The following are the details of related party balances:

Amounts due from related parties

	2013 SR	2012 SR
AHG - (a) above	10,300,341	-
Naqaha Healthcare Company Limited (an affiliate)	6,104,525	-
Al Khaleejiya for Entertainment Limited (an associate)	3,238,430	-
Asateer Company for Entertainment Projects Limited (an associate)	3,006,818	2,906,566
Others	574,399	1,244,166
	23,224,513	4,150,732

Amounts due to related parties

	2013 SR	2012 SR
Al Qaseem Trading Company Limited (an associate)	16,683,700	2,263,964
AHG - (a) above	-	1,636,080
	16,683,700	3,900,044

Amounts due from / to related parties are shown in the consolidated balance sheet and note 13, respectively.

9 INVESTMENTS IN ASSOCIATES

Investments in associates represent equity investments in the following companies, all registered in the Kingdom of Saudi Arabia:

	Ownership %		2013 SR	2012 SR
	2013	2012		
Tourism and Real Estate Development Company	48.5	48.5	63,160,039	58,587,288
Al Qaseem Trading Company Limited	50.0	50.0	31,951,153	20,449,496
Asateer Company for Entertainment Projects Limited	50.0	50.0	7,879,944	7,670,688
Tarfeeh Company for Tourism and Projects Limited	50.0	50.0	3,950,881	2,361,649
Al Khaleejiya for Entertainment Limited (*)	50.0	-	50,000	-
			106,992,017	89,069,121

(*) During the year ended 31 December 2013, the Company invested in Al Khaleejiya for Entertainment Limited (a

new company), a limited liability company registered in Riyadh which is currently in the pre-operating stage.

Movement in the investments in associates was as follows:

	2013 SR	2012 SR
At the beginning of the year	89,069,121	89,478,309
Addition during the year	50,000	-
Share in net earnings	26,250,696	27,889,523
Dividends	(8,377,800)	(28,298,711)
At the end of the year	106,992,017	89,069,121

10 PROJECTS UNDER CONSTRUCTION

Projects under construction represent cost of four new entertainment sites and three new hotels in UAE and Saudi Arabia, plus renovation costs of leased hotels and entertainment sites, in addition to the construction of a new hotel located in Haqel city – Saudi Arabia.

Movement in the projects under construction was as follows:

	2013 SR	2012 SR
At the beginning of the year	15,329,446	39,365,598
Additions	72,123,506	15,395,507
Transfer to related parties (note 8)	(4,756,576)	-
Addition from an acquisition (note 1 and 12)	-	397,296
Transferred to property and equipment (note 11)	(3,604,120)	(39,828,955)
At the end of the year	79,092,256	15,329,446

During the years 2010 till 2013, no major construction work has been carried out on the new hotel in Haqel. Total cost is SR 5.7 million (2012: SR 5.3 million). The Group's management is planning to complete this project in the near future.

11 PROPERTY AND EQUIPMENT

The estimated useful lives of the assets for the calculation of depreciation are as follows:

4 to 8 years	Air conditioners	20 years	Leasehold improvements
4 years	Computers	4 to 10 years	Machinery and equipment
3 to 10 years	Tools	4 to 10 years	Furniture and fixtures
		4 to 5 years	Motor vehicles

	Leasehold improvements SR	Machinery and equipment SR	Furniture and fixtures SR	Motor vehicles SR	Air conditioners SR	Computers SR	Tools SR	Total 2013 SR	Total 2012 SR
Cost:									
At the beginning of the year	503,427,809	499,165,796	135,621,235	30,682,467	33,440,581	19,208,550	96,419,320	1,317,965,758	1,190,064,122
Additions	29,274,049	41,409,947	10,469,611	3,071,714	2,895,509	2,685,578	7,117,808	96,924,216	67,705,143
Addition from an acquisition (notes 1 and 12)	-	-	-	-	-	-	-	-	71,189,219
Disposals	-	(35,698,971)	(7,850,980)	(10,068,011)	(92,993)	-	(149,500)	(53,860,455)	(17,760,920)
Transfer from/to related parties, net (note 8)	(17,038,293)	(4,242,648)	(2,076,791)	(266,297)	34,970	(36,337)	(2,187,484)	(25,812,880)	(33,060,761)
Transfer from projects under construction (note 10)	3,152,749	64,910	217,240	-	-	169,221	-	3,604,120	39,828,955
At the end of the year	518,816,314	500,699,034	136,380,315	23,419,873	36,278,067	22,027,012	101,200,144	1,338,820,759	1,317,965,758
Depreciation:									
At the beginning of the year	138,325,915	303,920,267	106,047,850	24,229,637	15,178,193	13,064,267	45,219,161	645,985,290	551,634,869
Charge for the year	27,345,524	39,089,024	13,542,309	3,223,777	3,221,728	3,154,533	8,735,169	98,312,064	93,662,636
Addition from an acquisition (notes 1 and 12)	-	-	-	-	-	-	-	-	15,926,401
Disposals	-	(29,664,366)	(7,833,787)	(9,805,045)	(14,942)	-	(149,500)	(47,467,640)	(12,523,959)
Transfer from/to related parties, net (note 8)	(9,247,575)	(4,797,641)	(1,814,529)	(270,031)	1,457	(45,065)	(1,985,732)	(18,159,116)	(2,714,657)
At the end of the year	156,423,864	308,547,284	109,941,843	17,378,338	18,386,436	16,173,735	51,819,098	678,670,598	645,985,290
Net book values:									
At 31 December 2013	362,392,450	192,151,750	26,438,472	6,041,535	17,891,631	5,853,277	49,381,046	660,150,161	
At 31 December 2012	365,101,894	195,245,529	29,573,385	6,452,830	18,262,388	6,144,283	51,200,159		671,980,468

During the year 2010, the Group has entered into a facility agreement with a local financial institution in form of a sale and lease back agreement for certain assets in the Group. As at 31 December 2013, the net book value of these assets is SR nil (2012: SR 6,620,383). In addition, property and equipment include assets leased under capital lease agreement with a net book value of SR 370,231 as at 31 December 2013 (2012: SR 2,851,322).

The above assets are placed on land and buildings that are leased from a shareholder of the Group, related parties and third parties.

12 GOODWILL

On 31 December 2012, the Company acquired Sparky's (a sole proprietorship registered in the United Arab Emirates), from a related party for a total cash consideration of SR 88,831,069 as compared to the carrying value of the identifiable net assets of Sparky's of SR 49,513,585 which has been considered initially as the fair value, resulting in a goodwill of SR 39,317,484.

The acquisition of the above entity has been accounted for using the purchase method of accounting, accordingly, the purchase price paid has been allocated to the assets and liabilities based on the fair values of the assets acquired and liabilities assumed. The excess of the consideration paid over the fair value of the assets acquired and liabilities assumed has been allocated to goodwill.

The estimated fair values of the identifiable assets and liabilities are as follows:

	SR
Current assets	6,508,107
Property and equipment (note 11)	55,262,818
TOTAL ASSETS	61,770,925
TOTAL LIABILITIES	12,257,340
Total identifiable net assets acquired	49,513,585
Goodwill arising on acquisition	39,317,484
Purchase consideration transferred	88,831,069
Cash outflow on acquisition:	
Net cash acquired of the subsidiary	1,798,671
Cash paid	(88,831,069)
	(87,032,398)

Goodwill is tested annually for the impairment. According to the impairment test performed by management on 31 December 2013, goodwill carrying amount was found to be less than its recoverable amounts. Recoverable amounts was determined on the basis of value-in-use calculations. These calculations use cash flow projections based on the financial budgets approved by the management.

13 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2013 SR	2012 SR
Accrued expenses	52,577,978	46,034,098
Accrued employees' benefits	18,861,753	27,326,585
Amounts due to related parties (note 8)	16,683,700	3,900,044
Unearned revenue	12,188,344	13,152,275
Zakat payable (note 14)	9,350,202	7,808,461
Accrued franchise fees	7,195,662	6,329,971
Other current liabilities	424,609	420,028
	117,282,248	104,971,462

14 ZAKAT

Zakat charge for the year consists of the following:

	2013 SR	2012 SR
Provided for the current year	4,161,423	4,619,912
Reversal of excess zakat provision during the year	(1,594,275)	-
	2,567,148	4,619,912

Movement in the zakat payable was as follows:

	2013 SR	2012 SR
At the beginning of the year	7,808,461	9,562,995
Provided during the year	4,161,423	4,619,912
Paid during the year	(1,025,407)	(6,374,446)
Reversed during the year	(1,594,275)	-
	9,350,202	7,808,461

Status of assessments

The Company has filed its zakat returns for all the years from 2007 to 2012. The Company does not have any final zakat assessments yet.

15 BANK BORROWINGS AND TERM LOANS

Loans have been obtained from local banks and are secured by promissory notes and personal guarantees from certain shareholders. These carry borrowing costs at commercial interest rates.

The following is a summary of the loans:

	2013 SR	2012 SR
Bank overdrafts	1,480,960	-
Short term loans	12,416,718	17,019,039
Current portion of term loans	90,814,251	51,747,315
	104,711,929	68,766,354
Non-current portion of term loans	146,530,444	130,320,790
	251,242,373	199,087,144

The loan agreements contain covenants regarding certain leverage ratio, current ratio, total debt to equity ratio, and others. Under the terms of these agreements, the banks have the right to demand immediate repayment of the loans if any of the covenants are not met.

16 OBLIGATIONS UNDER CAPITAL LEASES CONTRACTS

Minimum annual rentals for the three years subsequent to the consolidated balance sheet date and in aggregate are:

	2013 SR	2012 SR
2013	-	2,787,753
2014	225,280	358,705
2015	47,398	47,970
Net minimum lease payments under capital leases	272,678	3,194,428
Less: estimated amount representing financial charges	(36,391)	(107,156)
Present value of net minimum lease rental payments	236,287	3,087,272

Present value of net minimum lease rental payments are as follows:

	2013 SR	2012 SR
Current portion of obligations under capital leases	195,787	2,683,908
Non-current portion of obligations under capital leases	40,500	403,364
	236,287	3,087,272

17 SHARE CAPITAL

Share capital is divided into 55,000,000 shares (30 June 2012: 40,751,100 shares) of SR 10 each.

On 2 June 2013, the Company's Extraordinary General Assembly approved the increase of the share capital from SR 407,511,000 to SR 550,000,000, through issuance of bonus shares to the current shareholders through transfers from retained earnings and statutory reserve. The legal formalities required to enforce such increase in share capital have been completed during 2013.

The share capital is allocated among the following shareholders:

Shareholder	Ownership %		Share capital SR	
	2013	2012	2013	2012
Abdulmouhsen Al-Hokair and Sons Holding Company	45.00	45.00	247,500,000	183,379,950
Tourism Opportunities Commercial Company	35.00	35.00	192,500,000	142,628,850
Mr. Abdulmouhsen Bin Abdul Aziz Al-Hokair (*)	17.81	17.81	97,955,000	72,577,710
Mr. Bandar Bin Khalid Bin Abdulmouhsen Al-Hokair	0.73	0.73	4,015,000	2,974,830
Mr. Bader Bin Khalid Bin Abdulmouhsen Al-Hokair	0.73	0.73	4,015,000	2,974,830
Mr. Ahmad Bin Khalid Bin Abdulmouhsen Al-Hokair	0.73	0.73	4,015,000	2,974,830
	100.00	100.00	550,000,000	407,511,000

(*) The rights and obligations associated with the shares of Mr. Abdulmouhsen Bin Abdul Aziz Al-Hokair have been assigned to AHG.

On 1 June 2012, Tourism Opportunities Commercial Company acquired 35% ownership interest in the Company through acquiring the shares of certain existing shareholders.

18 REVENUES

Revenues for the hotels business segment comprised of the following:

	2013 SR	2012 SR
Rooms	349,601,159	307,872,729
Food and beverage	172,663,113	147,508,623
Other	30,800,879	27,547,406
	553,065,151	482,928,758

19 SELLING AND MARKETING EXPENSES

	2013 SR	2012 SR
Gifts, promotions and advertisement	11,982,188	12,450,125
Salaries and related benefits	10,146,482	8,390,813
Marketing fees (*)	5,250,381	5,604,645
Other	5,676,227	3,629,481
	33,055,278	30,075,064

(*) Certain franchise agreements require the Group to pay certain percentages of the hotels revenue for the marketing activities provided by the franchisors.

20 GENERAL AND ADMINISTRATIVE EXPENSES

	2013 SR	2012 SR
Salaries and related benefits	86,640,280	78,426,904
Government fees	3,807,219	894,665
Travel	3,457,939	2,452,220
Bank charges	3,154,290	2,908,926
Maintenance	3,065,208	3,054,382
Utilities	2,848,033	3,622,813
Insurance	2,335,081	1,988,810
Professional fees	1,966,702	3,533,064
Rent	1,407,238	511,688
Provision for doubtful debts (note 5)	1,097,774	926,948
Pre-opening expenses	1,064,166	2,364,643
Other	12,511,765	11,481,547
	123,355,695	112,166,610

21 OTHER INCOME, NET

	2013 SR	2012 SR
Gain on the sale of property and equipment, net	5,549,084	6,642,587
Reversal of excess doubtful debts provision (note 5)	4,724,454	-
Other	1,684,989	610,448
	11,958,527	7,253,035

22 EARNINGS PER SHARE

Earnings per share attributable to income from main operations and net income for the year are calculated by dividing income from main operations and net income for the year, respectively, by the number of outstanding shares of 55,000,000 as at 31 December 2013. Earnings per share for the comparative year has been adjusted retrospectively to reflect the impact of the bonus shares issue (note 17).

23 SEGMENTAL INFORMATION

The Group's operations comprise of the following major business segments:

- Hotels: Engaged in hotel, tourism, health resorts, furnished apartments, restaurants, cafes.
- Entertainment: Engaged in establishing, administration, operation and maintenance of fun cities, entertainment centers, parks gardens.
- Others: includes the operations of head office, commercial center and other segments.

The Group's main financial information by business segment is as follows:

31 December 2013

	Hotels SR	Entertainment SR	Others SR	Eliminations SR	Total SR
Revenues	553,065,151	310,642,313	19,547,539	(3,192,058)	880,062,945
Gross profit	210,570,143	104,294,141	10,990,975	-	325,855,259
Net income for the year	113,209,255	70,504,503	11,940,101	-	195,653,859
Property and equipment	316,708,012	341,985,744	1,456,405	-	660,150,161
Total assets	896,961,704	502,795,800	211,905,945	(396,958,560)	1,214,704,889
Total liabilities	121,243,366	51,277,535	680,590,357	(396,958,560)	456,152,698

31 December 2012

	Hotels	Entertainment	Others	Eliminations	Total
	SR	SR	SR	SR	SR
Revenues	482,928,758	273,376,914	17,062,655	(3,016,129)	770,352,198
Gross profit	185,520,639	98,239,726	11,172,791	-	294,933,156
Net income for the year	92,986,769	65,491,613	20,370,404	-	178,848,786
Property and equipment	316,653,137	353,892,676	1,434,655	-	671,980,468
Total assets	848,357,152	446,556,211	99,186,103	(420,014,438)	974,085,028
Total liabilities	123,200,125	68,203,499	639,797,510	(420,014,438)	411,186,696

Vast majority of the Group's business segments operate within the Kingdom of Saudi Arabia.

24 COMMITMENTS AND CONTINGENCIES

Commitments

As at 31 December 2013, the Group has capital commitments of SR 31 million (2012: SR 4.1 million)

Contingencies

At 31 December 2013, the Group had outstanding letters of credit amounting to SR 8 million (2012: SR 38.7 million) which include certain guarantees issued by AHG bankers on behalf of the Group.

During 2010, a landlord of a hotel under lease agreement filed a legal claim against the Company for the settlement of the annual lease for that hotel. The ultimate outcome of this litigation is uncertain at this stage. However, the Company provided for the annual lease amount for the years until 2013 in the accompanying consolidated financial statements.

The Group is involved in litigation matters in the ordinary course of business, which are being defended. While the ultimate results of these matters can not be determined with certainty, the Group's management does not expect that these will have a material adverse effect on its financial position or results of operations.

25 OPERATING LEASES

The Group has various operating leases for buildings of its hotels and others. Rental expenses for the year ended 31 December 2013 approximates SR 131.6 million (2012: SR 121.8 million). Future rental commitments as at 31 December under these operating leases are as follows:

	2013 SR'000	2012 SR'000
2013	-	123,335
2014	144,053	116,156
2015	141,123	113,087
2016	129,529	102,123
2017	124,124	99,019
2018	107,819	82,983
Thereafter	874,154	606,353
	1,520,802	1,243,056

26 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Financial instruments comprise of financial assets and financial liabilities. The Group's financial assets consist of bank balances and cash, receivables and certain other asset. Its financial liabilities consist of bank borrowings and term loans, payables, and certain other liabilities.

The fair values of financial instruments are not materially different from their carrying values at the consolidated balance sheet date.

27 RISK MANAGEMENT

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Group is subject to interest rate risk on its interest bearing assets and liabilities, including murabaha deposits, bank borrowings and term loans.

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables. At the consolidated balance sheet date, no significant concentrations of credit risk were identified by management.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Group uses foreign currencies, mainly UAE Dirham, US Dollar, and Euro. The Group is not exposed to significant currency risk as the Saudi Riyal is pegged to the US Dollar and transactions denominated in other currencies are not considered to represent significant currency risk.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Group manages its liquidity and the negative working capital by ensuring bank facilities are available.

28 DIVIDENDS DECLARATION AND APPROVAL

On 27 October 2013, the Board of Directors proposed a cash dividends of SR 68.8 million. This is subject to the shareholders' approval at their Annual General Assembly Meeting. Subsequently, on 30 January 2014, the Board of Directors proposed an additional cash dividends of SR 68.8 million. This is also subject to the shareholders' approval at their upcoming Annual General Assembly Meeting.

On 11 December 2012, the Board of Directors has approved the distribution of interim cash dividends amounted to SR 87.6 million. This has been rectified by the shareholders at their Annual General Assembly Meeting held on 2 June 2013. Also, the shareholders, at their General Assembly Meetings on 5 June 2012 and 18 February 2012, approved the dividends distributions of SR 285.3 million and SR 61.1 million, respectively.

29 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors has approved the consolidated financial statements on 18 February 2014.

30 COMPARATIVE FIGURES

Certain prior year figures have been re-classified to conform to the presentation in the current year.

Abdulmouhsen Al-Hokair Group for Tourism and Development Company

(A Saudi Joint Stock Company)

proforma consolidated Financial Information

for the YEARS ENDED 31 DECEMBER 2012, 2011 AND 2010

ERNST & YOUNG

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Report on the Compilation of Proforma Consolidated Financial Information

To the shareholders of Abdulmouhsen Al-Hokair Group for Tourism and Development Company (A Saudi Joint Stock Company)

Introduction

We have completed our assurance engagement to report on the compilation of proforma consolidated financial information of Abdulmouhsen Al-Hokair Group for Tourism and Development Company (A Saudi Joint Stock Company) (the "Company") and its subsidiary (the "Group") by the Group's management. The proforma consolidated financial information consists of the proforma consolidated balance sheet as at 31 December 2012, 2011 and 2010 and the proforma consolidated statements of income, cash flows and changes in shareholders' equity for the years ended 31 December 2012, 2011 and 2010, and related notes from 1 to 29 forming part of these proforma consolidated financial information. The applicable criteria on the basis of which the Group's management has compiled the proforma consolidated financial information are described in Note 3 to the proforma consolidated financial information (the "assumptions").

The proforma consolidated financial information has been compiled by the Group's management to illustrate the impact of events and assumptions on the Group's financial position as at 31 December 2012, 2011 and 2010 and its financial performance and cash flows for the years ended 31 December 2012, 2011 and 2010 as if the events had taken place at 1 January 2010 as set out in Note 3. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Group's management from the Group's consolidated financial statements for the years ended 31 December 2012, 2011 and 2010, on which unqualified audit reports thereto have been issued.

Group management's responsibility for the Proforma Financial Information

The Group's management is responsible for compiling the proforma consolidated financial information on the basis of the assumptions.

Our Responsibilities

Our responsibility is to express an opinion about whether the proforma consolidated financial information has been compiled, in all material respects, by the Group's management on the basis of the assumptions.

We conducted our assurance engagement under auditing standards generally accepted in the Kingdom of Saudi Arabia ("Saudi Auditing Standards"), of which it allow the use of international auditing standards in absence of the relevant Saudi auditing standards. Accordingly, we performed our procedures in accordance with International Standard on Assurance Engagements (ISAE) 3420, 'Assurance Engagements to Report on the Compilation of Proforma Consolidated Financial Information Included in a Prospectus' issued by the International Auditing and Assurance Standards Board. This standard requires us to comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Group's management has compiled, in all material respects, the proforma consolidated financial information on the basis of the assumptions.

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For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the proforma consolidated financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the consolidated proforma financial information.

The purpose of proforma consolidated financial information is solely to illustrate the impact of significant events on unadjusted financial information of the Group as if the events had occurred at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events at 31 December 2012, 2011 and 2010 would have been as presented.

A reasonable assurance engagement to report on whether the proforma consolidated financial information has been compiled, in all material respects, on the basis of the assumptions involves performing procedures to assess whether the assumptions used by the Group's management in the compilation of the proforma consolidated financial information provide a reasonable basis for presenting the significant effects directly attributable to the event, and to obtain sufficient appropriate evidence about whether:

- The related proforma adjustments give appropriate effect to those assumptions; and
- The proforma consolidated financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgment, having regard to our understanding of the nature of the Group, the events and the assumptions in respect of which the proforma consolidated financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the proforma consolidated financial information.

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

Opinion
In our opinion, the proforma consolidated financial information has been compiled, in all material respects, on the basis of the assumptions stated in Note 3 to the proforma consolidated financial information.

for Ernst & Young

Fahad M. Al-Toaimi
Certified Public Accountant
Registration No. 354

PROFESSIONAL LICENCE No. 45
ERNST & YOUNG

Riyadh: 11 Jumada Thani 1434H
(21 April 2013)

Abdulmouhsen Al-Hokair Group for Tourism and Development Company

(A Saudi Joint Stock Company)

PROFORMA CONSOLIDATED BALANCE SHEET – UNAUDITED

As at 31 December 2012, 2011 and 2010

	Note	2012 SR	2011 SR	2010 SR
ASSETS				
CURRENT ASSETS				
Bank balances and cash	5	47,470,968	11,202,481	12,663,496
Accounts receivable	6	34,639,697	25,301,562	27,438,110
Prepayments and other current assets	7	50,135,634	34,914,594	42,654,986
Inventories	8	21,991,478	16,793,572	18,631,159
Amounts due from related parties	9	4,150,732	260,071,005	105,340,620
TOTAL CURRENT ASSETS		158,388,509	348,283,214	206,728,371
NON-CURRENT ASSETS				
Investments in associates	10	89,069,121	89,478,309	96,323,587
Projects under construction	11	15,329,446	39,365,598	69,233,574
Property and equipment	12	671,980,468	689,393,732	645,827,583
Goodwill	13	39,317,484	39,317,484	39,317,484
Other assets	3	26,852,025	16,534,776	28,728,603
TOTAL NON-CURRENT ASSETS		842,548,544	874,089,899	879,430,831
TOTAL ASSETS		1,000,937,053	1,222,373,113	1,086,159,202

The attached notes 1 to 29 from part of these proforma consolidated financial information.

Abdulmouhsen Al-Hokair Group for Tourism and Development Company

(A Saudi Joint Stock Company)

PROFORMA CONSOLIDATED BALANCE SHEET – UNAUDITED

As at 31 December 2012, 2011 and 2010

	Note	2012 SR	2011 SR	2010 SR
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable		62,050,554	85,241,778	61,553,424
Accrued expenses and other current liabilities	14	116,346,650	115,806,020	104,860,206
Bank borrowings and term loans	16	68,766,354	23,133,756	76,833,334
Current portion of obligations under capital leases	17	2,683,908	4,433,260	3,774,747
TOTAL CURRENT LIABILITIES		249,847,466	228,614,814	247,021,711
NON-CURRENT LIABILITIES				
Term loans	16	130,320,790	131,693,291	154,206,068
Obligations under capital leases	17	403,364	2,669,453	6,374,835
Employees' terminal benefits		41,990,264	32,860,042	27,791,202
TOTAL NON-CURRENT LIABILITIES		172,714,418	167,222,786	188,372,105
TOTAL LIABILITIES		422,561,884	395,837,600	435,393,816
SHAREHOLDERS' EQUITY				
Share capital	18	407,511,000	407,511,000	407,511,000
Statutory reserve		85,500,703	66,916,160	49,338,049
Retained earnings		85,391,907	352,130,235	193,927,237
Foreign currency translation adjustment		(28,441)	(21,882)	(10,900)
TOTAL SHAREHOLDERS' EQUITY		578,375,169	826,535,513	650,765,386
TOTAL LIABILITIES AND EQUITY		1,000,937,053	1,222,373,113	1,086,159,202

The attached notes 1 to 29 from part of these proforma consolidated financial information.

Abdulmouhsen Al-Hokair Group for Tourism and Development Company

(A Saudi Joint Stock Company)

PROFORMA CONSOLIDATED STATEMENT OF INCOME – UNAUDITED

For the years ended 31 December 2012, 2011 and 2010

	Note	2012 SR	2011 SR	2010 SR
REVENUES				
- Hotels	19	482,928,758	428,551,473	383,586,469
- Entertainment		314,280,039	282,172,750	254,015,808
Others		14,420,663	11,864,204	11,433,716
TOTAL REVENUES		811,629,460	722,588,427	649,035,993
DIRECT COSTS				
- Hotels		(297,408,119)	(258,394,615)	(242,870,824)
- Entertainment		(198,650,165)	(183,111,433)	(172,885,877)
Others		(5,662,094)	(5,345,356)	(4,854,431)
TOTAL DIRECT COSTS		(501,720,378)	(446,851,404)	(420,611,132)
GROSS PROFIT		309,909,082	275,737,023	228,424,861
EXPENSES				
Selling and marketing	20	(31,041,699)	(25,533,446)	(23,472,450)
General and administrative	21	(116,168,994)	(100,448,952)	(89,730,083)
TOTAL EXPENSES		(147,210,693)	(125,982,398)	(113,202,533)
INCOME FROM MAIN OPERATIONS		162,698,389	149,754,625	115,222,328
Share in net results of associates	10	27,889,523	29,455,051	25,838,354
Financial charges	16	(7,667,460)	(11,443,989)	(13,567,492)
Other income, net	22	7,544,890	11,815,422	4,280,396
INCOME FROM CONTINUING OPERATIONS		190,465,342	179,581,109	131,773,586
Income from discontinued operation	24	-	-	10,108,659
INCOME BEFORE ZAKAT		190,465,342	179,581,109	141,882,245
Zakat	15	(4,619,912)	(3,800,000)	(2,752,180)
NET INCOME FOR THE YEAR		185,845,430	175,781,109	139,130,065

The attached notes 1 to 29 from part of these proforma consolidated financial information.

Abdulmouhsen Al-Hokair Group for Tourism and Development Company

(A Saudi Joint Stock Company)

PROFORMA CONSOLIDATED STATEMENT OF INCOME – UNAUDITED

For the years ended 31 December 2012, 2011 and 2010

	Note	2012 SR	2011 SR	2010 SR
EARNINGS PER SHARE	23			
Attributable to:				
Income from main operations		3.99	3.67	2.83
Net income for the year		4.56	4.31	3.41

The attached notes 1 to 29 from part of these proforma consolidated financial information.

Abdulmouhsen Al-Hokair Group for Tourism and Development Company

(A Saudi Joint Stock Company)

PROFORMA CONSOLIDATED STATEMENT OF CASH FLOWS – UNAUDITED

For the years ended 31 December 2012, 2011 and 2010

OPERATING ACTIVITIES	2012 SR	2011 SR	2010 SR
Income before zakat	190,465,342	179,581,109	141,882,245
Adjustments for:			
Depreciation	99,526,227	98,659,550	88,665,991
Provision for doubtful debts	926,948	5,085,652	1,459,973
Reversal of excessive accruals	-	(2,155,467)	-
Share in net results of associates	(27,889,523)	(29,455,051)	(25,838,354)
Loss on sale of investment in an associate	-	745,388	-
Gain on sale of property and equipment, net	(6,642,587)	(9,411,690)	(4,093,596)
Employees' terminal benefits, net	9,130,222	5,068,840	3,579,114
	265,516,629	248,118,331	205,655,373
Changes in operating assets and liabilities			
Receivables and other assets	(25,486,123)	4,791,288	(8,935,867)
Inventories	(5,197,906)	1,837,587	(422,462)
Payables and other liabilities	(22,482,337)	32,989,635	27,440,056
Cash from operating activities	212,350,263	287,736,841	223,737,100
Zakat paid	(6,374,446)	-	-
Net cash from operating activities	205,975,817	287,736,841	223,737,100

The attached notes 1 to 29 from part of these proforma consolidated financial information.

Abdulmouhsen Al-Hokair Group for Tourism and Development Company

(A Saudi Joint Stock Company)

PROFORMA CONSOLIDATED STATEMENT OF CASH FLOWS – UNAUDITED

For the years ended 31 December 2012, 2011 and 2010

OPERATING ACTIVITIES	2012 SR	2011 SR	2010 SR
INVESTING ACTIVITIES			
Additions to property and equipment	(77,661,597)	(75,929,847)	(84,752,183)
Additions to projects under construction	(15,792,803)	(36,874,715)	(38,357,303)
Dividends received from associates	28,298,711	30,424,522	33,362,374
Proceeds from sale of property and equipment	11,879,548	12,615,256	19,225,826
Proceeds from associates	-	1,000,000	10,927,549
Acquisition of a subsidiary, net	-	-	(87,935,369)
Other assets, net	(10,317,249)	12,193,827	(3,708,605)
Net cash used in investing activities	(63,593,390)	(56,570,957)	(151,237,711)
FINANCING ACTIVITIES			
Proceeds from(repayment of) term loans, net	40,244,656	(79,259,224)	68,015,349
Balances with related parties, net	(58,733,438)	(153,352,548)	(135,199,841)
Dividends paid	(87,614,865)	-	-
Net cash used in financing activities	(106,103,647)	(232,611,772)	(67,184,492)
INCREASE (DECREASE) IN BANK BALANCES AND CASH	36,278,780	(1,445,888)	5,314,897
Bank balances and cash at the beginning of the year	11,202,481	12,663,496	7,362,586
Foreign currency translation adjustment	(10,293)	(15,127)	(13,987)
BANK BALANCES AND CASH AT THE END OF THE YEAR	47,470,968	11,202,481	12,663,496
Non-cash transactions:			
Dividends settled through the Principal Shareholder's account (note 29)	346,384,350	-	40,751,100
Transfer from projects under construction to property and equipment (note 12)	39,828,955	66,742,691	7,257,799
Transfer of property and equipment, net (note 12)	30,144,362	2,752,582	267,647

The attached notes 1 to 29 from part of these proforma consolidated financial information.

Abdulmouhsen Al-Hokair Group for Tourism and Development Company

(A Saudi Joint Stock Company)

PROFORMA CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY – UNAUDITED

For the years ended 31 December 2012, 2011 and 2010

	Share capital SR	Statutory reserve SR	Retained earnings SR	Foreign currency translation adjustment SR	Total SR
Balance at 31 December 2009	407,511,000	35,425,042	109,461,279	-	552,397,321
Net income for the year	-	-	139,130,065	-	139,130,065
Transfer to statutory reserve	-	13,913,007	(13,913,007)	-	-
Dividends (note 29)	-	-	(40,751,100)	-	(40,751,100)
Foreign currency translation adjustment	-	-	-	(10,900)	(10,900)
Balance at 31 December 2010	407,511,000	49,338,049	193,927,237	(10,900)	650,765,386
Net income for the year	-	-	175,781,109	-	175,781,109
Transfer to statutory reserve	-	17,578,111	(17,578,111)	-	-
Foreign currency translation adjustment	-	-	-	(10,982)	(10,982)
Balance at 31 December 2011	407,511,000	66,916,160	352,130,235	(21,882)	826,535,513
Net income for the year	-	-	185,845,430	-	185,845,430
Transfer to statutory reserve	-	18,584,543	(18,584,543)	-	-
Dividends (note 29)	-	-	(433,999,215)	-	(433,999,215)
Foreign currency translation adjustment	-	-	-	(6,559)	(6,559)
Balance at 31 December 2012	407,511,000	85,500,703	85,391,907	(28,441)	578,375,169

The attached notes 1 to 29 from part of these proforma consolidated financial information.

Abdulmouhsen Al-Hokair Group for Tourism and Development Company

(A Saudi Joint Stock Company)

NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION – UNAUDITED

31 December 2012, 2011 and 2010

1 ACTIVITIES

Abdulmouhsen Al-Hokair Group for Tourism and Development Company (the "Company") is a Saudi Joint Stock Company, operates under commercial registration number 1010014211 dated 16 Sha'aban 1398 H (corresponding to 22 July 1978) and has branches and divisions operating in Riyadh, Jeddah, Khobar and other cities in the Kingdom of Saudi Arabia.

Following is the subsidiary included in these proforma consolidated financial information:

Subsidiary	Ownership*			Principal field of activity	Country of incorporation
	2012	2011	2010		
Sparky's Land Amusement Toys	100 %	100 %	100 %	Operation and management of electrical games hall, children amusement games hall and electronic games	United Arab Emirates

* Direct and indirect ownership

The Company and its subsidiary (the "Group") are engaged in the establishment, management and operations of the following:

- Hotels and furnished apartments,
- Entertainment centers, recreation centers and tourist resorts,
- Commercial mall,
- Restaurants, parks and similar facilities.

The Group operates principally in the following major business segments distributed in the Kingdom of Saudi Arabia. In addition to the subsidiary mentioned above, the accompanying proforma consolidated financial information include the accounts of the Head Office of the Group and all the accounts of the following listed branches and divisions:

	2012 (Region)			
	Western	Central	Eastern	Total
Entertainment	16	15	10	41
Hotels	8	11	6	25
Golden Tulip (a)	1	4	1	6
Tulip Inn (a)	3	-	1	4
Holiday Inn (a)	1	1	3	5
Hilton Garden Inn (b)	-	1	-	1
Novotel (b)	-	-	1	1
Rea Sea Palace	1	-	-	1
Mena	-	1	-	1
Mena plaza	-	1	-	1
Al-Hamra Hotel (b) and (c)	1	-	-	1
Haqel Beach Resort (d)	1	-	-	1
Yamamah Resort	-	1	-	1
Furnished apartments	-	2	-	2
Commercial Center	-	1	-	1

	2011 (Region)			
	Western	Central	Eastern	Total
Entertainment	18	19	10	47
Hotels	6	11	6	23
Golden Tulip (a)	1	4	1	6
Tulip Inn (a)	2	1	1	4
Holiday Inn (a)	1	1	3	5
Hilton Garden Inn (b)	-	1	-	1
Novotel (b)	-	-	1	1
Rea Sea Palace	1	-	-	1
Mena	-	1	-	1
Mena plaza	-	1	-	1
Haqel Beach Resort (d)	1	-	-	1
Furnished apartments	-	2	-	2
Commercial Center	-	1	-	1

	2010 (Region)			
	Western	Central	Eastern	Total
Entertainment	18	17	10	45
Hotels	6	11	6	23
Golden Tulip (a)	1	4	1	6
Tulip Inn (a)	2	1	1	4
Holiday Inn (a)	1	1	3	5
Hilton Garden Inn (b)	-	1	-	1
Novotel (b)	-	-	1	1
Rea Sea Palace	1	-	-	1
Mena	-	1	-	1
Mena plaza	-	1	-	1
Haqel Beach Resort (d)	1	-	-	1
Furnished apartments	-	2	-	2
Commercial Center	-	1	-	1

(a) The Group has entered into franchise agreements with international hotel operators. The day-to-day operations of the hotels remain with the Group. The franchisors fees are comprised of an initial fee based on number of rooms and a continuing fee based on a percentage of room revenues. The franchisors have the right to periodically inspect the hotels to ensure that brand standards are maintained and provide advice with respect to hotel management and operations.

(b) These hotels operate under a management agreement with international hotel operators who manage and operate the hotels for a management fee calculated at a percentage of the hotel's gross revenues, in addition to an incentive fee based on performance.

(c) During October 2012, the Group acquired the operations of Al-Hamra Hotel - Jeddah for a consideration of SR 6 million. As a result, all the assets and liabilities of Al-Hamra Hotel operations have been included in the proforma consolidated financial information, while the results of operation have been included for the period from 1 October 2012 (the effective acquisition date) to 31 December 2012. The legal formalities to transfer certain assets have not been completed yet.

(d) Activity is still in the development stage.

Other hotels are operated by the Group and are not under a franchise or management agreement.

2 BASIS OF CONSOLIDATION

These proforma consolidated financial information include the assets, liabilities and results of operations of the Company and its subsidiary.

A subsidiary company is that in which the Company has a long term investment comprising an interest of more than 50% in the voting capital and/or over which it exerts practical control. A subsidiary company is consolidated from the date on which the Company obtains control until the date that control ceases.

All significant inter-group balances and amounts, as well as unrealized gains and losses arising from transactions with the subsidiary have been eliminated on consolidation.

3 ASSUMPTIONS AND RELATED ADJUSTMENTS

a) Assumptions

On 31 December 2012, the Company acquired Sparky's Land Amusement Toys ("Sparky's") - a sole proprietorship registered in the United Arab Emirates, from a related party for a total consideration of SR 88,831,069. The carrying value of the identifiable net assets of Sparky's at that date equals to SR 49,513,585. Accordingly, a goodwill of SR 39,317,484 has resulted from this acquisition (note 13), and such an acquisition has been financed through a long term loan from a local bank amounted to SR 88,831,069.

The Group has prepared the accompanying proforma consolidated financial information for years ended 31 December 2012, 2011 and 2010, to show the significant impact on the historical consolidated financial statements of the Company, had the acquisition of Sparky's took place at an earlier date (i.e. 1 January 2010).

Based on the above, the proforma consolidated financial information were impacted by the following major assumptions:

- The investment in Sparky's was assumed to be acquired on 1 January 2010, and such an acquisition has been financed through a long term loan from a local bank amounted to SR 88,831,069.
- The financial information of Sparky's were consolidated with the Company's financial information effective from 1 January 2010.
- Goodwill arising from the acquisition was assumed to remain constant at SR 39,317,484 during the years 2012, 2011 and 2010, and the resulting differences have been reported as other assets.
- The loan amount was assumed to remain constant during the years 2012, 2011 and 2010.
- The financial charges have been determined by using the actual borrowing rate of 4.21%, which is set in the loan agreement for the years 2012, 2011 and 2010.
- The accrued financial charges have been computed and shown under the accrued expenses on a cumulative basis for the years 2012, 2011 and 2010.

- Statutory reserve was determined based on the proforma consolidated financial information, taking into consideration the impact of Sparky's net results.
- Zakat was considered based on the audited financial statements of the Company for the years 2012, 2011 and 2010

b) Adjustments

Based on the assumptions set out in a) above, the following adjustments have been incorporated to the historical financial statements of the Group for the years ended 31 December 2012, 2011 and 2010:

BALANCE SHEET		2012 SR (Audited)	2012 SR (Adjustments/ reclassifications)	2012 SR (Proforma)
ASSETS				
CURRENT ASSETS				
Bank balances and cash		47,470,968	-	47,470,968
Accounts receivable		34,639,697	-	34,639,697
Prepayments and other current assets		50,135,634	-	50,135,634
Inventories		21,991,478	-	21,991,478
Amounts due from related parties		4,150,732	-	4,150,732
TOTAL CURRENT ASSETS		158,388,509	-	158,388,509
NON-CURRENT ASSETS				
Investments in associates		89,069,121	-	89,069,121
Projects under construction		15,329,446	-	15,329,446
Property and equipment		671,980,468	-	671,980,468
Goodwill		39,317,484	-	39,317,484
Other assets		-	26,852,025	26,852,025
TOTAL NON-CURRENT ASSETS		815,696,519	26,852,025	842,548,544
TOTAL ASSETS		974,085,028	26,852,025	1,000,937,053

Abdulmouhsen Al-Hokair Group for Tourism and Development Company

(A Saudi Joint Stock Company)

NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION – UNAUDITED

31 December 2012, 2011 and 2010

BALANCE SHEET	2012 SR (Audited)	2012 SR (Adjustments/ reclassifications)	2012 SR (Proforma)
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	62,050,554	-	62,050,554
Accrued expenses and other current liabilities	104,971,462	11,375,188	116,346,650
Bank borrowings and term loans	68,766,354	-	68,766,354
Current portion of obligations under capital leases	2,683,908	-	2,683,908
TOTAL CURRENT-LIABILITIES	238,472,278	11,375,188	249,847,466
NON-CURRENT LIABILITIES			
Term loans	130,320,790	-	130,320,790
Obligations under capital leases	403,364	-	403,364
Employees' terminal benefits	41,990,264	-	41,990,264
TOTAL NON-CURRENT LIABILITIES	172,714,418	-	172,714,418
TOTAL LIABILITIES	411,186,696	11,375,188	422,561,884
SHAREHOLDERS' EQUITY			
Share capital	407,511,000	-	407,511,000
Statutory reserve	83,950,175	1,550,528	85,500,703
Retained earnings	71,437,157	13,954,750	85,391,907
Foreign currency translation adjustment	-	(28,441)	(28,441)
TOTAL SHAREHOLDERS' EQUITY	562,898,332	15,476,837	578,375,169
TOTAL LIABILITIES AND EQUITY	974,085,028	26,852,025	1,000,937,053

Abdulmouhsen Al-Hokair Group for Tourism and Development Company

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NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION – UNAUDITED

31 December 2012, 2011 and 2010

INCOME STATEMENT	2012 SR (Audited)	2012 SR (Adjustments/ reclassifications)	2012 SR (Proforma)
REVENUES			
- Hotels	482,928,758	-	482,928,758
- Entertainment	273,002,777	41,277,262	314,280,039
- Others	14,420,663	-	14,420,663
TOTAL REVENUES	770,352,198	41,277,262	811,629,460
DIRECT COSTS			
- Hotels	(297,408,119)	-	(297,408,119)
- Entertainment	(172,348,829)	(26,301,336)	(198,650,165)
- Others	(5,662,094)	-	(5,662,094)
TOTAL DIRECT COSTS	(475,419,042)	(26,301,336)	(501,720,378)
GROSS PROFIT	294,933,156	14,975,926	309,909,082
EXPENSES			
Selling and marketing	(30,075,064)	(966,635)	(31,041,699)
General and administrative	(112,166,610)	(4,002,384)	(116,168,994)
TOTAL EXPENSES	(142,241,674)	(4,969,019)	(147,210,693)
INCOME FROM MAIN OPERATIONS	152,691,482	10,006,907	162,698,389
Share in net results of associates	27,889,523	-	27,889,523
Financial charges	(4,365,342)	(3,302,118)	(7,667,460)
Other income, net	7,253,035	291,855	7,544,890
INCOME FROM CONTINUING OPERATIONS	183,468,698	6,996,644	190,465,342
Income from discontinued operation	-	-	-
INCOME BEFORE ZAKAT	183,468,698	6,996,644	190,465,342
Zakat	(4,619,912)	-	(4,619,912)
NET INCOME FOR THE YEAR	178,848,786	6,996,644	185,845,430

Abdulmouhsen Al-Hokair Group for Tourism and Development Company

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NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION – UNAUDITED

31 December 2012, 2011 and 2010

BALANCE SHEET		2011 SR (Audited)	2011 SR (Adjustments/ reclassifications)	2011 SR (Proforma)
ASSETS				
CURRENT ASSETS				
Bank balances and cash		10,028,777	1,173,704	11,202,481
Accounts receivable		24,855,765	445,797	25,301,562
Prepayments and other current assets		33,157,699	1,756,895	34,914,594
Inventories		16,793,572	-	16,793,572
Amounts due from related parties		260,071,005	-	260,071,005
TOTAL CURRENT ASSETS		344,906,818	3,376,396	348,283,214
NON-CURRENT ASSETS				
Investments in associates		89,478,309	-	89,478,309
Projects under construction		39,365,598	-	39,365,598
Property and equipment		638,429,253	50,964,479	689,393,732
Goodwill		-	39,317,484	39,317,484
Other assets		-	16,534,776	16,534,776
TOTAL NON-CURRENT ASSETS		767,273,160	106,816,739	874,089,899
TOTAL ASSETS		1,112,179,978	110,193,135	1,222,373,113

Abdulmouhsen Al-Hokair Group for Tourism and Development Company

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NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION – UNAUDITED

31 December 2012, 2011 and 2010

BALANCE SHEET		2011 SR (Audited)	2011 SR (Adjustments/ reclassifications)	2011 SR (Proforma)
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable		81,896,301	3,345,477	85,241,778
Accrued expenses and other current liabilities		106,570,158	9,235,862	115,806,020
Bank borrowings and term loans		23,112,336	21,420	23,133,756
Current portion of obligations under capital leases		4,433,260	-	4,433,260
TOTAL CURRENT LIABILITIES		216,012,055	12,602,759	228,614,814
NON-CURRENT LIABILITIES				
Term loans		42,806,888	88,886,403	131,693,291
Obligations under capital leases		2,669,453	-	2,669,453
Employees' terminal benefits		32,642,821	217,221	32,860,042
TOTAL NON-CURRENT LIABILITIES		78,119,162	89,103,624	167,222,786
TOTAL LIABILITIES		294,131,217	101,706,383	395,837,600
SHAREHOLDERS' EQUITY				
Share capital		407,511,000	-	407,511,000
Statutory reserve		66,065,296	850,864	66,916,160
Retained earnings		344,472,465	7,657,770	352,130,235
Foreign currency translation adjustment		-	(21,882)	(21,882)
TOTAL SHAREHOLDERS' EQUITY		818,048,761	8,486,752	826,535,513
TOTAL LIABILITIES AND EQUITY		1,112,179,978	110,193,135	1,222,373,113

Abdulmouhsen Al-Hokair Group for Tourism and Development Company

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NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION – UNAUDITED

31 December 2012, 2011 and 2010

INCOME STATEMENT	2011 SR (Audited)	2011 SR (Adjustments/ reclassifications)	2011 SR (Proforma)
REVENUES			
- Hotels	428,551,473	-	428,551,473
- Entertainment	255,100,245	27,072,505	282,172,750
Others	11,864,204	-	11,864,204
TOTAL REVENUES	695,515,922	27,072,505	722,588,427
DIRECT COSTS			
- Hotels	(258,394,615)	-	(258,394,615)
- Entertainment	(168,310,800)	(14,800,633)	(183,111,433)
Others	(5,345,356)	-	(5,345,356)
TOTAL DIRECT COSTS	(432,050,771)	(14,800,633)	(446,851,404)
GROSS PROFIT	263,465,151	12,271,872	275,737,023
EXPENSES			
Selling and marketing	(24,539,575)	(993,871)	(25,533,446)
General and administrative	(97,800,015)	(2,648,937)	(100,448,952)
TOTAL EXPENSES	(122,339,590)	(3,642,808)	(125,982,398)
INCOME FROM MAIN OPERATIONS	141,125,561	8,629,064	149,754,625
Share in net results of associates	29,455,051	-	29,455,051
Financial charges	(7,652,260)	(3,791,729)	(11,443,989)
Other income, net	11,815,422	-	11,815,422
INCOME FROM CONTINUING OPERATIONS	174,743,774	4,837,335	179,581,109
Income from discontinued operation	-	-	-
INCOME BEFORE ZAKAT	174,743,774	4,837,335	179,581,109
Zakat	(3,800,000)	-	(3,800,000)
NET INCOME FOR THE YEAR	170,943,774	4,837,335	175,781,109

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NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION – UNAUDITED

31 December 2012, 2011 and 2010

BALANCE SHEET	2010 SR (Audited)	2010 SR (Adjustments/ reclassifications)	2010 SR (Proforma)
ASSETS			
CURRENT ASSETS			
Bank balances and cash	11,430,794	1,232,702	12,663,496
Accounts receivable	27,083,023	355,087	27,438,110
Prepayments and other current assets	41,079,770	1,575,216	42,654,986
Inventories	18,631,159	-	18,631,159
Amounts due from related parties	103,141,365	2,199,255	105,340,620
TOTAL CURRENT ASSETS	201,366,111	5,362,260	206,728,371
NON-CURRENT ASSETS			
Investments in associates	96,323,587	-	96,323,587
Projects under construction	66,190,885	3,042,689	69,233,574
Property and equipment	624,766,820	21,060,763	645,827,583
Goodwill	-	39,317,484	39,317,484
Other assets	-	28,728,603	28,728,603
TOTAL NON-CURRENT ASSETS	787,281,292	92,149,539	879,430,831
TOTAL ASSETS	988,647,403	97,511,799	1,086,159,202

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NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION – UNAUDITED

31 December 2012, 2011 and 2010

BALANCE SHEET	2010 SR (Audited)	2010 SR (Adjustments/ reclassifications)	2010 SR (Proforma)
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	61,323,783	229,641	61,553,424
Accrued expenses and other current liabilities	100,214,875	4,645,331	104,860,206
Bank borrowings and term loans	76,833,334	-	76,833,334
Current portion of obligations under capital leases	3,774,747	-	3,774,747
TOTAL CURRENT LIABILITIES	242,146,739	4,874,972	247,021,711
NON-CURRENT LIABILITIES			
Term loans	65,375,000	88,831,068	154,206,068
Obligations under capital leases	6,374,835	-	6,374,835
Employees' terminal benefits	27,645,842	145,360	27,791,202
TOTAL NON-CURRENT LIABILITIES	99,395,677	88,976,428	188,372,105
TOTAL LIABILITIES	341,542,416	93,851,400	435,393,816
SHAREHOLDERS' EQUITY			
Share capital	407,511,000	-	407,511,000
Statutory reserve	48,970,919	367,130	49,338,049
Retained earnings	190,623,068	3,304,169	193,927,237
Foreign currency translation adjustment	-	(10,900)	(10,900)
TOTAL SHAREHOLDERS' EQUITY	647,104,987	3,660,399	650,765,386
TOTAL LIABILITIES AND EQUITY	988,647,403	97,511,799	1,086,159,202

Abdulmouhsen Al-Hokair Group for Tourism and Development Company

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INCOME STATEMENT	2010 SR (Audited)	2010 SR (Adjustments/ reclassifications)	2010 SR (Proforma)
REVENUES			
- Hotels	383,586,469	-	383,586,469
- Entertainment	232,818,634	21,197,174	254,015,808
Others	11,433,716	-	11,433,716
TOTAL REVENUES	627,838,819	21,197,174	649,035,993
DIRECT COSTS			
- Hotels	(242,870,824)	-	(242,870,824)
- Entertainment	(161,912,458)	(10,973,419)	(172,885,877)
Others	(4,854,431)	-	(4,854,431)
TOTAL DIRECT COSTS	(409,637,713)	(10,973,419)	(420,611,132)
GROSS PROFIT	218,201,106	10,223,755	228,424,861
EXPENSES			
Selling and marketing	(22,886,876)	(585,574)	(23,472,450)
General and administrative	(88,044,542)	(1,685,541)	(89,730,083)
TOTAL EXPENSES	(110,931,418)	(2,271,115)	(113,202,533)
INCOME FROM MAIN OPERATIONS	107,269,688	7,952,640	115,222,328
Share in net results of associates	25,838,354	-	25,838,354
Financial charges	(9,286,151)	(4,281,341)	(13,567,492)
Other income, net	4,280,396	-	4,280,396
INCOME FROM CONTINUING OPERATIONS	128,102,287	3,671,299	131,773,586
Income from discontinued operation	10,108,659	-	10,108,659
INCOME BEFORE ZAKAT	138,210,946	3,671,299	141,882,245
Zakat	(2,752,180)	-	(2,752,180)
NET INCOME FOR THE YEAR	135,458,766	3,671,299	139,130,065

4 SIGNIFICANT ACCOUNTING POLICIES

The proforma consolidated financial information have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted by the Group are as follows:

Accounting convention

The accompanying proforma consolidated financial information have been prepared under the historical cost convention.

Use of estimates

The preparation of the proforma consolidated financial information in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the proforma consolidated financial information and the reported amounts of revenues and expenses during the reporting period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Accounts receivable

Accounts receivable are stated at original invoice amount less provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the amount is no longer probable. Bad debts are written off as incurred.

Inventories

Inventories are stated at lower of cost or estimated net realizable value. Cost is determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business less any cost to complete the selling process. Appropriate provision is made for slow moving inventories, if any.

Investments in associates

The Group's investments in associates are accounted for under the equity method of accounting. These are entities over which the Group exercises significant influence and which are neither subsidiaries nor joint ventures. Investments in associates are carried in the proforma consolidated balance sheet at cost, adjusted by post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The proforma consolidated statement of income reflects the Group's share of the net results of its associates.

Unrealized profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss of the Group's investment in its associates. The Group determines at each proforma consolidated balance date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognizes the impairment amount in the proforma consolidated statement of income.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any impairment in value. The cost less estimated residual value of property and equipment is depreciated on a straight line basis over the estimated useful lives of the assets.

Leasehold improvements are amortized on a straight-line basis over the shorter of the useful life of the improvement or the term of the lease, assuming that it will be renewed.

Expenditure for repair and maintenance are recognized in the proforma consolidated statement of income. Betterments that increase the value or materially extend the life of the related assets are capitalized.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Goodwill

Goodwill is initially recognized at cost being the excess of the value determined for the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity. Following initial recognition, the goodwill is measured at cost less any accumulated impairment losses.

Impairment of non-current assets

The Group periodically reviews the carrying amounts of its long term tangible and intangible assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

If the recoverable amount of the asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. Impairment is recognized in the proforma consolidated statement of income.

Where impairment subsequently reverses, except for goodwill, the carrying amount of the asset or the cash generating unit is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognized for the asset or cash generating unit in prior years. A reversal of impairment is recognized immediately in the proforma consolidated statement of income.

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognized when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably.

Leases

Operating leases

Rentals payments under operating leases are charged to the proforma consolidated statement of income on a straight line basis over the term of the operating lease.

Capital leases

Capital leases and, sale and leaseback transactions are classified as capital leases whenever the terms of the lease indicate a substantial transfer of all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under capital leases are recognized as assets of the Group within property, plant and equipment at the lower of the present value of the minimum lease payments and the fair market value of the assets at the inception of the lease.

Finance costs, which represent the difference between the total lease commitments and the lower of the present value of the minimum lease payments and the fair market value of the assets at the inception of the lease, are charged to the proforma consolidated statement of income over the term of the relevant lease in order to produce a constant periodic rate of return on the remaining balance of the obligations for each accounting period.

Gains from increase of selling price over the book value of sale and leaseback transactions are deferred and amortized using the straight line method over the lease term.

Zakat

Zakat is provided for in accordance with Saudi Arabian fiscal regulations. The provision is recognized in the proforma consolidated statement of income.

The Group withholds taxes on certain transactions with non-resident parties, as applicable, in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

Employees' terminal benefits

Provision is made for amounts payable to the Company's employees under the Saudi Arabian labor law (for the subsidiary, the United Arab Emirates law) applicable to employees' accumulated periods of service at the proforma consolidated balance sheet date.

Statutory reserve

As required by Saudi Arabian Regulations for Companies, 10% of the Company's net income for the year is transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the share capital. The reserve is not available for distribution.

Revenue recognition

Hotel rooms' revenue is recognized when services are performed, and / or food and beverage are provided to customers. Entertainment revenue is recognized when earned.

Other income is recognized when earned.

Foreign currencies

Transactions

Transactions in foreign currencies are recorded in Saudi Riyals at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the proforma consolidated balance sheet date. All differences are recognized in the proforma consolidated statement of income.

Foreign currency translations

Financial statements of foreign operations are translated into Saudi Riyals using the exchange rate at each proforma consolidated balance sheet date, for assets and liabilities, and the average exchange rate for each year for the proforma consolidated revenues, expenses, gains and losses. Components of consolidated of equity, other than retained earnings, are translated at the rate ruling at the date of occurrence of each component. Translation adjustments are recorded as a separate component of shareholders' equity.

Expenses

Selling and marketing expenses are those that specifically relate to salesmen and marketing activities. All other expenses except for financial charges are classified as general and administrative expenses.

Segmental reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

Dividends

Final dividends are recognized as a liability at the time of their approval by the General Assembly. Interim dividends are recorded as and when approved by the Board of Directors.

Discontinued operations

A discontinued operation is a clearly distinguishable component of the Group's business that is abandoned or terminated pursuant to a single plan, and which represents a separate line of business.

5 BANK BALANCES AND CASH

	2012 SR	2011 SR	2010 SR
Bank balances	45,127,340	8,946,226	10,190,590
Cash in hand	2,343,628	2,256,255	2,472,906
	47,470,968	11,202,481	12,663,496

6 ACCOUNTS RECEIVABLE

	2012 SR	2011 SR	2010 SR
Trade accounts receivable	41,911,714	27,166,689	32,011,001
Less: provision for doubtful debts	(7,272,017)	(1,867,127)	(4,572,891)
	34,639,697	25,301,562	27,438,110

The movement in the provision for doubtful debts is as follows:

	2012 SR	2011 SR	2010 SR
At the beginning of the year	1,865,127	4,572,891	6,952,770
Addition from an acquisition (note 1- c)	4,758,274	-	-
Charge for the year (note 21)	926,948	5,085,652	1,459,973
Amounts written off during the year	(278,332)	(7,793,416)	(3,839,852)
At the end of the year	7,272,017	1,865,127	4,572,891

7 PREPAYMENTS AND OTHER CURRENT ASSETS

	2012 SR	2011 SR	2010 SR
Prepaid expenses	18,212,264	16,309,093	14,186,023
Advances to suppliers	18,801,682	7,213,471	11,359,168
Unbilled revenue	3,946,566	2,753,779	4,805,267
Employees' receivable	2,975,042	2,704,814	4,135,605
Prepaid franchise fees	1,005,819	1,173,733	2,971,112
Other current assets	5,194,261	4,759,704	5,197,811
	50,135,634	34,914,594	42,654,986

8 INVENTORIES

	2012 SR	2011 SR	2010 SR
Spare parts	7,072,107	6,949,228	6,294,458
Materials and supplies	5,604,317	4,571,787	6,236,620
Toys	3,850,339	1,953,002	2,416,927
Food and beverage	2,790,504	1,684,157	1,945,318
Others	4,852,628	3,867,322	3,861,899
	24,169,895	19,025,496	20,755,222
Less: provision for slow moving inventories	(2,178,417)	(2,231,924)	(2,124,063)
	21,991,478	16,793,572	18,631,159

The movement in the provision for slow moving inventories is as follows:

	2012 SR	2011 SR	2010 SR
At the beginning of the year	2,231,924	2,124,063	2,124,063
Charge for the year	38,420	107,861	-
Amounts written off during the year	(91,927)	-	-
At the end of the year	2,178,417	2,231,924	2,124,063

9 RELATED PARTY TRANSACTIONS AND BALANCES

a) Related party transactions

The following are the details of major related party transactions during the years:

Related Party	Nature of transaction	Amount of transaction		
		2012 SR	2011 SR	2010 SR
Shareholder	Transfer of property and equipment, net (note 12)	30,144,362	2,752,582	267,647
	Rent expense (a)	30,344,604	24,603,042	21,614,560
	Rental revenue (note 24)	5,372,464	4,567,403	-
	Management fees income (b)	3,297,635	3,034,410	2,573,556
	Sale of property and equipment	3,114,042	1,741,258	-
	Professional fees expense (c)	1,560,000	-	-
Board members	Salaries and related benefits (d)	1,350,000	2,160,000	2,160,000

(a) The Group operates hotels, where its properties are owned by a shareholder, who charges rent for leasing of these properties.

(b) The amount relates to management services provided by the Group for two entertainment centers owned by related parties.

(c) The amount represents fees charged by the Principal Shareholder (Abdulmouhsen Abdulaziz Al-Hokair Group Establishment –Riyadh Plastic Factory"AHG") for project management services provided to the Group.

(d) Salaries and related benefits of SR 1.2 million (2011: SR 2.2 million and 2010: SR 2.2 million) were paid to two members of the board, who are involved in the management of the Group.

Related party balances

The following are the details of related party balances as at 31 December:

Amounts due from related parties

	2012 SR	2011 SR	2010 SR
AHG - (a)	-	254,145,168	105,219,029
Tarfeeh Company for Tourism Projects (an associate)	894,780	1,350,465	-
Asateer Company for Entertainment Projects Limited (an associate)	2,906,566	1,586,820	-
Others	349,386	2,988,552	121,591
	4,150,732	260,071,005	105,340,620

Amounts due to related parties

	2012 SR	2011 SR	2010 SR
AHG - (a)	1,636,080	-	-
Al Qaseem Trading Company Limited (an associate)	2,263,964	1,933,237	-
Others	-	380,531	655,926
	3,900,044	2,313,768	655,926

(a) This balance represents cash from/to the Principal Shareholder, in addition to other transactions.

Amounts due from / to related parties are shown in the proforma consolidated balance sheet and note 14, respectively.

10 INVESTMENTS IN ASSOCIATES

Investments in associates represent equity investments (through direct ownership) in the following companies, all are registered in the Kingdom of Saudi Arabia:

	Ownership %			2012 SR	2011 SR	2010 SR
	2012	2011	2010			
Tourism and Real Estate Development	48.5	48.5	48.5	58,587,288	68,664,947	59,565,734
Al Qaseem Trading Company Limited	50.0	50.0	50.0	20,449,496	8,339,029	17,510,985
Asateer Company for Entertainment Projects Limited	50.0	50.0	50.0	7,670,688	8,446,604	11,094,950
Tarfeeh Company for Tourism and Projects Limited	50.0	50.0	50.0	2,361,649	4,027,729	6,606,530
Food and Distribution Company Limited (a)	-	-	50.0	-	-	1,545,388
				89,069,121	89,478,309	96,323,587

The movement in the investments in associates is as follows:

	2012 SR	2011 SR	2010 SR
At the beginning of the year	89,478,309	96,323,587	114,775,156
Share in net results	27,889,523	29,455,051	25,838,354
Dividends received	(28,298,711)	(30,424,522)	(33,362,374)
Write off of advances upon sale of associate (a)	-	(1,745,388)	-
Others	-	(4,130,419)	(10,927,549)
At the end of the year	89,069,121	89,478,309	96,323,587

(a) During the year ended 31 December 2011, the Group sold its investment in Food and Distribution Company Limited, resulting in a net loss of SR 745,388 (note 22).

11 PROJECTS UNDER CONSTRUCTION

Projects under construction represent construction costs of various leased operating hotels and entertainment sites. Movement in the projects under construction is as follows:

	2012 SR	2011 SR	2010 SR
At the beginning of the year	39,365,598	69,233,574	38,134,070
Additions during the year	15,792,803	36,874,715	38,357,303
Transfer to property and equipment (note 12)	(39,828,955)	(66,742,691)	(7,257,799)
At the end of the year	15,329,446	39,365,598	69,233,574

During the years 2010 to 2012, no construction work has been conducted on the hotel project in Haqel city- which is part of the above balance. Total cost is SR 5.3 million (2011 and 2010: SR 5.3 million). The Group's management is planning to complete this project in the near future.

12 PROPERTY AND EQUIPMENT

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Leasehold improvements	Shorter of 20 years or the lease period	Air conditioners	4 to 8 years
Machinery and equipment	4 to 10 years	Computers	4 years
Furniture and fixture	4 to 10 years	Tools	3 to 10 years
Motor vehicles	4 to 5 years		

	Leasehold improvements SR	Machinery and equipment SR	Furniture and fixture SR	Motor vehicles SR	Air conditioners SR	Computers SR	Tools SR	Total 2012 SR
Cost:								
At the beginning of the year	494,769,859	474,968,206	128,202,472	27,444,292	27,184,411	17,049,577	80,986,080	1,250,604,897
Additions	25,768,990	31,471,222	6,008,212	3,085,335	2,089,861	2,279,522	6,958,455	77,661,597
Disposals	(2,225,227)	(7,255,720)	(4,676,469)	(647,960)	(579,930)	(495,377)	(1,880,237)	(17,760,920)
Transfer from/to related parties, net	(43,133,841)	(17,912)	1,013,323	800,800	731,867	304,731	7,932,261	(32,368,771)
Transfer from projects under construction (note 11)	28,248,028	-	5,073,697	-	4,014,372	70,097	2,422,761	39,828,955
At the end of the year	503,427,809	499,165,796	135,621,235	30,682,467	33,440,581	19,208,550	96,419,320	1,317,965,758
Depreciation:								
At the beginning of the year	123,845,960	271,997,241	92,062,590	21,605,561	11,331,433	9,905,937	30,462,443	561,211,165
Charge for the year	26,731,708	36,884,322	17,465,496	2,578,794	3,748,787	3,309,352	8,807,768	99,526,227
Disposals	(228,272)	(4,406,905)	(4,584,895)	(640,209)	(570,438)	(409,081)	(1,684,159)	(12,523,959)
Transfer from/to related parties, net	(12,022,787)	(551,763)	1,105,033	685,529	668,411	258,059	7,633,109	(2,224,409)
Foreign currency translation adjustment	(694)	(2,628)	(374)	(38)	-	-	-	(3,734)
At the end of the year	138,325,915	303,920,267	106,047,850	24,229,637	15,178,193	13,064,267	45,219,161	645,985,290
Net book values:								
At 31 December 2012	365,101,894	195,245,529	29,573,385	6,452,830	18,262,388	6,144,283	51,200,159	671,980,468

During the year 2010, the Group has entered into a facility agreement with a local financial institution presented by a sale and lease back agreement for certain assets in the Group. As at 31 December 2012, the net book value of these assets is SR 6,620,383. In addition, property and equipment include assets leased under capital lease agreement with a net book value of SR 2,851,322 as at 31 December 2012.

The above assets are placed on land and buildings that are leased from the Principal Shareholder of the Group, related parties and third parties.

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Leasehold improvements	Shorter of 20 years or the lease period	Air conditioners	4 to 8 years
Machinery and equipment	4 to 10 years	Computers	4 years
Furniture and fixture	4 to 10 years	Tools	3 to 10 years
Motor vehicles	4 to 5 years		

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	Leasehold improvements SR	Machinery and equipment SR	Furniture and fixture SR	Motor Vehicles SR	Air conditioners SR	Computers SR	Tools SR	Total 2011 SR
Cost:								
At the beginning of the year	428,525,291	439,813,554	113,870,431	26,557,275	21,955,409	14,988,243	70,167,593	1,115,877,796
Additions	31,977,640	33,370,746	5,687,102	833,361	158,830	2,087,720	1,814,448	75,929,847
Disposals	-	(8,456,490)	(2,700)	(228,214)	-	-	(147,488)	(8,834,892)
Transfer from/to related parties, net	(2,732,787)	7,435,795	(48,804)	(293,850)	(291,086)	(204,617)	(2,975,196)	889,455
Transfer from projects under construction (note 11)	36,999,715	140,000	8,705,228	575,720	7,149,533	1,045,772	12,126,723	66,742,691
At the end of the year	494,769,859	472,303,605	128,211,257	27,444,292	28,972,686	17,917,118	80,986,080	1,250,604,897
Depreciation:								
At the beginning of the year	100,175,677	238,582,280	72,254,472	19,027,179	9,105,956	6,959,317	23,945,332	470,050,213
Charge for the year	24,908,991	36,023,084	19,821,412	2,916,048	4,095,093	3,395,720	7,499,202	98,659,550
Disposals	-	(5,424,671)	(748)	(200,424)	-	-	(5,483)	(5,631,326)
Transfers from/ to related parties, net	(1,237,837)	669,753	(9,959)	(137,193)	(81,414)	(89,869)	(976,608)	(1,863,127)
Foreign currency translation adjustment	(871)	(2,842)	(382)	(50)	-	-	-	(4,145)
At the end of the year	123,845,960	269,847,604	92,064,795	21,605,560	13,119,635	10,265,168	30,462,443	561,211,165
Net book values:								
At 31 December 2011	370,923,899	202,456,001	36,146,462	5,838,732	15,853,051	7,651,950	50,523,637	689,393,732

During the year 2010, the Group has entered into a facility agreement with a local financial institution presented by a sale and lease back agreement for certain assets in the Group. As at 31 December 2011, the net book value of these assets is SR 8,159,527. In addition, property and equipment include assets leased under capital lease agreement with a net book value of SR 3,829,052 as of 31 December 2011.

The above assets are placed on land and buildings that are leased from the Principal Shareholder of the Group, related parties and third parties.

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Leasehold improvements	Shorter of 20 years or the lease period	Air conditioners	4 to 8 years
Machinery and equipment	4 to 10 years	Computers	4 years
Furniture and fixture	4 to 10 years	Tools	3 to 10 years
Motor vehicles	4 to 5 years		

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	Leasehold improvements SR	Machinery and equipment SR	Furniture and fixture SR	Motor Vehicles SR	Air conditioners SR	Computers SR	Tools SR	Total 2010 SR
Cost:								
At the beginning of the year	383,332,466	461,416,100	110,944,626	20,855,867	20,621,568	10,975,774	15,244,429	1,023,390,830
Additions	29,197,864	29,637,168	9,278,513	5,733,729	1,247,149	4,790,563	4,867,197	84,752,183
Addition from a proforma acquisition (note 3)	9,368,821	13,829,840	998,975	122,910	-	-	-	24,320,546
Disposals	-	(23,590,151)	-	(150,231)	-	-	(16,422)	(23,756,804)
Transfer from/ to related parties, net	181,888	(47,870,955)	(1,040,809)	(5,000)	38,940	(778,094)	49,387,272	(86,758)
Transfer from projects under construction (note 11)	6,852,811	-	404,988	-	-	-	-	7,257,799
At the end of the year	428,933,850	433,422,002	120,586,293	26,557,275	21,907,657	14,988,243	69,482,476	1,115,877,796
Depreciation:								
At the beginning of the year	77,825,159	217,071,423	58,589,144	16,679,016	5,600,064	4,547,932	6,972,372	387,285,110
Charge for the year	21,736,342	33,558,438	18,166,658	2,355,217	3,436,407	2,824,025	6,588,904	88,665,991
Addition from a proforma acquisition (note 3)	616,437	1,989,793	178,889	39,653	-	-	-	2,824,772
Disposals	-	(8,853,732)	-	(46,664)	-	-	(3,066)	(8,903,462)
Transfer from/ to related parties, net	146,704	(8,610,368)	(725,218)	-	33,103	(412,640)	9,749,308	180,889
Foreign currency translation adjustment	(690)	(2,130)	(224)	(43)	-	-	-	(3,087)
At the end of the year	100,323,952	235,153,424	76,209,249	19,027,179	9,069,574	6,959,317	23,307,518	470,050,213
Net book values:								
At 31 December 2010	328,609,898	198,268,578	44,377,044	7,530,096	12,838,083	8,028,926	46,174,958	645,827,583

During the year 2010, the Group has entered into a facility agreement with a local financial institution presented by a sale and lease back agreement for certain assets in the Group. As at 31 December 2010, the net book value of these assets is SR 9,690,477 million. In addition, property and equipment include assets leased under capital lease agreement with a net book value of SR 4,274,698 as of 31 December 2010.

The above assets are placed on land and buildings that are leased from the Principal Shareholder of the Group, related parties and third parties.

13 GOODWILL

Goodwill represents the excess of the purchase consideration over the fair value of net assets value of Sparky's Land Amusement Toys (note 3). The Group has provisionally accounted for the transaction based on the carrying values of the assets and liabilities as of the acquisition date, which is summarized below:

	Carrying value of net assets on acquisition
	SR
ASSETS	
Cash and cash equivalents	1,696,772
Rent receivable and other receivables	4,811,335
Property and equipment	55,262,818
TOTAL ASSETS	61,770,925
LIABILITIES	
Accounts payable and other payables	2,504,135
Due to related parties	9,215,464
Term loan	55,339
Employees' terminal benefits	482,402
TOTAL LIABILITIES	12,257,340
Total identifiable net assets acquired	49,513,585
Goodwill arising on acquisition	39,317,484
Purchase consideration	88,831,069
Cash outflow on acquisition:	
Net cash acquired of the subsidiary	1,798,671
Cash paid	(88,831,069)
Net cash outflow	(87,032,398)

The Group is currently in the process of allocating the purchase consideration to the identifiable assets, liabilities and contingent liabilities acquired. Accordingly, the goodwill may be revised to affect the change in the provisional amounts recognized for assets and liabilities acquired as mentioned above.

14 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2012 SR	2011 SR	2010 SR
Accrued expenses	57,409,286	53,056,133	46,944,612
Accrued employees' benefits	27,326,585	24,263,716	24,528,277
Unearned revenue	13,152,275	14,946,734	15,011,802
Zakat payable (note 15)	7,808,461	9,562,995	5,762,995
Accrued franchise fees	6,329,971	10,457,462	9,057,462
Amounts due to related parties (note 9)	3,900,044	2,313,768	655,926
Others	420,028	1,205,212	2,899,132
	116,346,650	115,806,020	104,860,206

15 ZAKAT

Movement in the zakat provision is as follows:

	2012 SR	2011 SR	2010 SR
At the beginning of the year	9,562,995	5,762,995	3,010,815
Provided during the year	4,619,912	3,800,000	2,752,180
Paid during the year	(6,374,446)	-	-
At the end of the year	7,808,461	9,562,995	5,762,995

Status of assessments

During the year 2012, the Company has filed its zakat returns for the years from 2007 to 2011. The Company does not have any final zakat assessment yet.

16 BANK BORROWINGS AND TERM LOANS

Term loans have been obtained from local banks and are secured by promissory notes and personal guarantees from certain shareholders. These facilities carry borrowing costs at commercial interest rates.

The following is a summary of term loans as at 31 December:

	2012 SR	2011 SR	2010 SR
Short term loans	17,019,039	6,719,344	25,000,000
Current portion of term loans	51,747,315	16,414,412	51,833,334
	68,766,354	23,133,756	76,833,334
Non-current portion of term loans	130,320,790	131,693,291	154,206,068
	199,087,144	154,827,047	231,039,402

The term loans agreements contain covenants regarding certain leverage ratio, current ratio, total debt to equity ratio, and others. Under the terms of these agreements, the banks have the right to demand immediate repayment of the loans if any of the covenants are not met.

17 OBLIGATIONS UNDER CAPITAL LEASES

Minimum annual rentals for the five years subsequent to the proforma consolidated balance sheet date and in aggregate are:

	2012 SR	2011 SR	2010 SR
Within 1 year	2,787,753	4,909,078	4,507,038
Later than 1 year not later than 2 years	358,705	2,648,056	4,575,384
Later than 2 year not later than 5 years	47,970	124,809	2,347,854
Minimum lease payments under capital lease contracts	3,194,428	7,681,943	11,430,276
Less: estimated amounts representing financial charges	(107,156)	(579,230)	(1,280,694)
Present value of minimum lease rental payments	3,087,272	7,102,713	10,149,582
Less: current portion	(2,683,908)	(4,433,260)	(3,774,747)
	403,364	2,669,453	6,374,835

18 SHARE CAPITAL

Share capital is divided into 40,751,100 shares (2011 and 2010: 40,751,100 shares) of SR 10 each. The share capital is allocated among the following shareholders:

Shareholders	Ownership			Share capital		
		%			SR	
	2012	2011	2010	2012	2011	2010
Abdulmouhsen Al-Hokair and Sons Holding Company	45.00	50.00	50.00	183,379,950	203,755,500	203,755,500
Tourism Opportunities Commercial Company	35.00	-	-	142,628,850	-	-
Mr. Abdulmouhsen Bin Abdul Aziz Al-Hokair (*)	17.81	47.81	47.81	72,577,710	194,831,010	194,831,010
Mr. Bandar Bin Khalid Bin Abdulmouhsen Al-Hokair	0.73	0.73	0.73	2,974,830	2,974,830	2,974,830
Mr. Bader Bin Khalid Bin Abdulmouhsen Al-Hokair	0.73	0.73	0.73	2,974,830	2,974,830	2,974,830
Mr. Ahmad Bin Khalid Bin Abdulmouhsen Al-Hokair	0.73	0.73	0.73	2,974,830	2,974,830	2,974,830
	100.00	100.00	100.00	407,511,000	407,511,000	407,511,000

(*) The rights and obligations associated with the shares of Abdulmouhsen Bin Abdul Aziz Al-Hokair that comprise 17.81% as at 31 December 2012 (2011 and 2010: 47.81%) have been assigned to AHG.

During the year 2012, Tourism Opportunities Commercial Company has acquired 35% ownership interest in the Company through acquiring the shares of certain existing shareholders.

19 REVENUES

Revenues for the hotels business segment comprised of the following:

	2012 SR	2011 SR	2010 SR
Rooms	307,872,729	278,902,021	248,092,600
Food and beverage	147,508,623	129,496,995	120,887,845
Other	27,547,406	20,152,457	14,606,024
	482,928,758	428,551,473	383,586,469

20 SELLING AND MARKETING EXPENSES

	2012 SR	2011 SR	2010 SR
Gifts, promotions and advertisement	13,416,760	9,503,786	9,131,241
Salaries and related benefits	8,390,813	6,506,667	6,439,835
Marketing fees (*)	5,604,645	5,283,481	4,840,955
Other	3,629,481	4,239,512	3,060,419
	31,041,699	25,533,446	23,472,450

(*) Certain franchise agreements require the Group to pay certain percentages of the hotels revenue for the marketing activities provided by the franchisor.

21 GENERAL AND ADMINISTRATIVE EXPENSES

	2012 SR	2011 SR	2010 SR
Salaries and related benefits	77,824,806	63,173,138	62,154,735
Professional fees	3,684,413	1,404,598	1,629,778
Utilities	3,682,492	2,410,903	2,374,478
Rent	3,458,888	4,746,852	4,674,708
Maintenance	3,395,177	2,840,277	1,951,817
Bank charges	2,908,926	2,266,505	2,370,731
Travel	2,452,220	1,532,390	1,566,581
Pre-opening expenses	2,364,643	3,045,598	-
Insurance	1,988,810	2,014,099	1,852,655
Government fees	973,974	1,223,968	854,138
Provision for doubtful debts (note 6)	926,948	5,085,652	1,459,973
Other	12,507,697	10,704,972	8,840,489
	116,168,994	100,448,952	89,730,083

22 OTHER INCOME, NET

	2012 SR	2011 SR	2010 SR
Gain on the sale of property and equipment, net	6,642,587	9,411,690	4,093,596
Reversal of excessive accruals	-	2,155,467	-
Loss from sale of investment in associate (note 10)	-	(745,388)	-
Other	902,303	993,653	186,800
	7,544,890	11,815,422	4,280,396

23 EARNINGS PER SHARE

Earnings per share attributable to income from main operations and net income for the year are calculated by dividing income from main operations and net income for the year, respectively, by the number of outstanding shares as at 31 December of 40,751,100.

24 INCOME FROM DISCONTINUED OPERATION

During the year ended 31 December 2011, the Group transferred one of the Hotel's divisions (the Health Club Division) to AHG at carrying value, effective from 1 January 2011. Accordingly, the Health Club Division has been considered as discontinued operations.

Following are the component of income from operation of the Health Club Division:

	2012 SR	2011 SR	2010 SR
Revenue	-	-	15,252,095
Direct cost	-	-	(5,143,436)
	-	-	10,108,659

Subsequent to the transfer of the Division, the Group charges rent to the Principal Shareholder for the space used by this Division in the hotels (note 9).

25 SEGMENTAL INFORMATION

The Group's operations comprise of the following major business segments:

- Hotels: engaged in hotel, tourism, health resorts, furnished apartments, restaurants and cafes.
- Entertainment: engaged in establishing, administration, operation and maintenance of fun cities, entertainment centers, parks and gardens.
- Other: include the operations of head office, commercial center and other segments.

The Group's main financial information by business segment is as follows:

31 December 2012

	Hotels	Entertainment	Others	Eliminations	Total
	SR	SR	SR	SR	SR
Revenues	482,928,758	314,654,176	17,062,655	(3,016,129)	811,629,460
Gross profit	185,520,639	115,629,874	8,758,569	-	309,909,082
Property and equipment	316,653,137	353,892,676	1,434,655	-	671,980,468
Total assets	848,357,152	473,408,236	99,186,103	(420,014,438)	1,000,937,053
Total liabilities	123,200,125	68,203,499	651,172,698	(420,014,438)	422,561,884

31 December 2011

	Hotels	Entertainment	Others	Eliminations	Total
	SR	SR	SR	SR	SR
Revenues	428,551,473	283,085,643	14,506,200	(3,554,889)	722,588,427
Gross profit	170,156,858	99,061,317	6,518,848	-	275,737,023
Property and equipment	296,601,165	391,828,170	964,397	-	689,393,732
Total assets	786,441,736	742,066,253	225,929,706	(532,064,582)	1,222,373,113
Total liabilities	204,208,159	74,269,642	649,424,381	(532,064,582)	395,837,600

31 December 2010

	Hotels	Entertainment	Others	Eliminations	Total
	SR	SR	SR	SR	SR
Revenues	383,586,469	255,071,904	14,075,708	(3,698,088)	649,035,993
Gross profit	140,715,645	81,129,931	6,579,285	-	228,424,861
Property and equipment	266,903,376	377,599,737	1,324,470	-	645,827,583
Total assets	697,887,905	689,773,306	255,611,504	(557,113,513)	1,086,159,202
Total liabilities	147,138,225	130,182,826	715,186,278	(557,113,513)	435,393,816

Vast majority of the Group’s business segments operate within the Kingdom of Saudi Arabia.

26 COMMITMENTS AND CONTINGENCIES

Capital commitments

As at 31 December 2012, the Group has capital commitments of SR 4.1 million (2011: SR 4.8 million and 2010: SR 16.2 million).

Operating lease commitments – as lessee

The Group has various operating leases for hotels and others. Rental expenses for the year ended 31 December 2012 approximates SR 134 million (2011: SR 120 million and 2010: SR 116 million).

Operating lease payments are recognised as an expense in the proforma consolidated statement of income on a straight-line basis over the lease term. The future minimum lease payments under non-cancellable operating leases are as follows:

	2012 SR	2011 SR	2010 SR
Not later than 1 year	123,334,792	93,324,307	94,644,177
Later than 1 year but not later than 5 year	513,368,409	316,763,417	243,927,255
Later than 5 years	606,353,179	414,214,109	432,899,471
	1,243,056,380	824,301,833	771,470,903

Contingencies

(a) As at 31 December 2012, the Group had an outstanding letters of guarantee and credit amounting to SR 38.7 million (2011: SR 4.7 million and 2010: SR 16.2 million).

(b) During 2010, a landlord of a hotel under an operating lease, filed a legal claim against the Group for the settlement of the annual lease of one of its hotels. The ultimate outcome of this matter is uncertain at this stage. However, the Group accrued for the annual lease amount for the years until 2012 in the accompanying proforma consolidated financial information.

27 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Financial instruments comprise of financial assets and financial liabilities. The Group's financial assets consist of bank balances and cash, receivables and certain other assets and its financial liabilities consist of bank borrowings and term loans, payables, and certain other liabilities.

The fair values of financial instruments are not materially different from their carrying values at the proforma consolidated balance sheet date.

28 RISK MANAGEMENT

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Group is subject to interest rate risk on its interest bearing liabilities, including bank borrowings and term loans.

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables. At the proforma consolidated balance sheet date, no significant concentrations of credit risk were identified by management.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Group uses foreign currencies, mainly UAE Dirham, US Dollar, and Euro. The Group is not exposed to significant currency risk as the Saudi Riyal is pegged to the US Dollar. Balances in other currencies are not considered to represent significant currency risk.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Group manages its liquidity and negative working capital by ensuring bank facilities are available.

29 DIVIDENDS DECLARATION AND APPROVAL

In December 2012, the Board of Directors has approved the payment of interim cash dividends amounted to SR 87.6 million. This will be ratified by the shareholders at their Annual General Assembly Meeting in 2013.

In addition, during 2012, the shareholders at their general assembly meeting approved the dividends distribution of SR 346.4 million, to be settled through the Principal Shareholder's current account.

During 2010, the shareholders at their general assembly meeting approved the dividends distribution of SR 40.8 million, to be settled through the Principal Shareholder's current account.

مجموعة الحكير
al hokair group