

# Rights Issue Prospectus

## Tourism Enterprise Company (TECO)

Tourism Enterprise Company (TECO) is a Saudi Joint Stock Company incorporated by Ministerial Resolution No. (819), dated 23/09/1411H (corresponding to 09/04/1991G) with Commercial Registration No. (2050021572) issued from Dammam dated 20/01/1412H (corresponding to 01/08/1991G)

Offering of fifty-two million five hundred sixty-six thousand nine hundred thirty (52,566,930) ordinary shares at an offer price of ten (10) Saudi Riyals per share through issuing rights shares with a total value of five hundred twenty-five million six hundred sixty-nine thousand three hundred (525,669,300) Saudi Riyals, which represents an increase by (1000%) in the Company's capital. The Company's capital reached five hundred seventy-eight million two hundred thirty-six thousand two hundred thirty (578,236,230) Saudi Riyals.



**Trading Period: Starts from 03/05/1444H (corresponding to 27/11/2022G) until 10/05/1444H (corresponding to 04/12/2022G)**  
**Offering Period: Starts from 03/05/1444H (corresponding to 27/11/2022G) until 13/05/1444H (corresponding to 07/12/2022G)**

### Financial Advisor

**wasatah capital**  
وساطة كابيتال



### Lead Manager

**مجموعة النفيعي للإستثمار**  
**AL-NEFAEY INVESTMENT GROUP**



### Underwriters

**wasatah capital**  
وساطة كابيتال



Tourism Enterprise Company (hereinafter referred to as the "Company" or "TECO"), was incorporated as a Saudi Joint Stock Company by Ministerial Resolution No. (819), dated 23/09/1411H (corresponding to 09/04/1991G) and Commercial Registration No. (2050021572), issued by the Commercial Registration Office in Dammam, under the audited Memorandum of Association at the Ministry of Commerce and attested by the notary public in Dammam with No. (44/307/1/303), Statement (65) to (75) for 1411H, dated 07/09/1411H (corresponding to 24/03/1991G). The Company's capital, upon incorporation, is one hundred one million five hundred thousand (101,500,000) Saudi Riyals, divided into one million fifteen thousand (1,015,000) equal shares with a nominal value per share is one hundred (100) Saudi Riyals. All are ordinary cash shares distributed among one hundred twenty-two (122) shareholders, all are Saudi companies and individuals. The Company's head office is located in Dammam, Half Moon Bay, P.O. Box: (8383), Postal Code: (31482). The Company's current capital is fifty-two million five hundred sixty-six thousand nine hundred thirty (52,566,930) Saudi Riyals, divided into five million two hundred fifty-six thousand nine hundred ninety-three (5,256,693) ordinary cash shares, the value of each is (10) Saudi Riyals. The Company does not have any major shareholder who is holding 5% or more of the Company's shares.

On 14/07/1443H (corresponding to 15/02/2022G), the Company's Board of Directors recommended increasing the Company's capital through offering rights issue at a value of five hundred twenty-five million six hundred sixty-nine thousand three hundred (525,669,300) Saudi Riyals after obtaining all necessary regulatory approvals and (Extraordinary) General Assembly's approval. On 26/04/1444H (corresponding to 20/11/2022G), the Company's Extraordinary General Assembly approved to increase the Company's capital through rights issue. The subscription will be through offering (52,566,930) new ordinary shares (referred to as "Rights Shares" or "New Shares") at an offer price of ten (10) Saudi Riyals per share (referred to as "Offer Price"), with a nominal value of ten (10) Saudi Riyals, to increase the Company's capital from fifty-two million five hundred sixty-six thousand nine hundred thirty (52,566,930) Saudi Riyals, divided into five million two hundred fifty-six thousand six hundred ninety-three (5,256,693) ordinary shares, to five hundred seventy-eight million two hundred thirty-six thousand two hundred thirty (578,236,230) Saudi Riyals, divided into fifty-seven million eight hundred twenty-three thousand six hundred twenty-three (57,823,623) ordinary shares, i.e., an increase by one thousand (1000%) after obtaining all necessary regulatory approvals and (Extraordinary General Assembly's) approval.

The Rights will be issued in the form of tradable securities (referred to collectively as "Rights" and individually as "Right") to shareholders owners of shares as at the close of trading on the date of convening the Extraordinary General Assembly, including the approval of the capital increase (referred to as "Eligibility Date"), who are recorded in the Company's Shareholders Register held with the Depository Center as of the close of the second trading day following the date of the Extraordinary General Assembly regarding the capital increase on 26/04/1444H (corresponding to 20/11/2022G) (referred to collectively as "Registered Shareholders" and individually as "Registered Shareholder") on condition that such Rights will be deposited into the Registered Shareholders' portfolios after the Extraordinary General Assembly, considering settlement procedures of (10) rights for each (1) share and each Right grants its holder the right to subscribe to one New Share at the Offer Price.

All the Registered Shareholders and other investors ("New Investors"), who may trade the Rights and subscribe to the New Shares, will be able to trade and subscribe to the Rights in the Saudi Stock Exchange ("Tadawul" or "SSE"). The trading period and subscription period will commence after (3) three working days from the approval of the extraordinary general assembly including the approval of the capital increase, as of 03/05/1444H (corresponding to 27/11/2022G), provided that the trading period ends on 10/05/1444H (corresponding to 04/12/2022G) ("Trading Period"), while the subscription period will continue until the end of 13/05/1444H (corresponding to 07/12/2022G) ("Subscription Period"). It is important to note that the Trading Period and the Subscription Period will start on the same day while the Trading Period continues until the end of the sixth day of the period, and the Subscription Period continues until the end of the ninth day of the same period.

During the Trading Period, the Registered Shareholders will be able to trade the Rights by selling the acquired Rights or part thereof, or buying additional Rights through SSE. In addition, New Investors will be able to buy and sell the Rights during trading period through SSE.

The subscription to New Shares during the Subscription Period would be through one phase according to the following:

- During this Period, all Registered Shareholders and New Investors will be allowed to subscribe to the New Shares.

- The Registered Shareholder will be entitled to subscribe directly to the number of his/her shares during the Subscription Period. If the Registered Shareholder buys new Rights, the Registered Shareholder will be able to subscribe to them by the end of the settlement period (two working days).
- New Investors will be allowed to subscribe to the New Shares after the settlement of the Rights purchase process (two working days).
- The subscription will be available electronically through investment portfolios in the trading platforms and applications, through which the sale and purchase of orders are entered, as well as through other channels and means provided by the broker.

If any shares remain unsubscribed after the end of the Subscription Period ("Rump Shares"), they will be offered to several institutional investors ("Institutional Investors") (referred to as "Rump Offering"). Such Institutional Investors shall submit their offers for purchasing the Rump Shares and the receipt of those offers shall commence at 10:00 AM on 17/05/1444H (corresponding to 11/12/2022G) and continue until 5:00 PM on 18/05/1444H (corresponding to 12/12/2022G) ("Rump Offering Period"). The Rump Shares shall be allocated to Institutional Investors in order of the offered price starting with the highest offer up to the lowest offer (provided that the price shall not be less than the Offer Price). The Rump Shares shall be allocated on a pro rata basis among Institutional Investors that provided offers at the same price. The fractional shares shall be added to the Rump Shares and treated in the same manner. The total Offer Price shall be paid from the Company's remaining offering. All remaining proceeds resulting from the Offering shall be distributed without calculating any fees or deductions (exceeding the Offer Price) to the eligible persons as per their entitlement on a pro-rata basis no later than 23/06/1444H (corresponding to 16/01/2023G).

In the event that the Institutional Investors do not subscribe to all Rump Shares and fractional shares, such shares shall be allocated to the Underwriter, which will subscribe to the same at the Offer Price (Please refer to Section (12) "Subscription Terms, Conditions and Instructions"). The final allocation will be announced no later than 20/05/1444H (corresponding to 14/12/2022G) (the "Allocation Date") (Please refer to Section (12) "Subscription Terms, Conditions and Instructions"). Upon completion of the Offering, the Company's capital will reach five hundred seventy-eight million two hundred thirty-six thousand two hundred thirty (578,236,230) Saudi Riyals, divided into fifty-seven million eight hundred twenty-three thousand six hundred twenty-three (57,823,623) ordinary shares. The net proceeds of the Offering will be primarily utilized for the requirements of work interests and Company's strategies as well as the required solvency to diversify its investments during the next period (Please refer to Section (7) "Use of Offering Proceeds").

The Company has one class of shares. No Shareholder shall have any preferential rights. The new shares will be fully paid and will be exactly equal to outstanding shares. Each Share entitles its holder to one vote and each shareholder (referred to as "Shareholder") has the right to attend and vote at the Shareholders' (Ordinary or Extraordinary) General Assembly meetings ("General Assembly"). Holders of new shares shall be entitled to any dividends announced by the Company after issuance of such shares (if any).

On 10/02/1419H (corresponding to 05/06/1998G), the Company amended the nominal value of the share. The Company's Extraordinary General Assembly resolved at its meeting of 10/02/1419H (corresponding to 05/06/1998G) to amend Article (6) of the Articles of Association regarding the Company's capital. The share's nominal value was divided to be fifty (50) Saudi Riyals instead of one hundred (100) Saudi Riyals and the number of shares was also multiplied to be two million thirty thousand (2,030,000) shares.

The Company listed its shares on Tadawul dated 22/06/1420H (corresponding to 02/10/1999G) after obtaining the approvals of both Ministry of Commerce and Saudi Central Bank.

On 27/02/1427H (corresponding to 27/03/2006G), at the Council of Ministers Resolution on defining the nominal value of Company's shares at ten (10) Saudi Riyals, the Company proceeds to redivide the nominal value of the Company's shares to be ten (10) Saudi Riyals instead of fifty (50) Saudi Riyals.

On 03/09/1442H (corresponding to 15/04/2021G), the Company's Board of Directors recommended reducing the Company's capital from one hundred five million five hundred thousand (105,500,000) Saudi Riyals to sixty-six million nine hundred ninety thousand (66,990,000) Saudi Riyals at a rate of 34%. The number of Company's shares was reduced from ten million one hundred fifty-thousand (10,150,000) shares to six million six hundred ninety-nine thousand (6,699,000) shares through the cancellation of three

million four hundred fifty-one thousand (3,451,000) shares. On 16/01/1443H (corresponding to 24/08/2021G), the Company's Board of Directors recommended modifying the recommendation of reducing the Company's capital, which was made on 03/09/1442H (corresponding to 15/04/2021G). The new recommendation aimed at reducing the Company's capital from one hundred one million five hundred thousand (101,500,000) Saudi Riyals to fifty-two million five hundred sixty-six thousand nine hundred thirty (52,566,930) Saudi Riyals by 48.21%. The Company's shares were reduced from ten million one hundred fifty-thousand (10,150,000) shares to five million two hundred fifty-six thousand six hundred ninety-three (5,256,693) shares through the cancellation of four million eight hundred ninety-three thousand three hundred seven (4,893,307) shares. The Board of Directors also recommended at the same previous meeting to modify the recommendation to the Extraordinary General Assembly after completing the capital reduction. The new recommendation aimed at increasing the Company's capital from fifty-two million five hundred sixty-six thousand nine hundred thirty (52,566,930) Saudi Riyals to three hundred sixty-seven million nine hundred sixty-eight thousand five hundred ten (367,968,510) Saudi Riyals. The Company's shares were increased from five million two hundred fifty-six thousand six hundred ninety-three (5,256,693) shares to thirty-six million seven hundred ninety-six thousand eight hundred fifty-one (36,796,851) shares by an increase of thirty-one million five hundred forty thousand (31,540,000) shares. On 27/03/1443H (corresponding to 02/11/2021G), CMA approved the request for capital reduction. On 05/05/1443H (corresponding to 09/12/2021G), the Extraordinary General Assembly approved the Board of Directors' recommendation made on 16/01/1443H (corresponding to 24/08/2021G) to reduce the Company's capital from one hundred one million five hundred thousand (101,500,000) Saudi Riyals to fifty-two million five hundred sixty-six thousand nine hundred thirty (52,566,930) Saudi Riyals to amortize the accumulated losses, which amount forty-eight million nine hundred thirty-three thousand seven (48,933,070) Saudi Riyals. The reduction shall be made through the cancellation of four million eight hundred ninety-three thousand three hundred seven (4,893,307) shares. On 08/05/1443H (corresponding to 12/12/2021G), the approval was made by amending some clauses of the Company's Articles of Association.

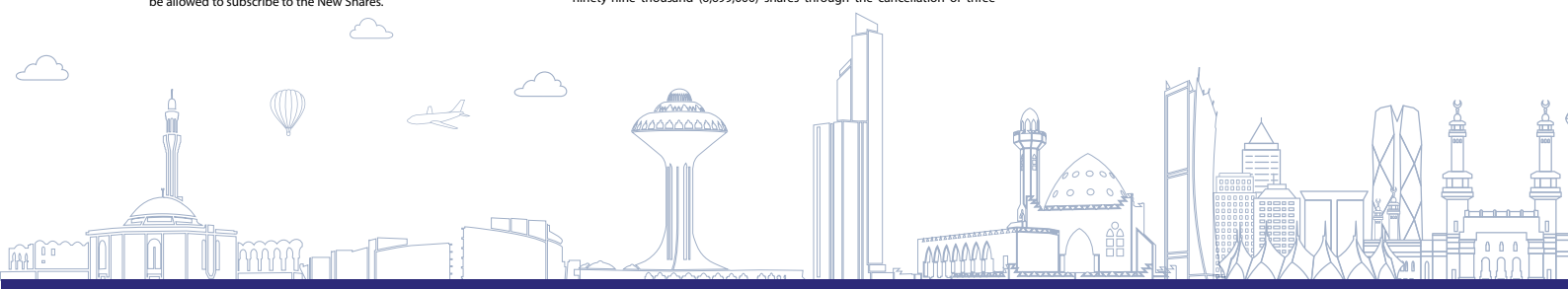
The Company's outstanding shares are currently traded on Saudi Stock Exchange. The Company has applied to the Capital Market Authority of the Kingdom of Saudi Arabia ("CMA") for listing, offering and admission of the new shares. All required documents were provided, all requirements of related entities were met and this Prospectus has been approved. Trading of new shares is expected to commence on SSE soon after the final allocation of the new shares and refund of extra subscriptions (please refer to page (x) "Key Dates and Subscription Procedures"). Upon registration and admission of the new shares, Saudi nationals, legal residents, nationals of Gulf Cooperation Council countries, Saudi and GCC companies and investment funds, and eligible foreign investors will be permitted to subscribe to the same under the Rules for Qualified Foreign Financial Institutions Investment in Listed Securities. Furthermore, other categories of foreign investors are entitled to the economic benefits associated with the new shares by concluding swap agreements with persons authorized by CMA (the "Licensee Person"), noting that the Licensee Person shall in such case be the registered legal owner of shares.

This Prospectus must be read in full and the "Important Notice" section, on Page (i), and Section 2 "Risk Factors" of this Prospectus must be considered prior to making any investment decision with regard to Rights or new shares.

This Prospectus includes information provided in the application for listing and offering of securities under Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (referred to as "CMA"), and the application for listing of securities in compliance with the listing rules of the Saudi Stock Exchange. The Directors, whose names appear this Prospectus collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief, there are no other facts that omission of which would make any statement herein misleading. 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 Prospectus.

This Prospectus is an unofficial English translation of the official Arabic Prospectus and is provided for information purposes only. The Arabic language Prospectus Published on the CMA's website (www.cma.org.sa) remains the only official, legal binding version and shall prevail in the event of any conflict between the two texts.

This Prospectus was issued on 24/03/1444H (corresponding to 20/10/2022G).









## Important Notice

This Prospectus (the “**Prospectus**”) provides full details of information relating to Tourism Enterprise Company (Shams) and the Rights Shares offered for subscription. In subscribing to new shares, investors shall be treated as applying on the basis of the information contained in this Prospectus, copies of which are available at the Company’s head office, the Lead Manager, or by visiting the website of the Company ([www.shamstourism.sa](http://www.shamstourism.sa)), the financial advisor ([www.wasatah.com.sa](http://www.wasatah.com.sa)), and CMA ([www.cma.org.sa](http://www.cma.org.sa)).

The Prospectus will be published and assured to be available to the public within a period not less than (14) days prior to the date of the Extraordinary General Meeting for the capital increase. In the event that the Extraordinary General Meeting does not approve the capital increase within six months from the date of CMA’s approval on registering and Offering the Right Issue, such approval given by CMA shall be deemed to be canceled.

The Company has appointed Al Wasatah Al Maliah (“**Wasatah Capital**”) as a financial advisor (“**Financial Advisor**”) and Al-Nefaie Investment Group (“**Al-Nefaie**”) as Lead Manager (“**Lead Manager**”). The Company also appointed Al Wasatah Al Maliah (“**Wasatah Capital**”) and Nomw Financial Consulting Company (“**Nomw Capital**”) as Underwriters (“**Underwriters**”) regarding the offering of Rights Shares to increase the Company’s capital under this Prospectus.

This Prospectus includes information given in compliance with the Rules of Offering Securities and Continuing Obligations issued by CMA pursuant to its Resolution No. 3-123-2010 dated 09/04/1439H (corresponding to 27/12/2017G) as amended by Resolution of the Board of the Capital Market Authority No. 5-5-2022 dated 02/06/1443H (corresponding to 01/05/2022G). The Directors, whose names appear on page (iii) collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief, there are no other facts that omission of which would make any statement herein misleading. CMA and the Saudi Stock Exchange (Tadawul) 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 Prospectus.

While the Company has made all reasonable studies and inquiries as to the accuracy of the information contained in this Prospectus as of the date hereof, substantial portions of the information herein are derived from external sources. While neither the Company nor any of directors, Financial Advisor, or Company’s advisors, whose names appear on page (v) (“**advisors**”), have any reason to believe that such information is materially inaccurate, and such information was not independently verified. Accordingly, no representations or assurances are made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus, as of the date of its publication, is subject to change. In particular, the Company’s financial condition and value of Offer Shares may be adversely affected by future developments such as inflation, interest rates, taxation or other economic, political and other factors, over which the Company has no control (Please refer to Section (2) “**Risk Factors**”). Neither this Prospectus nor any oral or written communication in relation to the Rights Shares is intended to be, nor should be construed as or relied upon in any way as a promise or representation as to future earnings, results or events.

This Prospectus should not be regarded as a recommendation by the Company or any of its directors or its Advisers, to participate in the subscription. Moreover, the information provided in this Prospectus is of a general nature and has been prepared without considering individual investment objectives, financial condition, or particular investment needs. Prior to making an investment decision, each recipient of this Prospectus shall obtain independent professional advice from a financial adviser licensed by CMA in relation to subscribing for the New Shares in order to assess the appropriateness of investment opportunity and information herein, with regard to the recipient’s respective objectives, financial positions and needs.

All the Registered Shareholders and other investors (“**New Investors**”), who may trade the Rights and subscribe to the New Shares, will be able to trade and subscribe to the Rights in the Saudi Stock Exchange (“**Tadawul**” or “**SSE**”). The trading period and subscription period will commence after (3) three working days from the approval of the extraordinary general assembly including the approval of the capital increase, as of 03/05/1444H (corresponding to 27/11/2022G), provided that the trading period ends on 10/05/1444H (corresponding to 04/12/2022G) (“**Trading Period**”), while the subscription period will continue until the end of 13/05/1444H (corresponding to 07/12/2022G) (“**Subscription Period**”). It is important to note that the Trading Period and the Subscription Period will start on the same day while the Trading Period continues until the end of the sixth day of the period, and the Subscription Period continues until the end of the ninth day of the same period.

The Registered Shareholders will be allowed to trade the Rights during the Trading Period, by selling the acquired Rights or part thereof or buying additional Rights through Tadawul. During trading period, the New Investors would also be allowed to buy and sell Rights through Tadawul.



The subscription to New Shares during the Subscription Period would be through one phase according to the following:

- During this Period, all Registered Shareholders and New Investors will be allowed to subscribe to the New Shares.
- The Registered Shareholder will be entitled to subscribe directly to the number of his/her shares during the Subscription Period. If the Registered Shareholder buys new Rights, the Registered Shareholder will be able to subscribe to them after the end of the settlement period (two working days).
- New Investors will be allowed to subscribe to the New Shares after the settlement of the Rights purchase process (two working days).
- The subscription will be available electronically through investment portfolios in the trading platforms and applications, through which the sale and purchase of orders are entered, as well as through other channels and means provided by the broker.

If any shares remain unsubscribed after the end of the Subscription Period ("**Rump Shares**"), they will be offered to a number of institutional investors ("**Institutional Investors**") (referred to as "**Rump Offering**"). Such Institutional Investors shall submit their offers for purchasing the Rump Shares and the receipt of those offers shall commence at 10:00 AM on 17/05/1444H (corresponding to 11/12/2022G) and continue until 5:00 PM on 18/05/1444H (corresponding to 12/12/2022G) ("**Rump Offering Period**"). The Rump Shares shall be allocated to Institutional Investors in order of the offered price starting with the highest offer up to the lowest offer (provided that the price shall not be less than the Offer Price). The Rump Shares shall be allocated on a pro rata basis among Institutional Investors that provided offers at the same price. The fractional shares shall be added to the Rump Shares and treated in the same manner. The total Offer Price shall be paid from the Company's remaining offering. All remaining proceeds resulting from the Offering shall be distributed (exceeding the Offer Price) to the eligible persons as per their entitlement on a pro-rata basis no later than 23/06/1444H (corresponding to 16/01/2023G).

In the event that the Institutional Investors do not subscribe to all Rump Shares and fractional shares, such shares shall be allocated to the Underwriter, which will subscribe to the same at the Offer price (Please refer to Section (12) "**Subscription Terms, Conditions and Instructions**"). The final allocation will be announced no later than 20/05/1444H (corresponding to 14/12/2022G) (the "**Allocation Date**") (Please refer to Section (12) "**Subscription Terms, Conditions and Instructions**").

## Financial Information

The Company's audited financial statements for the fiscal year ending December 31, 2019G, 2020G and 2021G and notes thereof, have been prepared in accordance with International Financial Reporting Standards (IFRS) approved in the Kingdom of Saudi Arabia and other standards and publications approved by Saudi Organization for Certified Public Accountants (SOCPA).

The financial statements for the financial year ending December 31, 2019G, 2020G and 2021G were audited by Al Bassam & Co. - CPA's and Consultants (member firm of PKF International).

The Company issues its financial statements in Saudi Riyals. Some of financial and statistical information contained in this Prospectus has been rounded to the nearest whole number, and accordingly, in case of adding up the numbers in the tables, the total number may not correspond to what was mentioned in this Prospectus.

## Forecasts and Forward-Looking Statements

Forecasts outlined in this Prospectus have been prepared on the basis of certain stated assumptions, which were stated in relevant topics. Future operating conditions may differ from the assumptions used and consequently no representation or warranty is made with respect to the accuracy or completeness of any of these forecasts. The Company confirms that the statements set in this Prospectus were made based on the necessary professional due diligence.

Certain statements in this Prospectus constitute "forward-looking statements". Such statements can generally be identified by their use of forward-looking words such as "decides/plans", "estimates", "believes", "expects", "it is possible", "will", "intends", "should", "it is expected", "may", "holds" or the negative or other variation 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 most important risks and factors are described in more detail in other sections of this Prospectus (please refer to Section (2) "**Risk Factors**"). Should any one or more of the risks or uncertainties materialize or any underlying assumptions prove to be inaccurate or incorrect, actual results may vary materially from those expectations, beliefs, estimations or plans described herein.

Pursuant to the requirements of Rules of Offering Securities and Continuing Obligations, the Company shall provide CMA with a supplementary Prospectus if at any time, after the Prospectus has been published and before the offering is



completed, it becomes aware that: (i) there has been a significant change in material matters contained in the Prospectus; or (ii) additional significant matters have become known that would have been required to be included in the Prospectus. With the exception of these two events, the Company does not intend to update or otherwise revise any information about the sector or market or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. Due to such risks and cases of uncertainty and assumptions, the forecast-related events and circumstances in this Prospectus might not occur in the manner expected by the Company or might not occur at all. Therefore, the eligible persons must study all forecasts in light of these notes and must not basically rely on these statements.

## Corporate Directory

### Board of Directors Members:

Board of Directors Members and Secretary <sup>*</sup>											
Board of Directors appointed on 01/06/1442H (corresponding to 14/01/2021G)											
Name	Position	Representing	Nationality	Age	Capacity		Owned shares				Date of Membership
					Executive	Independent	Direct	Indirect <sup>**</sup>	Total	Ratio (%)	
Abdul Ilah Nasir Al Zarah	Chairman	Personal capacity	Saudi	50	-	Independent	517	-	517	0.0098350%	16/10/1442H (corresponding to 28/05/2021G)
Abdullah Omar Al-Suwailem	Vice-Chairman	Personal capacity	Saudi	56	Executive	-	517	-	517	0.0098350%	16/10/1442H (corresponding to 28/05/2021G)
Khaled Munif Al-Soor	Board of Directors Member	Personal capacity	Saudi	56	-	Independent	-	-	-	0	16/10/1442H (corresponding to 28/05/2021G)
Fahd Abdullah Al Samih	Board of Directors Member	Personal capacity	Saudi	57	-	Independent	5	-	5	0.0000951%	16/10/1442H (corresponding to 28/05/2021G)
Rashid Sulaiman Al-Rasheed	Board of Directors Member	Personal capacity	Saudi	47	-	Independent	5	-	5	0.0000951%	16/10/1442H (corresponding to 28/05/2021G)
Ahmad Abd Al-Latif Al-Barrak	Board of Directors Member	Personal capacity	Saudi	42	-	Independent	-	-	-	0	16/10/1442H (corresponding to 28/05/2021G)
Faisal Mohamed Al Harbi	Board of Directors Member	Personal capacity	Saudi	38	-	Independent	-	-	-	0	16/10/1442H (corresponding to 28/05/2021G)
Secretary											
Mohamed Saleh Al Shtiwiy	Secretary	Personal capacity	Saudi	37	Executive	-	-	-	-	0	17/10/1442H (corresponding to 29/05/2021G)

Source: Company

<sup>\*</sup>15/10/1442H (corresponding to 27/05/2021G), the (Ordinary) General Assembly agreed in its meeting held on the said date to elect the said Board of Directors Members for the current session, which starts as 16/10/1442H (corresponding to 28/05/2021G) and for a period of three (3) years ending on the date of 19/11/1445H (corresponding to 27/05/2024G). The Company's board of directors appointed under its meeting No. 2021/05-259 held on 17/10/1442H (corresponding to 29/05/2021G) Mr. Abdullah Nasir Al Zarah as Chairman of the Board of Directors, Eng. Abdullah Omar Al-Suwailem as Vice-Chairman of the Board of Directors and Managing Director and Mr. Mohamed Saleh Al Shtiwiy as Secretary of the Board of Directors as of the current session till its end.

<sup>\*\*</sup>Indirect ownership means that the shares are owned by the Board of Directors Members in the Company indirectly through their ownership in companies that own shares in the Company. The Board of Directors Members have no indirect ownership of any shares as on the date of this Prospectus.



## Company Address

**Tourism Enterprise Company (TECO)**

Dammam, Half Moon Bay, Palm Beach Resort Building

P.O. Box: 8383 Dammam 31482

KSA

Tel: +966 138966633

Fax: +966 138966266

Website: www.shamstourism.com.sa

Email: info.shamstoursim.sa



## Representative of Company

**First Authorized Representative of Company**

Abdullah Omar Al-Suwailem

Vice-Chairman - Managing Director

Address: Dammam, Half Moon Bay, Al Olaya, 21St., Shams Tower

Tel: +966 138966633 - Ext: 210

Fax: +966 138966266

Website: www.shamstourism.com.sa

Email: md@shamstourism.com.sa

**Second Authorized Representative of Company**

Mohamed Saleh Al Shtiwiy

Director of Investor Relationships and Governance

Address: Address: Dammam, Half Moon Bay, Al Olaya, 21St., Shams Tower

Tel: +966 0138966663 - Ext: 1003

Fax: +966 138966266

Website: www.shamstourism.com.sa

Email: malshtiwiy@shamstourism.com.sa

**Saudi Stock Exchange (Tadawul)**

King Fahd Rd., Al Olaya 6897

Unit No. 15

P.O. Box: 3388 Riyadh 12211

KSA

Tel: +966 920001919

Fax: +966 (11) 2189133

Website: www.saudiexchange.sa

Email: csc@saudiexchange.sa





## Advisors

### Financial Advisor

#### Al Wasatah Al Maliah ("Wasatah Capital")

Riyadh- Olaya Main Street,  
AlMorouj District  
Building No.7459 Ext.2207  
Postal Code 12283  
Kingdom of Saudi Arabia  
Tel: +966114944067  
Fax: +966114944205  
Website: www.wasatah.com.sa  
Email: info@wasatah.com.sa

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### Lead Manager

#### Al-Nefae Investment Group

Bin Hamran Center, Al Tahlia St., 7th Floor, Office No. B704  
P.O. Box: 17381 Jeddah 21484, KSA  
Tel: +966126655071  
Fax: +966126655723  
Email: www.nefae.com  
Website: info@nefaie.com



### Underwriters

#### Al Wasatah Al Maliah (Wasatah Capital)

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wasatah capital  
وساطة كابيتال



#### Nomw Financial Consulting Company ("Nomw Capital")

Home Offices, Building No. 2163, Unit No. 98  
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P.O. Box: 92350 Riyadh 11653, KSA  
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### Legal Advisor

#### Alsaleh, Alsahli & Partners Law Firm

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### Auditor for 2019G, 2020G and 2021G

#### Al Bassam & Co. - CPA's and Consultants

(Member firm of PKF International)  
Address: Al Khobar, Custodian of The Two Holy Mosques Rd.  
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شركة إبراهيم أحمد البسام وشركاؤه  
محاسبون قانونيون - البسام وشركاؤه  
(عضو بي كي اف العالمية)

Note: The above Advisors and auditors have provided their written consent to the publication of their names, addresses and logos in the Prospectus, and none of them has withdrawn their consent to the date of publishing this Prospectus. None of the Advisors, auditors, their employees or any of their relatives have any shareholding or interest of any kind in the Company as of the date of this Prospectus.



## Summary of the Offer

Prospective Investors should read the entire Prospectus before making an investment decision as to whether to subscribe to the Rights Issue. Whereas the summary of offering stated below is insufficient to make an investment decision. Below is the summary of the Offering:

<b>Issuer's Name, Description, and Information on its Incorporation</b>	<p>Tourism Enterprise Company (TECO) (hereinafter referred to as "TECO" or "Company") is first incorporated as a Saudi Joint Stock Company under the trade name "Tourism Enterprise Company (TECO)" by Ministerial Resolution No. (819), dated 23/09/1411H (corresponding to 09/04/1991G) for a license to incorporate "Tourism Enterprise Company (TECO)" a Saudi Joint Stock Company. The Memorandum of Association was inspected by the Ministry of Commerce and attested by the notary public in Dammam under No. 44/307/1/303, Statement (65) to (75) for 1411H, dated 07/09/1411H (corresponding to 24/03/1991G). The Company's capital, upon incorporation, is one hundred one million five hundred thousand (101,500,000) Saudi Riyals, divided into one million fifteen thousand (1,015,000) equal shares with a nominal value per share is one hundred (100) Saudi Riyals. All are ordinary cash shares distributed among one hundred twenty-two (122) shareholders. The Company was registered at the commercial register in Dammam under joint stock company registration certificate No. (2050021572), dated 23/09/1411H (corresponding to 09/04/1991G). The Company's head office is located in Dammam, Half Moon Bay, P.O. Box: (8383), Postal Code: (31482), Tel: 8966633. The Company's current capital is fifty-two million five hundred sixty-six thousand nine hundred thirty (52,566,930) Saudi Riyals, divided into five million two hundred fifty-six thousand six hundred ninety-three (5,256,693) ordinary cash shares, the value of each is (10) Saudi Riyals.</p>																									
<b>Issuer's activities</b>	<p>The Company's main activities, as stated by its Articles of Association, are establishment and management of tourism resorts and facilities, including chalets, motels, hotels, gardens, restaurants, amusement parks, sports fields, pools, recreation rooms, service stations, central markets and all services needed by tourism resorts, yacht harbors, boat docks, ownership of yachts and boats for tourism purposes, amateur fishers, diving, trade in fishing tools, swimming and training, establishment of competitions, obtaining commercial proxies from tourism companies, organizing tourism activities inside and outside the KSA.</p> <p>The Company's main activities, as stated by its commercial registration, where the licensed activities are (hotels, furnished residential units, chalets, tourism inns, resorts, tourism accommodation facilities management, camps, restaurants with service, beverage shops (coffee shops), rental and lease of bicycles, booking and marketing of tourism accommodation units, amusement parks, entertainment centers, organization of entertainment events, operating of entertainment event facilities)</p>																									
<b>Substantial Shareholders in the Issuer and number of shares and the percentage of ownership before the offering</b>	<p>The shareholders who own more than 5% of the Company's shares. As of the date of this prospectus, the Company does not have any major shareholders.</p>																									
<b>The public</b>	<p>Means in the Rules on the Offer of Securities and Continuing Obligations the unmentioned persons below:</p> <ol style="list-style-type: none"> <li>1. Employees of issuer;</li> <li>2. Substantial shareholders in the issuer;</li> <li>3. Directors and Senior Executives of the issuer;</li> <li>4. Directors and Senior Executives of the issuer's employees;</li> <li>5. Directors and Senior Executives of the issuer's substantial shareholders;</li> <li>6. any relatives to the persons referred to in Clauses (1, 2, 3, 4 or 5) above;</li> <li>7. any company controlled by any person referred to in Clauses (1, 2, 3, 4, 5 or 6) above; or</li> <li>8. Persons acting in concert together and jointly owning (5%) or more of the category of shares to be listed.</li> </ol>																									
<b>Nature of offering</b>	<p>Increasing the Company's capital by issuing Rights Issue.</p>																									
<b>Purpose of Issue Proposed Rights Issue</b>	<p>The Company aims to increase its capital by offering Rights Issue to acquire four- and five-star hotels (For more information, please refer to Section (7) "Use of Proceeds from Offering and Future Projects").</p>																									
<b>Total expected proceeds, along with independent analysis and description of its proposed use</b>	<p>It is expected that the total proceeds generated by the subscription to the Rights Issue will be one (525,669,300) Saudi Riyals. After deducting all Offering costs, the net proceeds generated by the subscription will be used mainly to finance the Company's plans to acquire four- and five-star hotels (For more information, please refer to Section (7) "Use of Proceeds from Offering and Future Projects"). The table below shows the use of the proceeds of subscription</p> <table> <tr> <th rowspan="2">Saudi Riyal</th><th colspan="2">2022G</th><th rowspan="2">Total</th><th rowspan="2">Ratio (%)</th></tr> <tr> <th>Third Quarter</th><th>Fourth Quarter</th></tr> <tr> <td>Acquisition of four- and five-star hotels</td><td>-</td><td>505,369,300</td><td>505,369,300</td><td>96.1%</td></tr> <tr> <td>Offering expenses</td><td>-</td><td>20,300,000</td><td>20,300,000</td><td>3.9%</td></tr> <tr> <td><b>Total</b></td><td><b>-</b></td><td><b>525,669,300</b></td><td><b>525,669,300</b></td><td><b>100%</b></td></tr> </table>				Saudi Riyal	2022G		Total	Ratio (%)	Third Quarter	Fourth Quarter	Acquisition of four- and five-star hotels	-	505,369,300	505,369,300	96.1%	Offering expenses	-	20,300,000	20,300,000	3.9%	<b>Total</b>	<b>-</b>	<b>525,669,300</b>	<b>525,669,300</b>	<b>100%</b>
Saudi Riyal	2022G		Total	Ratio (%)																						
	Third Quarter	Fourth Quarter																								
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Offering expenses	-	20,300,000	20,300,000	3.9%																						
<b>Total</b>	<b>-</b>	<b>525,669,300</b>	<b>525,669,300</b>	<b>100%</b>																						
<b>Offering Costs</b>	<p>It is expected that the costs of the Offering will approximately be (20,300,000) Saudi Riyals. Such amounts include the fees of: Financial Advisor, Lead Manager, Underwriter, Legal Advisor, Auditor, Marketing, Printing, Distribution and other expenses related to the subscription (Please refer to Section (7) "Use of Proceeds from Offering and Future Projects").</p>																									
<b>Net Proceeds of the Offering</b>	<p>It is expected that the Net Proceeds of the Offering will approximately be (525,669,300) Saudi Riyals (please refer to Section (7) "Use of Proceeds from Offering and Future Projects").</p>																									





<b>Material changes to the information disclosed in the last Prospectus.</b>	The Company has never issued Rights Shares since its incorporation up to the date of publishing this Prospectus.
<b>Company's Capital Prior to the Offering</b>	Fifty-two million five hundred sixty-six thousand nine hundred thirty (52,566,930) Saudi Riyals.
<b>Company's Capital Post the Offering</b>	Five hundred seventy-eight million two hundred thirty-six thousand two hundred thirty (578,236,230) Saudi Riyals.
<b>Total number of shares of the issuer before the Offering</b>	Five million two hundred fifty-six thousand six hundred ninety-three (5,256,693) ordinary shares.
<b>Total number of shares of the issuer post the Offering</b>	Fifty-seven million eight hundred twenty-three thousand six hundred twenty-three (57,823,623) ordinary shares.
<b>Nominal value per share</b>	Ten (10) Saudi Riyals per share.
<b>Total number of offered shares</b>	Fifty-two million five hundred sixty-six thousand nine hundred thirty (52,566,930) ordinary shares.
<b>Percentage of shares offered from issued capital</b>	1000%
<b>Offering price</b>	Ten (10) Saudi Riyals per share.
<b>Total offering value</b>	(525,669,300) Saudi Riyals.
<b>Number of underwritten shares</b>	(52,566,930) Saudi Riyals.
<b>Total value of the underwriting offer</b>	(525,669,300) Saudi Riyals.
<b>Categories of targeted investors</b>	Registered Shareholders and New Investors.
<b>Registered Shareholders</b>	Shareholders holding shares at the close of the date of the Extraordinary General Assembly meeting on capital increase as recorded in the Company's Shareholders Register at the close of the second trading day following the Extraordinary General Assembly meeting on capital increase.
<b>New Investors</b>	General Individual and institutional investors - with the exception of the Registered Shareholders - who have purchased the Rights Issue during the trading period.
<b>Rights</b>	Are tradable securities giving their holders the priority to subscribe to the new shares offered, upon approval of the capital increase. An acquired right by all registered shareholders. Rights may be traded in trading period. Each Right grants its holder the right to subscribe to one New Share at the Offer Price. Rights will be deposited in the registered investors' portfolios after the Extraordinary General Assembly for Capital Increase. The Rights will appear in the portfolios of the Registered Shareholders under a new symbol specifying the Rights Issue.
<b>Number of Rights Issued</b>	(52,566,930) Rights.
<b>Subscription Eligibility Factor</b>	Each registered shareholder shall be entitled to (10) rights per each (1) existing share; this Factor is the result of a fraction whose numerator is the number of new shares and whose denominator is the number of existing shares of the Company.
<b>Eligibility Date</b>	Shareholders own shares at the end of trading on the day on which the Extraordinary General Assembly on capital increase is held, and who are registered in the Company's shareholders register at the end of the second trading day following the day on which the Extraordinary General Assembly on capital increase is held, on 26/04/1444H (corresponding to 20/11/2022G).
<b>Trading Period</b>	The Trading Period will start after (3) three working days from the approval of the extraordinary general assembly including the approval of the capital increase, on 03/05/1444H (corresponding to 27/11/2022G), and it will continue until the end of day on 10/05/1444H (corresponding to 04/12/2022G). During this Period, all Rights holders, whether Registered Investors or New Investors, may trade in the Rights.
<b>Offering Period</b>	The Offering Period will start after (3) three working days from the approval of the extraordinary general assembly including the approval of the capital increase, on 03/05/1444H (corresponding to 27/11/2022G), and it will continue until the end of day on 13/05/1444H (corresponding to 07/12/2022G). During this Period, all Rights holders, whether Registered Investors or New Investors, may exercise their rights in subscribing to the New Shares.
<b>How to apply</b>	The Subscription Application Forms shall be submitted online via brokers' websites and platforms, which provide such service for subscribers or by any other means provided by brokers.



<b>Exercise of the Rights Issue</b>	<p>Eligible persons subscribing to the New Rights Issue through electronic subscription via financial brokers' websites and platforms that provide such services for subscribers or by any other means provided by the brokers. Eligible persons may exercise their Rights as follows:</p> <ol style="list-style-type: none"> <li>During the Subscription Period, Registered Shareholders may exercise the Rights granted to them and any additional Rights purchased thereby during the Trading Period. They will also be entitled to take no action in respect of the Rights they hold.</li> <li>During the Subscription Period, New Investors may exercise the Rights purchased thereby during the Trading Period. They will also be entitled to take no action in respect of the Rights they hold.</li> </ol> <p>If the rights to subscribe to the new shares during the Subscription Period have not been exercised by Registered Shareholders or New Investors during the Subscription Period, the Rump Shares resulting from these Rights will be offered in the Rump Offering Period.</p>
<b>Indicative Value of the Right</b>	<p>The indicative value of a Right reflects the difference between the market value of the Company's share during the Trading Period and the Offer Price. "Tadawul" will continuously calculate and publish the indicative value of a Right during the Trading Period on its website with a 5-minute delay. The market information providers will also publish this information, which will allow investors to be informed of the indicative value of a Right when entering orders.</p>
<b>Right Trading Price</b>	<p>The price at which the Right is traded, noting that such price is set through the Tadawul offer and demand mechanism. Hence, it may be different from the indicative value of the Right.</p>
<b>Rump Offering</b>	<p>If any shares remain unsubscribed after the end of the Subscription Period (Rump Shares), they will be offered to several institutional investors (Institutional Investors). Such Institutional Investors shall submit their offers for purchasing the Rump Shares and the receipt of those offers shall commence at 10:00 AM on 17/05/1444H (corresponding to 11/12/2022G) and continue until 5:00 PM on 18/05/1444H (corresponding to 12/12/2022G) (Rump Offering Period). The Rump Shares shall be allocated to Institutional Investors in order of the offered price starting with the highest offer up to the lowest offer (provided that the price shall not be less than the Offer Price). The Rump Shares shall be allocated on a pro-rata basis among Institutional Investors that provided offers at the same price. Fractional shares shall be added to the rump shares and treated in the same way.</p>
<b>Method of Allocation and Refund</b>	<p>Shares will be allocated to each investor based on the number of Rights properly and fully exercised. As for fractional shares, they will be collected and offered to Institutional Investors during the Rump Offering Period. The Total Offer Price of the rump shares shall be paid to the Company, and all remaining proceeds (if any), without calculating any fees or deductions (in excess of the Offer Price) to their Eligible persons who have not, wholly or partially, subscribed to the new shares and the Eligible persons of the fractional shares, bearing in mind that the investors who has not subscribed or sold any of its rights, and the holder of the fractional shares, may not receive any consideration if the sale is made during the Rump Offering Period, at the Offer Price (please refer to Section (12) "Information related to Shares and Offering Terms and Conditions"). Excess subscription monies (if any) will be refunded to the Subscribers without any charge or withholding by the Lead Manager.</p>
<b>Allocation Date</b>	<p>The date when final allocation will be announced no later than 20/05/1444H (corresponding to 14/12/2022G).</p>
<b>Payment of Compensation Amounts (If any)</b>	<p>Cash compensation amounts will be paid to Eligible persons who did not subscribe, wholly or partially, for new shares, as well as to the holders of fractional shares no later than 23/06/1444H (corresponding to 16/01/2023G). The compensation amounts represent the remaining proceeds from sale of Rump Shares and fractional shares.</p>
<b>Adjusted price</b>	<p>The Company's share price in the Saudi Stock Exchange (Tadawul) has been modified to (21.94) Saudi Riyals per share, prior to the trading day following the day on which the (Extraordinary) General Assembly meeting on capital increase is held. This represents a decrease in the Share Price by (119.46) Saudi Riyals per share.</p>
<b>New Shares Trading</b>	<p>Trading in Rights is expected to commence on "Tadawul" after the completion of all regulatory procedures of share registration, allocation and listing, provided that the time period between the end of the subscription to the rights issue and the deposit of shares in the shareholders' portfolios is 9 working days.</p>
<b>Listing and trading of the Rights</b>	<p>Rights shall be listed in Tadawul during the Trading Period. A separate symbol will be given to the Company's Rights, independent from the symbol of the Company's Shares on the Tadawul screen. During the Trading Period, the Registered Shareholders shall have several options including selling the Rights, or a part thereof, on SSE, purchasing additional Rights through SSE or refraining from taking any action in respect of the Rights whether by selling or purchasing additional Rights. During the Trading Period, New Investors will be entitled to purchase Rights through SSE, sell them or a part thereof or take no action in respect of the Rights purchased. The "Tadawul" system will cancel the Company's Rights Issue symbol on the Tadawul screen following the end of the Trading Period. Accordingly, Rights trading will end with the end of the Trading Period.</p>
<b>Eligibility of dividends</b>	<p>The holders of the new shares will be entitled to any dividends that the Company declares to be distributed after the date of its issuance.</p>
<b>Voting Rights</b>	<p>The Company has one class of shares. No Shareholder shall have any preferential rights. The new shares will be fully paid and will be exactly equal to outstanding shares. Each Share entitles its holder to one vote and each shareholder has the right to attend and vote at the Shareholders' (Ordinary or Extraordinary) General Assembly meetings.</p>
<b>Restrictions on trading shares</b>	<p>There are no restrictions on trading Company shares, except for the regulatory restrictions on generally-listed shares.</p>
<b>Restrictions on Rights trading</b>	<p>There are no restrictions on Rights Trading.</p>
<b>Previously Listed Shares</b>	<p>The Company's shares were listed in SSE (amounting two million thirty thousand (2,030,000) shares with a nominal value of fifty (50) Saudi Riyals per share) on 22/06/1420H (corresponding to 02/10/1999G) after obtaining the approval of the Ministry of Commerce and Saudi Arabian Monetary Authority.</p> <p>On 27/02/1427H (corresponding to 27/03/2006G), at the Council of Ministers Resolution on defining the nominal value of Company's shares at ten (10) Saudi Riyals, the Company proceeds to redivide the nominal value of the Company's shares to be ten (10) Saudi Riyals instead of fifty (50) Saudi Riyals, so the shares will be 1,015,000 shares.</p> <p>On 05/05/1443H (corresponding to 09/12/2021G), the Company reduced its capital from one hundred one million five hundred thousand (101,500,000) Saudi Riyals to fifty-two million five hundred sixty-six thousand nine hundred thirty (52,566,930) Saudi Riyals</p> <p>through the cancellation of four million eight hundred ninety-three thousand seven hundred twenty-five (4,893,725) shares with a decrease of capital by almost (48.21%) and a reduction rate of one share for each (2.07) share roughly.</p>



<b>Terms of subscription for the Rights Issue</b>	Eligible persons who desire to subscribe to the new shares must fulfill the relevant subscription conditions. To read the terms, conditions and instructions for the subscription, please refer to Section (13) <b>"Information related to Shares and Offering Terms and Conditions"</b> of this Prospectus.
<b>Risk Factors</b>	There are certain risks associated with investing in this Offering, which can be generally categorized into: (1) risks related to the Company; (2) risks related to the market and sector; and (3) risks related to the Shares. These risks have been discussed in Section (2) <b>"Risk Factors"</b> of this Prospectus, which must be carefully reviewed before making any investment decision on Rights Issue.

Note: The Section **"Important Notice"** of Page (i) as well as Section 2 **"Risk Factors"** of this Prospectus should be read carefully prior to deciding to invest in the Rights Issue under this Prospectus.



## Important dates and subscription procedures

Timetable	Date
The convening of the Extraordinary General Assembly that includes the approval of the capital increase and the determination of the eligibility date and the eligible shareholders, noting that the eligible shareholders are the shareholders registered in the company's register, and they will not be registered until two days after the date of the meeting.	26/04/1444H (corresponding to 20/11/2022G)
Trading Period	The Trading Period will start after (3) three working days from the approval of the extraordinary general assembly including the approval of the capital increase, on 03/05/1444H (corresponding to 27/11/2022G), and it will continue until the end of day on 10/05/1444H (corresponding to 04/12/2022G). During this Period, all Rights holders, whether Registered Investors or New Investors, may trade in the Rights.
Offering Period	The Offering Period will start after (3) three working days from the approval of the extraordinary general assembly including the approval of the capital increase, on 03/05/1444H (corresponding to 27/11/2022G), and it will continue until the end of day on 13/05/1444H (corresponding to 07/12/2022G). During this Period, all Rights holders, whether Registered Investors or New Investors, may exercise their rights in subscribing to the New Shares.
Expiry of Subscription period	The subscription period shall end and the receipt of subscription applications shall cease on 13/05/1444H (corresponding to 07/12/2022G).
Rump Offering Period	The Rump Offering Period shall start from 10:00 AM on 17/05/1444H (corresponding to 11/12/2022G) until 05:00 PM of the next day on 18/05/1444H (corresponding to 12/12/2022G).
Final Allocation	On 20/05/1444H (corresponding to 14/12/2022G)
The compensation amounts (if any) shall be paid to the eligible persons who have not participated, in whole or in part, and the beneficiaries of the fractional shares.	On 23/06/1444H (corresponding to 16/01/2023G)
Expected date to start trading in the new shares	After completing all the necessary procedures, the start date of trading in the new shares will be announced on the Tadawul website, provided that the time period between the end of the subscription to the rights issue and the deposit of shares in the shareholders' portfolios is 9 working days.

Note: All dates mentioned in the above table are approximate. The actual dates will be announced on the website of Tadawul ([www.saudiexchange.sa](http://www.saudiexchange.sa))





## Important Announcement Dates

Announcement	Announcer	Date of Announcement
Announcement regarding the Extraordinary General Assembly meeting on capital increase	Company	On 02/04/1444H (corresponding to 27/10/2022G)
Announcement regarding the results of the Extraordinary General Assembly results on capital increase	Company	On 27/04/1444H (corresponding to 21/11/2022G)
Announcement of the amendment to the Company's share price, the deposit of rights, and the indicative value of the right	Tadawul	On 27/04/1444H (corresponding to 21/11/2022G)
Announcement of the addition of priority rights to the Company	Depository Center	On 30/04/1444H (corresponding to 24/11/2022G)
Announcement of the determination of the rights trading period and the subscription period of new shares	Company	On 28/04/1444H (corresponding to 22/11/2022G)
Announcement on the start of the Subscription Period and Trading Period	Tadawul	On 30/04/1444H (corresponding to 24/11/2022G)
Reminder announcement regarding the commencement of Trading Period and Subscription Period	Company	On 03/04/1444H (corresponding to 27/11/2022G)
Reminder announcement of the last day of trading rights and the necessity for those who do not wish to subscribe to sell owned rights	Tadawul	On 07/05/1444H (corresponding to 01/12/2022G)
Announcement of the last day of subscription	Company	On 13/05/1444H (corresponding to 07/12/2022G)
Announcement: – Subscription results – Details of the Sale of shares that have not yet been subscribed (if any) and the start date of the Rump offering period	Company	On 14/05/1444H (corresponding to 08/12/2022G)
Announcement of the results of the Rump Offering and notice of final allotment	Company	On 20/05/1444H (corresponding to 14/12/2022G)
Announcement of the deposit of new shares in the investors' portfolios	Tadawul	On 27/05/1444H (corresponding to 21/12/2022G)
Announcement regarding the distribution of compensation amounts (if any) to Eligible Persons	Company	On 23/06/1444H (corresponding to 16/01/2023G)

Note: All dates mentioned in the above table are approximate. The actual dates will be announced on the website of Tadawul ([www.saudiexchange.sa](http://www.saudiexchange.sa))

It should also be noted that in the event that an announcement related to the offering is published in a local newspaper after the Prospectus has been published, the announcement will include:

1. The issuer's name and its commercial registration number.
2. The securities, their value, type, and class covered by the securities registration and offering application.
3. Addresses and places where the public can obtain the Prospectus.
4. The date of publication of the Prospectus.
5. A statement that the announcement is for information purposes only and does not constitute an invitation or an offer to own the securities by purchasing or subscribing thereto.
6. Name of the Lead Manager, Underwriters, Financial Advisors and Legal Advisor.
7. A disclaimer as follows: "CMA and the Saudi Stock Exchange (Tadawul) do not take any responsibility for the contents of this announcement, 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 announcement"



## How to apply

Subscribing for the new shares is limited to Eligible persons, whether Registered Shareholders or New Investors. In the event that Eligible persons do not subscribe to the Rights, the Unsubscribed Shares shall be offered to Institutional Investors during the Rump Offering Period. Eligible persons wishing to subscribe to the new shares should submit the subscription application forms via the means and services provided by the broker to investors, provided the eligible person shall have one investor account at any broker providing such services.

Subscription Applications are submitted through portfolios in trading platforms and applications, through which sale and purchase orders are entered. In addition, it is possible to subscribe through any other means provided by the broker and the custodian of shares. The Company reserves the right to reject, in full or in part, any application for new shares that does not comply with any of the subscription terms or conditions. Upon submission, the Subscription Application Form may not be amended or withdrawn. Instead, it shall represent a legally binding contract between the Company and eligible Subscriber.

## Q&A related to the Rights

### What is a Rights Issue?

A Rights Issue is an offering of tradable securities that give their holders the right to subscribe to New Shares upon approval of capital increase. They have acquired rights for all Shareholders who own shares at the date of the Extraordinary General Assembly meeting for capital increase, and who are registered in the Company's Shareholders Register held with the Depository Center at the close of the second trading day following the date of the Extraordinary General Assembly meeting. Each Right grants its holder the right to subscribe for one New Share at the Offer Price.

### Who is granted the Rights?

The Rights shall be granted to Shareholders registered in the Company's Register as of the close of the second trading day of the Extraordinary General Assembly meeting on capital increase.

### When are the Rights deposited?

Following the Extraordinary General Assembly meeting approving capital increase through a Rights Issue, the Rights shall be deposited as securities in the portfolios of shareholders recorded in the Company's Shareholders Register held with the Depository Center at the close of the second trading day following the date of the Extraordinary General Assembly meeting. The Shares will appear in the portfolios of the shareholders under a new symbol that designates these Rights. These Rights cannot be traded or exercised by the Registered Shareholders until the beginning of the Trading Period and Offering Period.

### How are Registered Shareholders notified of the Rights being deposited in their portfolios?

The Registered Shareholders are notified through an announcement on the Tadawul website as well as by the (Tadawulaty) service provided by the Securities Depository Center Company and SMS messages sent through brokerage companies.

### How many Rights can be acquired by a Registered Shareholder?

The number of Rights to be acquired by a Registered Shareholder is subject to the number of Shares ratio held by the Registered Shareholder in the Company's Shareholders Register at the Depository as at the close of the second trading day after the Extraordinary General Assembly meeting.

### What is the Rights Issue eligibility factor?

It is the means by which the Registered Shareholder can determine the Rights it is entitled to in relation to its shareholding under the Company's Shareholders Register held with the Depository Center at the close of the second trading day following the date of the Extraordinary General Assembly meeting. It is calculated by dividing the number of New Shares by the number of the Company's existing Shares. Hence, the eligibility factor is (10) Rights per (1) share owned by the Registered Shareholder on the eligibility date. Accordingly, if a Registered Shareholder owns one thousand (1,000) shares on the eligibility date, ten thousand (10,000) Rights will be allocated for him/her against the shares owned by him/her.

**Will the name and symbol of trading these rights differ from the name and symbol of the Company's shares?**

Yes, as the acquired right will be added to the investors' portfolios under the name of the original share, and by adding the word rights, in addition to a new symbol for these rights.

**What is the value of the Right upon commencement of trading?**

The opening price of the Right is the difference between the closing price of the share on the day preceding the Rights listing and the Offer Price (the indicative value of the Right). For example, if the closing price of a share on the preceding day is fifteen (15) Saudi Riyals and the Offer Price is ten (10) Saudi Riyals, the opening price of the Rights will be five (5) Saudi Riyals.

**Who is the Registered Shareholder?**

A shareholder who appears in the Company's shareholder register at the end of the second trading day after the Extraordinary General Assembly meeting.

**Can Registered Shareholders subscribe to additional shares?**

Yes. Registered Shareholders can subscribe to additional shares by purchasing new Rights through Tadawul during the Trading Period.

**Is it possible for a registered shareholder to lose his/her eligibility to subscribe even if he has the right to attend the Extraordinary General Assembly and vote on raising the capital through rights issue?**

Yes, the Shareholder loses his/her eligibility to subscribe if he sells his/her shares on the day of the Extraordinary General Meeting or one working day before it.

**How does the Subscription take place?**

Subscription Applications are submitted through portfolios in trading platforms and applications, through which sale and purchase orders are entered. In addition, it is possible to subscribe through any other means provided by the broker and the custodian of shares.

**Can an Eligible Person subscribe to more shares than the Rights owned by him/her?**

An Eligible Person cannot subscribe to more shares than the Rights owned by him/her.

**If the Company shares are acquired through more than one investment portfolio, in which portfolio will the Rights be deposited?**

The rights will be deposited in the same portfolio in which the shares of the Company connected to the rights are deposited. For example, if a shareholder holds one thousand (1000) shares in the Company as follows: eight hundred (800) shares in portfolio (a) and two hundred (200) shares in portfolio (b), then the total Rights amounting to ten thousand (10,000) Rights, as each share is eligible for a Right, will be deposited. Therefore, eight thousand (8,000) Rights will be deposited in portfolio (a) and two thousand (2,000) Rights will be deposited in portfolio (b).

**Are share certificate holders allowed to subscribe and trade?**

Yes, they are allowed to subscribe, but they cannot trade until after depositing the certificates in investment portfolios through the receiving agents or Depository Center Company ("Edaa") and introducing the necessary documents.

**Are additional Rights purchasers entitled to trade them once again?**

Yes, purchasers of additional Rights may sell them and purchase other Rights only during the Trading Period.

**Is it possible to sell a part of these Rights?**

Yes, the investor may sell a part of these Rights and subscribe to the remaining part.

**When can a Shareholder subscribe to the Rights it purchased during the Trading Period?**

During the Subscription Period after settlement of the purchase of Rights (two business days).

**Can the Eligible Person sell the Right after expiry of the Trading Period?**

No. After the expiry of the Trading Period, the Eligible Person may only exercise the right to subscribe to the Rights Shares. In case the Right is not exercised, the investor may be subject to loss or decrease in the value of his investment portfolio.

**What happens to the Rights that are unsold or unsubscribed during the Subscription Period?**

If the New Shares are not fully subscribed for during the Subscription Period, the remaining New Shares will be offered for subscription through an offering to be organized by the Lead Manager. The amount of compensation (if any) to the Rightsholder will be calculated after deducting the subscription value. The investor may not receive any consideration if the sale occurs during the Rump Offering Period at the Offer Price.

**Who has the right to attend the Extraordinary General Assembly and vote on increasing the Issuer's share capital through a Rights Issue?**

A shareholder registered in the Company's Shareholders Register at the Depository Center after the end of the trading session, on the date of the Extraordinary General Assembly, shall have the right to attend the Extraordinary General Assembly and vote on increasing the Issuer's share capital through a Rights Issue.

**When is the share price adjusted as a result of increasing the Issuer's share capital through a Rights Issue?**

The share price is adjusted by SSE before the start of trading on the day, following the Extraordinary General Assembly.

**If an investor buys securities on the date of the Extraordinary General Assembly, will he/she be eligible for the Rights resulting from the increase of the Issuer's share capital?**

Yes, as the investor will be registered in the Company Shareholders Register two business days after the date of the purchase of shares (i.e., at the end of the second trading day following the day of the Extraordinary General Assembly), bearing in mind that Rights will be granted to all shareholders registered in the Company Shareholders Register at the end of trading session on the second trading day following the date of the Extraordinary General Assembly. However, he/she may not attend or vote in the Extraordinary General Assembly for the capital increase.

**If an investor has more than one portfolio with more than one broker, how will their Rights be calculated?**

The investor's shares will be distributed to their portfolios according to the percentage of shareholding in each portfolio. In the event of share fractions, these fractions will be aggregated. If the outcome is an integer or more, the integer number will be added to the portfolio in which the investor has the largest number of Rights.

**What are the Trading and Offering Periods?**

Trading in and subscription for the Rights shall commence after (3) three working days from the approval of the extraordinary general assembly including the approval of the capital increase, at the same time until the end of trading on the sixth day. However, subscription shall continue until the ninth day, as stated in the Prospectus and the Company's issued announcements.

**Is it possible to subscribe during the weekend?**

No.

**Can investors, who are not Registered Shareholders, subscribe to the Rights Shares?**

Yes, but after full purchase of Rights during the Trading Period.

**Additional assistance:**

In case of any inquiries, please contact the Company at the e-mail [info@shamstourism.sa](mailto:info@shamstourism.sa). For legal reasons, the Company will only be able to provide the information contained herein and will not be able to advise on the merits of issuing rights or even provide financial, tax, legal or investment advice.

For more information on the terms, conditions and instructions for the subscription, please refer to Section (13) "Information related to Shares and Offering Terms and Conditions" and other information contained herein.





## Background Summary

This summary provides a brief overview of the background contained in this Prospectus. Since it is a summary, it does not include all information that may be interesting to shareholders and other general institutional and individual investors. Recipients of this Prospectus should read the entire Prospectus before making an investment decision in relation to Rights or new shares.

## Overview of the Company

Tourism Enterprise Company (TECO) (hereinafter referred to as "Company" or "TECO") is incorporated as a Joint Stock Company under the trade name "Tourism Enterprise Company" a Saudi Joint Stock Company by Ministerial Resolution No. (819), dated 23/09/1411H (corresponding to 09/04/1991G) for a license to incorporate "Tourism Enterprise Company" a Saudi Joint Stock Company. The Memorandum of Association was inspected by the Ministry of Commerce and attested by the notary public in Dammam under No. 303/1/307/44, Statement (65) to (75) for 1411H, dated 07/09/1411H (corresponding to 24/03/1991G). The capital, upon incorporation, is one hundred one million five hundred thousand (101,500,000) Saudi Riyals, divided into one million fifteen thousand (1,015,000) equal shares with a nominal value per share is one hundred (100) Saudi Riyals. All are ordinary cash shares. The Company was registered at the commercial register in Dammam under joint stock company registration certificate No. (2050021572), dated 20/01/1412H (corresponding to 01/08/1991G). The Company's head office is located in Dammam, Half Moon Bay, P.O. Box: (8383), Postal Code: (31482).

## Structure of Company's Capital

- Tourism Enterprise Company (TECO) is incorporated as a Joint Stock Company under the trade name "Tourism Enterprise Company" a Saudi Joint Stock Company by Ministerial Resolution No. (819), dated 23/09/1411H (corresponding to 09/04/1991G) for a license to incorporate "Tourism Enterprise Company" a Saudi Joint Stock Company. The Memorandum of Association was inspected by the Ministry of Commerce and attested by the notary public in Dammam under No. 303/1/307/44, Statement (65) to (75) for 1411H, dated 07/09/1411H (corresponding to 24/03/1991G). The Company's shareholders are one hundred twenty-two (122), all are Saudi corporates and individuals. The capital, upon incorporation, is one hundred one million five hundred thousand (101,500,000) Saudi Riyals, divided into one million fifteen thousand (1,015,000) equal shares with a nominal value per share is one hundred (100) Saudi Riyals. All are ordinary cash shares.
- On 10/02/1419H (corresponding to 04/06/1998G), the Company modified the nominal value of the share in order to list the Company in Saudi Stock Exchange. The Company's Extraordinary General Assembly resolved at its meeting of 10/02/1419H (corresponding to 04/06/1998G) to amend Article (6) of the Articles of Association regarding the Company's capital. The share's nominal value was divided from one hundred (100) Saudi Riyals to fifty (50) Saudi Riyals and the number of shares was also multiplied to be two million thirty thousand (2,030,000) shares.
- The Company listed its shares on Tadawul dated 22/06/1420H (corresponding to 02/10/1999G) after obtaining the approvals of both Ministry of Commerce and Saudi Central Bank. On 27/02/1427H (corresponding to 27/03/2006G), at the Council of Ministers Resolution on defining the nominal value of Company's shares at ten (10) Saudi Riyals, the Company proceeds to redivide the nominal value of the Company's shares to be ten (10) Saudi Riyals instead of fifty (50) Saudi Riyals.
- On 03/09/1442H (corresponding to 15/04/2021G), the Company's Board of Directors recommended reducing the Company's capital from one hundred five million five hundred thousand (105,500,000) Saudi Riyals to sixty-six million nine hundred ninety thousand (66,990,000) Saudi Riyals at a rate of 34%. The number of Company's shares was reduced from ten million one hundred fifty-thousand (10,150,000) shares to six million six hundred ninety-nine thousand (6,699,000) shares through the cancellation of three million four hundred fifty-one thousand (3,451,000) shares.
- On 16/01/1443H (corresponding to 24/08/2021G), the Company's Board of Directors recommended modifying the recommendation of reducing the Company's capital, which was made on 03/09/1442H (corresponding to 15/04/2021G). The new recommendation aimed at reducing the Company's capital from one hundred one million five hundred thousand (101,500,000) Saudi Riyals to fifty-two million five hundred sixty-six thousand nine hundred thirty (52,566,930) Saudi Riyals by 48.21%. The Company's shares were reduced from ten million one hundred fifty-thousand (10,150,000) shares to five million two hundred fifty-six thousand six hundred ninety-three (5,256,693) shares through the cancellation of four million eight hundred ninety-three thousand three hundred seven (4,893,307) shares.
- On 16/01/1443H (corresponding to 24/08/2021G), the Board of Directors also recommended modifying the recommendation to the Extraordinary General Assembly after completing the capital reduction. The new recommendation aimed at increasing the Company's capital from fifty-two million five hundred sixty-six thousand nine hundred thirty (52,566,930) Saudi Riyals to three hundred sixty-seven million nine hundred sixty-eight thousand five hundred ten (367,968,510) Saudi Riyals. The Company's shares were increased from five million two hundred fifty-six thousand six hundred ninety-three (5,256,693) shares to thirty-six million seven hundred ninety-



six thousand eight hundred fifty-one (36,796,851) shares by an increase of thirty-one million five hundred forty thousand (31,540,000) shares.

- On 27/03/1443H (corresponding to 02/11/2021G), CMA approved the request for capital reduction.
- On 05/05/1443H (corresponding to 09/12/2021G), the Extraordinary General Assembly approved the Board of Directors' recommendation made on 16/01/1443H (corresponding to 24/08/2021G) to reduce the Company's capital from one hundred one million five hundred thousand (101,500,000) Saudi Riyals to fifty-two million five hundred sixty-six thousand nine hundred thirty (52,566,930) Saudi Riyals to amortize the accumulated losses, which amount forty-eight million nine hundred thirty-three thousand seventy (48,933,070) Saudi Riyals. The reduction shall be made through the cancellation of four million eight hundred ninety-three thousand three hundred seven (4,893,307) shares.
- The Company's current capital is fifty-two million five hundred sixty-six thousand nine hundred thirty (52,566,930) Saudi Riyals, divided into five million two hundred fifty-six thousand six hundred ninety-three (5,256,693) ordinary equal shares, the value of each is (10) Saudi Riyals.
- On 26/04/1444H (corresponding to 20/11/2022G), the Extraordinary General Assembly agreed, based on the recommendation of the Board of Directors dated 14/07/1443H (corresponding to 15/02/2022G), to increase the Company's capital from fifty-two million five hundred sixty-six thousand nine hundred thirty (52,566,930) Saudi Riyals to five hundred seventy-eight million two hundred thirty-six thousand two hundred thirty (578,236,230) Saudi Riyals. An increase by (1000%) through the cancellation of offering Rights at five hundred twenty-five million six hundred sixty-nine thousand three hundred (525,669,300) shares.

Table of Amendments to Company's Capital				
Nature of Increase/Decrease in Capital	Number of Shares	Nominal value per share in Saudi Riyal	Company's capital in Saudi Riyal	Year
Company's capital upon incorporation	1,015,000	100	101,500,000	1991G
Decrease of nominal value of Company's shares from (100) Saudi Riyals to (50) Saudi Riyals per share	2,030,000	50	101,500,000	1998G
Decrease of nominal value of Company's shares from (50) Saudi Riyals to (10) Saudi Riyals per share	10,150,000	10	101,500,000	2006G
Decrease of Company's capital by (48.21%) to amortize accumulated losses	5,256,693	10	52,566,930	2021G
Increase of Company's capital by (1000%)	57,823,623	10	578,236,230	2022G

## Summary of the Company's Activities

Article (3) of the Company's Articles of Association stipulates that the Company shall carry out and perform the following objectives:

establishment and management of tourism resorts and facilities, including chalets, motels, hotels, gardens, restaurants, amusement parks, sports fields, pools, recreation rooms, service stations, central markets and all services needed by tourism resorts, yacht harbors, boat docks, ownership of yachts and boats for tourism purposes, amateur fishers, diving, trade in fishing tools, swimming and training, establishment of competitions, obtaining commercial proxies from tourism companies, organizing tourism activities inside and outside the KSA.

The Company practices its business according to the applicable laws and after obtaining the licenses required from the competent authorities, if any.

The Company's commercial registration indicates that the licensed activities are (hotels, furnished residential units, chalets, tourism inns, resorts, tourism accommodation facilities management, camps, restaurants with service, beverage shops (coffee shops), rental and lease of bicycles, booking and marketing of tourism accommodation units, amusement parks, entertainment centers, organization of entertainment events, operating of entertainment event facilities).

- The Company may inaugurate branches, offices of agencies inside or outside the KSA upon the Board of Directors' resolution. As on the date of publishing this Prospectus, the Company has three (3) branches, to which the main branch will be added, inside the KSA.
- Moreover, the company may solely incorporate companies (limited liability or closed joint-stock companies) provided their capital shall not be less than five (5) million Saudi Riyals. It may also own shares and stocks in or merge with other existing companies. It may engage with third parties to incorporate joint-stock or limited liability companies after fulfilling the requirements of laws and instructions adopted in this regard. The Company may also dispose of these shares or stocks provided no brokerage shall be involved in trading. As on the date of publishing this Prospectus, the Company has no subsidiaries inside or outside the KSA. (For more information about licenses extracted by "Tourism Enterprise Company (TECO)" to practice its activities, please refer to subsection (10.2) "Licenses and Permits obtained by the Company" from section (10) "Legal information").
- The Company practices its activities at its headquarters and branches. Here are the Company's main activities:



## Tourism business:

This is the Company's main business, which includes the following:

- Rental and lease of bicycles;
- Management of resorts, tourism accommodation facilities and hotels;
- Operation and marketing of tourism accommodation facilities; and
- Operation of entertainment event facilities, amusement parks, furnished residential units and camps.

## Vision of the Company

To effectively contribute to achieving sustainable development in hospitality and accommodation through the investment in national projects.

## Message of the Company

TEC would be the top leading company in tourism sector in the KSA and leader in hospitality, accommodation and travel services according to global standards and local spirit.

## Objectives and Strategic Approaches

The strategic approaches announced by the Company are:

- Implement the development plans in the Company's portfolio and expansion projects in several expected strategic facilities.
- Expand in strengthening the trademark "TECO", which provides hospitality experiences in a modern manner in the resorts and furnished apartments sector.
- Expand vertically and horizontally to target the expected tourism request, thus ensuring the addition of new sources to generate revenues to serve the expansion plans and to promote the Company's profitability in light of the changes in the work environment and increased operating costs.
- Diversify the sources of Company's revenues so no source would exceed 25% of the total annual revenues.
- Achieve an annual growth of 10% in all revenue sources.

## Strengths and Competitive Advantages

Here are the Company's aspects of strength and competitive advantages:

- Company's experience of over 30 years in tourism, hospitality and entertainment sectors.
- Wide-ranging and diverse operations in tourism, hospitality and entertainment sectors.
- Management and operation of restaurant and (2) sports and entertainment centers at Palm Beach Resort.



## Market overview

The KSA is undergoing a radical change in the concept of tourism and entertainment as the KSA Government has established various bodies and companies, whose role revolves around tourism and entertainment, including the General Entertainment Authority, Ministry of Tourism, Red Sea Development Company and the Qiddiya Investment Company. The KSA is seeking to make the tourism and entertainment sectors one of the most important pillars of the economy, as the two sectors have undergone a radical change since the announcement of Saudi Vision 2030. The tourism and entertainment sector will support the KSA's economy by contributing to the diversification of sources of income and contributing to rising GDP. In addition to supporting SMEs and increasing the proportion of direct investments to generate jobs in the entertainment, hospitality and tourism sectors in the KSA.

- **Tourism Sector in the KSA.**

The government is pushing the tourism development strategy as the Tourism Development Fund has signed agreements with funding of 160 billion Saudi Riyals to finance tourism development projects in the KSA. This level of investment and commitment is intended to make up the tourism sector (%10) of GDP in the KSA in 2030G.

- **Hospitality Sector in the KSA.**

The hospitality sector in the KSA depends on the main cities of Riyadh, Jeddah, Mecca, Dammam and Al Khobar, where hotel occupancy rates for Riyadh, Mecca, Dammam and Al Khobar have increased by (%10) ,(%5) and (%10) respectively.

- **Entertainment Sector in the KSA.**

The entertainment sector in the KSA is an important factor for the KSA's economy, as the KSA aspires in Saudi Vision 2030 to increase household spending on entertainment, contributing to improving lifestyle and quality of life. In 2019G, the KSA began allowing visas and allowing entry to citizens of 49 countries, which will encourage tourism in the KSA. Total tourism spending in the KSA increased by (%12) and 3.77 billion Saudi Riyals.

Source: Invest Saudi website.





## Financial Information Summary

The Financial Information Summary is based on the Company's audited financial statements for the financial years ended on December 31, 2019G, 2020G and 2021G and the attached notes. The Company's audited financial statements for the fiscal year ending December 31, 2019G, 2020G and 2021G have been prepared by International Financial Reporting Standards (IFRS) approved in the Kingdom of Saudi Arabia and other standards and publications approved by Saudi Organization for Certified Public Accountants (SOCPA). The financial statements for the financial year ending December 31, 2019G, 2020G and 2021G were audited by Al Bassam & Co. CPA's and Consultants (member firm of PKF International). The Company issues its financial statements in Saudi Riyals.

### Statement of Financial Position

Saudi Riyal	Financial year ended on December 31, 2019G	Financial year ended on December 31, 2020G	Financial year ended on December 31, 2021G
Total tangible assets	20,100,744	19,641,291	16,632,321
Total intangible assets	61,694,492	56,849,836	53,851,588
<b>Total assets</b>	<b>81,795,236</b>	<b>76,491,127</b>	<b>70,483,909</b>
Total tangible liabilities	2,722,767	5,643,504	13,701,559
Total intangible Liabilities	1,179,651	1,204,872	1,342,866
<b>Total liabilities</b>	<b>3,902,418</b>	<b>6,848,376</b>	<b>15,044,425</b>
Total shareholders' equity	77,892,818	69,642,751	55,439,484
<b>Total liabilities and equity</b>	<b>81,795,236</b>	<b>76,491,127</b>	<b>70,483,909</b>

Source: Audited financial statements for the financial years ended on December 31, 2019G, 2020G and 2021G

### Statement of Profit or Loss

Saudi Riyal	Financial year ended on December 31, 2019G	Financial year ended on December 31, 2020G	Financial year ended on December 31, 2021G
Revenues	12,688,593	16,056,275	15,975,723
Sales costs	10,902,033	10,622,505	(12,892,512)
Operating profit (loss)	1,786,560	5,433,770	3,083,211
Net pre-Zakat income (loss)	(8,863,720)	(7,454,559)	(12,882,008)
Zakat	4,678,279	(740,821)	(1,154,419)
<b>Net profit (loss) for the year</b>	<b>(4,185,441)</b>	<b>(8,195,380)</b>	<b>(14,036,427)</b>

Source: Audited financial statements for the financial years ended on December 31, 2019G, 2020G and 2021G

### Statement of Cash Flows

Saudi Riyal	Financial year ended on December 31, 2019G	Financial year ended on December 31, 2020G	Financial year ended on December 31, 2021G
Net cash generated from/(used in) operating activities	(6,407,638)	5,399,885	952,109
Net cash generated from/(used in) investing activities	(1,924,128)	(1,170,816)	(3,411,697)
Net cash generated from/(used in) financing activities	-	-	-
Net change in cash and cash equivalents for the year	(8,331,766)	4,229,069	(2,459,588)
Cash and cash equivalents at the beginning of the year	19,879,588	11,547,822	15,776,891
Cash and cash equivalents at the end of the year	11,547,822	15,776,891	13,317,303

Source: Audited financial statements for the financial years ended on December 31, 2019G, 2020G and 2021G



## KPIs

		Financial year ended on December 31		
	Unit	2019G	2020G	2021G
Financial KPIs				
Net Profit/(Loss)	One thousand Saudi riyals	(4,185)	(8,195)	(14,036)
Margin of total profit	%	14.1%	33.8%	19.3%
Margin of net profit (loss)	%	(33.0%)	(51.0%)	(87.9%)
Tangible assets/tangible liabilities	X	7.4	3.5	1.2
Operating KPIs				
Accumulated Losses	One thousand Saudi riyals	(26,520)	(34,770)	(40,567)
Average daily rate of chalets	Saudi Riyal	2,627	2,627	2,655
Occupancy rate for chalets	%	7.7%	12.5%	12.2%
Average daily rate of cabins	Saudi Riyal	907	907	982
Occupancy rate for cabins	%	9.9%	13.9%	12.7%

Source: Audited financial statements for the financial years ended on December 31, 2019G, 2020G and 2021G



## Summary of Risk Factors

There are several risks related to this Rights Issue. These risks were covered in three main groups as follows: Risks related to the Company's activities and operations, risks related to market and industry, and share-related risks. These risks were discussed in detail in Section No. (2) "**Risk Factors**" of this Prospectus, which should be carefully read prior to making the investment decision in Rights Shares, subject of Offering.

- Risks related to the Company's activities and operations
  - Risks Related to the Inability to Implement the Strategy
  - Risks Related to Liquidity
  - Risks Related to Concentration of Company's Revenues
  - Risks Related to Insurance
  - Risks Related to Availability of Funding in Future
  - Risks related to Leased Sites
  - Risks related to Trademarks
  - Risks related to Contingent Liabilities
  - Risks related to Reliance on Main Employees and Executive Management
  - Risks related to Application of Developments or New International Accounting Standards in the Future
  - Risks related to Employee Errors or Misconduct
  - Risks related to Operating Systems and Information Technology
  - Risks related to Appropriate Maintenance for Company's Assets, Systems and Infrastructure
  - Risks related to Non-compliance with Supervisory Entities Laws
  - Risks Related to Non-compliance with the Quality Standards and Specifications required by Customers
  - Risks Related to Litigation and Lawsuits
  - Risks Related to Potential Zakat Dues and Additional Claims
  - Risks Related to Contracts with Third Parties
  - Risks Related to New Projects
  - Risks Related to the Outbreak of the Coronavirus "COVID-19"
  - Risks Related to Non-issuance or Non-renewal of Licenses, Permits and Certificates
  - Risks Related to Insufficient Insurance Coverage
  - Risks Related to Non-compliance with Rules, Regulations and Policies related to Company's Governance
  - Risks Related to Employment Nationalization "Saudization"
  - Risks Related to Accommodation of Fixed Costs
  - Risks Related to Accumulated Losses
  - Risks Related to Increase Company's Liabilities
  - Risks Related to Accounting Errors and Default in Financial Reports
  - Risks Related to Capital Increase
- Risks Related to Market and Industry
  - Risks Related to the Economic Performance of the KSA
  - Risks Related to Political and Economic Instability in the Middle East
  - Risks Related to Local and International Traveling Movements
  - Risks Related to Seasonal Factors and Climate Conditions
  - Risks Related to Non-compliance with Existing Laws and regulations and/or Issuance of New Laws and Regulations
  - Risks Related to Changes in Relevant Laws and Regulations
  - Risks Related to Growth Opportunities
  - Risks Related to the Competitive Environment



- Risks Related to the Application of Value-added Tax (VAT)
- Risks Related to Adjustments to Accounting for Zakat and Income Tax
- Risks Related to Government Fees Applicable to non-Saudi Employees
- Risks Related to the Imposition of New Fees or Taxes
- **Shares-Related Risks**
  - Risks Related to Potential Fluctuation in the Price of the Rights
  - Risks Related to Potential Fluctuations in the Share Price
  - Risks Related to non-Profitability or Selling the Rights
  - Risks related to lack of demand for the Company's Rights and shares
  - Risks Related to Speculation in Priority Rights
  - Risks Related to Dilution of Ownership
  - Risks Related to Not Exercising the Priority Rights promptly
  - Risks Related to Dividends
  - Risks Related to Sale of Huge Number of Shares
  - Risks Related to the Possibility of Issuing new shares
  - Risks Related to Future Data
  - Risks related to suspending trading or cancellation of Company's shares failure to publish its financial statements within the statutory period



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## 1

## DEFINITIONS AND TERMS

Term	Definition
<b>"Company", "TECO" or "Issuer"</b>	Tourism Enterprise Company, a Saudi Joint Stock Company.
<b>Advisors</b>	The Company's Advisors, whose names are mentioned on page (v).
<b>Management</b>	Management of the Company.
<b>Board or Board of Directors</b>	The Company's Board of Directors, whose names are mentioned on page (iii).
<b>Major Shareholders</b>	The shareholders who own more than 5% of the Company's shares. As of this Prospectus, the Company does not have any major shareholders.
<b>Related Parties</b>	They mean: <ol style="list-style-type: none"> <li>1. Company's employees;</li> <li>2. substantial shareholders in the Company;</li> <li>3. Directors and Senior Executives of the Company;</li> <li>4. Directors and Senior Executives of the Company's employees;</li> <li>5. Directors and Senior Executives of the Company's substantial shareholders;</li> <li>6. any relatives to the persons referred to in Clauses (1, 2, 3, 4 or 5) above; and</li> <li>7. any company controlled by any person referred to in Clauses (1, 2, 3, 4, 5 or 6) above.</li> <li>8. Persons acting in concert together and jointly owning (5%) or more of the category of shares to be listed.</li> </ol>
<b>Compound Annual Growth Rate</b>	A method used to calculate the growth rate of a particular item over a specified period.
<b>Articles of Association</b>	Company's Articles of Association.
<b>Capital Market Authority or CMA</b>	The Capital Market Authority in the KSA.
<b>Companies Law</b>	The Companies Law in the KSA promulgated by Royal Decree No. (M/3) dated 28/01/1437H (corresponding to 10/11/2015G), which entered into force on 25/07/1437H (corresponding to 02/05/2016G) as amended on 01/07/1441H (corresponding to 25/02/2020G).
<b>Stock Exchange</b>	Saudi Stock Exchange (Tadawul).
<b>Founding Shareholders</b>	Founding Shareholders of the Company
<b>General Assembly</b>	The Shareholders' General Assembly of the Company.
<b>Ordinary General Assembly</b>	The Ordinary General Assembly of the Company's Shareholders, which is held according to the Company's Articles of Association.
<b>Extraordinary General Assembly</b>	The Extraordinary General Assembly of the Company's Shareholders, which is held according to the Company's Articles of Association.
<b>GCC</b>	The Gulf Cooperation Council.
<b>GDP</b>	The gross domestic product of the Kingdom of Saudi Arabia.
<b>Government</b>	The Government of the Kingdom of Saudi Arabia.
<b>Corporate Governance Regulations</b>	Corporate Governance Regulations issued by the CMA's Board under Resolution No. (8-16-2017) dated 16/05/1438H (corresponding to 13/02/2017G), following the Companies Law promulgated by Royal Decree No. M/3 dated 28/01/1437H (corresponding to 10/11/2015G), as amended by the CMA Board Resolution No. (1-94-2022) dated 24/01/1444H (corresponding to 22/08/2022G).
<b>KSA</b>	Kingdom of Saudi Arabia.
<b>The Rights or Priority Rights</b>	Are tradable securities giving their holders the priority to subscribe to the new shares offered, upon approval of the capital increase. An acquired right by registered shareholders. Each Right grants its holder the right to subscribe to one New Share at the Offer Price. Rights Issue will be deposited after the Extraordinary General Assembly for Capital Increase. The Rights will appear in the portfolios of the Registered Shareholders under a new symbol specifying the Rights Issue. The Registered Shareholders will be informed of the deposit of the Rights in their portfolios.



<b>Capital Market Law</b>	The Capital Market Law promulgated by Royal Decree No. M/30 dated 02/06/1424H (corresponding to 01/08/2003G).
<b>Rules on the Offer of Securities and Continuing Obligations</b>	The Rules on the Offer of Securities and Continuing Obligations issued by CMA Board Under its Resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G) based on the Capital Market Law promulgated by Royal Decree No. M/30 dated 02/06/1424H as amended by CMA Board Resolution No. (1-94-2022) dated 24/01/1444H (corresponding to 22/08/2022G).
<b>Listing Rules</b>	Listing Rules issued by the Saudi Stock Exchange ("Tadawul") and approved by CMA Board Resolution No. (3-123-2017) dated 09/04/1439H (corresponding to 27/12/2017G), as amended by Resolution No. (1-52-2022) dated 12/09/1443H (corresponding to 13/04/2022G).
<b>Listing</b>	Listing securities on the primary market or - where the context allows - submitting a listing application to Saudi Stock Exchange (Tadawul).
<b>Lead Manager</b>	Al-Nefae Investment Group.
<b>Net Proceeds of the Offering</b>	Net Proceeds of the Offering after deducting the Offering expenses.
<b>Offer/subscription Price</b>	10 Saudi Riyals per share.
<b>Offered Shares</b>	Fifty-two million five hundred sixty-six thousand nine hundred thirty (52,566,930) ordinary shares.
<b>Indicative Value of the Right</b>	The difference between the market value of the Company's share during the Trading Period and the Offer Price.
<b>Trading Period</b>	Period Starts after (3) three working days from the approval of the extraordinary general assembly including the approval of the capital increase, from 03/05/1444H (corresponding to 27/11/2022G) until 13/05/1444H (corresponding to 07/12/2022G).
<b>Rump Offering</b>	Rump shares unsubscribed by eligible persons shall be offered to institutional investors by offering them during Rump Offering Period.
<b>Rump Offering Period</b>	If any shares remain unsubscribed after the end of the Subscription Period ("Rump Shares"), they will be offered to several institutional investors ("Institutional Investors") (referred to as "Rump Offering"). Such Institutional Investors shall submit their offers for purchasing the Rump Shares and the receipt of those offers shall commence at 10:00 AM on 17/05/1444H (corresponding to 11/12/2022G) and continue until 5:00 PM on 18/05/1444H (corresponding to 12/12/2022G) (Rump Offering "Period"). The Rump Shares shall be allocated to Institutional Investors in order of the offered price starting with the highest offer up to the lowest offer (provided that the price shall not be less than the Offer Price). The Rump Shares shall be allocated on a pro rata basis among Institutional Investors that provided offers at the same price. Fractional shares shall be added to the rump shares and treated in the same way.
<b>Eligible persons</b>	All Rights holders, whether Registered Shareholders or those who have purchased the Rights during the Trading Period.
<b>Registered Shareholders</b>	Shareholders holding shares on the date of the Extraordinary General Assembly meeting on capital increase as recorded in the Company's Shareholders Register at the close of the second trading day following the Extraordinary General Assembly.
<b>Person</b>	Natural person.
<b>Prospectus</b>	This document was prepared by the Company concerning the underwriting of Rights Issue.
<b>Riyal</b>	Saudi Riyal - Official currency of the KSA.
<b>Shareholder</b>	Owner or holder of shares as of any specified time.
<b>Shares</b>	Company's ordinary shares amounting five million two hundred fifty-six thousand six hundred ninety-three (5,256,693) ordinary shares prior to the increase.
<b>Wasatah Capital</b>	Al Wasatah Al Maliah
<b>Brokers</b>	The market institutions licensed by the Capital Market Authority to engage in the activity of dealing in securities in the capacity of an agent.
<b>Institutional Investors</b>	<p>Include several institutions, as follows:</p> <ol style="list-style-type: none"> <li>1. Government entities and Government-owned companies, whether investing directly or through a portfolio manager, or any international entity recognized by CMA, the Exchange or any other stock exchange recognized by CMA or the Depository Center;</li> <li>2. Mutual funds established in the KSA and publicly offered besides private funds which invest in the securities listed in the Saudi Stock Exchange, if such is permitted by the fund's terms and conditions and subject to the provisions and restrictions provided in the Investment Fund Regulations;</li> <li>3. Persons authorized to deal in securities as principals, provided that the financial adequacy requirements are observed;</li> <li>4. Customers of a person authorized to perform the works of the management, provided that such authorized person has been appointed on terms upon which it may make decisions regarding the acceptance of the Offering subscription and investment in Saudi Stock Exchange on behalf of the customer without obtaining prior approval;</li> <li>5. Any other legal persons may open an investment account in the KSA and an account with the Depository Center, considering the controls on investment companies listed in financial markets, provided that the participation of the Company shall not cause any conflict of interests;</li> <li>6. GCC Investors with Legal Personality, including companies and funds established in the GCC countries;</li> <li>7. Qualified foreign investors; and</li> <li>8. A final beneficiary of a legal capacity in a mutual agreement concluded with an authorized person under the terms and conditions of the mutual agreements.</li> </ol>





<b>SOCPA</b>	Saudi Organization for Certified Public Accountants in the Kingdom of Saudi Arabia, which is a Saudi professional organization incorporated in 1992G and it is composed of professional members up to more than 100 thousand members. Through the available experiences and skills, it leads accountancy, revision and supervision in the KSA.
<b>IFRS</b>	A set of accounting standards and interpretations thereof issued by the IASB.
<b>Ministry of Commerce and Investment</b>	The Ministry of Commerce and Investment in the Kingdom of Saudi Arabia.
<b>Subscriber</b>	Any Person who subscribes to shares offering for subscription
<b>Tadawul</b>	Automated Saudi securities trading system.
<b>VAT</b>	On 02/05/1438H, the Cabinet decided to approve the unified VAT agreement for Gulf Cooperation Council (GCC) countries, which came into force on January 01, 2018G, as a new tax added to the system of taxes and other fees to be implemented by Specific industries in the KSA, and in the GCC countries. The amount of this tax is (5%), where many products have been excluded from it (such as basic foods, services related to health care and education). The KSA's government decided to increase the value-added tax rate from 5% to 15% starting from July 2020G.
<b>Underwriter</b>	Al Wasatah Al Maliah and Nomw Financial Consulting Company.
<b>Underwriting Agreement</b>	The underwriting agreement concluded between the Company and the Underwriter.
<b>Rules of Qualified Foreign Financial Institutions Investment in Listed Securities</b>	Issued by the Board of the Capital Market Authority under Resolution (1-42-2015) dated 15/07/1436H (corresponding to 05/04/2015G) and as amended by Resolution No. (3-65-2019) dated 10/14/1440H (corresponding to 17/06/2019G), which regulate the investment in securities by non-Saudis residing outside the KSA. The qualifying foreign investors and the client agreed by the Licensee Person can trade in the Company's shares according to (Rules of Qualified Foreign Financial Institutions Investment in Listed Securities) Through exchange agreements, the institutions registered (outside the KSA) may via any Licensee Person by CMA and the qualified licensee foreign financial institutions by CMA to trade in new shares after listing and trading in SSE.
<b>Procedures and instructions for companies, whose shares are listed in the market with accumulated losses of (20%) or more of their capital</b>	Rules of accumulated-losses companies as issued by the CMA Board under Resolution No. (4-48-2013) dated 15/01/1435H (corresponding to 18/11/2013G) and as amended by the CMA Board Resolution No. (1-77-2018) dated 05/11/1439H (corresponding to 18/07/2018G)



## 2

## RISK FACTORS

Anyone wishing to subscribe to the shares offered for subscription shall carefully study all the information contained in this prospectus, including the risk factors set out below, before deciding to purchase the shares offered for subscription, bearing in mind that the risks described below may not include all the risks that the company may face. It is possible that there are additional risk factors that are not currently known to the company and that may affect its operations. The members of the Board of Directors are not aware of any other fundamental risks that may negatively affect the company's activity and financial performance, other than the risks set out below as on the date of this prospectus.

Investment in the offered shares is only suitable for investors who are able to assess the risks and benefits of that investment and who have sufficient resources to bear any loss that may result from that investment. Prospective investors who have any doubts regarding the decision to invest in the company shall seek the assistance of a financial advisor licensed by the Capital Market Authority to obtain appropriate advice on investing in the offered shares.

The members of the company's board of directors acknowledge that, to the best of their knowledge and belief, there are no other risks, not mentioned in this section, whose failure to mention them may affect the investors' decision as on the date of this prospectus. In the event of the occurrence or realization of one of the risk factors that the company's management ("management") currently believes to be important, or any other risks that the management could not identify or that it believes to be immaterial, if they occur or become material, the company's activity, its financial position, results of operations, cash flows and future prospects may be negatively and materially affected. The occurrence of one or some of these risks will lead to the decrease in the price of the shares in the market, which will lead to the potential investors losing all or part of their investment in the company's shares.

The risks and uncertainties set out below are presented in an order that does not reflect their importance. Additional risks and uncertainties, including risks and uncertainties that are not currently known or are currently considered immaterial, may have the effects described above.

### 2.1 Risks relating to the issuer

#### 2.1.1 Risks relating to the company's inability to implement the strategy

The company's ability to increase its revenue and improve its profitability depends on the effective implementation of its business plans and the successful achievement of its strategy, which includes, but is not limited to, improving the existing activities in which the company operates or entering into new ones. The company's ability to expand its business in the future depends on its ability to continue implementing and improving operational, financial and administrative information systems in an efficient and timely manner, as well as on its ability to increase, train, motivate and maintain its workforce. Any business expansion plans that the Company intends to undertake in the future will be subject to the estimated costs and implementation timetable specified thereto, and the Company may need to obtain additional financing to accomplish any of the expansion plans. If the Company is unable to implement the expansion plans according to the schedule set for them and according to the estimated costs of the project, or in the event of not obtaining the necessary licenses, or not achieving the desired profitability of these projects, which may be due to various reasons, including the change in the market situation at the time of implementation of these projects, or in the event of a defect in the feasibility study, and if the company fails to implement any part of its strategy for any reason, this will negatively affect the competitive position of the company, and consequently on its financial position, results of operations, profitability and future prospects.

#### 2.1.2 Risks Relating to Liquidity

Liquidity risk is represented in the company's inability to meet its current financial liabilities obligations as they become due. The company's current financial liabilities consist of accrued expenses, other payables, provision for claims and accrued zakat. The company's liquidity ratio reached (7.38) times, (3.48) times and (1.21) times for the fiscal years ending on December 31, 2019G, 2020G and 2021G, respectively. The liquidity ratio decreased from (7.38) times in 2019G to (3.48) times in 2020G as a result of the increase in current liabilities by (107.3%) to (5.6) million Saudi riyals as on December 31, 2020G as a result of recognizing a provision for legal claims related to investment in Hemaia Security and Safety Equipment and Trading Co. Ltd. (Hemaia). On 09/06/1440H (corresponding to 14/02/2019G), the company signed a memorandum of understanding with the aim of acquiring part of the owners' shares in Hemaia Security and Safety Equipment and Trading Co. Ltd. (Hemaia). As a result of the discovery of substantial financial obligations owed by Hemaia Company that were not



previously disclosed to Shams by the owners of Hemaia Company and did not appear in the audited financial statements of Hemaia Company and the financial due diligence report, the Board of Directors of "Shams" decided to withdraw from Hemaia Company and take the relevant measures. Accordingly, the Company filed a lawsuit with the Commercial Court in Riyadh against the founders of Hemaia Company to invalidate the contract. On 04/03/2021G, the initial judgment was pronounced dismissing the case, and the company submitted a petition, which was not considered until the date of this prospectus.

As for the risks involved in the event that the company loses the appeal, it is represented in not obtaining the compensation claimed and paying the agreed investment amount of (5,653,000) Saudi riyals to Hemaia company. Note that the company has not paid any amounts for this investment to Hemaia Company until the date of this prospectus. Shams Company seeks to withdraw from the investment process and not pay the agreed investment amount of (5,653,000) Saudi riyals, but there is a risk that the founders of Hemaia Company will not respond and provide the facilities and documents necessary for Shams Company to withdraw from Hemaia Company, which may force it to resort to the judiciary to obtain a ruling Judicial removal of Shams Company from the Hemaia Company with the consequent financial costs on the Shams Company. It should be noted that the percentage of Shams Company in the capital of Hemaia Security and Safety Equipment and Trading Co. Ltd. is (53)%... and the percentage of liquidity decreased again to (1.21) times as on December 31, 2021G, after the current liabilities increased from (5.6) million Saudi riyals on December 31, 2020G to (13.7) million Saudi riyals on December 31, 2021G, mainly due to the strengthening of an additional claims provision for the investment case in Hemaia Security and Safety Equipment and Trading Co. Ltd. in the amount of (3.7) million Saudi riyals since the issuance of the initial court decision rejecting the case and recognizing the provision, in addition to (2.1) million Saudi riyals for the lawsuits filed by two former directors and executive employees of the Tourism Enterprise Company (Shams) alleging the unfair termination of the work contract.

Risks can arise from the inability to sell current financial assets quickly and at an amount close to their equivalent value as well. There is also no guarantee that the company will be able to fulfill its obligations on due dates, and the company does not guarantee that no emergency or sudden events will occur that may require immediate liquidity, which negatively affects the company's business and thus the results of operational and financial operations. The company may also face liquidity risk when it is unable to provide the necessary funds to meet its financial obligations arising from operating activities and liabilities on time. The Company does not guarantee that any sudden events that may require immediate liquidity will not occur, which may affect the Company's operational performance and financial position.

### 2.1.3 Risks relating to the concentration of the company's revenues

The company's revenues consist of working in the tourism sector, so that the company's revenues from these activities are concentrated in the revenues generated from the renting of chalets and cabins, and the revenues of chalet and restaurant services and other services. The following table shows the details of revenues by activity and their percentage of total revenues during the fiscal years 2019G, 2020G and 2021G.

**Table NO. (1): Distribution of the company's revenues according to its activities**

Thousand Saudi riyals	2019G		2020G		2021G	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Chalets and Cabins Rentals	7,679	60.5%	11,640	72.5%	11,108	70%
Chalets Services	2,635	20.8%	2,605	16.2%	2,620	16%
Restaurant	-	-	120	0.7%	140	1%
Supermarket	60	0.5	60	0.4%	75	0%
Other Income	2,314	18.2	1,631	10.2%	2032	13%
<b>Total</b>	<b>12,689</b>	<b>100%</b>	<b>16,056</b>	<b>100%</b>	<b>15,975</b>	<b>100%</b>

Source: The Company

As shown in the above table, the company's revenues are concentrated from renting chalets and cabins and related services. Therefore, in the event of the decrease in revenues from the company's activities in general and from the revenues of chalets and cabins in particular, this will negatively affect the company's revenues and thus the results of operations.

### 2.1.4 Credit Risk

Credit risk arises when one party fails to meet a specific financial obligation of the other party. The company may face credit risks in several temporary or permanent cases, including the existence of debit balances of customers, and the failure of other creditors to fulfill their obligations to the company, so that the company may not be able to guarantee that the parties it deals with will not fail to fulfill their obligations, and it also cannot accurately predict their future ability to comply. In the event that the creditors fail to pay the company's dues, this will negatively and materially affect the company, its financial position and the results of its operations.



Noting that the company's net receivables amounted to (5.54) million Saudi riyals as on December 31, 2019G, (3.20) million Saudi riyals as on December 31, 2020G, and (2.51) million Saudi riyals as on December 31, 2021G. The following table shows the ratio of forward sales to total sales, accounts receivable turnover ratio, and average collection period for accounts receivable during the fiscal years 2019G, 2020G and 2021G.

**Table NO. (2): Credit Data**

Note	2019G	2020G	2021G
Total Revenues	12,688,593	16,056,275	15,975,723
Forward Revenues	3,131,677	3,116,216	3,339,845
Ratio of forward revenue to total revenue	24.7%	19.4%	21.0%
Net accounts receivable balance	5,538,868	3,197,279	2,511,590
Accounts Receivable Turnover*	0.57	0.97	1.33
Average collection period of accounts receivable**	640	376	274

Source: The Company

\* Accounts Receivable Turnover = Forward Revenue / Accounts Receivable Balance

\*\* Average collection period of accounts receivable = 365 days / turnover of accounts receivable

As on December 31, 2021G, the balance of accounts receivable that exceeded the two-year period amounted to (4.9) million Saudi riyals, which represents (66.7%) of the balance of accounts receivable, while the provision for doubtful debts amounted to (66.5%) of the total accounts receivable balance. Accordingly, the company cannot guarantee that the parties it deals with will not fail to fulfill their obligations, and it also cannot accurately predict the future ability of those parties to comply. In the event of non-fulfilment of the obligation by these parties, the company may resort to filing lawsuits against these parties to collect the dues, and that this will negatively affect the company, its financial position and the results of its operations. In addition, the non-compliance of these parties may be a result of the company's inability to collect its dues from third parties, which negatively affects the company's business and financial position.

## 2.1.5 Risks relating to the provision of financing in the future

The company may need to obtain loans and bank facilities to finance its expansion plans in the future. It is worth noting that obtaining financing depends on the company's capital, financial position, cash flows, guarantees offered and credit history. The company does not give any assurance or guarantee regarding obtaining the appropriate financing if needed. The company does not give any assurance or guarantee regarding obtaining the appropriate financing if needed. The company announced on the Saudi Stock Exchange (Tadawul) website on February 27, 2022G that it had signed a (non-binding) memorandum of understanding to acquire (100%) of (3) hotels owned by hospitality funds managed by Shuaa Capital Saudi Arabia "SHUAA Capital" in Riyadh, Jeddah and Dammam in the Kingdom of Saudi Arabia for an amount of (735) million riyals, excluding real estate tax, and in the event that the company reaches a final agreement with Shuaa Capital Saudi Arabia to acquire the mentioned hotels above, the company will use an amount of (505,693,300) Saudi riyals from the proceeds of the offering to finance part of the acquisition amount, provided that the remaining amount will be financed through financing sources from other financing bodies including banks, financing companies or other financing funds (For more information, please refer to Section 7 "Using the Proceeds of the Offering and Future Projects"). Therefore, the inability of the company to obtain the financing it needs from those parties, or to obtain financing on preferential terms that are commensurate with the company, may affect the completion of the acquisition of the above-mentioned hotels, which will have a negative and material impact on the company's performance, its operations and its future plans.

## 2.1.6 Risks relating to rented sites

The company has leased the land of Half Moon Beach from Dammam Municipality, which has an area of 565,000 square meters, with a contract term of (40) years from the date of August 1989G and continues until May 2029G, with an annual rent of (30) thousand Saudi riyals and according to a contract that is not electronically documented. The company has addressed the lessor, who is responsible for documenting the contract, through an approved real estate broker, and has not received a response until the date of this prospectus. The company has contacted the Dammam Municipality to renew the lease contract for the land of Half Moon Beach, and the Dammam Municipality has requested that communication and renewal procedures begin 6 months or a year before the end of the contract.

The palm beach resort, located on the land of the half-moon beach, constitutes the main activity of the company. The company's revenues from the resort represented in the rents of chalets, cabins and chalet services are the total revenues amounted to (81.3%), (88.8%), and (85.9%) during the financial years. 2019G, 2020G and 2021G, respectively.

The inability of the company to maintain the continuity of the lease contract related to this site, which constitutes the main activity of the company, and renew it on the same current terms or preferential terms, or its inability to use the leased property for the purpose assigned to it for any reason, which will make it compelled to vacate the leased site and find other



tenants, as the company does not have an alternative plan in case the contract is not renewed or if the renewal is requested for a larger amount. All of this will affect the company's expected business results, operational and financial statements. Furthermore, although the company's lease agreement with Dammam Municipality does not explicitly mention the need to return the leased land to its original condition upon expiry of the lease contract. However, this requirement may appear at the expiry of the lease contract, in which case the company will have to incur additional expenses to restore the land to its original condition by demolishing and removing the building on the land. The thing which will cost the company additional money.

It is worth noting the issuance of Cabinet Resolution No. (292) dated 16/05/1438H (corresponding to 13/02/2017G) containing that the non-registered lease contract in the electronic network is not considered a valid contract that produces its administrative and judicial effects, and since the electronic network for rental services has been launched (Ejar platform) in cooperation between the Ministries of Justice and Housing on 17/05/1439H (corresponding to 03/02/2018G) and a circular was issued by the Ministry of Justice approving the application of this to all contracts concluded after 05/05/1440H (corresponding to 11/01/2019G). Since the company has entered into two lease contracts as a lessee and a lessor, both are not registered electronically on the Ejar platform. Therefore, in the event that any dispute arises between the company and the lessor or lessee, in relation to the two lease contracts that are not registered electronically, they may not be considered by the Saudi courts, and therefore the company, as a plaintiff, may not be able to protect its rights in the event of a breach of the contractual obligations of any of the lessor or lessee and this will negatively and materially affect the company's business and future aspirations.

### 2.1.7 Risks Relating to Trademarks

The company has the (Shams) logo that it uses in its dealings and activities, but it has not been registered with the Saudi Authority for Intellectual Property as a trademark. Note that trademark registration will enable the company to put its name and logo on the external facade of the building, offices, hotels and facilities operated by the company, as trademark registration gives it the necessary legal protection in accordance with the trademark law. The company has registered its electronic domain with the Saudi Network Information Center. The company relies on its trademark in its business in the Kingdom and on its ability to continue to use it and protect its rights with respect to that trademark in the face of any illegal use of it (without a license from the company) by third parties (for more information, please see sub-paragraph No. (10.9) "Trademarks" from Section No. (10) "Legal Information" of this Prospectus).

Failure to register the company's logo as a trademark will not give it legal protection, which will affect the company's interests and will have a negative and material impact on the company's business, financial position and results of operations. Noting that to defend its trademark, the company may have to enter into costly court procedures. This may cause substantial damage to the brand's reputation, which will have a negative impact on the company's ability to attract new customers and lead to a decline in the company's revenues, which will negatively and fundamentally affect the company's business, financial position, results of operations and future prospects.

### 2.1.8 Risks Relating to Contingent Liabilities

Some contingent liabilities may arise on the Company, such as costs related to zakat, taxes or lawsuits, in addition to any other obligations or costs such as end of service benefits for employees. The company has estimated provisions for contingent liabilities based on accounting and estimation assumptions, which may result in differences in the actual amounts paid in the future. For example, the company has a claims provision of (7.8) million Saudi riyals as on December 31, 2021G in exchange for legal claims against the company (for more information, please see sub-paragraph (10.8) "Litigation", from Section No. (10) "legal information"), The company also has a legal zakat provision of (0.76) million Saudi riyals as on December 31, 2021G, while the company did not receive the zakat assessment for the year 2022G, and if these obligations are realized or exceed the expected and constituted amount, they will negatively and fundamentally affect the company's financial position, results of operations and future prospects.

### 2.1.9 Risks Relating to Reliance on Key Employees and Executive Management

The business results of any company depend mainly on the ability of its management to take the right and appropriate decisions regarding its business and activities. The company aims to attract and employ qualified people to ensure the efficiency and quality of its business through effective management and proper operation, given that the company's success depends on its ability to attract and retain qualified employees. However, the company may face what drives it to lay off its employees in order to reduce the volume of spending and monthly expenses. Accordingly, the company's loss of important human elements or its inability to retain them will negatively affect the company's business, and the company's profitability may be affected if the company is forced to pay higher salaries and benefits in exchange for keeping them.

The total number of employees in the company reached (51) workers as of the date of this prospectus, among them (17) Saudi workers and (34) non-Saudi workers. Among the factors that may affect the company's ability to retain important elements of non-Saudi workers is the imposition by the government of the Kingdom of Saudi Arabia of additional fees for each non-Saudi worker and fees for its family. These fees are represented in the annual financial consideration for the



renewal of the work permit of the expatriate worker, which is (8,400) Saudi riyals (or 700 Saudi riyals per month) for each expatriate worker not exceeding the number of Saudi workers, and an amount of (9,600) Saudi riyals (or 800 Saudi riyals per month) for each expatriate worker not exceeding the number of Saudi workers, and a lump sum of one hundred riyals is paid for the renewal of the work permit, to be paid once a year. In addition to the amount of 650 Saudi riyals to renew the iqama permit annually. The total fees paid by the company for iqama renewal and labor office fees amounted to (350,227) Saudi riyals, (430,396) Saudi riyals, and (233,347) Saudi riyals, for the fiscal years 2019G, 2020G, and 2021G, respectively. As for the family of the expatriate worker, it shall obligate to pay an amount of (4,800) Saudi riyals annually (400 Saudi riyals per month) for each member of its family.

## **2.1.10 Risks Relating to the Application of Developments in International Financial Reporting Standards or the Application of New International Financial Reporting Standards (IFRS) in the Future**

The company's audited financial statements for the fiscal years ending on December 31, 2019G, 2020G and 2021G, and the accompanying notes, were prepared in accordance with the International Financial Reporting Standards (IFRS) approved in the Kingdom of Saudi Arabia and other publications approved by the Saudi Organization for Chartered and Professional Accountants (SOCPA). The company switched to international standards starting from the fiscal year ending on December 31, 2018G, and the change to the application of international standards affected some items, including but not limited to:

- The application of the International Financial Reporting Standard No. (9) "Financial Instruments" related to the classification, measurement and derecognition of financial assets and financial liabilities and providing new rules for hedge accounting and impairment model for financial assets, and this affected the accounts receivable balances, as the provision for impairment amounted to (695) thousand Saudi riyals during the year 2018G.

The company is committed to applying the amendments or changes that occur to these standards from time to time. Changing the accepted International Financial Reporting Standards (IFRS) to new or modified International Financial Reporting Standards may affect the future financial statements, and this will negatively and materially affect the level of results of the company operations and its financial condition.

## **2.1.11 Risks Relating to Employee Mistakes and Misconduct**

The company has an internal work regulation approved by the Ministry of Human Resources and Social Development No. (676766) dated 17/04/1431H (corresponding to 22/11/2021G) and policies and controls and internal regulations. However, despite this, the company cannot guarantee to avoid employee misconduct or mistakes such as fraud, intentional errors, embezzlement, theft, forgery, misuse of its property and acting on its behalf without obtaining the required administrative authorizations. Consequently, these actions may result in consequences and responsibilities on the company, or legal penalties, or financial liability, which will negatively affect the company's reputation. Therefore, the company cannot guarantee that the misconduct of its employees will not materially harm its financial position or the results of its future operations.

## **2.1.12 Risks Relating to Operating Systems and Information Technology**

The company relies on information technology systems to manage their business and facilities (such as System ERP) and electronic reservation systems, and it is provided by Ultimate Solutions, a company specialized exclusively in the production, development and marketing of information technology systems. Any potential failure to manage these systems will have a negative and material impact on the company's business, financial position, results of operations and future prospects.

The Company's IT systems may be damaged by computer viruses, natural disasters, hacker attacks, hardware or software failures, power fluctuations, cyber terrorism and other similar disturbances. In addition, a breach of the Company's cyber security measures can also result in the loss, destruction or theft of confidential or proprietary data, which may expose the Company to liability or incur financial losses to its customers, suppliers or dealers. Similar risks exist with regard to external parties who may possess confidential data of the company, and if the company is exposed to any of the above-mentioned risks, this will have a material negative impact on the company's business, financial position, results of operations and future prospects.

## **2.1.13 Risks Relating to Proper Maintenance of the Company's Assets, Systems and Infrastructure**

The company's success depends on its ability to maintain the safety and maintenance of all its assets, including the company's resort, which represents the largest proportion of the company's revenue. The company also relies on information systems, electronic support and service providers with regard to communication devices and services within its tourist facilities. As the company's assets become obsolete, the need for more maintenance and replacement procedures for dilapidated assets will increase. The following table shows the fixed asset balances, depreciation provision and the ratio of the net book value of assets to the cost of assets as of December 31, 2021G:



**Table NO. (3): Fixed Assets Data**

Thousand Saudi riya	Cost	Total Depreciation	Net Book Value	Ratio of Net Book Value to the Cost
Buildings and Facilities	115,201	(76,195)	39,006	34%
Marina Equipment	5,784	(2,255)	3,529	61%
Vehicles	2,283	(2,161)	122	5%
Marina Machinery and Equipment	1,103	(750)	353	32%
Furniture and Appliances	16,049	(13,291)	2,758	17%
Tools and Equipment	958	(874)	84	9%
<b>Total</b>	<b>141,378</b>	<b>(95,527)</b>	<b>45,852</b>	<b>32%</b>

Source: The Company

As shown in the above table, the fixed asset depreciation provision amounted to (68%) of the total fixed asset cost as on December 31, 2021G, and the company does not have a specific replacement and renewal policy regarding the renewal of its fixed assets, but maintenance is carried out according to the asset need for maintenance. The company plans to renew and maintain its fixed assets as part of its strategy and also as a requirement of the Civil Defense. On 07/02/1443H (corresponding to 14/09/2021G), the company signed an agreement with the Aljawhara Aldaema (JDCO) Contracting Est., whereby Aljawhara Aldaema (JDCO) will supply and install the alarm and firefighting network for the tourist resort located in the Eastern Province, Half Moon Beach, owned by Shams Company, according to the terms and specifications of the Civil Defense and price quotation according to the approved plan issued by an approved engineering consultancy office with a value of three million seven hundred and forty-five thousand eight hundred and twenty-five Saudi riya and twenty-five halala (3,745,820.25) inclusive of value-added tax, and implementation will take place within (480) days from the date of signing the agreement on 14/09/2021G, and the company plans for maintenance and other future updates at a value of (4.3) million Saudi riya. The maintenance operations include maintenance and renovation works for chalets and cabins at a value of (2.6) million Saudi riya, and development works for the resort's infrastructure with a value of (300) thousand Saudi riya, and maintenance and development works for furniture and canopies at a value of (400) thousand Saudi riya, in addition to the development of the washing station, restaurant, entrance development, workers housing and other maintenance and other development works with a value of one million Saudi riya.

Any disruption or interruption in the company's systems or its infrastructure may lead to the company's inability to provide services or conduct its operations, which may negatively and materially affect the company's business, expectations, financial position and results of its operations.

#### 2.1.14 Risks Relating to Non-Compliance with the Regulations of the Regulatory Authorities

Due to the work of the Tourism Enterprise Company (Shams) in the tourism and entertainment sector, the company is subject to the applicable regulations and laws in the areas of safety, health, security and maintenance of the Civil Defense Department, the Ministry of Commerce, the Ministry of Health as well as the Ministry of Human Resources and Social Development, the Ministry of Tourism and the Zakat, Tax and Customs Authority.

For example, the company shall comply with the requirements of tax invoices set by the Zakat, Tax and Customs Authority, and the financial due diligence investigation report indicated that there are some purchase and sales invoices that do not comply with the requirements of the Zakat, Tax and Customs Authority, which may expose the company to financial fines of up to (50) thousand Saudi riya for each case.

These laws and regulations may be subject to change, and regulatory changes caused by political, economic or environmental factors can significantly affect a company's operations and financial results. The Company may change the methods of carrying out its business in accordance with any changes in the future in these regulations and laws. The thing which may negatively affect the results of the company's operations, its future prospects and its financial position in general.

#### 2.1.15 Risks Relating to Non-Compliance with Quality Standards Required by Customers

The company seeks to maintain the satisfaction of its customers by continuing to provide the same level of quality of services. However, in the event that the company is unable to continue providing its services at the same level of quality, this will negatively affect its reputation and consequently reluctance to deal with it, which will negatively and fundamentally affect the company's revenues and consequently the results of operational and financial operations and its future prospects.



## 2.1.16 Risks Relating to Litigation and Lawsuits

In the course of its activities, the company is exposed to lawsuits and complaints due to the nature of its activities and its dealings with third parties within the business sectors in which it operates. These lawsuits may include - but are not limited to - zakat and tax issues, labor issues and other damages resulting from negligence or fraud by persons or institutions outside the control of the Company. The Company is liable to have legal action taken against it or to be a claimant party in any of the claims or actions. Therefore, the company cannot accurately anticipate the size of the cost of the lawsuits or judicial procedures that may be instituted against it or the final results of those lawsuits or judgments issued of these lawsuits and the compensation and penalties they include. Therefore, any negative consequences of such lawsuits may negatively affect the company and the results of its operations. Noting that regardless of the results of these cases, lawsuits or procedures, the company may have to incur high costs and allocate resources to them during its progress, which will have a fundamental negative impact on the company's business, financial position, results of operations and future prospects. As on the date of the prospectus, the company is a party to a number of lawsuits in its capacity as a plaintiff and defendant (for more information, please see paragraph (10.8) "**Litigation**" of Section No. (10) "**Legal Information**" of this prospectus). Although the company has established an amount of (7.8) million Saudi riyals as a provision for contingent liabilities for these lawsuits as on December 31, 2021G, however, in the event that a judgment is made for more than the amount allocated to the claims, this will place the company in front of additional financial obligations. Also, if judgments are issued in these lawsuits and cases against the company, obligating it to pay the amounts claimed, this will affect the company's business, financial position and future prospects.

## 2.1.17 Risks Relating to Potential Shariah Zakat Entitlements and Additional Claims

The company has committed to submit its zakat returns for the period ending on 31/12/2021G, and obtained the final zakat certificate from the Zakat, Tax and Customs Authority with the number (1110187427) on 10/09/1443H (corresponding to 11/04/2022G), which is valid until 10 /10/1444H (corresponding to 30/04/2023G).

The company had previously submitted zakat returns for all years up to December 31, 2020G, and paid the dues under these returns. The company also received the Zakat assessment from the Zakat, Tax and Customs Authority for the years from 1996G to 2010G, which resulted in differences due to the company in the amount of (7,986,794) Saudi riyals. Based on the recommendation of the Audit Committee in its meeting held on March 31, 2013G, the differences were increased at the expense of the provision, and the company's management concluded a contract with one of the consulting offices to verify the validity of the differences demanded by the Zakat, Tax and Customs Authority for the period from 1996G to 2010G. The elected board of directors on May 28, 2018G, also objected to the zakat assessments submitted by the Zakat, Tax and Customs Authority for the period from 1996G to 2010G, and the elected board appointed a zakat expert to verify the validity of the differences demanded by the Zakat and Income Authority for the period in question. After submitting the documents supporting the company's objection, an agreement was reached with the Zakat Claims Settlement Committee of the Zakat, Tax and Customs Authority during the first quarter of 2019G, by reducing the value of the claims for the period in question from (7,986,794) Saudi riyals to become (3,600,021) Saudi riyals. The total difference in favor of the company amounted to (4,386,773) Saudi riyals, which in turn reflected positively on the company's financial statements for the first quarter of 2019G. Noting that the value of the settlements was divided into 6 installments and they were paid in full. The company also received a zakat assessment for the years from 2015G to 2018G, and the zakat assessment was approved in the amount of (148,092) Saudi riyals.

Accordingly, the company cannot predict what will happen to the zakat assessments in the future, or whether the Zakat, Tax and Customs Authority will accept its zakat estimates or require it to pay any zakat differences in the future. If the Zakat, Tax and Customs Authority asks the company to pay such differences, this will have a negative and material impact on the company's profits, results of its operations, financial position and future prospects.

## 2.1.18 Risks Relating to Contracts with Third Parties

The company has entered into a number of contracts and agreements with third parties represented in lease contracts and service agreements (please review paragraph (10.5) "**Summary of Material Contracts**" of Section No. (10) "**Legal Information**" of this prospectus), and accordingly the company may be exposed to the risk of the contracting parties being unable or unwilling to fulfill their contractual obligations. The parties that the company contracts with may breach their obligations for any reason, including as a result of their bankruptcy, financial insolvency, or disruption of their operations, and the risks that arise from dealing with these parties become more acute under difficult market conditions.

It is also not possible to confirm that these parties will be at the level of the company's aspirations, and in the event that the company or the contracting parties with it are unable to abide by the terms of those contracts, or in the event of any future disputes and issues, and the company's loss of those disputes, this will negatively and materially affect its financial position, cash flows, operating results and future prospects.



## 2.1.19 Risks Relating to New Projects

The company's strategy is to focus mainly in the hospitality and tourism sector, which represents the main sector of the company's business nature. The company aims to acquire five- and four-star hotels in the Kingdom of Saudi Arabia, and the company seeks to increase its capital by issuing rights shares with the aim of expanding in the target sector (and for more information, please see section "7" "Using the proceeds of the offering and future projects"). The company announced on the Saudi Stock Exchange (Tadawul) website on February 27, 2022G that it had signed a (non-binding) memorandum of understanding to acquire (100%) of (3) hotels owned by the hospitality funds managed by Shuaa Capital Saudi Arabia "SHUAA Capital" in Riyadh, Jeddah and Dammam, in the Kingdom of Saudi Arabia, with an amount of (735) million riyals, excluding real estate tax. In the event that the company reaches a final agreement with Shuaa Capital Saudi Arabia to acquire the above-mentioned hotels, the company will use an amount of (505,693,300) Saudi riyals from the proceeds of the offering to finance part of the acquisition amount, provided that the remaining amount will be financed through financing sources from other financing bodies including banks, financing companies or other financing funds (For more information, please refer to Section No.(7) "Using the Proceeds of the Offering and Future Projects"). Upon reaching a final agreement regarding the value of the transaction and the completion of the due diligence work, the company will start negotiating with the above-mentioned financing agencies, and in the event that the company is unable to obtain any financing from those parties, and this led to not proceeding with the deal, so the company will focus on continuing to search for other investment opportunities in the hospitality sector whose value is in line with the amount allocated for the acquisition of four- and five-star hotels.

The company's future performance depends on the effective implementation of its business plans and growth strategies. The failure of the company to implement appropriate business plans and growth strategies or the withdrawal or neglect of the supervising companies will negatively affect the company's business, operations and financial position.

The company's ability to manage the expansion of its business in the future depends on its ability to continue to implement and improve operational, financial and administrative information systems in an efficient and timely manner, as well as on its ability to increase, train, motivate and manage its workforce. There are no guarantees that the employees hired by the Company or the systems, procedures and controls it adopts will be sufficient to support future growth and expansion.

Moreover, any business expansion plans that the company intends to undertake in the future will be subject to the estimated costs and implementation schedule, and the management plans to renovate Al Nakheel Resort and perform some maintenance and replacement works at the resort. In addition, the management plans to increase capital expenditures in order to increase the occupancy rates of the resort as well as comply with the requirements of the Directorate of Civil Defense to obtain a license from the Ministry of Tourism.

The management estimated the total cost of capital expenditures during the fiscal year 2022G at 7.7 million Saudi riyals. The value of the estimated capital expenditure is based on management's experience and may be less than or greater as it is not supported by any quotes from the contractors involved.

The company may face the risks of not achieving profitability as well as the futility of the capital expansion works to be established, for example, the company purchased a commercial property as an investment in Al-Khobar for an amount of 15.5 million Saudi riyals in the fiscal year 2012G. The net book value of this investment property is (6.5) million Saudi riyals as on December 31, 2022G after recognizing an impairment loss based on the real estate appraisal report prepared by the company and the management plans to invest the property to earn income by renting the property consisting of 22 furnished apartments and four shops. The entire building was leased based on a ten-year lease on August 11, 2012G at an annual rent of 1.0 million SAR. However, in fiscal year 2018G, the company terminated the contract due to rental arrears, and a lawsuit was filed against the lessee due to its outstanding balance of 0.8 million Saudi riyals (a provision has been made for the full amount). The housing units have been vacant since October 2018G. The company is satisfied with obtaining rent only from the four shops. The management has a short-term goal of either operating the tower as residential units or renting the entire building, while the long-term goal is to sell the tower and use the proceeds to achieve the best investment opportunity.

The company may need additional funding to implement any expansion plans. If it is not able to implement the expansion plans according to the timetable specified for it and according to the estimated costs of the project, or if the desired profitability of these projects is not achieved, which may be due to various reasons, including changing the market situation at the time of implementation of these projects or a defect in the feasibility study, this will affect the competitive position of the company, and thus its business results and profitability.



## 2.1.20 Risks Relating to the Spread of the Coronavirus Pandemic “Covid-19”

In view of the negative effects on the Kingdom's economy and the global economy as a whole resulting from the consequences of the outbreak of the new Corona pandemic (Covid-19), which began to spread since late December 2019G, beginning in China and then all over the world, and the accompanying decisions issued by the competent authorities in the Kingdom of Saudi Arabia regarding precautionary and preventive measures to address and limit the spread of the pandemic, which requires, for example, but not limited to: a partial or complete curfew in some cities and governorates of the Kingdom, closing shopping centers and retail showrooms, reducing the number of working hours for some sectors, or obligating some of them to work remotely, and so on. Suspending all domestic flights, buses, taxis and trains, suspending entry for the purposes of Umrah and visiting the Prophet's Mosque from outside the Kingdom, imposing temporary restrictions on all pilgrims and Umrah performers residing in the Kingdom to prevent them from visiting Makkah and Madinah, and closing commercial complexes and all activities inside them except for food stores and pharmacies. In addition to the health measures taken by the government to contain the outbreak of this pandemic, the government has taken economic measures to contain the consequences of the pandemic through financial support for citizens and those affected by the pandemic, family and sick leave paid by the state, expansion of unemployment compensation, delaying tax payments, and other measures to support companies.

The company's revenues and activities were affected by the aforementioned pandemic, so that all housing units and entertainment sites were closed from March 15, 2020G to June 20, 2020G, due to the precautionary measures taken by the Kingdom to control Covid-19, which led to a lack of revenues of the company's entertainment sites during this period.

The precautionary measures have led to a decrease in occupancy rates for the company's accommodation sector, and all meetings, events and weddings have been suspended based on the decision of the Ministry of Municipal and Rural Affairs to cancel gatherings during the suspension of commercial activities in order to reduce the risks of spreading the virus and preserve the health of citizens and residents. All domestic and international flights were also suspended, which affected the company's business in all services.

With the spread of (Covid-19) mutations, especially the Omicron (B.1.1.529) and Delta and other mutations that may appear in the future, and in the event of an outbreak of any infectious disease - for example: Middle East Respiratory Syndrome (MERS), Severe acute respiratory syndrome (SARS) - in the Middle East or any other region, which may necessitate the re-imposition of complete or partial closures in some cities of the Kingdom and thus negatively affect the Kingdom's economy in general. It is difficult to predict the impact of the Covid-19 pandemic on the company's activity if the full or partial quarantine is re-imposed in the cities of the Kingdom, which will have a negative and fundamental impact on the company's business, financial position, results of operations and future prospects.

## 2.1.21 Risks of not obtaining or not renewing licenses, permits and certificates

The company is required to obtain and maintain various permits, licenses and regulatory approvals in relation to its activities. These licenses include: a company registration certificate issued by the Ministry of Commerce, a Chamber of Commerce membership certificate, a Saudization certificate, a Zakat and income certificate, a registration certificate for value-added tax and social insurance, a municipal license and a civil defense permit. In addition to the certificates related to specialized activities carried out by the company, such as licenses issued by the Ministry of Tourism (for more information about the licenses and certificates obtained by the company, please refer to sub-paragraph (10.2) **“Licenses and Permits Obtained by the Company”** and sub-paragraph (10.4) **“Ongoing obligations imposed by government authorities on the company in its capacity as the license holder”** from Section No. (10) **“Legal Information”**).

The company, as (the license holder), shall comply with the terms and conditions of each license and certificate obtained. In the event that the company is unable to do so, it may not be able to renew these licenses and certificates or obtain other new licenses that it may require from time to time for the purposes of expanding its activities, which may result in stopping or faltering the company's business or imposing financial fines on it from Government authorities, which will negatively and materially affect the company's business, financial position, results of operations and future prospects.

The company shall obtain municipal and civil defense licenses to carry out its activities. The company has an expired municipal license for the residential tower owned by it, and this is considered a failure by the company to meet the requirements of the Ministry of Municipal and Rural Affairs and Housing, in terms of renewing and issuing municipal licenses for offices and branches through which the company conducts its commercial activity, which is considered a violation and the company may be subject to penalties stipulated in the penalties regulations for municipal violations (issued on 05/02/1442H corresponding to 22/09/2020G) which may amount to (500) thousand Saudi riyals, in addition to closing the tower, which may negatively affect the company's operations, results of its operations and financial position.

The company also has an expired safety license for the residential tower located in Al-Khobar, so the company is not committed to the civil defense law issued by Royal Decree No. (M/10) and dated 10/05/1406H (corresponding to 21/01/1986G) as amended by Royal Decree No. (M/66) dated 02/10/1424H (corresponding to 16/11/2003G) which exposes it to the penalties and fines stipulated in Article No. (30) of this Law, which provides for imposing a penalty on the violator of any of the provisions of this Law, its regulations, or the decisions issued based on it, with imprisonment for a period



not exceeding six months, or a fine not exceeding (30) thousand riyals or both. The failure of the company to obtain civil defense licenses will result in the company not being able to obtain new municipal licenses or renew the existing licenses. Its inability to obtain safety licenses from the Civil Defense may lead to the closure of the branch/tower or until the completion of the regular procedures for obtaining civil defense licenses.

It should be noted that the commercial register of the branch of Al Nakheel Resort, which bears the number (2051049490) is expired, and failure to renew it results in the company not practicing its activity, in addition to obligating the company to pay all late fees, whether when renewing the register or when submitting an application to write it off, which may affect negatively on the company's financial position.

The license to operate tourist accommodation facilities issued by the Ministry of Tourism, which was obtained by the company under the number (4300059), has expired, which may negatively affect the company's business in the event of non-renewal and adherence to the conditions and obligations of the company under it.

Accordingly, the inability of the company to renew its current licenses, permits and certificates, or to obtain any of the licenses necessary for its business, or if any of its licenses are suspended or expired, or if any of those licenses are renewed on unsuitable terms, or if the company is unable to obtain the additional licenses, permits and certificates that may be required in the future, this will expose the company to suspension and prevention, and the imposition of penalties and fines stipulated in the relevant regulations, (The fine for delay in renewing the municipal license is to pay 500 Saudi riyals for each year of delay. Continuing to operate without renewal the license may lead to the imposition of a fine set by the municipality, with a maximum of 500 thousand Saudi riyals, while the fine for not renewing the safety/ civil defense license is 30 thousand Saudi riyals, and for non-renewal of the commercial registration, there is no financial fine, but the Ministry of Commerce obliges the company to pay the fees for all the late years on one payment upon renewal or cancellation of the expired commercial register), which will result in disrupting the company's operations and incurring additional costs, and this will have a fundamentally negative impact on the company's business, financial position results of operations and future prospects.

## 2.1.22 Risks relating to inadequate insurance coverage

In addition to medical insurance for its members, the company maintains an insurance cover that includes cars (for more details about the concluded insurance policies, please see paragraph No. (10.10) "Insurance" of Section No. (10) "Legal information" of this prospectus). However, it is possible that cases may arise in which the value of the claim exceeds the value of the insurance held by the company, or that the compensation claim submitted by the company to the relevant insurance company will be rejected, or the period of the claim and compensation may be prolonged. It should also be noted that the company does not have an insurance policy against risks and fire that pertain to its head office, its branches, properties, resort and chalet. The inability of the company to conclude property insurance policies may lead to the lack of adequate insurance coverage for an accident, and consequently the company loses the capital invested in any of these damaged or destroyed properties and may also lose expected future revenues from them, which will negatively affect the company's business, future prospects, results of operations and financial position.

The inability of the company to obtain adequate insurance coverage may limit its ability to carry out its work as required, which will affect the company's business. It is also possible for the company, its business or its affiliated facilities to be exposed to many accidents that are out of its control and that could affect the functioning of its business, including natural disasters, accidents, terrorist acts, and war-related events for which do not have adequate insurance coverage or are not available on commercially reasonable terms. In addition, the seriousness and recurrence of various other events such as sudden accidents or possible damage to the company's facilities, property and equipment resulting from bad conditions, human error, pollution, labor disputes and natural disasters, all of which will lead to the company incurring significant losses or exposing it to obligations that exceed the insurance coverage it provides. The Company makes no guarantees that insurance coverage will be sufficient to cover losses resulting from any or all of these events, or that it will be able to renew existing insurance coverage on commercially reasonable terms or even do so at all.

In addition, the company's insurance contracts include deductible amounts and factors excluded from the insurance coverage, in addition to other restrictions related to the insurance cover to be negotiated with insurance companies, and the company's ability to obtain compensation due to it by the relevant insurance company depends on its financial solvency and ability to fulfill the value of this compensation, so the insurance may not cover all the losses incurred by the company and there is no guarantee that the company will not incur losses that exceed the limits of the insurance policies or outside the scope of the coverage mentioned in these policies. In the event that adequate insurance coverage for an accident is not available, the company may lose the capital invested in any property that has been damaged or destroyed and may also lose expected future revenues from such property, and may in some cases be exposed to financial obligations related to the damaged property, and similarly in the case of any assessment against the Company, beyond any insurance coverage it maintains, its assets may be subject to seizure or confiscation under various judicial procedures. Any of these incidents will have a negative impact on the future business of the Company, its subsidiary industrial facilities and its production capacity.





## 2.1.23 Risks Relating to Non-Compliance with Rules, Regulations and Policies Related to Companies Law and Corporate Governance

The company has a governance regulation that was prepared in accordance with the requirements of the corporate governance regulation issued by the Capital Market Authority pursuant to Resolution No. (2017-16-8) dated 16/05/1438H (corresponding to 13/02/2017G) based on the Companies Law issued by Royal Decree No. (M/3) on 28/01/1437H (corresponding to 10/11/2015G), as amended by the decision of the Board of the Capital Market Authority No. (3-5-2019) and the date of 15/09/1440H (corresponding to 20/05/2019G), and the following are the articles that the company has not complied with it as at the date of publication of this prospectus (and for more information, please see paragraph (10.8) "Litigation" of Section No. (10) "Legal information" of this prospectus)

**Table NO. (4): Violations of the Governance Regulations**

Article	Description	Responsible Party
9/b	The board of directors shall set a clear policy regarding the distribution of dividends in a way that achieves the interests of the shareholders and the company in accordance with the company's articles of association.	Board of Directors
8/a	Providing a copy of the information about the candidates for membership of the Board of Directors on the company's website	Board of Directors
89	Written disclosure policies and supervisory procedures and systems in line with the disclosure requirements contained in the Companies Law and the Capital Market Law	Board of Directors
91/b	Publication of the audit committee report on the company's website.	Board of Directors

Source: The Company

Therefore, any failure to implement the Corporate Governance Regulations issued by the Authority may expose it to financial penalties under Paragraph (C) of Article No. (59) of the Capital Market Law issued by Royal Decree No. (M/30) dated 02/06/1424H (corresponding to 31/ 07/2003G), as amended by Cabinet Resolution No. (52) dated 18/01/1441H (corresponding to 17/09/2019G), which states that the Capital Market Authority may - if it becomes clear to it that the company has committed or initiated acts that constitute a violation of any of the provisions of the law or the rules issued by the Authority - do all or any of the following:

1. Company warning.
2. Obliging the company to take the necessary steps to avoid the occurrence of the violation, or to take the necessary corrective steps to address the consequences of the violation.
3. Imposing a financial fine by the Board on any person responsible for violating this Law and its implementing regulations, the regulations of the Market, the Depository Center and the Clearing Center and its rules, and the imposed fine shall not exceed five million (5,000,000) Saudi riyals for each violation committed by the violator.

The company also did not commit to amending Article No. (49) of the Articles of Association in accordance with the amendment made to the Companies Law, pursuant to Royal Decree No. (M/79) dated 25/07/1439H (corresponding to 11/04/2018G) regarding charging the company the expenses incurred by the shareholder to file a lawsuit against the company, whatever the outcome. The company also did not commit to update the company's purposes in accordance with the activities of the national classification of economic activities.

The company's failure to comply with the provisions of the Companies Law and its regulations and the company's failure to obtain the approval of the extraordinary general assembly of shareholders to amend Article No. (49) of the Articles of Association will subject the company to the penalties stipulated in the Companies Law by imposing a fine not exceeding (500,000) Saudi riyals. Also, the failure to update Article Three of the company's activities according to the activities of the national classification of economic activities and the opposite of that on the activities of the commercial registry will lead to the suspension of the company's services with the Ministry of Commerce, including the renewal of workers' iqamas, and a delay fine of one thousand riyals will be imposed for each worker whom the company is unable to renew its iqama permit on time.

Until the date of this prospectus, the company has also not updated the articles of association in accordance with the decisions of the extraordinary general assembly held on 05/05/1443H (corresponding to 09/12/2021G) to reduce the company's capital, within 15 days from the date of the general assembly meeting, as required by the law. In the event that any financial fines are imposed in connection with the implementation of the Corporate Governance Regulations, or in the event of delays in updating the articles of association, it will have a negative impact on the company's business and the results of its operations.



### 2.1.24 Risks Relating to Saudization of Jobs

Compliance with the requirements of Saudization is a statutory requirement issued by the Ministry of Human Resources and Social Development in the Kingdom, whereby all companies operating in the Kingdom, including the company, are obligated to employ and maintain a certain percentage of Saudi workers among its total workers. According to the developed Nitaqat Program issued by the Ministry of Human Resources and Social Development, the percentage of Saudization of the company entity reached about (34.58%), and it is classified within the (low green) range.

Note that on 11/10/1442H (corresponding to 23/05/2021G), the Ministry of Human Resources and Social Development launched the developed "Nitaqat" program, which offers three main advantages: The first: a clear-vision and transparent Saudization plan for the next three years with the aim of increasing organizational stability among private sector establishments, second: the direct relationship between the number of employees and the required Saudization rates for each establishment is based through a linear equation that is proportionally related to the number of employees at the establishment, instead of the current Saudization rates law based on classifying establishments into specific and fixed sizes, and the third: simplifying the design of the program and improving the customer experience by integrating the categories of activities with common characteristics to be 32 activities instead of 85 activities in Nitaqat. This program will also contribute to providing more than three hundred and forty thousand (340,000) jobs until 2024G. The developed Nitaqat program may impose requirements on the company, and it may be difficult for the company to maintain and retain the same percentage of Saudi workers in the future, and thus not meet the requirements of the Nitaqat program. If the company is not able to comply with the requirements of the Nitaqat program and its classification becomes within the red range, in this case the company may be subject to a number of penalties, including:

- Suspension of its applications for new work visas.
- Suspending its requests to transfer sponsorship of a current employee or a potential employee.
- Preventing non-Saudi employees working with it from changing their professions on work visas.
- The possibility of a number of non-Saudi employees working for the company transfer their sponsorship to other companies that fall within the green or platinum range without obtaining the company approval.
- Excluding the company from participating in government auctions or depriving it of obtaining government loans.

In addition, the government is taking measures to regulate the employment of non-Saudi workers in the Kingdom in accordance with the labor law and iqama laws of the Kingdom of Saudi Arabia. These measures include taking strict measures against non-Saudi employees who 1) do not work for their sponsor and 2) the nature of their work does not match their job requirements (as stated in their work permit), especially after the abolition of the sponsorship system (starting from the second quarter of 2021G) which allows the foreign employee when expiry of its work contract to move to work from one side to another without the consent of the employer, as part of the "improving the contractual relationship" initiative for workers in private sector establishments. The initiative also limits the mechanisms of transfer during the validity of the contract, provided that the notice period and the specified controls are adhered to. The exit and return service allows the expatriate worker to travel outside the Kingdom upon submitting the application with an electronic notification to the employer, while the final exit service enables the expatriate worker to leave immediately after the end of the contract with electronic notification to the employer without requiring its consent, in addition to the possibility of leaving the Kingdom with the worker bearing all the consequences of rescinding the contract, knowing that all these services will be available through the "Absher" platform and the "Qiwa" platform of the Ministry of Human Resources and Social Development.

The company may face the risks of manpower availability and the difficulty of the high cost of labor from abroad, so the company confronts these factors by equipping modern training centers to train Saudi cadres so that workers from abroad are replaced by trained Saudi workers. The company may also need to seek the assistance, when necessary, of companies licensed to hire labor.

There is no guarantee that the Company will be able to secure the necessary manpower or employ the required number of foreign labor under favorable terms. The company may also face challenges in maintaining its Saudi workers, and if the number of this category of workers decreases, this will lead to the decrease in its total Saudization rate. The occurrence or realization of any of the above-mentioned events will have a materially negative impact on the company's business, financial condition, results of operations and future prospects.

### 2.1.25 Risks Relating to the Absorption of Fixed Costs

The cost of revenue mainly consists of depreciation expenses of fixed assets and employee salaries and allowances, which in their entirety constitute approximately (59.2%) of the revenue costs. These costs are quasi-fixed in nature. Due to its fixed nature, it remains fixed regardless of the level of revenues, unlike variable costs, which the management can control according to the level of revenues and the volume of activity.

The risk of fixed costs increases when revenues decrease, as this is reflected in a negative impact on the company's gross profit margin, which was clearly evident during the study period on the basis of which this prospectus was prepared. The





following table shows the volume of revenues, total revenues and gross profit margin during the fiscal years 2019G, 2020G and 2021G.

**Table NO. (5): Revenues-Related Data**

Note	2019G	2020G	2021G
Revenues	12,688,593	16,056,275	15,975,723
Gross Profit	1,786,560	5,433,770	3,083,211
Gross Profit Margin	14.1%	33.8%	19.3%

Source: The Company

As can be seen from the above table, despite the decrease in revenues during the year 2021G by (0.5%) compared to the year 2020G, the overall profit decreased by (43%) due to the nature of the fixed costs referred to above. However, this will have a fundamental negative impact if the company's revenues decline for any reason during the coming period, and the company's overall profit will be affected by a greater percentage of the change in revenues, which will have a fundamentally negative impact on the company's business, financial position, results of operations and future prospects.

## 2.1.26 Risks Relating to Accumulated Losses

The accumulated losses of the company on June 30, 2021G amounted to (48.9) million Saudi riyals, which is equivalent to (48.21%) of the company's capital of (101.5) million Saudi riyals. The following table shows the evolution of the company's accumulated losses since 2015G and their share of capital:

**Table NO. (6): Developments of Accumulated Losses**

Date	Net Profit (Loss)	(Accumulated Losses)	Percentage of the Capital
31/12/2015G	2,009,444	(8,809,942)	(8.68%)
31/12/2016G	561,106	(8,304,947)	(8.18%)
31/12/2017G	330,593	(8,007,413)	(7.89%)
31/12/2018G	(7,043,591)	(17,047,100)	(16.80%)
31/12/2019G	(4,185,441)	(26,520,303)	(26.13%)
31/12/2020G	(8,195,380)	(34,770,370)	(34.25%)
30/06/2021G	(13,193,919)	(48,933,074)	(48.21%)
31/12/2021G	(12,882,008)	(40,567)	(0.08%)

Source: The Company

Accordingly, the company's board of directors decided on 16/01/1443H (corresponding to 24/08/2021G) to amend the previous recommendation issued on 03/09/1442H (corresponding to 15/04/2021G), and recommended reducing the company's capital from one hundred and one million five hundred thousand (101,500,000) Saudi riyals to fifty-two million five hundred and sixty-six thousand nine hundred and thirty (52,566,930) Saudi riyals to restructure the company's capital, to amortize an amount of forty-eight million nine hundred and thirty-three thousand and seventy (48,933,070) Saudi riyals of accumulated losses, by canceling four million eight hundred and ninety-three thousand three hundred and seven (4,893,307) shares, i.e. a capital reduction rate of (48.21%) and at a cancellation rate of (1) share for every (2,074,2618) shares before the capital reduction.

The company announced on 08/05/1443H (corresponding to 12/12/2021G) the results of the Extraordinary General Assembly meeting, which included reducing the company's capital, held on 05/05/1443H (corresponding to 09/12/2021G), which included the approval of reducing the company's capital.

There are no guarantees that the company will not realize more losses in the future. In the event that the percentage of accumulated losses amounted to (20%) of the company's capital, the company will be subject to the authority's regulation on "Procedures and instructions for companies whose shares are listed in the market whose accumulated losses amounted to (20%) or more of its capital." In the event that the accumulated losses amount to (50%) or more of its capital, the company will be subject to a number of stricter requirements, in particular Article No. (150) of the Companies Law, which obligates any official in the company or the auditor as soon as it learns that the company's accumulated losses have reached (50%) or more of its capital by informing the Chairman of the Board of Directors, and the Chairman of the Board of Directors shall immediately inform the members of the Board of this, and the Board of Directors within (15) days of becoming aware of



this, shall invite the Extraordinary General Assembly to meet within (45) days from the date of the Board's knowledge of the losses to decide whether to increase the company's capital, or reducing it to the extent that the percentage of losses decreases to less than half of the paid-up capital, or dissolving the company before the term specified in the company's articles of association. The company will be considered terminated by force of the law if the extraordinary general assembly does not meet within the period specified above, or if it met and was unable to issue a decision on the matter, or if it decided to increase the capital in accordance with the conditions prescribed in Article No. (150) of the Companies Law, and the entire capital increase was not subscribed to within (90) days from the issuance of the Assembly's decision to increase. In the event the company is terminated under Article No. (150) of the Companies Law or by a decision of the Extraordinary General Assembly, this will negatively and fundamentally affect the company, its financial results and future prospects.

### 2.1.27 Risks Relating to the Increase in the Company's Obligations

The increase in the company's liabilities may pose a threat to the company's general financial position and its financial solvency, as the proportion of total liabilities out of total assets amounted to (4.8%) as on December 31, 2019G, and (8.9%) as on December 31, 2020G and (21.3%) as on December 31, 2021G.

Although the company does not have commercial loans or credit facility agreements, the company has interest-free obligations similar in nature to loans with a value of (21.3) million Saudi riyals as on December 31, 2021G, and it consists of (8.5) million Saudi riyals allocated against cases filed against the company, and (4.3) million Saudi riyals against capital updates commitments, (1.3) million Saudi riyals against end-of-service provision for employees, (0.6) million Saudi riyals owed to the municipality of Dhahran, and (3) million Saudi riyals against capital updates commitments and an amount of one million Saudi riyals is due as a bonus to the members of the Board of Directors. It is worth noting that the company has recognized a provision for legal claims amounting to (7.8) million Saudi riyals as on December 31, 2021G, while there is a claim amount from one of the former executive employees amounting to (0.9) million Saudi riyals, and the company has established a provision of Just (0.2) million Saudi riyals.

Accordingly, the increase in the company's liabilities will lead to a negative impact on its financial position and increase in financing costs, and if this occurs, it will be difficult for the company to meet its obligations, and this will have a negative impact on the company's business, financial position, results of operations and future prospects. (For more information, please see subsection (6.4.3) "**Statement of Financial Position**" from Section No. (6) "**Financial Information and Management Discussion and Analysis**" of this Prospectus).

### 2.1.28 Risks relating to accounting errors and deficiencies in financial reports

According to the Financial Professional Care Report, the company recognizes the revenue immediately after the payment process and registers the visitor to enter the resort and not in accordance with the principle of entitlement as required by the International Accounting Standard No. (15) related to revenues from contracts with customers. The basic principle of this standard is that: "the enterprise must prove the revenue to describe the transfer of goods or services pledged to the customers in an amount that reflects the compensation to which the enterprise expects to be entitled to in exchange for those goods or services". This means the company must record the amounts collected from the customer as a liability on the company and are converted into revenue over time for each individual day. However, the company proves the amounts collected as revenue once the customer registers entrance to the resort, which will expedite the process of revenue registration. Yet, if the customer decides to leave before the expiry of the booking period, this will result in proof of revenue in one financial period and proof of revenue return in another financial period. This will cause the published financial information not fairly showing the actual and real activity of the company.

The company also relies on an accounting program that differs from the reservation program, and there is no electronic link between the two programs, which leads to the need for human intervention, which means the possibility of human errors in the accounting registration process.

The company has a shortage and incompleteness in its files and documents, especially the records before 2018, mainly due to the company's dependence on manual labor and human intervention in recordkeeping, and the lack and inaccuracy of the available records and their proper preservation may contribute to the impact on the ability of the management to obtain detailed and analytical reports that help it monitor performance.

Moreover, the lack of analytical reports that may help management in making decisions accurately, such as occupancy-like reports, also the difference in the classification of some expenses between quarterly and annual reports may lead to difficulty in measuring and comparing financial performance and tracking performance accurately.

These errors in accounting treatment and lack of financial reports lead to difficulty in reading and comparing financial information, which will affect the quality of decision-making based on financial information from these statements, which may negatively affect the company's business results and future business.



### 2.1.29 Risks Relating to the Increase in Capital

The company aims, by increasing its capital through a rights issue, to expand in the hospitality and tourism sector by acquiring four and five-star hotels (for more information, please refer to Section No. (7) **"Using the Proceeds of the Offering and Future Projects"**). By doing so, the company aims to ensure its ability to continue and provide returns to shareholders, and to maintain an appropriate basic capital to support its business.

There are several factors outside the control of the company that, if they occur, could lead to a delay in the implementation of expansion and acquisition operations, and these factors include, for example: obtaining government approvals and licenses, or reaching a final agreement on the memorandum of understanding or any other factors, and thus affecting the possibility of achieving the desired benefit from these expansions as planned.

The company seeks to increase its capital by offering fifty-two million five hundred and sixty-six thousand nine hundred and thirty (52,566,930) ordinary shares at an offer price of ten (10) Saudi riyals per share by issuing rights shares with a total value of five hundred twenty-five million six hundred and sixty-nine thousand and three hundred (525,669,300) Saudi riyals, which represents an increase in the company's capital by (1000%) so that the company's capital becomes five hundred and seventy-eight million two hundred and twenty-six thousand two hundred and thirty (578,226,230) Saudi riyals. Delay in expansion and acquisition operations will lead to a surplus in the company's capital without exploitation, which will negatively affect the company's financial indicators, for example, but not limited to, the decrease in the returns on net assets and the return on investment as well as the return on the company's equity. The thing which will negatively and materially affect the company, its financial results and future prospects.

## 2.2 Risks Related to Market and Sector Risks in which the Issuer Operates

### 2.2.1 Risks related to the economic performance of the Kingdom

The expected future performance of the company depends on a number of factors related to the economic conditions in the Kingdom in general, including, for example, factors of inflation, GDP growth, average per capita income, and so on. The Kingdom's macro and micro economy mainly depends on oil and oil industries, which still control a large share of the gross domestic product. Therefore, any unfavorable fluctuations in oil prices will have a direct and fundamental impact on the plans and growth of the Kingdom's economy in general and on government spending rates, which would negatively affect the company's financial performance, given its work within the Kingdom's economic system and its impact on government spending rates. The continued growth of the Kingdom's economy also depends on several other factors, including the continuation of population growth and investments of the public and private sectors in infrastructure. Therefore, any negative change in any of these factors will have a significant impact on the economy and will therefore negatively and fundamentally affect the company's business, financial results and future prospects.

### 2.2.2 Risks relating to political and economic instability in the Middle East

Many countries in the Middle East suffer from political or security instability at present. There are no guarantees that the economic and political conditions in those countries or any other countries will not have a negative impact on the economy of the Kingdom and therefore the company's customers and operations. It will affect the number of visitors coming to the Kingdom or the desire of operators to be present in the region, which will negatively and fundamentally affect the company's business, results of operations, financial position and future prospects.

### 2.2.3 Risks relating to the movement of domestic and international flights

Room rates and occupancy levels for the company's hotels operating in the tourism and hospitality sector are affected by various factors that may negatively affect the number of domestic or international flights, such as local or international regulatory changes, the spread of epidemics, wars and political unrest, or an increase in travel costs in general or natural disasters. These factors would lead to the decrease in the demand for the tourism and hospitality sector in general and the decrease in the demand for the company's hotels in particular, which would negatively and fundamentally affect the company's business, results of operations and future prospects.

### 2.2.4 Risks relating to seasonal factors and climatic conditions

The company's operational operations are affected by seasonal factors during school vacations, holidays, the Saudi National Day and summer vacation periods. The company's operations are also affected by climatic conditions and holiday periods. The tourism and hospitality sector is affected by reductions in room rates and low occupancy levels. This sector is also negatively affected when the number of visitors or their average spending decreases, which will have a negative impact on the company's business, results of operations and future prospects.



## 2.2.5 Risks relating to non-compliance with existing regulations and laws or the issuance of new regulations and laws

The company is subject to the supervision of a number of government authorities in the Kingdom of Saudi Arabia, and therefore the company is subject to the risks of changes in the laws, regulations, circulars and policies of these authorities, and the costs of complying with these regulations are considered high. In the event of changes to the existing laws or regulations or the issuance of new laws or regulations, this will result in the company incurring additional unexpected financial expenses for the purposes of complying with those regulations and meeting the requirements of these laws, or it may be subject to penalties and fines imposed by the competent supervisory authority in the event of failure to commitment to these regulations and laws on an ongoing basis, which will adversely affect its business, results of operations, financial position and future prospects.

## 2.2.6 Risks relating to changes in relevant laws and regulations

Like other companies operating in the Kingdom of Saudi Arabia, the company is subject to a number of regulations and laws such as the Companies Law, Labor Law, Municipal Regulations, Civil Defense, and the regulations and laws issued by the Capital Market Authority and others, which may be changed or updated by the competent authorities. Also, new laws and regulations may be issued by the relevant official authorities from time to time. Accordingly, the company's business may be negatively affected in the event of any fundamental change to any of the relevant laws or the introduction of additional laws that have a direct impact on the performance and profitability of the company. Also, the company, as a public joint stock company, may be subject to penalties and fines if it does not meet the requirements of the Capital Market Authority, the rules for offering securities, the continuing obligations issued by the Capital Market Authority, and the listing rules issued by the Saudi Stock Exchange ("Tadawul") in terms of not disclosing some of the events considered material in accordance with Article (62) of the Rules on Offering Securities and Continuing Obligations, in addition to the required financial reports at the time specified for them according to Articles (63) and (64) of the rules for offering securities and continuing obligations or the delay in the timing of disclosure, which will have a negative and material impact on the company's business, results of its operations, financial position and future prospects.

Also, subparagraph (f) of Article (54) of the Rules on Offering Securities and Continuing Obligations requires public shareholding companies to disclose to the public when there is a difference of (5%) or more between the actual use of the proceeds from the issuance of rights shares against what was disclosed in related prospectuses as soon as it becomes aware of it. Sub-paragraph (7.2) "**Use of Offering Proceeds**" of Section No. (7) ("**Using of Offering Proceeds and Future Projects**"), shows how the Company uses the proceeds of the Offering that are the subject of this prospectus. In the event that the company's management does not comply with this or any deviation occurs, the company will be forced to disclose this on the Tadawul website without delay, and it shall also present the topic at the first meeting of the general assembly of shareholders following the occurrence of this event, in order to approve the modification or deviation that occurred in the method of using the disclosed proceeds in this prospectus. In the event of non-compliance with the procedures, it will entail legal risks for the company in the event that a shareholder protested against obtaining the approval of the General Assembly. If this happens, it will negatively affect the company's operations and financial position.

## 2.2.7 Risks Relating to Growth Opportunities

The company's ability to develop its business depends on the level of competition in the market, the availability of material and human resources, the ability of its management team, legal systems, and other elements. There is no guarantee that a level of continuous growth will be maintained, as the company may face difficulties in expanding its activity, developing its market share and increasing its sales. Accordingly, if the company is not able to manage its growth in a positive way, its ability to develop its activity, increase its market share or maintain it, increase its business profits and enhance returns to its shareholders may be affected, which means that the company's financial position will be negatively affected.

## 2.2.8 Risks Relating to the Competitive Environment

Competition arises when there are other companies operating in the same business sector of the company and providing similar or competing services. The tourism and hospitality sector is considered one of the highly competitive sectors. Therefore, the company resorts to reducing competitive risks by opening new markets and targeting different sectors in various regions in addition to concluding long-term contracts, especially since some of the company's competitors have large financial and non-financial resources, especially local companies that have large market shares and gain the confidence of local customers.

Therefore, there is no guarantee that the company will compete with high efficiency, and any change in the competitive environment may lead to a change in prices, the decrease in profit margins or loss of market share, which negatively affects the profitability of the company.



### 2.2.9 Risks Relating to the Application of Value-Added Tax (VAT)

On 02/05/1438H (corresponding to 30/01/2017G), the Council of Ministers decided to approve the unified agreement for value added tax for the countries of the Cooperation Council for the Arab States of the Gulf, which came into force as of January 1, 2018G, as a new tax amounting to (5%) of the selling price, it is added to the rest of the taxes and other fees on specific sectors in the Kingdom, including the sectors in which the company operates. On 17/10/1441H (corresponding to 09/06/2020G), the Board of Directors of the Zakat, Tax and Customs Authority issued Decision No. (20-3-2) to increase the value-added tax rate to become (15%) of the selling price starting from 01/07/2020G. The company includes the tax on its customers in return for the services it provides according to the percentage determined by the state.

The Company cannot guarantee that this tax will not be increased, or that other fees or other taxes will not be imposed by the Government in the future. Accordingly, in the event of raising the tax rate or imposing new taxes or fees on companies other than what is currently applied, this will have a negative impact on the company's business, financial position, results of operations and future prospects.

### 2.2.10 Risks Relating to Changing the Mechanism for Calculating Zakat and Income Tax

The Zakat, Tax and Customs Authority issued Circular No. (6768/16/1438) on 05/03/1438H (corresponding to 05/12/2016G), which obliges the Saudi companies listed on the stock market to calculate income and zakat on the basis of the nationality of the shareholders and the actual ownership between Saudi and Gulf citizens and others as mentioned in the "Tadawulat System" at the end of the year. Prior to the issuance of this circular, companies listed in the stock market were, in general, subject to the payment of zakat or tax on the basis of the ownership of their founders in accordance with their articles of association, and the impact of the listed shares in determining the zakat base was not taken into consideration. This circular was to be applied in the year ending December 31, 2016G and the years thereafter. However, the Zakat, Tax and Customs Authority issued its letter No. (12097/16/1438) on 19/04/1438H (corresponding to 17/01/2017G), which requires postponing the implementation of the circular for the fiscal year ending on December 31, 2017G and the years following it. Until the Zakat, Tax and Customs Authority issues its directives regarding the mechanisms and procedures for implementing this circular, the implementation of this circular including the final requirements that must be met is still under consideration, as well as the rules imposing income tax on all non-Gulf residents who are shareholders in listed Saudi companies which applies withholding tax to dividends of non-resident shareholders, regardless of their nationalities. The company has not assessed the financial impact of this circular and taken sufficient steps to ensure compliance with it. If the financial impact of this circular upon its application is significant, or if the company incurs additional costs to take the necessary steps to ensure compliance with it, this will negatively affect its business, results of operations, financial position and future prospects.

### 2.2.11 Risks Relating to Government Fees Applicable to Non-Saudi Workers

During 2016G, the government approved a number of decisions aimed at comprehensive reforms of the labor market in the Kingdom of Saudi Arabia, which included imposing additional fees for every non-Saudi worker working for a Saudi entity as on 14/04/1439H (corresponding to 01/01/2018G). At the rate of four hundred (400) Saudi riyals per month for each non-Saudi worker for the year 2018G, it increased to six hundred (600) Saudi riyals per month for the year 2019G and then to eight hundred (800) Saudi riyals per month for the year 2020G, and this has led to an increase in the company's costs in general. In the event that additional fees are imposed on non-Saudi workers in the future, this will lead to an additional increase in costs, which will negatively affect the company's business, financial performance and results of operations.

In addition, the government imposed fees for issuing and renewing iqamas for their families and companions of non-Saudi workers (escorts fees), which became effective as on 07/01/1438H (corresponding to 01/07/2017G), noting that it gradually increased from one hundred (100) Saudi riyals per month for each member in its family in 2017G, until it reached four hundred (400) Saudi riyals per month for each member in its family in 2020G, and accordingly, the fees for the financial compensation that the non-Saudi worker will bear on behalf of its family will lead to the increase in the cost of living for the worker, which will lead to its orientation to work in other countries where the cost of living is lower, and if something like this happens, the company will face difficulty in maintaining non-Saudi workers, which may force it to bear those costs for non-Saudi employees or part of them directly, or indirectly by raising the wages of non-Saudi workers, which will lead to the increase in the company's costs, which will negatively affect the results of its operations.

It is also worth noting that on 18/03/1442H (corresponding to 04/11/2020G), the Ministry of Human Resources and Social Development in the Kingdom of Saudi Arabia launched the initiative to improve the contractual relationship, which entered into force on 01/08/1442H (corresponding to 14/03/ 2021G), and aims to support the vision of the Ministry of Human Resources and Social Development in building an attractive labor market, empowering and developing human competencies, developing the work environment and eliminating the sponsorship system. The initiative provides three main services: the job mobility service, the development of exit, return and final exit mechanisms. The initiative services include all expatriate workers in private sector establishments within specific controls that take into account the rights of both parties to the contractual relationship and the terms of the contract between the employer and the expatriate worker. The job mobility service allows the expatriate worker to move to another job upon the expiry of its work contract without the need for the employer's approval. Accordingly, with the entry into force of this initiative, the company does





not guarantee that it will maintain its cadres of non-Saudi workers and renew their contracts on conditions satisfactory to them, which will push them to move to another job in accordance with the mechanisms referred to above. If the company is not able to maintain its cadres of non-Saudi workers or find replacements for them with the same skills and experience required, this will lead to the increase in the financial cost to the company, which would negatively and fundamentally affect the company's business, financial results and future prospects.

## 2.2.12 Risks Relating to the Imposition of New Duties or Taxes

Although the company is not currently subject to any kind of taxes other than Sharia zakat and value added tax of 15% of the fees for services provided by the company, it is possible that other fees or corporate taxes will be imposed by the government in the future. Accordingly, if new corporate taxes or fees are imposed other than those currently applied, this will negatively affect the company's net profits.

## 2.3 Risks Related to the Offered Securities

### 2.3.1 Risks Relating to Possible Fluctuation in the Price of the Rights Issue

The market price of the Rights Issue may be subject to significant fluctuations due to the change in market trends with respect to the Company's shares. These fluctuations may be large due to the difference in the permissible range of change in the trading prices of the rights shares compared to the permissible change in the common shares. Since the rights shares trading price depends on the company's current share price, and the market's perception of the potential price of the shares after the subscription process, these factors, in addition to what was mentioned in the paragraph "risks of potential fluctuations in the share price" mentioned above, may affect the price of the rights issue.

### 2.3.2 Risks Relating to Potential Fluctuations in the Share Price

The market price of the rights during the trading period may not be an indication of the market price of the company's shares after the offering. Also, the company's share price may not be stable and may be affected significantly due to fluctuations resulting from market conditions related to the company's current rights or shares. These fluctuations may also result from many factors, including but not limited to: stock market conditions, poor performance of the company, inability to implement the company's future plans, entry of new competitors to the market, change in the vision or estimates of experts and analysts of the stock market, and any announcement of the company or any other of its competitors related to mergers and acquisitions or strategic alliances.

The sale of large quantities of shares by the shareholders or the belief that such sale is likely to occur will negatively affect the price of the company's shares in the market. In addition, shareholders may not be able to sell their shares in the market without negatively affecting the share price. There is no guarantee that the market price of the company's shares will not be lower than the offering price, and if this happens after the investors subscribe to the new shares, the subscription cannot be canceled or modified, and therefore the investors may incur losses as a result. In addition to the above, there is no guarantee that the shareholder will be able to sell its shares at a price equal to or greater than the offer price after subscribing to the new shares.

The company seeks to increase its capital by offering fifty-two million five hundred and sixty-six thousand nine hundred and thirty (52,566,930) ordinary shares at an offer price of ten (10) Saudi riyals per share by issuing rights shares with a total value of five hundred twenty-five million six hundred and sixty-nine thousand and three hundred (525,669,300) Saudi riyals, which represents an increase in the company's capital by (1000%) so that the company's capital becomes five hundred and seventy-eight million two hundred and twenty-six thousand two hundred and thirty (578,226,230) Saudi riyals. Accordingly, the eligibility coefficient is (10) right for every one (1) share owned by the registered shareholder on the eligibility date. Accordingly, if a Registered Shareholder owns one thousand (1,000) shares on the eligibility date, it will be allotted ten thousand (10,000) shares in exchange for the shares it owns.

In the event that the extraordinary general assembly agrees to increase the company's capital as indicated above, the company's share price will decrease as a result of the capital increase, for example, if the closing price of the company's shares on the day of the extraordinary general assembly reached (222) Saudi riyals. It is expected to reach (29.27) Saudi riyals at the opening of the next day, and the change represents the decrease of (192.73) Saudi riyals. In the event that any of the shareholders registered in the company's shareholders register at the Depository Center fails to subscribe at the end of the second trading day following the date of the Extraordinary General Assembly meeting, this will lead to the decrease in their ownership percentage in the company.

### 2.3.3 Risks Relating to Non-Profitability or Sale of Rights Shares

There is no guarantee of profitability of the stock by trading it at a higher price. In addition, there is no guarantee that it will be able to be sold in the first place, which indicates that there is no guarantee of sufficient demand in the market to exercise



the rights issue or receive compensation from the company, bearing in mind that the investor who did not subscribe or sell its rights shares, and the owners of fractional shares, may not get any consideration if the sale takes place during the remaining offering period at the offering price.

#### 2.3.4 Risks Relating to the Decrease in the Demand for Rights Shares and Company shares

There is no guarantee that there will be sufficient demand for the company's subscription rights during the trading period in order to enable the holders of the rights shares to sell those rights and make a profit from them. Also, there is no guarantee that there will be sufficient demand for the company's shares by institutional investors during the remaining offering period. In the event that institutional investors do not bid for the remaining shares at a price higher than the offer price, there will be no compensation to the unexercised rights holders. Likewise, in the event that these institutions do not wish to subscribe, or when shares remain unsubscribed by them, the underwriter will buy those shares at a price equal to the offering price, and therefore there will be no compensation for the unexercised rights holders.

In addition, there is no guarantee that there will be sufficient market demand for the shares obtained by the subscriber through the exercise of the rights shares, or through the remaining offering, or from the market, which will negatively affect the share price and the profitability of the company and the shareholder.

#### 2.3.5 Risks Relating to Speculation in Rights Shares

Speculation in rights shares is subject to risks that may cause material losses. The permissible daily fluctuation range of the trading price of the rights shares is greater than the permissible daily fluctuation range of the market price (which represents in 10% the rise and fall of the closing price of the previous day). There is also a direct relationship between the company's share price and the indicative value of the right, where the indicative value of the right reflects the difference between the market value of the company's shares during the trading period and the offering price. Accordingly, the daily price limits (i.e. the daily fluctuation range) for rights trading will be affected by the daily price limits for shares trading. In the event that the shareholder did not sell, it will have two options, either to exercise these rights to subscribe to the new shares before the end of the subscription period, or not to exercise that. In the event of failure to exercise the rights, the investor may be subject to a loss or decrease in the value of its investment portfolio, or profit in the event of selling shares during the remaining offering period at a price higher than the offering price. Therefore, investors shall review the full details of the mechanism for listing and trading new rights and shares and their method of operation, and familiarity with all the factors affecting them, in order to ensure that any investment decision is based on full awareness, (for more information, please review Section No. 12 "**Information related to shares and provisions of Offering and Terms and Conditions**" of this prospectus).

#### 2.3.6 Risks Relating to Low Ownership Percentage

If the rights holders do not subscribe to all of their rights, their ownership and voting rights in the company will be reduced. Also, there is no guarantee that the return received by those who wish to sell their rights from the registered rights shares holders during the trading period will be a sufficient return to fully compensate for the decrease in their ownership percentage in the company's capital. There is also no guarantee that there will be a compensation amount to be distributed to the eligible shareholders who did not exercise their right to subscribe or to the owners of fractional shares in the event that the investment institutions during the remaining offering period did not submit offers for the remaining shares at a high price, or if the amount of compensation (if any) is sufficient to compensate for decrease in the percentage of ownership in the capital of the company.

In the event that the rights holders do not exercise their full rights and the investment institutions during the remaining offering period do not submit offers for the remaining shares, the underwriters will intervene to purchase the remaining shares and this will lead to a decrease in the ownership percentage of the rights holders as well as their voting rights in the company and their share in the profits.

The coverage of rights by the underwriters may lead to obtaining a substantial percentage of the company's capital, which allows the underwriter to control the voting rights in the company's general assemblies as well as control the decisions based on them. (For more information, please refer to Section No. 11 "**Subscription Coverage**" of this Prospectus).

#### 2.3.7 Risks of Not Exercising the Subscription Rights in a Timely Manner

The subscription period begins after (3) three working days from the approval of the extraordinary general assembly including the approval of the capital increase on 03/05/1444H (corresponding to 27/11/2022G), and ends on 13/05/1444H (corresponding to 07/12/2022G). Eligible shareholders and the financial intermediaries they represent shall act to ensure that all necessary instructions are fulfilled before the end of the subscription period. The subscription application may be rejected in the event that the rights holders and the financial intermediaries are not able to follow the necessary procedures (please see Section No. (12) "**Information Related to Shares and Offering Terms and Conditions**").





If the Eligible Shareholders are not able to properly exercise the Subscription Rights by the end of the Subscription Period, based on their rights shares, there is no guarantee that there will be an amount of compensation distributed to the Eligible Shareholders who are not participating or who have not properly exercised the subscription procedures.

### 2.3.8 Risks Relating to Dividend Distribution to Shareholders

The company's decision to distribute profits depends on many factors, including achieving profits in the future, the financial position and capital requirements, distributable reserves, the credit limits available to the company, the company's investment requirements, and the general economic situation, in addition to several other factors, the importance of which the Board of Directors decides from time to time. The capital increase will lead to a decrease in earnings per share in the future, and thus may affect the market value of the company's shares as the company's profits will be divided by a larger number of shares as a result of the capital increase.

The Company does not guarantee that any dividends will be paid to shareholders in the future, nor does it provide any guarantee as to the amount to be paid in any given year. Dividend distribution is subject to certain conditions and controls stipulated in the company's articles of association.

### 2.3.9 Risks Relating to Selling Large Number of Shares

Selling a large number of the company's shares in the financial market after the subscription or anticipating such an operation will negatively affect the prices of these shares in the market.

### 2.3.10 Risks Relating to the Possibility of Issuing New Shares

The issuance of any new shares by the company depends on the approval of the extraordinary general assembly of the shareholders. The ownership of the shares will decrease proportionately, in addition to its attachments of the right to vote and receive profits, which will affect the market price of the share.

The company seeks to increase its capital by offering fifty-two million five hundred and sixty-six thousand nine hundred and thirty (52,566,930) ordinary shares at an offer price of ten (10) Saudi riyals per share through the issuance of rights issue shares, which represents an increase in the company's capital by (1000%) and the company's capital becomes five hundred and seventy-eight million two hundred and twenty-six thousand two hundred and thirty (578,226,230) Saudi riyals. Accordingly, the eligibility coefficient is (10) right for every one (1) share owned by the registered shareholder on the eligibility date. Accordingly, if a Registered Shareholder owns one thousand (1,000) shares on the Eligibility Date, it will be allotted ten thousand (10,000) shares in exchange for the shares it owns. In the event that the shareholder decides to exercise the rights granted to it, it will need to pay one hundred thousand (100,000) Saudi riyals in return for subscribing to ten thousand (10,000) rights, with a value of ten (10) riyals for each right.

In the event that the extraordinary general assembly agrees to increase the company's capital as indicated above, the company's share price will decrease as a result of the capital increase, for example, if the closing price of the company's shares on the day of the extraordinary general assembly reached (222) Saudi riyals, then it is expected to reach (29.27) Saudi riyals at the opening of the next day, and the change represents the decrease of (192.73) Saudi riyals. Accordingly, if a registered shareholder owns one thousand (1,000) shares on the eligibility date, the market value of its shares at the end of the day of the general assembly will reach two hundred and twenty-two thousand (222,000) Saudi riyals, and ten thousand (10,000) rights will be allotted to it in exchange for his shares. In the event that the shareholder decides to exercise the rights granted to it, it will need to pay one hundred thousand (100,000) Saudi riyals in return for subscribing to ten thousand (10,000) rights, with a value of ten (10) riyals for each right. So that the market value of the shares after subscribing to the full rights amounted to three hundred twenty-two thousand (322,000) Saudi riyals. In the event that any of the shareholders registered in the company's shareholders register at the Depository Center fails to subscribe at the end of the second trading day following the date of the Extraordinary General Assembly meeting, this will lead to the decrease in their ownership percentage in the company.

### 2.3.11 Risks Relating to Future Data

The future results and performance data of the company cannot be actually predicted and may differ from what is contained in this prospectus. As the achievements and ability of the company to develop is what determines the actual results, which can not be expected or determined. The inaccuracy of data and results is considered one of the risks that the shareholder shall know so as not to affect its investment decision. Whereas, in the event that the future results and performance data are fundamentally different from what is mentioned in this prospectus, this will lead to the loss of part or all of the shareholders' investment in the company's shares.



### **2.3.12 Risks Relating to Suspending Trading or Canceling the Company's Shares as a Result of not Publishing its Financial Statements During the Statutory Period**

In the event that the company is unable to publish its financial information within the statutory period (30 days from the end of the financial period for the initial financial statements and three months from the end of the financial period for the annual financial statements), the procedures for suspending the listed securities will be applied in accordance with the listing rules - approved by the decision of the Board of the Capital Market Authority. The Board of the Capital Market Authority No. (2017-123-3) dated 09/04/1439H (corresponding to 27/12/2017G) and amended by its Resolution No. (1-19-2022) dated 12/07/1443H (corresponding to 13/02/2022G) - which stipulates that the market suspends the trading of securities for a period of one trading session following the expiry of the statutory period. In the event that the financial information is not published within twenty trading sessions following the first suspended trading session, the Saudi Stock Exchange (Tadawul) will announce the re-suspension of the company's securities until it announces its financial results. In the event that the suspension of trading the company's shares continues for a period of six months without the company taking the appropriate measures to correct that suspension, the Authority may cancel the listing of the company's securities. The financial market lifts the suspension after one trading session has passed, following the announcement of the company's financial results. However, in the event that the company is late in announcing its financial results, or if it is unable to publish them within the statutory period referred to above, this will cause the company's shares to be suspended or to cancel the listing of its shares, which will negatively and fundamentally affect the interest of the company's shareholders and the company's reputation and the results of its operations. In addition, the Capital Market Authority may cancel the offering of the company's rights shares in the event that it deems that the offering may not be in the interest of the shareholders.



## 3

## OVERVIEW OF THE COMPANY AND NATURE OF ITS BUSINESS

### 3.1 Overview

The Tourism Enterprise Company – SHAMS (hereinafter referred to as the “Company” or “SHAMS” or “Issuer”) was incorporated as a public joint stock Company under the trade name “Tourism Enterprise Company – SHAMS” Saudi Joint Stock Company with start-up capital of one hundred one million five hundred thousand (101,500,000) Saudi Riyals divided into one million fifteen thousand (1,015,000) equal shares with a nominal value of hundred (100) Saudi Riyals per share. All of these shares are ordinary and cash shares. The memorandum of association was audited by the Ministry of Commerce and notarized at the Dammam Notary Office No. 44/307/1/303 and record No. (65) to (75) of 1411H dated 07/09/1411H corresponding to 24/03/1991G). The company was registered in the commercial registry of Dammam under the certificate of registration of a joint stock company with the number (2050021572) dated 01/08/1412H (corresponding to 01/08/1991G).

The ministerial Resolution No. (819) was issued on 23/09/1411H (corresponding to 09/04/1991G) in order to authorize the establishment, the Tourism Enterprise Company – SHAMS SJSC. The Company’s head office is located in the city of Dammam in the Half Moon Beach area, P.O. Box 8383, Postal code 31482.

In accordance with its articles of association, the main purposes of the Company are as follows:

- Building and management of resorts and tourist establishments, including chalets, motels, hotels, parks, restaurants, recreational cities, playgrounds, swimming pools, rest houses, service stations, central markets and all the services that tourist resorts, yacht harbors and boat docks need. The company owns yachts and boats, which are used for tourist purposes and fishing and diving amateur as well as it trades in fishing and marine gear and training on them. It engages also in acquiring commercial agencies from tourism companies and organizing tourism activities within and outside the Kingdom.
- The Company’s commercial registry data show that its licensed activity is as follows (hotels, furnished residential units, holidays chalets, tourist motels, resorts, management of tourist accommodation facilities, camps, restaurants with service, beverage shops (coffee shop), rental and lease of bicycles, reservation and marketing of tourist accommodation units, amusement parks, entertainment centers, organizing entertainment events, and operating entertainment facilities).

### 3.2 History of the company and the most significant developments of its capital structure

- The Tourism Enterprise Company – SHAMS was incorporated as a public joint stock Company under the trade name “Tourism Enterprise Company” Saudi Joint Stock Company pursuant to the ministerial Resolution No. (819) dated 23/09/1411H (corresponding to 09/04/1991G) in order to authorize the establishment the Tourism Enterprise Company – SHAMS SJSC. The memorandum of association was audited by the Ministry of Commerce and notarized at the Dammam Notary Office No. 44/307/1/303 and record No. (65) to (75) of 1411H dated 07/09/1411H (corresponding to 24/03/1991G). The number of Company’s Shareholders was one hundred and twenty-two (122) shareholders, all Saudi companies and individuals. The start-up capital amounted one hundred one million five hundred thousand (101,500,000) Saudi Riyals divided into one million fifteen thousand (1,015,000) equal shares with a nominal value of hundred (100) Saudi Riyals per share. All of these shares are ordinary and cash shares.
- The Company’s shares were listed on Tadawul dated 22/06/1420H (corresponding to 02/10/1999G) after approval of the Ministry of Commerce and the Saudi Central Bank (“SAMA”). On 27/02/1427H (corresponding to 27/03/2006G), the Company decided to split of the par value of the company’s shares to ten (10) Saudi riyals instead of fifty (50) Saudi riyals pursuant to resolution issued by the Cabinet on determining the par value for the Company’s share of ten (10) Saudi riyals.
- On 21/008/1438H (corresponding to 17/05/2017G), the Extraordinary General Assembly approved to adjust the articles of association of the Company in line with the new companies law.
- On 03/09/1442H (corresponding to 15/04/2021G), the Company’s board recommended to reduce the Company’s capital from one hundred one million five hundred thousand (105,500,000) Saudi riyals to



sixty-six million nine hundred and ninety thousand (66,990,000) Saudi riyals, i.e. Company's capital was decreased by (34%). Thus, the Company's shares were decreased from ten million one hundred fifty thousand (10,150,000) shares to six million six hundred and ninety-nine thousand (6,699,000) shares through cancellation of three million four hundred and fifty-one thousand (3,451,000) shares.

- On 16/01/1443H (corresponding to 24/08/2021G), the Company's board proposed to amend the recommendation for reducing the company's capital dated 03/09/1442H (corresponding to 15/04/2021G) whereas the new recommendation required that the company's capital to be reduced from one hundred one million and five hundred thousand (101,500,000) Saudi riyals to fifty two million five hundred sixty-six thousand and nine hundred and thirty (52,566,930) Saudi riyals, i.e. Company's capital was decreased by (48.21%). Thus, the Company's shares were decreased from ten million one hundred fifty thousand (10,150,000) shares to five million two hundred fifty-six thousand six hundred and ninety-three (5,256,693) shares through cancellation of four million eight hundred ninety-three thousand three hundred and seven (4,893,307) shares.
- On 16/01/1443H (corresponding to 24/08/2021G), the Board of Directors recommended that the recommendations provided to the Extraordinary General Assembly shall be amended after the completion of the capital reduction whereas the new recommendation required that the company's capital to be increased from fifty two million five hundred sixty-six thousand nine hundred and thirty (52,566,930) Saudi riyals to three hundred sixty seven million nine hundred sixty eight thousand five hundred and ten (367,968,510) Saudi riyals. Thus, the Company's shares were increased from five million two hundred and fifty-six thousand six hundred and ninety-three (5,256,693) shares to thirty-six million seven hundred ninety-six thousand eight hundred and fifty-one (36,796,851) shares through increase thirty-one million five hundred and forty thousand one hundred and fifty-eight (31,540,158) shares.
- On 14/07/1443H (corresponding to 15/02/2022G), the Board of Directors recommended that the recommendations provided to the Extraordinary General Assembly shall be amended by adjusting the propose for increasing the capital from fifty-two million five hundred and sixty-six thousand nine hundred and thirty (52,566,930) Saudi riyals to five hundred and seventy-eight million two hundred and thirty-six thousand two hundred and thirty (578,236,230) Saudi riyals. Thus, the Company's shares were increased from five million two hundred and fifty-six thousand six hundred and ninety-three (5,256,693) shares to fifty-seven million eight hundred and twenty-three thousand six hundred and twenty-three (57,823,623) shares through increase fifty-two million five hundred and sixty-six thousand nine hundred and thirty (52,566,930) shares.
- On 27/03/1443H (corresponding to 03/01/2021G), the Capital Market Authority (CMA) approved an application to decrease the capital.
- On 05/05/1443H (corresponding to 09/12/2021G), the Extraordinary General Assembly approved to amend some provisions of the articles of association (Articles 5, 7, 8, 10, 18, 22, 23, 25, 30, 41, 45 and 46).
- On 05/05/1443H (corresponding to 09/12/2021G), the Extraordinary General Assembly approved the recommendation issued by the Board of Directors dated 16/01/1443H (corresponding to 24/08/2021G) for reducing the Company's capital from one hundred one million and five hundred thousand (101,500,000) Saudi riyals to fifty-two million five hundred sixty-six thousand and nine hundred and thirty (52,566,930) Saudi riyals in order to amortize the accumulated losses amounted (48,933,070) Saudi riyals. The reduction is made through cancellation of four million eight hundred ninety-three thousand three hundred and seven (4,893,307) shares.
- The company's current capital is fifty-two million five hundred sixty-six thousand and nine hundred and thirty (52,566,930) Saudi riyals divided into five million two hundred and fifty-six thousand six hundred and ninety-three (5,256,693) equal shares with a nominal value of ten (10) Saudi Riyals per each. All of these shares are ordinary and cash shares.
- On 26/04/1444H (corresponding to 20/11/2022G), the Extraordinary General Assembly approved –based on a recommendation from the Board of Directors dated 14/07/1443H (corresponding to 15/02/2022G)- to increase the company's capital from fifty-two million five hundred sixty-six thousand nine hundred and thirty (52,566,930) Saudi riyals to five hundred and seventy-eight million two hundred and thirty-six thousand two hundred and thirty (578,236,230) Saudi riyals. The rate of increase is thousand (1,000%) by offering Rights Shares of five hundred twenty-five million six hundred sixty-nine thousand three hundred (525,669,300) shares.

(For more details on the incorporation and history of the company and changes in its capital, please refer to Subsection (10.1.2) "Company organization and stages of development of its capital" of Section (10.1) "Introduction to and highlights of changes in the company" of Section (10) "Legal information" of this Prospectus).



### 3.3 The company's principal activities

Article (3) of the Company's Articles of Association stipulates that the Company is engaged and carried out the following purposes:

Building and management of resorts and tourist establishments, including chalets, motels, hotels, parks, restaurants, recreational cities, playgrounds, swimming pools, rest houses, service stations, central markets and all the services that tourist resorts, yacht harbors and boat docks need. The company owns yachts and boats, which are used for tourist purposes and fishing and diving amateur as well as it trades in fishing and marine gear and training on them. It engages also in acquiring commercial agencies from tourism companies and organizing tourism activities within and outside the Kingdom.

The company conducts its activities in accordance with applicable laws and after obtaining the necessary licenses from the competent authorities, if any.

- The Company's commercial registry data show that its licensed activity is as follows (hotels, furnished residential units, holidays chalets, tourist motels, resorts, management of tourist accommodation facilities, camps, restaurants with service, beverage shops (coffee shop), rental and lease of bicycles, reservation and marketing of tourist accommodation units, amusement parks, entertainment centers, organizing entertainment events, and operating entertainment facilities).
- The Company may establish branches, offices or agencies within or outside the Kingdom by resolution of the Board of Directors. As at the date of this prospectus, the Company has three (3) branches plus the main branch within the Kingdom.
- The Company may establish, by itself, other limited liability or closed joint stock companies, provided that their capital is no less than five (5) million Saudi riyals. The Company may own stocks and shares in other existing companies or merge with them. The Company may participate with others to establish joint stock or limited liability companies after fulfilling the requirements of the laws and instructions followed in this regard. The Company may also dispose of these stocks or shares, provided that this does not include acting as a broker in trading such stocks or shares. On 05/05/1443H (corresponding to 09/12/2021G), the Extraordinary General Assembly approved to amend the Article to be as follows: ("The Company may establish, by itself, other limited liability or closed joint stock companies, provided that their capital is no less than five (5) million Saudi riyals. The Company may own stocks and shares in other existing companies or merge with them. The Company may participate with others to establish joint stock or limited liability companies after fulfilling the requirements of the laws and instructions followed in this regard. The Company may also dispose of these stocks or shares, provided that this does not include acting as a broker in trading such stocks or shares."). As at the date of this prospectus, the updated Articles of Association have not yet been issued. The Company have no subsidiaries within and outside Kingdom of Saudi Arabia.

(For more information on licenses that are obtained by Tourism Enterprise Company – SHAMS for engaging its activities, please refer to subsection (2.9) "**Governmental approvals and licenses**" of Section (9) "**Legal information**").

- The Company exercises its activities through the head office and branches. The Company's principal activities are as follows:

### 3.4 Tourism business

This activity is the main activity of the Company and includes the following Tourism Business:

- Rental and lease of bicycles.
- Management resorts, tourist accommodation facilities and hotels.
- Operating and marketing of tourist accommodation facilities.
- Operating accommodation facilities, amusement parks, furnished residential units and camps.

The company currently manages and operates the Palm Beach Resort, which is located on leased land from the Municipality of Dammam for 40 years ending on 02/08/2030G. The resort consists of (232) chalets spread over an area of 550,000 square meters in addition to a restaurant and three recreational and sports centers.



### 3.5 Investment activity

In accordance with Article (4) of the Company's Articles of Association, the Company may establish, by itself, other limited liability or closed joint stock companies, provided that their capital is no less than five (5) million Saudi riyals. The Company may own stocks and shares in other existing companies or merge with them. The Company may participate with others to establish joint stock or limited liability companies after fulfilling the requirements of the laws and instructions followed in this regard. The Company may also dispose of these stocks or shares, provided that this does not include acting as a broker in trading such stocks or shares. On 05/05/1443H (corresponding to 09/12/2021G), the Extraordinary General Assembly approved to amend the Article to be as follows: ("The Company may establish, by itself, other limited liability or closed joint stock companies, provided that their capital is no less than five (5) million Saudi riyals. The Company may own stocks and shares in other existing companies or merge with them. The Company may participate with others to establish joint stock or limited liability companies after fulfilling the requirements of the laws and instructions followed in this regard. The Company may also dispose of these stocks or shares, provided that this does not include acting as a broker in trading such stocks or shares."). As at the date of this prospectus, the updated Articles of Association have not yet been issued.

As at the issue date of this prospectus, the Company have neither subsidiaries within and outside Kingdom of Saudi Arabia nor investments in other companies.

The company has a commercial residential building classified as real estate investments consisting of (22) vacant residential units and (4) commercial shops fully leased to one lessor under the contract which ends on 03/31/2024G).

Source: The Company

### 3.6 Company's branches

Besides the head office the Tourism Enterprise Company – SHAMS has three (3) branches in Saudi Arabia. The most important details of its existing business records are as follows:

**Table NO. (7): Tourism Enterprise Company – SHAMS branches\***

No.	Branch name	Type of entity	Location	Commercial Registration No.	Activity	Issue Date	Expiry Date	Issued by
1	Tourism Enterprise Company – SHAMS	Joint Stock Company (JSC)	Dammam – Half Moon Beach area	2050021572	beverage shops (coffee shop), rental and lease of bicycles, reservation and marketing of tourist accommodation, resorts, management of tourist accommodation facilities, hotels, operating entertainment facilities, entertainment centers, organizing entertainment events, amusement parks, furnished residential units and camps)	20/01/1412H (corresponding to 01/08/1991G)	20/01/1448H (corresponding to 05/07/2026G)	Ministry of Commerce - Commercial Registry Office in Dammam
2	Palm Beach Resort (Branch of Tourism Enterprise Company)	Branch of JSC	Al Khobar – Half Moon Beach area	2051049490	Building and management of resorts, tourist establishments, jet ski rental, charter boats and marine aquatic games pursuant to Border Guard letter No. 3/26/6484 dated 29/07/1438H	07/08/1433H (corresponding to 27/06/2012G)	06/08/1443H (corresponding to 09/03/2022G)	Ministry of Commerce - Commercial Registry Office in Al Khobar
3	Branch of Tourism Enterprise Company	Branch of JSC	Al Khobar – Half Moon Beach area	2052103401	organizing entertainment events, operating entertainment facilities, management of tourist accommodation facilities, entertainment centers, amusement parks, hotels, resorts and beverage shops (coffee shop)	06/07/1443H (corresponding to 08/02/2022G)	06/07/1444H (corresponding to 28/01/2023G)	Ministry of Commerce - Commercial Registry Office in Al Khobar



No.	Branch name	Type of entity	Location	Commercial Registration No.	Activity	Issue Date	Expiry Date	Issued by
4	Branch of Tourism Enterprise Company	Branch of JSC	Al Khobar – Half Moon Beach area	2052103400	organizing entertainment events, operating entertainment facilities, management of tourist accommodation facilities, entertainment centers, amusement parks, hotels, resorts and beverage shops (coffee shop)	06/07/1443H (corresponding to 08/02/2022G)	06/07/1444H (corresponding to 28/01/2023G)	Ministry of Commerce - Commercial Registry Office in AlDhahran

Source: The Company

\* The company reported that it had written off the sub-registry (Shams Tower for residential units) located in the city of Khobar. The company also had written off its sub-registry located in Riyadh city.

### 3.7 Company's Major shareholders

As of the date of publication of this Prospectus, no major shareholder owns (5%) or more of the Company's shares.

### 3.8 Company vision

To contribute actively to the sustainable development of hospitality and accommodation activity by investing in national projects.

### 3.9 Company mission

Shams hopes to become in the vanguard of leading tourism corporations in the Kingdom and leading in hospitality, accommodation and travel services according to global standards and local spirit.

### 3.10 Company strategy

The Company's stated strategic objectives are:

- Implementation of growth plans in the Company's portfolio, and performance of expansion projects in a number of anticipated strategic enterprises.
- Further consolidation of the "Shams" logo which offers hospitality experiences in a contemporary manner within the resorts and furnished apartments sector.
- Expansion vertically and horizontally, targeting the expected tourism demand to ensure the addition of new sources of revenue generation to serve the expansion plans and enhance the profitability of the company in light of changes in the business environment and high operating costs.

### 3.11 Company's strengths and competitive advantages

The company's strengths and competitive advantages are as follows:

- The company's experience over 30 years in the tourism, hospitality and entertainment sectors.
- Extensive and varied operations in the tourism, hospitality and entertainment sectors.

### 3.12 Business interruption

There was no disruption in the Company's business that may impact or has significantly impacted the financial condition during the last twelve (12) months other than closure of the resort from 15 March 2020G to 20 June 2020G due to the precautionary and preventive measures taken by the State to control the Coronavirus ("COVID-19") (please refer to Risk 2.1.20) "Risks Related to the Outbreak of the Coronavirus (Covid-19)" in Section (2) "Risk Factors" of this prospectus.





### 3.13 Employees and saudization

According to the "Nitaqat" Program issued by the Saudi Ministry of Human Resources and Social Development, the Saudization percentage was (34.58%) as at the date of this Prospectus and is therefore classified under the "low Green" range as "category A" firm as per Nitaqat program. The following table shows the number of Company's employees for the last three years, i.e. 2019G, 2020G and 2021G:

**Table NO. (8): Distribution of the number of Company's employees for the last three years (2019G, 2020G and 2021G):**

Description	2019G		2020G		2021G	
	Saudis	Non-Saudis	Saudis	Non-Saudis	Saudis	Non-Saudis
Tourism Enterprise Company – SHAMS	13	37	8	39	18	35
<b>TOTAL</b>	<b>50</b>		<b>47</b>		<b>53</b>	

Source: The Company

**Table NO. (9): Distribution of the number of Company's employees as per government agencies data**

Description	Social Insurance Certificate		Nitaqat		Resident abstract
	Saudis	Non-Saudis	Saudis	Non-Saudis	Non-Saudis
Tourism Enterprise Company – SHAMS	17	34	17	35	34

Source: The Company

As at December 2021G, the total number of employees with the Tourism Enterprise Company was 53, of whom 18 were Saudi and 35 were non-Saudi. The variation in the numbers of employees is due to the modernization of the company's data with various government agencies.



## 4

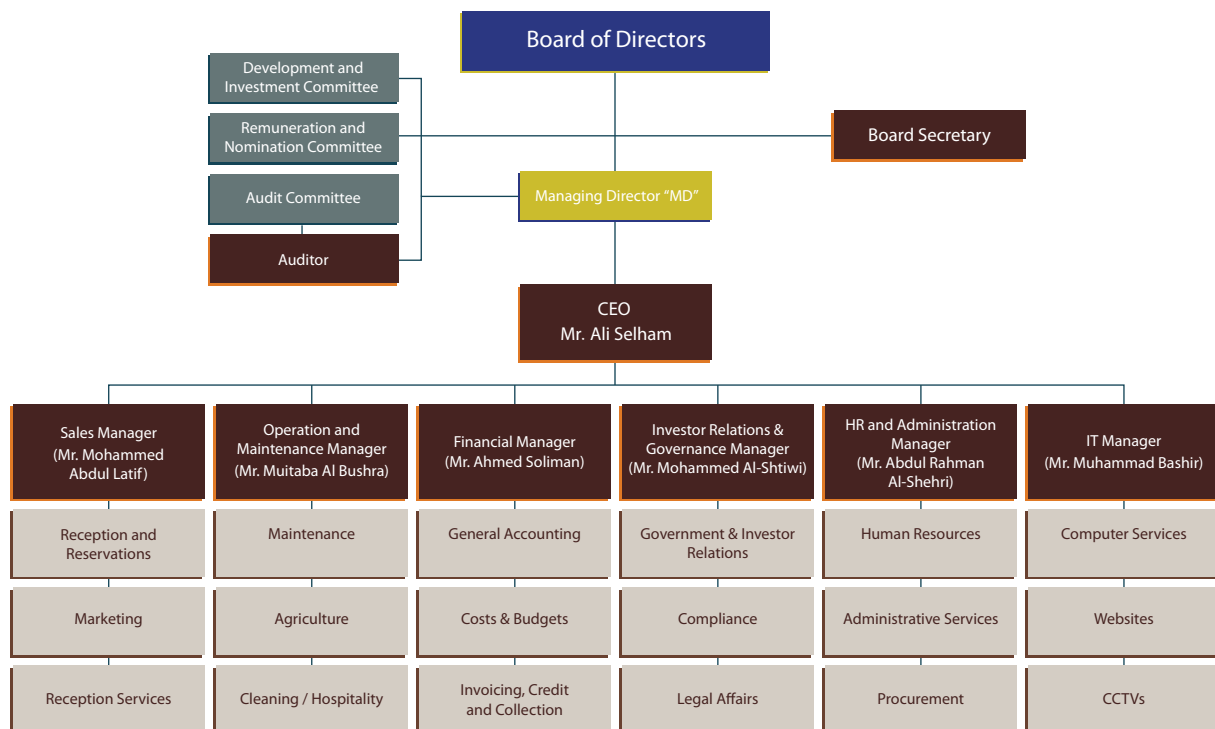
## COMPANY'S ORGANIZATIONAL STRUCTURE

## 4.1 Organizational structure

The company has an organizational structure that determines the division of departments and the distribution of powers and business between its divisions. The key management structure of the company consists of the board of directors and a executive personnel (Executive Management). The Board of Directors shall preside over the management organizational structure as the Executive Management cooperated it which is responsible for overseeing the day-to-day activities of the Company. Also, the Board is responsible for developing comprehensive plans and strategies and their main objectives, directing and controlling the performance of the Company's executive management and proposing appropriate decisions on matters and actions that fall within the powers of Shareholders General Assembly, general supervision and control over the company. The Executive Management is authorized by the board to be responsible for implementation of the Company's strategic plans and management day-to-day business of the Company. The Managing Director is in charge of the Executive Management as well as directly overseeing the development of policies and procedures required to ensure the efficiency and effectiveness of the Company's management and its internal control system and to prevent risk to the maximum extent practicable. In addition to the Audit Committee, the company has the Nominations and Remunerations committee and the executive committee whose responsibility is reporting to the Board. The responsibility for managing the day-to-day operations of the company shall be borne by the Executive Management who is delegated with specific executive powers by the Board.

The following figure shows the organizational structure of the company. The Company's Board approved the organizational structure on 18/04/2021G:

Figure NO. (1): Organizational Structure of the Company



Source: The Company



## 4.2 Board of directors

The following table shows the members of the company's board of directors:

**Table NO. (10): Board members**

Board Members and Secretary <sup>*</sup> Board of directors appointed on 01/06/1442H (corresponding to 14/01/2021G)											
Name	Position	Representative to	Nationality	Age	status		Owned shares				Membership Date
					executive	independent	Direct	Indirect <sup>**</sup>	Total	Percentage (%)	
Abdul Ilah Nasir Al Zarah	Chairman	personal capacity	Saudi	50	-	independent	517	-	517	0.009835%	16/10/1442H (corresponding to 28/05/2021G)
Abdullah Omar Al-Suwailem	Vice chairman	personal capacity	Saudi	56	executive	-	517	-	517	0.009835%	16/10/1442H (corresponding to 28/05/2021G)
Khalid Munif Al-Soor	Board member	personal capacity	Saudi	56	-	independent	-	-	-	0	16/10/1442H (corresponding to 28/05/2021G)
Fahd Abdullah Al Samih	Board member	personal capacity	Saudi	57	-	independent	5	-	5	0.0000951%	16/10/1442H (corresponding to 28/05/2021G)
Rashid Suleiman Al-Rasheed	Board member	personal capacity	Saudi	47	-	independent	5	-	5	0.0000951%	16/10/1442H (corresponding to 28/05/2021G)
Ahmed Abdullatif Al-Barrak	Board member	personal capacity	Saudi	42	-	independent	-	-	-	0	16/10/1442H (corresponding to 28/05/2021G)
Faisal Mohammed Al-Harbi	Board member	personal capacity	Saudi	38	-	independent	-	-	-	0	16/10/1442H (corresponding to 28/05/2021G)
Board Directors Secretary											
Mohamed Saleh Al Shtiwiy	Board Secretary	personal capacity	Saudi	37	executive	-	-	-	-	0	17/10/1442H (corresponding to 29/05/2021G)

Source: The Company

<sup>\*</sup>The Ordinary General Assembly agreed in its meeting held on 15/10/1442H (corresponding to 27/05/2021G) to elect the members of the Board of Directors mentioned above for the current session starting on 16/10/1442H (corresponding to 28/05/2021G) for the three-year term ending on 19/11/1445H (corresponding to 27/05/2024G). Moreover, The Board appointed, in its meeting No. 259-05/2021 held on 17/10/1442H (corresponding to 29/05/2021G), Mr. Abdul Ilah Nasir Al Zarah as chairman, Eng. Abdullah Omar Al-Suwailem as vice chairman and managing director and Mr. Mohamed Saleh Al Shtiwiy as Board Secretary as of the date of the current Board session until the end of it.

<sup>\*\*</sup> Indirect ownership means shares that are indirectly owned by members of the Company's Board through their ownership of companies that own shares in the Company. The Board members have no indirect ownership in the company as at the date of this prospectus.



### 4.3 Mandatory positions in board of directors

According to Article (21) of the Company's Articles of Association, the Board shall appoint, from among its members, a Chairman and a Vice chairman and may appoint a managing director, and the position of Chairman and any other executive position in the Company shall not be combined. Article nineteen (19) of the Articles of Association stipulates the powers of the Board, and Article twenty-one (21) of the Articles of Association determines detailed the powers of the Chairman, Vice chairman, Managing Director and Secretary of the Board. The Secretary of the board shall perform duties and powers entrusted to him by the Board. The Company is bound by its Articles of Association, the Companies Law and the Corporate Governance Regulations with regard to appointments related to positions of Board members as follows:

**Table NO. (11): Summary of appointment resolutions for these mandatory positions**

Position	Date of board resolution for appointment	Name of appointed person
Chairman	Board meeting minutes dated 17/10/1442H (corresponding to 29/05/2021G)	Abdul Ilah Nasir Al Zarah
Vice chairman and Managing Director	Board meeting minutes dated 17/10/1442H (corresponding to 29/05/2021G)	Abdullah Omar Al-Suwailem
CEO	Board meeting minutes dated 28/08/1442H (corresponding to 10/04/2021G)	Ali Abdullah Al Selham
Board Secretary	Board meeting minutes dated 17/10/1442H (corresponding to 29/05/2021G)	Mohamed Saleh Al Shtiwiy

Source: The Company

### Board meetings

- According to Article twenty-two (22) of the Company's Articles of Association, the Board of Directors shall meet at least twice a year upon an invitation from the Chairman. Such invitation shall be in writing or sent by fax or E-mail accompanied by the meeting agenda before the date of the meeting to enable members to attend. The Chairman shall call for a meeting whenever requested by two of the members.
- The minutes of the Board meetings for the years 2019G, 2020G and 2021G show that the Company is bound by the provisions of the Articles of Association.
- The following table states the company's compliance with the Articles of Association in related of the number of meetings:

**Table NO. (12): Number of board meetings during the last three years until the prospectus date**

Administrative Authority	2019G	2020G	2021G	2022G
Board of Directors	2	1	7	1

Source: The Company

### 4.4 Board committees

To assist the board of directors in conducting its roles more effectively, the board formed number of specialized committees whether in accordance with the requirements of the Companies Law, the Capital Market Authority Bylaws and its Regulations or in light of business needs in the company as follows:

#### 4.4.1 Audit committee

The board of directors has established an audit committee in accordance with Article 38 of the Company's Articles of Association and Clause 1 of the regulations on the Audit Committee of the company. Therefore, the audit committee shall comprise of three (3) members who are not members of the Executive Directors whether shareholders or others. The Ordinary General Assembly held on 22/12/1442H (corresponding to 01/08/2021G), appointed the members of the Audit committee based on the Board resolution issued on 22/10/1442H (corresponding to 03/06/2021G) for a new session ending at the end of the current session of the Board on 19/11/1445H (corresponding to 27/05/2024G). The Audit Committee shall comprise of the following members:

**Table NO. (13): Members of audit committee**

Name	Position	Status	Membership Date
Rashid bin Suleiman Al-Rasheed	Chairman of the Audit Committee	Independent board member	22/12/1442H (corresponding to 01/08/2021G)
Saad Al-Tayyar	Member of the audit committee	From outside the board	22/12/1442H (corresponding to 01/08/2021G)
Firas Al-Harbi	Member of the audit committee	From outside the board	22/12/1442H (corresponding to 01/08/2021G)

Source: The Company



### Audit committee roles, responsibilities and powers:

In accordance with clause (b) of the Audit Committee Regulations, the Audit Committee is competent to monitor the Company's business and verify the safety and integrity of its reports, financial statements and internal control regulations. In particular, the functions of the Audit Committee include:

- **Financial reports:**
  1. Study the company's initial and annual financial statements before submitting them to the Board of Directors and provide its opinion and recommendation in this regard, to ensure their integrity, fairness and transparency.
  2. Provide a technical opinion - at the request of the Board of Directors - on whether the Board's report and the company's financial statements are fair, balanced and understandable and include information that allows shareholders and investors to evaluate the company's financial position, performance, business model and strategy.
  3. Examine any important or unfamiliar issues included in the financial reports.
  4. Careful examination of any issues raised by chief financial officer or whoever assumes his/her duties, compliance officer, or auditor.
  5. Verify the accounting estimates affecting material issues contained in the Financial Reports.
  6. Verify the accounting estimates used in the company and provide its opinion and recommendation to the Board of Directors in this regard.
- **Internal audit:**
  1. Examine and review the company's internal and financial control and risk management systems.
  2. Examine the internal audit reports and follow up the implementation of corrective actions for the notes contained therein.
  3. Oversee and supervise the performance and activities of the internal auditor of the company to verify the availability of necessary resources and their effectiveness in performing the jobs and tasks assigned to them. If there is no internal auditor, the committee must submit its recommendation to the Board regarding the need for appointing an internal auditor.
  4. Recommend the Board of Directors to appoint an internal audit unit or department director or internal auditor and suggest his remuneration.
- **Auditor:**
  1. Recommend the Board of Directors to nominate and dismiss auditors, determine their salary, and evaluate their performance, after verifying their independence and reviewing the scope of their work and terms of their contract.
  2. To verify the independence of the auditor and it's being objective and fair, and how far the auditing performance is effective, taking into consideration the relevant rules and standards.
  3. Verify the independence of the company's auditor and his work and verify whether he/she provides technical or administrative works outside the scope of audit work and provide its views in this regard.
  4. Answer the company's auditor's inquiries.
  5. Examine the auditor's report and his/her notes on the financial statements and follow up on the actions taken in this regard.
- **Ensure compliance:**
  1. Review the results of reports of supervisory authorities and verify that the company has taken the necessary actions in this regard.
  2. Verify the company's compliance with relevant laws, regulations, policies and instructions.
  3. Review the contracts and transactions to be conducted by the company with related parties and provide its views in this regard to the Board of Directors.
  4. Raise the issues it deems necessary to be acted upon to the Board of Directors and provide its recommendations for the actions to be taken.



## Audit Committee meetings

- In accordance with article 57 of the Corporate Governance Regulations and clause (d) of the Audit Committee Regulations with the Company, the Audit Committee shall meet periodically every three months.
- The following table shows the meetings of the Audit Committee during 2019G, 2020G and 2021G and 2022G.

**Table NO. (14): Number of audit committee meetings during the last three years until the prospectus date**

	2019G	2020G	2021G	2022G
Audit committee	7	8	7	2

Source: The Company

## 4.4.2 Nominations and remunerations committee

The Nominations and Remunerations Committee was formed in accordance with the requirements of the Corporate Governance Regulations issued by the Capital Market Authority and the Remuneration and Nominations Committee Regulations with the company provided that it is formed based on a resolution of the Company's Board of Directors from non-executive board members, provided that at least two of them are independent members. The current Nominations and Remunerations Committee consists of three (3) members in addition to the Secretary of the Committee. The Nominations and Remunerations Committee was formed pursuant to Board Resolution No. 260-06/2021 dated 10/22/1442H (corresponding to 03/06/2021G) with the term of membership is coinciding with the Board's session and ending at the end of the session on 19/11/1445H (corresponding to 27/05/2024G).

On 22/01/1443H (corresponding to 30/08/2021G), the Board of Directors decided to approve the recommendation of the Nominations and Remunerations Committee to appoint Khaled Al-Soor as a member of the Nominations and Remunerations Committee, provided that the appointment takes effect from the date of the Board's resolution. The committee is composed of the following members:

**Table NO. (15): Members of nominations and remunerations committee**

Name	Position	Status	Membership Date
Fahd bin Abdullah Al Samih	Chairman of the Nominations and Remunerations Committee	Independent board member	22/10/1442H (corresponding to 03/06/2021G)
Rashid bin Suleiman Al-Rasheed	Member of the Nominations and Remunerations Committee	Independent board member	22/10/1442H (corresponding to 03/06/2021G)
Ayoub Al-Omrani	Member of the Nominations and Remunerations Committee	From outside the Board	22/10/1442H (corresponding to 03/06/2021G)
Khaled Al-Soor	Member of the Nominations and Remunerations Committee	Independent board member	22/10/1442H (corresponding to 03/06/2021G)

Source: The Company's Management

## Nominations and remunerations committee responsibilities

In accordance with clause (b) of the Company's Nominations and Remunerations Committee, the Committee is competent:

1. To recommend to the Board of Directors nomination and re-nomination of its members pursuant to the approved policies and criteria, taking into consideration that there shall not be nominated any person convicted in a crime affecting honesty.
2. To carry out an annual review of the required needs of skills for the membership of the Board of Directors and the Executive Management and prepare a description of the capabilities and qualifications required for of executive, non-executive, independent and senior executive members, including the determination of the time to be allocated by a member to the work of the Board and the amount of Remunerations.
3. To review the structure of the Board of Directors and the Executive Management and to present recommendations in connection with any changes that should be made.
4. To determine the points of weakness and strength at the Board of Directors, and to propose solutions for handling the same in accordance with the Company's interest.
5. To verify annually the independence of the independent members and the non-existence of any conflict of interest if the member acts as member of the Board of Directors of another Company.
6. To prepare a clear policy for the remuneration of the members of the Board of Directors, the Committees thereof, and the Executive Management, and to raise such policy to the Board of Directors to consider it in preparation for having it approved by the General Assembly, provided that, in such policy, there shall be observed the following performance-related criteria, disclosing the same and verifying the implementation thereof.
7. To set out a clear relationship between the remuneration provided and the applicable remuneration policy and indicate any fundamental deviation from this policy.



8. To review periodically the remunerations policy, evaluate its effectiveness in achieving its objectives and its compatibility with the size, nature and degree of risk of the company. The purpose of the remunerations was to induce members of the Board and Executive Directors to make the company successful and grow in the long term, such as linking the changing portion of the bonuses to long-term performance, taking into account the practices of other companies in determining remunerations while avoiding the resulting unjustified rise in remunerations and compensation.
9. To recommend to the Board of Directors the remuneration of the members of the Board of Directors, the Committees thereof, and the senior executive officers at the Company based on the approved policy.
10. To recommend the approval or refusal to change the titles of certain senior executives in accordance with recommendations received from the executive management of the company.
11. To prepare the rules, regulations and controls under which remunerations are awarded to the general staff of the company in accordance with the annual reports of the performance and determine the remuneration based on the level of the title, the functions and responsibilities of the incumbent, the scientific qualification, practical experience, skills and level of performance.
12. To propose clear policies and criteria of the membership of the Board of Directors and Executive Management.
13. To set a description of the capacities and qualifications required for membership of the Governing Council and for executive management positions.
14. To set the special procedures in case the office of a member of the Board of Directors or a senior executive officer becomes vacant.
15. To attract, retain and motivate professional efficient members, without exaggeration.
16. The policy shall handle suspension or recovery of remuneration already paid if it is found that it has been decided based on inaccurate information provided by a member of the Board of Directors or the Executive Management, to prevent making use of the job position to gain undue remuneration.
17. To regulate granting shares in the Company to the members of the Board of Directors and the Executive Management, whether under new issues or in the form of shares purchased by the Company.
18. To responsible for, and taking into account, nomination procedures:
  - When nominating members of the Board of Directors, the conditions and rulings issued by the Capital Market Authority and the requirements specified by the Board shall be respected.
  - The Committee shall seek, on a spatial basis, to outnumber the number of candidates for the Board whose names are before the General Assembly so that the General Assembly has the opportunity to choose from among the candidates.

### Meeting of nominations and remunerations committee during the last three years

- In accordance with clause (c) of the nominations and remunerations committee Regulations, the Committee shall meet at a minimum once a year.
- The table below sets the number of meetings of the Nominations and Remunerations Committee during the years 2019G, 2020G and 2021G (until the date of this Prospectus):

**Table NO. (16): Number of nominations and remunerations committee meetings during the last three years until the prospectus date**

	2019G	2020G	2021G	2022G
Nominations and remunerations committee	3	5	9	1

Source: The Company





### 4.4.3 Development and investment committee

The Development and Investment Committee consists of three (3) members and was formed in the minutes of the Board of Directors meeting dated 22/10/1442H (corresponding to 03/06/2021G). The Development and Investment Committee expires at the end of the current session of the Board of Directors on 19/11/1445H (corresponding to 27/05/2024G). On 30/08/2021G, the Board of Directors decided to approve the recommendation of the Nominations and Remunerations Committee to appoint Ahmed bin Ali Al-Zayat (an external member) to the Development and Investment Committee, provided that this appointment takes effect from the date of this resolution. Accordingly, the Development and Investment Committee has become composed of the following members:

**Table NO. (17): Members of development and investment committee**

Name	Position	Status	Membership Date
Abdul Ilah Nasir Al Zarah	Chairman of the Development and Investment Committee	Independent board member	22/10/1442H (corresponding to 03/06/2021G)
Abdullah Omar Al-Suwailem	Member of the Development and Investment Committee	Independent board member	22/10/1442H (corresponding to 03/06/2021G)
Ayoub Al-Omrani	Member of the Development and Investment Committee	From outside the Board	22/10/1442H (corresponding to 03/06/2021G)
Ahmed Bin Ali Al-Zayat	Member of the Development and Investment Committee	From outside the Board	22/10/1442H (corresponding to 03/06/2021G)

Source: The Company's Management

### Development and Investment Committee Responsibilities

The tasks and responsibilities of this Committee include:

- Work with company management to set strategy for development and investment.
- General supervision of the development and investment activities of the company.
- Study and assess the proposed investment opportunities.
- Study of periodic reports from executive management on the functioning of approved investment opportunities

### Meetings of Development and Investment Committee

The Committee shall meet as required by the Company and there shall be no written and approved regulation clarifying the tasks of the Development and Investment Committee. The Committee held seven (7) meetings during the fiscal year ending 31 December 2021G. The Committee also held two meetings (2) during the fiscal year ending 31 December 2022G.

**Table NO. (18): Number of development and investment committee meetings during the last three years until the prospectus date**

	2021G	2022G
DEVELOPMENT AND INVESTMENT COMMITTEE	7	2

Source: The Company



## 4.5 Executive Management

The current Executive Management is headed by CEO Ali Abdullah Selham pursuant to the Board of Directors' Resolution appointing him to this position on 28/08/1442H (corresponding to 10/04/2021G). The following table sets forth the details of the names of the company's Executive Management Personnel:

**Table NO. (19): Executive management personnel**

Name	Position <sup>*</sup>	Nationality	Age	Date of Joining	Owned Shares			
					Direct		Indirect	
					Number	Percentage	Number	Percentage
Ali Abdullah Selham	CEO	Saudi	43	11/04/2021G	-	-	-	-
Mohammed Saleh Al-Shtiwi	Investor Relations and Governance Manager	Saudi	37	23/03/2010G	-	-	-	-
Ahmed Mohamed Soliman	Financial Manager	Egyptian	39	07/07/2019G	-	-	-	-
Abdul Rahman Awadah Al-Shehri	HR and Administration Manager	Saudi	28	5/07/2021G	-	-	-	-
Muhammad Bashir Al-Din Shifa	IT Manager	Indian	42	09/08/2019G	-	-	-	-
Mujtaba Ali Al Bushra	Operation and Maintenance Manager	Sudanese	38	02/06/2015G	-	-	-	-
Mohammed Abdul Latif Saleh	Sales Manger	Sudanese	42	13/03/2003G	-	-	-	-

Source: The Company

## 4.6 Compensation and Remuneration of Board Members and Senior Executives

The remuneration of the Board shall be as stipulated in Article twenty (20) and Article forty-sixth (46) of Articles of Association, not exceeding 10% of the remainder as a maximum remuneration to the Board Five hundred thousand Saudi riyals (500,000) per member, including financial and in-kind benefits, in addition to attending the meetings, which the member is entitled to in the amount of five thousand (5,000) Saudi riyals for each meeting of the Board, as well as overnight stay and transportation allowance for the non-resident member. The remainder is then distributed to shareholders as an additional share of the profits as decided by the Assembly or carried over for the following years. The remuneration of a Member is estimated in so far as it is committed to attending meetings of the Board and Committees.

The report of the Board that provided to the General Assembly should include a comprehensive statement of all remunerations, expenses allowance and other benefits received by the members of the Board during the financial year. Such report shall include salaries that members of the Board have received as employees or administrators or received for technical or administrative works or consultancy activities, as well as the number of meetings of the Board and the number of meetings attended by each member from the date of the last meeting of the General Assembly.

**Table NO. (20): Compensation and Remuneration of Board Members and Senior Executives**

(In Saudi Riyals)	2019G	2020G	2021G
Members of Board and Committee	SAR 580,000	SAR 176,000	SAR 1,496,945
Senior Executives	SAR 1,817,338	SAR 1,817,338	SAR 1,576,900
<b>Total</b>	<b>SAR 1,993,338</b>	<b>SAR 1,993,338</b>	<b>SAR 3,073,845</b>

Source: The Company

The amount of remuneration, allowances and compensations for Senior Executives was one million five hundred seventy-six thousand nine hundred (1,576,900) Saudi riyals until 31/12/2021G.



# 5

## EMPLOYEES

### Current employee stock ownership programs before the application for registration and offering the rights subject to this Prospectus

As at the date of this Prospectus, the Company has no employee stock ownership program.

### Arrangements granting employees a share in the Issued Capital

As of the date of this Prospectus, there are no arrangements for granting employees a share in the capital.



## 6

## FINANCIAL INFORMATION AND DISCUSSION OF THE MANAGEMENT ANALYSIS

### 6.1 Introduction

The following discussion, analysis of the financial condition and the results of operations are based on the Company's audited financial statements for the financial years ending on December 31, 2019G, 2020G and 2021G. Ibrahim Ahmed Al-Bassam & Partners Co. has audited the Company's financial statements for the years ending on December 31, 2019G, 2020G and 2021G.

Neither Ibrahim Ahmed Al-Bassam & Partners Co. nor any of its subsidiaries have any stake or interest of any kind in the Company. As at the date of this prospectus, Ibrahim Ahmed Al-Bassam & Partners Co. has given its written consent and has not withdrawn it with regard to the reference in the prospectus to his role as the Company's auditor.

This Section that prepared by the Company's management may include forward-looking statements involving risks and uncertain. The Company's actual results may also differ materially from those expectations as a result of various future factors, including the factors discussed in this section of the Prospectus or elsewhere hereof, especially those mentioned in Section (2) "Risk Factors".

Please note that all numbers contained in this section has been rounded to the nearest SAR thousands (except as otherwise indicated). Therefore, the sum of these numbers may not correspond to the numbers contained in the tables. Furthermore, percentages, margins, and CAGRs are all rounded to the nearest single decimal point.

### 6.2 Directors' Declarations on Financial Statements

Director's declare that:

- All substantive facts relating to the Company and its financial performance have been disclosed in this Prospectus, and that there is no information, documents or other facts that, if not omitted, the statements contained in this Prospectus will become misleading.
- The financial information contained in this Section was prepared upon the audited consolidated financial statements for the years ending on December 31, 2019G, 2020G and 2021G.
- The financial information contained in this Section has been extracted, without making any fundamental modification, from the Company's audited financial statements for the financial years ended on December 31, 2019G, 2020G and 2021G. Moreover, the financial information is presented in a manner consistent with the audited annual financial statements of the Company.
- Directors acknowledge that the Company has incurred losses during the years 2019G, 2020G and 2021G. There has been no Material Adverse change in the Company's financial and commercial position during the three fiscal years ended on December 31, 2019G, 2020G and 2021G which immediately preceded the application date for issuance of priority rights shares in addition to the end of the period covered by the Chartered Accountant Report until the Prospectus is approved.
- The Company's Shares are not subject to the Option Right as in the date of this Prospectus.
- Board members or any of their relatives do not have shares or interests of any kind in the Company.
- There are no issued or existing debt instruments, mortgages, rights or encumbrances on the property of the Company as at the date of the present prospectus.
- No commissions, discounts, brokerage fees, or any non-monetary compensation were granted by the Company to any board members, senior executives, or proposed board members, or senior executives responsible for offering the securities, in relation to the issuance or offering of any securities in three years ended on December 31, 2019G, 2020G and 2021G immediately preceding the date of submitting the application for registration and offering the securities subject to this prospectus.
- Directors acknowledge that the Company has not made any capital adjustments during the previous three years except as mentioned in this Section and Subsection (10.1.2) "Company organization and stages of



**development of its capital**" of Section (10) **"Legal information"**. The Company does not have any holdings in contractual securities or other assets whose value is subject to fluctuations or whose value is difficult to ascertain, which may negatively affect the assessment of the financial position except as disclosed in this section of this Prospectus.

- Except as disclosed in section (6) **"Use of Proceeds from Offering and Future Projects"** and subsection (2.1.19) **"Risks related to new projects"**, the Company confirms that there are no significant fixed assets to be purchased or leased.
- The Company confirms that it does not have information about any governmental, economic, financial, monetary or political policies or any other factors that have affected or could materially affect the Company's operations and financial position. The Company is not aware of any seasonal factors or activity-related economic cycle that may have an impact on the Company's business and financial condition, except as disclosed in subsection (2.1.20) **"Risks Related to the Outbreak of the Coronavirus (Covid-19)"** in Section (2) **"Risk Factors"** and subsection (3.10) **"business interruption"** of Section (3) **"Overview of the Company and Nature of its Business"** of this Prospectus.
- The Company does not have any other loans or debts including overdraft from bank accounts. The company acknowledges also there are no collateral obligations (including personal or non-personal security or pledged or unsecured) or contingent liabilities or obligations under acceptance, acceptance credit or lease purchase obligations except as disclosed in this section and section (10) **"Legal Information"** of this Prospectus.

### 6.3 Significant Accounting Policies

The following is an overview of the significant accounting policies applied in the preparation of these financial statements of the company (Saudi joint stock company) ("Company"). These policies are applied consistently to all periods presented, except for what is mentioned in the bases for preparation Note 2, unless otherwise stated.

#### Foreign Currency Translation

##### Translation of Foreign Currency Transactions

Transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the end of each reporting period at the exchange rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the exchange rates prevailing at the date when the fair value was determined.

Exchange differences on monetary items are recognized in the statement of profit or loss in the year in which they arise except for foreign exchange differences on monetary items due from or due to a foreign operation that are not likely or scheduled to be settled) and therefore form part of the net investment in the foreign operation) which is initially recognized in other comprehensive income and is reclassified from shareholders' equity to the statement of profit or loss when the monetary items are settled.

##### Company's Foreign Currency Translation Differences

Transactions denominated in currencies other than the presentation currency are recorded at the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the end of each reporting period at the exchange rates prevailing at that date. Exchange differences on monetary items are recognized in profit and loss in the period in which they arise except when other comprehensive profit is deferred to cover qualifying cash flows.

Assets and liabilities included in the financial statements of foreign companies that are issued in their functional currency are presented in Saudi Riyals, which is the functional and presentation currency using the exchange rates prevailing at the end of the year. Revenues and expenses are translated in Saudi Riyals at the weighted average exchange rates during the year or according to the exchange rates prevailing at the date of the transaction for significant transactions.

Changes resulting from retranslation of the opening balance of net assets from foreign operations and changes resulting from translating the net results for the year from foreign operations are recognized in the statement of other comprehensive income.

When there is a change in control of an external operation, the change in exchange rates is recognized in equity and charged to the statement of profit or loss as part of the gain or loss on disposals.



## Segments Reports

The operating segment is a component of the company that carries out activities from which it may generate revenues and incur expenses, including revenues and expenses related to transactions with other components of the company. All segment results are periodically evaluated by the company's chief operating decision maker so that decisions and evaluation of the performance of the resources allocated to each segment and the financial information available are made separately. .

Segment results that are reported to the operating decision maker include items directly attributable to the segment as well as those that can be allocated on an appropriate basis. The unallocated items mainly consist of corporate expenses and related assets/liabilities (related to the company's head office) such as head office expenses, research and development costs, related assets/liabilities and zakat assets and liabilities.

## Property, Plant and Equipment

Property, plant and equipment excluding freely owned land and properties under construction are stated at cost less accumulated depreciation and impairment losses. In the case of the existence of freely owned lands and real estate under construction, they are valued at cost.

Depreciation is charged on a straight-line basis at the depreciation rates specified for each type of property, plant and equipment.

Depreciation is recognized so that the cost of assets (excluding freely owned land and properties under construction) is written off less their residual value over their useful lives using the straight-line method.

The following are the useful lives used for depreciation.

	Years
Buildings	5 to 30
Marina Equipment	10 to 20
Vehicles	4
Marina Machinery and Equipment	5 to 10
Furniture and office equipment	4 to 10
Tools and Equipment	5

With regard to additions and exclusions during the period, depreciation is charged starting from the month of acquisition or capitalization until the month in which the cost of those assets was excluded (the date of exclusion).

## Annual Audit of Residual Values and Useful Lives

The residual value of an asset is the current estimated amount that the company would be able to obtain from the disposal of the asset after deducting the estimated costs of disposal if the asset has already reached its expected life and condition at the end of its useful life.

The residual values and useful lives of the assets are reviewed and adjusted, if necessary, at the end of each reporting period. If expectations differ from previous estimates, the change(s) are accounted for as a change in accounting estimates.

## Asset Segmentation

Property, plant and equipment often consist of different parts with different useful lives or depreciation patterns. These parts are replaced (independently) during the useful life of the asset. Therefore:

- Each part of an item of property, plant and equipment whose cost is relatively significant to the total cost of the item is depreciated independently (unless one significant part has the same useful life and depreciates another part of the same item of property, plant and equipment, in which case the two parts can be combined together for the purpose of consumption).
- Under the retail curriculum. The Company does not recognize the costs of day-to-day maintenance of the item within the carrying amount of the item of property, plant and equipment. These costs are recognized in profit or loss when incurred. The components of different assets are identified and depreciated separately only for significant parts of an item of property, plant and equipment with different useful lives or depreciation patterns. However, the principles relating to the replacement of parts (which represent the subsequent cost of the replaced part) generally apply to all specified parts, regardless of whether they are significant or insignificant.



## Capitalization of costs within property, plant and equipment

The cost of the property, plant and equipment item consists of the following:

- The purchase price, including import duties and non-refundable purchase taxes, net of trade discounts and rebates.
- Any costs directly associated with bringing the asset to the location and condition necessary to operate it in the manner contemplated by management.
- Preliminary estimate of the costs of dismantling and transporting the item and restoring the site on which it is located, and the liability incurred either as a result of purchase
- This item or the result of its use during a certain period for purposes other than the production of inventory during that year.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as the case may be, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of an installed part is derecognized as a separate asset when it is replaced.

Borrowing costs related to qualifying assets are capitalized as part of the cost of the qualifying assets until commercial production begins.

All other repair and maintenance expenses are charged to the statement of profit or loss during the financial statement period in which they are incurred.

Regular maintenance and repairs that do not extend the estimated useful life of the asset or production output are charged to profit or loss when incurred.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the net book value and are included in other income.

## Impairment of Non-Financial Assets

An impairment loss is recognized when the carrying amount of the asset exceeds its fair value, less cost to sell. The impairment losses are recognized in the statement of profit or loss, if any.

The fair value is determined in accordance with International Standard No. 13 on fair value and disposal cost, which is the cost that can only be added. The book value of the assets is evaluated by the discounted present value of the future cash flows, taking into account the risks related to the money in the country in which it is dealt.

At each financial position date, the values of non-financial assets other than those that are impaired and those that are impaired are reviewed for possible reversal of the impairment. When the impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased in accordance with revised estimates of its recoverable amount, but does not exceed the carrying amount had no impairment loss been recognized for the asset or cash-generating unit in prior years. The reversal of the impairment loss is recognized as direct income in the statement of profit or loss. Impairment in the value of property, plant and equipment resulting mainly from idle capacity of the plant by closing or selling ineffective ancillary products. When an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised recoverable amount to the extent of the carrying amount that would have been determined if no impairment loss had been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in the statement of profit or loss, unless the underlying asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## Assets held for sale and disposal groups

Non-current assets held for sale and disposal groups are presented separately under current assets in the statement of financial position when all of the following conditions are met:

- When the company commits to sell the asset or dispose of a group of assets.
- Having an effective plan to sell this asset.
- The sale is expected to be completed within the next 12 months.

At this time and before the initial classification of assets and the exclusion of a group of assets classified within the assets held for sale, and it represents the book value of the assets) or all assets and liabilities in the excluded groups (measured according to the accounting policies applied. Assets held for the purpose of sale and disposal of the company are subsequently measured in value Book value or net realizable value less cost to sell (whichever is lower) Assets held for sale are neither depreciated nor amortized.





## Discontinuous Activities

Discontinued activities are disclosed when the company is able to separate the operations of the operating activity and the cash flows of this activity can be measured independently and its activity and financial reports can be determined independently from the company's activities and classified as held for sale or disposed of and in the case of measuring it independently of the activity. The company, geographically or operationally, or as part of a single plan as a whole, in order to exclude a major sector of the company, a geographical or operational sector, or to be a subsidiary company that was acquired and resold. Also, when the discontinuation plan is approved by the board of directors with the announcement of that plan.

Gains or losses from discontinued activities are recognized in the statement of profit and loss and disclosed separately from income and expenses from continuing activities and are restated in comparative figures. In the statement of cash flows, cash flows from discontinued activities are presented separately from cash flows from continuing activities, and the assets and liabilities related to them are disclosed, excluded or settled, and the reasons for these changes. As for the comparative figures, they are presented for comparison for this transaction.

## Cash and cash equivalents

For the purposes of preparing the statement of cash flows, the cash and cash equivalents item consists of cash in hand, current accounts, deposits with banks and other short-term highly liquid investments with original maturities within three months or less from the date of acquisition, which can be easily converted into a specific amount of cash and are subject to an insignificant risk of change in the value, demand liabilities and overdrafts that are paid on demand are deducted.

## Business Risk Management

In the course of the Company's normal activities, the Company is exposed to a number of financial risks: credit risk, liquidity risk, (including foreign exchange risk, interest rate risk, commodity price risk and stock price risk). In this clarification, it is presented how the company manages financial risks and risks capital.

Financial risk management is an integral part of the company's management style. The Board of Directors sets the principles of financial control, as well as the principles of financial planning. The CEO organizes, manages and controls all financial risks, including matters relating to assets and liabilities.

The Asset and Liability Management Committee, chaired by the Chief Financial Officer, is the governing body for the development and subsequent implementation of the company's financial asset and liability management policies. It ensures the implementation of strategies and the achievement of the company's financial assets and liabilities management objectives, which are implemented by the central cash management, under specific conditions, and defines the approved guidelines for managing cash risks and their classification, and also determines, according to the transaction category, the approval, approval and implementation procedures. Central cash management activities are subject to supervision by the Chief Financial Officer who checks the implementation of strategies and/or processes with approved guidelines and decisions taken by the Board of Directors.

## Credit Risk Management

Credit risk refers to the risk that the other party (the customer) will not be able to fulfill its contractual obligations, which will lead to a financial loss for the company. Credit risk arises in monetary assets, non-current financial assets, financial derivative assets and trade and other receivables.

The Company aims to reduce financial credit risk by implementing risk management policies. Credit limits are determined based on the size of each customer and the risk of default. The methodology used to determine the credit limit takes into account the counterparties, credit ratings, risk ratios and the probability of default when making a professional assessment of this party when granting a credit limit. Parties are monitored regularly, taking into account the development of the above information, and cases of non-payment. As a result of this monitoring, changes are made to credit limits and risk allocation. The company avoids concentrating credit risk on the liquidity of its assets by distributing them over several institutions and sectors.

Trade receivables are subject to credit limits and controls and procedures. Due to the large number of clients and the wide geographical base, the company is exposed to a significant concentration of credit risk on its trade receivables. However, trade receivables are monitored on an ongoing basis in accordance with the similar methodology used for financial counterparties. The maximum exposure to credit risk arising from financial activities, without taking into account netting agreements and without taking into account any collateral held or other credit enhancements, is the carrying amount of the Company's financial assets.



## Liquidity Risk

Liquidity risk is the risk that the company will encounter difficulty in meeting its obligations associated with financial obligations that are settled by delivery of cash or other financial assets. Liquidity risk can result from the company's inability to sell financial assets quickly or close to their fair value. The company aims to manage this risk by limiting entry into financial instruments that may be affected by liquidity problems and maintaining a reserve of facilities.

## Market Risk

The Company is exposed to changes in foreign exchange rates, interest rates and market rates that affect assets, liabilities and future transactions.

## Foreign Exchange Risk

The Company is exposed to foreign exchange risk from transactions and translation. Transaction risk arises from dealing in foreign currencies. This risk is managed within the hedging policy according to the needs of the specific activity of the company through the use of currency exchange contracts.

## Commission Rate Risk

Commission rate risks arise from the possibility of fluctuation in commission rates, which will affect the future profitability or the fair value of financial instruments. Changes in commission rates relating to liabilities for which the Company pays a commission.

## Financial Instruments

The financial instrument is any contract that results in a financial asset for one entity and a financial liability or equity instrument of another entity.

## Financial Assets

### Recognition and Initial Measurement:

The company's financial assets consist of cash and cash equivalents, trade and other receivables.

Financial assets are initially recognized when the company becomes a party to the contractual provisions of the instrument. The financial asset is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs directly attributable to its acquisition or disposal.

### Classification and Post-Measurement:

The classification of financial assets on initial recognition depends on the contractual cash flow characteristics of the financial asset and the company's business model for managing them. Trade receivables that do not contain a significant financing component or for which the company has applied the practical means are measured, and the company initially measures the financial asset at its fair value plus transaction costs, in the case of a financial asset that is not at fair value through profit or loss. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction rate established under IFRS 15 Revenue from Contracts with Customers.

On initial recognition, the financial asset is classified according to the measurement as:

- Amortized cost,
- Fair value through other comprehensive income
- Debt instruments,
- Equity investment at fair value through other comprehensive income, or
- Fair value through profit or loss.

Financial assets are not subsequently reclassified after initial recognition, unless the Company changes its business model for Managing the financial assets.



Financial asset is measured at amortized cost if it meets the following two conditions and is not designated at FVTPL:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instrument is measured at fair value through other comprehensive income only if it meets the following two conditions and is not designated at fair value through profit or loss:

- Holding the asset within a business model whose purpose is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### Classification and Post-Measurement (continued)

On initial recognition of an equity investment that is not held for trading, the company has the right to definitively elect to present subsequent changes in the fair value of the investment in other comprehensive income (classified as equity investment - at fair value through other comprehensive income). This choice is made on the basis of Each investment separately. All financial assets that are not measured at amortized cost or at fair value through other comprehensive income as described above, are measured at fair value through profit or loss. Upon initial recognition, the company may irrevocably choose to measure a financial asset that meets the measurement requirements. at amortized cost or at fair value through other comprehensive income, as well as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting variance that may arise.

#### Financial Assets: Business Model Evaluation

The company makes an assessment of the purpose of the business model under which the asset is held at the portfolio level because this reflects the best way in which the business is managed and the information that is communicated to management.

#### Post-measurement, profit and loss

##### Financial assets at fair value through profit or loss

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

##### Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by the amount of the impairment loss. Interest income, foreign currency translation gains and losses and impairment are recognized in profit or loss. Any gain or loss is recognized in profit or loss.

##### Debt investments at fair value through other comprehensive income

These assets are subsequently measured at fair value. Interest income under the effective interest method, as well as foreign currency translation gains and losses and impairment, are recognized in the statement of profit or loss. Net gains and losses are recognized in other comprehensive income. On derecognition, the cumulative gain and loss in other comprehensive income is reclassified to profit or loss.

##### Equity investments at fair value through other comprehensive income

These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of profit or loss unless the dividends clearly represent a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are not reclassified to profit or loss.

#### Initial Recognition and Measurement

Financial liabilities are classified upon initial recognition as financial liabilities at fair value through profit or loss, and advances or payables, as appropriate. All financial liabilities are initially recorded at fair value, and in the case of payables, after deducting direct costs attributable to the transaction. Significant financial liabilities of the company include trade and other payables.



## Classification and subsequent measurement

The Company classifies all financial liabilities as subsequently measured at amortized cost, except for:

- Financial liabilities at fair value through statement of profit or loss and other comprehensive income. - Financial liabilities that arise when a financial asset is transferred that does not qualify for disposal or when the continuing participation method is applied.
- Financial guarantee contracts. Obligations to provide a loan at a rate lower than the market interest rate. Contingent consideration recognized by the buyer in a business combination to which IFRS No 3. This contingent consideration is subsequently measured at fair value with changes included in the statement of profit or loss and other comprehensive income.

## Derecognition

### Financial Assets

Financial asset (or part of a financial asset or part of a company of similar financial assets) is principally derecognized (i.e. removed from the company's statement of financial position) as applicable when:

- the rights to cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or assumed an obligation to pay the received cash flows in full without material delay to a third party under an override arrangement.
  - (a) the Company has transferred substantially all the risks and rewards of the asset; or
  - (b) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the company transfers its rights to receive cash flows from an asset or enters into an override agreement, it assesses whether and to what extent it has retained the risks and rewards of ownership. When the Company has neither transferred nor retained substantially all the risks and rewards of the asset and has not transferred control of it, the Company will continue to recognize the transferred asset for as long as the Company is involved in the asset. In this case, the company also recognizes an associated liability. The transferred assets and associated liabilities are measured on a basis that reflects the rights and obligations that the company has retained. Continuing participation that takes the form of a guarantee over the transferred assets is measured at the minimum original carrying amount of the asset and the maximum consideration that the Company could be required to repay.

### Financial Liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged, canceled or expired. The company also derecognizes a financial liability when its terms are modified, and when the cash flows of the modified liability are materially different. In this case, the new financial liability based on the modified fair value judgments is derecognized. The difference between the carrying amount of the amortized financial liability and the new financial liability with modified terms is recognized in the statement of profit or loss and other comprehensive income.

### Financial Instruments Clearing

Financial asset, a financial liability and the net amount presented in the statement of financial position are offset only when the company:

- It currently has a statutory enforceable right to set-off the recognized amounts; and the
- Intend to either settle on a net basis, or realize the asset and settle the liability at the same time.



## Derivative Financial Instruments

The Company's derivatives mainly consist of commission rate and foreign exchange contracts. Derivatives are mainly used to manage exposure to foreign exchange and interest rate risks as described in Market Risk.

Revenue is recognized when control of an asset is transferred either over time or at a point in time. Control of an asset is defined as the ability to direct the use and substantially all of the benefits associated with that asset.

### Services Revenue

Revenue from services required to customers is recognized in an amount that reflects the consideration to which the company expects to be entitled in exchange for those services. Revenue is recognized when the following steps are completed:

1. Determining the sales contract concluded with the customer. This contract does not have to be in writing.
2. Existence of a performance obligation.
3. Determining the transaction price.
4. Allocating the transaction price to the performance obligation.
5. Recognizing revenue when fulfilling performance obligations.

In evaluating these steps, management considers the following:

- The consent of the two parties (the buyer and the seller) to the sale with the transfer of the rights of each party regarding these goods and services under the sale. Payment terms should also be studied to ensure that the contract has a commercial basis and that it is likely that consideration will be collected for the sale of these goods and services. Identification of independent goods or services agreed upon under the contract. These stand-alone goods and services are referred to as a performance obligation.
- When considering whether these goods and services are independent, management assesses whether these goods or services can provide a benefit in themselves and that the company's promise to transfer these goods and services to the customer has been separately determined, and all sales of the company are considered independent. The financial consideration expected to be due by the company in exchange for the transfer of these goods and services. All sales of the company have a return
- Fixed allocating the transaction price to the goods or services under the contract.
- Fulfill the performance obligation.

### Other Income

Other income is recognized on an accrual basis.

## Expenses

Cost of goods sold is determined based on the cost of production or purchase and inventory adjustments for inventory. As for the rest of the expenses, including selling and marketing expenses, they are recorded when the risks and ownership of the purchased goods are transferred to the company or upon receipt of the goods.

### Selling and Distribution Expenses

Selling and distribution expenses include all costs of selling and distributing the company's products and include advertising expenses, marketing fees and other indirect sales costs. The expenses are apportioned on a consistent basis between selling and distribution expenses and the cost of sales, if required.

### General and Administrative Expenses

General and administrative expenses include direct and indirect costs that are not specifically related to the cost of sales or the company's selling and distribution activity. Expenses are allocated on a consistent basis among general and administrative expenses, selling and distribution expenses and the cost of sales, if required.

## Earnings per share

Transactions with related parties are priced on an arm's length basis. The prices are determined based on the pricing method. The company presents basic and diluted earnings per share for its common shares. Basic earnings per share is calculated by dividing the net profit or loss available to common stockholders of the company by the weighted average number of common shares outstanding during the year, adjusted to stockholders. Diluted earnings per share is determined by



adjusting the net profit or loss attributable to common stockholders and the weighted average number of common shares outstanding, adjusted to stockholders, to adjust for the effects of all potential dilutive common stock, which includes convertible bonds to stock and employee stock, if any. Which sets the price with reference to the prices of similar goods and services sold or obtained in an economically comparable market and to a buyer who is not related to the seller and usually at preferential prices in favor of the company compared to market prices.

## Related Party Transactions

Transactions with related parties are priced on an arm's length basis. Prices are determined on the basis of the non-controlled pricing method, which sets the price by reference to the prices of similar goods and services sold or obtained in an economically comparable market and to a buyer who is not related to the seller, usually at preferential prices for the company compared to market prices.

## Events subsequent to the date of the financial statements

The company adjusts the financial statements if, after the financial statements period, additional evidence of the conditions that existed at the end of the reporting period appears, including an event that improperly affects partly or wholly the going concern assumption of the company. These adjustments are made up to the date on which the financial statements are approved by the Board of Directors.

## 6.4 Results of operations for the years ended December 31, 2019G, 2020G and 2021G

### 6.4.1 Income Statement

**Table NO. (21): The company's income statement for the financial years ending on December 31, 2019G, 2020G and 2021G**

Thousands Saudi Riyals	The Financial Year Ending on December 31			Increase / (Decrease)	
	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2021G
<b>Continuous Operations</b>					
Revenues	12,689	16,056	15,976	26.5%	(0.5%)
Cost of revenues	(10,902)	(10,623)	(12,893)	(2.6%)	21.4%
Gross profit	1,787	5,434	3,083	204.1%	(43.3%)
marketing expenses	(1,198)	(774)	(1,067)	(35.3%)	37.8%
General and administrative expenses	(10,346)	(10,223)	(9,184)	(1.2%)	(10.2%)
Claims provision expenses	-	(1,966)	(5,799)	-	194.9%
Other income	893	75	84	(91.6%)	12.2%
Net profit (loss) for the period before Zakat	(8,864)	(7,455)	(12,882)	(15.9%)	72.8%
Zakat	4,678	(741)	(1,154)	(115.8%)	55.8%
Net profit (loss) for the period after Zakat	(4,185)	(8,195)	(14,036)	95.8%	71.3%

Source: Audited financial statements for the fiscal years ending on December 31, 2019G, 2020G and 2021G

The company generates its sales through three main activities, annual rental income, daily rental income and other service fee income. The revenue was mainly concentrated in the daily rental of cabins and chalets (classified under daily rental income) and chalet services (classified under other service fee income) where they constituted rental income. The daily amounted to 57.7%, 71.4% and 70.1% of the total revenues achieved by the company in 2019G, 2020G and 2021G, respectively.

Revenues increased by 26.5% from 12.7 million SAR in 2019G to 16.1 million SAR in 2020G as a result of an increase in daily rental revenues by 56.7%. The rise in daily rental income in 2020G is due to the fact that restrictions and closures that were imposed during the second quarter of 2020G due to the emerging Corona virus, which boosted the demand for recreational activities when they were lifted during the second half of 2020G. Revenues did not witness significant fluctuations between 2020G and 2021G.



Cost of revenue primarily comprises salary expense, operating employee benefits and depreciation expense on property, plant and equipment. The cost of revenue did not witness significant fluctuations between 2019G and 2020G. It increased by 21.4% from 10.6 million Saudi riyals in the year 2020G to 12.9 million Saudi riyals in the year 2021G, as this increase came due to the change in the suppliers of manpower services at a greater cost (for example, manpower for general maintenance and cleaning), the increase in employee salaries and benefits by 58.3% due to the administration's restoration of normal salary levels after the salary reduction in the year 2020G, in addition to a 15% increase in average wages starting from January in the year 2021G, and the increase in electricity and water expenses due to the high occupancy rate in 2021G. Compared to the year 2020G, which was affected by the closure as a result of Covid-19.

Gross profit increased by 204.1% from 1.8 million Saudi riyals in 2019G to 5.4 million Saudi riyals in 2020G as a result of the increase in revenues during the second half of the year 2020G as a result of the increase in demand after the closing period as a result of COVID-19 during the second quarter of the year 2020G. Then the total profit decreased by 43.3% from 5.4 million Saudi riyals in the year 2020G to 3.0 million Saudi riyals in the year 2021G as a result of the relative stability of the revenue value compared to the year 2020G, in addition to the increase in the cost of revenues by 21.4% as a result of the aforementioned.

Marketing expenses decreased by 35.3% to 0.8 million Saudi riyals in the year 2020G, compared to 1.2 million Saudi riyals in 2019G. This is primarily due to the reduction of salaries for a period of three months (during April, May and June of the year 2020G), in addition to the decrease in the average number of employees from 10 employees in the year 2019G to 8 employees in the year 2020G. Marketing expenses increased by 37.8% to 1.1 million Saudi riyals in the year 2021G due to the increase in the average number of employees from 8 employees in the year 2020G to 10 employees in the year 2021G, in addition to a 15% increase in the average wages starting from January in the year 2021G.

General and administrative expenses mainly include employee salaries and benefits, depreciation of property, plant and equipment, government fees, professional fees, provision for doubtful debts, expected credit losses, and other general and administrative expenses. General and administrative expenses remained relatively stable between the year 2019G and the year 2020G, due to the compensation of movements between the different components of each other. General and administrative expenses decreased by 10.2% to 9.2 million Saudi riyals in 2021G, compared to 10.2 million Saudi riyals in 2020G. This is mainly due to the existence of a provision of 2.5 million Saudi riyals for doubtful debts in the year 2020G, compared to the absence of it during the year 2020G.

Claims provision expenses during the year 2020G represented the value of the claims provision for investment in Hemaia Company. The company recorded a provision of 2.0 million Saudi riyals in the year 2020G for the case filed for the termination of the share purchase and partnership contract with Hemaia Company based on the assessment of the company's legal advisor, as a result of discovering material financial obligations owed by Hemaia Company that were not previously disclosed to the company and did not appear in the audited financial statements and the financial due diligence report. During the year 2021G, the management supported the claims provision of 3.7 million Saudi riyals related to the investment case in Hemaia Company, and the amount of 2.0 million Saudi riyals related to a case brought against the company by the former CEO and Managing Director, Mr. Abdul Hameed Al-Tarif to terminate his employment contract, and with a value of 0.2 million Saudi riyals for a case brought against the company by the former CEO (assigned) Mr. Farid Ibrahim due to the termination of his employment contract.

Other income includes scrap sale income, unit assignment income, maintenance income, vehicle sale income and investment income. The company recorded other net income of 0.9 million Saudi riyals related to investment profits in the Al-Jazira Capital investment fund, amounting to 10.0 million Saudi riyals during the year 2019G. Other income mainly includes the unit assignment commission of SAR 5,000 charged by the company when the chalet tenant (the owner of the utility contract) transfers the unit to a third party.

The company recorded a loss before zakat of 7.5 million Saudi riyals in 2020G, compared to 8.9 million Saudi riyals in 2019G. After the noticeable increase in revenues by 26.5%, or an amount of 3.4 million Saudi riyals. The company recorded a total pre-zakat loss of 12.9 million Saudi riyals in 2021G, compared to 7.5 million Saudi riyals in 2020G. The increase was affected by the increase in the provision for claims related to cases by 5.8 million SAR in 2021G.

Zakat expenses represented revenues of 4.7 million Saudi riyals in the year 2019G, due to the reversal of the value of the zakat assessments for the period from 1996 G to 2010 G, after the successful objection to the zakat assessments on the additional zakat value demanded from the General Authority for Zakat.

The net loss increased by 95.8% from 4.2 million SAR in 2019G to 8.2 million SAR in 2020G after the Zakat expense increased between the two years. The company recorded a net loss of 14.0 million Saudi riyals in the year 2021G as a result of the increase in claims provision expenses.





## 6.4.2 Key Performance Indicators (KPIs)

**Table NO. (22): Key performance indicators for the fiscal years ending on December 31, 2019G, 2020G and 2021G**

	Unit	The Financial Year Ending on December 31		
		2019G	2020G	2021G
Financial KPIs				
Net profit/(loss)	Thousands Saudi Riyals	(4,185)	(8,195)	(14,036)
Gross profit margin	%	14.1%	33.8%	19.3%
Net margin	%	(33.0%)	(51.0%)	(87.9%)
Current Assets/Current Liabilities	X	7.4	3.5	1.2
Operational KPIs				
Accumulated losses	Thousands Saudi Riyals	(26,520)	(34,770)	(41)
Average daily price for chalets	SAR	2,627	2,627	2,655
Occupancy rate for chalets	%	7.7%	12.5%	12.2%
Average daily price for cabins	SAR	907	907	982
Occupancy rate for cabins	%	9.9%	13.9%	12.7%

Source: management data

The accumulated losses amounted to 41.0 thousand Saudi riyals in the year 2021G, which represents 0.1% of the company's capital of 52.6 million Saudi riyals from the same period.

It should be noted that in December of the year 2021G, the company reduced the capital to 52.6 million Saudi riyals, compared to 101.5 million Saudi riyals, by amortizing the accumulated losses. This was done in accordance with Article 150 of the Companies Law during the year 2021G. The capital was divided into 5,256,693 shares with a nominal value of 10 Saudi riyals per share on December 31, 2021G.

## Revenues

**Table NO. (23): Details of revenues for the fiscal years ending on December 31, 2019G, 2020G, and 2021G.**

Thousands Saudi Riyals	The Financial Year Ending on December 31			Increase / (Decrease)	
	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2021G
Daily Rental Income	7,319	11,470	11,194	56.7%	(2.4%)
Other service fee income	4,949	4,288	4,062	(13.4%)	(5.3%)
Annual rental income	420	298	720	(29.1%)	141.8%
<b>Total</b>	<b>12,689</b>	<b>16,056</b>	<b>15,976</b>	<b>26.5%</b>	<b>(0.5%)</b>

Source: Audited financial statements for the fiscal years ending on December 31, 2019G, 2020G and 2021G.

The company lists its sales through three main activities, annual rental income, daily rental income and other service fee income. The revenue was mainly concentrated in daily rental (classified under daily rental income) and chalet services (classified under other service fee income). They account for 57.7%, 71.4% and 70.1% of the total revenues achieved by the company in 2019G, 2020G and 2021G, respectively. Revenues increased by 26.5% from 12.7 million SAR in 2019G to 16.1 million SAR in 2020G as a result of an increase in daily rental revenues by 56.7%. The rise in daily rental income in 2020G is due to restrictions and closures that were imposed during the second quarter of the year 2020G due to the emerging Corona virus, which boosted the demand for recreational activities when it was lifted during the second half of the year 2020G. Revenues did not witness significant fluctuations between 2020G and 2021G.

It is worth noting that the company is witnessing seasonality in its revenues related to the daily rental of cabins and chalets during school holidays, Eid al-Fitr, Eid al-Adha, Saudi National Day and summer vacation.



## Revenue Recognition

Management recognizes all revenue associated with the total length of stay for guests upon check-in (at a given time). Please note that guests are required to pay the entire length of their stay upon check-in in advance. However, if the guest decides to leave before the reservation period has expired, a full refund will be given for the number of nights remaining.

We note that according to IFRS 15, a performance obligation is considered fulfilled over time (i.e. the transfer of control of goods or services to the customer over time) if the customer simultaneously receives and consumes the benefits provided by the company's performance. Revenue is recognized in the pattern of transferring control of the goods and services to the customer. In general, revenue is recognized by hotel operators each night for those particular nights regardless of the length of the total stay. Therefore, it is likely that revenue generation will be accelerated by the company

## Revenue by category

**Table NO. (24): Revenues by category for the fiscal years ending on December 31, 2019G and 2021G**

Thousands Saudi Riyals	The Financial Year Ending on December 31			Increase / (Decrease)	
	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2021G
<b>Daily rental income</b>					
Chalets for daily rent	5,121	8,409	8,174	64.2%	(2.8%)
Daily rental cabins	2,198	3,084	3,048	40.3%	(1.1%)
Discounts	-	(23)	(28)	-	24.2%
<b>Total daily rental income</b>	<b>7,319</b>	<b>11,470</b>	<b>11,194</b>	<b>56.7%</b>	<b>(2.4%)</b>
<b>Revenue from services and other fees</b>					
Chalet Services	2,635	2,605	2,620	(1.1%)	0.6%
Restaurant	-	120	140	-	16.9%
Others	2,314	1,630	1,319	(29.6%)	(19.1%)
Discounts	-	(67)	(17)	-	
<b>Revenue from services and other fees</b>	<b>4,949</b>	<b>4,288</b>	<b>4,062</b>	<b>(13.4%)</b>	<b>(5.3%)</b>
<b>Annual rental return</b>					
Annual rent for the chalets	360	170	465	(52.7%)	173.0%
supermarket rent	60	60	75	-	25.0%
Olaya Tower - Restaurant	-	68	180	-	166.7%
<b>Total annual rental return</b>	<b>420</b>	<b>298</b>	<b>720</b>	<b>(29.1%)</b>	<b>141.8%</b>
<b>Total</b>	<b>12,689</b>	<b>16,056</b>	<b>15,976</b>	<b>26.5%</b>	<b>(0.5%)</b>

Source: management data

The daily rental income represents the daily rental income of cabins and chalets. We would like to point out that the low level of occupancy and revenue during the period is due to the resort's need to renew its facilities. Daily rental income increased by 56.7% from SAR 7.3 million in 2019G to SAR 11.5 million in 2020G. This rise is mainly due to restrictions and closures that were imposed during the second quarter of the year 2020G due to the emerging corona virus, which boosted the demand for recreational activities when it was lifted during the second half of the year 2020G, which led to an increase in daily rental income. Daily rental income did not witness significant fluctuations between 2020G and 2021G.

It is worth noting that the administration has started granting discounts to customers starting from the fiscal year 2020G for customers who frequent the resort and in case a customer complains about the service provided.

Other service fee income mainly represents chalet and restaurant services revenue and other income (bikes, entrance fees, utility usage fees, marina membership subscription, cafeteria and marina revenues). The revenues generated from chalet services are represented in the annual service fees imposed on the tenants with the right to use according to the contract in addition to the commission of 5,000 Saudi riyals annually / chalet to build an additional room in the chalets by the tenants and water desalination revenues. Revenue from the restaurant comprises revenue from operating the restaurant located in the resort. We would like to point out that the restaurant was not in operation between the year 2018G and the year 2019G. It should also be noted that the restaurant was shut down in the fourth quarter of the year 2021G for repair and renovation.



Other service fee revenues decreased by 13.4% from SAR 4.9 million in 2019G to SAR 4.3 million in 2020G. This decrease is mainly due to a decrease in other revenues as a result of the decrease in membership revenues and revenues from the marina, cafeteria and Ramadan tents due to the closing procedures during the year 2020G. Revenues from other services fees decreased by 5.3% to 5.3 million Saudi riyals in 2021G due to the lack of revenues from concerts and events.

The annual rental income represents the rent generated from the chalets that are rented on an annual basis to customers, the rent of the supermarket located in the resort, and the rent of 4 shops of the restaurant located in the Olaya Tower. The annual rent of chalets contributed 85.7%, 57.2% and 64.6% of the total annual rental income achieved by the company in 2019G, 2020G and 2021G, respectively. Annual rental income decreased by 29.1% from SAR 0.4 million in 2019G to SAR 0.3 million in 2020G. This decrease is mainly due to the decrease in the annual rent of the chalets. Annual rental income increased by 141.8% to SAR 0.7 million in 2021G as a result of the increase in the annual rent of chalets as a result of leasing 3 chalets in 2021G compared to 1 chalet in 2020G.

## Revenues Cost

**Table NO. (25): Revenues cost for the fiscal years ending on December 31, 2019G, 2020G, and 2021G**

Thousands Saudi Riyals	The Financial Year Ending on December 31			Increase / (Decrease)	
	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2021G
Depreciation of property, plant and equipment	5,727	5,593	5,552	(2.3%)	(0.7%)
Employee salaries and benefits	1,103	887	1,405	(19.6%)	58.3%
Rent	32	32	30	(2.5%)	(5.2%)
Security guards	465	381	544	(18.0%)	42.7%
Medical insurance	98	111	100	14.2%	(10.4%)
Governmental fees	143	360	299	151.6%	(16.9%)
Maintenance and repair	1,286	1,580	2,568	22.9%	62.5%
Hospitality	211	227	140	7.8%	(38.1%)
Bank commissions	49	60	125	21.3%	108.5%
Stationery and prints	14	8	32	(41.9%)	282.3%
Electricity and water	947	856	1,156	(9.7%)	35.1%
Phone and mail	13	0	-	(99.0%)	(100.0%)
Cleaning	250	223	338	(10.8%)	51.9%
Fuels	178	137	260	(23.2%)	90.4%
Parties	207	26	-	(87.6%)	(100.0%)
Other	179	142	343	(20.6%)	141.5%
<b>Total</b>	<b>10,902</b>	<b>10,623</b>	<b>12,893</b>	<b>(2.6%)</b>	<b>21.4%</b>

Source: Audited financial statements for the fiscal years ending on December 31, 2019G, 2020G and 2021G

Cost of revenue includes expenses for depreciation of property, plant and equipment, salaries and benefits for operating personnel, maintenance and repair, electricity, water, cleaning and other operating expenses. The cost of revenue did not witness significant fluctuations between 2019G and 2020G. It increased by 21.4% from 10.6 million Saudi riyals in the year 2020G to 12.9 million Saudi riyals in the year 2021G, as this increase was driven by the rise in maintenance and repair costs, which increased as a result of the change in the suppliers of manpower services at a greater cost (for example, the manpower for general maintenance). and cleaning), an increase in employee salaries and benefits by 58.3% due to the management's restoration of normal salary levels after salary reductions in the year 2020G, in addition to a 15% increase in average wages starting from January in the year 2021G.

Depreciation of property, plant and equipment relates to the depreciation of various assets in the resort, which mainly relate to buildings, furniture, fixtures and office equipment. Depreciation expense on property, plant and equipment decreased by 2.3% from SAR 5.7 million in 2019G to SAR 5.6 million in 2020G due to assets that were fully depreciated in 2019G. The consumption of property, machinery and equipment did not witness significant fluctuations between 2020G and 2021G.

Employee salaries and benefits consist of salaries and other benefits provided to employees engaged in operations (such as housekeeping, laundry, cleaning, maintenance, marina, cafeteria, etc.). Employee salaries and benefits decreased by 19.6% from SAR 1.1 million in 2019G to SAR 0.9 million in 2020G as a result of reducing employee salaries by 40% for a period of three months (April, May and June) due to the Covid-19 virus. Employee salaries and benefits increased by 58.3% to 1.4 million Saudi riyals in 2021G due to management's restoration of normal salary levels.



The rental expense represents the rent of the resort land from the Dammam municipality with annual rental expenses of 30.0 thousand Saudi riyals on the basis of the Hijri year. It should be noted that the lease contract of the resort land is for a period of 40 years and expires in May 2029G. In the event that the lease contract of the resort land is not renewed, this may pose a risk to the continuation of the resort's business. The administration indicated that it was contacted with the Dammam municipality to renew the lease contract, however, the company was informed of the renewal request six months or one year before the expiry date of the contract.

Security charges mainly relate to the cost incurred for security services at the resort. The company contracts annually with a security service provider for the resort. These expenses generally fluctuate due to the demand for additional security personnel over different time periods (e.g. peak seasons, parties and events). The increase of 42.7% in the year 2022G is due to the increase in the number of security personnel and the cost incurred for the security vehicle provided by the security company instead of the vehicle previously provided by the company. The administration confirmed that this change was prompted by government instructions.

Government fees consist of renewal and transfer fees for employee residences. Government fees increased by 151.6% from 0.1 million Saudi riyals in 2019G to 0.4 million Saudi riyals in 2020G, due to the value-added tax fine of 0.9 million Saudi riyals imposed on the company during the year 2020G. Government fees decreased by 16.9% to 0.3 million Saudi riyals in the year 2021G also due to the absence of the aforementioned value-added tax fine.

Maintenance and repair costs consist of costs related to external service providers for general maintenance and cleaning, as well as Marina operating costs and operators' share of revenue. Maintenance and repair increased by 22.9% from SAR 1.3 million in 2019G to SAR 1.6 million in 2020G, due to the increase in the costs of using these services during the period. Maintenance and repair costs increased by 62.5% to 2.6 million Saudi riyals in 2021G due to the change of service provider at a higher cost as the previous service provider did not work in accordance with the labor law.

Hospitality expenses consist of costs associated with the resort's restaurant, parties and events at the resort.

Bank commissions are related to the daily banking transactions carried out by the company (such as the commission for selling through point of sale machines).

Electricity and water costs consist of related utility expenses. Electricity and water expenses decreased by 9.7% from SAR 0.9 million in 2019G to SAR 0.85 million in 2020G despite the increase in revenues by 26.5% in 2020G due to the low occupancy rate during the first half of 2020G. Moreover, the electricity consumption was lower than it was in the fourth quarter of 2020G than it was in previous periods due to the decrease in the use of air conditioners. Electricity and water costs increased by 35.1% to 1.2 million Saudi riyals in the year 2021G, as occupancy rates were higher during the summer season in the year 2021G compared to the year 2020G, which was affected by the closure caused by the Covid-19 virus from March to June 2020G.

Cleaning costs relate to costs incurred for cleaning supplies, waste collection services and garbage removal. Cleaning costs decreased by 10.8% from SAR 0.3 million in 2019G to SAR 0.2 million in 2020G due to a decrease in the occupancy rate during the first half of the year 2020G from March to June during the closure due to Covid-19. It increased by 51.9 percent to 0.3 million Saudi riyals in 2021G due to the easing of precautionary measures related to the Covid-19 virus.

Other costs mainly relate to cafeteria costs, resort mosque costs, advertising and other miscellaneous expenses and fines. The administration recorded fines of 15,500 Saudi riyals, 23,113 riyals, and 63,993 Saudi riyals during 2019G, 2020G and 2021G, respectively. Where the fines were related to non-compliance with the civil defense license.

## Marketing Expenses

**Table NO. (26): Details of marketing expenses for the financial years ending on December 31, 2019G, 2020G and 2021G**

Thousands Saudi Riyals	The Financial Year Ending on December 31			Increase / (Decrease)	
	2019G Audited	December 2020G	December 2020G	December 2020G	December 2021G
Salaries	806	511	835	(36.6%)	63.4%
Events and Festivals	239	39	107	(83.6%)	173.7%
Stationery and prints	6	-	-	-	-
Hospitality	2	2	3	(30.2%)	88.7%
Governmental fees	-	22	28	-	29.2%
Advertising	74	16	4	(78.9%)	(76.3%)
Medical insurance	52	54	40	3.4%	(26.0%)
Other	19	132	50	588.6%	(61.7%)
<b>Total</b>	<b>1,198</b>	<b>774</b>	<b>1,067</b>	<b>(35.3%)</b>	<b>37.8%</b>

Source: Audited financial statements for the fiscal years ending on December 31, 2019G, 2020G and 2021G



The company's marketing expenses mainly include the salaries and wages of reception staff and the costs of events and festivals. Salaries and wages expenses decreased by 36.6% from SAR 0.8 million in 2019G to SAR 0.5 million in 2020G. This drop is mainly due to the three-month salary cut for April, May and June of 40% due to the COVID-19 virus. The administration continued this discount for Saudi employees until September of the year 2020G, when this discount was covered by the Sand Initiative. Moreover, the average number of employees decreased from 10 employees in 2019G to 8 employees in 2020G. Salaries and wages increased by 63.4% to 0.8 million Saudi riyals in 2021G. This increase is mainly due to the increase in the average number of employees with no impact of salary deductions during 2021G.

Events and festivals expenses mainly include event organizers and other related expenses. Events and festivals decreased by 83.6% to 39 thousand Saudi riyals in the year 2020G due to the impact of the Covid-19 pandemic. While expenses for events and festivals increased by 173.7% during the year 2021G as a result of the recreational activities carried out by the company for resort customers in addition to the cost of a car incurred by the company related to the prize draw, amounting to 30,000 Saudi riyals.

Other expenses include miscellaneous expenses, bank commissions and advertising expenses. Other expenses increased by 588.6% to 132 thousand Saudi riyals in the year 2020G due to advertising and promotional publications amounting to 0.5 million Saudi riyals and commissions amounting to 0.08 million Saudi riyals paid to reception staff in connection with the sale of Marina memberships. On the other hand, other expenses decreased by 61.7% from 50,000 Saudi riyals in 2021G due to deductions related to additional employee holidays.

## General and Administrative Expenses

**Table NO. (27): Details of General and Administrative Expenses for the Financial Years Ending on December 31, 2019G, 2020G, and 2021G**

Thousands Saudi Riyals	The Financial Year Ending on December 31			Increase / (Decrease)	
	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2021G
Employee Salaries and Benefits	5,210	3,773	4,725	(27.6%)	25.2%
Depreciation of Property, Machinery and Equipment	196	200	190	2.0%	(5.0%)
Depreciation of Real Estate Investments	213	234	233	9.8%	(0.3%)
Rents	203	163	-	(19.5%)	(100.0%)
Phone and Mails	12	20	83	72.3%	319.3%
Medical Insurance	180	195	205	8.0%	5.4%
Governmental Fees	701	1,115	685	59.0%	(38.6%)
Professional Fee	827	596	814	(28.0%)	36.7%
Maintenance and Repair	5	48	8	782.3%	(83.7%)
Hospitality	32	36	22	11.1%	(39.2%)
Bank Commissions	2	4	7	93.9%	88.1%
Advertising	75	-	-	(100.0%)	-
Training Courses	25	-	-	(100.0%)	-
Stationery and Prints	14	21	111	54.7%	423.7%
Electricity and Water	10	3	2	(71.4%)	(46.0%)
Cleaning	39	-	-	(100.0%)	-
Fuel	31	-	-	(100.0%)	-
Provision for Doubtful Debts		2,629	-	-	(100.0%)
Expected Credit Losses	1,733	1,088	1,479	(37.2%)	36.0%
Transfers	21	3	6	(83.6%)	81.3%
Others	22	96	179	342.5%	87.0%
Impairment of Projects Under Process	794	-	434	(100.0%)	-
<b>Total</b>	<b>10,346</b>	<b>10,223</b>	<b>9,184</b>	<b>(1.2%)</b>	<b>(10.2%)</b>

Source: Audited Financial Statements for the Financial Years Ending on December 31, 2019G, 2020G and 2021G



Employee salaries and benefits relate to the company's administrative office employees. This mainly included basic salaries, employee allowances, board meetings allowance, etc. Employee salaries and benefits constituted 50.4%, 36.9% and 51.1% of the total general and administrative expenses in 2019G, 2020G and 2021G, respectively.

Employee salaries and benefits decreased by 27.6% in 2020G. This is mainly due to management cutting staff salaries by 40% for three months (April, May and June) due to the pandemic. The administration continued this discount for Saudi employees until September 2020G, when this discount was covered by the Sanid Initiative. In addition to the resignation of the CEO and Managing Director in May 2020G. He was holding the position of CEO and Managing Director by one person while the new CEO was appointed in September 2020G. Employee salaries and benefits increased by 25.2% in 2021G despite the decrease in salaries and benefits expense by 23.8%. The increase was primarily driven by the remuneration of directors and managing director. The wages and salaries expense decreased in 2021G due to the decrease in the total salary expenses of the new CEO in 2021G compared to the total salary expenses of the individual who held the position of CEO and Managing Director during the financial year 2020G. In addition, the Director of Information Technology resigned in June 2021G and this position remained vacant until December 2021G.

Depreciation expense on property, machinery and equipment relates to depreciation charged to assets in administrative use. While the consumption of real estate investments is linked to the Olaya Tower in Khobar.

The rental expense represents the rent of the Riyadh office for the managing director office and director of information technology, which ended on September 30, 2020G.

Governmental fees mainly include the annual fees of the Capital Market Authority of SAR 0.2 million annually. In addition, the department also classified the cost of internet and SIM cards under this heading. Government fees increased by 59.0% in 2020G. This is mainly due to the recorded entitlements (from 2018G to 2020G) related to the Ministry of Municipal and Rural Affairs tax of 2.5% on each occupied room retroactively. The company incurred the tax expenses imposed until the second quarter of 2021G, instead of charging it to the clients. This led to a 38.6% decrease in governmental fees in 2021G.

Professional fees include financial, tax and legal advice and other fees. The decrease in professional fees by 28.0% in 2020G is due to the professional fees related to tax advisory services related to Zakat settlement for the previous years in 2019G. Professional fees increased by 36.7% from SAR 0.6 million in 2020G to SAR 0.8 million in 2021G arising from renewing a legal consultancy contract with a higher annual value between the two mentioned periods.

Bank commissions mainly include commissions for using various banking services. Bank commissions increased from SAR 4,000 in 2020G to SAR 7,000 in 2021G arising from the growth in the use of remote payment systems by clients.

Advertising mainly includes advertising the resort on social media platforms.

Stationery and publications expenses increased from SAR 21 thousand in 2020G to SAR 111 thousand in 2021G. This increase is mainly due to various reception publications.

Provision for doubtful debts includes prepaid expenses and advances to suppliers. During 2020G, the provisions relate to prepaid expenses and other debit balances related to payments of advisory fees related to the restructuring of the company's capital, as well as payments for furniture that has not been delivered to the company.

Expected credit losses include losses recognized for doubtful accounts receivable mainly related to service charges for chalets. These losses are recognized using the expected credit loss model.

Bad debts in 2019G include impairment of capital work under implementation balance (prepayments) related to marine equipment and boats that were not delivered to the company. The balance in 2021G is represented in the impairment value of the Oracle Netsuite ERP system, which amounts to SAR 0.4 million.



## Other Revenues

**Table NO. (28): Other Revenues as on December 31, 2019G, 2020G and 2021G**

Thousands Saudi Riyals	The Financial Year Ending on December 31			Increase / (Decrease)	
	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2021G
Furniture Damages -Scrap Sale	-	6	44	-	669.9%
Waiver Fees	5	45	35	800.0%	(22.2%)
Maintenance Revenues	-	13	5	-	(56.6%)
Car Sales Revenue	34	12	-	(65.0%)	(100.0%)
Profits from Selling Investments	854	-	-	(100.0%)	-
<b>Total</b>	<b>893</b>	<b>75</b>	<b>84</b>	<b>(91.6%)</b>	<b>12.2%</b>

Source: Audited Financial Statements for the Financial Years Ending on December 31, 2019G, 2020G and 2021G

Other revenues are from scrap sale, unit assignment fees, maintenance income, car sales, and profits from the sale of investments.

The unit assignment fee relates to a fee of SAR 5,000 charged by the company when the chalet lessee transfers the utility contract to a third party. Profits from selling investments through profit from investment in the Al-Jazira Capital Investment Fund are related to SAR 10.0 million during 2019G. Other revenue increased by 12.2% from SAR 75,000 in 2020G to SAR 84,000 in 2021G arising from selling furniture damages.

### 6.4.3 Statement of Financial Position

**Table NO. (29): Statement of Financial Position as on December 31, 2019G, 2020G and 2021G**

Thousands Saudi Riyals	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2021G
Non-Current Assets	61,694	56,850	53,852	(7.5%)	(7.9%)
Current Assets	20,101	19,641	19,424	(2.3%)	(15.3%)
<b>Total Assets</b>	<b>81,795</b>	<b>76,491</b>	<b>70,484</b>	<b>(6.5%)</b>	<b>(7.9%)</b>
<b>Total Shareholders' Equity</b>	<b>77,893</b>	<b>69,643</b>	<b>55,439</b>	<b>(10.6%)</b>	<b>(20.4%)</b>
Non-Current Liabilities	1,180	1,205	1,343	2.1%	11.5%
Current Liabilities	2,723	5,644	13,702	107.3%	142.8%
<b>Total Liabilities</b>	<b>3,902</b>	<b>6,848</b>	<b>15,044</b>	<b>75.5%</b>	<b>119.7%</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>81,795</b>	<b>76,491</b>	<b>70,484</b>	<b>(6.5%)</b>	<b>(7.9%)</b>

Source: Audited Financial Statements for the Financial Years Ending on December 31, 2019G, 2020G and 2021G

The non-current assets mainly represented the net book value of the company's property, machinery and equipment, which constituted 88.6%, 88.1% and 87.9% of the total non-current assets as on December 31, 2019G, 2020G and 2021G, respectively. Non-current assets gradually decreased from SAR 61.7 million as on December 31, 2019G with an additional decrease to SAR 56.9 million as on December 31, 2020G and SAR 53.9 million as on December 31, 2021G. This is mainly due to the gradual decrease in the net book value of property, machinery and equipment from SAR 54.7 million as on December 31, 2019G to SAR 47.3 million as on December 31, 2021G arising from the continuous depreciation, in addition to the continuous amortization of real estate investments.

Current assets represented mainly cash and cash equivalents. Current assets decreased by 2.3% from SAR 20.1 million as on December 31, 2019G to SAR 19.6 million as on December 31, 2020G. This is mainly due to the decrease in accounts receivable due to an increase in expected credit losses of SAR 1.1 million and prepaid expenses and other debit balances arising from recognizing provisions amounting to SAR 2.6 million despite the increase in cash and cash equivalents from SAR 11.8 million as on December 31, 2019G to SAR 15.8 million as on December 31, 2020G. Current assets decreased by 15.2% to SAR 16.6 million as on December 31, 2021G. This is mainly due to the decrease in the balance of cash and cash equivalents, which arising from the decrease in net cash generated from operations and investments in fixed assets by the company.

Shareholders' Equity represented mainly the Company's Capital. The company's capital remained stable between December 31, 2019G and December 31, 2021G. The capital represented 10,150,000 shares with a nominal value of SAR 10 per share on December 31, 2020G. On December 31, 2021G, the company's capital was reduced to SAR 52.6 million, compared to





SAR 101.5 million, by amortizing accumulated losses. This was done in accordance with Article No. (150) of the Companies Law during 2021G. The capital was divided into 5,256,693 shares with a nominal value of SAR 10 per share on December 31, 2021G.

The non-current liability represented only the provision for end of service benefits which represents the legal and related provision for end of service benefits based on the actuarial valuation performed by an independent third-party actuary. These benefits shall be payable to employees upon resignation or termination of the employment contract with the company in accordance with the Saudi Labor Law. But it was registered on December 31, 2021G according to the calculation method specified by the Ministry of Labor and Social Development.

Current Liabilities represented mainly from accrued expenses, other payables, provision for claims and due zakat. Current Liabilities increased by 107.3% from SAR 2.7 million as on December 31, 2019G to SAR 5.6 million as on December 31, 2020G arising from recognizing a provision for legal claims related to investment in Hemaia Company. As, the management decided to terminate the share purchase agreement with Hemaia Company upon discovery of unauthorized liabilities. Moreover, current liabilities increased from SAR 5.6 million on December 31, 2020G to SAR 16.7 on December 31, 2021G, mainly due to the strengthening of an additional claims provision for the investment case in Hemaia Company by SAR 3.7 million since the court's initial decision to reject the case and recognize the provision. In addition to SAR 2.1 million for the filed lawsuits by two former CEOs alleging the unfair termination of the employment contract.

Current liabilities also included accounts payable which includes payments due to external service suppliers for general maintenance, cleaning and security as well as Marina operators' share of revenue, VAT payable and other accrued expenses. Accounts payable decreased by 52.7% on December 31, 2020G and by 52.7% on December 30, 2020G. This is mainly due to payments made primarily for advertising services and payments made to third-party service providers and travel agencies. Accounts payable increased to SAR 0.6 million on December 31, 2021G, compared to SAR 0.2 million on December 31, 2020G. This is due to balances owed to external service suppliers for a period of one and two months.

Noting that the accounts payable balance on December 31, 2021G includes a balance of SAR 0.1 million carried forward from June 30, 2020G in relation to the revenue share of the former marina operator (Parachute Maritime Company). This is due to the active lawsuits filed by both parties against each other. The company filed a case claiming the operator's inability to fulfill the terms of the contract to increase revenue and Parachute Maritime Company filed a lawsuit to terminate the contract by the company.

### Non-Current Assets:

**Table NO. (30): Non-Current Assets as on December 31, 2019G, 2020G and 2021G**

Thousands Saudi Riyals	The Financial Year Ending on December 31			Increase / (Decrease)	
	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2021G
Properties, Machinery and Equipment, Net	54,685	50,075	47,301	(8.0%)	(8.4%)
Investment Property, Net	7,009	6,775	6,542	(3.0%)	(3.3%)
<b>Total</b>	<b>61,694</b>	<b>56,850</b>	<b>53,852</b>	<b>(7.5%)</b>	<b>(7.9%)</b>

Source: Audited Financial Statements for the Financial Years Ending on December 31, 2019G, 2020G and 2021G

The net book value of the company's property, machinery and equipment constituted 88.6%, 88.1% and 87.9% of the total non-current assets as on December 31, 2019G, 2020G and 2021G, respectively.



## Properties, Machinery and Equipment

**Table NO. (31): Properties, Machinery and Equipment, Net as on December 31, 2019G, 2020G and 2021G**

Thousands Saudi Riyals	The Financial Year Ending on December 31			Increase / (Decrease)	
	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2021G
<b>Net book value</b>					
Buildings and Facilities	45,201	41,778	39,006	(7.6%)	(6.6%)
Marina Equipment	4,013	3,665	3,529	(8.7%)	(3.7%)
Vehicles and Cars	81	26	122	(67.6%)	364.4%
Marina Machines and Equipment	575	464	353	(19.3%)	(23.9%)
Furniture and Equipment	4,357	3,540	2,758	(18.8%)	(22.1%)
Tools	139	70	84	(49.9%)	21.1%
Projects under Process	320	533	1,458	66.6%	173.6%
Unreconciled Differences	-	-	-	-	-
<b>Net book value</b>	<b>54,685</b>	<b>50,075</b>	<b>47,310</b>	<b>(8.4%)</b>	<b>(5.5%)</b>

Source: Audited Financial Statements for the Financial Years Ending on December 31, 2019G, 2020G and 2021G

Buildings and facilities represented resort buildings including cabins, chalets, a desalination plant, recreational buildings (such as gymnasiums and stadiums) and related rental property improvements. Noting that the buildings include one chalet that has not been equipped since its inception at a cost of SAR 1.8 million and a net book value of SAR 1.0 million on December 31, 2021G. The decrease in the net book value is due to the continuous depreciation of the assets as per the company's policy.

The marina equipment mainly represented the incurred capital expenditure on the construction of the marina and improvements to the marina related rented properties. The decrease in the net book value is due to the continuous depreciation of the assets as per the company's policy.

Cars represented repair maintenance expenses and landscaping cars and tractors.

Marina's machinery and equipment mainly represented the assets related to the Marina's equipment and other items in the fixed asset register with no name or description. Decreases in net book value are attributable to continuous depreciation of fixed assets as per the company's policy.

Furniture and equipment mainly represented the used fixtures and equipment in cabins and chalets, administrative offices, workers' accommodation, gymnasiums and also includes machines and equipment related to the laundry. The net book value of these assets gradually decreased from SAR 4.4 million as on December 31, 2019G to SAR 2.8 million as on December 31, 2021G. The decreases in the net book value are due to the continuous consumption of fixed assets as per the company's policy.

Tools mainly represented tools and equipment related to the kitchen and many other maintenance tools.

The capital work under implementation represented mainly the incurred costs related to the work of the Civil Defense Compliance Alarm and Fire Project, the Fiber-Optic Internet Infrastructure Project, the New Enterprise Resource Planning System "Onyx" and other expenses related to the renovations.

Noting that 67.46% of property, machinery and equipment (excluding capital work under implementation) was depreciated on December 31, 2021G specifically in resort buildings, furniture, fixtures and office equipment, which represents 85.1% and 6.0% of the total net present value of property, machinery and equipment on December 31, 2021G, which were depreciated by 66.1% and 82.8% respectively on December 31, 2021G.



## Additions to Property, Machinery and Equipment

**Table NO. (32): Additions to Property, Machinery and Equipment as on December 31, 2019G, 2020G and 2021G**

Thousands Saudi Riyals	The Financial Year Ending on December 31			Increase / (Decrease)	
	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2021G
<b>Net book value</b>					
Buildings and Facilities	1,501	262	118	(82.6%)	(54.9%)
Marina Equipment	-	-	-	-	-
Vehicles and Cars	7	-	69	(100.0%)	-
Marina Machines and Equipment	-	-	-	-	-
Furniture and Equipment	251	83	99	(66.8%)	18.5%
Tools	67	-	19	(100.0%)	-
Projects under process	135	838	3,107	519.3%	270.8%
<b>Total</b>	<b>1,960</b>	<b>1,183</b>	<b>3,412</b>	<b>(39.7%)</b>	<b>188.4%</b>

Source: Audited Financial Statements for the Financial Years Ending on December 31, 2019G, 2020G and 2021G

Noting that there is no renewal policy for the resort building. The management generally performs maintenance work on the building based on needs. The company has made additions in the amount of SAR 2.0 million, SAR 1.2 million and SAR 3.4 million on December 31, 2019G, 2020G and 2021G, respectively.

The additions to the buildings amounted to SAR 1.5 million, SAR 262 thousand, and SAR 118 thousand as on December 31, 2019G, 2020G and 2021G, respectively. These additions are mainly due to improvements to the buildings of cabins, chalets and other sports facilities.

The company completely excluded depreciated cars and trucks with an amount of SAR 0.5 million and SAR 60,500 during 2019G and 2020G, respectively. Furthermore, the impairment exclusions for the Oracle Netsuite ERP system amounted to SAR 0.4 million in 2021G.

The additions to projects under implementation amounted to SAR 0.1 thousand, SAR 0.8 thousand and SAR 3.1 million as of December 31, 2019G, 2020G and 2021G, respectively. These additions on December 31, 2021G are primarily attributable to the incurred costs related to the work of the Civil Defense Compliance Fire & Alarm Project, the Fiber Optic Internet Infrastructure Project, the new "Onyx" ERP system and other expenses related to renovations.

There were no significant additions to the marina equipment, cars, machinery, marina equipment and tools during the period between 2019G and 2021G.

Noting that the company plans to renovate the resort with an estimated value of SAR 4.3 million during 2022G. In addition, there are capital commitments related to the new Enterprise Resource Planning system "Onyx" as well as commitments amounting to SAR 3.0 million related to compliance with the requirements of the Directorate of Civil Defense to obtain a license from the Ministry of Tourism. The management also plans to spend SAR 0.4 million for expansion to increase the occupancy rates of the resort. These expenditures will be financed through the company's capital increase, with the exception of capital commitments related to the new ERP system "Onyx" and the infrastructure for civil defense requirements.



## Real Estate Investments

**Table NO. (33): Real Estate Investments as on December 31, 2019G, 2020G and 2021G**

Thousands Saudi Riyals	The Financial Year Ending on December 31			Increase / (Decrease)	
	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2021G
<b>Net book value</b>					
Lands	3,000	3,000	3,000	-	-
Buildings	3,936	3,729	3,522	(5.2%)	(5.5%)
Furniture and Equipment	73	46	20	(36.2%)	(56.9%)
<b>Total</b>	<b>7,009</b>	<b>6,775</b>	<b>6,542</b>	<b>(3.3%)</b>	<b>(3.4%)</b>

Source: Audited Financial Statements for the Financial Years Ending on December 31, 2019G, 2020G and 2021G

The mentioned real estate investment is the Olaya Tower, which the company purchased in Al-Aqrabeya District in Khobar. The tower consists of four shops and 22 residential units. Olaya Tower was evaluated in 2018G. This resulted in a decrease in the value of investment properties, amounting to SAR 5.2 million in 2018G. This is due to the real estate market conditions and vacant building units arising from the company's ongoing lawsuit against Sahara Company (the previous lessee) of the property. Real estate investments gradually decreased from SAR 7.0 million on December 31, 2019G to SAR 6.5 million on December 31, 2021G. The decrease in the net book value is due to the continuous depreciation of the assets as per the company's policy. The company generates revenue only from renting the restaurant (representing four stores) for Lebda Palace Restaurant for an annual rental fee of SAR 0.2 million as of October 2020G, while the 22 residential units remained vacant from 2019G to 2021G.

The company aims in the short term with respect to the real estate to either operate the tower as residential units by the company or to lease the entire building, while the long-term goal is to sell the tower and use the proceeds to achieve a better investment opportunity.

Noting that the depreciation expenses of the investment property varied between 2019G and the financial year 2020G, amounting to SAR 213,061 and SAR 233,941, respectively. This is due to the incorrect calculation of depreciation expenses in the financial year 2019G. Noting that the property is depreciated for a period of 33 years using the straight-line method.

## Current Assets:

**Table NO. (34): Current Assets as on December 31, 2019G, 2020G and 2021G**

Thousands Saudi Riyals	The Financial Year Ending on December 31			Increase / (Decrease)	
	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2021G
Accounts Receivable, Net	5,539	3,197	2,833	(42.2%)	(21.4%)
Prepayments and other receivable	3,014	667	983	(77.9%)	20.4%
Cash and Cash Equivalent	11,548	15,777	15,609	36.6%	(15.6%)
<b>Total</b>	<b>20,101</b>	<b>19,641</b>	<b>19,424</b>	<b>(2.3%)</b>	<b>(15.3%)</b>

Source: Audited Financial Statements for the Financial Years Ending on December 31, 2019G, 2020G and 2021G

Current assets represented mainly cash and cash equivalents. Current assets decreased by 2.3% from SAR 20.1 million as on December 31, 2019G to SAR 19.6 million as on December 31, 2020G. This is mainly due to the decrease in accounts receivable due to an increase in expected credit losses of SAR 1.1 million and prepaid expenses and other debit balances arising from recognizing provisions amounting to SAR 2.6 million despite the increase in cash and cash equivalents from SAR 11.8 million as on December 31, 2019G to SAR 15.8 million as on December 31, 2020G. Current assets decreased by 15.2% to SAR 16.6 million as on December 31, 2021G. This is mainly due to the decrease in the balance of cash and cash equivalents, which arising from the decrease in net cash generated from operations and investments in fixed assets by the company.



## Accounts Receivable, Net

**Table NO. (35): Accounts Receivable, Net as on December 31, 2019G, 2020G and 2021G**

Thousands Saudi Riyals	The Financial Year Ending on December 31			Increase / (Decrease)	
	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2021G
Clients Service Fees	6,936	5,682	6,626	(18.1%)	16.6%
Clients Annual Rent	281	281	130	-	(53.7%)
Clients Property Rent	750	750	750	-	-
	<b>7,967</b>	<b>6,713</b>	<b>7,506</b>	<b>(15.7%)</b>	<b>11.8%</b>
Expected Credit Losses	(2,428)	(3,516)	(4,994)	44.8%	42.1%
<b>Total</b>	<b>5,539</b>	<b>3,197</b>	<b>2,512</b>	<b>(42.3%)</b>	<b>(21.4%)</b>

Source: Audited Financial Statements for the Financial Years Ending on December 31, 2019G, 2020G and 2021G

The decrease in the net accounts receivable balance by 42.3% (SAR 2.3 million) as of December 31, 2020G to SAR 3.2 million is due to the decrease in total clients receivables of service fees by 18.1% arising from the waiver of nine chalets by lessees to third parties during the year, which requires settlement of outstanding dues, in addition to the increase in provisions by 44.8%. The net balance of accounts receivable on December 31, 2021G decreased by 21.4% (SAR 0.7 million) to SAR 2.5 million. This is mainly due to an increase in provisions by 42.1% (SAR 1.5 million), which was partially offset by an increase in total service fee receivables by 16.6% (SAR 0.9).

The accounts receivable mainly included receivables for service charges from long-term rental chalet lessees (usufruct) against maintenance charges. In addition, SAR 5,000 shall be paid annually for the extra room built in the chalets by the lessees. Trade receivables from customer service fee decreased by 18.1% from SAR 6.9 million as on December 31, 2019G to SAR 5.7 million as on December 31, 2020G arising from the waiver of nine chalets by lessees to third parties during the year, which requires settlement of outstanding dues.

Clients Annual Rent mainly represented the owed rental dues from clients renting chalets for a year. Client balances related to annual rent are affected by lessee payments during the period.

Clients Property Rent represented dues from Sahara Company in return for renting Olaya Tower during the 9 months in 2018G. A lawsuit was filed against Sahara Company for non-payment. Noting that a provision has been made of 100% of the outstanding balance, amounting to SAR 0.8 thousand.

## Movement in the Expected Credit Losses

**Table NO. (36): Movement in the Expected Credit Losses**

Thousands Saudi Riyals	The Financial Year Ending on December 31			Increase / (Decrease)	
	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2021G
Balance at the Beginning of the Year	695	2,428	3,516	249.2%	44.8%
Additions during the year	1,733	1,088	1,479	(37.2%)	36.0%
<b>Balance at the End of the Year</b>	<b>2,428</b>	<b>3,516</b>	<b>4,994</b>	<b>44.8%</b>	<b>42.1%</b>

Source: Audited Financial Statements for the Financial Years Ending on December 31, 2019G, 2020G and 2021G

The provision for doubtful debts for accounts receivable increased by 44.8% from SAR 2.4 million as of December 31, 2019G to SAR 3.5 million as of December 31, 2020G. This is mainly due to recording the provision in accordance with Standard No. (9) of the International Financial Reporting Standards (IFRS). The provision for doubtful debts continued to increase by 42.1% to SAR 5.0 million as of December 31, 2020G arising from changing the company's policy of creating a provision of 100% of the value of outstanding debts for more than two years in 2021G compared to creating a provision of 25.0% for the outstanding balances from one to two years, 50.0% for the outstanding balances more than three years and 100.0% for the outstanding balances more than four years.

Noting that a provision was made for 66.5% of the accounts receivable value on December 31, 2021G.



## Prepaid Expenses and Other Debit Balances

**Table NO. (37): Prepaid Expenses and Other Debit Balances as on December 31, 2019G, 2020G and 2021G**

Thousands Saudi Riyals	The Financial Year Ending on December 31			Increase / (Decrease)	
	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2021G
Prepaid Expenses	755	555	656	(26.5%)	18.3%
Advance Payment Suppliers	2,083	2,647	2,643	28.4%	(1.2%)
Advances and Deposits	176	67	132	(62.1%)	98.7%
	3,014	3,296	3,432	9.2%	4.1%
Provision for Doubtful Debts	-	(2,629)	(2,629)	-	-
<b>Total</b>	<b>3,014</b>	<b>667</b>	<b>803</b>	<b>(77.9%)</b>	<b>20.4%</b>

Source: Audited Financial Statements for the Financial Years Ending on December 31, 2019G, 2020G and 2021G

Prepaid expenses and other debit balances decreased by 77.9% from SAR 3.0 million as on December 31, 2019G to SAR 0.7 million as on December 31, 2020G arising from the created provisions for the above-mentioned advisory fees. Prepaid expenses and other debit balances increased by 20.4% to SAR 0.8 million as on December 31, 2021G due to the presence of the managing director's housing allowance of SAR 0.2 million on December 31, 2021G compared to zero on December 31, 2020G. The position was vacant on December 31, 2020G. Moreover, there is an increase in employee loans and also due to the fees of the Capital Markets Authority.

Advance Payment Suppliers represents advisory fees (financial and legal due diligence) related to shares' purchase in Hemaia and legal advisor fees related to the lawsuit against Hemaia by the company. In addition, it includes advisors' fees related to the exercise of an unsuccessful initial rights issue in 2019G, in addition to accrued revenues of SAR 0.3 million and SAR 58,257 on December 31, 2019G and December 31, 2020G, respectively.

Advances and Deposits represented the cash advances granted to employees for the company's daily expenses amounting to SAR 0.2 million on December 31, 2019G, zero on December 31, 2020G, and SAR 24,237 on December 31, 2021G, and loans granted to employees amounting to SAR 0.1 million on December 31, 2019G, SAR 0.1 million on December 31, 2020G, and SAR 0.1 million on December 31, 2021G.

## Movement in Provision for Doubtful Debts

**Table NO. (38): Movement in Provision for Doubtful Debts for Prepaid Expenses and Other Debit Balances**

Thousands Saudi Riyals	The Financial Year Ending on December 31			Increase / (Decrease)	
	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2021G
Other Debit Balances	-	36	2,629	-	7,215.8%
Increase and Decrease in Capital	-	958	-	-	-
Lawsuit in Hemaia Security and Safety Equipment and Trading Co. Ltd. (Hemaia)	-	1,635	-	-	-
<b>Balance at the End of the Year</b>	<b>-</b>	<b>2,629</b>	<b>2,629</b>	<b>-</b>	<b>-</b>

Source: Audited Financial Statements for the Financial Years Ending on December 31, 2019G, 2020G and 2021G

The provision for doubtful debts for prepaid expenses and other debit balances represents the provision for advance payments relating to the purchase of shares in Hemaia in addition to the fees of legal counsel in connection with the lawsuit against Hemaia. In addition, it included advisors' fees associated with the unsuccessful exercise of the initial rights issue in 2019G.



## Cash and Cash Equivalent

**Table NO. (39): Cash and Cash Equivalent as on December 31, 2019G, 2020G and 2021G**

Thousands Saudi Riyals	The Financial Year Ending on December 31			Increase / (Decrease)	
	2019G Audited	2020G Audited	2021G Audited	December 2019G	December 2020G
Cash on Hand	1	57	13	4,814.1%	(77.2%)
Cash in the Bank	11,547	15,719	13,304	36.1%	(15.4%)
<b>Total</b>	<b>11,548</b>	<b>15,777</b>	<b>13,317</b>	<b>36.6%</b>	<b>(15.6%)</b>

Source: Audited Financial Statements for the Financial Years Ending on December 31, 2019G, 2020G and 2021G

Cash and cash equivalents increased by 36.6% from SAR 11.5 million as on December 31, 2019G to SAR 15.8 million as on December 31, 2020G after the company recorded internal cash flows from operating activities amounting to SAR 5.4 million in 2020G. This is due to the non-cash expenses amounting to SAR 5.7 million, which are represented in the provisions related to accounts receivable, prepaid expenses and other debit balances and the provision for case claims. Cash and cash equivalents decreased by 15.6% to SAR 13.3 million as of December 31, 2021G after a decrease in the balance of net cash used in operating activities and investment in the purchase of fixed assets.

## Shareholders' Equity

**Table NO. (40): Shareholders' Equity as on December 31, 2019G, 2020G and 2021G**

Thousands Saudi Riyals	The Financial Year Ending on December 31			Increase / (Decrease)	
	2019G Audited	2020G Audited	2021G Audited	December 2019G	December 2020G
Capital	101,500	101,500	52,567	-	-
Accumulated Losses	(26,520)	(34,770)	(41)	19.3%	31.1%
Statutory Reserve	2,913	2,913	2,913	-	-
<b>Total</b>	<b>77,893</b>	<b>69,643</b>	<b>55,439</b>	<b>(5.2%)</b>	<b>(10.6%)</b>

Source: Audited Financial Statements for the Financial Years Ending on December 31, 2019G, 2020G and 2021G

## Capital

The company's capital remained stable between December 31, 2019G and December 31, 2021G. The capital represented 10,150,000 shares with a nominal value of SAR 10 per share on December 31, 2020G. On December 31, 2021G, the company's capital was reduced to SAR 52.6 million, compared to SAR 101.5 million, by amortizing accumulated losses. This was done in accordance with Article No. (150) of the Companies Law during 2021G. The capital was divided into 5,256,693 shares with a nominal value of SAR 10 per share on December 31, 2021G. We would like to point out that the company does not have any loans or other debts, including overdrafts from bank accounts.

## Accumulated Losses

The accumulated losses value amounted to SAR 26.5 million, SAR 34.8 million and SAR 40.6 thousand in the periods December 31, 2019G, 2020G and 2021G, respectively. The decrease in the value of accumulated losses on December 31, 2021G is due to their amortization by reducing the company's capital, which arising from reducing the company's capital to SAR 52.6 million, compared to SAR 101.5 million. This was done in accordance with Article No. (150) of the Companies Law during 2021G. The capital was divided into 5,256,693 shares with a nominal value of SAR 10 per share on December 31, 2021G.

## Statutory Reserve

The legal reserve constituted 2.9% of the company's capital as on December 31, 2021G. The management did not make any additions to the legal reserve due to losses during the years 2019G, 2020G and 2020G.





## Non-Current Liabilities:

**Table NO. (41): Non-Current Liabilities as on December 31, 2019G, 2020G and 2021G**

Thousands Saudi Riyals	The Financial Year Ending on December 31			Increase / (Decrease)	
	2019G Audited	2020G Audited	2021G Audited	December 2019G	December 2020G
Provision for End of Service Benefits	1,180	1,205	1,282	(7.8%)	2.1%
<b>Total</b>	<b>1,180</b>	<b>1,205</b>	<b>1,282</b>	<b>(7.8%)</b>	<b>2.1%</b>

Source: Audited Financial Statements for the Financial Years Ending on December 31, 2019G, 2020G and 2021G

The non-current liability represented only the provision for end of service benefits which represents the legal and related provision for end of service benefits based on the actuarial valuation performed by an independent third-party actuary. These benefits shall be payable to employees upon resignation or termination of the employment contract with the company in accordance with the Saudi Labor Law and the Labor Law. Non-current liabilities decreased by 7.8% from SAR 1.18 million as on December 31, 2019G, to SAR 1.20 million as on December 31, 2020G, with a slight increase of 2.1% to SAR 1.3 million as on December 31, 2020G. This is mainly due to the increase in the number of employees during the mentioned period from 49 employees in 2019G to 47 employees in 2020G and 53 employees in 2021G. (For further information, see Sub-paragraph No. (10-4-3) Continuing Obligations according to the Requirements of the Ministry of Human Resources and Social Development from Section No. (10) **Legal Information**).

## Current Liabilities:

**Table NO. (42): Current Liabilities as on December 31, 2019G, 2020G and 2021G**

Thousands Saudi Riyals	The Financial Year Ending on December 31			Increase / (Decrease)	
	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2021G
Payables	357	169	606	(52.1%)	259.0%
Accrued Expenses and Other Payables	1,572	2,910	4,571	85.1%	57.1%
Provision for Claims	-	1,966	7,766	-	294.9%
Accrued zakat expenses	794	599	760	(24.5%)	26.9%
<b>Total</b>	<b>2,723</b>	<b>5,644</b>	<b>13,702</b>	<b>107.3%</b>	<b>142.8%</b>

Source: Audited Financial Statements for the Financial Years Ending on December 31, 2019G, 2020G and 2021G

Current Liabilities represented mainly from accrued expenses, other payables, provision for claims and due zakat. Current Liabilities increased by 107.3% from SAR 2.7 million as on December 31, 2019G to SAR 5.6 million as on December 31, 2020G arising from recognizing a provision for legal claims related to investment in Hemaia Company. As, the management decided to terminate the share purchase agreement with Hemaia Company upon discovery of unauthorized liabilities. Moreover, current liabilities increased from SAR 5.6 million on December 31, 2020G to SAR 16.7 on December 31, 2021G, mainly due to the strengthening of an additional claims provision for the investment case in Hemaia Company by SAR 3.7 million since the court's initial decision to reject the case and recognize the provision. In addition to SAR 2.1 million for the filed lawsuits by two former CEOs alleging the unfair termination of the employment contract.

## Accrued Expenses and Other Payables

**Table NO. (43): Accrued Expenses and Other Payables as on December 31, 2019G, 2020G and 2021G**

Thousands Saudi Riyals	The Financial Year Ending on December 31			Increase / (Decrease)	
	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2021G
Accrued Expenses	966	1,492	3,864	54.5%	158.9%
Clients Advance Payments	136	295	224	118.0%	(24.2%)
Other payables	238	890	241	273.8%	(73.0%)
Dividend Payable	180	180	180	-	-
Social Insurance	52	52	62	(0.7%)	19.8%
<b>Total</b>	<b>1,572</b>	<b>2,910</b>	<b>4,571</b>	<b>85.1%</b>	<b>57.1%</b>

Source: Audited Financial Statements for the Financial Years Ending on December 31, 2019G, 2020G and 2021G



The accrued expenses increased by 54.5% from SAR 1.6 million as on December 31, 2019G to SAR 2.9 million as on December 31, 2020G. This is mainly because of the due expenses of Dhahran Municipality to the Ministry of Municipal and Rural Affairs related to a tax fee of 2.5% on the daily rents of cabins and chalets, which was not calculated on December 31, 2019G. Accordingly, the accrual of the expense was recognized on December 31, 2020G, with a retroactive effect from previous years. Then, the accrued expenses increased by 158.9% from SAR 1.5 million as on December 31, 2020G to SAR 3.9 million as on December 31, 2021G. This is mainly due to the increase in entitlement to the expenses of Dhahran Municipality, the remuneration to the Board of Directors members and the Managing Director, and due share dividends arising from the capital reduction. Noting that the accrued expenses balance on December 31, 2021G includes SAR 42,226 due to MAXCON Consulting Co. (Supplier of Oracle NetSuite ERP System) and SAR 0.1 million related to allowances for attending previous board meetings.

The balances of clients advance payments represented in the outstanding balances of SAR 0.1 million on December 31, 2019G, 2020G and 2021G related to reservations at the resort made by depositing in the company's accounts with the bank and were not used. The remainder of the balance represents the amount of non-accrued revenues related to the daily and annual rent.

Various Creditors include sales tax of SAR 0.1 million, SAR 0.7 million and SAR 0.5 million representing 33.3%, 73.5% and 82.9% of the total various creditors as on December 31, 2019G, December 31, 2020G, and December 31, 2021G, respectively. The various creditors balance increased by 273.8% to SAR 0.9 million as on December 31, 2020G due to the new Value Added Tax (VAT) Law that came into force in July 2020G (increasing the value added tax rate from 5% to 15%).

The dividend payable balance represents the declared dividends by the company before 2018G but not claimed by the shareholders.

The Social Insurance Accounts have been misnamed. These accounts represent non-refundable deposits from some of the resort's visitors as insurance against their stay in addition to refundable deposits obtained from long-term chalet lessors in exchange for contracting works in the chalets.

#### 6.4.4 Statement of Cash Flows

**Table NO. (44): Statement of Cash Flows for the Financial Years ending on December 31, 2019G, 2020G and 2021G**

Thousands Saudi Riyals	The Financial Year Ending on December 31			Increase / (Decrease)	
	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2021G
Net Cash generated from (used in) operating activities	(6,408)	5,400	952	(184.3%)	158.9%
Net Cash Used in Investing Activities	(1,924)	(1,171)	(3,412)	(39.2%)	(24.2%)
Net Cash Used in Financing Activities	-	-	-	-	(73.0%)
<b>Change in Balances of Cash and Cash Equivalents</b>	<b>(8,332)</b>	<b>4,229</b>	<b>(2,460)</b>	<b>(150.8%)</b>	<b>-</b>
Cash and Cash Equivalent at the Beginning of the Year	19,880	11,548	15,777	(41.9%)	19.8%
<b>Cash and Cash Equivalent at the End of the Year</b>	<b>11,548</b>	<b>15,777</b>	<b>13,317</b>	<b>36.6%</b>	<b>57.1%</b>

Source: Audited Financial Statements for the Financial Years Ending on December 31, 2019G, 2020G and 2021G

Net cash and cash equivalents in 2019G represents the balance of cash and cash equivalents carried over from previous years, as the net cash generated from operating activities was negative during the period. Net cash and cash equivalents in 2020G and 2021G represents net cash generated from operating activities. Net cash from operating activities amounted to SAR 5.4 million and SAR 1.0 million in 2020G and 2021G, respectively.



## Cash Flows from Operating Activities

**Table NO. (45): Statement of Cash Flows from Operating Activities for the Financial Years ending on December 31, 2019G, 2020G and 2021G**

Thousands Saudi Riyals	The Financial Year Ending on December 31			Increase / (Decrease)	
	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2021G
<b>Operating Activities</b>					
Net (Loss) before Zakat	(8,864)	(7,455)	(12,882)	(15.9%)	72.8%
<b>Adjustments for Non-cash Items:</b>					
Depreciation of Property and Equipment	5,923	5,794	5,743	(2.2%)	(0.9%)
Depreciation of Real Estate Investments	213	234	233	9.8%	(0.3%)
Expected Credit Losses	1,733	1,088	1,479	(37.2%)	36.0%
Provision for Doubtful Debts	-	2,629	-	-	-
Provision for End of Service Benefits	290	214	201	(26.3%)	(6.0%)
Provision Claims	-	1,966	5,799	-	-
Loss for write-off of work in progress	794	-	-	(100.0%)	-
Profit on Sale of Property and Equipment	(36)	(12)	434	(66.7%)	-
Revaluation Losses, Buildings	-	-	-	-	-
<b>Change in Operating Assets and Liabilities</b>					
Accounts Receivable	(265)	1,254	(793)	(572.6%)	(163.2%)
Prepaid Expenses and Other Debit Balances	(1,409)	(282)	(136)	(80.0%)	(51.6%)
Accounts Payable	(136)	(188)	437	38.9%	(332.0%)
Accrued Expenses and Other Credit Balances	(212)	1,338	1,661	(730.8%)	24.2%
<b>Net Cash (Used) in Operations</b>	<b>(1,969)</b>	<b>6,579</b>	<b>2,175</b>	<b>(434.2%)</b>	<b>(66.9%)</b>
Provision for End of Service Benefits	(498)	(243)	(230)	(51.2%)	(5.5%)
Paid Zakat	(3,941)	(936)	(993)	(76.3%)	6.2%
<b>Net Cash generated from (used in) Operating Activities</b>	<b>(6,408)</b>	<b>5,400</b>	<b>952</b>	<b>(183.3%)</b>	<b>(82.4%)</b>

Source: Audited Financial Statements for the Financial Years Ending on December 31, 2019G, 2020G and 2021G

The increase in net cash outflow from operating activities in 2019G is mainly due to negative changes in working capital and higher zakat payments during the year. The Company achieved a net (loss) before Zakat in 2020G and 2021G. However, non-cash expenses such as provisions created during periods have been reversed. In 2020G, the non-cash expenses amounted to 5.7 million Saudi Riyals, which are represented in the provisions related to accounts receivable, prepaid expenses and other debit balances and the provision for claims, in addition to the provision for claims and expected credit losses of 7.3 million Saudi Riyals in 2021G.

## Cash Flows from Investing Activities

**Table NO. (46): Statement of Cash Flows from Investing Activities for the Financial Years ending on December 31, 2019G, 2020G and 2021G**

Thousands Saudi Riyals	The Financial Year Ending on December 31			Increase / (Decrease)	
	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2021G
Payments for Purchasing Property, Machinery and Equipment	(1,960)	(1,183)	(3,412)	(39.7%)	188.4%
Receipts form Purchasing Property, Machinery and Equipment	36	12	-	(66.7%)	(100%)
<b>Net Cash Used in Investing Activities</b>	<b>(1,924)</b>	<b>(1,171)</b>	<b>(3,312)</b>	<b>(39.2%)</b>	<b>191.4%</b>

Source: Audited Financial Statements for the Financial Years Ending on December 31, 2019G, 2020G and 2021G

The used net cash in the investing activities mainly represents the incurred capital expenditure to purchase property, machinery and equipment. These additions were primarily related to the resort's buildings, furniture, fixtures and office equipment, and projects under implementation.



## 7

## USING THE PROCEEDS OF THE OFFERING AND FUTURE PROJECTS

### 7.1 Net Offering Proceeds

The total Offering Proceeds of Rights Issue are estimated of five hundred twenty-five million six hundred sixty-nine thousand three hundred (525,669,300) Saudi riyals through offering fifty two million five hundred sixty-six thousand nine hundred and thirty (52,566,930) ordinary shares at an offer price of ten (10) Saudi Riyals per share totaling five hundred twenty-five million six hundred sixty-nine thousand three hundred (525,669,300) Saudi riyals. The capital increase represents (1000%), so the company's capital becomes five hundred seventy-eight million two hundred thirty-six thousand two hundred and thirty (578,236,230) Saudi riyals, of which about twenty million three hundred thousand (20,300,000) Saudi Riyals will be paid to cover the costs of the offering, which include the fees of the financial advisor, subscription manager, underwriter, legal advisor, chartered accountant, marketing, printing, distribution and other expenses related to the subscription.

The Net Offering Proceeds will amount to five hundred five million three hundred sixty-nine thousand and three hundred (505,369,300) Saudi riyals. The shareholders will not receive any of the proceeds arising from the offering.

The Net Offering Proceeds will be used for the company's strategic expansion in the hospitality industry which is the principle activity of the company through the acquisition of hotel and resort projects in Saudi Arabia.

The Company will also disclose to the public on the Saudi Stock Exchange (Tadawul) website prior the trading session when there is a difference of (5%) or more between the actual use of the Offering Proceeds versus what was disclosed in this Prospectus as soon as it becomes aware in accordance with paragraph (b) of Article fifty-four (54) of the Rules on Offering Securities and Continuing Obligations, which states that "the issuer must, in the event of any deviation of 5% or more from the planned use of proceeds as set out in the relevant rights issue Prospectus, disclose each such case to the public in the relevant Prospectus as soon as it becomes aware thereof.

**Use of Offering Proceeds** The company is planning to use primarily the offering's proceeds in acquisition of four-and-five-star hotels and tourist resorts in Saudi Arabia. So, the company continues to search for investment opportunities in the hospitality sector to enhance its presence as this sector represents the company's main activity. The company has prepared an economic feasibility study to acquire a 4-star hotel and a 5-star hotel in Riyadh, Saudi Arabia. This marketing study demonstrated that the demand for project services is increasing. The tested financial analysis and indicators show that the planned expansion of the company is feasible.

The study involved an evaluation of the acquisition of a four-star hotel in the north of Riyadh, Saudi Arabia, as part of the expansion plan in Saudi accommodation market. The hotel has single rooms, double rooms and hotel suites as well as a restaurant and cafe to meet the needs of guests. The hotel aims to provide accommodation services to (local tourists, expatriate and tourists in the region). According to such study, the amount of 200 million Saudi riyals is the investment capital in the project. The study is estimated that a Return on investment (ROI) rate will start from 8% in the first year reaching to 12% in the fifth year.

Within the expansion plan in Saudi accommodation market, such study included an evaluation of the acquisition of a five-star hotel in the north of Riyadh, Saudi Arabia, so that the hotel is very luxurious in terms of equipment and infrastructure. The hotel has single rooms, double rooms and hotel suites as well as a restaurant and cafe to meet the needs of guests. The hotel aims to provide accommodation services to (local tourists, expatriate and tourists in the region). According to such study, the amount of 300 million Saudi riyals is the investment capital in the project. The study is estimated that a Return on investment (ROI) rate will start from 7% in the first year reaching to 11% in the fifth year. On February 27, the company signed a non-binding memorandum of understanding for potential 100% acquisition of hotels located in the below cities as follows:

1. In Riyadh (It is a four-star hotel and consists of 290 hotel rooms, in addition to food and beverage outlets, Spa and meeting rooms. The hotel consists of three basements and ground floors and 15 floors. The hotel was officially opened to the public in September 2017G. The hotel was constructed on a plot of (3,600) square meters with a total built-up area of (24,589) square meters and a combined area of (13,088) square meters. In 2021G, the hotel occupancy rate was 78.3%.
2. In Jeddah (It is a four-star hotel and consists of 252 rooms and suits, in addition to food and beverage outlets, recreational facilities and meeting rooms. The hotel consists of four basements and ground floors



and 11 floors. The hotel was constructed on a plot of (2,386) square meters with a total built-up area of (22,121) square meters and a combined area of (11,754) square meters. The hotel was officially opened to the public in September 2016. In 2021G, the hotel occupancy rate was 51.1%.

3. in Dammam (It is a five-star hotel in progress and consists of 285 rooms and suites, in addition to food and beverage outlets, a spa and meeting room facilities. The hotel is a tower that includes a ground floor as well as an additional 21 floors and three basements with parking and is expected to open within the next two to three months. The acquisition requirements include that the hotel must be ready to open before the acquisition is completed. The construction work in the building was completed with 98% and the municipality and civil defense license were obtained. The license of the Ministry of Tourism is on progress and the rest of final finishes for the hotel is being completed. The operator (Rotana Hotel Management Company) has been preliminarily handed over and is currently undergoing the final operation procedures, including hiring employees and completing the connection and download of electronic systems in the hotel.

These hotels are owned by the hospitality funds managed by Shuaa Capital PJSC for SAR 735 million. The company is currently conducting a comprehensive due diligence and negotiating final agreements. Moreover, many investment opportunities are available in the hospitality sector that are presented to the company and the company works continuously to evaluate those opportunities. If the company reaches a final agreement with Shuaa Capital PJSC to acquire the above-mentioned hotels, the company will use the amount of (505,693,300) Saudi riyals outlined in the table below ("Table No. (47) Use of Offering Proceeds") to finance part of the amount acquisition. The remaining amount is financed by financing sources from other financing institutions, including banks, financing companies or other financing funds. The company anticipated for the final agreement to complete the due diligence, and then begin to communicate with the financing institutions in order to fund the remaining funds of the acquisition. In the event that the company is unable to reach an agreement with Shuaa Capital to acquire these hotels or obtain the necessary financing amount, the company will continue to search and evaluate other investment opportunities in this sector in line with the amount allocated to the acquisition of SAR 505,693,300.

The company plans to use the net proceeds of the offering to invest in the hotels owned by Shuaa Capital, or to seek other investment opportunities fit with the company's objectives and the proceeds of the above offering. The company currently has investment opportunities in this sector and is evaluating and studying the feasibility of these investments. If a preliminary or final agreement is reached on these extensions, the company will announce any progress as necessary.

The table below shows expected use of offering proceeds:

**Table NO. (47): Use of Offering proceeds**

Saudi Riyals	2022G		Total	Percentage (%)
	Q3	Q4		
Acquisition of four and five-star hotels	-	505,369,300	505,369,300	96.1%
Offering Fees	-	20,300,000	20,300,000	3.9%
<b>Total</b>	<b>-</b>	<b>525,669,300</b>	<b>525,669,300</b>	<b>100%</b>

Source: The Company's Management

It should be noted that the above-mentioned offering fees will be financed exclusively from the offering proceeds. For the projects that the company intends to acquire, the company is required to obtain financing from external sources, such as bank loans, credit facilities or financing funds, in the event that the amount of the acquisition exceeds the amount shown in the table above.



## 8

### EXPERT STATEMENTS

All advisors whose names set forth in Page (v) of this Prospectus have provided their written approval to include their names, logos, and statements in this Prospectus, and such approvals have not been withdrawn as of the date of this Prospectus.

None of the above advisers or their employees or any of their relatives has any stake or interest of any kind in the Company which would jeopardize their independence as at date of this Prospectus.



## 9

## DIRECTORS REPRESENTATIONS

The directors acknowledge, until the date of this Prospectus, the following:

- Except as disclosed in subsection (3.10) “**Business Interruption**” and Risk No. (2.1.20) “**Risks Related to the Outbreak of the Coronavirus (Covid-19)**” in Section (2) “**Risk Factors**”, there was no disruption in the Company’s business that may impact or has significantly impacted the financial condition during the last twelve (12) months.
- No commissions, discounts, brokerage fees or other non-cash compensations were granted by the Company within the three years immediately preceding the application for registration and offering the securities in connection with the issue or offer of any securities.
- Otherwise what was disclosed in Risk No. (2.1.26) “**Risks of Accumulated Loss**”, there has been no material negative change in the financial and commercial condition of the Issuer during the three years immediately preceding (2019G, 2020G and 2021G) the date of submitting the application for registration and offering the securities subject hereto, in addition to the period covered by the auditor’s report until the Prospectus is approved.
- Other than what is stated in page (iii), the board members or any of their relatives do not have any shares or interest of any kind in the Company.
- The Company did not and does not maintain treasury shares. The company did not obtain the General Assembly’s approval on the purchase of company’s shares.
- The issuance does not violate relevant laws and regulations applicable in Saudi Arabia.
- All material legal information relating to the company was disclosed in the prospectus.
- The issuance shall not breach any of material contracts of agreements to which the Company is a party.





## LEGAL INFORMATION

### 10.1 Introduction to and highlights of changes in the company

#### 10.1.1 Trade name

The Tourism Enterprise Company – SHAMS Saudi Joint Stock Company was incorporated under commercial register number (2050021572) dated 20/01/1412H (corresponding to 01/08/1991G) ending on 20/01/1448H (corresponding to 05/07/2026G).

The company is initially registered in the commercial register of joint stock companies in Dammam under the trade name “Tourism Enterprise Company – SHAMS JSC” that is the current trade name of it and there has been no change to the name as of the date of preparation of this prospectus.

#### 10.1.2 Company organization and stages of development of its capital

- The Tourism Enterprise Company – SHAMS was incorporated as a public joint stock Company under the trade name “Tourism Enterprise Company” Saudi Joint Stock Company pursuant to the ministerial Resolution No. (819) dated 23/09/1411H (corresponding to 09/04/1991G) in order to authorize the establishment the Tourism Enterprise Company – SHAMS SJSC. The Memorandum of Association was audited by the Ministry of Commerce and notarized at the Dammam Notary Office No. 44/307/1/303 and record No. (65) to (75) of 1411H dated 07/09/1411H (corresponding to 24/03/1991G). The number of Company's Shareholders was one hundred and twenty two (122) shareholders, all Saudi companies and individuals. The start-up capital amounted one hundred one million five hundred thousand (101,500,000) Saudi Riyals divided into one million fifteen thousand (1,015,000) equal shares with a nominal value of hundred (100) Saudi Riyals per share. All of these shares are ordinary and cash shares.
- The Company's shares were listed on Tadawul dated 22/06/1420H (corresponding to 02/10/1999G) after approval of the Ministry of Commerce and the Saudi Central Bank (“SAMA”). On 27/02/1427H (corresponding to 27/03/2006G), the Company decided to split of the par value of the company's shares to ten (10) Saudi riyals instead of fifty (50) Saudi riyals pursuant to resolution issued by the Cabinet on determining the par value for the Company's share of ten (10) Saudi riyals.
- On 19/01/1441H (corresponding to 18/09/2019G), the Board of Directors recommended reducing the company's capital to amortize the accumulated losses amounted twenty million eight hundred seven thousand two hundred and fifty-four (20,807,254) Saudi riyals, or (20.5%) of the Company's capital amounting to one hundred one million five hundred thousand (101,500,000) Saudi riyals to become eighty million six hundred ninety-two thousand seven hundred and forty-six (80,692,746) Saudi riyals. Thus, the Company's shares were decreased from ten million one hundred fifty thousand (10,150,000) Saudi riyals to eight million sixty-nine thousand two hundred and seventy-five (8,069,275) Saudi riyals through cancellation two million eighty thousand seven hundred and twenty-five (2,080,725) issued shares in value of twenty million eight hundred and seven thousand two hundred and fifty Saudi riyals.
- On 19/01/1441H (corresponding to 18/09/2019G), the company's board of directors recommended increasing the company's capital by subscribing to Rights Shares in line with the requirements of the business interest and the company's strategy and as needed by the latter for liquidity to diversify its investments during the coming period. Therefore, the company's capital is increased from eighty million six hundred ninety-two thousand seven hundred and forty-six (80,692,746) Saudi riyals to one hundred sixty-one million three hundred eighty-five thousand four hundred and ninety-two (161,385,492) Saudi riyals through increasing the shares of the company from eight million sixty-nine thousand two hundred and seventy-five (8,069,275) shares to sixteen million one hundred thirty-eight thousand five hundred and forty-nine (16,138,549) shares.
- On 03/09/1442H (corresponding to 15/04/2021G), the Company's board of directors recommended reducing the Company's capital from one hundred one million five hundred thousand (105,500,000) Saudi riyals to sixty-six million nine hundred and ninety thousand (66,990,000) Saudi riyals, i.e. Company's capital was decreased by (34%). Thus, the Company's shares were decreased from ten million one hundred fifty thousand (10,150,000) shares to six million six hundred and ninety nine thousand (6,699,000) share through cancellation of three million four hundred and fifty one thousand (3,451,000) shares.



- On 16/01/1443H (corresponding to 24/08/2021G), the Company's board proposed to amend the recommendation for reducing the company's capital dated 03/09/1442H (corresponding to 15/04/2021G) whereas the new recommendation required that the company's capital to be reduced from one hundred one million and five hundred thousand (101,500,000) Saudi riyals to fifty two million five hundred sixty-six thousand and nine hundred and thirty (52,566,930) Saudi riyals, i.e. Company's capital was decreased by (48.21%). Thus, the Company's shares were decreased from ten million one hundred fifty thousand (10,150,000) shares to five million two hundred fifty-six thousand six hundred and ninety-three (5,256,693) shares through cancellation of four million eight hundred ninety three thousand three hundred and seven (4,893,307) shares.
- On 16/01/1443H (corresponding to 24/08/2021G), the Board of Directors recommended that the recommendations provided to the Extraordinary General Assembly shall be amended after the completion of the capital reduction whereas the new recommendation required that the company's capital to be increased from fifty two million five hundred sixty-six thousand nine hundred and thirty (52,566,930) Saudi riyals to three hundred sixty seven million nine hundred sixty eight thousand five hundred and ten (367,968,510) Saudi riyals. Thus, the Company's shares were increased from five million two hundred and fifty-six thousand six hundred and ninety three (5,256,693) shares to thirty six million seven hundred ninety six thousand eight hundred and fifty one (36,796,851) shares through increase thirty one million five hundred and forty thousand one hundred and fifty eight (31,540,158) shares.
- On 27/03/1443H (corresponding to 02/03/2021G), the Capital Market Authority (CMA) approved an application to decrease the capital.
- On 05/05/1443H (corresponding to 09/12/2021G), the Extraordinary General Assembly approved to amend some provisions of the articles of association (Articles 4, 5, 7, 8, 10, 18, 22, 23, 25, 30, 41, 45 and 46).
- On 05/05/1443H (corresponding to 09/12/2021G), the Extraordinary General Assembly approved the recommendation issued by the Board of Directors dated 16/01/1443H (corresponding to 24/08/2021G) for reducing the Company's capital from one hundred one million and five hundred thousand (101,500,000) Saudi riyals to fifty-two million five hundred sixty-six thousand and nine hundred and thirty (52,566,930) Saudi riyals in order to amortize the accumulated losses amounted (48,933,070) Saudi riyals. The reduction is made through cancellation of four million eight hundred ninety-three thousand three hundred and seven (4,893,307) shares.
- On 14/07/1443H (corresponding to 15/02/2022G), the Board of Directors recommended that the recommendations provided to the Extraordinary General Assembly shall be amended by adjusting the propose for increasing the capital from fifty-two million five hundred and sixty-six thousand nine hundred and thirty (52,566,930) Saudi riyals to five hundred and seventy-eight million two hundred and thirty-six thousand two hundred and thirty (578,236,230) Saudi riyals. Thus, the Company's shares were increased from five million two hundred and fifty-six thousand six hundred and ninety-three (5,256,693) shares to fifty-seven million eight hundred and twenty-three thousand six hundred and twenty-three (57,823,623) shares through increase fifty-two million five hundred and sixty-six thousand nine hundred and thirty (52,566,930) shares.
- The company's current capital is fifty-two million five hundred sixty-six thousand and nine hundred and thirty (52,566,930) Saudi riyals divided into five million two hundred and fifty-six thousand six hundred and ninety-three (5,256,693) equal shares with a nominal value of ten (10) Saudi Riyals per each. All of these shares are ordinary and cash shares.
- On 26/04/1444H (corresponding to 20/11/2022G), the Extraordinary General Assembly approved –based on a recommendation from the Board of Directors dated 14/07/1443H (corresponding to 15/02/2022G) to increase the company's capital from fifty-two million five hundred sixty-six thousand nine hundred and thirty (52,566,930) Saudi riyals to five hundred and seventy-eight million two hundred and thirty-six thousand two hundred and thirty (578,236,230) Saudi riyals. The rate of increase is thousand (1,000%) by offering Rights Shares of five hundred twenty-five million six hundred sixty-nine thousand three hundred (525,669,300) shares.

### 10.1.3 Major SHAREHOLDERS

As of the date of publication of this prospectus, no major shareholder owns (5%) or more of the Company's shares.



### 10.1.4 Head Office

The Company's head office is located in the city of Dammam in the Half Moon Beach area, P.O. Box 8383, Postal code 31482, Phone: 8966633.

In accordance with Article five (5) of the Articles of Association, the Company may establish branches, offices or agencies within or outside the Kingdom by resolution of the Board of Directors (for more information, please refer to Subsection (3.4) "Company's Branches" of this Prospectus).

### 10.1.5 Company Duration

Article Six (6) of the company's Articles of Association stipulates that the company's term shall be ninety-nine (99) Gregorian years starting from the date of its registration in the commercial registry. This period may always be extended by a decision issued by shareholders' EGM at least one year before the expiry of its term. According to the Company's commercial registry data, the expiration date of the Company is on 05/02/1514H (corresponding to 02/08/2090G).

### 10.1.6 Articles of Association

- The current version of the company's Articles of Association was issued under the resolution of the Extraordinary General Assembly on 21/08/1438H (corresponding to 17/05/2017G). The Articles of Association has been amended several times according to the following:
  1. **Split of the par value of Share:** on 10/02/1419H (corresponding to 04/06/1998G), the Extraordinary General Assembly approved the amendment of Article six (6) of the Articles of Association regarding Company's capital. The par value of the share was divided into from hundred (100) Saudi riyals to fifty (50) Saudi riyals and doubled the number of shares to two million and thirty thousand (2,030,000) shares.
  2. **Update of the Articles of Association:** On 21/08/1438H (corresponding to 17/05/2017G), the Extraordinary General Assembly approved the amendment of the key Companies Law in line with the new Companies Law.
  3. **Amend of certain clauses of the Articles of Association:** On 05/05/1443H (corresponding to 09/12/2021G), the Extraordinary General Assembly agreed to amend of certain clauses of the Articles of Association as follows:
    - Article Four (4): Regarding ownership and participation in companies.
    - Article Five (5): Regarding the company's head office.
    - Article Seven (7): Regarding the company's capital.
    - Article Eight (8): Regarding subscribing to shares.
    - Article 16 (16): Regarding the management of the company.
    - Article Eighteen (18): Regarding the vacant position in the BoD.
    - Article Twenty-Second (22): Regarding the meetings of BoD.
    - Article Twenty-Third (23): Regarding the quorum at BoD meeting.
    - Article Twenty-fifth (25): Regarding the Shareholders' General Assembly meetings.
    - Article Thirty (30): Regarding the invitation to the Shareholders' General Assembly meetings.
    - Article forty-one (41): Regarding the Audit Committee reports.
    - Article forty-fifth (45): Regarding financial documents.
    - Article forty-six (46): Regarding the Dividends.
  4. **Capital reduction:**
    - On 16/01/1443H (corresponding to 24/08/2021G), the Company's board proposed to amend the recommendation for reducing the company's capital dated 03/09/1442H (corresponding to 15/04/2021G) whereas the new recommendation required that the company's capital to be reduced from one hundred one million and five hundred thousand (101,500,000) Saudi riyals to fifty two million five hundred sixty-six thousand and nine hundred and thirty (52,566,930) Saudi riyals, i.e. Company's capital was decreased by (48.21%). Thus, the Company's shares were decreased from ten million one hundred fifty thousand (10,150,000) shares to five million two hundred fifty-six thousand six hundred and ninety-three (5,256,693) shares through cancellation of four million eight hundred ninety three thousand three hundred and seven (4,893,307) shares.
    - On 16/01/1443H (corresponding to 24/08/2021G), the Board of Directors recommended that the recommendations provided to the Extraordinary General Assembly shall be amended after the



completion of the capital reduction whereas the new recommendation required that the company's capital to be increased from fifty two million five hundred sixty-six thousand nine hundred and thirty (52,566,930) Saudi riyals to three hundred sixty seven million nine hundred sixty eight thousand five hundred and ten (367,968,510) Saudi riyals. Thus, the Company's shares were increased from five million two hundred and fifty six thousand six hundred and ninety three (5,256,693) shares to thirty six million seven hundred ninety six thousand eight hundred and fifty one (36,796,851) shares through increase thirty one million five hundred and forty thousand (31,540,000) shares.

- On 26/04/1444H (corresponding to 20/11/2022G), the Extraordinary General Assembly approved –based on a recommendation from the Board of Directors dated 14/07/1443H (corresponding to 15/02/2022G)- to increase the company's capital from fifty-two million five hundred sixty-six thousand nine hundred and thirty (52,566,930) Saudi riyals to five hundred and seventy-eight million two hundred and thirty-six thousand two hundred and thirty (578,236,230) Saudi riyals. The rate of increase is thousand (1,000%) by offering Rights Shares of five hundred twenty-five million six hundred sixty-nine thousand three hundred (525,669,300) shares.

The company complied with the requirements of the Capital Market Authority (“CMA”) and Saudi Stock Exchange (“Tadawul”) in relation to uploading a version of the Articles of Association to the Tadawul website on the company's website. The latest vision of the Articles of Association was approved by the Ministry of Commerce (**corporate governance department**).

### 10.1.7 Company activity

According to the commercial registry certificate, the company may carry out the following activities: Hotels, furnished housing units, holiday cottage, chalets, tourist hostels, resorts, management of tourist accommodation facilities, camps, restaurants with service, coffee shops, renting and leasing bicycles, reservation and marketing for tourist accommodation units, amusement parks, entertainment centers, organizing entertainment events, operating the facilities of the entertainment events). The company carries out its activities through its headquarter and its subsidiaries, which the company established inside the Kingdom of Saudi Arabia in accordance with the applicable regulations and after obtaining the necessary licenses from the competent authorities. The company has obtained the necessary licenses from the competent authorities to carry out its activity (for more information, kindly see sub-paragraph (9.2) “**Licenses and Permits under which the Company operates**” of this section).

### 10.1.8 Management

In accordance with Article Sixteen (16) of the Articles of Association, the company shall be managed by a Board of Directors , which shall be composed of seven (7) directors elected by the Shareholders’ Ordinary General Assembly for a term not exceeding three years.

#### 10.1.8.1 Formation of the Board of Directors

On 15/10/1442H (corresponding to 27/05/2021G), the Shareholders’ Ordinary General Assembly approved the election of the Board of Directors’ members in its current session, which begins on 16/10/1442H (corresponding to 28/05/2021G) for a period of three (3) years, which expires on 19/11/1445H (corresponding to 27/05/2024G), and the Board of Directors for the said session was formed by the members whose names are shown in the following table:

**Table NO. (48): Board of Directors\***

Board of Directors’ members and Secretary’ The Board of Directors appointed on 01/06/1442H (corresponding to 14/01/2021G)											
Name	Position	Representative of	Nationality	Age	Capacity		Owned shares				Membership date
					Executive	Independent	Direct	Indirect	Total	Percentage (%)	
Abdul Ilah Nasir Al Zarah	Chairman	Individual Capacity	Saudi	50	-	Independent	517	-	517	0.0098350%	16/10/1442H (corresponding to 28/05/2021G)
Abdullah Omar Al-Suwailem	Deputy Chairman of the Board of Directors	Individual Capacity	Saudi	56	Executive	-	517	-	517	0.0098350%	16/10/1442H (corresponding to 28/05/2021G)



Board of Directors' members and Secretary <sup>*</sup> The Board of Directors appointed on 01/06/1442H (corresponding to 14/01/2021G)											
Name	Position	Representative of	Nationality	Age	Capacity		Owned shares				Membership date
					Executive	Independent	Direct	Indirect	Total	Percentage (%)	
Khaled Munif Al-Soor	A Board of Directors' Member	Individual Capacity	Saudi	56	-	Independent	-	-	-	0	16/10/1442H (corresponding to 28/05/2021G)
Fahad Abdullah Al Sameeh	Board of Directors' Member	Individual Capacity	Saudi	57	-	Independent	5	-	5	0.0000951%	16/10/1442H (corresponding to 28/05/2021G)
Rashid Sulaiman Al-Rasheed	Board of Directors' Member	Individual Capacity	Saudi	47	-	Independent	5	-	5	0.0000951%	16/10/1442H (corresponding to 28/05/2021G)
Ahmad Abd Al-Latif Al-Barrak	Board of Directors' Member	Individual Capacity	Saudi	42	-	Independent	-	-	-	0	16/10/1442H (corresponding to 28/05/2021G)
Faisal Mohamed Al Harbi	Board of Directors' Member	Individual Capacity	Saudi	38	-	Independent	-	-	-	0	16/10/1442H (corresponding to 28/05/2021G)
<b>Secretary of the Board of Directors</b>											
Mohamed Saleh Al Shtiwiy	Board of Directors' Secretary	Individual Capacity	Saudi	37	Executive	-	-	-	-	0	17/10/1442H (corresponding to 29/05/2021G)

Source: The Company

<sup>\*</sup> On 15/10/1442H (corresponding to 27/05/2021G), the (ordinary) general assembly held on the aforementioned date, approved the election of the above-mentioned Board of Directors' members in its current session starting from 16/10/1442H (corresponding to 28/05/2021G) for a period of three (3) years ending on 19/11/1445H (corresponding to 27/05/2024G). During its meeting No. 259-05/2021, held on 17/10/1442H (corresponding to 29/05/2021G), the Board of Directors appointed Mr. Abdul Ilah Nasir Al Zarah as a Chairman of the Company's Board of Directors, Eng. Abdullah Omar Al-Suwailem as a Deputy Chairman of the Board of Directors and as a Managing Director, and Mr. Mohamed Saleh Al Shtiwiy as a Secretary of the Board of Directors, from the date of the current session to its end.

<sup>\*\*</sup> Indirect ownership means the company shares owned by the board of directors' members indirectly through their ownership of companies that own shares in such company or the shares owned by the members' relatives of the board of directors, either directly or through their ownership in companies that own shares in such company. Until the date of this prospectus, the Board of Directors' members do not own any shares indirectly.

The company shall abide by the Companies Law and the Corporate Governance Regulations, as it was found that the number of Board of Directors' Members is not less than three (3) and not more than eleven (11). The company shall also be bound to Article Sixteen (16) of the Corporate Governance Regulations, which compel listed companies to have the majority of the board of directors' members from non-executive members and that the number of independent members shall not be less than two members or one-third of the Board of Directors' Members (whichever is more). Notwithstanding the Managing Director, six (6) non-executive members and one (1) executive member have been appointed, including six (6) independent members and one (1) non-independent member. (For more information on the extent of the company's compliance with the corporate governance regulations, kindly see subsection (9.4.5) "**Continuing Obligations as per the requirements of the Capital Market Authority**" of this section).



### 10.1.8.2 Appointment to mandatory positions (Chairman of the Board of Directors, Deputy Chairman, Secretary and Managing Director).

- In accordance with Article Twenty-one (21) of the company's articles of association, the Board of Directors shall appoint from among its members a Chairman and a Deputy Chairman and may appoint a Managing Director. No one shall combine the Chairman position with any other executive position in the Company. The board of directors appoints a secretary chosen by the board itself from its members or from others.
- The company shall be bound to the Articles of Association and the Corporate Governance Regulations regarding the mandatory appointment to these positions, as the Board of Directors approved the appointment to these positions as follows:

**Table NO. (49): Board of Directors' Positions**

Appointed Member's Name	Appointment Resolution	Position
Abdul Ilah Nasir Al Zarah	Minutes of the Board of Directors' meeting on 17/10/1442H (corresponding to 29/05/2021G)	Chairman
Abdullah Omar Al-Suwailem	Minutes of the Board of Directors' meeting on 17/10/1442H (corresponding to 29/05/2021G)	Deputy Chairman of the Board of Directors
Abdullah Omar Al-Suwailem	Minutes of the Board of Directors' meeting on 17/10/1442H (corresponding to 29/05/2021G)	Managing Director
Ali Abdullah Al-Salham	Minutes of the Board of Directors' meeting issued by circulation on 28/08/1442H (corresponding to 10/04/2021G)	CEO
Mohamed Saleh Al Shtiwiy	Minutes of the Board of Directors' meeting on 17/10/1442H (corresponding to 29/05/2021G)	Secretary of the Board of Directors

Source: The Company

- The powers of the board of directors are defined in Article Nineteen (19) of the company's articles of association, and the powers of the chairman, his deputy, managing director and secretary are detailed in Article twenty-one (21) of the company's articles of association. The Secretary of the Board of Directors shall write up the minutes of the Board of Directors' meetings, record its resolutions and keep them in a special register prepared for this purpose.

### 10.1.8.3 Board of Directors' Remuneration

- According to Article twenty of the company's articles of association, the board of directors' remuneration shall be calculated according to the percentage stipulated in Article (46) of this law and within the limits stipulated in the Companies Law and its regulations, provided that the value exceeds five hundred thousand (500,000) Saudi riyals for each member, including financial and in-kind benefits.
- The report submitted by the Board of Directors to the Ordinary General Assembly shall include a comprehensive statement of all the bonuses, expenses allowance and other benefits received by the Board of Directors' Members during the fiscal year. It shall also include a statement of the remuneration received by Board of Directors' Members that they received in their capacity as employees or officials, or the amount they received in return for their technical or administrative work or consultancy. It shall also include the number of board of directors' sessions and the number of sessions attended by each member from the date of the last meeting of the General Assembly.
- The Board of Directors' report for the fiscal year ended on December 31, 2020G, which was approved by the Ordinary General Assembly on 15/10/1442H (corresponding to 27/05/2021G), disclosed the criteria adopted by the company in the payment of remuneration to the Board of Directors, It also included a comprehensive statement of all amounts received by the Board of Directors' members during the fiscal year, including salaries, a share of the profits, attendance allowance, expenses allowance and other benefits. The remuneration value of the Board of Directors' Members during the fiscal year ended on December 31, 2020G, is an amount of ninety-eight thousand (98,000) Saudi riyals, and during the year ended on December 31, 2021G an amount of two million three hundred and eighty-eight thousand four hundred and forty-five (2,388,445) Saudi riyals.
- (For more information, kindly see sub-paragraph (4.3) "**Compensation and remuneration of the Board of Directors' Members and senior executives**" of Section No. (4) "**The Organizational Structure of the Company**" herein).





#### 10.1.8.4 Board of Directors' Meetings

- According to Article Twenty-two (22) of the Company's Articles of Association, the Board of Directors meets at least twice a year at the invitation of its Chairman. The invitation shall be in writing or sent by fax or e-mail attached by the agenda, in a sufficient time before the date of the meeting to enable the members to attend unless the situation calls for an emergency meeting. The chairman shall invite the board of directors to hold a meeting whenever two members request it.
- As of the date of preparing this prospectus, the Board of Directors held a number of meetings as follows:

**Table NO. (50): Board of Directors' Meetings**

Board of Directors' Meetings	2019G*	2020G	2021G	2022G**
Number of sessions	2	1	7	1***

Source: The Company

\* During 2019G, the Board of Directors met twice and issued 16 resolutions by circulation. According to Article (84) of the Companies Law, the Board of Directors may issue resolutions in urgent matters by presenting them to the members separately, unless one of the members requests - in writing - the meeting of the Board of Directors to deliberate on them. These resolutions shall be presented to the Board of Directors at its first subsequent meeting. The company did not present the resolutions that were made by circulation during the Board of Directors' first meeting, which was held on 19/03/2019G, as 3 resolutions should have been presented by circulation during this meeting and during the second and last meeting of 2019G which was held on 10/11/2019G, where 13 resolutions should have been presented by circulation during this meeting.

\*\* Until the date of this prospectus.

\*\*\* One meeting was held in the presence of the Board of Directors' Members and some resolutions were made by circulation on 24/01/2022G and on 15/02/2022G

#### 10.1.8.5 Board of Directors' Committees

The Board of Directors shall have three (3) committees that assist it in the execution of its duties as follows:

##### 10.1.8.5.1 Audit Committee

According to Article Thirty-Eight (38) of the Company's Articles of Association and the first Paragraph (a) of Article One (1) of the Company's Audit Committee Regulations, the Audit Committee shall be composed of three (3) members who are not executive members in the Board of Directors, whether from the shareholders, or others, and the number of the current Committee's members, is three (3) members. The members of the Audit Committee were appointed by the Shareholders' (ordinary) General Assembly, held on 22/12/1442H (corresponding to 01/08/2021G) and shall dissolve at the end of the current Board of Directors' session on 19/11/1445H (corresponding to 27/05/2024G). It is composed of the following members:

**Table NO. (51): The Members of the Audit Committee\***

Name	Position	Other positions currently occupied by the member
Rashid Sulaiman Al-Rasheed	Chairman of the Audit Committee	<ul style="list-style-type: none"> <li>Chief Financial Officer, BNY Mellon Saudi Financial Company</li> <li>An Independent Member in the Board of Directors of Tourism Enterprise Company (TECO)</li> </ul>
Saad Al Tayyar	A Member	Deputy Chief Financial Officer at Saudi Authority for Industrial Cities and Technology Zones (Modon)
Firas Al-Harbi	A Member	CEO - The Saudi Arabian Amiantit Company

Source: The Company

\*The Shareholders' (Ordinary) General Assembly appointed members of the Audit Committee for a new term starting from the date of convening the General Assembly and to the end of the current Board of Directors' session on 19/11/1445H (corresponding to 27/05/2024G), according to the Board of Directors' recommendation on 22/10/1442H (corresponding to 03/06/2021G).

It is worth noting that, as of the date of this prospectus, the two members, Saad Al-Tayyar and Firas Al-Harbi, shall not occupy any other positions in the company, notwithstanding Chairman of the Committee, Rashid Sulaiman Al-Rasheed, who is a Board of Directors' Member in the company.

The Audit Committee regulation was approved by the Shareholders' Ordinary General Assembly in its meeting held on 13/06/1432H (corresponding to 16/05/2011G), kindly see subparagraph (4.4.1) "Audit Committee" of paragraph (4.4) "Board of Directors' Committees" in Section (4) "The Organizational Structure of the Company".

According to Paragraph (d) of Article One of the Audit Committee Regulations, the Committee shall meet periodically every three months, and it shall also meet with the company's auditor and the internal auditor. The internal auditor and the company's auditor may invite to a meeting with the audit committee whenever it is necessary. The Committee held seven (7) meetings during the fiscal year ended on December 31, 2019G, eight (8) meetings during the fiscal year ended on December 31, 2020G, seven (7) meetings during the fiscal year ended on December 31, 2021G and (1) meeting during the fiscal year ended on December 31, 2022G.



**Table NO. (52): The number of audit committee meetings during the past three years up to the date of this prospectus**

	2019G	2020G	2021G	2022G
Audit Committee	7	8	7	2

Source: The Company

\*Until the date of this prospectus

#### 10.1.8.5.2 Nomination and Remuneration Committee

In accordance with the regulations of the Remuneration and Nominations Committee and the requirements of the Corporate Governance Regulations issued by the Capital Market Authority, the (Remuneration and Nominations Committee) shall be formed by the Board of Directors' resolution and shall be composed of three (3) members who are not executive members in the Board of Directors, provided that at least one of them is an independent member. The Nominations and Remunerations Committee shall be composed of three (3) members. The Nominations and Remunerations Committee was formed, pursuant to Board of Directors' Resolution No. 260-06/2021, issued on 22/10/1442H (corresponding to 03/06/2021G), and it shall dissolve at the end of the current Board of directors' session on 19/11/1445H (corresponding to 27/05/2024G), and it is composed of the following members:

**Table NO. (53): Members of the Nomination and Remuneration Committee**

Name	Position	Other positions currently occupied by the member
Fahad bin Abdullah Al Sameeh	Chairman of the Nomination and Remuneration Committee	<ul style="list-style-type: none"> <li>CEO of Tabuk Agriculture Development Company (TADCO)</li> <li>A Board of Directors' Member in Tourism Enterprise Company - "Shams"</li> </ul>
Rashid Sulaiman Al-Rasheed	A Member	<ul style="list-style-type: none"> <li>Chief Financial Officer, BNY Mellon Saudi Financial Company</li> <li>A Board of Directors' Member in Tourism Enterprise Company - "Shams"</li> </ul>
Ayoub El Amrani	A Member	<ul style="list-style-type: none"> <li>Investors' Relations with Dr. Sulaiman Al-Habib Medical Group</li> <li>Part-time consultant at Purity for Information Technology</li> </ul>
Khaled Al-Sour	A Member	Executive manager of Legal Consultations in National Water Company and a member in the Board of Directors of Tourism Enterprise Company - "Shams"

Source: The Company

The Nomination and Remuneration Committee shall meet at least once per year. The Committee held three (3) meetings during the fiscal year ended on December 31, 2019G, five (5) meetings during the fiscal year ended on December 31, 2020G, nine (9) meetings during the fiscal year ended on December 31, 2021G and (0) meeting during 2022G.

**Table NO. (54): The number of the Nomination and Remuneration Committee meetings during the past three years up to the date of this prospectus**

	2019G	2020G	2021G	2022G
Nomination and Remuneration Committee	3	5	9	1

Source: The Company

Until the date of this prospectus

#### 10.1.8.5.3 Development and Investment Committee

The Development and Investment Committee is composed of three (3) members. The Development and Investment Committee was formed in the minutes of the Board of Directors' meeting on 22/10/1442H (corresponding to 03/06/2021G). It shall dissolve at the end of the current Board of Directors' session on 19/11/1445H (corresponding to 27/05/2024G), and it is composed of the following members:

**Table NO. (55): Members of the Development and Investment Committee**

Name	Position	Other positions currently occupied by the member
Abdul Ilah Nasir Al Zarah	Chairman of the Nomination and Remuneration Committee	<ul style="list-style-type: none"> <li>Chairman of the Board of Directors of Mazah Trading and Contracting Co. Ltd.</li> <li>Chairman of the Board of Directors of Tourism Enterprise Company (TECO)</li> </ul>
Abdullah bin Omar Al-Suwailem	A Member	Deputy Chairman and Managing Director of Tourism Enterprise Company (TECO)
Ayoub El Amrani	A Member	<ul style="list-style-type: none"> <li>Investors' Relations with Dr. Sulaiman Al-Habib Medical Group</li> <li>Part-time consultant at Purity for Information Technology</li> </ul>



Name	Position	Other positions currently occupied by the member
Ahmed bin Ali Al-Zayat	A Member	<ul style="list-style-type: none"> <li>Manager of Investors' Relations and Legal Affairs at Takween Advanced Industries Co.</li> <li>Secretary of the Board of Directors of Takween Advanced Industries Co.</li> <li>A Member of the Risk Management Committee</li> <li>A Member of the Reporting and Anti-fraud Committee at Takween Advanced Industries Co.</li> <li>A Member of the Audit Committee at Al- Othman Holding Company</li> </ul>

Source: The Company

It is worth noting that, as of the date of this prospectus, the Chairman of the Development and Investment Committee, Mr. Abdul Ilah Nasir Al Zarah, holds the Chairman position in the Board of Directors (a non-executive/ independent member), and Mr. Abdullah bin Omar Al-Suwailem who is a member in the Development and Investment Committee, holds the deputy Chairman position and Managing Director (an executive member) and Mr. Ayoub El Amrani is also a member of the Nominations and Remunerations Committee.

The committee does not have any regulations, and the committee shall meet whenever it is necessary. The Committee did not hold any meetings during the two fiscal years ended on December 31, 2019G, and December 31, 2020G. The Committee held seven (7) meetings during the fiscal year ended on December 31, 2021G. The committee also held two (2) meetings during 2022G, until the publication date of this prospectus.

**Table NO. (56): The number of the Development and Investment Committee meetings during the past three years up to the date of this prospectus**

	2019G	2020G	2021G	2022G
Executive Committee	0	0	7	2

Source: The Company

\*Until the date of this prospectus

#### 10.1.8.5.4 Executive Management

The current executive management is presided by Chief Executive Officer (CEO) Ali Abdullah Al-Salham, as of 28/09/1442H (corresponding to 11/04/2021G). The following table shows the details of the company's executive management:

**Table NO. (57): The Executive Management of the Company**

Name	Position	Nationality	Age	Employment Date	Owned shares			
					Direct		Indirect	
					No.	Ratio	No.	Ratio
Ali Abdullah Al-Salham	CEO	Saudi	43	29/08/1442H (corresponding to 11/04/2021G)	-	-	-	-
Mohamed Saleh Al Shtiyw	Manager of Investors' Relations and Governance	Saudi	37	07/04/1431G (corresponding to 23/03/2010G)	-	-	-	-
Ahmed Mohamed Suleiman	chief financial officer	Egyptian	39	04/11/1440H (corresponding to 07/07/2019G)	-	-	-	-
Abdul Rahman Awadah Al-Shehri	Manager of Human Resources and Administrative Affairs***	Saudi	28	14/11/1441H (corresponding to 05/07/2020G)	-	-	-	-
Muhammed Bashir Al-Din Shefa	Information systems manager	Indian	42	08/12/1440H (corresponding to 09/08/2019G)	-	-	-	-
Mujtaba Ali Al Bushra	Operation and maintenance manager	Sudanese	38	15/08/1436G (corresponding to 02/06/2015G)	-	-	-	-
Mohammed Abdul Latif Saleh	Sales manager	Sudanese	42	10/01/1424H (corresponding to 13/03/2003G)	-	-	-	-

Source: The Company



## 10.2 Licenses and permits obtained by the company

### 10.2.1 Licenses, certificates and approvals related to the company headquarter

The company has obtained several legal and operational licenses and certificates from the competent authorities necessary to carry out its activities in accordance with the applicable laws in the Kingdom of Saudi Arabia, and these licenses are renewed periodically. The following tables show the current licenses and approvals obtained by the company in relation to its headquarter.

**Table NO. (58): Approvals, licenses, certificates and permits obtained by the company in its headquarter**

Type of license	Purpose	Licensee	License No.	Issuance Date	Expiry Date	Licensor	Note
Commercial Register	Registration of the company in the Commercial Companies registry (Joint-stock company)	Tourism Enterprise Company (TECO) - (Public Joint-stock company)	2020021572	20/01/1412H (corresponding to 01/08/1991G)	20/01/1448H (corresponding to 05/07/2026G)	Ministry of Commerce - Commercial Registry in Dammam	-
Membership certificate of the Chamber of Commerce and Industry	In compliance with the provisions of the Law of Commercial Register (Article one)	Tourism Enterprise Company (TECO) - (Public Joint-stock company)	336	17/08/1443H (corresponding to 20/03/2022G)	20/01/1448H (corresponding to 05/07/2026G)	Chamber of Commerce and Industry "Asharqia Chamber"	-
Saudization certificate**	To prove that the company complies with the required Saudization percentage according to Nitaqat program	Tourism Enterprise Company (TECO) - (Public Joint-stock company)	20002202018132	13/07/1443H (corresponding to 14/02/2022G)	13/10/1443H (corresponding to 14/05/2022G)	E-Services Department Ministry of Human Resource and Social Development	-
GOSI Contribution Certificate	In compliance with the social insurance law	Tourism Enterprise Company (TECO) - (Public Joint-stock company)	46090088	08/10/1443H (corresponding to 09/05/2022G)	08/11/1443H (corresponding to 07/06/2022G)	General Organization for Social Insurance	-
wages protection Certificate****	In compliance with the wages protection system (WPS)	Tourism Enterprise Company (TECO) - (Public Joint-stock company)	20042204000698	27/09/1443H (corresponding to 28/04/2022G)	26/11/1443H (corresponding to 25/06/2022G)	Ministry of Human Resources and Social Development (Labor Office - E-Services)	-
Zakat and Income Certificate*	To prove that the company submitted its annual declaration and paid zakat	Tourism Enterprise Company (TECO) - (Public Joint-stock company)	1110187427	10/09/1443H (corresponding to 11/04/2022G)	10/10/1444H (corresponding to 30/04/2023G)	Zakat, Tax and Customs Authority****	-
VAT registration certificate	To prove that the company is registered in value added tax (VAT)	Tourism Enterprise Company (TECO) - (Public Joint-stock company)	300535787600003	26/11/1442H (corresponding to 06/07/2021G)	NA	Zakat, Tax and Customs Authority	-
Entity Evaluation Certificate – Nitaqat	Evaluation of the Entity according to Nitaqat program, which indicates that the company is in the (low green) domain.	Tourism Enterprise Company (TECO) - (Public Joint-stock company)	4-2712	17/08/1443H (corresponding to 20/03/2022G)	-	E-Services Department Ministry of Human Resource and Social Development**	-



Type of license	Purpose	Licensee	License No.	Issuance Date	Expiry Date	Licensor	Note
Municipal License	In compliance with the Law of Municipalities and Rural Areas to practice the activity of the office, which is the installation, operation and maintenance of alarm devices	Tourism Enterprise Company (TECO) - (Public Joint-stock company)	43037865676	24/04/1443H (corresponding to 29/11/2021G)	24/04/1444H (corresponding to 18/11/2022G)	Ministry of Municipal, Rural Affairs and Housing - Eastern Region Municipality - Dhahran Municipality - Half Moon Bay	The completion certificate for the installation of surveillance cameras, issued by the Ministry of Municipal, Rural Affairs and Housing - Eastern Region Municipality (Dhahran Municipality) has been reviewed.
Safety certificate	The company shall be bound to the safety conditions of General Directorate of Civil Defense	Tourism Enterprise Company (TECO) - (Public Joint-stock company)	43-000818631-1	20/04/1443H (corresponding to 25/11/2021G)	20/04/1443H (corresponding to 14/11/2022G)	General Directorate of Civil Defense	-

Source: The Company

\*A Commitment certificate which is valid for a maximum of one month and electronically renewable upon request.

\*\*A Commitment certificate which is valid for a maximum of three months and electronically renewable upon request.

\*A Commitment certificate which is valid for a maximum of 60 days and electronically renewable upon request.

The title of "General Authority for Zakat and Tax (GAZT)" has been amended to become "Zakat, Tax and Customs Authority"

## 10.2.2 Licenses, certificates and approvals related to the company branches

- Article Five (5) of the company's articles of association stipulates that the headquarter the company shall be located in Dammam in the Kingdom of Saudi Arabia, and it may establish branches, offices or agencies inside or outside the Kingdom of Saudi Arabia by a resolution issued by the Board of Directors.
- As of the publication date of this prospectus, the company has established three (3) branches within the Kingdom of Saudi Arabia as follows:

**Table NO. (59): List of branches and their commercial registers**

No.	Company branches	CR No.	Location	Activity	Issuance Date	Expiry Date	Branch Manager
1	Palm Beach Resort (Branch of Tourism Enterprise Company (TECO))	2051049490	Al Khobar - Half Moon Bay	Establishing and managing resorts and tourist facilities and renting jet skis, marine boats and water games under the letter of the Border Guards of Khobar No. 3/26/6484, on 29/07/1438H (corresponding to 26/04/2017G)	07/08/1433H (corresponding to 27/06/2012G)	06/08/1443H (corresponding to 09/03/2022G)	Mohammed Khalifa Saleh Al-Rasheed
2	Tourism Enterprise Company (TECO) - (Public Joint-stock company)	2052103400	Dhahran	Hotels, resorts, managing tourist accommodation facilities, coffee shops, amusement parks, entertainment centers, organizing entertainment events and operating the facilities of the entertainment events.	06/07/1443H (corresponding to 07/02/2022G)	06/07/1444H (corresponding to 28/01/2023G)	Abdul Rahman Awada Favez Al Shehri
3	Tourism Enterprise Company (TECO) - (Public Joint-stock company)	2052103401	Dhahran Municipality	Hotels, resorts, managing tourist accommodation facilities, coffee shops, amusement parks, entertainment centers, organizing entertainment events and operating the facilities of the entertainment events.	06/07/1443H (corresponding to 07/02/2022G)	06/07/1444H (corresponding to 28/01/2023G)	Sultan bin Awad bin Saad Al-Shamrani

Source: The Company

\* The company stated that it had written off its branch located in Riyadh, and the company branch in Al-Khobar, Shams Tower for residential units, with commercial register No. (2051049490), was closed. However, until the date of this prospectus, the cancellation certificate for commercial register of the aforementioned branches, has not been reviewed.



As of the date of this prospectus, the company obtained the following certificates and licenses\*:

**Table NO. (60): Approvals, licenses, certificates and permits obtained by the company branches**

Palm Beach Resort which is a branch of Tourism Enterprise Company (TECO)							
Type of license	Purpose	Licensee	License No.	Issuance Date	Expiry Date	Licenser	Note
Commercial Register	Registration of the company branch in the Commercial Companies registry	Palm Beach Resort which is a branch of Tourism Enterprise Company (TECO)	2051049490	07/08/1433H (corresponding to 27/06/2012G)	06/08/1443H (corresponding to 09/03/2022G)	Ministry of Commerce - Commercial Registry in Al-Khobar	The commercial register certificate has expired The commercial register is being renewed at the present time
License to operate tourist accommodation facilities	Granting a license to the establishment to operate a tourist accommodation facility	Palm Beach Resort	4300059	13/08/1435H (corresponding to 11/06/2014G)	-	General Commission for Tourism and Antiquities	The commercial register is being renewed at the present time, and the application No. (31358) was submitted to the Ministry in February 2022G, and it is still under procedure as of the date of this prospectus.
<b>Branch of Tourism Enterprise Company (TECO) (Public Joint Stock company) No. 2052103400</b>							
Commercial Register	Registration of the company branch in the Commercial Companies registry	Branch of Tourism Enterprise Company (TECO) (Public Joint Stock company)	2052103400	06/07/1443H (corresponding to 07/02/2022G)	06/07/1444H (corresponding to 28/01/2023G)	Ministry of Commerce - Commercial Registry in Dhahran	-
<b>Branch of Tourism Enterprise Company (TECO) (Public Joint Stock company) No. 2052103401</b>							
Commercial Register	Registration of the company branch in the Commercial Companies registry	Branch of Tourism Enterprise Company (TECO) (Public Joint Stock company)	2052103401	06/07/1443H (corresponding to 07/02/2022G)	06/07/1444H (corresponding to 28/01/2023G)	Ministry of Commerce - Commercial Registry in Dhahran	-

Source: The Company

\*After perusal of all the company's documents, and according to its declarations, the company's branch "Palm Beach Resort which is a branch of Tourism Enterprise Company (TECO)" is located in the same headquarters as the main branch, so that the company's headquarters and its branch operate in the same headquarters, which entails that the branch does not need to obtain a Membership certificate of the Chamber of Commerce and Industry.

\*The company has also informed us that the branch does not have any registered workers, which entails that the branch does not need to obtain a Saudization certificate, social insurance, and a commitment certificate in compliance with the wages protection system (WPS) and other certificates related to the legality of the workers employment in companies according to Saudi law. In addition, the branch is not obligated to obtain municipal licenses and safety certificates.

### 10.3 Subsidiaries

In accordance with Article (4) of the Company's Articles of Association, the Company may establish its own companies with limited liability or joint stock provided that the capital shall not be less than five (5) million Saudi riyals; it may also own shares in other existing companies or merge with them; it shall be entitled to participate with others in the establishment of joint stock or limited liability companies, after fulfilling the required provisions and regulations. The Company may also dispose of these shares, provided that this does not include mediation in their trading. As of the publication date of this Prospectus, the Company does not have any subsidiary.



## 10.4 Continuing Obligations imposed by the Governmental Authorities on the Company in its Capacity as a Licensee

The regulatory authorities below require the licensee to comply with some essential requirements as follows:

### 10.4.1 The Continuing Obligations as per the requirements of the Ministry of Commerce

- The Company shall comply with the Law of Commercial Register in terms of registration with the Commercial Registry in Dammam, where the headquarter is, under Certificate No. (2050021572) on 20/01/1412H (corresponding to 01/08/1991G), which shall expire on 20/01/1448H (corresponding to 05/07/2026G).
- The Company shall also comply with the Companies Law in terms of adopting the Company's Articles of Association in line with the new and recent amendments made to the Companies Law, after obtaining a prior approval from the Ministry of Commerce on the draft Articles of Association and the approval of the Shareholders in the EGA meeting on 21/08/1438H (corresponding to 17/05/2017G). The Articles of Association were approved by the company Governance Department (Ministry of Commerce) on 28/11/1438H (corresponding to 20/08/2017G). The Company complied with the requirements of the CMA and the Saudi Stock Exchange (Tadawul) in terms of uploading a copy of the Articles of Association on Tadawul website on the Company page.
- The Company shall also comply with the Law of Commercial Register in terms of obtaining a membership certificate of the Chamber of Commerce and Industry under the Certificate No. (336), issued on 17/08/1443H (corresponding to 20/03/2022G) and shall expire on 20/01/1448H (corresponding to 05/07/2026G).
- The company shall comply with completing the procedures for establishing its branches and shall also comply with the Law of Commercial Register in terms of registration with the Commercial Registry, but it shall not be obligated to obtain a membership certificate of the Chamber of Commerce and Industry for its three branches, as the branches carry out their activities in the same headquarter of the company. Whereas the company obtained the commercial register certificate No. (2051049490) for its branch "Palm Beach Resort", on 07/08/1433H (corresponding to 27/06/2012G) and which expired on 06/08/1443H (corresponding to 09/03/2022G), issued by the Commercial Registry in the city of Khobar. The company also obtained two commercial register certificates No. (2052103400) and (2052103401) belonging to the two branches of the company located in Dhahran, issued on 06/07/1443H (corresponding to 07/02/2022G), which are valid until 06/07/1444H (corresponding to 28/01/2023G).
- The Company shall also comply with Article 129 of the Companies Law in terms of setting aside (10%) per annum of the net profits to form the statutory reserve. The value of the statutory reserve set aside amounted to two million nine hundred and thirteen thousand one hundred and twenty-one (2,913,121) Saudi riyals on December 31, 2021G.
- The company shall also comply with the provisions of Article (150) of the Companies Law, which obliges any official in the company or the company auditor, as soon as he learns that the losses have reached half of the paid-up capital, to inform the Chairman of the Board of Directors, who shall inform the members and call the extraordinary general assembly, within (15) days after becoming aware thereof, to meet within (45) from the date of becoming aware of the losses to decide either to increase or decrease the capital, to the extent that the percentage of losses drops below half of the paid-up capital, or to dissolve the company before its renewed term in the articles of association. On 05/05/1443H (corresponding to 09/12/2021G), the Shareholders' (Extraordinary) General Assembly approved the Board of Directors' recommendation issued on 16/01/1443H (corresponding to 24/08/2021G), to reduce the company's capital by (48.21%) to become (52,566,930) Saudi riyals, due to the amortization of accumulated losses in the amount of 48,933,070 Saudi riyals, provided that the reduction shall be through canceling 4,893,307 shares of the company's shares, and one share shall be reduced for every (2.07426) shares. This is after the company obtained the approvals of the competent regulatory authorities (the Capital Market Authority "Authority", the Saudi Stock Exchange "Tadawul" and the Ministry of Commerce).
- According to the company's declaration, it does not have any registered trademark with the competent authority (the Saudi Authority for Intellectual Property). (For more details, kindly see paragraph (9.9.) "Trademarks" in Section (9) "Legal Information" of this Prospectus).



#### 10.4.2 The Continuing Obligations as per the requirements of Zakat, Tax and Customs Authority

- The Company, like other registered establishments and companies operating in KSA, shall be obliged to submit its zakat and tax returns within (120) days from the end of the fiscal year for the purpose of renewing the certificate issued by the Zakat, Tax and Customs Authority. The Company was registered as a taxpayer under the distinguished tax number (3005357876); it submitted its zakat declaration for the fiscal year ended on December 31, 2021G, and obtained a zakat certificate No. (1110187427) from Zakat, Tax and Customs Authority, on 10/09/1443H (corresponding to 11/04/2022G) and valid until 10/10/1444H (corresponding to 30/04/2023G). It is worth noting that the zakat paid to the Zakat, Tax and Customs Authority for the fiscal year ended on December 31, 2020G, amounted to nine hundred and thirty-five thousand six hundred and thirty (935,630) Saudi riyals, and during 2021G, it amounted to nine hundred and ninety-three thousand four hundred and thirty-one (993,431) Saudi riyals.
- The company shall comply with the Value Added Tax (VAT) Law and its executive regulations and is registered with the Zakat, Tax and Customs Authority under tax number (300535787600003) according to a certificate issued on 26/11/1442H (corresponding to 06/07/2021G).
- In compliance with the law of the Zakat, Tax and Customs Authority, the company's branch Palm Beach Resort, the branch of Tourism Enterprise Company (TECO), in addition to the company's branch in Riyadh, were registered, but the company's board of directors, on 15/10/2020G, decided according to minutes No. 227-10/2020 to close the company's branch in Riyadh as of 30/09/2020G, and writing off its commercial register and its membership in the Chamber of Commerce and Industry was canceled. The company's branch in Al-Khobar, Shams Tower for residential units, with commercial register No. (2051049490), was closed. The company submitted its zakat returns for all fiscal years from the beginning of practicing its activity until the fiscal year ended on December 31, 2020G, and paid the due zakat according to those returns and obtained a zakat certificate valid until April 30, 2022G.
- During 1440H, Zakat, Tax and Customs Authority issued a letter to settle the dispute with Tourism Enterprise Company (TECO), under the distinguished tax number (3005357876) pursuant to the approval of the Zakat and Tax Disputes' Settlement Resolution No. 79/1440, by His Excellency the Governor, on 05/03/2019G for the period in dispute, starting from 1996G to 2010G, and the resolution became final, enforceable, binding on both parties and shall terminate the zakat obligations for the aforementioned period, with a total amount of (3,600,021) in invoice No. (3005357876104002).
- The fiscal years from 2019G to 2020G shall be reviewed by Zakat, Tax and Customs Authority. As of the publication date of this prospectus, the company received a zakat assessment for the period starting from 2019G to 2020G, with a value of (397,022) Saudi riyals.

Notwithstanding the above-mentioned provisions of Section (2) "Risk Factors" stipulated in this Prospectus, the company shall abide by the laws and regulations of the Zakat, Tax and Customs Authority.

#### 10.4.3 The Continuing Obligations as per the requirements of the Ministry of Human Resources and Social Development

- A file has been opened with the Ministry of Human Resources and Social Development (Labor Office) under the unified number (4-2712) according to the Saudization certificate. As of the date of publishing this Prospectus, the Company benefits from the E-services of the Ministry of Human Resources and Social Development. A Saudization certificate No. (20002202018132), on 13/07/1443H (corresponding to 14/02/2022G) and which expired on 13/10/1443H (corresponding to 14/05/2022G) which has been issued to prove that the Company complies with the required Saudization percentage according to the Nitaqat program, which amounts to (34.58%). The company is in the (low green) domain (Intermediate - category A).
- The company complies with the provision of Article (13) of the Labor Law, which obliges the employer to prepare a regulation to organize the work in his establishment according to the template prepared by the Ministry, and to publish it and any amendment thereto in a visible place in the establishment. As on the date of preparing this prospectus, the company internal regulation No. (676766), which was issued on 17/04/1443H (corresponding to 22/11/2021G) and was approved by the Ministry of Human Resources and Social Development, was reviewed.
- The Company shall comply with the wages protection system according to the commitment certificate No. (20042204000698), on 27/09/1443H (corresponding to 28/04/2022G); this certificate is valid for a period of (60) days starting from its issuance date to 26/11/1443H (corresponding to 25/06/2022G). The liability percentage reached (100%) on April 2022G.
- The company shall also certify its employees' employment contracts electronically, and the liability percentage reached (100%) on 27/09/1443H (corresponding to 28/04/2022G), according to a report issued by the "Madad" platform in April 2022G.
- Employees and Saudization



**Table NO. (61): Number of employees working for the company and its branch according to the data of the government authorities**

Authority	Document type	Saudi worker	Non-Saudi worker	Total	Notes
Social insurance	GOSI Contribution Certificate	17	34	51	on 08/10/1443H (corresponding to 09/05/2022G)
Labor Office	Nitaqat Certificate	17	35	52	on 17/08/1443H (corresponding to 20/03/2022G)
General Directorate of Passports - (Muqem)	Residence Permit (Iqama) - (Muqem)	NA	34	34	on 27/09/1443H (corresponding to 28/04/2022G)
The Company	Payroll sheet	18	36	54	In March 2022G

Source: The Company

Notwithstanding the aforementioned provisions of Section (2) “**Risk Factors**” stipulated in this Prospectus, the company shall comply with the required Saudization percentage in accordance with the requirements of the Ministry of Human Resources and Social Development.

#### 10.4.4 The Continuing Obligations as per the requirements of the General Organization for Social Insurance

- A file has been opened with the General Organization for Social Insurance on behalf of the company, under subscription No. (200042670); it is registered in the pension and occupational hazards branches for Saudi contributors. For non-Saudi contributors, it is registered in the Occupational Hazards Branch, in accordance with the GOSI Contribution Certificate No. (46090088), issued on 08/10/1443H (corresponding to 09/05/2022G). The total number of those who are registered in the social insurance system, reached 51 workers, including 17 Saudi workers and 34 non-Saudi workers. The value of the paid contributions during 2020G reached (285,363) Saudi riyals. The value of the paid contributions during 2021G reached (312,806) Saudi riyals.

**Table NO. (62): Number of Saudi and Non-Saudi workers registered in the social insurance system**

Number of Saudi and Non-Saudi workers*				
Authority	Reference	Number of Saudi workers	Number of Non-Saudi workers	Total
Social insurance	GOSI Contribution Certificate	17	34	51

Source: The Company

\*In May 2022G

#### • Unemployment Insurance Law (Saned):

It is a law issued by the General Organization for Social Insurance to achieve social solidarity, and aims to insure against unemployment and protect contributors (Saudi workers) who lost their jobs due to circumstances beyond their control, and as a remedy for the deterioration of the social conditions of unemployed individuals and as compensation for the unemployment. It was issued by royal decree No. (M/18), on 1435/03/12H (corresponding to 2014/01/14G) approving the Unemployment Insurance Law (Saned). According to this law, the employer shall pay (%1) per month of the salary and the contributor shall pay (%1) as well. A compensation ranging from two thousand (2,000) to nine thousand (9,000) Saudi riyals, shall be disbursed. Compensation shall be disbursed at the percentage of (%60) of the average monthly wages for each month of the first three months of the last two years, with a maximum limit of nine thousand (9,000) Saudi riyals for the amount of compensation, and (%50) of this average for each month in excess of such maximum limit. All companies shall abide by this law, and they shall register all Saudi contributors in the pension Branch and paid the percentage stipulated in the law. The failure to comply with such law and violate any provision of the Unemployment Insurance Law (Saned) and its regulations, the employer shall be liable for a fine not exceeding ten thousand (10,000) Saudi riyals, and this fine shall be doubled in case of committing the same violation again, and the fine shall be multiplied by the number of the workers against whom the employer committed one or more violations. According to the GOSI Contribution Certificate, the company shall be bound to the provisions of the law in terms of registering Saudi workers in the pension branch.

After the spread of the Coronavirus pandemic and in order to mitigate the effects of the pandemic on private sector companies, a royal decree was issued to support Saudi workers in private sector establishments affected by the repercussions of the emerging Coronavirus by the Unemployment Insurance Law (Saned). In accordance with the royal decree to extend the support period for an additional three (3) months, provided that the support percentage shall be a maximum of (%70) of the Saudi workers in the most affected establishments by the pandemic, and a maximum of (%50) of the Saudi workers in the least affected establishments to achieve full benefit from the initiatives announced since the beginning of the pandemic. During the validity of the initiative, the company did not submit any application to benefit from the support provided by the initiative. The General Organization for Social Insurance has issued a report



detailing the support for contributors in establishments affected by the repercussions of the crisis, stating that the number of selected contributors reached six (6).

Notwithstanding the provisions of Section (2) “**Risk Factors**” stipulated in this Prospectus, the company shall abide by the laws and regulations of General Organization for Social Insurance.

#### 10.4.5 The Continuing Obligations as per the requirements of the CMA

- The CMA requires listed companies in the Capital Market to abide by the rules of offering security, continuing obligations and by the special instructions issued by the CMA, in particular the obligation to periodically disclose the substantial and financial developments and the Board of Directors’ report. Moreover, according to the Continuing Obligations manual of Listed Companies, the annual financial outcomes announced on Tadawul website shall be derived from the audited financial statements approved by the Company’s external auditor appointed by the Assembly and approved by the Board of Directors, and the Company shall adhere to the declarations forms included in the instructions for companies’ declarations of their financial outcomes. The Company shall also provide a statement of all the causes and effects of the change in the financial outcomes for the current fiscal year according to the base period, so that the reasons shall include all the items of the financial outcomes declarations.
- The CMA requires listed companies in the Capital Market to disclose the stages of their compliance with the transition to the International Financial Reporting Standards (IFRS). On 25/11/1437H (corresponding to 28/08/2016G), the Company announced on Tadawul website that it is committed to such transition and it started applying the International Financial Reporting Standards (IFRS) as of 01/01/2017G. The company’s financial statements for the fiscal year ended on December 31, 2020G have also been prepared in accordance with international standards approved in the Kingdom of Saudi Arabia.
- The CMA requires listed companies in the Capital Market to follow the list of instructions for declarations of joint-stock companies whose shares are listed therein, issued pursuant to the CMA Board’s resolution No. (1-199-2006) on 18/07/1427H (corresponding to 12/08/2006G), as amended according to Resolution No. (1-104-2019) on 01/02/1441H (corresponding to 30/09/2019G).
- The CMA requires listed companies in the Capital Market to appoint representatives in the Capital Market Authority for all purposes related to the implementation of the Capital Market Authority law and its executive regulations. The company carried out that, as the Board of Directors appointed Eng. Abdullah bin Omar Al-Suwailem (Deputy Chairman of the Board of Directors) and Mr. Mohamed Saleh Al Shtiyw (Secretary) under its resolution issued on 17/10/1442H (corresponding to 29/05/2021G).
- On 23/01/1438H (corresponding to 24/10/2016G), the CMA Board’s Resolution No. (1-130-2016) was issued to amend the procedures and instructions for companies listed in the Capital Market whose accumulated losses amounted to (50%) or more of their capital according to the new companies law, whose title has been amended to become “Procedures and instructions for companies whose shares are listed in the Capital Market, whose accumulated losses amounted to (20%) or more of their capital”, and amended by the CMA Board’s Resolution No. (1-77-2018), issued on 05/11/1439H (18/07/2018G), which stipulates that if the company’s accumulated losses amount to 20% or more of its capital, the company shall disclose this event immediately. Article Four (4) of the Procedures and instructions for companies whose shares are listed in the Capital Market, whose accumulated losses amounted to (35%) and less than (50%) of their capital, specified the followings:
  1. Through an independent declaration, the company shall immediately disclose to the public and without delay that its accumulated losses reached (35%) and are less than (50%) of its capital, provided that the declaration includes the amount of accumulated losses and their percentage of the capital, and the main reasons that led to these losses and the actions that the company shall take in this regard, indicating in its declaration that these procedures and instructions shall be applied to such losses. If the disclosure required in accordance with this paragraph coincides with the declaration of the initial or annual financial outcomes, the company shall be exempted from disclosing a separate declaration if it included it in the declaration of the initial or annual financial outcomes.
  2. The Capital Market Authority adds a mark next to the company’s name on the website of the Capital Market Authority, indicating that the accumulated losses have reached (35%) and less than (50%) of its capital immediately upon the issuance of the declaration referred to in the above-mentioned paragraph (1) of this article.

The company shall comply with paragraph (c) of Article 4 in the procedures and instructions for the companies whose shares are listed in the capital market, whereas it disclosed that its losses decreased to (1) of its capital and the measures it took to adjust their positions after obtaining the chartered accountant’s report. Accordingly, (the mark) has been deleted from the company’s name on the website of the Capital Market Authority.



On 04/04/1443H (corresponding to 09/11/2021G), the company disclosed that its accumulated losses had reached (48.13%) of its capital. On 30/03/2022G, the company announced a reduction in losses, as the accumulated losses at the end of 2021G amounted to 0.07% of the company's adjusted capital after the reduction, which became 52,566,930 Saudi riyals, while the accumulated losses at the end of 2020G was 34.26% of the company's capital before the reduction, with a value of 101,150,000 Saudi riyals.

- The company shall comply with the rules for registering auditors of the establishments subject to the supervision of the Capital Market Authority, issued by the CMA Board in accordance with the resolution No. (1-135-2018) issued on 12/04/1440H (corresponding to 19/12/2018G), where it deals with auditors registered with CMA.
- With regard to the company governance, table No. (63) below includes a summary of the company's compliance with the corporate governance regulations issued by the Capital Market Authority.
- It is worth noting that the violation of any rules and procedures, or failing to implement them, the company shall be subject to legal accountability by the Capital Market Authority, which may do the following or any of them, namely:
  1. Sending a warning notice to the company
  2. Compelling the company to take the necessary measures to avoid the occurrence of the violation, or to take the necessary corrective procedures to remedy the consequences of the violation.
  3. Imposing a fine of no more than five million (5,000,000) Saudi riyals for each violation committed by the company.

During the previous years, the company was subjected to some penalties and fines, as follows:

- On 25/08/2010G, a fine of fifty thousand (50,000) Saudi riyals was imposed on the company for violating sub-paragraph (9) of paragraph (b) of Article (27) of the registration and listing rules (rules for offering securities and continuing obligations), if the report of its Board of Directors attached to its annual financial statements for the fiscal year 2009G, did not contain a description of the issuer's dividend policy.
- On 26/05/2021G, CMA issued a resolution imposing a fine of ten thousand (10,000) Saudi riyals for violating Paragraph (b) of Article (46) of the Capital Market Law, and the CMA's Circular No. (P/18/5977/57), due to the failure to provide the CMA with information related to the company for the fiscal year ended on December 31, 2020G during the period specified for it.

With regard to the company governance, the table below includes a summary of the company's compliance with the corporate governance regulations issued by the Capital Market Authority.

**Table NO. (63): A summary of the most important provisions of the Corporate Governance Regulations which the company abode by**

Article No.	Details	Responsible Authority	Commentary
9/b	The board of directors shall set a clear policy regarding the distribution of dividends in favor of the shareholders' interests and the company in accordance with the company's articles of association.	Board of Directors	Non-compliant
8/a	Providing a copy of the information about the nominees for the membership of the Board of Directors on the company's website	Board of Directors	Non-compliant
12/5 and 54	Formation of the Audit Committee	Shareholders' General Assembly	Compliant - The committee was composed by a resolution issued by the Board of Directors on 03/06/2021G. The General Assembly approved the recommendation on 22/12/1442H (corresponding to 01/08/2021G).
54/c	The company's general assembly, in accordance with a proposal from the Board of Directors, shall issue the audit committee regulation, provided that such regulation includes the rules and procedures of the committee's tasks, duties, the rules for selecting its members, how to nominate them, the duration of their membership, their remuneration, and the mechanism for temporarily appointing its members in the event that one of its seats becomes vacant.	Shareholders' General Assembly	Compliant
12/6	Approval of the financial statements during 2020G	Shareholders' General Assembly	Compliant - the shareholders' (ordinary) general assembly - the first meeting - held on 15/10/1442H (corresponding to 27/05/2021G)



Article No.	Details	Responsible Authority	Commentary
12/7	Approval of the Board of Directors' annual report in 2020G	Shareholders' General Assembly	Compliant - the shareholders' (ordinary) general assembly - the first meeting - held on 15/10/1442H (corresponding to 27/05/2021G)
12/9 and 81	Appointing the company's auditors, determining their remuneration, re-appointing and changing them, and approving their reports.	Shareholders' General Assembly	Compliant - The company approved the auditor's report on 27/05/2021G On 27/05/2021G, the assembly approved the appointment of Al Bassam & Co., chartered accountants as the company's auditor.
13/d	Announcing the date, place and agenda of the General Assembly at least twenty-one days prior to the specified date, on the company's website.	Board of Directors	Compliant
14/c	Allowing shareholders, through the company's website, when publishing the invitation to convene the general assembly, to obtain information related to the agenda items of the general assembly, especially the board of directors' report, the auditor's report, the financial statements and the report of the audit committee.	Board of Directors	Compliant
22/2	Enacting laws and rules for internal control and general supervision over it, including: Developing a written policy to remedy actual and potential "conflict of interest" cases for all Board of Directors' members, the executive management members and shareholders, including the misuse of the company's assets and facilities, and misconduct resulting from dealings with relevant parties. Ensuring the integrity of the financial and accounting systems, including those related to the preparation of financial reports. and to ensure that appropriate control systems are applied to measure and manage risks, by developing a general perception of the risks that the company may face, and to create an environment familiar with the circumstances of risk management at the company level and to present it transparently to the company's stakeholders and relevant parties. Annual review to ensure the effectiveness of the company's internal control procedures.	Board of Directors	No independent policy was prepared for the conflict of interest - it was mentioned in the Corporate Governance Regulations.
22/3	Developing clear and definite policies, standards and procedures for the membership of the Board of Directors, and enforce them after the approval from the General Assembly.	Shareholders' General Assembly	Compliant - Policies, Standards and Procedures Membership of the Board of Directors On 25/06/2020G, the Shareholders' General Assembly agreed to amend the policies, Standards and procedures of the membership in the Board of Directors
22/4	Developing a written policy regulating the relation with stakeholder, in accordance with the provisions of the Corporate Governance Regulations, and it shall specifically include the following: Mechanisms for compensating stakeholders in the event of a violation of their rights recognized by law and protected by contracts, Mechanisms for settling complaints or disputes that may arise between the company and stakeholders. And appropriate mechanisms to establish good relations with customers and suppliers, and to maintain the confidentiality of information related to them.	Board of Directors	Compliant - there is no independent policy, it was mentioned in the Corporate Governance Regulations.
22/5	Developing policies and procedures that ensure the company's compliance with laws and regulations and its commitment to disclosing substantial information to shareholders and stakeholders, and verifying the compliance of the executive management with them.	Board of Directors	Compliant - there is no independent policy, it was mentioned in the Corporate Governance Regulations (Policies and Procedures Related to Disclosure and Transparency).
22/13, 50, 60, 60/a and 64	Forming specialized subcommittees formed from the Board of Directors by resolutions specifying the committee's term, powers and responsibilities, and how the Board of Directors shall monitor it, provided that the resolution to form such subcommittees includes naming the members and specifying their tasks, rights and duties, with an evaluation of the performance and achievements of these subcommittees and their members.	Board of Directors	Compliant - Three committees were formed from the Board of Directors (Audit Committee - Nomination and Remuneration Committee - Development and Investment Committee)
23/1	Approving and developing the internal policies related to the company's work, including defining the tasks, competencies and responsibilities assigned to the various organizational levels.	Board of Directors	Compliant - there is no independent policy, it was mentioned in the Corporate Governance Regulation (internal control).



Article No.	Details	Responsible Authority	Commentary
23/2	Adopting a written and detailed policy specifying the powers delegated to the executive management and a table showing those powers, the method of implementation and the delegation period. The Board of Directors may require the executive management to submit periodic reports on practicing its delegated powers.	Board of Directors	Remuneration policy of the board of directors' members, committees and executive management Board of Directors' Resolution issued on 13/06/2021G
25	CEO Appointment	Board of Directors	Compliant - Board of Directors' Resolution issued on 10/04/2021G (Appointment of Ali Abdullah Al-Salham)
26/5	Developing the organizational and functional structures of the company and submitting them to the Board of Directors for approval.	Board of Directors	Compliant - Approval of the organizational structure amendment, Board of Directors resolution issued on 18/04/2021G
26/10	Proposing a policy and types of remuneration to be granted to workers, such as fixed remuneration, performance-related remuneration, and remuneration in the form of shares.	Board of Directors	The clause was stated, as one of the board of directors' functions, in the Corporate Governance Regulations. There is no independent policy
43	A written and clear policy for dealing with actual or potential conflict of interest cases that could affect the performance of the Board of Directors' members, executive management or other workers of the company when they deal with the company or with other stakeholders	Board of Directors	It was mentioned in the Corporate Governance Regulation, there is no independent policy
55/b/4 and 74	Appointing the manager of the internal audit division or department or the internal auditor and proposing his remuneration.	Board of Directors	The internal audit duties were assigned to an external auditor on 30/12/2021G - Rami Alkheder CPA- RCPA for making an internal Audit of the company in 2021G.
60/b and 64/b	The company's general assembly, in accordance with a proposal from the Board of Directors, shall issue the regulation of Remuneration and Nominations Committee, provided that such regulation includes the rules, procedures and agenda of the committee's tasks, duties, the rules for selecting its members, how to nominate them, the duration of their membership, their remuneration, and the mechanism for temporarily appointing its members in the event that one of its seats becomes vacant.	Shareholders' General Assembly	Compliant - Minutes of the General Assembly held on 16/05/2011G.
61/1	The Remuneration and Nominations Committee shall prepare a clear policy for the remuneration of the Board of Directors' members and the subcommittees formed from the Board of Directors and the Executive Management, and submit it to the Board of Directors for consideration in preparation for approval by the General Assembly, provided that the performance-related standards shall be taken into account while developing such policy, disclose it, and verify its implementation.	Shareholders' General Assembly	Compliant - On 16/05/2011G, the Shareholders' Ordinary General Assembly approved the regulation of the Nominations and Remunerations Committee.
65/3	Preparing a description of the capabilities and qualifications required for the membership of the Board of Directors and occupying executive management positions.	Nominations and Remunerations Committee	This Clause was referred to in the Corporate Governance Regulations.
68	Announcing the beginning of candidacy for the membership of the Board of Directors on the company's website.	Board of Directors	Compliant
84	Policies or procedures complied by stakeholders in filing their complaints or reporting violations.	Board of Directors	Compliant - Policy of Reporting violations (the minutes of the Board of Directors' meeting No. 11/231/2020G, on 30/11/2020G)
86	Professional Conduct and Ethics Policy	Board of Directors	Compliant- Professional Conduct and Ethics Policy (the minutes of the Board of Directors' meeting No. 11/231/2020G, on 30/11/2020G)
89	A written disclosure policies and supervisory procedures and systems in line with the disclosure requirements contained in the Companies Law and the Capital Market Law	Board of Directors	Non-compliant
91/b	Publishing the audit committee report on the company's website		Non-compliant - the company publishes the reports of the board of directors and the financial statements



Article No.	Details	Responsible Authority	Commentary
94	Company's governance rules that do not conflict with the mandatory provisions	Board of Directors	Compliant - Corporate Governance Regulation It was approved by the shareholders' general assembly on 01/07/2018G.

Source: The Company

#### 10.4.6 The Continuing Obligations as per the requirements of the Ministry of Municipal, Rural Affairs and Housing

- A municipal license shall be obtained for the sites rented by the company; so that the Company can operate them, bearing in mind that the municipality or the secretariat requires the following documents: A copy of the Commercial Register, a copy of the articles of association, a copy of the lease contract, and a copy of the building permit for the rented facility or warehouse, a copy of the real estate office's license, a photocopy of the building from a distance, including the plate (with a copy of the plate invoice and the registration of the Company trademark ownership to be used on the facade), in addition to the license of General Directorate of Civil Defense. The company obtained a municipal license No. (43037865676), issued by the Eastern Region Municipality - (Dhahran Municipality), on 24/04/1443H (corresponding to 29/11/2021G), which shall expire on 24/04/1444H (corresponding to 18/11/2022G). The company further obtained a safety certificate No. (43-000818631-1) issued by the General Directorate of Civil Defense, on 20/04/1443H (corresponding to 25/11/2021G), which shall expire on 20/04/1444H (corresponding to 14/11/2022G).
- The company has concluded two lease contracts of land located in Half Moon Bay in Dammam Municipality, with the aim of practicing its commercial activity in constructing a chalet city. (For more information, kindly see paragraph (9.5)) **"Summary of Material Contracts"** of Section (9) **"Legal Information"**.
- The company does not have any leased sites outside Dammam Municipality.

#### 10.4.7 The Continuing Obligations as per the requirements of the Ministry of Tourism\*

- The company branch has a license to operate tourist accommodation facilities issued by the Ministry of Tourism. With regard to continuing obligations according to the requirements of the Ministry of Tourism, the Ministry obliges the licensees to abide by the following conditions in order to maintain the license:
  - Exhibiting the license and classification certificate in a prominent place in the reception
  - Complying with the general health rules and conditions in the facility, paying attention to general health services and workers, and paying attention to general hygiene inside and outside the facility
  - The availability of a unified management and a clear administrative structure for all departments in the tourist accommodation facility.
  - Using Arabic and English languages, and Hijri and Gregorian calendar in all transactions and publications, provided that the publications shall include the trademark and trade name of the company.
  - Providing the Ministry, upon request, with any additional information or data through any means it deems appropriate, within a period not exceeding 48 hours, as a maximum from the time of its request.
  - Updating all tourist accommodation facility data in the electronic system for licensing tourist accommodation facilities as soon as they are amended.
  - Notifying the Ministry of any change in the official addresses and the company shall be liable for any legal consequences if they are incorrect.

**Table NO. (64): Data of the tourism license obtained by the company**

No.	Branch	Tourism License No.	Location	Tourism Activities	Issuance Date	Expiry Date	Notes
1	Palm Beach Resort - a branch of Tourism Enterprise Company (TECO)	4300059	Al Aziziyah Road - Half Moon Bay - Dhahran	Practicing the activity of operating tourist accommodation facilities	13/08/1435H (corresponding to 11/06/2014G)	-	The commercial register is being renewed at the present time, and the application No. 31358 was submitted to the Ministry in February 2022G, and it is still under procedure as of the date of this report.

Source: The Company





- It is worth noting that the company shall register in the National Tourism Information Network (Shomoos), which is an electronic service to link the establishments with each other to create central databases on tourism information, to exchange information for a statistical purpose and to develop joint cooperation in business.

## 10.5 Summary of Material Contracts

### 10.5.1 Contracts and Transactions with Related Party

- Paragraph (1) of Article (71) of the Companies Law states that a board member may not have any direct or indirect interest in transactions or contracts made for the company, except with prior authorization from the ordinary General Assembly (GM) and subject to rules set by the competent authority. The board member shall notify the board of directors of any direct or indirect interest he may have in the transactions or contracts made for the company. Such notification shall be recorded in the minutes of the board meeting. Said members may not participate in voting on the resolution to be issued on this matter by the board of directors and the assembly of shareholders. The chairman of the board shall inform the General Assembly (GM), when it convenes, of transactions and contracts in which a board member has a direct or indirect interest, providing a special report from the external auditor of the company. Paragraph (2) of the same Article adds that if a board member fails to disclose his interest as provided for in paragraph 1 of this Article, the company or any stakeholder may petition the competent judicial authority to invalidate the contract or obligate the member to return any profit or benefit realized therefrom.
- According to the company, there are no commercial transactions with related parties. However, according to the financial statements for the year ending on December 31, 2020G, the value of transactions with related parties during the year in salaries, benefits, and the like for senior management amounted to (1,817,338) Saudi riyals, while in 2019G it amounted to (2,627,813) Saudi riyals.

### 10.5.2 Lease Contracts

#### 1. Lease Contracts of the company as “Lessor”

- The company has entered into one (1) lease contract in its capacity as a lessor. This contract is considered one of the conventional lease contracts (which state focus on the amount of rent the company pays to the lessor annually), renewable, and it is considered void if the lessee is late in paying the rent. The lessee is not entitled to sub-rent the property without obtaining the written consent of the lessor. Further, the method of using the leased property or the activity may not be changed without the consent of the lessor.

The following is a summary of the most important information about the aforementioned contract

**Table NO. (65): List of valid and renewed lease contracts for the sites occupied by the company as a lessor**

No	Lessor	Lessee	Loc.	Type of property	Contract date	Contract duration	Contract end date	Contract Value (SAR)	Renew status	Registration
1	Touristic Enterprise Company - TECO	Lubdah Place restaurant Corporation	Al Khobar - Olaya District	Commercial Exhibits	08/08/1441AH (corresponding to 01/04/2020G)	Four (4) years binding on both parties, starting from 01/04/2020G	21/09/1445AH (corresponding to 31/03/2024G)	One hundred eighty thousand (180,000) Saudi riyals - excluding value-added tax. The first six months is a grace period.	-	Contract not electronically registered

Source: The Company





## 2. Lease Contracts of the company as “Lessee”

- The company has entered into one (1) lease contract in its capacity as a lessee. This contract is considered one of the conventional lease contracts (which state focus on the amount of rent the company pays to the lessor annually), renewable, and it is considered void if the lessee is late in paying the rent. The lessee is not entitled to sub-rent the property without obtaining the written consent of the lessor. Further, the method of using the leased property or the activity may not be changed without the consent of the lessor.

The following is a summary of the most important information about the aforementioned contract

**Table NO. (66): List of valid and renewed lease contracts for the sites occupied by the company as a lessee**

No	Lessor	Lessee	Loc.	Type of property	Contract date	Contract duration	Contract end date	Contract Value (SAR)	Renew status	Registration
1	Dammam Amana	Touristic Enterprise Company – TECO	Half Moon Bay - Al Dammam	Shore Land	01/01/1410AH (corresponding to 03/08/1989G)	Lease contracts entered into by the company as a lessee Forty years (the lease becomes effective after one year from the date of signing the contract)	29/02/1452AH (corresponding to 02/08/2030G)	Thirty thousand (30,000) Saudi riyals annually	-	contract not electronically authenticated

Source: the Company

- With reference to Cabinet Resolution No. 292, dated 16/5/1438AH (corresponding to 13/02/2017G), which stipulates that non-registered lease contracts on the Ejar Electronic Network shall not be considered valid contracts that produce their administrative and legal effects and that the Ejar Electronic Network for rental services has been launched in cooperation between the Ministry of Justice and Ministry of Housing on 17/05/1439AH (corresponding to 03/02/2018G), a circular was issued by the Ministry of Justice approving the application of this to all contracts concluded after 05/05/1440AH (corresponding to 11/01/2019G). As of the date of this prospectus coming out, the company has not authenticated the two lease contracts.

### 10.5.3 Supply Contracts

Until the date of this prospectus, the company has not concluded any supply contracts, as it stated that it does not have long-term contracts or written agreement with any of the suppliers where they are dealt with through purchase orders. Accordingly, there are no long or short-term contracts and agreements, and all current transactions are made through buying and selling orders with all the clients of the company.



#### 10.5.4 Contracts and agreements for services and consulting

The company has entered into agreements with financial advisors, auditing offices, and chartered accountants to audit and examine the financial statements according to the following

**Table NO. (67): Service agreement made by the company**

No	Type of contract or agreement	Purpose of contract or agreement	contracting party	Contract date of signing	Contract Value	Duration of the contract	Remarks
1	Consulting and studies agreement for entertainment services for the Touristic Enterprises (TEC) Company.	Providing consultations, studies, designs, and development plans for entertainment services at the Palm Beach Resort, where the first party makes a recommendation for the appropriate facilities, the financial objectives of the project, and the operational guidelines for the property to meet the needs of the resort's guests.	APOGEE ATTRACTIONS LLC	26/05/1440AH (corresponding to 01/02/2019G)	One hundred and three thousand (103,000) US dollars.	-	An amount of twenty thousand (20,000) US dollars was transferred through Alinma Bank via corporate electronic services from the company's account to APOGEE ATTRACTIONS LLC on February 21, 2019G
2	External Audit Agreement	Auditing the statement of financial position as of December 31, 2021G, the comprehensive income statement, the statement of changes in equity, the statement of cash flows for the year ended as on the mentioned date and the clarifications notes of financial statements, including a summary of the important accounting policies (financial statements) of the Touristic Enterprises (TECO) Company in addition to examining the statements The interim condensed financial position, which includes the interim financial position statement, the interim income statement, the interim comprehensive income statement, the interim statement of changes in equity and the interim cash flow statement for the period ending on June 30, 2021G, September 30, 2021G, and March 31, 2022G.	PKF Ibrahim Ahmed Al Bassam and Co (Certified Public Accountants)	26/10/1442H (corresponding to 07/06/2021G)	One hundred-fifty thousand (150,000) Saudi riyaIs.	unlimited	-
3	Financial services agreement	Providing consulting services with respect to the capital of the Touristic Enterprises (TECO) Company by (48.2%) as mentioned in the revised recommendation of the Board of Directors on 24/08/2021G.	Adeem Capital	14/02/1443AH (corresponding to 21/09/2021G)	Seventy thousand (70,000) Saudi riyaIs – exclusive value-added tax.	One year starting from the date of signature	-

Source: the Company

- Except for the contracts mentioned previously, no material contracts entered into by the company in the course of its activity have been reviewed.

#### 10.5.5 Loans and credit facilities

- The company does not have any loans or bank facilities or agreements of the type of finance lease with any of the Saudi and non-Saudi banks that are standing as of the date of preparing this prospectus. Based on what the company has informed us, it has not provided a cash loan of any kind to members of its board of directors, it has not provided any guarantees for any loans to board members or its employees with third parties, and has not opened any letters of credit.
- The company did not also grant loans to any of the employees except for the salaries advance payments, which are calculated from the housing and/or transportation allowance according to the work contract.



## 10.6 Memorandum of understanding (MOU)

On 26/07/1443AH (corresponding to 27/02/2022G), the company signed a non-binding memorandum with SHUAA Capital Saudi Arabia "SHUAA Capital" for the potential acquisition of 100% of (3) hotels (Centro Waha by Rotana in Riyadh - Centro Shaheen by Rotana in Jeddah - Dana Rayhaan by Rotana in Dammam) owned by the hospitality funds managed by SHUAA Capital, noting that the hotels are operated by Rotana Hotel Management Corporation Ltd., for a total value of (735,000,000) Saudi riyals, excluding real estate tax. This deal aims to achieve diversify the company's business in support of the company's board of directors' plans to build partnerships and alliances with international companies that contribute to expanding the company's future business and maximizing the return to Touristic Enterprises (TEC) Company shareholders. The term of the memorandum is (180) days starting from the date of its signing and shall be renewable subject to the consent of both parties. The deal does not involve transactions with related parties. The following is a summary of the most important provisions of the Memorandum of Understanding:

**Table NO. (68): Summary of MOU entered into with "SHUAA Capital"**

MOU date	First party	Second party	MOU subject	MOU duration	Deal value	Remarks
26/07/1443AH (corresponding to 27/02/2022G)	Touristic Enterprises (TECO) Company	26/07/1443AH (corresponding to 27/02/2022G)	The potential acquisition of 100% of (3) hotels	(180) days from the date of signature	735,000,000	

Source: the Company

## 10.7 Properties of the company

The company has only one property according to a statutory deed issued by the First Notary Public in Al-Khobar, and the following is a summary of the property owned by the company, whose title deed has been viewed:

**Table NO. (69): Company Properties**

No	Property type	Doc / Bond No	Date	Location	Area (m2)	Bond value	Owner	Issuing authority
1.	Comm. block	56/152/3	18/10/1426H (corresponding to 20/11/2005G)	Al-Khobar - Al Aqrabiyah District – plot No. (58) Block No. (4) plan 2/349 in Al Aqrabiyah	(875) m2	(1,750,000) Saudi riyals	Touristic Enterprises (TECO) Company	First Notary Public in Al-Khobar

Source: the Company

As of the date of publishing this prospectus, the company does not have any other property registered in its name.

## 10.8 Litigation

The management of the company confirms that the company is not a party to any lawsuit, cases, complaints, claim, arbitration, administrative procedures, established investigations, or are likely to be established in which the company is a party until the date of preparing this report, that would have, collectively or individually, a material impact on company's business or financial position, and the management of the company was not aware of any current material judicial disputes being heard or potential or facts that could, collectively or individually, create an imminent risk related to a material dispute, with the exception of the following cases:

**Table NO. (70): Judicial disputes**

#	Case No.	Court	Plaintiff	Requests	Claims value (SAR)	Company's situation (probability of winning the case)	Case status
<b>Actions brought by the company as a plaintiff</b>							
1	421533687	Riyadh General Court	Farid Ibrahim El-Sayed	Contract termination and dues settlement	Directing the defendant to pay (1,615,830) riyals	60%	Pending
2	431978853	Al-Khobar General Court	Farid Ibrahim El-Sayed	Directing the plaintiff to pay money	Directing the defendant to pay (1,741,214) + (174,000)	60%	Pending



#	Case No.	Court	Plaintiff	Requests	Claims value (SAR)	Company's situation (probability of winning the case)	Case status
3	1554	Riyadh Commercial Court	Hemaia Security and Safety Equipment and Trading Co. Ltd. (Hemaia)	Contract termination	5,653,000	Lost – petition request has been submitted	Final court judgment
<b>Actions brought by the company as a defendant</b>							
1	411003818	Al-Khobar General Court	Jassim Mohammed Al-Dosari	Termination of contract (Facilities maintenance charges item)	0	Won by first instance judgment (99%)	A first instance judgment has been issued
2	411065744	Al-Khobar General Court	Khaled Mohammed Al-Ansari	Termination of contract (Facilities maintenance charges item)	0	Won by first instance judgment (99%)	A first instance judgment has been issued
3	421270403	Al-Khobar General Court	Jamal Hamad Al-Sibet	Termination of contract (Facilities maintenance charges item)	0	60%	A judgment has been issued but not final
4	421617730	Al-Khobar General Court	Abdullah Saeed Al-Musbeh	Termination of contract (Facilities maintenance charges item)	0	99%	Pending
5	411493879	Al-Khobar General Court	Ahmed Dawood Al Abd Al Taif	Termination of contract (Facilities maintenance charges item)	0	80%	Pending
6	411070641	Al-Khobar General Court	Fouad Mohammed Al-Ansari	Termination of contract (Facilities maintenance charges item)	0	80%	Pending
7	411066125	Al-Khobar General Court	Adel Al-Barrak	Termination of contract (Facilities maintenance charges item)	0	80%	Pending
8	439112262	Dammam Commercial Court	Badour Ibrahim Al-Rasis	Operation contract dues case	900K riyals	New	Pending
9	431967810	Dammam General Court	Badour Ibrahim Al-Rasis	Operation contract dues case	231K riyals	New	Pending
10	411001331	Al-Khobar General Court	Abdul Rahman Abu Bakr Al-Amoudi	Termination of contract (Facilities maintenance charges item)	0	Won by a first instance judgment	petition request has been submitted
11	411001371	Al-Khobar General Court	Mohammed Ahmed Al-Juwair	Termination of contract (Facilities maintenance charges item)	0	80%	Pending
12	421106508	Al-Khobar General Court	Fouad Mohammed Al-Ansari	Request to make the company cease controlling the resort + evidencing violation	0	100% winning	A first instance judgment has been issued
13	421119329	Al-Khobar General Court	Khaled Mohammed Al-Ansari	Request to make the company cease controlling the resort + evidencing violation	0	100% losing	petition request has been submitted
14	421266871	Al-Khobar General Court	Amin Muhammad Al-Madani	Termination of contract (Facilities maintenance charges item)	0	Won by a first instance judgment	petition request has been submitted
15	421358790	Al-Khobar General Court	Talaat Abdel Aziz Badr	Termination of contract (Facilities maintenance charges item)	0	80%	Case was abandoned



#	Case No.	Court	Plaintiff	Requests	Claims value (SAR)	Company's situation (probability of winning the case)	Case status
16	421421691	Al-Khobar General Court	Faleh Dahem Al-Dosari	Termination of contract (Facilities maintenance charges item)	0	80%	Pending
17	421590206	Al-Khobar General Court	Mohamed Ali Traboulsi	Termination of contract (Facilities maintenance charges item)	0	80%	Pending
18	421546927	Dammam Labor Court	Farid Ibrahim El-Sayed	Claim of compensation	921,971 Saudi riyals	Suspended due to another case	Judgment to s
19	431954828	Al-Khobar General Court	Badour Ibrahim Al-Rasis	Premises returning	0	70%	Pending
20	39106032	Al-Khobar General Court	Adel Abdel Aziz Ahmed Al-Barrak	A claim for compensation for damage sustained by the original lawsuit or a procedure therein	0		Pending
21	-	Labor Court	Abdul Hamid bin Abdullah Al-Tareef**	Claim to release salaries and allowances	4,932,067	Won by a final court judgment	Appeal judgment has been issued in favor of the company

Source: the Company

\* On 09/06/1440AH (corresponding to 14/02/2019G), the company signed a memorandum of understanding with the desire of acquiring part of the owners' shares in Hemaia Security and Safety Equipment and Trading Co. Ltd. As a result of finding material financial obligations owed by Hemaia Security and Safety Equipment and Trading Co. Ltd. (Hemaia) that were not previously disclosed to TECO Company by the company's owners and did not state in the audited financial statements of the company and the financial due diligence examination report, the Board of Directors of "TECO" decided to withdraw from Hemaia Security and Safety Equipment and Trading Co. Ltd. and take actions in this regard, as well as not proceeding with the acquisition of the Saud Khalifah Madaj Al Fassam & Co. for Cash Gold Jewelry & Precious Transit and the Saud Al Khalifa Madaj & Co. for private civil security services. Accordingly, the company has filed a lawsuit with the Riyadh Commercial Court against the founders of Hemaia Security and Safety Equipment and Trading Co. Ltd. Further, on 04/03/2021G, the first instance judgment was pronounced dismissing the case and the company submitted a petition, which was not considered until the date of preparing this report.

\*\* On 08/01/1442H (corresponding to 07/10/2019G) Mr. Abdul Hamid bin Abdullah Al-Tareef (former board member - former CEO,) filed a labor case against the company to demand the payment of salaries and allowances for all clauses of the contract for the entire remaining period With a total claimed amount of (10,279,879) Saudi riyals due to the termination of services as per the plaintiff's lawsuit. On 08/07/2021G, the first instance judgment was issued by the Dammam Labor Court, which awarded the plaintiff an amount of (4,932,067) Saudi riyals. The company appealed the judgment within the statutory period, and on 29/03/1443AH (corresponding to 04/11/2021G) the judgment of appeal was issued in favor of the company not directing it to pay the said financial claim.

## 10.9 Trademarks

- The company maintains a logo () which it uses in its dealings, but as of the date of preparing this report, the logo was not registered as a trademark with the Saudi Authority for Intellectual Property.
- As of the date of this prospectus, the Company does not have any intangible assets.
- The company is obliged to register its two websites (palmbeach.com.sa) and (shamstourism.com.sa), to ensure that they are protected and prevented from being violated and used by others that may add only one phrase (sa.). The two issued certificates issued by NourNet have been reviewed and further approved by the Communications and Information Technology Commission - Saudi Network Information Center on 10/06/1443AH (corresponding to 13/01/2022G) stating that the company has protected its website by adding the phrase (sa.).



## 10.10 Insurance

The company maintains several insurance policies to ward off some risks and keep its assets and properties which include the following:

- The company signed a health insurance policy for its employees and some of their families' members with Bupa Arabia for Cooperative Insurance Co. Commercial Register No. (4030178881), is a company with a license to operate in the Kingdom of Saudi Arabia. These insurance policies cover health care through the network of service providers appointed by the company and provided that the case is covered by insurance. The coverage includes all current and new employees as shown in the payroll (husband/ wife and children - minimum: from the date of birth, children - maximum: up to 25 years, unmarried female daughters, including widows and divorced women and based on the insurance company's policy). This policy has the number (40850000) and is valid from 25/05/1443AH (corresponding to 29/12/2021G) until 28/12/1444AH (corresponding to 28/12/2022G), and the number of insured members according to this policy is eighty-eight (88) members, and the total annual subscription is four hundred and eleven thousand six hundred and eighty-one point sixty (411,681.60) Saudi riyals. The Council of Cooperative Health Insurance and the committee constituted by a decision of the Chairman of the Council to consider violations of the provisions of the Cooperative Health Insurance Law shall be liable to settle all conflicts and disputes arising out of or in relation to this policy, in accordance with Clause (14) of the Labor Law.
- The company also maintains a comprehensive insurance policy for the vehicles it possesses, concluded with the Saudi Arabian Cooperative Insurance Company "SAICO", a company licensed to operate in the Kingdom of Saudi Arabia, according to policy No. (P/102/22/5021/2021/501/89) and the coverage extends from dated 22/10/2021G to 21/10/2022G. It covers twenty-two (22) vehicles. The coverage includes compensation for loss or damage to the insured vehicle and its installed spare parts. The maximum liability of the insurance company for physical and material damage is an amount not exceeding ten million (10,000,000) Saudi riyals per incident.

## 10.11 Material information changed since the Authority's approval of the last share prospectus

The company has never issued a rights shares issue since the inception of the company until the date of this prospectus.

## 10.12 Declarations of Board Members in relation to Legal Information

In addition to the other declarations referred to in this prospectus, the Board members acknowledge the following:

- That the issuance shall not violate the relevant laws and regulations in the Kingdom of Saudi Arabia.
- The issuance shall not violate any of the contracts or agreements to which the company is a party.
- All material legal information related to the company has been disclosed in the prospectus.
- Except as mentioned in Paragraph (10.8) "**Litigation**" of Section (10) "**Legal Information**", the Company is not subject to any lawsuits or legal procedures that, individually or collectively, may materially affect the Company's business or financial position.
- That the members of the company's board of directors are not subject to any lawsuits or legal procedures that, individually or collectively, may materially affect the company's business or its financial position.

## 11

## UNDERWRITING

The company and the underwriters (Al Wasatah Al Maliah "Wasatah Capital" Co. and "NOMW CAPITAL") entered into an underwriting agreement against fifty-two million five hundred and sixty-six thousand nine hundred and thirty (52,566,930) ordinary shares for ten (10) Saudi riyals per share which represents 100% of the rights shares offered for a subscription (the "Underwriting Agreement").

### 11.1 Underwriter

#### Al Wasatah Al Maliah "Wasatah Capital" Co.

Riyadh- Olaya Main Street,  
AlMorouj District  
Building No.7459 Ext.2207  
Postal Code 12283  
Kingdom of Saudi Arabia  
Tel: +966114944067  
Fax: +966114944205  
Website: www.wasatah.com.sa  
Email: info@wasatah.com.sa

wasatah capital  
وساطة كابيتال



#### Nomw Capital

Office Homes - Building No. 2163 Unit No. 98  
Riyadh – Al Mathar Ash Shamali dist. - Al Orouba Rd  
P.O. Box 92350 Riyadh 11653  
Kingdom Saudi Arabia  
Tel: +966 11 4944266  
Fax: +966 11 4944266  
website: www.nomwcapital.com.sa  
E-mail: info@nomwcapital.com.sa



### 11.2 Summary of the underwriting agreement

Based on the terms and conditions of the Underwriting Agreement:

- The company undertakes to the underwriter that on the date of the allocation it will issue and allocate to the underwriter all the shares of the rights shares undertaken to be covered in this subscription that the eligible shareholders have not subscribed to as additional shares at the subscription price.
- The underwriter promises the company that on the date of the allocation, he will purchase the shares he pledged to cover in this subscription, which have not been subscribed to by the eligible shareholders as additional shares, at the subscription price.
- The underwriter shall receive a specific amount of money for his promise to cover, which will be paid from the subscription proceeds.
- The Underwriter's obligation to purchase all of the remaining Shares is subject to the provisions relating to the termination of the Agreement such as the occurrence of any force majeure events as defined in the Agreement, or the failure to meet several precedent conditions in relation to the Subscription.
- The company shall provide several guarantees, representations, and covenants to the underwriter.





# 12

## EXEMPTIONS

The company did not obtain any exemptions from the Authority in connection with the offering.



## 13

## DETAILS RELATING TO SHARES AND TERMS AND CONDITIONS OF THE OFFERING

The company submitted a request to the Capital Market Authority to register and offer the new shares and to the Saudi Stock Exchange Company (Tadawul) to list the new shares. All requirements were fulfilled under the rules on the offering of securities, continuing obligations and listing rules.

All eligible shareholders, acquired rights holders and bidders must read the terms and instructions of the subscription very carefully before electronic subscription, applying for subscription through the broker, or filling out the remaining offering form, as submitting the subscription application or signing and delivering the remaining offering form constitute approval and acceptance of the said terms and conditions.

### 13.1 Offering

The subscription consists of offering rights shares of fifty-two million five hundred and sixty-six thousand nine hundred and thirty (52,566,930) new ordinary shares at an offer price of ten (10) Saudi riyals per share, with a nominal value of (10) ten Saudi riyals, and a total offer value of five hundred and five Twenty million six hundred and sixty-nine thousand three hundred (525,669,300) Saudi riyals, in order to increase the capital of the company to five hundred and seventy-eight million two hundred and thirty-six thousand two hundred and thirty (578,236,230) Saudi riyals rather than fifty-two million five hundred and sixty-six thousand nine hundred and thirty (52,566,930) Saudi riyals

### 13.2 How to Apply for Subscription in Rights shares (New Shares)

Registered shareholders wishing to subscribe to the rights shares must submit an application for subscription during the subscription period through the investment portfolio in the trading platforms through which buy and sell orders are entered, in addition to the possibility of subscribing through any other means provided by the broker and the custodian in the Kingdom during the Subscription Period. In the event that there is a remaining offering period it is also possible to submit, during it, applications for subscription for any remaining shares by investment institutions only.

By participating in the subscription, the subscriber shall acknowledge the following:

- Approval of his subscription to the company with the number of shares indicated in the subscription application.
- That he had read the prospectus and all its contents, perused it and understood its content.
- Approval of the Articles of Association of the company and the conditions contained in the prospectus.
- He has not previously applied for subscription in the same shares for this offering with the broker, and the company reserves the right to reject all applications in the event of a repeated subscription application.
- His acceptance of the shares allocated under the subscription application and his acceptance of all subscription terms and instructions contained in the application and in this prospectus.
- Ensure that the application will not be cancelled or modified after being submitted to the broker.

Registered shareholders will be able to trade the pre-emptive rights deposited in their portfolios through the Tadawul system. These rights are considered an acquired right for all shareholders registered in the company's shareholders register at the Depository Centre at the end of the second trading day following the day of the Extraordinary General Assembly (EGM) meeting for the capital increase (Eligibility Date). Each right entitles its holder to subscribe for one new share, at the offer price. The pre-emptive rights will be deposited after the extraordinary meeting of the capital increase is held in two business days at most. The rights will appear in the portfolios of the registered shareholders under a new code for the pre-emptive rights, and the registered shareholders will then be notified of the deposit of the rights in their portfolios.



### 13.3 Subscription Application

The Eligible Person who wishes to exercise his full right and subscribe to all the shares of the pre-emptive rights in which he is entitled to subscribe must subscribe through the investment portfolio on the trading platforms through which buy and sell orders are entered or through any other means provided by the broker and the custodian.

The number of shares to which the eligible person is entitled to subscribe is calculated based on the number of pre-emptive rights he owns. The subscription amount that the subscriber must pay is calculated by multiplying the number of existing pre-emptive rights he owns before the end of the subscription period by ten (10) Saudi riyals.

### 13.4 Trading and Subscription stage Remaining Offering Period

Eligible shareholders and who wish to subscribe to the rights shares must submit the subscription application during the subscription period, which begins after (3) three working days from the approval of the extraordinary general assembly including the approval of the capital increase on 03/05/1444H (corresponding to 27/11/2022G) and ends 13/05/1444H (corresponding to 07/12/2022G).

The Extraordinary General Assembly (EGM) held on 26/04/1444H (corresponding to 20/11/2022G) approved the Board of Directors' recommendation to increase the capital of the company by issuing rights shares. According to this prospectus, fifty-two million five hundred and sixty-six thousand nine hundred and thirty (52,566,930) ordinary shares will be offered for subscription in the rights shares, which represent (1000%) of the capital of the company before the subscription, at an offer price of ten (10) Saudi riyals per share, including the nominal value of (10) ten riyals and a total offering value of five hundred twenty-five million six hundred and sixty-nine thousand and three hundred (525,669,300) Saudi riyals, and the new shares will be issued at the price of one share for each of the pre-emptive rights. Subscription to the shares of the pre-emptive rights offered to the shareholders registered in the company's shareholders register will be at the end of the second trading day following the Extraordinary General Assembly (EGM) meeting on 26/04/1444H (corresponding to 20/11/2022G) and to the Eligible Persons who purchased the Rights shares during the trading period of the Rights shares, including the Registered Shareholders who purchased additional Rights in addition to the rights they originally owned.

In the event that the Eligible Persons' pre-emptive rights are not exercised by the end of the subscription period, the remaining shares due to the non-exercise of those rights or their sale by Eligible Persons will be offered to the investment institutions by offering them during the remaining offering period.

Registered shareholders will be able to trade the pre-emptive rights that were deposited in the portfolios through the Saudi Stock Exchange (Tadawul). These rights are considered as an acquired right for all shareholders registered in the company's register at the end of the second trading day following the holding of the Extraordinary General Assembly (EGM) for the capital increase. It will be calculated based on the number of shares owned by the registered shareholders according to the eligibility factor. Based on the eligibility factor, (10) rights will be allocated for each share owned by the registered shareholder on the eligibility date. Each right gives its holder the right to subscribe for one new share, at the offer price. The pre-emptive rights will be deposited after holding the assembly meeting. The rights will appear in the portfolios of the registered shareholders under a new code for the pre-emptive rights, and the registered shareholders will then be notified of the deposit of the rights in their portfolios. Registered shareholders will not be allowed to trade or subscribe to these rights except at the beginning of the trading and subscription periods.

1. Eligibility Date: the end of trading on the day of the Extraordinary General Assembly (EGM) on 20/04/1444H (corresponding to 20/11/2022G).
2. Trading and Subscription stage: The trading and subscription stage begins after (3) three working days from the approval of the extraordinary general assembly including the approval of the capital increase on 03/05/1444H (corresponding to 27/11/2022G), provided that the trading period ends on 10/05/1444H (corresponding to 04/12/2022G) and the subscription period continues until the end of 13/05/1444H (corresponding to 07/12/2022G).
3. Remaining Offering Period: Starts on 17/05/1444H (corresponding to 11/12/2022G) from 10 AM until 5 PM of the next day on 18/05/1444H (corresponding to 12/12/2022G). During this period, the remaining shares will be offered to several institutional investors (referred to as "**investment institutions**"), provided that these investment institutions submit offers to purchase the remaining shares. The remaining shares will be allocated to investment institutions with the highest offer and then the lowest and lowest (provided that it is not less than the offer price), provided that the shares are allocated proportionally to the investment institutions that provide the same offer. As for the fractional shares, they will be added to the remaining shares and reciprocated. The subscription price for the new shares that have not been subscribed for during this period will be at the minimum offering price, and if the price of the unsubscribed shares is higher than the offering price, the difference (if any) shall be distributed as indemnity to the pre-emptive rights holders who did not subscribe for their rights in proportion to the rights they own.



4. Final Allocation of Shares: Shares will be allocated to each investor based on the number of rights that he has fully and correctly exercised. As for those entitled to fractional shares, the fractional shares will be collected and offered to investment institutions during the remaining offering period. The total price of the offer of the remaining shares will be paid to the company, and the rest of the proceeds from the sale of the remaining shares and fractions of shares shall be distributed without calculating any fees or deductions (over the offer price) to their beneficiaries, each according to what he is entitled to, no later than on 23/06/1444H (corresponding to 16/01/2023G).
5. Trading the new shares in the market: The trading of the shares offered for subscription in the (Tadawul) system will begin upon completion of all procedures related to the registration and allocation of the offered shares provided that the time period between the end of the subscription to the rights issue and the deposit of shares in the shareholders' portfolios is 9 working days.

The company has submitted a request to the Capital Market Authority to register and offer the new shares, and as well as submitted the same to the Saudi Stock Exchange (Tadawul) to accept its listing.

### 13.5 Eligible Persons Not Participating in the New Shares Subscription

Registered shareholders who do not participate in whole or in part in subscribing to the new shares will be subject to lose and a decrease in their ownership percentage in the company in addition to the depreciation of the value of the shares they currently hold, while the registered shareholders who did not exercise their rights to subscribe will retain the same number of shares they held before the capital increase. Eligible persons who do not participate in subscribing to the new shares will not receive any advantages or benefits in exchange for the rights shares they are entitled to, except for cash compensation from the proceeds of selling the shares in the remaining offering, each according to what they are entitled to. It is worth noting here that in the event that the investment institutions purchased the remaining shares at the offering price only, or if these investment institutions did not subscribe to the remaining offering and therefore the underwriter purchased the remaining shares at the offering price, the eligible persons who did not participate in the subscription would not receive any compensation in exchange for the pre-emptive rights in the new shares that they did not exercise. In the event that the remaining shares are sold to the investment institutions at a price higher than the offering price, the amount of compensation will be determined for the eligible persons who did not fully or partially subscribe to the new shares according to the following equation:

Compensation amount for each unsubscribed share =  $\frac{\text{Total Remaining Offering Proceeds} - \text{Total Remaining Offering Price}}{\text{Number of unsubscribed share}}$

### 13.6 Allocation and refund of the Excess

The company and the subscription manager will open a trust account in which the subscription proceeds will be deposited. Pre-emptive rights Shares are allocated to Eligible Persons based on the number of Rights they have fully and correctly exercised. As for the beneficiaries of fractional shares, the fractional shares will be collected and offered to the investment institutions during the remaining offering period, and the total price of the offering of the remaining shares will be paid to the company, and the rest of the proceeds from the sale of the remaining shares and fractional shares (over the offering price) will be distributed to the beneficiaries, each according to what he is entitled to in No later than 20/05/1444H (corresponding to 14/12/2022G). In the event that shares remain unsubscribed after that, the underwriters will purchase those new remaining shares and they will be allocated to them.

It is expected that the final number of shares that have been allocated to each eligible person without any commissions or deductions through the subscription manager will be announced by registering them in the subscribers' accounts. Eligible persons should contact the broker through whom the subscription application was submitted to obtain any additional information. The results of the allocation will be announced no later than on 20/05/1444H (corresponding to 14/12/2022G).

### 13.7 Payment of compensation amounts

Compensation amounts (if any) will be paid to eligible persons who did not fully or partially participate in subscribing to the rights shares no later than 23/06/1444H (corresponding to 16/01/2023G).



### 13.8 Supplementary prospectus

The company shall submit to the Authority a supplementary prospectus, in accordance with the requirements of the rules on the offering of securities and continuing obligations, if the company becomes aware at any time after the date of publication of this prospectus and before the completion of the offering of any of the following:

- There is a significant change in the material matters contained in this prospectus.
- Any important issues that should have been included in this prospectus have arisen.

An investor who has subscribed to the new shares before publishing the supplementary prospectus may cancel or amend his subscription to these shares before the end of the offering period.

### 13.9 Offering cancellation or suspension

The Capital Market Authority may, at any time, issue a decision to suspend the offering if it deems that the offering may result in a breach of the Capital Market Law, its executive regulations, or market rules. It is also possible to cancel the offering if the Extraordinary General Assembly (EGM) does not approve any of the details of the offering.

### 13.10 Restrictions on trading in pre-emptive rights

Except for the regulatory restrictions on public listed shares, there are no restrictions on the trading of pre-emptive rights.

### 13.11 Frequently Asked Questions (FAQ) About Pre-emptive rights

#### **What are pre-emptive rights?**

Tradable securities that give the holder the right to subscribe to the new shares offered upon approval of the capital increase, and it is an acquired right for all shareholders owning the shares on the day of holding the extraordinary general meeting of the capital increase and who are registered in the company's shareholders register at the Depository Center at the end of the second trading day following the date of the holding The Extraordinary General Assembly (EGM) meeting. Each right entitles its holder to subscribe for one share, at the offering price.

#### **To whom are pre-emptive rights granted?**

To all shareholders registered in the company's shareholders register at the end of the second trading day following the date of holding the Extraordinary General Assembly (EGM) meeting.

#### **Who is the registered shareholder?**

To all shareholders registered in the company's shareholders register at the end of the second trading day following the date of holding the Extraordinary General Assembly (EGM) meeting.

#### **When are pre-emptive rights deposited?**

After the Extraordinary General Assembly (EGM) is held and gives its approval to increase the capital through the offering of rights shares, the pre-emptive rights are deposited as securities in the shareholders' portfolios in the company's shareholders' register at the Depository Center at the end of the second trading day after the Extraordinary General Assembly (EGM) meeting is held, and the shares will appear in their portfolios under a new code for the pre-emptive rights, and it will not be permitted to trade or subscribe to these rights until the beginning of the trading and subscription periods.

#### **How the investor is notified of the pre-emptive rights by depositing the rights in the portfolio?**

The notification is made by advertising on Tadawul website as well as by the (Tadawulati) service provided by the Securities Depository Center Company and SMS messages sent through brokerage companies.

#### **How many pre-emptive rights that the registered shareholder will have?**

The number depends on the percentage of what each shareholder owns in the capital, according to the company's shareholders register at the Depository Center at the end of the second trading day after the Extraordinary General Assembly (EGM) meeting is held.

**What is the eligibility factor?**

It is the factor that enables registered shareholders to know the number of pre-emptive rights due to them in exchange for the shares they hold at the end of the second trading day after the Extraordinary General Assembly (EGM) meeting is held. This factor is calculated by dividing the number of new shares by the number of existing shares of the company. Thus, the eligibility factor is (10) right for every one (1) share held by the registered shareholder on the eligibility date. Accordingly, if a Registered Shareholder holds one thousand (1,000) shares on the Eligibility Date, he will be allocated ten thousand (10,000) shares in exchange for the shares he holds.

**Will the name and code of trading these rights differ from the name and code of the company's shares?**

Yes, as the acquired right will be added to the investors' portfolios under the name of the original share, and by adding the word pre-emptive rights, in addition to a new code for these rights.

**What is the value of the right at the beginning of its trading?**

The opening price of the right will be the difference between the closing price of the Company's share on the day prior to listing the Right and the offering price (the Right's indicative value). For example, if the closing price of the company's share on the previous day was fifteen (15) Saudi riyals, and the offer price is ten (10) Saudi riyals, then the opening price of the right will be five (5) Saudi riyals.

**Can registered shareholders subscribe to additional shares?**

Yes, registered shareholders can subscribe to additional shares by purchasing new rights through the stock exchange during the trading period.

**Is it possible for a shareholder to lose his eligibility to subscribe even if he has the right to attend the Extraordinary General Assembly (EGM) and vote on raising the capital by offering rights shares?**

Yes, the shareholder loses his eligibility to subscribe if he sells his shares on the day of the Extraordinary General Assembly (EGM) or a business day before it.

**How is the subscription process?**

Subscription applications are submitted through the investment portfolio on the trading platforms through which buy and sell orders are entered, in addition to the possibility of subscribing through any other means provided by the broker to the investors and the custodian.

**Can an Eligible Person subscribe to more shares than the rights owned by him?**

An Eligible Person cannot subscribe to more shares than the rights held by him.

**If the company's shares are owned by more than one investment portfolio, in which portfolio are the pre-emptive rights deposited?**

The pre-emptive rights will be deposited in the same portfolio in which the shares of the company associated with the rights are deposited. For example, if a shareholder owns one thousand (1,000) shares in the company as follows: eight hundred (800) shares in portfolio (A) and two hundred (200) shares in portfolio (B), the total rights to be deposited will be ten thousand (10,000) a right on the basis that each share has (10) rights. Accordingly, eight thousand (8,000) rights will be deposited in portfolio (A) and two thousand (2,000) rights in portfolio (B).

**Do stock certificate holders have the right to subscribe and trade?**

Yes, holders of stock certificates have the right to subscribe, but they will not be able to trade except after depositing the certificates in electronic portfolios through the receiving entities or the Securities Depository Center ("Depository Center") and bringing the necessary documents.

**Can someone who bought additional rights trade them again?**

Yes, he has the right to sell them and buy other rights during the trading period only.

**When can a shareholder subscribe to the pre-emptive rights that he purchased during the rights trading period?**

After the end of the rights purchase settlement (which is two business days), the pre-emptive rights must be subscribed to during the subscription period.

**Can the holder of the pre-emptive rights sell or assign the right after the expiry of the trading period?**

No, it can't. After the lapsing of the trading period, only the right holder shall have the right to exercise the right to subscribe for the pre-emptive rights shares or not to exercise that. In the event that the right is not exercised, the investor may be subject to a loss or decrease in the value of his investment portfolio.

**What happens to the pre-emptive rights that have not been sold or subscribed to during the trading period and the subscription stage?**

In the event of non-subscription of all the new shares during the subscription period, the remaining new shares shall be offered for subscription arranged by the subscription manager, and the compensation value (if any) is calculated for the rights holder after deducting the subscription price. Note that the investor may not receive any consideration if the sale is made during the remaining offering period at the offering price.

**What happens if the new shares are subscribed and the rights are sold afterward?**

In the event that the registered shareholder subscribes and then sells the pre-emptive rights, and the number of rights equal to the number of rights he subscribed for before the end of the trading period was not purchased, the subscription application will be rejected entirely in the event that all rights are sold or partially in the event of selling part of them, and a notification will be sent and the amount of The rejected subscription will be returned through the shareholder's broker.

**Who has the right to attend the Extraordinary General Assembly (EGM) and vote on increasing the capital of the company through rights shares?**

The shareholder registered in the company's shareholders register at the Depository Center after the end of the trading day of the Extraordinary General Assembly (EGM) day and shall also have the right to attend the Extraordinary General Assembly (EGM) and vote on increasing the capital of the company by offering rights shares.

**When will the share price be adjusted as a result of the increase in capital of the company through rights shares?**

The share price is adjusted by the stock exchange before the start of trading on the day following the day of the Extraordinary General Assembly (EGM).

**If an investor purchases securities on the day of the assembly, is he entitled to obtain the pre-emptive rights resulting from the increase in the issuer's capital?**

Yes, as the investor will be registered in the company's shareholders' register after two business days from the date of purchasing the shares (i.e. at the end of the second trading day following the day of the Extraordinary General Assembly (EGM)), taking into consecration that pre-emptive rights will be granted to all shareholders registered in the company's shareholders register at the end of trading the second trading day following the date of the Extraordinary General Assembly (EGM). However, he will not be entitled to attend or vote in the Extraordinary General Assembly (EGM) on the capital increase.

**If the investor has more than one portfolio with more than one brokerage firm, how will the rights be calculated for him?**

The investor's share will be distributed among the portfolios maintained by the investor, according to the percentage of ownership in each portfolio, and in the event of fractions of shares, those fractions will be combined, and if you complete one or more integer numbers, the correct number will be added to the portfolio in which the investor maintains the largest amount of rights.



**What are the trading and subscription periods?**

Trading and subscription of rights begin at the same time after (3) three working days from the approval of the extraordinary general assembly including the approval of the capital increase until the end of trading on the sixth day, while subscription continues until the ninth day, according to what is stated in this prospectus and the company's announcements.

**Is it possible to subscribe during the weekend?**

No, it can't.

**Can the general investors who are not registered shareholders subscribe to the rights shares?**

Yes, after completing the purchase of the pre-emptive rights during the trading period.

**Further support**

In the event of any inquiries, please contact the company at the e-mail: [info@shamstourism.sa](mailto:info@shamstourism.sa). For legal reasons, the company will only be able to provide the information contained in this prospectus and will not be able to advise on the merits of the rights shares or even provide financial, tax, legal, investment, or advice

**13.12 Decisions and approvals under which the shares will be offered**

The company's board of directors recommended in its resolution dated 14/07/1443AH (corresponding to 15/02/2022G) to increase the capital of the company through the offering of rights shares at a value of five hundred and twenty-five million six hundred and sixty-nine thousand and three hundred (525,669,300) Saudi riyals, for the requirements of entering into investments in the tourism sector in support of the Kingdom's 2030 vision, one of its pillars aims to increase and develop hospitality facilities and other tourism services in line with the plans of the General Entertainment Authority.

On 26/04/1444H (corresponding to 20/11/2022G), the company's Extraordinary General Assembly (EGM) approved an increase in the capital of the company through the issuance of rights shares ("subscription"). The subscription consists of offering rights shares of fifty-two million five hundred and sixty-six thousand nine hundred and thirty (52,566,930) new ordinary shares at an offer price of ten (10) Saudi riyals per share, with a nominal value of (10) ten Saudi riyals, and a total offer value of five hundred and five Twenty million six hundred and sixty-nine thousand three hundred (525,669,300) Saudi riyals, in order to increase the capital of the company to five hundred and seventy-eight million two hundred and thirty-six thousand two hundred and thirty (578,236,230) Saudi riyals rather than fifty-two million five hundred and sixty-six thousand nine hundred and thirty (52,566,930) Saudi riyals.

The Saudi Stock Exchange (Tadawul) approved the request for listing the new shares on 20/09/1443H (corresponding to 21/04/2022G). It was also approved to publish this prospectus and all supporting documents requested by the Authority on the date of its announcement on the Authority's website on 24/03/1444H (corresponding to 20/10/2022G).

**13.13 Miscellaneous provisions**

The subscription request and all related terms, conditions, and undertakings will be binding and for the benefit of its parties, their successors, assigns in their favor, wills executors, estate managers, and heirs. It is stipulated that, except for what is specifically stated in this prospectus, the request or any rights, interests, or obligations arising from it shall not be waived or delegated to any of the parties referred to in this prospectus without obtaining the prior written consent of the other party.

These instructions and terms and any receipt of subscription application forms or contracts resulting therefrom shall be governed by and construed in accordance with the laws of the Kingdom of Saudi Arabia.

This prospectus may be distributed in both the Arabic and English languages, and in the event of a non-conformity between the Arabic text and the English text, the Arabic text of the prospectus shall prevail.

**13.14 A statement of any arrangements in place to prevent the disposal of certain shares**

There are no arrangements in place to prevent the disposal of any shares.



## CHANGES IN THE SHARE PRICE AS A RESULT OF AN INCREASE

The company's board of directors recommended in its resolution dated 14/07/1443AH (corresponding to 15/02/2022G) to increase the capital of the company through rights shares, and The subscription consists of offering rights shares of fifty-two million five hundred and sixty-six thousand nine hundred and thirty (52,566,930) new ordinary shares at an offer price of ten (10) Saudi riyals per share, with a nominal value of (10) ten Saudi riyals, and a total offer value of five hundred and five Twenty million six hundred and sixty-nine thousand three hundred (525,669,300) Saudi riyals, in order to increase the capital of the company to five hundred and seventy-eight million two hundred and thirty-six thousand two hundred and thirty (578,236,230) Saudi riyals rather than fifty-two million five hundred and sixty-six thousand nine hundred and thirty (52,566,930) Saudi riyals. This is after obtaining all the necessary statutory authorizations and the approval of the Extraordinary General Assembly (EGM).

In the event that the Extraordinary General Assembly (EGM) agrees to increase the capital of the company as indicated above in the recommendation of the company's board of directors, the company's share price will decrease due to the increase in the capital, as the closing price of the company's shares on the day of the Extraordinary General Assembly (EGM) is (141.40) Saudi riyals, and it is expected to reach (21.94) Saudi riyals in the opening day of the following day, and the change represents a decrease of (84.48%). In the event that any of the shareholders registered in the company's shareholders register at the Depository Center fails to subscribe at the end of the second trading day following the date of the Extraordinary General Assembly (EGM), this will lead to a decrease in their ownership percentage in the company.

The method of calculating the share price as a result of the capital increase is as follows:

### I: Calculating the market value of the company at closing on the day of the Extraordinary General Assembly (EGM)

Number of shares at the end of the day of the Extraordinary General Assembly (EGM) × closing price of the company's shares on the day of the Extraordinary General Assembly (EGM) = market value of the company at closing on the day of the Extraordinary General Assembly (EGM).

### II: Calculating the share price on the opening day of the day following the day of the Extraordinary General Assembly (EGM)

(The market value of the company at closing on the day of the Extraordinary General Assembly (EGM) + the value of the shares offered) / (the number of shares at the end of the day of the Extraordinary General Assembly (EGM) + the number of shares offered for subscription) = the share price expected at the opening day of the day following the day of the Extraordinary General Assembly (EGM).



## UNDERWRITING COMMITMENTS

### 15.1 Brief about the subscription application and undertakings

- Subscription can be done using the trading platforms or through any other means provided by the broker to the investors. The new shares will be subscribed in one stage subject to the following:
  1. During this period, all registered shareholders and new investors will be able to subscribe to the new shares.
  2. The registered shareholder will be able to directly subscribe to the number of his shares during the subscription period. In the event that he purchases new rights, he will be permitted to subscribe to them at the end of the settlement period (two business days).
  3. New investors will be able to subscribe to the new shares immediately after settling the purchase of rights (two business days).
  4. Electronic subscription will be available through the investment portfolio in the trading platforms and applications through which buy and sell orders are entered, in addition to subscribing to the channels and other means available at the broker, provided that only the subscription of several new entitled shares under the pre-emptive rights existing in the investment portfolio.

Each pre-emptive right gives its holder the right to subscribe to one new share, at the offer price. The subscriber to the new shares acknowledges the following:

- Acceptance of all terms and conditions of subscription contained in this prospectus.
- That he has read this prospectus and all its contents, perused it carefully and understood its content.
- His acceptance of the Articles of Association of the company.
- Undertaking not to cancel or modify the subscription application after its implementation.

### 15.2 Allocations

Pre-emptive rights Shares are allocated to Eligible Persons based on the number of Rights they have fully and correctly exercised. As for those entitled to fractional shares, the fractional shares will be collected and offered to the investment institutions during the remaining offering period, and the total price for offering the remaining shares will be paid to the company, and the rest of the proceeds from the sale of the remaining shares and fractional shares (in over offering price) will be distributed to the beneficiaries, each according to what he is entitled to in no later than on 23/06/1444H (corresponding to 16/01/2023G) and in the event that shares remain unsubscribed after that, the underwriters will purchase those new remaining shares and they will be allocated to him and there will be no Compensations for investors who did not subscribe or did not sell their rights, and to holders of fractional shares during the remaining offering period.

Eligible persons should contact the broker through which the subscription was made to obtain any additional information. The results of the allocation will be announced no later than on 20/05/1444H (corresponding to 14/12/2022G).

### 15.3 Saudi Stock Exchange Company (Tadawul)

The Saudi Tadawul Group (Tadawul), which was previously the Saudi Stock Exchange Company, announced on 25/08/1442H (corresponding to 07/04/2021G) its transformation into a holding company under the name of the Saudi Tadawul Group, with a new structure that supports the development of the future of the Saudi stock exchange and ensures its continuity of development. As another step toward the group's readiness for the initial public offering during the current year 2021G. The Saudi Tadawul Group will include four subsidiaries: (Saudi Tadawul) as a stock market, Securities Clearing Center Company (Muqassa), and Securities Depository Center Company (Edaa), And (Wamed) company, which specializes in innovation-based technology services and solutions. The group will benefit from the integration of the services of its subsidiaries and joint businesses, and the independence of the companies will provide a work environment characterized by flexibility and innovation to keep pace with the rapid developments in global markets.



Tadawul system was established in 2001 as an alternative system to the electronic securities information system, and electronic stock trading began in the Kingdom in 1990. The trading process is carried out through an integrated electronic system, starting from the execution of the transaction and ending with its settlement. Trading takes place every working day of the week from Sunday to Thursday in one period from 10 am to 3 pm during which orders are executed. Outside these times, orders are allowed to be entered, modified, and canceled from 9:30 am until 10 am.

Transactions are executed through automated matching of orders, and orders are received and prioritized according to price. In general, market orders are executed first, which are the orders with the best prices, followed by the orders with a specific price, and if several orders are entered at the same price, they are executed according to the timing of the entry.

Tadawul system distributes a comprehensive range of information through various channels, most notably the Tadawul website. Market data is provided instantly to well-known information providers such as "Reuters". The deals are settled automatically within two business days according to (T+2).

The company must disclose all decisions and important information to investors through the "Tadawul" system. The Tadawul system is responsible for monitoring the market, intending to ensure fair trading and efficient market operations.

## 15.4 Trading the company's shares in the Saudi stock market

An application was submitted to the Authority to register and offer rights shares in the Saudi Stock Exchange, and another application was submitted to Tadawul Stock Exchange (Tadawul) to list them. This prospectus was approved and all requirements were met. It is expected that the registration and start of trading in the rights shares in the Saudi stock market will be approved after the final allocation of the rights shares is completed, and it will be announced at the time on the Tadawul website. The dates mentioned in this prospectus are tentative and may be changed with the approval of the Capital Market Authority.

Although the existing shares are registered in the Saudi stock market and the company's shares are listed on the stock market (Tadawul), it is not possible to trade in the new shares until after the final allocation of shares has been approved and deposited in the subscribers' portfolios. It is strictly prohibited to trade in new shares prior to the approval of the allocation process.

The Subscribers and bidders of the Remaining Offering who engage in such prohibited trading activities shall bear full responsibility for it and the Company shall not bear any legal liability in this case.



# 16

## DOCUMENTS AVAILABLE FOR REVIEW

The following documents described below will be available for review at the company's head office located in Dammam - Half Moon Bay, PO Box 8383 - Dammam - 3148, during official working hours from 8 am to 4 pm, from Sunday to Thursday starting from the first working day After the date of the call for the Extraordinary General Assembly (EGM), provided that this period shall not be less than 14 days prior to the date of the Extraordinary General Assembly (EGM) meeting for the capital increase. These documents will remain available for review until the end of the offering:

### 16.1 Documents for incorporation and Articles of Association of the company

- Articles of Association of the company and the amendments thereto.
- Commercial registration certificate of the company.
- Memorandum of Association.

### 16.2 Approvals relating to Offering

- The Board of Directors' decision to recommend an increase in the capital through the issuance of rights shares, and the subsequent decision to amend the size of the increase.
- A copy of the announcement of the Capital Market Authority's approval of the rights shares.
- The approval of the Saudi Exchange (Saudi Exchange) to list the rights shares.

### 16.3 Reports, letters, and documents

- The written consents of the financial advisor, the subscription manager, the underwriters, the legal advisor, and the auditors, to include their names, logos, and any statements they provided, in the prospectus.
- Underwriting agreement and underwriting management agreement.
- Financial due diligence report.
- Legal due diligence report.
- Feasibility study for a 4-star hotel and 5-star hotel

