



Board of Directors' Report
For
The Fiscal Year ending on 31/12/2013

Members of the Board of Directors

	Chairman of the Board	SHK. Ahmed Hassan Fitaihi
	Member of the Board	Dr. Ibrahim Hassan Al- Madhoun
	Member of the Board	Dr. Mohammed Ali Hassan Ikhwan
	Member of the Board	Eng. Abdulmalik Abdullah Fathaddin

	Member of the Board	Mr. Majed Diaa-u-ddin Karim
	Member of the Board	Eng. Mohammed Ahmed Hassan Fitaihi
	Member of the Board	Mrs. Maha Ahmed Hassan Fitaihi

Board of Directors' Report

for the fiscal year 2013

Submitted to the 15th Ordinary Assembly General of the shareholders of the Company

In the name of Allah, the most gracious, the most merciful

And may peace and blessings be upon our prophet Mohamed, his family and companions

To the kind attention of The Shareholders of Fitaihi Holding Group

Peace and the blessings of Allah be upon you,

The Board of Directors of Fitaihi Holding Group is pleased to provide you with the Annual Report of the Group as well as its performance through the fiscal year 2013.

About the Group

Ahmed Hassan Fitaihi & Co. (a Saudi limited liability company) was registered in Jeddah city under the commercial register No. 4030085128 on 2/8/1412H, corresponding to 5/2/1992.

The decree of the Minister of Trade No. 1058 dated 09/09/1418AH, corresponding to 07/01/1998 approved the transformation of Ahmed Hassan Fitaihi & Co. from a limited liability company into a joint-stock company. Subsequently, the company name was amended to be Fitaihi Holding Group on the approval of the extraordinary general assembly of the company that was held on 01/05/1429H corresponding to 06/05/2008.

The name “Fitaihi”, goes back to the year 1907; and it is a famous brand name in the field of gold, jewelry and luxury items; such as gifts, crystal, silverware, antiques, chinaware, men’s wear, women’s and children’s wear, and textiles made of the highest quality and of the most important international brand names. The Group expanded its business, as it works in the retail sector (through its branches that carry the brand names of Fitaihi, Miss Fitaihi, Fitaihi Junior, Baby Fitaihi, Tatto Tatti, and Laura Manitti). Also, the Group entered into the real estate investment sector through its affiliated Company (Gulf MEDMAC for Real Estate Investment) which did not start to operate until now, as well as its activity in the investment sector through (Sodouq International Holding Investment Company), in addition to its investments in the medical sector through its stake in the (International Medical Center) in Jeddah, and also in (Dar El-Fouad Hospital) in Cairo. Retail outlets are located mainly in Jeddah and Riyadh, in addition to some other branches in Medina, Khobar, Makkah and Yanbu. The capital of Fitaihi Holding Group amounts to 550 million SAR, divided into 55 million shares. Fitaihi Holding Group is, the only company in its field in the Kingdom, registered on the Saudi Stock Exchange Market (Tadawul) since the year 2000. The Group is managed by a Board of Directors, which composed of prominent figures with extensive experience in the financial, administrative and commercial fields. The Group has a strategic vision for the coming phase, and it eagerly wishes to implement it, especially in relation to its geographic expansion and the exploitation of new investment opportunities; to maximize the rights of the stockholders and increase profitability.

Chapter 1: Main Activities of the Group¹

The main activities of the group include the following, according to its Statute:

- Manufacture, retail and wholesale trade of jewelry, and precious metals and stones.
- Retail and wholesale trade of household utensils, tableware, antiques, gifts, accessories, fabrics and garments.
- Establishing and investing in companies with a percentage that would enable the company to manage and control such companies.
- Establishing, owning, managing, operating and maintenance of hospitals, health centers and medical rehabilitation units.

¹ Clause No. 1, of Article No. 43 - Listing Rules (The requirements of the Board of Directors' report).

Chapter 2: The Group's Strategies²

The Group's general strategies are represented in three main Axes as follows:

The First Axis:

The first axis is represented in developing the Group's infrastructure and preparing it to achieve future goals and plans by attracting, training and developing qualified human resources, developing administrative structures and creating modern administrative systems which are consistent with the strategic approach of the group.

The Second Axis:

The second axis is related to the Group's growth strategy through geographic expansion, opening new sales outlets, and acquiring companies in the framework of the Group's activities, or merging with them.

The Third Axis:

The third axis is related to the strategy of diversifying income resources by exploiting promising opportunities in new fields, and benefiting from the Group's capacities and resources.

A- Strategy of Geographic Expansion

The Management has adopted an ambitious plan for increasing its geographic expansion by opening more branches, especially in the line of

² Clause No. 2, of Article No. 43 - Listing Rules (The requirements of the Board of Directors' report)

women's accessories (fashion jewelry). In 2003, the Group opened 9 new branches under the brand name of **Tatto Tatti** in the most important and vital commercial centers of Jeddah, Makkah, Riyadh, Yanbu and Jazan. Currently 2 new branches are being opened for the trademark **Laura Manitti** in Jeddah, while the interior decorations for a third branch, in Jeddah too, for the same brand name, is in progress. By the grace of Allah, more branches, in different cities of the Kingdom, will be opened in the beginning of the second quarter of 2014.

B- Strategy of Acquisitions:

The Group's management is keen on supporting its strategy of acquisition due to its desire to reach out and attract new customers who will strengthen the Group's activities, and increase its share in the luxury goods market of the Kingdom; which will reflect positively, by the will of Allah, on the sales and profitability of the Company, and thus maximize the rights of stockholders.

The Group's Management is always searching for good investment opportunities which may enable it to acquire or merge with new existing activities, after careful studies, to increase the return on the rights of shareholders.

Future expectations for the Group's business and potential risks:

Currently the Group seeks to expand its business and activities. It is pursuing all available investment opportunities and exploiting all human and material possibilities to achieve this goal.

A- Risks of Investing in shares:

Investments in shares have a lot of advantages; such as the increase in the price of shares, and receiving dividends. However, the investment in shares carries many risks which include the decline in the fair value of the shares

due to a change in the shares indicators level, or economic activities, or the value of each share separately.

Investments available for purchase, are subject to the risks of volatility in share prices and foreign currency exchange values where the Company has investments in the Saudi stock market and effective investments in the Egyptian stock market. As a result of this, their fair value is affected by the exchange rate of the Egyptian pound versus the American dollar, and consequently the Saudi Riyal, from time to time, especially in the shadow of the current economic and political conditions in the Arab Republic of Egypt, which may have a negative impact on the value of these investments.

B- Non-profitable branches and activities:

The Company management regularly conducts detailed studies on the performance of every commercial name, branch, and area. This report shows mainly the volume and levels of sales for every branch separately. It also refers to some of the assumptions on which its work can depend; however it is probable that some branches may not achieve the expected results because of external factors such as changes in market condition, customer behaviors or changes in the public taste. In such conditions, the company may be forced to close or modify some of its branches to achieve the Company's general goals, especially increasing sales and profitability.

C- Inventory:

Amongst the most important risks that might face the companies, working in the field of the retail sector in general, and luxury goods in particular, is the inability of these companies to market its goods. On the other hand, excess inventory leads to freezing part of the capital and affects profitability negatively. The Group estimates the decrease in the value of inventory according to its accumulated experience, analyzing the age and status of its inventories. This decline is equal to the difference between the cost of inventory and its estimated market value. In case the future actual conditions

are less than expected by management, it may lead to decreasing the inventory again as the estimates and assumptions based on the estimation of the decrease value of inventory may vary, from time to time, according to any future updates.

D- The risks related to geographic expansion:

The Company plans to open more branches inside and outside of Saudi Arabia and also to launch new brand names. The capacity of the Company to manage such expansion depends on planning, following up and finding suitable locations for its branches, and continuing to apply and develop financial and operational systems, computer systems and savings, training and managing its human resources. As long as the Company has the capacity to cover its capital costs, the costs of establishment, production, distribution, marketing and administration costs incurred in developing such new branches, the Company does not foresee any prominent risks if new competitors enter the same activities, owing to the excellent commercial reputation of the Company.

E- Risks related to Human Resources (HR):

The performance of the Company depends mainly on the experience, skills and abilities of its executive officers and other senior staff members. The future performance of the Company depends on its ability to attract highly competent and qualified staff and also to keep them, as the competition is strong, at this time, for those employees who have the extensive experience that is required. The Company continues the implementation of the human resources strategies and the best practices aimed at decreasing the voluntary departure of employees, to reduce the effect of the loss of key employees. However, there are no guarantees that the company business will not be affected in case it is not able to attract, develop and maintain qualified staff or to replace them by staff enjoying the same level of qualifications, skills and experience.

The Company may be harmed as a result of losing the services of one or more of its key staff who cannot be replaced, in the short or medium term, which can lead to failure in some operations, and might adversely affect the Company's financial situation and results. The Company has been able, up to now, to replace employees who left the Company by other qualified employees. The Company always seeks to attract qualified and professional employees, in addition to developing the abilities of the current employees to carry out important duties and more responsibilities, and in order to be promoted to higher level positions.

F- Other risks that the Company might face:

- 1- The Company's performance is connected directly with the economic status of the Kingdom; because the financial solvency of its target customers may be influenced by this economic status.
- 2- The growth of the Company is linked to its ability to increase sales by opening new branches. The Company tries to achieve this goal by undertaking a lot of activities such as planning, choosing locations and comparing between them, taking the lease decision, negotiating the prices, terms and other conditions of the signed contracts, preparing and furnishing locations, and setting up computer systems, and linking them to the headquarters; accordingly the success of the company, to achieve this growth, depends on its ability to carry out all these activities successfully.
- 3- The ability of the Company to continue its growth relates to its capacity to provide human resources at the appropriate time and training them to meet the requirements of the new branches, and attract a staff that enjoys effective administrative skills, and the required experience.
- 4- The volume of sales and profitability of the Company is affected by the seasons; hence the profitability of the Company may be exposed to instability, from time to time, during the same year.
- 5- The Company works in a highly competitive environment where a lot of other retail and wholesale companies work in the same field of the

Company. The growth of the Company and its profits depend, not only on the ability to compete successfully, but also on maintaining its advanced competitive position.

- 6- As the Company depends largely on computer systems in the management of its assets and the control of its financial activities and records, the continuation of the Company in the performance of its activities is related to the continued efficient operation of these systems.
- 7- The Company may be influenced by some risks, similar to those affecting its suppliers, such as the rise in the cost of production (especially gold, diamonds and precious stones), also economic conditions and the political situation in their countries, so the Company always seeks to expand the base of the suppliers and to extend into the regions, where its suppliers work, to reduce the risks as much as possible.

Chapter 3: Outline of financial results

Income Statement (in thousands of SAR):

Income Statement (in thousands of SAR)	2013	2012	2011	2010	2009
Income from activities	262,198	262,924	212,456	178,787	158,882
Expenses of Activity	(125,917)	(130,248)	(104,052)	(88,297)	(83,367)
Aggregate of activity profit	136,281	132,676	108,404	90,490	75,515
Market, administrative and general expenses	(93,965)	(84,108)	(78,681)	(60,857)	(53,894)
Other net income (expenses)	597	452	(164)	(0,446)	(4,886)
Temporary impairment in investment and available financial assets for sale	-	(6,032)	(64,325)	0	0
Zakat	(7,198)	(8,907)	(11,500)	(7,435)	(6,431)
Net income (loss)	35,715	34,081	(46,266)	21,752	10,314

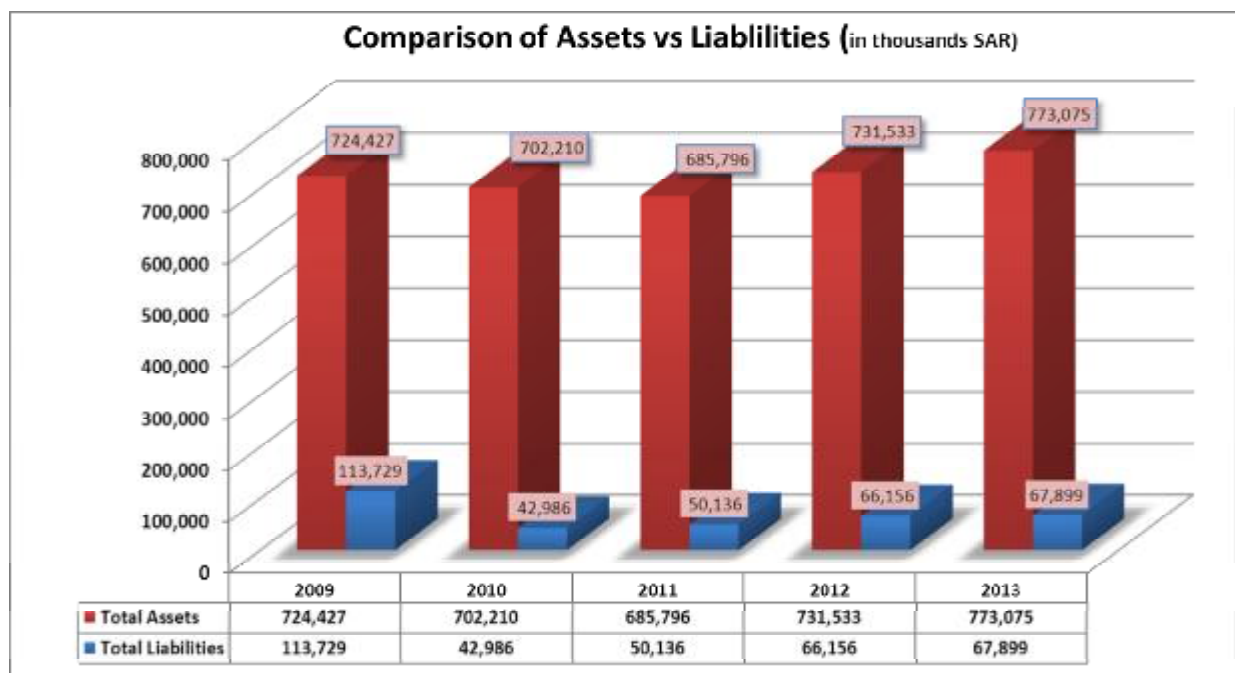
Financial statements (in thousands of SAR):

Financial statements (in thousands of SAR)	2013	2012	2011	2010	2009
Current assets	313,386	358,461	326,406	310,367	327,451
Current liabilities	49,641	50,297	35,735	31,407	103,990
Working capital	263,745	308,164	290,671	278,960	223,461
Non-current assets (long term assets)	344,314	266,328	255,189	285,295	283,894
Fixed assets (under implementation)	115,375	106,744	104,201	106,548	113,082
Total assets	773,075	731,533	685,796	702,210	724,427
Current liabilities	49,641	50,297	35,735	31,407	103,990
Non-current liabilities	18,258	15,859	14,401	11,579	9,739
Total liabilities	67,899	66,156	50,136	42,986	113,729
Paid-up capital	550,000	550,000	500,000	500,000	500,000
Reserves and retained earning	155,176	115,377	135,660	159,224	110,698
Shareholders' rights	705,167	665,377	635,660	659,224	610,698
Current liabilities and shareholders' rights	773,075	731,533	685,796	702,210	724,427

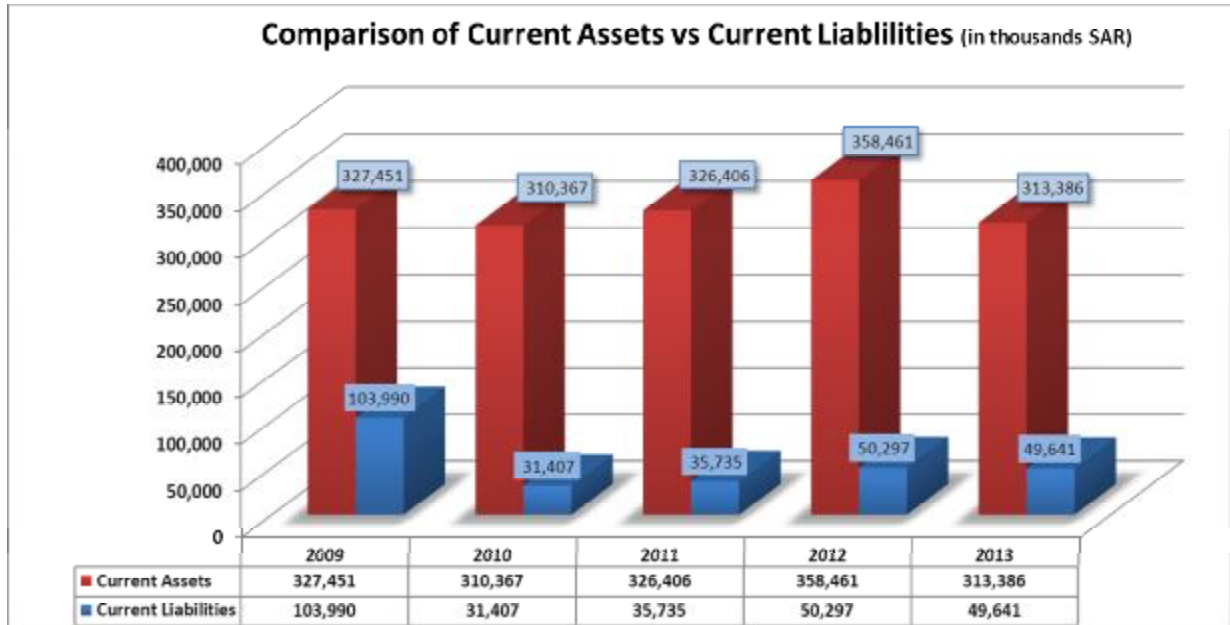
* Current liabilities include liabilities for suppliers, and special provisions related to legal ZAKAT. It should be noted that all accrued bank loans have been paid in the year 2010, in the amount of approximately 54.97 million SAR. There are no outstanding or accrued bank loans since then until the end of the fiscal year 2013.

Chapter 4: The Group's assets and liabilities³

The total assets of the Group amounts to 773.1 million SAR as of 31/12/2013, of which 40.5% are current assets of 313.3 million SAR, against current liabilities of 49.6 million SAR, with a current ratio of approximately 6.3 times, reflecting the Group's ability to meet its short-term obligations.



³ Clause No. 3 of Article No. 43- Listing Rules (The requirements of the Board of Directors' report)



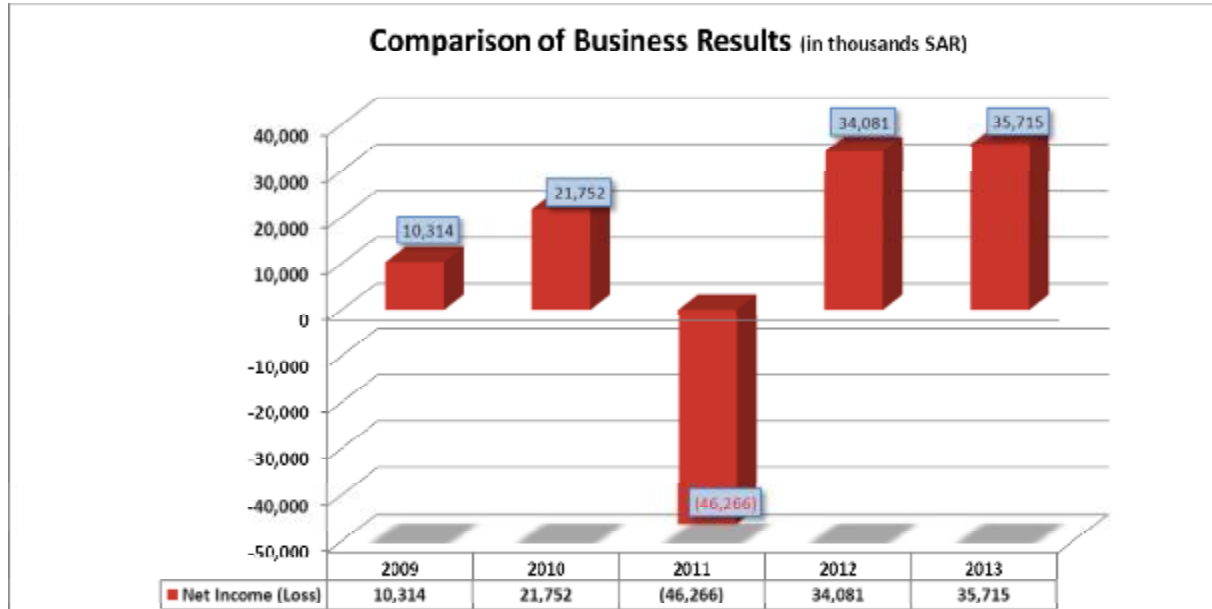
The total liabilities of the group amounted to 67.9 million SAR at the end of 2013, compared with 66.2 million SAR at the end of 2012, representing a slight increase by 2.6%. The total liabilities amounted to 8.8% of the total assets, and 9.6% of the total equity.

Fitaihi Holding Group asserts the lack of any loans (whether payable on demand or otherwise) as of the end of the fiscal year 2013. Accordingly, no amounts were paid out by the Company for loans during the fiscal year 2013.⁴

It is worth mentioning that during the year 2010, the full obligations owed to banks were paid, amounting to 54.97 million SAR, represented in the Islamic banking principles of “Murabaha” and “Tawarruq”.

⁴ Clause No. 12 of Article No. 43- Listing Rules (The requirements of the Board of Directors' report)

Chapter 5: Income /Losses⁵



The net income during the year 2013 amounted to 35.7 million SAR, compared with the net income of 34.1 million SAR in the year 2012, and thus net income has increased by 4.7%, mainly due to the increase in investment income by 37.26%, in the amount of 12,251,966 SAR during the year 2013, compared to the amount of 8,926,272 SAR during the year 2012. This is in addition to the recognition of an impairment loss of investments available for sale, in the Income Statement, in the Arab Republic of Egypt, in the amount of 6,032,261 SAR, as well as the decrease in Zakat expenses by 19.2%, from 8,907,231 SAR in the year 2012, to 7,197,800 SAR in the year 2013.

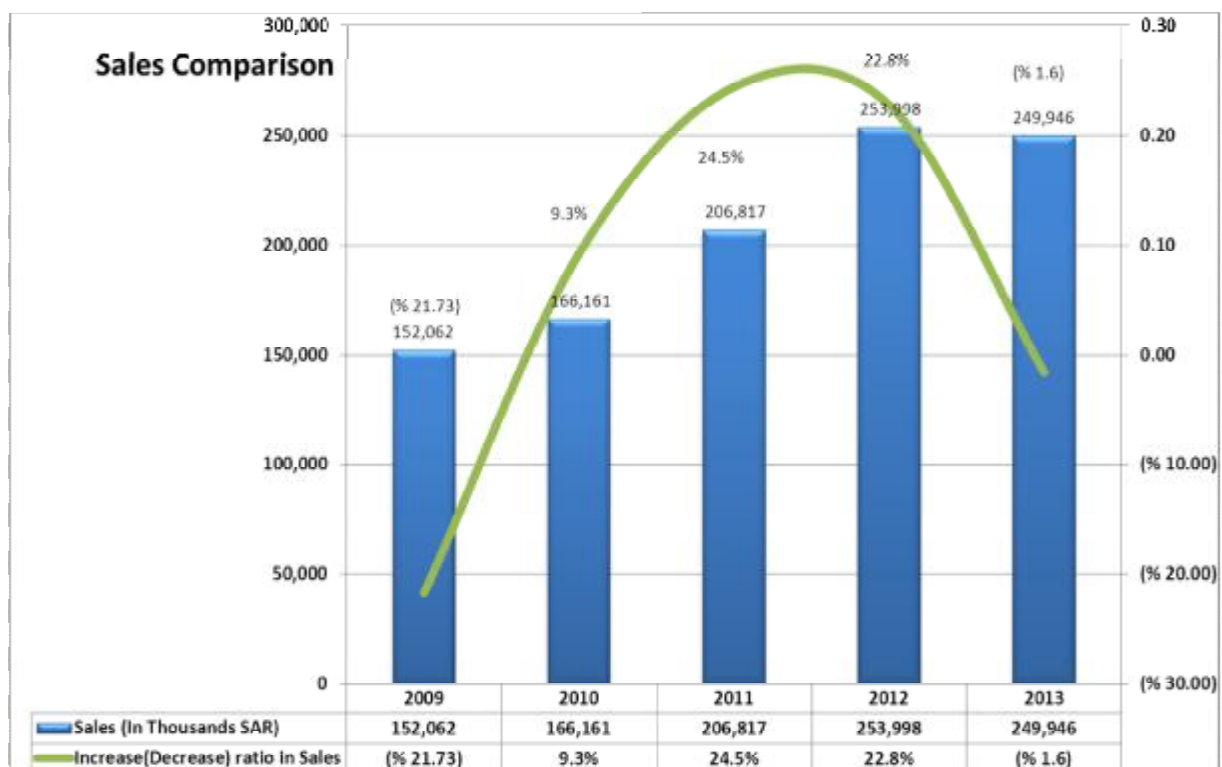
The above-mentioned had a positive impact on reducing the impact of the increase in expenses by 11.77%, from the amount of 83,848,585 SAR in 2012, to the amount of 93,717,373 SAR in 2013, composed mainly of the increase in wages

⁵ Clause No. 5 of Article No. 43- Listing Rules (The requirements of the board of directors' report)

and salaries expense, as a result of opening new branches, as well as the Group's focus on investing in the human element, due to its positive effect, God willing, on the future of the Group, in addition to the increase in marketing expenses related to building new brand names.

Chapter 6: Sales⁶

The Group achieved total sales of 249.9 million SAR in 2013, compared with 254 million SAR in 2012, with a decrease of 1.6%. This decrease in sales in the year 2013 is attributed to the decrease in sales in the fourth quarter of the year 2013, compared to the previous year, amounting to 16.60% of sales during the same quarter of the year 2012. Nevertheless, the Group has maintained the level of the current gross profit, compared to the previous year, as a result of the improvement in the profit margins.



⁶Item 5 of Article 43- registration and listing rules (The requirements of the Board of Directors' report)

The following table shows the analysis of sales by activities:

Year	Description	In thousands of SAR		
		Kingdom of Saudi Arabia	Outside of the Kingdom	Total
2013	Sales			
	Gold and Jewelry	164,650	12	164,650
	Other	85,284	-	85,284
	Total	249,934	12	249,934
2012	Sales			
	Gold and Jewelry	166,823	414	167,237
	Other	86,761	-	86,761
	Total	253,584	414	253,998

The following table shows the impact of each activity on total revenues:

Description	2013	2012
Revenues of commercial activities	249,946	253,998
Revenues of investment activities	12,252	8,926
Total Revenues	262,198	262,924

The following table shows the geographical analysis of sales⁷:

Description	2013 In thousands of SAR	2012 In thousands of SAR
Western Region sales	170.953	173.015
Central Region sales	75.712	77.899
Eastern Region sales	3.269	2.670
Outside of the Kingdom	12	414
Total sales	249.946	253.998

⁷ Clause No. 4 of Article No. 43 – Listing Rules (The requirements of the Board of Directors' report)

The following table shows the geographical analysis of revenues:⁸

Description	2013	2012
	In thousands of SAR	In thousands of SAR
Retail sector revenues		
Kingdom of Saudi Arabia	249,934	253,584
Outside of the Kingdom	12	414
	249,946	253,998
Investment Sector revenues		
Kingdom of Saudi Arabia	5,528	(927)
Arab Republic of Egypt	6,724	9,853
	12,252	8,926
Total sales	262,198	262,924

The Group's business segment results⁹:

The activities of the parent company (Fitaihi Holding Company) and its subsidiary **Luxury Goods Trading Company Ltd** focus on the trade of gold, jewelry, precious goods, clothing, and accessories. The main activity of Sodouq Investment Holding Co. is the investment activities, while **Medmac Gulf Real Estate Investment Co.** focuses on real estate activities (has not started its operations yet). The principal activity of the **Mahabbat Commercial Company** is the retail of accessories and watches, while the activity of **Tawteen Saudi Company** for

⁸ Clause No. 4 of Article No. 43 – Listing Rules (The requirements of the Board of Directors' report)

⁹ Clause No. 1 of Article No. 43- Listing Rules (The requirements of the Board of Directors' report)

Maintenance and Operation is providing services of public maintenance and the maintenance of air conditioners, computers, cleaning and operation of factories, companies, buildings and shops, in addition to maintaining machinery, equipment and vehicles (also has not started its operations yet).

The segments of the Company's activities consist of the following:

2013				
In thousands of SAR	Commercial activity	Investment activity	Real estate activity	Total
Income	249.946	12.252		262.198
Gross profit from activity	124.029	12.252		136.281
Net income for the year	23.463	12.252		35.715
Assets	428.592	344.314	169	773.075
Liabilities	67.899			67.899

2012				
In thousands of SAR	Commercial activity	Investment activity	Real estate activity	Total
Income	253,998	8,926		262,924
Gross profit from activity	123,750	8,926		132,676
Net income for the year	31,193	2,894	(6)	34,081
Assets	465,036	266,328	169	731,533
Liabilities	66,135	10	10	66,155

The following table shows the names of the affiliated companies, their main activity, the location of their main headquarters and the country where they were established:¹⁰

¹⁰ Items No. 7 & 8 of Article No. 43- Listing Rule (The requirements of the Board of Directors' report)

	Luxury Goods Trading Co. Ltd	Medmac Gulf Real Estate Investment Co. Ltd	Sodouq International Investment Holding Co. Ltd	Mahabbat Commercial Co. Ltd	Tawteen Saudi Company for Maintenance and Operation Ltd
Main activity	Sale and purchase of precious metals, precious stones and jewelry.	Purchasing lands for the purpose of building thereupon and investing them via sale or rent for the benefit of the company and the management and development of the real estate.	Participating in the establishment of companies and investments with a ratio enabling the company to administer and control these companies.	Wholesale and retail trade in accessories, watches, household utensils, tableware, antiques, mirrors, and ready-made clothing.	Providing public maintenance services, and maintaining air-conditioners, cleaning, operation for factories, companies, buildings, shops and the maintenance of the machinery, equipment, vehicles and devices, in addition to commercial services and export and marketing to other countries
Ownership	80%	100%	100%	100%	100%
Status	Operating	Does not practice activity currently	Operating	Operating	Does not practice activity currently
Capital - SAR	100 million	100 million	100 million	100 thousand	100 thousand
No. of shares owned	40,000	100,000	100,000	100	100
Loans to affiliates - SAR	12.03 million	-	47.12 million	7.16 million	-
Loans from affiliated companies - SAR			85.28 million		
Main headquarters	Jeddah	Jeddah	Jeddah	Jeddah	Jeddah
Country of establishment	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia

Chapter 7: Investments

International Medical Center (IMC):

The capital of the IMC is 670.24 million SAR, of which a percentage of 19.9% is owned by Fitaihi Holding Group.

Since the opening of the IMC Hospital in 2006, by the honorable Custodian of the Two Holy Mosques, King Abdullah bin Abdul Aziz, its operators are working to achieve its mission of making it a unique form of health care in the region. Year after year, pioneering achievements are added to this vital sector of society. In 2011, the IMC Hospital had the honor of holding the leading position, being the first entity in the Kingdom to join the UN Charter for responsible management practices, and for issuing its first report on social responsibility, ratified by the GRI of the United Nations, with (A) grade. This makes the IMC the first health entity in the Kingdom and in the world, to be awarded such a classification. Thus, the IMC was chosen for the King Khalid Award for Responsible Competitiveness by the Saudi competitiveness index this year.

Achieving its message to follow the best international standards of medical treatment, the Hospital has received the approval of the Joint Commission International (JCI) of health services quality in 2008, with the highest success rates in the region. Moreover, the concept of "healing by design" adopted by the IMC Hospital received the Makkah Award for Excellence in 2011, sponsored by His Royal Highness Prince Khalid Al-Faisal bin Abdul Aziz Al Saud, Governor of Makkah Region. The award for the best hospital design in the Middle East was granted by the World Hospital Build and Infrastructure Conference in 2011, in addition to the award for the best reference laboratories in the Middle East within

the Arab Health Congress in 2012, and the award for the best health entity in the Kingdom within the classification of Thompson House for Publication in 2011.

On the medical level, the hospital continues to attract world expertise in sub-specialties, helping to build centers for excellence at the region level. In 2013, the intermediate and intensive cardiac care unit was opened with a total capacity of ten beds, in addition to the Lithotripsy Unit, equipped with the latest international technologies. Further, the medical imaging and radiology center has been equipped with one of the latest CT-Scan imaging devices in the world, making it a pioneer in the field of modern diagnostic techniques in the Middle East.

At the operational level, more than half a million visits have been registered in the outpatient clinics, in addition to 22,000 admission status in 2013, with an increase of over 15% compared with 2012. More than 10,000 surgeries have been performed, including the complex surgical processes in the sub-specialties, such as the cardiology, blood vessels, neurology, spine, and orthopedics, making the IMC a pioneer in such specialties, at the regional level.

The IMC 2014 seeks, within its strategic plan, to get a new accreditation from the International Joint Commission and the Australian Council for Quality. It also intends to operate an outpatient complex in the north of Jeddah, and started a study of the Medical Tower Project, including the expansion of the outpatient and admission section.

The IMC has witnessed a high growth in its revenues, having a significant impact on improving profitability. The Board of Directors of the IMC, during its AG meeting held on 11 October 2010, based on the achievements of the IMC, as an appreciation of the role played by the Chairman of the Board of Directors, Dr. Walid Ahmed Hassan Fitaihi, since the establishment of the Company, issued a

recommendation that was approved unanimously, that the share of Dr. Walid Ahmed Hassan Fitaihi in the IMC's capital should be increased to 10%, by transferring 10% of the annual profits (before interests, consumption, amortization and zakat) to Dr. Walid Ahmed Hassan Fitaihi, starting from 2010, periodically until his share reaches the 10% of the capital, and provided that the capital is increased from 638.58 million SAR to 689.93 million SAR gradually, and according to his share in those profits, on an annual basis.

By applying such a mechanism, the capital of the IMC was increased, during the fiscal year 2013, from 649.99 million SAR to 670.24 million SAR, so as to increase the share of Dr. Walid Ahmed Hassan Fitaihi in the capital from 3.86% to 6.76 %, representing his share in the profits for 2012. It is also expected to increase the capital during the fiscal year 2014 from 670.24 million SAR to 689.93 million SAR, and thus increasing the share of Dr. Walid Ahmed Hassan Fitaihi in the capital of IMC, i.e. from 6.76% to 9.42%, representing his share in the profits for 2013.

Luxury Goods Trading Co. Ltd (LGTC):

The share of Fitaihi Holding Group in the capital of the Luxury Goods Trading Co. Ltd. amounts to 80% of its total capital, or 5 million SAR. The LGTC has operating assets of 25.3 million SAR. The financial statements for the year 2013 also reflect the integration of the figures of LGTC's results with Fitaihi Holding Group's figures.

The acquisition strategy had also a significant impact on increasing the achieved sales during the preceding six fiscal years from 2008 to 2013, when the Group acquired an additional 60% in 2008, so the Group's ownership percentage, after acquisition, has become 80%, and with a total value of 4 million SAR, of the capital of the LGTC, amounting to 5 million SAR. Meanwhile, Eng. Mohammed Ahmed Hassan Fitaihi owns the rest remaining 20% of the capital of the LGTC, and he is considered the founder and CEO of Luxury Goods Trading Co. Ltd. Moreover, Fitaihi Holding Group share was 20% of the capital of the LGTC before acquisition. It is worth mentioning that the IMC operates in the sale and purchase of precious metals, precious stones and jewelry, and was founded in Jeddah on 16/04/2004, and it has 18 outlets, in Riyadh, Jeddah, Khobar, Medina, Dammam and Al-Ahsaa, carrying the brand names of (Fitaihi Junior) and (Baby Fitaihi). Moreover, the Company is pursuing an ambitious plan in order to increase its geographic expansion by opening more branches inside and outside the Kingdom of Saudi Arabia.

The Company also received the award for being one of the fastest 500 growing emerging companies in the Arab World, Turkey, and Pakistan for the years 2008-2009-2010, from the AllWorld Network Company at the World "Self-Made" Conference, held in Istanbul on December 3-6, 2011. LGTC also obtained the

award for being one of the fastest growing Saudi companies for the years 2008, 2009, and 2010, provided by the General Authority for Investment, at the World Competitiveness Forum, held in Riyadh on January 21-24, 2012. Moreover, the Company also obtained the award for being one of the fastest 500 growing emerging companies in the Arab world, Pakistan and Turkey, and one of the fastest 100 Saudi companies, and the seventh in order in Saudi Arabia for the years 2009, 2010 and 2011, provided by AllWorld Network Co. at the World “Self-Made” conference, held in Dubai on December 10-12, 2012. The Director of the Company received also the Forbes - Middle East award for being the best pioneering leader in the Kingdom for 2013, from His Royal Highness Prince Khalid bin Bandar bin Abdulaziz Al Saud, Governor of Riyadh, on December 15, 2013.

Mahabbat Commercial Company Ltd.:

In the framework of the restructuring of the Group's activities, the Group has founded “Mahabbat Commercial Company” with a capital of 100 thousand SAR in order to organize the trade of accessories under a separate legal entity, so that the Company shall be able to set goals, strategies and a business plan for this activity, as well as facilitating the attraction of the specialized human calibers thereof, and to improve the measurement accuracy of the performance specifically for the activities in which the group operates . This was done by transferring the assets and obligations of all of Fitaihi Holding Group's branches that operate in the accessories activity to Mahabbat Commercial Company. Mahabbat Commercial Company currently has 22 branches, in Jeddah, Riyadh, Khobar and Makkah, all of which carry the brand name "Tatto Tatti," the well-known name in the field of

women's accessories, watches and gifts. More branches are currently to be opened in the different cities of the Kingdom, under the brand names "Tatto Tatti" and "Laura Manitti."

Tawteen Saudi Company for Maintenance and Operation Ltd.:

In the framework of the restructuring of the Group's activities, the Group has also founded "Tawteen Saudi Company for Maintenance and Operation Ltd. with a capital of 100 thousand SAR, in order to provide the services of general maintenance and the maintenance of air conditioners, computers, cleaning, operation of factories, companies, buildings, and shops, in addition to maintaining machinery, equipment, vehicles, and devices. (has not started its operational activity yet).

Financial assets and investments:

The following table shows the Group's investments as of 31/12/2013:

	Ownership	Investment country			Unrealized profits for Investments and financial assets	
	2013		Fair value			Fair value
			2012	Net of transaction	Available for sale	2013
			SAR	SAR	SAR	SAR
Non-quoted ownership shares in the financial market						
C Hospital Co.	19.9%	Kingdom of Saudi Arabia	118,420,886	29,955,342	-	148,376,228
Co. of October Hospital Co. for cardiothoracic surgery (Dar Al Fouad)	5.3%	Arab Republic of Egypt	8,693,579	-	-	8,693,579
Sunrise (Investment fund) *	0.9%	United States of America	4,925,064	-	-	4,925,063
ARC Residential (Investment fund) *	2.58%	United States of America	2,368,450	-	-	2,368,450
			134,907,348	29,955,342	-	164,363,320
Quoted ownership of shares in the financial market						
Investment portfolio (Al-Bilad Investment Co.)		Kingdom of Saudi Arabia	29,203,000	12,130,274	981,926	42,315,200
Investment portfolio (CIB)		Arab Republic of Egypt	102,716,904	10,713,258	24,205,682	137,635,844
			131,919,904	22,842,532	25,178,608	179,951,044
Total			266,327,882	52,798,874	25,187,608	344,314,364

*(ARC Residential - United States) and (Sunrise - United States): Investments by Arcapita in Bahrain.

Dar Al-Fouad Hospital:

Dar Al-Fouad Hospital in Egypt is deemed to be a pioneer in cardiothoracic surgery, vascular neurosurgery and organ transplants, in addition to providing integrated medical services through 1360 members of the medical, administrative and nursing staff in all specialties. Fitaihi Holding Group owns 5.33%, amounting to 234.95 million EGP, of its capital. The financial results also show a growth in income by 25.67% during the fiscal year 2012, compared with the fiscal year 2011. Net profits also grew by 179% during fiscal year 2012, compared with the fiscal year 2011. This investment is deemed as a long-term strategic investment.

Sodouq International Investment Holding Co., the investment arm of Fitaihi Holding Group, owns long-term strategic investments as follows:

Oriental Weavers Carpet Co.:

The Oriental Weavers Co. in Egypt is the largest producer of mechanical carpets in the world, founded in 1980. Fitaihi Group owns 6.6% of its capital, amounting to 450 million EGP. It is worth mentioning that the Oriental Weavers Co. exports more than 60% of its production to nearly 150 countries through its distribution outlets located in Egypt, the United Kingdom, the United Arab of Emirates and the United States. The financial results of the Company show that during the first nine months of 2013, the Company achieved sales of 4.03 billion EGP, which represents an increase by 12.6% over the same period of the last year. The Company also achieved net profits of 291.4 million EGP, which represents an increase by 33% over the same period of the last year. The Company is currently

working to increase its production capacity to keep up with the increased demand on its products, and in order to diversify its products and designs and to focus on products with a higher profit margin. This is in addition to keeping up with the technological advance, the development of new product lines, and the exploitation of its competitive advantages in China through the Company's factories there.

Arab Ceramic Company (Aracemco):

The Aracemco Co. in the Arab Republic of Egypt operates in the field of ceramic industries and sanitary fixtures. The Group owns 3.6% of its capital, amounting to 125 million EGP. It is worth mentioning that during the first nine months of 2013, the Company achieved gross sales of 344.6 million EGP, representing an increase of 17% over the same period of 2012. Export sales outside the Arab Republic of Egypt amount to 21.6% of the total sales. During the first nine months of 2013, the Company also achieved a net profit of 75.2 million EGP, with an increase of 50% over the same period of 2012.

Dividends distribution policy:¹¹

- 1) Ensuring the provision of the necessary liquidity to fulfill all the operational and investment expenses of the Company, comes on top of the Company's priorities, taking into account the prevailing conditions of the Company, future investment patterns, Company's growth and the economic climate, as well as the volume of available liquidity, the financial needs of the Company and available investment opportunities.

¹¹ Clause No. 9 of Article No. 43- Listing Rules (The requirements of the Board of Directors' report)

- 2) Dividends are distributed annually on the recommendation of the Board of Directors, and after the approval of the General Assembly of the Company's shareholders on the distribution and its method (within six months after the end of each fiscal year). Therefore, the Company's annual net profits shall be distributed after deducting all the general expenses and other costs as follows:
 - a) Setting-aside (10%) of the net profits to form a statutory reserve, while the General Assembly can stop this setting-aside of profits when the reserve reaches half of the capital.
 - b) The General Assembly can set aside (1%) of the profits to form other reserves.
 - c) After that, and from the rest of net profits, a first payment equal to (5%) can be distributed to shareholders.
 - d) After all the above points, the remuneration of the Board of Directors will be allocated, while the rest of the net profits can be distributed thereafter to the shareholders as an additional share of dividends.
- 3) Dividends are distributed to shareholders listed, in the Central Depository Center, at the end of the trading session of the day of the General Assembly meeting that approves the distribution.

The interests and rights of the members of the Board of Directors, senior executives and stakeholders in shares:¹²

Name	Shares at the start of 2013		Shares at the end of 2013		Net change during the year of the shares owned	
	No. of shares	%	No. of shares	%	No. of shares	%
Ahmed Hassan Ahmed Fitaihi	12,500,000	22.72%	12,500,000	22.72%	0	0
Eng. Mohamed Ahmed Hassan Fitaihi	1,102,493	2%	1,102,493	2%	0	0
Dr. Ibrahim Hassan Al Madhoun	10,000	0.0018%	10,000	0.0018%	0	0
Dr. Mohammed Hassan Ikhwan	2,650	0.005%	2,650	0.005%	0	0
Eng. Abdulmalik Abdullah Fathaddin*	10,000	0.0018%	10,000	0.0018%	0	0
Mr. Majed Diaa-u-ddin Karim	1,100	0.002%	1,100	0.002%	0	0
Mrs. Maha Ahmed Hassan Fitaihi	549,996	1%	549,996	1%	0	0
Mr. Hussein Ali Hussein Yarimi**	10,340	0.02%	10,340	0.02%	0	0
Ms. Shahira Abdulhay Gari***	22	0%	22	0%	0	0

* The balance of the shares owned by Eng. Abdulmalik Abdullah Fathaddin since the date of his entry in the Board of Directors on 22/04/2013.

** Mr. Hussein Ali Hussein Yarimi works as the Director of the Jewelry Sector at Fitaihi Holding Group.

*** Ms. Shahira Gari is the Deputy Director General of the of ladies' branches.

¹² Item 11 No. of Article No. 43 - Listing Rules (The requirements of the Board of Directors' report)

The following table shows the number of shares owned by the wives of the members of the Board of Directors, senior executives and their relatives:¹³

Wives and sons names	Relationship	Board Member or executive	Shares Qt.	Ownership%
Mrs. Thoraya Jamil Attar	Wife	Ahmed Hassan Fitaihi	549,996	1%
Dr. Walid Ahmed Hassan Fitaihi	Son	Ahmed Hassan Fitaihi	1,102,493	2%
Mr. Hassan Ahmed Hassan Fitaihi	Son	Ahmed Hassan Fitaihi	1,099,993	2%
Ms. Huda Ahmed Hassan Fitaihi	Daughter	Ahmed Hassan Fitaihi	549,996	1%

** It is worth mentioning that the above-mentioned ownership percentages did not change during the fiscal year 2013.

Dr. Walid Ahmed Hassan Fitaihi heads the Board of Directors of the IMC Hospital Co. (one of the investments of Fitaihi Holding Group), and owns 6.76% of the Hospital's capital, which will be increased to 9342% (according to the mechanism mentioned above in **(Chapter 7: Investments)** as he is a relative of the first-degree to the Chairman of the Board of Directors of Fitaihi Holding Group.

Eng. Mohamed Ahmed Hassan Fitaihi, Member of the Board of Directors, holds the position of the CEO of the “Luxury Goods Trading Co. Ltd” (one of the subsidiaries of Fitaihi Holding Group) and he owns 20% of its capital. His total salaries and other advantages, for the management of this Company during the fiscal year 2013 amounted to 1,325,186 SAR.

¹³ Clause No. 11 of Article No. 43 - Listing Rules (The requirements of the Board of Directors' report)

It is worth mentioning that no one having interests in the class of shares with the right to vote, attributed to people (except for Board Members, senior executives, their wives and relatives) has informed the Company of those rights under Article No. 45 from the Listing Rules, or any change in those rights during the last fiscal year.¹⁴

The Company has not issued any convertible instruments or any contractual securities. No subscription rights memoranda or similar rights, were issued or granted by the company during the fiscal year 2013.¹⁵

The Company did not issue any subscription or conversion rights under convertible debt instruments to shares or contractual securities. No choice rights, subscription rights memoranda or similar rights were issued or granted by the Company during the fiscal year 2013¹⁶.

The Company has not performed any refund, purchase or cancellation of refundable debt tools, nor of the rest of the securities, and do not distinguish between the listed securities purchased, and those purchased by its subsidiaries during the fiscal year 2013.¹⁷

¹⁴ Clause No. 10 of Article No. 43 - Listing Rules (The requirements of the Board of Directors' report)

¹⁵ Clause No. 13 of Article No. 43 - Listing Rules (The requirements of the Board of Directors' report)

¹⁶ Clause No. 14 of Article No. 43 - Listing Rules (The requirements of the Board of Directors' report)

¹⁷ Clause No. 15 of Article No. 43 - Listing Rules (The requirements of the Board of Directors' report)

Chapter 8: The Board of Directors

The Board of Directors, in its fifth cycle, consists of seven members as follows, whose membership are in effect till 21/04/2016.¹⁸

Board Member's name	Position	Independent	Executive	Non-executive
Ahmed Hassan Ahmed Fitaihi	Chairman of the Board		a	
Dr. Ibrahim Hassan Al Madhoun	Board Member	a		
Dr. Mohammed Hassan Ikhwan	Board Member	a		
Eng. Abdul Malik Abdullah Fathaddin	Board Member	a		
Mr. Majed Daa-u-ddin Fadul Karim	Board Member	a		
Eng. Mohamed Ahmed Hassan Fitaihi	Board Member		a	
Mrs. Maha Ahmed Hassan Fitaihi	Board Member			a

Communication with shareholders and investors:-

The Group recognizes the importance of communicating with its shareholders, providing them with information, and keeping with the principle of disclosure and transparency, the group has made the following:

- Publication of the quarterly financial statements and final accounts for the fiscal year 2013, on Tadawul website, and also publishing them in two

¹⁸ Clause (C) of Article No. 9 - Corporate Governance Regulations (Disclosure in the Board of Directors' report)

newspapers of the Kingdom of Saudi Arabia, within the time limits set the rules.

- Compliance with the advertisements format, determined by the Capital Market Authority and the material information that must be included therein, and the dates of publication of such advertisements.
- Preparing the Board of Directors' Annual Reports, in accordance with the disclosure requirements and the reference model prepared by the Capital Market Authority.
- All the Company's shareholders, without exception, can read the minutes of the meetings of the General Assemblies of the Company, and any annual reports of the Board of Directors, either in person or by requesting them to be sent via e-mail or fax.

Board of Directors' approval as required by the Corporate Governance Regulations:

The Listing Rules and the Corporate Governance Regulations, issued by the Capital Market Authority, emphasize the need of disclosure, in the Board of Directors' Annual Report, of all the required items according to the annual report model prepared by the CMA. In case of the non-application of any of its paragraphs, it shall be mentioned in the report, along with a written explanation in Disclosure Form No. (4) & (8), and reporting to the CMA about it. Accordingly, we would like to indicate that the Group has disclosed in this report the applicable requirements. The Board of Directors also confirms that the following subjects are not applicable to the Group, and that the Board shall disclose them, upon application or occurrence:

- The Group does not currently apply the Optional Rights Plans.
- The Group has not converted its debt instruments to shares
- There have been no agreements or waivers with any of the shareholders or one of the Group's executives or officers or any of its subsidiary companies, hereby assigning their rights in the profits or in any other essential interest. However, it is worth mentioning that the Chairman of the Board and Chief Executive Officer Shk. Ahmed Hassan Fitaihi has not received any allowances or remunerations during the fiscal year 2013 (without a contract or waiver agreement).¹⁹

¹⁹ Clause No. 19 and No. 20 of Article No. 43 - Listing Rules (The requirements of the Board of Directors' report)

Senior executives' remunerations and compensations:²⁰

The following table shows the details of the remunerations paid and compensations for each of the members of the Board of Directors and for the five senior executives who received the highest remunerations and compensations from the Group (including the Chief Financial Officer):

Description (figures in SAR)	Members of the Executive Board Eng. Mohamed Ahmed Fitaihi	Non-executive or independent Members of the Board	Five senior executives who received the highest remunerations and compensations (Including the Chief Financial Officer)
Salaries and compensations	720,000		1,788,552
Allowances	264,000	21,000	713,385
Annual and periodic incentives and rewards	453,186	500,000	393,172
Monthly and annual paid compensations of other in-kind advantages	-	-	Car for the regional director in Riyadh, the marketing director and the development manager

²⁰ Clause No. (F) 1 and 2 of Article No. 9 - Corporate Governance Regulations (Disclosure in the Board of Directors' report)

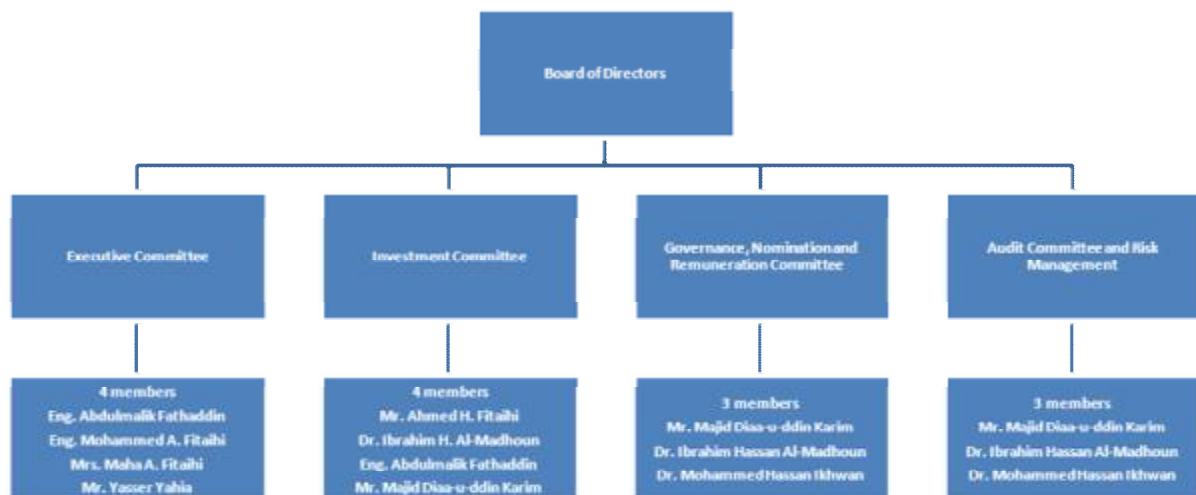
Remunerations of Members of the Board of Directors:

Based on the Statute of the Group, the Board of Directors decided to pay the amount of 600,000 SAR as remunerations for the fiscal year 2013 to the members of the Board of Directors (six members only), distributed evenly among them.

We would also like to indicate that the Chairman and the Chief Executive Shk. Ahmed Hassan Fitaihi has not received any allowances or remunerations during the fiscal year 2013 for his membership in the Group's Board of Directors and has not received any remunerations for his work as a Chief Executive Officer (without a contract or a waiver agreement).²¹

²¹ Clause No. 19 of Article No. 43 - Listing Rules (The requirements of the Board of Directors' report)

Board of Directors and its subcommittees:



The Board of Directors meetings:²²

In order to enhance the work of the Board of Directors of the Group, the Board of Directors held during its fifth cycle, from the beginning of 2013 till 21/04/2013, four meetings, while during the sixth cycle of the Board of Directors, starting from 22/04/2013, five meetings have been held. We specify as follows the attendance of the members of the Board of Directors in the Board meetings during the fiscal year 2013.

Fifth cycle of the Board of Directors

Member name	Position	First meeting 9/01/2013	Second meeting 21/01/2013	Third meeting 19/02/2013	Fourth meeting 21/04/2013	Total
Dr. Ahmed Hassan Ahmed Fitaihi	Chairman	a	a	a	a	4
Dr. Ibrahim Hassan al-Madhoun	Member	a	a	a	a	4
Dr. Mohammed Hassan Ikhwan	Member	a	a	a	a	4
Mr. Majed Diaa-u- ddin Karim	Member	a	a	a	a	4
Eng. Mohammed Ahmed Fitaihi	Member	a	a	a	a	4
Mrs. Maha Ahmed Fitaihi	Member	a	a	a	a	4

**** Dr. Mohammed Hassan Ajlan, was a member of the Board of Directors in its fifth cycle; his death on 24/11/2012, was announced on Tadawul website on 25/11/2012.**

²² Clause No. 16 of Article No. 43 - Listing Rules (The requirements of the Board of Directors' report)

Sixth cycle of the Board of Directors

Member's name	position	1 st meeting 22/04/2013	2 nd meeting 26/05/2013	3 rd meeting 17/07/2013	4 th meeting 28/09/2013	5 th meeting 09/10/2013	Total
Ahmed Hassan Ahmed Fitaihi	Chairman	a	a	a	a	a	5
Dr. Ibrahim Hassan al-Madhoun	Member	a	a	a	a	a	5
Dr. Mohammed Hassan Ikhwan	Member	a	-	a	a	a	4
Eng. Abdulmalik Fathaddin	Member	a	a	a	a	a	5
Mr. Majed Diao-u-ddin Karim	Member	a	a	a	a	a	5
Eng. Mohammed Ahmed Fitaihi	Member	a	a	a	a	a	5
Mrs. Maha Ahmed Fitaihi	Member	a	a	a	a	a	5

The most important resolutions and recommendations of the Board of Directors during the fiscal year 2013:

S	Date of Resolution	Content of Resolution
1	09/01/2013	Distribution of the amount of 27.5 million SAR, equal to 5% of the paid-up capital, as dividends to the company's shareholders for the fiscal year 2013, which means 50 Halalas per share.
2	09/01/2013	Approval on the increase of investment in the capital of the IMC by the amount of 29,955,342 SAR.
3	22/04/2013	Choice of the Chairman of the Board of Directors for the sixth cycle and the formation of the sub-committees and determining the authorities
4	26/05/2013	Formation of the executive committee, a sub-committee from the Board of Directors, appointment of its members, determining its tasks, validity, and attendance allowance of meetings.
5	28/09/2013	Increasing the principal investment amount in the Saudi Stock Market from 30 million SAR to 55 million SAR.

The participation of the Board of Directors in the membership of the Boards of Directors of other joint stock companies:²³

Some of the members of the Board of Directors are members of the Boards of Directors of other joint stock companies. The table below identifies the names of these members and the names of these joint stock companies:

Name	Names of the joint stock companies
Mr. Ahmed Hassan Ahmed Fitaihi	- Sukoon International Co. Chairman of the Board of Directors
Dr. Ibrahim Hassan Al-Madhoun	- Red Sea Housing Services Co. - Almarai Company - Herfi Food Services Co. - Al-Obaikan Group for Investment
Dr. Mohammed Ali Hassan Ikhwan	- Gulf General Cooperative Insurance Company - Red Sea Housing Services Company - National Gas & Industrialization Co.
Mr. Majed Diaa-u-ddin Fadul Karim	- Gulf General Cooperative Insurance Company

Sub-Committees of the Board of Directors:²⁴

There are four sub-committees of the Board of Directors, of which their members were appointed by the Board of Directors. These committees help the Board of Directors and the executive management in performing their roles, in order to achieve the objectives of the Group.

The details are as follows:

²³ Clause (B) of Article No. 9 - Corporate Governance Regulations (Disclosure in the Board of Directors' report)

²⁴ Clause (D) of Article No. 9 - Corporate Governance Regulations (Disclosure in the Board of Directors' report)

1. The Audit and Risk Management Committee:

The Audit Committee is formed of non-executive members of the Board of Directors and includes specialists in financial and accounting affairs to validate the adequacy of the Internal Audit Systems and their effective performance, and to provide any recommendations to the Board of Directors that will activate and develop the systems to achieve the objectives of the Group, and protect the interests of shareholders and investors. During the third extraordinary General Assembly held on 6/5/2008, the shareholders approved the selection rules of the members of the Audit Committee, the Remuneration Committee, the term of their membership (which is 3 years, expiring at the end of the term of the Board of Directors) in addition to the style of work of both committees in accordance with Articles No. 14 and No. 15 of the Corporate Governance Regulations issued by the Capital Market Authority. The Committee consists of 3 members from the Board of Directors, as shown in the following table:

Name	Position
Mr. Majed Daa-u-ddin Karim	Head of Committee (Board member)
Dr. Ibrahim Hassan Al-Madhoun	A member of the Committee (Board member)
Dr. Mohammed Hassan Ikhwan	A member of the Committee (Board member)

A summary of the roles and responsibilities of the Audit Committee:

1. Supervision of the Internal Audit Department of the Company in order to verify its efficiency in performing the work and missions assigned by the Board of Directors.
2. Survey of the internal auditing system and develop a written report to indicate its views and recommendations in this regard.
3. Study of the internal audit reports and monitor the performance of the remedying procedures of the notes provided in it.

4. Make recommendations to the Board of Directors on assigning chartered accountants, replacing them and deciding on their remunerations. When recommending their assignment, the assurance of their independence must be taken into consideration.
5. Follow up the work of the chartered accountants, and approve any work beyond the scope of the audit assigned to them during the performance of the annual audit.
6. Study of the audit plan with the chartered accountant, and put additional notes (if any).
7. Study of the notes of the chartered accountant on the financial statements and follow up the procedures in this regard (if any).
8. Study of the initial and annual financial statements before presenting them to the Board of Directors, and express any views or recommendations.
9. Study of the applicable accounting policies, and express any views or recommendations.
10. Assess of the internal control system including the accounting system from both the theoretical and practical points of view.
11. Conduct of tests on a selected sample of financial operations of the Company.
12. Review and verification of the independence of the external auditors.
13. Study and solving of any problems that the external auditors may face during the audit operations.
14. Supervision of the relationship of the Company with the external auditors.

The Audit and Risk Management Committee held 5 meetings during the fiscal year 2013 as follows:**

Member's name	Position	1 st meeting 21/1/2013	2 nd meeting 20/3/2013	3 rd meeting 20/4/2013	4 th meeting 17/7/2013	5 th meeting 9/10/2013	Total
Mr. Majed Diaa-uddin Karim	Head	a	a	a	a	a	5
Dr. Ibrahim Hassan Al- Madhoun	member	a	a	a	a	a	5
Dr. Mohammed Ali Hassan Ikhwan	member	a	a	a	a	a	5

** This is in addition to field visits to the branches and meetings with some of the Departments of the Company (especially the Finance Department) to supervise its work from time to time, and sometimes supervise the inventory taking as well.

Currently the Audit and Risk Management Committee is studying the offers of some Certified Public Accountants, who submitted their offers to audit the accounts of the Group for the fiscal year 2014, in order to select one of them. The Committee will recommend one of these offers to the General Assembly of the shareholders for the approval on the selection.

2. The Governance, Nominations and Remunerations Committee:

During the third extraordinary General Assembly held on 6/5/2008, the shareholders approved the selection rules of the members of the Audit Committee members and the Governance, Nominations and Remunerations Committee, the term of their membership (which is 3 years, expiring at the end of the term of the Board of Directors) in addition to the style of work of both committees in accordance with Articles No. 14 and No. 15 of the Corporate Governance Regulations issued by the Capital Market Authority. The

Committee consists of 3 members from the Board of Directors, as shown in the following table:

Name	Position
Dr. Ibrahim Hassan Al- Madhoun	Head of Committee (Board member)
Dr. Mohammed Ali Hassan Ikhwan	A member of the Committee (Board member)
Mr. Majed Daa-u-ddin Karim	A member of the Committee (Board member)

**** The General Assembly of shareholders has not recommended the remunerations for the members of the Remunerations, Nominations and Governance Committee.**

A summary of the duties and responsibilities of the Governance, Remunerations, and Nominations Committee:

1. Ensure the compliance of the Company with the requirements of the corporate governance guidelines of the Company, and all the rules and regulations issued by the competent authorities in this regard.
2. Present periodic reports to the Board of Directors on the aspects and points that have not been adhered to and express its recommendations for remedial or completing measures.
3. Work on the update of the corporate governance guidelines of the Company whenever there are any new organizational amendments or regulations, and notify the Board, the Committee Members and the executive directors about these amendments.
4. Ensure the distribution of the corporate governance guidelines to all the Board members, Committee members and the executive management staff, and explain its content when required.
5. Make recommendations on nominations for membership of the Board of Directors in accordance with the approved policies and standards, taking care not to nominate any person previously convicted of a crime involving abuse of confidence and lack of integrity.

6. The annual review of the appropriate skills required for membership of the Board of Directors, and the development of a description of the abilities and qualifications required for membership of the Board of Directors, including the time needed to perform the work assigned to the Board of Directors.
7. Review the structure of the Board of Directors and make recommendations regarding changes that can be made.
8. Identify the strengths and weaknesses of the Board of Directors and propose remedial actions in accordance with the interest of the company.
9. Ensure the independence of the members annually, and the absence of any conflict of interest, when any member of the Board of Directors also serves on the Board of any other company.
10. Develop clear policies for the remunerations and compensations of the members of the Board of Directors and senior executives. Standards related to performance are taken into consideration while developing these policies.

The Remunerations, Nominations and Governance Committee held 5 meetings during the financial year 2013 as follows:

Member's name	Position	1st meeting 21/1/2013	2nd meeting 11/02/2013	3rd meeting 22/04/2013	4th meeting 16/07/2013	5th meeting 08/10/2013	Total
Dr. Ibrahim Hassan Al- Madhoun	Head	a	a	a	a	a	5
Dr. Mohammed Hassan Ikhwan	Member	a	a	a	a	a	5
Mr. Majed Daa-u-ddin Karim	Member	a	a	a	a	a	5

3. The Investment Committee:

The essential duty of this Committee is to develop general principles for the investments of the Group by identifying investment controls and risk levels, and to evaluate the investment opportunities, then to make recommendations to the Board of Directors in this regard. The Committee consists of 4 members of the Board of Directors as provided in the following table:

Name	Position
Shk. Ahmed Hassan Fitaihi	Head of Committee (Chairman of the Board of Directors)
Dr. Ibrahim Hassan Al-Madhoun	A member of the Committee (a member of the Board of Directors)
Eng. Abdulmalik Abdullah Fathaddin	A member of the Committee (a member of the Board of Directors)
Mr. Majed Daa-u-ddin Karim	A member of the Committee (a member of the Board of Directors)

The Investment Committee held 4 meetings during the fiscal year 2013, as follows:

During the fifth cycle of the Board of Directors (Up to 21/4/2013)

Member's name	Position	1st meeting 9/1/2013	Total
Shk. Ahmed Hassan Fitaihi	Head	a	1
Dr. Ibrahim Hassan Al-Madhoun	Member	a	1
Dr. Mohammed Hassan Ikhwan	Member	a	1
Mr. Majed Daa-u-ddin Karim	Member	a	1

During the sixth cycle of the Board of Directors (From 22/4/2013)

Member's name	Position	1st meeting 22/4/2013	2nd meeting 28/7/2013	3rd meeting 10/10/2013	Total
Shk. Ahmed Hassan Fitaihi	Head	a	a	a	3
Dr. Ibrahim Hassan Al – Madhoun	Member	a	a	a	3
Eng. Abdulmalik Abdullah Fathaddin	Member	a	a	a	3
Mr. Majed Diaa Karim Al- Din	member	a	a	a	3

Term of membership of the Committee: 3 years, expiring at the end of the current cycle of the Board of Directors.

4. The Executive Committee:

The Board of Directors formed a subcommittee, from members of the Board of Directors, so called the Executive Committee. The most important and essential duties of the Committee are the following:

- a. Review and assess the regulations and general strategies of work, and develop the objectives, operational plans and the annual budgets to be approved by the Board of Directors.
- b. Develop future plans, general budgets and administrative powers to be approved by the Board of Directors.
- c. Supervise performance in accordance with the regulations of the Company, and according to the strategies, plans and objectives approved by the Board of Directors, in an efficient way reflecting the work variables.

- d. Study and review the processes of procuring assets, operational expenditures, loan requests from banks and bank guarantees to be presented to the Board of Directors for ratification.
- e. Recruit the required staff and create the organizational and administrative structure including selection, appointment and dismissal of the executive levels. It is also entitled to delegate the executive officers to perform these duties.
- f. Perform any other duties assigned to it by the Board of Directors.

The Committee consists of members as shown in the following table:

Name	Position
Eng. Abdulmalik Abdullah Fathaddin	Head of Committee (a member of the Board of Directors)
Eng. Mohamed Ahmed Hassan Fitaihi	A member of the Committee (a member of the Board of Directors)
Mrs. Maha Ahmed Hassan Fitaihi	A member of the Committee (a member of the Board of Directors)
Mr. Yasser Yahia Abdul-Hamid	A member of the Committee (Chief Financial Officer (CFO))

The Executive Committee held 4 meetings during the fiscal year 2013, and since it was formed on 26/5/2013, as follows:

Member's name	Position	1 st meeting 3/7/2013	2 nd meeting 15/7/2013	3 rd meeting 10/9/2013	4 th meeting 26/10/2013	Total
Eng. Abdulmalik Abdullah Fathaddin	Head	a	a	a	a	4
Eng. Mohamed Ahmed Hassan Fitaihi	Member	a	a	a	a	4
Mrs. Maha Ahmed Hassan Fitaihi	Member	a	a	-	a	3
Mr. Yasser Yahia Abdul-Hamid	Member	a	a	a	a	4

Term of membership of the Committee: One year, renewable as per the resolution of the Board of Directors.

Transactions with related parties:²⁵

1. The Company has entered into and concluded a lease contract for the sixth floor (for 5 years) with the Chairman of the Board of Directors H. E. Sheikh Ahmed Hassan Fitaihi, with a contract value of 404,404 SAR, after obtaining the consent from the General Assembly of the shareholders on 4/4/2012. The following are the most important conditions of the stipulated contract:
 - a. The annual rent for the sixth floor in the new building is 404,404 SAR, which is the highest average rental value estimated at the time.
 - b. The lease contract term is five calendar years (the contract may be extended for similar periods with increments of 25% in the annual rent in the second term of the contract.

²⁵ Clause No. 17 and No. 18 of Article No. 43 – Listing Rules (Requirements of the Board of Directors' report)

- c. The tenant shall pay the whole amount in the beginning of each lease year.
 - d. If either of the parties wishes not to renew the lease contract, the party shall give notice to the other, 3 months prior to the expiry date of the contract.
2. Eng. Mohamed Ahmed Hassan Fitaihi, a member of the Board of Directors, occupies the position of the General Manager of the Luxury Goods Trading Co. Limited, and owns 20% of its capital, while, Fitaihi Holding Group owns 80% of the capital.

Regulatory due payments:²⁶

The following table shows the due payments for the Department Of Zakat & Income Tax for the fiscal year 2013, and it also shows the payments owing to the **General Organization for Social Insurance (GOSI)** for employees as of December 2013, and was paid on January 2014.

Description – (Figures in thousands SAR)	2013	2012
Zakat and Income Tax	11,811	12,993
The General Organization for Social Insurance	226	143
Total of legal due payments	12,037	13,136

²⁶ Clause No. 21 of Article No. 43 - Listing Rules (Requirements of the Board of Directors' report)

Chapter 9: – Human Resources

The Group recruited and provided training for many Saudi calibers, which contributed significantly to increasing the percentage of Saudization of the Company to 48% at the end of 2013. This is considered to be a very good percentage by which the Company is classified in the Green color Category of the companies in “**Nitaqat**” Program that was generalized by the Ministry of Labor in the Kingdom of Saudi Arabia. It is important to indicate that the Group had identified the requirements of training to ensure the development of the skills and abilities of the employee as per the requirements of his/her job, in line with the Group's strategies, giving the priority of training to Saudi employees. The Group contributed in providing many job opportunities to a large number of Saudi girls and has trained them in the fields of accounting, marketing, jewelry and luxury products sales, leadership skills and English language. The number of Saudi female in the Company has reached 221 employees in all departments and in all branches of the Company in Jeddah, Riyadh, Khobar, Yanbu and Makkah, which is 40.47% of the total number of the employees as of the end of 2013.

Chapter 10: Governance System

Fitaihi Holding Group always takes care to abide by the rules of the Corporate Governance which ensures the application of comprehensive internal control systems, transparency policies, and commitment to the principles of risk management. The Group uses the latest performance criteria in controlling the work performance, including the instructions issued by the Capital Market Authority and the Ministry of Industry and Trade. The Group has approved its Corporate Governance's Manual. Based on the two paragraphs (G) of Article No.1 and (A) of Article No. 9 of the Corporate Governance Regulations issued by the Capital Market Authority, the Group applies the Articles provided therein in respect of the following:²⁷

1. The shareholders' and General Assembly's rights in terms of facilitating the practice of their rights and the information obtained, their rights during the Company's General Assemblies, their rights to vote, their rights in the share profits, the right to sell the shares, as well as the duty of the Executive Management to provide shareholders with all the accurate and comprehensive information to enable them to practice their rights to the fullest, in addition, these information are regularly updated at specific times without distinguishing among the shareholders.
2. The general policies of disclosure and transparency in the report of the Board of Directors.
3. The Board of Directors, its essential functions, responsibilities, formation, subcommittees, remunerations and conflict of interests.
4. The regular publication of the annual and quarterly financial reports for the fiscal year 2013 at specified dates on Tadawul.
5. The annual report of the Board of Directors in accordance with the Listing Rules issued by the Capital Market Authority, and according to regulations of the Corporate Governance.

²⁷ Clause (A) of article No. 9 – Corporate Governance Regulations (Disclosure in the Board of Directors' Report)

6. Compliance with the advertisement format that the Capital Market Authority has identified and with the dates of publishing of the essential information in accordance with the instructions of the CMA regarding the corporate advertisements.
7. The members of the Board of Directors have signed the covenants, undertakings and disclosure forms that are required by the Capital Market Authority.
8. Compliance with all the amendments made by the Capital Market Authority in the Corporate Governance Regulations.

The provisions of the Corporate Governance Regulations which are not applied:²⁸

1. Paragraph (D) of Article No. 12 in the Corporate Governance Regulations states: "It is prohibited to combine between the position of the Chairman of the Board of Directors and any other executive position in the Company such as Managing Director or Chief Executive Officer or Director General". However, the Chairman of the Board of Directors is H. E. Sheikh Ahmed Hassan Fitaihi occupies the position of the Chief Executive Officer as well. This is due to the difficulty in locating candidates with the required competences and expertise appropriate for performing the duties of the Chief Executive Officer, at the present time, in an activity similar to that of Fitaihi Holding Group. Nevertheless, the efforts continue to find the ideal candidate to occupy this position and reduce the burdens on the Chairman. The Board of Directors had constituted a subcommittee called the Executive Committee which consists of 4 members, 3 of them serving as members of the Board of Directors, while the fourth member occupies the position of CFO, in order to follow up the operational matters and to supervise the quality of the implementation of the recommendations and resolutions of the Board of Directors and its subcommittees, and to perform many of other duties indicated in the paragraph of the Executive Committee.

²⁸ Clause (A) of Article No. 9 - Corporate Governance Regulations (The disclosure in the Board of Directors' Report)

2. Paragraph No. (B) of Article No. 10 of the Corporate Governance Regulations: “To ensure the application of appropriate control systems for risk management by identifying a general view about risks that Company might face, and develop them transparently”. The Audit and Risk Management Committee has expressed its views, in the Board of Directors' annual report for the fiscal year 2013, on the most important challenges and risks that the Group might face. The Board of Directors, its subcommittees and the Executive Management are administering these risks, but there is no comprehensive strategy or written policy for risk management for the entire Group and its subsidiary companies.

Undertakings:²⁹

- The records of accounts were prepared properly.
- The internal control system was prepared on proper basis and was performed effectively.
- There is no doubt about the issuer for continuing its activities.
- The Company ensures compliance with the accounting criteria issued by the Saudi Organization for Certified Public Accountants.
- The Company confirms that it has not received any request from its external auditors to hold a General Assembly through the fiscal year.
- Fitaihi Holding Group asserts the lack of any loans (whether payable on demand or otherwise) as of the end of the fiscal year 2013. Accordingly no amounts were paid out for any loans during the fiscal year 2013.³⁰
- The Company confirms that it has received no requests to hold a General Assembly, from shareholders holding 5% or more of the capital during the

²⁹ Clause No. 23 of Article No. 43 – Listing rules (The requirements of the Board of Directors' Report)

³⁰ Clause No. 12 of Article No. 43 – Listing Rules (The requirements of the Board of Directors' Report)

fiscal year, or to add any other item(s) to the agenda of the General Assembly when drawn up.

- The Company confirms that it did not develop any procedure that may lead to hindering the exercise of the shareholders of their voting rights.
- The Company confirms that it was not subject to any penalty or reserve constraint from any supervising or organizing party or judicial authority during the fiscal year 2013.³¹
- The Company ensures that the shareholder has the right to gain a portion of the Companies' assets on liquidation, and the right to control the work of the Board of Directors, and to file a responsibility lawsuit against the members of the Board of Directors, according to the provisions of the Company's Statute.³²
- No party, of legal status who acts on behalf of others, i.e. investment trusts, has requested to read the annual reports.
- There is no waiver agreement under which any of the shareholders of the company has waived rights in profits during the fiscal year 2013.³³
- The shareholders have the right to receive their portion in the distributed profits, and to sell their shares, and to inquire about and ask for information without harming any of the interests of the Company or contradicting with the Capital Market Authority and its executive regulations.
- There are no investments or other reserves created for the sake of the Company's employees during the fiscal year 2013.³⁴

³¹ Clause (F) of Article No. 9 - Corporate Governance Regulations (Disclosure in the Board of Directors report)

³² Paragraph (A) of Article No. 3 - Corporate Governance Regulations (Disclosure in the Board of Directors report)

³³ Clause No. 20 of Article No. 43 – Listing Rules (The requirements of the Board of Directors' report)

³⁴ Clause No. 22 of Article No. 43 – Listing Rules (The requirements of the Board of Directors' report)

- The Company asserts that the report of the external auditor on the financial statements for the fiscal year 2013 did not include any reservations.³⁵
- There is no recommendation from the Board of Directors to change the external auditor before the end of three consecutive financial years.³⁶
- The re-formulation and update of the List of Rules of Business Conduct & Ethics of the Employees was completed, in accordance with the proper professional and moral criteria, and which regulates the relationship between them and the interest groups.
- The Company assures that it has not provided any monetary loans whatsoever to any of the members of the Board of Directors, and did not guarantee any loans for any one of them.
- There are no contracts or ongoing work to which the company is a party, and no interest has been paid to any of the members of the Board of Directors or the Chief Executive Officer or the CFO or to any other person other than what is provided for in this report.

The Objectives of the Annual Audit for the Efficiency of Internal Control Procedures:

- Achievement of the principal target of the Company represented in achieving profit.
- Ensure the documentation of all the financial operations of the Company.
- Commitment to the accounting criteria of measurement and disclosure.
- Protection of accounting records against access of unauthorized parties.
- Utilization of control methods which guarantee proper calculation of the accounting elements.

³⁵ Clause No. 25 of Article No. 43 – Listing Rules (The requirements of the Board of Directors’ report)

³⁶ Clause No. 26 of Article No. 43 – Listing Rules (The requirements of the Board of Directors’ report)

- Compliance with the applicable regulations and rules that regulate the field of the company's activity.
- Compliance with the instructions of the governmental and controlling authorities that regulate the Capital Market in the KSA.
- Compliance with the applicable regulations in accordance with governance systems and the Articles of Incorporation of the Company.
- Commitment to the policies and administrative decisions that regulate the work of the Company.

The results of the annual audit for the Efficiency of Internal Control Procedures:³⁷

- Ensure permanent adherence to cash sales policies.
- Recommendation to continue to update the computer systems, consolidating the systems used by all branches of the Company and the affiliated Companies.
- The Company is currently working on applying the ERP system, which is “Oracle E-business suite”.

³⁷ Clause (G) of Article No. 9 – Corporate Governance Regulations – (Disclosure in the Board of Directors' report)

Chapter 11: Social Responsibility

- The Group has contributed to the development of society by adopting and supporting many programs with value added for society including the following:
 1. Sponsorship of the Ceremony Honoring the Girl Guides of the KSA.
 2. Sponsorship of the exhibit of the Technology College for girls in Jeddah.
 3. Sponsorship of the special events in the Charitable Society for Memorizing Quran.
 4. Sponsorship of the Auction of “Arabian Wings”.

Fitaihi Holding Group is considered one of the leaders in providing job opportunities for girls, as it provided many job opportunities to Saudi girls and trained them on the fields of accounting, human resources, jewelry sales and luxury goods. There are 55 outlets for the Group in Jeddah, Riyadh, Khobar, Yanbu, Makkah, Al-Ahsaa and Medina for the retail of gold, jewelry, and luxury goods, in addition to branches for ladies’ accessories, staffed 100% with by Saudi girls.

The main points of social responsibility provided in the Corporate Governance Regulations of the Group, are listed as follows:

1. We provide our customers with the finest products and highest quality of service with the highest rates of safety.
2. We do not accept any illegal practices at work, and we adhere to transparency and honesty in all our works.
3. We provide a safe work environment for all the employees of the Group.
4. We contribute to serving our country by recruiting Saudi girls and young men, and through donations and charity contributions.

5. We provide the employees with continuous training courses in different fields by certified trainers.
6. We take care of the human, mental and health circumstances of all the Company's employees.
7. The Company established a playing court for employees near to their accommodation in Jeddah, and it sponsored most of the sports events in which our employees participated.
8. The Company believes that its investment in the medical projects is moral; as one of its objectives is serving the society.

Chapter 12: AG Meeting Agenda

1. Approval of the Board of Directors' Report for the fiscal year ending on 31/12/2013, and all the information and proposals included therein.
2. Approval of the Auditor's Report and the consolidated financial statements for the fiscal year ending on 31/12/2013.
3. Approval of the Discharge of the Board of directors from their liability regarding their activities undertaken through the fiscal year ending on 31/12/2013.
4. Approval on a recommendation of the Board of Directors to distribute a total amount of 27.5 million SAR, equal to 5% of the paid-up capital as dividends to the Company's shareholders for the fiscal year 2013, which means 50 Halalas per share, and which represents 5% of the nominal value of the share. Dividends will be distributed to the shareholders listed, in the Central Depository Center of Tadawul, at the end of the trading session, of the day, of the General Assembly meeting that approves the distribution.
5. Renewal of the approval of the lease of the sixth floor of the new building, near to Fitaihi Center in Medina Road, to the Chairman of the Board of Directors, Shk. Ahmed Hassan Fitaihi, at an annual rent of 404,404 SAR for 5 years renewable in accordance with the conditions and details provided in the Board of Directors' Report for the fiscal year 2013.
6. Approval on an amount of 600,000 SAR as remunerations of the members of the Board of directors for the fiscal year 2013.
7. Approval on the transfer of the general reserve account balance, an amount of 14,268,490, SAR to the retained earnings.
8. Approval on the audit fees and the appointment of the external auditor, who was selected by the Audit Committee, for the audit of the financial statements of the Group for the fiscal year 2014.

Conclusion

The Board of Directors thanks the shareholders of the Group for their trust and assistance, and for their attendance at the meeting of the General Assembly, and the customers of the Group, for their trust, and the executive management of the Group, for their fruitful efforts and distinguished performance throughout the whole year.

At the end, we have to thank the Almighty Allah for His generosity and for the success that He granted us.

The Board of Directors

03/02/2014

Disclaimer: This is a translation of Fitaihi Board of Directors' Report for the fiscal Year 2013, while, as per the regulations, the Arabic version will remain the only official copy.