



مجموعة فتيحي القابضة
FITAIHI HOLDING GROUP

**Fitaihi Holding Group
Shareholders' Circular**

On

Reducing the Group's capital from SAR 550,000,000, representing 55,000,000 ordinary shares to SAR 275,000,000 representing 27,500,000 ordinary shares

Extraordinary General Assembly 27/11/1442 H (corresponding to 07/07/2021 G)

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





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مجموعة فتيحي القابضة
FITAIHI HOLDING GROUP

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Table of Contents

Item		Page #
1.	Terms and Abbreviations	4
2.	Circular Purpose	5
3.	Company Overview	5
4.	The General Structure of the Capital Reduction	9
5.	Reasons for Capital Reduction	10
6.	The Impact of Capital Reduction on the Company's Liabilities	12
7.	The Impact of Capital Reduction on the Company Shareholders' Equity	13
8.	Method of Calculating the Share Price After Capital Reduction	16
9.	Potential Risks as a Result of Reducing the Company's Capital	16
10.	Time Frame of Capital Reduction	18
11.	Reducing Capital	19
12.	Declaration of the Members of the Board of Directors	19
13.	Effective Date of Capital Reduction	19
14.	Statutory Approvals Necessary to Finalize the Company's Capital Reduction	20
15.	Related Laws, Regulations and Instructions	21
16.	Chartered Accountant Report	22
17.	Important Dates and Main Stages of Capital Reduction	22
18.	Relevant Information	26
19.	Available Documents for Inspection	27
20.	Attachments	28

1. Terms and Abbreviations

Term	Definition
Company, Group or Fitaihi	Fitaihi Holding Group, a Saudi public joint-stock company
Advisors	The Group's advisors whose names are set forth on page (2).
Board or BoD	The Board of Directors of Fitaihi Holding Group.
Articles of Association	The Fitaihi Articles of Association, the last version approved by the (Extraordinary) General Assembly on 13/08/1440 H, and further approved by the Ministry of Commerce on 06/01/1441 H.
CMA or Authority	The Saudi Capital Market Authority.
Ministry of Commerce	The Saudi Ministry of Commerce.
Companies Law	The Companies Law in force in the Kingdom of Saudi Arabia issued by Royal Decree No. (M/3) dated 28/01/1437 H (corresponding to 10/11/2015 G), as amended.
Stock Exchange	The Saudi Stock Exchange (Tadawul).
Capital Reduction	Reducing the Group's capital from SAR 550,000,000 to SAR 275,000,000, thus reducing the number of the Group's shares from 55,000,000 shares to 27,500,000 shares by canceling 27,500,000 at a decrease of 50%, and at a reduction rate of one (1) share for every two (2) shares.
Extraordinary General Assembly	The Extraordinary General Assembly of the shareholders held on 27/11/1442 H (corresponding to 07/07/2021 G) to vote on the capital reduction.
Corporate Governance Regulations	The Corporate Governance Regulations in force in the Kingdom of Saudi Arabia, issued by the CMA's Board of Directors pursuant to Resolution No. 8-16-2017 dated 16/05/1438 H corresponding to 13/02/2017 G under the Corporate Law issued by Royal Decree No. M/3 dated 28/01/1437 H, as amended by CMA's Board of Directors Resolution No. 1-7-2021 dated 01/06/1442 H corresponding to 14/01/2021 G.
KSA	Kingdom of Saudi Arabia.
Rules on the Offer of Securities and Continuing Obligations	Rules on the Offer of Securities and Continuing Obligations issued by the CMA's Board of Directors Resolution No. 3-123-2017 dated 09/04/1439 H corresponding to 27/12/2017 G, as amended by the CMA's Board of Directors Resolution No. 1-7-2021 dated 01/06/1442 H corresponding to 14/01/2021 G.
Management	Fitaihi Holding Group Management.
Shareholders Circular	This Document prepared by the Company on capital reduction.
Chartered Accountant Report on Capital Reduction	The auditor's limited audit report, indicating the reasons for the capital reduction and its impact on the Group's liabilities, submitted to the Extraordinary General Assembly held on 27/11/1442 H (corresponding to 07/07/2021 G).
SAR	Saudi Riyal - the KSA official currency.
Shareholders	The Group's shareholders.
Effective Date	The expiry date of the creditor objection period (day 60).
Full value paid	Eligible shareholders will be compensated in cash in their portfolios, including the nominal value as a result of the canceled share plus the compensation value resulting from the fractional shares. The values will be deposited in the portfolios of the eligible shareholders as follows:

-
- Compensation value resulting from share cancellation (nominal value): Ten (10) business days from the date of the return of share trading with the adjusted price.
 - Compensation value resulting from fractional shares: Thirty (30) business days as of the effective date.
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2. Circular Purpose

This Circular has been prepared by the Group, including the necessary information to enable the Group's shareholders, while being fully formed, to vote on the capital reduction at a meeting of the Extraordinary General Assembly.

3. Company Overview

Fitaihi Holding Group (Hereinafter referred to as the "Company," the "Group" or "Fitaihi") is a Saudi joint-stock company registered in KSA under Ministerial Decree No. 1058 on Ramadan 9, 1418 H and commercial registration No. 4030085128 issued in Jeddah on Sha'aban 2, 1412 H, corresponding to February 5, 1992 G).

The Group's registered office is located at Al-Madinah Descending Road, North of Emirate of Mecca Province, Jeddah, P.O. Box 2606, Jeddah 21461, Kingdom of Saudi Arabia.

The main activity of the Group is to manage its subsidiaries or participate in the management of other companies in which it contributes, as well as providing the necessary support, invest in equities and other securities, own real estate and movables necessary to carry out its activity, and own, use and lease industrial property rights, including patents, trademarks, brands, franchises and other intangible rights to its subsidiaries or others.

3-1 Company History and Most Significant Developments to Capital

- Ahmed Hassan Fitaihi & Partners Company was converted to a limited liability company in 1992 G, and registered in Jeddah under commercial registration No. 4030085128 on 08/02/1412 H (corresponding to 05/02/1992 G).
- On 05/06/1415 H (corresponding to 08/11/1994 G), the General Assembly of Shareholders unanimously approved the Company conversion from a limited liability company to a joint-stock company.
- On 09/09/1418 H (corresponding to 07/01/1998 G), the Company was converted from a limited liability company to a joint-stock company in accordance with Ministerial Resolution No. (1058).
- The Company was listed in the Saudi Stock Exchange (Tadawul) as of 03/24/1421 H (corresponding to 06/26/2000 G).
- The Extraordinary General Assembly agreed, during its meeting held on 01/03/1425 H corresponding to 04/21/2004 G, to increase the Group's capital from SAR 200,000,000 to SAR 220,000,000 by issuing 400,000 shares with a nominal value of fifty (50) Saudi riyals per share, where SAR 20,000,000 were transferred from the retained earnings to the Group's capital, granting 1 share for every 10 shares.
- On 05/09/1426 H (corresponding to 08/10/2005 G), the Extraordinary General Assembly agreed to increase the Group's capital from SAR 220,000,000 to SAR 385,000,000 by issuing



- 3,300,000 tradable rights at a price of SAR 90 per share (SAR 50 as a nominal value and SAR 40 as a share premium). Thus, the number of shares increased from 4,400,000 to 7,700,000 shares.
- On 05/01/1429 H (corresponding to 06/05/2008 G), the Extraordinary General Assembly approved the recommendation of the Group's Board to increase the Group's capital from SAR 385,000,000 to 500,000,000 by granting a free share for every 3.3478 Shares by transferring SAR 115,000,000 from the share premium.
 - On 14/05/1433 H (corresponding to 04/04/2012 G), the Extraordinary General Assembly approved the recommendation of the Board of Directors to increase the Group's capital from SAR 500,000,000 to SAR 550,000,000 by granting a free share for every 10 shares, and by transferring an amount of SAR 35,731,510 from the general reserve and an amount of SAR 14,268,490 from the issue premium, which resulted in an increase in the Group's shares from 50,000,000 shares to 55,000,000 shares.
 - On 26/10/1442 H (corresponding to 07/06/2021 G), the CMA approved a request to reduce the Group's capital from SAR 550,000,000 to SAR 275,000,000 by canceling 27,500,000 shares of the Group's issued shares. This approval was announced on the CMA website and Tadawul website.
 - On 27/11/1442 H (corresponding to 07/07/2021 G), the Extraordinary General Assembly approved the recommendation of the Board of Directors to reduce the Group's capital from SAR 550,000,000 to SAR 275,000,000, thus reducing the number of the Group's shares from 55,000,000 shares to 27,500,000 shares by canceling 27,500,000 at a decrease of 50%, and at a reduction rate of one (1) share for every two (2) shares.

3-2 Directors

Name	Position	Membership	Independence	Direct Ownership		Nationality	Membership Date
				Number of Shares	Ownership percentage as on 01/06/2021 G		
Ahmed Hassan Ahmed Fitaihi	Chairman of the Board of Directors	Non-executive	Non-independent	13,200,000	24%	Saudi	22/04/2019 G
Ibrahim Hassan Mohammad Al-Madhoon	Vice Chairman of the Board of Directors	Non-executive	Non-independent	1,000	0.0018181%	Saudi	22/04/2019 G
Abdulmalik Abdullah Fathaddin	Board Member	Non-executive	Independent	1,000	0.0018181%	Saudi	22/04/2019 G
Bayan Adel Mohammed Fakeih	Board Member	Non-executive	Non-independent	20	0.0000363%	Saudi	25/10/2020 G
Suhail Hassan Abdul-Malik Qadi	Board Member	Non-executive	Independent	1,000	0.0018181%	Saudi	22/04/2019 G
Omar Riyadh Mohammad Al-Humaidan	Board Member	Non-executive	Non-independent	1,500,000	0.0272727%	Saudi	22/04/2019 G
Adnan Abdel-Fattah Mohammad Soufi	Board Member	Non-executive	Independent	1,000	0.0018181%	Saudi	22/04/2019 G

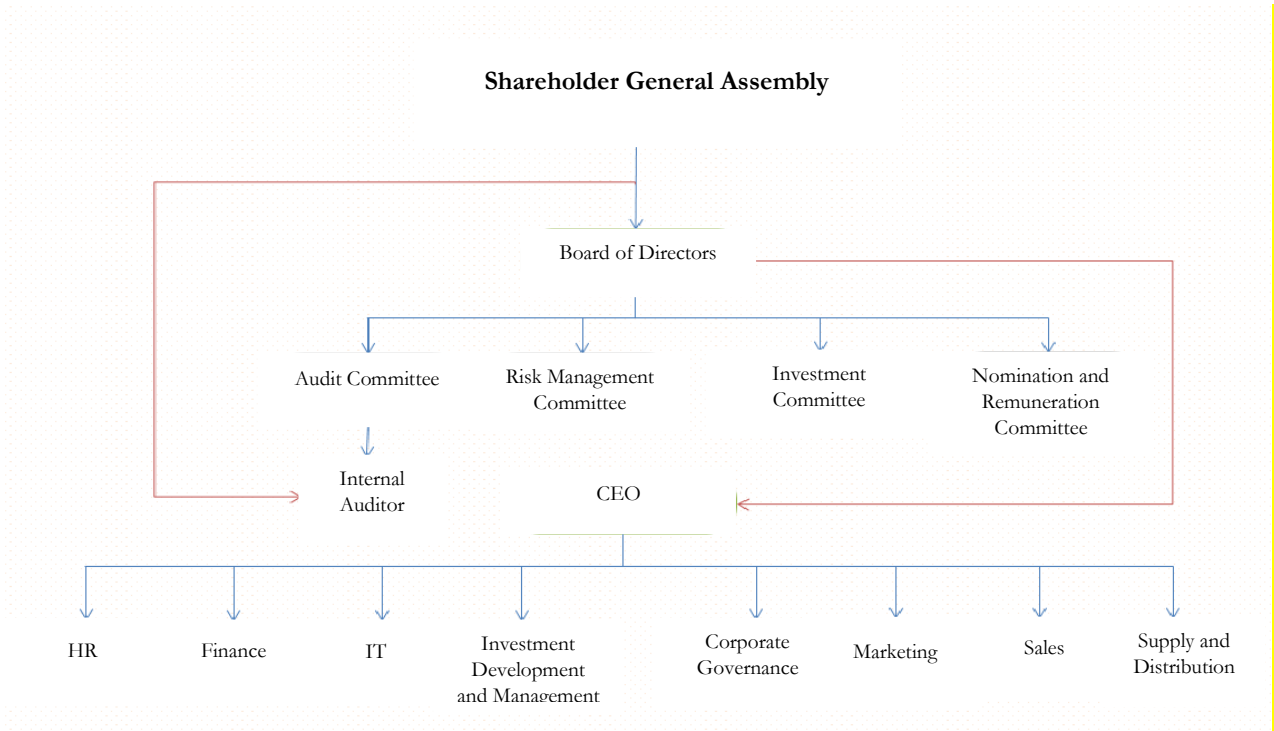
Source: The Group & Tadawul.

* The Chairman holds an interest in the shares of his wife, Mrs. Thoraya Jamil Abdel Rahim Attar (who holds 1% as of 31/12/2020).

Notice: On 20/07/1442 H (corresponding to 04/03/2021 G), the aforesaid directors recommended the reduction of the Group's capital from SAR 550,000,000 to SAR 275,000,000, by canceling 27,500,000 shares of the Group's issued shares due to its being in excess of the company's need




3-3 Organizational Structure



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3 -4 Executive Management Members

Name	Position	Date of Hiring	Nationality
Yasser Yahia Abdelhamid Abd-rabou	CEO and CFO	13/04/2017 G	Egyptian
Hussien Ali Hussein Al Yaremi	Manufacturing Director	01/01/2005 G	Yemeni
Reda Ibrahim Toubar	CG & Investor Relations Director	22/04/2010 G	Egyptian
Mohammad Osama Bakr	Western Region Sales Manager	01/01/2021 G	Saudi
Walid Mohammad Hussein	Supply and Distribution Director	01/01/2021 G	Ethiopian
Rania Yehia Dafa	HR Manager	01/05/2004 G	Saudi
Urfan Hamza Sahloul	Marketing Officer	03/11/2019 G	Syrian
Salman Mohammad Habib Khan	IT Manager	10/01/2018 G	Indian
Zain El-Abidine Zaki Abdeen	Investment Research Manager	01/01/2021 G	Egyptian

4. The General Structure of the Capital Reduction

- The current capital of the Group is five hundred and fifty million (550,000,000) Saudi riyals, divided into fifty-five million (55,000,000) ordinary shares with a nominal value of ten (10) riyals per share, the value of which is fully paid.
- Twenty-seven million five hundred thousand (27,500,000) shares, 50% of the capital, will be canceled, as well as compensating the eligible shareholders (shareholders who own shares at the end of the last day trading within the creditor objection period (day 60) and who are registered in the Group's records at the Saudi Stock Exchange (Tadawul) at the end of the second day of trading following the expiry of the creditor objection period) at a nominal value of (10) riyals per each canceled share, i.e. at the rate of canceling (1) share for every (2) share due to the excess increase of the capital (According to Article 145 and Paragraph (a) of Article 146 of the Companies Law. For more information, please refer to Section No. 18 "Relevant Information" of this Circular).

- Cancellation of 50% of the Group's shares will result in a reduction of the capital to two hundred and seventy-five million (275,000,000) Saudi riyals, divided into twenty-seven million and five hundred thousand (27,500,000) shares with a nominal value of (10) riyals per share.
- The reduction of the Group's capital will come into force after sixty (60) days from the date of publishing the resolution of the shareholders registered in the Extraordinary General Assembly in a daily newspaper to reduce the Group's capital (hereinafter referred to as the "effective date").
- Upon the approval of the Extraordinary General Assembly to reduce the Group's capital, the trading of the Group's shares will be suspended for two consecutive trading sessions to implement the reduction and adjust the share price following the creditor objection period, sixty (60) days from the date of publishing the resolution of the shareholders registered in the Extraordinary General Assembly in the daily newspaper to decrease the Group's capital
- The Group will pay the total reduction value amounting to two hundred and seventy-five million (275,000,000) Saudi riyals from the Group's cash balances at a nominal value of (10) riyals for each canceled share to the eligible shareholders within (10) business days from the date of the return of share trading. Such value will be deposited in the eligible shareholders portfolios to compensate them against the canceled shares.
- The fractional shares (if any) resulted from the reduction of the Group's capital will be collected in one portfolio to be sold in the financial market at the prevailing price. Further, the proceeds from their sale will be distributed to the eligible shareholders, each according to its ownership in the fractional shares within thirty (30) days from the effective date.
- The date of the financial statements that were relied on for capital purposes: The unaudited financial statements as on 31/03/2021 G.

5. Reasons for Capital Reduction

- On 20/07/1442 H (corresponding to 04/03/2021 G), the Company announced the Board's recommendation to reduce the Group's capital from five hundred and fifty million (550,000,000) Saudi riyals to two hundred and seventy-five million (275,000,000) Saudi riyals at a decrease of 50% and shareholders to be compensated due to its being in excess of the company's need.
- It is worth noting that the Group's general strategy is summarized in three main axes as follows:
 - Axis (I): The first axis is represented in getting ready for growth strategy through developing and preparing the Group's infrastructure to achieve future objectives and plans, getting out from unprofitable activities and assets, attracting, training and developing qualified human cadres, developing the administrative structure and setting out modern administrative systems in line with the strategic direction of the Group.

- Axis (II): Focusing on the key activities and working on improving and developing the sales channels, preserving our customers, and targeting new ones by providing distinguished service of the best and finest products and services.
- Axis (III): Improving the rate of investment revenues and maximizing shareholder equity through the optimal use of the company's assets, and diversifying income sources through investment by purchasing or merging into companies or entering into strategic partnerships with existing companies.

In light of the above and in accordance with the first axis of the Group's strategic axes, which is getting ready for growth through getting out from unprofitable activities and assets, the Group has recently taken and implemented the following investment resolutions:

- On 27/01/1441 H corresponding to 15/09/2020 D, the Group announced the sale of 5% of its stake in the capital of an associate (AlJouf Agricultural Development Company (JADCO) for an amount of SAR 64.1 million.
- On 25/11/1441 H corresponding to 15/09/2020 G, the Group announced the sale of 80% of the Fitaihi Holding Group's stake in the capital of its subsidiary (Luxury Goods Trading Co. LTD (LGTC)) to the former board member, Dr. Muhammed Ahmed Hassan Fitaih, for a total amount of SAR 14.36 million.
- On 18/07/1442 H corresponding to 02/03/2021 G, the Group announced the sale of 9%, the remaining stake of the Group in the capital of its associate (AlJouf Agricultural Development Company) and its fully disengagement from this investment in the amount of SAR 200 million.

Based on the foregoing, the Group collected an amount of SAR 275.4 million as exceptional cash returns from the sale of its investments. Therefore, the Board recommended on 07/20/1442 H (corresponding to 04/03/2021 G) to reduce its capital within the limits of the exceptional cash collected due to its being in excess of the Group's need and in line with the positive impact of implementing the third axis of the Group's strategic axes, which is to improve the rate of investment returns and to maximize shareholders' rights. The Group also make use of the surplus cash in investing by purchasing investment units in the Riyadh SAR Diversified Trade Fund. The Group will the Fund's units to compensate the entitled shareholders as a result of the canceled shares. The payment period upon recovery will be 3 business days (for more information, please refer to the attached chartered accountant's report).

- The Board believes that there will be no material impact of the capital reduction on the Group's financial or operational obligations, operations or performance. Based on the estimated cash flow prepared for the twelve months following the capital reduction (please refer to the attached chartered accountant's report for more information), the Board believes that the cash collected from sales and dividends expected to be received from the investees is sufficient to carry out and meet the Group's business and obligations . The management expects that the reduction will have a positive impact on the percentage of performance indicators and the Group's profitability. The reduction of the capital and cash will result in a more efficient capital structure for the Group, thus improving performance indicators, as it will enhance the profitability of the share, the dividends per share, and the return on equity as indicated in the following table:

Indicator	Before capital reduction and shareholder compensation	After capital reduction and shareholder compensation
Earnings Per Share (EPS)	2.37	4.74
Book Value Per Share	13.69	17.4
Return on Assets (ROA)	17.7%	27.3%
Return on Equity (ROE)	18.3%	28.8%

* The above indicators were calculated from the unaudited financial statements of the Group as of March 31, 2021 G.

6. The Impact of the Capital Reduction on the Company's Liabilities

The Group has appointed "Dr. Mohamed Al-Amri & Co - Chartered Accountants" as a chartered accountant to prepare the accounting report on the capital reduction through which the reduction mechanism, its expected impact on the Group's liabilities and the adequacy of working capital for 12 months immediately following the date of completion of the capital reduction were clarified. Based on the chartered accountant's study, it was found that:

- The reduction will affect both current assets by decreasing the investment item at fair value through profit or loss, and shareholders' equity by decreasing the capital item.
- The capital reduction will not affect the Group's obligations, as the Group has sufficient working capital to meet its obligations within twelve (12) months immediately after the capital reduction. Further, the reduction will not affect the Group's operational activities.

7. The Impact of Capital Reduction on the Group Shareholders' Equity

The impact on the current assets and shareholders' equity will be based on the financial statements for the period ending on March 31, 2021:

Statement of the Financial Position (in SAR)	Before Capital Reduction	After Capital Reduction	Impact
Property and equipment	53,596,647	53,596,647	
Right of use assets	1,679,245	1,679,245	
Investments in associates	205,170,364	205,170,364	
Investments in equity instruments at fair value through other comprehensive income	114,678,107	114,678,107	
Total Non-Current Assets	375,124,363	375,124,363	
Inventory	114,701,621	114,701,621	
Trade and other receivables	7,162,402	7,162,402	
Investments at fair value through profit or loss	275,067,958	67,958	(275,000,000)
Cash and cash equivalents	7,502,989	7,502,989	
Total Current Assets	404,434,970	129,434,970	(275,000,000)
Total Assets	779,559,333	504,559,333	
Share capital	550,000,000	275,000,000	(275,000,000)
Statutory reserve	53,192,332	53,192,332	
Retained earnings	138,429,351	138,429,351	
Revaluation reserve of investments in equity instruments at fair value through other comprehensive income	11,441,030	11,441,030	
Total Equity	753,062,713	478,062,713	(275,000,000)
Employee defined benefit liabilities	1,331,280	1,331,280	
Total Non-Current Liabilities	1,331,280	1,331,280	
Trade and other payables	14,591,010	14,591,010	
Lease liabilities - current portion	1,370,213	1,370,213	
Zakat payable	9,204,117	9,204,117	
Total Current Liabilities	25,165,340	25,165,340	-
Total Liabilities	26,496,620	26,496,620	-
Total Equity and Liabilities	779,559,333	504,559,333	-

Source: The attached chartered accountant's report.

- The Group plans to reduce its capital from five hundred and fifty million (550,000,000) Saudi riyals to two hundred and seventy-five million (275,000,000) Saudi riyals by canceling twenty-seven million and five hundred thousand (27,500,000) shares of the Group's issued shares, as well as compensating the eligible shareholders at the nominal value of SAR (10) per canceled share at a cancellation rate of (1) share for every (2) share.
- The fractional shares (if any) resulted from the reduction of the Group's capital will be collected in one portfolio to be sold in the financial market at the prevailing price. Further, the proceeds from their sale will be distributed to the eligible shareholders, each according to its ownership in the fractional shares within thirty (30) days from the effective date.
- The bellow table also indicates the impact of capital reduction for a shareholder who owns in its portfolio 1,000 shares of the Group's shares:

Item (Estimate)	With Capital Reduction Process	Without Carrying out the Capital Reduction Process
Owned shares before reduction	1000 shares	1000 shares
Share price before reduction (hypothetical)	SAR 27.55	SAR 27.55
Canceled shares	500 shares	N/A
Owned shares after reduction	500 shares	N/A
Share price after reduction (estimate)*	SAR 45.10	N/A
Share market value before reduction (estimate)	SAR 27,550	SAR 27,550
Share market value after reduction (estimate)	SAR 22,550	N/A
Compensation value resulting from the cancellation of shares, which will be deposited in the portfolio in cash	SAR 5,000	N/A
The total share market value after the reduction (estimate) and the compensation value resulting from share cancellation	SAR 27,550	N/A

The adjusted price after the return of trading (i.e. after the expiry of the creditor objection period and the enforcement of the reduction resolution).




- It is worth noting that the shareholder who owns one share of the Group's shares in its portfolio will have its share canceled and compensated accordingly. The following table indicates the impact on the shareholder who owns up to 7 shares:

Item							
Owned shares before the reduction (share)	1	2	3	4	5	6	7
Share price before the reduction (hypothetical)– in SAR	27.55	27.55	27.55	27.55	27.55	27.55	27.55
Canceled shares from the owned shares before the reduction (share)	0.5	1	1.5	2	2.5	3	3.5
Remained shares from the owned shares before the reduction (share)	0.5	1	1.5	2	2.5	3	3.5
Owned shares after the reduction (share)	0	1	1	2	2	3	3
Share price after the reduction (estimate)*- in SAR	45.10	45.10	45.10	45.10	45.10	45.10	45.10
Share market value before the reduction (estimate) – in SAR	27.55	55.10	82.65	110.20	137.75	165.30	192.30
Share market value after the reduction (estimate) – in SAR	0	45.10	45.10	90.20	90.20	135.30	135.30
Full value paid - in SAR	27.55	10	37.55	20	47.55	30	57.55
Compensation value resulting from share cancellation at nominal value - in SAR	5	10	15	20	25	30	35
Compensation value resulting from fractional shares (estimate) **** - in SAR	22.55	0	22.55	0	22.55	0	22.55

* The adjusted price after the return of trading (i.e. after the expiry of the creditor objection period and the enforcement of the reduction resolution).

** Full value paid = share market value before the reduction (estimate) - share market value after the reduction (estimate)

*** Compensation value resulting from share cancellation = (owned shares before the reduction * 50% reduction percentage)

* the nominal value

Compensation value resulting from fractional shares (estimate) = full value paid - compensation value resulting from share cancellation




8. Method of Calculating the Share Price After Capital Reduction

- The following table indicates the method of calculating the share price after capital reduction :

Item	
(a) Share price before the reduction (hypothetical)	27.55
(b) Number of shares before the reduction	55,000,000
(c) Market value of the Group shares before the reduction = (a)*(b)	1,515,250,000
(d) Payment to shareholders	(275,000,000)
(e) Market value of the Group's Shares after the reduction = (c) + (d)	1,240,250,000
(f) Number of shares after the reduction	27,500,000
(g) Market value of the Group's Share after the reduction $* = (e) / (f)$	45.10

The adjusted price after the return of trading (i.e. after the expiry of the creditor objection period and the enforcement of the reduction resolution).

9. Potential Risks as a Result of Reducing the Company's Capital

The Group's management believes that the resolution to reduction the Group's capital is one of the major resolutions under the recent investment resolutions made by the Group, where the group has disengaged from non-profit investments from investments in the subsidiary (Luxury Goods Trading Co. LTD (LGTC)), and the associate (AlJouf Agricultural Development Company (JADCO)), leading to in excess of the Group's need. Therefore, capital reduction by an amount of two hundred and seventy-five million (275,000,000) Saudi riyals, equivalent to 50% of the capital before the reduction, will have a positive effect through improving performance indicators (please refer to section No. 5 "Reasons for Capital Reduction" of this Circular for more information).

Moreover, this resolution and its impact in terms of accounting has been studied. It was assured under the accounting limited audit report that there are no risks with respect to financial obligations as a result of such resolution.

With regard to below-mentioned potential risks, this does not mean their occurrence, and their order does not mean their significance.

9-1 Risk Related to Future Expectations

Working capital adequacy has been prepared and calculated for the 12 months following the capital reduction on the basis of management's expectations of the operational performance of the Group during this period. Like other sectors, the volume of wholesale and retail is affected by fluctuations in supply and demand in the local market, as well as the general economic conditions in KSA. Therefore, low demand for the Group products or increase in supply in case of the entry of new competitors will

affect the Group's performance, its operations, financial position, future expectations, and hence the working capital of the Group.

9-2 Liquidity Risk

Liquidity risk is the risk that the Group's current assets will not be able to meet its commitments associated with financial liabilities, as they fall due. Although the Group maintains a high level of liquidity (16.07) times as on March 31, 2021 G, it is expected to reach (5.14) times after capital reduction . However, the Group cannot guarantee its ability to fulfill its commitments on dates for the future. Liquidity risk can also arise from the Group inability to promptly sell financial assets with an amount close to their fair value. Further, the Group does not guarantee that no emergency or sudden events will occur, requiring immediate liquidity, which will, in turn, negatively affect the Group business, operations and finance.

9-3 Investments Liquidity Risks

The Group makes use of the surplus cash in investing by purchasing investment units in the Riyadh SAR Diversified Trade Fund. This Fund is classified as a highly liquid and low-risk investment. Further, the recovery period for the units will be three (3) business days. In case of the inability to liquidate the units within the specified period, the Group will not be able to return the cash compensation to the portfolios of eligible shareholders as a result of the capital reduction .

9-4 Risks related to creditor objections

According to capital reduction requirements, creditors may raise their objection thereto within 60-day period from the date of publishing the resolution of capital reduction in a daily newspaper distributed in the area where the company's registered office is located. If a creditor objects and presents his documents to the company within said period, the company shall pay the debt owed to him if it is due or provide sufficient guarantee if the debt is not yet due. If the Group couldn't act accordingly, capital reduction shall be totally suspended.

9-5 Unexpected Accident Risk

The Group's business and results fully depend on the business and continuity of its stores. Hence if any issue arises that would negatively affect the business or in case of an accident or an emergency temporarily or permanently affecting the Group's business, the Group's operational and financial results will be fundamentally and negatively affected; hence, its working capital.

This includes the threats resulting from the outbreak of Coronavirus (COVID-19) Pandemic as they are affecting the Group and suppliers to an extent that would affect the Group's expected cash flow.



10. Time Frame of Capital Reduction

Date	Event
20/07/1442 H (corresponding to 04/03/2021 G)	Announcement of the Board's recommendation to reduce the Group's capital from SAR (550,000,000) to SAR (275,000,000).
26/07/1442 H (corresponding to 10/03/2021 G)	Appointment of the financial advisor for the Group's capital reduction.
17/08/1442 H (corresponding to 30/03/2021 G)	Submission of the Group's capital reduction request to CMA.
26/10/1442 H (corresponding to 07/06/2021 G)	CMA's approval on the Group's capital reduction request. The approval was announced on CMA's website and the Saudi Stock Exchange (Tadawul)'s website.
04/11/1442 H (corresponding to 14/06/2021 G)	Invitation to this Extraordinary General Assembly meeting and announcement thereof on the Saudi Stock Exchange (Tadawul)'s website. A copy of this proposal is included in the announcement.
21/11/1442 H (corresponding to 01/07/2021 G)	Announcement of the beginning of the electronic voting on the Extraordinary General Assembly items, including capital reduction (First meeting).
27/11/1442 H (corresponding to 07/07/2021 G)	Holding the Extraordinary General Assembly meeting, involving capital reduction (first meeting). In case the quorum required to hold the meeting is not met, the second meeting shall be held within an hour from the end of the period specified for the first meeting. In case the quorum required to hold the second meeting is not met, the third meeting shall be held within 30 days from the end of the period specified for the second meeting, according to the Group's Articles of Association.
27/11/1442 H (corresponding to 07/07/2021 G)	Approval of the Extraordinary General Assembly (first meeting) on decreasing the Group's capital.
28/11/1442 H (corresponding to 08/07/2021 G)	Announcement of the Extraordinary General Assembly meeting results.
28/11/1442 H (corresponding to 08/07/2021 G)	Announcement of the commencement of creditor objection period.

//1443 H (corresponding to **/**/2021 G)	Announcement of the date of share suspension and share price adjustment on Tadawul's website for two days, on the day following the expiry of the creditor objection period and enforcement of the reduction resolution*
//1443 H (corresponding to **/**/2021 G)	Announcement of the deposit of compensation as a result of share cancellation.
//1443 H (corresponding to **/**/2021 G)	Announcement of the deposit of sums received from the sale of fractional shares, resulting from the Group's capital reduction, in the eligible shareholders' accounts within (30) days from the expiry of the creditor objection period, concerning the Group's capital reduction.

*With respect to capital reduction that do not involve a creditors objection period, suspension of shares shall be on the day following the Extraordinary General Assembly meeting, in which they approved the capital reduction and the enforcement of the same.

11. Reducing Capital

Capital Reduction Procedures:

Capital reduction is subject to the following procedures:

- Board's recommendation of the capital reduction.
- Appointment of a financial advisor for the capital reduction.
- Appointment of a chartered accountant to prepare the accounting report on the capital reduction.
- Preparation and submittal of a capital reduction request to CMA, in accordance with the provisions of Article (58) of the Rules on the Offer of Securities and Continuing Obligations, relevant to capital reduction requirements.
- CMA's Approval on capital reduction request.
- Submission of a notice to the Saudi Stock Exchange (Tadawul) as set out in Annex (5) of the Listing Rules.
- Approval of Extraordinary General Assembly on capital reduction.
- Non-objection of creditors on capital reduction.







12. Declaration of the Members of the Board of Directors

Directors confirm, to their best knowledge and belief, that capital reduction shall be in the interest of the Group and shareholders.

13. Effective Date of Capital Reduction

- Capital reduction is subject to the following procedures:
 - Approval of CMA.
 - Approval of the Extraordinary General Assembly.
 - Non-objection of the creditors.

- After the Extraordinary General Assembly approves the process, creditors objection period shall begin (for 60 days) on the day of announcing the outcomes of the Extraordinary General Assembly, including the approval of trading. In this period, creditors are allowed to object to the capital reduction resolution. In case of non-objection, the Group shall complete capital reduction procedures.
- If any of the creditors objected to the resolution and provided the Group with documents on the said date, capital reduction shall continue when the Group pays the debt if it is due at such time or provides an adequate guarantee if the debt is due at a later date.
- The Group shall announce any updates concerning capital reduction on Tadawul's website.

Event	Term	
Approval of the Extraordinary General Assembly	Day 0	
Creditor objection period (60 days).	Day 1 - 60	
Suspension of trading.	Day 61- 62	
Return of shares trading with the adjusted price.	Day 63	
Payment against canceled shares.	Day 64 - 73	
Sale of fractional shares*	Day 61 - 91	

*Fractional shares shall be sold within 30 days of the expiry of the creditor objection period.

14. Statutory Approvals Necessary to Finalize the Company's Capital Reduction

- The Group has obtained CMA's approval, dated 26/10/1442 H (corresponding to 07/06/2021 G), on its request to reduce the Group's capital from five hundred and fifty million Saudi riyals (SAR 550,000,000) to two hundred and seventy-five million Saudi riyal (SAR 275,000,000), amounting for a reduction percentage of 50%, hence, reducing the number of the Group's shares from fifty-five million share (55,000,000) to twenty-seven million five hundred thousand share (27,500,000). This approval was announced on CMA's and Tadawul's website, dated 26/10/1442 H (corresponding to 07/06/2021 G).
- Capital reduction requires the approval of the shareholders, provided that if the shareholders did not approve the capital reduction, this process will be totally suspended.





- In case of the shareholders' approval on the capital reduction during the Extraordinary General Assembly meeting, the Group shall proceed with the capital reduction procedures by inviting the creditors to object to the process within (60) days from the date, in which the reduction resolution was published.
- For the resolution to be enforced, no objection shall be raised by the creditors within the 60-day period given to them to object from the date of publishing the resolution of capital reduction in a daily newspaper distributed in the area where the company's registered office is located. If a creditor objects and presents his documents to the company within said period, the company shall pay the debt owed to him if it is due or provide sufficient guarantee if the debt is not yet due.
- If the creditors do not object to the capital reduction, settle their debt or provide sufficient guarantees of payment if the debt is not yet due, the Group shall proceed with the reduction procedures. It shall communicate with the MOC to obtain its approval on the amendment of the Group's Articles of Association and its commercial registration.
- Except as mentioned above, the Group is not required to obtain any other regulatory approvals to proceed with the capital reduction.

15. Related Laws, Regulations and Instructions

- Companies Law issued by Royal Decree No. (M/3) dated 28/ 01/ 1437 H (corresponding to 10/11/2015 G).
- Capital Market Law issued by Royal Decree No. (M/30) dated 02/06/1424 H (corresponding to 31/07/2003G), as amended.
- Rules on the Offer of Securities and Continuing Obligations issued by the CMA's Board of Directors Resolution No. 3-123-2017 dated 09/04/1439 H corresponding to 27/12/2017 G, as amended by the CMA's Board of Directors Resolution No. 1-7-2021 dated 01/06/1442 H corresponding to 14/01/2021 G.
- The Corporate Governance Regulations issued by the CMA's Board of Directors Resolution No. 8-16-2017 dated 16/05/1438 G corresponding to 13/02/2017 G under the Corporate Law issued by Royal Decree No. M/3 dated 28/01/1437 H, as amended by CMA's Board of Directors Resolution No. 1-7- 2021 dated 01/06/1442 H corresponding to 14/01/2021 G.
- Listing Rules approved by CMA's Board of Directors Resolution No. 3-123-2017 dated 09/04/1439 H (corresponding to 27/12/2017 G), as amended by CMA's Board of Directors Resolution No. 1-104-2019 dated 01/02/1441 H (corresponding to 30/09/2019 G), and the Resolution No. (1-22-2021) dated 12/07/1442 H corresponding to 24/02/2021 G.
- The Fitaihi Articles of Association
- The regulatory controls and procedures issued in implementation of the Companies Law for listed joint stock companies, that issued by the CMA's Board of Directors Resolution No. 8-127-2016 dated 16/01/1438 H (corresponding to 17/10/2016 G), as amended by CMA's Board of Directors Resolution No. 4-122-2020 dated 3/4/1442 H (corresponding to 18/11/2020 G).

16. Chartered Accountant Report

- The company has appointed "Dr. Mohamed Al-Amri & Co - Chartered Accountants" to prepare limited audit report to examine the reasons for the capital reduction and its impact on the Group's liabilities, shareholders' equity and financial solvency, indicating the adequacy of working capital for 12 months immediately following the date of completion of the capital reduction to obtain the CMA's approval on capital reduction request.
- Pursuant to Article (144) of the Companies Law issued by Royal Decree No. (M/3) dated 28/01/1437 H, the chartered accountant report shall be read. The resolution to reduce the capital shall not be issued until after reading the auditor's report regarding the grounds for such reduction, the company's liabilities and effect of reduction on such liabilities
- A copy of the limited audit report prepared by the chartered accountant has been included in the announcement made available on Tadawul's website dated 04/11/1442 H (corresponding to 14/06/2021 G) with regard to the invitation to held an Extraordinary General Assembly meeting.

17. Important Dates and Main Stages of Capital Reduction

Event	Date
1. Extraordinary General Assemblies Procedures	
Approval of the CMA on capital reduction request	26/10/1442 H (corresponding to 07/06/2021 G)
Provision of the available documents for inspection	27/10/1442 H (corresponding to 08/06/2021 G) At least 14 days before the Extraordinary General Assembly until the expiry of the proposal period (from Sunday to Thursday from 10 am to 5 pm, excluding official holidays in the Kingdom)
Announcement of the invitation to hold the Extraordinary General Assembly on Tadawul's website (while noting the possibility to hold a second meeting an hour from the end of the period specified to hold the first meeting, in case the quorum required to hold the meeting is not met)	04/11/1442 H (corresponding to 14/06/2021 G)
Commencement of electronic voting period	24/11/1442 H (corresponding to 04/07/2021 G)
Holding the Extraordinary General Assembly (the first meeting). The quorum shall be constituted by the presence of a number of shareholders,	27/11/1442 H (corresponding to 07/07/2021 G)

representing at least half of the shared capital of the Group.

Holding the Extraordinary General Assembly (the second meeting). The quorum shall be constituted by the presence of a number of shareholders, representing at least quarter of the shared capital of the Group.

An hour upon the end of the Extraordinary General Assembly's first meeting, in which the quorum required has not been met.

Publishing the reduction resolution and other resolution taken in the first or second meeting of the Group's Extraordinary General Assembly on Tadawul's website (or in the event that the quorum is not met, an announcement shall be made available on the failure to hold the Extraordinary General Assembly.

28/11/1442 H (corresponding to 08/07/2021 G)

2. Procedures to be Taken If the Quorum Is Not Met for the First and Second Meeting of the Extraordinary General Assembly

Announcement of the invitation to hold the third meeting of the Extraordinary General Assembly

//1442 H (corresponding to **/**/2021 G)

Commencement of electronic voting period for the shareholders in the third meeting of the Extraordinary General Assembly

//1442 H (corresponding to **/**/2021 G)

Holding the third meeting of the Extraordinary General Assembly The quorum is met to hold the third meeting of the Extraordinary General Assembly regardless of the number of shares represented therein.

//1442 H (corresponding to **/**/2021 G)

Publishing the reduction resolution taken in the third meeting of the Extraordinary General Assembly on Tadawul's website

//1442 H (corresponding to **/**/2021 G)

3. Creditor Objection Period

Commencement of the creditor objection period

29/11/1442 H (corresponding to 08/07/2021 G)
 In case of approval of the reduction resolution in the first and second meeting of the Extraordinary General Assembly
 //1442 H (corresponding to **/**/2021 G)

	<p>In case of approval of the reduction resolution in the third meeting of the Extraordinary General Assembly The creditor objection period shall be (60) days</p>
<p>A reminder that the creditors objection period is about to expire</p>	<p>**/**/1443 H (corresponding to **/**/2021 G) In case of approval of the reduction resolution in the first and second meeting of the Extraordinary General Assembly **/**/1442 H (corresponding to **/**/2021 G) In case of approval of the reduction resolution in the third meeting of the Extraordinary General Assembly</p>
<p>The expiry of the creditor objection period</p>	<p>**/**/1443 H (corresponding to **/**/2021 G) In case of approval of the reduction resolution in the first and second meeting of the Extraordinary General Assembly **/**/1442 H (corresponding to **/**/2021 G) In case of approval of the reduction resolution in the third meeting of the Extraordinary General Assembly</p>
<p>The Group's announcement of the existence or absence of creditors objections</p>	<p>**/**/1442 H (corresponding to **/**/2021 G) In case of approval of the reduction resolution in the first and second meeting of the Extraordinary General Assembly **/**/1442 H (corresponding to **/**/2021 G) In case of approval of the reduction resolution in the third meeting of the Extraordinary General Assembly</p>
4. Completion of Capital Reduction	
<p>Enforcement of capital reduction resolution</p>	<p>Upon the expiry of the creditor's objection period or the date on which all the creditors' objections are settled (including the provision of guarantees if the debt is not yet due) to the reduction process (whichever comes later). The reduction resolution is expected to be enforced on:</p>





	<p>**/**/1443 H (corresponding to **/**/2021 G) In case of approval of the reduction resolution in the first and second meeting of the Extraordinary General Assembly</p> <p>**/**/1442 H (corresponding to **/**/2021 G) In case of approval of the reduction resolution in the third meeting of the Extraordinary General Assembly</p>
The Group's announcement of the enforcement of the reduction resolution	<p>**/**/1443 H (corresponding to **/**/2021 G) In case of approval of the reduction resolution in the first and second meeting of the Extraordinary General Assembly</p> <p>**/**/1442 H (corresponding to **/**/2021 G) In case of approval of the reduction resolution in the third meeting of the Extraordinary General Assembly</p>
The Suspension of the shares trading	<p>upon the enforcement of the reduction resolution, the first trading period is expected to take place as of:</p> <p>**/**/1443 H (corresponding to **/**/2021 G) In case of approval of the reduction resolution in the first and second meeting of the Extraordinary General Assembly</p> <p>**/**/1442 H (corresponding to **/**/2021 G) In case of approval of the reduction resolution in the third meeting of the Extraordinary General Assembly</p>
The amendment of the commercial registration	<p>**/**/1442 H (corresponding to **/**/2021 G) In case of approval of the reduction resolution in the first and second meeting of the Extraordinary General Assembly</p> <p>**/**/1442 H (corresponding to **/**/2021 G) In case of approval of the reduction resolution in the third meeting of the Extraordinary General Assembly</p>
Payment to shareholders	<p>It is expected to pay for the shareholders within 10 working days from the date of the</p>





return of the share trading with the adjusted price as of:

//1443 H (corresponding to **/**/2021 G)

In case of approval of the reduction resolution in the first and second meeting of the Extraordinary General Assembly

//1442 H (corresponding to **/**/2021 G)

In case of approval of the reduction resolution in the third meeting of the Extraordinary General Assembly

The announcement of the deposit of the amounts from the sale of fractional shares

The announcement is expected to be made available, within (30) days from the expiry date of the creditor objection period regarding to the capital reduction, as of:

//1443 H (corresponding to **/**/2021 G)

In case of approval of the reduction resolution in the first and second meeting of the Extraordinary General Assembly

//1442 H (corresponding to **/**/2021 G)

In case of approval of the reduction resolution in the third meeting of the Extraordinary General Assembly

18. Relevant Information

- Pursuant to the Companies Law issued by the MOC in 2015 G corresponding to 1437 H, in particular:
 - Article (144) of the Companies Law which stipulates: “the Extraordinary General Assembly may decide to decrease the capital if it is in excess of the need of the company or if the company incurs losses. In the latter case only, the capital may be decreased below the limit set forth in Article 54 of the Law The decision to decrease the capital shall not be issued until after reading the auditor’s report regarding the grounds for such decrease, the company’s liabilities and effect of decrease on such liabilities”.
 - Article (145) of the Companies Law which stipulates: “If the capital decrease is due to its being in excess of the company’s need, the creditors shall be called to submit their objections thereto within 60 days from the date of publishing the decision of capital decrease in a daily newspaper distributed in the area where the company’s head office is located. If a creditor objects and presents his documents to the company within said period, the company shall pay the debt owed to him if it is due or provide sufficient guarantee if the debt is not yet due.”

- Article (146) of the Companies Law which stipulates: “The capital shall be decreased by either of the following:
 - a. Cancelling a number of shares equal to the amount to be decreased; or
 - b. repurchasing a number of shares by the company, equal to the amount to be decreased, and cancelling such shares.”
- Article (147) of the Companies Law which stipulates: “If the capital decrease is made by cancelling a number of shares, equality among shareholders shall be maintained. Shareholders shall surrender to the company, within the period set by it, shares determined to be cancelled. Otherwise, such shares shall be considered void.”
- An extraordinary general assembly meeting shall be valid only if attended by shareholders representing at least 50% of the company’s capital. If the quorum necessary for the first meeting is not obtained, a call shall be made for a second meeting to be held. The second meeting shall be valid if attended by a number of shareholders representing at least 25% of the capital. If the necessary quorum is not obtained in the second meeting, a call shall be made for a third meeting to be held in accordance with the conditions stipulated under the Companies Law. The third meeting shall be valid, regardless of the number of shares represented therein, upon the approval of the competent authorities.
- Resolutions of an extraordinary general assembly meeting shall be passed by a two-third majority vote of shares represented therein
- In case of approval of the capital reduction by the Group’s creditors, the reduction resolution shall be enforced on all the shareholders who own the shares at the end of the last day trading within the creditor objection period (day 60) and who are registered in the Group’s records at the Saudi Stock Exchange (Tadawul) at the end of the second day of trading following the expiry of the creditor objection period. This includes the shareholders who did not attend the Extraordinary General Assembly meeting and who attended the meeting and voted or did not vote against the capital reduction resolution.

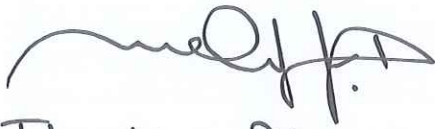
19. Available Documents for Inspection

The Group will provide the following documents to be reviewed in the Group’s registered office in Jeddah from the date on which the CMA’s approval is obtained dated 26/10/1442 H (corresponding to 07/06/2021 G) to the date on which the Extraordinary General Assembly meeting is held dated 27/11/1442 H (corresponding to 07/07/2021 G) during official working hours from Sunday to Thursday, from 10 am to 5 pm (except the official holidays in the Kingdom).

- A copy of the Board’s recommendation of the capital reduction.
- A copy of the financial advisor appointment letter.
- A copy of the accounting limited audit report on the reduction of the capital and financial solvency, indicating the adequacy of working capital for 12 months immediately following the date of completion of the capital reduction.
- A copy of the CMA’s announcement of approval of the Group’s request to reduce the capital and the published on CMA’s and Tadawul’s websites.
- A copy of the Shareholders Circular

20. Attachments

- A copy of the accounting limited audit report prepared by the chartered accountant, and related to the Group's capital reduction.
- A form to attend the Extraordinary General Assembly meeting (if the country or the competent authorities allow to hold direct meetings).



Dr. Ibrahim Al mardhoun
Vice Chairman of the Board
Representative of the Company
at CMA



Yasser Yehia Abdelhamid
Chief Executive officer
Representative of the company at CMA



Agreed-upon Procedure Report on capital reduction

TO THE SHAREHOLDERS OF FITAIHI HOLDING GROUP COMPANY
(SAUDI JOINT STOCK COMPANY)
JEDDAH- SAUDI ARABIA

Scope of work:

We have performed the procedures agreed with you as enumerated below in accordance with the Standard on Related Services 4400 ("ISRS 4400") "Engagements to Perform Agreed-Upon Procedures with respect to Capital Reduction" which specifically focuses on reviewing the documents submitted to us by Fitaihi Holding Group Company (a Saudi Joint Stock Company) (the "Company") and mentioned below under Commercial Registration No. (4030085128), We have performed the agreed procedures in accordance with the Auditing Standards for Special Reports issued by the Saudi Organization for Chartered and Professional Accountants.

These procedures were performed to assist the Company in completing the legal procedures related to reducing the Company's capital by an amount of 275,000,000 Saudi riyals, in accordance with the recommendation of the Board of Directors on Rajab 20, 1442H (corresponding to March 4, 2021), with reference to Articles 144-147 of the Companies Law issued by the Ministry of Commerce applied in the Kingdom of Saudi Arabia and Article 58 of Chapter Two of the Rules on Offer of Securities and Continuing Obligations issued by the Capital Market Authority, and Article 14 of the Company's Articles of Association.

Agreed-upon Procedures as follows:

- (1) Obtain minutes of joint meeting of the Board of Directors and committees held on Rajab 20, 1442H (corresponding to March 4, 2021), in which the Board recommended for the Extraordinary General Assembly to reduce the Company's capital from 550,000,000 Saudi riyals (five hundred and fifty million Saudi riyals) to 275,000,000 Saudi riyals (Two hundred seventy-five million Saudi riyals) by canceling 27,500,000 number of shares of the Company's shares, amounting to 275,000,000 Saudi riyals, reduction rate 50%.
- (2) Obtaining the information provided by the Company that shows the reasons for the capital reduction and the effect of the said reduction on the Company's assets according to the Company's unaudited financial statements as at March 31, 2021 AD (Appendix 1) and insure of its accuracy and reasonableness.

Results:

Below the results of the agreed-upon procedures performed:

- (1) With respect to procedure (1), We obtained the minutes of joint meeting of the Board of Directors and committees dated Rajab 20, 1442H (corresponding to March 4, 2021), which a recommendation to reduce the Company's capital.
- (2) With respect to procedure (2), we obtained the information provided by the Company that explains the reasons for the capital reduction and the effect of the reduction on the Company's unaudited financial statements as at March 31, 2021, which are as follows:

A- Current Assets:

The Company's current assets amounting to 404,434,970 Saudi riyals as at March 31, 2021. Reducing the capital by 275,000,000 Saudi riyals will lead to a decrease in current assets to become 129,434,970 Saudi riyals.

B- Capital:

The authorized and paid in capital of the Company amounting to 550,000,000 Saudi riyals divided into 55,000,000 shares, the value of each share is 10 Saudi riyals as at March 31, 2021. Reducing the capital by 275,000,000 Saudi riyals will lead to a decrease in the capital to become 275,000,000 Saudi riyals.

There is not any comments has come to our attention.

C- Reasons for capital reduction and the effect of the reduction on the Company's assets:

- Restructuring the capital more than Company's needs.
- Effect of Capital Reduction:

The following table shows the results on Company's assets and shareholders' equity as at March 31, 2021:

	Before reducing (Saudi Riyals)	After reducing (Saudi Riyals)	Net effect (Saudi Riyals)
ASSETS			
Current assets	404,434,970	129,434,970	(275,000,000)
Non-current assets	375,124,363	375,124,363	-
Total assets	779,559,333	504,559,333	(275,000,000)
Liabilities			
Current liabilities	25,165,340	25,165,340	-
Non-current Liabilities	1,331,280	1,331,280	-
Total liabilities	26,496,620	26,496,620	-
Equity			
Share capital	550,000,000	275,000,000	(275,000,000)
Statutory reserve	53,192,332	53,192,332	-
Retained earnings	138,429,351	138,429,351	-
Revaluation of investments	11,441,030	11,441,030	-
Total equity	753,062,713	478,062,713	(275,000,000)
Total equity and liabilities	779,559,333	504,559,333	(275,000,000)

The above procedures do not constitute either an audit or review made in accordance with International Standards on Auditing or the International Standards on Review Engagements as endorsed in the Kingdom of Saudi Arabia. Therefore, we do not express any assurance on the Statement of Financial Position as at March 31, 2021. Appendix (1).

Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with International Standards on Auditing or International Standards on Review Engagements other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for the Company information and is to be used for complete the legal procedures related to reducing the Company's capital and is not to be used for any other purpose or to be distributed to any other parties.

For Dr. Mohamed Al-Amri & Co.

M. A. Al-Amri

Dr. Mohamed A. Al-Amri
Certified Public Accountant
Registration No. 60



08/10/1442(H)
20/05/2021(G)

2/2

APPENDIX (1)



مجموعة فتحي القابضة
FITAIHI HOLDING GROUP

FITAIHI HOLDING GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2021 (UNAUDITED) AFTER
EFFECT OF THE REDUCTION PROCESS
(Expressed in Saudi Riyals)

	March 31, 2021 (Unaudited)
ASSETS	
NON-CURRENT ASSETS	
Property and equipment	53,596,647
Right of use assets	1,679,245
Investment in associates	205,170,364
Investments in equity instruments at fair value through other comprehensive income	114,678,107
Total non-current assets	375,124,363
Current assets	
Inventory	114,701,621
Trade and other receivables	7,162,402
Cash and cash equivalents	7,570,947
Total current assets	129,434,970
Total assets	504,559,333
EQUITY AND LIABILITIES	
Equity	
Share capital	275,000,000
Statutory reserve	53,192,332
Retained earnings	138,429,351
Revaluation reserve of investments in equity instruments at fair value through other comprehensive income	11,441,030
Total equity	478,062,713
Non-current liabilities	
Employee defined benefit liabilities	1,331,280
Total non-current liabilities	1,331,280
Current liabilities	
Lease liabilities –current portion	1,370,213
Trade and other payables	14,591,010
Zakat payable	9,204,117
Total current liabilities	25,165,340
Total liabilities	26,496,620
Total equity and liabilities	504,559,333



CAPITAL REDUCTION REPORT

Historical financial information extracted from the financial statements of the Company (unaudited)

1- CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Unaudited).

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
ASSETS		
NON-CURRENT ASSETS		
Property and equipment	53,596,647	54,667,944
Right of use assets	1,679,245	1,995,993
Investment in associates	205,170,364	272,002,334
Investments in equity instruments at fair value through other comprehensive income	114,678,107	102,518,824
Total non-current assets	375,124,363	431,185,095
Current assets		
Inventory	114,701,621	115,963,382
Trade and other receivables	7,162,402	4,538,322
Investments at fair value through profit or loss	275,067,958	-
Cash and cash equivalents	7,502,989	97,118,513
Total current assets	404,434,970	217,620,217
Total assets	779,559,333	648,805,312
EQUITY AND LIABILITIES		
Equity		
Share capital	550,000,000	550,000,000
Statutory reserve	53,192,332	53,192,332
Retained earnings	138,429,351	19,322,965
Revaluation reserve of investments in equity instruments at fair value through other comprehensive income	11,441,030	3,736,019
Equity attributable to shareholders of the parent	753,062,713	626,251,316
Non-controlling interests	-	-
Total equity	753,062,713	626,251,316
Non-current liabilities		
Employee defined benefit liabilities	1,331,280	1,201,146
Total non-current liabilities	1,331,280	1,201,146
Current liabilities		
Lease liabilities –current portion	1,370,213	1,370,213
Trade and other payables	14,591,010	12,028,520
Zakat payable	9,204,117	7,954,117
Total current liabilities	25,165,340	21,352,850
Total liabilities	26,496,620	22,553,996
Total equity and liabilities	779,559,333	648,805,312



CAPITAL REDUCTION REPORT

Historical financial information extracted from the financial statements of the Company (unaudited)

2- CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Unaudited)

	For the three-month period ended	
	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
Net sales	13,704,522	18,022,665
Cost of sales	(7,616,241)	(9,519,437)
Gross profit of sales	6,088,281	8,503,228
Dividends from equity instruments at fair value	32,079	982
Gain from investment valuation at fair value through profit or loss	67,958	-
Share of the results of associate company	7,480,881	2,159,890
Gain from sold of shares of an associate company	125,701,957	-
Gross profit	139,371,156	10,664,100
Selling and distribution expenses	(3,681,565)	(7,169,285)
General and administrative expenses	(4,115,077)	(4,569,051)
Profit /(Loss) from operation	131,574,514	(1,074,236)
Other expenses	(218,128)	(163,460)
Profit /(Loss) before Zakat	131,356,386	(1,237,696)
Zakat	(1,250,000)	(1,350,000)
Net profit / (loss) for the period attributable to:	130,106,386	(2,587,696)
Shareholders of the parent company	130,106,386	(2,414,513)
Non-controlling interest	-	(173,183)
	130,106,386	(2,587,696)
OTHER COMPREHENSIVE INCOME:		
Items that will not to be reclassified subsequently to profit or loss condensed		
Net gains / (losses) from equity instruments at fair value through other comprehensive income	7,705,011	(19,446,644)
Total comprehensive income / (loss) for the period attributable to:	137,811,397	(22,034,340)
Shareholders of the parent company	137,811,397	(21,861,157)
Non-controlling interest	-	(173,183)
	137,811,397	(22,034,340)
Earnings per share :		
Basic and diluted profit / (loss) earnings per share attributable to shareholders of the Parent Company	2.37	(0.04)

CAPITAL REDUCTION REPORT

Historical financial information extracted from the financial statements of the Company (unaudited)

3- CONDENSED STATEMENT OF CASH FLOWS (Unaudited)

	For the three-month period ended	
	March 31, 2021 (Unaudited)	March 31, 2021 (Unaudited)
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit /(loss) before zakat	131,356,386	(1,237,696)
Adjustments to reconcile Profit /(loss) before zakat to cash flows from operating activities:		
Depreciation of property and equipment	1,071,297	979,919
Amortization of right of use assets	316,748	1,626,165
Amortization of intangible assets	-	167,367
Employees defined benefit liabilities	145,134	288,982
Dividends from equity instruments at fair value	(32,079)	-
Gain from investment valuation at fair value through profit or loss	(67,958)	-
Gain from sold of shares of an associate company	(125,701,957)	-
share of results of associate company	(7,480,881)	(2,327,257)
Finance charge of right of use assets	-	145,686
Changes in work in capital		
Trade and other receivables	(2,624,080)	(4,560,521)
Inventory	1,261,761	(3,723,453)
Trade and other payables	2,562,490	5,131,123
Employees defined benefit liabilities paid	(15,000)	(59,565)
Net cash generated from/(used in) operating activities	791,861	(3,569,250)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of property and equipment	-	(1,741,172)
Purchase of investments in equity instruments at fair value through other comprehensive income	(4,880,030)	(2,730,519)
Purchase of investments at fair value through profit or loss	(275,000,000)	-
Proceeds from sold of investment shares in associate company	200,014,808	-
Proceeds from sale of investments in equity instruments at fair value through other comprehensive income	457,837	-
Net cash used in investing activities	(79,407,385)	(4,471,691)
<u>CASH FLOW FROM FINANCING ACTIVITIES</u>		
Lease liabilities	-	(1,939,042)
Dividends paid	(11,000,000)	-
Net cash (used in) financing activities	(11,000,000)	(1,939,042)
Net change in cash and cash equivalents	(89,615,524)	(9,979,983)
Cash and cash equivalents at the beginning of the period	97,118,513	45,448,403
Cash and cash equivalents at the end of the year	7,502,989	35,468,420
<u>Non - cash transactions</u>		
Unrealized Gains /(Loss) from investments in equity instruments at fair value through other comprehensive income	7,705,011	(19,446,644)



**FITAIHI HOLDING GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)**

CAPITAL REDUCTION REPORT

Reasons for capital reduction and the effect of the reduction on the company's assets and fulfill its obligations:

1- Reasons for reducing the capital

Restructuring the Company's capital by an amount of 275,000,000 Saudi riyals, due to the excess of the capital more than company's needs.

2- Effect of capital reduction

The reduction resulted in an impact on the capital and cash balance as of March 31, 2021 as follows:

	<u>Before reduction</u> <u>(Saudi Riyals)</u>	<u>After reduction</u> <u>(Saudi Riyals)</u>	<u>Effects</u> <u>(Saudi Riyals)</u>
Capital	550,000,000	275,000,000	(275,000,000)
Investments at fair value through profit or loss*	275,067,958	67,958	(275,000,000)

* The Company purchased of units amounting to 275 million Saudi riyals in the Riyadh SAR Diversified Trade Fund. All units can be liquidate and sale within three working days, and the Company will sell all its units owned in this fund and use the proceeds of the sale in the process of reducing the capital.

The current assets represent 25.7% of the Company's total assets as on March 31, 2021 (after the effect of the capital reduction), and the total current and non-current liabilities do not exceed 5.3% of the Company's total assets after the capital reduction. Accordingly, there is no significant impact of the capital reduction on the repayment of current and non-current liabilities.

Also, the capital reduction will not have any significant impact on the Company's ability to meet its financial obligations, on its operations, financial performance, operational or regulatory performance. The Company has prepared an estimated cash flow study for the next 12 months according to the operating and capital budget, taking into consideration the possibility of change in market conditions. The study was based on a number of the following data and assumptions:

- Liquidity available at the present.
- Cash flow from operating activities including working capital requirements for a period of 12 months.
- The cash flow obtained from the dividends of the invested companies.
- Cash flow paid to increase investment in equity instruments at fair value through comprehensive income.
- Cash flow paid in other investing activities.
- Dividends for shareholders.
- Reducing the recommended capital during fiscal year 2021.

Based on above, the Company expects the cash flows during the next twelve months as follows:

<u>Description</u>	<u>Amount</u> <u>(Saudi Riyals)</u>
Cash Balance at the beginning of the period *	282,570,947
Cash expected to be collected within the next 12 months	79,600,186
Cash expected to be paid within the next 12 months	(59,420,582)
Capital reduction during the year 2021	(275,000,000)
Cash Balance (End of Period)	27,750,551

* The cash balance at the beginning of the period includes the cash balance plus an amount of 275 million Saudi riyals, which are investments at fair value through profit or loss (investment in the Riyadh SAR Diversified Trade Fund) with Riyadh Capital.