

**RED SEA INTERNATIONAL COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

AND INDEPENDENT AUDITOR'S REVIEW REPORT

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2023

RED SEA INTERNATIONAL COMPANY AND ITS SUBSIDIARIES (A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) AND
INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2023

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF RED SEA INTERNATIONAL COMPANY (A SAUDI JOINT STOCK COMPANY)

Introduction:

We have reviewed the accompanying interim condensed consolidated statement of financial position of Red Sea International Company (A Saudi Joint Stock Company) ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 30 June 2023, and the related interim condensed consolidated statements of profit or loss and comprehensive income for the three-month and six-month periods ended 30 June 2023, and the related interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review:

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Material uncertainty related to going concern

We draw attention to Note 2.1 in the interim condensed consolidated financial statements, which indicates that the Group incurred a net loss of SR 19.6 million and SR 39.1 million for the three-month and six-month periods ended 30 June 2023 respectively and, as of that date, the accumulated losses of the Group amounting to SR 210.2 million which represent 69.5% of the Company's capital. Further, as at 30 June 2023, the Group's current liabilities exceeded its current assets by SR 200.3 million. As stated in Note 2.1, these events or conditions, along with other matters as set forth in Note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young Professional Services



Marwan S. AlAfaliq
Certified Public Accountant
License No. 422




Alkhobar: 22 Safar 1445H
7 September 2023

RED SEA INTERNATIONAL COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2023

	Note	For the three-month period ended 30 June		For the six-month period ended 30 June	
		2023 SR'000 (Unaudited)	2022 SR'000 (Unaudited)	2023 SR'000 (Unaudited)	2022 SR'000 (Unaudited)
Revenues	5	107,137	62,570	225,332	179,798
Cost of revenues		(106,954)	(89,504)	(225,350)	(210,676)
GROSS PROFIT (LOSS)		183	(26,934)	(18)	(30,878)
EXPENSES					
Selling and distribution		(3,653)	(5,297)	(7,368)	(9,629)
General and administration		(10,096)	(14,216)	(22,358)	(27,483)
OPERATING LOSS		(13,566)	(46,447)	(29,744)	(67,990)
Share in result from investment in associates		-	(422)	-	(850)
Other (loss) income, net		(1,132)	3,492	(645)	10,595
Finance costs		(3,745)	(2,713)	(6,078)	(4,822)
Finance income		323	8	324	13
LOSS BEFORE ZAKAT		(18,120)	(46,082)	(36,143)	(63,054)
Zakat	7	(1,500)	(2,127)	(3,001)	(4,287)
LOSS FOR THE PERIOD		(19,620)	(48,209)	(39,144)	(67,341)
ATTRIBUTABLE TO:					
Equity holders of the Parent Company		(19,130)	(47,711)	(37,707)	(66,533)
Non-controlling interests		(490)	(498)	(1,437)	(808)
		(19,620)	(48,209)	(39,144)	(67,341)
LOSS PER SHARE:					
Basic and diluted, loss per share attributable to the equity holders of the Parent Company (restated)	8	(0.63)	(1.58)	(1.25)	(2.20)


Chairman of the Board


Chief Financial Officer


Chief Executive Officer

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

RED SEA INTERNATIONAL COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2023

	<i>For the three-month period ended 30 June</i>		<i>For the six-month period ended 30 June</i>	
	2023	2022	2023	2022
	SR'000	SR'000	SR'000	SR'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss for the period	(19,620)	(48,209)	(39,144)	(67,341)
Other comprehensive income				
Other comprehensive income for the period	-	-	-	-
TOTAL COMPREHENSIVE LOSS	(19,620)	(48,209)	(39,144)	(67,341)
ATTRIBUTABLE TO:				
Equity holders of the Parent Company	(19,130)	(47,711)	(37,707)	(66,533)
Non-controlling interests	(490)	(498)	(1,437)	(808)
	(19,620)	(48,209)	(39,144)	(67,341)



Chairman of the Board



Chief Financial Officer



Chief Executive Officer

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

RED SEA INTERNATIONAL COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		30 June 2023 SR'000 (Unaudited)	31 December 2022 SR'000 (Audited)
	Note		
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		61,470	68,589
Investment properties		235,776	262,976
Intangible assets		1,998	2,368
Right-of-use assets		37,804	43,179
TOTAL NON-CURRENT ASSETS		337,048	377,112
CURRENT ASSETS			
Inventories		75,279	73,581
Contract assets		51,667	54,979
Trade receivables		125,659	126,805
Advances to suppliers		59,513	79,940
Prepayments and other receivables		24,911	33,985
Cash and cash equivalents		40,300	32,342
TOTAL CURRENT ASSETS		377,329	401,632
TOTAL ASSETS		714,377	778,744
EQUITY AND LIABILITIES			
EQUITY			
Share capital	6	302,344	302,344
Accumulated losses		(210,163)	(172,456)
Foreign currency translation reserve		(11,779)	(11,779)
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY		80,402	118,109
NON-CONTROLLING INTERESTS		(25,872)	(24,435)
TOTAL EQUITY		54,530	93,674
NON-CURRENT LIABILITIES			
Employees' defined benefit liabilities		21,460	21,855
Other non-current liabilities		27,312	26,932
Non-current portion of lease liabilities		33,439	33,143
TOTAL NON-CURRENT LIABILITIES		82,211	81,930
CURRENT LIABILITIES			
Trade payables		106,799	172,695
Accruals and other current liabilities		201,096	172,676
Short-term interest bearing loans and borrowings		109,662	117,267
Current portion of interest bearing loans and borrowings		-	5,143
Current portion of lease liabilities		10,713	13,325
Amount due to a shareholder	11	59,225	46,025
Contract liabilities		57,774	46,254
Zakat and income tax payable	7	32,367	29,755
TOTAL CURRENT LIABILITIES		577,636	603,140
TOTAL LIABILITIES		659,847	685,070
TOTAL EQUITY AND LIABILITIES		714,377	778,744


Chairman of the Board


Chief Financial Officer


Chief Executive Officer

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

RED SEA INTERNATIONAL COMPANY AND ITS SUBSIDIARIES (A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

	<i>Attributed to shareholders of the parent Company</i>					<i>Total equity</i> SR '000
	<i>Share capital</i> SR '000	<i>Accumulated losses</i> SR '000	<i>Foreign currency translation reserve</i> SR '000	<i>Non-controlling interests</i> SR '000	<i>Total</i> SR '000	
Balance at 1 January 2022 - (audited)	600,000	(278,834)	(11,779)	(22,798)	309,387	286,589
Loss for the period	-	(66,533)	-	(808)	(66,533)	(67,341)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss	-	(66,533)	-	(808)	(66,533)	(67,341)
Balance at 30 June 2022 - (Unaudited)	600,000	(345,367)	(11,779)	(23,606)	242,854	219,248
Balance at 1 January 2023 - (audited)	302,344	(172,456)	(11,779)	(24,435)	118,109	93,674
Loss for the period	-	(37,707)	-	(1,437)	(37,707)	(39,144)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss	-	(37,707)	-	(1,437)	(37,707)	(39,144)
Balance at 30 June 2023 - (Unaudited)	302,344	(210,163)	(11,779)	(25,872)	80,402	54,530



Chairman of the Board



Chief Financial Officer



Chief Executive Officer

RED SEA INTERNATIONAL COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

	<i>For the six-month period ended 30 June</i>	
	<i>2023</i>	<i>2022</i>
	<i>SR'000</i>	<i>SR'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
OPERATING ACTIVITIES		
Loss before zakat	(36,143)	(63,054)
Adjustments to reconcile loss before zakat to net cash flows:		
Depreciation of property, plant and equipment	7,129	5,108
Depreciation of investment properties	24,298	23,757
Amortization of intangible assets	370	436
Depreciation of right-of-use assets	5,375	5,107
Movement in employees' defined benefit liabilities, net	(395)	(2,170)
Finance costs	6,078	4,822
Share in results of investment in an associate	-	850
Loss (gain) on disposal of property, plant and equipment and investment properties	1,239	(2,085)
	7,951	(27,229)
Working capital adjustments:		
Inventories	(1,698)	31,858
Contract assets	3,312	15,928
Trade receivables	1,146	17,840
Advances to suppliers	20,427	27,199
Prepayment and other receivables	9,074	2,155
Trade payables	(65,896)	(22,391)
Accruals and other current liabilities	28,420	(24,799)
Other non-current liabilities	380	(58)
Contract liabilities	11,520	29,302
Cash from operations	14,636	49,805
Finance cost paid	(6,078)	(4,822)
Zakat and income tax paid	(389)	(4,125)
Net cash from operating activities	8,169	40,858
INVESTING ACTIVITIES		
Purchase of property, plant and equipment and investment properties	(647)	(6,038)
Proceeds from disposal of property, plant and equipment and investment properties	2,300	4,347
Net cash from (used in) investing activities	1,653	(1,691)
FINANCING ACTIVITIES		
Proceeds from interest bearing loans and borrowings	-	9,479
Repayment of interest bearing loans and borrowings	(12,748)	(18,450)
Funds received from a shareholder	13,200	-
Payments of lease liabilities	(2,316)	(5,116)
Net cash used in financing activities	(1,864)	(14,087)
INCREASE IN CASH AND CASH EQUIVALENTS	7,958	25,080
Cash and cash equivalents at the beginning of the period	32,342	5,838
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	40,300	30,918


Chairman of the Board


Chief Financial Officer


Chief Executive Officer

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

RED SEA INTERNATIONAL COMPANY AND ITS SUBSIDIARIES

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AT 30 JUNE 2023

1 CORPORATE INFORMATION

Red Sea International Company (the "Company") ("Parent Company") and its subsidiaries (collectively the "Group") consist of the Company, a Saudi Joint Stock Company, and its Saudi Arabian and foreign subsidiaries and branches. The Company was registered in Jeddah, Kingdom of Saudi Arabia under commercial registration number 4030286984 pursuant to Ministerial Resolution No. 2532 dated 2 Ramadan 1427H (September 25, 2006). During 2021, the Company has changed its registered address to Riyadh, Kingdom of Saudi Arabia and converted a branch commercial registration number 1010566349 into Company's main commercial registration. The registered address of the Company is Riyadh Front, Al-Rimal District, Airport Street, Riyadh, Kingdom of Saudi Arabia. The Company have the following branches in the Kingdom of Saudi Arabia:

<i>Branch</i>	<i>Commercial registration</i>	<i>Location</i>
Red Sea International Company	2055003672	Jubail
Red Sea International Company	2055006105	Jubail
Red Sea International Company	4030286984	Jeddah
Red Sea Housing Services Company	4030263716	Jeddah

The Group is controlled by Al Dabbagh Group Holding Company Limited, (including through its subsidiaries), which owns 70% (effective holding) of the Company's shares. Following is the list of principal operating subsidiaries included in the Group:

<i>Subsidiaries</i>	<i>Country of incorporation</i>	<i>Effective ownership percentage</i>	
		<i>30 June 2023</i>	<i>December 2022</i>
Red Sea Housing Services (Ghana) Limited ("RSG")	Ghana	100%	100%
SARL Red Sea Housing Services Algeria Limited ("RSA")	Algeria	98%	98%
Red Sea Housing Services Company Dubai FZE ("RSD")	UAE	100%	100%
Red Sea Building Materials and Equipments Trading Company ("RSBM")	Saudi Arabia	100%	100%
Premier Paints Company ("PPC")	Saudi Arabia	81%	81%
Red Sea Housing Services (Mozambique), LDA ("RSM")	Mozambique	100%	100%
Red Sea Housing Services LLC ("RSO")	Oman	100%	100%
Red Sea Modular Rentals LLC ("RSMR")	UAE	100%	100%
Red Sea Construction LLC ("RSC")	UAE	100%	100%
Red Sea Modular Rentals (Kuwait) WLL ("RSMK")	Kuwait	100%	100%
<i>Associates</i>			
Red Sea Housing Malaysia Sdn. Bhd. ("RSHM")	Malaysia	49%	49%
<i>Joint Operations</i>			
Red Sea Hanchi ("RSHC")	Algeria	49%	49%

In addition to the above, the Group owns other subsidiaries, registered in Nigeria, Libya, Saudi Arabia, Singapore and also has licenses to operate branches in Papua New Guinea and Abu Dhabi which are consolidated in these consolidated financial statements. These other subsidiaries and branches are either in early stages of operations or have not commenced any commercial operations at the reporting date.

RED SEA INTERNATIONAL COMPANY AND ITS SUBSIDIARIES

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

AT 30 JUNE 2023

1 CORPORATE INFORMATION (continued)

On 9 June 2023, corresponding to 20 Thul-Qi'dah 1444H, the Company entered into an agreement for purchase of 51% share of Fundamental Installation for Electric Work Company Limited ("First Fix"), a Limited Liability Company registered in Jeddah, Kingdom of Saudi Arabia for a purchase consideration of SR 544.2 million. The transaction consideration expecting to be settled SR 250 million in cash (finance through facility provided by a local commercial bank) upon approval of the transaction and SR 294.2 million (deferred consideration) within four months and the Company has the option to capitalize the deferred consideration upon approval of the applicable regulators. Subsequently, on 2 August 2023 corresponding to 15 Muharram 1445H, the Board of directors of the Company recommended to increase the Company's capital by converting the deferred consideration to equity.

Completion of the acquisition is subject to related regulatory and corporate approval as well as meeting certain conditions which are still in progress as of 30 June 2023.

The principal activities of the Group are to purchase land and real estate for the purpose of developing them and to build residential and commercial buildings thereon, and to ultimately sell or lease them. The Group's activities also includes manufacturing non-concrete residential units, general contracting, maintenance, construction of utilities and civil work, supply of food, provision of food services and trade of food products. In addition, the Group is also involved in manufacturing and sale of paints and providing related services.

The interim condensed consolidated financial statements of the Group for the three-month and six-month periods ended 30 June 2023 were authorised for issuance in accordance with the Board of Directors resolution dated 6 September 2023 (corresponding to 21 Safar 1445H).

2 BASIS OF PREPARATION

These interim condensed consolidated financial statements have been prepared in compliance with IAS 34 "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements. Accordingly, these interim condensed consolidated financial statements are to be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2022. An interim period is considered as integral part of the whole fiscal year, however, the results of operations for the interim periods may not be a fair indication of the results of the full year operations.

These interim condensed consolidated financial statements are prepared using historical cost convention.

These interim condensed consolidated financial statements are presented in Saudi Riyals ("SR"). All values are rounded to the nearest thousands ("SR '000"), except when otherwise indicated.

2.1 Going concern basis of accounting

The Group incurred a net loss of SR 19.6 million and SR 39.1 million for the three-month and six-month periods ended 30 June 2023 respectively (year ended 31 December 2022: SR 197.8 million) and as of 30 June 2023, its accumulated losses amounted to SR 210 million (31 December 2022: SR 172.5 million) which represent 69.5% (31 December 2022: 57%) of share capital as of the same date. Further, at 30 June 2023, the Group's current liabilities exceeded its current assets by SR 200.3 million (31 December 2022: SR 201.5 million) and consequently the Group was not in compliance with a covenant relates to current ratio which is an event of default as per a borrowing agreement (31 December 2022: same) with a commercial bank. These events or conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

The ability of the Group to continue its operations depends on restructuring its equity, arrangement of financing facilities, entering into profitable contracts and increasing the volume of its revenue appropriately. Further, on 14 April 2022, the Company's Board of Directors recommended to the Company's shareholders to restructure its equity structure of which, amended by the Board of Directors on 19 May 2022 as follows:

- reducing the Company's share capital from SR 600 million to SR 302.3 million through cancellation of 29.8 million shares against the Company's accumulated losses, and
- increase the Company's share capital from SR 302.3 million to SR 452.3 million through right issue of 15 million shares.

RED SEA INTERNATIONAL COMPANY AND ITS SUBSIDIARIES

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

AT 30 JUNE 2023

2 BASIS OF PREPARATION (continued)

2.1 Going concern basis of accounting (continued)

During the extraordinary general meeting held on 24 July 2022, the shareholders approved the recommendation to reduce the Company's capital through absorbing accumulated losses of the Company as proposed by the Board of Directors. The legal formalities relating to this were completed in 2022.

During year ended 31 December 2022, the Company received waiver from a commercial bank with respect of the breach of covenant. The facility agreement with other commercial bank with the financing facility of SR 76 million was renewed during the period irrespective of the breach of the covenant. The Parent Company's management has made an assessment of the Group's ability to continue as a going concern with the consideration of project backlog, bids pipeline and is satisfied that it has the adequate resources to continue its business for the foreseeable future. In addition to that, during 2022, Al-Dabbagh Group, which owns 70% of the Company's share, has provided interest free funds to the Group in order to meet its liabilities as they fall due. Even though, such funds received are classified under current liabilities in the interim condensed consolidated statement of financial position based on the terms with the shareholder, the management does not expect these to be called for settlement in next twelve months. Further, subsequently, on 2 August 2023, corresponding to 15 Muharram 1445H, the Board of directors of the Company recommended to increase the Company's capital by way of converting debt that owed to Al-Dabbagh Group amounting to SR 80.2 million along with the deferred consideration of SR 294.2 million on the acquisition of First Fix (refer note 1). Based on the Group's financial projections and steps taken above, the Group's management has assessed its ability to continue as a going concern and is satisfied that the Group's operations shall continue for a foreseeable future under the normal course of business. Accordingly, these interim condensed consolidated financial statements have been prepared on going concern basis and do not include any adjustments, which may be required, if the Group is not able to continue as a going concern.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

4 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies applied in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of new amendments effective as of 1 January 2023, as disclosed below.

4.1 New standards, interpretations, and amendments

Following standard, interpretation or amendment are effective as of 1 January 2023 and are adopted by the Group whenever applicable, however, these does not have any impact on the interim condensed consolidated financial statements for the period. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

- i. IFRS 17 Insurance contracts
- ii. Definition of Accounting Estimates - Amendments to IAS 8
- iii. Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- iv. Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

4.2 Accounting standards amendments issued but not yet effective

- i. Lease Liability in a Sale and Leaseback – Amendments to IFRS 16
- ii. Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1
- iii. Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

RED SEA INTERNATIONAL COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

AT 30 JUNE 2023

5 REVENUES

	<i>For the three-month period</i>		<i>For the six-month period ended</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<i>Revenue from the contract with customers:</i>				
Revenue from sale of buildings	66,977	16,867	145,800	94,928
Sale of paint's and paint related products and services	1,393	4,281	3,203	7,357
	68,370	21,148	149,003	102,285
<i>Other revenue:</i>				
Rental revenue from investment properties	38,767	41,422	76,329	77,513
	107,137	62,570	225,332	179,798

Reconciliation of the Group's disaggregated revenue for its reportable segments and timing of revenue recognition is disclosed in (note 12).

6 SHARE CAPITAL

The share capital of the Company as at 30 June 2023 amounted to SR 302,344,000 (31 December 2022: SR 302,344,000) consisting of 30,234,400 shares (31 December 2022: 30,234,400 shares) fully paid and issued shares at a value of SR 10 per share.

During the year ended 31 December 2022, the Company has completed the legal formalities with respect to reduction of the Company's capital through absorbing the accumulates losses of the Company (refer note 2.1).

7 ZAKAT AND INCOME TAX

a) Zakat

The zakat assessments of the Parent Company and its wholly owned Saudi subsidiary as a whole have been agreed with the Zakat, Tax and Customs Authority ("the ZATCA") up to 2010. The zakat declarations until years 2022 have been filed with the ZATCA.

During 2020, the Zakat, Tax and Customs Authority ("the ZATCA") had issued an assessment for the years 2014 through 2017 amounting to SR 67.1 million for the Company and its wholly owned subsidiaries. The Company filed an appeal against the ZATCA assessment for the said period. During 2022, the ZATCA issued a revised assessment for the years 2014 through 2017 amounting to SR 53.1 million for the Company and its wholly owned subsidiaries. The Company has escalated the appeal against the ZATCA assessments for the above-mentioned period with the General Secretariat of Tax Committees ("GSTC") and the case is still under review by the committees.

Further, during 2021, the ZATCA issued an assessment for the years 2019 and 2020 amounting to SR 11.6 million for the Company and its wholly owned subsidiaries. The management of the company submitted an appeal against this assessment with ZATCA. During 2022, the ZATCA issued a revised assessment for the year 2019 and 2020 amounting to SR 8 million for the Company and its wholly owned subsidiaries. The Company has escalated the appeal against the ZATCA assessments for the above-mentioned period with the General Secretariat of Tax Committees ("GSTC") and the case is still under review by the committees.

The Zakat assessments of the Company and its wholly owned Saudi subsidiary for the years 2011 to 2013 and for the years 2018 and 2021 have not yet been raised by the ZATCA.

During 2018, Premier Paints Company (PPC, a subsidiary) received Zakat, tax and WHT assessments for the years 1999 to 2014 amounting to SR 2.6 million, which was subsequently reduced to SR 2.59 million and the subsidiary filled an appeal with GSTC on the revised assessment. During 2021, ZATCA issued amnesty scheme whereby, the ZATCA waived the delay penalties and fines and the subsidiary settled WHT liability of SR 0.95 million and agreed to settle SR 1.22 million of zakat liability on instalments basis.

RED SEA INTERNATIONAL COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

AT 30 JUNE 2023

7 ZAKAT AND INCOME TAX (continued)

a) Zakat (continued)

Further, during 2021, PPC received an assessment for the years 2017 and 2018 with additional zakat liability of SR 0.8 million. The management of PPC has recognized the provision against the assessment raised.

Based on management's best estimate, the management believes that the provision recognised as of 30 June 2023 with respect of the assessments raised is appropriate and no additional provision is required.

b) Income tax

Income tax provision is provided for in accordance with authorities in which the Group's subsidiaries operate outside the Kingdom of Saudi Arabia. Income tax has been computed based on the managements' understanding of the income tax regulations enforced in their respective countries. The income tax regulations are subject to different interpretations, and the assessments to be raised by the tax authorities could be different from the income tax returns filed by the respective company. No income tax provided during the period due to the taxable losses.

8 LOSS PER SHARE

Basic and diluted losses per share is calculated by dividing the loss for the period attributable to the Shareholders of the Parent Company by the weighted average number of outstanding shares during the period.

The loss per share for the comparative period has been adjusted retrospectively to reflect the treatment of effect of decrease in share capital as required by the relevant accounting standard (refer note 2.1).

	<i>For the three-month period ended 30 June</i>		<i>For the six-month period ended 30 June</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Loss for the period attributable to the shareholders of the Parent Company (SR '000)	(19,130)	(47,711)	(37,707)	(66,533)
Adjusted number of outstanding shares during the period (share '000) (restated)	30,234	30,234	30,234	30,234
Basic and diluted loss per share attributable to the shareholders of the Parent Company (SR) (restated)	(0.63)	(1.58)	(1.25)	(2.20)

9 CONTINGENT LIABILITIES

At the reporting date, the Group had outstanding bank guarantees and letter of credit amounting to approximately SR 35 million (31 December 2022: SR SR 38.4 million) issued in the normal course of business.

10 CAPITAL COMMITMENTS

At the reporting date, the capital expenditure approved by the Board of Directors amounted to SR 43.5 million (31 December 2022: SR 44.1 million).

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11 RELATED PARTY TRANSACTIONS' AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled or significantly influenced by such parties. The ultimate Parent Company of the Group is Al Dabbagh Group Holding Company Limited registered in Jeddah, Kingdom of Saudi Arabia.

The Group in the normal course of business carries out transactions with various related parties. Transactions with related parties' included in the interim condensed consolidated statement of income are as follows:

<i>Relationship and name of related party</i>	<i>Nature of transactions</i>	<i>For the six-month period ended</i>	
		<i>30 June</i>	
		<i>2023</i>	<i>2022</i>
		<i>SR'000</i>	<i>SR'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
<i>Ultimate Parent Company</i>			
Al Dabbagh Group Holding Company Limited	Expenses paid by the ultimate Parent Company on behalf of the Group	68	-
	Interest free funds received	13,200	-
<i>Other related parties</i>			
	Material received from associate	425	-
	Payment to associate	713	881

The remuneration of the key management personnel during the period was as follows:

	<i>For the six-month period ended 30 June</i>	
	<i>2023</i>	<i>2022</i>
	<i>SR'000</i>	<i>SR'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Short term benefits	4,068	4,226
Employees' end-of-service benefits	199	185
	4,267	4,411

Pricing policies and terms of payments of transactions with related parties are approved by the Board of Directors. Outstanding balances at the period-end are unsecured, interest free and settled in cash.

Prepayments and other receivables at 30 June 2023 includes an amount of SR 4.7 million (31 December 2022: SR 4.4 million) due from affiliate companies. Amounts due to related parties at 30 June 2023 amounting to SR 6.1 million (31 December 2022: SR 6.99 million) have been included in the trade payable in interim condensed consolidated statement of financial position.

12 SEGMENTAL INFORMATION

For management purposes, the Group is organised into business units based on its products and services and has following reportable segments:

- Manufacturing and sale of non-concrete residential and commercial buildings ("Non-concrete residential and commercial buildings");
- Rentals from investment properties; and
- Manufacturing and sale of paints and related services ("Paints and related services")

The Board of directors monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on income and is measured consistently in the interim condensed consolidated financial statements.

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12 SEGMENTAL INFORMATION (continued)

The following tables present revenue and (loss) profit information for the Group's operating segments for the three-month and six-month periods ended 30 June 2023 and 2022, respectively:

Business segments

	<i>For the three-month period ended 30 June 2023</i>				<i>For the three-month period ended 30 June 2022</i>			
	<i>Non-concrete residential and commercial buildings</i>	<i>Rentals from investment properties</i>	<i>Paints and related services</i>	<i>Total segments</i>	<i>Non- concrete residential and commercial buildings</i>	<i>Rentals from investment properties</i>	<i>Paints and related services</i>	<i>Total segments</i>
	<i>Unaudited (SR'000)</i>				<i>Unaudited (SR'000)</i>			
<i>Revenue:</i>								
Total segment revenue	98,042	38,767	1,393	138,202	16,867	41,422	4,281	62,570
Intersegment revenue elimination	(31,065)	-	-	(31,065)	-	-	-	-
Revenue from external customers	66,977	38,767	1,393	107,137	16,867	41,422	4,281	62,570
<i>Timing of revenue recognition:</i>								
At a point in time	31,959	-	1,393	33,352	16,867	-	4,281	21,148
Over time	35,018	38,767	-	73,785	-	41,422	-	41,422
	66,977	38,767	1,393	107,137	16,867	41,422	4,281	62,570
Segment (loss) profit	(29,775)	12,673	(2,518)	(19,620)	(57,931)	12,217	(2,495)	(48,209)
	<i>For the six-month period ended 30 June 2023</i>				<i>For the six-month period ended 30 June 2022</i>			
	<i>Non-concrete residential and commercial buildings</i>	<i>Rentals from investment properties</i>	<i>Paints and related services</i>	<i>Total segments</i>	<i>Non- concrete residential and commercial buildings</i>	<i>Rentals from investment properties</i>	<i>Paints and related services</i>	<i>Total segments</i>
	<i>Unaudited (SR'000)</i>				<i>Unaudited (SR'000)</i>			
<i>Revenue:</i>								
Total segment revenue	210,498	76,329	3,451	290,278	94,928	77,513	7,357	179,798
Intersegment revenue elimination	(64,698)	-	(248)	(64,946)	-	-	-	-
Revenue from external customers	145,800	76,329	3,203	225,332	94,928	77,513	7,357	179,798
<i>Timing of revenue recognition:</i>								
At a point in time	62,072	-	3,203	65,275	38,715	-	7,357	46,072
Over time	83,728	76,329	-	160,057	56,213	77,513	-	133,726
	145,800	76,329	3,203	225,332	94,928	77,513	7,357	179,798
Segment (loss) profit	(55,405)	23,723	(7,462)	(39,144)	(86,623)	23,293	(4,011)	(67,341)

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12 SEGMENTAL INFORMATION (continued)

The following table presents assets and liabilities information for the Group's operating segments as at 30 June 2023 and 31 December 2022, respectively:

	<i>At 30 June 2023</i>				<i>At 31 December 2022</i>			
	<i>Non-concrete residential and commercial buildings</i>	<i>Rentals from investment properties</i>	<i>Paints and related services</i>	<i>Total segments</i>	<i>Non- concrete residential and commercial buildings</i>	<i>Rentals from investment properties</i>	<i>Paints and related services</i>	<i>Total segments</i>
	<i>Unaudited (SR '000)</i>				<i>Audited (SR '000)</i>			
Total assets	350,041	356,609	7,727	714,377	373,819	391,722	13,203	778,744
Total liabilities	395,901	225,720	38,226	659,847	420,559	226,031	38,480	685,070

During the six-month period ended 30 June 2023, approximately 88.43% of the total revenues from non-concrete residential and commercial buildings segment were derived from 5 customers (30 June 2022: approximately 72.69% from 5 customers). During the six-month period ended 30 June 2023, approximately 86.2% of the total revenues from rental segment were derived from 5 customers (30 June 2022: approximately 87.2% from 6 customers).

The Group's operations are conducted in Saudi Arabia, UAE, Ghana, Algeria and certain other locations. The following tables present revenue and (loss) profit information for the Group's geographical segments for the three-month periods ended 30 June 2023 and 2022.

	<i>For the three-month period ended 30 June 2023</i>					
	<i>Saudi Arabia</i>	<i>UAE</i>	<i>Ghana</i>	<i>Algeria</i>	<i>Others</i>	<i>Total</i>
	<i>Unaudited (SR '000)</i>					
Total segment revenue	89,331	48,640	-	135	96	138,202
Intersegment revenue elimination	(31,065)	-	-	-	-	(31,065)
Revenue from external customers	58,266	48,640	-	135	96	107,137
Segmental (loss) profit for the period	(19,614)	2,399	(1,729)	(609)	(67)	(19,620)
	<i>For the three-month period ended 30 June 2022</i>					
	<i>Saudi Arabia</i>	<i>UAE</i>	<i>Ghana</i>	<i>Algeria</i>	<i>Others</i>	<i>Total</i>
	<i>Unaudited (SR '000)</i>					
Total segment revenue	54,885	10,374	3,014	129	95	68,497
Intersegment revenue elimination	-	(5,927)	-	-	-	(5,927)
Revenue from external customers	54,885	4,447	3,014	129	95	62,570
Segmental loss for the period	(34,278)	(9,061)	(3,110)	(1,316)	(444)	(48,209)

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12 SEGMENTAL INFORMATION (continued)

<i>For the six-month period ended 30 June 2023</i>						
	<i>Saudi Arabia</i>	<i>UAE</i>	<i>Ghana</i>	<i>Algeria</i>	<i>Others</i>	<i>Total</i>
	<i>Unaudited (SR '000)</i>					
Total segment revenue	185,132	104,530	58	367	191	290,278
Intersegment revenue elimination	(64,946)	-	-	-	-	(64,946)
Revenue from external customers	120,186	104,530	58	367	191	225,332
Segmental (loss) profit for the period	(41,191)	6,883	(3,579)	(1,117)	(140)	(39,144)
<i>For the six-month period ended 30 June 2022</i>						
	<i>Saudi Arabia</i>	<i>UAE</i>	<i>Ghana</i>	<i>Algeria</i>	<i>Others</i>	<i>Total</i>
	<i>Unaudited (SR '000)</i>					
Total segment revenue	147,883	41,497	8,168	283	191	198,022
Intersegment revenue elimination	(94)	(18,130)	-	-	-	(18,224)
Revenue from external customers	147,789	23,367	8,168	283	191	179,798
Segmental loss for the period	(47,467)	(13,095)	(3,772)	(2,494)	(513)	(67,341)

The following table presents assets and liabilities information for the Group's geographical segments as at 30 June 2023 and 31 December 2022, respectively:

<i>At 30 June 2023</i>						
	<i>Saudi Arabia</i>	<i>UAE</i>	<i>Ghana</i>	<i>Algeria</i>	<i>Others</i>	<i>Total</i>
	<i>Unaudited (SR '000)</i>					
Total assets	538,651	127,800	25,534	19,390	3,002	714,377
Total liabilities	549,121	96,792	8,838	4,340	756	659,847
<i>At 31 December 2022</i>						
	<i>Saudi Arabia</i>	<i>UAE</i>	<i>Ghana</i>	<i>Algeria</i>	<i>Others</i>	<i>Total</i>
	<i>Audited (SR '000)</i>					
Total assets	601,836	121,772	31,997	20,132	3,007	778,744
Total liabilities	556,850	112,951	10,524	3,992	753	685,070

13 FAIR VALUES OF FINANCIAL INSTRUMENTS

The management assessed that the fair values of cash and cash equivalents, trade receivable, contract assets, other current assets, trade payable, term and short-term loans and other current liabilities approximate their carrying values largely due to the short-term maturities of these financial instruments.

The management has assessed the fair value of term loans and other non-current liabilities based on level 2 hierarchy, which is not materially different from their respective carrying values.

14 SUBSEQUENT EVENTS

In the opinion of management, apart for the Board of Directors' recommendation for the capital increase as disclosed in note 2.1, there have been no further significant subsequent events since the period ended 30 June 2023 that would have a material impact on the financial position of the Group as reflected in these interim condensed consolidated financial statements.