

Cairo 02/03/2011

Mr. Abu Bakr Makhoulf

Head of Investor Relations

ERC

Dear Mr. Makhoulf,

Consistent with the efforts of the Disclosure Department to achieve and implement transparency, efficiency and equality in the market, and to increase cooperation between the Disclosure Department and all listed companies, and in reference to the Company's letter dated 01/03/2011 about a case being investigated in court since the end of 2010 regarding Sahl Hasheesh land, and in reference to a report published in *Al Akhbar* newspaper on 02/03/2011 saying that the General Prosecutor has received an official complaint against businessman Ibrahim Kamel accusing him of acquiring a plot of land of around 41 million square meters in Sahl Hasheesh by direct order and without paying its total contract value until now, the company needs to clarify the legality of the plot acquisition as soon as possible.

Kind Regards,

Ashraf Kamal

Vice Chairman for Listed Companies

The Egyptian Stock Exchange

*Note: This document has been translated from the original Arabic.*

Cairo 03/03/2011

Mr. Ashraf Kamal

Vice President for Listed Companies

The Egyptian Exchange

Dear Mr. Kamal,

In reference to your letter dated 02/03/2011, demanding a clarification from the Egyptian Resorts Company (“**Company**”) on the legality of its acquisition of Sahl Hasheesh land from the General Authority for Tourism Development Authority (“**Authority**”), the Company would like to provide all the necessary information to the Disclosure Department in the interest of abiding by all transparency and disclosure principles and values as follows:

**I. In reference to what was published in *Al Akhbar* Newspaper:**

1. The contract for selling and renting Sahl Hasheesh land (“**Sahl Hasheesh Contract**”) was signed on 24/10/1995 between the Egyptian Resorts Company S.A.E. (under formation), represented by **Mahmoud Abdel Aziz, the Chairman of the National Bank of Egypt as the founders’ agent** and the Tourism Development Authority represented by Hussein Badran, Executive Director of the Tourism Development Authority.
2. Dr. Ibrahim Kamel did not conclude or negotiate the Sahl Hasheesh Contract with the Authority and neither he nor any of his companies were among the founders of the Company, and he was not the first Chairman of the Company or the current Chairman, as demonstrated in the Sahl Hasheesh contract that was signed on 24/10/1995 and the commercial registry of the Company. **Hence, there is no truth to the rumours that Dr. Ibrahim Kamel is the person who acquired the plot of land in Sahl Hasheesh, and all the rumours are accordingly false.**
3. Mr. Ahmed Zaki was the first Chairman of the Company, and the current Chairman of the Company is Dr. Samir Makary.
4. The Company offered (31%) of its shares in an IPO dated **8/12/1995** (i.e. after the conclusion of the land contract) approved by the Capital Markets Authority and according to a prospectus published in the national newspapers, 629 investors subscribed to the IPO, noting that the underwriting process was not to be completed given that the

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number of orders by individuals and institutions was not sufficient unless the Company's founders and related legal entities increased their orders.

5. Most of the Board of Directors of the Company are large companies, mostly owned, directly or indirectly, by the public sector. These include:
  - Misr Insurance (15%)
  - National Bank of Egypt represented by Al Ahly Capital Holding (9%)
  - Rowad Tourism Company (65% owned by general insurance companies and Banque Misr) (10%)
  - KATO Investment (11.96%)
  - First Arabian Company for Development and Investments (10%)

**To be noted, Dr. Ibrahim Kamel is a member of the Board of Directors representing KATO Investment that holds no more than (11.96%) stakes in the Company's capital.**

## **II. In reference to the legality of acquiring Sahl Hasheesh land:**

1. The Sahl Hasheesh contract was signed in accordance with Law No. 7 of 1991, which established the Tourism Development Authority, and Presidential Decree No. 445 of 1992, which determined the allocation of the Authority's land towards the establishment of integrated development projects. The Laws for Tenders and Auctions No. 9 for 1983, referred to as "**The Old Tenders Law,**" is not applicable to the Sahl Hasheesh contract, as Article I states that "the included laws and its executive regulations apply to all governmental entities and related authorities as well as general authorities." However, the Old Tenders Law did not include any specific article **with reference to the establishment of any of the previously mentioned entities.** Accordingly, the establishment of the Tourism Development Authority falls under both Law No. 7 for 1991 and Presidential Decree No. 445 for 1992, in accordance with the conclusion by the Supreme Administrative Court that "**specific laws supersede general laws.**"
2. The Sahl Hasheesh Contract was concluded without any violations to the Law No. 143 for 1981 concerning the desert lands, given that according to Article II in Presidential Decree No. 445 for 1992, "**The General Authority for Tourism Development is responsible for the management and the use of the plots referenced in Article I, is to act as the owner of all related matters of the plots, and is to commence accordingly all these responsibilities in accordance with Law No. 7 for 1991.**" The Sahl Hasheesh plot allocated for tourism purposes is among the referenced plots in accordance with Law No. 175 for 1982 issued by the Ministry of Tourism and was published in the official newspaper on 26/09/1982, considering that the Red Sea area (including Sahl Hasheesh plot of land mentioned in the decree) is a land for tourism and accordingly the Authority did not violate Law No. 143 for 1981 in concluding a contract directly with the Company.

3. The new Laws for Tenders and Auctions No. 89 for 1998 (“The New Tenders Law”) that require public tenders to be held when authorities conclude contracts do not apply on the Company’s contract with the Authority given that the contract was concluded in October 1995, three years before the New Tenders Law was issued. It is known that the New Tenders Law does not include any retrospect measures on any of its articles as Article IV in Law No. 89 for 1998 states that “**this new Law to be published in official national newspaper, and is set to be applied after thirty days after being published.**”
4. The Sahl Hasheesh contract binds the Company to carry out all infrastructure works for plots included in the contract and in accordance with plans and structures set by the Authority, contrary to what was mentioned by the prosecution in front of the Supreme Administrative Court that the Company acquired the plot and divided it in order to re-sell it at high prices. The Company is bound to the development of Sahl Hasheesh area as per its concluded contract.
5. The claimant has also filed his complaint to terminate the Sahl Hasheesh Contract given that he is a citizen of the Arab Republic of Egypt who abides by its constitution without clarifying his personal direct gain, or even his legal status that was impacted and this does not abide by the regulations that state that the claimant should state his status and his gain from his legal request in addition to which he does not represent any party in the Sahl Hasheesh contract.

Therefore, the Company reaffirms that it abided by all the necessary laws when it concluded the contract with the Authority in 1995 concerning the Sahl Hasheesh land.

Kind Regards,

Abu Bakr Makhlouf  
Head of Investors Relations  
Egyptian Resorts Company