



شعبة الترجمة الرسمية
Official Translation Department

Companies Law

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Translation of Saudi Laws



NOTE:

The translation of Saudi laws takes the following into consideration:

- Words used in the singular form include the plural and vice versa.
- Words used in the masculine form include the feminine.
- Words used in the present tense include the present as well as the future.
- The word “person” or “persons” and their related pronouns (he, his, him, they, their, them) refer to a natural and legal person.



Companies Law

Part 1: General Provisions

Article 1

The following terms and phrases, wherever mentioned in this Law, shall have the meanings assigned thereto, unless the context requires otherwise.

Ministry: Ministry of Commerce and Industry.

Minister: Minister of Commerce and Industry.

CMA: Capital Market Authority.

CMA's Board: CMA's Board of Directors.

Chairman: Chairman of CMA's Board.

Competent Authority: The Ministry of Commerce and Industry. As for joint-stock companies listed in the Capital Market, the Competent Authority shall be CMA.

Law: Companies Law.

Article 2

A company is defined as a contract under which two or more persons undertake to participate in an enterprise for profit, by contributing a share in the form of money, work, or both, and share profit or loss resulting therefrom.

Article 3

1. A company incorporated in the Kingdom shall take one of the following forms:
 - a) Unlimited liability company.
 - b) Limited partnership.
 - c) Partnership.
 - d) Joint-stock company.
 - e) Limited liability company.
2. Without prejudice to paragraph 3 of this Article, any company not assuming any of the forms provided for in paragraph 1 of this Article shall be null and void, and persons entering into contracts under its name shall be personally and jointly liable for the obligations arising from such contract.
3. The provisions of the Law shall not apply to companies known in Islamic jurisprudence, unless they take the form of one of the companies set forth in paragraph 1 of this Article.



Article 4

Except for a partnership, a company incorporated in accordance with the Law shall be considered a Saudi company, and its head office shall be in the Kingdom. Being a Saudi company does not necessarily qualify for rights limited to Saudi citizens.

Article 5

1. A partner's contribution may be in cash or in-kind. The contribution may also take the form of work, but it may not be in the form of reputation or influence.
2. Only cash and/or in-kind contributions shall form the company's capital. Such capital may be altered only in accordance with the provisions of the Law and in conformity with conditions set forth in the company's articles of incorporation or articles of association.

Article 6

1. If a partner's contribution is in the form of a right of ownership or usufruct or any other in-kind right, the partner shall, in accordance with the provisions of the sale contract, be liable for the guarantee of his share in case of loss, claim for recovery or the discovery of any defect or shortage therein. If a partner's contribution is only in the form of a benefit from a personal right to a property, the provisions of the lease contract shall apply.
2. If a partner's contribution is in the form of a claim against third parties, he shall not be relieved from liability towards the company except after he collects such claim and places it at the company's disposal during the prescribed period.
3. If a partner's contribution is in the form of work, he shall carry out such work, and any earnings resulting from it shall be the property of the company. The partner may not engage in such work for his own benefit. He shall be under no obligation to submit to the company any patent rights he may have obtained, unless agreed otherwise.

Article 7

A partner shall be indebted to the company for the equity he pledges. If he fails to deliver such equity by the due date, he shall be liable to the company for any damage arising from the delay.

Article 8

1. A personal creditor of any partner may not have his rights enforced against the partner's share in the company's capital. However, he may, upon obtaining a judgment from the competent judicial authority, have such rights enforced against the partner's share in the dividends as stated in the company's financial statements. Upon termination of the company, the creditor's claim shall be transferred to the partner's share in the remainder of the company's assets after paying the company's debts.



2. A personal creditor of a shareholder may, in addition to the rights provided for in paragraph 1 of this Article, petition the competent judicial authority to sell an adequate number of shares necessary for the settlement of the debt, provided that shareholders in unlisted joint-stock companies have the right of first refusal.

Article 9

1. Without prejudice to paragraph 2 of this Article, all partners shall share profits and losses. If the partners agree to deprive any partner of profits or exempt him from losses, this condition shall be null and void, and the provisions of Article 11 of the Law shall apply.
2. A partner whose contribution is solely in the form of work shall be exempted from sharing losses.

Article 10

1. Only distributable profits may be distributed to partners.
2. If fictitious profits are distributed to partners, the company's creditors may request each partner, including a bona fide partner, to return such profits.
3. A partner shall not be obligated to return the actual dividends he has received, even if the company incurs losses in subsequent years.

Article 11

1. A partner's share in profits or losses shall be proportionate with his contribution to the capital. However, the company's articles of incorporation may provide otherwise, subject to Sharia.
2. If a partner's contribution is solely in the form of work and the company's articles of incorporation do not specify his share in profits or losses, the partner's share in profits and losses shall be proportionate to his equity as assessed in the articles of incorporation. In case of multiple partners whose equity is in the form of work and is not assessed at the time of incorporation, they shall have equal shares in the company's capital, unless established otherwise. If a partner has made, in addition to work, a cash or in-kind contribution, he shall have a share in the profits or losses for his work contribution and another share for his cash or in-kind contribution.

Article 12

Save for a partnership, a company's articles of incorporation and any amendment thereto shall be in writing; otherwise, they shall be deemed null and void. Incorporation of a company and amendment of its articles of incorporation upon satisfaction of necessary requirements shall be in accordance with the Law or as determined by the Ministry.



Article 13

1. A company's partners, directors or board members, as the case may be, shall publish the articles of incorporation and articles of association of a joint-stock company and any amendments thereto on the Ministry's website. The Ministry may charge a fee for its services relating to the publication of articles of incorporation and articles of association and any amendments thereto as well as to issuance and authentication of copies of such documents. The Ministry shall provide the company with a copy or more of the company's articles of incorporation and articles of association upon certification indicating publication.
2. Documents set forth in paragraph 1 of this Article shall be publicly accessible. Certified printouts obtained from the Ministry's website shall be considered valid against third parties.
3. A company's partners, directors or board members shall, as a result of their failure to publish documents set forth in paragraph 1 of this Article, be jointly liable for damages incurred by the company, partners or third parties.
4. Provisions of this Article shall not apply to a partnership.

Article 14

1. Except for a partnership, a company shall acquire a legal personality upon registration in the commercial register. However, a company shall have a legal personality during the incorporation period, to the extent necessary for its incorporation, provided the incorporation process is completed.
2. A joint-stock company's articles of incorporation and articles of association published in accordance with the provisions of the Law shall not be valid against third parties until after the company is registered in the commercial register. However, if one or more statements of the articles are not published, such statements alone shall not be considered valid against third parties.

Article 15

1. All contracts, receipts and other documents issued by the company shall include its name, type, head office and registration number in the commercial register.
2. In addition to the information stated in paragraph 1 of this Article, any company other than unlimited liability company or limited partnership shall state the company's capital and paid amount thereof.
3. During the liquidation period of the company, the statement "under liquidation" shall be added to its name.
4. Provisions of this Article shall not apply to a partnership.

Article 16

Without prejudice to the causes of termination of each type of company, a company shall be terminated for any of the following reasons:



- a) Expiration of the company's term, unless extended in accordance with the provisions of the Law.
- b) Realization of the purpose for which the company is established, or unfeasibility of realizing such purpose.
- c) Transfer of all contributions or shares to a single partner or shareholder, unless the partner or shareholder seeks the company's continuance in accordance with the provisions of the Law.
- d) Agreement of partners to dissolve the company prior to the expiration of its term.
- e) Merger of the company with another company.
- f) Issuance of a final judgment to dissolve or annul the company upon the request of one of the partners or stakeholders. Any condition that provides for deprivation of such right shall be deemed null and void.

Part 2: Unlimited Liability Company

Article 17

An unlimited liability company is a company of two or more partners with natural personality who are jointly and personally liable in all their assets for the company's debts and liabilities. A partner in this company shall acquire the capacity of a merchant.

Article 18

1. The name of an unlimited liability company shall comprise the names of all partners or the name of one or more partners followed by "and partners" or a phrase indicating the same meaning. The name shall have an indication that an unlimited liability company exists.
2. If the company's name includes a name of a non-partner with his knowledge, he shall be jointly and personally liable in all his assets for the company's debts and liabilities. The company may, however, retain in its name the name of a retired or deceased partner, provided that the retired partner or heirs of the deceased partner agree thereto.

Article 19

1. Partners' equity may not take the form of negotiable instruments.
2. A partner's equity may not be assigned except upon the consent of all partners or subject to the limitations set forth in the company's articles of incorporation. The assignment shall be published in the manner set forth in Article 13 of the Law. Any agreement stipulating unrestricted assignment of shares shall be deemed null and void. A partner may assign to a third party the rights related to his equity, but the effect of such assignment shall be



limited to its parties.

Article 20

1. A partner who joins an unlimited liability company shall be jointly liable with other partners in all his assets for the company's past and future debts. However, he may be relieved from past debts by virtue of a published agreement, in accordance with Article 13 of the Law.
2. If a partner withdraws from an unlimited liability company or is removed therefrom pursuant to a final judgement issued by a competent judicial authority, he shall not be liable for the company's debts and liabilities incurred after publication of his withdrawal or removal, in accordance with Article 13 of the Law.
3. If a partner assigns his share, he shall not be liable for the debts against creditors of the company, unless they object to such assignment within 30 days following their notification by the company. In case of objection, the assignee shall be jointly liable with the assignor for such debts.

Article 21

A partner may not be required to pay a company's debt unless the debt is established by virtue of an acknowledgment by its management or pursuant to a final judgment or enforcement document, and after the company is duly notified and given a reasonable period of time – to be determined by the creditor – to pay the debt.

Article 22

The company's director or partners shall, within 30 days from certifying its articles of incorporation, request the publication of the articles of incorporation as prescribed in the Law, and register the company in the commercial register. This provision shall apply to any amendments to the company's articles of incorporation.

Article 23

The company's articles of incorporation shall be signed by all partners, and shall specifically include the following:

- a) Company's name, purpose, head office and branches, if any.
- b) Partners' names, places of residence, occupations, nationalities and dates of birth.
- c) Company's capital, details of each partner's equity and its due date.
- d) Names of the company's directors, if any, and persons authorized to sign on behalf of the company, without prejudice to the provisions of Article 25 of the Law.
- e) Date of the company's incorporation and its term.



f) Commencement and end of the company's fiscal year.

Article 24

A partner may not, without the consent of the other partners, engage for his own account or for the account of a third party in an activity similar to that of the company. Neither can he be a partner, a director or a board member in a rival company, nor a controlling shareholder in another company engaged in the same business. If a partner violates this provision, the company may petition the competent judicial authority to consider the activities carried out for his own benefit as having been carried out for the company's benefit, and the company may, in addition, claim compensation therefrom.

Article 25

The partners shall, in the company's articles of incorporation or in a separate contract, appoint one or more directors from among themselves or others. In case of multiple directors, where the powers of each are not specified and where there is no provision denying each director to solely manage the company, each director may solely undertake any management act, with the other directors having the right to object to such act before completion. In such case, the majority vote of directors shall prevail. In case of a tie, the matter shall be referred to the partners for a decision in accordance with Article 27 of the Law.

Article 26

A non-managing partner may not interfere in the management of the company. However, a partner, or his designee, shall have access to the company's operations, books and documents at its place of business, and may obtain a summary of the company's financial status, and offer advice to the director. Any agreement to the contrary shall be null and void.

Article 27

Partners' resolutions shall be passed by a majority vote, except for resolutions related to amendment to the company's articles of incorporation, which shall be passed by unanimous vote of partners, unless stipulated otherwise in the company's articles of incorporation.

Article 28

If partners fail to specify the manner in which the company is managed, each partner may solely manage the company, provided that other partners have the right to object to any act prior to its completion. The majority of partners shall have the right to reject such objection.

Article 29

The director shall manage the company in accordance with the company's



purposes, and represent it before courts, arbitration tribunals and third parties, unless the company's articles of incorporation explicitly restrict his authority. In all cases, acts carried out by the director on behalf of the company and within its purposes shall be binding on the company, unless such acts involve a party acting in bad faith.

Article 30

The director may not carry out any acts beyond the company's purposes, except pursuant to a decision by the partners or an explicit provision in the company's articles of incorporation. This restriction shall specifically apply to the following acts:

- a) Making donations, except for small, regular donations.
- b) Binding the company to act as a guarantor to a third party.
- c) Resorting to arbitration.
- d) Conciliation regarding the company's rights.
- e) Selling or pledging the company's real property, unless the sale falls within the company's purposes.
- f) Selling or pledging the company's place of business (store).

Article 31

A director may not conclude an agreement with the company for his own benefit, except with the partners' permission on a case-by-case basis. The director may not engage in any activity similar to that of the company; be a partner, director or board member of a rival company; nor be a controlling shareholder in a company engaging in the same business, except with the consent of all partners. If the director fails to comply with this obligation, the company may claim compensation therefrom.

Article 32

The director shall be liable for damages sustained by the company, partners or third parties as a result of his violation of the provisions of the company's articles of incorporation, or as a result of any negligence or omission in the performance of his duties. Any agreement to the contrary shall be deemed null and void.

Article 33

1. If the director is a managing partner as stated in the company's articles of incorporation, he may not be removed from his position except pursuant to a decision by the competent judicial authority upon the request of the majority of partners. Any agreement to the contrary shall be deemed null and void. The removal of the director in the above case shall result in the dissolution of the company, unless the company's articles of incorporation stipulate otherwise.
2. If the director is a managing partner appointed in a separate contract or if he



is a non-partner appointed either in the company's articles of incorporation or in a separate contract, he may be removed pursuant to a decision by the partners. His removal shall not result in the dissolution of the company.

Article 34

1. If the director is a managing partner appointed in the company's articles of incorporation, he may not resign except for acceptable reasons. Otherwise, he shall be liable for damages. His resignation shall result in the dissolution of the company, unless the company's articles of incorporation stipulate otherwise.
2. A non-partner director appointed in the company's articles of incorporation may resign only at an appropriate time and upon notification of the partners within a reasonable period prior to the effective date of his resignation. Otherwise, he shall be liable for damages. Such resignation shall not result in the dissolution of the company, unless the company's articles of incorporation stipulate otherwise.
3. If the director, whether a partner or non-partner, is appointed in a separate contract, he may resign only at an appropriate time and upon notification to the partners within a reasonable period prior to the effective date of such resignation. Otherwise, he shall be liable for damages. Such resignation shall not result in the dissolution of the company.

Article 35

1. Profits and losses and the share of each partner in such profits and losses shall be determined at the end of the company's fiscal year on the basis of the financial statements prepared in accordance with recognized accounting standards, and audited by a licensed external auditor in accordance with recognized auditing standards.
2. Each partner shall be considered a creditor of the company for his share in the profits upon determination of such share.
3. Any shortfall in the company's capital as a result of losses shall be made up out of the profits of subsequent years. In other cases, a partner may not be compelled to make up for any shortfall of his share in the capital due to such losses without his consent.

Article 36

1. A partner may not withdraw from a company set up for a definite period, except for a reason acceptable to the competent judicial authority. If the company is set up for an indefinite period, the partner's withdrawal shall be in good faith and said partner shall notify the other partners in a timely manner. Otherwise, the competent judicial authority may order him to remain as a partner, and pay damages if necessary.
2. A majority of partners may petition the competent judicial authority to remove one or more partners from the company for valid reasons. In such case, the



competent judicial authority may decide continuation of the company following removal of such partner(s) if such act is deemed to have no effect on the company, the remaining partners and third parties. If the judicial authority, upon reviewing the petition for removing a partner, finds that the continuation of the company is not possible, it may decide to dissolve the company.

Article 37

1. An unlimited liability company shall terminate by a partner's death, interdiction, declaration of bankruptcy, insolvency or withdrawal. The company's articles of incorporation may stipulate that, if a partner dies, the company shall continue to exist with interested heirs even if they are minors or barred by law from practicing business, provided that liability of heirs, who are minors or barred by law from practicing business, for the company's debts is limited to their inherited share in the company's capital. In such case, the company shall, within a period not exceeding one year from the death of the partner, be transformed into a limited partnership where a minor or a partner barred by law from practicing business becomes a limited partner. Otherwise; the company shall be deemed legally terminated, unless the minor reaches the age of maturity or the reason for barring the partner from engaging in business ceases to exist during this period.
2. The articles of incorporation of an unlimited liability company may provide that, upon a partner's death, interdiction, declaration of bankruptcy, insolvency or withdrawal, the company shall continue to exist among remaining partners. In this case, such partner or his heirs shall have only their share in the company's assets. Such share shall be determined pursuant to a report prepared by an accredited valuer indicating the fair value of each partner's share in the company's assets at the date of a partner's disassociation, unless the articles of incorporation stipulate, or partners agree, to a different method for determining the value of such share. The partner or his heirs shall not have a share in any subsequent rights, unless such rights arose from previous transactions.

Part 3: Limited Partnership

Article 38

1. A limited partnership comprises two types of partners, one of which includes at least one partner who is jointly liable in all his assets for the company's debts and liabilities (general partner(s)), and the other type includes at least one partner whose liability is limited to the value of his share in the partnership's capital (limited partner(s)). A limited partner shall not acquire the capacity of merchant.
2. General partners shall be subject to provisions applicable to partners in an unlimited liability company.



3. Where this Part is silent, provisions of the unlimited liability company shall apply to limited partnership.

Article 39

1. The name of a limited partnership shall comprise the names of all general partners, or the name of one or more of the general partners followed by “and partners” or a phrase indicating the same meaning. The name shall have an indication that a limited partnership exists.
2. If the limited partnership’s name includes the name of a limited partner or a non-partner with his knowledge of the same, he shall be considered a general partner towards bona fide third parties who conduct business with the partnership on this basis.

Article 40

A limited partner may not interfere in the limited partnership’s business with others, even with a power of attorney; otherwise, he shall be jointly liable in all his assets for the partnership’s debts and liabilities arising from such interference. If the limited partner’s interference causes a third party to believe that such partner is a general partner, he shall be considered jointly liable in all his personal assets towards such third party for the partnership’s debts. A limited partner may participate in the limited partnership’s internal management in accordance with its articles of incorporation, without any liability on his part.

Article 41

A limited partner may assign his share to any other partner in the limited partnership. He may also assign his share to a third party upon the consent of all general partners as well as limited partners owning a majority share in the limited partners’ capital, unless the limited partnership’s articles of incorporation stipulate otherwise.

Article 42

A limited partnership shall not terminate upon the death, interdiction, declaration of bankruptcy, insolvency or withdrawal of a limited partner, unless its articles of incorporation stipulate otherwise.

Part 4: Partnership

Article 43

A partnership is a company that is not legally disclosed to third parties; does not enjoy legal personality; is not subject to publication procedures, nor is registered in the commercial register.



Article 44

A partnership may be established by any means of proof.

Article 45

The contract establishing a partnership shall specify its purpose, partners' rights and obligations, management, distribution of profit and loss, and other terms.

Article 46

No additional partners may join the partnership without the consent of all partners, unless the contract establishing the partnership stipulates otherwise.

Article 47

A partnership may not issue negotiable instruments.

Article 48

A third party shall have recourse only against the partner with whom he dealt. If the partners act in a way that reveals to a third party the existence of a partnership, said partnership shall be deemed a de facto unlimited liability company for such third party, without prejudice to the validity of the partnership contract terms relating to partners.

Article 49

1. A partner in a partnership shall continue to be the owner of his share, unless the partners agree otherwise.
2. If the share is in-kind and the partner possessing such share is declared bankrupt, the owner of such share may recover the same from bankruptcy settlement upon payment of his share of the partnership's losses.
3. If the share is in the form of cash or fungibles, the owner thereof shall participate in the bankruptcy settlement as a creditor for the value of such share, minus his share in the partnership's losses.

Article 50

A partnership shall terminate upon a partner's death, interdiction, declaration of bankruptcy, insolvency or withdrawal, unless the contract establishing the partnership stipulates the continuation of the partnership between remaining partners.

Article 51

A partnership shall be subject to the provisions of Articles 24, 27 and 35 relating to unlimited liability company.



Part 5: Joint-Stock Company

Chapter 1: General Provisions

Article 52

The capital of a joint-stock company shall be divided into negotiable shares of equal value. A joint-stock company shall be solely liable for debts and liabilities arising from its activities.

Article 53

A joint-stock company shall have a name indicating its purpose. Such name may not include the name of a natural person, unless the company's purpose is to utilize a patent registered in the name of such person; the company acquires a commercial entity and adopts its name; or the name is the name of a company transformed into a joint-stock company whose name includes the name of a natural person. If the company is owned by one person, the name shall indicate that it is a joint-stock company owned by one person.

Article 54

Upon incorporation, the capital of a joint-stock company shall be sufficient to achieve its purposes. In all cases, the company's capital may not be less than 500,000 riyals. The paid-in capital upon incorporation shall not be less than one quarter.

Article 55

Notwithstanding Article 2 of the Law, the State, public legal persons, companies wholly owned by the State and companies whose capital is not less than five million riyals may incorporate a joint-stock company of one person. Such person shall have the powers of the shareholders assemblies, including the incorporation assembly and powers thereof.

Chapter 2: Incorporation of a Joint-Stock Company

Article 56

An incorporator of a company shall be any person who signs the company's articles of incorporation, applies for a license for incorporation, offers in-kind contribution upon its incorporation or participates in the incorporation with the intention to become an incorporator. An incorporator who offers in-kind contribution shall be responsible for the accuracy of the valuation of his share.



Article 57

An application for incorporation of a company signed by the applicant(s) shall be filed with the Ministry and attached with the articles of incorporation and articles of association.

Article 58

If the incorporators do not limit subscription to all company's shares to themselves, they shall offer for subscription the shares they did not subscribe to, in accordance with the Capital Market Law.

Article 59

The paid amount of shares subscribed to shall be deposited with a licensed bank in the Kingdom in a company-under-incorporation account. Only the board of directors shall have the power to disburse from such amount after the announcement of the company's incorporation.

Article 60

A license incorporating a joint-stock company shall be pursuant to a decision issued by the Ministry, including companies wholly or partially incorporated by the State or other public legal persons. If the company's business requires an approval or authorization from the relevant agency prior to licensing its incorporation, the decision to license the company's incorporation shall be issued only after obtaining such approval or authorization.

The company may not commence its activities except upon the completion of incorporation procedures and obtaining the final license from the relevant agency, if any.

If the application for incorporating a joint-stock company, which is wholly or partially incorporated by the State or other public legal persons, includes a request for exemption from certain provisions of the Law, such application shall be submitted to the Council of Ministers for approval.

Article 61

In case of in-kind shares, the application for incorporation shall be accompanied with a report by an expert or accredited valuer (or more), including an estimate of the fair value of such shares.

Incorporators shall deposit a copy of the valuation report of in-kind shares at the company's head office at least 15 days prior to the meeting of the incorporation assembly. Such report shall be made available to stakeholders.

The report shall be submitted to the incorporation assembly for deliberation. If the assembly resolves to reduce the value of in-kind shares, such reduction shall be approved by the in-kind contributors during the meeting. If they refuse to accept the reduction, the company's articles of incorporation shall be deemed null and void for all parties.



Article 62

1. Incorporators shall call all subscribers to an incorporation assembly meeting, to be held within 45 days from the date of the Ministry's decision approving the incorporation of a closed joint-stock company or from the date of closing subscription in the shares of a public joint-stock company, in accordance with the company's articles of association, provided that the period between the date of the call for meeting and date of the meeting is not less than 3 days for closed joint-stock companies and not less than 10 days for public joint-stock companies.
2. A subscriber shall have the right to attend the incorporation assembly meeting regardless of the number of his shares. The meeting shall be valid only if attended by a number of subscribers representing at least one half of the company's capital. If such quorum is not achieved, a call shall be made for a second meeting to be held at least 15 days after the date of the call. The second meeting may, however, be held one hour after the expiry of the period prescribed for holding the first meeting. The call for the first meeting shall indicate the possibility of holding a second meeting. In all cases, the second meeting shall be valid regardless of the number of subscribers represented therein.
3. The incorporation assembly shall elect its chairman, secretary and vote counter. Decisions of the incorporation assembly shall be passed by an absolute majority of shares represented therein. The minutes of the meeting shall be signed by the assembly's chairman, secretary and vote counter, and a copy thereof shall be sent to the Ministry and to CMA if the company is a public joint-stock company.

Article 63

The incorporation assembly shall have the following powers:

- a) Ensure that all company's shares have been subscribed, and that the minimum capital is paid to the extent of the due amount of the share value in accordance with the Law.
- b) Discuss the report on the valuation of in-kind shares.
- c) Approve the final version of the company's articles of association, provided that no substantive amendments are made thereto except with the approval of all subscribers represented in the company.
- d) Appoint members of the first board of directors for a term not exceeding 5 years and the first auditor, if they have not been appointed in the company's articles of incorporation or articles of association.
- e) Discuss and approve the incorporators' report on the activities and expenses required for the incorporation of the company.

The Ministry, and CMA in the case of public joint-stock companies, may delegate one representative (or more) as an observer to attend the incorporation assembly meeting to ensure implementation of the provisions of the Law.



Article 64

Incorporators shall, within 15 days as of the date of conclusion of the incorporation assembly meeting, submit an application to the Ministry requesting announcement of the incorporation of the company, accompanied by the following documents:

- a) A statement that the company's shares are subscribed in full, showing the amount paid by subscribers of the value of shares.
- b) Meeting minutes and resolutions of the incorporation assembly.
- c) The company's articles of association as approved by the incorporation assembly.

Article 65

1. The Ministry shall issue a decision announcing the company's incorporation, upon verifying the completion of all requirements set forth in the Law for the incorporation of a joint-stock company. Such decision shall be published on the Ministry's website.
2. Board members shall, within 15 days from the date of issuance of the decision provided for in paragraph 1 of this Article, apply for registration of the company in the commercial register. Such registration shall contain the following:
 - a) Company's name, purpose, head office and term.
 - b) Incorporators' names, places of residence, occupations and nationalities.
 - c) Type, value and number of shares, as well as amount of paid-in capital.
 - d) Number and date of the Ministry's decision authorizing the company's incorporation.
 - e) Number and date of the Ministry's decision announcing the company's incorporation.

Article 66

1. The company shall be considered duly incorporated upon publishing the Ministry's decision announcing the company's incorporation and upon registration in the commercial register. Any subsequent action to invalidate the company for violation of the provisions of the Law or provisions of the company's articles of incorporation or articles of association shall not be heard.
2. Publication of the decision announcing the company's incorporation as well as its registration in the commercial register shall entail the transfer of all transactions carried out by incorporators on behalf of the company to the company, and the company shall bear all incorporation expenses incurred by incorporators.



Article 67

If the company is not incorporated in the manner prescribed in the Law, subscribers may recover amounts paid, and the banks where subscription is made shall promptly refund the paid amount to each subscriber. Incorporators shall be jointly liable for fulfillment of this obligation and pay damages, if necessary. Incorporators shall also bear all expenses incurred in the incorporation of the company, and shall be jointly liable to third parties for acts performed by them during incorporation period.

Chapter 3: Management of a Joint-Stock Company

Section 1: Board of Directors

Article 68

1. A joint-stock company shall be managed by a board of directors whose number shall be specified in the company's articles of association, provided that the number is not less than 3 and not more than 11.
2. Each shareholder shall be entitled to nominate himself or one or more other persons for board membership, based on his share in the capital.
3. The ordinary general assembly shall elect board members for the term prescribed in the company's articles of association, provided that such term does not exceed 3 years. Board members may be re-elected, unless the company's articles of association stipulate otherwise. The company's articles of association shall specify the manner of membership expiration or termination upon the request of the board of directors. The general assembly may, at any time, remove all or some of the members even if the company's articles of association provide otherwise, without prejudice to the right of the removed member to claim compensation from the company if the removal is made without acceptable justification or at an inappropriate time. A board member may resign, provided that such resignation is made at an appropriate time. Otherwise, he shall be liable towards the company for damages caused by such resignation.

Article 69

If the chairman and members of the board of directors of a joint-stock company submit their resignations, or if the general assembly fails to elect a board of directors, the Minister, or CMA's Board in the case of listed companies, shall form an interim committee of competent persons and determine the number of members thereof, and shall appoint a chairman and vice-chairman from among its members. Such committee shall oversee the management of the company and call for a general assembly meeting within a period not exceeding three months from the date of forming said committee to elect a new board of directors for the company. Chairman and members of the committee shall be remunerated by the company pursuant to a decision by the Minister or CMA's



Board, as the case may be.

Article 70

1. Unless the company's articles of association stipulate otherwise, if the position of a member becomes vacant, the board of directors may appoint a member to temporarily fill the vacancy, according to the order of the number of votes received by each candidate, provided that such member is a competent person. Such appointment shall be reported to the Ministry, and CMA in the case of a listed company, within five working days from the date of appointment. The appointment shall be referred to the ordinary general assembly in its first meeting. The new member shall complete the term of his predecessor.
2. If the board of directors fails to convene due to not satisfying the minimum number of members as prescribed in the Law or the company's articles of association, the existing members shall call for an ordinary general assembly meeting within 60 days in order to elect the required number of members.

Article 71

1. A board member may not have any direct or indirect interest in transactions or contracts made for the company, except with a prior authorization from the ordinary general assembly and subject to rules set by the competent authority. The board member shall notify the board of directors of any direct or indirect interest he may have in the transactions or contracts made for the company. Such notification shall be recorded in the minutes of the board meeting. Said member may not participate in voting on the resolution to be issued on this matter by the board of directors and the assembly of shareholders. The chairman of the board shall inform the general assembly, when it convenes, of transactions and contracts in which a board member has a direct or indirect interest, providing a special report from the company's external auditor.
2. If a board member fails to disclose his interest as provided for in paragraph 1 of this Article, the company or any stakeholder may petition the competent judicial authority to invalidate the contract or obligate the member to return any profit or benefit realized therefrom.
3. Liability for damages arising from the transactions and contracts referred to in paragraph (1) of this Article shall fall upon the member having interest in such transactions or contracts as well as the other board members, if such transactions or contracts are in violation of said paragraph, or they are established to be unfair, or they involve conflict of interest, or incur damage to shareholders.
4. Board members objecting to the resolution shall be exempted from liability if their objection is explicitly recorded in the minutes of the meeting. Non-attendance of the meeting in which the resolution is issued shall not entail exemption from liability unless it is established that the absent member had no knowledge of said resolution or was not able to object to it after knowledge



thereof.

Article 72

A board member may not engage in any act or business that may compete with the company. Otherwise, the company shall have the right to petition the competent judicial authority to claim appropriate damages, unless such member has a prior authorization from the ordinary general assembly, subject to rules set by the competent authority.

Article 73

1. A joint-stock company may not grant any loan whatsoever to any of its board members or shareholders, nor provide guarantee for any loan agreement they conclude with a third party.
2. Notwithstanding paragraph 1 of this Article, banks and other credit companies may, within their purposes and subject to the same terms and conditions followed with other clients, grant loans or extend credit to any of its board members or shareholders, or provide a guarantee for loan agreements they conclude with third parties.
3. Loans and guarantees granted by the company according to its employee incentive programs, which are approved in accordance with the provisions of the company's articles of association or pursuant to a decision by the ordinary general assembly, shall also be exempted from the provision of paragraph 1 of this Article.
4. Any contract concluded in violation of the provisions of this Article shall be considered null and void, and the company shall have the right to seek compensation before the competent judicial authority for any sustained damages.

Article 74

Board members may not disclose the company's confidential information they are privy to outside the meetings of the general assembly. They may not use information they have access to due to their membership to gain personal interest for themselves, their relatives or others. Otherwise, they shall be removed from the board and held liable for damages.

Article 75

1. Without prejudice to the powers of the general assembly, the board of directors shall have full powers to manage the company in a manner that serves its purposes, except for powers entrusted to the general assembly pursuant to a special provision in the Law or in the company's articles of association. The board may, within its powers, authorize one or more of its members or others to perform certain acts.
2. The board shall have the right to enter into loan agreements, regardless of their terms, or sell or pledge the company's assets including place of



business, or relieve the company's debtors from liability, unless such powers are restricted by the company's articles of association or by decision of the ordinary general assembly.

Article 76

1. The company's articles of association shall specify the manner of remunerating board members. Such remuneration may take the form of a fixed amount, a certain amount per meeting attended, in-kind benefits, a percentage of the net profit, or a combination thereof.
2. If remuneration is a percentage of the profit, it shall not exceed 10% of the net profit, after deduction of reserves determined by the general assembly pursuant to the provisions of the Law or the company's articles of association, and after distribution of a dividend of not less than 5% of the company's paid-in capital. A member's remuneration shall be proportionate with the number of meetings attended. Any remuneration made in violation of this provision shall be null and void.
3. In all cases, the total amount of remuneration received by a member, whether financial or otherwise, shall not exceed 500,000 riyals annually, in accordance with the rules prescribed by the Competent Authority.
4. The board report submitted to the ordinary general assembly shall include a detailed statement of all amounts received by board members during the fiscal year, including remuneration, expenses and other benefits. The report shall also include amounts received by board members in their capacity as employees or executives, or in consideration of technical, administrative or consultative services. It shall also include a statement of the number of board meetings and number of meetings attended by each member from the date of the last general assembly meeting.
5. The general assembly may, upon a recommendation by the board, terminate the membership of any member who fails to attend three consecutive board meetings without a legitimate reason.

Article 77

The company shall be bound by all acts performed by the board, even if such acts exceed the powers of the board, unless the stakeholder is acting in bad faith or knows that such acts exceed the powers of the board.

Article 78

1. Board members shall be jointly liable for damages sustained by the company, shareholders or third parties resulting from their mismanagement of the company, or their violation of the provisions of the Law or the company's articles of association. Any condition to the contrary of this provision shall be considered null and void. All board members shall be liable if a wrongful act results from a resolution unanimously issued thereby. As for resolutions issued by a majority vote, dissenting members shall not be liable therefor if their objection is explicitly recorded in the minutes of the meeting.



Absence from the meeting at which such resolution is adopted shall not constitute cause for relief from liability, unless it is established that the absentee is not aware of the resolution, or is unable to object to it after becoming aware of such resolution.

2. Approval of the ordinary general assembly to relieve board members from liability shall not preclude the filing of a liability suit.
3. A liability suit shall not be heard after the lapse of three years from the date of discovering the wrongful act. Except for fraud and forgery, a liability suit shall not be heard after the lapse of five years from the end of the fiscal year in which the wrongful act was committed, or three years from the expiration of membership term of the concerned member, whichever is later.

Article 79

The company may file a liability suit against board members for wrongful acts that may harm shareholders. The decision to file this suit is vested in the ordinary general assembly, which shall designate a representative on behalf of the company to pursue the suit. If the company is declared bankrupt, the right to file said suit shall be vested in the bankruptcy trustee. In case the company is liquidated, the suit shall be pursued by the liquidator upon obtaining the approval of the ordinary general assembly.

Article 80

Each shareholder shall have the right to file a liability suit against board members for any wrongful act that causes harm to him. The shareholder may file such suit only if the company's right to file the same is still valid. The shareholder shall notify the company of his intention to file such suit, and his right to compensation shall be limited to the damage sustained by him.

Article 80 (bis)

The company may be compelled to bear the expenses incurred by the shareholder in the filing of a lawsuit regardless of its outcome, subject to the following:

- a) If he files the lawsuit in good faith.
- b) If he submits to the company the lawsuit's cause of action and does not receive a response within 30 days.
- c) If filing such lawsuit is in the interest of the company, according to Article 79 of the Law.
- d) If the lawsuit is based on sound grounds.

Article 81

1. Subject to the provisions of the company's articles of association, the board shall appoint, from among its members, a chairman and vice-chairman and may appoint a managing director. A member may not combine the position



of a chairman and any other executive position. The company's articles of association shall specify the powers and remuneration of the chairman of the board and the managing director as well as the remuneration of board members.

2. If the company's articles of association do not stipulate the provisions set forth in paragraph 1 of this Article, the board shall assign powers and specify remuneration.
3. The board shall appoint a secretary, from among its members or others, and determine his duties and remuneration, if the company's articles of association do not stipulate any provisions in this regard.
4. The terms of the chairman, vice-chairman, managing director and secretary, who is a board member, may not exceed the term of their memberships in the board, and they may be re-elected unless the company's articles of association stipulate otherwise. The board may, at any time, remove all or some of them, without prejudice to their right to damages if such removal is made without a valid reason or at an inappropriate time.

Article 82

1. The chairman of the board shall represent the company before courts, arbitration tribunals and third parties. The chairman may also delegate some of his powers to board members or others to carry out specific tasks.
2. The vice-chairman shall replace the chairman in his absence.

Article 83

1. The board shall convene at least twice a year upon a call of its chairman as prescribed in the company's articles of association. Notwithstanding any conflicting provision in the company's articles of association, the chairman shall call for a board meeting upon the request of two members.
2. A board meeting shall not be valid unless attended by at least one half of the members, provided that the number of attending members is not less than three, unless the company's articles of association stipulate otherwise.
3. A board member may not assign others to attend the meeting on his behalf. He may, however, assign another board member if permitted by the company's articles of association.
4. Board resolutions shall be passed by a majority vote of attending or represented members. In case of a tie, the meeting chairman shall have the casting vote, unless the company's articles of association stipulate otherwise.

Article 84

The board may issue resolutions on urgent matters by circulation, unless a member requests in writing that the board convenes for deliberation. Such resolutions shall be presented to the board at the next meeting.



Article 85

Board deliberations and resolutions shall be recorded in minutes signed by the meeting chairman, attending members and secretary. Such minutes shall be entered in a special register signed by the chairman and secretary.

Section 2: Shareholder Assemblies

Article 86

1. Meetings of the shareholder general assembly shall be headed by the chairman, or vice-chairman in case of absence of the chairman, or any member designated by the board in the absence of both the chairman and vice-chairman.
2. Each shareholder shall have the right to attend meetings of the shareholder general assembly, even if the company's articles of association stipulate otherwise. A shareholder may assign another person other than a board member or a company's employee to attend the general assembly meeting.
3. Shareholder general assembly meetings and shareholders' participation therein and voting on its resolutions may be done by means of modern technology, in accordance with rules set by the Competent Authority.
4. The Ministry, and CMA in the case of a listed company, may assign one or more representatives to attend general assembly meetings of companies as observers to ensure compliance with the provisions of the Law.

Article 87

Except for matters within the powers of the extraordinary general assembly, the ordinary general assembly shall have powers over all other company matters, and shall convene at least once a year within six months following the end of the company's fiscal year. The ordinary general assembly may, however, convene when necessary.

Article 88

1. The extraordinary general assembly shall have the power to amend the company's articles of association, except for the following:
 - a) Depriving a shareholder of his fundamental rights derived from his capacity as a partner or making any amendment thereto, particularly the following:
 - i. Obtaining a share of distributed dividends, whether in cash or by issuing bonus shares to other than the employees of the company or its subsidiaries.
 - ii. Obtaining a share of the company's assets upon liquidation.
 - iii. Attending general or special assembly meetings, participating in the deliberations and voting on resolutions.



- iv. Disposing of his shares in accordance with the Law.
 - v. Requesting access to the company's books and documents, monitoring board actions, filing a liability suit against board members and challenging the validity of resolutions of general or special assembly meetings.
 - vi. Having a preemptive right in new shares issued against cash contribution, unless the company's articles of association stipulate otherwise.
- b) Amendments resulting in an increase in the financial obligations of shareholders, unless approved by all shareholders.
 - c) Moving the company's head office outside the Kingdom.
 - d) Changing the nationality of the company.
2. The extraordinary general assembly may, in addition to its powers, issue resolutions on matters within the powers of the ordinary general assembly with the same terms and conditions prescribed for the latter.

Article 89

If a resolution issued by the ordinary general assembly entails the amendment of the rights of a certain class of shareholders, such resolution shall not be valid unless approved by those entitled to vote from among shareholders of such class, at a special meeting convened in accordance with the provisions applicable to the extraordinary general assembly.

Article 90

1. The general or special assemblies of shareholders shall convene pursuant to a call by the board of directors as prescribed by the company's articles of association. The board of directors shall call for an ordinary general assembly meeting if so requested by the auditor, the audit committee or by a number of shareholders representing at least 5% of the capital. The auditor may call for a general assembly meeting if the board fails to do so within 30 days from the date of the auditor's request.
2. The Competent Authority may call for an ordinary general assembly meeting in the following cases:
 - a) Expiration of the period specified for meeting, as stipulated in Article 87 of the Law.
 - b) Failure of the board of directors to satisfy the minimum number of members, without prejudice to Article 69 of the Law.
 - c) Violation of the provisions of the Law or the company's articles of association, or mismanagement of the company.
 - d) Failure of the board of directors to call for an ordinary general assembly meeting within 15 days from the date of the request by the auditor, audit committee or a number of shareholders representing at least 5% of the



capital.

3. Shareholders representing at least 2% of the capital may submit a request to the Competent Authority to call for an ordinary general assembly meeting if any of the cases provided for in paragraph 2 of this Article exist. The Competent Authority shall call for such meeting within 30 days from the date of the shareholders' request, provided that such call includes the meeting agenda and items to be approved by shareholders.

Article 91

The call for the general assembly meeting shall be published in a daily newspaper distributed in the region where the head office of the company is located, at least 21 days prior to the date set for the meeting. However, a call sent by registered mail at the said date shall suffice. A copy of the call and the agenda shall be sent to the Ministry, and to CMA in the case of a listed company, within the period specified for publication.

Article 92

Shareholders desiring to attend a general or special assembly meeting shall register their names at the head office of the company prior to the meeting, unless the company's articles of association stipulate otherwise.

Article 93

1. The ordinary general assembly meeting shall be valid only if attended by shareholders representing at least 25% of the company's capital unless the company's articles of association provide for a higher percentage, provided that such percentage does not exceed 50% of the capital.
2. If the quorum necessary for an ordinary general assembly is not obtained in accordance with paragraph 1 of this Article, a call shall be sent for a second meeting to be held within 30 days following the first meeting. This call shall be published in the manner prescribed in Article 91 of the Law. The second meeting may be held one hour after the end of the period set for the first meeting, if permissible under the company's articles of association and the call for the first meeting provides for the possibility of holding a second meeting. In all cases, the second meeting shall be valid regardless of the number of shares represented therein.
3. Resolutions of the ordinary general assembly shall be passed by an absolute majority vote of the shares represented therein, unless the company's articles of association provide for a higher percentage.

Article 94

1. An extraordinary general assembly meeting shall be valid only if attended by shareholders representing at least 50% of the company's capital, unless the company's articles of association provide for a higher percentage, provided that such percentage does not exceed two thirds of the capital.



2. If the quorum necessary for an extraordinary general assembly meeting is not obtained in accordance with paragraph 1 of this Article, a call shall be made for a second meeting to be held as prescribed in Article 91 of the Law. However, the second meeting may be held one hour after the end of the period set for the first meeting, provided that the call for the first meeting indicates the possibility of holding a second meeting. In all cases, the second meeting shall be valid if attended by a number of shareholders representing at least 25% of the capital.
3. If the necessary quorum is not obtained in the second meeting, a call shall be made for a third meeting to be held as prescribed in Article 91 of the Law. The third meeting shall be valid, regardless of the number of shares represented therein, upon the approval of the Competent Authority.
4. Resolutions of an extraordinary general assembly meeting shall be passed by a two-third majority vote of shares represented therein. Resolutions pertaining to an increase or decrease of capital, extension of the term of the company, dissolution of the company prior to the expiry of the term set forth in its articles of association, or merger with another company, shall be valid if adopted by a three-quarter majority vote of shares represented at the meeting.
5. The board of directors shall, in accordance with the provisions of Article 65 of the Law, publish the resolutions issued by the extraordinary general assembly if they include an amendment of the company's articles of association.

Article 95

1. The company's articles of association shall prescribe the manner of voting at shareholder assemblies. Cumulative voting shall be used for electing the board of directors. The voting right per share may not be used more than once.
2. Members of the board of directors may not participate in voting on general assembly resolutions pertaining to their relief from liability for management of the company or pertaining to their direct or indirect interest.

Article 96

Each shareholder shall have the right to discuss items listed on the agenda of the general assembly and address relevant questions to board members and the auditor. Any provision to the contrary in the company's articles of association shall be deemed null and void. The board of directors or the auditor shall answer shareholders' questions to the extent that does not jeopardize the company. If the shareholder deems that the response to a question is unsatisfactory, he may appeal to the general assembly whose decision shall be final.

Article 97

Minutes shall be made for each general assembly meeting, showing the



number of shareholders present or represented therein, number of shares held by each, whether personally or by proxy, number of votes allotted thereto, resolutions adopted, number of consenting and dissenting votes and a summary of meeting deliberations. Following every meeting, the minutes shall be entered in a special register signed by the chairman of the assembly, the secretary of the assembly and the vote counter.

Article 98

Subscription in shares or acquisition thereof shall imply that the shareholder accepts the company's articles of association and abides by resolutions issued at shareholder assemblies in accordance with the provisions of the Law and the company's articles of association, whether he is present or absent, and whether he agrees or disagrees with such resolutions.

Article 99

Without prejudice to the rights of any bona fide third party, all resolutions issued by shareholder assemblies to the contrary of the provisions of the Law or the company's articles of association shall be deemed null and void. Any shareholder who objects to the resolution in violation during the meeting of the shareholder assembly issuing it or who is absent from the meeting for a valid reason, may demand the invalidation of the resolution. An invalidation of the resolution shall render it null and void for all shareholders. An action of invalidation shall not be heard after the lapse of one year from the date of issuance of such resolution.

Article 100

1. Shareholders representing at least 5% of the capital may request the competent judicial authority to order inspection of any suspicious acts concerning the company carried out by board members or the auditor.
2. The competent judicial authority may order an inspection at the expense of the complainants, after hearing the statements of board members and the auditor in a special session, and may, if necessary, order the complainants to provide a security.
3. If the complaint proves to be valid, the competent judicial authority may order precautionary measures as it deems appropriate, and may call the general assembly to take necessary decisions. It may also remove board members and the auditor and appoint an interim director and determine his powers and term.

Chapter 4: Audit Committee

Article 101

In joint-stock companies, an audit committee shall be formed pursuant to a



decision by the ordinary general assembly from non-executive board members, whether shareholders or non-shareholders. Such committee shall comprise not less than three members and not more than five members. The general assembly decision shall stipulate committee's tasks, work procedures and remuneration of its members.

Article 102

An audit committee meeting shall be valid only if attended by majority of its members, and its decisions shall be passed by a majority vote of attending members. In case of a tie, the chairman of the meeting shall have the casting vote.

Article 103

The audit committee shall monitor the company's activities and shall have access to the company's records and documents, and may request clarifications or statements from board members or executive management. It may also request the board to call for a general assembly meeting if the board hinders its work or if the company suffers serious damage or loss.

Article 104

The audit committee shall review the company's financial statements, and auditor's reports and notes, and shall provide its opinion thereon, if any. The committee shall also prepare a report of its opinion concerning the efficiency of internal controls within the company, and about any other activities falling within its powers. The board shall deposit a sufficient number of copies of such report at the head office of the company at least 21 days prior to the general assembly meeting to be available for shareholders. Said report shall be read during the meeting of the general assembly.

Chapter 5: Bonds Issued by a Joint-Stock Company

Section 1: Shares

Article 105

1. The shares of a joint stock company shall be nominal and indivisible vis-a-vis the company. If a share is owned by multiple persons, they shall select one of them to represent them in the use of rights related thereto. Such persons shall be jointly liable for obligations arising from ownership of said share.
2. The share shall have a nominal value of 10 riyals. The Minister may amend such value upon agreement with the Chairman.
3. Shares may not be issued for less than their nominal value, but they may be



issued for a higher value if provided for in the company's articles of association or approved by the general assembly. In such case, the difference in value shall be added in a separate item as part of equity, and may not be distributed as dividends to shareholders.

4. The preceding provisions shall apply to interim certificates delivered to shareholders before the issuance of shares.

Article 106

1. The company's shares shall be issued against cash or in-kind contributions.
2. The paid portion of the value of shares issued against cash contributions shall not be less than a quarter of its nominal value. The share certificate shall state the paid amount. In all cases, the remaining value shall be paid within five years from the date of issuance of shares.
3. Shares representing in-kind contributions shall be issued upon payment of its full value, and may not be delivered to their holders except upon transferring the ownership of such shares in full to the company.

Article 107

1. Shares subscribed by incorporators may not be tradable except upon publication of the financial statements for two fiscal years, each is not less than twelve months, as from the date of the company's incorporation. The certificates of such shares shall be marked with an indication of their type, date of the company's incorporation and restriction period for trading.
2. During the restriction period, ownership of shares owned by an incorporator may be transferred to another incorporator in accordance with the provisions governing the sale of rights, or from the heirs of one of the incorporators, in the event of his death, to others, or in case of enforcement against the property of an insolvent or bankrupt incorporator, without prejudice to other incorporators' right of first refusal.
3. The provisions of this Article shall apply to shares subscribed by incorporators in case of capital increase prior to expiration of the restriction period.
4. For companies seeking to be listed, CMA may increase or decrease the restriction period set forth in paragraph 1 of this Article.

Article 108

The company's articles of association may provide for restrictions related to trading of shares, provided that such restrictions do not lead to permanent ban of trading of such shares.

Article 109

1. Shares of unlisted companies shall be traded by entering the same into the shareholders' register, prepared by the company or outsourced, which



includes shareholders' names, nationalities, places of residence, occupations, shares' numbers and paid amounts. Shares entered into such register shall be marked. Transfer of ownership of nominal share shall be valid vis-a-vis the company or a third party only from the date of entry into said register.

2. Shares of listed companies shall be traded in accordance with the provisions of the Capital Market Law.

Article 110

Shares shall entail equal rights and obligations. Shareholders shall have all rights associated with shares, particularly the rights to dividends, the company's assets upon liquidation, attendance and participation in shareholder assemblies and voting on resolutions, disposal of shares, access to the company's books and documents, monitoring board activities, initiation of a liability suit against board members and appealing resolutions issued by shareholder assemblies, in accordance with conditions and limitations set forth in the Law or in the company's articles of association.

Article 111

1. The company's articles of association may provide for share redemption during incorporation of the company, if it is an enterprise the value of which depreciates gradually or is based on temporary rights. The redemption of shares shall be made only from profits or disposable reserve. Redemption shall be made by annual drawing or any other way that guarantees fairness to shareholders.
2. Redemption shall be made by the company's repurchase of its own shares, provided that the repurchase price is less than, or equal to, the nominal value. The company shall write off shares obtained in this manner.
3. A shareholder whose shares are redeemed in accordance with paragraph 1 of this Article shall be given jouissance shares. Unredeemed shares shall be allocated a higher percentage of the annual net profit than that allocated to jouissance shares, in accordance with the company's articles of association.
4. In case of the company's termination, shareholders of unredeemed shares shall have the priority to obtain, out of the company's assets, an amount equivalent to the nominal value of their shares.

Article 112

1. The company may repurchase its own shares or accept them as a pledge in accordance with rules set by the Competent Authority. Shares repurchased by the company shall have no voting rights in shareholder assemblies.
2. Shares may be pledged in accordance with rules set by the Competent Authority. The pledge creditor shall receive profits and use share-related rights, unless the pledge contract stipulates otherwise. The pledge creditor may not attend meetings of the shareholder general assembly nor vote



therein.

Article 113

1. A shareholder shall have the right to vote in general or special assemblies in accordance with the provisions of the company's articles of association. Each share shall have one vote in shareholder assemblies.
2. The company's articles of association may provide for the maximum number of votes for those voting by proxy.

Article 114

The extraordinary general assembly of the company may, in accordance with the company's articles of association and rules set by the Competent Authority, issue preferred shares, repurchase such shares, or convert ordinary shares into preferred shares or vice-versa. Preferred shares shall have no voting rights in shareholder general assemblies. Holders of preferred shares shall be entitled to a higher percentage of the company's net profit than holders of ordinary shares, after setting aside statutory reserve.

Article 115

In case there are preferred shares, no shares with priority over them may be issued except upon the approval of a special assembly composed, in accordance with Article 89 of the Law, of holders of preferred shares who are prejudiced by such issuance, and the approval of a general assembly composed of all classes of shareholders, unless the company's articles of association stipulate otherwise. This provision shall apply upon amendment or termination of priority rights for the preferred shares in the company's articles of association.

Article 116

1. If no dividends are distributed for any fiscal year, dividends for subsequent years may not be distributed except upon payment of the prescribed percentage, as stated in Article 114 of the Law, to the holders of preferred shares for said year.
2. If the company fails to pay the percentage stipulated in Article 114 of the Law of profits for three consecutive years, the special assembly of holders of such shares, held in accordance with the provisions of Article 89 of the Law, may decide either to attend the company's general assembly meetings and participate in the voting, or appoint representatives in the company's board of directors in proportion to their shares of the capital, until profits designated for preferred shares for previous years are fully paid by the company to the holders of such shares.

Article 117

1. A shareholder shall pay the value of the share on designated dates. If he fails to do so, the board of directors may, after notifying him in the manner



- prescribed in the company's articles of association or by registered mail, sell the share at a public auction or in the capital market, as the case may be, in accordance with rules set by the Competent Authority.
2. The company shall receive the amounts due thereto from the sale proceeds and shall return any remaining amount to the shareholder. If the sale proceeds are insufficient to satisfy the due amounts, the company may satisfy such amounts from the shareholder.
 3. A shareholder in default up to the sale date may pay the due amount, in addition to any related expenses incurred by the company.
 4. The company shall cancel the share sold in accordance with the provisions of this Article, and shall give the purchaser a new share carrying the number of the cancelled share. The sale shall be entered into the share register along with the name of the new holder.

Article 118

The company may not request the shareholder to pay any amount other than the amount determined upon issuing the share, even if the company's articles of association stipulate otherwise. A shareholder may not request refund of his share in the company's capital. The company may not discharge the shareholder from liability to pay the remaining value of the share. Payment of such remaining value may not be offset by the shareholder's rights granted by the company.

Article 119

If a share certificate is lost or damaged, its holder may request the company to issue a replacement certificate. The shareholder shall publish the number of lost or damaged share certificate in a daily newspaper. If no objection is submitted to the company within 30 days as of the date of publication, the company shall issue a new certificate indicating that it is a replacement for the lost or damaged certificate. Such certificate shall entitle its holder to all rights and entail all obligations related to the lost or damaged certificate.

Article 120

1. Any person objecting to the issuance of a new certificate as a replacement for the lost or damaged certificate shall initiate a summary suit before the competent judicial authority within 15 days as of the date of submitting the objection. Otherwise, the objection shall be considered null and void.
2. The company shall deliver the replacement certificate to its rightful holder once the period stipulated in paragraph 1 of this Article expires without initiation of a lawsuit or issuance of a final judgment invalidating the objection.



Section 2: Debt Instruments and Sukuk

Article 121

A company shall observe Sharia provisions governing debts upon issuance of and trading in debt instruments.

Article 122

1. A joint-stock company may, in accordance with the Capital Market Law, issue negotiable debt instruments or sukuk.
2. A company may not issue debt instruments or sukuk that are convertible into shares except upon a decision by the extraordinary general assembly prescribing the maximum number of shares that may be issued against such instruments or sukuk, whether such instruments or sukuk are issued simultaneously, through a series of issues or under one or more schemes for issuing debt instruments or sukuk. The board of directors shall, without a new approval from said assembly, issue new shares against such instruments or sukuk pursuant to conversion requests made by their holders, upon expiration of the conversion period prescribed for holders of such instruments or sukuk. The board shall take necessary action to amend the company's articles of association with regard to the capital and number of shares issued.
3. The board of directors shall announce capital increase following completion of procedures in the manner prescribed by the Law for publication of extraordinary general assembly resolutions.

Article 123

Subject to Article 122 of the Law, the company may convert debt instruments or sukuk into shares in accordance with the Capital Market Law. In all cases, such instruments and sukuk may not be converted into shares in the following cases:

- a) If the conditions for issuance of debt instruments and sukuk do not provide for conversion of such instruments and sukuk into shares by increasing the company's capital.
- b) If the holder of debt instruments or sukuk does not approve such conversion.

Article 124

Any stakeholder may petition the competent judicial authority to nullify any action in violation of the provisions of Articles 122 or 123 of the Law, and compensate the holders of debt instruments or sukuk for sustained damages.

Article 125

Resolutions of shareholder assemblies shall apply to holders of debt instruments and sukuk. Said assemblies may not amend rights established for



such holders except upon a consent issued by them in a special assembly held in accordance with the provisions of Article 89 of the Law.

Chapter 6: Finances of a Joint Stock Company

Section 1: Company Accounts

Article 126

1. The fiscal year of the company shall be twelve months to be specified in its articles of association. As an exception, the first fiscal year may not be less than six months and not more than 18 months as of the date of registration in the commercial register.
2. The board of directors shall, at the end of each fiscal year, prepare the company's financial statements and a report on its activities and financial position for the last fiscal year. Said report shall include a proposal on distribution of profits. The board shall make such documents available to the auditor at least 45 days prior to the general assembly meeting.
3. Documents provided for in paragraph 1 of this Article shall be signed by the chairman of the company's board, chief executive officer and chief financial officer, and a copy thereof shall be kept at the company's head office to be available to shareholders at least 21 days prior to the general assembly meeting.
4. The chairman of the board shall provide shareholders with the company's financial statements, board's report and auditor's report, unless published in a daily newspaper distributed in the area where the company's head office is located. He shall also provide a copy thereof to the Ministry, and to CMA in the case of a listed company, at least 15 days prior to the general assembly meeting.

Article 127

The organization of the financial statements for each fiscal year shall follow the organization of previous years, and the standards for assets and liabilities valuation shall remain unchanged, without prejudice to recognized accounting standards.

Article 128

The board of directors shall, within 30 days from the date of the general assembly's approval of the financial statements, and the reports of the board, the auditor and the audit committee, deposit copies of said documents with the Ministry, and with CMA in the case of a listed company.



Article 129

1. Subject to other relevant laws, 10% of the net profit shall be set aside on an annual basis to create the company's statutory reserve. The ordinary general assembly may decide to discontinue setting aside such percentage when said reserve reaches 30% of paid-in capital. The company's articles of association may provide for setting aside a certain percentage of the net profit to create a provisional reserve allocated for purposes specified therein.
2. The ordinary general assembly may, when determining dividends, decide to create other reserves to serve the company's interest or ensure distribution of fixed dividends, as much as possible, to shareholders. Said assembly may also deduct amounts from the net profit for the purpose of establishing social programs for the company's staff or to provide assistance to existing programs.

Article 130

1. The statutory reserve shall be used to cover the company's losses or to increase capital. If such reserve exceeds 30% of the paid-in capital, the ordinary general assembly may decide to distribute the surplus to shareholders in the years the company fails to make net profits sufficient for distribution as specified in the company's articles of association.
2. The provisional reserve may not be used except pursuant to a decision by the extraordinary general assembly. If such reserve is not allocated for a specific purpose, the ordinary general assembly may, upon a recommendation by the board, decide to spend the same for the benefit of the company or shareholders.
3. The ordinary general assembly may use the residual profit and distributable provisional reserves to pay the remaining value of the share or a part thereof, without discrimination among shareholders.

Article 131

1. The company's articles of association shall provide for the percentage of the net profit to be distributed to shareholders, after setting aside the statutory reserve and other reserves.
2. A shareholder shall be entitled to his share of the profit pursuant to a decision by the general assembly. Such decision shall indicate eligibility and distribution dates. Entitlement to dividends shall be for shareholders registered in the shareholders' register by the end of the eligibility date. The Competent Authority shall determine the maximum period during which the board of directors shall implement the decision of the ordinary general assembly regarding distribution of dividends to shareholders.



Section 2: The Auditor

Article 132

Shareholders shall monitor the company's accounts in accordance with the provisions set forth in the Law and the company's articles of association.

Article 133

1. The company shall have one auditor (or more) licensed to operate in the Kingdom. The general assembly shall appoint such auditor and determine his remuneration and term. The general assembly may re-appoint the auditor, provided that the aggregate term does not exceed five consecutive years. An auditor who completes such term may be re-appointed upon the lapse of two years from the date of expiration thereof. The general assembly may, at any time, replace the auditor without prejudice to his right to compensation if the replacement is unjustified or occurs at an inappropriate time.
2. The auditor may not, while serving as an auditor, participate in the company's incorporation, serve as a board member or carry out technical or administrative work in the company or for its benefit, even on an advisory basis. An auditor may not also be a partner, an employee or a relative up to and including the fourth degree of a company's incorporator or board member. Any act to the contrary shall be null and void, and the violator shall pay the amounts he receives to the Ministry of Finance.

Article 134

The auditor may access the company's books, records and other documents at any time. He may also request data and explanations that he deems necessary for verification of the company's assets and liabilities as well as other matters falling within the scope of his work. The chairman of the board shall facilitate the auditor's performance of his duties. If the auditor encounters difficulty in this regard, he shall report the same to the board of directors. If the board fails to facilitate the work of the auditor, he shall request the board to call for an ordinary general assembly meeting to consider the matter.

Article 135

The auditor shall submit a report to the annual ordinary general assembly in accordance with recognized auditing standards. The report shall include the extent to which the company's management was cooperative in providing him with requested data and explanations, and any detected violations of the Law or the company's articles of association as well as his opinion on the integrity of the company's financial statements. The auditor shall read his report at the general assembly meeting. If the general assembly decides to approve the report of the board and the financial statements without hearing the auditor's report, its decision shall be null and void.



Article 136

1. The auditor may not disclose to shareholders in other than the general assembly or to others the confidential information that he becomes privy to in the course of performing his duty. Otherwise, he shall be discharged and be liable for compensation.
2. The auditor shall be liable for damages sustained by the company, the shareholders or third parties due to faults attributed to the auditor's performance of his duties. If such faults are the responsibility of multiple auditors, said auditors shall be jointly liable.

Chapter 7: Alteration of Capital

Section 1: Capital Increase

Article 137

1. The extraordinary general assembly may decide to increase the company's capital, provided that the capital is fully paid. The capital does not have to be paid in full if the unpaid portion of the capital relates to shares issued against conversion of debt instruments or sukuk into shares and the period prescribed for conversion has not yet expired.
2. In all cases, the extraordinary general assembly may, upon increasing capital, allocate issued shares or a part thereof to the company's employees or any of its subsidiaries. Shareholders may not exercise preemptive rights when the company issues shares allocated for employees.

Article 138

Capital may be increased by one of the following ways:

- a) Issuing new shares against cash or in-kind contributions.
- b) Issuing new shares against specified due company's debts, provided that the issuance is made at the value prescribed by the extraordinary general assembly upon obtaining the opinion of an expert or an accredited valuer, and upon issuance of a statement by the board of directors and the auditor indicating the origin and amount of such debts. The statement shall be signed by board members and the auditor, who shall be liable for its validity.
- c) Issuing new shares equal to the amount of the reserve which the extraordinary general assembly decides to include in the capital. Such shares shall be issued in the same class and conditions of traded shares, and shall be distributed to shareholders for no consideration at a rate commensurate with their holdings of original shares.
- d) Issuing new shares against debt instruments or sukuk.



Article 139

A shareholder shall, upon issuance of the decision of the general assembly approving capital increase, have a preemptive right to subscribe to new shares issued against cash contributions. Such shareholders shall be notified of such right, if any, by publication in a daily newspaper, or transmission by registered mail of the decision of capital increase, conditions and period of subscription as well as beginning and ending dates.

Article 140

The extraordinary general assembly shall, if provided for in the company's articles of association, have the right to suspend shareholders' preemptive rights to subscribe to the capital increase against cash contributions or give such rights to non-shareholders in cases it deems beneficial for the company.

Article 141

Shareholders shall be entitled to sell or assign the preemptive rights during the period from the time of issuing the decision of the general assembly approving the capital increase up to the last day of subscription in the newly issued shares associated with such rights, in accordance with rules set by the Competent Authority.

Article 142

Without prejudice to Article 140 of the Law, newly issued shares shall be distributed to holders of preemptive rights requesting subscription, proportionate with preemptive rights they have against the total preemptive rights resulting from capital increase, provided that the newly issued shares they obtain do not exceed the shares they request. The remaining new shares shall be distributed to holders of preemptive rights requesting more than their share, proportionate with the preemptive rights they have against the total preemptive rights resulting from capital increase, provided that the newly issued shares they obtain do not exceed the shares they request. The remaining shares shall be offered to third parties, unless otherwise stipulated in an extraordinary general assembly resolution or in the Capital Market Law.

Article 143

Shares issued against in-kind contributions upon increasing the capital shall be subject to the provisions applied in valuating in-kind shares contributed for the company's incorporation. The ordinary general assembly shall replace the incorporation assembly in this regard.

Section 2: Capital Decrease

Article 144

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

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

The capital shall be decreased by either of the following:

- a) Cancelling a number of shares equal to the amount to be decreased.
- b) Repurchasing a number of shares by the company, equal to the amount to be decreased, and cancelling such shares.

Article 147

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.

Article 148

1. If capital decrease is made by repurchasing a number of the company's shares for the purpose of cancellation, shareholders shall be called to offer their shares for sale. The call shall be made by notifying shareholders of the company's wish to repurchase shares by registered mail or by publication in a daily newspaper distributed in the area where the company's head office is located.
2. If the number of shares offered for sale exceeds the number that the company decides to repurchase, the sale orders shall be reduced in proportion to such increase.
3. The repurchase price of shares of unlisted companies shall be estimated at a fair value. The shares of listed companies shall be repurchased in accordance with the Capital Market Law.



Chapter 8: Termination of a Joint Stock Company

Article 149

If all shares of a joint stock company devolve to a single shareholder not fulfilling the conditions set forth in Article 55 of the Law, the company shall remain solely liable for its debts and liabilities. However, such shareholder shall amend the company's status in accordance with the provisions stipulated in this Part or transform the company into a limited liability company of one person within one year. Otherwise, the company shall be terminated by the force of law.

Article 150

1. If a joint stock company incurs losses amounting to half of the paid-in capital at any time during the fiscal year, any of the company executives or the auditor shall promptly, upon knowledge thereof, inform the chairman of the board, who shall promptly inform board members. The board of directors shall, within 15 days from the date of notification, call for an extraordinary general assembly meeting to be held within 45 days from the date of its knowledge of the losses, to decide whether to increase or decrease the company's capital, in accordance with the provisions of the Law, to the extent where losses are decreased below half of the paid-in capital, or to dissolve the company prior to the date set forth in its articles of association.
2. The company shall be deemed terminated by the force of law if the extraordinary general assembly fails to meet during the period set forth in paragraph 1 of this Article; if the assembly convenes but fails to issue a decision on the matter; or if it decides to increase the capital in accordance with this Article but the shares issued are not fully subscribed within 90 days from the assembly's decision to increase the capital.

Part 6: Limited Liability Company

Chapter 1: General Provisions

Article 151

1. A limited liability company is a company comprising not more than fifty partners, where its liability is separate from the financial liability of each partner. The company shall be solely liable for due debts and liabilities. The owner of the company or the partner therein shall not be liable for such debts and liabilities.
2. If the number of partners exceeds the number set forth in paragraph 1 of this Article, the company shall be transformed into a joint-stock company within a period not exceeding one year. If such period expires without transforming



the company, it shall be deemed terminated by the force of law, unless the increase results from inheritance or bequest.

Article 152

1. A limited liability company shall have a name derived from its purposes or an invented name. The company's name shall not include the name of a natural person, unless the company's purpose is to use a patent registered under the name of such person; the company owns a commercial entity and adopts the name of the latter as its own name; or such name is a name of a company transformed into a limited liability company and its name includes the name of a natural person. If a company is owned by one person, the name shall indicate that it is a limited liability company owned by one person; otherwise, paragraph 2 of this Article shall apply.
2. The company's directors shall be jointly and personally liable for the company's liabilities if the company's name does not include the phrase "limited liability" or the amount of the capital is not stated with the company's name.

Article 153

1. A limited liability company may not engage in banking, financing, saving or insurance activities, or investment of funds for third parties.
2. A limited liability company may not use initial public offering to create or increase its capital or to obtain a loan, nor may it issue negotiable instruments.

Article 154

1. Notwithstanding Article 2 of the Law, a limited liability company may be set up by one person, and all shares of a limited liability company may devolve to one person. In such case, the liability of such person shall be limited to funds allocated to the company's capital. Such person shall have the powers of the director, the company's board of directors and the general assembly of partners as stipulated in this Chapter, and he may appoint one or more directors to represent the company before the court, arbitration tribunals and third parties, and be responsible for its management before the partner owning company's shares.
2. In all cases, a natural person may not set up or own more than one limited liability company of one person. A limited liability company owned by one person, natural or legal, may not set up or own another limited liability company of one person.

Article 155

A person owning a limited liability company shall be personally liable for the company's debts towards third parties with whom he deals in the name of the company, in the following cases:



- a) If, in bad faith, he liquidates the company or ceases its activity prior to the date of expiration of its term or prior to realizing its purposes.
- b) If he does not separate between the company's activities and his own activities.
- c) If he engages in activities for the company before it acquires legal personality.

Chapter 2: Incorporation

Article 156

The articles of incorporation of a limited liability company shall be signed by all partners, and shall specifically include the following data:

- a) Company's name, type, purpose and head office.
- b) Partners' names, places of residence, occupations and nationalities.
- c) Names of members of the supervisory board, if any.
- d) Amount of capital, amount of cash and in-kind shares, and detailed description of in-kind shares, their value and names of contributors.
- e) Acknowledgment by partners that all capital shares are distributed and their value is fully paid.
- f) Manner of distribution of profits and losses.
- g) Company's commencement and expiration dates.
- h) Forms of notification served by the company to partners.

Article 157

Valuation of in-kind shares shall be subject to provisions pertaining to valuation of such shares in a joint-stock company. Partners who contribute such shares shall be personally and jointly liable against third parties for the fair valuation of the in-kind shares they contribute. In such case, a liability claim shall not be heard after the lapse of five years from the date of publication of the company's incorporation and its registration in the commercial register in accordance with Article 158 of the Law.

Article 158

The company's directors shall, within 30 days from the date of incorporation, publish the articles of incorporation at the company's expense on the Ministry's website. The directors shall enter the company into the commercial register within said period. The aforementioned provisions shall apply to any amendment made to the company's articles of incorporation.



Article 159

A limited liability company incorporated in violation of Articles 153, 154, 156 and 157 of the Law shall be considered null and void vis-a-vis any stakeholder. Partners may not use such nullification against third parties. In case such nullification is established due to the above, partners responsible for the same shall be jointly liable against other partners and third parties for damages.

Chapter 3: Capital and Shares

Article 160

The company's capital shall, upon its incorporation, be sufficient to achieve its purposes. Partners shall determine the capital in the company's articles of incorporation. Such capital shall be divided into indivisible and untradeable shares of equal value. If a share is owned by multiple persons, the company may suspend the use of rights associated therewith until the owners of such share select one from among themselves to act as a sole owner vis-a-vis the company. The company may set a deadline for such owners to make the selection. The company may, after the passage of such deadline, sell the share for the benefit of its owners. In such case, the share shall be offered to other partners and then to third parties in accordance with Article 161 of the Law, unless the articles of incorporation stipulate otherwise.

Article 161

1. A partner may assign his share to another partner in accordance with the conditions stipulated in the company's articles of incorporation.
2. If a partner wishes to assign his share, for or without consideration, to a non-partner, the other partners shall be notified of the name of the assignee or purchaser and the assignment or sale conditions through the company's director. The director shall notify the remaining partners upon receipt of such notification. Each partner may request redemption of the share within thirty days from the date of notifying the director of the price agreed upon, unless the company's articles of incorporation provide for a different valuation method or a longer period. If redemption is requested by more than one partner, such share(s) shall be divided among them in proportion to their share in the capital. If the period referred to in this paragraph lapses without any of the partners requesting redemption of their share, the shareholder shall have the right to assign his share to a third party.
3. The right to request redemption provided for in this Article shall not apply to transfer of ownership of shares by means of inheritance or bequest, or pursuant to a judgment by a competent judicial authority.

Article 162

The company shall maintain a special register of names of partners, number of



shares owned by each and actions taken thereon. Transfer of ownership against the company or third party shall be made only after stating the ground therefor in said register. The company shall notify the Ministry of said transfer to be entered into the company's record therewith.

Article 163

Shares shall entail equal rights to net profit and liquidation surplus, unless the articles of incorporation stipulate otherwise.

Chapter 4: Management

Article 164

1. The company shall be managed by one or more directors from among partners or others. The partners shall appoint the director(s) in the company's articles of incorporation or in a separate contract for a specified or unspecified period. In case of multiple directors, a board of directors may be formed pursuant to a decision by the partners.
2. The company's articles of incorporation or the partners' decision shall specify the board's work procedures and the majority required for its decisions. The company shall be bound by the acts of directors that are in line with the company's purposes.

Article 165

1. Partners may dismiss the director(s), whether appointed under the company's articles of incorporation or under a separate contract, without prejudice to their right to compensation if the dismissal is made on illegitimate grounds or at an inappropriate time.
2. The directors shall be jointly liable for damages sustained by the company, the partners or third parties as a result of violating the provisions of the Law or the company's articles of incorporation or as a result of wrongs committed by them in the performance of their duties. Any condition to the contrary shall be considered null and void.
3. The partners' approval to discharge directors from liability shall not preclude initiating a liability claim.
4. In cases other than fraud and forgery, any liability claim may not be heard upon the lapse of five years as of the end of the fiscal year in which a misfeasance occurs or three years from the end of the relevant director's term in the company, whichever is later.

Article 166

A limited liability company shall have one or more auditors in accordance with the provisions prescribed for joint-stock companies.



Article 167

1. A limited liability company shall have a general assembly comprising all partners.
2. The general assembly shall convene upon a call by the director(s) as prescribed in the company's articles of incorporation, provided that it is held at least once a year during the four months following the end of the company's fiscal year.
3. The general assembly may be called for a meeting at any time upon the request of the directors, supervisory board, auditor or one or more partners representing at least 10 percent of the capital.
4. Minutes summarizing general assembly deliberations shall be drafted. Meeting minutes, general assembly resolutions and partners' decisions shall be entered into a special register maintained by the company for this purpose.

Article 168

1. Decisions of partners shall be issued at the general assembly. However, partners in a company comprising not more than twenty partners may state their decisions individually. In such case, the company's director shall send a registered letter to each partner with the proposed decisions to vote thereon in writing.
2. In all cases, decisions shall be valid only if approved by a number of partners representing at least more than half of the capital, unless the company's articles of incorporation provide for a greater majority.
3. If the majority set forth in paragraph 2 of this Article is not achieved in the deliberation or at the first consultation, partners shall be called for another meeting by registered mail, unless the company's articles of incorporation stipulate otherwise.
4. Decisions of the meeting referred to in paragraph 3 of this Article shall be issued by the majority vote of shares represented therein, regardless of the percentage they represent in the capital, unless the company's articles of incorporation stipulate otherwise.
5. The company's articles of incorporation may determine other means for calling for meetings or notification of decisions.

Article 169

The agenda of the annual meeting of the general assembly of partners shall include the following:

- a) Hearing the report of the company's directors regarding its activity and financial position during the fiscal year and the auditor's report, as well as the report of the supervisory board, if any.
- b) Discussing and approving the financial statements.



- c) Determining the percentage of profit to be distributed to partners.
- d) Appointing the company's directors or members of the supervisory board, if any, and determining their remuneration.
- e) Appointing an auditor and determining his fees.
- f) Other matters falling within the powers of the general assembly in accordance with the Law or the company's articles of incorporation.

Article 170

1. The general assembly of partners may not discuss matters other than those listed on the agenda, unless facts requiring discussion arise during the meeting.
2. If a partner requests the listing of an item on the agenda, the company's directors shall grant such request. Otherwise, said partner may resort to the assembly.

Article 171

Each partner shall have the right to discuss items listed on the agenda of the general assembly of partners. The company's directors shall address partners' questions. If a partner deems that the response to his question is unsatisfactory, he may resort to the assembly.

Article 172

1. If the number of partners exceeds twenty, the company's articles of incorporation shall provide for appointing a supervisory board of at least three partners for a specified term. If the increase occurs after the incorporation of the company, the general assembly of partners shall make this appointment at the earliest time possible.
2. The general assembly may re-appoint members of the supervisory board after the expiry of their term on the board, or appoint other partners. It may also dismiss them at any time on reasonable grounds. In all cases, the company's directors may not vote on the election or dismissal of members of the supervisory board.
3. The supervisory board shall monitor the company's activities, and express its opinion on matters submitted thereto by the company's director(s), and on actions requiring its prior permission.
4. The supervisory board shall submit a report on the company's activities to the general assembly of partners at the end of each fiscal year.
5. Members of the supervisory board shall not be liable for the acts of director(s) or outcomes thereof, unless they are aware of any wrongful acts and fail to notify the general assembly of partners.



Article 173

1. Each partner shall have the right to participate in deliberations and voting, and shall be entitled to a number of votes equal to the number of shares he holds. No agreement to the contrary may be concluded.
2. Each partner may delegate, in writing, another partner to attend the meetings of the partners and to vote on his behalf, unless the company's articles of incorporation stipulate otherwise.
3. A non-managing partner, in a company with no supervisory board, may provide advice to directors. He or his designee may request access to the company's business and examine its books and documents at its head office within 15 days prior to the date set for presenting the annual closing accounts to partners. Any condition to the contrary shall be deemed null and void.
4. Any person who obtains any information, by virtue of this Article, shall maintain the confidentiality thereof and not use such information for any purpose detrimental to the company or any of its partners, and shall be liable for damages arising from non-compliance.

Article 174

1. Subject to the consent of all partners, a company's nationality may be changed, or its capital increased by raising the nominal value of partners' shares or by issuing new shares. All partners shall be obligated to pay the value of the capital increase in proportion to their contributions.
2. The company's articles of incorporation may be amended, in other than the matters set forth in paragraph 1 of this Article, upon approval of the majority of partners representing at least three-quarters of the capital, unless the company's articles of incorporation stipulate otherwise.

Article 175

1. The company's directors shall prepare, for each fiscal year, the company's financial statements, a report on its activities and financial position as well as proposals on distribution of dividends within three months from the end of the fiscal year.
2. The directors shall provide a copy of the documents set forth in paragraph 1 of this Article, a copy of the report of the supervisory board, if any, and a copy of the auditor's report to the Ministry and to each partner within one month from the date of the preparation of said documents. Each partner may ask the directors to call for a meeting of the general assembly of partners for deliberation on documents referred to in this Article.

Article 176

A limited liability company shall annually allocate at least 10% of its net profit for the creation of a statutory reserve. Partners may discontinue the allocation when such reserve reaches 30% of the company's capital.



Article 177

The general assembly of partners may decide to decrease the company's capital if it is in excess of its need or if the company incurs losses in an amount less than half the capital as per the following:

- a) The company's creditors shall be invited to state their objections to the decrease within 60 days from the date of publication of such decision in a daily newspaper distributed in the area where the company's head office is located. If a creditor objects and presents his documents within said period, the company shall pay him his debt if it is due or provide him with a sufficient guarantee if the debt is not due.
- b) The partners shall submit to the Ministry a proposed amendment to the company's articles of incorporation regarding a decrease in the company's capital, accompanied by a detailed statement certified by the company's auditor. Such statement shall state names and addresses of creditors, names of creditors objecting to the capital decrease, names of creditors whose due debts are paid or for whom a sufficient guarantee for payment of their deferred debt is provided. The proposal shall also include an acknowledgment by the partners of their joint liability for any debts not provided for in the statement.
- c) If the company has no debts, the partners may submit to the Ministry an acknowledgment certified by the auditor of their joint liability for any debts that may arise. In such case, they shall be relieved from the need to call creditors to submit their objections, and other procedures for capital decrease shall be completed.

Article 178

1. Without prejudice to the rights of bona fide third parties, any decision issued by the general assembly in violation of the provisions of the Law or the company's articles of incorporation shall be considered null and void. Request of nullification shall be limited to partners who object, in writing, to the decision or who are unable to object thereto after becoming aware thereof. Nullification shall render the decision null and void against all partners.
2. A claim of nullification shall not be heard upon the lapse of one year from the date of the decision referred to in paragraph 1 of this Article.

Chapter 5: Termination

Article 179

A limited liability company shall not terminate by a partner's death, interdiction, declaration of bankruptcy, insolvency or withdrawal, unless the company's articles of incorporation stipulate otherwise.



Article 180

1. Unless the company's articles of incorporation stipulate otherwise, the company's term may be extended prior to its expiration for another period pursuant to a decision by the general assembly, comprising any number of partners holding half of capital shares or by the majority of partners.
2. If the decision to extend the term of the company is not issued, and the company continues to operate, the term shall be extended for a similar term subject to the same conditions provided for in the articles of incorporation.
3. A partner not wishing to continue in the company may withdraw therefrom, and his shares shall be assessed in accordance with the provisions of Article 161 of the Law. Extension shall be effective only after the sale of the partner's share to other partners or to third parties, as the case may be, and after payment of its value, unless the withdrawing partner agrees otherwise with other partners.
4. A third party with an interest in non-extension may file an objection thereto and request non-enforcement of such extension against him.

Article 181

1. If the losses of a limited liability company amount to half its capital, the company's directors shall record such incident in the commercial register and call the partners for a meeting within 90 days from the date of being aware of such losses to consider the continuation or dissolution of the company.
2. The partners' decision to continue or dissolve the company shall be published in the manner prescribed in Article 158 of the Law.
3. The company shall be deemed terminated by the force of law if the company's directors fail to call partners for a meeting or if the partners fail to issue a decision relating to the company's continuation or dissolution.

Part 7: Holding Company

Article 182

1. A holding company is a joint-stock or a limited liability company that aims to control other joint-stock or limited liability companies, called subsidiaries, by owning more than half of the capital of such companies or by controlling the formation of their boards of directors.
2. The name and type of the company shall include the word "holding".

Article 183

A holding company shall have the following purposes:

- a) Managing its subsidiaries or participating in the management of other



- companies in which it owns shares and providing support thereto.
- b) Investing its funds in shares and other securities.
 - c) Owning real property and movable assets necessary for its operations.
 - d) Providing loans, guarantees and financing to its subsidiaries.
 - e) Owning and utilizing industrial property rights, including patents, trademarks, franchises and other intangible rights, and leasing the same to its subsidiaries or third parties.
 - f) Any other legitimate purpose in conformity with the nature of the company.

Article 184

A subsidiary may not acquire shares in a holding company. Any action to transfer the ownership of shares from a holding company to a subsidiary shall be deemed null and void.

Article 185

A holding company shall, at the end of each year, prepare consolidated financial statements that include its subsidiaries, in accordance with recognized accounting standards.

Article 186

A holding company shall be subject to the provisions set forth in this Part and other provisions of the Law not conflicting therewith, depending on the type of company adopted.

Part 8: Company Transformation and Merger

Chapter 1: Company Transformation

Article 187

1. A company may be transformed into another type of company pursuant to a decision issued in accordance with the conditions prescribed for the amendment of the company's articles of association or articles of incorporation, provided that it meets the requirements of incorporation, publication and registration in the commercial register prescribed for the type the company is transformed into. In case the company is transformed into a joint stock company, the shareholders shall be subject to Article 107 of the Law, provided that the restriction period commences from the date of issuance of the decision approving the company's transformation. If the company's transformation is accompanied by an increase in its capital by public offering, the restriction shall not apply to the shares subscribed to in



this manner.

2. Partners or shareholders objecting to the decision of transformation may request disassociation from the company.
3. Without prejudice to conditions of incorporation, publication or registration of a joint-stock company, unlimited liability company, limited partnership and limited liability company shall be transformed into a joint-stock company, if so requested by partners holding more than half of the capital, unless the articles of incorporation provide for a lower percentage, and provided that all shares of the company requesting transformation are owned by relatives to the fourth degree. Any condition to the contrary of this paragraph shall be deemed null and void.

Article 188

The transformation of a company shall not result in the creation of a new legal person, and the company shall maintain rights and obligations existing prior to the transformation.

Article 189

Transformation of an unlimited liability company or a limited partnership shall not result in relieving general partners from their liability for the company's debts prior to the transformation, unless the creditors explicitly accept the same, or if none of the creditors object to the decision of transformation within thirty days from the date of being notified thereof by registered mail.

Chapter 2: Merger

Article 190

Subject to relevant laws, a company may, even if under liquidation, merge into another company of the same type or of another type.

Article 191

1. Merger shall be made by combining one or more companies with another existing company or by combining two or more companies to establish a new company. The merger contract shall determine the conditions thereof, and shall set forth the valuation method of the liabilities of the merged company and the number of its shares in the capital of the merging company or the company resulting from the merger.
2. Merger shall not be valid except after valuation of the net assets of the merged and merging companies, in case the consideration for the shares of the merged company or a part thereof is shares in the merging company.
3. In all cases, the decision of merger shall be issued by each company that is a party thereto, in accordance with the conditions prescribed for amending



the articles of incorporation or the articles of association of such company.

4. A partner who owns shares in the merged and merging companies may vote on the merger decision only in either company.

Article 192

All rights and obligations of the merged company shall be transferred to the merging company or the company resulting from the merger after completing merger procedures and registering the company in accordance with the Law. The merging company or the company resulting from the merger shall be considered a successor company of the merged company to the extent of assets transferred thereto, unless agreed otherwise in the merger contract.

Article 193

1. The merger decision shall be effective after the lapse of 30 days from the date of publication.
2. Creditors of the merged company may, within said period, object to the merger by a registered letter addressed to the company. In this case, the merger shall be suspended until the creditor waives his objection, or until the company pays off the debt if due or otherwise provides sufficient guarantee to pay it off.

Part 9: Foreign Company

Article 194

Without prejudice to any agreements concluded between the Kingdom and foreign companies, the provisions of the Law, except for provisions relating to incorporation of companies, shall apply to the following foreign companies:

- a) Companies operating in the Kingdom, whether through a branch, office, agency or any other form.
- b) Companies having a representative office in the Kingdom to direct or coordinate activities they conduct outside the Kingdom.

Article 195

A foreign company may not establish branches, agencies or offices in the Kingdom, except upon obtaining a license from the Saudi Arabian General Investment Authority (SAGIA) and the agency in charge of regulating and overseeing the type of activity or business engaged in by the foreign company in the Kingdom, nor may it issue or offer securities for subscription or sale in the Kingdom except in accordance with the Capital Market Law.



Article 196

SAGIA shall provide the Ministry with a copy of the license issued thereby as well as a certified copy of the company's articles of incorporation and articles of association.

Article 197

A licensed foreign company may not commence its operations except after registration in the commercial register.

Article 198

Each branch, agency or office of a foreign company shall print in Arabic, on all its papers, documents and publications, its address in the Kingdom as well as company's full name, address, head office and name of the agent.

Article 199

A branch, agency or office of a foreign company shall prepare financial statements for its operations in the Kingdom in accordance with recognized accounting standards and the external auditor's report, and shall deposit the same with the Ministry within six months from the end of the fiscal year related to the operations of such branch, agency or office.

Article 200

A branch, agency or office of a foreign company in the Kingdom shall be considered its domicile with regard to its operations and business in the Kingdom, and shall be subject to all applicable laws.

Article 201

If a foreign company commences its operations prior to completion of licensing and registration procedures, or if it engages in activities not covered by its license, the company and persons involved in such activities shall be held jointly liable.

Article 202

If the presence of a foreign company in the Kingdom is to perform specific activities during a specific period, it shall be temporarily registered in the commercial register. Such registration shall expire upon completion of such activities, and shall be stricken off upon settlement of its rights and obligations, in accordance with the provisions of the Law and other applicable laws.



Part 10: Liquidation

Article 203

1. The company shall, upon termination, enter into liquidation and shall retain its legal personality to the extent necessary for liquidation.
2. The authority of the company's directors shall end upon its dissolution. The directors shall continue to manage the company, and shall be deemed as liquidators against third parties until a liquidator is appointed.
3. The company's assemblies shall remain valid during the liquidation period, and the role thereof shall be limited to practicing its powers that are not in conflict with those of the liquidator.
4. A partner shall have the right, during the liquidation period, to access the company's documents in accordance with the Law or the company's articles of incorporation or articles of association.

Article 204

Unless the company's articles of incorporation or articles of association provide otherwise, or unless the partners agree to the method of liquidation of the company, liquidation shall be made in accordance with the provisions of the Law.

Article 205

1. Liquidation shall be made by one or more liquidators from partners or others.
2. The decision of compulsory liquidation shall be issued by the competent judicial authority, while the decision of voluntary liquidation shall be issued by the partners or the general assembly. If partners do not agree to the acts set forth in paragraph 3 of this Article, the judicial authority shall perform such acts.
3. The decision of liquidation, whether compulsory or voluntary, shall include appointing the liquidator and determining his powers and remuneration, the limitations imposed on the powers thereof and the necessary period for liquidation. The liquidator shall publish the decision by the means of publication approved for amending the company's articles of incorporation or articles of association.
4. The term of voluntary liquidation shall not exceed five years, and may not be extended for a further period unless upon a judicial order.

Article 206

In case of multiple liquidators, they shall work together and the acts thereof shall be considered valid only if unanimously agreed thereto, unless the appointment decision thereof or the authority appointing them allows them to work individually. Liquidators shall be jointly liable for damages sustained by



the company, partners or third parties for exceeding the limits of their powers or as a result of the errors committed thereby during the course of their duties.

Article 207

1. Subject to the restrictions included in the liquidation decision, the liquidator shall represent the company before the court and third parties, and shall perform all acts necessitated by the liquidation. In particular, he shall convert the company's assets into cash, including the sale of movables and real estate in auction or in any other manner ensuring the highest price to be duly paid.
2. The liquidator may not sell the company's assets in full or offer them as a share in another company, unless authorized by the authority appointing him.
3. The liquidator may not start new activities unless required for completion of previous ones.
4. The company shall be bound by the liquidator's acts falling within his powers.
5. The liquidator's powers shall expire upon the end of the liquidation period, unless extended in accordance with the provisions of the Law.

Article 208

1. The liquidator shall pay the company's debts, if due, based on priority, and shall set aside funds necessary for payment if they are deferred or disputed.
2. Debts arising from liquidation shall have priority over other debts.
3. After payment of debts, the liquidator shall return the value of their shares in the capital to the partners and shall distribute any surplus to them in accordance with the provisions of the company's articles of incorporation. If the articles of incorporation are silent on this matter, the surplus shall be distributed to partners in proportion to their shares in the capital.
4. If the company's net assets are insufficient to pay partners' shares, the loss shall be distributed among them according to the percentage prescribed for distribution of losses.

Article 209

1. The liquidator shall prepare, within three months from assuming his duty, and in conjunction with the company's auditor, if any, an inventory of the company's assets and liabilities. The authority appointing the liquidator may extend this period, if necessary.
2. The company's directors or board members shall provide the liquidator with the company's books, records, documents, clarifications and any information he requests.
3. At the end of each fiscal year, the liquidator shall prepare financial statements and a liquidation report, provided that the report includes his remarks and reservations concerning liquidation proceedings, causes



leading to hindering or delaying liquidation proceedings, if any, and his recommendations for extension of the liquidation period. The liquidator shall provide the Ministry with a copy of said documents and submit them to the partners or the general assembly for approval, in accordance with the company's articles of incorporation or articles of association.

4. At the end of liquidation, the liquidator shall prepare a detailed financial report on the liquidation. The liquidation shall end with the attestation of such report by the authority appointing the liquidator.
5. The liquidator shall announce the end of liquidation in the manner prescribed for announcement of amendments made to the company's articles of incorporation or articles of association.

Article 210

In cases other than fraud and forgery, a claim against a liquidator due to the liquidation proceedings; against partners due to the company's activities; or against the company's directors, board members or auditors arising from performing their duties shall not be heard after the lapse of five years from the date of announcement of the end of liquidation in accordance with the provisions of Article 209 of the Law and after striking off the company from the commercial register in accordance with the Commercial Register Law, or after the lapse of three years from the end of liquidation, whichever occurs later.

Part 11: Penalties

Article 211

Without prejudice to any harsher penalty stipulated in any other law, imprisonment for a period not exceeding five years and a fine of not more than 5,000,000 riyals, or either penalty, shall apply to:

- a) any director, officer, board member, auditor or liquidator who provides false or misleading information in financial statements or in any of the reports submitted to partners or the general assembly, or omits material facts from these statements or reports with the intention to conceal the financial position of the company from partners or others;
- b) any director, officer or board member who knowingly uses the company's funds in a manner detrimental to its interest to achieve personal gain, favoring a company or person or benefit from a project or a deal in which he has direct or indirect interest;
- c) any director, officer or board member who knowingly uses his powers or the votes he acquires in that capacity in a manner detrimental to the interest of the company for achieving personal gain, favoring a company or person or benefiting from a project or deal where he has direct or indirect interest;
- d) any director, officer, board member or auditor who fails to call for a meeting of the general assembly or partners of the company, or who fails to take



necessary action, as the case may be, upon becoming aware that the losses reached the limits set in Articles 150 and 181 of the Law, or if he fails to announce the same in accordance with the provisions of Article 181 of the Law; and

- e) any liquidator who uses the company's funds, assets or entitlements in a manner that contradicts the company's interests or causes deliberate damage to partners or creditors, whether to achieve a personal gain, favor a company or person, benefit from a project or a deal in which he has a direct or indirect interest or favor a creditor over other creditors in satisfying his dues without a legitimate reason.

Article 212

Without prejudice to any harsher penalty set forth in any other law, imprisonment for a period not exceeding one year and a fine not exceeding 1,000,000 riyals, or either penalty, shall apply to:

- a) any auditor who fails to notify the company, whether through entities or persons in charge of its management, of any violations he detects during the course of his duties that may involve criminal violations;
- b) any public servant who divulges to other than the relevant agencies the company's secrets he becomes privy to by virtue of his position;
- c) any person assigned to perform inspection of a company, where he intentionally provides false information in the reports he prepares or intentionally omits material facts that may affect the outcome of inspection;
- d) any person who, by any means, makes an announcement or declaration in a manner that implies the registration of a company whose registration is not completed;
- e) any person who, in order to solicit subscriptions or collect the values of shares, falsely uses names of persons as being affiliated or will be affiliated with the company in any manner;
- f) any person who intentionally includes in the company's articles of incorporation, articles of association or other documents, or in the company's incorporation application or supporting documents, false information or information in violation of the provisions of the Law, and any person who knowingly signs or publishes such documents;
- g) any partner or non-partner who knowingly inflates or provides false statements regarding the valuation of in-kind shares, distribution of shares among partners or paying their value in full, whether upon the incorporation of the company, increase of capital or redistribution of shares among partners;
- h) any person who impersonates a shareholder or partner, or votes as a result in an assembly of shareholders or partners, whether in person or by proxy; and
- i) any person who uses the company in other than the purposes for which it is licensed.



Article 213

Without prejudice to any harsher penalty stipulated in any other law, a fine not exceeding 500,000 riyals shall apply to:

- a) any person who approves, distributes or receives, in bad faith, profits or proceeds in violation of the provisions of the Law or the company's articles of incorporation or articles of association, and any auditor who approves such distribution with knowledge of such violation;
- b) any board member who intentionally impedes the call for a general assembly meeting or the holding of such meeting;
- c) any person who consents to his appointment as a member of the board of directors of a joint-stock company or as a managing director therein, or who retains such membership in violation of the provisions of the Law, as well as any board member in a company where such violation occurs with his knowledge;
- d) any board member in a joint-stock company who obtains a guarantee or loan from the company in violation of the provisions of the Law, and any chairman of the board of a company where such violation occurs with his knowledge;
- e) any person who accepts to work as an auditor or continues to work as such with his knowledge of the reasons which prevent him from carrying out such tasks, as provided for in the Law;
- f) any person who intentionally prevents a shareholder or a partner from participating in an assembly of shareholders or partners, or prevents a shareholder or a partner from exercising voting rights associated with shares or in his capacity as a partner, in violation of the provisions of the Law;
- g) any person who obtains a benefit or receives a promise or guarantee of a benefit for voting in a particular way or for abstaining from voting, and any person who grants, promises to grant or guarantees such benefit;
- h) any person who neglects to perform his duty to call the general assembly of shareholders or partners for a meeting within the prescribed period in accordance with the provisions of the Law;
- i) any person who neglects to perform his duty to publish the financial statements of the company in accordance with the provisions of the Law;
- j) any person who fails to give shareholders or partners access to necessary documents in accordance with the provisions of the Law;
- k) any person who neglects to perform his duty to provide the Ministry with the documents set forth in the Law;
- l) any person who fails to record meeting minutes in accordance with the provisions of the Law;
- m) any person who intentionally impedes or causes to impede persons entitled under the Law to access the company's papers and documents, or refuses to enable them to perform their duties;
- n) any person who fails to publish the company's articles of incorporation or



- fails to enter it in the commercial register in accordance with the Law, and any person who fails to publish amendments made to the company's articles of incorporation or articles of association or amendments made to its commercial register in accordance with the Law;
- o) any liquidator who fails to announce the liquidation or its completion in accordance with the provisions of the Law;
 - p) any person who neglects to perform his duty to list any data provided for in Article 15 of the Law;
 - q) any auditor who violates any of the provisions of the Law; and
 - r) any company or company official who, without reasonable justification, fails to comply with regulations and resolutions related to the company's business and activity, as well as with directives, circulars or rules issued by the Competent Authority.

Article 214

In case of recidivism, the penalties for offences and violations stipulated in Articles 211, 212 and 213 of the Law shall be doubled. Any person who commits the same offence or violation, for which a final judgment is rendered against him, within three years from the date of the sentence shall be considered a recidivist.

Article 215

The Bureau of Investigation and Public Prosecution shall be in charge of investigating offences stipulated in Articles 211 and 212 of the Law.

Article 216

The Competent Authority shall impose penalties prescribed for the violations provided for in Article 213 of the Law. Any person against whom a penalty decision is issued may appeal before the competent judicial authority.

Article 217

If a lawsuit cannot be brought against the perpetrator of an offence stipulated in Articles 211 and 212 of the Law, the Bureau of Investigation and Public Prosecution shall initiate a lawsuit against the company for imposition of the prescribed fine.

Article 218

The imposition of penalties set forth in this Part shall not prejudice the right of any person to claim compensation from any party that causes damage thereto due to the commission of any of the offences and violations stipulated in this Part.



Part 12: Final Provisions

Article 219

Without prejudice to the provisions of the Law, and to the powers of the Saudi Arabian Monetary Agency as stipulated in relevant laws, particularly the Banking Control Law, the Cooperative Insurance Companies Control Law and the Finance Companies Control Law, CMA shall be the Competent Authority to oversee and monitor the joint-stock companies listed in the Saudi capital market, and issue rules regulating their work, including regulation of mergers if a party thereto is a company listed in the Saudi capital market.

Article 220

Without prejudice to the provision of Article 219 of the Law, the Competent Authority shall have the right to monitor companies regarding compliance with the provisions provided for in the Law or in the company's articles of incorporation or articles of association, including the powers of inspection of the company and its accounts, and it may also request any information from the board of directors of the company or any of its directors, through one or more representatives from among the Competent Authority's personnel or experts selected for this purpose.

Article 221

All officers of the company shall give access to the representatives of the Ministry, and to CMA representatives if it is a joint-stock company listed or seeking to be listed in the capital market, regarding activities set forth in Article 220 of the Law, to the company's books, records and documents and shall provide them with all relevant information and clarifications.

Article 222

Employees named pursuant to a decision by the Competent Authority shall have the capacity to record criminal offences committed in violation of the provisions of the Law, and shall, for such purpose, seize any relevant documents or records.

Article 223

The competent judicial authority shall decide all civil and penal lawsuits and disputes arising from the implementation of the provisions of the Law, and shall impose prescribed penalties.

Article 224

Companies existing prior to the effective date of the Law shall modify their status in accordance with the Law within a period not exceeding one year from the effective date of the Law. As an exception, the Ministry and CMA's Board



shall, each within their jurisdiction, determine the provisions applicable to such companies during such period.

Article 225

1. Guiding forms for the articles of incorporation and articles of association for each type of company shall be issued pursuant to a decision by the Minister within 120 days from the issuance date of the Law, and shall be published on the Ministry's website. Such forms shall be valid from the date the Law enters into force.
2. The Minister and CMA's Board shall, each within their jurisdiction, issue necessary decisions for the implementation of the provisions of the Law.

Article 226

The Law shall supersede the Companies Law promulgated by Royal Decree No. M/6 dated 22/3/1385H, and shall repeal any conflicting provisions.

Article 227

The Law shall enter into force 150 days following the date of its publication in the Official Gazette.