

Draft Regulatory Rules and Procedures issued pursuant to the Companies Law

Arabic is the official language of the Capital Market Authority
The current version of these Regulations, as may be amended, can be found at
the Authority website: www.cma.org.

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Chapter One

Preliminary Provisions

Article one:

- a) These rules shall not prejudice the provisions of the Companies Law, the Capital Market Law, and their implementing regulations and other relevant rules and regulations.
- b) Unless the context otherwise indicates, the following words and phrases, whenever they appear in these rules, shall have the meaning herein specified:
 - **Shares:** shares of joint stock companies.
 - **Treasury Shares:** Purchased Shares which are retained by the Company.
 - **Employees' Shares:** Purchased Shares which are allocated by the Company to its employees.
 - **Purchased Shares:** shares bought back by the Company pursuant to Article 112 of the Companies Law.
 - **Preferred Shares:** shares issued by the Company which entitle its holders the right to receive a higher percentage of the Company's net profits, after setting aside the statutory reserve, without entitling its holders to vote in the General Assembly.
 - **General Assembly:** the general assembly held with the attendance of the shareholders of the Company pursuant to the provisions of the Companies Law and the Company's bylaws.
 - **Competent Authority:** the Ministry of Commerce and Industry in respect of non-listed Companies and the Capital Market Authority in respect of listed Companies.
 - **Shareholders Register:** a register of shareholders prepared by the non-listed Company (or by a third party contracted to do so) which includes names of shareholders, their nationality, place of residence, professions, number of Shares owned and paid up amount of such Shares, and in which all relevant dealings related to the issued Shares are recorded.
 - **Exchange :** the Saudi Stock Exchange.
 - **Authorised Person:** a person who is authorised to carry on securities business by the Authority.
 - **Company:** a joint stock company.
 - **Solvency Requirements:** requirements that have to be satisfied – among others – prior to the Company buying-back or mortgaging its Shares:

- the Company must have, on its own or with its subsidiaries, sufficient working capital for the twelve (12) months immediately following the date of completion of the share buy-back or mortgage transaction.
- the value of the Company's assets must not be less than the value of its liabilities (including contingent liabilities), prior to and following the payment of the purchase price, according to the latest reviewed interim financial statements or audited annual financial statements, whichever is more recent.

Listing Rules: the Listing Rules issued by the Board of the Authority.

Depository Centre Regulations: the Securities Depository Centre Regulations approved by the board of the Authority.

Senior Executives: the Company's management who propose and implement strategic decisions including the chief executive officer, his deputies, and the chief financial officer.

Corporate Governance Regulations: the Corporate Governance Regulations for joint-stock companies issued by the Ministry in respect of non-listed Companies and by the Authority in respect of listed Companies

Remuneration Committee: a committee formed pursuant to the provisions of the Corporate Governance Regulations.

Board: the Company's board of directors.

Registered Shareholders: the shareholders registered in the Company's records at the end of the day on which the extraordinary General Assembly's meeting is held to approve the increase of the Company's share capital and issuance of related new shares.

Remunerations: amounts, allowances, profits and their equivalent, periodic and annual performance-related bonuses, short and long term incentive plans, in addition to any other in-kind benefits.

Enforcement Law: the Enforcement Law issued by Royal Decree No. M/53 dated 13/8/1433H.

Capital Market Law: the Capital Market Law issued by Royal Decree No. M/30 dated 2/6/1424H.

Companies Law: the Companies Law issued by Royal Decree No. M/3 dated 28/1/1437H.

Depository Centre: the Securities Depository Centre.

Ministry: the Saudi Arabian Ministry of Commerce and Industry.

Authority: the Capital Market Authority.

Day: a working day.

Calendar Day: any day, whether a working or non-working day.

Chapter Two

Remunerations of Board Members in Joint Stock Companies

Article two:

- A. In addition to the relevant provisions of the Companies Law and the Corporate Governance Regulations, when determining and paying Remunerations of each Board member, the Board must comply with the following standards:
1. the Remuneration must be fair and proportionate to the Board member's experience, expertise and independence, the activities carried out and responsibilities borne by each Board member, in addition to the objectives set out by the Board to be achieved during the financial year;
 2. the Remuneration must be based on the recommendation of the Remuneration Committee;
 3. the Remuneration must be proportionate to the Company's activities and the required skills and expertise for its management;
 4. taking into consideration the sector in which the Company operates, its size and experience of its Board members; and
 5. the remuneration must be reasonably sufficient to attract and retain highly qualified and experienced Board members.
- B. Board members shall not vote on the agenda item relating to the Remuneration of Board members at the General Assembly's meeting.

Article three:

A Board member may receive a Remuneration for his/her membership in committees formed by the Board pursuant to the Company's Corporate Governance Code, for any additional executive, technical, managerial or consultative duties or positions carried out by the Board member, and such Remuneration should be in addition to the Remuneration he/she may receive in his/her capacity as a Board member pursuant to the Companies Law and the Company's bylaws.

Article four:

The Remunerations of different Board members may vary depending on the Board members' experience, expertise, independence and number of Board meetings he/she attended in addition to other considerations. The Remuneration of independent Board members shall be a fixed amount and not a percentage of the profits to ensure the neutrality of their decisions.

Article five:

If the General Assembly decides to terminate the membership of any Board member who fails to attend three consecutive Board meetings without a legitimate excuse, then such Board

member shall not be entitled to any Remuneration since the last Board meeting he/she failed to attend, and he/she shall pay back any Remuneration he/she received for that period.

Article six:

The company may request that all Remuneration paid to any Board member be returned to the Company, if it is evidenced that such Remuneration was paid based on false and misleading information presented to the General Assembly or included in the annual Board report.

Article seven:

The Board must disclose in its annual report details of the Remuneration policies, and mechanisms for determining such Remuneration, including amounts in cash and in-kind benefits paid to each Board member in exchange for any executive or non-executive work or positions, in accordance with the relevant provisions of the Corporate Governance Regulations and Listing Rules.

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Chapter Three

Holding of General and Special Assembly meetings of Joint Stock Companies and Shareholders' Participation therein through Contemporary Technology

Article eight:

Contemporary technology may be used to hold General Assembly and special assembly meetings, allow shareholders to review agendas of such meetings and related documents, participate in its deliberation and vote on its resolutions, in accordance with the following rules:

1. the participation at the General Assembly must be through instant video and audio transmission;
2. the participation must be through a live connection between the Company and the shareholders, which shall allow the shareholder to actively and instantaneously participate in the General Assembly or special assembly, in a manner that allows the shareholders to listen to and examine proposals, provide opinions and discuss and vote on resolutions;
3. electronic voting must allow shareholders to cast their votes, whether before or during the General Assembly or special assembly meeting, without the need to appoint a proxy to attend such meetings on their behalf; and
4. electronic voting on the agenda of any general or special assembly meeting, shall not commence prior to more than three (3) days from the date of the meeting.

Article nine:

If contemporary technology is used in General Assembly or special assembly meetings, the Board must establish the rules and guidelines for checking the identity of the shareholder who votes electronically or participates in General Assembly or special assembly meetings.

Article ten:

The attendance and votes of shareholders who participate in General Assembly or special assembly meetings by means of contemporary technology are counted towards the quorum required for a validly held meeting of the General Assembly or special assembly.

Article eleven:

Without prejudice to Article 91 of the Companies Law, the Company may send General Assembly or special assembly meeting invitations through means of contemporary technology.

Chapter Four
Buy-back of Joint Stock Companies' Shares

Part One
Share Buy-back Rules

Article twelve:

The Company may, if so provided and permitted in its bylaws, buy-back its ordinary or preferred shares, in accordance with the following rules:

1. the purpose of the share buy-back shall be to either reduce the Company's capital or to acquire Treasury Shares;
2. purchased Shares owned by the Company, must not at any time exceed 5% of the total Shares in the class of Shares subject of the buy-back;
3. the Company must satisfy the Solvency Requirements pursuant to a report issued by the Company's auditor, which shall confirm that the Company meets such requirements; and
4. the extraordinary General Assembly must approve the share buy-back transaction and determine the maximum number of Shares subject of the buy-back and its purposes, and the extraordinary General Assembly must also authorise the Board to finalise the buy-back transaction, in one or several phases, within a maximum period of twelve (12) months from the date of the above mentioned extraordinary General Assembly's resolution. The Company must announce the approval of the buy-back transaction and its conditions, immediately after the relevant resolution of the extraordinary General Assembly is issued.

Article thirteen:

A Company that is listed on the Exchange must comply with the following additional rules when buying-back its ordinary Shares or Preferred Shares:

1. The purchase price of the Shares must not exceed:
 - a) 5% of the closing price on the day preceding the day the share buy-back transaction is executed; and
 - b) the highest sale price offer of the Shares on the Exchange or price of the last purchase transaction executed on the Exchange.
2. The buy-back transaction must not cause the ownership of the public in Shares of the same class to decrease to less than 30% or any other percentage specified in the prospectus approved by the Authority. In addition, Treasury Shares and Employees' Shares do not count towards the ownership of the public.
3. A Company shall not buy-back or sell its Shares within the last thirty (30) minutes of the a trading session.

4. A listed Company shall not have a purchase order in place while selling Shares or a sale order in place while purchasing Shares.
5. A Company shall not sell or buy-back its Shares during the following periods:
 - a) the fifteen (15) calendar days preceding the end of the financial quarter and until the date of the Company's announcement of its reviewed interim financial statements; and
 - b) the thirty (30) calendar days preceding the end of the financial year and until the date of the Company's announcement of its reviewed interim financial statements or its audited annual financial statements.

Article fourteen:

A Company may not buy-back its shares as Treasury Shares except for the following purposes:

- a) If the Board or its authorised representative, considers that the Share price on the Exchange is lower than its fair value.
- b) To pay a Company's outstanding debt.
- c) Share swap transactions for the acquisition of company's shares or stakes, or an asset purchase.
- d) To allocate them to Company's employee as part of an Employees' Shares plan.

Article fifteen:

A listed Company must notify the Authority – through the means determined by the Authority – of the buy-back transaction at least two hours prior to the start of the trading session on the day following the relevant buy-back transaction.

Article sixteen:

A listed Company must notify the public of the buy-back or the sale of its Shares at least half an hour prior to the start of the trading session on the day following the completion of the buy-back transaction, if made through the Exchange.

Article seventeen:

A listed Company must execute the buy-back or sale of its Shares through one portfolio held by an Authorised Person, in accordance with the following:

1. buy-back or sale of Shares transactions must not exceed 10% of the total quantity approved for buy-back by the General Assembly in one trading day;
2. the execution period of such transaction must not exceed ninety (90) Calendar Days from the commencement date of the first buy-back or sale of Shares transaction;

3. the buy-back or sale of Shares must be made through the Exchange; unless the purpose of buying Treasury Shares is to finance share swap transactions for acquiring a company or an asset; and
4. the buy-back or sale of Shares must not be executed within the first half an hour of the start of the trading session or within the last half an hour preceding the closing of the trading session on the Exchange.

Article eighteen:

If the buy-back transaction is made through a private transaction, a non-listed Company must provide sufficient information to its shareholders in relation to the terms of the buy-back offer, the time allowed and sale of Shares process, and must allow all shareholders a fair opportunity to offer their Shares.

Article nineteen:

A Company shall not buy-back its Shares except from any “Distributable Profits” or through external sources of financing, provided that the total amount of Distributable Profits exceeds the total amount of external sources of financing.

Article twenty:

If the purpose of a Company’s buy-back of its Shares is to decrease its share capital, the provisions of Article 148 of the Companies Law must be taken into consideration.

Part Two

Effect of a Buy-back Transaction

Article twenty one:

If a Company buys-back its Preferred Shares, these shares are deemed cancelled upon completion of the buy-back transaction and the Company must then take all necessary legal steps to amend its bylaws to reflect such changes.

Article twenty two:

Any Treasury Shares not resold, cancelled or allocated to employees in an Employees’ Share plan within two years from the date such Shares were bought-back, are deemed cancelled. For the purpose of calculating such period, any sale of Treasury Shares is deemed to be a sale of the oldest Purchased Shares.

Article twenty three:

A Company may not increase its share capital through a rights issue if it owns Treasury Shares.

Article twenty four:

If a Company which owns Treasury Shares increases its share capital through a capitalisation issue, it shall have rights similar to those of other shareholders with respect to such Shares. In

addition, a Company may not undertake a capitalisation issue if it owns Shares of a certain class that it intends to cancel.

Part Three **Rules of Sale and Pledge of Treasury Shares**

Article twenty five:

A Company may sell its Treasury Shares if so provided in its bylaws and in accordance with the following rules:

1. the sale of Shares transaction must not exceed 5% of the total Purchased Shares of the same class;
2. the sale of Shares transaction must be approved by the Board;
3. a listed Company must notify the Authority and the public of the resolution approving the sale of Shares on the Exchange, within [●] days; and
4. for a listed Company, the selling price must not be less than 5% of the closing price on the day preceding the day the sale transaction is executed.

Article twenty six:

Shareholders of a non-listed Company shall, upon issuance of the Board resolution approving the sale of Treasury Shares for cash, have priority to purchase such Shares, in proportion to their ownership in the Company's paid-up capital, during the period determined by the Board.

Article twenty seven:

A Company may pledge its Shares as security for a debt owed to a third party, if so provided and permitted in its bylaws, in accordance with the following rules:

1. the pledge must benefit the Company and its shareholders;
2. the pledge must not adversely and materially affect the Company's financial position and indebtedness;
3. the Company must satisfy the Solvency Requirements;
4. the extraordinary General Assembly must approve the Share pledge transaction, and a pre-approval may be granted for several transactions; and
5. the pledge must not result in a breach of the Companies Law and any other relevant rules and regulations.

Part Four
Shares allocated to Employees

Article twenty eight:

If a Company is buying-back its Shares for the purpose of allocating them to its employees within an Employees' Shares plan, the Company must, in addition to the other requirements of a share buy-back, comply with the following conditions:

1. The Company's bylaws must provide and permit that;
2. obtain the extraordinary General Assembly's approval on the Employees' Shares plan, after disclosing all the terms of the plan and the allocation price for each Share offered to employees if offered for consideration; and
3. non-executive Board members shall not participate in the Employees' Shares plan and executive Board members shall not vote on Board resolutions relating to the plan.

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Chapter Five Pledge of Joint Stock Companies' Shares

Part One Share Pledge Rules

Article twenty nine:

Without prejudice to other related laws and regulations, anyone who has the right to own Shares of a Company may take a pledge over Shares in accordance with the rules set forth in this Chapter.

Article thirty:

A shareholder of a Company may pledge some or all of his/her Shares, in accordance with the following rules:

1. obtaining all regulatory approvals necessary to create the pledge; and
2. the pledge agreement between the pledging shareholder and pledgee creditor must comply with the rules set forth in Part Two of this Chapter.

Part Two Pledge Agreement and its Registration

Article thirty one:

- A. A pledge of Shares of a listed Company is created pursuant to a written or an electronic agreement between the pledging shareholder and the pledgee creditor, which shall include all information provided for in the Depository Centre Rules.
- B. A pledge over Shares of a listed Company is recorded, registered and released in accordance with the provisions of the Depository Centre Rules.

Article thirty two:

- A. A pledge of Shares of a non-listed Company is created pursuant to a written or an electronic agreement between the pledging shareholder and the pledgee creditor, and must include the following information:
 1. names and addresses of the pledging shareholder and pledgee creditor;
 2. number and value of the pledged Shares, name of the Company issuing such Shares and its commercial registration number;
 3. the amount of the debt secured by the pledge or the maximum debt amount permitted by it;
 4. date of the pledge agreement;
 5. conditions and terms of releasing the pledge; and
 6. any other conditions agreed upon by both parties.

B. A pledge over Shares of a non-listed Company is registered and released pursuant to the following:

1. Each of the pledgee creditor and pledging shareholder must submit the form of pledge application addressed to the chairman of the Board if the Company is the party preparing and maintaining the Shareholders Register or to the representative of the party entrusted by the Company to prepare and maintain the Shareholders Register and which shall contain the following information and be authenticated by the chamber of commerce and industry or any of the banks operating in the Kingdom or any of the Authorised Persons licensed by the Authority or any of the Saudi consulates, if either the pledging shareholder or the pledgee creditor is incorporated outside of the Kingdom:

A. Form of pledge application from the pledgee creditor in the form set out in Annex (1), including the following:

- name of the pledging shareholder whose Shares will be pledged to the benefit of the pledgee creditor;
- number of the investment portfolio in which the Shares to be pledged are deposited, if any;
- name of the Company which issued the Shares;
- number of Shares to be pledged;
- date of commencement of the pledge which shall not precede the date of the pledge agreement and if no date is specified, the date of registration of the pledge by the Company in its Shareholders Register or by the party entrusted to prepare and maintain the Shareholders Register (including the Exchange) shall be considered as the date of commencement of the pledge;
- The term of the pledge, if any; and
- determining the portion of dividends distributed either in cash or granted as bonus Shares to the pledging shareholder or pledgee creditor.

B. Form of pledge application from the pledging shareholder in the form set out in Annex (2) including the following:

- name of the pledgee creditor to the benefit of whom the Shares will be pledged;
- the name of the Company issuing the Shares and its commercial registration number;
- number of shares to be pledged;
- date of commencement of the pledge which shall not precede the date of the pledge agreement and if no date is specified, the date of registration of the pledge by the Company in its Shareholders Register shall be considered as the date of commencement of the pledge;

- The term of the pledge, if any; and
 - determining the portion of dividends distributed either in cash or granted as bonus Shares to the pledging shareholder or pledgee creditor.
2. The pledge is registered in the Shareholders Register prepared and maintained by the Company or by the party entrusted to prepare and maintain the Shareholders Register (including the Exchange).
 3. The share certificates of the pledged Shares, if any, shall contain a notation in respect of the pledge and name of the pledgee creditor.
 4. The pledge shall be released upon expiry of the pledge's term, if any, or by virtue of the form of pledge release application in the form set out in Annex (3) addressed by the pledgee creditor to the chairman of the Board if the Company is the party preparing and maintaining the Shareholders Register or to the representative of the party entrusted by the Company to prepare and maintain the Shareholders Register (including the Exchange) which shall be authenticated by any of the entities referred to in Paragraph 1 of this Article, and shall evidence the pledgee creditor's consent to release and remove any notation from the pledged shares.

Article thirty three:

A share pledge shall have no legal effect towards third parties unless it is recorded with the Depository Centre if the pledged Shares are issued by a listed Company and in the Shareholders Register if the pledged Shares are issued by a non-listed Company.

Article thirty four:

Unless otherwise provided for in the pledge agreement, the pledgee creditor may receive the profits resulting from the pledged Shares and may enjoy all rights attached to them.

Article thirty five:

Without prejudice to Article 34 of these rules, the pledgee creditor shall not be permitted to attend or vote at the meetings of the General Assembly.

Part Three
Selling and Foreclosing the Pledge

Article thirty six:

- A. The foreclosure of pledged Shares of listed and non-listed Companies shall be made in accordance with the Enforcement Law and related rules issued pursuant to it in addition to other relevant regulations and rules, without prejudice to the provisions of Article 8 of the Companies Law.
- B. An Authorised Person may foreclose on Shares deposited for its benefit or Shares available in its customer's portfolio as a guarantee for the margin lending granted to the customer through directly selling them on the Exchange, in accordance with the

relevant applicable rules and the margin lending agreements entered into between both parties.

Part Four
General Provisions

Article thirty seven:

It is not permitted to record more than one pledge over any Shares subject to a pledge, whether issued by a listed or non-listed Company.

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Chapter Six
Issuance, Buy-Back and Conversion of Preferred Shares by Joint Stock Companies

Part One
Rules of Issuance, Buy-Back and Conversion of Preferred Shares

Article thirty eight:

The Company must observe *Shari'ah* provisions when issuing Preferred Shares.

Article thirty nine:

The Company may issue or buy-back Preferred Shares, convert ordinary Shares into Preferred Shares or convert Preferred Shares into ordinary Shares, in accordance with the following rules:

- 1) the Company's bylaws must provide for it and permit it;
- 2) obtain the extraordinary General Assembly's approval;
- 3) obtain the approval of holders of Preferred Shares convened in a special assembly if the resolution relates to converting Preferred Shares into ordinary Shares or amending the rights of any holders of such Shares;
- 4) the percentage of Preferred Shares issued by a listed Company must not, at any time, exceed [●] of the Shares owned by the public;
- 5) the Preferred Shares must not exceed [●]% of the Company's share capital;
- 6) the Company's share capital must be fully paid; and
- 7) the issuance of Preferred Shares by the Company must not result in the violation of any other relevant laws or regulations.

Article forty:

- a) Special assemblies of holders of Preferred Shares must be held in accordance with Articles 90, 91 and 92 of the Companies Law, in addition to the following rules:
 - 1) Meetings of special assemblies of holders of Preferred Shares of a certain class, shall only be valid if attended by shareholders representing half of the number of Preferred Shares of such same class, unless the Company's bylaws provide for a higher percentage.
 - 2) If the quorum for a special assembly meeting specified in sub-paragraph (1) of this paragraph is not met, a second meeting shall be convened to be held in the same conditions provided for in Article 91 of the Companies Law. However, a second meeting may be held one hour after the time of the first meeting, provided that the meeting notice includes a statement on the possibility of holding such meeting. In all cases, the second meeting shall be valid if attended by holders of Preferred Shares representing a quarter of the number of Preferred Shares of the same class.

- 3) If the quorum for the second meeting is not met, a third meeting shall be convened to be held in the same conditions provided for in Article 91 of the Companies Law. The third meeting shall be valid regardless of the number of Preferred Shares of the same class represented therein, subject to obtaining the approval of the Competent Authority.
 - 4) Resolution of special assemblies of holders of Preferred Shares shall be passed by the majority of two-thirds of the number of Preferred Shares of the same class represented in the meeting.
- b) The provisions of Chapter 3 relating to holding of General Assembly meetings and shareholders' participation therein through contemporary technology and Chapter 10 relating to proxy rules for attending general or special assemblies shall also apply to special assemblies of holders of Preferred Shares.

Article forty one:

Preferred Shares shall not grant its holders the right to vote in General Assemblies unless the Company fails for three consecutive years to pay to holders of such Shares the specified percentage of the Company's net profits after setting aside the statutory reserve.

Article forty two:

If the General Assembly resolution results in amending the rights of holders of Preferred Shares, including the liquidation of the Company or conversion of Preferred Shares into ordinary Shares or vice-versa, such resolution shall not be effective unless ratified by holders of Preferred Shares allowed to vote in a special assembly.

Article forty three:

If the Company fails to pay holders of Preferred Shares the specified percentage of the Company's net profits after setting aside the statutory reserve for three consecutive years, the special assembly of holders of Preferred Shares, held in accordance with the provisions of Article 89 of the Companies Law, may resolve either to allow them to attend the Company's General Assembly and participate in voting, or to appoint representatives thereof in the Board in proportion to the value of their Shares in the share capital, until the Company is able to pay all profits allocated to holders of such Shares from all previous years.

Each Preferred Share shall have one vote in the General Assembly, and the holder of a Preferred Share may, in this case, vote on all agenda items of the General Assembly without any exceptions.

Chapter Seven

Sale of Shares through Public Auction or the Exchange in case of Failure of a Shareholder to Pay the Value of the Shares On time

Article forty four:

A shareholder in a non-listed Company shall, upon the first request by the Board through registered mail, pay the remaining value of a Share within a maximum period of fifteen (15) days. If a shareholder fails to make such payment on time, the Board may, after informing the shareholder through the means specified in the Company's bylaws or through registered mail, sell the Share through public auction in accordance with the Enforcement Law and other relevant laws.

Article forty five:

Amounts due to the Company shall be satisfied from the sale proceeds and the balance shall be returned by the Company to the shareholder. If the sale proceeds are not sufficient to cover the due amount, all of the shareholder's assets may be applied by the Company towards satisfaction of the balance.

Article forty six:

A shareholder who fails to make the required payment may, up to the day of the sale, pay the amount due in addition to the expenses incurred by the Company in this regard.

Article forty seven:

The listing of any Company on the Exchange, requires that the value of all its Shares be fully paid-up.

Chapter Eight
Dividends Distribution to Shareholders of Joint Stock Companies

Part One
Timing of Payment of Dividends

Article forty eight:

The Board must implement any General Assembly resolution with respect to dividends distribution to shareholders within seven (7) days from the date such resolution or the Board's resolution for the distribution of interim dividends, is issued.

Part Two
Interim Dividends Distribution

Article forty nine:

A Company which enjoys a regular positive profitability and reasonable liquidity, and is able to reasonably foresee the scale of its profits, may distribute interim dividends to its shareholders on a biannual or quarterly basis, if its financial capabilities allows it.

Article fifty:

The Company wishing to distribute interim dividends to its shareholders must comply with the following rules:

1. the Company must have cumulative retained earnings or contractual reserves from one or more previous years of not less than twelve months each, sufficient to cover the proposed dividend distribution;
2. the realised profits during the different periods of the financial year in which dividends are to be distributed, after deducting sufficient provisions to cover the estimated requirements of statutory reserves, *zakat* and tax, must be sufficient to cover such distribution, and the likelihood of maintaining such profits until the end of the Company's financial year must be highly reasonable; and
3. the Company's financial position and available liquidity must allow for such distribution.

Article fifty one:

The Board must include in its annual report submitted to the General Assembly of the Company the portion of dividends distributed to shareholders during different periods of the financial years in addition to the portion of dividends proposed for distribution at the end the year, and the aggregate dividend amounts.

Article fifty two:

- a) Dividend distributions must be recorded to the cumulative retained earnings account of preceding years, or the contractual reserves, or both. The Company must take a sequential and consistent approach in determining the manner and percentage of dividend distributions in light of the Company's capabilities and available liquidity.

The Board must disclose and announce the portion of regular interim dividends approved for distribution to the shareholders on the specified dates to ensure that shareholders are informed of such dividends and are able to review them.

- b) Joint stock Companies must, upon resolving to distribute interim dividends, disclose and announce such resolution, and provide the Competent Authority with a copy thereof.

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Chapter Nine
Issuance and Sale of Rights Issues Resulting from Capital Increase

Part One
Definition of Rights Issues

Article fifty three:

Rights Issues are tradable securities which grant their holder the right to subscribe for new cash Shares offered upon the extraordinary General Assembly's approval of the capital increase through the issuance of new cash Shares. Each right issue grants its holder the right to subscribe for one new Share at the offer price.

Article fifty four:

After the extraordinary General Assembly's approval of the capital increase through a rights issue, the price of the Share is adjusted by the Exchange, and the rights issues are deposited as securities in the portfolios of the Registered Shareholders based on their eligibility and in proportion to the percentage they each own in the share capital, within a maximum of two (2) days from the date of the extraordinary General Assembly meeting. The rights issues will appear in the portfolios of Registered Shareholders under a new symbol that designates these rights, and cannot be traded until the beginning of the trading period and subscription. The value of such rights issues will not appear in the Registered Shareholders' portfolios before the trading period, however, only the number of pre-emptive rights will appear. The Exchange will regularly calculate and publish an indicative value on its website during the period for trading of rights issues.

Part Two
Process of Trading of Rights Issues

Article fifty five:

The process of trading of rights issues include the following steps:

1) Period for trading of rights issues:

The period for trading of rights issues shall continue for eight (8) working days (trading days), in which Registered Shareholders and non-registered shareholders may trade rights issues. The trading period shall be determined in the prospectus and announcements of the issuing Company.

2) The relevant prospectus shall clarify subscription periods and procedures relating to new Shares.

3) Rump Offering Period (if any):

a) If there Shares that are unsubscribed for during the first and second subscription period (rump Shares) or fractional Shares (if any), such Shares shall be offered at a minimum at the offer price to a number of institutional investors who shall submit their offers to purchase the rump Shares. Shares will be allocated to institutional investors in order of the offer price for the Shares received, with the rump Shares allocated first to the institutional investor with the highest offer, and

will be allocated proportionately to institutional investors that tendered at the same price.

- b) The subscription price of the rump Shares shall be not less than the offer price during that period.
- c) If the price of rump Shares is higher than the offer price, the difference (if any) shall be distributed, after deducting the subscription monies and expenses, as a compensation to holders of rights issues, whether they are Registered Shareholders or new investors who purchased the rights issues and did not subscribe for their rights issues or did not sell their pre-emptive rights in proportion to the rights issues they own.

4) Allocation of shares to subscribers:

The prospectus shall determine the period of allocation of Shares to subscribers, and the date of transferring the compensation (if any).

Part Three

Options Available to Registered Shareholders and New Investors

Article fifty six:

- a) A Registered Shareholder shall have the following options:
 - 1) Exercise its right to subscribe for the entire rights issues deposited in its portfolio to maintain its shareholding percentage in the Company.
 - 2) Sell the rights issues deposited in its portfolio or part thereof through the Exchange and receive the consideration for such entire or partial sale.
 - 3) Purchase additional rights issues through the Exchange, and all purchasers shall have the right to subscribe for the Shares during the second subscription period.
 - 4) Maintain its rights issues without any change, whether by selling them or exercising the right to subscribe for them, and in this case, the rump Shares resulting from not exercising such rights issues or selling them shall be offered during the rump offering period. The Registered Shareholder may not receive any consideration for such rights issues if the sale occurs in the rump offering period at the offer price.
- b) If a Registered Shareholder subscribes then sells the rights issues, and a number of rights issues amounting to the number of rights issues he subscribed for is not purchased before the end of the trading period, the subscription application shall be rejected entirely (in the event of selling all rights issues) or partially, in proportion to the rights issues sold, and the rejected subscription monies shall be returned by the receiving agent to the Registered Shareholder.

Article fifty seven:

A new investor may purchase rights issues during the trading period and subscribe for such rights during the second subscription period. If it does not subscribe for such issues before the

end of the second subscription period, the rump Shares resulting from not exercising such rights or selling them shall be offered during the rump offering period.

Part Four
Rights' Indicative Value

Article fifty eight:

The indicative value of the rights shall reflect the difference between the market value of the Company's Shares during the trading period and the offer price regularly calculated and published by the Exchange on its website during the trading period. The indicative value may also be published on websites of market information providers to enable investors to view the indicative value upon entering orders.

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Chapter Ten

Proxy Procedures for Attending General or Private Assemblies

Article fifty nine:

- a) A shareholder in a joint stock Company may authorise, pursuant to a written proxy letter, another natural person, either from shareholders of the Company or others, provided that he is not a Board member or employee of the Company, to attend the General Assembly or special assembly meetings and vote on its agenda items on its behalf. Such proxy letter must be in accordance with the proxy form attached to the meeting notice issued by the Company, which shall be in the form set out in Annex (4) and shall include the following information:
- full name of the authorising shareholder if he is a natural person, or its name according its commercial registration, or equivalent, if it is a legal person;
 - name of the Company according to its commercial registration;
 - national ID number if the shareholder is a natural person, or commercial registration number if it is a legal person, or equivalent;
 - full name and national ID number of the proxy;
 - name and capacity of the proxy letter signatory, provided that a copy of the legal power of attorney is attached if the signatory is a legal agent;
 - date of proxy letter and period of validity; and
 - type of assembly meeting for which the proxy letter is granted.
- b) Notwithstanding paragraph (a) of this Article, a shareholder may authorise another person, from shareholders of the Company or others, provided that he is not a Board member or employee of the Company, to attend the General Assembly or special assembly meetings on its behalf pursuant to a legal power of attorney, provided that such power of attorney shall explicitly state the representative's right to attend General Assembly and special assembly meetings of joint stock companies, as may be appropriate, and vote on its agenda items.
- c) The original copy of the certified proxy letter, or original legal power of attorney (as applicable), must be presented and a copy thereof may not be accepted.

Article sixty:

- a) A shareholder who is a Saudi natural person or resident in the Kingdom, or a legal person duly established in the Kingdom, must attest its proxy letter by any of the following authorities:
- 1) chambers of Commerce and Industry if the shareholder is a member of the same, a company, or a legal entity;

- 2) a licensed bank or Authorised Person in the Kingdom, provided that the authorising shareholder holds an account with the attesting bank or Authorised Person; or
 - 3) attorneys licensed for attesting in accordance with the attestation law.
- b) A shareholder who is a legal person established outside the Kingdom may send a proxy letter to the Company, attested by the Kingdom's diplomatic authority and embassy in its country and the Saudi Ministry of Foreign Affairs, specifying its representatives who have the right to attend the Company's General Assembly and special assembly meetings on its behalf. Such proxy letter must be sent to the Company within the first three (3) months of the financial year or within one (1) month from the date of acquiring Shares in the Company. Such letter shall be deemed an official proxy letter which allows such representatives to attend General Assembly and special assembly meetings held within one (1) year from the date of the proxy letter.

Article sixty one:

The Company's bylaws may determine a maximum number of votes that a person may hold for several Shares in proxy. If the Company's bylaws do not include such limitation, a proxy may accept more than one proxy letter from the Company's shareholders, attend meetings and vote on their behalf regardless of the number of votes he represents in a meeting.

Article sixty two:

Without prejudice to paragraph (b) of Article 59, a proxy letter must be to a specific General Assembly or special assembly meeting. Such proxy shall be valid if a meeting is adjourned to a second or third meeting for failure to reach the quorum of the first meeting to which the proxy letter was issued.

Article sixty three:

A shareholder who wishes to attend the Company's General Assembly or special assembly meeting using contemporary technology may not authorise another person to attend the meeting in any other way.

Article sixty four:

The shareholder or its proxy must deliver the original copy of the proxy letter to the Company at least two days prior to the assembly meeting. A committee of the Company's employees and representatives of the Ministry and the Authority must be formed to sort the provided proxy letters and confirm the accuracy and completeness of information at least one day prior to the meeting, if possible.

Article sixty five:

Any proxy letter issued in violation of these rules must be excluded and considered void, except for violations to the timing of submitting the proxy letter if it is completed before counting the votes.

Annex (1)

Form of Pledge Application from the Pledgee Creditor

[The text of the form containing a list of all information and documentation required to submit a pledge application will be included]

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Annex (2)

Form of Pledge Application from the Pledging Shareholder

[The text of the form containing a list of all information and documentation required to submit a pledge application will be included]

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Annex (3)

Form of pledge release Application

[The text of the form containing a list of all information and documentation required to submit a pledge release application will be included]

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Annex (4)

Proxy Form

[The text of the proxy form required to attend General Assembly meetings will be included]

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