

# **ARTICLES OF ASSOCIATION**

**Saudi Steel Pipe Company**

(Joint Stock Company)

## **Chapter One: Company transformation**

### **Article One: Incorporation**

Is founded pursuant to Company Act issued by royal decree No. (M/3) dated 28/01/1437H (10/11/2015) and regulations thereto. **Saudi Steel Pipe Company**, as per Commercial Register (CR) No.: 205009144 dated 27/07/1400H (10/06/1980), is transformed from a limited liability company to a Saudi joint stock company as follows:

### **Article Two: Company name**

Saudi Steel Pipe Company (Joint Stock Company).

### **Article Three: Objective of the company**

Company carries out and practices the following activities:

1. Manufacture of chemical and metal products and composite metals.
2. Industrial products marketing in KSA and abroad.
3. Purchase commercial and industrial lands for company expansion purposes and purchase residential real-estate for company staff housing.

Company may not engage in business unless licenses required are obtained from authorities pertinent and in accordance with regulations applicable.

### **Article Four: Title to shares or merge**

Company alone may establish (liability limited or closed joint stock companies provided that capital is not less than (5) Saudi million. As well, company may have title to shares of other existing companies or merge therewith. Moreover, company may jointly have interest in incorporation of joint stock companies or liability limited companies after fulfilling requirements of laws and regulations applicable in this regard. Company shall have the right to dispose such shares without mediation.

### **Article Five: Headquarters of the company**

The head office of the company shall be in Dammam city. Company may open branches or offices or agencies in KSA or abroad by resolution of Board of Directors.

### **Article Six: Duration of the company**

Duration of this company is for a period of (99) Gregorian years taking effect as of the date it is duly registered with the Commercial Register as a joint stock company and renewable for similar period(s) by a resolution of Extraordinary General Assembly within a year at least prior to the date of expiration.

## **Chapter Two: Capital and shares**

### **Article Seven Capital**

Capital of this company shall be (SR510.000.000) (Saudi riyal, five hundred ten million) divided into (SR51.000.000) (Saudi riyal, fifty one million) nominal shares of equal value. Value of each share is SR10 (Saudi riyal, ten only) and all are ordinary shares.

**Article Eight: Shares subscription**

Shareholders have subscribed to the entire share capital amounting to SR51.000.000 shares in amount of SR510.000.000 paid in full at the time of transfer.

**Article Nine: Preferred shares**

An extraordinary General Assembly of the corporation in accordance to the principles set by the competent authority, may resolve to issue or purchase preferred shares of stock, or to convert common shares to preferred shares of stock, or convert preferred shares of stock to common shares. But the preferred shares shall not entitle its holders the right to vote at the General Assembly of shareholders. Such preferred shares entitle their holders the right to acquire a higher percentage, than common shares holders, of the net profit of the corporation after setting aside the statutory reserve.

**Article Ten: Sale of unpaid shares**

A shareholder is obligated to pay the value of his/her share on the dates set for such payment; and if such shareholder defaults in payment of a call when it becomes due, the Board of Directors may, after giving notice by publishing in a daily newspaper or Tadawul Website or by a registered letter, sell the share at a public auction or in the stock market – as the case may be – in accordance with the controls set by the competent authority. The corporation shall recover from the proceeds of the sale such amounts are due to it and shall refund the balance to the stockholder. If the proceeds of the sale fall short of the due amounts, the corporation shall have a claim on the entire fortune of the shareholder for the unpaid balance. A defaulting shareholder may, up to date the fixed for the public auction, pay the amount due from him plus all the expenses incurred by the corporation in this respect. The corporation shall cancel the share so sold and issue the purchaser a new share bearing the serial number of the cancelled share, and make a notation in this effect in the stock register with indication to the new holder's name.

**Article Eleven: Issue of shares**

Shares may not be issued at less than par value, but they may be issued at a premium, in which case the differential shall be added in an independent item within shareholder' rights. It shall be allocated and disposed pursuant to company act and regulation thereto. Share is indivisible, if a share is jointly owned by several persons, these must select one of their members to exercise the rights attached to such share on their behalf, but they shall be jointly liable for obligations arising from such ownership.

**Article Twelve: Negotiability of shares**

Cash shares subscribed by the founders shall not be negotiable before the publication of the financial statements for two complete financial years, each consisting of at least 12 months as from the date of transformation of the corporation. A notation shall be made on the respective share instruments, indicating their class, the date of the transformation of the company and the period during which their negotiability shall be suspended. However, during the period of suspension title to shares issued for cash may, in accordance with the legal provisions for the sale of rights, be transferred from one founder to another, or from the heirs of a deceased founder to a third party, or in case of enforcement over an insolvent or bankrupted founder, provided that priority shall be

given to the other founder for owning such shares. Provisions of this article shall apply to such shares as the founders may subscribe for in case of an increase of capital before the expiry of the period of suspension.

#### **Article Thirteen: Register of shareholders**

Company's shares may be negotiated in accordance with the provisions of Capital Market System.

#### **Article Fourteen: Capital Increase**

1. An extraordinary General Assembly may resolve to increase the corporation's capital, provided the capital is been paid up in full. However, if the unpaid amount of the capital refers to shares issued against converting debt bonds or financial instruments to shares while the period specified for such conversion has not expired yet, it shall not be provided that the capital must be paid up in full.
2. In all cases, the extraordinary General Assembly may allot the issued shares when increasing the capital or allot part of them for employees of the corporation or all or some of its subsidiaries. The shareholders may not practice the pre-emptive right for acquiring the shares allotted for the employees.
3. The shareholders shall have – upon the adoption of a resolution by the General Assembly to increase the capital - a pre-emptive right to subscribe for new cash shares which are issued for cash contributions; such shareholders shall be notified of their pre-emptive right, by publishing it in a daily newspaper or by notifying them of this resolution and its start and expiry dates by registered mail.
4. The extraordinary General Assembly may cancel the pre-emptive right of shareholders to subscribe in any capital increase for in cash contributions, or granting this pre-emptive right to other persons than shareholders in the circumstances it deems in the interest of the corporation.
5. A shareholder may sell or assign the pre-emptive right with the period from the date of the General Assembly's resolution to increase the capital and until the last day for subscribing in the new shares attached to such rights, in accordance with the controls specified by the competent authority
6. Subject to paragraph (4) provided above, the new shares shall be allotted to the subscribing holders of pre-emptive rights in proportion to the total pre-emptive rights held by them , provided that the number of shares allotted to them shall not exceed the number of new shares or which they have requested to subscribe for. The remaining new shares shall be allotted to the original shareholders who have subscribed for more than their share in proportion to the number of original shares held by each, provided that their total allotment shall not exceed the number of new shares for which they have subscribed as a result of the increase in capital. The remainder of the new shares shall be offered for public subscription, unless the extraordinary General Assembly or the regulations of Capital Market Authority provide otherwise

### **Article Fifteen: Capital reduction**

An extraordinary general meeting may resolve to reduce the corporation's capital if it exceeds the corporation's needs or if the corporation incurs losses. In the latter case only, the capital may be reduced below the minimum specified in Article (54). The resolution for reduction shall be adopted only after a reading of the auditor's report setting forth the reasons necessitating the reduction, the liabilities of the corporation and the effect of the reduction, on these liabilities. If the reduction of capital is due to an excess in capital over the corporation need, the creditors may be invited to express their objections within 60 days from the date of published of the resolution for reduction in a daily newspaper distributed in the locality of the head office of the corporation. If any creditor objects to such reduction and submits to the company, within the said period, the documents substantiating his/her claim, the corporation must off his/her debt if its due and payable or submit adequate security for its payment if its payable at a future date.

## **Chapter Three: Board of Directors**

### **Article Sixteen: Company management**

Company shall be run by a board of directors composed of (9) nine members elected by the Ordinary General Meeting of Shareholders for a period does not exceed three years.

### **Article Seventeen: Expiration of Membership of the Board of Directors**

Membership of the board of directors may expired at the end of its duration in accordance with any regulations or instructions applicable in KSA. However, the ordinary General Assembly may, at any time, remove all or any of the members of the board of directors without prejudice to the right of a removed director to hold the corporation liable if the removal is made without acceptable justification or at an improper time. A member of the board of directors may resign, provided that such resignation is made at a proper time, otherwise, he/she shall be responsible to the corporation for damages.

### **Article Eighteen: Vacant in the board of directors**

If the office of a member becomes vacant, the board may appoint a temporary member to fill the vacancy, provided that such appointed member is qualified and expertise, the Ministry and the authority of the capital market, must be notified to that effect within five working days from the date of appointment. Moreover, such appointment shall be laid before the first Ordinary General Assembly and such member shall complete the unexpired term of his/her predecessor.

### **Article Nineteen: Competences of the board of directors**

Subject to powers vested to the general assembly, the board of directors shall have full powers to manage the company and its affairs in KSA or abroad so as to fulfill its goals. For that end, the board of directors shall have the following powers, for example but not limited to:

1. Represent the company in its relations with third party, government authorities, before courts, judicial commissions, the board of grievances, labor and workers' offices, high and primary committees, commercial papers' committees, and all

other judicial committees , judicial commissions, civil rights, police departments, chambers of commerce & industry, private commissions, all types of companies and establishments. Enter into bids, receive, payment, acknowledgment, defense and plead, mitigation and reconciliation, accept verdicts, and denial, arbitration for the company, apply for and objection to the execution of verdicts, receive the outcome of execution of verdicts. Board of directors is entitled to sign all types of contracts, documents and papers including, for example but not limited to: articles of association of the companies in which the company is participated, along with all amendments, appendix, amendments resolutions thereto, sign on agreements, deeds/instruments on behalf of the company, sale, purchase, transfer of property deeds, accept the same, receive, deliver, lease and rent, receive and payment, open accounts and credits, draft and deposit with banks, issue bank guarantees, borrowing from banks, sign on all papers, documents, checks and all bank transactions. As well, the board of directors is entitled to appoint/employ staff and labors and dismiss them, apply for visas, recruit manpower from abroad and contract with them, determine their salaries, issue IDs/resident permits, transfer of sponsorships and assign of the same.

2. However, with regard to the sale of real estate of the company, minutes prepared by the board of directions must include facts of the decision to dispose real estate, taking into account the following conditions:
  - The board of directors shall determine in its sale decision, reasons and justifications for the same.
  - The sale is close to the price of the sale.
  - Sale is at once, only in cases determined by the board of directors under sufficient guarantees.
3. As for purchase of shares in corporations, sale, assignment and accept assignment and increase and reduction of capital and sign on attachments of amendments and partners' resolutions, a resolution of board of directors must be issued to approve it.
4. As well, the Board of Directors may enter into arrangement of loans with government funds and institutions, regardless of the duration of the commercial loans contract and enter into commercial loans contracts which their duration not exceed the duration of the corporation, taking into account the following conditions for commercial loans that not exceeding three years:
  - Value of loans entered into by the board of directors in nay single fiscal year may not exceed 75% of the capital of corporation.
  - The board of directors determines uses of loans and repayment methods.

5. The board of directors may, in cases estimated by itself, release the debtors of the company from their liabilities as deemed appropriate, provided that minutes of the board of directors and proceedings of resolutions include the following terms:
  - Release is one year after the debt arises.
  - Release shall be for a specific amount as maximum for each year per debtor.
6. Within its powers, the board of director may authorize single or more members of its board or a member of third party, to conduct business or specific works.

#### **Article Twenty: Rewards of the Board of Directors**

Annual rewards of members of the board of directors, including chairman of the board, composed of rewards, financial rewards and benefits or benefits in-kind not more than SR200.000 (Saudi riyal, two thousand) per member pursuant to provisions of company act and regulations thereto. The Board of Directors' report to the ordinary General Assembly must include a comprehensive statement of all remunerations, amounts in lieu of expenses and other benefits received by directors during the financial year. Such report must also include a statement of all the amounts received by the directors in their capacity as officers or executives of the corporation, or in consideration of technical, administrative or advisory services. It must also state number of meetings held by the Board and number of meetings attended by each director from the date of the last general meeting held.

#### **Article Twenty one: Competences of chairman, vice-chairman, managing director & Secretary**

The Board of Directors shall appoint from among its members a chairman and a vice-chairman and a managing director, but may not combine the post of chairman of the board and any other executive post in the corporation.

Chairman and vice-chairman of the board may call the board of directors for meeting and chair over the meetings of the board.

Chairman, vice-chairman and the managing director, collectively or individually, may represent the corporation in its relations with third party, government authorities, before courts, judicial commissions, the board of grievances, notaries, labor and workers' offices, high and primary committees, commercial papers' committees, and all other judicial committees, judicial commissions, civil rights, police departments, chambers of commerce & industry, private commissions, all types of companies and establishments. Enter into bids, receive, payment, acknowledgment, defense and plead, mitigation and reconciliation, sign on papers related lawsuits, attend investigations, inform, denial, assignment, arbitration, apply for oath, challenge the same, accept verdicts, and denial, arbitration for the company, apply for and objection to the execution of verdicts and receive the outcome of execution of verdicts

Chairman, vice-chairman and the managing director of the board of directors are entitled to sign on all types of contracts, documents and papers including, for example but not limited to: articles of association of the companies in which the company is participated,

issue commercial registers (CRs), industrial licenses, prepare articles of such companies, made amendments thereto and sign on resolutions of such companies and establishments when their board of directors are convened. Purchase of shares and assignment thereto, accept assignment, increase and reduce capital related and amendments and partners' resolutions.

As well, they have the right to purchase and sale of real-estate and receive values of the same for the corporation and employees, transfer of property deeds, accept the same, receive, deliver, lease and rent and construction, receive and payment, open accounts and credits, draft and deposit with banks, issue bank guarantees for the corporation and third party, borrowing from banks, sign on all papers, documents, checks and all bank transactions. Purchase and sale of shares and bonds, all types of investments for the benefit of the company, follow up all transactions and respond to the same and finalize all procedures. Mortgage, redemption and accept mortgage from the company and for the company related to employees. Moreover, mortgage, redemption and accept mortgage for the benefit of Saudi Industrial Development Fund, sign on contracts, amendments and attachments thereto, sign on legal guarantees or the like, file suits and follow-up with Ministry of labor, labor and workers office, and they may appoint employees and labors, dismiss them, apply for visas, recruit manpower from abroad and contract with them, determine their salaries, issue IDs/resident permits, renewal, exit re-entry, final exit, transfer of sponsorships, assign of the same, settlement for labors, police departments, receive and sign in this regards. Appoint advocates and agents for the company and may authorize single or more members of its board or a member of third party, to conduct business or specific works.

The board of directors determines rewards receive by airman, vice-chairman and the managing director in addition to remuneration prescribed for members of the Board of Directors.

The board of directors shall appoint a secretary, selected among its members or others, to arrange meetings of the board, write down the minutes and resolutions of such meetings and enter them regularly in a special book, in addition to exercise of other powers assigned to by the board and this latter shall determine the secretary's remuneration.

The term of office of the chairman, the delegate director and the secretary shall not exceed the term of their respective directorships, and they may be re-elected and the board may, at all times, remove all or any of them, without prejudice to their right to compensation if the removal is made without acceptable justification or at an improper time.

#### **Article Twenty two: Meetings of the Board of Directors**

The board of directors convene (twice annually at least) at the summon of its chairman, or vice chairman (if is absent). Call for meeting shall be handed over by person, or sent by a registered mail or fax or e-mail. The chairman or his vice-chairman must convene the Board if requested to do so by two members.



**Article Twenty three: Quorum for the board of directors' meeting**

A meeting of the board shall be valid only if attended by at least one half of the directors, provided that the number of those present shall not be less than Five. A member of the board may appoint other member of the board to attend meetings of the board under the following requirements:

1. A member of the board of directors may not delegate more than one member to attend such meeting.
2. A member delegated should be in writing and for specific meeting.
3. Such member delegated may not vote for resolutions as prohibited by regulations.
4. Resolutions of the board are passed by majority vote of the members present or representatives (in case votes are equal, chairman shall have a casting vote).
5. The board of directors may pass resolutions by showing such resolutions to all members separately, unless one of members request in writing convene a meeting of the board for deliberation in such resolutions, and such resolutions shall be provided to the board at the first next meeting.

**Article Twenty four: Deliberations of the board of directors**

Deliberations and resolutions of the board shall be recorded in minutes to be signed by the chairman, present directors and the secretary. Such minutes shall be entered in a special register, which shall be signed by the chairman and the secretary.

**Chapter Four: General Assembly of Shareholders****Article Twenty five: Attendance of General Assembly**

Any subscriber, regardless of the number of his/her shares, shall have the right to attend the constituent general meeting. As well, every shareholder is entitled to attend the same and has the right to delegate any person other than directors or employees to represent him/her at the General Assembly.

**Article Twenty six: The Constituent Assembly**

Founders shall summon subscribers for transformation assembly meeting within forty five days from the date of the Ministry's authorization for incorporation /transformation of the corporation. The meeting shall be valid only if attended by a number of subscribers representing at least one half of the corporation's capital. If such quorum is absent, the second meeting may be held after an hour from the end of the period fixed for holding the first meeting. In all cases, such meeting shall be valid regardless of the number of shares represented thereat.

**Article Twenty seven: Competences of Constituent Assembly**

The constituent general meeting shall be competent to do the following:

- 1- Ascertain that the capital has been subscribed for in full and that the minimum capital has been paid up in full and to the extent of the amount payable on the value of each share in accordance with these Regulations.

- 2- Draw up the final provisions of the corporation's bylaws, provided that the constituent general meeting may not introduce fundamental alternations to the bylaws submitted to it, except with the approval of all the subscribers represented thereat.
- 3- To appoint the members of the first Board of Directors for a period not exceeding five years and the first auditor, if these have not been appointed in the Memorandum of Association or in the bylaws of the corporation.
- 4- To deliberate on the founders' report on the acts and expenses necessitated by the incorporation and adoption of the corporation.

**Article Twenty eight: Competences of Ordinary General Assembly**

Except for matters falling within the jurisdiction of the Extraordinary General Assembly, the Ordinary General Assembly shall be competent in all matters related to the corporation and shall be convened at least once a year within six months of the end of the corporation's financial year. Other ordinary General Assemblies may be convened whenever the need arises.

**Article Twenty nine: Competences of Extraordinary General Assembly**

Extraordinary General Assembly shall be competent to amend the bylaws / articles of association of the corporation with the exception of things forbidden to be amended by it. Extraordinary General Assembly may issue resolutions in matters already included in competencies of the Ordinary General Assembly subject to the same terms and circumstances prescribed for Ordinary General Assembly.

**Article Thirty: Call for Assemblies**

General or special Assemblies of shareholders shall be convened at the summons of the Board of Directors in the manner prescribed in company act. The board of directors must call an ordinary General Assembly if so requested by the auditor, the Review committee or by a number of shareholders representing at least (5%) of the capital. Moreover, The auditor may call an ordinary General Assembly to convene if such meeting is not called by the Board of Directors within thirty days from the date of the auditor's request.

**Article Thirty one: Attendance register**

Shareholders, wishing to attend a General or Special Assembly, shall register their names at the head office of the corporation or at the place where the assembly shall be convened prior the time fixed for such meeting.

**Article Thirty two: Quorum for Ordinary General Assembly Meeting**

The ordinary General Assembly shall be valid only if attended by shareholders representing at least quarter of the corporation's capital. If this quorum does not obtain, one of the following two options shall be selected:

- 1- The second meeting may be held after an hour from the end of the period fixed for holding the first meeting, provided that the notice sent for the first meeting must include an indication to the possibility of holding a second meeting.
- 2- A notice is sent for a second meeting to be held within thirty days of the previous meeting. This notice shall be published in the manner prescribed in Article (30) herein.

In all cases, such meeting shall be valid regardless of the number of shares represented thereat

#### **Article Thirty three: Quorum for Extraordinary General Assembly Meeting**

An extraordinary general meeting shall be valid only if attended by shareholders representing half of the corporation's capital.

If this quorum does not obtain at the first meeting, one of the following two options shall be selected:

- 1- The second meeting may be held after an hour from the end of the period fixed for holding the first meeting, provided that the notice sent for the first meeting must include an indication to the possibility of holding a second meeting.
- 2- A notice is sent for a second meeting and shall be held in the manner prescribed in Article (30) herein.

In all cases, the second meeting shall be valid if attended by shareholders representing at least one quarter of the corporation's capital.

If this quorum does not obtain at the second meeting, a notice shall be sent for a third meeting in the manner prescribed in Article (30) herein, and such third meeting shall be valid regardless of the number of shares represented thereat, after the approval of the competent authority.

#### **Article Thirty four: Voting In Assemblies**

Every subscriber has a vote for each share at the constituent assembly and every shareholder has a vote for each share at the general assemblies and the cumulative voting shall be used in electing the board of directors.

#### **Article Thirty five: Resolutions In Assemblies**

Resolutions at the constituent assembly shall be adopted by absolute majority vote of the shares represented thereat, and resolutions of the ordinary General Assembly shall be adopted by absolute majority vote of the shares represented in the meeting. As for Resolutions of an extraordinary General Assembly shall be adopted by a two-thirds majority vote of the shares represented in the meeting, But if a resolution pertains to an increase or decrease in capital, or to extension of the term of the corporation, or to dissolution of the company prior to expiry of the term specified in its articles of association or in merger of the corporation into another company, it shall be valid only if adopted by a three-fourths majority vote of the shares represented at the meeting.

**Article Thirty six: Deliberations in Assemblies**

Every shareholder shall have the right to discuss the matters listed on the agenda of a General Assembly and to address questions to the directors and the auditor in respect thereof. The directors or the auditor shall answer shareholders' questions to such an extent as would not jeopardize the corporation's interest. If a shareholder feels that the answer to a question put by him/her is unsatisfactory, he/she may appeal to the General Assembly whose decision shall be decisive in this respect.

**Article Thirty seven: Chairing Assemblies & Preparation of Minutes**

Meetings of the General Assembly of shareholders shall be presided over by the Chairman; in the absence of the chairman, the vice-chairman shall preside over the meeting. If the chairman and vice-chairman are absent, the Board shall delegate a director from among its directors to preside over the meeting.

Minutes shall be prepared for the General Assembly, showing the names of shareholders present or represented thereat, the number of shares held by each of them, whether personally or by proxy, the number of votes allotted thereto, the resolutions adopted, the number of consenting and dissenting votes, and a comprehensive summary of the debate conducted at the meeting. Following every meeting, the minutes shall be regularly entered in a special book, which shall be signed by the chairman, the secretary, and the teller of the meeting.

**Chapter Five: Review Committee****Article Thirty eight: Review Committee Formation**

The ordinary General Assembly of a corporation adopt a resolution to form a Review committee composed of three members from non-executive directors, either from shareholders or others. The General Assembly shall also specify the duties, competences and controls of this committee and the remuneration for its members.

**Article Thirty nine: Quorum for Review Committee**

The meeting of the Review committee shall be valid only if the majority of its members attended such meeting, and shall adopt its resolutions by the majority vote of the present members. In case of a tie the chairman's vote shall carry.

**Article Forty: Competences of Review Committee**

The Review committee shall be competent in supervising the corporation's operations and shall be entitled to have access to the corporation's books, records and other documents. It shall also be entitled to request from the Board of Directors or management such particulars and clarifications as it may deem it necessary to obtain. The Review committee may request from the Board of Directors to call a General Assembly to convene if the Board obstructs its work or the corporation incur huge damages or losses.

#### **Article Forty one: Reports of Review Committee**

The Review committee shall consider the financial statements, reports and notes presented by the auditor and express its opinion and comments, if any. The Review committee must also prepare a report expressing its opinion on the adequacy internal control in the corporation, and describing other tasks it achieved within its scope of competence. The Board of Directors must place sufficient number of copies of such report at the head office of the corporation at least ten days prior to the date set for the holding of the General Assembly to provide, whoever wishes from the shareholders, with a copy. The report of the Review committee shall be read at the General Assembly.

### **Chapter Six: Auditor**

#### **Article Forty two: Auditor Appointment**

The corporation shall have one auditor or more auditors from among those licensed to operate in the Kingdom. The ordinary General Assembly shall appoint and specify their remuneration and term of office. The ordinary General Assembly may also or at any time remove them, without prejudice to their right to compensation if the removal is made at an improper time or without acceptable justification.

#### **Article Forty three: Competences of Auditor**

The auditor shall at any time have access to the corporation's books, records and other documents. He/she shall be entitled to request such particulars and clarifications as he/she may deem it necessary to obtain, and to verify the assets and liabilities of the corporation. Moreover, chairman of the Board of Directors must enable the auditor to perform his/her duty; If the auditor encounters any difficulty in this respect, he/she shall state that fact in a report to be submitted to the Board of Directors. If the Board fails to facilitate his/her task, the auditor must call a regular general meeting to consider the matter.

### **Chapter Seven: Corporation accounts and Distribution of Profits**

#### **Article Forty four: Fiscal Year**

The fiscal year of the corporation shall start from the first of January and ends at the end of December of each year, provided that the first fiscal year of the corporation shall start from the date of the resolution of the Minister of Commerce on approval of transformation and till the end of December of the current year.

#### **Article Forty five: Financial Documents**

- 1- At the end of every fiscal year, the Board of Directors shall prepare the financial statements of the corporation, and a report on its operations and financial position for the expired financial year, setting out the proposed method for the allocation of net profits. The board shall put the said documents at the disposal of the auditor at least forty-five days prior to the date set for the general Assembly.

- 2- The documents referred to in Paragraph (1) hereof, must be signed by the chairman of the board of directors, ECO and financial manager of the corporation, and copy of which must be deposited at the head office of the corporation and placed at the disposal of shareholders at least ten days prior to the date specified for hold the General Assembly meeting.
- 3- If the corporation's financial statements, Board's report and auditor's report have not been published in a daily newspaper distributed in the locality of the corporation's head of office, the chairman must provide the shareholders with such documents and must send a copy of which to the Ministry (as well as Financial Market Authority) at least fifteen days prior the date specified for holding the General Assembly.

**Article Forty six: Distribution of Profits**

The annual net profits of the corporation are divided as follows:

- 1- 10% of the net profits must be set aside to build up the statutory reserve of the corporation. The ordinary General Assembly may resolve to stop such deduction when the said reserve amounts to (30%) of the capital paid.
- 2- The ordinary General Assembly may, based on suggestion of the board of directors, set aside a percentage not exceeding (20%) from net profits to build up a contractual reserves allocated for a particular purpose or purposes.
- 3- The ordinary General Assembly may, in determining the dividend out of the net profits, resolve to create other reserves in such an amount as to insure continued prosperity for the corporation or the payment of as steady dividends as possible to shareholders. Such General Assembly may also withhold certain amounts from the net profits for the creation of social organizations for the corporation's employees and workmen, or for supporting such organizations as may already be in existence.
- 4- Distribution of a dividend of not less than (5%) of the corporation's paid-in capital.
- 5- Payment remuneration for the members of the board of directors pursuant to article (20) herein. Provided that such remuneration shall proportional to the number of meetings attended by the member.
- 6- The General Assembly may, based on suggestion of the board of directors, distribute the remaining of profits to shareholders as share extra profits.

**Article Forty seven: Profits' Entitlements**

A shareholder shall be entitled to his share in the profits as soon as the General Assembly adopts a resolution on the allocation of profits; such resolution shall show the payable date and distribution date. Shareholders registered in the shareholders register shall be eligible to profits at the end of the day specified for eligibility.

#### **Article Forty eight: Distribution of Profits to preferred shares**

- 1- In case of non-distribution of profits in any fiscal year, no profits pertaining to subsequent years may be distributed except after payment of the percentage referred to in Article (114) of company act to the holders of preferred shares for such year.
- 2- If the corporation fails to pay such percentage of the profits in accordance with Article (114) of these Regulations, for three consecutive years, the special meeting of the holders of such shares, convened pursuant to the provisions of Article (89) of company act, may decide that they either attend the General Assemblies of the corporation, participate in the voting, or appoint their representatives at the board of directors in proportion to the value of their shares in the corporation's capital, until the corporation is able to pay all the priority profits designated for the holders of such shares for the previous years.

#### **Article Forty nine: Corporation Losses**

1. If the losses of a corporation total half of its paid-in capital at any time during the fiscal year, any official of the corporation and or the auditor, as may have come to his/her knowledge, notify the chairman thereof, and the chairman immediately notify the Board which must – within fifteen days of its knowledge – call an extraordinary General Assembly meeting within forty five days from the date of knowledge of such losses; to consider whether to increase or decrease the capital – in accordance to the provisions of these Regulations - to the extent required for reducing losses below half of the paid-in capital or whether to dissolve the corporation before the expiry of the term specified in its bylaws.
2. A corporation shall be considered dissolved by virtue of these regulations if the extraordinary General Assembly has not convened within the term specified in Paragraph (1) hereof, or if it convened but failed to make a resolution on the matter, or if it decides to increase the capital in accordance with the conditions prescribed in this Article but the entire capital has not been subscribed for within ninety days from the extraordinary General Assembly's resolution for capital increase.

### **Chapter Eight: Conflicts**

#### **Article Fifty: Liability Lawsuit**

Every shareholder shall have the right to institute the action in liability against directors on behalf of the corporation if the wrongful act committed by them is of a nature to cause such shareholder personal prejudice. However, the shareholder may institute such action only if the corporation's right to institute it is still valid and after notifying the company of his/her intention to do so.

## **Chapter Nine: Dissolve and Liquidation of the Corporation**

### **Article Fifty one: Dissolve of the Corporation**

Immediately after the company is terminated, it should be liquidized, it may maintain the corporate person to the extent necessary for liquidation. Extraordinary General Assembly shall issue the Liquidation Resolution; such resolution includes appointing a liquidator, as well as determining their competences, fees, restrictions on their competences, and necessary duration for liquidation. Volunteering liquidation should not exceed five years, and may not be extended more than that without a court order.

Shareholders' assemblies shall remain during the liquidation period. Their role shall be limited to practicing their competences that do not contradict with the liquidator's competences.

## **Chapter Ten: Concluding Provisions**

### **Article Fifty two**

Unless otherwise is provided, in all matters that do not provided herein, Company Act and regulations thereto shall be applied.

### **Article Fifty three**

This regulation shall be provided and published under Company Act and regulations thereto.