

## **ByLaws**

### **NAJLAN CEMENT COMPANY**

#### **A Listed Saudi Joint Stock Company**

#### **Chapter (1): The Company Incorporation**

##### **Article (1) : Incorporation**

The company has been incorporated as a Joint Stock Company in accordance with the provisions of Companies Law and its bylaws.

##### **Article (2) : Company Name**

Najran Cement Company (Listed Joint Stock Company)

##### **Article (3) : Company Objectives**

The Company objectives shall be as follows:

- 1- Production of Ordinary Portland and Resistant Cement as per Industrial Ministerial Decision No. (1693) dated 28/11/1425H.
- 2- Wholesale and Retail Trade in Company's Products and Building materials.
- 3- Establishment of or participation in establishment of industrial services companies for purpose of providing maintenance and services to factories within and outside the Kingdom of Saudi Arabia.
- 4- Manage and operate Portland Cement Plants (ordinary, resistant and others).
- 5- Acquisition of lands, real-estate and patents and benefit from its use in achieving its industrial objectives within and outside of the Kingdom.
- 6- Commercial agencies.
- 7- Land transportation and shipping services.
- 8- Cooling and storage services.
- 9- Producing Gold and Silver Bars.
- 10- Producing concentrates of Copper, Zinc, Nickel, and Lead.
- 11- Producing Calcium Carbonate, Dolomite, Mica and Lime.
- 12- Extracting and manufacturing Granite.
- 13- Safety and Security.

The Company shall carry out its activities in accordance with the applicable laws and regulations after obtaining the necessary licenses from the relevant authorities if any.

#### **Article (4) : Participation and Ownership of Companies**

The Company may solely establish companies (Limited Liability or Closed Joint Stock) also may own stocks or shares of other existing companies or merge with them. The Company shall have the right to participate with others in establishing Joint Stock or limited liability companies after fulfilling the requirements of the applicable laws and regulations in this regard. The Company may dispose of these stocks or shares provided that this shall not include brokerage in its trading.

#### **Article (5) : Company Head Office**

The Company Head Office shall be in Najran city, Kingdom of Saudi Arabia, and it may establish branches, offices or agencies for the Company inside or outside the Kingdom of Saudi Arabia based on a Board of Directors decision.

#### **Article (6) : Term of the Company**

The duration of the Company is (99) Gregorian years starting from the date of its registration in the Commercial Register. The Company period may always be extended by a decision of the extraordinary general assembly at least one year prior to its expiration.

### **Chapter (2): Capital and Shares**

#### **Article (7) : Company Capital**

The Company capital shall be One Billion Seven Hundred million Saudi Riyals (SR 1,700,000,000) divided into One Hundred Seventy Million (170,000,000) nominal shares of equal value. The share value shall be SR 10 and all of them are cash nominal shares.

#### **Article (8) : Subscription of Shares**

The founders subscribed in all of the Company shares amounting to One Hundred Seventy Million (170,000, 000) nominal shares, which are fully paid.

**Article (9) : Preferred Shares**

The Extraordinary General Assembly may, according to the rules stipulates by competent authority, issue privileged shares or may purchase or transfer ordinary shares to privileged shares or may transfer privileged shares to ordinary shares, provided that these privileged shares shall not grant the right of vote in shareholders' General Assembly. Such shares shall give their holders the right to obtain higher percentage of the company's net profits than those who hold ordinary shares, after setting aside the statutory reserve.

**Article (10) : Bonds and Sukuk**

The Company may issue any type of negotiable debt instruments, such as Bonds or Sukuk, whether in part or several parts, or through a series of issues, or under one or more programs that the company establishes from time to time, whether for public offering or otherwise, inside or outside the Kingdom of Saudi Arabia. All of this at the times, amounts and conditions approved by the Company's Board of Directors, and the Board of Directors has the right to take all necessary measures to issue them in accordance with the regulatory rules and procedures set by the relevant authorities.

**Article (11) : Selling Non-Fully Paid Shares**

The Shareholder shall pay the share value on dates specified for that. If the shareholder fails to pay the value on due date, the Board of Directors – after notifying him by registered mail to address recorded in shareholder's register - may sell such shares in public auction or a stock market, as the case may be, in accordance with the directives of the Competent Authority.

The Company shall collect the amounts due to it from the sale revenue and refund the balance to the shareholder. If the sale proceeds are insufficient to cover the Company's dues, then the Company may recover the balance from the shareholder's funds.

Despite that the Shareholder in default may- up to the date fixed for selling- pay the amount due from him plus the expenses spent by the Company in this regard.

The Company shall cancel the shares sold in accordance with provisions of this article and shall give the purchaser new share with number of cancelled share and

notate in shares register the occurrence of share sale stating the name of the new shareholder.

#### **Article (12) : Shares' Issuance**

Shares shall be nominal and may not be issued in less than their nominal value, but may be issued in higher than the said value. In the latter case, the difference in value shall be added in independent item for shareholders' rights and may not be distributed as profits for shareholders. A share shall not be dividable for the Company. If a share is held by several persons, they must select one of them to act on behalf of them in using the share rights and those persons shall be jointly liable for the obligations appertaining to the share ownership.

#### **Article (13) : Shares Trading**

Subscribed shares by founders may not be traded prior to publishing the financial statements for two full fiscal years and each of which shall not be less than twelve months from the date of incorporation of the Company. A notation shall be made on the shares deed indicating the type of shares, the date of the Company incorporation and the period during which they are prohibited from being traded.

Nevertheless, shares may be transferred during the lock-in period in accordance with the provisions of the sale of shares from one founder to another or from heirs of one of the founders, in the event of his death, to others or in case execution on the funds of the insolvent or bankrupt founder, provided that other founders shall have preemptive rights to own such shares.

These provisions shall apply to what the founders subscribe to if the share capital is increased prior to the end of the lock-in period.

#### **Article (14) : Shareholders Register**

Company's shares shall be traded in accordance with laws of Capital Market.

#### **Article (15) : Capital Increase**

1. The Extra-Ordinary General Assembly may decide to increase the Company capital provided that the original capital has been fully paid up. The share capital shall not be required to be paid in full if the unpaid part of the share capital pertains to the shares issued in exchange for the conversion of debt or

financing instruments into shares and the period prescribed for converting them into shares has not yet expired.

2. The Extra-Ordinary General Assembly may, in all cases, allocate the issued shares upon the increase of share capital or part thereof to the employees of the Company and the subsidiaries or some of them, or any of the same. The shareholders may not exercise the preemptive right when the Company issues the shares allocated to the employees.
3. The shareholder owning the share at the time of Extraordinary General Assembly resolution approving the increase of share capital shall have the priority to subscribe to the new shares issued in exchange for cash shares. Such shareholders shall be notified with their priority by publication in a daily newspaper or by informing them by means of the registered mail of the resolution of increase of share capital and the terms and duration of subscription as well as its commencement and end date.
4. The extra-ordinary general assembly shall stop priority right in subscribing by increasing capital against cash shares, or giving priority to non-founders in cases deemed appropriate for the interest of the Company.
5. The Shareholder shall have right to sell priority right or waive it within time of issuing General Assembly decision for approval to increase capital until last day of subscription in these new shares related to these rights, in accordance with restrictions imposed by competent authority.
6. Subject to provisions of Paragraph (4) stated above, the new shares shall be distributed to the original shareholders who request subscription according to the percentage of the original shares they hold provided that what they receive shall not exceed what they requested from the new shares. The remaining new shares shall be distributed to the original shareholders who request more than their interest according to the percentage of the original shares they hold provided that what they receive shall not exceed what they requested from the new shares. The remaining shares shall be offered for general subscription,

unless the extra-ordinary general assembly decided or capital market law stipulates otherwise.

### **Article (16) : Capital Decrease**

The Extra-Ordinary General Assembly may decide to decrease the Company capital if it exceeds its need or if a loss occurs to the Company. In latter case, the capital may be decreased according to Article 54 of Companies' Law. This decision of the extra-ordinary general assembly may only be issued upon an auditor's report stating the reasons for that, the Company liabilities, the decrease effect on these liabilities.

If the decrease is as a result of the capital excess than the Company's need, then creditors must be invited to express their objections to it within 60 days from the date of publishing the decrease decision in a daily newspaper circulated in the same location of the Company Head Office. If any one of the creditors objects and submitted to the Company his documents within the said period, the Company must pay him his debt if it is due or submit an adequate guarantee for the debt settlement if it is deferred.

## **Chapter (3) : Purchasing, Selling and Mortgaging Company's Shares**

### **Article (17) : Purchasing Company's Shares**

The Company may purchase its nominal or privileged shares or mortgage them in accordance with rules and procedures of the competent authority and such purchased shares shall not have votes in Shareholders' Assembly. The Company may purchase shares and allocate them for Company's employees in accordance with the program of employees shares in accordance with rules and procedures of the competent authority.

### **Article (18) : Selling Company's Shares**

The Company may sell treasury shares on one phase or several phases in accordance with rules and procedures of the competent authority.

### **Article (19) : Mortgaging Company's Shares**

The Company may pledge its shares as a security for debt in accordance with rules and procedures of the competent authority.

**Article (20) : Shares Allocated for Company Employees**

If the Company intends to purchase its shares to be allocated for its employees according to program of employees shares, in addition to restrictions of purchasing shares stated in Article (17), the following shall be taken into consideration: -

The Extra –Ordinary General Assembly shall approve the program of employees shares, and shall have right to authorize Board of Directors to determine the provisions of this program including allocation price for each share offered to the employees.

Non-Executive members of Board of Directors shall not be included in employees share program.

Executive Board of Directors members shall not be involved in voting on decisions of Board of Directors related to program of employees' shares.

**Chapter (4) : The Board of Directors****Article (21) : Company Management**

The Company shall be managed by Board of Directors consists of (9) members appointed by the Ordinary General Assembly for a term not exceeding three years.

**Article (22) : Membership Expiry**

The Board membership shall expire by the end of its period, or expiry of member validity in accordance with valid instructions and laws of Kingdom of Saudi Arabia. The Ordinary General Assembly may in any case, remove or fire all members of Board of Directors or some of them without prejudice to rights of fired member to claim compensation, if such removal was due to unacceptable reasons and in improper time. Member of the Board of Directors may resign provided that such resignation shall be in a suitable time otherwise he shall be liable before the Company for any damage resulting from his resignation.

**Article (23) : Vacant Position in Board**

If the position of any one of the Board members becomes vacant, the Board may appoint a temporary member for the vacant position and such member shall be upon



votes elected by Board of Directors and shall have experience and adequacy. The Ministry and Capital Market Authority shall be notified within five business days from date of appointment provided that the Board shall submit this appointment to the Ordinary General Assembly at its first meeting, and the new member shall complete the period of his predecessor. In case the necessary conditions are not met for holding meeting due to the number of the Board members becomes less than the quorum required for the Board meetings validity, (5) five members, the remaining members shall call the Ordinary General Assembly for meeting within sixty days to appoint the necessary number of members.

#### **Article (24) : Conflict of Interest**

Members of Board of Directors' may not have any direct or indirect interest in the business and contracts being concluded for the company's account unless with an authorization from the Ordinary General Assembly according to the controls being established by the competent body. The member shall notify the Board with his direct or indirect interest in the business and contracts being carried out for the Company's account. This notification shall be recorded in the meeting minutes. This member may not participate in voting on the resolution to be issued in this regard in the Board of Directors and the assemblies of Shareholders.

If the Board member fails to disclose his interest, then the Company or every interested party may claim before the competent judicial bodies with voiding the contract or obligating the member to pay any profit or benefit achieved for him from that.

The responsibility for damages resulting out of the business and contracts referred to in the first paragraph of this Article, shall be assumed by the member who has an interest in the business or contract, as well as by the Board of Directors' members if such business and contracts are concluded in violation to provisions of that paragraph, or it is proven that they are not fair, or involve conflict of interests and bring damage to the shareholders.

The Board of Directors shall notify the Ordinary General Assembly when it is convened, with the business and contracts in which one of the board members has a direct or indirect interest. This notification shall be attached with a special report from



the Company's external Auditor according to the confirmations inspection form issued from Saudi Organization for Certified Public Accountants.

Members of Board of Directors, who object the resolution, shall be exempted from the responsibility when they prove their objection explicitly in the meeting minutes. Absence from attending the meeting in which the resolution is issued, shall not be deemed a reason for exemption from responsibility if it is proven that the absent member did not know the resolution or could not object thereon after he knew thereof.

The Board of Directors' member may not participate in any work that would compete against the Company, or compete against the Company in one of the activity branches, which it practices; otherwise, the Company shall have the right to claim from him against the competent judicial bodies with the appropriate compensation, unless he has obtained a prior authorization from the Ordinary General Assembly that allows him to do that, and according to the controls being established by the competent body.

Furthermore, the Company may not provide a loan of whatsoever kind to any member of its Board of Directors or Shareholders therein or guarantee any loan any of them may hold with the other.

It shall be excluded from that the loans and guarantees being granted by the Company according to its employees' motivation programs as per the internal policies of the company.

The Board of Directors' members may not disclose, otherwise in the General Assembly meetings, what they recognized of the Company's secrets, and they may not utilize what they know – by the virtue of their membership – in achieving an interest for them, one of their relatives or for the other; otherwise, it is necessary to remove them and claim them with compensation.

#### **Article (25) : Powers of the Board of Directors**

Subject to the General Assembly's competencies, the Board of Directors shall have the broadest authorities to manage the Company for achieving its objectives and to supervise its business, funds, and to manage all its transactions including- to take

decisions, conclude contracts, entering into any investment for the Company, purchasing real estates, all current and non-current assets, selling them, mortgaging them, evacuating, receiving, delivering, leasing, renting, releasing, assigning and all other required acts for achieving companies objectives Concerning selling Company's real estates, The Board of Directors' minutes and basis of such resolution, shall take into consideration the following terms:

- 1- The Board shall mention in the sale resolution, the reasons and justification thereto.
- 2- The sale shall be close to the price of the same.
- 3- The sale shall be present unless in the cases being determined by the Board and with sufficient guarantees.
- 4- That disposition shall not result in suspension of certain activities of the Company or cause it bear other obligations.

It shall have the right to donate for the charitable purposes, grant and accept gifts, sign the Articles of Association of the Companies in which the Company is participating and the amendment resolutions whether with increase or decrease of the capital, sell and purchase shares, entry and exit of a partner, amend the management or purposes of the Company or any of the Articles of Association items before the Notary Public and all official bodies, as well as signing agreements with all their kinds.

The Board of Directors may execute loan agreements which exceed three (3) years and taking into consideration the following terms and conditions: -

- 1- The Board of Directors shall specify usages of the loan and repayment methods.
- 2- Loan's terms and conditions shall not cause damages to its shareholders and to the general guarantees provided to its creditors.

The Board of Directors may issue Bonds (Sukuk), whether in part or several parts, or through a series of issues, from time to time, amounts and conditions approved by the Company's Board of Directors, without recourse to Shareholders' General Assembly in this regard, provided that value of these sukuk shall not exceed Company's capital.

Board of Directors shall have all powers and authorities for taking all necessary measures to issue the Sukuk and obtain the necessary approvals from the competent authorities. The Board of Directors shall have right to authorize any other person/s according to the granted powers as per the above stated decision and shall grant them the authority to delegate others.

**Article (26) : Remuneration of Board of Directors**

According to decisions issued by General Assembly, the rewards of Board of Directors shall consist of specific total amount and shall not exceed five hundred thousand Saudi Riyals (financial or in-kind) in accordance with the controls set by the Competent Authority.

The Board of Directors report to be submitted to the General Assembly shall include a comprehensive statement on all rewards, allowances, expenses other benefits which the Board members received during the financial year. The said report shall also include a statement of what the Board members received as Executives or administrators or in consideration for technical, administrative or consultancy assignments carried out by them alongside a statement for number of sessions attended by each member from date of last General Assembly meeting.

**Article (27) : Powers of Chairman of the Board, Vice- Chairman, Managing Director and Secretary**

The Board of Directors shall appoint a Chairman and Vice-Chairman from among its members and may also appoint a Managing Director. The member holding Chairman position may not hold any other executive position in the Company.

The Chairman shall represent the Company in its relations with third parties and before Courts, Judicial Committees, Notary Publics and all official and unofficial authorities. He shall have right to sue, defend, sign the companies' Articles of Association which Company participate in, all amendment decisions and other contracts, commitments, deeds, evacuations, opening bank accounts as determined by Board of Directors and all matters and purposes of the Company in accordance with Companies Law and bylaws. The Chairman shall have right to authorize any Board member in all or some of these powers. Board of Directors shall determine powers and authorities of the Chief Executive Officer.

Board of Directors shall determine the remuneration of Chairman and Managing Director, in addition to reward determined to Board Members according to Companies Act and its bylaws.

The Board shall appoint a Secretary from among members or from others to record the minutes of Board meetings, and the Secretary compensation shall be defined by a decision of the Board. The term of office of the Chairman, Vice chairman, the Managing Director and the Secretary who are members of the Board shall not exceed their membership periods in the Board. They may be re-elected. The board may, at any time, remove all or any of them, without prejudice to their rights in compensation, if such removal due to un reasonable reason or in improper time.

#### **Article (28) : Meetings**

The Board shall meet at least twice a year, by convocation from the Chairman. The convocation shall be in writing. The Chairman must call for meeting whenever two members of the Board request so.

Board of Directors may issue its decision in urgent cases by single vote through, fax or any electronic communication means, unless two members request to hold a meeting for deliberation, and the decision made by this method shall be presented to Board in the first meeting following its approval.

#### **Article (29) : Meetings Quorum**

A Board meeting shall not be deemed valid unless at least Five (5) of the Board members attend it, provided that the number of the members who attend personally shall not be less than three. If a Board member delegates another member of the Board to attend the Board meetings on behalf of him, delegation shall be in accordance with the following restrictions:

- 1- A Board member may not represent more than one member in the same meeting.
- 2- Delegation shall be made in writing for specific meeting.
- 3- A delegate member may not vote on decisions which rule prohibits the delegate from voting.

The Board decisions shall be issued by the votes of the majority of the present members or their representatives. In case the numbers of votes are equal, the Chairman shall have a casting vote.

### **Article (30) : Board Decisions and Deliberations**

The Board deliberations and decisions shall be entered in minutes to be signed by the Chairman, attended Board members and the Secretary. These minutes shall be recorded in a special register to be signed by the Chairman and the Secretary of the Board.

## **Chapter (5) : Shareholders' Assembly**

### **Article (31) : Assemblies' Attendance**

Every Shareholder regardless of the number of his shares shall have the right to attend the meetings of the General Assembly, and may also delegate another person who is not a Board member to attend the general assembly.

### **Article (32) : Constituent Assembly**

The founders shall call all subscribers to constituent assembly within forty-five days from date of closing the shares subscription; a meeting of this assembly shall not be valid unless it is attended by shareholders representing at least half of the Company's capital. If this quorum is not available in the first meeting, a second meeting shall be held after one hour following the first meeting expiry, and convocation of first meeting shall include this.

In any circumstances, the second meeting shall be deemed valid regardless of number of the shareholders represented in it.

### **Article (33) : Competencies of the Constituent Assembly**

The constituent assembly shall have competence in the following matters: -

- 1- To ascertain all Company's shares subscription and fulfillment of minimum capital and due amount of share value in accordance with Companies Law.
- 2- To deliberate in evaluating in-kind shares.

- 3- To acknowledge the final draft of Company's Articles of Association, provided that no substantial amendments are made to the system except by approval of all shareholders who are represented in.
- 4- To appoint members of the first Board of Directors for period not exceeding five years and first auditor unless he has been appointed in memorandum of association or Company's Articles of Association.
- 5- To deliberate in founders' report on Company's business and its expenditures those have been acknowledged when incorporating the Company.

#### **Article (34) : Competencies of Ordinary General Assembly**

Except the matters of which the Extra-Ordinary General Assembly is concerned, the Ordinary General Assembly shall be concerned with all matters related to the Company. The Ordinary General Assembly shall be held at least once every year within the six months following to the company financial year expiry. Other Ordinary General Assemblies may be called for meeting as necessary.

#### **Article (35) : Competencies of Extra-Ordinary General Assembly**

An Extra-Ordinary General Assembly shall be concerned with amending the Company articles of association except for matters forbidden to amend by law. It may render decisions on matters within the competence of the Ordinary General Assembly in the same conditions and manner decided for the Ordinary General Assembly.

#### **Article (36) : Holding Shareholders General Assemblies**

Shareholders Ordinary or Special assemblies shall be held by convocation of the Board. The Board shall call for holding an Ordinary General Assembly if the Auditor or Audit Committee or a number of Shareholders representing at least 5% of the Company capital request that. The Auditor may call General Assembly for convocation if the Board didn't call assembly within thirty days (30) from date of Auditor's request.

The convocation for the General Assembly shall be published in a daily newspaper circulated in the Company Head Office at least twenty-one (21) days before the date fixed for meeting. The convocation shall be addressed to all Shareholders with registered letters and a copy of the convocation and the agenda shall be sent to the Ministry or Capital Market Authority within the period fixed for publishing.

**Article (37) : Attendance Record**

The Shareholders who desire to attend the Special or General Assembly shall record their names in Company's Head Office or in location of holding the General Assembly before specified time for assembly meeting.

**Article (38) : Quorum of the Ordinary Assembly**

A meeting of an Ordinary General Assembly shall not be valid unless it is attended by Shareholders representing at least quarter of the Company's capital. If this quorum is not available in this meeting, second meeting to be held within one hour following the first meeting expiry, and the convocation of 1<sup>st</sup> meeting shall confirm availability to hold this meeting.

In any circumstances, the second meeting shall be deemed valid regardless of the number of the Shareholders represented in it.

**Article (39) : Quorum of the Extra Ordinary Assembly**

A meeting of an Extra-Ordinary General Assembly shall not be valid unless it is attended by Shareholders representing at least half of the Company capital. If this quorum is not available in this meeting, second meeting to be held within one hour following the first meeting expiry, and the convocation of 1<sup>st</sup> meeting shall confirm availability to hold this meeting.

In any circumstances, the second meeting shall be deemed valid when attended by shareholders who represent quarter of capital at least.

If the required quorum is not available in second meeting, a third meeting shall be called with same terms and conditions stated in Article 36 of this Bylaws. In any circumstances, the third meeting shall be deemed valid whatever be the number of the shares represented in it after obtaining approval of the competent authority.

**Article (40) : Voting Rights**

Each subscriber shall have one vote for each share it represents in the constituent Assembly. Each shareholder shall have one vote for each share in general assemblies, and cumulative voting shall be used when appointing Board of Directors.



**Article (41) : Decisions of Assemblies**

Resolutions of the General Assembly shall be adopted by absolute majority of the shares represented in it. Decisions of the Extra-Ordinary General Assembly shall be adopted by the majority of two thirds of the shares represented in the meeting unless the decision is related to the capital increase or decrease, related to extending the Company period or dissolving the Company before expiry of period set forth in the Articles of Association or merger of the Company with another Company, then such resolution will not be valid unless adopted by the majority of three fourths of the shares represented in the meeting.

**Article (42) : Discussions in Assemblies**

Each Shareholder shall have the right to discuss the agenda items of the assembly and to address questions on them to the Board members and to the Auditor. The Board or the Auditor shall answer the Shareholders questions in the way which does not jeopardize the Company. If a Shareholder is not satisfied with the answer, he may appeal to the assembly and the assembly decision shall be effective in this respect.

**Article (43) : General Assembly Presidency and preparing Minutes**

The General Assembly shall be chaired by the Board Chairman or in his absence, the Vice Chairman or the Director designated by the Board from among its members in the absence of the Chairman and the Vice Chairman.

An assembly meeting minutes shall be written to include the names of the Shareholders attending personally or by proxy, counting the shares held by principal or agent, counting the votes decided for them, the decisions adopted , the number of decisions supporters and objectors and a full summary of the discussions occur in the meeting. Minutes shall be regularly entered after each meeting in a special record to be signed by the assembly chairman, the secretary and the votes collector.

## **Chapter (6) : Audit Committee**

### **Article (44) : Committee Formation**

Audit Committee shall be formed by a resolution of the Ordinary General Assembly. Such Committee shall comprise at least three members and not more than five members who shall be non-executive board directors whether from shareholders or others. Such resolution shall determine the duties of the Committee, its functioning controls, and remuneration of its members.

### **Article (45) : Quorum of Audit Committee Meeting**

The meeting of Audit Committee shall be valid and legal by presence of all members, and its decisions shall be passed by majority of attending members. In case of equal votes, Committee Chairman shall have the casting vote.

### **Article (46) : Competencies of Audit Committee**

The Audit Committee shall monitor Company's business, and shall have right to review Company's records and documents and requesting any explanation or statement from Bboard members or the executive management. The Committee may request from Board to hold General Assembly if Board hinder its activities or if the Company incurred big losses.

### **Article (47) : Committee's Reports**

The Committee shall examine financial statements, reports and remarks of Auditor and shall submit its opinion and also to issue reports regarding adequacy of internal control system, and other works carried out within its competence. The Board shall deposit adequate copies from this report in head office of the Company before holding General Assembly by twenty-one days at least to be submitted to Shareholders. The report shall be read at the General Assembly meeting.

## **Chapter (7) : Auditor**

### **Article (48) : Appointment of the Auditor**

The Company shall have one or more auditors from the auditors licensed for work in the Kingdom to be appointed every year by the General Assembly which decides his appointment, compensation and term of office. The assembly may at all times to

change him without prejudice to his rights and compensations if change occurred in improper time and due to groundless reasons.

#### **Article (49) : Powers of Auditor**

The Auditor shall at all times have the right to review the Company books, records and other documents. He shall have the right to request any data and statements he considers necessary to verify the Company assets and liabilities and other matters within his scope of work. The Chairman shall enable the Auditor to perform his duties, in case of difficulty, the Auditor shall submit a report in this regard, and shall have right to request from Board to call a General Assembly to reconsider the matter.

### **Chapter (8) : The Company Accounts and Profit Distribution**

#### **Article (50) : Financial Year**

The Company financial year shall start from the beginning of January and expire at end of December of each year, provided that the first financial year shall start from the date of registration in the commercial registry and ends at end of December of the following year.

#### **Article (51) : Financial Documents**

1. The Board of Directors shall prepare, by the end each financial year, financial statements and report on the Company activities and its financial position for the preceding financial year. The report shall include proposed method for distributing profits. The Board shall place these documents at the disposal of the Auditor - at least- 45 days prior to the meeting of the General Assembly.
2. The Chairman of the Board, Chief Executive Officer and Chief Financial Officer shall sign the said documents in Paragraph 1 above and copies of them shall be made available at Head Office of the Company for Shareholder's review 21 days prior to the date fixed for holding the meeting of the General Assembly.
3. The Chairman shall provide the Shareholders with Company's financial statements, report of Board, Auditor's report and shall publish, in a daily newspaper circulated at the Company Head Office. He shall send a copy of these documents to the Ministry and Capital Market Authority before 15 days from the date fixed for holding the meeting of the General Assembly.

**Article (52) : Profits Distribution**

The annual net profits of the Company shall be distributed as follows:

- 1- 10% of the net profits shall be set aside to form the statutory reserve of the Company. The Ordinary General Assembly may decide to discontinue such reserve when the reserve reaches (30%) of the paid-up capital.
- 2- The Ordinary General Assembly, based on proposal of the Board of Directors, shall determine the percentage of net profits to form an additional reserve for benefit of the Company.
- 3- The Ordinary General Assembly may decide to allocate other reserves, to the extent that serves Company's interests or ensures distribution of fixed profits as much as possible to the shareholders. The said assembly may also deduct from the net profits such amounts for setting up of or providing aid to existing social institutions of the Company.
- 4- The remaining profits shall be distributed to the Shareholders at a rate that represents 1% of Company's paid-up capital.
- 5- Subject to the provisions stipulated in Article 26 of this Bylaw and Article 76 of the Companies Law, 10% percentage of the remainder shall be allocated to the remuneration of the Board of Directors after distribution to the shareholders of profits not less than 5% of the Company's paid-up capital, provided that the entitlement to this bonus is proportional to the number of meetings attended by the member.
- 6- The Ordinary General Assembly, based on proposal of the Board of Directors, to take the appropriate decision regarding the remaining profits, in a manner that does not conflict with the decisions and instructions issued by the competent authorities in this regard.
- 7- The company may, distribute interim dividends (quarterly or biannual) to its shareholders after fulfilling the statutory requirements.

**Article (53) : Profits' Entitlement**

The Shareholder shall have his share in profits according to resolution issued by General Assembly in this respect. Such resolution shall state the date of entitlement and distribution date.

**Article (54) : Distributing Profits of Preferred Shares**

- 1- If no profits are distributed for any financial year, no profits may be distributed for the following years until the percentage indicated according to Article 114 of Companies law to holder of preferred shares for this year.
- 2- If the Company fails to pay this percentage of profits for three consecutive years according to provisions of Article 114 of Companies Law, the assembly of the holders of these shares held in accordance with the provisions of Article 89 of the Companies Law may decide their attendance to the meetings of the Company's General Assembly and participating in voting or appointing representatives for them in the Board of Directors on pro rata to the value of their shares in the capital until the Company pays all priority profits for the holders of these shares for the previous years.

**Article (55) : Company Losses**

- 1- If the Company losses reach half of the paid-up capital at any time within financial year, any officer in the Company or Auditor, once he is aware of such fact, must notify the Chairman and in turn, the Chairman shall notify the Board members immediately. The Board shall within fifteen days to call the Extra-Ordinary General Assembly for meeting within forty-five (45) days from date of knowing losses to decide whether to increase or decrease the capital in accordance with Companies Law to the extent that losses percentage shall be decreased to less than half of paid-up capital or to Company's dissolution before its expiry as stated in Companies Law.
- 2- The Company shall be deemed expired by force of Companies Law if General Assembly didn't meet within specified period stated in Paragraph 1 of this Article, or if General Assembly was met without reaching to decision in this regard, or decided to increase Company's capital in according with conditions stated in this

Article, and every increase not subscribed within ninety days from date of assembly decision to increase.

### **Chapter (9) : Disputes**

#### **Article (56) : Liability Case**

Each shareholder shall have the right to file a liability case, vested in the Company, against the members of the Board of Directors if the fault made by them causes damage to him provided that the Company's right in submitting the case still exists. The shareholder shall notify the Company of his intention to submit the case, and his right is limited to claim compensation incurred by him.

The Company may shoulder incurred by the Shareholder for submitting liability case on Company whatever its results with the following terms and conditions: -

- A-** If the case was submitted in good faith.
- B-** If the Shareholder provided the Company with the reason of this case and didn't get any answer within thirty days.
- C-** If such liability case is for benefit of the Company according to Article 79 of Companies Law.

### **Chapter (10)**

#### **The Company Dissolution and Liquidation**

#### **Article (57) : Company Liquidation**

The Company shall subject to liquidation and maintain the legal entity for liquidation, by issuance the decision of voluntary liquidation by Extra-Ordinary General Assembly, such liquidation decision shall include appointing a liquidator, decide his powers and costs, restrictions on his powers, required period for liquidation, and such period shall not exceed five years and may not be extended except by judicial order. The authority of the Board shall expire by the elapse of the Company period. Despite that the Board shall continue to assume the Company management until a liquidator is appointed. The Company departments shall continue to practice their tasks to the extent that their work does not contradict with competences of the liquidators.

**Chapter (11) : Final Provisions**

**Article (58)**

The Companies Law and its regulations shall be applied to all that are not mentioned in this bylaws.

**Article (59)**

This bylaws shall be deposited and published in accordance with the Companies Law and its regulations.