

Articles of Association of Alkhorayef Water and Power Technologies

(A Saudi Joint Stock Company)

First Chapter: Incorporation of the Company

Article No (1): Transfer:

Pursuant to Companies Law and these articles, Alkhorayef Water and Power Technologies Company which is registered in the Commercial Register No 1010085982 in Riyadh dated 22/02/1412H has transferred from a limited liability company to a Saudi joint stock company among the shareholders with provisions stated in this law.

Article No (2): Name of the Company

Alkhorayef Water and Power Technologies Company, a Saudi joint stock company.

Article No (3): Purposes of the Company

Purposes of the company are determined to be as follows:

The company practices the following works: 1- Mining and quarrying 2- Manufacturing industries 3- Supplies of water, gas, steam and air conditioning 4- Supplies of water, activities of sewage and wastes management and processing (collection of water, water technology, water desalination, water transport and distribution, reduction of water salinity and other activities related to collecting and processing of water, disposing of sewage water, treatment of sewage water, and other activities related to sewage network water) 5- construction (extending water lines among and inside cities, construction and maintenance of new networks, and repair of the main stations for water distribution, founding and repair of irrigation channels and the main water storage towers, and excavation and maintenance of water wells, sucking of underground water and drying of the sites)-6: wholesale and retail trade, repair of vehicles with motors and motorbikes 7- Transport, storage and cooling -8 Activities of accommodation and food services 9- Information and communications 10- Financial activities and insurance activities 11- Real estate activities 12- Professional, scientific and technical activities 13- Administrative services and support services 14- General administration of defense, mandatory social insurance 15- Education 16- Human health activities and social work 17- Arts, entertainment and amusement 18- Other service activities.

And the company practices its activities according to applicable laws and after obtaining necessary licenses from the concerned authorities; if any.

Article No (4): Participation and Ownership in Companies:

The company may establish alone limited liability companies or joint stock companies with a capital of not less than (5) million Saudi Riyals, and it may also own shares and stocks at other existing companies or merge with them. It has the right to join with others in incorporating stock companies or limited liability companies after fulfilling whatever is required by laws and regulations applicable in this regard, and the company may dispose of these shares or stocks provided that this does not include brokerage in their circulation.

Article No (5): Head Office of the Company

Head Office of the company will be in Riyadh city. The company also has the right to establish branches, offices or agencies inside and outside the kingdom subject to a decision by the board of directors.

Article No (6): Term of the Company:

The company term is (99) ninety-nine Gregorian years starting from date of its entry in the Commercial Register, and the company term may be prolonged by virtue of a resolution issued by the extraordinary general assembly one year at least before expiry of this term.

The Second Chapter: Capital and Shares

Article No (7): Capital:

Capital of the company is determined to be an amount of (SR 250,000,000.00) two hundred and fifty million Saudi Riyals divided into (25,000,000) shares nominal share with equal value with a value of (10) Saudi Riyals each, and all shares are ordinary shares.

Article No (8): Subscription in Shares:

Shareholders have subscribed at all shares of the company which amount to (25,000,000 shares) twenty-five million shares.

Article No (9): Preferred Shares:

The extraordinary general assembly may, according to the principles set forth by the concerned committee, issue preferred shares or decide to purchase them or to transfer ordinary shares into preferred shares, or transfer preferred to ordinary shares, and not to give the preferred shares the right of voting in the general assemblies of shareholders. And these shares give their holders the right to obtain a percentage bigger than holders of ordinary shares from net profits of the company after setting aside the statutory reserve.

Article No (10): Sale of Shares with Unfulfilled Value:

Shareholder commits to pay value of the share in the times appointed for that, and if it fails to fulfill in the due time, board of directors may, after being informed through email or through a registered letter, sell the share in the public auction or the capital market as per the situation, and according to the controls determined by the concerned entity.

The company will take from the sale proceeds the amounts due to it, and return the balance to the shareholder, and if proceeds of sale does not cover these amounts, the company may return the balance from all amounts of the shareholder.

Nevertheless, the shareholder who defaults to pay till the day of sale may pay the amount payable by it in addition to the expenses that the company spent in this regard.

And the company cancels the share sold according to provisions of this article, and gives the purchaser a new share carrying number of the cancelled share, and marks in the shares register occurrence of sale with statement of the name of the new owner.

Article No (11): Issue of the Shares:

The shares will be nominal and they may not be issued with less than their nominal value but they may be issued with higher than this value and in this case, the value difference will be added in a separate item within the shareholder rights and may not be distributed as profits among shareholders, and the share is indivisible against the company.

If several persons own the share, they shall choose one of them to act on their behalf in use of rights pertaining to the share, and such persons will be jointly liable for liabilities arising out of ownership of the share.

Article No (12): Circulation of Shares

Shares of the company are circulated according to provisions of the Capital Market Law.

Article No (13): Capital Increase

- 1- The extraordinary general assembly may decide increase of the company capital provided that the capital has been fully paid, and it is not required for capital to be fully paid if the unpaid part of the capital is attributed to shares issued against transfer of debit tools or finance deeds to shares, and the term for transferring them into shares has not finished yet.
- 2- The extraordinary general assembly may in all cases allot the shares issued upon increase of the capital or a part thereof to the workers of the company or its affiliates or some of them or

any of that, and shareholders may not practice the right of priority upon issue by the company of the shares assigned for workers.

- 3- Shareholder who owns the shares at time of issue of the resolution of the extraordinary general assembly may agree upon increase of the capital of priority in subscription with the new shares which are issued against cash stocks, and those will be informed of their priority by publishing in a daily paper or by informing them through registered mail about decision of increase of capital, subscription conditions and term and date of its start and end.
- 4- The extraordinary general assembly may stop work with priority right for shareholders in subscription with increase of capital against cash stocks or giving priority to non-shareholders in cases whereas it deems this as proper for interest of the company.
- 5- A shareholder may sell or assign the right of priority during the period from time of issue of decision of the general assembly of consent upon capital increase to the last day of subscription in the new shares associated with these rights according to the controls set up by the concerned entity.
- 6- Without prejudice of the provisions of clause (4) above, the new shares will be distributed among holders of priority rights who claimed subscription proportionally to priority rights they own from total priority rights caused by increase of capital, provided that this does not exceed what they claimed from the new shares. The remaining from the new shares will be divided among holders of priority rights who claimed for more than their share proportionally to priority rights they own from total priority rights arising out of increase of the capital, provided that what they obtain does not exceed what they claimed from the new shares, and the remaining shares will be offered to third parties unless otherwise is determined by the extraordinary general assembly or provision of the capital market law.

Article No (15): Capital Decrease:

Extraordinary General Assembly may decide reduction of capital if it is more than the company requirements, or if it incurred losses, and only in the later case may the capital be decreased to below the limit stated in Article No (54) of Companies Law, and the decrease decision may only be issued after reciting a special report prepared by the auditor about reasons leading to it, and the liabilities on part of the company and effect of decrease on these liabilities.

In the event the reduction of capital is resulted from being more than the company requirement, the debtors may be called to object thereon within (60) sixty days from the date of publishing the reduction decision in a daily journal distributed in the head office of the company. If any debtor objects thereof and submits his documents on the date specified, the company shall pay him his

debt if it is due, or it may present thereto a sufficient guarantee to fulfill it if it has to be paid later.

The Third Chapter: The Board of Directors

Article No (16): Management of the Company:

The company management is undertaken by a board of directors composing of (6) six members elected by the ordinary general assembly for no more than three years, and as exceptional case from this rule, the shareholders appointed the first board of directors for five years.

Article No (17): Expiry of the Board Membership:

The Board membership ends with expiry of its period or expiry of validity of the member according to any law or regulations valid in the kingdom. However the ordinary general assembly may at any time terminate members of the board of directors or some of them without violation of the right of terminated member towards the company for claiming for compensation if termination is made without a justifiable reason or untimely, and member of the board of directors may resign provided that this happens in a proper time as otherwise he will be responsible to the company for the damages caused by resignation.

Article No (18): Vacancy in the Board:

If a position is vacant in the board of directors, the board may appoint a member temporarily in the vacant position according to the order of obtaining votes in the assembly which elected the board provided that the elected member fulfills conditions of experience and competence and ministry and capital market authority shall be informed of that within five work days from date of appointment, and appointment shall be proposed to the ordinary general assembly in its first meeting, and the new member will complete the period of his predecessor and if conditions required for holding the board of directors are not fulfilled due to shortage of the number of the members from the minimum limit stated in the companies law or these articles, the other members shall invite the ordinary general assembly to convene within sixty days to select the necessary number of members.

Article No (19): Authorities of the Board

(a) Without prejudice of the authorities determined for the general assembly, the board of directors will have the broadest powers and authorities in managing the company and running its affairs, and it, for instances, has the following authorities:

- 1- Setting up internal regulations of the company.

- 2- Adopting the company vision and strategy and its action plans, and approving its plans, operative budgets and its annual capital budget and others.
- 3- Concluding, signing and implementing all agreements including but not limited to contracts of purchase, sale, lease and rent as well as the agencies, franchise and financial hedging contracts and other documents, contracts, transactions and deals on behalf of the company, in addition to joining bids, and submitting of tenders and contents and accepting and rejecting awarding on its behalf.
- 4- Dealing in company name with all of the banks working in or outside the kingdom, opening, managing, and closing the bank accounts and withdraw and deposit, and issue of deeds and checks and preparing them, and signing all commercial papers and documents, obtaining loans and other shari'a compliant credit facilities for any period including loans not exceeding three (3) years from government finance funds and establishments, commercial banks, financial houses, companies and individuals including shareholders of the company. Issuing of guarantees and bails for favor of any entity when it deems that as realizing interest of the company. A director may employ company funds and invest them in any way and may establish, open, manage and close the portfolios and the investment accounts of the company what are compliant with Islamic shari'a at the banks and companies inside and outside Kingdom of Saudi Arabia, and may sell and purchase goods and building materials and properties and equivalent and he may establish investment fund companies inside and outside Kingdom of Saudi Arabia, and has the right to authorize in all that and to issue promissory notes and other commercial papers, and may conclude all transactions and all agreements and banking deals, and may sell, purchase or mortgage the company properties and assets and release the company debtors from their liabilities and indebtedness.
- 5- Agreeing upon the internal, financial, administrative, technical and regulatory regulations including the policies and regulations of the company staff, and appointing of managers of the departments and senior positions and determining their authorities, terminating their services, paying their dues, apply for work visas and exit- reentry and final exit visas for the company employees and transferring their service and releasing it, and managing their affairs according to laws applicable in the kingdom, and appointing persons in charge of management of the company from those having experience and competence and as deemed proper by the board, and determining their duties and remunerations.
- 6- Delegating to persons in charge of the company management the authority of signing in the company name within limits of the rules set up by the board of directors.

- 7- Formation of the committees and authorizing them to carry out the authorities that the board deem proper and coordinate among these committees to decide fast upon matters proposed to them.
- 8- Agreeing upon establishing subsidiaries, offices and agencies of the company inside and outside the company and contribution to any of the companies, and it has the right to represent the company in signing articles of incorporation of the companies in which it participates, and to purchase stocks and shares.
- 9- Conveyance, and accept and determine and receive the price, and signing before the Notary Public all over the kingdom and outside the kingdom on any deeds for sale or purchase, and they have the right to issue licenses of clearance and planning of the lands and to refer to municipalities and request for survey declaration, and to issue all papers and documents related to that. They also have the right to appoint experts and arbitrators and to assign lawyers, and to pay their fees and remove them. He also has the right to assign or authorize third parties to do specific act or acts on behalf of the company and they have the right to terminate agencies and cancel them and to terminate agents.
- 10- The board may, within limits of its competencies, authorize one or more from among its number or from outside to address a specific work or works. He will have the right of participation at other companies and disposing of its assets, properties and real estates, and it will have the right of accept and pay the price and mortgage and to release mortgage, sell, convey receive and hand over price but sale of the company real estates, this shall include the minute of the board of directors and the justifications of its decision for disposition, taking into account the following conditions:
 - 1) The board shall determine in the sale decision, the causes and justification of sale.
 - 2) The sale shall be against a price of similar item.
 - 3) Sale shall be on the spot except in cases determined under discretion of the board and against sufficient guarantees.

(Chairman of the board of directors may also sign the contracts of loans with the funds and the government finance institutions no matter how much their value are and how long their periods are, and also he may sign on commercial loan contracts with the local and foreign commercial banks regardless of their value and periods, and even if their value and ratio exceed the company capital, and to sign on all documents related to those loans. The chairman of the board of directors will also have the right of reconciliation, assignment, contracting, commitment and engagement in name of the company and on its behalf and may do all acts that may achieve interests of the

company, and he has the right to delegate any of its competencies to any person to perform specific tasks.

(b) The board of directors of the company may, in cases as it determines, will have the right to acquit and release responsibility of the company debtors from their obligations in a way attaining interest of the company provided that minute of the board of directors and justifications of its decision observe the following conditions:

- 1) Acquittal shall be after elapse of one full year from rising out of the debit as minimum.
- 2) Acquittal shall be for a specific amount as maximum for every year for each debtor.
- 3) Acquittal is a right of the board which cannot be authorized.

Article No (20): Remunerations of the Board Members

Remuneration of the board of directors; if any shall be composed as estimated by the ordinary general assembly, in line with the official decisions and instructions issued in this concern and with limits of the provision of Companies Law and Regulation, and the report of the board of directors to the ordinary general assembly shall include a comprehensive statement of all remunerations, expenses and other benefits that members of the board of directors obtained during the fiscal year. It will also include statement of the amounts that members received as workers or administrators or what they received against technical or administrative works or consultancies and will include also a statement of the number of sessions of the board and the number of sessions attended by each member till date of the last meeting of the general assembly.

Article No (21): Authorities of the Chairman, the Deputy Chairman, the Managing Director and the Secretary:

The board of directors appoints from among its number a chairman and a deputy chairman, and it may appoint a managing director and it is not allowed to join in the meantime the position of the chairman and any executive position in the company.

And chairman of the board of directors is concerned with the following:

- 1) Representing the company before third parties and before all courts with all of their degrees and types as well as the notaries public, grievances boards, the official entities and the judicial and administrative committees with their different types and degrees and labor offices, labor panels, legal and zakat committees, the committees for settlement of banking disputes, and the primary and supreme committees and panels and other government committees and commissions, in addition to Zakat and Income Authority, General

Investment Authority, the police, the general prosecution, execution court, emaras and ministries, and before all other committees and all individuals, companies whether inside or outside the kingdom, and he is responsible for submitting applications in name of the company and sign them and inform and receive them to and from any entity. He has the right of pleading, defending and attending sessions for the company and the right to raise and hear general cases and claims and to make reconcile, assignment, declaration, denial, answer, and to criticize and to bring witnesses and data and consent and to take all official procedures for execution of the verdicts issued for interest of the company. He may appoint and remove lawyers and claim for rights of the company with third parties and receive them according to certified checks in the name of the company and may determine satisfaction with judgments, and appoint arbitrators and sign the documents of arbitration and appointment of eperts and receive and handover the commercial registers and licenses and amend them, and the deeds of judgments, documents, clearances and commercial papers and to ask for implementation of verdicts and decisions, and he may claim against forgery and submit petitions and complaints, and

- 2) Sign for concluding all contracts and agreements, take loans from any government and non-government entities whether they are bank authorities or other than that for benefit of the company including conclusion of the contracts of borrowing from the Industrial Development Fund, and for opening bank accounts inside and outside the kingdom in name of the company and managing these bank accounts whether by withdrawal, deposit or closure and receiving of any profits which may arise out of them, and drawing, receiving and endorsing the checks and issuing of the documentary guarantees and credit letters, opening of investment portfolios at the Saudi and non-Saudi portfolios, and sale and purchase of shares in favor of the company provided that this includes brokerage in them.
- 3) Signing the concluding of the agreements of loans, credit facilities and mortgage agreements with all of their types and forms with the banks on behalf of the company, and concluding all types of transactions transferring ownership including mortgage on all movable moneys of the company including shares, deeds, properties, lands, and buildings to achieve purposes of the company at any place and form and the purposes assigned to them, and has the right to purchase real estate, buildings and other movable and immovable assets, and to accept conveyance for favor of the company, and pay price, and to sell properties, make conveyance and receive the price and sell the movable and immovable assets.
- 4) Joining incorporation of new companies whether inside or outside the kingdom, signing amendments to contracts of those companies with others and signing their Articles of Incorporation and the decisions of amendment of their Articles of Association before he Ministry of Commerce and Investment, and notary public on behalf of the company in name of the company including the decisions related to increase or decrease of the capital of this

company, or the entry or exit of shareholders, and in the sale of the shares and stocks owned by shareholders and assigning them to third parties, and in purchase of stocks and shares in existing and new companies.

- 5) Attending on behalf of the company in the meetings of general assemblies at the companies in which the company participates and in which it has shares, and voting and signing on the decisions issued in them. He has the right to rent and to receive rent value and to open subscriptions with Chamber of Commerce, establish telephones with their different forms and types with the Saudi Telecom Company and other telecommunication companies, and agreement with foreign companies to obtain agencies from them for the company and registering them with the concerned authorities and to register the trademarks and to object against their registration. He has the right to appoint employees, recruit overseas manpower and determine their salaries, and has the right to transfer their sponsorship and to obtain rights of the company and give clearance in relation to them and to fulfill liabilities of the company and pay its debts, and to receive and pay price, and has the right to authorize others in relation to some of what was mentioned above according to written authorizations or legal POAs.

Managing Director of the company is concerned with the following:

- 1) Signing the conclusion of the agreements of loans and credit facilities, and the agreement and mortgages with their different types and forms with the banks on behalf of the company, and to conclude all kinds of transactions of transferring ownership including mortgage in all types of movable moneys of the company including shares, deeds, real estates, lands and buildings as required to achieve purposes of the company regardless of their site and form and for purposes assigned to them and in the purchase of the real estates, buildings and other immovable and movable assets.
- 2) Signing all contracts and agreements, taking and receiving loans from any banking or other government or non-government entities in favor of the company including conclusion of contracts of taking loans from Industrial Development Fund and for opening bank accounts inside and outside the kingdom in name of the company and managing these bank accounts whether by withdrawal, deposit or closure and receiving of any profits which may arise out of them, and drawing, receiving and endorsing the checks and issuing of the documentary guarantees and credit letters, opening of investment portfolios at the Saudi and non-Saudi portfolios, and sale and purchase of shares in favor of the company provided that this includes brokerage in them.
- 3) Attending on behalf of the company in the meetings of general assemblies at the companies in which the company participates and in which it has shares, and voting and signing on the decisions issued in them. He has the right to rent and to receive rent value and to open

subscriptions with Chamber of Commerce, establish telephones with their different forms and types with the Saudi Telecom Company and other telecommunication companies, and agreement with foreign companies to obtain agencies from them for the company and registering them with the concerned authorities and to register the trademarks and to object against their registration. He has the right to appoint employees, recruit overseas manpower and determine their salaries, and has the right to transfer their sponsorship and to obtain rights of the company and give clearance in relation to them and to fulfill liabilities of the company and pay its debts, and to receive and pay price, and has the right to authorize others in relation to some of what was mentioned above according to written authorizations or legal POAs.

- 4) Representing the company before third parties and before notaries public, grievances boards, the official entities and the judicial and administrative committees with their different types and degrees and labor offices, labor panels, legal and zakat committees, the committees for settlement of banking disputes, and the primary and supreme committees and panels and other government committees and commissions, in addition to Zakat and Income Authority, General Investment Authority, the police, the general prosecution, execution court, emaras and ministries, and before all other committees and all individuals, companies whether inside or outside the kingdom, and he is responsible for submitting applications in name of the company and sign them and inform and receive them to and from any entity. He may appoint and remove lawyers and claim for rights of the company with third parties and receive them according to certified checks in the name of the company and may determine satisfaction with judgments, and appoint arbitrators and sign the documents of arbitration and appointment of experts and receive and handover the commercial registers and licenses and amend them, and the deeds of judgments, documents, clearances and commercial papers and to ask for implementation of verdicts and decisions, and he may claim against forgery and submit petitions and complaints.
- 5) Joining incorporation of new companies whether inside or outside the kingdom, signing amendments to contracts of those companies with others and signing their Articles of Incorporation and the decisions of amendment of their Articles of Association before he Ministry of Commerce and Investment, and notary public on behalf of the company in name of the company including the decisions related to increase or decrease of the capital of this company, or the entry or exit of shareholders, and in the sale of the shares and stocks owned by shareholders and assigning them to third parties, and in purchase of stocks and shares in existing and new companies.

And the deputy chairman of the board of directors will replace him in case of his absence.

The general assembly of the shareholders determines the special remunerations which chairman of the board and managing director obtained, in addition to the remuneration determined for the board members under Article No (20) of this law.

The board of directors appoints a secretary which it selects from among its number of from outside the board, and the secretary will be concerned with organizing meetings of the board of directors or its works, and will be in charge of preparing written minutes and shall keep records and prepare correspondences with the official and non-official entities, and will extend invitations for attending in the board based on request of the board. Period of the chairman of the board, and his deputy and the managing director and secretary “member of the board of directors’ will not be more than term of membership of each of them in the board and they may be re-elected, and the board may, at any time, terminate them or any of them without violating the right in getting compensation for a person terminated for unlawful cause or at improper time.

Article No (22): Meetings of the Board

The board of directors meet two times per year according to invitation from its chairman, and invitation will be in writing, and may be delivered by hand or sent through mail, fax or email one week before the date determined for the meeting unless members of the board agree otherwise, and chairman of the board shall invite the board to meet whenever so is required by two of the members.

Article No (23): Quorum of the Board Meeting

Board meeting is only valid if it is attended by (half of the members at least), provided that the number of the attendees is not less than three, and member of the board of directors may delegate other members in attending the board meetings according to the following controls:

- a- A member may not deputize (delegates) more than one member to attend the same meeting.
- b- Deputation shall be evidenced in writing, and shall be related to a specific meeting.
- c- The member may not vote on decisions which the law disallows the delegating member to vote on.

Decisions of the board are issued with majority of the opinions of the members present or represented in it (and upon equality of the opinions the party of the meeting chairman will have the casting vote) or the casting vote may go to a person chairing the meeting or his deputy. The board of directors may issue decisions through proposing them to all members severally (separately) unless one of the members request in writing a meeting of the board for discussion,

and these decisions are proposed to the board of directors in its first meeting next to that meeting.

Article No (24): Deliberations of the Board:

The board of directors deliberations and decisions are registered in minutes signed by chairman of the board, members of the board of directors attending and the secretary, and these minutes are noted down in a register signed by the Chairman of the Board of Directors and the secretary.

The Fourth Chapter: Assemblies of Shareholders

Article No (25): Attending the Assemblies:

Every shareholder regardless of the number of his shares, has the right to attend the constitutional assembly, and every shareholder has the right to attend the general assemblies of shareholder. and the shareholder may appoint another person who is not a member of the board or a company employee to be his attorney and act on his behalf in attending the general assembly.

Article No (26): The Constitutional Assembly:

Founders invite all shareholders to hold a constitutional assembly within forty five (45) days from date of decision of the ministry of giving a license for transfer of the company, and for holding a valid meeting it is required that a number of subscribers constituting half of the capital at least attend the meeting, and if such quorum is not available within one hour from expiry of the period determined for holding the first meeting, and in call cases the second meeting will be valid regardless of the number of subscribers represented in it.

Article No (27): Authorities of Constitutional Assembly:

The constitutional assembly is concerned with the matters stated in Article No (63) of Companies Law.

Article No (28): Authorities of the Ordinary General Assembly:

Except for matters governed by the extraordinary general assembly, the ordinary general assembly is concerned with all matters related to the company, and it is held once at least in the year during the six months next to end of the company fiscal year, and another ordinary general assembly may be invited as needed.

Article No (29): Authorities of the Extraordinary General Assembly:

The extraordinary general assembly is concerned with the amendment of the Articles of Association of the company except for the matters that are not allowed to be amended according to the law, and it may issue decisions in the matters which are originally included within the authorities of the ordinary general authority according to the same conditions and situations determined for the ordinary general assembly.

Article No (30): Inviting the Assemblies

The general or special assemblies of the shareholders are convened according to an invitation by the board of directors under Companies Law and its regulations, and the board of directors shall invite the general assembly to meet if so is requested by the auditor, the auditing committee or a number of shareholders representing (5%) of the capital at least. The auditor may invite the assembly to convene, if the board does not invite the assembly during thirty (30) days from date of the request of the auditor.

This invitation for holding the general assembly shall be published in a daily paper distributed in the head office of the company (21) days at least before the time fixed for holding the meeting. Nevertheless, it is sufficient to send invitation in the said appointment to all shareholders through registered letters and a copy of the invitation and the agenda will be sent to the ministry and CMA during the period determined for publishing.

Article No (31): Assemblies Record of Attendance:

Shareholders intending to attend the general or special assembly shall register their names at the head office of the company before the time determined for holding the assembly.

Article No (32): Quorum of the Meeting of the Ordinary General Assembly

The meeting of the ordinary general assembly may not be valid unless it is attended by shareholders constituting at least quarter of the capital of the company. If the quorum required for holding meeting of the ordinary general ordinary assembly is not attained subject to clause No (1) herein, an invitation will be extended to a second meeting to be held within the next thirty days, and the invitation shall be published according to the way stipulated in Article No (30) of this law. However, the second meeting may be valid regardless of the number of the shares represented in it.

Article No (33) Quorum of the Extraordinary General Assembly:

The meeting of the extraordinary general assembly is required to be attended by a number of shareholders constituting at least half of the capital so as to be valid. If such quorum is not valid in the first meeting, an invitation is sent to a second meeting to be held under the same situations

stipulated in Article No (30) hereof, and in all cases, the second meeting will be valid if it is attended by a number of shareholders constituting quarter of the capital at least.

If the required quorum is not fulfilled in the second meeting, an invitation will be directed to a third meeting which will be held according to the same conditions stipulated by Article No (30) hereof, and the third meeting will be valid regardless of the number of shares represented in it, after consent of the concerned authority.

Article No (34): Voting in the Assemblies

Each subscriber will have a vote for each share that it represents in the constitutional assembly, and each shareholder will have a vote for each share in the general assemblies, and accumulative voting shall be used in the election of the board of directors.

Article No (35): Decisions of the Assemblies:

Decisions in the constitutional assembly are issued according to absolute majority of the shares represented in it, and the decisions of the ordinary general assembly are issued by absolute majority of the shares represented in the meeting, and the decisions of the extraordinary general assembly are issued with the majority of two thirds of the shares represented in the meeting except in cases whereas the decision is related to increase or decrease of the capital or prolonging of the company term or dissolution of the company before expiry of the term determined in its Articles of Association or by merging with another company, decision will be only valid if it is issued by a majority constituting three quarters of the shares represented in the meeting.

Article No (36): Discussions in the Assemblies:

Every shareholder has the right to discuss the subjects enlisted in the assembly agenda, and to ask questions in this regard to members of the board of directors and the auditor. The board of directors and auditor answers questions of the shareholders to the extent that do not expose company interest to damage, and if shareholder believes that reply to his question is not satisfactory, it will resorts to the assembly, and its decision in this regard will be effective.

Article No (37): Assembly Chairmanship & Minutes Preparation:

The general assembly meetings of shareholders will be presided by the chairman or his deputy in case of his absence or by the board representative among the board number in the event of the chairman and deputy chairman absence.

Minutes should be written for the general assembly meeting including the number of shareholders, number of shares in their possession whether for themselves or in the capacity of attorneys-in-fact, number of relevant votes, the decisions taken, number of approving or

disapproving votes and a sufficient summary of the meeting's discussions. The minutes should be recorded on a regular basis following each meeting in a separate register signed by the general assembly's chairman, secretary and vote collector.

The Fifth Chapter: The Auditing Committee

Article No (38): Formation of the Committee:

According to a resolution of the ordinary general assembly a committee shall be formed composing of three members from persons other than executive members of the board of directors whether from shareholders or others. The decision determines functions of the committee, controls of its work and remuneration of its members.

Article No (39): Quorum of the Committee Meeting:

For valid meeting of the auditing committee, it is required to be attended by majority of its members, and its decisions are issued with majority of the votes of attending members, and upon equality of votes, the side supported by the committee chairman will have the casting vote.

Article No (40): Authorities of the Committee

The auditing committee is concerned with auditing of the company businesses, and to this effect it has the right to access to the company registers and documents, and to request any note or a statement from members of the board of directors or the executive management. It may claim from the board of directors to invite the general assembly of the company to meet if the board of directors impedes its work, or if the company is exposed to grave damages or losses.

Article No (41): Reports of the Committee:

The auditing committee shall consider financial statements of the company and the reports and remarks that auditor presents, and it shall show its opinions on them, if any. It will also prepare a report on its opinion regarding adequacy of the internal control system in the company, and it may show opinions about the works it did which are part of its authorities.

The Sixth Chapter: The Auditor

Article No (42): Auditor Appointment:

The company shall have one or more of the auditors licensed to work in the kingdom, appointed by the ordinary general assembly annually and its remuneration and period of work will be determined by the assembly. The assembly may also at every time change it without violating its right in compensation if change is made untimely or for unlawful reason.

Article No (43): Authorities of the Auditor

The accounts auditor shall have the right at any time to review the company's books, records and all other documents. Also, he shall have the right for this purpose to request the data and

clarification that he may deem appropriate, to verify the company's assets and liabilities and all other matters falling within the scope of his work. The chairman should facilitate duties of the accounts auditor. If the accounts auditor faces any difficulties while performing his duties, he shall enter the same in a report to be presented to the board of directors. If the board has not facilitated the accounts auditor report, he should ask the board of directors to summon the normal general assembly to look into this affair.

The Seventh Chapter: The Company Accounts and Profits Distribution

Article No (44): The Fiscal Year:

The company's fiscal year starts on the first day of (January) and ends at the end of (December) of every year, provided that the first fiscal year starts from date of the ministerial decision issued for announcing transfer of the company and ends on (31) of December of the next year.

Article No (45): Financial Documents:

- a- The board of directors shall, at end of every financial year, prepare the financial statements of the company, and a report on activity of the company and its financial position of the fiscal year then ending, and the report shall include the way proposed for distribution of the profits, and the board puts these documents under disposition of the auditor forty-five days at least before the time determined for holding the general assembly
- b- Chairman of the board of directors of the company and its CEO and financial manager shall sign the documents mentioned in clause No (A) hereof, and copies thereof shall be deposited at the company head office under disposition of the shareholders twenty-one (21) days at least before the time fixed for holding the general assembly.
- c- Chairman of the board of directors shall provide shareholders with the financial statements of the company, the report of the board of directors, and the auditor report if they are not published in a daily paper distributed in the company's head office, and he shall also send these documents to the Ministry and the Capital Market Authority fifteen (15) days at least before date of holding the ordinary general assembly.

Article No (46): Distribution of Profits:

The net annual profits of the Company shall be distributed in the manner described below:

- 1- A Portion equal to 10% of the annual net profits at least shall be set aside to form the statutory reserve. General assembly of the shareholders may decide to stop setting aside this percentage once the statutory reserve reaches (30%) of the company Capital.
- 2- The ordinary general assembly may decide formation of other reserves to the extent realizing interest of the company or guarantees distribution of permanent profits as far as possible among shareholders, and the said assembly may also deduct from the net profits

some amounts to establish social institutions for company workers or to assist whatever is based on these institutions.

- 3- The ordinary general assembly may, based on proposal of the board of directors, set aside (5%) of the net profits to form conventional reserve and to assign it for specific purpose or purposes determined by the general assembly.
- 4- The ordinary general assembly may decide to form other reserves to the extent that realizes interest of the company or guarantees as permanent as possible profits for shareholders, and the said assembly may also deduct from the net profits amounts for establishing social establishments for the company workers and to help the existing establishments.
- 5- The remaining after that will be distributed among shareholders as a share in the profit or transferred to account of the remaining profits.
- 6- And the company may distribute terminal profits among shareholders on quarterly or bi-annual basis after fulfilling the following requirements, provided that they are adopted later by ordinary general assembly of the company:
 - The ordinary general assembly authorizes the board to distribute terminal profits according to a decision to be renewed annually.
 - The company shall have a good and regular profit.
 - The company shall have a reasonable liquidity and shall be able to expect its profits level reasonably.
 - The company shall have profits which are distributable according to last auditing financial statements, which are sufficient for covering the profits proposed to be distributed after deducting whatever is distributed and capitalized from those profits after date of these financial statements.
 - The board of directors shall implement decision of the general assembly regarding distribution of profits among shareholders within 15 days from date of maturity of these profits which is determined in the decision of the general assembly.

Article No (47): Maturity of Profits:

Shareholder is entitled to its shares in the profits according to decision of the general assembly issued in this concern, and the decision explains date of maturity and date of distribution, and the party entitled to profits will be the owners of shares registered in the shareholders registered at end of the day determined for maturity (entitlement).

Article No (48): Distribution of Preferred Share Profits

- 1- If no profits are distributed for any fiscal year, it will not be allowed to distribute profits for the following years unless the specific percentage is paid according to provision of Article No (114) of Companies Law to owners of the preferred shares for this year.
- 2- If the company fails to pay the portion specified according to rule of Article No (114) of Companies Law of the profits for three successive years, the general assembly of the owners of these shares may, according to provisions of Article No (89) of Companies Law decide either they attend meetings of the general assembly of the company and participate in voting, or appoint representatives for them in the board of directors in a way suitable to the value of their shares in the capital till the company is able to pay all profits of priority assigned for owners of these shares for the previous years.

Article No (49): The Company Losses:

- 1- If the joint stock company losses reach half of its paid up capital at any time, during the financial year, each officer of the company or the accounts auditor should, as soon as he knows about that, inform the chairman, and the chairman should in turn inform the board members of the event, and the board of directors shall, within fifteen (15) days from knowing about that call the extraordinary general assembly to meet within forty five (45) days from the date of knowing of the losses to decide whether to increase or reduce the capital pursuant to provisions of the Companies Law, to the extent that losses are lowered to less than half of the company's capital, or to dissolve the company before the time set out according to Companies Law.
- 2- The company shall be considered as defunct by the force of the Companies Law if the general assembly has not held a meeting during the term mentioned in clause (1) hereof, or if it has convened and it was difficult for them to issue a decision on the subject, or if a decision is taken for increasing the capital, in accordance with the situations mentioned in this article, but no subscription is made to all capital increase within ninety (90) days of issuing the assembly's decision for the increment.

The Eighth Chapter: Disputes

Article No (50): Responsibility Claim

Each shareholder has the right to raise the responsibility lawsuit determined for the company against the members of the board of directors if such an error made by them may cause a damage to it, and the shareholder may not raise the said case unless the company right in raising it is still present, and the shareholder shall inform the company of its determination to raise the lawsuit.

The Ninth Chapter: The Company Dissolution and Liquidation

Article No (51): The Company Termination

The Company shall enter the phase of liquidation as soon as it has become defunct and shall retain its body corporate character to the extent needed for the liquidation. The decision for voluntary liquidation will be issued by the extraordinary general assembly. The liquidation decision shall include appointment of the liquidator and identification of his authorities, remuneration, and the restrictions on his powers and the time period required for the liquidation. The period of voluntary liquidation should not exceed five (5) years and must not be extended for more than this period without a judicial order. The power of the company's board of directors shall expire upon its dissolution. Nevertheless, board members shall remain responsible for the company's management and are considered towards the others as liquidators until the liquidator is appointed. The shareholders assemblies shall keep their authorities that do not conflict with the liquidator's authorities during the liquidation period.

The Tenth Chapter: Final Provisions

Article No (52):

The Companies Law and its regulations shall be applicable for all matters not provided for in these articles.

Article No (53):

These articles are to be deposited and published as provide for in the Companies Law and its regulations.