

## **National Company for Learning and Education Bylaws**

### **Chapter 1: Incorporation of the Company:**

#### **Article 1: Incorporation:**

In accordance with the provisions of the Companies Law and its regulations, this Company has been transformed into a Saudi joint stock company according to the following:

#### **Article 2: The Name of the Company**

National Company for Learning and Education (a Saudi listed joint stock company)

#### **Article 3: Objectives of the Company:**

The Company shall practice and implement the following objectives:

1. Owning, establishing and managing private schools for general education (pre-university).
2. Investing in the sports and entertainment field and establishing and managing sports clubs.

The Company carries out its activities in accordance with the applicable regulations and after obtaining the necessary licenses from the competent authorities, if any.

#### **Article 4: Participation and Ownership in Companies:**

The Company may establish companies on its own (limited liability or closed joint stock) according to the rules and regulations mentioned in this regard. It may own stocks and shares in other existing companies or merge with them, and it has the right to participate with others in establishing joint-stock or limited liability companies after fulfilling the requirements of the regulations and instructions followed in this regard. The Company may dispose of these stocks or shares, provided that this does not include brokerage in their trading.

#### **Article 5: The Company's head office:**

The Company's head office is located in the city of Riyadh in the Kingdom of Saudi Arabia, and it may establish branches, offices or agencies inside the Kingdom of Saudi Arabia by a decision of the Board of Directors or outside the Kingdom of Saudi Arabia by a decision of the Company's Ordinary General Assembly. The Company's headquarters may not be relocated to another city except by a decision of the extraordinary general assembly based on a proposal by the Board of Directors and approval of the competent authorities.

#### **Article 6: Duration of the Company:**

The duration of the Company is (99) Hijri years, starting from the date of its registration in the commercial register. This period may always be extended by a decision issued by the Extraordinary General Assembly at least one year before its expiration date.

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

### **Article 7: Share Capital:**

The share capital of the Company shall be SAR 430,000,000 (Four hundred and thirty million Saudi Riyals) divided into 43,000,000 (forty three million) nominal shares of equal value .The nominal value of each share is SAR 10 (ten Saudi Riyals) and all of them are ordinary or in-kind shares.

### **Article 8: Subscription in shares:**

The shareholders have subscribed for the full capital shares amounting to (43,000,000) shares (forty-three million shares) and have fully paid its value, as the Company's entire capital was paid during the conversion process, the Company's shares have been distributed to its shareholders.

### **Article 9: Preferred Shares:**

In accordance with guidelines set by the Competent Authority, the Company's Extraordinary General Assembly may issue, buy preferred shares, transform ordinary shares into preferred shares or transform preferred shares into ordinary shares. Such preferred shares shall be non-voting shares in the Shareholders' General Assemblies. Such shares shall give their holders a percentage of net profits greater than that given to ordinary shareholders, after setting aside the statutory reserves.

### **Article 10: Sale of Shares that Have Not Fulfilled the Value:**

The shareholders shall pay the share value at the specified and set times. If the shareholder fails to pay on the due date, the Board of Directors may sell such shares in a public auction or a security market, as the case may be, in accordance with the directives of the Competent Authority, after having warned the shareholder by means of email or a registered letter.

The Company shall recover what is due to it from the sale proceeds 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 entire amount due from the shareholders' funds.

However, the defaulting shareholder, who fails to pay until the day of selling, may still, in such a situation, pay the value due plus the expenses incurred by the Company in such regard.

The Company shall cancel the share sold in accordance with the provisions of this Article, and shall give the purchaser a new share bearing the same number of the cancelled share, a notation of the sale shall be made in the Shareholders Register stating the new owner's name.

### **Article 11: Issuance of Shares:**

Shares are nominal and may not be issued for less than their nominal value. However, the shares may be issued at a value higher than their face value. In the latter case, the value difference shall be added to an independent item under Shareholders' equity and it may not be distributed as profits to the shareholders. A share shall be indivisible vis-à-vis the Company. In the event that the share is owned by several people, they must choose one person from amongst them to exercise, on their behalf, the right pertaining to the shares. These persons shall be jointly liable for the obligations arising from the ownership of the share.

### **Article 12: Share Trading:**

The shares subscribed to by the founders are subject to a lock-up period and cannot be traded until the financial statements have been published for two full financial years, each lasting at least twelve months from the date of the Company's incorporation. During the lock-up period, the ownership of the shares may be transferred between the founders or by the heirs of a deceased founder to a third party, following the share sale regulations. However, the deeds of the shares must be marked to indicate their type, the date of the Company's incorporation, and the period during which trading is prohibited. If a founder dies or their assets are foreclosed upon due to insolvency or bankruptcy, the ownership of their shares will be granted priority to the other founders. This Clause will also apply to any shares subscribed to by the founders in the event of a capital increase before the expiration of the lock-up period.

### **Article 13: Shareholders' Register:**

The shares of the Company are traded in accordance with the provisions of the Capital Market Law.

### **Article 14: Increase of Capital:**

- 1) The Extraordinary General Assembly may decide to increase the Company's capital provided that the original capital has been paid in full. It shall not be required that the capital be fully paid up in case the unpaid portion of the capital is related to shares issued against converting debt instruments or debenture bonds into shares and are not expired yet following the period specified for converting same to shares.
- 2) The Extraordinary General Assembly may in all cases allocate shares issued upon increasing capital or a portion thereof for the Company employees and subsidiaries or some of them, or any of such cases. Shareholders shall not have preemptive rights to subscribe for said shares issued for the Company employees.
- 3) Upon the issuance of the resolution of the Extraordinary General Assembly of raising capital, shareholders shall have preemptive rights to subscribe for the new cash shares. The shareholders shall be notified of the preemptive rights vested in them by notice to be published in a daily newspaper addressing the capital increase resolution and the conditions and duration of subscription and the dates of commencement and expiration of the same, or by written notice to the shareholder by registered mail.
- 4) The Extraordinary General Assembly holds the authority to suspend the Preemptive right of shareholders to subscribe to a capital increase in exchange for cash shares, or to give priority to non-shareholders in cases where it deems it is appropriate for the Company's interest.
- 5) Shareholders may sell or give up their preemptive rights starting from the issuance of Extraordinary General Assembly resolution of raising capital until the last day specified for subscription for new shares attached to such rights in accordance with the regulations of the Competent Authority.
- 6) Without prejudice to the provisions of paragraph (4) above, the new shares shall be allotted to the shareholders with preemptive rights who have expressed their desire to subscribe thereto, in proportion to the preemptive rights owned by them of the total preemptive rights resulting from the increase of capital provided that the number of shares allotted to them shall not exceed the number of new shares they have applied for. The remaining new shares shall be allotted to the shareholders with preemptive rights who have asked for more than their proportionate share, in proportion to their preemptive rights of the total preemptive rights resulting from the increase of capital, provided

that their total allotment does not exceed the number of new shares they have asked for. Any remaining new shares shall be offered for public subscription unless otherwise specified by the Extraordinary General Assembly.

**Article 15: Decrease of Capital:**

The Extraordinary General Assembly may decrease its capital if it exceeds the Company's needs or if the Company suffers losses, in which case only capital may be decreased beyond the limit specified in Article (54) of the Companies Law. In addition, such resolution shall be issued only after reading the Auditor's special report on the reasons calling for such decrease, the obligations to be fulfilled by the Company, and the effect of the decrease on such obligations.

If the capital decrease is a result of its excess to the Company's need, the creditors must be invited to express their objections to it within sixty days from the date of publication of the decrease decision in a daily newspaper distributed in the area where the Company's head office is located. If one of the creditors objects and submits his documents to the Company on the aforementioned date, the Company must pay such creditor debt if it is due or provide the creditor with sufficient guarantee to pay it if it is deferred.

**Chapter 3: The Board of Directors**

**Article 16: Management of the Company:**

The Company shall be managed by a Board of Directors composed of six members to be elected by the Shareholders' Ordinary General Assembly for a term not exceeding three years. They are elected by cumulative vote. Each shareholder has the right to nominate himself or one or more other persons for membership of the Board. Membership of the first board of directors starts from the date of issuance of the ministerial decision announcing the conversion of the Company. An exception to this is the first board of directors for a period of five (5) years to be elected by the general assembly upon conversion.

**Article 17: Board Membership Expiration:**

Membership of the Board ends with the expiration of its term, or with the resignation or death of the member, or if the member is convicted of a crime involving dishonor and dishonesty, or if the member is declared bankrupt, or becomes unfit for membership in the Board under any law or regulations prevailing in the Kingdom. However, the Ordinary General Assembly may also dismiss all or some of the directors without prejudice to the dismissed Director's right to compensation if the dismissal was due to illegitimate reasons or was made at an inappropriate time. In addition, a Director may resign provided that such resignation shall be at a suitable time; otherwise, such directors shall be liable before the Company for any damage resulting from the resignation.

**Article 18: The vacant position in the Board:**

If a position of a Board Director becomes vacant, the Board may appoint another member in the vacant position temporarily according to the order of obtained votes in the assembly that elected the board. Such new member must be qualified and experienced. Additionally, notice of such appointment shall be sent to the Ministry within a period of five business days of the date of appointment, provided also that such appointment is put forward before the first meeting of the Ordinary General Assembly. The term of the new

member designated to fill a vacancy shall only extend to the term of his predecessor. In case the number of the members of the Board of Directors falls below the quorum required for convening of the Board meetings as stated in the Companies Law or these Bylaws, the Ordinary General Assembly shall be called for a meeting by the remaining members within a period of sixty (60) days to appoint the necessary number of Board members.

#### **Article 19: Authorities of the Board:**

19-1 Subject to the powers reserved for the General Assembly, the Board shall have the widest powers to manage the business of the Company, draw its policy, determine its investments and supervise its money and business as well as managing its affairs inside and outside the Kingdom. It has, for example, but not limited to, buying and selling, mortgaging the Company's assets, transferring and accepting, receipt, delivery, renting, leasing, receiving payments, paying, opening accounts, credits, withdrawing and depositing with banks, issuing bank guarantees, signing all papers, documents, checks and all banking transactions. It also has the right to appoint and dismiss employees and workers, request visas, recruit manpower from outside the Kingdom, contracting them, determine their compensation, obtain residence permits, and transfer and waive sponsorships. The Board may, within the limits of its competence, delegate one or more of its members or from third parties to undertake a specific or general authority.

With regard to the sale of the Company's Real Estate, the minutes of the Board of Directors meeting and the reasons for its decision to dispose, must include the following conditions:

- 1) The Board shall determine the reasons and justifications for the sale decision.
- 2) The sale should be close to the price of the same.
- 3) The sale shall be present except in the decisions estimated by the Board and with sufficient guarantees.

The Board of Directors may request facilities and loan agreements of various types from commercial and Islamic banks and with government financing funds and institutions, regardless of their value and duration, sign guarantees, request the issuance of guarantees, open credits on behalf of the Company, sign contracts and documents for facilities, sign promissory notes and present and receive it. The Board may also grant discounts and exemptions to entities or individuals specified by the Board of Directors. It has the right to contract commercial loans whose term may not end at the end of the Company's term, taking into account the following conditions for contracting loans with a term exceeds the Company:

- 1) The value of loans that the Board may conclude during any one fiscal year should not exceed 300% of the Company's share capital.
- 2) The Board of Directors shall specify in its decision the aspects of using the loans and the method of repayment.
- 3) To take into account, in the conditions of the loan and the guarantees provided, that no harm will be caused to the Company and its shareholders, and the general guarantees to the creditors.

The Board of Directors shall, in the cases it deems appropriate, discharge the debtors of the Company from their obligations in accordance with what serves its interest, provided that the minutes of the Board of Directors meeting include in the reasons for its decision the following conditions:

- 1) That the discharge be after the lapse of a full year from the creation of the discharge.
- 2) The release shall be for a specified amount as a maximum per year for one debtor.

19-2 The Board of Directors determines, at its discretion, the special remuneration to be received by each of the Chairman, vice chairman, and the Managing Director, in addition to the remuneration prescribed for the members of the Board of Directors pursuant to these bylaws.

19-3 The Board of Directors appoints a secretary for the Board, whether from among its members or from others, determines his remuneration, and secretary of the board specializes in recording the minutes of the Board of Directors meetings, writing down and keeping the decisions issued by these meetings, in addition to exercising other authorities delegated to him by the Board.

19-4 The Board of Directors shall form from among its members or external members a Nominations and Remunerations Committee consisting of at least three members, taking into account in its formation the presence of a sufficient number of non-executive members, and that the General Assembly of the Company, based on a proposal by the Board of Directors, issue the rules for selecting the members of the Committee and the term of their membership and the committee's work method, the committee is concerned with the matters related to the board of directors of the Company, including, but not limited to, recommending to the board of directors a nomination for membership of the board, reviewing the structure of the board of directors, confirming the independence of the independent members, setting standards for compensation and remuneration for board members, and implementing the tasks that is delegated for it by the Board of Directors from time to time.

#### **Article 20: Remuneration of Board Members:**

The remuneration of the Board of Directors consists of a certain amount or meetings attendance allowance or expenses allowance or in kind benefits as determined by the Board of Directors, taking into account the regulations, decisions and instructions in force in the Kingdom issued by the competent authorities, and it is permissible to combine two or more remuneration, provided that the remuneration does not exceed the amount of (500,000) five hundred thousand riyals and within the limits stipulated by the Companies Law or any other regulations, decisions or instructions complementary to it. The report of the Board of Directors to the Ordinary General Assembly shall include a comprehensive statement of all the salaries and share of the profits received by the members of the Board of Directors during the fiscal year, attendance and expenses allowance, and other benefits, and the aforementioned report shall also include a statement of what the members of the Board received as employees or administrators or what they received for technical, administrative or consulting work for the Company. It shall include a statement of the number of meetings of the Board and the number of meetings attended by each member from the date of the last meeting of the General Assembly.

#### **Article 21: Powers of the Chairman, Vice-Chairman, Managing Director and Secretary:**

The Board of Directors shall appoint a Chairman and Vice-Chairman from among its members, and may appoint a Managing Director. It is not permissible to combine the position of the Chairman of the Board with any executive position in the Company. The Vice-Chairman of the Board of Directors shall replace the Chairman in his absence. The Chairman shall have the authority to call the Board of Directors to a meeting and preside over the meetings of the Board and the meetings of the General Assembly of Shareholders. the Chairman shall have a casting vote in the event of equal votes in the decisions of the Board of Directors.

The Chairman of the Board is responsible for managing the Company to achieve its objectives and managing its affairs inside and outside the Kingdom. The Chairman of the Board shall, for example, but not be limited to, represent the Company in its relations with third parties and before Sharia courts, judicial bodies, the Board of Grievances, labor offices, higher and primary labor committees, the Committee for Resolution of Securities Disputes, all other judicial committees, arbitration and civil rights bodies, police departments and other government agencies. And chambers of commerce and industry, bodies and private entities, Companies and institutions of all kinds. Applying and entering into tenders, receiving, paying, acknowledging, claiming, defending, litigating, dissolving, conciliating, accepting and denying judgments, arbitration on behalf of the Company, requesting the implementation of judgments and opposing them, and collecting what results from implementation. The Chairman of the Board has the right to sign all types of contracts, documents and papers, including without limitation the articles of association of companies in which the Company participates along with all their amendments, appendices, amendment decisions, signing agreements and instruments before notaries and official authorities, as well as loan agreements, guarantees, and the issuance of powers of attorney on behalf of the Company. The Chairman of the Board has the right to buy and sell, mortgage the Company's assets, transfer and accept it, receive, deliver, rent, lease, receive, pay, open accounts and credits, withdraw and deposit with banks, issue bank guarantees and sign all papers, documents, checks and all banking transactions. The Chairman of the Board has the right to appoint employees and workers, dismiss them, request visas, recruit manpower from outside the Kingdom, contract with them, determine their salaries, obtain residencies, transfer and assign sponsorships, and appoint lawyers and others in all or part of the aforementioned.

- The Managing Director shall have the powers determined by the Board of Directors
- The Board shall appoint a Secretary, from amongst its members or others, through a separate contract determining the secretary's authorities and remuneration. The term of the Chairman of the Board, Vice Chairman, the managing director, and the secretary, a member of the Board of Directors, shall not exceed the term of membership of each of them in the Board, and they may be re-elected. The Board shall at any time have the right to dismiss any of them without prejudice to the right of the dismissed to compensation if the dismissal occurred for an illegitimate reason or at an inappropriate time.

#### **Article 22: Board Meetings:**

The Board of Directors shall meet by the invitation of its Chairman at least twice a year. The invitation should be in writing. The invitation may be delivered by hand or sent by post, fax or e-mail. The Chairman of the Board or his representative shall call for a meeting when requested by at least two board members.

#### **Article 23: Board meeting quorum:**

23-1 The meeting of the Board shall not be valid unless attended by at least half of its members, provided that the number of attendees shall not be less than three members. It is permissible to attend the meeting of the Board through the means of modern technology through visual or audio communication. A member of the Board of Directors may provide a proxy to other members to attend the meetings of the Board in accordance with the following guidance:

- a) A member of the Board of Directors may not give proxy for more than one member to attend that meeting.

- b) The proxy must be confirmed in writing and for a specific meeting.
- c) The delegate may not vote on decisions that the law prohibits the delegate from voting for.

23-2 The decisions of the Board of Directors shall be issued by the absolute majority of the votes of the members of the Board present or represented at the meeting. When the votes are equal, the opinion voted for by the Chairman or whoever chairs the board in his absence shall prevail. The Board of Directors may issue resolutions by circulation in urgent matters by presenting them to all members separately, unless one of the members requests, in writing, a meeting of the Board to deliberate on them. These decisions shall be presented to the Board of Directors at the next first meeting.

#### **Article 24: Board deliberations:**

Deliberations and resolutions of the Board shall be documented in minutes to be signed by the Chairman of the Board, the Board members attending the meeting and the Secretary. The minutes shall be recorded in a special register to be signed by the Chairman of the Board and the Secretary.

### **Chapter 4: Shareholders' Assemblies**

#### **Article 25: Attending Assemblies:**

Every shareholder, regardless of the number of shares owned, has the right to attend the constituent assembly, and every shareholder has the right to attend the general assemblies of shareholders. A Shareholder has the right to appoint another person other than the members of the Board of Directors or the employees of the Company to attend the General Assembly.

#### **Article 26: The Constituent Assembly:**

The founders invite all subscribers to convene a constituent assembly within forty-five days from the date of the Ministry's decision licensing the establishment of the Company. For the meeting to be valid, a number of subscribers representing at least half of the capital must be present. If this quorum is not present, an invitation shall be sent to a second meeting to be held at least fifteen days after the invitation was sent to it. In all cases, the second meeting shall be valid regardless of the number of subscribers represented therein.

#### **Article 27: Competences of the Constituent Assembly:**

The Constituent Assembly is concerned with matters mentioned in Article (63) of the Companies Law.

#### **Article 28: Functions of the Ordinary General Assembly:**

With the exception of matters related to the Extraordinary General Assembly, the ordinary general assembly is concerned with all matters related to the Company, and it convenes at least once a year during the six months following the end of the Company's fiscal year. Other ordinary general assemblies may be called whenever it is needed.

#### **Article 29: Functions of the Extraordinary General Assembly:**

The Extraordinary General Assembly is concerned with amending the Company's bylaws, with the exception of matters that it is prohibited to amend by law, and it has the right to issue decisions in matters

falling within the competencies of the Ordinary General Assembly, under the same terms and conditions prescribed for the Ordinary General Assembly.

**Article 30: Invitation to Assemblies:**

The general or private assemblies of the shareholders are convened at the invitation of the Board of Directors in accordance with the Law. The Board of Directors must invite the Ordinary General Assembly to convene if requested by the auditor, the audit committee, or a number of shareholders representing at least (5%) of the share capital. The auditor may invite the assembly to convene if the Board does not invite the assembly within (30) days from the date of the auditor's request. The invitation to convene the general assembly is published in a daily newspaper distributed in the Company's head office at least twenty-one days before the date specified for the convening. It may be sufficient to send the invitation in the aforementioned date shall be sent to all shareholders by registered letters. A copy of the invitation and agenda shall be sent to the Ministry within the period specified for publication.

**Article 31: Register of Attendance of the Assemblies:**

Shareholders who wish to attend the general or private assembly shall register their names at the Company's head office before the specified time for the meeting of the assembly.

**Article 32: Quorum of the Ordinary General Assembly Meeting:**

The meeting of the Ordinary General Assembly shall not be valid unless it is attended by shareholders representing at least half of the share capital. If the necessary quorum is not available for holding this meeting, an invitation shall be made for a second meeting to be held within the thirty days following the previous meeting. However, the second meeting may be held an hour after the expiry of the time limit for the first meeting. The invitation shall be announced in the manner stipulated in Article (30) of these bylaws. In all cases, the second meeting shall be valid regardless of the number of shares represented therein.

**Article 33: Quorum for the Extraordinary General Assembly Meeting:**

The meeting of the Extraordinary General Assembly shall not be valid unless it is attended by shareholders representing half of the share capital. If this quorum is not available in the first meeting, an invitation is sent to a second meeting to be held within the thirty days following the previous meeting and shall be held in the same conditions stipulated in Article (30) of these bylaws. However, the second meeting may be held an hour after the expiry of the time limit for the first meeting. The second meeting shall be valid if attended by a number of shareholders representing at least a quarter of the share capital. If the necessary quorum is not present in the second meeting, an invitation is sent to a third meeting, which is held under the same conditions stipulated in Article (30) of these bylaws. The third meeting shall be valid regardless of the number of shares represented in it, after the approval of the competent authority.

**Article 34: Voting in Assemblies:**

Each subscriber has a vote for every share he represents in the Constituent Assembly, and every shareholder has a vote for every share in the General Assemblies. Cumulative voting must be used in electing the Board of Directors.

### **Article 35: Assemblies Decisions:**

Decisions in the Constituent Assembly are issued by the absolute majority of the shares represented in it, and the decisions of the Ordinary General Assembly are issued by the absolute majority of the shares represented in the meeting. The decisions of the Extraordinary General Assembly are also issued by a two-thirds majority of the shares represented in the meeting, unless the decision is related to increasing or decreasing the capital, extending the term of the Company, or by dissolving it before the expiration of the period specified in its bylaws, or by merging it with another company. It will not be valid unless it is issued by a three-quarters majority of the shares represented in the meeting.

### **Article 36: Discussion in the Assemblies:**

Each shareholder has the right to discuss the topics on the agenda of the assembly and direct questions in this regard to the members of the Board of Directors and the auditor. The Board of Directors or the auditor answers the questions of the shareholders to the extent that does not expose the interest of the Company to harm. If the shareholder finds that the answer to his question is not convincing, he appeals to the assembly, and the assembly decision is enforceable in this regard.

### **Article 37: Presiding Over the Assemblies and Preparing the Minutes:**

The General Assembly shall be chaired by the Chairman of the Board of Directors or the Vice Chairman in his absence or whomever the Board of Directors delegates from among its members for that purpose in the absence of the Chairman and Vice Chairman. The assembly shall appoint a secretary for the meeting and a collector of votes. Minutes of the assembly meeting shall be written including the number of shareholders present or represented, the number of shares held by them in person or by proxy, the number of votes assigned to them, the decisions taken, the number of votes for or against them, and an adequate summary of the discussions that took place in the meeting. Minutes are recorded regularly after each meeting in a special register signed by the Chairperson of the Assembly, its secretary and the collector of votes.

## **Chapter 5: The Audit Committee**

### **Article 38: Formation of the Committee:**

An audit committee shall be formed by a decision of the Ordinary General Assembly, the number of its members shall not be less than three and not more than five, excluding the executive members of the Board of Directors, from the shareholders or others. The decision shall specify the tasks of the committee, its work controls, and the remuneration of its members.

### **Article 39: Quorum for the committee meeting:**

The validity of the audit committee meeting requires the presence of the majority of its members, and its decisions are issued by the majority of the votes of those present, and when the votes are equal, the side with which the committee chairman voted will prevail.

### **Article 40: Functions of the Committee:**

The audit committee is responsible for monitoring the Company's business, and for this purpose it has the right to view its records and documents and to request any clarification or statement from the members of

the board of directors or the executive management. It may request the Board of Directors to convene the General Assembly of the Company if the Board of Directors obstructs its work or if the Company suffers serious damage or losses.

**Article 41: Committee Reports:**

The audit committee shall review the Company's financial statements, reports and notes submitted by the auditor and express its views thereon, if any. The Audit Committee shall prepare a report on its opinion regarding the adequacy of the internal control system in the Company and what other work it has undertaken within its competency. The Board of Directors shall deposit sufficient copies of this report at the Company's headquarters at least twenty-one days prior to the date of the General Assembly meeting, to provide each of the shareholders who desires a copy of it, and the report is recited during the meeting of the assembly.

**Chapter 6: The Auditor**

**Article 42: Appointing an Auditor:**

The Company must have one or more auditors from among the auditors licensed to work in the Kingdom, to be appointed annually by the Ordinary General Assembly, which determines his remuneration and the duration of his work. The Assembly may also at any time change him without prejudice to his right to compensation if the change occurred at an inappropriate time or for an illegitimate reason.

**Article 43: Powers of the Auditor:**

The auditor at any time has the right to view the Company's books, records and other documents, and he may also request data and clarifications that he deems necessary to obtain, in order to verify the Company's assets and liabilities and other things that fall within the scope of his work. The Chairman of the Board of Directors must enable him to perform his duty. If the auditor encounters difficulty in this regard, he shall prove that in a report submitted to the Board of Directors. If the Board does not facilitate the work of the auditor, he must request the Board of Directors to invite the Ordinary General Assembly to consider the matter.

**Chapter 7: The Company's accounts and the distribution of profits**

**Article 44: The Financial Year:**

The first fiscal year of the Company starts from the date of the ministerial decision announcing its conversion and ends on 23/6/1423H, corresponding to (31/8/2002G). Each fiscal year thereafter is twelve months.

**Article 45: Financial Documents:**

- 1- At the end of each fiscal year of the Company, the Board of Directors must prepare the Company's financial statements and a report on its activities and its financial position for the past fiscal year. This report includes the proposed method for distributing profits. These documents shall be put at the disposal of the auditor by the Board at least forty-five days prior to the date set for the meeting of the General Assembly.

- 2- The Chairman of the Board of Directors of the Company, its chief executive officer and its financial manager must sign the documents referred to in Paragraph (1) of this Article, and copies of them shall be deposited in the Company's head office at the disposal of the shareholders at least twenty-one days before the date set for the General Assembly meeting.
- 3- The Chairman of the Board of Directors must provide the shareholders with the Company's financial statements, the report of the Board of Directors, and the auditor's report, unless they are published in a daily newspaper distributed at the Company's head office. He must also send a copy of these documents to the competent authorities at least fifteen days prior to the date of the General Assembly meeting.

#### **Article 46: Distribution of Profits**

The Company's annual net profits are distributed as follows:

- 1- (10%) of the net profits shall be set aside to form the Company's statutory reserve, and the Ordinary General Assembly may decide to stop this set aside when the aforementioned reserve reaches (30%) of the paid-up share capital.
- 2- The Ordinary General Assembly, based on a proposal by the Board of Directors, set aside (5% ) from the net profits to form an agreed reserve allocated for a specific purpose or purposes.
- 3- The Ordinary General Assembly may decide to form other reserves, to the extent that achieves the interest of the Company or ensures the distribution of fixed profits as much as possible to the shareholders. The assembly may also deduct from the net profits sums for the establishment of social enterprises for the employees of the Company or to assist existing social enterprises.
- 4- From the remainder, after that, a proportion of not less than (5%) of the Company's paid-up share capital shall be distributed among the shareholders.
- 5- The Company may distribute interim profits to its shareholders during the fiscal year. The Ordinary General Assembly authorizes the Board of Directors by distributing these profits according to a decision that is renewed annually.

#### **Article 47: Entitlement to Profits:**

The shareholder is entitled to his share of the profits in accordance with the decision of the General Assembly issued in this regard. The resolution shall indicate the date of entitlement and the date of distribution. The eligibility for dividends shall be for the shareholder registered in the shareholder register at the end of the day specified for the entitlement.

#### **Article 48: Dividend Distribution for Preferred Shares:**

- 1- If no profits are distributed for any financial year, then profits for the following years may not be distributed except after paying the specified percentage according to the provisions of Article (114) of the Companies Law for Preferred Shareholders for this year.
- 2- If for three consecutive years the Company fails to pay the prescribed proportion out of profits as provided for in Section 114 of the Companies Law, it shall be possible for the special assembly for the owners of such preferred shares, under Section (89) of the Companies Law to decide whether it wishes to attend and vote at the Company general meetings or appoint their representatives to the Board of Directors, in proportion to the value of their shares in the share capital, until the Company

is able to recover all preferential profits distributed to owners of such shares in previous years have been paid off.

**Article 49: Bonds and Debt Instruments:**

Pursuant to a resolution of the General Assembly, the Company may issue any type of debt instruments or financing bonds convertible into shares inside or outside the Kingdom of Saudi Arabia. It specifies the maximum number of shares that may be issued in exchange for these instruments or bonds. The Board of Directors may, without the need for a new approval from the Assembly, issue new shares in exchange for these instruments or bonds, taking into account the provisions of the Companies Law.

**Article 50: Buying and Mortgaging The Company's Shares:**

- 1- The Company may buy or mortgage its shares in accordance with the guidance set by the competent authority, and the shares purchased by the Company shall not have votes in the shareholders' assemblies. The mortgagee has the right to receive the profits and use the rights related to the share, unless otherwise agreed in the mortgage contract. The mortgagee is not permitted to attend the meetings of the general assembly of shareholders or to vote in them.
- 2- The Company may consume its shares in a project that will gradually depreciate or that is based on temporary rights. The depreciation of the shares shall only be from the profits or from the reserves that may be disposed of. Depreciation shall be successively by means of the annual raffle or by any other method that achieves equality among the shareholders. In this regard, the provisions contained in Paragraphs No. (2), (3) and (4) of Article 111 of the Companies Law shall apply.

**Article 51: Company Losses:**

- 1- If the losses of the joint-stock Company amount to half of the paid-up share capital, at any time during the fiscal year, any responsible official in the Company or the auditor must immediately inform the Chairman of the Board of Directors upon his knowledge of that, and the Chairman of the Board of directors must immediately inform the members of the Board of Directors of that, and the Board of Directors must within Fifteen days from their knowledge of that, to call the Extraordinary General Assembly to meet within forty-five days from the date of their knowledge of the losses; to decide whether to increase or decrease the share capital of the Company in accordance with the provisions of the Companies Law to the extent that the percentage of losses decreases to less than half of the paid-up share capital, or the dissolution of the Company before the term specified in the Companies Law.
- 2- If the General Assembly does not convene within the time frame outlined in Paragraph (1) of this Article, or if it convenes but is unable to reach a decision on the matter, or if it decides to increase the share capital in accordance with the conditions outlined in this Article but not all subscriptions are made within ninety days following the assembly's resolution to increase, the Company is deemed to have been dissolved by force of the Companies Law.

## **Chapter 8: Disputes**

### **Article 52: Liability Claim:**

Each shareholder has the right to file a Company liability lawsuit against the members of the Board of Directors if the mistake they committed causes damage to him. The shareholder may not file the aforementioned lawsuit unless the Company's right to file it still exists, and the shareholder must inform the Company of his intention to file such lawsuit.

## **Chapter 9: Dissolution and liquidation of the Company**

### **Article 53: Termination of the Company:**

As soon as the Company's term ends, the Company enters the stage of liquidation and maintains the legal personality to the extent necessary for liquidation. The voluntary liquidation decision is issued by the Extraordinary General Assembly. The liquidation decision must include the appointment of the liquidator, his powers and fees, the restrictions imposed on his powers, and the time required for liquidation. The period of voluntary liquidation must not exceed five years that may be extended for more than that, only by a judicial order, and the authority of the Company's Board of Directors ends with its dissolution. However, they remain in charge of the Company's management, and they are considered as liquidators in relation to others until a liquidator is appointed. The shareholders' assemblies remain established during the liquidation period, and their role is limited to exercising their competencies that do not conflict with the competences of the liquidator.

## **Chapter 10: Final Provisions**

### **Article (54)**

The Companies Law and its regulations, the Capital Market Law and its implementing regulations shall be applied to everything that is not provided for in these bylaws.

### **Article (55)**

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