

*In the name of God, Most Gracious, Most Merciful*

**Memorandum of Association of  
The Red Sea Housing Services Company  
A Saudi Joint-Stock Company**

**(First Chapter)  
Company's Incorporation**

**Article (1): Incorporation**

A Saudi Joint-Stock Company shall be incorporated, as per the Provisions of the Companies Law and its Regulations and, in accordance with, the following:

**Article (2): Company Name**

The Name of the Company is “Red Sea International Company” – a Saudi Joint-Stock Company.

**Article (3): Objectives of the Company**

The Objectives of the Company are fixed in the following:

1. Buying Lands and Real Estate Properties for the purpose of developing and improving them, as well as, to construct Residential and Commercial Buildings thereon and Utilization thereof, whether by Sale or Lease for the benefit of the Company.
2. General Contracts for Buildings: “Building, Repairing, Demolition and Renovation”, such shall include the General, Residential, Commercial and Industrial Buildings and Educational Facilities. Recreational Facilities, Sports and Health Facilities, Airports and Precast Buildings.
3. Maintenance and Operation: Carrying out the Maintenance and Operation of the Buildings, Roads, Water Facilities, Drainage Sewage and the Medical and Sports

Centers, in addition to, Operating and Maintaining the Electrical and Mechanical Units and the Cleaning of Cities.

4. Manufacturing the Precast Buildings and the Components of the Buildings which use the Metals, Wood, the Lightweight Concrete, PVC and the fiberglass, which contain without limitation, Single-Story Building and Multi-Story Building, Offices, Recreational Buildings, Food Halls, Kitchens, Cold Rooms, Washing Rooms, Warehouses, Security Rooms, Schools, Clinics and Hotels.
5. Manufacturing Mobile Plants for Treatment of Sewage Water and Mobile Plants for Treatment of Drinking Water, Cargo Containers and Power Generation Plants.
6. Manufacturing the Plumbing Supplies Consisting of the (Fiberglass), and that shall include but not limited to, all the Pieces falling under the name of Washbasin, Shower and the Supplements thereof, Bathtub, Countertops, Tanks and all connected therewith such as Installations and Supplements.
7. Manufacturing, Repairing and Maintaining the Petroleum Fields and all the Petrochemical Steel Structures, including, the Equipment which will be installed on Shore or Offshore.
8. Manufacturing by Drillings to all the PVC and Polystyrene Pieces.
9. Carrying out the Works of the Facilities Construction and execute all the Civil Works, and that shall include but not limited to, the Concrete, Plumbing and Electricity Works and the Collection of Wastes, Treatment and Disposal thereof and also the Recreational Facilities, such as the Sport Courts, Swimming Pools, Roads, Passageways, Lightings and all Security Systems, Telecommunication Systems, Fire Detectors, Fire Fighting Systems and all other Civil Works related thereto.
10. Properties and Residential and Commercial Complexes Management and Maintenance.
11. Wholesale and Retail Sale in all types of Buildings Materials, Industrial Devices and Roads Construction Equipment.

12. Execute Subcontracts to all the specialized Works, which shall include without limitation, all types of Ornamentation, Removal of Soil, Backfilling, Compaction, Finishing Works, Erection of Buildings, in addition to, Leasing and Operating the Building Equipment.
13. Supply and Trade in Foodstuff and Rendering Feeding and Food Services.
14. Disinfection and extermination of insects and rodents
15. Providing civil security services for all sectors, whether governmental or private, for companies, tourism facilities, residential complexes and ports, as well as traditional security services and security for events and festivals.

The Company shall practice its Activities, under the Applicable Laws and after obtaining all the necessary Licenses from the Competent Authorities, if any.

#### **Article (4): Participation and Ownership in the Companies**

The Company may establish (Wholly-Owned Limited Liability or Closed Joint-Stock Companies), provided that, the Capital shall not be less than (5) Million Saudi Riyals. It may also own Stocks and Shares in Other Existing Companies or Merge with such Companies and may participate with Third Parties on incorporating Joint-Stock or Limited Liability Companies, after having complied with the Applicable Laws and Instructions in this regard. Moreover, the Company may dispose of these Stocks or Shares, provided that, they are not serving as Brokers for the traded Shares thereof.

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

The Company Head Office shall be located in the City of Riyadh and the Board of Directors may transfer the Head Office to any other City in the Kingdom of Saudi Arabia and may establish other Branches, Offices or Agencies thereto inside or outside the Kingdom of Saudi Arabia, under a Resolution of the Board of Directors.

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

The Term of the Company shall be Ninety Nine (99) Hijri Years commencing from the date of the Ministerial Resolution announcing the Conversion, and such Term may be extended, pursuant to a Resolution to be issued by the General Extraordinary Assembly, at least one year, prior to the expiration of its Term.

## **(Second Chapter)** **Capital and Shares**

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

The Capital of the Company is fixed to Saudi Riyal Six Hundred Million (600,000,000) divided into Sixty Million (60,000,000) Nominal Shares of Equal Value. The Value of each Share is Saudi Riyal Ten (10), all of which are Ordinary Shares.

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

The Shareholders have subscribed in the Full Capital Shares of the Company amounting to Saudi Riyal Sixty Million (60,000,000) Fully Paid-up Shares.

### **Article (9): Preferred Shares**

The Extraordinary General Assembly may, subject to the Conditions of the Competent Authority, issue Preferred Shares or resolve to purchase Preferred Shares, convert Ordinary Shares into Preferred Shares or convert the Preferred Shares into Ordinary Shares. The Preferred Shares shall not give their Holders the right to vote in the Shareholders General Assemblies. Such Shares shall entitle their Holders a right to obtain higher percentage than that of Holders of Ordinary Shares, in the Net Profits of the Company after setting aside the Statutory Reserve.

### **Article (10): Sale of the Unpaid Shares**

A Shareholder shall undertake to pay the value of the Share on the dates set for such payment. If a Shareholder defaults in payment when it becomes due, the Board of Directors may, after his notification through Circulation in an Official Newspaper or a Trading (Tadawul) Site or his notification by means of a Registered Letter, sell the Share at a Public Auction or in the Stock Exchange, as the case may be, in accordance with, the Controls to be specified by the Competent Authority.

The Company shall recover from the proceeds of the sale such amounts as are due to it and shall refund the balance to the Shareholder. If the proceeds of the sale fall short of the amounts (due), the Company may claim on the entirety of the Shareholder's personal funds.

Nevertheless, the defaulting Shareholder may, up to the date of sale, pay the amount due from him plus (all) the expenses incurred by the Company in this respect.

The Company shall cancel the Shares so sold, in accordance with, Provisions of this Article; and give the Purchaser New Shares bearing the Serial Number of the Cancelled Share and make a notation to this effect in the Shares Register, together with, specifying the name of the New Holder.

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

The Shares shall be nominal. Shares may not be issued at less than their nominal value, but they may be issued at a premium. In the latter case, the difference in value shall be added in a Separate Provision, within the Shareholders' Rights and they may not be distributed to Shareholders, as Profits. If a Share is jointly owned by Several Persons, they must elect one of them to exercise the Rights attached to such Share on their behalf, but they shall be jointly liable for the Obligations arising from the Ownership of such Share.

### **Article (12): Trading of Shares**

Shares subscribed by the Founders shall not be traded except after the publication of the Company's Financial Statements of two Consecutive Fiscal Years, provided that, each Year shall not be less than twelve (12) months from the date of the Company's Incorporation. A notation shall be made on the respective Share Certificates, indicating their type, the date

of the Company's Incorporation and the period during which each such shall be prohibited to be traded.

However, it is possible, during the Prohibition Period, to transfer the Ownership of the Shares, in accordance with, Provisions of Selling Rights from one Founder to another, or from the Heirs of a Founder upon his Death to Third Parties, or in case an execution is imposed on an Insolvent Founder's Properties or upon his Bankruptcy, provided that, priority of possessing such Shares shall be given to Other Founders.

Provisions of this Article shall apply to what is subscribed for by Founders in case of Capital Increase before the expiration of the Prohibition Period.

### **Article (13): Shareholders Register**

The Company Shares shall be traded, in accordance with, the Provisions of the Capital Market Law.

### **Article (14): Capital Increase**

- 1) The Extraordinary General Assembly may adopt a Resolution to increase the Company's Capital, provided that, the Capital shall have been paid in full. It shall not be required that the Capital to be fully paid-up in case the unpaid portion of the Capital is related to Shares issued against converting Debt Instruments or Convertible *Sukuk* (Debentures) into Shares and the period determined for converting them into Shares have not yet expired.
- 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 may not exercise pre-emptive rights upon the Company's Issuance of Shares allocated to Employees.
- 3) Shareholder shall have pre-emptive rights to subscribe for the New Shares, upon issuance of a Resolution by the Extraordinary General Assembly consenting to the Capital Increase which will be issued against Cash Shares. The Shareholders shall be notified of the pre-emptive rights vested in them by a Notice to be published in a Daily Newspaper and a Trading (Tadawul) Site or by a Registered Mail addressing the Capital

Increase Resolution, the Conditions of Subscription, the Period thereof and the date of its beginning and closing.

- 4) The Extraordinary General Assembly may suspend the Shareholder's pre-emptive right in subscription by Increasing the Capital against Cash Shares or grant the Priority to Non-Shareholders in cases it deems fit for the Company's best interest.
- 5) A Shareholder shall have the right to sell or assign his pre-emptive right, during the period from the date of issuance of the General Assembly Resolution approving the Capital Increase until the closing date of Subscription for the New Shares connected with such rights, in accordance with, the Controls to be set by the Competent Authority.
- 6) Subject to as provided for in the Paragraph (4) above, New Shares shall be distributed to Pre-emptive Rights Holders who demanded Subscription, in proportion to, the total pre-emptive rights, resulting from the Capital Increase, 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 Original Shareholders who have asked for more than their Proportionate Share, in proportion to, the pre-emptive rights they hold out of pre-emptive rights resulting from the Capital Increase, provided that, the number of Shares allotted to them shall not exceed the number of the New Shares they have applied for. The rest of the Shares shall be offered to Third Parties, unless otherwise resolved by the Extraordinary General Assembly or the Capital Market Law provides otherwise.

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

The Extraordinary General Assembly may resolve the Decrease of the Company's Capital if it exceeds the Company's need or if the Company sustains losses. The Capital may, in the latter case only, be decreased to less than the limit stipulated in Article (54) of the Companies Law. Such Resolution shall be issued only after reading a Special Report, prepared by the Auditor on the reasons for such Decrease, the obligations to be fulfilled by the Company and the impact of the Decrease on such Obligations.

If the reason for the Capital Decrease is due to the Capital being, in excess of, the Company's need, the Company's Creditors must be invited to express their objection to such a Decrease, within sixty days from the date of publication of the Resolution relating

to the Decrease in a Daily Newspaper published in the Region where the Company's Head Office is located. Should any Creditor object and present to the Company Evidentiary Documents within the said time limit; then the Company shall pay such Debt, if it is already due, or present an adequate guarantee of payment if the Debt is due at a later date.

**Article (16): Issuance of Bonds and *Sukuk* (Debentures)**

- (A) The Company shall have the right to issue the Bonds and *Sukuk* (Debentures), compliant with the Provisions of the Islamic Sharia in one part or several parts, through one issue or series of issues, from time to time, and the Amounts and Conditions determined by the Board of Directors without the need to have resort to the Shareholders General Assembly in this respect, provided that, the Value of the Bonds and *Sukuk* (Debentures) shall not exceed the Value of the Company's Capital.
- (B) The Board of Directors in the Company shall have the right to take all the necessary steps to issue the Bonds and *Sukuk* (Debentures) and obtain the necessary Approvals from the Competent Authorities. The Board of Directors shall also have the right to delegate any Person or Other Group of Persons, as per, the Powers Conferred upon it and Grant them the right to delegate Others.
- (C) The issuance of debt instruments or financing instruments that are convertible into shares are excluded from the provisions of paragraph (a) and (b) above. When issued, the provisions of the Companies Law and the implementing regulations issued by the competent authorities are taken into account.

**Article (17): Company's Purchase & Mortgage of the Shares thereof**

The Company may purchase or mortgage its Shares, provided that, such Shares shall not have Voting Rights in the Assembly.

Further, the Company may pledge its Shares under Controls to be laid down by the Competent Authority and the Mortgagee Creditor shall receive the Profit and use the rights associated with the Share, unless otherwise is expressed in the Mortgage Contract, but the Mortgagee Creditor shall have no right to attend the Meetings of the Shareholders' General Assembly or Vote therein.



**(Third Chapter)**  
**Company Management**

**Article (18): Company Management**

The Company shall be managed by a Board of Directors consisting of Eight (8) Members, to be elected by the Ordinary General Assembly for a Term not exceeding three (3) years and they shall be elected by Cumulative Voting Method

**Article (19): Termination of Board Membership**

Membership on the Board shall be terminated upon the expiration of the Member Term, in accordance with, any Enforceable Law or Instructions in the Kingdom. However, the Ordinary General Assembly may, at any time, remove all of the Members of the Board of Directors or some of them, without prejudice to the right of a removed Director to hold the Company liable if the removal is made without justifiable cause or at an improper time. A Member of the Board of Directors may resign, provided that, such resignation is made at a proper time; otherwise, he shall be responsible to the Company for damages resulting from such resignation.

**Article (20): The Vacant Office in the Board**

Where an Office of a Board Member becomes Vacant, the Board may appoint a Temporary Member in the Vacant Office, as per the order of obtaining votes in the Assembly which elected the Board, provided that, the newly Member shall be efficient and well-experienced. The Ministry and the Capital Market Authority shall be informed with this appointment, within five business days from the appointment date and such matter shall be submitted to the Ordinary General Assembly in its First Meeting, and the New Member shall complete the Unexpired Term of his Predecessor. Where the Conditions required for holding the Board of Directors Meeting are not satisfied because the number of its Members falls below the minimum provided for in the Companies Law or this Articles of Association, the remaining Members must call the General Assembly to convene, within sixty days to elect the required number of Members.

## **Article (21): Authorities of the Board**

Taking into consideration the Competencies determined to the General Assembly, the Board of Directors shall be vested with the full Powers to manage the Company in a manner that would achieve its Objectives, to draw its Policies, specify its Investments, conduct its Business and Funds and run all its Affairs inside and outside the Kingdom of Saudi Arabia. In so doing, It has the right to, including but not limited to, sell the Company's Properties and Assets and Mortgage thereof, including the Company' Store, provided that, the Minutes of the Board of Directors shall include and the Grounds of its Resolution of Disposition shall observe the following Conditions:

- A- The Board shall specify in the Sale Resolution the Reasons and Justifications thereto.
- B- The Sale shall be in Equivalent Price.
- C- The Price shall not be on Credit or Deferred, except in the Cases estimated by the Board and with Adequate Guarantees.
- D- Such an act shall not have consequences leading to halting part of the Company's Activities or incurring it Other Obligations.

The Board of Directors shall have all Powers and Authorities to manage the Company, including but not limited to, drawing the Company's General Policy, in a manner conforming with its Objectives, achieving its Purposes and Carry out all the Necessary Dispositions and Transactions.

The Board of Directors may Conclude Loans with Governmental Finance Institutions and Funds, regardless the period thereof, and the Commercial Loans with the Commercial Banks, Financial Houses and Financing Companies whose Terms thereof shall not exceed the Company's Term, for any Term, including, the Loans whose Terms shall not exceed three years, taking into consideration, the following Conditions, for Concluding the Loans whose Terms exceed three years:

- A- The Board of Directors shall specify in its Resolution the aspects of using the Loan and the manner of its Payment.

- B- It has to be observed as regards the Conditions of the Loan and the Guarantees presented for each of them, that no harm shall occur to the Company, its Shareholders and the General Guarantees for the Creditors.

The Board may and in the cases it estimated, have the right to Discharge the Company Debtors of their Obligations in a manner that would achieve its interest, provided that, the Minutes of the Board of Directors and the Grounds for its Resolution shall observe the following Conditions:

- A- The Discharge shall take place after the elapse of one full year from the debt's maturity date minimum.
- B- The Discharge shall be for a fixed amount as a maximum per year per Debtor.
- C- The Discharge shall is a right of the Board of Directors which may not be delegated.
- D- Approving the Company's Annual Capital Budgets, as well as, approving the Internal, Financial, Administrative and Technical Regulations of the Company and the Policies and Regulations related to the Employees therein.
- E- Appointing the Company's Directors, Departments Managers, Divisions Heads and specifies their Authorities, the Employees, as well as, the Ordinary and Technical Labors; specify their Wages, Benefits and Conclude Contracts therewith, in addition to, Dismissal and Removal thereof.

Given that, all such Powers and Authorities are inside and outside the Kingdom of Saudi Arabia and the Board of Directors shall authorize or delegate on its behalf and within the limits of its Power, one or more of its Members or a Third Party to Take an Action or Specific Disposition or to Carry out a Certain Work or Works and Cancel Authorization and the Powers of Attorneys, wholly or partly.

The Board of Directors may also, within the Rights of its Power, delegate one or more of its Members or a Third Party to Carry out a Certain Work or Works.

### **Article (22): Ruminations of the Board Members**

Rumination of the Board of Directors shall be, in accordance with the Item (49/5) of this Law, and within the limits as provided for in the Companies Law and its Regulations. The Board of Directors' Report to the Ordinary General Assembly shall include a Comprehensive Statement of all the amounts received by the Members of the Board of Directors during the Fiscal Year in the way of Ruminations, Expense Allowances and Other Benefits. It shall also include a Statement of all the amounts received by the Board Members in their capacity as Workers or Administrators of the Company or in consideration for Technical, Administrative or Advisory Services. The Report shall also include a Statement of the number of Board Meetings (Sessions) and the number of Meetings (Sessions) attended by each Member as of the date of last General Assembly Meeting.

### **Article (23): Powers of the Chairman, Deputy Chairman, Managing Director and Secretary**

The Board of Directors shall appoint from among its Members a Chairman and a Deputy Chairman and he may appoint a Managing Director and it shall not be permissible for a Member to occupy jointly the Office of the Chairman and any Executive Position in the Company.

The Chairman of the Board shall have the Power to call the Board for a Meeting and to chair the Meetings of the Board and shall have the right to buy and sell all kinds of real estates and lands and conveyance and acceptance thereof and receipt and delivery and sign thereon with the Notary Public and pay the price and receive the price. Moreover, he shall have the right to request amendment of the deeds in their borders and areas thereof and assign them wholly or partly and the conveyance thereof and the deletion, addition and amalgamation of the deeds, partition, division, splitting and merge the properties and deeds and request the use of planners and lands and addition, deletion and assignment of the curves and acceptance thereof, if any, convert the Agricultural Lands into Residential Ones, amend the Owner's Name and the Civil Registry Number, amend the Borders, Lengths, Area and Numbers of the Land Lots, Planners, Deeds and the Dates thereof and the Names of the Districts, and shall have the right for Renting and Leasing and Sign the Contracts thereof or amend or cancel them and participate with the third party to the favor of the Company. He shall also have the right for Mortgage and Redemption thereof and he shall have the right for buying and selling the assets, stocks, shares and bonds and assign the stocks and shares and accept the assignment of the stocks and shares to the favor of

the Company and the right to confirm the merger in other Companies or incorporation of the Companies or buy or acquire other Companies or incorporate the Companies or participate in existing or under incorporation Companies and sign on the Articles of Associations thereof, Partners Resolutions and the Annexes of Amendment thereof with any changes, amendments, additions or deletion occur thereto or increasing or decreasing the Capital or entry of new Partners or exit of Partners or the Company Objectives or the Management or change the name thereof or convert it into a legal entity or the branches thereof or one of its branches or the dissolution thereof or cancellation of the Articles of Association or the Annexes of Amendment. Besides that, he shall have the right to enter into Joint-Stock Companies as Founders or Shareholders in the name of the Company and register the Commercial Agencies and the Trademarks and issuance of the Main and Branch Commercial Registrations and the renewal thereof and carry out the amendments thereon, such as the deletion, addition, change or cancellation and request the licenses in all the types thereof and the renewal thereof and carry out the amendments thereon such as the deletion, addition, change, amendment or cancellation thereof and reserve the trade names and the renewal and assignment thereof. He shall have the right to open, manage and operate the current and investment accounts and the investment portfolios and the stocks portfolios in the name of the Company with all the banks inside and outside the Kingdom of Saudi Arabia or close or clear them and withdraw and deposit and sign on the Checks and open the Credits and sign on all the necessary Documents and issue bank guarantees and sign on all the financial papers and documents and all the banking transactions and issue the promissory notes and drafts and the other commercial papers, appertaining to the Company's Works and send by the collection fees and pay the value of the bonds, documents and drafts and all the requirements and liabilities and activate the accounts and update the accounts data and request statement of accounts and checks and receive the value of the stocks and receive the dividends of the stocks (bonds) and receive the surplus from the underwriting and the right for transfer between the accounts and transfer from the investment accounts to the current accounts and the vice versa. He shall also have the right to follow up all the transactions, appertaining to the Company and clearance thereof and receive the rights thereof with the third party, whether being as checks, credits, cash or banking guarantees and he shall have the right to liquidate them to the favor of the Company and shall have the right to receive the profits related to the Company with all the Companies, in all the types thereof and shall have the right to receive Progressive Payments and Compensations related to the Company with the Governmental Authorities and Other Private Authorities, Individuals, Companies or Banks and receive the value thereof and sign on behalf of the Company in whatever necessary thereto and collect the Company debts with the third party and settle the debts due on the Company. In

addition to that, he shall have the right to request the banking facilities from all the banks, in accordance with, the Shariah Controls and the borrowing right, in accordance with, the Shariah Controls from all the Banks, Financing Companies and Governmental Financing Institutions, such as but not limited to, the Real Estate, Industrial and Agricultural Funds and receive the loans and repayment thereof and conclude the contracts, related thereto and sign thereon and the collateral appertaining to the Company works and the right of the Companies collateral in which the Company owns shares or stocks in proportion to the shares or stocks owned by the Company in such Companies. Moreover, he shall have the right to sign on all types of Contracts, Agreements, Privileges, Deals and Agencies and shall have the right to enter into Governmental and Non-Government Tenders on behalf of the Company, without limitation. Besides that, he shall have the right for pleading, defending, litigation, prosecution, claim, acquittal, conciliation, waiver, acknowledgement, denial, preemption, discharge, sue and hear the Lawsuits and reply thereto and establish the evidence and rebut, Deny the Scripts, Stamps and Signatures and Challenge the Authenticity (Allegation of Forgery) and request taking the oath and rebut it and refusal thereof, plea, impeachment, amendment and bring the witnesses and Data and Challenge them and refer to the Detention and Execution Circuits and request the Detention and Execution and Travel Ban and Release thereof and Demand the Arbitration, Appoint the Experts and Arbitrators and Rebut them and Challenge the Experts and Arbitrators Reports and Rebut them, as well as, Replacing them and follow up all the Cases instituted by the Company or against it, before all the types of Shariah Courts and the Administrative Courts (Board of Grievances) and all the Judicial Bodies, Commissions for Settlement of Commercial, Financial and Banking Disputes, Labor Offices, Labor Cases Departments, Primary and High Labor Committees, Arbitration Committees and any other Committees, regardless the type thereof. He shall have the right to accept the judgments and demand execution, denial or objection thereto, Demand Cassation, Demand Solicitation for Reconsideration and Annotation of the Judgments Deeds and finalize all the necessary for the attendance of Sessions in all the Lawsuits with the Courts. Receive what is collected from the Execution and Demand Objection to the Judgments with the Supreme Court, regarding the Cases instituted by the Company or against it. Moreover, he shall have the right to enter into Contracts with the Consultation Offices and the right to appoint the Lawyers and Attorneys and Removal thereof and Confirm the Company Business Plans and approve the Operating Plans thereof. He shall have the right for granting the Signature Authorities in the name of the Company to the Company Officers, within the limits he deems fit and Request the Visas from the Labor and Recruitment Offices and pay the Fees thereof and grant the Final and Exit-and-reentry Visas and Transfer the Sponsorships and Release them and Request the Visit Visas and issuance of Residence Licenses and the Work

Permits and the Renewal thereof and resolve to Open the Branches inside and outside the kingdom of Saudi Arabia and Issuance of the Commercial Registrations thereto and he shall have the right to represent the Company before the third party and before the Shariah and Administration Judiciary and all the Ministries, including but not limited to, the Ministry of Municipal and Rural Affairs, Municipalities, Ministries of Interior, Foreign Affairs and Commerce and Industry, Transportation, Health, Ministry of Education, Ministry of Higher Education, Ministry of Planning, Ministry of Petroleum and Mineral Resources, Ministry of Justice, Ministry of Labor, Ministry of Social Affairs, Ministry of Finance, Ministry of Agriculture, Ministry of Water and Electricity, Communications Commission, Ministry of Housing, Embassies of the Kingdom of Saudi Arabia Abroad and all the Governmental and Shariah Circuits, Notary Public Offices, Police, Civil Rights, Emirates of Regions and Provinces, Centers, Passports and Traffic Police, Department of Zakat and Income Tax, all the Executive and Private Authorities and the Individuals and Banks. He shall have the right to sign with all the Chambers of Commerce and Industry inside and outside the Kingdom of Saudi Arabia and he shall have the right to authorize or revoke the authorization of whomever he deems fit with all the Chambers of Commerce and he shall have the right to attend the Meetings of the Constituent Assemblies, Conversion Assemblies, Ordinary and Extraordinary Assemblies of the Companies, in which the Company participates and vote on behalf of the Company and sign all the Documents necessary thereto. Moreover, he shall have the right to sign the Mortgages to the favor of the Governmental and Private Banks, Industrial, Real Estate, Investment and Agricultural Funds.

The Chairman of the Board of Directors may delegate part of his Powers, by a Resolution in writing, to Others of the Board of Directors or the Third Party for commencement of work or specific works.

The Ruminations obtained by either one of them, in addition to the Ruminations determined to the Members of the Board of Directors shall be Saudi Riyal Two Hundred Thousand (SR 200,000) to the Chairman of the Board of Directors and Saudi Riyal One Hundred Thousand (SR 100,000) to the Managing Director, within the limits as provided for in the Companies Law and the Regulations thereof.

The Board of Directors shall appoint a Secretary to be selected from among its Members or Others, and shall specify his Powers and Remuneration. The Term of the Chairman, the Deputy Chairman, Managing Director and the Secretary who is a Board Member shall not exceed the Term of their respective Membership in the Board, and they may be re-appointed. The Board may, at all times, remove any or all of them without prejudice to

their right to damages if the removal is made without justifiable cause or at an improper time.

#### **Article (24): The Board Meetings**

The Board of Directors shall convene by a Call from his Chairman, at least twice a year. The Call shall be, in writing, or through the Electronic Correspondences. It shall be delivered by hand or to be sent by Mail, Fax or Cable, two weeks prior to the date specified for the Meeting, unless, the Members of the Board of Directors agree otherwise and the Chairman of the Board shall call for a Meeting whenever two Members so request.

#### **Article (25): Quorum of the Board Meetings**

A Board Meeting shall not be a valid Meeting unless attended by, at least five (6) Members in person. In the event that a Member of the Board of Directors gives a proxy to another Member to attend the Board Meetings on his behalf, then such proxy shall be given, in accordance with, the following Controls:

- A) A Member of the Board of Directors may not act on behalf of more than one Board Member as to attending the same Meeting.
- B) A proxy shall be made fixed, in writing, and in connection with a specified Meeting.
- C) A Board Member acting by proxy may not vote on Resolutions on which his Principal is prohibited from voting in respect thereto.

The Board of Directors Resolutions shall be adopted with the approval of the majority votes of the Members present in person or represented by proxy in the Meeting and in case of a tie; Chairman of the Board or in his absence the one who presides over the Board shall have a casting vote.

The Board of Directors may issue Resolutions by passing them to all the Members separately unless a member calls, in writing, for a Meeting for deliberation. Such Resolutions shall be presented to the Board of Directors in the first next Meeting for their approval.



#### **Article (26): The Board Deliberations**

Deliberations and Resolutions of the Board shall be recorded in Minutes to be signed by the Chairman, Members of the Board of Directors present and the Secretary. Such Minutes shall be entered in a Special Register which shall be signed by the Chairman and the Secretary.

#### **Article (27): The Executive Committee:**

The Board of Directors may, from amongst the Members, form an Executive Committee and the Board shall appoint from amongst the Members of the Committee a Chairman for such Committee and the Board of Directors shall specify the method of the Committee Work, Powers thereof and the number of its Members and the Necessary Quorum for the Meetings thereof. The Committee shall exercise the Authorities entrusted to it by the Board, in accordance with, the Instructions and Directives of the Board. The Executive Committee may not cancel or amend any Resolutions and Rules adopted by the Board of Directors.

### **(Fourth Chapter)** **Shareholders Assemblies**

#### **Article (28): Assemblies Attendance**

Each Subscriber, regardless of the number of Shares he held, shall have the right to attend the Constituent Assembly and each Shareholder may authorize, in writing, another Person, other than the Members of the Board of Directors or the Employees of the Company, to attend the General Assembly on his behalf.

#### **Article (29): Conversion (Constituent) Assembly**

Founders shall call all Subscribers to hold a Conversion (Constituent) Assembly Meeting, within a period of forty five days as of the Ministry's Decision approving the incorporation of the Company or from the date of closing the subscription in stocks in the Joint-Stock Company with the Initial Public Offerings. For the Conversion (Constituent) Assembly

Meeting to be valid, it shall be attended by a number of Subscribers representing, at least fifty percent of the Company's Capital. In all cases, the Second Meeting shall be valid, regardless of the number of Subscribers attending therein.

#### **Article (30): Powers of Conversion (Constituent) Assembly**

The Constituent Assembly shall be competent to deal with the matters stated in Article (63) of the Companies Law.

#### **Article (31): Powers of Ordinary General Assembly**

Except for matters falling within the jurisdiction of the Extraordinary General Assembly, the Ordinary General Assembly shall be competent to deal with all matters related to the Company and shall be convened, at least once a year, within six months following the end of the Company's Fiscal Year. Other Ordinary General Assemblies may be convened should the need arise.

#### **Article (32): Powers of Extraordinary General Assembly**

The Extraordinary General Assembly shall be competent to amend the Company's Articles of Association, other than those matters whose amendment is prohibited by Law. Furthermore, the Extraordinary General Assembly shall be empowered to adopt Resolutions in matters falling originally within the Powers of the Ordinary General Assembly, on the same Conditions and Manners as prescribed for the latter.

#### **Article (33): Call for Assemblies**

The Ordinary General or Private Assemblies shall be convened by a Call from the Board of Directors. The Board of Directors shall call the Ordinary General Assembly to convene a Meeting if requested to do so by the Auditor, the Audit Committee or by a number of Shareholders representing at least (5%) of the Company's Capital. The Auditor may call for the convention of an Assembly if the Board of Directors does not call the Assembly to convene, within thirty days from the date of the Auditor's request.

Notice of General Assembly shall be published in a Daily Newspaper distributed in the Region of the Head office of the Company, at least ten days prior to the date set for the Meeting. However, a Notice sent by Registered Mail to all the Shareholders, within the

time limit set above shall suffice. A Copy of the Invitation and Agenda are to be sent to the Capital Market Authority during the period specified for Publication.

#### **Article (34): Assemblies Attendance Register**

The Shareholders wishing to attend The Ordinary General or Private Assemblies shall register their names at the Company's Head Office before the time scheduled for convention of the Assembly.

#### **Article (35): Quorum of the Ordinary General Assembly Meeting**

A Meeting of the Ordinary General Assembly shall be valid only if attended by Shareholders representing, at least One Quarter of the Company's Capital. If the Quorum necessary for holding this Meeting is not attained at the First Meeting, a Second Meeting shall be held within an hour following the time set for holding the First Meeting, provided that, the Call for holding the First Meeting shall include the possibility of holding this Meeting. If the First Call shall not include the possibility of holding the Second Meeting, a Call for a Second Meeting shall be directed, to be convened, within the thirty days following the First Meeting and this Call shall be published in the manner provided for in the Article (33) herein.

In all cases, the Second Meeting shall be deemed valid, irrespective of the number of Shares represented therein.

#### **Article (36): Quorum of the Extraordinary General Assembly Meeting**

A Meeting of the Extraordinary General Assembly shall be valid only if attended by Shareholders representing, at least half of the Company's Capital. If such Quorum cannot be attained at the First Meeting, a Second Meeting shall be held, within an hour following the time set for holding the First Meeting, provided that, the Call for holding the First Meeting shall include the possibility of holding this Meeting. If the First Call shall not include the possibility of holding the Second Meeting, a Call for a Second Meeting shall be directed, to be convened, on the same Conditions provided for in the Article (33) herein.

In all cases, the Second Meeting shall be valid if attended by a number of Shareholders representing, at least One Quarter of the Company's Capital.

If the necessary Quorum is not attained in the Second Meeting, a Call shall be directed to a Third Meeting to be held on the same Conditions provided for in the Article (33) herein and the Third Meeting shall be valid, regardless the number of Shares represented therein, after the Concerned Authority's Approval.

#### **Article (37): Voting in the Assemblies**

Each Subscriber shall have one vote for each Share he represents at the Constituent Assembly. Each Shareholder shall have a vote for every Share represented by him in the General Assemblies and the Cumulative Voting shall be used for the election of the Board of Directors.

#### **Article (38): Resolutions of Assemblies**

Resolutions of Conversion (Constituent) Assembly shall be adopted by an absolute majority of the Shares represented therein and the Resolutions of the Ordinary General Assembly shall be adopted by an absolute majority of the Shares represented in the Meeting. The Resolutions of the Extraordinary General Assembly shall be adopted by a majority vote of Two-Thirds of the Shares represented at the Meeting. However, if the Resolution to be adopted is related to Increasing or Decreasing the Capital, extending the Company's Duration or Dissolving the Company prior to the expiry of its Term specified in the Articles of Association or Merging the Company with another One, then such Resolution shall be valid only if adopted by a majority of three-quarters of the Shares represented at the Meeting.

#### **Article (39): Deliberation at Assemblies**

Each Shareholder shall have the right to discuss the matters listed in the Agenda of the Assembly, and to address Questions to the Members of the Board of Directors and the Auditor in respect thereof. The Board of Directors or the Auditor shall answer Shareholders' Questions to such an extent that would not jeopardize the Company's interests. If a Shareholder deems that the answer to his Question is unsatisfactory, he may appeal to the General Assembly as the Decision thereof shall be final and binding in this respect.

#### **Article (40): Chairing the Assemblies and Preparation of Minutes**

The General Assembly meetings shall be chaired by the Chairman or, in his absence, by whoever delegated by the Board of Directors from amongst the Members thereof.

Minutes shall be issued for every Assembly, showing the number of the Shareholders present or represented, the number of Shares held by each of them, whether personally or by proxy, the number of Votes allotted thereto, the Resolutions adopted, the number of Consenting and Dissenting Votes, and a Comprehensive Summary of the Discussions conducted at the Meeting. Following every Meeting, the Minutes shall be recorded in an organized manner in a Special Register, which shall be signed by the Chairman, the Secretary and the Vote Counter.

### **(Fifth Chapter)** **The Audit Committee**

#### **Article (41): Formation of the Committee**

The Audit Committee shall be formed, under a Resolution by the Ordinary General Assembly. Such Committee shall be formed of four (4) Members from among the Non-Executive Members of the Board of Directors, whether from the Shareholders or Others and the Resolution shall determine Tasks of such Committee, together with, the Controls of its Work and Remunerations of the Members thereof.

#### **Article (42): Quorum of Audit Committee Meeting**

An Audit Committee Meeting shall be valid if attended by the majority of its Members. Its Resolutions shall be adopted by the majority of Votes Present. In the case of a Tie Vote, the Vote of the Chairman of the Audit Committee shall prevail.

#### **Article (43): Powers of the Audit Committee**

The Audit Committee shall have the power to supervise the Company's Activities and shall have for the sake of that the right to access the Company's Books and Records, Request any Clarification or Statement from the Members of the Board of Directors or the Executive

Management. Besides that, such Committee shall be entitled to request the Board of Directors to call the Company General Assembly to convene if the Board of Directors obstructs the Committee Work or should the Company experience gross damages or losses.

#### **Article (44): Reports of the Audit Committee**

The Audit Committee shall review the Company's Financial Statements, Reports and Notes submitted by the Auditor and shall express its Comments concerning them, if any. In addition to that, it shall prepare a Report as regards to its opinion on the adequacy and efficiency of the Company's Internal Control System, along with, other businesses fall within its Scope of Work. The Board of Directors shall file sufficient Copies of the Reports in the Company's Head Office, at least ten days prior to the date set for convening the Ordinary General Assembly in order to provide a Copy thereof to each Shareholder wishes to do so. The Audit Committee Report shall be read during the convention of the General Assembly Meeting.

### **(Sixth Chapter)** **The Auditor**

#### **Article (45): The Auditor**

The Company shall have an Auditor from among those licensed to operate in the Kingdom to be appointed annually by the Ordinary General Assembly, which shall specify his Remunerations and Term of Office. The General Assembly may also, at any time, change the Auditor, without prejudice to his right for Compensation if the change takes place at an improper time or without justifiable cause.

#### **Article (46): Powers of Auditor**

The Auditor shall have access, at any time, to the Company's Books, Records and any Other Documents, and may also request information and clarification as he deems necessary. He may further check the Company's Assets and Liabilities and whatsoever enters within his Scope of Work. The Chairman shall enable the Auditor to undertake his Duty and should the Auditor encounter any difficulty in this regard, he shall state the same in a Report to be submitted to the Board of Directors. If the Board of Directors does not facilitate the

Auditor's Work, the Auditor shall request the Board of Directors to convene the Ordinary General Assembly to look into the matter.

**(Seventh Chapter)**  
**Company Accounts and Distribution of Dividends**

**Article (47): Fiscal Year**

The Company's Fiscal Year shall begin on the 1<sup>st</sup> of January and end on the 31<sup>st</sup> of December of each Gregorian Year, provided that, the First Fiscal Year shall begin from the date of the Ministerial Resolution issued for announcing the Company Incorporation and end on the 31<sup>st</sup> of December of the next Year.

**Article (48): Financial Documents**

- 1- The Board of Directors shall prepare the Company's Financial Statements at the end of each Fiscal Year, together with, a Report of its Activities and the Financial Position for the year then ended. This Report shall include the proposed method for the Dividends Distribution. The Board of Directors shall place such Documents at the disposal of the Auditor, at least forty five days prior to the date set for convening the General Assembly.
- 2- The Chairman of the Company, the Chief Executive Officer and the Financial Director shall sign the Documents referred to in Paragraph (1) of this Article and Copies thereof shall be filed in the Company's Head Office at the Shareholders disposal, at least ten days prior to the date set for convening the General Assembly.
- 3- The Chairman shall provide Shareholders with the Company Financial Statements, the Board of Directors' Report and the Auditor's Report, unless these Reports are published in a Daily Newspaper that is distributed in the locality of the Head Office of the Company. He shall also send a Copy of these Documents to the Ministry and a Copy thereof to the Capital Market Authority, at least fifteen days prior to the date set for convening the General Assembly.

#### **Article (49): Distribution of Profits**

The Company's Annual Net Profits shall be distributed as follows:

- 1- Ten Percent (10%) of the Annual Net Profits shall be set aside to form a Statutory Reserve. Such setting aside may be discontinued by the Ordinary General Assembly when said Reserve totals (30%) of the Company's Paid-up Capital
- 2- The Ordinary General Assembly may, based on a proposal by the Board of Directors, set aside a certain percentage of the Annual Net Profits to form a Conventional Reserve allocated to support the Company's Financial Position.
- 3- The Ordinary General Assembly may resolve to form Other Reserves in such an amount as to ensure the Company's best interest or ensure distribution of as steady Dividends as possible to the Shareholders. That same Assembly may also withhold amounts from the Net Profits for the creation of Social Organizations for the Company's Employees and Workers or for supporting such Organizations as may already be in existence.
- 4- The Remaining shall be distributed after that to the Shareholders a percentage not less than (5%) of the Company's Paid-up Capital.
- 5- Subject to the Provisions prescribed in the Article (22) herein and the Article (76) of the Companies Law, after the foregoing, a percentage not exceeding (10%) out of the Remaining shall be allocated to the Remunerations of the Board of Directors, provided that, the entitlement to the Remuneration shall be proportional to the number of Meetings (Sessions) attended by the Member.

#### **Article (50): Entitlement of Dividends**

The Shareholder shall be entitled to his Dividends, pursuant to, the General Assembly Resolution adopted in this regard. Such Resolution shall specify the Entitlement Date and Distribution Date. The Shareholders registered in the Shareholders Register shall be entitled to their Shares of Profits by the end of the day specified for the entitlement.



### **Article (51): Distribution of Dividends for Preferred Shares**

- 1- If no Dividends are distributed for any Fiscal Year, Dividends for the following years may only be distributed after paying the percentage specified in the Article (114) of the Companies Law to the Holders of Preferred shares for such year.
- 2- If the Company fails to pay the percentage specified in the Article (114) of the Companies Law for three consecutive years, the Private Assembly of Holders of Preferred Shares, convened pursuant to the Provisions of the Article (89) of the Companies Law, may adopt a Resolution to either attend the General Assembly of the Company and participate in the voting or to appoint representatives thereof in the Board of Directors in proportion to the Value of their Shares in the Company's Capital, until the Company is able to pay all the Priority Dividends allocated to such Shareholders for the preceding years.

### **Article (52): Company Losses**

- 1- If the Company's Losses reach half of the Paid-up Capital, at any time, during the Fiscal Year, any Officer or the Auditor of the Company shall notify the Chairman immediately upon becoming aware of such losses, who in turn, shall immediately notify the Board of Directors and the Board shall, within a period of fifteen days of being notified of same, call the Extraordinary General Assembly for a Meeting, within forty five days of becoming aware of the losses, to either increase or decrease the Company's Capital, in accordance with, the Companies Law to the extent that the losses decrease to less than fifty percent of the Paid-up capital or to dissolve the Company before the expiry of its Term specified in the Companies Law.
- 2- The Company shall be deemed dissolved by operation of Law if the Extraordinary General Assembly (i) does not convene within the period specified in Paragraph (1) of this Article, (ii) convenes but is unable to adopt a Resolution on this matter or (iii) approves increasing the Company's Capital, in accordance with, the Conditions determined in this Article and the increase shares are not fully subscribed to, within ninety days from the date of issuing the Assembly Resolution of the increase.

## **(Eighth Chapter)**

### **Deputes**

#### **Article (53): Liability Action**

Each Shareholder shall have the right to file a Liability Action, vested in the Company, against the Members of the Board of Directors if the wrongful act committed by them is of a nature to cause him personal prejudice, provided that, the Shareholder may file the said Action only if the Company's right to file such Action is still valid. The Shareholder shall notify the Company of his intention to file such Action.

## **(Ninth Chapter)**

### **Dissolution and Wind up of the Company**

#### **Article (54): Expiry of the Company**

Upon the expiry of the Company, it shall enter into a Liquidation Period, during which it shall maintain its legal personality to the extent necessary for Liquidation. An Optional Liquidation Resolution may only be adopted by the Extraordinary General Assembly. The Liquidation Resolution shall appoint a Liquidator and determine his Powers, Fees and Restraints imposed on his Powers and the period of time necessary for Liquidation, provided that, the Optional Liquidation Period shall not exceed five years and may not be extended more than that, except with a Judicial Order. The Power of the Board of Directors shall cease upon the Company's approval of its Liquidation, provided, however, that the Board of Directors shall remain responsible for the Management of the Company and is deemed vis-à-vis third parties as Liquidators until a Liquidator is appointed. The General Assemblies shall remain existent during the Liquidation Period and its role shall be restricted to exercising its Powers to the extent they do not conflict with the Powers of the Liquidator.

**(Tenth Chapter)**  
**Concluding Provisions**

**Article (55):**

The Companies Law and its Regulations shall apply to all other matters not specifically provided for herein.

**Article (56):**

The Articles of Association shall be filed and published, in accordance with, the Provisions of the Companies Law and its Regulations.