

**State of Qatar  
Ministry of Economy and Commerce**

Law No. (5) of 2002

**Issuing the Commercial Companies Law**

Law No. (5) of 2002  
Commercial Companies Law

We, **Hamad Bin Khalifa Al Thani**, the Emir of the State of Qatar,  
after having reviewed the amended provisional constitution,  
especially the articles (23), (34) and (51) of the same; and  
the Law No. (2) of 1962, regularizing the general financial policies  
in Qatar, which is amended by the Ordinance Law No. (19) of 1996;  
and  
the Labour Law No. (3) of 1962; and its amended bylaws; and  
the Law No. (11) of 1962, establishing the Commercial Registration  
System; and its amended bylaws; and  
the Law of Civil and Commercial Articles issued under Law No. (16)  
of 1971; and its amended bylaws; and  
the Law No. (7) of 1974, regularizing the Accounts Auditing  
Profession; and  
the Law of Commercial Companies issued under Law No. (11) of  
1981, which is amended by the Law No. (9) of 1998; and  
the Ordinance Law No. (22) of 1993, regularizing the Ministry of  
Finance, Economy and Commerce and appointing its authorities;  
and  
the Law No. (14) of 1995, establishing the Doha Securities Market  
and its executive bylaws issued under the Decree of the Ministry of  
Finance, Economy and Commerce No. (10) of 1999; and  
the Law No. (13) of 2000, regularizing the foreign capital  
investment in the commercial activities; and  
the Emiri Order No. (1) of 2002, amending the Council of Ministers  
formation; and

the Ministerial Law No. (7) of 1983, regarding the model of articles of association of the shareholding companies and their bylaws; and  
the suggestion of the Minister of Economy and Commerce; and  
the Draft Law submitted by the Council of Ministers; and  
after having taken the opinion of the Advisory Council,  
we have decided the following:

#### **Article (1)**

The Commercial Companies Law attached to this law shall come into effect.

#### **Article (2)**

The Companies existing at the time of issuance of this law must abide by its provisions and amend their status accordingly, maximum by six months from the effective date of this law.

#### **Article (3)**

The Minister of Economy and Commerce shall issue the necessary decrees to execute this Law.

#### **Article (4)**

The above referred Law No. (11) of 1981 and the Ministerial Decree No. (7) of 1983 shall be disregarded and also all provisions that contradict to the provisions of this law shall be deemed invalid. As an exemption, the above referred Ministerial Decree No. (7) of 1983 shall remain valid with respect to the clauses that do not contradict to the provisions of this law until the Minister of Economy and Commerce issues a decree regarding the model of the articles of association of the shareholding companies and their bylaws in accordance with this law.

## **Article (5)**

All the concerned departments, each in its turn, should implement this law, which shall come into effect after sixty days from its publication in the official gazette.

**Hamad Bin Khalifa Al Thani**  
**Emir of the State of Qatar**

Issued at Emiri Diwan  
13/03/1423 (Hijri)  
25/05/2002

**Commercial Companies Law**  
**First Chapter**  
**General Provisions**

**Article (1)**

In application of the provisions of this law, the following words and expressions shall have the meaning given adjacent to each unless otherwise the context requires.

Ministry	:	Ministry of Economy and Commerce
Minister	:	Minister of Economy and Commerce
Concerned Department	:	Trade Affairs Dept. of the Ministry
Company Contract Association	:	Company's Articles of
General Claim	:	Criminal Claim

**Article (2)**

The commercial company is a contract by which two or more natural or legal persons undertake to share in a project that aims to profit making, by submitting a share of cash or service and sharing in the profit or loss resulted from the project.

**Article (3)**

Every company that is established in Qatar shall be Qatari national. It should have a headquarter in Qatar. However, it does not necessitate the enjoyment of the company to the rights legally confined to Qatari citizens only.

**Article (4)**

The company which is established in Qatar should take any of the following forms:

- 1- Joint Company
- 2- Limited Partnership Company
- 3- Particular Partnership Company
- 4- Shareholding Company
- 5- Equities Partnership Company
- 6- Limited Liability Company

### **Article (5)**

Any company which has not taken any of the forms mentioned in the above paragraph shall be deemed invalid. The persons who concluded a contract to form such a company shall be individually and collectively responsible for the liabilities resulted from such contracts.

### **Article (6)**

Excluding the Particular Partnership Company, the Company's articles of association and any changes introduced thereof should be in Arabic and authenticated by the official department for authentication, otherwise, the contract and amendment shall be considered invalid.

### **Article (7)**

The partners may claim the invalidity resulted from the failure in writing or authenticating the contract, against each other. However, they are not entitled to claim against any third party who is entitled to claim the invalidity against them.

### **Article (8)**

Excluding the Particular Partnership Company, the Company shall not have the legal entity except after the declaration of the Company as per the provisions of this law. The managers or directors of the company, as the case may be, shall be held responsible collectively for the damages sustained by others due to the failure in the declaration of the Company.

### **Article (9)**

The share of the partner may be a particular amount (cash amount) or materials (material shares) that serve the object of the Company. It may also be the work offered by the partner himself.

Whereas the share of the partner cannot be the reputation or authority.

The cash and material shares will only be the capital of the Company.

#### **Article (10)**

If the share of the partner is an ownership right or any other materials right, the partner will be responsible as per the relevant principles regarding the sales contract for the guarantee of the share, in case of decay or due or appearance of any defect thereof.

If the share is mere usufruct of the money, the principles pertaining to the tenancy contract shall be applied to matters mentioned in the foregoing paragraph.

If the share of the partner is rights with other, his liability towards the Company will not be cleared until these rights are fulfilled. Apart from this, he shall be asked to compensate for the damages resulted from the failure in fulfilling those rights when they become due, unless otherwise agreed.

If the share of the partner is his work, all the earnings resulted from this work will be the right of the Company, unless the partner obtains this earning from the patent right, if not agreed otherwise.

The partner who submits his work as his share is not allowed to practice the same work for his own account.

#### **Article (11)**

Each partner is considered as liable to the company for the share undertaken by him. If he delays its submission from the fixed time, he shall be responsible before the Company for the damages resulted from this delay.

#### **Article (12)**

The personal creditor of any partners is not entitled to draw his share from the debit share of the company, but he can draw his right from the profit share of the above debtor, as per the balance sheet of the Company. If the Company is dissolved, the right of the creditor will be transferred to the share of his debtor, the surplus amount after the payment of company debts.

If the share of the partner is represented in shares, apart from the rights mentioned in the foregoing paragraph, the personal creditor shall have the right to demand the selling of these shares to draw his rights from the result of the sale.

### **Article (13)**

The Company contract should not include any text that prevents any partner from the profit or weaves him from the loss, otherwise, it will become null and void. However, the text that weaves the partner who has not submitted any share in the partnership except his work, is allowed.

### **Article (14)**

If the Company Contract has not fixed the share of the partner in the profits or losses, his share shall be in pro rata to his share in the capital.

If the contract has limited the share of the partner in the profit only, his share in the loss shall be equivalent to his share in the profit. Same is the case if the contract has limited the fixing of the share of the partner in the loss only.

Should the share of the partner is limited in his work and the Company contract has not fixed his share in the profit or loss, the Company will assess his work and this assessment will be the basis for fixing his share in the profit and loss, as per the forgoing terms and conditions.

### **Article (15)**

The imaginary profits cannot be distributed for the partners, otherwise the company creditors can demand from every partner to return what is received, even if a bona fide partner.

### **Article (16)**

All the contracts, correspondents, clearances, advertisements and other documents issued by the Company should bear the name, type, headquarter and C/R No.

Excluding in the Joint Company and Limited Partnership Company, the above information to be added with the details of the company capital and the amount paid therefrom.

If the Company is under liquidation, it should be mentioned in the papers issued by the Company.

### **Article (17)**

Without prejudicing to the provisions of the above referred Law No. (13) of 2000, the provisions of this law shall be applied on the foreign companies that practice the activities in the State, excluding the provisions pursuant to the articles of association.

### **Article (18)**

Without contradicting to the provisions of each company, the provisions of the Chapter shall be applied for all the companies stipulated in this law.

## **Second Chapter** **Joint Company**

### **Article (19)**

Partnership Company means the company consists of two or more natural persons, who are jointly responsible in their properties for the liabilities of the company.

### **Article (20)**

The name of the partnership company consists of the names of all partners. However, the name can be abbreviated with the name of one or more partners adding the word "and partners". The name of the company should be complying with the reality. If it includes the name of a person who is not a partner in the company, with his knowledge, he will be responsible jointly for the liabilities of the company. However, the company will remain in the name of the partner who withdrew from the partnership or died if the withdrawn person or the heirs of the deceased partner agree so. The company may adopt a special trade name provided that it should be

accompanied with the evidence showing that the company is a joint partnership company.

### **Article (21)**

All the partners in the partnership company must of the natural citizens.

### **Article (22)**

The contract of the partnership company must in writing and signed by the partners. It should include, specially, the following:

1. Name, object, headquarter and branches (if any) of the Company.
2. Name, occupation, title, designation, (if any), nationality, date of birth and native place of every partner.
3. Company capital and share committed by each partner to submit his share by cash or material or rights with others, the value estimated for such shares, its submission method and due dates.
4. Date of establishment and period of the Company.
5. Method of company management along with the name of the persons who are authorized to sign on behalf of the company and their authorities.
6. The starting and end of the fiscal year of the company.
7. Method of distributing profits and losses.

### **Article (23)**

The partners should adopt a written law for the company including the detailed provisions agreed by them for the management of the company; and a copy of this law should be attached with the Company contract.

### **Article (24)**

The articles of association of the company and all the amendments introduced thereof should be entered in the ledger of the Commercial Registry, as per the law of registration. Also a summary of the articles of association and every amendments introduced thereof should be announced in a local daily published in Arabic on account of the Company.

The claims against others regarding the existence of the Company shall not be valid until the registration and announcement procedures are completed. The failure in the fulfillment of these procedures shall lead to the rejection of the claims raised by the Company against others.

Nevertheless, others are entitled to claim the existence of the Company even if the registration and announcement procedures are not completed.

#### **Article (25)**

The partner in the partnership company will possess the capacity of the merchant. He shall be deemed as conducting commercial business under the name of the Company. The bankruptcy of the Company shall lead to the bankruptcy of all partners.

#### **Article (26)**

The shares of the partners in the partnership company cannot be negotiable bills.

#### **Article (27)**

The yielding from the shares in partnership company is not allowed except with the consent of all partners or considering the terms stipulated in the company contract. In this case the contract will be amended and the yielding will be announced in accordance with the provisions of the Article (24) of this Law.

Any agreement allowing the yielding from the shares without any conditions is invalid. However, the partner is entitled to yield for other from the rights related to his share in the Company. This

agreement shall not have any effect except between those two parties.

### **Article (28)**

The creditors of the Company have the right to claim their rights from the Company. They are also entitled to claim their rights against any partner in his personal effects.

The partners of the Company shall be collectively liable before the creditors of the Company.

The execution against the properties of the partner due to the liabilities of the Company is not allowed except after having obtained the final judgement against the Company, warned of the settlement and refrained from the settlement on time.

The judgement issued against the Company shall be an evidence against the partner.

If any of the partners settles any liability against the Company, he is entitled to claim the settled amount from the Company. He is also entitled to claim against other partners each according to his share in the loan. If any of the partners is bankrupted, the responsibility of this bankruptcy shall be borne by the partner who settled the loan and all the bankrupted partners, each as per the amount of his share.

### **Article (29)**

The Partner is not allowed, without the approval of the partners, to practice on his own account or on account of others any activity of the Company or to be partner in a competing company. If this company is a joint company or limited partnership company or a company having limited liability.

If any of the partners violates the above, the Company is entitled to claim compensation from him and to consider the operations done on his account have been done on account of the Company.

### **Article (30)**

If any partner joins the Company he shall be responsible collectively with other partners in all his properties for the liabilities existing before and after his joining with the Company. Any agreement among the partners in contrary will not be valid against others.

#### **Article (31)**

If any partner withdraws from the Company, he shall not be responsible for the liabilities arise after the declaration of his withdrawal.

#### **Article (32)**

If any of the partners assigns from his share in the Company, he shall not be relieved from the liabilities of the Company towards its creditors except if the partners assent this assignment.

#### **Article (33)**

No partner excluding the director is not allowed to interfere in the administration business. However, he is allowed to review by himself about the business at the centre of the Company, to inspect the ledgers and documents, to extract the short summary of the financial position of the Company by himself or through his agent and to address recommendations to the Company manager. Any agreement in contrary to this shall be null and void.

#### **Article (34)**

The decisions in the joint company shall be issued with the consensus of partners unless the contract of the company stipulates otherwise.

However, the decisions related to the amendment of the company contract shall not be valid until they are issued with the consensus of the partners.

#### **Article (35)**

The management of the company shall be for all partners unless the management is assigned under the articles of association or a

separate contract to one or more partners or to one or more persons other than the partners.

### **Article (36)**

If the directors are multiplied and every director was assigned to special business, each director will not be responsible except for the business under his competence.

If the directors are multiplied and it was conditioned that they should undertake the management collectively, their decisions will not be valid unless it is issued with consensus or with the majority stipulated in the articles of association. However each director is entitled to carry out the urgent business whose omission will cause great loss for the Company or loss of big profit for the Company.

If the directors are multiplied and no particular duty was assigned to each nor it is conditioned that they should work collectively, any of them is allowed to carry out any duty of the management, provided that the others should have right of objection on the duty before it is completed. In this case the matter will be considered as per the opinions of the majority directors. If the opinions become equal the matter will be submitted to the partners.

### **Article (37)**

If the director is a partner and appointed in the articles of association, he cannot be expelled except with the consensus of the partners or under a resolution for the court based on the request of the majority partners.

The expulsion of the director in any of the two cases results in the dissolution of the company, unless the articles of association stipulates otherwise. If the director is a partner and appointed by a contract independent from the articles of association or he is not a partner, whether appointed in the articles of association or in an independent contract, he may be expelled by the decision of the majority partners. This expulsion will not lead to the dissolution of the Company.

### **Article (38)**

If the director is a partner and appointed in the articles of association, he is not allowed to refrain from the administration except for acceptable reasons, otherwise he will be responsible for compensation. His refraining will lead to the dissolution of the Company, unless the articles of association stipulate otherwise.

If the director is a partner appointed in a separate contract or he is not a partner, be he appointed in the articles of association or under a separate contract, he may quit the administration, provided that he should select a suitable time to quit his post and inform the partners reasonable time prior to the its implementation, otherwise he will be responsible for compensation. His quittance will not lead to the dissolution of the Company.

### **Article (39)**

The director can practice all the normal administration works which comply with the objective of the Company unless the articles of association of the Company limit his power in this regard. He is entitled to compromise on the rights of the Company and request for arbitration if it is for the interest of the Company.

The Company is bound to any work carried out by the director in the name of the Company under his authority, even if the director uses the signature of the Company on his own account unless the contract with him includes any bad faith.

### **Article (40)**

The director is not allowed to carry out the activities out of the range of normal administration except with the consent of the partners or under a clear text in the contract. This ban is effective, particularly for the following acts:

1. Donations, except the ordinary small contributions.
2. Selling the estates of the Company, unless the act comes under the object of the Company.
3. To mortgage the properties of the Company even if he is allowed to sell the properties under the articles of association.
4. Selling or mortgaging the shop of the Company
5. Guarantee the loans of third parties.

### **Article (41)**

The director is not allowed to conclude contracts on his own account with the Company except with a permission from all partners, to be issued for each case separately.

He is not allowed to practice any activity from the activities of the Company except with the approval of all partners.

#### **Article (42)**

The director will be asked about the damages sustained by the Company or partners due to his violation to the provisions of the articles of association or for the mistakes committed by him in the performance of his duties. Any term in contrary to this will be deemed invalid.

#### **Article (43)**

The losses, profits and shares of each partner will be fixed at the end of the fiscal year of the Company as per the balance sheet and loss and profit accounts.

Each partners will be considered as creditor to the Company with his share in the profits once this share is fixed by endorsing the balance sheet.

The shortage in the capital of the company due to the loss will be completed from the profits of the coming years unless otherwise agreed. In other cases the partner is not obliged to complete the shortage in his share in the capital due to the losses except with his consent.

Third Chapter

Particular Partnership Company

#### **Article (44)**

The particular partnership company consists of two categories of the partners, they are:

1. Joint partners who manage the company and will be responsible jointly for its liabilities in their private properties.

2. Silent partners who share in the capital of the company without being responsible for the liabilities of the company except in the extent of the money they submitted to the Company or they undertook to pay for the Company.

#### **Article (45)**

All the joint partners should be the natural citizens of the State.

#### **Article (46)**

The articles of association of the Company must specify the name of the joint and silent partners.

#### **Article (47)**

The name of the particular partnership company will not include except the names of the joint partners, showing the existence of other partners.

It may have special commercial name provided that the name should be followed by the words showing that it is particular partnership company.

The name of the silent partner will not be included in the name of the Company. If his name is mentioned, with his knowledge, he will be responsible for the liabilities of the Company jointly with respect to the bona fide parties.

#### **Article (48)**

The silent partner is not allowed to interfere in the administration of the Company even under a power of attorney, otherwise, he will be responsible jointly for the liabilities resulted from his management. He may undertake the liabilities of the Company fully or partially as per the volume or repetition of the business and in accordance with the credibility of others for him due to these businesses.

The monitoring on the acts of the directors of the company, submitting opinion to them and permission to do acts out of their authorities are not considered as the interference in the business of the Company.

### **Article (49)**

The silent partner is allowed to demand the copy of the balance sheet and loss and profit accounts and to verify the contents thereof. He is entitled, for this purpose, to review the ledgers of the Company and its documents by himself or through his attorneys from the partners or others, provided that it should not damage the Company.

### **Article (50)**

The decisions of the particular partnership company are issued by the consensus of the joint partners, unless the articles of association stipulate otherwise.

The decisions related to the amendment of the articles of association will not be valid until it is issued by the consensus of all joint and silent partners.

### **Article (51)**

In the matters for which no provision is given in this chapter, the particular partnership company will be subject to the principles prescribed for the joint company.

## **Fourth Chapter Particular Partnership Company**

### **Article (52)**

The Particular Partnership Company means a company that consists of two or more persons.

It is a concealed company not affecting the right of others not does it enjoy the legal identity. It also does not need to any procedures of declaration.

The existence of the particular partnership company can be substantiated by all means of substantiation including the evidence and presumptions.

### **Article (53)**

The articles of association of the limited partnership company will define its objective, rights and liabilities of the partners, method of distributing loss and profit, method of company management and other basic factors.

### **Article (54)**

The limited partnership company is not allowed to issue negotiable shares or bonds .

### **Article (55)**

Every partner will be owner of the share undertaken by him to submit unless the articles of association of the company stipulate otherwise.

If the share becomes a particular material and the bankruptcy of the partner, who possesses it, is declared then its owner will have the right to recover the same after having paid his share in the losses of the company.

Whereas if the share be cash or un-assortable fungibles, its owner will participate in the bankruptcy only in his capacity as the creditor of the share value deducted by his share in the loss of the company.

### **Article (56)**

The third party cannot raise any claim except against the partner or partners with whom he made dealings.

However, if partners do any business that explore the existence of the company to a third party, the company shall be deemed as having legal identity for him and the partners shall be jointly responsible towards him.

### **Article (57)**

The particular partner will not be considered as merchant al long as he does not carry out the commercial activities by himself.

### **Article (58)**

Each partner is entitled to review the ledgers of the company by himself or through his attorney, provided that the review of the attorney should not make any damage to the company. Any agreement in contrary to this will be null and void.

### **Article (59)**

The decisions in the particular partnership company will be issued with the consensus of the partners, unless the articles of association of the company stipulate otherwise.

The decisions related to the amendment of the articles of association will not be valid until they are issued with consensus of the partners.

### **Article (60)**

If there is a non-Qatari partner among the partners, the particular partnership company will not be allowed to practice the businesses which are prohibited for non-Qataris to practice by law.

## **Fifth Chapter Shareholding Company**

### **First Division General Provisions**

### **Article (61)**

The shareholding company is a company in which the capital will be distributed to negotiable shares having equal value. The shareholder will not be asked except to the extent of his share in the capital.

### **Article (62)**

Each partnership company will have a name indicating to its objective. It cannot be a name for a natural person until the

objective of the company becomes investment of a patent registered under the name of this person or the company owned a commercial enterprise whose name was adapted as the name of the company.

In all cases the name of the company should be followed by "Qatari Shareholding Company"

### **Article (63)**

The partnership company must have a definite period mentioned in the establishment contract and statute of the company. If the objective of the company is carrying out a particular business, the company will expiry at the expiry of that business.

The period of the fixed period company can be extended under a decision by the extraordinary meeting of the general assembly.

### **Article (64)**

The capital of the company must be enough to achieve the objective for which it was established.

In all cases, the capital of the shareholding company which offers its shares for underwriting should not be less than ten million Riyals.

### **Article (65)**

The articles of association and statute of the company must comply with the forms issued under a decision from the Minister.

These models cannot be violated except for strong reasons acceptable to the Minister.

## **Second Division Establishment of the Company**

### **Article (66)**

The establishment of the shareholding company will be issued under a decision from the Minister. The number of establishers or shareholders cannot be less than five persons.

### **Article (67)**

Excluding the cases stipulated in the Law No. (13) of 2000 referred above, all the shareholders in the shareholding companies must be Qataris.

### **Article (68)**

The government, departments, public corporations and companies in which the State holds minimum 51% shares may establish one or more shareholding companies by itself or jointly with one or more national or foreign establishments.

These companies will not be subject to the provisions of this Law except in the extent that does not contradict to the positions and agreements made upon its establishment as well as to the provisions stipulated in its articles of association and statute.

### **Article (69)**

The founders should conclude articles of association and statute in the forms mentioned in the article (65) of this Law.

These forms should include the following information:

1. Name of the company and its headquarter.
2. The objective for which the company was established.
3. Name, nationality, place of domicile, occupation of the every shareholder and number of shares held by each.
4. Amount of company the capital and number, type and value of shares.
5. Period of the company.
6. Details of each non-cash share and name of the shareholder who submitted such shares, all the conditions related to it and material rights resulted from this share.
7. Approximate statement of expenses, wages and costs paid by the company or committed to pay for its establishment.

### **Article (70)**

The founders should select among them a committee consisting of minimum three members and maximum five members, to

undertake the completion of establishment procedures with the concerned department.

### **Article (71)**

The company establishment application will be submitted to the Ministry, attached with the draft copy of each articles of association and statute of the company. The Ministry may demand additional details seem to it necessary and the documents proving such details. It may also demand to review the economic feasibility study of the project.

The Ministry may demand amendments on the draft copy of the articles of association and statute to be matching with the provisions of this law and the forms mentioned in the article (65) of this law.

### **Article (72)**

If the Ministry approves the company establishment application the founders will sign the articles of association and statute of the company as per the drafts agreed by the Ministry, get them authenticated from the concerned documentation department and submit them to the Ministry so that the Minister will issue his resolution regarding the establishment of the company maximum by sixty days from the date of submission.

### **Article (73)**

If the establishment application is rejected or the period stipulated in the foregoing paragraph expired without any reply, the founders may raise complaint before the Council of Ministers within thirty days from the date of notification about the rejection or the expiry of the period as the case may be. The decision of the Council of Ministers in this regard will be deemed final.

If sixty days pass without issuing any decision in this regard by the Council of Ministers the complaint will be considered as declined.

### **Article (74)**

If the company establishment application is rejected finally, the founders are not entitled to submit new application for the same company except after the expiry of minimum sixty days form the date of notice about the final rejection.

#### **Article (75)**

The decision of establishing the company may be published in the official gazette appended with articles of association and statute of the company.

The company will not possess legal identity until the declaration is made.

The declaration of enrollment with the Commercial Registry and the publication in the official gazette will be made simultaneously.

#### **Article (76)**

The founders should underwrite minimum (20%) of the shares and maximum (45%) of the shares in the capital of the company. Any founder is not entitled to underwrite more than (10%) of the company capital. They should deposit, before the underwriting statement is published, the amount equal to the percentage to be paid by the public for each share at the time of underwriting. The founders will submit to the concerned ministry, before inviting the public for underwriting, a certificate from the bank confirming that they have underwritten in the shares of the company as per the limit prescribed in this article. They have indeed paid to the company account the amount equal to the percentage to be paid by the public for each share upon the underwriting. The deposit of this amount should be indicated in the underwriting statement. The certificate issued by the bank should be attached with the draft copy of the underwriting invitation which will be prepared by the founders in accordance with the following article. After the fulfillment of the above, the Minister will permit to publish the invitation in two local dailies.

#### **Article (77)**

The invitation for public underwriting will be made through a notice at least in two local dailies published in Arabic minimum one week

prior to the commencement of underwriting. The underwriting announcement should include the following details:

1. Name and nationality of founders.
2. Name, objection and headquarter of the company.
3. Amount of capital, paid capital, type of shares, value of shares, amount of shares offered for underwriting, the shares underwritten by the founders and the terms imposed on dealing the shares.
4. Material shares, its details and rights prescribed for it, if any.
5. Privileges granted to the founders and others if any.
6. Method of profits distribution.
7. Estimated statement about the expenses of establishing the company.
8. Fulfillment of the founders to the payment of the share values underwritten by them.
9. Minimum limit of shares a person can underwrite and also the maximum limit without exceeding the percentage prescribed for the founder.
10. Time, expiry, place and terms of underwriting.
11. Date of licence for establishing the company.
12. Method of allotting the shares for the underwriters if the underwriting exceeds the number of offered shares.
13. Any other matters affect the rights and obligations of the shareholders.

The founders or their representative should sign the invitation for underwriting. They will be jointly responsible for the authenticity of the information given thereof and fulfillment of the above mentioned details.

The notice must be attached with a report signed by the auditor stating that he has reviewed the notice and details included in thereof and confirmed its authenticity.

### **Article (78)**

The underwriting will be conducted in one or more banks accredited to the State. The installment payable upon underwriting should be paid to the bank. The payment will be credited to a special account opened in the name of the Company.

The door of underwriting should be kept open for a minimum period of one month and maximum period of three months.

### **Article (79)**

The underwriting of the shareholder will be under a declaration signed by him on the underwriting form stating the number of shares underwritten by him, his acceptance to the articles of association and statute of the company, the address chosen by him, which must be in Qatar and any other necessary information.

The underwriting should be complete and not depended on any condition. Any condition made by the underwriter shall be deemed invalid.

The underwriter will deliver the application to the bank. He will pay the amount to be paid against a receipt signed by the bank showing the name and address of the underwriter, date of underwriting, number of shares underwritten and the installments paid by him.

The underwriting will be considered as final when the underwriter receives this receipt.

### **Article (80)**

A printed copy of the articles of association will be given to every underwriter. It will be established in the underwriting receipt delivered to him by the bank.

Every concerned party is entitled to obtain a printed copy of the statute of the company free of charge, during the period of underwriting or against a reasonable charge defined in the underwriting notice.

### **Article (81)**

The bank will keep all the amounts paid by the shareholders to the account of the company under establishment. It cannot be delivered except to the board of directors after the declaration of the establishment of the company and its enrollment in the Commercial Registry.

### **Article (82)**

If the underwriting is not finished within the prescribed period, the founders are allowed after obtaining the approval of the Ministry to extend the period not exceeding three months. If the underwriting is not completed within this period also, the founders should either retrieve from establishing the company or reduce the capital to the extent for which the underwriting was achieved considering the provisions of the article (64) of this Law.

### **Article (83)**

In case of reducing the capital, the underwriters will have the right to withdraw from their underwriting within the period not less than the period of the first underwriting. If they do not withdraw during this period, their underwriting will be considered final.

### **Article (85)**

If the underwriting is completed for all the shares at any time during the period, the door of underwriting will be closed provided that it should not be less than one month from the date of commencement.

If seen that, after closing the underwriting, the number of underwritten shares has exceeded the offered shares, the shares must be distributed on the underwriters in proportion to their underwriting, provided that the underwriting of any shareholder should not be less than the minimum period prescribed in the underwriting notice.

In all cases the surplus amounts will be refunded to the shareholders through the banks by which they underwrote maximum by one week from the completion of the allotment process.

### **Article (86)**

Every person concerned is entitled to request for the judgment to invalidate any underwriting made in violation of the foregoing

provisions, maximum by thirty days from the date of closing the underwriting.

#### **Article (87)**

The founders should inform the Ministry within thirty days from closing the underwriting about its results, value of the shares paid by the underwriters, their names, number of shares underwritten by each shareholder.

#### **Article (88)**

The founders, within the period prescribed in the foregoing paragraph, should invite the underwriters to hold a general assembly meeting and the copy of the invitation must be sent to the founders.

#### **Article (89)**

Every underwriter, irrespective of the shares held by him, is entitled to attend the general assembly meeting for establishing the company.

#### **Article (90)**

The founders should submit a report to the general assembly meeting for establishment including the complete information as to the establishment process along with supporting documents.

The general assembly for company establishment will particularly look into the following issues:

1. Report of the founders about the company establishment process and the expenses undertaken by the company.
2. Approve the statute of the company.
3. Select the members to the board of directors, appoint the accounts auditor and define their salaries.
4. Approve the estimation of the material shares, if any.
5. Declaration of the company establishment finally.

The decisions of the general assembly for establishing the company will be passed with absolute majority of the shares represented properly as per the provisions of this Law.

### **Article (91)**

The first board of directors will take the procedures to declare the company in accordance with the provisions of this Law. The members of the first board of directors will be collectively responsible for the damages resulted from the failure in the procedures for the above declaration.

The impacts of all acts done by the founders on account of the company before its declaration will be transferred to the company as soon as its establishment is declared.

The company will bear all the expenses spent by the founders in this regard.

### **Article (92)**

If the shareholding company is established illegally, every concerned is entitled to warn the company in writing within five years from the date of establishment, to rectify the mistakes maximum by one month from the date of warning.

If the necessary initiative is not taken during this period, he is entitled to request a judgement to invalidate the company and dissolve it considering it as an actual company.

However, the shareholders are not entitled to claim the invalidity of the company against others.

### **Article (93)**

If the company is established illegally, the shareholders and those who are concerned may file the invalidation case as per the provisions of the foregoing article, raising the joint responsibility demand against the founders, first board of directors and auditors.

## **Third Division**

## **Management of Shareholding Company**

### **First Section Board of Directors**

#### **Article (94)**

The management of the shareholding company will be undertaken by an elected board of directors. The statute of the company will define the method of its formation, number of members and period of membership in the board, provided that the number of members should not be less than five and nor more than eleven. The period of membership thereof should not be more than three years.

One member can be elected for more than one time unless otherwise stipulated in the statute of the company.

The member of the board of directors may withdraw from the board provided that it should be in a suitable time and he should not be liable to the company.

#### **Article (95)**

The general assembly will elect the members of the board of directors by secrete voting. As an exemption, the first board of directors can be appointed by the founders, provided that its period should not be more than five years.

#### **Article (96)**

The member of the board of directors should meet the following:

His age should not be less than twenty one years.

Not convicted in any criminal act or any crime related to the dignity and trusteeship or any crime mentioned in the articles (324) and (325) of this law, unless its consideration is expired.

He should hold the number of shares prescribed by the statute of the company, to guarantee the rights of company, shareholders and third parties.

These shares should be deposited, within sixty days, from the commencement of membership, in one of the approved banks. These shares will not be negotiated or mortgaged or attached until the period of membership is expired. It should be ratified in the last fiscal year in which the member started his activities.

If the member fails to submit the guarantee, as mentioned above his membership will be invalid.

### **Article (97)**

Excluding the representatives of the State in the shareholding companies or the persons who own minimum (10%) shares in the capital of these companies, No one, in his own capacity or in his capacity as representative for one of the legal persons, is allowed to be member in the board of directors for three shareholding companies whose headquarters are located in the State nor can be the chairman or deputy chairman in more than two companies whose headquarters are located in the State.

In all cases, no one in his own capacity or in his capacity as the representative of one of the legal persons, is allowed to be the member deputed to the board of more than one company whose headquarter is located in the State or to be a member in the board of directors to two companies having similar activities.

The membership in the board of directors of the companies exceeding the quota prescribed in this article will be invalidated as per the date of membership. He should return to the company or companies whose membership is cancelled everything he received from them.

### **Article (98)**

If the State or a public authority or corporation becomes a shareholder in a shareholding company, each may depute two representatives in the board in proportion to the shares owned by it. Their number will be deducted from the total number of members in the board of directors. They will have the exclusive right to dismiss these representatives and appoint other at any time.

The representatives of the State of authority or corporation appointed in the board of directors will have all the rights and liabilities of the elected members. Each party will be responsible for the acts of its representatives against company, its creditors and shareholders.

The representatives of the State of authority or corporation in the board of directors will be exempted from submitting the guarantee shares for their membership.

### **Article (99)**

The board of directors, through secret ballot, will elect a chairman and deputy chairman for one year unless the statute of the company stipulates other period not exceeding three years.

The board of directors may elect through secret ballot one or more members deputed for the management. They will have the right of signature for the company collectively or individually as per the decision of the board.

### **Article (100)**

If the post of a member in the board of directors, who was holding the majority votes of the shareholders who have not won the membership of the board and any objection for him arises for occupying the post, the next person will occupy the position. The new member will complete the term of the predecessor only.

Whereas if the vacant positions become the quarter of the original positions, the board of directors should address an invitation to hold the general assembly to be held within two months from the date in which the last position become vacant to elected the members for the vacant positions.

### **Article (101)**

Each company should submit to the Ministry every year the detailed list approved by the chairman, including the name of the chairman, board members, their capacities and nationalities. The company

must inform the Ministry about any change introduced to this list as soon as it occurs.

### **Article (102)**

The chairman of the board of directors will be the head of the company and he will represent the company before the third parties and judiciary. He should implement the decision of the board and abide by its recommendations.

The chairman may authorize other members in the board in some of his powers.

The deputy chairman will act his role during his absence.

### **Article (103)**

The board of directors will hold its meeting upon the invitation from its chairman as per the system stipulated in the statute of the company. The chairman will invite the board to meet when minimum two members request to hold a meeting.

The meeting will not be valid until minimum half of the members attend the meeting, provided that the number of attendees should not be less than three, unless the company law stipulates more percentage or number.

The board of directors should convene minimum six meetings during the fiscal year of the company, unless the statute of the company stipules more number of meetings.

Two months should not pass without holding the meeting of the board of directors.

The absent member can depute another in the board meetings to represent him in the attendance and voting, provided that one member cannot represent more than one member.

The decisions of the board will be issued with the majority votes of the attendees and representatives. When the votes become equal the side of the chairman will be preferred. Post vote is not acceptable.

The member who does not agree to the decision taken by the board should note his objection in the meeting report.

#### **Article (104)**

If the board member becomes absent from three consecutive meetings of the board or five inconsecutive meetings without any reason acceptable to the board, he will be deemed as resigned.

#### **Article (105)**

The reports of the board meetings will be registered in a special ledger. The report will be signed by the chairman, deputed member, if any, the member and the employee who undertakes the secretarial works of the board.

The recording of the meeting report in the ledger should be carried out systematically after every meeting and in consecutive pages without correction or deletion.

Those who sign the reports will be responsible for the authenticity of the facts and its conformity with the law and statute of the company.

The pages of the ledger should be numbered in serial. Each sheet should be stamped with the seal of the concerned department and signed by the concerned employee.

The concerned employee should confirm at the top of the pages numbering and stamping of the pages and its signature before use.

New ledger cannot be sealed except after submitting the previous ledger to the concerned department to be marked by the concerned employee as closed.

#### **Article (106)**

Considering the authorities prescribed for the general assembly in this law or the statute of the company, the board of directors will enjoy the wide authorities to carry out the works required by the objective of the company. It is entitled, within the limit of its

competence, to authorize one of its members to carry out one or more particular works or to supervise, in any way, the activities of the company.

#### **Article (107)**

The chairman or the board member is not allowed to participate in any business competing the company or to trade on his own account or for others in one of the activity practiced by the company, otherwise, the company can demand compensation or to consider the operations practiced by him as done for the company.

#### **Article (108)**

The chairman or board member or director should not have any direct or indirect interest in the contracts, projects, undertakings made on account of the company.

The public contracting works and tenders in which all the competitors are allowed to participate equally are exempted from the above. If the suitable offer is submitted by either party mentioned in the foregoing paragraph the ordinary general assembly should approve the same. This approval will be renewed if the contracts and undertakings are having routine nature and renewed.

In all cases, the party who has the interest thereof should be kept away from the meetings of the general assembly or board of directors, in which the subject related to him is discussed.

All those who violate the provisions of this article from the above referred parties should be dismissed from the position or job in the company.

#### **Article (109)**

The company is not allowed to submit cash loan, whatsoever, to any of its board members or to guarantee any loan agreement made by them with others. As an exemption the banks and other financing companies are allowed to grant loans for the board members or to open credit account for them or to guarantee the loan contract

concluded with third parties as per the circumstances and terms followed by the company for the customer public.

All the dealings in contrary to the provisions of this article will be invalid without prejudicing the right of the company to claim compensation from the defaulter if needed.

#### **Article (110)**

The board chairman or member or any employee in the board is not allowed to exploit the information known by him in his capacity as member or employee to achieve his personal interest or the interest of his spouse or children or any of his relatives upto the fourth grade due to the dealing in the securities of the company. None of them should have direct or indirect interest with any party who tries to make changes in the prices of the securities issued by the company.

#### **Article (111)**

The company will be bound with the acts done by the board of directors under its competence. The company will be asked to compensate for the damages resulted from the illegal acts attributed to the members of the board of directors.

#### **Article (112)**

The board chairman and the members will be collectively responsible for compensating the company, shareholders and others for the damage resulted from deceit or bad use of authority or the violation to the provisions of this law or the statute of the company and any mistake in the management. Any term in contrary will be null and void.

#### **Article (113)**

The responsibility stipulated in the foregoing paragraph will be borne by all the members of the board if the mistake is resulted from the decision issued by their consensus. Whereas in the decisions taken with the majority the objectors will not be asked for as long as their objection is written in the meeting report. The absence in the meeting in which the decision was taken will not be

considered as a reason to exclude from the responsibility unless it was confirmed that the absent member was not knowing about the decision or he was unable to object the same after having known about it.

#### **Article (114)**

The company can file the case of responsibility against the board members for the mistakes resulting damages for a group of share holders within five years from occurring the mistake or negligence.

The ordinary meeting of the general assembly will take the decision regarding this case and appoint the representative of the company to run the case.

If the company is under liquidation, the liquidator will undertake filing the case based on the decision from the general assembly.

#### **Article (115)**

Every shareholder can file the case independently if the company fails to file the case, if the mistake has caused personal damage for him as a shareholder, provided that he should inform the company of his intention to file the case. Any condition in contrary to this provision in the statute of the company will be null and void.

#### **Article (116)**

Any decision issued by the general assembly as to the clearance of the responsibility of the board will not lead invalidating the case of responsibility against the board members for the mistakes committed by them during the execution of their duties. If the act that necessitates the responsibility is presented to the general assembly and was ratified by the assembly the claim of responsibility will become invalid after five years from that meeting of the general assembly. However, if the act attributed to the board members is a criminal act the claim will not become invalid until the public claim is invalidated.

#### **Article (117)**

The general assembly is entitled to dismiss the chairman or any elected member based on the suggestion issued by the board of directors with absolute majority or based on the request signed by shareholders who own minimum quarter of the underwritten shares in the capital.

In the latter case the chairman must convene the meeting of the general assembly within ten days from the date of dismissal, otherwise, the concerned department will address invitation for the meeting.

### **Article (118)**

The company statute will define the method of fixing the emoluments of the board members. These emoluments may be a fixed part of the profits without exceeding (10%) of the net profit after deducting the statutory reserves and deductions and distribution of profits minimum (5%) of the paid capital to the shareholders. The statute of the company may state that the board members will obtain a fixed amount if the company didn't achieve the profits. In this case, it should be approved by the general assembly and the Ministry will put a limit for this amount.

### **Article (119)**

The board of directors will prepare every year the balance sheet, loss and profit accounts, cash flow statements and explanations in comparison with the previous fiscal year, all of them attested by the accounts auditor, a report about the activity of the company, its financial position during the previous fiscal year and the future plan for the coming year.

The board will prepare these statements and documents maximum by three months from the expiry of the fiscal year of the company to be submitted to the general assembly of the shareholders which must be held maximum by four months from the expiry of the fiscal year of the company.

### **Article (120)**

The board of directors will address an invitation to all shareholders to attend the meeting of the general assembly by registered mail in

two dailies issued in Arabic minimum fifteen days prior to the meeting. The invitation can be delivered by hand for the shareholder against the acknowledgement of the receipt. The invitation must be attached with the agenda of the general assembly meeting, all statements and documents mentioned in the foregoing paragraph in addition to the report of the company auditors.

A copy of the above documents should be sent to the concerned department at the same time they are sent to the shareholders.

### **Article (121)**

The board of directors will put under the disposal of the shareholders for their review before the meeting is convened for looking into the balance sheet of the company and report of the board of directors, minimum three days prior to the meeting, a detailed list including the following information.

1. All the amounts obtained by the chairman and every member of the board in the fiscal year including the salaries, wages, allowances, bonuses for attending the meetings and compensation for the expenses in addition to the amount received by each in his capacity as the technical or administrative employee or against any technical, administrative or consultative duty performed for the company.
2. Material benefits enjoyed by the chairman and each member in the board during the fiscal year.
3. The bonuses suggested by the board of directors to distribute to the members.
4. Amounts allotted for every member in the current and ex members as pension or reserve or compensation for the expiry of the service.
5. The operations in which the board members or the managers have interests contradicting to the interest of the company.
6. The amounts already spent for advertisement in any manner with the details of every amount.
7. The contributions, the party to whom the contribution was made, reason for contribution and its details.

For the banks and other finance companies should attach a report of the auditor stating the cash loans, letters of credit or guarantees granted to the chairman or the board members during the fiscal year, which were given without violating the provision of the article (109) of this Law.

The above mentioned detailed statement should be signed by the chairman and one of the members.

The chairman and board members will be responsible for executing the provisions of this Article and for the authenticity of the information stipulated in all the documents to be prepared.

## **Second Division General Assembly**

### **Article (122)**

The general assembly will hold its meeting minimum once in a year in the place and time fixed by the board of directors after obtaining the approval of the concerned department. The meeting must be held within four months following the expiry of the fiscal year of the company.

The board of directors should invite the general assembly whenever it is needed.

### **Article (123)**

The invitation to hold the meeting of the general assembly to be sent by registered mail to all shareholders. This invitation should include a summary of the agenda prepared by the board of directors.

A copy of these documents to be sent to the concerned department when they are sent to the shareholders.

The handling of company shares will be suspended on the day the meeting of the general assembly is held.

### **Article (124)**

The board of directors should invite the general assembly to hold whenever the accounts auditor requires it. If the board fails to address the invitation within fifteen days from the date of request the auditor is entitled to address the invitation directly after the approval of the Ministry.

The board should also address the invitation for meeting when it is requested by one or more shareholders who own minimum (10%) of the capital for serious reasons, within fifteen days from the date of request, otherwise, the Ministry based on the request of these shareholders will address the invitation on account of the company. The agenda in this case will be limited to the subject of the request.

### **Article (125)**

Considering the provisions of the articles (88) and (124) of this Law, the Ministry will invite for the meeting of the general assembly in the following cases:

If thirty days pass on the time fixed in the article (122) of this Law, without having invited the general assembly for meeting.

If the number of board of directors becomes less than the minimum limit prescribed in the article (100) of this Law, without having invited the general assembly to hold.

If seen at any time that there are violations to the Law or the statute of the Company or any great mistake in its management.

In this case all the procedures prescribed for holding the meeting of the general assemble will be followed and the company will bear the expenses.

### **Article (126)**

The board chairman should publish the balance sheet, loss and profit accounts, a summary about the report of the board of directors and complete text of the report of the accounts auditors in two local newspapers published in Arabic, minimum fifteen days prior to the meeting of the general assembly. A copy of these documents to be submitted to the Ministry.

### **Article (127)**

The agenda of the annual meeting of the general assembly should include the following issues:

1. Hear the report of the board of directors about the activities of the company, its financial position during the year, report of the accounts auditors and ratify the same.
2. Discuss the company balance sheet, loss and profit accounts and ratify the same.
3. Elect the members of the board when needed.
4. Appoint accounts auditors and define their wages
5. Look to the clearance of the board members.
6. Look into the suggestion of the board of directors regarding the distribution of the profits and pass the same.

### **Article (128)**

1. Every shareholder is entitled to participate in the meeting of the general assembly.

He will have the right of voting equivalent to the number of his shares. The decisions will be issued with absolute majority for the shares representing in the meeting.

2. The minors and lunatics will be represented by their legal attorneys.
3. The authorization to attend the meeting of the general assembly is allowed provided that the attorney should be a shareholder and the authorization should be special and in writing. The shareholder is not allowed to authorize one of the board members to attend the meeting of the general assembly on behalf of him.

In all cases the number of the shares held by the attorney in this capacity should not be more than 5% of the capital of the company.

4. Excluding the legal persons, no shareholder whether in his original capacity or his capacity as the representative is allowed to represent the votes exceeding 25% percent votes prescribed for the shares representing in the meeting.

#### **Article (129)**

Considering the issues prescribed in the law for the meeting of the general assembly the ordinary general assembly meeting will, particularly, look into the following issues:

1. Discuss the report of the board of directors about the activity of the company, its financial position during the fiscal year and future plan for the company. The report must include a complete explanation about the points of revenues and expenses, detailed statement about the method suggested by the board of directors to distribute the net profits of the year and appoint the date for the distribution of these profits.
2. Discuss the report of the accounts auditors about the company balance sheet and final accounts submitted by the board of directors.
3. Discuss the annual balance sheet, loss and profit account, ratify the same and approve the profits to be distributed.
4. Look into the clearance of the responsibility of the board members.
5. Elect the board members, appoint accounts auditors and fix their wages for the next fiscal year if not prescribed in the statute of the Company.
6. Discuss any other suggestion inserted by the board of directors to take decision thereof.

The general assembly is not allowed to handle except the issues enclosed in the agenda. However, the general assembly may handle the serious issues explored during the meeting.

If a number of shareholders representing minimum one tenth of the capital requests to insert particular issues in the agenda, the general assembly should respond to such request, otherwise, it will be right of the general assembly to discuss these issues.

#### **Article (130)**

The presidency of the general assembly will be undertaken by the board chairman or he who is deputed by the board of directors for the same. If the above becomes delay in the meeting the general assembly will appoint one of the board members to be the president of this meeting. The assembly will also appoint a reporter for the meeting.

If the general assembly is for discussing a matter related to the president of the meeting they should select other from the shareholders to undertaken the presidency.

### **Article (131)**

For the validity of the general assembly meeting the following should be met:

1. Address the invitation to the Ministry to send a representative to attend the meeting minimum three days prior to the meeting.
2. Attend the shareholders representing minimum half of the capital of the company unless the statute of the company stipulates a more high percentage. If the quorum is not completed in this meeting the invitation must be addressed for holding a second meeting within the following fifteen days from the first meeting by publishing in two local Arabic newspapers, minimum three days prior to the meeting. The second meeting will be deemed valid whatever number representing the shares participated therein.

The decisions of the general assembly will be issued with the absolute majority of the shares representing in the meeting, unless the statute of the company stipulates a more high percentage.

### **Article (132)**

Every shareholder will have the right to participate in the subjects listed in the agenda and address questions to the board members. The board members will respond for the question without subjecting the interest of the company to damage.

The shareholder can address the general assembly if he sees that the reply for his question is not enough. The decision of the general assembly should be implemented necessarily.

Any condition in the statute of the company in contrary to the above will be null and void.

### **Article (133)**

The voting in the general assembly will be done in the method prescribed in the statute of the company.

The voting should be by secret ballot if the decision is related to election of the board members or their dismissal or filing the case of responsibility against them or if it is requested by the board chairman or a number of shareholders who represent minimum one tenth of the votes attending the meeting.

The board members are not allowed to participate in the voting on the decisions of the general assembly related to their clearance from the responsibility.

The decisions of the general assembly issued as per the provisions of this Law and the statute of the company shall be binding on all shareholders whether they were present in the meeting in which the decisions were taken or absent, whether they agreed the decision or disagreed. The board of directors should implement such decisions as soon as it is issued and furnish the Ministry with a copy of the decision maximum by fifteen days from the date of issue.

### **Article (134)**

The report of the general assembly meeting will be published including the name of the attended shareholders or their representatives, number of shares under their possession in original or by representation, number of votes allotted for them, decisions issued by the meeting, number of votes agreed the decisions or disagreed and a summary of the discussions held in the meeting. Every report will be signed by the chairman, reporter, vote collectors and accounts auditors. Those who signed the report will be responsible for the authenticity of the details stipulated therein.

### **Article (135)**

The reports of the general assembly will be entered in a special ledger.

The provisions of the records and reports of the board meeting stipulated in the article (105) of this Law will be applied to the records and reports of the general assembly meetings.

A copy of the general assembly meeting report should be sent to the concerned department maximum by one month from the date of holding the meeting.

### **Article (136)**

Without prejudicing to the rights of bona fide parties all decisions issued in violation to the provisions of this Law or the statute of the company will be invalidated.

Any decision issued to protect the interest of a particular group of the shareholders or damaging them or bringing any special benefit for the board members or others without considering the interest of the company may be invalidated.

The judgement with the invalidation of a decision causes to consider it as it was never issued. The board of directors should publish the invalidated decision in two local newspaper published in Arabic.

The invalidation claim will not be entertained after passing one year on the issue of the challenged decision. The filing of the case will not cause for the suspension of the decision unless the court orders otherwise. The invalidation claim will not be entertained except from the shareholders who opposed the decision and established their objection in the report of the meeting or those who were absent in the meeting for any acceptable reason.

## **Third Division Extraordinary General Assembly Meeting**

### **Article (136)**

The decision in the following issues will not be taken except in the extraordinary general assembly meeting:

1. Amend the articles of association or statute of the company.
2. Increase or decrease the company capital
3. Extend the period of the company.
4. Dissolve or liquidate or transfer or merge the company in another company.
5. Sell all the projects for which the company was established or deal them in any other way.

However, this general assembly meeting is not entitled to make amendments in the statute of the company, by which the burdens of the shareholders may increase or amend the basic objective of the company or to change its nationality or to transfer the headquarter of the company in the State to any other state. Any decision in contrary to the above will be null and void.

#### **Article (138)**

Considering the provisions stipulated in the following articles the provisions related to the ordinary general assembly meeting will be applicable for the extraordinary general assembly.

#### **Article (139)**

The extraordinary meeting will not be held except based on the invitation from the board of directors. The board should direct this invitation in a number of shareholders representing minimum 25% of the capital demand the same.

If the board fails to hold the meeting within fifteen days from the date of submitting this demand, they can request from the Ministry to address the invitation on account of the company.

#### **Article (140)**

The extraordinary meeting of the general assembly will not be valid except it is attended by the shareholders representing minimum three quarter of the capital.

If the quorum is not met the invitation should be sent from a second meeting to be held within thirty days following to the first

meeting. The second meeting will be considered valid if it is attended by the shareholders representing half of the company capital.

If this quorum is not met in the second meeting, invitation should be sent for a third meeting to be held after thirty days from the second meeting. The third meeting will be valid whatever number attended the meeting.

If the issue is related with the dissolution of the company or its transfer or merger, the meeting will not be valid until attended by the shareholders who represent minimum three quarters of the capital.

In all the above cases the decisions will be passed with the majority of the two third of the shares representing in the meeting.

The board of directors should publish the decisions of the extraordinary meeting of general assembly if it includes the amendment of the statute of the company.

#### **Fourth Section Accounts Auditors**

##### **Article (141)**

Every shareholding company must have one or more accounts auditors appointed by the general assembly for one year. His wages are also fixed by the general assembly. It may reappoint him for further period provided that the period of appointment should not exceed five consecutive years.

The board of directors cannot be authorized in this regard. However the founders of the company may appoint the accounts auditor who will undertake his duties until the first general assembly is held.

##### **Article (142)**

The accounts auditor must be enrolled in the accounts auditors register as per the rules and regulations applicable in the State.

##### **Article (143)**

The accounts auditor of the company is not allowed, in any capacity, to participate its establishment or the to be member of the board or undertake any technical or administrative or consultative duty in the company. He is also not allowed to be a partner or agent or employee with any of the company founders or any board member or their relatives upto fourth grade.

Any appointment in contrary to the above will be null and void.

#### **Article (144)**

The auditors, if multiplied, will be jointly responsible for the auditing.

#### **Article (145)**

The accounts auditors will undertake the following tasks:

1. Control the business of the company.
2. Verify its accounts as per the approved auditing principles, requirements of the profession and its scientific and technical principles.
3. Inspect the balance sheet and loss and profit accounts.
4. Verify the application of the law and statute of the company.
5. Inspect the financial and administrative systems of the company and internet financial controlling systems. Confirm its suitability to the smooth running of the company and keep its properties.
6. Verify the assets of the company and its ownership and confirm the legality and authenticity of the liabilities on the company.
7. Review the decisions of the board of directors and the instructions issued by the company.
8. Any other duties to be performed by the auditor under this Law, Auditors Profession Regularizing Law, other related regulations and the principles followed in auditing the accounts.

The accounts auditor will submit a written report to the general assembly about his profession. He or his representative should read

this report before the general assembly. The accounts auditor will send a copy of this report to the concerned department.

### **Article (146)**

The report of the accounts auditors stipulated in the foregoing article should include the following:

1. He has obtained all the information, statements and explanations seem to him necessary to perform his duties.
2. The company holds accounts, records and documents systematically in accordance with the accounting principles approved internationally, enabling him to show the financial position of the company and the results of its business. The balance sheet and loss and profit statements are in conformity with the entries and ledgers.
3. The auditing procedures made by him for the accounts of the company is considered enough in his opinion to form the reasonable basis for expressing his opinion about the financial position, business results and cash flows of the company in accordance with the principles of auditing approved internationally.
4. The financial statements stipulated in the report of the board addressed to the general assembly are in conformity with the company entries and ledgers.
5. The inventory made by him was in accordance with the approved principles.
6. The violations to the provisions of this Law or the statute of the company which occurred during the year, subject of the auditing, if they had fundamental impact on the results of the company business and its financial position and if these violations are still existing, in the limit of information available with him.

### **Article (147)**

If the accounts auditor becomes unable to perform the duties assigned to him under the provisions of this law for any reason he should, before excusing for not auditing the accounts, submit a written report, copy to the board of directors, including all the

reasons that prevent him from performing his duties. The Ministry should treat these reasons with the board of directors. If the board excused, the Ministry will invite the ordinary meeting of the general assembly and present the subject before the assembly.

#### **Article (148)**

If the company has two or more auditors they should submit one report. It will be read by one of the auditors in the general assembly meeting. If the general assembly decides to ratify the report of the board of directors without hearing the report of the auditor, such decision will be null and void.

#### **Article (149)**

The accounts auditor will be responsible for the authenticity of the information stipulated in his report in his capacity as the attorney of all shareholders. Every shareholder, during the meeting of the general assembly, will be free to discuss with auditor and to seek explanation about the content of the report.

#### **Article (150)**

The accounts auditor and his employees are not allowed to trade in the shares of the company whose accounts are audited by him whether this dealing be directly or indirectly, otherwise, he will be dismissed after questioning. He will also be asked for compensation for any damage resulted from the violation to the provisions of this article.

#### **Article (151)**

The accounts auditor should kept the secrets of the company. He is not allowed to disclose to the shareholders not included in the general assembly or others, what is known to him from the secrets of the company as a result of his duty, otherwise, he will be subject to dismissal and questioning.

The accounts auditor will be asked for compensating the damages sustained to the company or shareholders or others due to the mistake made by him in his duties. If the shareholders participating in the mistake are multiplied they will be held jointly responsible.

The claim of responsibility mentioned in the foregoing paragraph will not be entertained after one year from holding the general assembly in which the report of the accounts auditor was submitted. If the act attributed to the auditor is criminal act, the claim of responsibility will remain valid throughout the period of general claims.

## **Section Five Company Capital**

### **Article (152)**

The company capital shall be divided into equity shares with a nominal value of ten Riyals each. The issue expenses shall not exceed (1%) of the nominal value of the share.

### **Article (153)**

Shares of a company incorporated in Qatar shall be nominal.

### **Article (154)**

Share of the share holding company is undividable. If the share is owned by many persons, they must elect one among them to represent them for using the rights related to the share. These persons shall be collectively responsible for any obligations arising out of the share ownership.

It is not allowed to issue share less than its nominal value. But, it can be issued higher than its nominal value if so stipulated by the company statute or approved by an extraordinary general meeting of the company. In this case the difference shall be added to the legal reserve.

### **Article (155)**

Share value shall be paid in cash by a single payment or installments. The installment to be paid upon underwriting shall not be less than (25%) of the share value.

However, the share value must completely be paid within five years from the date of the publication of the decision of company incorporation in the gazette.

### **Article (156)**

At the time of underwriting, the company shall issue temporary certificates mentioning the name of the shareholder, number of shares procured, paid up amount and remaining installments. These certificates stand for the ordinary shares until shares, upon payment of all installments, substitute them.

### **Article (157)**

If the shareholder delayed in the payment of the share installment on due date the board of directors may act on the share by notifying the shareholder for payment of the installment due through registered mail. If he did not make settlement within thirty days the company can sell the share in a public auction or securities market. The company shall settle its delayed installments and expenses from the value derived from that sale and the remaining amount shall be returned to the shareholder. In spite of that, the delayed shareholder can, even on the day of sale, pay the value due on him plus the expenses of the company. If the outcome of the sale was not enough to settle these amounts the company can collect them from his private assets. The company shall cancel the share on which such action was made and buyer shall be given a new share holding the cancelled number. The sale activity must be indicated in the share register mentioning the name of new owner.

### **Article (158)**

The company may hold material shares given against non-cash assets or evaluated rights. The founders shall request from the civil court to appoint one or more experts to verify whether these shares were properly evaluated and rectified. Estimation of these shares will not be final until it was approved by a group of underwriters with a numeral majority possessing two third of the cash shares. Material shareholders have no right of voting even though they are cash shareholders.

The material shares shall not represent the shares other than those paid up completely.

The shares representing material dividends will not be delivered until their complete ownership was transferred to the company.

### **Article (159)**

The company shall maintain a special record called shareholders register holding the names, nationalities and countries of the shareholders, portion owned by each of them and paid up part of the share value. The ministry has the right to go through these data and possess a copy of the same.

The company can entrust any other body for keeping a copy of this register to follow up the shareholders affairs and authorize that body for keeping and organizing that register if it wishes to do so.

The shareholder can go through this register for free.

Any party concerned has the right to ask for any correction in the data included in the register especially if any person was registered or deleted in it without any reason.

A copy of the data included in the register and any changes occurred in it shall be sent to the concerned department maximum two weeks before the date fixed for issue of profits to the shareholders.

### **Article (160)**

If the shareholding company intends to enlist its share in the securities market, the procedures and principles as stipulated by the laws, regulations and guidelines for organizing the dealing operations of securities in the country shall be followed especially those related to the hand over of the register stipulated by the previous article to the body specified by these laws, regulations and guidelines.

### **Article (161)**

Ownership of the shares shall be transferred upon their registration in shareholders register and the share shall be referred with this registration. No protest against the company or others on its disposal shall be made except from the date of its registration in the shareholders register.

In spite of that the company shall be prohibited to make disposal of the shares in the following conditions:

- 1- If such a disposal was contrary to the rules of this law or statute of the company.
- 2- If the shares were mortgaged or impounded by a court order.
- 3- If the shares were lost and no duplicates were issued.

### **Article (162)**

Shares can be mortgaged by submitting them to the hypothecating creditor. The hypothecator may receive the profits and use the rights related to the shares unless otherwise was agreed on in the mortgage contract.

### **Article (163)**

The company assets shall not be impounded in order to settle the debts of any shareholder, but the shares of the debtor and its profits can be impounded. The matter of impounding the shares shall be referred to in the shareholders register as stipulated by article (159) of this law.

### **Article (164)**

All decisions taken by the general assembly shall be applicable to the hypothecating creditor and the impounder in the same way as applicable to the shareholder whose shares were impounded or to the mortgagor.

The impounder or the hypothecating creditor cannot attend the general assembly or participate in its discussions or authenticate its decisions. He also has no membership rights in the company.

### **Article (165)**

The founders are never allowed to dispose of their shares until the completion of two years from the company incorporation.

In case of death of any founder the heirs have no right to have disposal of the shares of their testator within this period.

### **Article (166)**

All decisions taken by the ordinary or extraordinary general assembly touching upon the shareholder's rights derived from the rules of this law or company statute or increasing his obligations shall be considered null and void.

### **Article (167)**

The statute of the company can stipulate any restrictions related to the share dealings provided that such restrictions should not prohibit the share dealings.

#### **Division Four Bonds**

##### **Article (168)**

The company, with the approval of the general meeting, can hold credits against negotiable and undividable bonds of equal value. The general assembly has right to authorize the directors' board for fixing the volume of credit and its conditions.

##### **Article (169)**

The bonds shall be nominal and shall remain so until its value has been settled completely.

##### **Article (170)**

No credit bonds shall be issued without fulfilling the following conditions:

- 1- It must be mentioned in the statute of the company.
- 2- The company capital must be paid up completely.
- 3- Value of the bonds shall not exceed the present capital as per the latest certified balance sheet, unless the state or any one of the banks operating in the country guarantees the bonds.

##### **Article (171)**

Bonds issued for one credit shall give its owners equal rights and any clause contrary to that shall be invalid.

##### **Article (172)**

If the credit bonds were floated for underwriting it shall be made through one or more approved banks in the country. The invitation to the public for underwriting shall be done before minimum fifteen days by advertisement in two local daily newspapers published in Arabic and it shall be signed by the members of the board of

directors and consisted of the particulars specified by a decision issued by the ministry. The following data must be among them: -

- 1- Decision of the general assembly for issue of the bonds and date of decision.
- 2- Number of the bonds intended to issue and their value.
- 3- Start and end date of the underwriting.
- 4- Maturity of the bonds, conditions and guarantees of fulfillment.
- 5- Value of the bonds previously issued, their guarantees and value if not paid at the time of issuing new bonds.
- 6- Company capital.
- 7- Main office of the company, date and period of incorporation.
- 8- Value of material shares.
- 9- A brief of the last balance sheet of the company certified by the accounts controller.

#### **Article (173)**

It is not allowed to issue new credit bonds unless the underwriters of the previous bonds have paid their complete value. The remaining amount of that value in addition to the value of new bonds should not exceed the company capital according to the latest approved balance sheet.

#### **Article (174)**

Within one month from the date of closing the underwriting, the board of directors shall submit to the ministry a statement of the underwriting, names of the underwriters, their nationalities and what was underwritten by them.

#### **Article (175)**

Decisions of the shareholders general assembly shall be applicable to the owners of the bonds. In spite of that, the general assembly shall not amend the rights given to the owners of the bonds without an approval issued by them in their of general meeting according to the rules laid down for the extra ordinary general meeting of the shareholders.

#### **Article (176)**

The bonds cannot be transformed into shares unless the same was stipulated in the conditions of debt and pursuant to the conditions as mentioned in the previous article.

If the transfer was approved the owner of the bond has the choice of either accepting the transfer or receiving the nominal value of the bond.

#### **Article (177)**

If a share certificate or bond was lost or damaged the owner has to request from the company a new certificate in lieu of the lost or damaged certificate.

The owner has to publish the numbers of the lost or damaged share certificates or bonds in a local Arabic newspaper.

If any opposition was not submitted to the company within thirty days from the date of publication, the company has to issue new certificate mentioning in it that it was issued in lieu of the lost or damaged certificate. This certificate entitles to its holder all the rights and he has all the obligations related to the lost or damaged certificate.

#### **Article (178)**

Anyone opposing the issue of new certificate in lieu of the lost or damaged one has to file his suit in the concerned court within fifteen days from the date of submitting his opposition otherwise it shall be considered as it did not happen.

#### **Article (179)**

The authority concerned for issuing the bonds has to deliver to the right owner the certificates in lieu of the lost or damaged ones upon notifying them of the final decision.

### **Section Six** **Company Finance**

#### **Article (180)**

As specified by its statute, the company shall have a fiscal year of not less than twelve months except for the first fiscal year.

#### **Article (181)**

The board of directors shall show in each fiscal year the balance sheet of the company, statement of profits and losses and a report on the company activities during the previous fiscal year ended and its financial status to the accounts controller at least two months prior to the general meeting of the company.  
All these documents shall be signed by the chairman of board of directors and one of the members.

### **Article (182)**

The company has to publish the biannual financial reports in the local Arabic dailies for the reference of the shareholders. The accounts controller must verify these reports and the same shall not be published without the approval of the concerned department.

### **Article (183)**

10% of the net profit of the company shall be deducted annually and allotted for making the legal reserve unless the company statute specified a bigger percentage.  
The general assembly can stop this deduction whenever the reserve reaches half of the paid up capital.  
The legal reserve shall not be distributed among the shareholders but the excess of the half of the paid up capital may be used in distributing the profits among the shareholders reaching 5%. In years of not achieving any net profit this percent will be enough for distribution.

### **Article (184)**

Upon the suggestion of the board of directors the general assembly may decide to deduct a portion of the net profits for the optional reserve.  
This optional reserve shall be used in the forms and ways decided by the general assembly.

### **Article (185)**

A percentage specified by the statute of the company or the board of directors shall be deducted annually from the gross profit of the company for the consumption of the company assets or as a

compensation for their depreciation. This percentage shall be used for repair or purchase of materials and equipments required by the company. These amounts should not be distributed among the shareholders.

### **Article (186)**

The general assembly has to take decision for allocating a portion of the profits for compensating the company obligations arising out of the labour laws.

The company statute may stipulate to form a special fund for the assistance of the company workers.

### **Article (187)**

The statute of the company shall specify the minimum percentage of the net profits to be distributed among the shareholders after deducting the legal and optional reserve.

The shareholder may deserve his portion of profits immediately after issue of the decision of distribution from the general meeting. The board of directors has to implement this decision within thirty days from its issue.

## **Section Seven Amendment of Company Capital**

### **Division One Increase of Capital**

### **Article (188)**

Company capital shall not be increased until the value of shares were completely paid.

### **Article (189)**

With a decision of extraordinary general assembly and approval of the ministry the company capital can be increased. The decision will specify the amount of increase and issue rate of new shares.

The general assembly has to authorize the board of directors for fixing the date of implementation of that decision not later than one year from the date of issue.

### **Article (190)**

The capital can be increased through one of the following methods:-

- 1- issue of new shares.
- 2- Capitalization of the reserve or a portion of it or the profits.
- 3- Transformation of bonds into shares.
- 4- Issue of new shares against material dividends or evaluated rights.

### **Article (191)**

Rules of underwriting in original shares shall be applicable to the underwriting in new shares.

### **Article (192)**

New shares shall be issued with the nominal value equivalent to the nominal value of original shares. Moreover, the extraordinary general assembly may decide to add an issue bonus to the nominal value of the share and fix its amount with the approval of the ministry. This bonus shall be added to the legal reserve.

### **Article (193)**

The shareholders have the priority of underwriting in the new shares. A shareholder is not allowed to withdraw from his right of priority in favour of specific individuals.

### **Article (194)**

The board of directors shall publish a statement in two local Arabic dailies notifying the shareholders of their priority in the underwriting, opening date, closing date and price of new shares.

### **Article (195)**

The shares shall be distributed among the shareholders demanding underwriting pro rata to the shares owned by them not exceeding what was demanded by each of them. The rest of shares shall be distributed among the shareholders who have requested more than the percentage of shares already owned by them and the remaining

shall be floated through public underwriting or disposed off with the approval of the concerned department.

If the capital increase includes submission of material dividends the rules related to the rectification of material dividends shall be applicable to them provided that the extraordinary general assembly will stand for the general assembly of incorporation.

### **Article (196)**

In case of floating new shares for public underwriting a bulletin of underwriting shall be published specifically containing the following particulars:

- 1- Reasons for increase of capital.
- 2- Decision of capital increase taken by the extraordinary general assembly.
- 3- Company capital at the time of issuing new shares, volume of increase, number of new shares and issue bonus if any.
- 4- A description of material dividends or evaluated rights if any.
- 5- A statement of profits distributed by the company during three years prior to the date of decision taken for capital increase.
- 6- Endorsement of accounts controller on the credibility of the particulars mentioned in the bulletin.

The chairman of board of directors and accounts controller shall sign on the bulletin and they will be collectively responsible for the credibility of the particulars mentioned in it.

### **Article (197)**

In case of increasing the capital by capitalization of distributable reserves free shares shall be issued and distributed among the shareholders proportional to the percentage of shares owned by each of them or through increasing the nominal value of the share proportionate to the casual increase of capital. This should not impose any financial burden on the shareholders.

### **Article (198)**

Transformation of bonds into shares shall be made through recovery and cancellation of the bonds, allotment of shares against them to its owners and addition of its value to the capital.

## **Division Two**

### **Decrease of Capital**

#### **Article (199)**

Decrease of capital shall be made by a decision of the extraordinary general assembly after hearing the report of accounts controller and approval of the ministry in the following two cases:-

- 1- Capital in excess of company requirement.
- 2- If the company sustained losses.

#### **Article (200)**

The capital can be decreased by any of the following means: -

- 1- Decrease of the nominal value of shares by returning a portion of the nominal value to the shareholder or release his liability of the whole or some portion of the share value not paid by him.
- 2- Decrease of the nominal value of share equivalent to the loss sustained by the company.
- 3- Purchase of some shares equivalent to the required portion to be decreased and cancelled.

#### **Article (201)**

The board of directors shall publish its decision of capital decrease in two local Arabic dailies and the creditors have to submit the supporting documents to the company within sixty days from the date of publication of the decision so that the company shall settle its immediate debts and submit the necessary guarantees for the settlement of postponed debts.

#### **Article (202)**

If the capital decrease was made through purchase and cancellation of certain number of company shares a public invitation shall be given to all shareholders for exhibiting their share for sale and the invitation shall be published in two local Arabic dailies.

Notification to the shareholders of the company's intension to purchase shares can be made through registered male. If the number of shares proposed for sale exceeded the portion decided by the company to purchase, the applications of sale must be reduced to the percentage of increase. The rules stipulated by the statute of the company shall be followed in fixing the prices for buying the shares. If no clause was mentioned in the company statute in the regard the company has to pay a reasonable amount fixed by the accounts controller of the company pursuant to the prevalent means of evaluation or market price whichever was higher.

## **Section Eight Private Shareholding Company**

### **Article (203)**

A number of founders not less than five can establish between them a private shareholding company the shares of which shall not be floated for public underwriting and they shall underwrite the whole shares. The capital of the company shall be not less than two million Riyals.

### **Article (204)**

With the exception of public underwriting and dealing, all the rules mentioned in this law regarding shareholding companies shall be applicable to private shareholding companies.

### **Article (205)**

A private shareholding company can be transformed into shareholding company if the following conditions were fulfilled: -

- 1- If the nominal value of the shares issued were paid completely.
- 2- Completion of at least two fiscal years of the company.
- 3- During the pursuit of its objectives for which the company was formed the company must have gained net profits of not less than an average of 10% of the capital distributable to the shareholders during the two fiscal years prior to the application of transformation.

- 4- The decision of the transformation of the company shall be passed with a majority of three fourths of the capital in the extraordinary general meeting of the company.
- 5- A ministerial decree announcing the transformation of the company into a shareholding company shall be issued and published enclosing the articles of association and statute of the company on the expense of the company.

## **Chapter Six Equities Partnership Company**

### **Article (206)**

An equities partnership company is a company consisting of two teams. One of them includes one or more partners jointly responsible for the debts of the company in all their assets. The other team consists of shareholders of not less than four. They will not be responsible for the debts of the company except to the extent of their shares in the capital.

### **Article (207)**

As to the joint partners the company shall be considered as a joint venture company and the joint partner shall be considered as a merchant even though he did not possess such a capacity before entering the company. All joint partners must be the citizens of the country.

### **Article (208)**

The name of the company shall consist of one or more names of the joint partners. An innovated name or a name derived from its objective can be added to the company name. Name of a shareholding partner cannot be added to the company name. If his name was mentioned with his knowledge he will be considered as a joint partner as to others with a good intention. However, the term "equities partnership company" must be added to the company name.

### **Article (209)**

The company capital shall be divided into transactional and non-fragmental shares of equal value.

#### **Article (210)**

The company capital shall be not less than one million riyal fully paid at the time of incorporation.

#### **Article (211)**

Underwriting in equities partnership company shall be made according to the rules and principles of underwriting in shareholding companies.

#### **Article (212)**

All the founder partners of the company shall sign on the company statute and articles of association. The company statute shall mention the names, residence and nationalities of the joint partners in addition to the name of the manager appointed from among them.

#### **Article (213)**

The shareholding partner of the company is not allowed to interfere in the management activities related to others even though by virtue of an authorization. But he can participate in the internal management activities to the limits as stipulated by the company statute.

#### **Article (214)**

If the shareholding partner breaches the restriction stipulated by the previous article he shall be held responsible for the liabilities arising out of the management works practiced by him in all his assets. If he carried out these works by an authorization of the joint partners the authorizing party along with him shall be responsible for the liabilities arising out of such activities.

#### **Article (215)**

Equities partnership company shall have a general assembly consisting of all the joint partners and shareholders.

Rules and regulations related to the general assembly of shareholding companies with regard to its formation, meeting and voting on its decisions shall be applicable to the general assembly of equities partnership company.

Manager of the equities partnership company will stand for the board of directors in convening the general assembly.

The general assembly shall represent the shareholders before the directors.

### **Article (216)**

The general assembly of an equities partnership company is not allowed to make disposal of the company matters related to others or amend the statute of the company without the approval of the directors unless otherwise stipulated by the articles of association.

### **Article (217)**

The equities partnership company shall have a control board consisting of at least three members elected by the general assembly from among the shareholding partners or others pursuant to the rules stipulated by the company statute. The joint partners have no vote in the election of the members of the control board.

### **Article (218)**

The control board has to verify the fulfillment of the formalities of company incorporation in accordance with the articles of this law and monitor its activities. For this effect the board can demand from the directors to submit the account of their management, verify the books, documents and records of the company and take stock of its assets.

The board has to express its opinion on matters put up by the company directors and give sanctions for the procedures that may require approval for making them as per the statute of the company.

### **Article (219)**

The control board has the right to convene the general assembly if it was clear that grave violations have been occurred from the company management.

The board shall submit at the end of each fiscal year a report on its monitoring to the general assembly of shareholders.

The board members will not be questioned for the acts of the directors or its results unless they know that mistakes have been committed and neglected to notify the general assembly of the same.

#### **Article (220)**

The equities partnership company shall be managed by one or more joint partners and the rules of managers in joint venture company shall be applicable to their authority, responsibility and dismissal.

#### **Article (221)**

The extraordinary general assembly is not allowed to take decisions regarding the amendments in the company statute without the approval of all the joint partners unless otherwise was stipulated by the statute.

#### **Article (222)**

Every equities partnership company shall have one or more controller of accounts. Rules and regulations regarding the accounts controllers in shareholding companies shall be applicable to them.

#### **Article (223)**

Subject to the rules coming under this section, the rules of shareholding companies shall be applicable to equities partnership company in the following matters: -

- 1- Rules of company incorporation and its month.
- 2- Rules binding the finance of the company.

#### **Article (224)**

If the position of company manager was vacant the control board has to appoint a temporary manager to look after the urgent works of management until the next general meeting.

The temporary manager shall call for the general assembly with fifteen days of his appointment according to the procedures stipulated by the company statute. If this period was over without convening the general assembly the control board has to tender invitations immediately.

The temporary manager shall not be responsible except for the execution of works entrusted on him.

**Seventh Chapter**  
**Limited Liability Company**  
**First Division**  
**Establishment of the Company**

**Article (225)**

The limited liability company means the company in which the number of partners will not be more than fifty and nor they be less than two.

None of them will be asked except for his share in the capital. The shares of the partners therein will not be representing transferable cheques.

**Article (226)**

The limited liability company shall have a name taken from its objective or from the name of one or more partners. In both cases, the name of the company can be innovated provided that the name of the company should not be misleading to its objectives or identity.

The name of the company should be added with "Company with Limited Liability". If the managers fail to abide by the above clause, they will be hold responsible in their private properties as well as collectively for the liabilities of the company apart from the remunerations.

**Article (227)**

The objective of the limited liability company shall never be the business of banks or insurance or investment of monies for others in own name or as agent.

### **Article (228)**

The company is not allowed to turn to public share registration in order to form or increase or to obtain the necessary loans. It is not entitled to issue share or transferable bonds.

### **Article (229)**

The limited liability company shall be established under a contract signed by all partners including the particulars confined by a ministerial decree. The contract should include the following particulars:

- 1- Type, name, objective and main office of the company.
  - 2- Name, nationality, residence place and address of the partners.
  - 3- Amount of capital, share of each partner, details of material shares, its value and name of its submitters, if any.
  - 4- Name and nationality of the company managers, whether from the partners or others, if their names are given in the company contract.
  - 5- Name of monitoring committee members, if any.
  - 6- Period of the company.
  - 7- Method of loss and profit distribution.
  - 8- Terms of assignment from the shares.
  - 9- Method to be followed for addressing notices to the partners.
- The company contract may include special provisions to regularize the right for recovering the shares of partners and method of evaluation when such right is availed and to for the optional reserve and to organize the finance and accounts of the company and the reasons for dissolution.

### **Article (230)**

The company with limited liability will not be established until all cash and material shares therein are distributed among the partners and completely met by them.

The cash shares of the company shall be deposited in one of the approved banks in the State. The bank shall not release them except for the company managers after having submitted the

documents proving the registration of the company in the Commercial Registry.

If a partner submits material share, it should be mentioned in the company contract along with its value and its price agreed by other partners of the company, as well as the name of the partner and the value of his share in the capital against the material submitted by him.

The partner who submitted the materials share shall be responsible for the difference in the real value and the estimated value in the contract. The other partners shall also be asked collectively for this difference unless they substantiate their lack of knowledge about it.

However, the claim of responsibility in this regard shall be disregarded after elapsing five years from the date of company registration with the Commercial Registry.

### **Article (231)**

The company manager shall apply for the registration of the company with the Commercial Registry. The application should be attached with the company contract and documents proving the distribution of the shares among the partners, fulfillment of the share value completely and its deposit in one of the approved banks in the State, in addition to the documents showing the delivery of the material shares to the company, if any.

The company is not allowed to practice any of its activities unless duly registered with the Commercial Registry.

## **Second Division Shares and Capital**

### **Article (232)**

The capital of the Company should be enough to realize its objectives. It should be never less than two hundred thousand Riyals distributed on equal value shares, the value of each share will not be less than ten Riyals.

The loss and profit on the shares shall be distributed equally unless otherwise stipulated in the Company Contract, abiding by the provisions of the Article (13) of this Law.

### **Article (233)**

The capital of the Company shall be distributed to equal value shares paid by the partners completely at the time of establishment, The share shall not accept the partition. If the share is owned by a number of persons, the company may suspend the use of the equities related to that shares until the owners of the share selects one single owner among them to contact with the company. The company may fix for them a time to carry out this selection, otherwise after the expiry of this period it may sell the share for the account of the owners. In this case the share shall be first offered for the partners and then for others.

### **Article (234)**

The company shall keep in its centre a special ledger for the partners including the following:

- 1- Names, nativity, nationality and profession of the partners.
- 2- Number and value of the shares owned by each party.
- 3- The assignments taken place on the shares along with the date, reason of transferring the ownership, name of the assigner and assignee and their signatures.
- 4- Total shares owned by the partners after the assignment.  
The company managers shall be collectively responsible for this register and the accuracy of its details. The partners and all those who are concerned shall have the right of review for this register.

### **Article (235)**

The partner may assign from his share under an official letter to one of the partners or others in accordance with the terms of company contract. This assignment cannot be valid against the company or others until it is registered in the partners register as well as the commercial register.

### **Article (236)**

Unless otherwise the company contract stipulates, if any of the partners assigns from his share to a person other than the partners for remuneration, he should inform other partners through the company manager about the assignment. The manager shall inform the partners as soon as the notice received by him. Each partner is entitled to request for the recovering of the share for its real price and on the same condition.,

In case of any discrepancy on the price, the accounts controller of the company shall assess this value on the date of recovery. If thirty days elapsed from the date of notice without using the right of recovery by any of the partners, the partner shall be free to deal with his share.

### **Article (237)**

The share of each partner shall be transferred to his heirs or his legatees. The provision of recovery mentioned in the foregoing paragraph shall not be applied on this transfer.

### **Article (238)**

If the right of recovery is used by more than one partner the sold share(s) shall be distributed among them in proportion to their shares in the capital, abiding by the provisions of the Article (233) of this Law.

### **Article (239)**

Should the creditor of any partner practices the execution procedures on the share of his debtor, he may agree with the debtor and the company on the method and terms of its sale, otherwise the share will be offered for public auction. The company may recover the share for sale in favour of one or more partners on the same conditions of the auction within fifteen days from the date of awarding the tender.

These provisions shall applied in case of the bankruptcy as well.

## **Third Division**

## **Company Management**

### **Article (240)**

The company manager shall have the full authority to manage the company unless the company contract stipulates the limits of his authorities.

The dealings of the manager shall be binding on the company provided that it should in accordance with the authority given to him.

All the decision issued for changing the managers or confining their authorities, shall not be valid in the right of others until referred so in the Commercial Registry.

### **Article (241)**

If the managers are multiplied, the company contract may stipulate to form the directors board. The company contract shall determine the method of council's works and the majority needed for issuing decisions.

### **Article (242)**

The precept the managers in respect of the responsibilities shall be as same as the precept of the directors board of the shareholding companies.

### **Article (243)**

The managers, without the consent of the General Assembly, are not allowed to undertake the management in other competing companies or the companies having similar objectives; or to do for themselves or on account of others competing or similar commercial dealings and the violation of the same shall lead to their dismissal and penalty.

### **Article (244)**

If the number of the partners exceeds twenty, the company contract should appoint a monitoring council consisting at least three of them for a fixed period. The General Assembly may reappoint them after the expiry of this period or appoint others from the partners. It is also entitled to dismiss them.

The managers from the partners or others shall not have counted votes in the election or dismissal of the monitoring council members.

#### **Article (245)**

The monitoring council may inspect the ledgers and documents of the company and take the inventory of the funds, goods, securities and documents establishing the equities of the company. It may also demand from the managers, at any time, reports about their management. This council shall monitor the balance sheet, yearly report and distribution of the profits. It shall submit its report in this regard to the General Assembly of the Company fifteen days prior to its convention.

#### **Article (246)**

The members of the monitoring council shall not be asked about the activities of the managers except if they new the mistakes thereof and ignored mentioning such mistakes in their report submitted to the general assembly of the partners.

#### **Article (247)**

The partner who is not manager of the company may direct the advices to the managers if the company has no monitoring council. He is entitled to review the activities and inspect the ledgers and documents kept in the main office of the company.

#### **Article (248)**

The company shall have a general assembly consisting of all partners. The assembly meeting shall be hold under an invitation from the managers at least once in a year within four months after

the expiry of the fiscal year of the company in the place and date stipulated in the company contract.

The managers are obliged to invite for the meeting based on the demand of the monitoring body or the accounts controller or such number of partners who own shares not less than quarter of the company capital. The General Assembly meeting shall be held in the head office or any place agreed by the partners.

The invitation for the General Assembly meeting should be sent by registered mail on the address stipulated in the Establishment Contract at least one month prior to convening the meeting. The address stipulated in the Establishment Contract/Partners Register and its amendments shall be considered as the address for the correspondences. He is not entitled to claim the non-accuracy of the address unless the Company is informed of the change in address. The invitation letter must include the place and time of the meeting along with the agenda of the meeting and copy of the balance sheet.

#### **Article (249)**

The managers shall prepare the balance sheet and loss and profit accounts of the company for each fiscal year as well as a report on the activity of the company, its financial position and their suggestions regarding the distribution of the profits within two months from the expiry of the fiscal year.

The managers shall send the copy of these documents and copy of the report prepared by the supervision committee, if any, and copy of the accounts controller report to the Ministry of Economy and Commerce and to each partner, within one month from preparing the above documents. Each partner is entitled to demand the managers to call the partners for a meeting to discuss such documents.

#### **Article (250)**

Each partner is entitled to attend the meeting irrespective of the shares owned by him. He is also entitled to represent other partner

other than managers in the meeting. Each partner shall have the vote in proportion to the shares owned or represented by him.

#### **Article (251)**

The agenda of the yearly meeting of the General Assembly shall include the following:

- 1- Discussion of the report of the manger about the activity of the company and financial position during the year and the report of the account controller.
- 2- Discussion of the balance sheet and loss and profit accounts as well as its ratification.
- 3- Confining the percentage of profits to be distributed among the partners.
- 4- Appointment of managers or directors or supervision board members, if any, and to confine their wages.
- 5- Appointment of accounts controller and confining his wages.
- 6- Other competent issues come under this contract or Law of Commercial Companies.

#### **Article (252)**

The General Assembly shall not handle any other issue not mentioned in the agenda until some serious incidents took place during the meeting which require the discussion.

If any of the partner demands entry of an issue in the agenda, the managers should respond to such demand, otherwise the partner may complain to the General Assembly.

#### **Article (253)**

Each partner is entitled to discuss the subjects that are included in the agenda and the managers must reply for the questions of the partners. If any of the partners sees that the reply is not enough he can complain to the General Assembly and its decision shall be mandatory.

#### **Article (254)**

The decisions of the General Assembly will not be valid until it is issued with the approval of partners who represent at least half of

the company capital, unless otherwise the Company Contract stipulates.

If this majority is not met in the first meeting, the partners shall be invited for another meeting within the next twenty one days. The decisions shall be issued in this meeting as per the majority of the members participating in the meeting, unless otherwise the Company Contract stipulates.

#### **Article (255)**

The managers are not allowed to participate in the voting on the decisions related to their dismissal or suspension from the company management.

#### **Article (256)**

The company contract shall not be amended nor the company capital increased or decreased except by a decision issued by the partners General Assembly based on the majority of votes holding three quarters of the company capital, unless the company contract stipulates to add this portion if realized a fixed majority of the partners. However, the partners financial commitments shall not be increased except by their unanimous approval.

#### **Article (257)**

A comprehensive and short minutes of the General Assembly meeting shall be issued and the minutes and decisions of the General Assembly shall be registered in a special register kept in the head office of the company. Any partner may review the same by himself or by his attorney. He is also entitled to review the balance sheet, loss and profit accounts and annual report of the company.

#### **Article (258)**

The company shall have one or more accounts controllers appointed by the General Assembly each year. The provisions pertaining to the accounts controllers of share holding companies shall be applied in their case.

### **Article (259)**

Without prejudicing to the rights of bona fide parties, each decision issued by the general assembly or partners, in violation to the provisions of this law or to the contract of the company, shall be null and void. However, the nullification request will not be considered except from the partners who had objected the decision in writing or those who were unable to express their objection after they knew it.

The nullification of the decision will cause to assume that it had not existed. The argumentation regarding the nullification of the decision shall expire after one year from the date of issue of such decision. Filing the case shall not result in the suspension of the execution of the decision unless otherwise the court orders.

### **Article (260)**

The company must allot each year (10%) from the net profit to form the legal reserve.

This allotment can be suspended if the reserve attains a value equivalent to 50 % of the company capital.

The legal reserve can be used to cover the losses of the company or to increase the capital of the company with a decision by the General Assembly.

## **Eighth Chapter Holding Companies**

### **Article (261)**

The holding company means a share holding company or a limited liability company which has financial and administrative control on one or more other companies operating under it, owning minimum 51% of the shares or equities of that company or companies, whether these companies be share holding companies or limited liability companies.

### **Article (262)**

The share holding company is not allowed to own shares in joint companies or in both kinds of partnership companies. It is also not allowed to own any equities in other holding companies.

#### **Article (263)**

The capital of the holding company should not be less than ten million riyals.

#### **Article (264)**

The objectives of the holding companies will be as follows:

1. Participate in the management of its subsidiary companies or the companies in which it holds the shares.
2. Invest its properties in shares, bonds and securities.
3. Provide necessary support to its subsidiary companies.
4. Own patent rights, commercial business, privileges and other legal rights. Exploit them and lease them for its subsidiary companies or others.
5. Own the necessary movables and estates to practice its activities in the limits allowed by the law.

#### **Article (265)**

The word (holding company) should be added in all documents, advertisements and correspondence issued by the holding company along with its trade name..

#### **Article (266)**

Without contradicting to the provisions of this chapter. The provisions of share holding company or companies with limited liabilities stipulated in this Law, as the case maybe will be applicable to the holding companies.

### **Ninth Chapter**

#### **Transfer, merger and partition of companies**

##### **First section**

## **Transfer of companies**

### **Article (267)**

The company may be transferred to any type of companies as per the decision issued in accordance with the terms stipulated to amend the articles of association on statute of the company provided that the terms of establishment and declamation prescribed for the company to which it is transferred should be met.

The transfer decision should be accompanied by a statement about the assets of the company, depreciations and approximate value of these assets and depreciations. the transfer of the company should be mentioned in the commercial registration.

If the transfer is to a share holding company three years should have passed on its enrolment in the commercial registry and the company should have achieved through the practice for which it was established net profits suitable for distribution minimum ten percent of the capital, during two physical years precedent to the transfer application.

### **Article (268)**

The transfer of the company will not result in originating a new legal person and the company will hold its rights and liabilities precedent to this transfer.

### **Article (269)**

The transfer of the company will not result in clearing the responsibility of the joined partners from the obligations of the company precedent to the transfer except if accepted by the creditors. This acceptance is assumed if they have not objected the transfer in writing within three months from the date of official notice about the transfer decision in accordance with the procedures issued under a decree from the Minister.

### **Article (270)**

Every partner, if transferred to a share holding company or equities partnership companies or limited liability, will have shares and equities equivalent to the value of his share after estimation if the share of the partner is less than the minimum limit prescribed for the share in limited liability company, the partner should complete that share.

### **Article (271)**

The partners or share holders or equities owners who objected the transfer decision may request to go out of the company.

## **Second Section Merger of Companies**

### **Article (272)**

The company, even if in the process of dissolution, may merge in other company of same type or another type.

### **Article (273)**

The merger will take place by adding one or more companies to another existing company or by merging two or more companies in a new company under establishment. The merger contract will define its terms and conditions especially the evaluation of the liability on the merging company , number of shares or equities which are allotted in the capital of the company or that is resulted from the merger. The merger will not be valid until it is issued under a decision from every company that becomes a partner thereof as per the terms and condition prescribed for the amendment for the articles of the association and statute of the company. This decision will be declared in the manner prescribed for the new amendments introduced to the articles of association or the statute of the merging company.

### **Article (274)**

The merger in the method of adding will be executed as per the following procedures:

1. A decision of dissolution will be issued by the merging company.
2. the net assets of the merging company will be evaluated in pursuant to the provisions of evaluating the material share stipulated in this Law.
3. The company in which it was merged issue a decision increasing its capital as per the result of the estimation to the merging company.
4. The increase of capital will be distributed among the partners in the merging company in accordance with their shares therein.
5. If the shares are represented in equities and two years have passed on the establishment of the company, these shares can be dealt as soon as they are issued.

#### **Article (275)**

The merger will be made by issuing each merging companies a decision of dissolution and then they form a new company as per the terms stipulated in this Law.

Each merging company will be allotted a number of shares or equities equivalent to its shares in the capital of the new company. These shares will be distributed among the partners in every merging company in accordance with their shares therein.

#### **Article (276)**

The decision of the merger will be published in two local newspapers issued in Arabic.

#### **Article (277)**

All the rights and liabilities of the merging company will be transferred to the company in which it was merged or to the company resulted from the merger to be effective after the completion of the merger procedures and registration of the company as per the provisions of this Law.

The company in which it was merged or which resulted from the merger will be considered as legal successor to the merging companies and is replaced in all rights and liabilities.

### **Third Section Partition of Companies**

#### **Article (278)**

The company can be partitioned to two or more companies with the dissolution of the company, subject of partition, or its existence. In this case the procedures and terms of merger will be followed with respect to the evaluation of the capital. Each company resulted from the partition will have independent legal identity and the consequences resulted therefrom.

The decision of partition should define the number of shareholders or partners, their names, share of each in the companies resulted from the partition, rights and liabilities of each company and method of distributing the assets and depreciations between them.

#### **Article (279)**

The companies resulted from the partition may take any legal form of companies considering the fulfillment of those forms to the terms prescribed in the law.

#### **Article (280)**

The partition will take place under a decision from the extraordinary general assembly of the company or from the partners as the case may be, with the majority votes representing three quarters of the capital.

The companies resulted from the partition will be successor to the company, subject of partition, and replace it legally, to the extent taken from the company, subject of the partition and in accordance with the decision of partition without prejudicing the rights of creditors.

### **Article (281)**

The shares of the companies resulted from the partition can be dealt as soon as they are issued if the shares of the company, subject of partition, are negotiable at the time of issuance of the decision of partition.

### **Article (282)**

The partners or shareholders or equity owners who objected the decision of partition can request to go out of the company.

### **Article (283)**

Considering the reasons of dissolution for each kind of companies stipulated in this chapter, the company will be dissolved for one of the following reasons:

1. Expiry of the period fixed in the establishment contract or statute of the company unless the period is renewed as per the principles stipulated in any of them.
2. Expiry of the object for which the company was established or the impossibility of its achievement.
3. Transfer of all shares or equities to one of the partners or shareholders less than minimum limited prescribed in the law.
4. Decay of all or major part of the properties of the company so that it become impossible to invest the remaining part feasibly.
5. Consensus of the partners for the dissolution of the company before its period is expired, unless the articles of association of the company stipulates its dissolution with a particular majority.
6. Merger of the company in other company.
7. Issue of judicial order with dissolution of the company or declaration of bankruptcy.

### **Article (284)**

The court may judge with dissolution of any company form joint or limited partnership or particular partnership company based on the

request of one of the partners, if there are serious reasons justifying the same. All the terms preventing the partners from using this right will be invalid.

If the reasons that justify the dissolution are resulted from the acts of one of the partners, the court can adjudge with his oust from the company. In this case the company will continue with other partners.

The share of the partner who is ordered to be ousted from the company as per its value on the day of ousting. This share will be paid to him by cash. This partner will not have any share in the new rights unless it is resulted from the operation precedent to the reason for ousting.

Also the court is entitled to order with the dissolution of the company based on the request of one of the partners due to the failure of any partner to fulfill what is undertaken by him.

### **Article (285)**

The joint or limited partnership or particular partnership companies will be dissolved by the death of one of the partners or issuance of ban on him or declaration of his bankruptcy or inefficiency or his withdrawal from the company. However, the articles of association of the company may include a text stating that if one of the partners dies the company will continue with his heirs, even if they are minors.

If the withdrawal of the partner is under bad faith or in an unsuitable time, the judgement can be obtained for the continuation in the company in addition to the compensation when needed.

### **Article (286)**

If no provision is given in the articles of association of a joint company or limited partnership company or particular partnership company regarding the continuation of the company in case of withdrawal of one of the partners or his death or issuance of ban order or declaration of bankruptcy or inefficiency the partners within sixty days from the occurring the above cases should decide

consensually the continuation of the company. This agreement will not be applicable on others until it is declared in the commercial registry for the joint and limited partnership companies.

In all cases of continuation of the company with the remaining partners, the share of the partners who left the company will be calculated as per the last inventory, unless the articles of association of the company stipulates an other method for calculation.

This partner or his heirs will have no share in the new rights of the company except those rights resulted from operations precedent to his exit from the company.

#### **Article (287)**

If the losses of the shareholding company reach to half of the capital, the board members should invite the extraordinary general assembly to look into the continuation of the company or its dissolution before the period fixed in the statute of the company.

If the board of directors didn't invite the extraordinary general assembly or a decision in the matter couldn't be reached, every party who has the interest thereof can request from the court to dissolve the company.

#### **Article (288)**

If the shareholding company is dissolved for the reason of transferring all the shares to a single shareholder, this shareholder will be responsible for the liabilities of the company to the extent of its assets.

If one complete year passes on the reduce of the number of the shareholders to below the minimum limit, every party who has the interest can request from the court to dissolve the company.

#### **Article (289)**

The limited liability company will not be dissolved by the withdrawal of one of the partners or his death or issuance of ban order or

declaration of bankruptcy or inefficiency unless the articles of association of the company stipulates otherwise.

### **Article (290)**

Should the losses of the limited liability company reach to half of the capital, the managers within thirty days from reaching the loss to this extent should submit the issue of covering the capital or dissolution of the company to the partners assembly. The issuance of dissolution decision should meet the majority necessary for amending the articles of association of the company.

If the managers neglect to invite the partners or the partners failed to reach to a decision in the matter, the managers or the partners as the case may be jointly responsible for the liabilities of the company resulted from their negligence.

### **Article (291)**

The equities partnership company is dissolved by the withdrawal of one of the joint partners or his death or ban or declaration of his bankruptcy or inefficiency unless otherwise stipulated in the statute of the company. If no clause is stipulated in the statute of the company in this regard, the extraordinary general assembly may decide the continuation of the company. The procedures prescribed for the amendment of the company statute is followed in this regard.

### **Article (292)**

If the withdrawal or death or ban or bankruptcy or inefficiency includes all the joint partners in an equities partnership company, the company must be dissolved unless the statute of the company stipulates the possibility of transferring the company to any other type of company.

### **Article (293)**

The equities partnership company will be dissolved for the reasons by which the shareholding company is dissolved, considering the fact that if the reason of dissolution is the transfer of ownership of all shares to one of the partners and this partner was a joint partner, then he shall be responsible in his all properties for the debts of the company.

#### **Article (294)**

Excluding the partnership company, the decision of dissolving the company, in all cases, should be declared in the commercial registry and published in two local dailies published in Arabic. This decision will not be applicable to others until it is published. The managers of the company or the chairman, as the case may be, should follow up the execution of this procedure.

### **Second Section Liquidation**

#### **Article (295)**

The Company becomes under liquidation as soon as it is dissolved. During the period of liquidation, the legal identity of the company will remain to the extent needed for the liquidation. The name of the company, during this period, should be followed by (under liquidation) in a clear written form.

#### **Article (296)**

The authority of the managers or board of directors expires with the dissolution of the Company. However, they will remain on the management of the company for others in the capacity of liquidators until a liquidator appointed for the company.

The staff of the company will exist during the liquidation period and their authorities will be limited in the areas that do not include in the competence of the liquidators.

### **Article (297)**

The company will be dissolved in accordance with the provisions mentioned in the articles of association or statute or what is agreed by the partners at the time of dissolution of the company. If no text or agreement is available in this regard, the provisions of the following articles from this section to be followed.

### **Article (298)**

The liquidation will be carried out one or more liquidators appointed by the partners or general assembly with normal majority needed for issuing the decisions of the company.

If the liquidation is forced by a judgement, the court will define the method of liquidation as it appoints the liquidator. Under any circumstances, the duty of the liquidator will not cease with the death of the partners or declaration of bankruptcy or their inefficiency or attachment even if he was appointed by them.

The liquidator will have a wage prescribed in the appointment letter or as defined by the court.

### **Article (299)**

The liquidator must declare the decision of his appointment, the limits imposed on his authorities, agreement of the partners or the decision of the general assembly as to the method of liquidation or the judgement issued in this regard, using the same method prescribed for amending the articles of association of the company or its statute.

The appointment of the liquidator or the method of liquidation will be applicable for the third parties with effect from the date of declaration.

### **Article (300)**

If the liquidators are multiplied they should work together unless otherwise instructed by the party which appointed them.

They will be collectively responsible to compensate the company, partners and third parties for the violation to the limits prescribed for them or the mistake committed by them during the performance of their duties.

### **Article (301)**

The liquidator will carry out all the works required by the liquidation, particularly the following:

1. Collect the rights of the company with others.
2. Settle the debts of the Company
3. Sell the movable or immovable properties of the Company in auction or any other method that guarantees maximum price unless the liquidation document stipulates a particular method for the sale.
4. Do all necessary acts to keep the properties and rights of the company.
5. Represent the company before the judiciary and accept the reconciliation and judgement.

### **Article (302)**

The liquidator is not allowed to start new business unless it becomes necessary to complete the previous business. If the liquidator carries out any new business which is not required for the liquidation, he shall be responsible in his private properties for this business. In case of multiplied liquidators they will undertake the responsibility collectively.

### **Article (303)**

The periods of all debts on the company become due immediately after the dissolution of the company. The liquidator will notice all the creditors under registered letters about the commencement of liquidation and invite them to submit their demands. The notice can be given through two dailies published in Arabic if the creditors are unknown or their address is not known. In all cases the notice

should include grace period for the creditors to submit their demands in the liquidation minimum seventy five days from the date of notice, provided that the notice should be repeated after one month from the validity. If some creditors fail to submit their demands their dues should be deposited in the treasury of the court until the owners appear or the period is expired.

#### **Article (304)**

The liquidator will settle the debts of the company after deducting the expenses of the liquidation including the wages of the liquidator as per the following order:

1. Amounts due for the workers in the Company
2. Amounts due for the State
3. Rents due for any landlord who leased the property for the company.
4. Other dues as per the priority order stipulated in the relevant laws.

#### **Article (305)**

The liquidator, when the dues of the company is settled, should keep the necessary amounts for the payment of the disputed debts. The debts resulted from the liquidation will have the priority over other debts.

#### **Article (306)**

The company shall abide by the acts of the liquidator, which are required for the liquidation duty, as long as they are under his authority. No responsibility will be born by the liquidator due to the performance of the above mentioned duties.

#### **Article (307)**

The liquidator, in collaboration with the company auditor, will make an inventory for all the assets and liabilities of the company within three months from undertaking his duties. The managers or the board of directors should present the ledgers, documents, explanations and statements of the company, which are required by him. The liquidator must give the explanations and statements about the status of the liquidation when demanded by the partners.

If the liquidation persists for more than one year, the liquidator must prepare the balance sheet, loss and profit accounts and report about the liquidation duties. These documents will be submitted to the partners or general assembly or court, as the case may be, for their approval as per the articles of association or statute of the company.

However, the liquidation period of the company cannot be more than three years except with a decision of the court or ministry.

#### **Article (308)**

The liquidator after the payment of the company debts should return to the partners the cash value of their shares in the capital and the surplus should be distributed to them as per the share of each in the profit.

The material property of the company will be distributed among the partners by sorting, following the principles prescribed for the distribution of the joint property, unless the articles of the association of the company stipulate otherwise.

#### **Article (309)**

If the net properties of the company are not enough for settling the shares of the partners completely, the loss will be distributed among them as per the percentage determined for distributing the losses.

#### **Article (310)**

The liquidator, when the liquidation process is over, should submit a final account to the partners or the general assembly or the court about the liquidation process. The liquidation will not end until the partners or the general assembly or the court ratify the final account. The liquidator must declare the end of liquidation and the end of liquidation will not be applied for others except from the date of declaration. The liquidator, after the completion of the liquidation process, will request to delete the enrollment of the company in the Commercial Registry.

#### **Article (311)**

The dismissal of the liquidator will be in the same method followed for his appointment. Any decision or judgement to dismiss a liquidator should include the appointment of a new liquidator.

The dismissal of the liquidator will not be applied for others except from the date of declaration in this regard.

#### **Article (312)**

The claim against the liquidator due to the liquidation process will not be entertained after three years from the declaration of the end of liquidation. The suit against the partners regarding the business of the company or against the managers or the board of directors or auditors due to the performance of their duties, will not be heard after the expiry of the above period.

### **Eleventh Chapter Monitoring on the Companies**

#### **Article (313)**

The Ministry is entitled to monitor on the shareholding companies, securities partnership companies and limited liability companies to verify if they are implementing the provisions of this Law or its bylaws.

#### **Article (314)**

The employees of the Department, who are appointed as per the resolution of the Minister, shall have the judicial capturing power to establish the crimes committed in violation to the provisions of this Law or its executive bylaws.

### **Article (315)**

If any crime mentioned in this Law occurs the officials stipulated in the foregoing paragraph will issue a memo in accordance with the Form issued by the Minister.

A copy of this memo will be delivered to the concerned police station to take the necessary procedures in this regard as per the Law.

### **Article (316)**

The employees of the Department authorized for the judicial capture as per the provisions of the Article (314) of this Law, shall have the right inspection on the companies mentioned in the Article (313) of this Law and verify their accounts.

For this purpose they may review and verify the records, ledgers, documents and other papers at the headquarter of the Company or anywhere else. The board of directors, accounts auditors, managers and all the employees should submit the details, transcripts and copies of documents demanded from them for this purpose.

The reports resulted from the supervision and monitoring will be submitted to the Minister to take the appropriate actions in this regard.

### **Article (317)**

The Minister may depute the employees, who are authorized for the judicial capturing, to attend the meetings of the General Assemblies of the companies without having any responsibility for the

government towards the shareholders or those who have interest in the Company. The concerned parties should issue a report of the general assembly meeting to establish the attendance of the Ministry deputies. These employees will not have the right of expressing any opinion or voting and their duties are limited to write down the events of the meeting in a special report to be issued after the meeting.

### **Article (318)**

Every shareholder and every partner in the companies registered under the provisions of this Law will have the right to review the information and documents published about the company.

### **Article (319)**

The shareholders or the partners who hold (20%) of the capital of the shareholding company or limited liability company or equities partnership company may request the Minister to issue an order of inspection regarding the serious violations attributed to the board of directors or accounts controllers with respect to their duties prescribed by the law or statute of the company, whenever there are reasons that outweigh these violations.

The request should include the evidences from which it can be understood that the requestors have serious reasons that justify such procedure. The partners who submit the request should also deposit the shares hold by them, which will remain deposited until the decision is taken in the subject.

The Minister will refer the request to the concerned department in the Ministry, which hears the statements of the inspection requestors, board of directors, accounts auditors and those seem to them necessary to hear their statements. Then they prepare a report about the result of its works including their opinion and submit the same to the Minister.

### **Article (320)**

The Minister, after having reviewed the report mentioned in the foregoing paragraph, may appoint under a resolution from him on

account of the inspection requestors, an accounts auditor who is enrolled with the auditors registry to conduct the inspection on the business of the company and its ledgers.

The board of directors and employees of the company should furnish the auditor assigned for inspection with everything related to the affairs of the Company such as ledgers, documents and records which are kept by them or they have the right to possess them.

The auditor assigned for inspection should submit a detailed report about his duty to the Minister within the time fixed in the appointment order.

### **Article (321)**

If it is known to the Minister that the violations attributed by the inspection requestors to the board of directors or the auditors are not correct, he may order to publish the report fully or partially or its result in two local newspapers published in Arabic and to impose the expenses of publication without prejudicing the responsibility of compensation, if applicable, on the inspection requestors.

### **Article (322)**

The general assembly may decide to dismiss the directors or controllers and file liability cases against them. Its decision will be valid if the shareholders or partners who hold half of the capital after removing the shares of the person who is supposed to be dismissed from the board of directors ratify such decision.

The dismissed directors cannot be re-elected to the board of directors before the expiration of five years from their dismissal.

## **Twelfth Chapter Punishments**

### **Article (323)**

Without prejudicing the right to claim the compensation when needed, any act or dealing or decision issued in contrary to the provisions stipulated in this Law will be null and void, without prejudicing the right of bona fide third parties.

If the persons to whom the violation is attributed are multiplied, they will be jointly responsible for the compensation.

The invalidation claim will not be accepted if filed after one year from the date in which the concerned people had know about the violation to the law.

### **Article (324)**

Without prejudicing any severe punishment stipulated in any other law, imprisonment not exceeding two years and penalty not less than ten thousand nor more than hundred thousand or any of these two punishments shall be given to:

1. Everyone who has established deliberately in the announcement about the issuance of shares or bonds or other securities, false information or anything contrary to the provisions of this law and everyone participates in such announcements knowing that there is violation to the law.
2. Every founder who included in the articles of association of a limited liability company with false declarations related to the distribution of the capital shares among the partners or the payment of its value fully knowingly.
3. Everyone who estimates more value for the material shares deceivably than its original value.
4. Every founder or director who announces the public to underwrite in the securities, whatsoever, on account of the company other than the shareholding or securities partnership companies and all those who offer such securities for underwriting on account of the Company.
5. Everyone who declared or distributed, with bad faith, profits or interests or returns in violation to the provisions of this law

or the company law and any accounts controller ratified the same with bad faith.

6. Every accounts controller and everyone who works in his office, who deliberately made false reports about the result of his verification, or he concealed willfully any substantial facts or ignored the same deliberately in the reports submitted to the general assembly in accordance with the provisions of this law or sold the shares of the company whose accounts are controlled by him or disclosed any secrets related to the Company.
7. Every liquidator who causes for damages for the company or partners or creditors.
8. Every public employee who disclosed any secret or established deliberately any incorrect facts or ignored willfully in these reports the facts that affect its results.
9. All those who forfeited in the company ledgers or established thereof incorrect facts or prepared a report to the general assembly including wrong information to mislead the decisions of the assembly.
10. Every chairman of company or broad member or any staff therein disclosed any secret of the company or deliberately made damages to the company in its activities or he had direct or indirect interest with any party who carry out operations intended to make change in the prices of the securities issued by the company.
11. Any other violation to the provisions of the law.

### **Article (325)**

Without prejudicing to any other severe law stipulated in any other law, minimum five thousand Riyals and maximum fifty thousand Riyals will be given to:

1. Everyone who dealt with shares or equities of the company in violation to the provisions stipulated in this Law.

2. Everyone who accepts the appointment in the board of Shareholding Company or elected member or continued to enjoy the membership or accepted the appointment auditor in violation of the provisions of the ban prescribed in the Law. Every elected member in a company which violates the provisions of this Law if he knows about it.
3. Every member in the board that delayed the submission of the shares to guarantee the management as prescribed in the statute of the company for sixty days after informing him of the decision of appointment. Also everyone who delayed the submission of acknowledgements obliged to submit or made false statement or neglected deliberately any statements committed by the board to prepare. Every member in the board, who established false information in the reports of the company or neglected willfully any information therein.
4. Everyone who prevented the auditors or employees of the Ministry from reviewing the ledgers and documents which they are entitled to review as per the provisions of this Law.
5. Everyone who was responsible to delay the invitation to the general assembly or its holding.

### **Article (326)**

In case of repetition or rejection to remove the violation issued under the final judgment of conviction, the penalties stipulated in the foregoing paragraphs will be doubled in both its minimum and maximum limits.

### **Article (327)**

Any decision issued by the general assembly will not result in invalidating the civil responsibility case against the members of the board due to the mistakes committed by them in performing their duties.

If the act necessitating the responsibility has submitted to the general assembly under a report from the board of directors or accounts auditor, this claim will be invalidated after passing five years from the date of issuing the decision of the general assembly ratifying the report of the board of directors. However, if the act

attributed to the members of the board is criminal, the claim will not be invalidated except with the invalidation of the public claim.

The concerned department and every shareholder can initiate this claim. Any term in contrary to the above in the statute of the company to assign from the claim or to adapt the conditions of prior approval from the general assembly or taking any other procedure will be null and void.

### **Article (328)**

Except in the partnership companies, the right of the creditors in filing the claims resulted from the business of the Company becomes invalid after five years from the dissolution of the Company. This period commences from the date in which the liquidation process is completed.

### **Article (329)**

In all commercial companies, the claims submitted by the creditors against the partners will be invalidated by prescription after the expiry of five years from the dissolution of the company or withdrawal of any partner with respect to the claims addressed to this partner.

The period of prescription will be effective from the day in which the registration in the commercial registry is completed for all cases that necessitate the registration in the commercial registry and from the date in which the liquidation was declared in the cases resulted from the liquidation itself.