

Federal Law No. (2) of 2015 AD On Commercial Companies

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On Commercial Companies

We, Khalifa bin Zayed Al Nahyan, the President of the United Arab Emirates;

- Having reviewed the constitution;
- Federal Law No. (1) of 1972 Regarding Competencies of Ministries and Powers of Ministers, and laws amending the same;
- Federal Law No. (5) of 1975 Regarding Commercial Register;
- Federal Law No. (10) of 1980 Regarding the Central Bank, Monetary System and Regulation of Banking Profession;
- Federal Law No. (8) of 1984 Regarding Commercial Companies, and Laws amending the same;
- Civil Transactions Law, enacted by Federal Law No. (5) of 1985, and Laws amending the same;
- Federal Law No. (6) of 1985 Regarding Islamic Banks, Financial Institutions and Investment Companies;
- Penal Code enacted by Federal Law No. (3) of 1987, and Laws amending the same;
- Federal Law No. (22) of 1991 Regarding Notary Public, and Laws amending the same;
- Civil Transactions Law No. (11) of 1992, and Laws amending the same;
- Criminal Procedure Code enacted by Federal Law No. (35) of 1992, and Laws amending the same;
- Evidence Law in Civil and Commercial Transactions enacted by Federal Law No. (10) of 1993 and Laws amending the same;
- Commercial Transactions Law enacted by Federal Law No. (18) of 1993;
- Federal Law No. (22) of 1995 Regulating Auditing Profession, and Laws amending the same;
- Federal Law No. (29) of 1999 Establishing the General Authority of Islamic Affairs & Awqaf (Endowments), and Laws amending the same;
- Federal Law No. (4) of 2000 Regarding the Emirates Securities & Commodities Authority and Market, and Laws amending the same;
- Federal Law No. (7) of 2002 Regarding Copyrights and Neighboring Rights, and Laws amending the same;
- Federal Law No. (8) of 2004 Regarding the Financial Free Zones;
- Federal Law No. (17) of 2004 On Combating Commercial Concealment, and Laws amending the same;
- Federal Law No. (1) of 2006 Regarding Electronic Transactions & E-Commerce;
- Federal Law No. (4) of 2007 Establishing Emirates Investment Authority;
- Federal Law No. (6) of 2007 Establishing and Regulating Activities of Insurance Authority;
- Federal Law No. (4) of 2012 on Regulation of Competition;
- Upon the proposal of the Minister of Economy and approval of the Cabinet and Federal National Council, and ratification of Federal Supreme Council;

The following Law is hereby enacted:

Chapter (1)
General Provisions of Companies
Section (1)
Definition of Company
Article (1)
Definitions

In the application of the provisions of this Law, the following words and expressions shall have the meanings respectively assigned against each, unless the context otherwise requires:

State/UAE	United Arab Emirates
Federal Government	Government of the UAE
Local Government	Any of the Governments of Emirates member of the Federal Supreme Council (FSC).
Ministry	Ministry of Economy
Minister	Minister of Economy
Central Bank	Central Bank of the UAE
Authority	Securities and Commodities Authority (SCA)
Competent Authority	Competent Local Authority in charge of companies' affairs in the concerned Emirate.
Company	Commercial Company.
Diligent Person	A person who enjoys sufficient experience and exercises due diligence and in care in performance of his job.
Governance	A set of controls, standards, and procedures imposed to maintain institutional discipline in company's management as per the international standards and techniques, and through determining responsibilities and duties of the members of the board of directors, and executive management of the company, taking into account the protection of the rights of shareholders and stakeholders.
Working Day	Official working days at the Ministries, government authorities and local departments.
Special Decision	A decision issued by majority vote of shareholders who hold at least three quarters of the total shares represented in the General Assembly meeting of the joint-stock company.
Registrar	Registrar of companies appointed by the Minister and who assumes his duties through Companies Department at the Ministry.
Markets	Stock and commodity markets licensed by the Authority to operate in the State.
Securities	<ul style="list-style-type: none"> — Shares issued by joint-stock companies. — Derivatives and investment units approved by the Authority. — Bonds, Sukuk and bills issued by Federal Government, Local Governments, authorities or public institutions of the State. — Bonds, Sukuk and any debt instruments issued by companies as per the regulation issued by the Central Bank and the Authority. — Any other local or foreign securities accepted by the Central Bank and Authority.

Public Subscription	Invitation to any natural or artificial person, or category or categories of persons to purchase any securities.
Book Building Of Securities	The process whereby securities value is determined at issuance or sale in public offering, as per the decision issued by the Authority in this Regard.
Strategic Partner	A partner whose contribution to the company results in provision of technical, operating or marketing support, which is beneficial to the Company.
Relevant Parties	Chairman of the Board of Directors, members of the Senior Executive Management and Workers of the Company, companies where to such person contribute by at least 30% of its capital, subsidiaries, sister and allied companies.
Share Register	The register showing shareholding for each shareholder in a joint stock company and their consequential rights.
Book-runner	Entity or entities licensed by the Authority to regulate the share register of private joint stock companies.
Board Member	Member of the board of directors of a company, including Chairman.

Article (2) **Law Objectives**

This Law is aimed at contributing to the development of business environment and State's capabilities and economic standing through regulation of companies as per international changes, especially in relation to governance rules, protection of rights of shareholders and partners, supporting flow of foreign investment and enhancing corporate social responsibilities.

Article (3) **Companies Governed by Provisions of this Law**

Provisions of this Law as well as regulations, byelaws and decisions issued in execution of the same, shall apply to commercial companies that are incorporated in the State. The provisions regarding the foreign companies set forth in this law as well as the decisions and byelaws issued in execution of the same shall apply to the forging companies which exercise any activity or have any branches or representation offices in the State.

Article (4) **Companies Exempted from Provisions of this Law**

1. With the exception of entry and renewal of entry in register of exempted companies with the Ministry, Authority and Competent Authority, each in its respective competence, the provisions of this Law shall not apply to the following:
 - a) Companies exempted by a Cabinet resolution, where a special provision so indicates in their MOAs and AOA as per the controls issued by the Cabinet.
 - b) Companies fully owned by Federal or local Government or any other companies fully owned by the said companies, where a special provision is made in their MOAs or AOA in this regard.

- c) Companies to which Federal or Local Government contributes, or through any institution, authority, agency, subsidiary or company owned by such government, directly or indirectly, by at least 25% of capital, and operates in field of oil exploration, extraction, refining, manufacturing, marketing or transporting, or in any energy field, electricity and gas production and water desalination, transport and distribution, where a special provision is made in to this effect in their MOAs or AOA's.
 - d) Companies exempted from provisions of Federal Law No. (8) of 1984 Regarding Commercial Companies, as amended, before enforcing the provisions of this Law.
 - e) Companies exempted from provisions of this Law under special Federal Laws.
2. Companies referred to in item (1/b, c, d) above shall adjust their positions according to the provisions of this Law, should they sell or offer any percentage of their capital in public offering or have their shares enlisted in any capital market in the State.

Article (5)
Companies Working in Free Zones

1. Provisions of this Law shall not apply to companies established in free zones of the State, whenever a special provision is made in Laws and regulations of a certain free zone. By way of exception from this provision, such companies shall be subject to provisions of Law if their laws and regulations allow exercising activities beyond the free zone in the State.
2. Subject to provision of item (1) of this Article, Cabinet shall issue a decision determining the conditions for entry and registration of companies operating in free zones of the State and wishing to exercise their activities in the State outside free zones.

Article (6)
Corporate Governance

1. With the exception of banks, financing companies, financial investment companies, banking and monetary brokerage firms, the Minister shall issue the decisions developing the general governance framework of private joint stock companies in which the number of shareholders exceeds 75 shareholders. However, the Authority's board of directors shall issue governance decisions of public joint stock companies.
2. Company's board of directors or managers thereof, as the case may be, shall be responsible for applying governance rules and standards.

Article (7)
Violating Governance Rules

1. Decisions regulating governance, and provided for in item (1), Article (6), shall involve the penalties to be determined by the Ministry or Authority, each as per its respective competence, and such penalties shall be applicable to companies, chairmen and board directors and auditors in case of violating such decisions, and such penalty may not exceed AED 10 Million.

2. Penalties referred to in Item (1) above shall be subject to provisions of Article (339) of this Law regarding conciliation arrangement.

Article (8)
Concept of Company

1. Company is a contract whereby two persons or more are obliged to contribute to an economic project aimed to make profit, through providing a share of money or work, and dividing whatever profit or loss achieved or sustained by such project.
2. In provision of Item (1) above, an economic project shall include any commercial, financial, industrial, agricultural or real estate activity or any other economic activity.
3. By way of exception from Item (1) of this Article, a company may be incorporated and fully owned by one person as per the provisions of this Law.

Article (9)
Company Forms

1. A company must be in one of the following forms:
 - a. General partnership.
 - b. Limited partnership.
 - c. Limited liability company.
 - d. Public joint stock company.
 - e. Private joint stock company.
2. Any company not incorporated under one of the forms above shall be deemed invalid, and persons who contracted in name of such company shall be jointly and severally held liable for any liabilities created by such contract.
3. Any company incorporated in the State shall have its nationality, however this does not necessarily mean that the company shall enjoy citizenship rights.

Section (2)
Incorporation and Management of Company
Article (10)
National Shareholding Percentage

1. With the exception of general partnerships and limited partnerships in which joint venture partners must be citizens of the State, each company incorporated in the State must have one national partner or more of a share not less than 51% of the Company's capital.
2. By way of exception from the provisions of item (1) above, Cabinet may, upon a proposal from the Ministry and in coordination with competent authorities, issue a decision determining category of activities that may only be practiced by citizens of the State.
3. Any assignment of shares to any partner resulting in violation of the percentage set out in items (1 and 2) of this Article shall be null and void.

Article (11)
Exercising Activity

1. Company shall secure all approvals and licenses required for exercising activity in the State before commencing such activity.
2. Company incorporated in the State shall exercise its key activities in the State, and may exercise the same abroad if its MOA so provides.
3. Cabinet shall issue a decision determining formations and qualifications of members of Internal Sharia Control Boards and Sharia controller of companies incorporated in the State, and which exercises activities as per the provisions of Islamic Sharia, and decision shall determine controls for activities of such committees. Upon being established and before commencing activities thereof, the said companies shall secure approval of Internal Sharia Control Boards.
4. Only public joint stock companies may exercise banking and insurance business, and only joint stock companies may invest funds for account of third parties.

Article (12)
Company Name

1. Company shall have a commercial name, which may not be in violation of the public order of the state. Name shall be followed with the legal form of the Company, and no company may be registered in a name that has been previously registered or a similar name that may cause confusion.
2. Company may, by special decision issued by the General Assembly, change its name, provided that the same is approved by the Competent Authority and accepted by the Registrar. Changing company's name shall not affect rights, obligations or legal procedures taken by or against the Company, and any legal procedures previously taken or initiated by or against the Company shall continue in the amended name of the Company.

Article (13)
Company Address & Correspondence

1. Each company shall have a registered address in the State to which notices and correspondence are addressed.
2. All contracts, quittances, correspondence and applications issued by the Company shall bear its name, legal form, registration number and address, and if the Company's capital is added to such information, the paid up capital must be stated.
3. If the company is under liquidation, this shall be stated in the papers issued by the Company.

Article (14)
MOA Writing

1. Company's MOA and any amendment thereto shall be drafted in the Arabic language and notarized before the Notary Public, or otherwise it shall be deemed null and void. If the MOA is issued in a foreign language besides Arabic, the Arabic version shall prevail in the State.

2. Partners may adhere to invalidity of MOA or amendment for failure to write down or authenticate the same, towards one another, but may not adhere to the same towards third parties.
3. If upon the request of a partner, invalidity of the company is adjudged, such invalidity is only effective whenever the judgment becomes final.

Article (15)

Registration of Company's MOA with Competent Authority

1. Company's MOA and any amendment thereto shall be stated in the Commercial Register with the Competent Authority in order for the same to be effective.
2. Failing to register MOA as mentioned in Item (1) above, the same shall not be effective towards third parties. However, if only a part of the MOA is not registered, only information of such part shall be ineffective towards third parties.
3. Companies shall notify the Competent Authority and Registrar in writing within 15 working days of any amendment or alteration of company's registered information, including company's name, address, capital, number of partners or legal form.
4. Company's managers or board members, as the case may be, shall be jointly held liable for compensating any damage inflicted on the company, partners or third parties due to failure to register the company's MOA or any amendments thereto in the Commercial Register with Competent Authority.

Article (16)

Substantiation of Company's MOA by Third Party

1. Third parties may substantiate existence of company's MOA or any amendment thereto through all means of evidence, and may adhere to the existence or invalidity of the company towards partners.
2. If company is adjudged invalid upon request of a third party, it shall be deemed as null and void in relation to such third party, and persons contracted with him in name of the company shall be personally and jointly held liable for any liabilities created by such contract.
3. In all cases where company's invalidity is adjudged, it shall be liquidated and rights of partners towards one another shall be settled as per the conditions of the company's MOA, and company's debtors may not request or adhere to invalidity of the company to evade their debts payable to the company.

Article (17)

Nature of Share Contributed by a Partner

1. Company's capital is made of cash shares and/or in-kind shares of estimated value.
2. In case of active partner, partner's share may not be work. Partner's share may not his reputation and influence.

Article (18)
Company's Contribution Rules

1. If partner's share is a title or any in-kind rights that have been conveyed to the Company, such partner shall be held liable as per the rules applicable to the sale contract in respect of title transfer and guarantee of such share against depreciation, maturity, defect or deficiency, unless otherwise is agreed on.
2. If the contributed share is limited to usufruct of property, rules applicable to lease shall apply to matters mentioned in item (1) of this Article, unless otherwise is agreed on.
3. If partner's contributed share includes debts payable by third parties or any other in-kind rights, such partner shall not be absolved from such debts towards the company until the same are settled. Partner shall also be held liable for compensating any damage inflicted on the Company in case of failure to settle such debts on maturity dates.
4. Subject to provisions of Copyrights and Neighboring Rights Law, and Law regulating and protecting industrial property rights of patents, drawings and industrial models, if a partner contributes with work, any gain generated from such work shall be the private property of the Company, unless the partner has received such gain through patent rights, unless otherwise is agreed on.

Article (19)
Violation of Company's Contribution Rules

1. If a partner pledges to contribute to the Company with a cash amount and fails to provide the same, or if contributed share is debts payable by third parties and the partner fails to settle the same, such partner shall be held towards the Company for any liabilities created on account of his share in the Company.
2. Partner shall be liable towards the Company for any difference -if any- between cash value and the actual share he contributed to the Company, and cash value or other share set out in Partners Register, and which he should have provided according to the provisions of this Law.

Article (20)
Execution Against In-Kind Share

1. Creditor of a partner may not settle his rights from a debit share in the Company's capital, but rather may receive his right from debtor's profit share. If company is terminated, the creditor's right shall be transferred to the quota payable to his debtor upon liquidation.
2. If partner's quota in the company is represented in shares, his creditor shall have the right, in addition to the rights referred to in item (1) above, to institute a claim before court of competent jurisdiction, have such share sold, and settle his rights from proceeds of such sale.

Article (21)
Legal Entity of Company

1. As from the date of being registered in the Commercial Register with the Competent Authority, the Company gains a legal entity as per the provisions of this Law and decisions issued thereunder.
2. During incorporation period, the company shall have a legal entity to the extent needed for its incorporation, and Company shall be liable for actions of founders thereof in relation to any procedures and incorporation requirements during such period, provided that it has been completely incorporated according to the provisions hereof.
3. Upon dissolution the Company shall be deemed as in liquidation phases, and shall have the legal entity during liquidation period to the extent needed for liquidation works. The phrase "under liquidation" shall be added to Company's name in clear font.
4. Subsidiaries of a holding company shall enjoy an independent personality and shall be financially independent.

Article (22)
Obligations of Company's Authorized Manager

Company's authorized manager shall maintain its rights, exercising due diligence and care, and shall undertake all actions that are consistent with Company's purpose and powers conferred thereon under an authorization issued by the Company in this regard.

Article (23)
Company's Liability for Actions of its Authorized Manager

Company shall be liable for any procedure or actions taken by its authorized manager while exercising normal managerial works, and shall be liable for any action taken by any of its employees or agents, whenever such person is authorized to act on behalf of the Company and a third party relies on such authorization in its dealing with the Company.

Article (24)
Exemption from Liability

Subject to provisions of this Law, any provision included in Company's MOA or AO allowing the Company or any of its subsidiaries to agree to exempt any person from any personal liability incurred by such person due to his present or former role in the Company, shall be null and void.

Article (25)
Protection of Company's Customers

1. Company may not argue non-liability towards its customers, based on that its authorized manager has not been appointed according to the requirements of this Law or Company's MOA, so long as manager's actions are within normal limits compared to other persons in his position at similar companies exercising same activities.

2. Protection of Company's customer is conditional on bona fides, and a person who knows or could have known, due to his relation with the company, of deficiencies in any disposal or work and to which he adheres against the Company shall not be deemed as a bona fide person.

Article (26)
Accounting Records

1. Each company shall maintain accounting records showing its transactions, provided that such records would accurately and at any time demonstrate the Company's financial standing, and through which partners and shareholders could verify that Company's accounts are maintained as per the provisions of this Law.
2. Each company shall maintain its accounting records at its head office for at least five (5) years as from the company's fiscal year end date.
3. Company may maintain an electronic copy of originals of any documents and papers kept or deposited therewith as per the controls of which Minister's decision will be issued.

Article (27)
Company's Accounts

1. Each joint stock or limited liability company shall have one auditor or more to audit company's accounts annually. Other companies may appoint an auditor according to the provisions of this Law.
2. Company shall prepare annual financial accounts, including budget statement and profits and losses account.
3. Company shall apply international accounting standards and principles when preparing its interim or annual accounts, to clearly and accurately reflect company's profits and losses.
4. Each shareholder or partner in a Company may, upon a written request submitted to the Company, attain a free copy of the latest audited accounts, latest auditor report and copy of Group accounts, in case of holding company, and the Company shall answer such request within ten (10) days from its submission date.

Article (28)
Company's Fiscal Year

1. Each company shall have a fiscal year determined in its MOA, provided that first fiscal year may not exceed 18 months and may not be less than 6 months, and shall be calculated as from the company's registration date in commercial register with the Competent Authority.
2. Following fiscal years shall be deemed as successive periods, 12 months each, commencing immediately from expiry date of the preceding fiscal year.

Article (29)
Distribution of Profits and Losses

1. If partner's share in profits and losses is not determined in Company's MOA, it shall be as per percentage of his share in the Capital. If Company's MOA only provides for profit share, then partner's share in loss shall be equivalent to profit share and vice versa.
2. If partner's share in company is limited to his work, then his share in profits and losses must be determined in Company's MOA. If, in addition to physical work, the partner contributes with cash or in-kind share, he shall have a share in profits and losses against physical work and another share against cash or in-kind share.
3. If it is agreed in the Company's MOA to deprive a partner from profits, exempt him from losses or grant him a fixed interest against his share in the Company, the MOA shall be null and void.
4. It may be agreed to exempt from losses any partner who contributes only by effort, provided that certain remuneration is determined against such effort.

Article (30)
Distribution of Profits

1. No fictitious profits may be distributed to partners or shareholders, and the board of directors or any person so authorized shall be liable towards shareholders, partners and creditors for any such procedure.
2. If the company distributes any profits in violation of the provisions of this Law and decisions issued by virtue of the same, the partner or shareholder shall refund whatever profits he received in violation of such provisions. Company's creditors may claim each partner or shareholder to refund any profits so received, even if in good faith.
3. Partners or shareholders may not be deprived from real profits they have received, even if the company sustains losses during the following years.

Article (31)
Issuance of Securities

Subject to provisions of Article (4) of this Law, only joint stock company may issue negotiable stocks, bonds and Sukuk.

Article (32)
Public Offering of Securities

Only a public joint stock company may offer securities for public subscription, and in all cases no company, entity or natural or artificial person incorporated or registered in the State, free zones or abroad may publish any adverts in the State including an invitation to public subscription to securities, save upon prior approval from the SCA.

Section (3)
Registrar
Article (33)
Regulation of Registrar Activities

Minister shall, in coordination with Competent Authority, issue the regulations governing activities of registrar.

Article (34)
Supervising Trade Name Register

1. Registrar shall, in addition to tasks entrusted thereto by the Minister, have competence to supervise trade name register of different types of companies registered in any Emirate, in order to avoid duplicate registration of trade names.
2. Competent authorities shall provide registrar with names of all companies and trade names licensed by such authorities, and shall refer to the registrar regarding the same to avoid duplication before granting any new license.

Article (35)
Registrar's Role in Case of Similar Trade Names

1. If it becomes clear to the registrar that there is similarity between names of two companies or more registered in the State to an extent that leads to confusion, registrar may issue a reasoned decision requiring concerned parties to take the necessary steps to change the name or remove any confusion within 30 working days, commencing as from the date of being notified of such decision. Upon expiry of such period, registrar may issue another decision changing the required name.
2. A company that has been previously registered with the register requests the same to oblige the company taking its name or a similar name to change such name. Registrar may issue a reasoned decision requiring such company to take the necessary steps to change such name within 30 working days as from notice date. Upon expiry of such period, registrar may issue another decision changing the trade name of the company.
3. Registrar's decisions may be appealed before the Minister within 15 working days as from the notice date. If the appeal is rejected or not resolved within 15 working days, the concerned parties may challenge the decision before court of competent jurisdiction within 30 working days as from rejection date or expiry of earlier period, as the case may be.

Article (36)
Company's Documents Maintained by Registrar

Minister shall issue a decision determining the following:

1. Period during which the registrar shall keep documents, which may be destroyed upon expiry of such period.
2. Regulation submission of documents to registrar through electronic means and any other means. Decision shall contain provisions ensuring active connection between records kept with the registrar and records with competent authorities.

Article (37)
Accessing Records Maintained by Registrar

Subject to provisions of this Law, concerned parties may request access to the following:

1. Copies of statements included in records maintained by the registrar.
2. A certificate from registrar or competent authorities including certain information included in such records.

Article (38)
Fees Payable to Ministry and SCA

Cabinet shall, upon proposal of the Minister, and in coordination with the Ministry of Finance, issue a decision of the fees payable by companies against works performed by the Ministry and SCA in execution of this Law.

Chapter (2)
Partnerships
Section (1)
General Partnership
Article (39)
Definition of Partnership

General partnership is a company formed of two partners or more of natural persons who are personally and jointly liable, by their properties, for liabilities of the Company.

Article (40)
Capacity of Partners

Active partner acquires capacity of trader, and is deemed to exercise company's activities personally on behalf of the Company, and declaring bankruptcy of the partnership means bankruptcy of all partners under the Law.

Article (41)
Partnership Name

1. Partnership name is formed of the name of one partner or more, together with adding the words (& Company) or any other words denoting same meaning, provided that the name is ended with the word "Partnership". Additionally, the company may have its own trade name, provided that it shall be mentioned together with its registered name.
2. If partnership's name contains a name of any person other than partners, with the knowledge of such person, he shall be held jointly liable for liabilities of the partnership towards any person dealing with the partnership in good faith.

Article (42)
Partnership's MOA

1. Partnership's MOA shall particularly include the following information:
 - a. Full name, nationality, date and place of birth for each partner.
 - b. Partnership's name, address, trade name, if any, and purpose.
 - c. Partnership's head office and branches, if any.
 - d. Company's capital, shares of each partner and its estimated value, estimation method and maturity date.
 - e. Commencement and expiry date of the company, if any.
 - f. Management method, together with the names of authorized signatories who may sign on behalf of the partnership and their powers.
 - g. Fiscal year commencement and expiry date.
 - h. Percentage of profits and losses distribution.
 - i. Conditions of assigning shares in partnership, if any.
2. If partnership's MOA includes name of Manager(s), then full name, nationality, domicile and competences of such manager(s) shall be stated.

Article (43)
Incorporation Procedures

General partnership shall be incorporated and registered as follows:

1. Competent Authority shall determine information and documents needed for incorporation of partnership, and shall develop a partnership incorporation form as per the provisions of this Law.
2. Incorporation application shall be submitted to Competent Authority together with the documents needed for licensing and registration procedures.
3. Competent Authority shall require applicant to complete whatever information, documents required or to undertake whatever amendments to MOA to be consistent with the provisions of this Law and decisions issued thereunder.
4. Competent Authority shall decide on the incorporation application within no later than five (5) working days as from the application submission date or completion of required information, documents or amendments. If application is rejected, reasons shall be provided.
5. If Competent Authority rejects the application or the period referred to in item (4) above elapses without any decision on the same, applicant may submit complaint to Director General of the Competent Authority or his representative within 15 working days. If within 15 working days from complaint submission date such complaint is rejected or not resolved, claimant may challenge the same before court of competent jurisdiction within 30 working days as from the date of being notified of such rejection or upon elapse of such period, as the case may be.
6. If approval on incorporation application is granted, the Competent Authority shall register the same in the commercial register and issue its license.
7. Partnership shall within 5 working days from issuance of its commercial license provide the registrar with copies of the commercial license and MOA to be published as per the controls set by the Minister in this regard.

Article (44)
Information and Documents to be Maintained

General partnership shall maintain the following documents and information at its head office:

1. Record of partners' names and addresses.
2. Copy of Partnership's MOA and any amendments thereto.
3. Statement of cash amounts and value of any assets contributed by each partner and dates of such contributions.
4. Any other information, documents or records imposed under provisions of this Law and decisions executing the same.

Article (45)
Partnership Management

1. Partnership's management shall be assumed by all partners, and each partner shall be deemed as an agent for the partnership and other partners in relation to partnership business, unless management is entrusted under its MOA or separate contract to a certain partner or more, or any person other than partners.
2. A partner without management rights may not interfere in management works, unless otherwise is agreed on. However, he may request to access partnership business and review its books and documents and give remarks to managers thereof.
3. Decisions related to partnership's business shall be issued by majority vote of partners, unless otherwise is agreed on in MOA.

Article (46)
Works Competing with Partnership's Activity

1. Active partner may not exercise for its account or for third parties any activity competing with the partnership's activity and may not be an active partner in another partnership, save upon written consent of other partners.
2. If any active partner exercises any business with competitive nature and competes business of the partnership, without written consent of other partners, such partner shall pay to the partnership all profits he had generated from such business.

Article (47)
Dismissal of Manager

1. If the manager is a partner appointed under the MOA, it can only be dismissed upon unanimous vote of other partners or under a judgment from court with competent jurisdiction.
2. If the manager is a partner appointed under a separate contract, beyond MOA, or if the manager is not a partner and whether appointed under MOA or separate contract, such manager may be dismissed by majority vote of partners or under judgment from court with competent jurisdiction.
3. Dismissal of manager in both cases above shall not result in dissolution of partnership, unless MOA provides otherwise.

Article (48)
Resignation of Manager

If Manager is a partner or not a partner, he shall be entitled to resign from Management, provided that partners are notified of such resignation 60 working days before its effective date, unless the MOA provides otherwise, or else the Manager shall be liable for compensation. Manager's resolution shall not result in dissolution of partnership, unless MOA provides otherwise.

Article (49)
Prohibited Acts for Manager

Manager may not take any actions beyond ordinary managerial works, save upon consent of all partners or explicit provision in MOA, and such prohibition shall particularly be applicable to the following acts:

1. Donation, save small ordinary donations governed by commercial norms.
2. Sale of partnership's real properties, unless the same is within purposes of the partnership.
3. Mortgaging partnership's real properties and assets, even if the Manager is authorized in MOA to sell partnership's real properties.
4. Guaranteeing third party liabilities.
5. Selling, mortgaging or renting the partnership's shop.

Article (50)
Manager's Contracting for His Own Account

1. Manager may not contract for his own account or for any of his relatives to the second degree, save upon a written consent issued by all partners on case-by-case basis.
2. Manager may not exercise any activity similar to company's activity, save upon a written consent from all partners, which shall be annually renewed.

Article (51)
Manager's Liability

Manager shall be held liable for any damage inflicted on the Company, partners or third parties due to any violation of Company's MOA, his appointment contract or any negligence, omission or errors in performance of his job or failure to exercise due diligence and care, and any provision to the contrary hereof shall be null and void.

Article (52)
Liability of Multiple Managers

1. In case of multiple managers with certain competences for each, each manager shall be liable for works within his remit. In case of multiple managers with the condition that they shall jointly assume management, then their decisions shall only be valid upon consensus or majority of vote provided for in MOA. However, it may be provided in

MOA that each manager may solely handle urgent works, which if missed out would result in serious losses to the Company or loss of considerable profit.

2. In case of multiple Managers without certain competence for each determined in the contract, and no condition is made requiring their joint action, then each of them may assume a certain managerial work, provided that others shall have the right to object to any such work before completion thereof. In such case, majority vote of managers will be considered, and in case of tie, matter shall be referred to partners for resolution, and their decision in this regard shall be final.
3. Multiple managers shall act as diligent persons, exercising due diligence and care in their work.

Article (53) **Partnership's Liability**

Partnership shall be liable towards third parties for compensating any damage resulted from acts of any partner, performed by consent of other partners, or during Partnership's ordinary course of business.

Article (54) **Associate Partner**

If a partner joins the partnership it shall be held liable jointly with other partners by all properties thereof, for partnership's former liabilities, provided that the same have been previously disclosed to such partner by the partnership. Such partner shall be jointly liable with other partners and with all properties thereof for subsequent liabilities of the partnership, and any agreement concluded between partners to the contrary hereby shall not be valid argument towards third parties.

Article (55) **Withdrawn Partner**

1. Unless otherwise is provided by partnership's MOA, a partner may withdraw from partnership under a written agreement concluded with other partners. Failing to reach an agreement, such partner may file a claim before the court of competent jurisdiction to have a withdrawal judgment, provided that other partners are notified through registered mail at least 60 days before the withdrawal date, and the partnership may claim the withdrawn partner for any compensation if applicable.
2. Withdrawn partner shall continue to be liable jointly with other partners in the partnership for debts and liabilities thereof created prior his withdrawal, and guarantees the same with his personal property together with other partners.
3. Withdrawn partner shall not be absolved from liabilities incurred by the partnership after his withdrawal, unless such withdrawal is registered in the Commercial Register and announced in two daily newspapers one of them is issued in the Arabic language, and thirty days' elapse after completion of announcement.
4. If partnership is formed of two partners and one of them withdraws, the remaining partner may within 6 months from the date of registering withdrawal in the Commercial

Register engage a new partner(s) in lieu of the withdrawn partner, or otherwise the partnership is deemed legally dissolved.

Article (56)
Assignment of Shares

1. Partnership shares may not be assigned, save upon consent of all partners and subject to the controls enumerated in MOA, and assignee shall be considered as a partner only upon registering such assignment with the Competent Authority and so notifying the Registrar.
2. Any agreement entailing assignment of shares without such registration shall be deemed null and void. However, a partner may assign his rights associated with his share in partnership to third parties, and such agreement shall be effective only between contracting parties.

Article (57)
Rights of Deceased Partner

Unless otherwise is agreed upon between partners, the amount payable by remaining partners of share of deceased partner shall be considered a payable debt as from the date of dissolving the partnership or date of partner's death, whichever occurs first.

Article (58)
Partnership's Transactions upon Expiry of Its Term or Purpose

1. Obligations and rights of partners in partnership shall continue to exist if the partnership continues after expiry of its term or purpose for which the same it has been established.
2. If bona fide third party continues to deal with active partner(s) after amending partnership's MOA or deciding to dissolve the same, thinking that the partnership is still in existence, such partner(s) shall be held liable towards the third party before amending partnership's MOA or deciding to dissolve the same, and publication of an announcement in two daily local newspapers, one of them is issued in the Arabic language, shall be deemed a sufficient notification to persons dealing with partnership before its dissolution or announcing amendment of its MOA.

Article (59)
Mutual Obligations of Partnership and Partners

Without prejudice to provisions of partnership's MOA, the following obligations shall be maintained:

1. Partnership shall pay any amounts paid personally by the partner on behalf of the partnership to enable the same to execute its ordinary works or to maintain its assets and activities.
2. Partner shall compensate partnership for any benefit he has received due to performing any work related to the Company, using its properties, name or trademark without partnership's prior approval.

Article (60)
Execution Against Partner's Properties

No execution may be made against partner's property due to partnership's liabilities, save upon securing a writ of execution against the partnership, serving a notice thereon and failing to collect rights therefrom, and a writ of execution issued against the partnership shall be valid evidence against partners.

Article (61)
Profits & Losses

1. Profits, losses and share of each partner in the Company shall be determined upon expiry of company's fiscal year as per its budget and profits and losses account.
2. Each partner shall be deemed a creditor to the extent of his share in profits upon determining such share, and shall complete any reduction in capital due to losses, from profits of subsequent years, unless otherwise is agreed upon, and in other events, the partner may not be obliged to complete any reduced amount of his share in the partnership's capital due to losses, save upon his consent.

Section (2)
Limited Partnership
Article (62)
Definition of Limited Partnership

Limited partnership is a company formed of one active partner or more who shall be personally and jointly liable for company's liabilities, and shall have capacity of a trader, and of one limited partner or more who shall not be liable for company's liabilities, save to the extent of their share in company's capital and shall not have trader's capacity.

Article (63)
Capacity of Limited partner

Any natural or artificial person may act as a limited partner in a limited partnership.

Article (64)
Name of Limited Partnership

1. Name of limited partnership shall be formed of name of an active partner together with adding a phrase denoting legal form of the company. Additionally, the company may have its own trade name.
2. Name of limited partner may not be mentioned in company's name, and if his name is added by his knowledge, it shall be deemed as an active partner towards bona fide third parties.

Article (65)
Limited Partnership's MOA

1. All provisions of general partnership shall apply to limited partnership, subject to the provisions enumerated under this section in respect of limited partner.
2. Limited partnership's MOA shall include names of active and limited partners. If MOA does not specify capacities of such partners, the company shall be deemed a general partnership and all partners therein shall be deemed as active partners.
3. Share of limited partner may not be work.

Article (66)
Management of Limited Partnership

Management of limited partnership shall be limited to active partners, and decisions shall be taken by consensus of active partners, unless its MOA provides that their majority vote shall be sufficient. Any change of the nature of partnership's business or amendment to its MOA shall only be valid upon consent of all active and limited partners.

Article (67)
Limited Partnership's Borrowing

1. Active partner in a limited partnership shall have all rights and powers of a partner in general partnership, and shall be subject to conditions and restrictions imposed on a partner in general partnership.
2. Any loan or any other obligation concluded by an active party for or in name of the limited partnership shall be binding for the same.

Article (68)
Rights of Limited Partners

1. Limited partner shall have same rights of active partner in respect of the following:
 - a. Lending the partnership and entering into transactions therewith, subject to consent of all active partners.
 - b. To access and attain copies and extracts of books and records of the partnership in all times, during working hours.
 - c. To have complete and accurate information on partnership's business and official statement on the same.
 - d. To undertake all works enumerated under item (1/a) of this Article personally or through other partners or third parties, provided that this shall not result in any damage to the Company.
2. Pursuant to the provisions of this Article, a limited partner shall not be deemed to participate in management of partnership when exercising any internal regulatory business thereof, and shall not be held jointly liable for partnership's debts towards bona fide third parties.

Article (69)
Managerial Works

1. Limited partner may not interfere in managerial works related to third parties, and rather may request copy of profits and losses account and budget, and verify validity of information included therein through reviewing partnership's books and documents personally or by proxy from partners or third parties, provided that this shall not result in any damage to the partnership.
2. If the limited partner violates the prohibition set out in item (1) above, he shall be held liable, by all properties thereof, for the liabilities arising out of his acts.
3. Limited partner may be held liable, by all properties thereof, for all liabilities of the company if the managerial works exercised by him would cause a third party to believe that he is an active partner, and in such case the limited partner shall be subject to same provisions of active partner.
4. If limited partner exercises prohibited managerial works under an explicit or implicit authorization from active partners, such partners shall be held liable with him for obligations arising out of such works.

Article (70)
Assignment of Shares

Limited partner may not assign his share in the company fully or partially to third parties, save upon consent of all partners, or as otherwise provided by partnership's MOA. Assignee shall be deemed a partner only upon registration of such assignment with competent Authority and notifying the registrar of the same.

Chapter (3)
Limited Liability Company
Section (1)
Incorporation of Limited Liability Company
Article (71)
Definition of Limited Liability Company

1. Limited Liability Company is a company in which the number of partners is not less than two persons and no more than 50 persons, and each of them is held liable to the extent of his capital share.
2. One citizen, whether natural or artificial person, may incorporate and own a limited liability company, and owner of company's capital shall be held liable only to the extent of the capital stated in its MOA, and shall be subject to provisions of limited liability company enumerated in this law, without any contradiction with the nature of the company.

Article (72)
Company's Name

1. A limited liability company shall have a name derived from its objectives or from the name of one or more partners. The term "with limited liability" abbreviated as "L.L.C." shall be annexed to the company's name. In case of one-person company, his name shall be mentioned together with company's name, followed by the term "sole proprietorship with limited liability".
2. In the event of failure on the part of the Directors to observe the provisions of item (1) here-above they shall be jointly liable to the extent of their personal properties towards the company's obligations in addition to indemnities if applicable.

Article (73)
Company's MOA & Incorporation Procedures

Limited liability company shall be incorporated and registered as per the provisions set out in Articles (42 and 43) of this Law.

Article (74)
Register of Partners

1. Company shall prepare and maintain at its head office a special register for partners, including the following information:
 - a. Full name, nationality, date of birth and domicile of each partner and address of head office in case of artificial person.
 - b. Any transactions conducted regarding shares, and dates of the same.
2. Directors of the company shall be liable for such register and validity of data included therein, and partners and each stakeholder shall have the right to access the same.
3. Company shall send to competent authorities and Registrar in January of each year the data included in the Register of Partners, with any changes made to the same during the preceding fiscal year.

Article (75)
Increasing Number of Partners

1. If after the establishment period the number of partners exceeded the limit fixed in Article (71) of this Law, Manager or managers of the Company, as the case may be, shall notify the authorities concerned within 30 days as from the date of such excess.
2. With the exception of transfer of shares by way of inheritance or final court judgment, the company shall rectify its positions within 3 months of notice date, and competent authority may extend such period to further 3 months, or otherwise it shall be deemed dissolved and the partners shall be jointly liable inter se of the debts and obligations borne by the company from date such excess occurred.
3. Partners who are proven ignorant of such excess or objected to the same shall be exempted from provisions of item (2) above.

Article (76)
Company's Capital

1. Company shall have a sufficient capital to achieve purpose of its incorporation, formed of shares of equal value. Cabinet may, upon proposal from the Minister and in coordination with competent authorities, issue a decision determining minimum limit of company's capital.
2. Shares may be in cash and/or corporeal, and shall be fully paid upon incorporation.
3. Cash shares shall be deposited with a bank operating in the State, and such bank may not dispense the same, save to the Company's manager upon submission of documents showing registration of company with competent authorities and within the limits set out in his appointment contract.

Article (77)
Indivisible Share of Partner

Partner's share shall be indivisible, and if owned by multiple persons without naming their representative before the Company, the person whose name is mentioned first in MOA shall be considered as their representative, and the Company may grant shareholders a period of time to make such choice, and upon expiry of such period, the company may sell such share on behalf of the owners thereof, and in such case, partners shall have priority to redeem the same. If redemption right is used by more than one partner, shares shall be divided amongst them as per their respective capital shares, unless otherwise is agreed on.

Article (78)
Valuation of Corporeal Shares

1. Partners in limited liability company may contribute with corporeal shares, in lieu of their cash shares in the company.
2. Corporeal shares shall be evaluated at the expense of providers thereof through one or more financial advisors accredited and elected by the SCA, or otherwise valuation shall be deemed void.
3. Competent authority may discuss and object to the valuation report, appoint another appraiser at expense of the share provider, if needed.
4. By way of exception from provisions of item (2) above, partners may agree on value of corporeal shares, provided that in such case the competent authority's approval of such value is secured, and provider thereof shall be held liable towards third parties for authenticity of its valuation in the company's MOA. If it is proven that corporeal shares are estimated in excess of its actual value, provider thereof shall pay the difference to the company in cash.

Article (79)
Assignment and Mortgage of Partner's Share in Company

1. Partners may assign or mortgage their shares in the company to other partners or third parties according to conditions of company's MOA, and under an official document notarized as per the provisions of this law, and such assignment or mortgage shall only be effective towards the company or third parties as from the date of being registered with the commercial register of the competent authorities.
2. Company may not abstain from registering assignment or mortgage in the register, unless the same violates the provisions of MOA or of this Law.

Article (80)
Procedures of Assignment of Partner's Share in Company

1. If a partner wishes to assign his share to another person other than partners in the company, with or without a recompense, such partner shall notify other partners through Company's manager of the assignee or purchaser and assignment or sale conditions, and Manager shall notify other partners immediately upon receiving such notice.
2. Each partner may request redemption of the share mentioned in item (1) of this Article within 30 days as from notifying the manager of the price agreed upon, and failing to agree on the price, it shall be estimated by one or two technical and financial experts specialized in field of such share, and elected by the competent authority upon application from redemption requester and at his expense.
3. If redemption right is used by more than one partner, shares or sold shares shall be divided amongst them as per their respective capital share, subject to the provisions of Article (76) of this Law.
4. If the period referred to in item (2) of this Article expires without any partner using the redemption right, then the partner shall have the right to freely dispose of his share.

Article (81)
Execution Against Partner's Share in Company

In the event of commencement of the execution procedures by a creditor against proceeds of the share of his debtor, such creditor may agree with the debtor and the company on the method and terms of sale, otherwise the share shall be put forward for public auction sale upon an application submitted to the Court of competent jurisdiction. One partner or more may recover the share sold under the same auction conveyance terms awarded thereto within fifteen days from the date thereof. The above provisions shall apply in the event of a partner's bankruptcy.

Article (82)
Partner's Liability for Any Profits or Benefits of the Company

Partner in limited liability company shall be held liable towards the company for any properties of the company held by such partner in a fiduciary capacity, profits or benefits he gains through company's business or activities or through utilizing company's properties, name or commercial relations.

Section (2)
Company Management
Article (83)
Company Managers

1. The management of the limited liability company shall be assumed by one or more manager(s) as decided by partners in MOA. They shall be selected either from the partners or from others, and if they are not named in the company's MOA or separate contract, they shall be appointed by General Assembly of partners. In case of multiple managers, partners may appoint board of directors to be entrusted with the powers and functions set out in MOA.
2. Unless the company's manager appointment contract, MOA or internal regulations provide for the powers granted to the Manager, he shall be empowered to exercise full powers in management of the Company, and his acts shall be binding on the company, provided that his capacity in relation to any such acts is substantiated.

Article (84)
Liability of Company Managers

1. Manager of a limited liability company shall be held liable towards the company, partners and third parties for any fraudulent acts committed by him, and shall compensate the company against any losses or expenses incurred thereby due to misuse of his powers or violation of applicable law, company's MOA or manager's appointment contract or any serious error on the part of the Manager, and any provision in the MOA or manager's appointment contract to the contrary of this provision shall be null and void.
2. Subject to the provisions of limited liability company under this law, managers of limited liability companies shall be subject to provisions of board of directors of joint-stock companies enumerated in this law.

Article (85)
Vacancy of Company's Manager Position

1. Unless company's MOA or manager's appointment contract provides otherwise, a manager may be dismissed by a decision from the General Assembly, whether being a partner or not, and may also be dismissed by a court judgment upon request from one partner or more in the company, if the court sees that reasons for his dismissal are lawfully justifiable.
2. Manager may submit written resignation to the General Assembly, provided that a copy thereof is served on the competent authority, and General Assembly shall decide on such resignation within 30 days as from its submission date, or otherwise it shall be deemed

effective as from the expiry of such period, unless otherwise is provided in Company's MOA or manager's appointment contract.

3. Company shall notify the competent authority of the termination of manager's service within no longer than 30 days as from his termination date, and shall appoint another manager during such period.

Article (86)

Competitive Business Exercised by Company's Manager

Save upon approval of General Assembly of partners, Manager may not assume management in another competitive company or with similar purposes, and may not conclude for his own account or for third parties any transactions in a competitive or similar trade, and violating this provision shall result in dismissal of the Manager and indemnity.

Article (87)

Liability for Preparation of Accounts

Company's manager shall prepare annual budget, profit and loss account and annual report on company's activities and financial standing, and shall provide suggestions regarding distribution of profits to the General Assembly within 3 months as from the expiry date of the fiscal year.

Article (88)

Appointment of Supervisory Board

1. Should there be more than seven partners, supervision shall be vested in a board comprising at least three partners. The General Assembly may re-appoint them after the expiry of the said period or appoint others from partners, and may, for a good reason, remove them at any time.
2. The managers shall have no vote whether in the election or removal of the supervisory board members.

Article (89)

Powers of Supervisory Board

The supervisory board may inspect the company's books and documents and may, at any time, instruct the managers to submit a report on their activities and control the budget, the annual report and distribution of the profits, and shall, at least five days before its convention, submit a report to this effect to General Assembly of partners.

Article (90)

Liability of Supervisory Board Members

Members of the supervisory board shall not be liable for the actions of managers unless they became aware of the defaults therein and failed to mention the same in their report to the General Assembly of partners.

Article (91)
Rights of Non-Managing Partners

Partners who are not managers in the limited liability companies where no supervisory board exists shall have the same rights of partners mentioned under this Law or MOA and any agreement to the contrary of this provision shall be null and void.

Section (3)
General Assembly
Article (92)
Formation & Convention of General Assembly

1. A company with limited liability shall have a general meeting comprised of all the partners. The meeting shall convene at the invitation directed by the managers or board of directors at least once every year within the four months following the expiry of the fiscal year at the venue and date fixed in the MOA.
2. The manager or person so authorized shall invite the General Assembly to hold a meeting if same is requested either by one partner or more who hold at least one quarter of company's capital.

Article (93)
Invitation to General Assembly Meeting

With the exception of deferred General Assembly meeting due to incomplete quorum as per the provision of Article (96) of this Law, invitation to the General Assembly meeting shall be addressed by registered letter or any other means set out in the MOA, at least 15 days before the date fixed for the meeting or during a shorter period agreed upon by all partners.

Article (94)
Agenda of Annual General Assembly Meeting

General Assembly meeting of limited liability company shall have competence in its annual meeting to consider and decide on the following matters:

1. Receive Managers' report on Company's activities and financial standing during the elapsed fiscal year, auditor's report and supervisory board's report.
2. Set and Approve balance sheet and profit and loss account.
3. Determine profits to be distributed to partners.
4. Appoint managers and determine their remunerations.
5. Appoint members of the board of managers (if any).
6. Appoint members of the supervisory board (if any).
7. Appoint members of Internal Sharia Control Board and Sharia controller, if the company exercises activity as per provisions of Islamic Sharia.
8. Appoint one auditor or more and determine their remunerations.
9. Other matters within its remit under the provisions of this Law or its MOA.

Article (95)
Attending General Assembly Meeting

Each partner is entitled to attend the General Meeting irrespective of the number of shares he holds. He may appoint a partner, other than a manager, or any other person allowed under MOA to represent him by proxy at the General Meeting. Each partner shall have a number of votes equal to the number of shares owned or represented by him.

Article (96)
Legal Quorum for Convention and Voting

1. General meeting convention shall be valid only upon attendance of one partner or more holding at least 75% of capital shares.
2. Failing to reach the quorum as set out in item (1) above, partners shall be invited to another meeting within the 14 days following the first meeting, provided that attendance percentage may not be less than partners holding 50% of capital shares.
3. Failing to reach quorum determined under items (1 and 2) above, partners shall be invited to third meeting, after elapse of 30 days from the date of the second meeting, and such meeting shall be valid irrespective of the number of present members.
4. General Assembly Resolutions shall be valid only if issued by majority vote of present and represented partners, unless MOA provides for larger majority.

Article (97)
Inserting an Item in Agenda of the General Assembly Meeting

The General Meeting may not deliberate on matters outside the scope of the agenda except, if, during the meeting, certain significant facts demanding discussion, be disclosed. If a partner requested the inclusion of a specific item on the agenda, the managers shall comply therewith, otherwise the partner shall be entitled to refer to the General Meeting.

Article (98)
Discussing Topics on Agenda of General Assembly Meeting

Each partner shall be entitled to discuss items on the agenda and the managers shall give replies to their questions to such an extent that is not detrimental to other company's interests. If a partner considers the reply to his query insufficient, he may refer to the General Meeting whose resolution shall be enforceable.

Article (99)
Voting on Release of a Managing Partner

The managing partners may not vote on resolutions relating to their release from the management responsibilities.

Article (100)
Minutes of General Assembly Meeting

An adequate summary of minutes of the General Meeting deliberations shall be prepared. Together with the General Meeting resolutions these minutes shall be entered in a special register kept at the company head office. Any of the partners, either in person or through an attorney, may inspect that register as well as the company balance sheet, profit and loss account and annual report.

Article (101)
Amendment of Company's MOA and Increasing or Reducing Its Capital

It is not permissible to amend the company's MOA nor to increase or decrease its capital, save by the approval of a number of partners representing three quarters of the capital, and increase or decrease percentage must be consistent with shares of partners in the Company, unless otherwise is agreed on. However, obligations of partners may not be increased, save upon their unanimous agreement.

Article (102)
Company's Auditor

The limited liability company shall have one or more auditor(s) appointed each year by the partners General Assembly. With the exception of provisions of Article (244) of this Law, these auditors shall be subject to the same provisions concerning the auditors in the public joint-stock companies, and competent authority shall replace the SCA wherever mentioned.

Article (103)
Statutory Reserve

In order to create a statutory reserve, each year, the limited liability company shall lay by as savings 10% of its net profit. If such savings amount to half of the capital, the partners may opt to suspend same.

Article (104)
Applicability of Provisions of Joint-Stock Companies

Where no special provision is made in this Law, the provisions of joint stock companies shall apply, and competent authority shall replace the SCA wherever mentioned.

Chapter (4)
Public Joint Stock Companies
Section (1)
Definition & Incorporation of Public Joint Stock Companies
Article (105)
Definition of Public Joint Stock Company

Public joint stock company is any company whose capital is divide into negotiable shares of equal value and partners therein subscribe to a part of such shares, while the remaining part is offered for public subscription, and shareholder is held liable only to the extent of his share in capital.

Article (106)
Name of Public Joint Stock Company

Each public joints stock company shall have a trade name, which may not be a name of natural person, unless the company's purpose is to invest a patent registered in name of such person or if the company acquires a trade name or the right to utilize the same, and in all cases, the term "Public Joint Stock Company" shall be annexed to company's name.

Article (107)
Number of Founders

1. Five persons or more may incorporate a public joint stock company.
2. Federal or local government or any company or entity fully owned by any of them may contribute to or independently incorporate a public joint stock company and may engage therewith in provision of capital less than the number of persons provided for in item (1) of this Article.
3. Any company transformed to public joint stock company shall be exempted from the minimum number of founders indicated in item (1) of this Article.

Article (108)
Term of Company

Term of company shall be determined in its MOA and AOA, and may by special decision be extended or reduced if company's purpose so requires.

Article (109)
Founder

1. Founder is any person who signs company's MOA and holds a percentage of its capital in cash or provides corporeal shares upon its incorporation in compliance with the provisions of this Law.
2. Founders shall be liable for any damage inflicted on the company or third parties due to violation of incorporation rules and procedures, and founders shall be jointly liable for their obligations. Any person who authorizes another to incorporate the company shall be

deemed personally liable, unless he demonstrates the name of his principal or if authorization document is proven invalid.

Article (110)
Company's MOA & AOA

1. Founders shall issue inter se the Company's MOA and AOA, including the following information:
 - a. Name and head office of company.
 - b. Purpose for which company has been established.
 - c. Full name, nationality, birth date, domicile and address of each founder.
 - d. Value of company's capital, number of shares to which the capital is divided, nominal value of each share, paid up value of each share.
 - e. Founder's pledge to seek to complete foundation procedures.
 - f. An approximate estimation of expenses, salaries and costs expected to be spent in the incorporation, which the company is obliged to pay upon incorporation.
 - g. Statement of corporeal shares, name of its provider, its value and conditions for provisions of the same, any mortgage or lien on any such share, if any.
2. Company's MOA and AOA must be consistent with the Law and decisions issued in execution of the same, and shall include provisions, competences and powers of the board of directors and General Assembly of the company, and SCA shall issue form of company's MOA and AOA, and companies shall abide by such form.

Article (111)
Shareholders' Compliance with AOA

1. Subject to provisions of this Law, Company's AOA, upon being entered in the Commercial Register with competent authority, shall be binding on all shareholders.
2. Any amount payable by a shareholder under provisions of company's AOA shall be deemed a debt payable by the Company.

Article (112)
Founders Panel

1. Founders shall elect inter se a panel comprising at least three members to complete procedures of incorporation and registration of the Company with relevant authorities, and both the Founders Panel, advisors and all parties participating in the incorporation procedures or their representatives shall be held liable for validity, accuracy and completeness of all documents, studies and reports submitted to concerned authorities in relation to company's incorporation, licensing, registration and entry.
2. Founders Panel may authorize any member thereof or third party to follow up and complete incorporation procedures with the SCA and competent authority as per controls set by the Authority in this regard.
3. Founders Panel shall appoint a financial and legal advisors and auditor for subscription.

Article (113)
Incorporation Procedures Applicable at Competent Authority

1. Application for a company incorporation shall be submitted to the competent authority together with its MOA and AOA as well as the projects' profitability inclusive of the time schedule proposed for execution, and any other documents required by the competent authority.
2. Competent authority shall consider the incorporation application, issue initial approval or reject the same, and notify Founders Panel within 10 working days as from the application date, provided the same meets all requirements, or from the date of providing any required documents or information. If initial approval is not issued by competent authority during such period, application shall be deemed rejected.
3. If competent authority rejects the incorporation application or the period under item (2) expires without deciding on such application, the Founders Panel may complain before the Director General of the competent authority or his representative within 10 working days, and if such complaint is rejected or not decided on within 15 working days from its submission date, the Founders Panel may challenge the rejection decision issued by competent authority before court of competent jurisdiction within 30 working days as from the date of being notified of such rejection or elapse of such period without any decision issued.

Article (114)
Incorporation Procedures Applicable at SCA

1. Founders Panel shall submit an incorporation request to SCA together with initial approval of the competent authority, company's MOA and AOA, economic feasibility of the project to be established by the company, timeframe proposed for execution, prospectus and any approvals from competent authorities in relation to such application and as per the applicable requirements of SCA.
2. SCA shall consider the incorporation application and notify Founders Panel of its remarks regarding such application and documents thereof within 10 working days as from date of submitting complete application or from the date the appraiser appointed by SCA submits his final report regarding valuation of corporeal shares, if any, and Founders Panel shall complete any deficiency or required amendments, which SCA sees necessary for completion of application, within 15 working days as from notice date, or otherwise SCA may consider that incorporation application has been waived.
3. SCA shall send a copy of application and documents thereto to competent authority within 10 working days as from the date of completing the application in question, and SCA shall meet with the competent authority within 10 days as from sending such application thereto. In case the competent authority has any reservations, SCA shall notify Founders Panel of the same, and any deficiency or amendment will be completed as the SCA sees necessary for completion of incorporation application, within 10 working days as from the date of notice served on Founders Panel, or otherwise such application is deemed to have been waived. SCA shall verify completion of application

and all documents and remarks related thereto, and amended copy thereof shall be sent to competent authority.

Article (115)
Notarization of MOA

Founders Panel shall have MOA notarized as per the provisions of this Law and shall provide SCA with a copy thereof as well as of the initial decision issued by the competent authority agreeing to the license, and a certificate issued by a licensed bank in the State confirming that Founders have paid any due amounts before the SCA approves announcement of prospectus.

Article (116)
Amendment of Incorporation Application

No information in the incorporation application may be amended after being submitted to the competent authority during any incorporation phase, including information related to company's capital, purposes, names of founders and any other information included in the application, and in case any such amendment is made, the matter shall be referred to the competent authority to take necessary procedures it sees fit.

Article (117)
Contribution of Founders to Company's Capital

1. Founders shall subscribe by shares of no less than 30% and not exceeding 70% of the Company's issued capital, before initial public offering of the remaining shares of company.
2. Founders may not subscribe to shares offered for public prescription.

Article (118)
Valuation of Corporeal Shares

1. Company founders may provide in lieu of their shares in the company corporeal shares.
2. Corporeal shares shall be valued at expense of its providers through one financial advisor or more, elected from SCA's accredited advisors or from entities with relevant technical and financial experience, or otherwise their valuation shall be deemed invalid.
3. Appraiser may access any information or documents he sees necessary to be able to carry out the necessary valuation and to efficiently prepare his report, and Founders Panel or board of directors, as the case may be, shall take the necessary procedures to provide such appraiser with the information, documents and instruments required as soon as possible as from the date of his request.
4. Appraiser, Founders Panel and board of directors (if any) shall be fully liable for accuracy, sufficiency and completeness of information included in the valuation report.
5. SCA may discuss the valuation report and object to the same, and may appoint another appraiser if required at the expense of the company under incorporation.

6. Corporeal share(s) provided by public entity may be in form of lien or right to utilize certain public properties.

Article (119)
Post-Incorporation Valuation of Corporeal Shares

Post incorporation valuation of corporeal shares shall be subject to same valuation provisions stated in this Law.

Article (120)
Exaggerated Valuation of Corporeal Shares

1. If it is proven to SCA that there is any exaggeration or negligence in valuation of corporeal shares by the appraiser, it may take the following procedures:
 - a. Prevent appraiser from exercising valuation activity at SCA for at least two years.
 - b. Prevent appraiser from exercising valuation activity at SCA permanently in case of repeated violations.
2. Appraiser may appeal SCA's decision before Chairman of SCA within 15 working days as from the date of being notified of any of the decisions mentioned under item (1) above. If SCA's Chairman rejects complaint or does not decide on the same within 15 working days as from the date of its submission, appraiser may appeal such decision before court of competent jurisdiction within 30 days as from the complaint rejection date or elapse of the period during which a reply should have been given to such complaint, as the case may be.

Article (121)
Invitation to Public Subscription

1. Prospectus shall be signed by Founders Panel, advisors and parties participating in incorporation procedures or their representatives, and shall be jointly liable for validity of information included therein.
2. Invitation to public subscription shall be published in two daily local newspapers, one of them is issued in the Arabic language, at least five working days before commencement of subscription.
3. Subscription to shares shall be made by virtue of an application containing data determined by SCA, and shall particularly include company's name, purpose, capital, subscription conditions, and subscriber's name, address in the State, profession, nationality, number of shares to be subscribed to and pledge to accept provisions of Company's MOA and AOA.

Article (122)
Entities Licensed to Receive Subscription

1. Subscription shall be made at entity or entities licensed to undertake such activity in the State, and shall be determined by Founders Panel in the prospectus, and subscription may be made electronically as per the conditions determined by SCA in this regard.
2. Entity or entities with which subscription is made shall maintain funds paid by subscribers and any proceeds generated from subscription amounts for account of the company under incorporation, and such funds may not be handed over to the board of directors of the company, save upon issuance of Company's registration certificate by SCA and entry of the same in commercial register with the competent authority.

Article (123)
Underwriter

1. Without prejudice to provisions of Article (10) of this Law, the company may have, upon its incorporation or increasing its capital, one underwriter or more accredited by the SCA to cover remaining subscription shares, and may re-offer subscribed shares according to the conditions, controls and procedures set by a decision from SCA.
2. SCA's board of directors shall issue a decision determining controls and conditions for undertaking activity of underwriter in the state.

Article (124)
Subscription Term

1. Subscription shall be open for at least 10 working days and no more than 30 working days.
2. If subscription is not fully covered for offered shares during the said period, Founders Panel may apply to SCA to extend subscription period for 10 additional working days, in case no underwriter exists.
3. If such period lapses without covering all shares offered for public subscription and without the Founders achieving the minimum subscription limit established in Article (117) of this Law, they may offer for subscription the remaining shares to reach the required percentage, or otherwise the SCA's decision approving incorporation shall be void.

Article (125)
Distribution of Shares to Subscribers

If subscription exceeds number of shares offered, shares shall be distributed to subscribers at their subscription percentage or in the manner determined in the prospectus and approved by SCA, and distribution shall be made to nearest whole share.

Article (126)
Allocation of Shares and Refund of Excess Amounts

Upon end of subscription period, entities licensed to receive subscriptions shall:

1. Allocate shares to subscribers within no longer than five (5) working days as from the end of subscription period.
2. Refund excess amounts paid by subscribers and proceeds generated therefrom and for which no shares have been allocated, within no longer than five (5) working days as from the shares allocation date.

Article (127)

Subscription by Emirates Investment Authority (EIA)

Emirates Investment Authority shall have the right to subscribe to shares of any public joint stock company to be incorporated in the State and offers its shares for public subscription, by no more than 5% of the shares offered for public subscription, provided that value of such shares shall be paid before end of subscription period, and probative documents are submitted to SCA in this regard.

Article (128)

Announcing Non-Incorporation of Company

If company is not incorporated, SCA shall so announce to the public, and such announcement shall result in the following:

1. Restore amounts they have paid within ten working days as from the date of announcement, as well as proceeds of such amounts, and founders shall be jointly liable for paying the same, in addition to indemnity if applicable.
2. Founders shall incur expenses made in incorporation of the company and shall be jointly liable towards third parties for any actions they have undertaken during incorporation period.

Article (129)

Book Building of Securities

Subject to provisions of Articles (117 and 279) of this Law, SCA may issue a decision regulating subscription mechanism based on book building of securities, and entities wishing to follow such mechanism shall abide by provisions and procedures set out in the SCA's decision in this regard.

Article (130)

Incorporation Expenses

Company shall incur all incorporation expenses spent by Founders Panel for purposes of establishing the Company and issuing securities, and detailed statement of such expenses shall be referred to the Constituent General Assembly for discussion and approval.

Article (131)
Constituent General Assembly

1. Founders Panel shall invite shareholders to the Constituent General Assembly meeting of the company within no more than 15 days as from end of subscription period.
2. If period referred to in item (1) above lapses without any invitation made by Founders, SCA shall call for General Assembly meeting at expense of the Company.
3. Unless the company's AOA determines a larger percentage, quorum at Constituent General Assembly meeting is fulfilled by attendance of shareholders owning or representing at least 50% of the company's capital. Failing to reach the said quorum, meeting shall be deferred and General Assembly shall meet after lapse of at least 5 days and no more than 15 days from date of first meeting, and deferred meeting shall be deemed valid irrespective of number of present shareholders.
4. Meeting shall be chaired by the person elected by the Constituent General Assembly from amongst founders.
5. Constituent General Assembly meeting decisions shall be issued by majority vote of shareholders holding at least three quarters of shares represented in such meeting.

Article (132)
Competences of Constituent General Assembly

Constituent General Assembly shall particularly have competence to consider and take decisions regarding the following matters:

1. Founders' report on Company's incorporation procedures and expenses made in this regard.
2. Acts of founders in relation to the company during incorporation phase.
3. Approving incorporation of the company.
4. Electing members of first board of directors, in case they are not appointed by founders.
5. Appointing an auditor, in case the same is not appointed by founders.
6. Appointing members of Internal Sharia Control Board and Sharia Controller, if the company exercises activities as per provisions of Sharia Law and where they are not appointed by founders.

Article (133)
Incorporation Certificate Application

Company's board of directors shall within 10 working days as from the date of the Constituent General Assembly meeting, submit an application to SCA to issue Company's incorporation certificate, and such application shall be enclosed with the following documents:

1. Report of subscription auditor.
2. Acknowledgement from Founders Panel that subscription to capital has been completed, value of shares paid by subscribers, their names, nationalities and number of shares subscribed by each.
3. Bank certificate showing deposit of the payable amount of company's capital.

4. Statement of names of members of the board of directors and their acknowledgement that their membership is consistent with the provisions of this Law and decisions issued thereunder.
5. A statement of names of Internal Sharia Control Board members and Sharia Controller, if the company exercises activities in compliance with Sharia provisions.
6. Minutes of Constituent General Assembly meeting.
7. Any other documents required by SCA.

Article (134)
Issuance of Incorporation Certificate

Upon completion of documents referred to in Article (133) of this Law, SCA shall issue Company's incorporation certificate within five (5) working days as from submission of complete application by Company's board of directors.

Article (135)
Registration of Company with Competent Authority

1. Company's board of directors shall, within 10 working days as from the date of Company's incorporation certificate issued by SCA, take the necessary procedures to register the same with the competent authority.
2. Competent authority shall enter the company in the Commercial Register, issue a commercial license for the same within five (5) working days as from submission of complete documents and payment of applicable fees, and serve copy of commercial license on SCA.

Article (136)
Notifying Registrar

Chairman of the company's board of directors shall, within five (5) working days as from the date of commercial license issued by competent authority, notify the Registrar of the incorporation certificate, MOA, AOA and commercial license of the company to be entered in Companies Register and published at expense of the company according to controls set by the Minister in this regard.

Article (137)
Enlisting the Company's Shares in Capital Market

1. Board of directors of the company whose shares are offered for public subscription shall, within 15 working days as from the date of being entered in the Commercial Register with the competent authority, enlist shares of the company in any capital market licensed in the State as per the rules and regulations applicable SCA and capital market in which shares will be enlisted.
2. Companies enlisted in a certain capital market in the State shall abide by legislations and regulations applicable at such capital market.

Article (138)
Acts of Founders

Immediately upon entry of company in Commercial Register with the competent authority, effects of all acts taken by Founders for account of the company and before its registration shall be transferred to the Company, which shall bear all expenses made by founders in this regard.

Article (139)
Amendment of Company's MOA or AOA

Subject to the provisions of this Law, company may, upon approval of SCA and competent authority, issue a special decision amending its MOA or AOA.

Article (140)
Access to Data and Information

1. Company shall provide a copy of its MOA and AOA on its website, as well as any other documents or information determined by SCA.
2. Company shall send a copy of its MOA and AOA to any shareholder who submits an application in this regard, provided that he shall incur associated costs.

Article (141)
Shareholders Register & Company Records

1. Each company shall maintain a register of its shareholders as per controls set by SCA.
2. SCA may access Shareholders Register and company's books and records.

Article (142)
Purchase of Assets During First Fiscal Year

If the company, before the General Assembly approves accounts of first fiscal year, purchases assets, corporations or institutions in total value exceeding 20% of its capital, the board of director shall so notify SCA, which may have such assets, corporations or institutions valued as per the provisions of this Law.

Section (2)
Management of Public Joint Stock Company

Article (143)
Formation of Board of Directors

1. Company's management shall be vested in a board of directors the formation, exclusive number of members and membership term of which shall be determined by company's AOA, provided that it comprises an odd number of members of at least three members and not exceeding eleven members. Term of membership may not exceed three calendar years, commencing as from election or appointment of its members, and a member may be re-elected.

2. Board of directors shall elect, from amongst members thereof and through secret ballot, a chairman and vice-chairman to replace the chairman in case of his absence for any reason or impediment, and managing director of the company may also be elected. However, the managing director may not act as CEO or General Manager of another company.
3. Board of directors shall notify SCA of decisions related to election of Chairman, vice chairman and managing director, and Central Bank's approval on such decisions is necessary in case of companies licensed by the same.
4. Company shall have a Rapporteur for its board of directors, and who may not be a member.
5. Company's board of directors shall issue a decision determining conditions and controls which companies shall abide by in forming their boards of directors and nomination of members thereof and Central Bank shall issue decisions necessary in this regard, for companies licensed by the Central Bank.

Article (144)
Election of Board Members

1. Subject to provisions of Article (143) of this Law, General Assembly shall elect members of the board of directors through cumulative secret voting. With the exception of this provision, Founders may name in Company's AOA members of first board of directors. Cumulative voting shall mean that each shareholder shall have a number of votes that equals the number of shares held thereby, and may use all such votes for one candidate for membership of the board of directors or distribute the same amongst preferred candidates, provided that the number of votes granted to his preferred candidates shall not exceed the number of votes he actually holds.
2. General Assembly may appoint a number of experienced members in the board of directors, other than shareholders, provided that appointed members do not constitute one third of the number of members indicated in AOA.
3. Each company shall maintain a register of its board members and Rapporteur at its head office, and SCA shall determine the information required to be provided in such register.
4. Register of Company's board members and Rapporteur mentioned in item (3) above shall be accessible for any shareholder or board member free of charge during working hours, subject to any reasonable restrictions imposed by the company under its AOA.

Article (145)
Vacancy of Board Member Position

1. If board member position becomes vacant, the board of directors may, subject to provisions of Article (143) of this Law, appoint another member in his place, provided that such appointment is referred to the General Assembly at its next meeting to decide on his appointment or to appoint another person, unless company's AOA otherwise provides, and new member shall complete the term of his predecessor.
2. If vacant positions reach one quarter total number of board members, remaining board members shall call for a General Assembly meeting within 30 days as most as from date the last position became vacant, to fill such vacancies.

Article (146)
Voting Mechanism in Election of Board Members

Each shareholder shall have a number of votes equals the number of shares owned thereby, and the SCA shall issue a decision determining voting mechanism in General Assembly meetings in elections of board members.

Article (147)
Nomination to Membership of the Board of Directors

No person may be appointed or elected as a member of the board of directors, save upon his written acceptance of nomination, provided that such acknowledgement shall include disclosure of any work he undertakes directly or indirectly and competes with the Company, and names of companies and institutions in which he undertakes such work or acts as a board member.

Article (148)
Government's Membership in Board of Directors

With the exception of the provision of Article (143) hereof, Federal or Local Government may, if holds 5% or more of Company's capital, appoint its representative in the board of directors at the same percentage of board members and at least one member, if the percentage required for appointment of a member exceeds such percentage, and its right to vote shall be abated for the percentage of its representation. However, if Government has a shareholding percentage, which is insufficient to nominate another member, it may use such percentage in voting.

Article (149)
Board Membership at Multiple Joint Stock Companies

1. No person may, pro per or on behalf of an artificial person, act as a board member in more than five joint stock companies with head offices situated in the State, and may not act as chairman or vice-chairman at more than two companies with head offices situated in the State, and may not act as a managing director at more than one company with head office situated in the State.
2. Membership of any person in violation of item (1) shall be invalid for boards of companies beyond the legal quorum as per recent appointment thereof, and shall return to the company, in which his membership was nullified, whatever he has in possession related to such company.

Article (150)
Disclosure of Conflict of Interests by Board Member

1. Each board member who has joint or conflicting interest in a certain operation referred to the board of directors for approval shall so notify the board, and establish his acknowledgement in this regard in minutes of session, and may not participate in voting related to decision issued regarding such operation.

2. If the board member fails to notify the board of directors as per item (1) above, the company or any shareholder thereof may submit an application to court of competent jurisdiction to nullify the contract or oblige the member in default to return to the company any profit or interest generated from such contract.

Article (151)
Nationality of Board Members

Chairman and majority of board members must be UAE nationals, and if percent of citizens is reduced at the board of directors below the limit required under this Article, it must be raised again within three months at most, or otherwise the decisions of the board beyond such period shall be invalid.

Article (152)
Acts Prohibited on the Relevant Parties

1. Relevant parties may not exploit any information in their possession due to their membership or job to achieve an interest for themselves or for third parties, irrespective of the result of dealing in securities of company and any other transactions, and they may not have any direct or indirect interest with any entity undertaking operations aimed at affecting prices of securities issued by the company.
2. Company may not conclude any transactions with relevant parties, save upon approval of the board of directors and within 5% only of company's capital, and any transactions in excess of such percentage shall require approval of General Assembly, and transactions shall be evaluated by an appraiser accredited by SCA.
3. Without an annually renewable approval of company's General Assembly, a board member may not engage in any work competing with the company, trade for his own account or for third parties in any sub-activity exercised by the company, and may not disclose any information or data related to the company, or otherwise the company may claim such member for compensation or consideration for profitable operations he undertook for his own account, as if conducted for company's account.

Article (153)
Prohibition of Loans to Board Members

1. Joint-stock company may not grant to any board members any loans, collaterals or guarantees related to any loans granted to them, and any loan granted to wife, children or second degree relatives of a board member shall, in provisions of this Law, be deemed as if granted to the board member himself.
2. No loan may be granted to a company in which a board member, his wife, children or second degree relatives, hold more than 20% of its capital.
3. Any agreement to the contrary of the provisions of this Article shall be null and void, and auditor shall indicate in his report submitted to the General Assembly

partners to such loans and credits granted to board members, and company's compliance with the provisions of this Article.

Article (154)
Powers of Board of Directors

Board of directors shall assume all powers determined in the Company's AOA, with the exception of powers reserved under this Law or AOA to the General Assembly. However, the board of directors may not conclude loans for periods exceeding three years, sell company's properties or shop, mortgage company's movable and immovable properties, release company's debtors, conduct conciliation or concluded arbitration agreement unless such acts is authorized under the Company's AOA or otherwise naturally affect company's purpose, and beyond these two cases, a special decision must be sought from General Assembly for undertaking such acts.

Article (155)
Company Representation

1. Company shall have a Chairman of the board of directors, being the legal representative of the company before courts of law and in relations with third parties, unless the company's AOA otherwise provides that its Director General be its representative before courts of law and in relations with third parties.
2. Chairman of the board of directors may delegate certain powers thereof unto any board member.
3. Board of directors may not delegate the Chairman of the board to absolutely assume all of its powers.

Article (156)
Meetings of the Board of Directors

1. Board of directors shall meet at least 4 times annually upon invitation from Chairman, unless company's AOA provides for more meetings, and according to the procedures set out in AOA.
2. Board meetings shall be held at Company's head office, unless the board decides otherwise, and such meeting shall be valid only upon inviting all members and attendance of most members in person, unless company's AOA allows participation in meetings through modern technological means approved by SCA.

Article (157)
Decisions of the Board of Directors

1. Board decisions are issued by majority vote, and in case of tie, the Chairman shall have the casting vote.
2. With the exception of the provision of item (2) of Article (156) of this Law, the board of directors may issue certain decisions by circular according to the conditions and procedures of which a decision is issued by SCA in this regard.

Article (158)
Absence of Board Member

If a board member fails to attend three successive sessions or five interrupted sessions of board meetings during the term of the board and without any admissible reason, he shall be deemed resigned.

Article (159)
Minutes of Board Meetings

Rapporteur shall prepare minutes of board meetings and same shall be signed by members who attended session, together with the Rapporteur, and a member who objects to board decision may establish his objection in minutes of board meeting, and signatories of such minutes shall be liable for validity of data included therein, and SCA shall set the controls necessary in this regard.

Article (160)
Delegation of Board Member in Board Meetings

1. No board member may delegate another board member to attend on his behalf board meetings, unless the same is allowed under Company's AOA. However, the delegated member may not represent more than one member, and number of members present in person may not be less than number of represented members.
2. No voting may be made by way of correspondence, and delegated member shall vote in behalf of absent member as determined in the authorization document.

Article (161)
Company's Liability for Board Activities

Company shall be liable for activities undertaken by the board of directors within the limits of its competence, and shall be liable for compensating any damage resulting from any unlawful actions committed by chairman and members of the board of directors in management of the company.

Article (162)
Liability of the Board of Directors

1. Members of the board of directors shall be liable towards the company, shareholders and third parties for fraudulent acts and misuse of power, as well as for any violation of the law, Company's AOA and mismanagement, and any provision made to the contrary hereof shall be null and void.
2. Liability stated under item (1) above of this Article shall apply to all board members, if such error arises from a decision taken by unanimous agreement. However, if the decision in question was issued by majority vote, members who objected to the same shall not be held liable, so long that their objections have been established in minutes of meeting. Member's absence from the session in which the decision in question was issued

shall not relieve him from liability, unless proven unaware of such decision or unable to object to the same.

Article (163)
Acts of Board Member

Company shall be liable for acts of board members towards bona fide third parties, even if it is subsequently discovered that election or appointment procedures of such member were invalid or that conditions for such election or appointment were not met.

Article (164)
Acts Against Interests of Company

1. If one shareholder or more holding at least (5%) of company's share see that running company's business is being erroneously carried out against interest of all or any shareholders thereof, or that the company is about to decide an action or inaction that may damage shareholder's interest, then he shall be entitled to submit a request supported with probative documents, to SCA, to issue whatever decisions it sees necessary in this regard.
2. If such request is rejected or not decided on by SCA within 30 working days, the shareholder(s) shall have the right to resort to court of competent jurisdiction within 10 working days as from request rejection or lapse of the said period, as the case may be.
3. SCA may refer to court of competent jurisdiction if it sees that company's business is being managed in manner that harm interests of all or any shareholders thereof, and that the company is about to opt an action or inaction that would harm such shareholders.
4. Court of competent jurisdiction shall consider the claim instituted by shareholder or SCA on summary basis in the two cases under items (2 and 3) of this Article, and may appoint one expert or more who shall be required to submit report on one operation or more of the management, and the court may issue a judgment invalidating any action or inaction in relation to the subject matter of claim or otherwise oblige the company to continue any action it has suspended.

Article (165)
Company Claim

Liability claims filed against company's board of directors due to errors resulting in damage to shareholders shall be filed by a decision from the General Assembly, which shall name a person to file the same in name of the company.

Article (166)
Shareholders Claim

Each shareholder may solely institute liability claim against the company's board of directors in case the company does not file the same, and if the error would cause a specific damage to such shareholder, provided that he shall notify the company of his intention to file the claim, and any provision made to the contrary hereof in the company's AOA shall be null and void.

Article (167)
Extinguishment of Liability Claim

A resolution adopted by the General Assembly shall in no way release the Board of Directors or dismiss a civil liability action against Board members because of defaults committed in the course of their functions. If the liability action was forwarded to the General Assembly and it was endorsed thereby, the liability action shall be extinguished one year after the date of the meeting. However, if the act attributed to the directors creates a criminal action, the liability claim shall be extinguished only if the public claim was dismissed.

Article (168)
Dismissal of Board Members

1. The General Assembly may, even if it is otherwise stipulated in the company's AOA, discharge all or part of the Board members, and in such case the General Assembly shall elect other members to replace them, subject to provisions of Articles (143) and (144) of this Law and shall notify of such action, both the SCA and the competent authority.
2. A director who has been discharged from his office may not be re-nominated for board membership before the lapse of three years from the effective date of the resolution concerning his discharge.

Article (169)
Remuneration of Board Members

1. The Company's AOA shall explain the methods adopted to determine the directors' remuneration which may not exceed 10% of the net profit for the lapsed fiscal year after depreciation and reserve were deducted.
2. Financial penalties imposed in the company due to violations by the board of directors of this Law or company's AOA during the lapsed fiscal year shall be deducted from remunerations of the board members, and General Assembly may decide not to deduct such penalties if it sees that they are not the result of any negligence or error on part of the board of directors.

Article (170)
Invalidity of Decisions

1. Without prejudice to rights of bona fide third parties, any decision issued in violation of this Law, company's AOA or MOA in favor of or to damage certain category of shareholders or to derive special benefit to relevant parties or any other parties, without considering company's interest, shall be null and void.
2. In case any such decision is adjudged invalid, it shall be deemed as null and void for all shareholders.
3. Board of directors shall publish invalidation judgment in two daily local newspapers, one of them issued in the Arabic language.

4. Invalidation claims shall not be heard upon lapse of 60 days from the issuance date of the challenged decision, and institution of claim shall not result in suspension of decision, unless the court of competent jurisdiction so orders.

Section (3)
General Assembly of Public Joint Stock Companies
Article (171)
Convention of General Assembly

1. General Assembly of shareholders is convened upon an invitation from the board of directors at least once in a year, within the four months following end of the fiscal year, on date and at venue determined by Company's AOA. Board of Directors may call the General Assembly to convene whenever it sees the same necessary.
2. If the board of directors fails to direct the invitation to the General Assembly meeting in the cases such invitation is necessary under the law, Auditor shall direct such invitation as well as relevant parties whenever a need arises, and in such case, the auditor shall prepare meeting agenda and publish the same.

Article (172)
Announcement of Invitation to General Assembly Meeting

With the exception of deferred General Assembly meeting for reasons of failure to achieve quorum required under Article (183) of this Law, invitation to the General Meeting shall be addressed upon SCA's approval to all shareholders through publication in two daily local newspapers at least 15 days before the fixed date. Announcement must include agenda of meeting. Copy of invitation papers shall be sent to SCA and competent authority.

Article (173)
Valid Announcement of Invitation to Shareholders

If the announcement of invitation to General Meeting is made before the meeting date by a shorter period than the period determined in Article (172) of this Law, the invitation shall be considered valid if accepted by 95% of shareholders.

Article (174)
Call for General Meeting Requested by Shareholders

1. Company's board of directors shall call for a General Meeting whenever so requested by a shareholder or more holding at least 20% of the company's capital, unless AOA provides for lower percentage, provided that invitation to General Meeting is addressed within 5 days as from the date of their application in this regard, and General Meeting shall be held within at least 15 days and no more than 30 days from the date of invitation.
2. Application mentioned under item (1) above shall be deposited with company's head office, demonstrating purpose of meeting and issues to be discussed therein, and applicant shall submit a certificate from the Capital Market in which company's shares

are enlisted, showing prohibition of disposal of his shares, upon his request, until convention of the General Assembly Meeting.

Article (175)
Call for General Meeting Requested by Auditor

Company's board of directors shall call for convention of a General Meeting whenever so requested by Company's auditor. If the board of directors fails to address the invitation within five days as from the date of such request, auditor shall direct the invitation himself. General Meeting shall then be held within at least 15 days and no more than 30 days from the date of the invitation.

Article (176)
Call for General Meeting Requested by SCA

1. SCA may request Chairman of the board of directors or his representative to direct an invitation to General Assembly Meeting in any of the following cases:
 - a. If 30 days' elapse beyond the date fixed under Article (171) of this Law, without any invitation to convene the meeting.
 - b. If a number of board members' declines below the minimum limit required for valid convention of board meetings.
 - c. If SCA discovers at any time that violations of law or AOA has been committed or any administrative defect.
 - d. If one shareholder or more holding shares representing at least 20% of company's capital request convention of General Meeting and the board of directors fails to answer their request as per the provision of Article (174) of this Law.
2. If the Chairman of the board of directors or his representative fails to call for convention of General Meeting in the foregoing cases within 5 days as from the SCA's request, SCA shall call for convention of such Meeting at expense of the company.

Article (177)
Agenda of Annual General Assembly Meeting

General Assembly of company shall have competence in its annual meeting to consider and decide on the following matters:

1. Receive and approve board of directors' report on Company's activities and financial standing during the elapsed fiscal year, auditor's report and report of Internal Sharia Control Board if the Company exercises any activity according to Sharia.
2. Set and Approve balance sheet and profit and loss account.
3. Elect board members whenever required.
4. Appoint members of Sharia Control Board, if the company exercises any activity according to Sharia provisions.
5. Appoint one auditors and determine their remunerations.
6. Consider proposals submitted by the board of directors in relation to distribution of profits, whether in cash or bonus shares.

7. Consider proposals of the board of directors regarding remunerations of board members.
8. Release, dismiss or file liability claims against board members, as the case may be.
9. Release, dismiss or file liability claims against auditors, as the case may be.

Article (178)
Right to Attend General Meeting

1. Each shareholder shall be entitled to attend General Meeting, and shall have a number of votes equivalent to the number of shares held thereby. A shareholder entitled to attend the General Meeting may delegate any person, other than board members, under a special written power of attorney to represent him in such meeting, provided that the representative of a number of shareholders may not hold, by virtue of such capacity, more than 5% of the Company's capital. Minors and incapacitated persons shall be represented by their legal attorneys.
2. An artificial person may delegate any of its existent representatives under a decision from its board of directors or any person so authorized, to represent it in the General Meeting, and delegated persons shall have the powers established thereto under the authorization decision.

Article (179)
Control Over General Assembly Meetings

1. SCA or competent authority may dispatch one controller for each of them or more, to attend General Meetings of company, without being entitled to vote, and their attendance shall be indicated in minutes of General Meeting.
2. Central Bank or Insurance Authority may dispatch one controller or more to attend General Meeting of company licensed thereby, without being entitled to vote, and their attendance shall be indicated in minutes of General Meeting.

Article (180)
Powers of General Assembly

1. Subject to provisions of this Law, decisions issued thereunder and company's AOA, General Assembly shall consider all matters related to the Company, and may not deliberate on any matters beyond the agenda.
2. With the exception of provision of item (1) above, General Assembly may deliberate on any serious facts disclosed during the meeting. If SCA or shareholders holding at least 10% of company's capital request, prior commencing discussion of the agenda, to add certain issues to the agenda, the board of directors shall answer their request, or otherwise the General Assembly may decide on such matters. SCA may issue a decision determining conditions for enlisting any new items on the agenda of the General Assembly Meeting.

Article (181)
Register of General Assembly Meeting

Shareholders shall enter their names in a special register prepared in company's head office before the set date of the General Meeting. Such record register shall include names of shareholders, number of shares represented or held by such shareholders, together with the authorization documents, and shareholder shall be given cards to attend the meeting, showing the number of votes they are entitled to whether pro se or by proxy.

Article (182)
Chairmanship of the General Assembly

General Assembly shall be chaired by the Chairman of the board of directors, and in case of his absence, it shall be chaired by vice-chairman of the board of directors, or in case of their absence, by any shareholder elected by shareholders through ballots by any mean determined by the General Assembly. General Assembly shall appoint a Rapporteur. If the General Assembly discusses any matter related to the Chairman of the meeting, irrespective of his identity, the General Assembly shall elect from amongst shareholders any other person to chair the meeting while discussing such matter.

Article (183)
Quorum of General Assembly Meeting

Unless the company's AOA provides for a higher percentage, quorum for General Meeting is achieved upon attendance of shareholders holding or representing at least 50% of company's capital. Failing to reach quorum at first meeting, General Assembly shall be called for a second meeting at least after 5 days and not more 15 days from the date of first meeting, and deferred meeting shall be valid irrespective of the number of attendees.

Article (184)
Withdrawal from General Assembly Meeting

If a shareholder or his representative withdraws from General Assembly Meeting after achievement of quorum, such withdrawal shall not affect validity of the General Meeting, irrespective of the number of withdrawn shares, provided that decision shall be issued by majority vote as set out in this Law.

Article (185)
Discussing Agenda of General Assembly Meeting

1. Each shareholder attending General Assembly Meeting shall have the right to discuss topics enlisted on the agenda, address questions to board members and auditors, and board members and auditors shall answer such questions to the extent that poses no harm to the company's interest.

2. Shareholder may refer to the General Assembly if he believes that the answer to his query was insufficient, and General Assembly's resolution in this regard shall be enforceable, and any provision made in company's AOA to the contrary shall be void.

Article (186)

Voting on General Assembly Resolutions

1. Subject to provision of Article (146) of this Law, company's AOA shall determine the method of voting on resolutions of the General Assembly, however voting must be secret if related to election, dismissal or accountability of board members.
2. Subject to provisions of Article (178) of this Law, board members may not participate in General Assembly resolutions related to their release from liability for management or to their personal benefit, conflict of interests, or different between them and the company. If board member represents shares of any artificial person, shares of such artificial person shall be excluded.

Article (187)

Minutes of General Assembly Meetings

1. Minutes of General Assembly meetings shall be issued, including names of present and represented shareholders, number of shares in their possession whether pro se or by proxy, number of votes established to them, issued resolutions, number of supporting votes and objecting votes and adequate summary of discussions made at such meeting.
2. Minutes of General Assembly meetings shall be regularly entered, following each session, in a special register to be maintained according to the controls issued by a decision from SCA, and each minute shall be signed by General Assembly's Chairman, Rapporteur, Vote Collector and Auditor, and signatories on such minutes shall be liable for authenticity of information included therein.

Article (188)

General Assembly Resolutions

1. General Assembly resolutions shall be issued by majority of shares represented at the meeting or any larger majority determined by company's AOA.
2. General Assembly resolutions issued according to the provisions of this Law and company's AOA shall be binding on all shareholders, whether they were present or absent at meetings wherein such resolutions have been issued, and whether they have supported or objected to such resolutions.

Article (189)

Execution of General Assembly Resolutions

Chairman of the board of directors shall execute resolutions of the General Assembly and serve a copy of the same on the SCA and Capital Market wherein shares of such company are enlisted, and competent authority according to the controls set by the SCA in this regard.

Article (190)
Access to Minutes of General Assembly Meetings

1. Minutes of General Assembly of Shareholders shall be maintained at company's office, and any shareholder may access the same free of charge during working hours.
2. If company rejects or fails to abide by provisions of this Article, SCA may issue a decision obliging the company to undergo an audit of deliberations of General Assembly included in such minutes, and may order the company to deliver the required copies to the person(s) who requested the same.

Article (191)
Suspension of General Assembly Resolution

1. SCA may, upon request of shareholders owning at least 5% of the company's shares, issue a decision suspending the General Assembly's resolution, which poses damage to such shareholders, or issued in favor of certain category of shareholders or to derive personal interest to board members or any other persons, whenever it is proven to SCA that reasons for such suspension are serious.
2. Request for suspension of General Assembly's decision shall not be accepted upon lapse of three (3) working days as from the date of issuance of such resolution.
3. Concerned parties shall institute a claim before court of competent jurisdiction to invalidate such resolutions, and SCA shall be notified of a copy of the judgment suspending resolutions of General Assembly within five (5) working days as from the date of issuance of such judgment, or otherwise suspension is deemed null and void.
4. Court shall consider claim for invalidation of General Assembly's resolutions and may summarily order suspension of SCA's decision upon litigant's request until final resolution on subject matter of claim.

Article (192)
Failure to Elect Board of Directors or to Appoint Auditors

1. Subject to provisions of Article (143) of this Law, if the General Assembly fails to take a resolution in relation to election of board members at two successive meetings, despite achievement of quorum, matter shall be referred by SCA to its chairman, after consulting competent authority and entities entrusted with supervising company's activity in the state, to appoint a temporary board of directors for a period not exceeding one fiscal year. Temporary board of directors shall, at the end of the fiscal year, call the General Assembly of the company to elect board members, and failing to elect the same, SCA may refer the matter to Chairman of its board of directors after consulting competent authority and entities entrusted with supervising activity exercised by such company in the state to take the proper decision, including dissolution of such company.
2. If the company's General Assembly fail to take the decision related to appointment of auditor at its annual meeting and as per Articles (243 and 244) of this law, despite achievement of quorum, then SCA may appoint an auditor for one fiscal year and determine his remuneration.

Section (4)
Capital of Public Joint-Stock Company
Article (193)
Issued & Authorized Capital of Company

1. Minimum limit of issued capitals of a public joint stock company shall be Thirty Million Dirhams, and such amount may be increased by a Cabinet resolution upon proposal of SCA Chairman of the Board of Directors.
2. Company's AOA may determine authorized capital, provided that it may not exceed double the amount of issued capital, as per the controls and conditions set by SCA in this regard.

Article (194)
Increase of Company's Capital

1. Company's capital may be increased upon collecting company's full issued capital.
2. Increase of authorized capital shall be made upon SCA's approval and a special decision issued by the General Assembly.
3. Company's board of directors may increase its issued capital within the limits of authorized capital, which was previously approved by the General Assembly, as per controls set by SCA in this regard.
4. Decision increasing company's issued capital shall indicate increased value and issue price of new shares.
5. If increase in company's issued capital includes corporeal shares, it shall be subject to provisions related to valuation of corporeal shares included in this law.
6. Decision increasing company's issued capital may, in case no authorized capital is determined, an authorization to the board of directors to fix the decision execution date, provided that such date may not exceed one year as from the date of issuance of such decision, or otherwise such decision shall be deemed null and void.

Article (195)
Means for Increasing Company's Capital

Company's capital shall be increased by any of the following means:

1. Issuing new shares.
2. Adding reserve to company's capital.
3. Transferring bonds and Sukuk issued by the company into shares.

Article (196)
Issuance Premium

1. Increased capital shares shall be issued in nominal value equivalent to nominal value of principal shares. However, the company may, under special decision and upon approval of SCA, decide to add an issuance premium to the nominal value of shares, and to determine value of such premium. Issuance premium shall be added to statutory reserve even if the same exceeds half of company's capital.

2. SCA's board of directors shall issue a decision determining method for calculating issuance premium.

Article (197)
Priority Right

1. Without prejudice to provisions of Articles (223, 224, 225, 226 and 283) of this Law, shareholders shall have priority right to subscribe to new shares, and any provision made to the contrary of this item in company's AOA or decision increasing company's capital shall be invalid.
2. Shareholder may sell priority right to another shareholder or third party for financial consideration, and SCA's board of directors shall issue a decision regulating conditions and procedures of priority right sale.

Article (198)
Subscription to New Shares

1. Subscription to new shares shall be subject to subscription rules of principal shares.
2. SCA's board of directors shall publish a summary prospectus of priority right shares approved by SCA in two daily local newspapers, one of them is issued in the Arabic language, and shall notify shareholders of their priority right to subscribe to new shares.

Article (199)
Distribution of New Shares

1. New shares shall be distributed to subscription applicants of shareholders as per their percentage of shareholding, provided that it may not exceed the number of shares applied for.
2. Subject to provision of item (2) of Article (197), remaining shares shall be distributed to shareholders who submitted applications for subscription to new shares in excess of their shareholding, and any remaining shares shall then be offered for public subscription as per the controls determined by SCA.

Article (200)
Incorporating Reserve into Capital

Reserve may, by special decision, be incorporated into company's capital by creating bonus shares to be distributed to shareholders, each as per its respective percentage of shareholding, or by increasing nominal value of shares at same percentage as that in excess of the capital, and such procedure shall not impose any additional financial burdens on shareholders.

Article (201)
Transferring Bonds or Sukuk to Shares

Bonds or Sukuk shall be transferred into shares as per provisions of prospectus and conditions approved by SCA, and approval of Central Bank shall be secured for companies licensed by the same.

Article (202)
Reduction of Company's Capital

Company's capital may not be reduced without a prior approval of SCA and issuance of a special decision after hearing auditor's report, and such procedure is carried out in any of the following two cases:

1. If company's capital is in excess of its needs.
2. If the company sustains losses that is not compostable by future profits.

Article (203)
Methods for Reducing Company's Capital

Company's capital shall be reduced by any of the following means:

1. Reducing nominal value of shares, by refunding part of its value to shareholders or relieve then fully or partially from payable value of shares.
2. Reducing value of shares by cancelling a part of such value that is equivalent to the loss sustained by the Company.
3. Cancelling a number of shares, which equals the part to be reduced.
4. Purchasing and destroying a number of shares, which equals the part to be reduced.

Article (204)
Procedures of Reducing Company's Capital

1. Upon reducing company's capital, the board of directors shall abide by the following:
 - a. Announce at two daily local newspapers, one of them is issued in the Arabic language, at least 30 days before the date determined for reducing capital, provided that any such announcement shall include value of capital before and after reduction, value of each share and reduction effective date, and creditors shall submit to the Company documents substantiating their debts within 30 days from the date of such announcement.
 - b. At least majority of board members shall sign an acknowledgement on the reduction effective date, indicating that the Company is able to pay its debts on such date, or that all creditors of the company have agreed to reduction.
 - c. If any creditor of the company objects to reduction after such acknowledgement is signed by majority of board members indicating company's ability to pay its debts, and it was proven that the company was unable to pay such debts, members who signed such acknowledgement shall be jointly liable inter se to pay debt of such creditor, and which shall be calculated on basis of company's assets, rights and obligations should the company have been liquidated on the day preceding their signature on such acknowledgement.

- d. Any other requirements under a decision from SCA.
2. If company's capital is reduced by refunding a part of the nominal value of shares to shareholders or relieving them to the extent not paid of shares value, such reduction may not be used as a pretext by creditors who submitted their claims on the date mentioned in item (1/a) of this Article, unless such creditors have received due debts or received any guarantees to pay whatever debts that fall due.

Article (205)
Decision of Increasing or Reducing Company's Capital

Company's board of directors shall, within 5 working days as from the effective date of the decision increasing or reducing company's capital, register such decision with SCA, competent authority and registrar.

Section (5)
Shares, Bonds and Sukuk
Article (206)
Rights Associated with Shares

1. Where no special provision is made in this Law, company's shareholders shall have equal rights in relation to shares, and company may not issue different categories of shares.
2. With the exception of the provision of item (1) of this Article, Cabinet may, upon proposal from SCA's Chairman of the board of directors, issue a decision determining other categories of shares, conditions for its issuance, rights and obligations associated therewith and rules and procedures governing the same.
3. No shareholder may request redemption of his contribution to the capital.

Article (207)
Nominal Value of Share

1. Nominal value of share in the company may not be less than One Dirham and may not exceed One Hundred Dirhams.
2. Shares may be issued upon payment of at least one quarter of its nominal value, provided that the balance shall be paid within no more than 3 years as from the date the company was registered with competent authority.
3. Company may, under a special decision and upon approval of SCA, divide nominal value of its shares into lower value, provided that new value may not be less than One Dirham per share.

Article (208)
Nature of Shares & Dividend Coupons

Only nominal shares may be issued, excluding bearer shares, and such shares shall be negotiable. However, Dividend coupons, which form and provisions shall be determined in company's AOA,

may be in nominal or bearer form, and shall in all cases be negotiable, and any condition limiting free trading thereof shall be null and void.

Article (209)
Disposal of Shares

Method and conditions for disposal of shares shall be determined under provisions of this Law, and regulations and decisions issued by SCA, and company's AOA, provided that disposal of any such share shall not result in reduction of shares held by national shareholders in company's capital below the limit established in this Law.

Article (210)
Mortgage of Shares

Shares may be mortgaged, by being assigned to creditors or their representatives according to procedures applicable in this regard, and Mortgagor may receive profits and use rights related to such shares, unless otherwise is agreed on in mortgage contract.

Article (211)
Transfer of Title of Shares Listed in Markets

Transfer of title of company's shares listed in Capital Markets licensed in the State shall be carried out according to the controls applicable at SCA and Capital Market in which such shares are listed.

Article (212)
Transfer of Title of Shares Not Listed in Markets

1. Title of shares not listed in the market shall be transferred by inserting such disposal in a register with the Company, and such share shall be marked in the said register, and such disposal may not be used as evidence against the Company or third parties, save from its registration date.
2. Company may abstain from registering disposal of shares in any of the following cases:
 - a. If such disposal is in violation of the provisions of this Law, decisions executing the same or company's AOA.
 - b. If shares are mortgaged or attached under a Court order.
 - c. If shares certificate is lost, and no replacement was issued by the Company.
 - d. If shares are indebted to the company, in which case the company may suspend registration of shares transfer until such debt is paid.
 - e. If any of the contracting parties is a minor or incapacitated or declared bankrupt or insolvent.

Article (213)
Transfer of Shares by Inheritance, Will or Court Judgment

1. If shares title is transferred by inheritance or will, heir or will beneficiary may request registration of shares transfer in shares register.
2. If shares title is transferred by virtue of enforceable court judgment, it shall be registered in shares register as per such judgment, and the person to whom title of shares has been transferred may use consequential rights thereof as from registration date.

Article (214)
Indivisibility of Share

Share shall be indivisible. However, if share title is transferred to a number of heirs or acquired by multiple persons, they shall select one of them to be a representative before the Company, and such persons shall be jointly liable for obligations created by ownership of such share, and failing to agree on their representative, any of them may resort to court of competent jurisdiction to appoint a representative.

Article (215)
Restrictions on Founders' Shares

1. Cash or corporeal founders' shares may not be traded before publishing the balance sheet and profit-and-loss account for two successive years, at least commencing as from the date of listing such shares in Capital Market in the state or from the date company's entry in commercial register with competent authority in case of companies exempted from listing, and such shares shall be marked as founders' shares, and provisions of this Article shall apply to subscriptions of founders in case of increasing capital before expiry of restriction period.
2. During such restriction period, such shares may be mortgaged and its title may be transferred by way of sale from one founder to another, heirs of a founder, in case of his death, to third party, or receiver appointed on founder to third party or under a final court judgment.
3. SCA's board of directors may issue a decision increasing the restriction period mentioned under item (1) of this Article, provided that it shall not exceed three years.

Article (216)
Attachment of Shareholders' Shares

Company's properties may not be attached due to debts payable by a shareholder. However, creditors of such shareholder may impose attachment on his shares and dividends generated from same, and shares shall be marked as attached in shares register with the Capital Market in which company's shares are listed.

Article (217)
Shareholder's Failure to Pay Remaining Value of Share

1. If shareholder in a joint stock company fails to pay due premium of the value of share on maturity date, the board of directors may, under registered letter, serve notice on such shareholder requiring it to pay the due premium, and failing to pay within 30 days, the company may sell shares at public auction or according to decisions issued by SCA.
2. Company shall take, from sale price, whatever overdue premiums and expenses in consideration of delayed payment, and refund the remaining to shareholder. Company may claim shareholder, against its private property, if the sale price is insufficient to cover company's rights, and shares shall be entered in shares register in name of purchaser.

Article (218)
Release of Shareholder

1. Company may not relieve shareholder from obligation to pay value of shares, and no clearance may be conducted between such obligation and any rights payable by the company to the shareholder.
2. Company's creditors may institute a claim for payment of share value.

Article (219)
Company Purchases its Shares

1. Company may not take in as security or purchase such shares, unless the same are purchased to reduce capital or depreciation of shares, and in this case, such shares shall not have vote in deliberations of General Assembly nor dividends.
2. With the exception of the provision of item (1) above, Company that has been incorporated as a joint stock company since at least two fiscal years, may purchase a percentage of its shares not exceeding 10% of capital shares with the intention to re-sell the same as per the conditions and procedures determined under a decision from SCA's board of directors, and sales purchased with the intention to be re-sold shall not have voting rights in deliberations of General Assembly nor dividends until being re-sold.

Article (220)
Omission to Enter Information in Shares Register

In case of omission enter name of any person or number of shares held thereby in company's shares register, or any failure or unjustifiable delay in entry of the fact that any person loses capacity of shareholder, the damaged person or any shareholder may request the company to amend information of register, and company may reject the amendment request, and in such case damaged party may refer to Courts of Law.

Article (221)
Shareholder Rights

1. In public joint stock company, the following rights shall be established for shareholder:
 - a. All rights related to shares, especially the right to collect his share of dividends, company's assets upon liquidation, attendance of General Assembly Meetings and voting on resolutions thereof, according to the controls and conditions set out in this Law and company's AOA.
 - b. Right to access company's books, instruments and documents, as well as any other documents related transactions concluded between the company and any relevant party by permission from the board of directors or under a General Assembly resolution, or as otherwise provided by company's AOA in this regard.
2. Court may oblige the company to provide certain information to shareholder, which does not conflict with company's interests.
3. Any decision issued by board of directors or General Assembly of the company, constituting any detriment to shareholder rights derived from provisions of this Law or company's AOA or increasing shareholder obligations shall be void.

Article (222)
Providing a Financial Assistance to Shareholder

Company or any subsidiary may not provide financial aid to any shareholder to enable him to own any shares, bonds or Sukuk issued by the company, and financial assistance shall particularly include the following:

1. Loans.
2. Gifts and donations.
3. Provision of company's assets as collaterals.
4. Provide any collateral or guarantee on third party's commitments.

Article (223)
Engagement of Strategic Partner

1. By way of exception from provisions of Articles (195, 197, 198, 199) of this Law, company may, under a special decision, increase its capital by engagement of a strategic partner, and SCA's board of directors shall issue a decision determining conditions and procedures for engagement of such strategic partner as a shareholder in the company.
2. Company's board of directors shall refer to General Assembly a study showing benefits attainable by the company in case of engaging a strategic partner as a shareholder therein.
3. SCA and competent authority shall reject contribution by strategic partner of the company, if any such contribution constitutes any breach of applicable Laws and regulations of the State or any damage to the public interest.

Article (224)
Conditions for Engagement of Strategic Partner

1. Company's board of directors may, within three months from the date of issuance of the decision increasing company's capital to engage a strategic partner as a shareholder in company, offer all or part the new shares to subscription by the strategic partner, excluding other shareholders, subject to the following conditions:
 - a. Activity of strategic partner is similar and complementary to company's activity and leads to real benefit.
 - b. Strategic partner has issued at least two balance sheets for two successive fiscal years, with the exception Federal and local Governments in the State.
2. If company's board of directors fails to offer new shares to strategic partner within the three-month period referred to under item (1) above, or if strategic partner fails to subscribe to such shares within no more than 30 days as from the date of being offered thereto, General Assembly's resolution increasing company's capital to engage a strategic partner shall be deemed null and void.

Article (225)
Transferring Cash Debts to Debt Capital

1. By way of exception from provisions of Articles (195, 197, 198, 199) of this Law, company may under a special decision increase its capital by transferring its cash debts to debt capital shares.
2. Company's board of directors shall refer to the General Assembly a study showing necessity to transfer cash debts to capital shares.
3. In the provisions of this Law, it shall be deemed cash debts any dues payable to Federal or Local Governments, public authorities and institutions in the State, banks and financing companies.
4. SCA's board of directors shall issue a decision determining conditions and procedures for transferring cash debts to capital shares.

Article (226)
Urging Company Employees to Own Shares

1. With the exception of provisions of Articles (195, 197, 198, 199) of this Law, company may under a special decision, increase its capital to launch a program for encouraging company's employees to own shares thereof.
2. Such program shall be referred by company's board of directors to the General Assembly.
3. Company's board members may not participate in employees share ownership program.
4. Company's board of directors shall issue a decision, including conditions and mechanism for applying employees share ownership program.

Article (227)
Share Certificates

1. Unless upon incorporation, the company's shares are listed in a Capital Market in the State, its board of directors shall within 3 months from the company's entry in commercial register with competent authority, issue shares certificates in lieu of any shares allocation notices.
2. Shares certificates shall be signed at least by two board members, and shall include shareholder's name, number of shares subscribed to, method of paying remaining value of shares, paid amount of such value, payment date, certificate serial number, numbers of shares held by such person, company's issued and authorized capital, company's head office and term and date of decision issued incorporating the company, and such certificates shall represent shares.
3. If share value is payable in installments, company's obligation to render share certificate shall be deferred until payment of full share value, and shares representing corporeal stocks may not be handed over, save upon transfer of title of such stocks to the company.

Article (228)
Loss or Depreciation of Certificate of Shares, Bonds or Sukuk

1. If certificate of shares, bonds or Sukuk is lost or destroyed, the holder thereof in whose name the certificate is registered, may apply for a replacement, and such holder shall publish numbers of lost or destroyed certificates in two local daily newspapers, one of them is issued in the Arabic language.
2. If no objection is submitted to the company within 30 days from publication, the company shall grant the owner a new certificate, in which it is stated that it replaces a lost or destroyed certificate. Bearer of such certificate shall be entitled to all rights and shall incur all obligations associated with the lost or destroyed certificate.

Article (229)
Issuance of Bonds or Sukuk

1. Company may issue negotiable bonds or Sukuk, whether the same are transferrable to shares or not, in equal value for each issue.
2. Bond or Sukuk shall remain nominal until payment of its full value.
3. Bonds or Sukuk may not be transferred to shares unless it is so provided in prospectus, and if it is so decided, owner of any such bonds or Sukuk shall solely have the right to accept such transfer or to receive nominal value of bonds or Sukuk.
4. Bonds or Sukuk issued on occasion of single loan shall entitle owners thereof to equal rights, and any condition to the contrary hereof shall be void.
5. Issuance of bonds or Sukuk or any other debt instruments shall be made according to conditions and procedures determined in regulation of the Central Bank and SCA.

Article (230)
Conditions for Issuance of Bonds or Sukuk

Subject to provisions of item (5) of Article (229) of this Law, in order for bonds or Sukuk to be issued, following conditions must be met:

1. A special decision is issued by General Assembly, which may authorize the board of directors in determining issuance date of such bonds or Sukuk and which may not exceed one year as from the date of accepting such authorization.
2. Payment of company's capital in full by shareholders, publishing balance sheet and profit-and-loss account for at least one fiscal year, unless issuance is made by the State or any bank operating in the State.

Article (231)
Increasing or Reducing Capital upon Issuance of Bonds or Sukuk

Upon issuance of a special decision issuing bonds or Sukuk transferrable to shares and until its date of transfer and payment of its value, the company may not reduce its capital or increase the minimum limit of profits distributable to shareholders, and in case company's capital is reduced due to losses and through cancelling a number of shares or reducing nominal value of share, the company shall reduce its capital as if holders of such bonds or Sukuk are shareholders.

Article (232)
Profits of Bonds or Sukuk Transferred to Shares

Shares received by holders of bonds or Sukuk, which was transferred to capital shares, shall be entitled to profits to be distributed for the fiscal year during which such transfer occurred, as from transfer date to end of fiscal year.

Article (233)
Date of Paying Value of Bonds or Sukuk

Company may not advance or delay maturity date of bonds or Sukuk, unless otherwise is provided in bonds or Sukuk issuance decision and prospectus. However, in case the company is dissolved or any reason other than amalgamation, holders of bonds or Sukuk may claim for its value before maturity date, and company may so offer. If their value is paid in any of the foregoing two cases, no interests shall be payable for the remaining term of loan.

Article (234)
Rights of Bonds and Sukuk Holders

Rights of holders of bonds or Sukuk issued by the Company and which are not offered for public subscription shall be determined in the agreement concluded regarding such bonds or Sukuk. Such agreement shall also include procedures necessary for holders of bonds or Sukuk to conclude meetings, appoint committees, and voting rights as well as any other relevant matters, and conditions for transferring the same to shares in company if it is transferrable, and SCA may issue a decision regulating rights of bonds and Sukuk holders.

Section (6)
Finances of Public Joint Stock Company
Article (235)
Preparation of Fiscal Year Accounts

1. Board of directors of each joint stock company shall prepare accounts for each fiscal year, including balance sheet as on the last day of the fiscal year, and profit-and-loss account.
2. Company's accounts shall be prepared as per international accounting standards and principles, and must clearly and fairly reflect profits and losses of the company during such fiscal year and company's status at end of fiscal year, and be consistent with any other requirements under this Law or SCA's decisions in this regard.
3. Financial statements shall be approved by having the same signed by all board members, or Chairman of the board of directors and auditor.

Article (236)
Auditing Fiscal Year
Accounts

1. Company's fiscal year accounts shall be audited who shall submit a report on the same. Company's board of directors shall approve such accounts and forward the same to the General Assembly, together with auditor's report within 4 months from the end of each fiscal year.
2. Company shall deposit with SCA and competent authority a copy of accounts and auditor's report within 7 days as from the General Meeting at which accounts and auditor's report was submitted.

Article (237)
Accounting Standards and Principles

Company shall apply international accounting standards and principles, when preparing interim or annual accounts and determining distributable profits.

Article (238)
Publishing Company's Annual Budget

Company's annual budget and profit-and-loss account shall be published in two daily local newspapers, one of them is issued in the Arabic language, within 15 days as from the date of having the same approved by General Assembly, and copy of budget shall be deposited with SCA and competent authority.

Article (239)
Statutory Reserve

1. 10% of company's net annual profits shall be deducted each year and allocated as a statutory reserve, unless company's AOA provides for higher percentage.
2. General Assembly may suspend such deduction whenever the statutory reserve level reaches 50% of company's paid up capital, unless company's AOA provides for a higher percentage.
3. Statutory reserve may not be distributed as profits to shareholders. However, the part in excess of 50% of company's capital may be distributed as profits to shareholders during years where the company fails to achieve sufficient net profits to be distributed as per percentages set out in company's AOA.

Article (240)
Optional Reserve

Company's AOA of any joint stock company may provide for allocation of a certain percentage of net profits as an optional reserve for the purposes set out in AOA, and such reserve may not be used for any other purposes, save upon a resolution from the General Assembly of the company.

Article (241)
Distribution of Profits

1. Company's General Assembly shall determine percentage of net profits to be distributed to shareholders, after deducting statutory and optional reserves.
2. Shareholder shall be entitled to share in profit according to the controls issued under a decision from SCA.
3. Subject to provision of item (1) of this Article, company's AOA may provide for annual, semi-annual or quarterly distribution of profits.

Article (242)
Corporate Social Responsibility

Company may under a special decision, upon lapse of two successive years as from its incorporation and achievement of profits, give voluntary donations, which may not exceed 2% of average net profits of the company during two successive fiscal year preceded the year during which such donations are made, subject however to the following conditions:

1. Such voluntary contributions are given for community service purposes.
2. Beneficiary of such donations shall be clearly named in auditor's report and company's budget.

Section (7)
Auditors of Public Joint Stock Company
Article (243)
Appointment of Company's Auditor

1. Each public joint stock company shall have one auditor or more nominated by the company's board of directors and referred to General Assembly for approval.
2. General Assembly may appoint one or more auditors for one renewable year, provided that auditor may not be appointed beyond three successive years. Auditor shall assume his duties as from the end of the following annual General Assembly Meeting. Company's board of directors may not be delegated in this regard. Company's founders may, upon incorporation, appoint one auditor or more subject to approval of SCA, and such auditor shall assume duties until holding first General Assembly Meeting.
3. General Assembly shall determine remuneration of auditors, and board of directors may not be delegated in this regard, and such remunerations shall be indicated in company's accounts.

Article (244)
Conditions of Company's Auditor

SCA's board of directors shall issue a decision determining controls for approving an auditor of public joint stock company, and auditor must particularly meet the following conditions:

1. Licensed to exercise profession in the State, enjoys experience auditing accounts of joint stock companies for at least five years.
2. Accredited by SCA.
3. Auditor may not combine between auditing profession and capacity of partner in the company, and may not occupy board member position or any other technical, administrative or executive position.
4. Auditor may not be partner, agent or second degree relative of any founder of the company or board member.
5. Accredited by Central Bank in cases of companies licensed by Central Bank.
6. To submit to SCA a professional insurance, whenever it so requires.

Article (245)
Issuance of Auditor's Report

1. Subject to provisions of Federal Law Regulating Auditing Profession, as amended, auditors shall issue a report on audited accounts. If the company has more than one auditor, they shall distribute functions inter se, and each of them shall submit separate report addressing certain task entrusted thereto, and then they all shall submit a joint report for which they shall be jointly liable, and auditor shall state his name and affix his signature on such report.
2. Report must demonstrate whether company's accounts are maintained according to the provisions of this Law and whether they fairly reflect the company's financial standing.

Article (246)
Duties of Company's Auditor

1. Auditor shall audit company's accounts, examine budget and profit-and-loss account, review company's transactions with relevant parties, and verify application of this Law and company's AOA, and shall submit a report concluding results of such scrutiny to the General Assembly and send a copy thereof to SCA and competent authority.
2. Upon preparing his report, auditor shall verify the following:
 - a. Accuracy of accounting records maintained by the company.
 - b. Consistency of company's accounts with accounting records.
3. Auditor may audit all records, papers and documents of the company, and may request any clarifications he sees necessary for performance of his duties. Auditor may also verify company's assets, rights and liabilities.
4. If facilities are not provided to auditor to enable him perform his duties, he shall so mention in his report submitted to board of directors. If board of directors fails to facilitate mission of the auditor, the auditor shall send a copy of the report to SCA.
5. Subsidiary and auditor thereof shall provide information and clarifications requested by auditor of holding company for auditing purposes.

Article (247)
Maintaining Confidential Information of Company

Auditor shall maintain confidential information of the company which he accessed due to nature of his job, and may not disclose such information to third parties or shareholders, save at General Assembly Meetings, or otherwise he shall be dismissed without any prejudice to civil and criminal liability if applicable.

Article (248)
Prohibiting Auditor's Trade in Securities

Auditor and employees thereof may not purchase securities of the company being audited or sell the same directly or indirectly or give any advice to any person regarding such securities. If auditor violates this provision, he shall be dismissed without prejudice to civil and criminal liability if applicable.

Article (249)
Notice of Offenses & Violations

1. Auditor shall notify SCA of any violations of this Law or any criminal offense he discovers while performing his tasks in Company, within 10 days as from the date of discovering any such violation.
2. If auditor violates provision under item (1) above, SCA may suspend his work at public joint stock companies for one year, deregister his accreditation with SCA, or refer him to Public Prosecution, if applicable, together with notifying the Ministry and competent authority of the same in all cases.

Article (250)
Contents of Auditor's Report

Auditor shall read out his report in the General Assembly Meeting in which company's budget is reviewed, provided that he shall indicate in his report whether or not he had accessed the information he sees necessary for satisfactory performance of his tasks, and that accounts were prepared and maintained in accordance of this Law, and that accounts particularly reflect the following:

1. Company's status as on the end of fiscal year, especially its balance sheet.
2. Profit-and-loss account.
3. Whether the company maintains regular accounts.
4. Whether the company had purchased any stocks or shares throughout the fiscal years.
5. Statements included in the report of the board of directors are consistent with company's records and books.
6. Statement of transactions involving conflict of interests and financial transactions concluded between the company and any relevant party, and procedures taken in this regard.
7. State, within the limits of information available, whether any violations of the provisos of this Law or company's AOA occurred during the fiscal year would affect company's activity or financial standing, and whether such violations are still existent. State whether there are any penalties imposed on the company due to such violations.
8. State whether any penalties have been imposed on the company due to violation of this Law or company's AOA during lapsed fiscal year, and whether any such violations are still existent.
9. In case of accounts of any group, state the financial standing as on the last day of the fiscal year, profit-and-loss account, losses incurred by holding company and its subsidiaries, including integrated data as a whole and related to relevant parties in holding company.

Article (251)
Dismissal of Auditor

1. Company may, under a resolution issued by its General Assembly, dismiss the auditor.
2. Chairman of the board of directors shall notify SCA of the resolution to dismiss the auditor and reasons for such dismissal within no more than 7 days as from issuance of dismissal resolution.

Article (252)
Resignation of Auditor

1. Auditor may resign from his mission, under a written notice deposited with the company and SCA, and such notice shall constitute a termination of his mission as an auditor of company's accounts as from the date of being deposited or any subsequent date as determined therein.
2. Auditor who resigns for any reason shall deposit with the company and SCA reasons for his resignation, and company's board of directors shall call for General Assembly

Meeting within 10 days as from resignation date to consider reasons for such resignation and provide an alternate auditor and determine his remuneration.

Article (253)
Liability of Company's Auditor

Auditor shall be liable towards the company for control works and validity of information included in his report, and shall also be liable for compensating the damage occurred due to performance of his work. In case of multiple auditors, each of them shall be liable for his own error which inflicted damage.

Article (254)
Liability Claim Against Company's Auditor

Liability claim filed against company's auditor shall not be heard upon lapse of one year as from the General Assembly Meeting wherein auditor's report was submitted. If act attributed to auditor constitutes a criminal offense, liability claim shall only be extinguished upon dismissal of public claim.

Chapter (5)
Private Joint Stock Companies
Article (255)
Definition of Private Joint Stock Company

1. Private joint stock company is the company in which number of shareholders is not less than two and no more than two hundred shareholders. Company's Capital is divided into equal nominal shares and its value is fully paid without offering any part thereof for public subscription, through signing MOA and compliance with the provisions of this Law in relation to registration and incorporation. Company's shareholder shall be liable only within limits of shares held thereby.
2. With the exception of maximum limit of the number of shareholders under item (1) of this Article:
 - a. Private joint stock companies in existent as the time of issuing this law, and such companies may not increase the number of its shareholders upon enforcement of the provisions of this Law.
 - b. Transfer of shareholder's title by way of inheritance or court judgment.
3. With the exception of the minimum limit of shareholders established under item (1) of this Article, one artificial person may incorporate and own private joint stock company. Owner of company's capital shall be liable for company's obligations to the extent of capital stated in its MOA. Company's name shall be followed by the term "Sole Proprietorship-Public Joint Stock Company". Shareholder shall be subject to provisions of public joints stock company included in this Law, without any contradiction with the company's nature.

Article (256)
Company's Capital

1. Company's issued capital may not be less than Five Million Dirhams (AED 5,000,000) and must be fully paid up, and such limit may be amended by a resolution from Cabinet upon proposal from the Minister.
2. Private joint stock companies currently in existence and registered with the Ministry before enforcement of this Law, shall be exempted from minimum limit of capital set out under item (1) of this Article.

Article (257)
Founders' Panel

1. Founders shall elect inter se a panel comprising at least two members to complete procedures of incorporation and registration of the company with competent authorities, and the Founders Panel shall be held liable for validity, accuracy and completeness of all documents, studies and reports submitted to concerned authorities in relation to company's incorporation, licensing, registration and entry. In case of sole proprietorship, sole founder shall act as the Panel.
2. Founders Panel may authorize any member thereof or third party to follow up and complete incorporation procedures with the SCA and competent authority as per controls set by the SCA in this regard.

Article (258)
Submission of Incorporation Application to Competent Authority

1. Founders Panel shall submit incorporation application to competent authority, together with company's MOA, AOA and feasibility study of the project to be established by the company and timeframe suggested for execution.
2. Competent authority shall consider the incorporation application, issue initial approval or reject the same, and notify the Founders Panel of its decision within 10 working days as from the application date, if application is complete, or as from the date of providing required documents or information. Non-issuance of initial approval by competent authority during such period shall mean that the incorporation application has been rejected.
3. Founders Panel may appeal rejection decision issued by the competent authority before the court of competent jurisdiction within 30 days as from the date of being notified of such decision or from last date of the period indicated in item (2) of this Article in case decision is not issued.

Article (259)
Submission of Incorporation Application to the Ministry

1. Incorporation application shall be submitted to the Ministry, together with company's MOA, AOA and feasibility study of the project to be established by the company and timeframe suggested for execution, as well as any other approvals from competent

authorities in relation to the application, as per the requirements applicable at the Ministry.

2. Ministry shall consider the incorporation application, notify Founders Panel of its remarks regarding the same and documents thereof within 10 working days as from application submission or date of providing valuation of corporeal shares, if any, and Founders Panel shall provide required information or documents or make necessary amendments required by the Ministry to complete the incorporation application within 10 working days from the date of being so notified, or otherwise the Ministry shall consider that application has been waived.
3. Ministry shall send copy of the application and documents thereof to competent authority within five (5) working days as from application completion date, and Ministry shall then meet with competent authority within five (5) working days as from date of sending application copy. If competent authority has any remarks, the Ministry shall notify Founders Panel of same, and required information or documents shall be completed and amendments the competent authority sees necessary shall be carried out within five (5) working days as from notice to Founders Panel, or otherwise the Ministry may consider that application has been waived.
4. Competent authority shall issue a decision granting the license, upon approval of Ministry.

Article (260)
Book-Runner

1. Private Joint Stock Company shall have a special register in which names of shareholders and their respective shareholding as well as any disposition of their shares shall be entered, and such register shall be handed over to Book-Runner.
2. SCA shall issue, in coordination with the Ministry, a decision regulating works of Book-Runner and supervision and control thereon.

Article (261)
Company's Incorporation Certificate

1. Founders Panel or its representative shall submit an application to the Ministry to have company's incorporation certificate, together with the following documents:
 - a. Bank certificate showing deposit of company's issued capital.
 - b. Company's notarized MOA and AOA.
 - c. Copy of the decision issued by competent authority initially approving license.
 - d. Statement of board members and their written acknowledgment that their membership does not contradict with the provisions of this Law and decisions issued thereunder.
 - e. Statement of members of Internal Sharia Control Board, and Sharia Controller, if the company exercises activity in accordance with provisions of Sharia.
 - f. Certificate handover of Shareholders Register to Book-Runner.
 - g. Any other documents requested by the Ministry.
2. Upon completion of the documents referred to in item (1) above, the Ministry shall issue company's incorporation certificate within two (2) working days as from submission of complete application.

3. Company's entry with the Ministry shall be published as per the controls issued by the Minister in this regard, at company's expense.

Article (262)
Commercial License of Company

1. Board of directors shall, within 5 working days as from the date the Ministry issues company's incorporation certificate, take procedures necessary for its registration with competent authority.
2. Competent authority shall register the company in commercial register, and issue a commercial license for the same within three (3) working days as from documents submission date and payment of fees.

Article (263)
Transfer of Shares Title

1. Shares title is transferred upon entry of the relevant disposal in shares register maintained by book-runner, and such disposal may not be used as evidence against the company or third party, except from the date of being entered in shares register.
2. Private joint stock company may not register any waiver of its shares, save through book-runner.
3. Book-runner may refuse to register waiver of shares in any of the cases enumerated in item (2) of Article (212) of this Law.

Article (264)
Restrictions on Transfer of Shares Title

1. Title of shares of private joint stock company may not be transferred before publishing budget and profit-and-loss account for a fiscal year at least commencing as from the date the company was entered in commercial register with the competent authority. Provisions of this Article shall apply in case of increasing company's capital before expiry of restriction period.
2. During such restriction period, such shares may be mortgaged or its title may be transferred by way of sale from one shareholder to another, or heir of a shareholder, in case of his death, to third party, or from receiver appointed on shareholders' property to third parties or by virtue of final court judgment.
3. Minister may issue a decision increasing or decreasing the restriction period mentioned in item (1) of this Article, provided that it may not be less than six months and no more than two years.

Article (265)
Enforceability of Provisions of Public Joint Stock Company

With the exception of public subscription provisions, private joint stock company shall, where no special provision is made, be subject to all provisions of this law related to public joint stock company, and "Ministry" shall replace the "SCA" wherever mentioned.

Chapter (6)
Companies of Special Regulation
Section (1)
Holding Companies
Article (266)
Definition of Holding Company

1. Holding company is a joint stock or limited liability company incorporating subsidiaries inside or outside the State or controls an existent company through owning stocks or shares entitling it to assume management of the company and influence its decisions.
2. Name of company must be followed by the term "Holding Company" in all company's papers, adverts and other documents issued thereby.

Article (267)
Purposes of Holding Company

1. Purposes of holding company are limited to the following:
 - a. Owning shares or stocks in joint stock and limited liability companies.
 - b. Providing loans, guarantees and financing to subsidiaries.
 - c. Owning real properties and movables necessary for exercising its activity.
 - d. Managing its subsidiaries.
 - e. Owning intellectual property rights, patents, trademarks, industrial drawings and models and franchise rights, and to rent the same out to its subsidiaries and other companies.
2. Holding companies may not exercise any activities, except through their subsidiaries.

Article (268)
Accounting Records Maintained by Subsidiaries

Holding company shall take the necessary procedures to ensure that its subsidiaries shall keep necessary accounting records to enable board members or board of managers of the holding company to verify that financial statements and profit-and-loss account are consistent with provisions of this Law.

Article (269)
Subsidiary

1. A company is deemed a subsidiary of holding company in any of the following cases:
 - a. If the holding company owns dominant and control stock in company's capital and controls formation of its board of directors.
 - b. If the company reports to a subsidiary.
2. A subsidiary may not be a shareholder in the holding company, and any allocation or transfer of shares of the holding company to any of its subsidiaries shall be void.
3. If the company that owns shares or stocks in the holding company becomes a subsidiary of the later, it shall continue as a shareholder in the holding company, subject to the following conditions:

- a. Subsidiary shall be deprived from voting rights at meetings of the holding company or its General Assembly meetings.
- b. Subsidiary shall dispose of its shares in the holding company within 12 months as from the date the holding company dominates the subsidiary.

Article (270)
Fiscal Year of Holding Company

Holding company shall prepare, by end of each fiscal year, consolidated balance sheet, statements of profits and losses and cash flows for the holding company and all its subsidiaries, and the same shall be submitted the General Assembly together with clarifications and information related to same and as required by internationally recognized accounting and auditing principles.

Section (2)
Investment Funds
Article (271)
Incorporation of Investment Funds

1. Investment funds shall be established as per the conditions and controls issued under SCA's decision in this regard.
2. Licensed issued for investment funds by the Central Bank before enforcement of this Law, shall be exempted from provisions of item (1) above.

Article (272)
Legal Entity of Fund

Investment Fund shall have special legal entity and form, and shall be financially independent.

Chapter (7)
Transformation, Amalgamation and Takeover
Section (1)
Transformation of Company
Article (273)
Companies Transformation Principle

Any company may be transformed from one form to another, while retaining its corporate entity, in accordance with the provisions of this Law and regulations and resolutions governing transformation of companies, as issued by the Ministry or SCA in this regard in coordination with competent authority.

Article (274)
Transformation of Company into Another Legal Form

1. Subject to provisions of Article (292) of this Law, public joint stock company may be transformed to private joint stock company, subject to the following conditions:
 - a. Approval of joint committee formed by Ministry's decision from representatives of Ministry of Economy, SCA and competent authorities to consider the transformation application to be private joint stock company.
 - b. Lapse of five (5) audited fiscal year as from the date of entry in commercial register as a public joint stock company, and company may be no mean, in case transformed to private joint stock form, submit an application to be re-transformed to public joint stock form, except upon lapse of five (5) audited fiscal years as from the date of being entered in commercial register as a private joint stock company.
 - c. A special resolution is issued by the General Assembly approving transformation of company, taken by majority vote of shareholders representing (90%) of company's capital.
2. With the exception of public joint stock company, the company may be transformed to a general partnership, limited partnership, limited liability company or private joint stock company, subject to the following conditions:
 - a. A decision is issued as per applicable conditions amending company's MOA and AOA.
 - b. Lapse of at least two audited fiscal years as from the company's entry in commercial register.
 - c. Unanimous agreement of partners to transform the company into a general partnership.
 - d. Completion of application incorporation and registration procedures for the legal form to which the company will be transformed.

Article (275)
Transformation of Company into Public Joint Stock Company

Subject to provisions of Article (273) of this Law, in order for a company to be transformed into public joint stock company, following conditions must be met:

1. Value of stocks or issued shares has been fully paid, and also stocks of partners have been fully paid.
2. At least two fiscal years of the company have been elapsed.
3. Company has achieved net operating profits distributable to shareholders or partners, through the activity for which it has been established, and average value of such profits is not less than 10% of company's capital during the two fiscal years preceding the transformation application.
4. A special solution or alternate procedure is issued transforming the company into public joint stock company.
5. Compliance with other conditions issued under decision of SCA's board of directors.

Article (276)

Documents Required for Transformation into Public Joint Stock Company

1. Any company may be transferred into public joint stock company under an application to be submitted on forms designed for this purpose by SCA and bears signature of company's authorized signatory.
2. Application must be accompanied with the following documents:
 - a. Company's amended MOA and AOA.
 - b. General Assembly's resolution of the concerned company or any entity so authorized, taken by majority vote determined for amending its MOA and AOA, including approval on any necessary increase in capital and transformation of company into public joint stock company. Partners' or shareholders' decision to transform the company must include any changes to be made in company's MOA and AOA as required by circumstances, including changing the name of the company.
 - c. Approval of Ministry and competent authority on transformation to public joint stock company.
 - d. Balance sheet of the company prepared on a date not exceeding six months before date of transformation application, in addition to copy of Auditor's report, free from any reservations, regarding such balance sheet.
 - e. Statement written down by auditors of the company indicating that net value of company's assets on date of preparing such balance sheet is not less than the required capital, and that its reserves are not distributed.
 - f. Valuation of company's corporeal shares prepared as per provisions of Article (118) of this Law.
 - g. Acknowledgement by a manager or board of directors, as the case may be, confirming fulfillment of the following two conditions:
 - Issuance of General Assembly's resolution or any entity so authorized, approving transformation, and fulfillment of all other legal procedures.
 - No material change in company's financial standing during the period between date of announced balance sheet and date of transformation application.
 - h. Any other documents requested by SCA for transformation.

Article (277)

Announcement of Transformation Decision

1. Company shall announce transformation decision in two daily local newspapers issued in the State, one of them is in Arabic language, within five (5) working days as from issuance of the transformation decision, and notifying shareholders or partners and creditors through registered letters.
2. Announcement and notice to shareholders or partners and creditors mentioned under item (1) above, shall include the right of any creditor, holders of debentures or Sukuk, interested shareholders or partners to object to transformation decision, at company's head office.

Article (278)
Objection to Transformation Decision

1. Partner or shareholder who objected to the transformation decision may withdraw from company and restore value of his stocks or shares by a written application to the company within 15 days as from the publication date, and payment of stocks or shares value shall be made in their market or book value on the transformation date, whichever is greater.
2. Shareholders, partners, creditors, holders of debentures or Sukuk, and any stakeholder may object at the Company within 30 days as from the notice of transformation decision, and Ministry, SCA or competent authority, as the case may be, shall be given a copy of objection, provided that objecting party shall demonstrate reason for his objection and damage allegedly inflicted thereon due to transformation.
3. If company fails to settle objections for any reasons within a maximum period of 30 days as from the date of submitting copy thereof to the Ministry, SCA or competent authority, as the case may be, objecting party may resort court of competent jurisdiction.
4. Transformation decision shall remain suspended, unless the objecting party wives the same or rejected by the court under a conclusive judgment, and company pays debt if due or provides sufficient collaterals if deferred.
5. If no objection is made to transformation decision within the period set under item (2) of this Article, this shall mean an implied agreement on transformation.

Article (279)
Sale of Percentage of Company's Shares upon Transformation

1. Subject to provision of Article (117/2) of this Law, company willing to be transformed into public joint stock company may sell through public subscription a percentage not exceeding 30% of its capital after conducting valuation as per the provisions of Article (118) of this Law.
2. SCA's Chairman of the board of directors shall issue a decision regulating conditions and procedures for sale of percentage of company's shares upon transformation.

Article (280)
Notice of Transformation Decision

Subject to provisions of Article (274) of this Law, company shall submit a copy of the transformation decision to the Ministry, SCA and competent authority, as the case may be, and enclosed with the following documents:

1. Statement showing assets, rights, obligations and estimated value of such assets, rights and obligations.
2. A statement showing settlement or expiry of objections.

Article (281)
Consequences of Company's Transformation

1. In case of transformation, each partner or shareholder shall have the number of stocks or shares which equals the value of stocks or shares held thereby before transformation.

However, if value partner's or shareholder's share is less than the minimum limit established for nominal value of stocks or shares, it must be completed in cash, otherwise he shall be deemed as withdrawn from the company. Value of share or stock shall be paid as per its market or nominal value on transformation date, whichever is greater.

2. Upon transformation and re-registration in the new legal form, the company shall retain its corporate entity, rights and obligations it had before transformation. Company's transformation shall not release active partners from previous liabilities of the company before transformation, unless creditors agree on such release in writing.

Article (282)
Company's Transformation Mark

1. Company's information with the Registrar shall be amended upon approval of the Ministry, SCA or competent authority, as the case may be, on transformation decision.
2. Competent authority shall register the company in the commercial register and issue a commercial license for the new legal form to which the company has been transformed, and transformation shall be effective as from issuance date of the commercial license

Section (2)
Merger
Article (283)
Merger

1. By way of exception from provisions of Articles (197, 198, 199) if this Law, company may under a special resolution issued by the General Assembly or any entity so authorized, even if under liquidation, merge with another company through conclusion of contract between them in this regard.
2. Subject to rules applicable at the central bank, in case of merger of companies licensed thereby, the Minister shall issue a decision regulating methods, conditions and procedures for such merger in relation to all companies, except public joint stock companies whose decision shall be issued by SCA's board of directors.

Article (284)
Merger Contract

Merger contract shall determine conditions and method of such merger, and shall particularly demonstrate the following points:

1. MOA and AOA of the acquirer company or new company created by such merger.
2. Name and address of each board member or proposed manager of the acquirer company or new company created by such merger.
3. Method for transferring stocks and shares of target company into stocks and shares of acquirer company or new company created by such merger.

Article (285)
Referral of Merger Contract to General Assembly

1. Board members and managers of each acquirer and target company shall submit draft merger contract to the General Assembly or any entity so authorized, to approve the same by majority vote conditioned for amending company's MOA.
2. Invitation to General Assembly meeting for consideration of merger requires the following:
 - a. To be enclosed with copy or summary of merger contract.
 - b. Contract shall clearly provide for entitlement of any shareholder(S) who hold not less than (20%) of the Company's capital and object to merger, to challenge such contract before court of competent jurisdiction within 30 days as from date of approval of General Assembly or any entity so authorized.

Article (286)
Merger of Holding Companies and Subsidiaries

1. Holding company may merge with one or more of the companies fully owned thereby to form one company without being obliged to conclude merger contract. Merger shall be made by a special decision from such companies, issued by majority vote conditioned for amendment of their MOAs.
2. Two companies or more fully owned by one holding company may merge to form one company, without any obligation to conclude merger contract.
3. In merger cases where the target company is a holding company, provisions of merger enumerated in this Law and decisions issued in execution of the same shall apply to its subsidiaries fully owned thereby.

Article (287)
Restoration of Stock Value

1. With the exception of joint stock companies, partners who objected to merger may request to withdraw from company and restore value of their shares, by submitting a written application in this regard to the company within 15 working days as from the date of merger decision.
2. Value of shares subject of withdrawn application shall be evaluated, and in case of any difference, matter shall be referred to a committee formed by the competent authority for this purpose in relation to all companies, and before resorting to courts of law.
3. Disputed value of shares, subject of withdrawal application, shall be paid to rightful owners thereof, before completing merger procedures, and before referring to the committee referred to in the preceding item regarding disputed value of shares.

Article (288)
Merger Notice to Creditors

Acquirer and target companies shall notify their respective creditors of merger within 10 working days as from the General Assembly's approval on merger, provided that:

1. Notice shall demonstrate the company's intention to merge with one specific company or more.
2. Merger notice shall be served in writing on creditors of the company.
3. Notice shall be published in to daily local newspapers issued in the State, one of them in Arabic language.
4. Notice shall provide for entitlement of creditors of both companies (acquirer and target) and holders of debentures or Sukuk and any stakeholder to object to such merger at the company's head office, and submit to the Ministry of SCA, as the case may be, a copy of such objection within 30 days as from merger notice date.

Article (289) **Objection to Merger**

1. A merger who has notified his objection to the company in accordance with item (4) of Article (288) of this Law and his claims were not answered or settled by the company within 30 days as from notice date, shall be entitled to resort to court of competent jurisdiction to issue an order suspending merger.
2. If the court finds, upon filing such claim, that merger would unduly endanger interests of the claimant, then it may issue an order suspending such merger, in compliance with any other conditions the court sees fit.
3. Merger shall continue to be suspended, unless the objecting party waives his objection, the court decides to dismiss his claim under a conclusive judgment, or the company settles the debt subject of such claim if due or provides sufficient collaterals if deferred.
4. If no objection is made to merger during the period stated in item (4) of Article (288) hereof, this shall be deemed an implied consent on merger decision.

Article (290) **Approval on Merger**

1. Upon Ministry's or SCA's approval on merger decision, as the case may be, information shall be amended with the registrar.
2. Competent authority shall mark the target (merging) company as terminated and so notify the Ministry of SCA, as the case may be.

Article (291) **Consequences of Merger**

Merger shall result in termination of the corporate entity of the target company or companies, and being replaced by the acquirer company in all rights and obligations. Acquirer company shall be a legal successor of the target company or companies.

Section (3)
Acquisition
Article (292)
Acquisition Process

any person or group of associated persons or relevant parties wishing to purchase or carry out any disposal resulting in acquisition of shares or securities transferrable to shares in capital of a public joint stock company incorporated in the State and which offers its shares for public subscription or listed under any Capital Market in the State, shall abide by the provisions and decisions governing rules, conditions and procedures of acquisition issued by SCA.

Article (293)
Violation of Acquisition Rules and Procedures

Without prejudice to the right of damaged party to resort to courts of law, if it is proven that any person has violated the provision of Article (292) of this Law or any decision issued by SCA in this regard, SCA may take one of the following decisions against such person:

1. Cancel purchase or disposal, which resulted in acquisition process.
Violator shall be penalized by financial penalty of no less than 20% and no more than 100% of the value of the acquisition process, and Article (339) shall apply in relation conciliation arrangements.
2. Prevent violator from nomination or participation in membership of the board of directors of the company whose shares have been acquired, and deprive him from the right to vote in General Assembly meetings to the extent of violation committed by such person.

Article (294)
Publication of the Acquisition Resolution

The acquisition decision shall, at the acquiring company's expense, be published in two local daily newspapers issued in the State provided that one of them shall be issued in Arabic Language.

Part Eight
Expiry of Company's Memorandum of Association
Chapter One
Reasons for Company Expiry
Article (295)
General Reasons for Expiry

Without prejudice to the provisions governing the expiry of each company, a company shall be dissolved upon occurrence of the following:

1. Expiry of the period specified in the memorandum and articles of association unless this period is renewed in accordance with the rules stated in the company's memorandum and articles of association;
2. Expiry of the purpose for which the company has been established;
3. Loss of all or most of the funds of the company in a way that makes the investment of the other funds unprofitable;

4. Merger in accordance with the law;
5. Unanimous agreement of the partners to terminate the company unless a certain majority is provided for in the company's memorandum of association.
6. Court order for dissolving the company.

Article (296)

Dissolution of the General Partnership and the Limited Partnership

Without prejudice to the rights of third party and subject to the provisions of this Law and the contracts concluded between the partners, the general partnership and the limited partnership shall be dissolved if one of the following reasons has occurred:

1. If a partner has died, has been declared bankrupt or has lacked capacity or got incapacitated unless the memorandum of the company stipulates otherwise; the memorandum of the company may state the continuity of the company with the heirs of a deceased partner, even if all or some of the heirs are minor. If the deceased is a general partners and the heir is minor, the minor shall be considered as a limited partner to the extent of his portion in the share of the deceased partner and in such case, no court order is required to be issued for retaining the funds of the minor in the company;
2. If the sole general partners have withdrawn from the limited partnership; or
3. If six months have lapsed from the date the company has become with one general partner and the company hasn't changed its legal status during such period.

Article (297)

Continuity of the General or Limited Partnerships by Agreement

1. If, in the Memorandum of Association of general partnership or simple limited partnership or, there is no provision for the maintenance thereof, in the event of withdrawal or death of a partner, or issuance of judgment of sequestration, bankruptcy or insolvency against him, the partners may, within sixty days from the occurrence of any of the above events, unanimously resolve to maintain the company by themselves. Such agreement shall be entered with the competent authority within the said period of sixty days.
2. Where the company is maintained by the remaining partners, the share of the withdrawing partner shall be estimated on the basis of the recent stocktaking unless, in the company Memorandum, any other evaluation method is provided for. Neither the said partner nor his successors shall have any portion of the accrued entitlements of the company except if same entitlements arise from transactions carried out prior to his withdrawal from the com.

Article (298)

Court Order for Company Dissolution

- 1- The court may dissolve any of the general or limited partnerships upon the request of a partner if the court has found justified reasons for the same. The court may dissolve the company upon a request of one of the partners as result of the nonperformance of the other party of his obligations.
- 2- If the reasons for the dissolution are as a result of the acts of a partner, the court, may remove such partner from the company and in this case, the company remain existed

among the remaining partners and the court shall exit the portion of such partner after being estimated according to the last inventory or according to any other method the court may deem fit and appropriate.

- 3- Any conditions prohibiting partners from using the right to dissolve the company is considered null and void before the court.

Article (299)

Dissolution, Liquidation and Discontinuation of the One-person Company

1. The One-person company shall be dissolved if the founding natural person has died or the founding legal person has expired owner has died; however, the on-person company may not be expired upon the death of the natural person if the heirs desire to maintain the company and adjust its situation in accordance with the provisions of law. The heirs shall appoint a representative to run the company on their behalf within maximum six months from the death date.
2. If the owner has, in bad faith, dissolved or discontinued the activity of the company before the expiry of its period or before the attainment of its purpose, he shall be personally liable for the liabilities of the company.

Article (300)

Death or Withdrawal of a Partner in the Limited Liability Company

The withdrawal or death of a partner in the limited liability company, or issuance of a judgment for sequestration, bankruptcy or insolvency against him shall not result in the dissolution of the company unless otherwise provided for in its memorandum of association. The portion of each partner shall pass to his heirs and the legatee shall have the same conditions as the heir.

Article (301)

Losses Sustained by the Limited Liability Company

- 1- If a limited liability company sustains loss amounting to one half of the capital, the Directors shall refer dissolution of the company to the General Meeting. It is a requirement that a valid resolution for dissolution be adopted by the same majority required for the amendment of the company Memorandum of Association.
- 2- If the loss amounts to three quarters of the capital, partners holding one quarter of the capital may request its dissolution.

Article (302)

Losses Sustained by Joint Stock Company

- 1- If a joint-stock company sustains loss amounting to one half of the issued capital, the Board of Directors shall, within thirty days from the disclosure of the annual or interim financial statements to the Ministry or the authority, each within its scope of functions, invite the General Meeting and to adopt a special resolution to dissolve the company before the specified date or to maintain the company to practice its activities.

- 2- If the board of directors fails to invite the general meeting or the general meeting fails to pass a resolution on the submitted matter, each related party may file a lawsuit before the competent court for dissolving the company.

Article (303)
Writing off the Company

- 1- Without prejudice to the events stated in this law or any other law, if the Ministry, authority or competent body, each within its scope of functions, has found that the company has ceased to practice its activities in violation of this law and the executive regulations, then the Ministry, the authority or the competent body may notify the company that it will be stricken off from the register within three months from the notice date unless an acceptable reason is submitted for not striking off.
- 2- if the Ministry, authority or competent body, each within its scope of functions, has, after the expiry of the period of three months referred to in item (1), received a confirmation that the company is still ceased to practice its activity or hasn't provided acceptable reasons for discontinuation of the activity, then the matter shall be submitted to the competent court to take the necessary procedures on the liquidation of the company.
- 3- The board members, managers, shareholders and partners shall remain responsible for the company that is stricken off from the register in accordance with the provisions of this Article, as if the company hasn't been dissolved.

Article (304)
Notification of the Competent Authority and the Registrar with the Dissolution

- 1- The entity authorized for running the company shall notify the competent authority and the registrar if any of the dissolution reasons has occurred.
- 2- If the partners have agreed to dissolve the company, the agreement shall include the liquidation method and the name of the liquidator.
- 3- No partner or shareholder is entitled to any part of the company's capital, when dissolved or liquidated, unless all debts of the company are paid off.

Article (305)
Recoding the Dissolution of the Company

Company managers, board chairman or the liquidator, as the case may be, shall enter the dissolution resolution in the commercial register with the competent authority and the dissolution resolution shall be published in two local daily newspapers, one of which being issued in Arabic. The dissolution resolution may be invoked against third party only from the date of entry in the commercial register.

Chapter Two
Liquidation of Company and Distribution of Assets
Article (306)
Provisions Governing Liquidation

The liquidation of the company shall be governed by the provisions of this Law unless the company's memorandum or articles of association states the liquidation method or the partners agrees otherwise at the time of liquidating the company.

Article (307)
Expiry of Authority of Managers or Board of Directors

Upon the liquidation of the company, the authority of managers and the board of directors are expired; however, the managers and board of directors remains responsible for the management of the company and are considered like liquidators' vis-a-vis third party until a liquidator is appointed. The management of the company shall continue during the liquidation period to the extent and within the powers and authorities the liquidator deems necessary for the liquidation.

Article (308)
Appointment of Liquidator

- 1- Liquidation shall be carried out by one or more liquidator(s) appointed by the partners, or by resolution passed by the General Meeting, or their representatives provided that the liquidator shall be a current auditor for the company accounts or has previously audited the company's accounts during the five years before the appointment.
- 2- If liquidation is effected under a court decree, the court shall define the method of liquidation and appoint the liquidator. In all cases, functions of liquidator shall not end as a result of death of the partners or their bankruptcy, insolvency or sequestration, even if he was appointed by the partners.

Article (309)
Multiple Liquidators

If the liquidators are multiple, their acts shall be valid only upon being unanimously issued unless otherwise is stipulated in the appointment letter. This provision shall not be invoked against thirty parties except from the date of entry in the commercial register.

Article (310)
Liquidator Appointment Decision

The liquidator shall effect entry in the Commercial Register of the resolution under which he was appointed and the partners' agreement or the General Meeting resolution concerning the method of liquidation, or else the court-order related thereto.

Appointment of the liquidator, or the method of liquidation, shall not be invoked against third parties, except after the date of entry in the commercial Register.

The liquidator's remuneration shall be fixed in his letter of appointment; otherwise it shall be fixed by the court.

Article (311)
Dismissal of Liquidator

- 1- Removal of the liquidator shall be in the same manner whereby he was appointed, and any resolution or decree for his removal must appoint a substitute.
- 2- Removal of the liquidator shall be entered in the commercial Register and may not be invoked against third parties except from the date of registration of the same.

Article (312)
Taking Inventory, the Assets and Liabilities of the Company

The liquidator shall, immediately once appointed, inventory the company assets and liabilities and the company manager or the board chairman shall provide the liquidator with the company's funds, accounts, records and documents.

Article (313)
List of Assets and Liabilities of the Company

The liquidator shall prepare a detailed list of the company assets and liabilities and a balance-sheet and the company manager or the chairman of its board or directors shall sign this list, along with him.

The liquidator shall maintain a register for the liquidation process.

Article (314)
Duties of Liquidator

The liquidator shall take all necessary actions to ensure the safeguarding of the company interests and rights, and shall, without delay, collect from others amounts due thereto and shall deposit amounts collected thereby in bank for the account of the company under liquidation.

Unless it is a liquidation-requirement, he may not demand the partners to pay the remainder of their respective shares and the partners shall be treated equally.

Article (315)
Representation of the Company by the Liquidator

The liquidator shall assume all functions required for liquidation purposes, particularly to represent the company before courts, settle the company debts and sell its movable or immovable properties either by auction or in any another manner, unless a certain sale procedure is fixed in the liquidator's appointment-instrument. Except by the consent of the partners or the ordinary general meeting, the liquidator, shall not be allowed to sell the company assets as one lot.

Article (316)

Creditors' Notification of Liquidation

Upon the dissolution of a company, the terms of all its debts shall lapse. The liquidator shall notify all creditors, by registered mail, of the commencement of liquidation and shall invite them to submit their demands. Notice to this effect may be made by publication in two local Arabic dailies in the event of unknown creditors or if their places of residence are unknown. In all cases, the notice of liquidation shall grant the creditors a grace period of at least forty-five days from the date of such notice for submittal of their demands.

Article (317)

Payment of Company's Debts

If the company assets fall short of settlement of all the debts, the liquidator shall effect the settlement pro rata to such debts without prejudice to the rights of preferred creditors. Debts arising from the liquidation process shall, with preference against other debts, be paid from the company funds.

Article (318)

Depositing the Debts with the Court Treasury

Should any creditor fail to submit his demand, his debt shall be deposited in the court treasury. Sufficient funds shall also be deposited for the settlement of debts in dispute, unless the creditors concerned had obtained sufficient guarantees, or it was decided to delay distribution of the company monies until dispute with regard to the said debts was settled.

Article (319)

New Transactions of the Company

Unless it is a necessity for the completion of previous transactions, it is not permissible for the liquidator to carry out new transactions. The liquidator shall be liable to the extent of all his assets, and in the event of more than one liquidator, all the liquidators shall be jointly liable with regard to what they perform of new transactions not required for liquidation purposes.

Article (320)

Liquidation Period

The liquidator shall complete his task within the period prescribed in his appointment instrument, and if such period is not fixed therein, each partner shall have the right to ask the court to fix the liquidation period.

Said period may not extend except by resolution of the partners or the General Meeting, as the case may be, following inspection of the liquidator's report, in which causes delaying the completion of the liquidation in due time are defined. Should such period have been fixed by the court, it may not be extended except by order of the court.

Article (321)
Provisional Account of the Liquidation Process

The liquidator shall provide the partners or the General Meeting with a provisional account on the liquidation-affairs every six months. He shall also provide the partner with any information or data they request with regard to the liquidation affairs. The liquidator shall, within a week from the approval of the general meeting, notify the partners to receive their dues within a period not exceeding (21) days and the notification shall be made by way of advertisement to be published in two local daily newspapers, one of which being issued in Arabic.

Article (322)
Final Accounts of Liquidation

1. Upon the completion of the liquidation, the liquidator must present to the partners, to the General Assembly, or the competent court a final account on the acts of liquidation. Such acts shall cease immediately upon the ratification of the final account.
2. The liquidator shall enter the completion of the liquidation in the Commercial Register with the competent authority. The completion of the liquidation shall not be invoked against third parties except from the date of its registration. The company's registration in the Commercial Register shall be deleted.

Article (323)
Liquidator's Conducts

The Company shall be liable for the liquidator's conducts required for the liquidation as long as the same are within limits of Liquidator's authority. The liquidator may not be held liable for carrying out the liquidation acts.

Article (324)
Liquidator's Liability

The liquidator shall be responsible if he has misconducted the company's affairs during the period of liquidation and he shall also be liable to indemnify any damages suffered by third parties as result of his professional errors.

Article (325)
Distribution of the Company Funds

1. The company funds resulting from the liquidation shall be divided amongst the partners after satisfying all liabilities on the company. Upon division, each partner shall receive an amount equivalent to the value of its capital share. The remaining funds shall be divided amongst partners as per the profit share of each partner. In case any partner fails to receive its share, the liquidator shall deposit the share of such partner in the treasury of the competent court.

2. In case the net company funds are not sufficient to cover the whole shares of partners, the loss shall be divided as per the percent established for loss distribution.

Article (326)
Limitation on Hearing of Claims

1. Upon the denial of the same and the lack of lawful excuse, no claim shall be heard, after the passing of three years, against the liquidator on grounds relating to the liquidation acts or against the company's managers, members of the company's board of directors or the company's auditors on grounds relating to their terms of reference, unless the Law provides for a shorter period for the prescription of such claims.
2. The above specified period shall be calculated from the date of the registration of the liquidation in the Commercial Register in the first case, and from the date of the occurrence of the action giving rise to the liability in the second case.
3. If the act attributable to any of the above mentioned persons is a criminal crime, the liability case may not be dropped unless the general case is dropped.

Chapter Nine
Article (327)
Foreign Companies Subject to This Law

Without prejudice to special agreements concluded by the Federal Government, by one of the Local Governments or by the subsidiary authorities thereof, and the foreign companies, the provisions of this Law, except for the provisions governing the incorporation of companies, shall apply to foreign companies that conduct their activity in the State or have their center of management in the State.

Article (328)
Foreign Companies Conduct of Business

1. With the exception of the foreign companies licensed to carry on their activities in the free zones of the State, foreign companies shall not carry on an activity or establish offices or branches in the State except after obtaining a license issued by the competent Authority, following the approval of the Ministry. The license issued shall define the activity that the company is licensed to conduct.
2. If a foreign company or its office or branch conducts its activity in the State before its performance of the procedures set forth in this law, the persons who conducted such activity shall be personally and jointly liable therefore.

Article (329)
Agent of the Foreign Company

The company shall have one of the nationals of the State as its agent. If the agent is a company, it must have the nationality of the State and all partners therein must be nationals. The obligations of the agent towards the foreign company and third parties shall be restricted to the rendering of the services necessary for the company without bearing any financial responsibility or

obligations relating to the business or activity of the company's branch or office in the State or abroad.

Article (330)
Foreign Company Registration Process

1. Foreign companies shall not commence business in the State unless it is entered into the Foreign Companies Register maintained with the Ministry according to the provisions of this law and the approvals and licenses required under the applicable laws in the State are obtained.
2. A Decision shall be made by the Minister specifying the procedures for the entry into such Register and the rules for the preparation of the accounts and balance sheets of the branches of foreign companies operating in the State. The office or branch of the foreign company shall be deemed its domicile regarding its activity in the State and the practiced activity shall be governed by the applicable laws of the State.
3. Decisions shall be made by the Ministry specifying the documents to be attached with the Registration Application. Such decisions may specify the circumstances and conditions to be complied with in managing or closing the office or branch of the foreign company.
4. Upon the closure of a branch of foreign company, the Ministry shall deregister the name of such office or branch from the Foreign Companies Register maintained with the Ministry.

Article (331)
Balance Sheet of Foreign Company

Except for the Representative Offices, foreign companies or their offices or branches must have a separate balance sheet, a separate profit and loss account and shall have an auditor registered in the list of auditors licensed to operate in the State and shall provide the competent authority and Ministry with copy of the balance sheet, final accounts, auditor's report as well as copy of the final accounts of its holding company, if any, every year.

Article (332)
Representative Offices

1. The foreign company may establish representative offices only to study the markets and production potentials without conducting any business activity.
2. The executive order to this Law shall determine the controls to be exercised by the Ministry and competent authority over such offices.

Chapter Ten
Inspection and Control Over Companies

Article (333)
Control Over Companies

1. Subject to the competences of the Central Bank, the Ministry and the Competent Authority shall, respectively according to their competences, have the right to supervise the joint

stock companies, inspect their activities, review their books, papers or records with the branches of such companies or its subsidiaries within or outside the state or with the auditor or any other company related to the company, subject matter of inspection. With the inspection committee, they may appoint one or more technical and financial expert in the subject matter of the inspection to ascertain that the company complies with the provisions of this Law, the executive order thereof or the company's Articles of Association. Inspectors shall be entitled to request any statements and information from the board of directors, the CEO, the managers or the Auditors, as they may deem fit.

2. Either the Ministry or the Competent Authority, as the case may be, may apply for the dissolution of the company if it was incorporated or has conducted its activity in violation of the provisions of this Law. The competent court shall urgently decide on such application.

Article (334) **Inspection Regulations**

The Minister shall issue the private joint stock companies inspection regulations. The authority shall issue the public private joint stock companies inspection regulations. The regulations shall specify the inspection procedures and the authorities and duties of inspectors.

Article (335) **Company Inspection Application**

1. Without prejudice to Articles (333 and 334), partners holding at least (10%) of the capital of a company may apply to the Ministry or the authority, as the case may be, to order the inspection of the company with respect to grave violations attributed to the members of the board of directors or the auditors in the performance of their duties as stipulated in this Law or company's the Articles of Association, when reasons exist in support of the probable occurrence of such violations.
2. The inspection application must include:
 - A. The evidences indicating that the applicants have serious grounds justifying the implementation of such measures, and
 - B. That the applicant shareholders must deposit the shares owned by them and that the same shall remain deposited until a resolution is issued on the application.
3. Having heard the statements of the applicants, the members of the board of directors or the representatives thereof and the auditors in a confidential session, the Ministry or the authority, as the case may be, may order that the businesses, books of the company or any papers or records maintained with another company related to the company, subject matter of inspection to be inspected and may, for this purpose, appoint one or more experts at the expense of the inspection applicants.

Article 336 **Inspectors' Work Facilitation**

Subject to Article (333), The company's chairman of the board, CEO, directors, general manager, employees and auditors shall provide the persons in charge of the inspection with all

such company's books, minutes of meetings, (boards, committees, general assemblies) records, documents and papers as well as all such necessary information and clarification as they may require.

Article (337)
Inspection Report

1. Subject to Articles (334 and 335), the inspectors shall, upon completing the inspection procedures, provide a final report to the minister, in case of the private joint stock companies, or to the chairman of the Authority, in case of the public joint stock companies.
2. In case it becomes evident to the Ministry or the Competent Authority, as the case may be, that violations amounting to criminal crimes are ascertained against the members of the board of directors or the auditors, the Ministry or the Competent Authority shall be entitled to convene the General Meeting. In this case, the meeting shall be presided over by a representative with the rank of executive manager or the acting employee thereof, from the Ministry or the Authority, as the case may be, to consider the following:
 - A. Dismissing the members of the board of directors and filing a liability case against them; or/and
 - B. Dismissing the auditors and filing a liability case against them.
3. The resolution passed by the general meeting in the case set out in clause (2) shall be valid when approved by the present majority, provided that for this purpose the shares of those members of the board whose dismissal are being considered shall be excluded. In case of the director representing a legal person, the share of such legal person shall be excluded.

Article (338)
Publishing of Inspection Findings

In case it becomes evident to the Ministry or the Competent Authority, as the case may be, that the allegations made by the inspection applicants against the members of the board of directors or the auditors, are not true, it may order that the findings of the inspection to be published in a local daily Arabic language newspaper and order the applicants to pay the inspection expenses, without prejudice to civil and criminal liability, if applicable.

Chapter Eleven
Penalties
Section One
Penalties that Can Be Reconciled
Article (339)
Reconciliation Regulation

1. The criminal case in respect of the crimes set out in Section one of this Chapter may only be filed at a written request by the Chairman of the Authority or delegate thereof in case of the crimes related to the public joint stock companies or the Minister or his representative in respect of other companies. A reconciliation may be reached in respect of any crime prior to referring the criminal case to the competent court in consideration of an amount no less than the double of the minimum fine, if any and the equivalent to

- the fine in respect of the daily fine.
2. In cases where the same crime is repeated within one year from the reconciliation or after a conclusive judgment is rendered, the minimum and maximum penalties set out in the section shall be doubled.
 3. The Minister or the Authority, as the case may be, shall issue reconciliation controls and procedures.

Article (340)
Failure to Comply with Registrar's Decision

A fine of one thousand dirhams per day shall be imposed on the company which fails to comply with the registrar's decision in respect of the changing the company name. The calculation of such fine shall commence after the expiry of thirty working days as from the decision notice day.

Article (341)
Default in Listing

A fine of one thousand dirhams per day shall be imposed on the public joint stock company which defaults in listing with a capital market in the State. The calculation of such fine for each delay date shall commence after the expiry of the period required for listing pursuant to the provisions of this Law.

Article (342)
Refusal to Inform Stakeholders

A fine of no less than ten thousand dirhams and no more than fifty dirhams shall be imposed on the company which refuses to inform the shareholder or partner with the minutes of the general assembly meetings or the company's books, documents or any documentation related to a transactions entered by the company with any relevant party.

Article (343)
Default in calling on the Annual General Assembly

A fine of no less than fifty thousand dirhams and no more than one hundred dirhams shall be imposed on the chairman of the joint stock company who fails to call on the annual general assembly to convene during the legally stipulated period under this Law or who publishes the meeting invitation before obtaining the publishing approval from the Ministry or the Authority, as the case may be, as well as on each director who intentionally causes the general assembly meeting or invitation thereof to be delayed.

Article (344)
Failure to Attend the General Assembly in Case of Losses

A fine of no less than fifty thousand dirhams and no more than one million dirhams shall be imposed on the chairman of the joint stock company or the chairman of the board of directors of the limited liability company if the losses of the company reaches half of its capital and the board fails to convene the general assembly pursuant to this Law.

Article (345)
Failure to Convene the General Assembly at the Request of the Ministry or the Authority

A fine of no less than fifty thousand dirhams and no more than three hundred dirhams shall be imposed on the chairman of the joint stock company or the representative thereof who fails to send the invitation to convene the general assembly after having received a request of the same from the Ministry or the Authority, as the case may be.

Article (346)
Failure to Invite a Director to the Board Meetings

A fine of no less than one thousand dirhams and no more than three hundred dirhams shall be imposed on the chairman of the joint stock company or the representative thereof who fails to invite a director to the board meetings.

Article (347)
Refusal to Cooperate with the Auditor or Inspectors

A fine of no less than ten thousand dirhams and no more than one hundred dirhams shall be imposed on the chairman, director, CEO, general manager or employee with the company who refuses to provide the company's auditors or the inspector from the Ministry or authority with documents or information in order to perform their tasks, withhold information or clarifications or provide them with misleading information.

Article (348)
Lack of Accounting Records

Any National or foreign company which does not keep accounting records reflecting its transactions shall be fined an amount no less than fifty thousand Dirhams and no more than five hundred thousand Dirhams.

Article (349)

Not Keeping the Accounting Records for the Legal Period Herein Specified

Any National or foreign company which does not keep the accounting records for the period specified herein shall be fined an amount no less than twenty thousand Dirhams and no more than one hundred thousand Dirhams.

Article (350)

Auditors Not Certified by the Authority

- 1- Auditors who perform auditing for shareholding companies inside the State without certification of the Authority shall be fined an amount no less than twenty thousand Dirhams and no more than one hundred thousand Dirhams.
- 2- Chairman of any shareholding company who appoints an auditor not certified by the Authority for the purpose of auditing its accounts shall be fined an amount no less than fifty thousand Dirhams and no more than two hundred thousand Dirhams.

Article (351)

Non-Compliance of Sharia Controller and Members of the Internal Sharia Control Committee

Each Member of the Internal Sharia Control Committee at the companies complying with the Islamic principles, who does not observe the guidelines of their practices issued by a resolution of the Council of Ministries, shall be fined an amount no less than ten thousand Dirhams and no more than fifty thousand Dirhams.

Article (352)

Non-Return of Extra Funds Remaining after Subscription

Any entity or entities delay to return the extra amounts paid by subscribers along with its consequent revenues which haven't been used during the period herein specified shall be fined an amount no less than five hundred thousand Dirhams and no more than ten million Dirhams.

Article (353)

Non-Compliance with the Percentage of Emeriti Nationals Contributions

Any company fails to comply with the provisions determined in respect of the percentage of Emeriti nationals' contribution in companies share capital or the percentage of Emeriti nationals in their Boards of Directors shall be fined an amount no less than twenty thousand Dirhams and no more than two hundred thousand Dirhams.

Article (354)

Disposal of Shares in Contradiction to the Provisions Hereof

Any person disposes of shares in contradiction to the provisions hereof shall be fined an amount no less than twenty thousand Dirhams and no more than two hundred thousand Dirhams.

Article (355)

Non-Registration of the Company by the Registrar or the Competent Authority

Any foreign company, branch or office thereof inside the State which fails to complete its registration procedures before the Registrar or the competent authority shall be fined an amount no less than one hundred thousand Dirhams and no more than five hundred thousand Dirhams.

Article (356)

Representation Office Practicing Commercial Activity

Any representation office of any foreign company practicing commercial activity inside the State shall be fined an amount no less than one hundred thousand Dirhams and no more than five hundred thousand Dirhams.

Article (357)

Status Adjustment Delay

Any company delays to amend its memorandum and articles of association to be consistent with the provisions of this law shall be fined an amount of two thousand Dirhams per day. This fine shall be calculated from the day following the expiry date of the period determined for status adjustment.

Article (358)

Announcement of Public Subscription without the Approval of the Authority

Any company, entity, or natural or corporate person being inside or outside the State or within the free zones thereof, who does not obtain the approval of the Authority before publishing any announcement calling the public to public subscription in any shares, debentures or other securities whether this has been done through publishing such call in daily newspapers, magazines or any other way of public announcement in the State, shall be fined an amount no less than one hundred Dirhams and no more than ten million Dirhams.

Article (359)

Receiving Public Subscription without the Approval of the Authority

Any entity or company which receives any funds relating to subscription in shares, debentures or other securities without the approval of the Authority shall be fined an amount no less than one hundred thousand Dirhams and no more than ten million Dirhams.

Article (360)
Violating This Law and Its Executive Regulations

Any person violating any provision hereof which doesn't include specific penalty for such violation, or breaching such rules, regulations or orders issued in execution hereof, shall be fined an amount no less than ten thousand Dirhams and no more than one hundred thousand Dirhams.

Section 2
Crimes that Can Not Be Compromised
Article (361)
Provision of False or Inconsistent Information

Any person who provides false information or which is inconsistent with the law intentionally in the memorandum of association or articles of association of the company, or its prospectus in shares, debentures or any other documents of the company, as well as any person signed or distributed such documents despite of being aware of the same, shall be punished by imprisonment for a period not less than six months and no more than three years, in addition to a fine amounting not less than two hundred Dirhams and no more than one million Dirham, or by one of these two punishments.

Article (362)
Overestimation of the Capital Paid in Kind

Any person who overestimates in bad faith the capital shares paid in kind by the founders or partners shall be punishable with an imprisonment for a period not less than six months and no more than three years, with a fine of no less than five hundred thousand Dirhams and no more than million Dirhams, or by one of these two punishments.

Article (363)
Distribution of Profits or Benefits Being Inconsistent with Law

Any manager or director who distributes profits or benefits on partners or any other persons being inconsistent with the provisions of this law or the provisions of the company's memorandum or articles of association, as well as any auditor approves such distribution despite he was aware of the same, shall be punishable with an imprisonment for a period not less than six months and no more than three years, with a fine of no less than fifty thousand Dirhams and no more than five hundred thousand Dirhams, or by one of these two punishments.

Article (364)
Hiding the Actual Financial Position of the Company

Any manager, director, auditor or liquidator who provides intentionally false information in the company's budget, profits and losses account or financial reports, or neglects material incidents in such document in order to hide the actual financial position of the company, shall be punishable with an imprisonment for a period not less than six months and no more than three

years, with a fine of no less than one hundred thousand Dirhams and no more than five hundred thousand Dirhams, or by one of these two punishments.

Article (365)
False Facts in Inspection Report

- 1- Any person, appointed by the Ministry, the Authority or the competent authority to inspect the company, who provides false facts or neglects material facts affecting the results of such inspection intentionally;
- 2- Company's chairman, director, CEO, or general manager who refrains from providing documents or information to the inspectors; shall be punished with an imprisonment for a period not less than three months and no more than two years, with a fine of no less than ten thousand Dirhams and no more than one hundred thousand Dirhams, or by one of these two punishments. This in addition to the fine determined by the provisions of Article (347) hereof being imposed by the Ministry or the Authority.

Article (366)
Liquidator's Intention to Damage the Company

A liquidator who causes damages to the company, shareholders, partners or creditors intentionally shall be punishable with an imprisonment for a period not less than three months and no more than three years, with a fine of no less than fifty thousand Dirhams and no more than five hundred thousand Dirhams, or by one of these two punishments.

Article (367)
Issuance of Securities in Contradiction to the Provisions of This Law

Any person who issues shares, subscription receipts, interim certificates or debentures or offers the same for trading in contradiction with the provisions of this law shall be punishable with an imprisonment for a period not less than three months and no more than two years, with a fine of no less than one hundred thousand Dirhams and no more than five hundred thousand Dirhams, or by one of these two punishments.

Article (368)
Provision of Loan, Security or Guarantee

- 1- Any director of a shareholding company who obtains a loan, a security or a guarantee, for himself, his spouse or one of his relatives till the second-degree ones, from the company of which he is a director in contradiction with the provisions of this law, after being obliged to return such loan, security or guarantee;
- 2- The shareholding company's chairman, director, CEO or general manager who approves to provide such loan, security or guarantee to such director, his spouse, or one of his relatives till the second degree in contradiction with the provisions of this law, shall be punishable with an imprisonment for a period no more than three months, with a fine of no less than one hundred thousand Dirhams and no more than five hundred thousand Dirhams, or by one of these two punishments.

Article (369)
Disclosure of Company's Secrets

- 1- Any person who uses data or information which he has obtained from the constituent committee at any stage of company's constitution whether from financial or legal consultants, subscription manager, coverage contractor, or stakeholders or their representatives;
- 2- The company's president, chairman or employee who uses or discloses any of the company's secrets or tried to cause damage to its business intentionally, shall be punishable with an imprisonment for a period no more than six months, with a fine of no less than fifty thousand Dirhams and no more than five hundred thousand Dirhams, or by one of these two punishments.

Article (370)
Affecting Securities Prices

The company's president, chairman or any other employee who participated directly or indirectly with any entity which performs operations in order to affect the prices of such securities issued by the company, shall be punishable with an imprisonment for a period no more than six months, with a fine of no less than one million Dirhams and no more than ten million Dirhams, or by one of these two punishments.

Article (371)
Imposing More Severe Penalty

Imposing the punishments provided for herein shall be without prejudice to any other more serious punishment to be provided for under any other law.

Article (372)
Criminal Claim

Criminal claim in respect of the crimes provided for herein to be committed by the company shall be filed against its legal representative.

Article (373)
Judicial Officers

Employees appointed by a resolution from the Minister of Justice in association with the Minister and in coordination with the Authority or the other competent authority – as the case may be – shall have the capacity of judicial officers with regard to examine any violations of the provisions of this law, and its executive regulations and orders as per the competencies of each of them.

Chapter 12
Transitional and Closing Provisions
Article (374)
Status Adjustment

- 1- All existing companies which subject to the provisions of this law are required to adjust their statuses in conformity with the provisions hereof within a period no more than one year from the effective date hereof. This period may be extended for a similar period by virtue of a resolution of the Council of Ministers upon the Minister's Proposal.
- 2- Without prejudice to the sanctions determined under this law, the company shall be considered as having been dissolved pursuant to the provisions hereof if it fails to comply with the provisions of Clause (1) above.

Article (375)
Companies Stimulation Regulations

The Council of Ministers shall issue the regulations necessary to stimulate the companies to assume its community responsibility and regulate its application.

Article (376)
Revocation of Contradicting Provisions

This law shall supersede and revoke any provisions contradicting or breaching it, as well as the federal law No. (8) of 1984 on the commercial companies and its amending regulations.

Article (377)
Issuing Executive Regulations and Orders

Regulations and orders issued in execution of the federal law No. (8) of 1984 on the commercial companies shall remain in force to the extent that they do NOT contradict with the provisions of this law till the Ministry and the Authority - as per their competencies - issue all regulations, rules and orders needed for its execution.

Article (378)
Law Publication and Application

This Law shall be published in the Official Gazette and shall come into force after three months from publication date.

Khalifa bin Zayed Al Nahyan
President of United Arab Emirates
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