

KINGDOM OF SAUDI ARABIA

Capital Market Authority

**PROCEDURES AND INSTRUCTIONS RELATED TO LISTED
COMPANIES WITH ACCUMULATED LOSSES REACHING 20%
OR MORE OF THEIR SHARE CAPITAL**

English Translation of the Official Arabic Text

Issued by the Board of the Capital Market Authority

Pursuant to its Resolution Number 4-48-2013

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Based on the Capital Market Law

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Arabic is the official language of the Capital Market Authority Important Notice:

To keep abreast with the accelerated changes to the Authority's rules and regulations, please refer always to the rules and regulations posted on the Authority's website www.cma.org.sa

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PART ONE: PRELIMINARY PROVISIONS

Article One: Definitions

- a) Unless the context otherwise indicates, the words and phrases as they appear in these procedures shall have the same meaning as set forth in the Capital Market Law and the Glossary of Defined Terms used in the Regulations and Rules of the Capital Market Authority.
- b) For the purpose of applying these Procedures and Instructions, the words and phrases listed below shall have the meanings set in front of each of them, unless the context otherwise indicates:
 - **Accumulated Losses:** The company's results for the current period added to the company's accumulated results from prior periods, which in aggregate represent a loss, and appear as a separate item under shareholder's equity on the balance sheet.
 - **Share Capital:** The balance which appears as a separate item under shareholders' equity on the balance sheet.

Article Two: Scope and Application

- a) These Procedures and Instructions aim at regulating the mechanism for dealing with a company whose shares are listed in the Exchange when its Accumulated Losses reach 20% or more of its Share Capital.
- b) These Procedures and Instructions do not contravene with the Capital Market Law and its Implementing Regulations and other relevant laws and regulations.
- c) Companies, in addition to the provisions set out in these Procedures and Instructions, should comply with all other provisions set forth in the Capital Market Law and its Implementing Regulations, and other relevant laws and regulations.

PART TWO: PROCEDURES

Article Three: When Accumulated Losses of a company reach 20% or more and less than 35% of its Share Capital

- a) The company should, immediately and without delay, disclose to the public in a separate announcement when its Accumulated Losses reach 20% or more and less than 35% of its Share Capital. The announcement should reflect the total Accumulated Losses, its percentage of the capital, and the main reasons that caused the losses, with reference that these procedures will be applicable. In case the announcement coincides with the interim or annual financial results announcement, the company is exempt from the disclosure as a separate announcement if it disclosed the required information as per this paragraph in the interim or annual financial results announcement.
- b) Following the public announcement referred to in paragraph (a) of this Article, the Exchange shall add a flag next to the company's name on the Exchange website indicating that the company's Accumulated Losses reached 20% or more and less than 35% of its Share Capital.
- c) Upon receiving an external auditor's report illustrating its financial position, the company should, immediately and without delay, disclose to the public by a separate announcement upon reduction of its Accumulated Losses from 20% of its Share Capital. The announcement should reflect the remedial steps taken by the company to restore its position including attaching the external auditor's report referred to in this paragraph.
- d) The Exchange shall delete the flag referred to in paragraph (b) of this Article following the company's announcement of its financial position remedy as indicated in paragraph (c) of this Article.

Article Four: When Accumulated Losses reach 35% or more and less than 50% of the Share Capital

- a) The company should, immediately and without delay, disclose to the public in a separate announcement when its Accumulated Losses reach 35% or more and less than 50% of its Share Capital. The announcement should reflect the total Accumulated Losses, its percentage of the capital, and the main reasons that caused the losses, with reference that these procedures will be applicable. In case the announcement coincides with the interim or annual financial results announcement, the company is exempt from the disclosure in a separate announcement if it disclosed the required information as per this paragraph in the interim or annual financial results announcement.
- b) Following the public announcement referred to in paragraph (a) of this Article, the Exchange shall add a flag next to the company's name on the Exchange website indicating that the company's Accumulated Losses reached 35% or more and less than 50% of its Share Capital.
- c) Upon receiving an external auditor's report illustrating its financial position, the company should, immediately and without delay, disclose to the public by a separate announcement upon reduction in its Accumulated Losses from 35% of its Share Capital. The announcement should reflect the remedial steps taken by the company to restore its positions including attaching the external auditor's report referred to in this paragraph.
- d) The Exchange shall delete the flag referred to in paragraph (b) of this Article following the company's announcement of its financial position remedy as indicated in paragraph (c) of this Article.
- e) Upon the reduction of Accumulated Losses of a company below 35% and not less than 20% from its Share Capital, Article (3) of these Procedures and Instructions shall be applicable.

Article Five: When Accumulated Losses reach 50% or more of the Share Capital

- a) The company should, immediately and without delay, disclose to the public in a separate announcement when its Accumulated Losses reach 50% or more of its Share Capital. The announcement should reflect the total Accumulated Losses, its percentage of the capital, and the main reasons that caused the losses, with reference that these procedures will be applicable. In case the announcement coincides with the interim or annual financial results announcement, the company is exempt from the disclosure in a separate announcement if it disclosed the required information as per this paragraph in the preliminary or yearly financial results announcement.
- b) Following the public announcement referred to in paragraph (a) of this Article, the Exchange shall add a flag next to the company's name on the Exchange website indicating that the company's Accumulated Losses reached 50% or more of its Share Capital.
- c) Subject to the provisions of Article (150) of the Companies Law, the company shall, after announcing that its Accumulated Losses reached 50% or more of its Share Capital, announce the following:-
 1. The date of the last day on which the Board of Directors may invite the extraordinary general assembly to convene, and the date of the last day for convening the extraordinary general assembly to address the Accumulated Losses.
 2. The Board of Directors' recommendation to the extraordinary general assembly regarding its Accumulated Losses immediately following its issuance, either to increase or decrease the company's capital, or to dissolve the company before the prescribed date in its by-laws.
 3. The date of the last day to complete the process of subscription of the capital increase to address the Accumulated Losses, where applicable.
- d) Upon receiving an external auditor's report illustrating its financial position, the company should, immediately and without delay, disclose to the public by a separate announcement the reduction in its Accumulated Losses from 50% of its Share Capital. The announcement should reflect the remedial steps taken by the company to restore its positions including attaching the external auditor's report referred to in this paragraph.

- e) The Exchange shall delete the flag referred to in paragraph (b) of this Article following the company's announcement of its financial position remedy as indicated in paragraph (d) of this Article.
- f) Upon the reduction of Accumulated Losses of a company below 50% and not less than 20% from its Share Capital, Articles (3) or (4) of these Procedures and Instructions shall be applicable, depending on the situation.

PART THREE: DELISTING

Article Six: Delisting

A company's shares will be delisted where the company is dissolved by force of law according to paragraph (2) of Article (150) of the Companies' Law or when the extraordinary general assembly decides to dissolve the company before the prescribed date in its by-laws according to paragraph (1) of Article (150) of the Companies' Law.