Law No. 22/1997 on
Commercial Companies

In the name of the Nation:
The President:
Having perused the constitution of the Republic of Yemen, law No. 34/1991 on Commercial Companies,
And having obtained the approval of the parliament,
We do hereby prescribe this law:

Part One
Definitions and General Provisions

Article (1) This law is referred to as the "Commercial Companies Law".

Article (2) The terms and expressions stated below are defined as respectively indicated unless the context otherwise indicates.

Republic : The Republic of Yemen.
Minister: Ministry of Supply & Trade- currently referred to as 'Minister of Industryand Trade'.
Ministry : Ministry of Supply & Trade- currently referred to as 'Ministry of Industry and Trade'.
Register : Commercial register.
Articles: Articles of Association.
Memorandum: Memorandum of Association.
Registrar: Person whose duty is to keep records and register of trade and commercial companies at the Ministry of Supply & Trade- currently at "Ministry of Industry and Trade".
Controller : Director General of the 'general companies department'.
Court : The legal authority which has jurisdiction to make the decision over cases related to the provisions of this law.
Company : Any commercial company classified as per the context.
General Assembly: The shareholders Board.
Foreign Company: Any company whose head office is in or established outside the Republic.

Article (3)This law is a part of the commerce law, and its provisions are applicable to all commercial companies established in the Republic and stipulated in this law or whose headquarter is therein.

Article (4)1. Commercial companies: an agreement with which two persons or more comply, each take part in the projects of the commercial company either with a share of money or in a form of activity, and each share profit or loss resulting from these projects.

2. The company is to be composed, established and registered according to the provisions of this law. The controller or the registrar may reject to register any company composed not in compliance with the provisions of the law. The affected party may either challenge before the competent court of law or prove that the company is formed in accordance with the law.

Article (5) Any provision provided for in the memorandum or articles shall be interpreted as embodied therein, and shall be completed in accordance with the provisions of this law, commerce law, and commercial practice without contradiction of the provision's explicitness of this law.

Article (6) 1. A Company may not be registered with another company's name registered earlier in the Republic or with a name so similar that it might cause obscurity or involve fraud.

2. Exempted from the above paragraph are the companies with identical or similar names registered before the issuance of this law. The competent court alone has the right to settle disputes stemming from such identity and similarity in names.

Article (7)1. Without prejudice to the provisions of Article (6) of this law, companies registered under laws in force in the Republic before the application of this law are considered lawful, provided they adjust their statuses in compliance with the provisions thereof within a year from the date of its application; they are not considered registered otherwise.

2. The boards of directors of Joint-stock companies and limited liability companies may adjust their articles and memorandums in violation of this law and may add provisions required by this law without having recourse to their general assemblies within the adjustment deadline specified under the above paragraph of this article, provided the board of directors should advise the general assembly of such adjustment in the forth-coming session.

3. The procedures of the adjustment of the companies' statuses according to the provisions of this law shall be subject to the provisions and procedures in relation to establishment, registration, and declaration embodied therein.

Article (8) The purpose of the commercial company must be commercial and lawful activity, and must not be in violation of laws in force.

Article (9) The legally authorized commercial companies are of two categories:

Partnerships are as follows:
general partnership
limited partnership
particular partnership

Corporations are as follows:
joint-stock company
limited partnership by shares
limited liability company

c) Without prejudice to the stipulations of laws in force, each company established not under any of the categories mentioned hereinbefore is considered invalid and may not be registered. However, persons concluded the agreements are to be held responsible towards one another and jointly liable towards other parties for obligations resulting from this agreement.

Article (10)All commercial companies except particular partnerships must be proved in written agreement. Other parties, when necessary, may prove, by means of evidence, the existence of the company or any relevant provision. Partners may not protest invalidity against other parties; however, other parties may protest invalidity against partners. If invalidity resolution is passed in response to other party's order, the company is considered null and void for him/her. The persons entered into the agreement with him/her under the name of the company are jointly and severally liable for obligations stemming from this agreement.

Article (11) All commercial companies, except particular partnership, established under this law enjoy the legal entity.

Article (12) 1. The provisions of this law shall be applicable to any company established or having its headquarter in the Republic.

2. Foreign companies which practice their activities in the Republic through a branch or an agency shall be subject to the provisions of the law related to foreign companies and agencies.

Article (13):1. Without detriment to the stipulations of this law with regard to special reasons of the liquidation of certain companies, a company may also be liquidated under any of the following general conditions:

. If the duration provided for in the memorandum is expired and not renewed.
. If the project for which the company is established and whose duration is not specified, is finished.
. If the subject matter of the project for which the company is established has come to an end.
. If all partners agreed to dissolve the company provided all liabilities are satisfied.

2. The competent court may pass a resolution to wind up the company for fair reasons in response to partners' or a partner's order.

Part Two
Partnerships
Chapter One
General Partnerships

Article (14)A general partnership is a company whose partners are personally, jointly and severally liable for the company's debts, contracts and obligations.

Article (15)1. The style of the firm of the general partnership shall include all partners' names and/or surnames, or the names and surnames of some of them in addition to the term (and Co.) or the purported meaning. The style of the firm should always signify the activity and form of the partnership.

2. The general partnership may not include the name of any person, who is not a partner, in the style of the firm without the prior written consent of the Ministry and the person concerned.

3. Without prejudice to the context of the first paragraph of this article, an invented name may be inserted in the company's name.

Article (16) 1. The style of the firm of a general partnership may not include terms such as Ltd., limited liability, or with joint limited liability.

2. The company may be renamed provided the new name signifies its context in accordance with the provisions of the previous article. Such a change does not affect its rights or liabilities towards other

parties and must be registered in the companies and commercial registration.

Article (17)1. The memorandum must be made in writing either on an ordinary or official document attested by an official authority.

2. If the memorandum is made on an ordinary document, the document should be in as many copies as the partners who should keep one each.

3. Any amendment to the memorandum must be written and reported to the controller and publicized in the commercial register.

Article (18)1- The partner undertaking to offer his/her share in the partnership in the form of activities, should render the services undertaken and present a statement of his/her earnings since the commencement of work rendered as a share in the partnership.

2. The partner's share may not be confined to the influence he/she might have or to the financial reputation he/she enjoys.

3. The partner, whose share is debts due from other parties, his/her liabilities towards the company remain outstanding until the company satisfies such debts. The partner is held responsible for damages if such debts are not paid back by the due date.

4. The memorandum is invalid if it deprives or exempts a partner of dividends or loss. But the partner whose share is nothing but the services he rendered may be exempted from loss, if no wages have assigned for his services in addition to dividends.

Article (19)

The memorandum should include the following data:
Date and place of the memorandum conclusion.
Partners' names, addresses and nationalities.
The style of the firm.
The company's official address (headquarter).
The company's category.
The company's objectives and scope.
Amount of capital and each partner's share. In case the memorandum does not state the partners' shares, such shares are considered equal in value unless otherwise agreed upon.
Names of partners authorized to run and sign for the company.
T

he company's duration if limited.
Other rules and provisions governing the partners' rights and obligations.

Article (20)The general partnership must be publicized with the memorandum registration and any amendment made thereto. A copy of the memorandum and amendments are to be kept by the companies and commercial registry department in the governorate where the company's head office is located within one month from the date of the memorandum's conclusion or amendments procedure.

Article (21)a) A general partnership is registered as follows:
The registration application is to be presented to the controller together with the original copy of the memorandum signed by all partners with a statement signed by them individually before the controller or his/her authorized agent. Such a statement may be signed before the court of law according to the form identified by the Ministry -assigned form of two copies including the following particulars:

Date of application.
Company's name.
Company's category.
Company's objectives and scope.
Company's capital.
Partners' names and shares in the capital.
Head office and address.
The director or directors authorized to sign for the company.
The company's duration if limited.

b) The registration application is to be signed by the authorized person (s) according to its enclosed memorandum.

Article (22)1- The controller may refuse to register the company if he/she finds out that the memorandum, the data of registration application, or company's objectives in violation of the law or the general provisions.

2- The party concerned has the right to complain of the refusal decision to the Minister who is empowered to order the company's registration in accordance with the law.

3- If the Minster rejected the complaint of the party concerned, the latter has the right to challenge the Minister's rejection before the competent legal authority.

4- If the controller, Minister or the competent legal authority approves the company's registration as may be required, the controller completes the registration procedures subject to the collection of the fees stipulated under the rules and regulations in force.

Article (23)1. Subject to completion of registration procedures, the controller delivers to the authorized signatory a copy of the registration application form indicating the registration number, date and the collected fees after fixing the financial stamp stipulated for obtaining the copies and subscribing the copy with the companies' administration seal and signature.

2- The controller keeps the original memorandum and a true copy of the registration application on which the procedures stated in the above paragraph are confirmed.

3- The company shall display the registration application form in a clear place of its head office.

4- The company may obtain the number it needs of such form attested by the controller subject to payment of fees and sticking the stipulated stamps.

Article (24)1- The general partnership may not start its Activities unless the registration has been completed in the companies administration and Publicized in the commercial register.

2- If the company violates the provision of the above paragraph, each partner is punished with a fine of YR. 5000.00 which shall be doubled for each year delay of registration.

Article (25)1- Registration of each amendment of the memorandum information is to be applied for as per the Ministry-prepared form of two copies attached with the original memorandum amendment signed by all partners before the controller, his/ her authorized agent or the competent court of law, within one month from the date of amendment.

2- The company's registration procedures shall be applied in case of amendment registration subject to payment of the stipulated fees. The company shall be given a copy of the amendment registration form.

3- The provisions of paragraph (2) of the previous Article shall be applied if the company violates the provisions of the paragraph (1) of this article.

Article (26)1- Failure to deposit or register the memorandum document at the companies administration or to publicize it in the commercial register, renders the company illegal and make all partners jointly liable to the damages of others.

2- Failure to mention a provision of concern to others in the memorandum document deposited at the companies administration or in the summary included in the commercial register, renders this provision invalid with regard to the rights of the partners concerned.

3- Failure to publicize the amendment made to the memorandum through its deposit at the companies administration and commercial register, renders such amendments invalid with regard to the rights of other party.

Article (27)1- The invalidity arising from failure of the company's declaration is not waived by force of prescription. The parties concerned may take it as an agreement.

2- Failure to abide by the depositing registration and declaration procedures indicated provided for in the previous articles can not prevent evidencing the real existence of the company or the amendment occurred thereto in favor of other parties.

3- Neither any partner nor the company makes an advantage of the failure of the company's registration and declaration. They may not claim invalidity against others.

4- If the licensing and declaration are lately completed, those who agreed with the company before the correction may take the targeted invalidity as an agreement.

5- Every partner is held jointly responsible with all partners in bearing the risk for any damage resulting from failure of licensing and declaration.

Article (28)No one under eighteen (18) years of aged or if being non-Yemeni be accepted as a jointly liable partner.

Article (29)1- Every partner in a general partnership is considered as if performing the trading Activities by himself under the company's title and has the legal merchant status.

2- The partner is considered personally jointly responsible with all partners for the company's liabilities such responsibility is extended to all of his/her property.

3- The company's bankruptcy conduces personally to the bankruptcy of all partners'.

Article (30)1- Unless otherwise stated in the memorandum or any subsequent document deposited and registered in accordance with the provisions of this law, every general partner is considered a responsible agent for the company and for all of his partners for running its matter of affairs. The company and partners shall be liable to any action taken by this partner in completing its business.

2- If the memorandum of association or any subsequent document deposited or registered in accordance with the provisions of the law entitles a partner's name or more, other than partners all, to run or sign for the company, the company may conform to obligations undertaken by such an empowered partner(s) other than all partners.

3- Every authorized person, whether he/she is a partner or not, performed a certain work or signed a document under the name of the company and related thereto, the company and all partners are obliged to the work performed or to the document signed by such an authorized person.

Article (31)1- Every partner is considered individually, jointly and severally liable with all partners for all debts and obligations which are requisite due to his/ her partnership; his heirs after his death become also jointly responsible within his/her heritage for such liabilities until they are satisfied.

2- No action should be applied against a partner for his individual liability except after a lien is obtained against the company's assets, after inability to settle the loan is proved, or after the company's memorandum abrogation.

3- The partner who paid the company's liabilities may claim refund from the company and all partners on prorate basis.

Article (32)1- No lien may be valid against the company's property to retrieve a right subject to judgment against any of its partners unless the judgment is issued against the company. The court may issue a lien order to seize the indebted partners share or to sell it to secure payment of his/her debt. It may also appoint a receiver to collect his accrued dividends for the payment or the debt and to execute the account with it.

2- The other partners may demand lifting the lien imposed on a certain share or to buy it if the court issued an order to sale this share.

Article (33)If any partner became insolvent the company's creditors should be given priority over his/her debts. And if the company became insolvent its creditors should be given priority over the partners' debts provided there is no fraudulent or gimmick act.

Article (34) 1- No new partner should be accepted in the general partnership unless approved by all partners.

2- The new partner is not responsible for any of the company's functions conducted before his/her joining the company unless otherwise expressly agreed upon.

Article (35)1- The partner may not assign to other party his share in the company unless approved by all or the majority of the partners if expressly allowed under the company's memorandum. Under all circumstances the assignment can not be valid unless the registration and declaration procedures are completed.

2- The assignor remains responsible for liabilities and obligations undertaken by the company before his/her withdrawal unless otherwise agreed over acquitting from such liabilities and obligations between him/her, on one part, and other partners, assignee, and creditors, on the other part.

Article (36) 1- All partners may take part in the company's activities management unless the memorandum or a subsequent document states the management is entitled to a partner or more, or another person as stipulated in Article (30) of this law.

2- The company's directors may be dismissed in the same manner of their appointment. If the dismissal is wrongful the dismissed one may claim compensation subject to civil law in force.

3- If a new director is appointed in the company in place of his/her predecessor this amendment must be registered and publicized.

4- The company's directors may undertake any act necessary for the company's project operations regularly unless their powers are limited under the memorandum.

Article (37)1- Every partner, the company's director, or a person authorized to run the company must faithfully work for the benefit of this company, work hard as though he/she does for his/her own interest, offer accurate statements of accounts and information to all partners, and refrain from any activities constituting hazard to the company's interest.

2- No director of the company may conclude with the company contracts or projects for their own account unless approved in writing by all partners for a limited or unlimited period. If the period is not fixed it is considered for one year renewable every year when necessary.

3- The company's directors may not manage a project similar to the company's one unless approved in writing by all partners.

4- If the company's director violates the provisions of the preceding two paragraph of this article he/she held responsible for submitting the company's a statement of all the profit he gained through prohibited contracts or services and for paying these profits to the company.

5- The company's director or a partner must submit the company a statement of every advantage he/she gains without the approval of all partners from any transaction concerning the company or through utilizing its funds, name or trademark, and pays to it compensation.

Article (38)1- If the company has several directors whose respective functions are not defined. They each have the right to oppose the instructions other directors tend to issue. The decision then should be taken subject to the majority of the directors' votes. They are all bound to comply with the decision taken.

2- If the opposition of the other directors depends on violating the memorandum and articles of association, their opposition must be acted upon. In case of dispute the settlement shall be left to the competent legal authority.

3- Partners may alter their rights and obligations towards one another whether specified or not in the memorandum provided such an alteration shall be registered and publicized if it is made to the memorandum or registered particulars.

4- Partners unauthorized to run the company may not interfere in its activities; however they are entitled to have access to the company's records and documents. Any agreement which states otherwise is considered invalid.

Article (39)The company is bound towards other parties for its directors' acts played in its name within their authority even if they have acted or signed for the company just to serve their own interests unless other parties have bad intentions and conniving with the director.

Article (40)The memorandum may provide that partners get a certain percentage of the capital not exceeding 5%, per annum, of their paid contribution for no more than three years from the date of the company's establishment. This percentage shall be retrieved from the dividends when deserved.

Article (41)1- Shares of partners, rights and obligations in a general partnership may be specified in the memorandum; if such a provision is not provided for in the agreement, partners may conform to the following rules:

Partners share the company's capital, profits and losses in pro rate to their contribution to the company's capital; if the memorandum is only confined to specify a partner's share in the profit other than loss, such a share is considered the loss share and vise versa.

The company compensates every partner for all the expenses and personal liability he incurred due to perform its activities or any act in favour of the company, to protect its interests or for the proper progress of its works.

Any of the partners may not be driven out or deprived of the profits by the majority of the company's partners.

2- Disputes over the company's state of affairs are settled by the majority of its partners. No change may be made to activities the company renders unless approved by all partners.

Article (42)If unreal dividends are distributed over the partners the company's creditors may require every partner to pay back what he got from them even if the partner is faithful. The partner is not bound to refund real dividends he/she collected in a certain year even if the company endured losses in the subsequent years.

Article (43)1- Unless the memorandum and articles of the association states otherwise, the general partnership continues in case of any partner's death.

2- If the deceased partner has left a spouse, branch or more to whom his/her rights belong, the company's existence continues with the partner's spouse or branch and they have capacity and rights of the partnership company as stated in the chapter attached to this Law if not otherwise provided for in the memorandum.

Article (44)The company's records shall be kept in its head office or location of business. Every partner may have access to these records and make a copy of any entry therein whenever required by the partner.

Article (45)1. The general partnership may be dissolved in case any of the general dissolution factors has been occurred.

2- The company may be also dissolved by virtue of the following cases:

The death of any partner if provided for in the memorandum;
A partner's bankruptcy;
A partner's withdrawal of his/her own accord;
A partner's competency loss; and
An event, which may renders the company's or partners' continuity illegal.

3- The remaining partners may decide unanimously the continuity of the company in the absence of the deceased, or in case of his/her bankruptcy or withdrawal or became incompetent provided they complete the legal registration and declaration procedures unless such continuity is clearly provided for under the memorandum.

4- In all circumstances, the rights value of the deceased, withdrawing partners or the partner about whom the court has taken the decision to drive out from the partnership shall be appraised by a special inventory list, unless otherwise required under the memorandum of association. In cases of dispute, such decision shall be taken by the competent court through one expert or more.

Article (46)

The company's liquidations must be registered and Publicized in the same manner followed with its memorandum, unless such liquidation is provided for under in the agreement.

Article (47)

1- The entity of the company remains existent within the period required for the liquidation and only for the purpose of liquidation.

2- If the memorandum or articles of the association does not provide for the appointment of liquidator(s) or the method of their appointment, nor was it agreed upon by all partners, such appointment shall be decided by the competent court.

3- Liquidators are required to declare their appointment or the legal decision in this respect. In addition, they have to register and declare the company's liquidation and the subsequent abrogation and to pay the fees prescribed for this process.

Article (48)1- Liquidators must prepare an inventory list in cooperation with the directors of the company.

2- Liquidators shall make an inventory of liabilities owing to the company from other parties or partners and shall pay off the company's creditors, sell assets thereof, perform and allocate, and distribute the assets over the partners as required under the liquidation.

3- Liquidators may not continue the investment of the company's project.

4- Liquidators may not assign the company's assets and property wholly unless authorized by the partners.

5- Liquidators must submit to the partners information they may ask for with regard to the liquidation state and result. The directors and partners must cooperate with them and shall not hinder their liquidating process through submission of unfair demands.

Article (49)1- The accounts between partners are to be settled. The dissolved company's assets shall be duly distributed over them subject to its liquidation.

2- In case of ambiguity or absence of such conditions in the memorandum, the company's assets shall be used and distributed according to the following order:

The expenses incurred by the company's liquidations shall be settled;
company's creditors, other than its partners, should be paid off as well as the payment of the excellence rights shall be given priority;
debts due to partners shall be paid back since they lent amounts, apart from the capital, to the company;
every partner must be paid off his/her share of the capital; if the company's remaining assets are insufficient for such settlement, each partner shall be paid on the pro rata basis in the company's capital; and the company's remaining assets should be distributed over the partners in proportion of the dividends; in case such proportion is not provided for, the distribution is to be effected in proportion of their respective shares in the capital.

Article (50)If the company severed a damage due to the any partners violation or failure to perform his/her tasks during his/her management term this partner is held responsible for compensating the company and all other partners, provided there is a mutual agreement or subject to judicial judgment.

Chapter Two
Limited partnerships

Article (51)A limited partnership is a partnership that has two categories of partners:

General partners whom the provisions pertaining to general partners in general partnerships are applied to. They are jointly liable for all the companies' obligations in their own assets and apart from others have the right to run the company according to the provisions of its memorandum.

Limited partners who contribute capital to the company and are liable only for the amount of their contribution on capital pro rata basis.

Article (52)The limited partnership is set up by a written memorandum of association signed by all general and limited partners.

The memorandum shall indicate the style of the company, its kind, general partners' names along with their responsibilities as general partners, the limited partners' names along with their capacities as limited partners, and the shares of their contribution to the company's capital.

The limited partnership shall have its style of the firm containing only all general partners' names or some of them, apart from limited partners. In case of a single general partner, the style of the firm shall contain his/her name along with the word 'partner' or 'partners' as applicable.

If the limited partner approved in writing to have his share included in the style of the company, he/she is then considered as a general partner responsible for the company's liabilities towards others in good faith.

Article (53)1- The management of limited partnership is restricted to general partners whether they collectively, some, or one of them runs the company. They are governed by the provisions pertaining to a general partnership.

2- The limited partner has no right to interfere with the company's management even if such interference is subject to authorization. If he/she violated this term, he/she is then considered jointly liable with general partners for commitments stemming from administrative business which he/she had; he/she may be held responsible for the whole or some of the debt arising from his/her unauthorized action as commensurate with the mantle of his/her acts or wrong action he/she committed.

3- The limited partners' monitoring to the acts of the company's directors is not considered an interference in the management affairs, nor so considered are the advice and opinions he/she may give to them or the power he/she bestowed upon them to take actions beyond their limited powers.

Article (54)1- The establishment and liquidation of a limited partnership even in matters concerning limited partners are governed by the rules set forth for the establishment and liquidation of general partnerships.

2- The limited partnership in general is governed by the rules applicable to general partnerships in every matter in compliance with the provisions of this Law.

Chapter Three
Particular Partnerships

Article (55)1- The particular partnership is concealed, not apparent; and its entity is restricted between contracting parties for one or several specific bargains.

2- A particular partnership is not subjected to the declaration procedures imposed upon other commercial companies.

3- A particular partnership has no legal personality; and other parties have no legal connection except with the partner with whom the contract was concluded.

Article (56)1- A particular partnership's agreements which have been concluded between the parties concerned shall specify with full liberty the rights and obligations exchange between partners and sharing profits and losses, as well as preserving the implementation of general principles related to the memorandum.

2- The agreements mentioned hereinbefore could be proved by all legal and commercial proofs including evidence and presumptions.

Article (57)If a particular partnership has taken a name and one of the partners has concluded a contract using its name, it is treated, as applicable, either as a general partnership or as a limited partnership; it is subjected to the provisions related to either case.

Article (58)A particular partnership has no right to issue convertible shares or bonds.

Part Three
Corporations

Chapter One
Joint–stock Companies

Section I
General Provisions

Article (59)A joint-stock company is one whose capital is divided into equal shares in value as well as transferable. The stockholders are accountable only as commensurate with their respective capital shares.

Article (60)The style of the firm must be derived from its purpose. It may not include the name of a natural person except if the purpose of the company is a recorded patent investment in the name of the same person or if the company possessed, upon its establishment or later, a commercial firm and adopted its name. Under all circumstances, "share company" in its full form is to be added to the style of the firm.

Article (61)A joint-stock company must have at least five partners.

Article (62)The capital of a joint-stock company must be sufficient to accomplish its objectives; it must be not less than YR 5 million, and the paid thereof must, upon subscription or the company's establishment when shares are not publicly subscribed, be not less than 20% of the share value.

Article (63)It is not permitted to hold, at the same time, a public post and a membership in the board of directors of a joint-stock company, to participate in its establishment, or to work permanently or accidentally, free or paid, with the company for any activity even if for the seek of consultancy unless the public servant is a representative of a governmental entity.

Article (64)1- The provisions of this law are applicable to joint stock companies which are established in the Republic or which have their head offices or operations therein.

2- Joint stock companies whose head offices are in a foreign country, which perform their main operations abroad, and which have branches or offices in the Republic, are subjected to the provisions of the law pertaining to branches.

3- The offices or branches referred to in the preceding paragraph may not perform their operations in the Republic except if permitted and publicized in the commercial register. They shall have an independent budget and independent account of profit and loss. They shall also have at least one accounts controller holding the Yemeni nationality.

Article (65)A decree on the application form of the initial memorandum and articles of joint stock companies shall be issued by the prime minister.

Section II
Company Establishment

Article (66)1- A joint stock company that presents its shares for public subscription may not be established except after obtaining the required permission by virtue of the prime minister's decree. However, a company which does not present its shares for public prescription may be established by virtue of the Minister's decree.

2- The permit application of the establishment of a joint stock company shall be submitted through the Ministry and shall be subject to the terms and conditions determined by the regulations of this law.

3- The permit application may be subscribed by at least five signatures.

Article (67) 1- A founder is anyone who did participate in the company's establishment with a view to taking responsibility stemming therefrom.

2- A founder is, in particular, anyone who signed the initial memorandum, who applied for the permit of the company's establishment, or who provided a share in cash or in kind at the time of establishment.

Article (68)1- The permit application of a joint stock company shall be entered in the Ministry's relevant register. The application shall be accompanied by the draft articles of association.

2- The Ministry may require amendments to the draft articles of association so as to be in conformity with the provisions of the law and compatible with the form provided for in this law.

3- If the prime minister has not issued a decree on the permit of the company's establishment within a month, it is considered an approval. However, if the decree of rejection has been issued, such rejection must be justifiable; and founders have the right to recourse to judiciary.

Article (69)Sufficient copies of the draft articles shall be deposited in the accredited banks receiving subscription applications. Every party concerned may obtain a printed copy of the draft articles for a reasonable price.

Article (70) Founders shall initiate the subscription procedures within fifteen days as from the date of publishing the decree on the permit of the company's establishment in the official gazette. The Minister may, when necessary, approve to extend this deadline to no more than 30 days.

Article (71)

a. Founders may solely confide to them the subscription of the all or some shares. Other shares not subscribed by founders may be presented for the public subscription.
b. If the company's purpose is an investment concession granted by the government, at least 50% must be presented for public subscription.
c. The permit application of the company's establishment, the memorandum and articles of association shall specify the manner of subscription, the number of shares confided to founders, and the amount of shares subscribed to founders each.

Article (72)Joint stock companies presenting 25% or more of their shares for the public subscription are exempted from duties of stamp, documentation, publicity as well as the duties of loan and mortgage contracts related to businesses of these companies for the period of two years as from the date of their registration and publicity; they are also exempted totally from the capital tax.

Article (73)Founders of companies, which present their shares for public subscription, are not allowed to subscribe with such shares in direct or indirect manner. They may cover the remaining shares two weeks after the closing date of public subscription at the end of the period specified under the Minister's decree.

Article (74)

a. If founders presented a portion of the company's shares for public subscription, this must be through the licensed banks in the Republic.
b. The public invitation for public subscription shall be published and contain particulars which are determined by the Minister's decree; the following must be among those particulars:

1. founders' names, countries and nationalities;
2. company's name, purpose and head office;
3. duration of the company;
4. amount of capital, type of shares, value of shares, number of shares, the amount of shares presented for public subscription, the

amount of shares preserved for founders subscription, and restrictions of their circulation;

2. the manner of dividends' distribution;

2. information related to real shares and rights resulting therefrom;

2. issuance date of the prime minister's decree which licenses the company's establishment, and number and issue of the official gazette that promulgates the establishment;

2. start and finished date of subscribing, and the place and terms thereof; and

2. all other particulars that affect the company's financial status.

c. The announcement of subscription shall be published in, at least, one official daily newspaper in Arabic at the expense of the company, and at least seven days before the start date of subscribing.

c. The announcement of subscription shall be signed by founders who subscribed the permit application of the company's establishment; they shall be jointly responsible for the validity of particulars mentioned in the announcement and for its issuance which shall meet the particulars provided for in paragraph (b) of this article.

Article (75)

. Subscription shall be by shares in virtue of a document that contains, in particular, particulars on the style of the firm, purpose and capital thereof; terms of subscription; subscriber's name, address, profession and nationality, and number of shares he/she wants to subscribe for; commitment of accepting the provisions of articles as approved by the establishment assembly; the subscriber or anyone on his/her behalf shall sign the subscription document. In case the subscriber is not resident in the Republic, he/she must specify a selected domicile therein. The bank shall submit the subscriber a receipt which determines his/her name, his/her selected domicile, subscription date, number of shares he/she contributed, paid installments, it shall also submit him/her a copy of the memorandum and articles.

. Subscription must be complete, not dependent on a condition. Every condition set down in the subscription document by the subscriber is null and void.

Article (76)The value of each cash share paid at the time of subscription should not be less than 20% of its nominal value; and the rest balance of the share value must be paid within four years from the date of the establishment of the company on the date specified by the

articles of association or the company's board of directors. The share should indicate the part paid of its value.

Article (77)

i. The subscription must be kept open for no less than ten days and not more than three months.
i. The part of the capital not subscript by the founders must be offered in all for public subscription. The company can not be established except if the full capital is subscribed.
i. If, at least, three fourths of the capital is not subscribed within the three months prescribed under the first paragraph, the subscription may be extended subject to the Minister's permit for no more than thirty days.
i. If the capital has not been fully subscribed at the end of the determined date, founders must refrain from the company's establishment or decrease its capital.
i. In case of refraining from the company's establishment, founders have to refund the amounts paid by the subscribers in full. They are jointly liable for the refunding this amounts and for the expenses spent for the company's establishment.
i. In case the capital is decreased, subscribers have the right to refrain from subscription within a time not less than the first subscription period. If they didn't refrain within that period, the subscription is considered final.

Article (78)

f. If the subscription is made with all shares at any time after ten days from its commencement the subscription must be closed.
f. In case of allotment, shareholders can not be deposed of the company regardless of the number of shares which he/she subscribed with.

Article (79)The amounts paid by subscribers shall be deposited in any accredited bank in the account of the company under establishment. The bank may not turn it over except to the board of directors after the company has been established; or amounts shall be returned to subscribers if refrain from the company's establishment is decided in accordance with the provisions of paragraph (e) of Article (77) of this Law.

Article (80)

a. If the capital includes real shares, founders have to evaluate them in agreement with those who offered them; and founders have to ask the Minister to appoint one expert or more to ascertain the right evaluation and to submit a report thereon to the Minister. The rights of concession, patent and all other abstract rights are among the real shares.

b. Experts shall submit their report within thirty days from the date of their appointment to work.The Minister may, subject to a justifiable request from experts, grant them a chance of not more than thirty days. If it is evident from the experts' report that the real share does not attain the value estimated by founders, the Ministry may reject to endorse the articles, provided founders keep the right to present a new application including either the decrease of the real shares number as commensurate with the expert reports, the offer of additional real shares provided they are evaluated according to the previous regulations and under the knowledge of the same experts, or the offer of cash shares to cover the difference.

c. If founders didn't approve the evaluation of the experts' board the Minister may, subject to the controller report, reject the company's registration or form a further experts' board whose report is considered final. If founders did not accept the report, the Minister may reject the real shares.

d. The Minister shall send a copy of the experts' report to founders who will distribute it over to subscribers at least fifteen days before the constituent assembly meeting. The same report shall also be deposited in the company's headquarter within the same period; and every party concerned is entitled to have access to it.

e. The evaluation prepared by founders in agreement with those who offered real shares and the experts' report shall be presented to the constituent assembly. The assembly has the right to approve, reject or reduce the founders' evaluation prepared in agreement with those who offered real shares. If the assembly decided to reduce the evaluation mentioned, the one who offered the share may withdraw it from the capital or pay the difference.

f. If the constituent assembly decided to refuse the real share or it was withdrawn by its owner, the capital has to be reduced by shortage, provided that the capital is no less than the limit prescribed under this Law.

g. Decisions related to the evaluation of real shares shall be issued by the majority of the subscribers of cash shares provided that such majority possesses at least two thirds of the mentioned shares after excluding the subscriptions of real shares; they are not entitled to vote even if they are cash shareholders.

h. The shares which constitute real shares may be not turned over except after the assignment of these shares in full to the company.

i. Real shares have what cash shares do such as statements and rights; and they shall be given serial numbers and stated as real shares.

j. Real shares may not be circulated except after one year from the share record date. If these real shares are the result of the merger of another company or more and the shares of the merged company were in circulation before merger, the prohibition of circulation provided for in this paragraph shall not apply to them.

Article (81)

a. Founders must, within fifteen days of closing the subscription, have to call the subscribers to set up a constituent assembly. The period between the call and the date on which the assembly is to be held should not be more than three weeks and nor less than ten days. In all cases, no assembly may be held before twenty days from the date on which founders receive the experts' report in a real shares evaluation.
b. If founders did not send the call for the constituent assembly the Ministry may initiate such a call at the expense of the founders.
c. Each subscriber, irrespective of the number of his/her shares, has the right to attend the constituent assembly meeting.
d. The presidency of the assembly shall be temporarily taken over by a founder who is the oldest of age.
e. The minutes of the meeting shall be signed by the chairman, secretary and votes counter. A copy of this minutes of meeting should be sent to the Ministry.

Article (82)

The constituent assembly considers, in particular, the following matters:

a. The founders' report on the company establishment process and the expenses incurred.
b. The company's draft articles and set forth its final provisions in accordance with applicable rules; the assembly has no right to make amendments to the draft without the consent of the majority of subscribers provided they hold two thirds of the capital.

c. Real shares' evaluation in accordance with the provisions of Article (80) of this law.
d. Election of the first board of directors.
e. Appointment of the first accounts auditor of the company.

Article (83)

a. To be valid, the constituent assembly meeting must be attended by a number of subscribers representing, at least, half of the capital.

b. In case that the first meeting does not have a quorum prescribed in the previous paragraph, a call for a second meeting to be held shall be directed within fifteen days from the date of the first meeting provided that the period between the direction of this call and the meeting date shall not be less than seven days. The second meeting shall be valid if it is attended by subscribers representing thirty percent of the capital.

c. Decisions are issued in constituent assembly meeting by the absolute majority of the shares represented in the meeting unless otherwise provided for in the articles.

Article (84)

a. Founders submit, within ten days after the meeting of the constituent assembly, an application to the Minister to declare the company's establishment.

This application must be subject to the terms and conditions determined in the by-law of this Law; the following must be attached to the application:

2. acknowledgment of the subscription for full capital, the subscribers' payments of the shares value, and a list of their names along with the number of shares subscribed by each;
3. minutes of meeting of the constituent assembly;
4. articles of association as approved by the assembly;
5. the assembly's decisions regarding the approval of the founders' report, real shares evaluation, and appointment of the first board of directors and account auditor; and
6. documents supporting the validity of the establishment procedures.

a. The Minister's decision on the company's establishment declaration shall be issued within ten days from the date of submitting the above-mentioned application to the Ministry. If ten days passed after that

deadline without settling the application, the establishment to be considered valid.

f. The company is deemed legally established with effect from the Minister's decision on the company's establishment declaration or with effect from the termination of the period mentioned without determining the application.

Article (85)The Minister's decision approving the company's establishment as well as the articles shall be published in the official gazette at the expense of the company.

Article (86)After the Minister's decision on the company's establishment declaration was issued, the validity of the company may not be challenged because of violating the procedures of establishment except subject to Article (91) of this Law.

Article (87)

b. The first board of directors shall declare the articles in the commercial register subject to the provisions of the law related to the Commercial Register.

b. If the company's articles and memorandum are not publicized in the commercial register within the time prescribed in the law mentioned, the company is then considered invalid; if a piece of information or more which must be publicized is not in the commercial register, such invalidity relates only to the piece of information in question.

b. Other parties have the right to adhere to the company's invalidity due to being not publicized; such invalidity becomes ineffective if publicity is made before the judgment request.

b. In the course of liquidation of the company sentenced to be invalid and the settlement of the partners' rights due to one another, the terms provided for in its internal articles shall be applied. If the company's articles do not have the terms in question, the relevant provisions provided for in this Law shall prevail.

Article (88)If the company has not been established, subscribers may retrieve the amounts they paid and; founders become jointly liable for such payments as well as compensation, when necessary. Founders also pay all expenses incurred in the company's establishment and are jointly responsible before other parties for the acts conducted by them during the establishment period.

Article (89)If the company's establishment has been completed, all acts undertaken by founders during the establishment period shall be, by virtue of law, transferred to it. The company shall also pay all expenses incurred.

Article (90)

d.The first board of directors is jointly liable for damages arising from failing to complete the declaration procedure prescribed in this chapter. The account inspector shall observe the completion of such procedures.

d.The company's name, category, head office, date of establishment, and volume of capital must be clearly indicated in all contracts concluded by the company and in all correspondences, publications, advertisements and other printing matters issued by the company.

Article (91)

b. After the issue of the Minister's decision regarding the declaration of the company's establishment, the company's validity may not be challenged because of violating the provisions of the establishment procedures.

b. If a joint-stock company has been illegally established, the parties concerned may, within five years with effect from its establishment, direct a warning letter to the company to fulfill the completion of an incomplete transaction or the rectification thereof, subject to the provisions of law, within three months after the warning date.

b. If the company failed within the above mentioned period to carry out the required rectification, the parties concerned may ask the competent law court to issue an order on the company's invalidity and wind it up.

b. If the company has been sentenced to be invalid, it is to be liquidated as a real company; founders and the first board of directors are jointly liable as well as chartered accountants proved to be negligent for meeting the due rights to other parties from the company.

b. Founders and all partners may not protest against others with regard to the company's invalidity.

Article (92)The board of directors must publish, every year in a daily official gazette within two months from the date of the General Assembly endorsement on accounts, the finished fiscal year budget, closing accounts, and list of the members of the board of directors and account auditors.

Part Three
Bonds Issued by the Company

Article (93)

j. Bonds issued by a joint-stock company are the shares and legal debenture bonds.
j. The company may not have establishment shares or especial privileges for founders or others.
j. No share giving its holder a privilege of any kind shall be issued.

1- Shares

Article (94)

c. The face value of a share may not be less than one hundred Yemeni Rials no more than one thousand Yemeni Rials.
c. Upon the company's establishment, no shares may be issued for less than the face value or more than this value, adding thereto the issue expenses.
c. A share shall not be split. If it is owned by several persons, they have to appoint a representative in using the rights related to the share. Such persons are jointly liable for the obligations arising from the ownership of the share.

Article (95)The value of cash shares shall be paid either by payment in full or by installments. The installment to be paid at the time of subscription may not be less than 20% of the share value. The full value of the share must be paid within four years from the date of the company's establishment declaration decision.

Article (96)

c. The company, after establishment, shall replace the subscription receipts with provisional share certificates signed by the chairman of the board. Certificates must include, in particular: the shareholder's name; the number of shares the holder subscribed with; the way of the value settlement; the amount of shares' payment; date of payment; serial number of the provisional certificates; numbers of shares represented thereby; the company's capital; and the company's head office.

c. Such certificates serve as shares and remain nominal until they are replaced with the shares bonds.

c. Provisional certificates must be replaced with shares bonds within six months from the date of the company's declaration. Shares bonds must be signed by two members of the board of directories; and the vouchers of profits are to be attached to the shares bonds. Vouchers can be nominal or for their holders, and can be transferable. Every condition restricting their transferability is considered null and void.

Article (97)

c. The company's shares can be either in cash representing a portion of the money, real ones representing a portion of asset, or a right which can be evaluated. The kind of the share must be stated in the respective bond.

c. All the company's shares have equal rights and are liable for equal obligations.

Article (98)

b. The shares are to be nominal or for their holders. The shares remain nominal until their value is paid in full.

b. The nominal shareholder may, subject to the payment of its full value, demand its convertibility to the shareholder stock unless otherwise stated under the company's articles.

Article (99)The company shall repair special register for the nominal shares entries, shares holders' names, nationalities, countries, occupations, the shares' numbers and the amount paid of its value. A copy of such a statement is to be delivered to the Ministry.

Article (100)

b. Shares shall be negotiable.

b. Nominal shares shall be circulated under the disposal in the stocks register and to be endorsed in the shares. No challenge is valid against the disposal right by the company or others except from the date of entry.

b. Shares shall be circulated for its holders immediately upon delivery.

Article (101)

c. If the ownership of the nominal stock is transferred by means of heredity or will, the heir, the will beneficiary or their representatives must demand ownership transference entry in the stock register.

c. If the share ownership transference is subject to the final judgment, the entry must be made in the stock register subject to that judgement; the ownership transference so effected is to be endorsed in the share.

Article (102)

. Cash shares subscribed by founders or real shares may not be circulated prior to the declaration of the budget and of the statement of profit and loss account for a fiscal year of not less than twelve month from the date of the company's establishment. These shares remain nominal and may not be delivered to their holders within the stated period and must be marked with its categories and the date of the company's establishment.

. During the prohibition period, the ownership of the cash shares subscribe by founders may be transferred among themselves or from one of them to the board of directors members to be submitted as a security to the management or the founders' heirs in case of his /her death to another party.

. The provisions of this Article are applicable to the subscription of founders in case the capital is increased prior to the end of the prohibition period.

Article (103)Without prejudice to the provisions of the previous Article, prior to the publication of the budget and profit and loss account for the first fiscal year- provided it is not less than twelve months- prescription bonds, provisional certificates, or the shares of all kinds may not be circulated for more than their nominal value added thereto, when necessary, the issue expenses.

Article (104)The articles may include restrictions related to the circulation of nominal shares provided such restrictions don not prohibit negotiability.

Article (105)

d. A shareholder is not accountable for the company's liabilities except for the amount of his/her contribution to capital.

d. No sequestration is permitted against the company's assets on account of debts due from any of the shareholders; but his/her creditors may have sequestration on the share and dividends arising therefrom subject to an order.

d. Sequestration on a share is to be stated in the stock records. Such a share is to be marked to indicate sequestration thereon. Such a mark shall not be lifted except if authorized by the competent authority. The party who lead the lien is subject to all decisions taken by the general assembly with regard to shareholder whose shares are attached without having the other rights entitled to the shareholder in the company.

Article (106)

c. The shareholder is obliged to pay the share value on the date prescribed; the delay fines are payable exactly at the mature date without having to send a notice.

c. If the shareholder fails to pay the due installment, being a part of the share value, on due date, the board of directors may sequestrate the share subject to a notice to the shareholder regarding the payment of the due installment. The notice should be send by replay paid registered letter. In case he/she fails to effect payment within ten days from the date of the notice receipt, the company may sell the share in the stock market; if such market is not available, the company may sell the share by auction. The shareholder may not pay the due value on the day specified for the auction.

c. The company shall subtract from the sale proceeds what is due to its account of delayed installment and the fine with the expenses incurred. The balance should be paid to the shareholder. In case the proceeds of the sale are not sufficient to cover such amounts, the company may claim the balance from the shareholder subject to the regular practices.

c. If the sale is carried out by auction, the company must prepare a report on the action taken during the auction session. The statement included in the report must considered true unless otherwise proved.

c. The company shall abrogate the share on which the lien was imposed and give the buyer a new share bearing the number of the abrogated share. The sale so effected with the new shares must be indicated in the share record.

Article (107)The successive shareholders are jointly liable for satisfying its value except the last holder. Every shareholder shall be discharged from such liability after two years from the date of his/her assigning the share in the stock record.

Article (108)The company may not discharge the shareholder's liability for paying the share value; and clearance can not be recognized between such liability and the rights which may be due to the shareholder from the company.

Article (109)The shareholder may not claim repayment of what he/she paid to the company in contribution to capital.

Article (110)The shareholder may have all the rights attached to the share confirmed. In particular, the shareholder has the right: to obtain a portion of the dividends to be distributed and of the company's assets in case of liquidation; the right to attend the general assemblies, contribute to its debates, and vote on its decisions; to assign a share; to have access to the company's document and books, to monitor the board of directors activities, to raise actions with regard to liability against all of its members, and to challenge the general assembly resolution; subject to the terms and conditions specified under this Law or the company's articles.

Article (111)

e. Every resolution issued by the ordinary or extraordinary General Assembly meetings is considered invalid if it is found to the prejudice of the shareholder's basic rights to which he/she is entitled as a partner subject to the Law's provisions or the company's articles. Such invalidity covers particularly resolutions depriving the shareholder of sharing in the dividends or distribution of the company's assets after its expiry, depriving him/her of attending the General Assembly or taking part in its deliberations and vote on its decisions, and depriving him/her of prosecuting the members of the board of directors for accountability or of his/her right to assign the shares or restrict such right with conditions rendering its application impracticable, or depriving him/her of the priority to contribute in new shares in case increasing the capital.

e. The resolution issued with regard to matters mentioned in the previous paragraph is binding to shareholders who approved it.

Article (112)

b. The articles may provide for shares depreciation during the establishment of the company if its project is gradually depreciable or based on provisional rights.

b. The shares depreciation may not be allowed except from the dividends or the reserve respectively and by lot or any other method serving shareholder equity.

b. The depreciation may be through the company purchasing its shares in the stock market provided their price is less than or equivalent to the nominal value. The company shall condemn the shares obtained in this manner.

b. The company's articles may provide for giving enjoyment shares to the holders of shares depreciated by lot. Such shares are to be nominal or for its holders. The company's articles specify the rights giving to their owners. However, a percentage of the net annual dividends must be allocated for distribution over the shares not depreciated with priority over the enjoyment shares. In case of the company's termination the holders of shares, which did not use up the rights to obtain, subject to the priority practices concerning the liquidation assets, what equals the nominal value of their shares.

2- Loans Bonds

Article (113)

d. The joint-stock company may issue bonds for legitimate loans concluded; these bonds should be equal in value, negotiable but shall not be spilt up.

d. The bonds issued by the company are nominal or for their holders. The bonds remain nominal until its value is paid in full.

Article (114)

b. No loan bonds shall be issued without the consent of the ordinary General Assembly. The General Assembly may empower the board of directors to determine the loan amount and terms.

b. The loan bonds may not be issued except if the company's capital was paid in full provided the bonds value does not exceed the actual existing capital.

b. New loan bonds may not be issued unless subscribers of the previous loan bonds have fully paid the value of these bonds providing that the value of new loan bonds along with the outstanding of the company's liability should not increase the value of previous loan bonds over the actual existing capital.

b. The provisions in the previous two paragraphs do not apply to the real estate trust companies and the agricultural, industrial credit banks and companies so approved subject to the Minister's decree.

Article (115)Prior to their first fiscal year budget ratification, the company may not issue loan bonds except if such bonds are guaranteed by one of the accredited banks or if the bonds are guaranteed undertakings by any organization mentioned above.

Article (116)The General Assembly's resolution issued in respect of the loan bonds may not be carried out except after the registration of that resolution in the commercial register.

Article (117)The bond issued on account of a single loan give to their holders equal rights. Conditions violating this requirement are invalid.

Article (118)Loan bounds offered for public subscription must be made through an accredited bank. The public is to be called for subscription in accordance with the rules determined by this Law's regulations.

Article (119)In case of failure to pay the bond's value, the provisions provided for in Article 106 and Article 107 under this Law shall be applicable.

Article (120)

d. The company shall settle the value of loan bonds subject to the conditions agreed upon at the time of issuance. It may not extend or delay the maturity date.

d. Processes in relation to the bond's withdrawal by lot shall be witnessed by a representative from the government. The government representative's absence shall result in the invalidity of the withdrawal process.

Article (121)The loan bonds may not be converted into shares except if so provided for in the loan conditions. If conversion is determined, the bond's holder may accept either the conversion or the bond's nominal value.

Part Four

1- Board of Directors

Article (122): A- The board of directors of the stock company manages the company. The article of association specified the number of the members of board of directors members which should not be less than three nor more than seven, if the company's capital 20 million Rials or more than the number of board of directors may eleven.

B- The number of board of directors must be a shareholder in company.

Article (123): The articles of association specify the term of membership in the board of directors provided it does not exceed three years. The articles of association also specify how the membership term in board of directors terminated all at once or alternatively by stages.

Article (124): The general assembly elects the members of board of directors by ballot. They may be re-elected unless otherwise stated by the article of association.

Article (125): The board of directors elect every year from among its member a chairman and a deputy chairman to replace him during his absence. The boards of directors also appoint a secretary from among its members or others. The Ministry should be advised of a copy of the decision concerning the election of the chairman, his deputy and the delegated members and every amendment to the board of directors' formation.

Article (126): A- In case the position of a board of directors member becomes vacant the party which appointed the predecessor shall elect another one in place of him from among the shareholders fit for the membership. This appointment should be presented to the general assembly in its first meeting for ratification or to select another member. Under all cases the new members complots his predecessor term.

B- If one third the board of directors member position become vacant the general assembly must be called for an immediate

meeting to elect replacement unless no more than a thirty days time is fixed for the general assembly meeting.

C- If the appointment some members from a governmental agency, that agency is concerned with the nomination of the board of directors member representing it subject to a decree the Minister.

Article (127): A- The majority of the board of directors member must be Yemeni nationality and have a domicile in it. However, the company may be exempted from this requirement subject to a cabinet permit, in case some of the shareholders are foreigners. The number of the foreigners in board of directors should however be not more than the foreign shareholder in the capital foreign shareholders.

B- If for any reason the portion stated in the previous paragraphs is lost it must be completed within three months as a maximum period otherwise the board of directors resolution issued after the end of this period are considered invalid.

C- The company must prepare every year a list of the board of directors chairman, members with their nationalities and ages.

Article (128): A- If the government or any of its institution or public companies are among the shareholders of the company it must be represented in the board of directors with the shares it owns.

B- In all cases neither the government nor the institution mentioned in the previous paragraph is allowed to participate in electing the board of directors members how are not representing it.

Article (129): A- The board of directors chairman, his deputy or any person other than the board of directors members may undertake the companies general manager functions.

B- Any personnel of the company may be a member in board of directors the board of directors, may call the companies manager or any of its personnel to attend te board of directors meetings provided he is not entitled to voting right in the debts.

Article (130): A- The board of directors membership and any public service may not be combined and the election of employee for the board of directors membership is valid only in the name of his job.

B- Anyone convicted of any crime may not be elected for board of directors membership unless he rehabilitated.

Article (131): Apart from the government respective and legal person in the board of directors no one may be elected for board of directors membership unless he first accept in writing the nomination. Such acceptance shall include an indication from the member of his nationality and the companies in where he worked during the past three years before he nomination and the kind of work.

Article (132): The stock company manager nor any personnel of it may permanently, temporarily or occasionally perform any work in any other stock company without prior board of directors permit renewable every year.

Article (133): Any member of a banks board director or any company in which the state or other institution or public companies hold no less than 10% of the capital shares may be in his all name or in the or as a representative others, become a members of the board of directors of any other bank or stock company nor anyone other positions in the banks or any companies referred to in the previous paragraph may temporarily undertake any work in any other bank or stock company violation of this requirement renders the involved person as resigned form his job in the bank or company.

Article (134): A- Apart from the govern representation and legal person in board of directors, the member of the stock company board of directors must own a number of the company's share corresponding 20% at least of its capital, the member how every may own a number of shares of which the value at the time of his election is not less than 30 thousands Rials. The board of directors chairman must own double the number of shares required from the member that is to be referred to the stock exchange list or to the stock nominal value unless the company has been recorded in the such markets.

B- The amount of share stated in the previous paragraph, should be allocated as security for the board of directors members liability. Such shares must be deposited in any accredited bank within a month from the date of member election. The deposited share should remain an assigned until the end of the membership date term and the company is waived. The share must then indicate that it is not assigned, the companies liability towards the member is terminated after two years form the date of on which the wrong Act was committed.

C- The challenge paper prepared due to the application of this Article Provision are invalid.

D- If the member fails to submit the security shares for this membership application and if there number becomes less than the fixed amount under this article this member required to completed within one month otherwise his membership terminated.

Article (135): A- The general assembly may deposit the whole or some board of directors members elected by it even if the article of association includes a condition prohibiting such deposition. The deposed member may claim compensation from the company if such deposition was not in proper time or an reasonable. The government and legal persons may also deposed their representative in the board of directors without the approval of the board of directors or assembly.

B- The deposition is applied for subject to board of directors resolution or an order from some shareholders representing 10% of the capital. In the later case the board of directors Charmin must discuss the deposition with the general assembly.

C- If the deposition of the board of directors members deposition is applied for two months or more before the fixed time of the general assembly meeting, the board of directors chairman must call the general assembly to hold an extra ordinary meeting within ten days from the deposition application date. Otherwise the ministry will direct that call.

D- The general assembly may not considered the deposing application unless it is included in its agenda or in case of a serious incidence requiring such deposition are raised during the meeting. Under all circumstances the members to be deposed must be given a chance to respond to the incidence ascribed to him other wise the deposition decision is render invalid.

E- If the general assembly decided to depose a board of directors member that member may not be re-elected before five years from the date of assembly disposition resolution date.

Article (136): A- The board of director's members may resign from membership at proper time approved by the board of directors otherwise they should undertake the compensation.

B- The resignation letter should addressed to the board of directors in case the resignation is approved it can not withdraw.

Article (137): A- The article of association indicates how the awards' of the board of directors members are to be determined with due consideration of the provisions included in the following paragraph.

B- If the award is determined with a certain portion of the companies profits it should not exceed 10% of the net profit after dedicating the amount mentioned under 192 & 191 articles of the current Act. With regard to the award distribution among the board of director's members, the provisions included the article of association or the board of directors internal regulation must be applied.

C- If the board of directors member award is a fix salary or session attendance allowance or other real privileges as may not required by the company's work nature such award must not exceed annually the limit determination under the rules and regulations of the current Act. Any estimation violating this Article is considered invalid and so is any condition, which calls for the payment of awards free from fixed tax.

Article (138): A-The board of directors holds its meetings at the call of its chairman or in responds to one third of its members at least.

B- The board of directors must hold six meetings at least during each fiscal year and no two months shall pass without meetings.

C- If the board of directors chairman or member failed to attained for meetings in succession or have the meeting in six months without an acceptable excuse he is considered as having resigned. The matter should be discussed with board of directors for decision which must by notify to the members.

Article (139): A- The board of directors meeting is invalid unless attended by unless at least half its number unless otherwise stated by the article of association.

B- The board of directors decisions are passed by the majority of present in case the votes are equal the chairman's side prevails.

C- The board of directors members may not represent another member on voting for the board of directors decision nor is voting accepted through correspondence.

Article (140): A- The board of directors minutes of meeting are recorded in special book in which the recorded minutes should be signed by the attendant members and board of directors secretary. The

member who did not approve any decision taken by the board of directors must confirm his challenge in the meetings minute.

B- Those who signed the minutes of meeting are responsible for the statement accuracy in the book.

Article (141): A- The board of directors has all the powers required to perform the actions called for by the companies purpose except what is reserved by the article of association for the general assembly, which instructions and resolution he must to comply with.

B- The board of directors may not conclude the loans which exceed three years term or sell or mortgages the company's property or sell or mortgage the company's assets or release the company's debtors liability except if he is authorized to do so under the article of association. Otherwise the board of directors may not act as mentioned above unless permitted by the general assembly if such acts do not fall with its nature in the company's objectives.

Article (142): The board of directors chairman manages the company's delay works unparticular he undertakes the following functions:

1st- Calling the board of directors to hold meetings.
2nd- Calling the general assembly to meet subject to the provisions of the current Act and the article of association.
3rd- To sign on behalf of the company observing the conditions of the article of association.
4th- To represent the company before others.
5th- To follow up the board of directors resolutions implementation.
6th- To ask the general assembly to appoint auditors.
7th- Appointing, dismissing and supervising the employee and laborers.
8th- Supervising the company's book keeping and observing the relevant legal conditions.

Article (143): A- The board of directors develops rules and regulations for the work progress control its work progress and to determined functions, rights and duties of the worker in consideration of the applicable rates and regulation prescribed by the Act and article of association.

B- The board of directors distribute the work among its members as commiserate with the nature investment conducts by the

company. The board of directors may form among its members or others board to study the matters referred to them and to submit the respective report. The board of directors may also instruct one of its member or another person to perform a certain work or to conclude a bargain with granting him the power required for that purpose. The board of directors may at all time dissolve the boards it so formed or depose those whom it instructed to perform certain work.

C- Apart from the awards determined under the article of association for board of directors, the board of directors chairman or members are not entitled to any wages for any additional they may perform for the company.

Article (144): A- The company is liable for the board of directors Acts and functions if they fall within the company's objectives even if they are in excess of the board of directors limited powers under the article of association unless the company proves that the others with whom concluded an agreement with board of directors were at the time of the actions taken aware of the stated restrictions.

B- The company undertakes and is accountable for compensating the damage resulting from the illegal actions violating the article of association and which are conducted by the board of directors members in the companies held responsible for.

Article (145): A- Each of the company's manager and board of directors members is required to submit to the board of directors first meeting held after its appointment deceleration of the company's shares he owns and the loans bonds it issued in his name or his wife' or his minor sons and of every change in such bonds. Such declaration should include the date of every transaction separately. The number of shares or loan bonds he obtained with purchase or sale price. Anyone violating this article provisions is considered deposed by law.

B- The company prepares special record in which it proves the company's shares and bonds owned by any of its managers, board member in his own name or his wife's or minor sons with every change made to this ownership.

Article (146): A- Without the approval of the general assembly number contract may be concluded nor work is allowed to be undertake in which any of the company's manger or board of directors members has personal interest, excepting works and contracts concluded

through public tenders if the manager of board of directors member is the successful bidder.

B- The manger of the board of directors member must advise the board of directors of the personnel interest he has in the works and contracts concluded for the company and he has to establish this advise in the minutes of meeting. And he may not participate in voting for the decisions issued with regard to the mentioned work and contract.

C- The board of directors Charmin is required to notify the general assembly during its meeting of the work and contracts in which any of its manger or board of directors member has personnel interest. This notifications should be enclosed with the account controllers.

Article (147): A- Without the general assembly special permission no board of directors members or company's manager is allowed to participate in any work constituting compensation to the company or to trade for his favor or others n any branch of the business exercised by the company otherwise it may claim compensation from him or consider the transaction he conducted in his favor for its own account.

B- The board of directors member may not promulgate to the individual shareholders or to other what they have discovered of the company's secrets due to their management otherwise they are liable to be forced an compelled to compensate.

Article (148): A- The company may not offered a loan in cash of any kind for any of its board of directors members or to the guaranty any loan concluded by a member with the others.

2nd- Excepted from the provisions of the above paragraph are the banks and others trust companies as they may within they works that fail in their purposes and subject to conditions and terms they apply with regard to the public client advance a member of its board of directors or open for him a credit or grantee him in the loans he concluded with others.

Article (149): A- The board of directors prepares for each fiscal year the company's balance sheet with profit and loss account and a report on the company's activities during the ending financial year and its financial standing in the same year and the manner it proposes for the occurred net dividends

distribution at leas one month before the general assembly meeting. The balance sheet and the profit and loss account etc. must be clear and subject to the provisions included in their currents acts rules and regulations.

B- The chairman of board of directors signs the balance sheet and the profits and loss account in addition to the board of directors report.

Article (150): A- The chairman of board of directors must publish the balance sheet, profit and loss account and a summery of his report with the complete text of the auditors reports in a daily newspapers issued officially in Arabic at the company's head office at least fifteen days before the general assembly meeting.

B- If the company's stocks are nominal it may be sufficient to send a copy of the documents indicated in the first paragraph to every shareholders by registered mail at least fifteen before the general assembly meeting.

Article (151): The board of directors shall put every year at the disposal of the shareholders and their particular consideration at least fifteen days before the general assembly meeting convened to consider the board of directors report a statement signed by the chairman and including the following:

1st- The sums of money received during the fiscal year by every member of the board of directors what so ever is the right to those sums of money and the real privileges he enjoys.

2nd- The sums of money proposed for disbursement to the members of existing or the previous of board of directors as retirement or end of service award.

3rd- Sums of money actually spent in advertising with details concerning each payment.

4th- Works and contracts in which member of board of directors have personnel interest.

5th- Contribution with the respective justification.

Article (152): The members of board of directors are responsible to the company and shareholders if they miss manage its states of affairs or violate the provision of the current Act or the article of association. Any condition requiring otherwise it considered void and null.

Article (153): A- All the members board of directors are held responsible in case of an err arising from a resolution issued unanimously. But the decisions past according to the majority, the opposing members are not to be accountable provided they established their opposition expressly in the minute of meeting. Absence from the sessions in which the decisions was passed does not relieve the responsibility except if the absent member is proved to be ignorant of the decisions and his inability to oppose that decision.

B- If more than one member is involved in the error they are jointly held responsible to the company and responsibility is shared by them according to the error ratio.

Article (154): The members of board of directors are accountable for the damage suffered by the shareholders or the others due to their errors.

2- The ordinary general assembly meeting

Article (155): A- The ordinary general assembly of the shareholders is held in response to a call from the chairman of board of directors at the time and place specified under the article of association. The general assembly must held at least once every year within the four months following the fiscal year end. The board of directors may decide to call the general assembly when ever required.

B- The board of directors shall decide to call the ordinary general assembly to hold a meeting if he is required to do so by the accounts controller or a number of the shareholders representing 10% of the company's capital provided they have real reasons to justify that meeting.

3rd- The ministry may call the ordinary general assembly to hold a meeting if one month passed after the date specified for a meeting without being called to hold a meeting or if required to do so by the charter accountant or a number of shareholders representing 10% of the capital provided they have real reason to justify the meeting.

4th- Under all circumstances the call for the expensing covering meeting call are borne by the company.

Article (156): A- The board of directors must be represented in general assembly with no less than the number required for its valid meeting.

B- If the board of directors is not represented as indicated in the first paragraph the general assembly meeting is not considered invalid but the member of board of directors who failed to attained the meeting without an excuse acceptable to the assembly is considered as having resigned.

Article (157): A- The ministry has the right to send one represented or more to attained the shareholders general assembly meeting and representative do not have the right to participate in the debts or voting, and they are required to write down the events of the meeting in special report read to those instructed to write the minutes of the meeting for comments in writing. The attendance the ministry of representative must be established in the general assembly minutes of meeting.

B- The ministry's representatives may abose the general assembly decisions in case it violate the Act or is incomplete with regard to the legal procedure.

C- The ministry's representatives of objection may be challenged to the minister within fifteen days from the date of objection. The minister's decisions with regard to the challenge is final and the party complaining of this challenge may have records to the compitant court.

Article (158): A- Every shareholder has the right to attained the shareholders general assembly.

B- Attaindance of the general assembly may be by proxy provided the agent is a shareholder and the mandate must be special and established in writing. The shareholder may not delegate the members of board of directors to attained the general assembly.

C- Under all circumstances, the number of shares held by the agent under such capacity may not exceed 5% of the company's capital stocks.

D- Apart from the legal persons, no shareholders whether original or an agent for another may not have a number of votes exceeding 20% of the votes fixed for the shares represented in the meeting unless the article of association provide for less percentage.

E- The attendance of the shareholder-appointed proxy or the representative of legal person holding shares is not considered valid attendance of the original shareholder is not considered a legal attendance in the general assembly meeting for the original shareholder even if the appointed proxy or the legal person representative is not one of the company's shareholder.

Article (159): A- The call for the general assembly meetings of the shareholder shall be announce in at least one official daily paper at least fifteen prior to the fixed date of the meeting with registered letters to all shareholder.

B- The call for the meeting must include the agenda.

C- A copy of the call papers shall send to the ministry at least ten days before the fixed date of meeting.

Article (160): The board of directors shall prepare the general assembly meeting agenda which must include in particular the following:

1- Reading and endorsing of the board of directors report and the accounts controller reports.
2- Considering and endorsing the company's balance sheet and the profit and loss account subject to hearing to the account controller reports.
3- Electing the members of board of directors representing the shareholders and appointing the auditors with the wages to be granted for them during the next fiscal year unless it is determined in the article of association.
4- Considering the board of directors proposal with regard to the profits and the relevant decisions.
5- Authorizing the board of directors to grant contributions.
6- Considering dismissal of board of directors members whenever required.
7- Releasing the board of directors and auditors liabilities or to decide the action to raised against them for responsibility as may required.

Article (161): A- The general assembly meeting is invalid unless it is attended by shareholders representing at least half the capital unless a higher limit is required by the article of association. If the required limit is not available in the first meeting the general assembly is to be convened in another meeting to be held within the thirty days following the first meeting. On fourth the company's capital is to be represented in the second meeting if this limit is not available then, a third meeting is to convened and held

within fifteen days following the second meeting. The third meeting is considered valid regardless of the number of shares represented their in.

B- The general assembly decisions are passed subject to the absolute majority of the shares represented in the meeting.

Article (162): A- The general assembly is headed by the chairman of board of directors or his deputy or the board of directors appointed person. The assembly shall appoint from the among the shareholders the secretary and votes counters.

B- If the assembly is considering a matter related to the meeting head the assembly must select from among the shareholders another head.

Article (163): A- In the company's head office a register at least one week before the general assembly meeting a register is to be opened to include the names of the shareholders interested in joining the general assembly and the number of shares held by the shareholder for himself or by proxy. He shall be given a card in which the number of votes due to him is to be indicated under the supervising and signature of a member of board of directors at the board of directors risk.

B- Every shareholder may discussed the matters included in general assembly agenda and to questioned the board of directors members and controllers with regard to such matter. He also may direct what he likes of the questions at least five days before the general assembly meeting. Any provision depriving the shareholder of the right to question or direct questions is considered invalid.

C- The board of directors shall answer the shareholders questions to extent that the interest of the company or any other institution or the public is not jeopardized. If the shareholders feels that his question is not answered sufficiently he may refer to the general assembly judgement which must be complied with.

D- Every shareholder has a number votes in the general assembly equivalent to number of his shares.

Article (164): A report shall prepared with sufficient summary on the general assembly discussions and any event taking place during the meeting including the names of the shareholders attendance, the

decisions passed by the assembly, the number of votes supporting the decisions and those who objected. And the statement which the shareholders demand to be established in the minutes meeting.

Article (165): A- The general assembly minutes meetings must be recorded regularly at the end of every meeting in a special book signed by the assembly head, secretary, votes counters and the auditors. The signatories are held responsible for the correctness of the statements there in.

B- Time sheet is to be kept for the general assembly members names, the votes they own originally or by proxy and their signatures, this time sheet is to be kept together with the minutes of meeting by the company.

Article (166): Voting in the general assembly is to be processed in the manner stipulated by the article of association. Voting must made by ballot if the decisions is related to the election of the board of directors members or their dismissal or raising an action for the responsibilities against them or if so required by the chairman of the board of directors or at least 10% the shareholders.

Article (167): Members of board of directors may not participate in voting on the general assembly decisions concerning releasing them from responsibility.

Article (168): A- The ordinary general assembly is concerned with considering all matters related to the company except what is reserved for the extra ordinary general assembly subject to the Act.

B- The general assembly may not negotiate matters included in the agenda thus it has the right to discuss serious matter revealed during the meeting.

C- If the number of shareholders representing 5% of the capital ordered the inoculation of certain subject in the agenda, the board of directors must respond to the order otherwise the assembly may decide such subject to a ascertaining the valued curium.

Article (169): The board of directors must give shareholder a copy of the minutes of meeting if ordered by shareholder.

Article (170): A- The decisions passed by the general assembly are considered subject to the Act and the article of association binding to all

shareholders whether they were present in or absent from the meetings which passed those decisions.

B- The board of directors shall comply the general assembly decisions.

Article (171): A- Without prejudice to the right of the others parties in good faith, each decisions passed by the general assembly in violation of the Act provisions of the article of association is considered invalid.

B- Any decisions is issued in fever of a certain group of the shareholders or to its prejudice in order to achieve an interest for the board of directors or others may be abrogate in respective of the company's interest. In this case the abrogation may not be applied for except the shareholder who object the subject decisions in the minutes of meetings or those who were absent from the meeting with acceptable excuse.

C- Subject to the abrogation judgement, the decision is to be considered as void and null with regard to all shareholders. The board of directors must published the abrogation judgment in one of the official daily papers.

D- The abrogation becomes invalid after one year from the date of the decisions issuance. Stopping of decision execution subject to the raising the action is invalid unless otherwise adjudicated by the court.

3- The extra ordinary general assembly

Article (172): A- The extra ordinary general assembly is concerned with adjusting the article of association and the merger with other companies or institutions or its dissolution before its fixed term or its extension.

B- In considering the article 111 of this Act the extra ordinary general assembly may add any amendment it deems right to the article of association excepting:

1- Adjustment to increase the financial burdens of the shareholders.
2- Adjusting the company's men objectives.
3- The transference of the company established in the Republic to a foreign country.

C- Every provisions in the article of association not in agreement with the provision under this article is considered void and null.

Article (173): To the extra ordinary general assembly the provisions related to the ordinary general assembly are applicable provided the following are observed:

1- The extra ordinary general assembly is only held subject to the board of directors call. Such call is directed if the board of directors is ordered to do so by a number of shareholders representing 25% of the capital for serious reasons and the agenda must indicated in the call addressed to the shareholders. No subject may be discussed if not included in the agenda. If the board of directors failed to call the assembly within fifteen days from the date of the application submission, the applicant may submit such application to the ministry to direct the required call. The ministry may call the assembly meeting.

2- The extra ordinary general assembly meeting may not be valid unless attended by a number shareholders representing at lest two third of the capital unless a higher number is provided for under the article of association. If the limit minimum is not available in the meeting, the assembly must be called to hold a second meeting within the thirty days following the first meeting appointed date. The second meeting is valid if attended by the shareholders representing at one third of the capital.

3- The extra ordinary general assembly meeting decisions are passed by the majority of two third the shares represented in the meeting unless the decision is related to increasing or decreasing the capital or extending the company's terms or its dissolution before the appointed date under the article of association. Or the merger of the company with another company or institution when in such cases the decisions is not valid except if it is passed by the majority of the three fourth the shares represented in the meeting.

4- The extra ordinary general assembly may issue the decisions that fall in the ordinary general assembly power.

Part Five
The Auditors

Article (174): A- The stock company may have one auditor or more but not over three.

B- The auditor is to be appointed for period of 1-3 years renewable from the list of charter accountants prepared by the ministry.

C- The appointment of the auditor, renewal and award are subject to a decision by the general assembly.

Article (175): A- If an auditors positions became vacant the chairman of board of directors must advised the general assembly immediately to appoint another auditor.

B- The auditors position and participation in the company's establishment or its board of directors membership may not be combined nor conducting any technical or administrative work in it even if it is just for consultant services. Nor the auditor may be a partner to any of the company's founders or its board of directors members or unemployed or relative his to the fourth rank.

C- Any Act in violation of this article provisions is invalid. The one involved in this violation is obliged to refund all the sum of money which is collected from the company treasury and is held liable for the damages incurred by the company due to the violation.

Article (176): A- The auditor must submit to the board of directors first meeting following his appointment a declaration of the company's shares he owns or the loan bonds it issued in its name or his wife's' name or minor sons in addition in every change in this bonds. Such declaration includes the date of every transaction separately and the number of shares and loan bonds it handled with the purchase or selling price. Any auditor violating the provision of this paragraph is considered dismissed subject to the Act.

B- The company prepares a special record establishing what every auditors owns in his name or his wife's name or minor sons of company's shares and bonds and every change is made to that property.

Article (177): A- The auditor may at all times check all the company's books and records and other documents. He also may order statement and clarifications he deems necessary.
He may also a certain the company's assets and liabilities. The chairman of board of directors is obliged to enable the auditor to do so.

B- The auditor in case of refusal to enable him to perform his job as stipulated under the above paragraph is required to establish such refusal in a report to submitted to board of directors. In case the board of directors fails to facilitate the auditor functions he is required to send the ministry a copy of the report and to present it to the general assembly.

Article (178): A- The board of directors must give the auditor a copy of the advise notes and statements it sent to the shareholders called to attained the general assembly at least tend days before the meeting.

B- The auditor in general assembly must insure the correct procedure followed in the call for meeting. He is also required during the meeting to express his opinion on every thing related to his functions.

C- If the auditor fails to attend, the meeting is not considered invalid but the auditor who failed to attend for no acceptable excuse is regarded as having resign.

Article (179): A- The auditor shall submit to the general assembly and ministry a report covering the statements specified by the current Act rules and regulations.
B- The auditor shall indicate in the report the company's financial standing and the degree of its accounts clearance and whether its books are regular with his recommendation of endorsing the annual budget and closing accounts in absolute manner or with reservation or returning them to the board of directors. He also must indicate the board of directors attitude with regard to enabling him to obtain the statements and information he required and to establish in the report the violations he found with regard to the Act provisions and article of association.

C- The auditor's report should be read in the general assembly and every shareholder has the right to discuss it and required explanation with regard to the points covered by it. If the general assembly decided to approve the board of directors

report without listening to the auditor's report, such decisions is invalid.

Article (180): In case of multiple auditors who did not agree on the report stated in the previous article, each of them must prepare a separate report. All the reports must read in the general assembly.

Article (181): A- If the board of directors this regarded calling the general assembly in the situations indicated by the Act or the article of association the auditor must direct such call.

B- The auditor's may direct call the general assembly to meet whenever required. In such a case the auditor shall prepared and declare the agenda. If the auditor neglected the call for the general assembly in mentioned situation the ministry may direct that call at the company's expenses.

Article (182): The auditor may not reveal to the shareholders in the general assembly or others the company's secrets he became of which became aware by virtue of performing his assignments otherwise he is to be dismissed and liable for damages.

Article (183): A- The auditor is responsible to the company for damages he caused by his mistakes in performing his job. In case of multiple auditor involved in the faults, they are jointly responsible to the company.

B- The civil action responsibility as mentioned in previous paragraph becomes invalid after one year from the date of the general assembly that in which the auditor's report was read. If the act is ascribed to the auditor forms a crime the liability action becomes invalid only if the public action is abolished.

C- The auditor is accountable for the damages sustained by the shareholder or the others as a result of his faults.

Part six
The governmental control

Article (184): A- The ministry monitors stock companies to ensure compliance with the Act and the article of association.

B- The ministry may at all times during the official working hours inspect the company and check its accounts, books and record etc. including documents and all activities and demand explanation and information from board of directors. It may

also instruct at any time the auditor to conduct such assignment and report on same.

C- The ministry shall notify the competent legal authority of every Act considered a crime subject to the current Act provision.

Article (185): A- The board of directors shall send to the ministry within the first month of the financial year a copy of the following documents:

1- A list of the board of directors names, nationality and ages.
2- The board of directors rules and regulations.
3- A list of the company's shares and bonds owned by the board of directors members, the company's manage directors in their names or their wife's name or minor sons.
4- The auditor's name, award and the company's shares and bonds in his name or his wife's name or his minor sons.
5- The chairman of board is required to send to the ministry a copy of the balance sheet, profitable loss account statements, board of directors report, auditors reports and the statement required under article 152 of this Act once such documents are completed.

C- Any change made during the fiscal year in the statements covered by the documents required under the previous two paragraph must be reported to the ministry immediately.

Article (186): The chairman of board of directors is required to send to the ministry a copy of the board of directors and general assembly minutes of meeting and decisions passed in such meeting within fifteen days from the date of the end of each meeting.

Article (187): A- Every concerned individual may apply to the competent administrative authority for reading the documents, records and the minutes of meetings and report related to the company and obtained statements of same endorse by that authority.

B- The mentioned authority may reject the application referred to in the preceding paragraph if revealing the required statements constitutes damages to the company, any other institution or the public interest.

C- This Act rules and regulations fix the fees for reading and obtaining the statements.

Article (188): The competent department may in addition to the situations indicated under the third paragraph of articles 156 of this Act call the general assembly to hold a meeting if it felt necessary due to violation of the Act and the article of association or miss management in the company.

Part seven
The company's financial system

Article (189): The company shall have a fiscal year specified by the article of association.

Article (190): A- The board of directors must allocate each year 10% of the net profit to be legal reserve. The general assembly may stop such allocation if it attendance half the capital.

B- The legal reserve is to be utilize in covering the company's loss and purchasing new equipment and increasing the capital. If this reserve exceeded half the capital the general assembly may decide to distribute the access amount over the shareholders in the years that when the company do not achieve net profits not sufficient to meet the portion fixed for them under the article of association provided such portion is not over 5% of the capital.

C- That amounts taken out of that reserve must refunded when the next years profits make such refund possible.

D- The article of association may require allocation of a certain portion of the net profit to form an optional regular reserve for the purposes provided for under the article of association. This reserve may not be used for other purposes except subject to the extra ordinary general assembly decision. If this reserve is not appropriated for certain purposes the ordinary general assembly may subject to board of directors recommendations decide to spend it for company's interest.

Article (191): The profit of the company may be distributed subject to the general assembly decision based on the board of directors recommendations as follows:

1- From the profits achieved, subject to the labor act and rules, the company's liabilities and the accrued taxes due on such liabilities security should be dedicated.

2- From the profits the fixed portion for utilizing the capital and the compulsory and law full reserve funds and the optional regular reserve within the fixed portioned limits under this Act and rules are to be dedicated for the respective purposes.
3- The general assembly determines the awards of the members of board of directors and accounts inspectors.
4- The remaining profits are distributed over the shareholders according to the number of shares they hold.

Article (192): A- The shareholder is entitled to his dividend once the general assembly distribution decision is issued.

B- The board of directors is required to comply with general assembly dividends distribution decision within no later than two months from the date of the decision issuance unless otherwise required by the article of association.

Article (193): A- If the loss equal half the capital and are not covered from the reserve fund, the board of directors is required to call the extra ordinary general assembly to consider the company's dissolution.

B- If the board of directors fails to call for that meeting or the curium for such meeting was not available subject to article 174 of this Act or the extra ordinary general assembly refused to solve the company the ministry and every shareholder may order a sentence to solve the company.

C- If the court of law decided to reject the order of the solutions, the board of directors is required to call the extra ordinary general assembly to hold a meeting within one month from the date of the final judgement to decide the capital redaction or otherwise.

Part eight
The company's adjustment

Article (194): A- The extra ordinary general assembly decision related to the company's regulation adjustment or the dissolution or merger in other company are applicable only if approved by the minister.

B- The board of directors submit to the ministry the application for approving the adjustment together with the extra ordinary general assembly minutes of meeting which passed the

adjustment decision and the relevant documents within five days from the date of the that decision issuance.

C- The minister shall issue his decision on the adjustment within fifteen days from the date of the returning the documents to the Ministry. The application, if not decided when the above mentioned deadline is over, it is to be considered as approved.

Article (195): At the expense of the company, the minister's decision approving the article of association is to be published together with the general assembly adjustment decision in the official gazette.

Article (196): A- The board of directors shall declare the article of association adjustment in the commercial registered subject to this Act.

B- Incase the adjustment is not declare in the commercial register it is considered invalid and other parties alone may adhere to this invalidity.

C- The invalidity state is lifted incase the declaration is made before its sentence.

1- Additional paid in capital.

Article (197): The extra ordinary general assembly may increase the capital only subject to increasing the complete original capital.

Article (198): The extra ordinary general assembly shall specify the manner to be adopted increasing the capital and the amount of such increase with the price of new shares issuance. The board of directors may not be authorized to exercise such powers.

Article (199): The provisions under the article 103 of this Act applied to the new shares issued on increasing the capital.

Article (200): The new shares face value equals the original that the original shares. The extra ordinary general assembly may decide the addition of issuance allowance to the share face value and determine its amount. Such allowance is to be added to the legal reserve even if it attains half the capital.

Article (201): A- The original shareholders have priority to subscribe for new shares. Any condition violating this requirement is considered void and null.

B- A declaration must be made in an official daily paper informing the share holders of their priorities to the subscription, its opening and closing date and the new shares price. In addition, the shareholders may advised of this declaration with registered letters unless that constitutes exorbitant cost to the company.

C- Every shareholder must in writing declare his interest in utilizing his write to new shares subscription priority within fifteen days from the date of the mentioned declaration.

Article (202): A- The new shares are distributed over the original shareholders who applied for subscription with new shares as per order if they do not exceed the required shares.

B- Incases when the required shares exceed the offered shares, the shares are to be distributed over original shareholders according to the number of their shares provided the shareholders do not obtain more than the new shares he applied for.

C- If the offered shared exceed the required shares, the remaining new shares are to be offered for public subscription. In such subscription the provisions related to public subscription are to be applied on the company's establishment. Provisions related to real shares evaluations must be also applied provided the general assembly takes the place of the basic association.

Article (203): A- Incase the new shares are offered for public subscription a subscription declaration must be made to include in particular the following statements:

1- Reasons for increasing the capital.
2- The extra ordinary general assembly decision to increase the capital and the minister's decision approving this increase.
3- The capital at the time of new shares issue and the amount of the proposed increase and the number of the new shares and issue allowance.
4- Information on the real shares.
5- Information on average profit distributed by the company during the three years preceding the additional paid in capital decision.
6- Acknowledgement by the auditor conforming the accuracy of the Publicized statement.

B- The chairman of the board of directors and the auditor shall sign the declaration and are jointly responsible for accuracy of the information contained their in.

2- Capital redaction

Article (204): The stock company may reduce its capital subject to the extra ordinary general assembly decision to be approved by the minister incase it is more than it needs or it incurred loss and felt it is necessary to reduce the capital to its real amount. The capital may not be reduce to below the prescribed minimum limit.

Article (205): A- The extra ordinary general assembly may decide it reduce the capital only after hearing the auditor's report indicating the redaction justification and the company's liabilities and the redaction effects on such liabilities.

B- The extra ordinary general assembly may not reduce the capital to the minimum limit which could weaken its ability to meat its financial obligation.

C- The extra ordinary general assembly capital reduction decision shall indicate the method to be applied in the redaction.

Article (206): A- The board of directors shall declare the capital redaction decision at the company's expense in an official daily paper and shall advise the creditors who address are known of decision with registered letter

B- The creditors are required to submit to the company the documents attesting their debts within sixty days from the declaration date in the official daily papers so that the company may settle the current liabilities and present the securities sufficient to settle the post bond liabilities.

C- The minister's decision approving the capital redaction may be issued only subject to fulfilling the conditions mentioned in the preceding paragraph.

Article (207): The following methods may be applied in the capital redaction:

1- Reducing the share face value with returning a portion of this value to the shareholders or releasing their responsibility for a portion of the un paid balance of share value.
2- Reducing the shares face value with canceling a portion of this value equivalent to the loss incurred by the company.

3- Canceling a number of shares equivalent to the would-be reduced portion.
4- Purchasing a number of shares equivalent to the would-be portion and destroying it provided the purchase is conducted from the optional reserve and the shares value must be paid in full.

Article (208): If the capital redaction is effected with returning a portion of the share face value to the shareholders or releasing their responsibility for the amount unpaid of the shares value, then such redaction does not serve as an arguments by the creditors who offered their claims in time as mentioned under the second paragraph of article 207 of this Act except if they collected their dues or obtained securities sufficient for settlement.

Article (209): If the company reduce its capital with what equals its established loss subject to the last balance sheet, the redaction decision implementation is not confined to fulfilling the conditions mentioned in the second paragraph in the article 207 under this Act provided the redaction is not over the lost incurred by the company.

Article (210): If the capital redaction is effected with canceling a number of shares, equality must be ensured among the shareholders who are required to submit to the company on the date specified by the shares to be cancelled otherwise the company may considered them cancelled.

Article (211): A- If the company decided to reduce its capital with buying and destroying a number of its shares, a call must directed to all shareholders to offer their shares for sale. The call should be Publicized in an official daily paper issued in the company's center. Shareholders may also be notified with registered letters of the company's interest in buying the shares unless that will make the company incur exorbitant expense.

B- If the number of shares offered for sale exceeded the amount which the company decided to buy the sales applications must reduced in the ratio of the increase.

C- The shares to be bought are subject to the article of association provisions. Incase there no provision in this regard, the company must pay the fair price.

Article (212): The company may not under all circumstances borrow with its share mortgage.

Part Nine
The stock company dissolution and liquidation

Article (213): Considering article 13 of this Act the stock company is dissolved and liquidate in the following cases:

1- At the end of its term indicated under its basic rule or the completion of the project for which it was established or incase its impossible to complete it. The company may apply for term extenuation.
2- Subject to the extra ordinary general assembly the company's absolute majority hold the company's shares.
3- The company's merger in another company or institution.
4- Under all circumstances prescribed under this law or the company's article of association.

Article (214): A- The company adjudicated to be liquidated shall stop its activities from the date of commencing the liquidation procedures to extend required by such procedures. The company's legal entity shall continue and be represented by the liquidating until it is cancelled subject to the liquidation completion.

B- The liquidating shall add the phrase "under liquidation" to the company's name in its papers and correspondences.

Article (215): The company's dissolution and liquidation shall be Publicized in the commercial registered.

Article (216): The liquidation shall be initially conducted subject to the rules related to the partnership companies.

Article (217): If the liquidating official are not appointed in the company's basic rule they are to be appointed by the extra ordinary general assembly ballot. If such appointment is not served their appointment is left up to the Minister or the competent court of law.

Article (218): Account inspectors shall remain in their position and the Minister or the court-appointed liquidation expert shall join them.

Article (219): The liquidating official shall receive the management activities accounts covering actions conducted by the board of directors with effect from the general assembly approval of the last balance sheet until the liquidation commencement. So that they approve

or refer them to the Ministry or the court of law as may be required in the view of the problems they meet.

Article (220): If the liquidation takes more than one year the liquidating official must prepare and declare the company's annual budget.

Article (221): A- After the completion of liquidation the liquidating official shall prepare a final balance sheet in which they indicate the share of each stock holder in the company's assets.

B- The accounts inspector shall prepare a report on the accounts submitted by the liquidating official to be presented to the ordinary general assembly to decide approving them and releasing the liquidating official responsibilities.

C- If the general assembly opposed the accounts and the Ministry failed to solve the dispute the matter should be referred to the competent of court of law for settlement.

Part two
Limited partnership companies

Article (222): Limited partnership companies is formed to classes of partners. In the first they are jointly responsible in their all properties for the company's liabilities. In second they are shareholders who are not responsible for the company's liabilities except in as much as they contributed in the capital.

Article (223): The limited partnership company should be formed of one joint partner while the partners holding shares may not be less than five.

Article (224): The capital is to be divided in two and assigned shares equal value.

Article (225): The name of the company is formed of one or more of the joint partner names. An invented name or one derived from its activities may added to the company's name. Its name must be mentioned in all of its agreements and papers printed with limited (Partnership Company) phrase. The name of the partner holding share may not be mentioned in the company name. If his name is mentioned under his knowledge he is considered a joint partner with regard the other in good faith.

Article (226): Joint partners in such companies are subject to the provisions applicable to the partnership companies.

Article (227): The article of association must be subject to a cabinet decision and may not be violated except incases approved by the Minister.

Article (228):The stock companies establishment provisions are applicable to the limited partnership companies ensuring.

1- A resolution shall be issued by the minister approving the company's establishment.
2- The founders may not be less than six.
3- All the joint partners and others founders must sign the article of association in respect of responsibility as the companies founders.
4- The article of association must include the joint partner's names, surnames, nationality and domicile.
5- The capital must be not less than YR. three millions.
6- The company's declaration is to be conducted by its director.

Article (129): The company's bonds are subject to the provisions governing the shares and bonds of the stock companies.

Article (130): The management of the company is to be assigned to one or more acting partner and the names of those acting partners are appointed for management must mentioned with their power in the article of association. And they are subject to the rules applicable to the board of director's members of the stock companies.

Article (231): A- Each of this companies must have a control board of at least three members elected by the basic organization from among the shareholders or others.

B- The board of directors shall a certain that the company's establishment procedures are completed subject to the Act provisions and its members are jointly responsible for that.

C- The first control board term is one fiscal year ending at the ordinary general assembly meeting. The election of this board will then be the responsibility of this assembly subject to the article of association.

D- The acting partners do not have the right to vote in electing the control board members.

Article (232): A- The control board monitor the companies activities and for this reason it may ask the directors to submit an account on their management and check the company's books and documents order assets inventory and express its opinion on matters presented to it by the company's directors. It may also approve actions required under the article of association to obtain his permission in this regard. It may call the general assembly to meet if it is aware of a serious violation in the company.

B- The control board members are not responsible for the directors acts or result except if they are made aware of the accuracy of errors and neglected to advise the general assembly.

Article (233): If the directors position becomes vacant the control board must appoint a temporary director to exercise the urgent functions and this director must call the general assembly to meet within fifteen days from his appointment to elect a permanent director. If this deadline is over without calling the general assembly to meet the control board must direct the call immediately.

Article (234): A- The shareholders partner may not interfere in the management functions related to the others even if it is based on authorization.

B- The shareholders partner may participate in the internal management functions within the limits prescribed under the company's agreement.

C- If the shareholders partner violated the prohibition prescribed in the first of paragraph of this article he is held this responsible in all of his property for the liabilities arising from the functions he conducted.

Article (235): If the director's award is limited with a certain portion of the company's profits it must not exceed 10% of the net profit less the reserve amount.

Article (236): A- The company must have one more an auditor provided they are not over three.

B- The auditor is subject to the stock companies provisions.

Article (137): A- The company must have a general assembly.

B- The general assembly is subject to the provisions applicable to the stock companies. Its decisions is passed unanimously incase

the partners are not over six unless otherwise required by Act of article of association.

C- The general assembly may not initiate or approved actions related to the company's relations with others unless approved by the directors.

Article (238): A- The extra ordinary general assembly may not decide to make any amendment to the article of association unless approved by all acting partner and subject to the curium and majority prescribed under article 173 of this Act.

B- If the general assembly decided to amend the article of association the stock companies article of association provisions must be applied.

Article (239): The stock companies financial regulations are applicable.

Chapter Three
Limited liability companies

Part One
General Provisions

Article (240): The limited liability company is one in which the partner is liable to the extend of his contribution in the capital. But its capital can not be divided into assigned shares but into allotment.

Article (241): A- The name of the company may derived of its objectives or one or more natural persons names of the founders or others.

B- The company's name must be followed with word (limited) and an indication of the capital.

C- The information mentioned in the preceding paragraph must Publicized in the company's printed matters.

D- If the information is not mentioned as required under the preceding two paragraph the directors are responsible jointly and severely for the company's liabilities towards the others.

Article (242): The partners may not be less than two or more than twenty-five.

Article (243): The company may not excretes insurance, saving, or banks business it also may not issue loan bonds.

Article (244): The company's establishment should be for a limited term under the article of association. The stock companies solution and liquidation provisions are applicable as commensurate with the nature of those companies.

Part Two
Limited liability company establishment

Article (245): The company establishment is subject to the following procedures:

1st- Subject to the Minister's decisions.

2nd- The founders submit to the controller the permission application with the establishment agreement copy and a copy of article of association signed by all founders and approved by the competent court of law.

3rd- The founders shall confirm their signature on the agreement and article of association in front of the competent official of the ministry or its department in the governorate.

4th- The founders may authorized in the permission application anyone they want to sign the final text of the article of association.

5th- The controller may ask the founders to adjust the article of association as commensurate with this Act.

6th- The Ministry's permission and approval of the article of association is to be issued within one month from the date of the permission application submission. Incase the application if rejected, rejection must be justified and the applicant may refer to court of law. In case the Minister's decisions are not issued at all within the prescribed deadline the application is regarded as approved.

7th- The Ministry shall declare the permission and the article of association decisions in the official gazette at the expense of the company.

Article (246): The founders upon the approval and permission decisions issuance must initiate the declaration procedure with submitting the registration application and the depositing a copy of the establishment agreement and article of association endorse in the commercial register at the district where the company's head office is located.

Article (247): Failure to complete the declaration procedure as required in the preceding article renders the company establishment invalid and holds the founders and directors jointly liable for consequences.

Article (248): A- the capital must sufficient to achieve the proposes. The rules and regulations must determine the minimum capital which should be not less than YR. two millions and must be proved to have been paid in full upon establishment.

B- The capital may be divided into variable shares.

C- The cashier's payment must be established in accredit bank and certificate to that effect must deposited with the article of agreement at commercial registered department.

D- The bank may be the amounts deposited by the partners for their shares in the capital only the directors who may not lend the partners from the company's property.

Article (149): A- If the shares of the partners or some them are real stocks their value must estimated and mentioned in details in the article of association.

B- Such real stocks must be delivered to the company on establishment.

C- The founders are held jointly and severally responsible towards the others for the accurate estimation of the real shares value on the date of the permission application submission to the controller.

D- The liability claim prescribed under third paragraph of this article becomes invalid five years after the companies declaration in the commercial register.

Article (250): A- Considering the provisions under the preceding article the company is regarded invalid if the real shares value is less than the estimated value by 10% due to a gimmick or fraud or if that difference is 50% or more for any reason.

B- The company is invalid if established involution of this Act.

Article (251): A- The founders and partners may not claim the company's invalidity for the reasons stated in the preceding article.

B- The invalidity claim referred to in the above two articles becomes invalid five years after the company's declaration in the commercial register.

Article (252): A- The invalidity claim becomes invalid if the reason is vanished prior to the final judgement issued by the competent court provided the defendant parties per all the actions case cost and charges.

B- The court may grant the partners a chance to remove the invalidity reasons if they requested so or by itself.

C- If the court ratified the invalidity the founders and directors involved in the violation that lead to such validity are held jointly responsible toward the other partners and other parties for damages decided under the judgement.

Chapter Three
Stock transfer

Article (253): The limited liability company capital is divided into equal or unequal shares of not less than five thousand Rials each.

Article (254): A- Every partner may assign his shares to another in the company or a part of it of not less than five thousand Rials unless otherwise required under the article of association provided such assignment is not in violation of the legal provisions.

B- If the assign is not a partner in the company other partner may have priority to retrieve the sold share under the same conditions. In such a case the following rules must applied:
1- The partner who resolved to sale his share to non partner may advise all partners of the offered he received.
2- This advise is to be made through the directors.
3- If no partner used the right to priority if not partner one month after the offered notification, the partner intending to sale may be free to dispose of his share.
4- If more than one partner used the right to priority the sold share should be divided among them on prorate distribution basis.

C- The stock of every partner is transferred to his heirs.
D- If the stock is inherited by more than one person and their number could increase the number of partners to over 25%, all heirs stocks remain as one with regard to the company. Unless the

stock is transferred in concert or by judgement to a number of them within the maximum number of the partners.

Article (255): A- Shares may be divided provided the partners are no more than 25.

B- Under all circumstances the stock transfer or assignment may have no effect with regard to the partners except from the date of entry in the company register. And in the companies departments with declaration in the commercial register.

C- In the company's head office they must be a record of the partner's names, address, occupation, number of shares they own assignment events, and date. The partners and the company's creditors may check this book.

D- Every change in the partners must be reported to the company's department in the Ministry and commercial register.

E- The assign becomes a partner in the company with all the rights entitled to all other partners.

Chapter four
The company's management

Article (256): A- The limited liability of company is managed by one or more directors provided they are not seven subject to article of association or ratification from the partners' general assembly.

B- The directors are jointly responsible to the company and others for their violation of the rules and regulations of the company and their faults in the company's management subject to the rules applicable to the stock companies.

C- The article of association specify the directors functions.

D- Their powers specification is inapplicable, beyond the article of association, to the others.

E- The company is accountable for the directors signatures.

Article (257): A- Without the partners general assembly consent the directors may not assume another rival company's management or to operate for their own on or others account competing transactions.

B- Violation of the above paragraph may lead to the dismissal of the involved directors and holding them responsible for compensation.

Article (258): A- The general assembly is composed of all partners.

B- The directors have to call the general assembly to meet and the company's head office at least once a year and when ever required by a number of partners holding one fourth the capital.

C- The call should be sent in a registered letter eight days before the fixed date of the meeting.

D- The Ministry representative must attend the partners general assembly for valid decision.

Article (259): The general assembly is the top authority of the company. All directors must comply with its decisions its functions are in particular as follows:

1- Appointment of directors unless otherwise stated by the article of association.
2- Dismissal of directors subject to this Act provisions and the article of association.
3- Amendment of the article of association.
4- Approving the directors report and the company's balance sheet and final annual accounts after reading the auditor reports.

Article (260): A- The general assembly decisions are passed apart from the article of association amendment by a number of partners holding most of the capital and the article of association may add to this majority another majority of the partners.

B- The article of association amendment requires the approval a majority partners holding at least three fourth the capital. The amendment decision is not valid unless approved by the ministry subject to the procedure related to the endorsing the subject article of association and its declaration in the commercial register.

Article (261): A- The article of association must state the appointment of one or more auditor subject to the general assembly of the partners from the ministry's list.

B- The auditors in their performance must comply with the rules related to the stock companies.

Article (262): A- The general assembly decision must issued to approve the balance sheet and annual accounts after reading the auditor reports the directors responsibility may only be released subject to such approval.

B- The directors within the ten days following the approval must deposit the balance sheet, the auditor report and the general assembly minutes of meeting in the ministry.

Article (263): The company may monitor the limited liability companies subject to the provisions related to the stock companies.

Chapter four
The company's change and merger

Part one
The company's change

Article (264): The joint stock company may change into a limited partnership company which may changed into a joint stock company subject to the approval of all partners and the legal procedure related to the company registry and the changes registration.

Article (265): The joint stock company and the limited partnership company may change into a limited liability company or limited share company subject to the following procedure.

A- All partners submit to the controller a written request expression their interest in changing the company with reasons and justifications and the type of the company into which it will be change. This request must be accompanied by the following:

1- The company's balance sheet for each of the last two years endorsed by the charter accountant or the balance sheet of the last fiscal year unless more than two years have passed since it was registered.

2- A statement of the partners estimation of the assets and liabilities of the company.

B- The controller declares the change request in an official daily paper at the expense of the company within fifteen days after the request submission. The declaration must indicate if there are any

objections from creditors or others and the change must not be effected without the creditors written approval.

C- The controller must ascertain the accuracy of the partners net rights estimation by means he deems suitable including the appointment of one expert or more to verify the correctness such estimation and the company pars the charges due to the experts as determined by the controller.

D- The minister may accept the change or refuse it showing the reasons.

E- Incase the minister approves the change, the register and the publication procedures must completed subject to this Act provisions.

Article (266): The limited liability company and stock company may change into a public share company subject to the provisional of this Act. The changed request in such a case should be submitted to the controller together with following:

A- The extra ordinary general assembly decision approving the change.

B- Reasons of the change best on the company's financial and economic condition study and how it will be after the change.

C- The annual balance sheet for the three previous years provided the average net annual profits within that period is no less than 10% of the paid in capital.

D- Declaration that the capital is paid in full.

E- Declaration from the company about the initial estimation of the assists and liabilities.

Article (267): The minister subject to the controller recommendations may approved the limited liability company or the stock company changed into a public shares company within thirty days from the date of the submission of the request referred to under 267 of this Act after completion of the following procedure:

A- Estimation of liabilities and assets of company's interested in the change by a committee of experts a competency formed by the minister and should include a chartered accountant. The

minister determines the charters of this board as the expense of the company.

2nd- The creditor written approval of the change.

Article (268): A- The controller declares the minister's decisions approving the change in at least two official daily papers twice in succession at the expense of the company.

B- Every party concerned may submit to the minister a challenge against the company's change decision within thirty days from the date of the last change declaration. If any of the challenges submitted is not settled, each of the challengers may refute the minister decision to the court of law within thirty days following that deadline provided the refutation may not stopped the change procedures unless otherwise decided by the court.

Article (268): The company change may not completed before the conclusion of registration and publication procedures subject to this Act. If the capital resulted from re-evaluation is less than the stock company minimum capital fixed subject to the Act, legal procedure concerning the public stock companies must be complied with and the net rights of the company wishing to change must be considered as real advances for which real stocks must issued and remaining shares are to be offered for public subscriptions.

Article (270): The change of any company into another does not mean the evaluation of a new corporate body but the company still holds the same legal entity and keeps all its rights and is responsible for the its previous obligations. The acting partner responsibility with his personal property for the company's previous liability and obligations.

Chapter two
The company's merger

Article (271): The merger of the company's covered under this chapter may be effected by means of any of the following steps provided the company's interest in the merger must have the same objectives:

A- The merger of the company or more with another company to called the amalgamating company. In this case others companies legal entity is removed.

B- The merger of two or more companies to form a new one which shall be the company resulting from the merger. Others companies merger in the new one shall lose their legal entities.

Article (272): If two or more companies of the same kind merger into any of the existing company or to form a new one, the amalgamating company or the new one resulting from the merger of that kind though the limited liable company or the limited stock company may not merger into existing public subscription shares company or establishing a new existing public subscription shares company.

Article (273): The merger application is to be submitted to the minister together with the following statements and documents.

lst- The extra ordinary general assembly decision for each of the company's wishing to merger or a the decision of all partners as may be required approving the merger subject to the merger agreement condition including the date fixed for the final merger.

2nd- The merger agreement between the company's wishing to merger signed by the authorized signatories.

3rd- A list of the financial standing of company's wishing to merger to the nearest date of the general assembly decision of each of the company's or partners decisions of the merger approved by the auditors.

4th-The last two balance sheet the of the company's wishing to merger approved by the auditors.

5th-Initial statement of assets and liabilities of the company's wishing to merger with actual or marketing value.

Article (274): The decision of the general assembly of each company 's wishing to merger must be advised to the controller no later than two weeks and the shares circulation must be stopped from the date of that decision. They are to be circulated after the merger procedures and the registration of the amalgamating company or the company resulting from the merger.

Article (275): A- The minister refers the merger application with it enclosure to the controller for consideration and recommendation if the merger concern a public subscription share company all it will lead to a public subscription share company.

B- The controller as may be required must submit the necessary recommendation to the minister within thirty days after the application was referred to the committee of the controller.

Article (276): If the minister approved the merger he must form an evaluation committee including the controller or his agent, the merging companies auditor, the company's representatives and an appropriate number of experts and concerned officials. This committee undertakes the evaluation of the company's assets and liabilities to indicate the net rights of the shareholders or partners as may be required on the date of the merger. The committee must submit its report to the minister with opening balance sheet of the company resulting from the merger within no more than 90 days from receiving the order. The Minister may extend this period for similar times if required and the committee must be determined subject to a decision from the minister and by the company's interested in the merger on capital pro rata basis.

Article (277): The company's that decided to merger must prepare independent accounts of their functions under the supervision of the auditors from the date of the merger until the final merger completion. This company's activities result for mentioned period should be submitted for the joint extra ordinary general assembly or the joint meeting of the partners as required a certified report from its auditors for ratification.

Article (278): The minister forms an executive committee from the board of directors head and members of the company's interested in the merger or their directors as required and the company's auditors to complete the execution procedure of the merger including in particular the following:

A- Determination of the shareholders shares or the partners stocks in the company's involved the merger from estimation of the evaluation of committee as stated under article 76 of this Act.

B- Adjustment of the corporation agreement and article of association of the amalgamating company if it is existing or the preparation of the corporation agreement and article of association of the new company resulting from the merger.

C- Calling the extra ordinary general assembly of the shareholders in the company's involved in the merger to ratify the following provided it is passed by 75% of the shares represented in the meeting for each company:

1. The new corporation agreement and article of association or the amending agreement and article of association of the amalgamating company.
2. Result of re-evaluation of the company's liabilities and assets and the opening balance sheet of the new company resulting from the merger.
3. Final approval of the merger.

D- The new board of directors must provide the controller with the joint general assembly minutes of meeting within seven days from the date of holding the meeting.

Article (279): A- Approval, registration and declaration procedures should be completed under this Act to record the amalgamating or resulting company and to delete the registration of the merging company's.

B- The controller shall declare in the official gazette and in two local delay official papers into successive issue a summary on the merger agreement, re-evaluation results and the amalgamating company's opening amalgamating or resultant company's opening balance sheet at the expense of the company.

Article (280): The board of directors of the company's continuos to be existing until the amalgamating or resulting company are registered. Then the executive committee mentioned under the article 279 of this Act assume the management of the company for no more than thirty days during which it must call the amalgamating or resultant companies general assembly to elect a new board of directors after distributing the resulting shares and appointment of auditors.

Article (281): A- The credit bond shareholders and the merging or amalgamating companies creditors and every concern shareholders or partners may object the minister within thirty days from the last declaration made in local newspapers under the article 280 of this Act. The objector must indicate the subject of his objection and the reasons with the damages he claims to have been caused by the merger specifically.

B- Every concern party may object to the minister against the company's merger within thirty days from the date of the last declaration of the merger. If the objections are not settled within thirty days from the last objection submission, each objector may refute the minister decisions to the court within thirty days from

the end of that period provided such refutation does not stop the merger procedures unless otherwise decided by the court.

Article (282): If in the merger not provision of this Act is regarded or it came violated the common practices, every concerned party may file a suit in the court to refute the merger and order its abrogation within sixty days from the date of the final merger declaration. The prosecutor must indicate the reasons of his claim in particular the following:

A- Incase it is evident that they are shortcomings, which render the merger agreement, invalid or if there is unessential requirement disregarded in the shareholders rights evaluations.

B- If the merger includes unfair act in right utilization's or it aims at achieving a direct personal interest or majority of partners to disadvantage of the minority.

C- If the merger is best on misleading or gimmick or it involves damages to the creditors.

D- If the merger contributed to monopoly and it became evident that it causes damages to the public economic interest.

Article (283): Refutation against the merger shall not stop its validity until the court decides the invalidity. The court may during consideration of the refutation determine a time chance to ratify the reason that contributed to the refutation. It may reject the refutation claim if the concern party ratify the situation before issuing the judgment.

Article (284): The board of directors head and members, general manger and auditors of each of the merging or amalgamating companies are personally responsible towards the others for any claims or liabilities or allegation against the company if not registered or not Publicized before the final merger date. The court may exempt from such responsibility if it is proved they are not responsible for such liabilities and claims or they unaware of it.

Article (285): All rights and liabilities of the merging companies transfer to the amalgamating or resulting company subject to the completion of the companies merger and registration procedures according to this Act. The amalgamating or resulting company is regarded a legal successor for the merging companies in all rights and

liabilities as agreed upon in the merger agreement without prejudice to the creditors.

Article (286): If liability or allegation appear against any of the merging companies after the final merger and were concealed from certain official or personal in the company, they must be paid to their owners by amalgamating or the resulting company. It may have records in respect of the payment of effected to those official and personal under the rules and regulations ratified by the applicable acts.

Chapter five
The penalties

Article (287): Without prejudice to the right of the claiming compensation when required any act or dealing or decision is regard invalid if found in violation of the applicable rules under this Act or if issued by the stock or limited companies board of directors or general assemblies formed in violation of each rules without prejudice to the right of the others faithful parties.

Article (288): Without prejudice to the strictest penalties provided for by others acts, the following must be punished with unemployment no less than three months nor over two years or with a fine not less than YR. 60,000 nor over 480,000.

1- Everybody proved to have been involved in a deliberated lay or violation of this Act in the company's agreement or regulations or subscription declarations or in other document of the company. And everybody signed such document or distributed them knowingly.

2- Every partner or other offering with ill-intentioned real shares with more than their real value.

3- Every director or members of board of directors distributing among the partners or others dummy dividends or profits or interest in violation of this Act or the company's agreement or regulation and every auditor endorsing such distribution knowingly.

4- Every director or member of board of directors or auditor seizing a reward over the prescribed under this Act or the company's agreement.

5- Every director or member of board of directors or liquidating official stating deliberately false information in the balance sheet or in the reports prepared for the partners or general assembly or omit deliberately essential events in such reports on order to make the company's real financial standing unknown to departments or others.

6- Every auditor or his assistance or personal preparing deliberately false report on the result of auditing or concealing deliberately fundamental event in the report submitted to the partners or the general assembly.

7- Every director member of board of directors ignores calling the general assembly or partners to meet incase the company 's of losses or attaining the limit prescribed in this Act or the company's agreement knowingly.

8- Everybody using with ill-intention false documents to confirm his right to voting in the general assembly or falsify such document.

9- Anybody using any rights prescribed by the law in accordance with stocks or shares not owned by him without being authorized to do so by the real owner.

10- Every director or member of board of directors or a control board member or auditor or his assistance of personal and any person committed to inspect the company revealing the secrets which by virtue or performance he became aware of or exploit such secret to his or others advantages.

11- Everybody appointed by the ministry to inspect the company if he is found involved deliberately in telling lies in the reports he prepared on the result of the inspection or if he deliberately omits essential events from such report.

12- Everybody issuing shares or subscription bonds or temporary certificate or credit bonds or he offers them for circulation or declare them before the issuance of the company's foundation permission decision or the ministry decision approving its article of association or the additional paid in capital.

13- Everybody declare false events to tempt the public to subscriber with shares or with credit bond.

14- Everybody conducting dummy subscription procedures for shares or their acceptance.

15- Under all circumstances the property involved in the violation is to be returned with judgment.

Article (289): Without prejudice to the strictest penalties prescribed under other acts the following must be punished with a fine not less than YR. 5000 nor over YR. 50.000:

1- Everybody issuing shares, subscription bonds, temporary certificate or credit bonds or offered them for circulation in violation of this Act.

2- Everybody appointing a director, a chairman of a board or a member in the company or remains a member in the board of directors in addition to everybody appointing an auditor or assuming a job or work in company in violation of this Act and every director or chairman of board or a member responsible for the company in which the violation occurs.

3- Every company violating the portion unallocated to the Yemen nationals in the board of directors and every director or chairman of board of the company in which the violation occurs.

4- Ever member of board of directors fails to offer the security shares subject to the acts.

5- Everybody fails to submit the declaration prescribed under article 146 and 177 of this Act.

6- Every director or chairman of board refraining from the calling the general assembly or the inclusion of some matter in the agenda whenever he is required by the act to call the general assembly to meet or include matters mentioned in the agenda.

7- Every director or chairman of board violating the provisions of articles prescribed under articles 186 and 187 of this act.

8- Everybody refraining deliberately from helping the person assigned by the ministry to inspect the company in checking its books and documents or referring deliberately from submission of information or statements required for them.

Article (290): In case the condemned violation is not removed the penalty prescribed under the preceding two articles should be doubled.

Article (291): The employees appointed subject to the minister decisions should have the capacity of the legal controllers improving the crimes of violating this Act and the its executive decisions.

Article (292): A- The employee mentioned and the preceding article may check all of any records of the company and its books or documents in its headquarters or other locations.

B- The director and chairman of board and its members and auditors and all personals of the company must submit the mentioned employees the information, statements, and documents which they required for their performance.

Article (293): Without prejudice to the strictest test penalty prescribed under other acts the directors and partners conducting in the name fo the company acts not allowed to limited liability companies are to be penalized subject to the act with imprisonment not less than three months nor over two years or with a fine not less than YR. 60,000 nor over 480,000.

Article (294): without prejudice to the strictest test penalty prescribed under other acts the everybody violating the provisions related to the limited liability companies should be punished with a fine not less than YR. 50,000 nor over 50,000.

Article (295): without prejudice to the strictest test penalty prescribed under other acts everybody violation provisions related to the stock, joint and partnership companies or other companies should be punished with a fine not less than YR 60,000 nor over 30,000.

Chapter six
Transitional and final provisions

Article (296): A- With due consideration of the investment companies-related provisions included in the investment act, the existing companies prior to the execution of this Act must adjust their situations as commensurate with it and must submit to the ministry the information and documents required for the purpose within six months from the date of its publication in the official gazette.

B- The foreign companies and their branches exercising their activities in the republic of are governed by the Act related to the foreign company's and houses and agencies and branches organization. The cooperative society are also governed by their respective act.

Article (297): the rules and regulation of this act should be issued by the cabinet decree subject to the submission by the minister.

Article (298): The decisions under the Act no. 34, 1999 regarding the commercial companies and any provisions or rule contracting with this act are abrogated.

Article (299): This decisions should be put into force from the date of its declaration in official gazette.

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The President
Ali Abdullah Saleh