

KINGDOM OF SAUDI ARABIA

Capital Market Authority

Draft

SECOND MARKET LISTING RULES

English Translation of the Official Arabic Text

Issued by the Board of the Capital Market Authority

Pursuant to its Resolution Number [●]

Dated [●] Corresponding to [●]

Based on the Capital Market Law

Issued by Royal Decree No M/30 dated 2/6/1424H

Arabic is the official language of the Capital Market Authority

Important Notice: the current version of these Rules, as may be amended, can be found at

The Authority website: www.cma.org.sa

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PART 1: GENERAL PROVISIONS¹

Article 1: Preliminary provisions

- a) Any reference to the “Capital Market Law” in these Rules shall mean the Capital Market Law issued by Royal Decree No. M/30 dated 2/6/1424H.
- b) Any person subject to these Rules may appeal to the Committee in respect of any decision or action that the Authority takes under these Rules.

Article 2: Scope and application

- a) These Rules aim to regulate the offering, registration and admission to Listing of shares in the Second Market.
- b) Shares may not be offered for purpose of listing in the Second Market unless all the requirements and conditions set forth in these Rules are met.
- c) These Rules shall not apply to the offering of units in investment funds.
- d) These Rules shall be read in conjunction with and in addition to the provisions of Offers of Securities Regulation.²

Article 3: Definitions

- a) Expressions and terms in these Rules have the meaning which they bear in the Capital Market Law and in the Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority, unless the contrary intention appears.
- b) For the purpose of implementing the provisions of these Rules, the following terms and expressions shall have the meaning they bear as follows unless the contrary intention appears:

The Offering Document: The document that is required for the registration and admission to listing of shares as per these Rules.

The Second Market: Market where shares that have been registered and admitted to listing are traded as per these Rules.

The Main Market: Market where securities that have been registered and admitted to listing are traded as per the Listing Rules.

¹ The provisions of the Corporate Governance Regulations constitute guiding principles for all issuers listed in the Second Market.

² The Offer of Securities Regulations will be amended to include offering Shares to Qualified Investors to be registered and listed in the Second Market.

Shareholders' Circular: The document which is required in the cases specified in these Rules to amend the issuer's capital in order to enable shareholders to vote in the relevant General Assembly based on sufficient information.

Qualified Investor: Any of the following persons:

- 1) Authorised Persons act for their own account.
- 2) Clients of a person authorised by the Authority to conduct managing activities provided that the Authorised Person has been appointed as an investment manager on terms which enable it to make decisions concerning the acceptance of an offer and investment in the Second Market on the client's behalf without obtaining prior approval from the client.
- 3) The Government of the Kingdom, any government body, any supranational authority recognised by the Authority or the Exchange, and any other stock exchange recognised by the Authority or the Securities Depository Center.
- 4) Government-owned companies either directly or through a portfolio manager.
- 5) Investment companies acting for their own account including companies and funds established in Gulf Cooperative Council member countries.
- 6) Professional Investor.³
- 7) Investment Funds.
- 8) Qualified Foreign Investors.
- 9) Any other person prescribed by the Authority.

Article 4: Eligible classes to participate in the offer

Offer is confined to Qualified Investors.

Article 5: Appointment of representatives of the issuer

- a) The issuer must appoint two representatives, one of whom must be a director and the other must be a senior executive, to act as its representatives before the Authority for all purposes relating to the Capital Market Law and these Rules.

³ In addition to the requirements set out in the definition of "Professional Investor" in the Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority, the following needs to be satisfied in relation to the Professional Investor who wishes to invest in the Second Market:

1. The Authorised Person shall ensure that the Professional Investor is aware of the risks involved in investing in the Second Market.
2. The Authorised Person shall obtain a written letter from the Professional Investor that confirms that the Professional Investor is well informed and aware of the risks involved in participating in the Second Market.

- b) The issuer must provide details in writing of how its representatives may be contacted including office, mobile and fax telephone numbers, and electronic mail address.

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PART 2: ADVISORS TO THE ISSUER

Article 6: Appointment of Advisors

- a) Where an issuer makes an application for registration and admission to listing of its shares in the Second Market that requires the production of an offering document or shareholders circular (Where applicable), the issuer must appoint a financial advisor.
- b) Where an issuer whose shares are listed in the Second Market undertakes a voluntary cancellation of listing, the issuer must appoint a financial advisor.
- c) Where an issuer whose shares are listed in the Second Market submits an application to reduce its capital, the issuer must appoint a financial advisor.
- d) In cases where the appointment of a financial advisor or a legal advisor is not mandatory, the Authority may require the appointment of a financial advisor and/or a legal advisor to advise the issuer on the application of the provisions of these Rules, the Capital Market Law or its Implementing Regulations.

Article 7: Requirements and obligations of the financial advisor

- a) The financial advisor must be authorised by the Authority.
- b) On an application of an issuer for registration and admission to listing of shares in the Second Market, the financial advisor must:
 - 1) be the main point of contact for the Authority in relation to the application.
 - 2) Satisfy itself, having conducted due diligence and made enquiry from the issuer and its advisors, that the issuer has satisfied all conditions required for the registration and admission to listing of the shares and has satisfied all other relevant requirements;
 - 3) Provide the Authority with any information or clarifications in such form and within such time limit as the Authority may require for the purpose of verifying whether the financial advisor and the issuer have complied with the Capital Market Law and its Implementing Regulations.
 - 4) Provide the Authority with a letter in the form set out in Annex 2 to these Rules.

- c) If matters which should be taken into account by the Authority come to the attention of the financial advisor during the period between the submission of the letter described in sub-paragraph (4) of paragraph (b) of this Article and listing of the issuer's shares, the financial advisor must notify the Authority thereof without delay.

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PART 3: CONDITIONS FOR REGISTRATION AND ADMISSION TO LISTING OF SHARES IN THE SECOND MARKET

Article 8: Conditions relating to Issuers

- a) The issuer must be a Saudi joint stock company.
- b) When applying for registration and admission to listing in the Second Market, the issuer must have at least one year of operational and financial performance.
- c) When applying for registration and admission to listing in the Second Market, the issuer must have prepared its audited financial statements covering at least the preceding financial year which were prepared in accordance with the accounting standards approved by SOCPA.
- d) An application for registration and admission to listing in the Second Market may be accepted if it does not meet the requirements of this Article if the Authority is satisfied that such listing will be in the interest of investors and that the investors have received the necessary information to arrive at an informed judgment concerning the issuer and the shares that are the subject of the application.

Article 9: General conditions relating to registration and admission to listing of the Issuer's Shares in the Second Market

- a) For the registration and admission to listing in the Second Market, shares must:
 - 1) Conform with the statutory conditions in the Kingdom; and
 - 2) Be duly authorised according to the requirements of the issuer's articles of association or other constitutional documents.
- b) The issuer's board approval on offering its shares must be obtained when applying for registration and admission to listing of shares in the Second Market.
- c) The Shares must be freely transferable and tradable. Any restriction on transferability must be approved by the Authority and all investors must be provided with appropriate information to enable dealings in such shares to take place on an open and fair basis.

- d) The Shares must be registered and settled centrally through the Securities Depository Centre.
- e) The issuer whose shares are listed in the Second Market shall only issue and offer new shares in pursuance to these Rules.

Article 10: Conditions relating to the registration and admission to listing of shares in the Second Market

- a) There must be a sufficiently liquid market for the shares as follows:
 - 1) There are at least 50 public shareholders; and
 - 2) At least 20% of the class of shares that are the subject of the application are owned by the public.

The Authority may permit a lower percentage or a lower number of shareholders if it considers that it is appropriate in view of the number of shares under the same class and its distribution to the Qualified Investors.

- b) The requirements set forth in paragraph (a) shall constitute a continuous obligation on the issuer. If the issuer at any time, following having its shares admitted to listing, becomes aware that these requirements are no longer met, the issuer must take the necessary remedial action to ensure that the relevant requirements are met.
- c) Where none of the shares of a particular class are already listed in the Second Market, the application for the registration and admission to listing must relate to all shares of that class issued or proposed to be issued. If the shares of that class are already listed in the Second Market, the application must include all further shares of that class which are proposed to be issued.
- d) Except where shares of the same class are already listed in the Second Market, the expected aggregate market value, at the date of listing, of all shares to be listed must be at least SR 10 million. The Authority may admit shares of a lower aggregate market value if it is satisfied that there will be a sufficient liquid market for the shares concerned.

PART 4: REGISTRATION AND ADMISSION TO LISTING IN THE SECOND MARKET

Article 11: Application for registration and admission to listing in the Second Market, and supporting documents

- a) An issuer seeking registration and admission to listing of its shares in the Second Market must submit an application to the Authority which contains the information required under these Rules, and pay the relevant fees set by the Authority.
- b) The issuer must submit an original copy (or certified copy where appropriate) of the following documents to the Authority with its application (where applicable):
 - 1) the letter of the appointment of the financial advisor;
 - 2) the authorisation letters or powers of attorney of the representatives of the issuer empowering them to sign the Offering Document or the Shareholders' Circular (as applicable);
 - 3) a list containing the names and contact numbers of the persons concerned with the application and work for the issuer, the financial advisor and the legal advisor, if any;
 - 4) a formal letter of application for registration and admission to listing in the Second Market, signed by a representative of the issuer in the form set out in Annex 1 to these Rules;
 - 5) approvals required by the relevant governmental agencies;
 - 6) The issuer's board of directors consent decision on submitting an application for registration and admission to listing in the Second Market;
 - 7) the draft Offering Document or Shareholders' Circular (as applicable) in Arabic;
 - 8) the issuer's certificate of commercial registration;
 - 9) the issuer's articles of association and bylaws;
 - 10) the issuer's audited annual financial statements;
 - 11) the latest interim financial statements;

- 12) the letters of consent from all the advisors on the use of their names, logos and statements in the offering document or the Shareholders' Circular (as applicable);
 - 13) a letter from the issuer's financial advisor in the form set out in Annex 2 of these Rules;
 - 14) an electronic copy of all the above mentioned documents;
 - 15) any other documentation that may be required by the Authority.
- c) Following the approval of the Offering Document or the Shareholders' Circular by the Authority (as applicable) and prior to the listing, the issuer must submit an original copy (or certified copy where appropriate) of the following documents to the Authority:
- 1) The Offering Document or the Shareholders' Circular (as applicable) in Arabic signed on every page by the representatives of the issuer who are appointed as authorised signatories;
 - 2) Shares allocation model;
 - 3) An updated and signed letter in the form set out in Annex 1 of these Rules; and
 - 4) an electronic copy of all of the above mentioned documents (where applicable).
- d) The issuer must retain copies of all documents required pursuant to this Article for a period not less than five years, and without prejudice to this period, in the event such documents relate to any litigation or claim (including any litigation pending or threatened) or any on-going investigations, the issuer must retain such documents until the closure of that litigation, claim or on-going investigation.
- e) If the issuer has its shares already listed in the Second Market, subparagraphs 6), 8), 9), 10) and 11), of paragraph (b) of this Article shall not apply to the application for capital increase for acquisition of a company or purchasing an asset, or issuing new shares for debt conversion or rights issues.
- f) The provisions of this article shall not apply to capitalisation issues.

Article 12: Dormant applications

The Authority may, at its absolute discretion, cancel an application for registration and admission to listing of shares in the Second Market where such application has in the opinion of the Authority remained Outstanding. Should the issuer wish to continue such application, a new application must be made by the issuer in accordance with the application process set out in these Rules.

Article 13: The Offering Document or Shareholders Circular

- a) The Offering Document must contain the information set forth in Annex 3 of these Rules, and may contain additional information, provided that such information must be within the frame set forth in Annex 4 of the Listing Rules.
- b) The shareholders circular must contain the information set forth in Annex 4 of these Rules, in case of capital increase through issuing new shares for debt conversion, or the information stipulated in Annex 5 of these Rules if the capital increase is for acquisition of a company or purchasing an asset. The circular may contain additional information, provided that such information must be within the frame set forth in article (32) or Annex 4 of the Listing Rules (as applicable).
- c) The draft Offering Document or the shareholders circular (as applicable) shall be provided to the Authority in Arabic.
- d) The draft Offering Document or the shareholders circular (as applicable) must be annotated to indicate where the information required by the applicable paragraphs of these Rules has been included and any changes from any previous drafts must be clearly marked. Each draft must indicate the draft number and the submission date on its cover page.

Article 14: Approving the Offering Document or Shareholders Circular

- a) Offering Document or shareholders circular (as applicable) must not be published and made available to the public before obtaining the Authority's approval; the issuer, after obtaining a written approval from the Authority, may make the final draft of the Offering Document or shareholders circular (as applicable) available to those specified by the Authority.
- b) the Authority approves the Offering Document or shareholders circular (as applicable) if it is satisfied that the information contained in them meet the minimum requirements of the Capital Market Law and these Rules.
- c) The Authority will review the Offering Document or shareholders circular (as applicable) within (30) days of receiving all information and documentation required.
- d) If, having reviewed the Offering Document or Shareholders' Circular (as applicable), the Authority considers that the proposed offer or registration of shares in the Second Market may result in a breach of the Capital Market Law or its Implementing Regulations then it may take any of the following actions:
 - 1) carry out any enquiries which it considers appropriate;

- 2) require the issuer or its representative to appear before the Authority to answer questions and explain any matters that the Authority considers relevant to the application;
 - 3) require the issuer or third party to provide additional information or to confirm, in such manner as the Authority may specify, that the information provided is accurate;
 - 4) defer making a decision for such period as may be reasonably necessary to carry out further study or examination.
- e) If, having taken action pursuant to paragraph (d) of this Article, the Authority determines that the offer based on the Offering Document or the capital increase based on the shareholders circular may result in a breach of the Capital Market Law or its Implementing Regulations, the Authority shall issue a "notification" to the issuer stating that the Offering Document or shareholders circulars (as applicable) has not been approved, or publish a "notice" prohibiting the offer, capital increase, sale or transfer of title of the shares to which the Offering Document or shareholders circulars (as applicable) relates.

Article 15: Issuances not requiring Offering Document or Shareholders' Circular

- a) Offering Document or shareholders circular is not required for the issue of further shares by an issuer whose shares are already listed, if the shares are categorised as:
 - 1) shares issued as a result of capitalisation issue.
 - 2) split of shares already issued.
- b) An issuer must make an application for registration and admission to listing of its shares in the Second Market to the Authority in the circumstances specified in paragraph (a) of this Article as per the applicable requirements under these Rules and as prescribed by the Authority. The relevant shares shall not be issued prior to the Authority's approval.
- c) The issuer must disclose any issuance made under this Article in the manner prescribed by the Authority.

Article 16: Supplementary Offering Document and supplementary Shareholders' Circular

- a) The issuer must submit a supplementary Offering Document or supplementary shareholders circular (as applicable) to the Authority if at any time after the document or circular has been published and before completion of the offer (in the case of an offering document) or before the extraordinary general assembly is convened (in the case of a shareholders' circular), the issuer becomes aware that:
 - 1) there has been a significant change in material matters contained in the Offering Document or the Shareholders' Circular (as applicable); or
 - 2) additional significant matters have become known which would have been required to be included in the Offering Document or the Shareholders' Circular (as applicable).
- b) A supplementary Offering Document or supplementary circular must contain the following (as applicable):
 - 1) details of the change or new matters in accordance with paragraph (a) of this Article;
 - 2) a declaration in the form specified at paragraph (10) of section (1) of Annex 3 (for the Offering Document), or paragraph (2) of section (a) of Annex (4) or paragraph (2) of section (a) of Annex 5 to these Rules (for shareholders circular) as applicable.
- c) Where a supplementary Offering Document or supplementary circular is submitted to the Authority under this Article, it must be signed on every page by the representatives of the issuer who are appointed as authorised signatories.
- d) Where a supplementary Offering Document is submitted to the Authority under this Article, a qualified investor who subscribed for shares prior to the publishing of the supplementary offering document is permitted to rescind or amend his subscription for such shares prior to the end of the offering period.

Article 17: Publication of Offering Document, Shareholders' Circular and formal notices

- a) The issuer must publish the Offering Document and must ensure that it is made available to the Qualified Investors at least 7 days prior to the start of the offering.
- b) Where an issuer must publish a shareholders' circular in accordance with the provisions of these Rules, it must ensure that it is made available to the Qualified Investors at least 14 days prior to the relevant general assembly meeting.

- c) The Offering Document, the Shareholders' Circular, any supplementary Offering Document or any supplementary Shareholders' Circular (as applicable) shall be made available to the public in electronic form on the official websites of the Authority, the Exchange and the financial advisor.

Article 18 : Dissemination of information

- a) The Authority may require the publication of further information by, or impose additional continuing obligations on, the issuer where it deems this appropriate. The Authority will notify the issuer of its intentions in this regard and will allow representations by the issuer before imposing any such requirements or obligations.
- b) Except as permitted in paragraph (c) of this Article, information that is required to be disseminated pursuant to these Rules must not be given to a third party before the information has been filed with the Authority and has been published.
- c) The issuer may disclose information that is required to be disseminated pursuant to these Rules before the information has been filed with the Authority and has been published to any of the following persons:
 - 1) the issuer's advisors to the extent necessary for those advisors to provide advice in relation to these Rules;
 - 2) the issuer's agent employed to release the information;
 - 3) persons with whom the issuer is negotiating with a view to effecting a transaction or raising finance, including the lenders.
- d) The issuer must advise the above mentioned persons in writing that the information is confidential and that they must not deal in the issuer's shares (or any other related securities) before the information has been made available to the Qualified Investors.
- e) Where, in the opinion of the issuer, disclosure of any matter required by these Rules would be unduly detrimental to the issuer, and omission is not likely to mislead the Qualified Investors with regard to facts and circumstances, knowledge of which is essential for the assessment of the securities in question, the issuer may apply for a waiver from the relevant requirement. The issuer must in that case provide to the Authority on a strictly confidential basis a statement of the requested waiver together with the reasons why the issuer believes that the information should not be disclosed at that time. The Authority may approve or reject the application for a waiver. If the Authority approves the

application for a waiver, the Authority may at any time require the issuer to disclose any information in relation to the waiver.

Article 19: Registration and admission to listing

The Authority shall register and admit the listing of the issuer's shares in the Second Market when all the relevant requirements under the Capital Market Law and these Rules have been fulfilled.

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PART 5: CAPITAL INCREASE OF ISSUERS OF SHARES LISTED IN THE SECOND MARKET

Article 20: Application submission for capital increase of Issuers of Shares listed in the Second Market and supporting documents

- a) Where an issuer whose shares are listed in the Second Market wishes to register and admit to listing new shares of a class already listed, either by way of rights issue, capitalisation issue, issuing new shares for debt conversion, acquisition of a company or asset purchase, it must obtain the Authority's approval prior to calling for the issuer's extraordinary general assembly meeting. The approval of the extraordinary general assembly of the issuer must be obtained during six months of the approval of the Authority. If the assembly's approval is not obtained during such time, the Authority's approval shall be deemed to be cancelled and the issuer will be required to resubmit its letter of application if it still wishes to increase its capital.
- b) An issuer must not issue shares of the same class as the shares that are listed for a period of six months following the date of the most recent listing of the shares.

Article 21: Conditions related to issuance of rights issue

Where an issuer whose shares are listed in the Second Market wishes to submit an application for registration and admission to listing of a rights issue to the Authority, the following conditions must be satisfied:

- 1) details of the proceeds of any previous rights issues must be provided and such details must be compared with the disclosure made under the previous Offering Document;
- 2) details of any qualifications made in the audited annual financial statements for the preceding fiscal year must be provided.

Article 22: Conditions related to capitalisation issues

Where an issuer whose share are listed in the Second Market wishes to increase its capital by way of a capitalisation issue, it must submit to the Authority a letter of application that includes the minimum information set out in Annex 6 to these Rules.

Article 23: Conditions related to issuing new Shares for debt conversion

- a) Where an issuer whose shares are listed in the Second Market wishes to increase its capital by way of a debt conversion by new shares of the same class of already listed, it must produce a circular for its shareholders stating the information required to enable the shareholders to vote at the extraordinary general assembly.
- b) Shareholders circular shall contain at least the information set out in Annex 4 of these Rules.

Article 24: Conditions related to capital increase for acquiring a company or purchasing an asset

- a) Where an issuer whose shares are listed in the Second Market wishes to increase its capital to acquire a company or purchase an asset by registering and listing new shares of the same class of already listed, it must produce a circular for its shareholders stating the information required to enable the shareholders to vote at the extraordinary general assembly.
- b) Shareholders circular shall contain at least the information set out in Annex 5 of these Rules.

PART 6: CAPITAL REDUCTION FOR ISSUERS OF LISTED SHARES IN THE SECOND MARKET

Article 25: Conditions related to an Issuer's capital reduction

Where an issuer whose shares are listed in the Second Market wishes to reduce its capital, it must submit to the Authority an application that includes the minimum information set out in Annex 7 to these Rules for the Authority's approval prior to obtaining the approval of the extraordinary general assembly of the issuer on the capital reduction. The application must be accompanied by the following:

- 1) an external auditor's report on the reasons for the capital reduction and the impact of the capital reduction on the issuer's liabilities;
- 2) the proposed method of capital reduction and the expected effect of such reduction;
- 3) any other documentation as may be required by the Authority.

PART 7: TRADING ELIGIBILITY IN SECOND MARKET AND CONDITIONS OF TRANSITION TO THE MAIN MARKET

Article 26: Trading eligibility in the Second Market

- a) Only Qualified Investors shall be allowed to trade in shares listed on the Second Market .
- b) An exception from paragraph (a) of this Article, shareholders of an issuer (who is not a qualified investor) who held shares prior to being listed on the Second Market are allowed to sell these shares and trade rights issue of that issuer.

Article 27: Conditions of transition to the Main Market

- a) If an issuer whose shares are listed on the Second Market seeks to list its shares on the Main Market, it must make an application for listing to the Main Market pursuant to Listing Rules and comply with all applicable requirements.
- b) An issuer whose shares are listed on the Second Market may only make an application for listing on the Main Market after two calendar years from the day on which its shares were listed on the Second Market.
- c) The issuer may be exempted from the public offering of its share if the Authority considers the requirements of paragraph (a) of Article 13 of the Listing Rules are satisfied.

PART 8: COMPLYING WITH THE SECOND MARKET LISTING RULES AND CONTINUING OBLIGATIONS

Article 28: Complying with the Second Market Listing Rules and continuing obligations

The issuer whose shares are listed in the Second Market shall comply with the provisions of Part 7 and Part 8 of the Listing Rules; subject to the following:

- 1) Any reference to “Listing Rules” mentioned in Part 7 of the Listing Rules shall be read as a reference to the “Second Market Listing Rules”.
- 2) The Issuer must provide the Authority and announce to shareholders its interim financial statements which must be prepared and reviewed in accordance with the accounting standards approved by SOCPA as soon as they have been approved and within a maximum of (45) days of the end of the financial period covered by these statements.
- 3) Liquidity requirements of sub-paragraph (3) of paragraph (a) Article (35) of Listing Rules shall be replaced by the requirements of paragraph (a) of Article (10) of these Rules.
- 4) Any reference to a prospectus mentioned in Part 8 of Listing Rules shall be read as a reference to the Offering Document referred to in these Rules.

PART 9: PUBLICATION AND ENTRY INTO FORCE

Article 29: Publication and entry into force

These Rules shall become effective as per their approval resolution.

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Annex 1: Content of Application for Registration and Admission to Listing in the Second Market

The Application for the registration and admission to listing must contain the following information:

1. Shares

- Number of issued shares
- Class
- Nominal value per share (SR)
- Amount paid up per share (SR)
- Total amount paid up for issued shares

2. Debt instruments and convertible debt instruments (if any)

- Number of issued debt instruments or convertible debt instruments
- Class
- Nominal value
- Redemption value (SR)
- Total nominal value of the debt instrument

3. Ownership of shares

- Number of holders of shares
- Number of the issued shares
- Directors of the issuer
- Substantial shareholders
- Shares in public hands
- Shares in hands of employees
- Shares in hands of directors

4. Type of issue for which application is being made

- Number or value of shares for which application is being made
- Description of shares for which application is being made
- Are the shares for which application is made identical in all respects? If not, how do they differ and when will they become identical?
- Details of documents of title

The application must contain an authorisation in the form below:

“The issuer hereby authorises the Authority to exchange any relevant information with the authorities, agencies or other bodies having responsibility for the supervision of financial services as well as any other relevant authorities.”

[to be signed and dated]

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Annex 2: Form of Financial Advisor's Letter
[To be provided on the Financial Advisor's letterhead]

To: The Capital Market Authority

In our capacity acting as the financial advisor to [please insert the name of the issuer] (the "issuer") in respect of the issuer's application for registration and admission to listing of its shares [please provide details of the shares], and in accordance with Article 7 of the Second Listing Rules, we [please insert the name of the financial advisor] confirm, to the best of our knowledge, and through conducting due diligence and making enquiries from the issuer and its directors, that the issuer has satisfied all conditions required for registration and admission to listing of its shares in the Second Market and has satisfied all other matters required by Capital Market Authority ("the Authority") as of the date of this letter.

[please insert the financial advisor name] further confirms that to the best of its knowledge and within its capacity as financial advisor, provided to the Authority any information or clarifications in such form and within such time limit as the Authority requires for the purpose of verifying whether [please insert the financial advisor name] and the issuer have complied with the Second Market Listing Rules, the Capital Market Law and its Implementing Regulations.

In particular, [please insert the financial advisor name] confirms that:

- 1) It has provided all relevant services as per the Second Market Listing Rules with due care and skill.
- 2) it has taken reasonable steps to satisfy itself that the directors of the issuer understand the nature and extent of their responsibilities under the Capital Market Law and its Implementing Regulations;
- 3) it has come to a reasonable opinion, based on due enquiry and professional experience, that:
 - a) the issuer has satisfied all requirements relevant to the registration and listing in the Second Market, including provisions related to the Offering Document or Shareholders' Circulars (as applicable);
 - b) the directors of the issuer have established adequate procedures, controls and systems which enable the issuer to comply with the requirements of the

Second Market Listing Rules, Capital Market Law and its Implementing Regulations; and

- c) that all matters known to [*please insert the financial advisor name*] which should be taken into account by the Authority when considering the application for registration and admission to listing of shares in the Second Market have been disclosed to the Authority.

[*to be signed and dated*]

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Annex 3: Content of the Offering Document

Inclusion of information in the Offering Document

An offering document must contain the information under the following sections at a minimum:

1. Cover page

This section must include the following information (where applicable):

- 1) The issuer's name;
- 2) the issuer's incorporation date and commercial registration number;
- 3) capital and number of shares;
- 4) a summary of the offer including share class and rights;
- 5) substantial shareholders;
- 6) targeted types of investors;
- 7) offer period and conditions;
- 8) shares that have been listed prior to the particular offer by the issuer (if applicable);
- 9) a statement that the issuer has submitted the application for registration and admission to listing of shares in the Second Market to the Authority, and all requirements have been met;
- 10) the following declaration:

“This Offering Document includes information provided in compliance with the Second Market Listing Rules issued by Capital Market Authority of the Kingdom of Saudi Arabia (the "Authority"). The directors, whose names appear on page [], collectively and individually accept full responsibility for the accuracy of the information contained in this Offering Document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omissions of which would make any statement herein misleading. The Authority and the Saudi Stock Exchange do not take any responsibility for the contents of this document, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Those wishing to buy listed shares under this document shall verify the information related to the shares

being offered; and consult a licensed financial advisor when facing any difficulty understanding the contents of this document.”

2. **Important notice**

This section must include a notice which shows the purpose and the nature of information mentioned in the Offering Document.

3. **Corporate directory**

This section must include the following:

- 1) issuer's and its representatives' contact information, including addresses, telephone and fax numbers, e-mail addresses, and the issuer's website.
- 2) the contact information, including addresses, telephone and fax numbers, and website and e-mail addresses, for each of the parties listed below, and any other expert to whom a statement or report included in the Offering Document has been attributed:
 - a. the financial advisor;
 - b. the external auditor;
 - c. the authorised person placing or selling the shares.

4. **Offer summary**

This section must include the following information (where applicable):

- 1) the issuer's name, description and incorporation information;
- 2) the issuer's activities;
- 3) substantial shareholders showing their ownership percentages and number of shares pre- and post-offering;
- 4) the capital of the issuer;
- 5) issuer's total number of shares;
- 6) the nominal value per share;
- 7) the total number of offered shares;
- 8) the percentage of offered shares to the capital of the issuer;
- 9) the offer price;
- 10) the total value of offer;

- 11) the use of the proceeds;
- 12) types of targeted investors;
- 13) subscription method;
- 14) the minimum number of shares to be subscribed for;
- 15) the minimum value of shares to be subscribed for;
- 16) the maximum number of shares to be subscribed for;
- 17) the maximum value of shares to be subscribed for;
- 18) the method of allocation of the shares and refund of excess monies;
- 19) the offer period;
- 20) the rights to dividends;
- 21) voting rights;
- 22) restrictions on shares;
- 23) shares that have been listed prior to the particular offer by the issuer (if applicable).

5. **Key dates and subscription procedure**

This section must include:

- 1) a timetable showing the expected dates of the offering;
- 2) a description of the subscription procedure.

6. **Summary of basic information**

This section must include a summary of the following basic information:

- 1) a description of the issuer;
- 2) the issuer's mission and overall strategy;
- 3) the issuer's key strengths and competitive advantages.

7. **Summary of financial information**

This section must include a summary of the following key financial information:

- 1) issuer's operational performance;
- 2) financial condition;
- 3) cash flows;

- 4) the issuer's key performance indicators.

8. **Table of contents**

This section must include the Offering Document table of contents.

9. **Terms and definitions**

This section must include the terms and definitions used through the Offering Document.

10. **Risk factors**

This section must include information in relation to risk factors specific to:

- 1) the issuer;
- 2) the market and industry in which the issuer operates;
- 3) the shares being offered.

11. **Issuer's background and business nature**

This section must include the following information:

- 1) the official name, commercial registration number and the address shown in the commercial registration and, if different, the principal address of the issuer;
- 2) the date of incorporation of the issuer;
- 3) the authorised shares of the issuer, the number of shares issued or agreed to be issued, the value paid up, the nominal value and a description of the shares;
- 4) the general nature of the business of the issuer and details of the main products sold or services performed and an indication of any significant new products or activities;
- 5) if the issuer trades outside the Kingdom, a statement showing the location of such trading operations must be provided. Where a material portion of the issuer's assets is outside the Kingdom, the value and location of such assets and the value of the assets located in the Kingdom must be specified;
- 6) information concerning the policy of the issuer on the research and development of new products and production processes over the last financial year, where significant;

- 7) particulars of any interruption in the business of the issuer which may have or has had a significant effect on the financial position in the last 12 months;
- 8) the number of people employed by the issuer and any material changes to that number, with a breakdown of persons employed by main categories of activity and by Saudisation ratio;
- 9) a statement that no material change in the nature of the business is contemplated or, if one is contemplated, a detailed description of that change and its impact on the issuer's business and profitability.

12. **Organisational structure**

This section must include the following information:

- 1) the issuer's organisational chart showing the directors structure, supervisory committees, and the functions of senior executives;
- 2) the full names and description of the professional and academic qualifications and area of expertise and the date of appointment of all the directors or proposed directors (showing whether the director is independent or executive or non-executive), in addition to the senior executives and the secretary of the board;
- 3) information about the issuer's board committees, including the names of each committee member and a summary of the terms of reference under which the committee operates;
- 4) information on the issuer's compliance with Corporate Governance Regulations.

13. **Dividend policy**

This section must include an explanation of the issuer's dividend policy, as well as details on any dividend payments made during the last year.

14. **Use of proceeds and future projects**

- a) This section must include an estimate of the proceeds of the offer and the offer expenses and a statement as to how such proceeds are intended to be used.
- b) Where the proceeds are to be used to fund future projects, the nature of these projects should be described and the following information included:

- 1) future projects' key milestones and timetable to execute those future projects;
- 2) an estimate and breakdown of future projects costs, showing the stages in which such costs will be incurred, in addition to details regarding the sources of financing.

15. Declarations

The directors of the issuer must make the following declarations:

- 1) other than what has been mentioned on page (●) of this document, there has not been any interruption in the business of the issuer which may have or has had a significant effect on the financial position in the last 12 months.
- 2) other than what has been mentioned on page (●) of this document, there has not been any commissions, discounts, brokerages or other non-cash compensation granted within the last year preceding the application for registration and admission to listing in connection with the issue or offer of any share by the issuer.
- 3) other than what has been mentioned on page (●) of this document, there has not been any material adverse change in the financial and trading position of the issuer in the last year preceding the application for registration and admission to listing.
- 4) other than what is mentioned on page (●) of this document, no director nor any of their relatives have interest of any kind in the issuer.

16. Information concerning the shares and terms and conditions of the offer

This section must include the following information:

- 1) a statement that application has been made to the Authority for registration and admission to listing of shares in the Second Market;
- 2) the type and total value of the offer including the number of shares being offered;
- 3) the offer price and the nominal value of each share;
- 4) the subscription method;
- 5) the offer period and conditions;
- 6) the method of allocation of the shares and refund of excess monies;
- 7) when and under what circumstances the offer may be suspended;

- 8) a description of the resolutions, and approvals by virtue of which the shares will be offered;
- 9) details of any lock-up arrangement in place restricting the disposal of particular shares;

17. Price dilution

If the offer is a result of an increase in the issuer's capital, this section must include information on the price dilution effects and its impact on the shareholders.

18. External auditor's report

The issuer's consolidated audited financial statements for the last year preceding the date of the publishing the Offering Document, in addition to the most recent interim financial statements.

Annex 4: Content of Shareholders Circular for a Capital Increase by way of debt conversion

a) Cover page

This section must include the following information:

- 1) a summary of the transaction, its reasons and details about the creditor.
- 2) the following declaration:

“This Shareholders circular contains information provided in compliance with the Second Market Listing Rules issued by Capital Market Authority of the Kingdom of Saudi Arabia (the "Authority"). The directors, whose names appear on page [], collectively and individually accept full responsibility for the accuracy of the information contained in this Shareholders circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omissions of which would make any statement herein misleading. The Authority and the Saudi Stock Exchange do not take any responsibility for the contents of this circular, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this circular. A licensed financial advisor shall be consulted when facing any difficulty understanding the contents of this circular.”

- b) description and structure of the transaction.
- c) risk factors related to the transaction.
- d) timeframe of the transaction.
- e) key accounting items of the issuer's audited financial statements.
- f) Key accounting items for the pro-forma financial statements which reflect the issuer's condition following the capital increase.
- g) the origin of the current debt (to be converted into shares) and its assessments based on the opinion of an expert or a certified assessor .
- h) the material legal information which the Issuer’s shareholders should take into consideration to make a well informed voting decision on the capital increase for the reason disclosed in the circular.

- i) related parties to the transaction;
- j) any new proposed members of the board or the executive management in the issuer as a result of the transaction;
- k) a statement from the directors of the issuer confirming that in the board's view the proposed debt conversion is in the best interests of the issuer and the shareholders.
- l) The issuer shall indicate the place in the kingdom where the following documents can be viewed and the timeframe for that (provided that this timeframe is no less 14 days prior to the Extraordinary General Assembly meeting:
 - 1) Documents and agreements for the debt conversion.
 - 2) the pro-forma financial statements of the issuer.
 - 3) the evaluation report.
 - 4) the statement prepared and signed by the issuer's board and auditors (who are the responsible for its correctness) on the origin and amount of the debts.
 - 5) any additional document required by the Authority.

[to be signed and dated]

Annex 5: Content of a Circular for a Capital Increase to Acquire a Company or Purchase an Asset

a) Cover page

This section must include the following information:

- 1) a summary of the acquisition and purchasing transaction, purpose of the capital increase and the identity of the target company/assets.
- 2) the following declaration:

“This Shareholders circular contains information provided in compliance with the requirements of the Second Market Listing Rules issued by Capital Market Authority of the Kingdom of Saudi Arabia (the "Authority") The directors, whose names appear on page [], collectively and individually accept full responsibility for the accuracy of the information contained in this Shareholders circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omissions of which would make any statement herein misleading. The Authority and the Saudi Stock Exchange do not take any responsibility for the contents of this circular, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this circular. A licensed financial advisor shall be consulted when facing any difficulty understanding the contents of this circular.”

- b) description and structure of the transaction.
- c) risk factors related to the transaction.
- d) timeframe of the transaction.
- e) description of the targeted asset /company and the company's operations and industry.
- f) key accounting items of the issuer's audited financial statements.
- g) key accounting items of the audited financial statements (if any) for the targeted asset or company (as applicable).
- h) Key accounting items for the pro-forma financial statements which reflect the issuer's condition following the capital increase.
- I) valuation of the asset or the company to be acquired;

j) the material legal information which the Issuer's shareholders should take into consideration to make a well informed voting decision on the capital increase for the reason disclosed in the circular.

k) related parties to the transaction;

l) any new proposed members of the board or the executive management in the issuer as a result of the transaction;

m) a statement from the directors of the issuer confirming that in the board's view the proposed capital increase to acquire a company/ asset is in the best interests of the issuer and the shareholders.

n) The issuer shall indicate the place in the kingdom where the following documents can be viewed and the timeframe for that (provided that this timeframe is no less 14 days prior to the Extraordinary General Assembly meeting.

- 1) Documents and agreements for the acquisition.
- 2) the pro-forma financial statements of the issuer; and the audited financial statements for the target company/asset (if any).
- 3) the evaluation report.
- 4) any additional document required by the Authority.

[to be signed and dated]

Annex 6: Form of letter required for Capitalisation Issue

The issuer must provide the Authority with a signed and dated application letter to obtain the Authority's approval on any capitalisation issue and the registration and admission to listing of the relevant shares in the Second Market. The letter shall contain the following information as per the last audited annual financial statements.

1. The nominal value of the issuer's listed share capital before and after the capitalisation issue;
2. The number of shares issued before and after the capitalisation issue;
3. The ratio of shares to be issued as a result of the capitalisation issue to the number of shares issued prior to the capitalisation issue;
4. The value of the reserves to be utilised in the capitalisation issue;
5. The nature of the reserves to be utilised in the capitalisation issue;
6. A statement that the reserves used for any capital alteration are sufficient for such capital alteration and that the capital alteration complies with applicable rules and regulations;
7. The details on share fraction treatment (if any);
8. The date of the audited annual financial statements from which the value of the reserves to be utilised was taken and a certified copy of such statements; and
9. Include a statement on the approval from the relevant regulatory authorities as well as a copy of this approval (where applicable).

[TO BE SIGNED AND DATED]

Annex 7: Form of letter required for Capital Reduction

The issuer must provide the Authority with a signed and dated application letter to obtain the Authority's approval on any capital reduction. The letter shall contain the following information:

1. The nominal value of the issuer's listed share capital before and after the capital reduction;
2. The total number of shares issued before and after the capital reduction;
3. The ratio of remaining shares issued after the capital reduction to the number of shares issued prior to the capital reduction;
4. The value of the capital reduction;
5. The method of the capital reduction;
6. The details on share fraction treatment (if any);
7. The date of the audited financial statements from which the valuations for the capital reduction were taken and a certified copy of such statements;
8. Include a statement on the approval from the relevant regulatory authorities as well as a copy of this approval (where applicable).

[to be signed and dated]