



KINGDOM OF SAUDI ARABIA

Capital Market Authority

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

English Translation of the Official Arabic Text

**Issued by the Board of the Capital Market Authority
Pursuant to its Resolution Number 4-48-2013
Dated 15/1/1435H Corresponding to 18/11/2013G
Based on the Capital Market Law
issued by Royal Decree No. M/30 dated 2/6/1424H**

**Amended by the Board of the Capital Market Authority
Pursuant to its Resolution Number 8-5-2023
Dated 25/6/1444H Corresponding to 18/1/2023G**

Note: Arabic is the official language of the Capital Market Authority

Important Notice:

The current version of these Regulations, as may be amended, can be found at the Authority website: www.cma.org.sa



TABLE OF CONTENTS

PART 1: PRELIMINARY PROVISIONS

Article 1: Definitions

Article 2: Scope and Application

PART 2: PROCEDURES

Article 3: When accumulated losses of a company reach 20% or more and less than 35% of its share capital

Article 4: When accumulated losses of a company reach 35% or more and less than 50% of its share capital

Article 5: When accumulated losses of a company reach 50% or more of its share capital

PART 3: DELISTING

Article 6: Delisting



PART 1

PRELIMINARY PROVISIONS

Article 1: Definitions

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

Article 2: Scope and Application

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



PART 2 PROCEDURES

Article 3: When Accumulated Losses of a company reach 20% or more and less than 35% of its Share Capital

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

Article 4: When Accumulated Losses reach 35% or more and less than 50% of the Share Capital

- a) The company should, immediately and without delay, disclose to the public in a separate announcement when its Accumulated Losses reach 35% or more and less than 50% of its Share Capital. The announcement should reflect the total Accumulated Losses, its percentage of the capital, and the main reasons that caused the losses, with reference that these procedures will be applicable. In case the announcement coincides with the interim or annual financial results announcement, the company is exempt from the disclosure in a separate announcement if it disclosed the required information as per this paragraph in the interim or annual financial results announcement.
- b) Following the public announcement referred to in paragraph (a) of this Article, the Exchange shall add a flag next to the company's name on the Exchange website indicating that the



company's Accumulated Losses reached 35% or more and less than 50% of its Share Capital.

- c) Upon receiving an external auditor's report illustrating its financial position, the company should, immediately and without delay, disclose to the public by a separate announcement upon reduction in its Accumulated Losses from 35% of its Share Capital. The announcement should reflect the remedial steps taken by the company to restore its positions including attaching the external auditor's report referred to in this paragraph.
- d) The Exchange shall delete the flag referred to in paragraph (b) of this Article following the company's announcement of its financial position remedy as indicated in paragraph (c) of this Article.
- e) Upon the reduction of Accumulated Losses of a company below 35% and not less than 20% from its Share Capital, Article (3) of these Procedures and Instructions shall be applicable.

Article 5: When Accumulated Losses reach 50% or more of the Share Capital

- a) The company should, immediately and without delay, disclose to the public in a separate announcement when its Accumulated Losses reach 50% or more of its Share Capital. The announcement should reflect the total Accumulated Losses, its percentage of the capital, and the main reasons that caused the losses, with reference that these procedures will be applicable. In case the announcement coincides with the interim or annual financial results announcement, the company is exempt from the disclosure in a separate announcement if it disclosed the required information as per this paragraph in the preliminary or yearly financial results announcement.
- b) Following the public announcement referred to in paragraph (a) of this Article, the Exchange shall add a flag next to the company's name on the Exchange website indicating that the company's Accumulated Losses reached 50% or more of its Share Capital.
- c) Subject to the provisions of Article (132) of the Companies Law, the company shall, after announcing that its Accumulated Losses reached 50% or more of its Share Capital, announce the following:
 1. The date of the last day on which the Board of Directors may invite the extraordinary general assembly to convene, and the date of the last day for convening the extraordinary general assembly to address the Accumulated Losses.
 2. The Board of Directors' recommendation to the extraordinary general assembly regarding its Accumulated Losses immediately following its issuance.
- d) Upon receiving an external auditor's report illustrating its financial position, the company should, immediately and without delay, disclose to the public by a separate announcement the reduction in its Accumulated Losses from 50% of its Share Capital.



The announcement should reflect the remedial steps taken by the company to restore its positions including attaching the external auditor's report referred to in this paragraph.

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



PART 3

DELISTING

Article 6: Delisting

A company's shares will be delisted when the extraordinary general assembly decides to dissolve the company according to Article (132) of the Companies' Law.