

**OMAN CHAMBER OF COMMERCE AND INDUSTRY**

**THE COMMERCIAL COMPANIES LAW**

**No. 4/1974**

Amended by Royal Decrees  
Nos. 53/1982, 13/1989, 83/1994 & 16/1996

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**COMMERCIAL COMPANIES LAW**  
**PART ONE**  
**COMMERCIAL COMPANIES IN GENERAL**

**Chapter One**  
**General Provisions**

**Article 1**

A Commercial Company is a contract by which two or more persons undertake to participate in an enterprise for profit, each contributing a share of the Capital in the form of tangible or intangible property or services, with a view to sharing any profit or loss resulting from the enterprise.

**Article 2 (\*)**

This law shall govern the following types of Companies:

- a) General Partnerships
- b) Limited Partnerships
- c) Joint Ventures
- d) Joint-stock Companies
- e) Limited Liabilities Companies
- f) Holding Companies

Subject to the transitional and final provisions provided in part 9 of this Law, any Company which does not adopt one of the types listed above shall be null and void, and the persons who have acted in such Company's name shall be jointly and severally liable for the obligations resulting from such acts.

**Article 3**

All Commercial Companies, except joint ventures, shall be considered juristic persons.

**Article 4**

All contracts, receipts, notices and other documents issued by Commercial Companies shall indicate the Company's name, its form, its principal place of business and the number and place of its registration in the Commercial Register. The provisions of this article shall not apply to the joint ventures.

### Article 5

No Commercial Company other than the Joint-stock Company may have as its object the conduct of insurance business, solicitation of savings or capital from the public, investment of funds of the account of third parties, conduct of banking business or the provision of commercial air transport services.

### Article 6

The Memorandum and Articles of Association of Commercial Companies other than those related to joint ventures shall be public documents which shall be registered and published pursuant to the provisions of this law and the Commercial Register Law. Any person who becomes a partner of a Commercial Company shall be subject to the provisions of the Memorandum of Association and Articles of Association thereof. The existence of a Commercial Company shall not be asserted by third parties in good faith until such time as registration and publication procedures are complete according to the provisions of the Commercial Register Law. Nevertheless, third parties in good faith may assert the existence of the Company in claims placed against partners thereof even though such registration and publication procedures are not complete.

### Article 7 (\*)

Commercial Companies with non-Omani partners, whether such partners are natural or juristic persons shall comply with the foreign capital investment Law.

### Article 8

Partners of a Commercial Company shall not, without the prior consent of all partners, conduct any business similar to the business of the Company for their own account or for the account of third parties, provided, however, that this restriction shall not apply to partners of joint ventures or shareholders of Joint-stock Companies.

Partners, Managers and Directors of a Commercial Company shall not, without the prior consent of all the partners or without the consent of the general meeting, in the case of Joint-stock Companies, use the Company's assets or properties for their benefit or for the benefit of third parties, or enter, directly or indirectly, into any agreement with the Company for their account, except for the ordinary contracts of the type

*(\*) Foreign Capital Investment Law, issued by Royal Decree No. 102/1994 and cancelled Foreign Business & Investment Law.*

which the Company concludes with its customers within the ordinary course of its business.

Partners, Managers and Directors of a Commercial Company who violate the provisions of this Article shall be liable to the Company for the profits they have gained from such violation and for the damages arising thereof. A remedial action may be filed by any interested party, and all transactions to which the Company is a party and which infringe the provisions of the preceding paragraph shall be voidable.

#### Article 9

Personal creditors of a partner of a Commercial Company shall not claim the payment of their debt out of such partner's share in the capital of the Company. However, they may claim on the dissolution of the Company, the payment of their debt out of the partner's share in the remaining assets of the Company after the settlement of the Company's liabilities.

Personal creditors of a partner of a Commercial Company other than the Joint-stock Company may claim the payment of their debt out of such partner's share in the Company's profits as determined in the Company's profit and loss statement. As for the Joint-stock Company, payment may be claimed only out of the partner's share in the declared dividends.

Personal creditors of a shareholder in a Joint-stock Company may, besides the rights provided in the two preceding paragraphs, claim the public sale of the indebted shareholder's shares to recover their debt out of the proceeds, subject to the provisions of the applicable laws and the Company's Articles of Association.

#### Article 10

No case shall be filed for claims arising under the provisions of this Law against or among partners of Commercial Companies regarding the Company's Memorandum or Articles of Association or the Company's acts, or against the Company's Managers, Directors, Auditors or Liquidators, or against the heirs or successors of any of them for the acts they performed during the

exercise of their functions, unless such case is filed within a period of five years from the most recent of the following dates:

- a) The date of the act or omission forming the basis of case.
- b) The date of the General Meeting at which the Board of Directors gave an account of the Company's operations for the period that includes the act or the omission forming the basis of the case filed against the Directors of a Joint-stock Company.
- c) The date of the partner's meeting at which the Managers gave an account of the Company's operations for the period which includes the act or omission forming the basis of the case filed against the Managers of a Limited Liability Company.
- d) The date on which the general partners of a limited partnership gave the limited partners an account of the Company's operations for the period which includes the act or omission forming the basis of the case filed against the general partners of a limited partnership.

## **Chapter Two**

### **Contribution to Capital and Division of Profit & Losses**

#### Article 11 (\*)

The contribution of partners to the capital of a Commercial Company may consist of money or may be a contribution in kind consisting of real or personal property, or intangible property rights or the services of one or more partners subject to the special provisions governing each form of Company.

The value of all contributions to the capital of the Company shall be stated in the Memorandum and Articles of Association of the Commercial Company in terms of money.

If the Authority for the Settlement of Commercial Disputes, upon a complaint by a partner or a creditor of the Company finds that a partner's contribution in kind has been overvalued, the partner shall then pay to the Company, in cash, the differences between the estimated value of the property contributed by such partner and its true value as at the time of contribution. All partners of the

Company shall be jointly and severally liable to creditors of the Company for the payment of such difference to the Company, with recourse against the partner whose contribution has been overvalued.

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*(\* The name of the Authority for Settlement of Commercial Dispute has been amended to Commercial Court by Royal Decree No. 13/1997.*

Liability under this paragraph shall be barred, however if the value of the contribution in kind to the Capital has been appraised prior to the Company's registration in the Commercial Register by an expert appointed by the Authority for the Settlement of Commercial Disputes at an amount not less than 80% of the value stated in the Company's Memorandum and Articles of Association.

#### Article 12

In the absence of an agreement to the contrary, the partners' contributions to the capital of a Commercial Company shall be deemed of equal value.

If a partner defaults in making his contribution to the capital of the Company, the remaining partners may either expel him from the Company or insist on the performance of his obligation to the Company, without prejudice in either case to their or the Company's right to claim damages from the defaulting partner.

If a partner's contribution consists of a debt owed by another person, such partner shall be considered as having made his contribution only when and to the extent the Company receives payment of the debt from the debtor or from such partner and the contribution shall be equal to the debt received by the Company. If such debt is represented by negotiable instruments having a determinable value in the financial markets, then such debt may be contributed as property in kind at its value in the financial markets and the contributor to the debt so contributed shall not be held responsible for the payment of such debt by the debtor.

If a partner's contribution consists of property rights or property, such partner shall be deemed to have given the Company his guaranty against hidden defects and defects in title.

#### Article 12 bis (\*)

The Ministry shall have the right to instruct Companies to provide an audited annual balance sheet according to the rules and on the dates declared by the Minister of Commerce and Industry.

#### Article 13

All partners shall share the Company's profits and losses. If the Company's Memorandum and Articles of Association do not specify the partner's shares in the Company's profits and losses,

then each partner's share therein shall be in proportion to his share in the Capital of the Company.

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*(\* Added by Royal Decree No. 83/1994*

If the Company's Memorandum and Articles of Association specify only the division of profits, such specification shall then apply to losses and vice versa.

Any provision in the Company's Memorandum and Articles of Association or any other agreement purporting to deprive a partner from participating in the profits or to exempt a partner from participating in the losses of the Company shall be null and void, and in such case the provisions of the preceding paragraph shall apply.

## **Chapter Two (1) (\*)** **Transformation of Companies**

### **Article 13 (2)**

Without prejudice to the provisions regulating Gulf Investment in Oman promulgated by the Royal Decree No. 57/1993 and subject to the provisions of Articles (5), (58), (61) and (124) of the Law, a Company may be transformed from one form into another provided that it has issued three audited annual balance sheets. The transformation shall take place in accordance with a resolution made pursuant to the conditions set out for amending the existing Company's Memorandum or Articles of Association, and the completion of incorporation proceedings and the conditions specified for the new form.

The transformation of the Company shall not result in the creation of a new juristic person. The Company, after transformation, shall maintain its rights and liabilities that preceded such transformation which shall not release the jointly liable members from the liabilities of the Company preceding the transformation unless the creditors agree. However, such agreement shall be assumed valid if none of the creditors objects in writing within two months from the date of being official notified of the transformation resolution pursuant to the procedures decided by the Minister of Commerce and Industry.

If any of the creditors objects to the Ministry of Commerce and Industry against such transformation, the procedures thereof shall



not be completed until after the payment of the debt or after the Company has issued out a decision of the Authority for the Settlement of Commercial Disputes rejecting such objection.

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*(\* Added by Royal Decree No. 83/1994*

**Article 13 (3)**

In the event of transformation, each partner shall have a number of shares or proportions in the new Company equivalent to the value of shares or proportions he had prior to the transformation.

If the transformation is to a Limited Liability Company, and the value of a partner's shares is less than the minimum nominal value of a share in the Company, then such member shall have to pay the balance of such value in cash within one month of the date of his notification of the same; otherwise he will be deemed withdrawn from the Company and the value of his share shall be paid according to its market value on the date of transformation.

**Chapter Two (2) (\*)**  
**Merger of Companies**

**Article 13 (4)**

A Company may, although under liquidation, merge with another Company of the same or different legal form. Merger shall take place in accordance with either of the two following ways:

1. Incorporation:  
Dissolution of one or more Companies and the transfer of its or their liabilities to an existing Company.
2. Consideration:  
Dissolution of Two or more Companies and the establishment of a new Company to which the liabilities of the amalgamated Companies shall be transferred.

A merger resolution shall be made by agreement of the Companies wishing to merge pursuant to the manners specified for the amendment of the Company's Memorandum of Association or Articles of Association without following liquidation proceedings. The merger resolution shall not take effect without the consent of

the competent authority specified by this law according to legal form to which the Company has been transformed.

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*(\* Added by Royal Decree No. 83/1994*

In the case of banks and investment Companies, the approval of the Central Bank of Oman on the merger resolution is a must prior to the implementation of such merger.

A decision shall be made by the Minister of Commerce and Industry regarding the way of evaluating the assets of the Companies wishing to merge, and the procedures and conditions of merger subject to the provisions provided in the following articles.

**Article 13 (5)**

Merger through incorporation shall take place as follows:

1. A resolution shall be made by the incorporated Company as to its dissolution and incorporation into the incorporating Company.
2. The net assets of the incorporated Company shall be evaluated in accordance with the last audited balance sheet, otherwise, the procedure regarding the evaluation of the shares in kind provided in this law shall apply.
3. The incorporating Company shall issue a resolution increasing its capital pursuant to the result of the assets of the incorporated Company.
4. The increase of the capital of the incorporated Company shall be divided among the partners of the incorporated Company in proportion to their shares therein.
5. If the shares are in the form of stocks and two years have expired since the establishment of the incorporating Company, then such stocks may be negotiable as soon as they are issued.

**Article 13 (6)**

Merger through consolidation shall take place by virtue of a decision to be sued out by each of the incorporated Companies from the competent authority provided in the Memorandum and Articles of Association regarding its dissolution. Then the new Company shall be established according to the terms and conditions provided in this Law. However, if the new Company is a

Joint-stock Company, then the latest audited balance sheet or the expert's report related to the evaluation of the shares in kind shall be taken into consideration needless to refer the matter to the constitutive meeting.

Article 13 (7)

Each incorporated Company shall be assigned a number of shares or stocks equivalent to its share in the capital of the new Company and such shares or stocks shall be divided among the partners of each incorporated Company in proportion to their shares therein.

Article 13 (8)

The merger shall be announced in two daily newspapers for two consecutive issues and shall be registered in the Commercial Register. The merger resolution shall not take effect until after expiration of three months from the date of the registration of the merger in the Commercial Register.

The creditors of the incorporated Company shall have the right, during such period, to object to the merger by a registered letter to the Company, and in this case the merger remains suspended until the creditor withdraws his objection, or the Authority for the Settlement of Commercial Disputes finally overrules such objection, or the Company pays the debt if it is mature or gives satisfactory security to settle such debt if it is a deferred debt. If no objection is received during the aforesaid period, the merger shall be deemed final and consequently the incorporating Company or the new Company shall replace the incorporated Companies in all their rights and liabilities.

Article 13 (9)

The authority in charge of management of the Companies deciding to merge shall remain until the merger comes into effect.

Article 13 (10)

All rights and liabilities of the incorporated Company shall be transferred to the incorporating or the new Company after the merger resolution becomes effective and the new Company is registered in the Commercial Register pursuant to the terms agreed in the merger contract without prejudice to creditors' rights.

## **Chapter Three**

### **Dissolution and Liquidation of Commercial Companies**

#### **Article 14**

Subject to the special provisions related to the dissolution of each form of the Commercial Companies, a Commercial Company shall be dissolved for any of the following reasons:

- A. Expiration of the term fixed of the Company or the occurrence of any event obligating the dissolution provided it is laid down in the Memorandum of Association or Articles of Association of the Company.
- B. Accomplishment of the purpose for which the Company was established or impossibility of accomplishing such purpose.
- C. Transfer of all shares or all stocks in the capital of the Company to one partner.
- D. Bankruptcy of the Company or loss of all or most of its capital if such loss renders the effective use of the remaining capital impossible.
- E. Agreement of the partners to dissolve the Company.
- F. If at the request of any interested party, and for any of the foregoing reasons or for any other reason seriously impairing the Company's ability to accomplish its object, the Authority for the Settlement of Commercial Disputes determines the dissolution of the Company.

#### **Article 15**

Upon its dissolution the Company shall enter the phase of liquidation and shall retain its juristic person to the extent required for and until the end of its liquidation.

#### **Article 16**

The powers of the Manager or of the Board of Directors of the Company shall cease upon the dissolution of the Company. However, the Managers or the Board of Directors shall continue their work and consequently shall be liable as trustees of the Company's assets until a liquidator is appointed and assumes his functions.

#### Article 17

Liquidation shall be effected by all the partners of the Company or by one liquidator or more who shall be appointed by agreement of all the partners or by virtue of a special provision in the Company's Memorandum or Articles of Association. In the absence of such an agreement on the appointment of liquidators or if there is a legitimate reason that prevents entrusting the liquidation to the persons appointed pursuant to the aforesaid agreement in the Company's Memorandum or Articles of Association, then the Authority for the Settlement of Commercial Disputes shall, upon application by any interested party, appoint one or more liquidators for the Company.

If two or more liquidators are appointed, they shall act jointly unless they are expressly authorised by the party appointing them to act individually.

#### Article 18

Liquidators shall be liable to the Company, its partners and third parties for damages caused by their acts in violation of law or beyond the scope of their authority or by any fraud or negligence in the performance of their duties or by their failure to act as prudent men under certain circumstances.

If more than one liquidator are liable under the preceding paragraph, the Authority for the Settlement of Commercial Disputes may hold each such liquidator liable for all or part of the damages as the Court deems appropriate in view of the circumstances of the case.

#### Article 19

The liquidators shall register in the Commercial Register the instrument of their appointment and which defines their authorities, and shall publish such instrument in the manner provided for the publication of amendments to the Company's Memorandum or Articles of Association.

#### Article 20

All contracts, receipts, notices and any other documents issued by the Company after its dissolution shall indicate that the Company is "under liquidation."

#### Article 21

Upon assuming their function, the liquidators shall in conjunction with the Company's auditors or its manager, if any, prepare an inventory of the Company's auditors or its manager, if any, prepare an inventory of the Company's assets and liabilities. The liquidators shall take possession of the Company's books, records, documents and assets and shall record all liquidation work in a daily book kept according to accounting rules adopted in commerce and shall keep all books, papers and records pertaining to the liquidation.

The liquidators shall, upon request, grant any partner of the Company access to the books, papers and records pertaining to liquidation.

#### Article 22

Subject to any limitation imposed by Law or contained in the instrument appointing them, the liquidators shall have full authority to represent the Company, manage its business and take all necessary actions to liquidate its assets and pay its debts. The liquidators' authority shall include, in particular, the winding up of the Company's pending business, representing the Company as claimant or defendant, taking any measures that preserve the Company's interests, and subject to the limitations set forth in this Article, the sale of the Company's assets in the course of liquidation.

#### Article 23

The liquidators shall not conclude any settlement with the Company's creditors or accept arbitration on the Company's behalf or waive any insurance or any other kind of security for less than its full value. The liquidators also shall not sell at the Company's assets and projects or transfer them except after obtaining the unanimous approval of all the partners or the approval of the Authority for the Settlement of Commercial Disputes, unless the instrument appointing the liquidators provides otherwise.

The liquidators shall not commence new operations unless such operations are necessary for the liquidation of the Company's existing business.

#### Article 24

Liquidators fee shall be paid from the Company's funds, and if such fees are not specified in the instrument appointing them, the Authority for the Settlement of Commercial Disputes shall fix them.

Article 25 (\*)

The liquidators shall, by notice published in the official Gazette and by other appropriate means, invite the Company's creditors to submit their claims against the Company so as to be recorded. The period during which such claims may be submitted, and which shall be limited to six months from the date of the first publication of the notice, shall be specified in the invitation notice, unless the Authority for the Settlement of Commercial Disputes approves a shorter period after the expiry of the specified period. Claims may be submitted to the Authority for the Settlement of Commercial Disputes which may, if it considers that circumstances justify the delay, allow the recording of such claims any time prior to the distribution of the Company's net assets to the partners.

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*(\*) Added by Royal Decree No. 83/1994*

The liquidators shall, after the settlement of the valid claims raised against the Company and which are presented pursuant to the provisions of the preceding paragraph, return to each partner the value of his share or stocks in the capital of the Company as stated in the Company's Memorandum or Articles of Association, and distribute any remaining assets among the partners in accordance with the provisions of the Company's Memorandum or Articles of Association. In the absence of a specific provision relating to such distribution, the remaining assets shall be distributed among the partners in proportion to their respective shares or stocks in the capital of the Company if the net assets are insufficient to cover the full value of the partner's shares or stocks in the capital of the Company as stated in the Company's Memorandum or Articles of Association, the deficit shall be divided among the partners in the ratio provided for the division of losses.

Article 26

At the end of every financial year during the liquidation period, the liquidators shall prepare a balance sheet, a profit and loss account and a report on their work during the last financial year. Such documents shall be presented to the partners of the Company in a General Meeting for approval, pursuant to the provisions of the Company's Memorandum or Articles of Association.

Article 27

Upon completion of liquidation, the liquidators and auditors, if any, shall submit a final report and a statement of account of their work to the partners of the Company for approval. If the partners do not unanimously approve the final report and the statement of account, the liquidators may apply to the Authority for the Settlement of Commercial Disputes for their approval.

Upon approval of the final report and the statement of accounts, the liquidators shall declare the completion of liquidation and shall register such declaration in the Commercial Register. The declaration of the completion of liquidation shall be published in the manner provided for the publication of amendments to the Company's Memorandum or Articles of Association, and upon such publication the liquidation shall end and the Company's existence shall cease.



PART TWO  
GENERAL PARTNERSHIPS

**Chapter One**  
**Establishment of the General Partnership**

Article 28

The general partnership is a Commercial Company formed by two or more natural or juristic persons and which aims at practicing business under a certain trade name. The partners of a general partnership shall be jointly and severally liable for the general partnership's debts to the full extent of their property.

The general partnership is subject to all provisions of Part One of this Law, which are inconsistent with the provisions of this part.

The partner shall register the general partnership in the Commercial Register pursuant to the provisions of the Law.

Article 29 (\*)

The title of the general partnership may consist of words. It may also include the name of one or more partners provided that the title of the Company shall not be misleading as to its objectives, identity, or its partners' identities. Wherever it appears, the title of the Company shall be followed by the term "General Partnership".

Any person who is a non-partner in the Company but agrees that his name be included in the title of the Company, shall be responsible for the Company's debts as a general partner to any third party who, in good faith, relies on such title.

Article 30

Each partner in a general partnership shall be deemed to be practicing commercial business under the partnership's name and shall have the status of merchant, however, he shall not be required to register as such if he has acquired this designation solely by reason of being a partner. The bankruptcy of a general partnership shall result in the bankruptcy of each of its partners.

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*(\*) Amended by Royal Decree No. 83/1994*

### Article 31

The partners' share in the partnership shall not be represented by negotiable certificates. A partner shall not transfer the ownership of his share in the partnership to a third party except with the consent of all partners or in compliance with any conditions stipulated in the partnership's Memorandum of Association.

A Partner may, however, transfer to a third party the returns and profits attributable to his share in the partnership, however, the agreement regarding such transfer shall have no effect except between the parties thereto.

### Article 32

A partner who has withdrawn from the partnership shall not be held liable for the debts incurred by the partnership shall not be held liable for the debts incurred by the partnership subsequent to the date of the registration of the partner's withdrawal, in the Commercial Register but he shall remain liable for the partnership's debts incurred on the date of such registration. Any agreement to the contrary between the partners shall not affect the rights of the partnership's auditors.

### Article 33

A partner shall not be required to pay any of the partnership's debts out of his own property unless the creditor has proven that despite all reasonable efforts he has made to collect his debt from the partnership, the latter has failed to pay the debt.

## **Chapter Two**

### **Management of the General Partnership**

#### Article 34

All partners of a general partnership shall be deemed managers of the partnership, nevertheless, the partnership's Memorandum of Association or a subsequent agreement concluded between all the partners, and registered in the Commercial Register may provide that management shall be entrusted to one or more managers who shall be natural persons and who may be partners or non-partners.

#### Article 35

The Managers of the partnership may perform all acts in realization of the partnership's objectives unless their authority is

limited by the Company's Memorandum of Association or by a subsequent agreement concluded between all partners and registered in the Commercial Register.

The Managers shall not, however, perform the following acts unless they are expressly authorized to do so by the partnership's Memorandum of Association or by a unanimous decision taken by all partners:

- a) Make donations except small and ordinary donations required by business.
- b) Sell all or a substantial part of the partnerships assets.
- c) Mortgage or pledge the partnership's assets except to secure the partnership's debts incurred in the ordinary course of the partnership's business.
- d) Guarantee third parties' debts except the guarantees made in the ordinary course of business in order to fulfil the partnership's aims.

#### Article 36

If there are several managers, and in the absence of a contrary provision in the partnership's Memorandum of Association, the partnership's decisions shall be reached by the absolute majority of the votes of all its managers, unless the decision is opposed by a manager or a partner on the ground that the proposed action is contradictory to the partnership's Memorandum of Association, in which event the matter may be referred to the Authority for the Settlement of Commercial Disputes to decide the objection.

Decisions, which may require amendment of the partnership's Memorandum of Association, shall be reached only by the unanimous vote of the partners.

#### Article 37

The general partnership shall be bound by all acts performed by its managers acting in its name and within the scope of their authority. A third party, in good faith, shall be entitled to assume that any act done by a manager of the partnership in the cause of its business is within the scope of such manager's authority, and is

consequently binding on the partnership unless the limitation of the manager's authority is registered in the Commercial Register.

#### Article 38

Partners of a general partnership who are not managers shall be precluded from management and they shall not act in the name of the partnership. However, such partners shall be entitled to inspect the partnership's books and records and they may apply to the Authority for the Settlement of Commercial Disputes for annulment of any decision taken by the partnership contrary to the Law or the partnership's Memorandum of Association. Any agreement depriving any partner of the said rights shall be null and void.

#### Article 39

A manager of the partnership shall not be removed from office except by a unanimous decision taken by all the partners or, if partnership's Memorandum of Association so provides, by a decision of a majority exceeding half of all the partners. If the manager is, at the same time, a partner, he shall not take part in voting on the decision, which shall be made by all the partners unanimously or by majority as the case may be. A member may also be removed from office by a decision passed by the Authority for the Settlement of Commercial Dispute upon request of one of the partners if the said Authority finds a legitimate cause that justifies such removal.

### **Chapter Three**

#### **Dissolution & Liquidation of the General Partnership**

#### Article 40

In addition to the provisions provided in chapter three of part one of this Law, the following provisions shall apply to the dissolution and liquidation of the general partnership.

#### Article 41

Unless the partnership's Memorandum of Association provides otherwise, the partnership shall be deemed dissolved upon the death, declaration of ineligibility or bankruptcy or withdrawal of one of its partners. The remaining partners, however, may decide unanimously to continue the partnership among themselves,

provided such decision should be registered in the Commercial Register.

#### Article 42

A partner whose withdrawal from the partnership causes the latter's dissolution shall be liable to the other partners for the damages caused by his withdrawal if it constitutes a breach of the partnership's Memorandum of Association. Withdrawal from a partnership established for an indefinite period shall not be considered a breach of the partnership's Memorandum of Association.

#### Article 43

Notwithstanding any agreement or provision in the partnership's Memorandum of Association to the contrary, the Authority for the Settlement of Commercial Disputes may, upon the request of one of the partners, decide the dissolution of the partnership because of the failure of one or more partners to fulfill their obligations or for any other reason which the Authority deems serious to such an extent that obligates the dissolution. The partners may also petition for the removal of a partner from the partnership by the Authority for the Settlement of Commercial Disputes if such partner's acts may be considered sufficient reason for the dissolution of the partnership.

#### Article 44

In the event the partnership is continued following the death, declaration of ineligibility, bankruptcy or dismissal of a partner, such partner, or his heirs or his legal representatives, as the case may be, shall be entitled to the value of such partner's share in the partnership assessed on the basis of a special inventory list established as of the day of the event which resulted in such partner's separation from the partnership. In case of dispute on the value of such share, the assessment of the share shall be made, at the request of any interested party, by the Authority for the Settlement of Commercial Disputes, on the ground of a report by one or more experts to be appointed by the Authority unless the parties agree on another way of assessment. The value of the share shall be paid to the beneficiaries in cash or in kind, either in full or in installments as may be agreed, otherwise as may be decided by the Authority for the Settlement of Commercial Disputes. The beneficiaries shall have no share in the subsequent revenues of the partnership.

#### Article 45

After its dissolution the partnership shall be liquidated pursuant to the Law and the provisions of its Memorandum of Association provided such provisions do not violate any legal provisions of mandatory nature.

All partners, including those who are not entitled to manage the partnership, shall have the right to participate practically in the decisions that affect the liquidation of the partnership.

### PART THREE LIMITED PARTNERSHIPS

#### Article 46

The limited partnership is a Commercial Company, which comprises two categories of partners:

- A. One or more general partners who shall be jointly and severally liable for the limited partnership's debts to the full extent of their property.
- B. One or more limited partners whose liability for the partnership's debts shall be limited to the amount of their contribution to the partnership's capital provided such amount has been stated in the limited partnership's Memorandum of Association.

The limited partnership is subject to all provisions of part one of the Law, which are not inconsistent with the provisions of this part.

The general partners shall register the limited partnership in the Commercial Register pursuant to Law.

#### Article 47

The limited partnership is also subject to all provisions applicable to general partnerships concerning its establishment, management dissolution and liquidation, which are not inconsistent with the following provisions.

Article 48 (\*)

The name of the limited partnership company shall be composed of any word and may include the name of one or more general partners provided that such name is not misleading as to the aims of the Company or the identity of its members. The name of the Company wherever it may appear shall be followed by the expression "Limited Partnership."

Article 49

A limited partner's liability shall be limited as long as he does not participate in the management of the partnership or act in the name of the partnership, whether as an agent or otherwise.

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*(\*) Amended by Royal Decree No. 16/1996*

The limited partner who participate in the management of the partnership or who acts in the name of the partnership shall be liable as a general partner for the obligations arising from his acts and may be held responsible as a general partner for all or any of the partnership's other debts according to the importance and frequency of his acts and according to the reliance of third parties in good faith on him on account of such acts.

A limited partner shall not be deemed to be participating in the management of the partnership for mere participation in the internal management in the course of exercising the rights provided by Law or the partnership's Memorandum of Association, or for mere supervision he may exercise over the acts of the managers of the partnership, or because he has given them advice or an opinion or matters relating to the partnership.

Limited partners shall not be deemed to carrying on commercial business under the name of the partnership and shall not have the status of merchants by reason of being limited partners. The bankruptcy of a limited partnership shall result in the bankruptcy of its general partners only.

Article 50

The death, declaration of ineligibility, bankruptcy, withdrawal or dismissal of a limited partner shall not result in the dissolution of the partnership unless the partnership's Memorandum of Association so provides.





## PART FOUR JOINT VENTURES

### Article 51

The joint venture is a Commercial Company formed by two or more juristic or natural persons and establishing legal relationships between its members without affecting third parties. The joint venture shall not have a name of its own and its existence shall not be raised as a defence against claims made by third parties.

### Article 52

The joint venture is not subject to registration or publication in the Commercial Register.

### Article 53

The contract establishing the joint venture shall define the venture's objects, the rights and obligations of partners and shall govern the distribution of profits and losses among them subject to the provisions of part one of this Law and any legal provisions of obligatory nature.

### Article 54

The joint venture shall have no juristic personality and third parties shall have no legal connections except with the partner or partners of the venture with whom they have entered into a contractual relationship.

However, if the partners disclose the existence of the joint venture to a third party who is thereby induced to enter into a contract with the joint venture or one or more of its partners, then the provisions governing the liability of general partnerships, and their general partner shall apply in respect to such contract.

### Article 55

The joint venture shall not issue negotiable or transferable shares, nor may it issue bonds.

PART FIVE  
JOINT STOCK COMPANIES

**Chapter One**  
**Establishment of the Joint-stock Company**

Article 56 (\*)

The Joint-stock Company is a Commercial Company whose capital is divided into equal negotiable shares pursuant to the Law.

The liability of the shareholder shall be confined to the payment of the value of the shares he subscribes and he shall not be responsible for the debts of the Company except within the limits of the nominal value of the share he subscribes.

The Company shall have an issued capital and the Company's Memorandum of Association may, however, specify an authorized capital exceeding the issued capital.

The Joint-stock Company shall consist of, at least, three natural or juristic persons. Companies established by the government solely or jointly with others shall be exempt from this provision.

Article 57 (\*\*)

The name of the Joint-stock Company may consist of any word, but shall not bear the name of a natural person, unless the purpose of the Company is to take advantage of a patent registered under the name of such person provided the name of the Company shall not be misleading as to its objects, identity or the identity of its partners. The name of the Company shall, wherever it appears, be followed by the words: Limited Omani Joint-Stock Company (S.A.O.C.) or General Omani Joint-Stock Company (S.A.O.G).

If a violation of the provisions of the preceding paragraph induces a third party in good faith into error as to the extent of the partner's liability, the persons responsible for such violation shall be personally liable towards such third party for the damages caused thereby.

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*(\*) Amended by Royal Decree No. 83/1994*

*(\*\*) Amended by Royal Decree No. 18/1989*

**Article 58 (\*)**

The capital of the Joint-stock Company shall not be less than RO 150,000/- (Rials Omani One Hundred and Fifty Thousand only) for Companies which do not offer their shares for public subscription, and shall not be less than RO 500,000/- (Rials Omani Five Hundred Thousand only) for Companies which offer shares for public subscription.

The nominal value of each share shall not be less than RO 1.000 (Rials Omani One only). Half the nominal value of the issued shares, at least, must be paid up on subscription, provided that the full value of the shares is paid up in full in not more than a three year period from the date of the foundation of the Company.

Contributions to the Capital of the Joint-stock Company shall be in cash or in kind and shall not consist of services or labour of any person.

**Article 59 (\*\*)**

The Joint-stock Company shall not be established without authorization from the Directorate General of Commerce together with his approval of the Memorandum and Articles of Association of the Company. Mixed Companies shall be subject to the conditions provided in the Foreign Business and Investment Law.

The Director General of Commerce shall decide the authorization application within 30 days from the date of the submission of the application together with the required documents to the Ministry. If the application is rejected, or if such period lapses without a decision has been made, then concerned parties may appeal to the Minister of Commerce and Industry whose decision in this respect shall be final.

**Article 60 (\*\*\*)**

The application for authorization to the Ministry of Commerce and Industry shall be signed by, at least, three promoters and shall be accompanied by a number of copies, to be specified by the Ministry, of the Company's Articles of Association and Memorandum of Association

Signed by all promoters, and a Bank Certificate asserting the payment of the part due of the value of the shares subscribed by the promoters. The Ministry shall have the right to amend the

Company's Memorandum and Articles of Association to agree with the provisions of this Law.

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*(\*) Amended by Royal Decrees No. 13/1989, 83/1994 & 16/1996*

*(\*\*) Amended by Royal Decree No. 83/1994*

*(\*\*\*) Amended by Royal Decrees No. 13/1989 & 83/1994*

Article 61 (\*)

Promoters of Companies which offer their shares for public subscription shall subscribe neither less than 30% nor more than 60% of the Company's shares and offer the remaining shares for public subscription. No single promoter shall cover more than 20% of the capital neither in his name nor in the name of his under age children who are less than 18 years of age, except when a Company fully owned by Omanis is transformed into a Joint-stock Company provided it has already issued three annual audited balance sheets. The promoters, in this case may maintain their shares therein even if such shares exceed the percentage determined for each promoter, shall also be exempted from the percentage determined for each promoter, the Companies fully owned by the government and holding Companies.

In all cases, the share of the promoters shall not exceed 60% of the Company's capital.

The founders shall invite the public to subscribe for the shares they have not subscribed for within 30 days from the date of the Company's establishment authorization.

The Director General of Commerce may, when necessary, approve the extension of such period for a further period of 30 days provided that the subscription that takes place pursuant to such invitation shall be effected in accordance with Articles 66 and 65 of this Law.

Article 62 (\*\*)

Invitation to the public to subscribe for the shares of a Company shall be announced in two daily newspapers, for at least two consecutive days and at least one week prior to the commencement of subscription. The invitation for subscription shall be governed by a prospectus to be prepared by virtue of the legal requirements of Muscat Securities Market and pursuant to the standard form prepared by the Market.

Subscription shall be effected through, at least, three national Banks licensed to operate in the Sultanate. The founders shall provide such Banks with sufficient copies of the prospectus and the Company's Articles of Association. During the subscription period, any person shall have the right to obtain a copy of each.

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*(\*) Amended by Royal Decrees No. 13/1983 & 73/1994*

*(\*\*) Amended by Royal Decrees No. 13/1989 & 83/1994*

Subscription announcement shall be published in the newspapers after the prospectus has been authenticated by Muscat Securities Market. The announcement, after it has been signed by the founders, shall be submitted to Muscat Securities Market to attest it prior to its publication. The Company shall, then, deposit a copy of the announcement together with copies of the newspapers in which such announcement is published with Companies Affairs Department and Muscat Securities Market.

The announcement shall, in any case, include the following information:

- A. The name of the Company, its principal place of business, its objectives and its duration.
- B. The date of the decision authorizing the establishment of the Company.
- C. The Capital of the Company, number of shares and their nominal value.
- D. Promoter's names, address and nationality of each of them, the number of shares he has subscribed for, the nominal value of such shares and the amounts he has paid.
- E. A description of all contributions in kind, if any, and the names of those who made such contributions, their value and the bases of their evaluation.
- F. Subscription period and requirements.
- G. The number of shares offered, their nominal value, the method of payment and issue expenses, if any.

H. The Banks assigned for subscription.

I. Any other information deemed necessary by Muscat Securities Market.

Article 63 (\*)

Subscription shall remain open for 30 days, renewable for another period not exceeding 30 days subject to the approval of the Director General of Commerce.

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*(\*) Amended by Royal Decrees No. 13/1989 & 83/1994*

Article 64 (\*)

Subscription shall be made by virtue of document signed by the subscriber indicating the number of shares subscribed for, the amount paid of the shares' value, the subscriber's approval of the Company's

Articles of Association, the address he prefers to receive notifications at, his nationality and domicile as well as any other information he may be required to give.

The amounts specified in the subscription document shall be deposited in a special account to be opened in the name of the Company followed by the expression "Under Incorporation" in one of the designated Banks. The amounts deposited shall not be used before the constitutive meeting has approved incorporation expenses.

The Bank shall keep the funds received from subscribers and shall, if all subscriptions have been accepted, release such funds to the Board of Directors or its representative after the incorporation of the Company. If the constitutive meeting rejects some of the subscriptions on the ground that they are contrary to subscription requirements, the funds paid for such subscriptions shall be refunded immediately to the subscribers whose subscriptions are rejected. In case the incorporation of the Company is abandoned or postponed without a legitimate reason, the Bank shall refund the funds paid by subscribers to them. In case a dispute arises on the incorporation of the Company, the Bank shall then release the funds paid to the person as may be appointed by the Authority for the Settlement of Commercial Disputes to keep such funds till the dispute is settled.

In the event of the reduction of subscription pursuant of Article 65 of this Law, the excess funds paid by subscribers shall be refunded to them and the reduced amounts shall be paid to the Board of Directors or the person they may appoint. If the issue is oversubscribed and shares have been allocated among the subscribers in accordance with Article 65, the excess amounts shall be refunded to the subscribers.

Article 65 (\*\*)

If all shares offered for public subscription are not subscribed for within the subscription period, the promoters shall either abandon the incorporation of the Company, or reduce its capital.

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*(\*) Amended by Royal Decree No. 13/1983*

*(\*\*) Amended by Royal Decrees No. 13/1989 & 83/1994*

However, as an exception to Article 61 herein, the promoters may, upon the approval of the Director General of Commerce, cover the remaining shares prior to the meeting of the constitutive meeting. If, after the end of subscription period, it is found that subscriptions have exceeded the offered shares, then the shares shall be distributed among the subscribers in proportion to the shares subscribed for by each of them to the nearest whole share.

The Director General of Commerce may decide to distribute a minimum number of shares equally to all subscribers taking into consideration small subscribers, and then the remaining shares shall be distributed in the manner provided in the previous paragraph.

The Director General of Commerce may, at his own discretion, approve an increase in the capital of the Company to the limit reached by subscriptions or any part thereof if the promoters so requested. In the event of a reduction of the capital of the Company, an announcement related to such reduction shall be placed in two daily newspapers and the announcement shall be notified to each subscriber immediately at his address either by registered mail or by hand delivery against signature to inform him that he may withdraw his subscription within 15 days from the date of the publication of the announcement of the capital reduction, otherwise his subscription shall be deemed final.

Article 66 (\*)

Promoters who contribute in kind shall describe the contributed property in the subscription document when an invitation is addressed to the public to subscribe for the shares of a Company.

The evaluation of the contribution in kind shall be subject to the assessment of one or more experts appointed by the Ministry of Commerce and Industry upon promoter's request and pursuant to the regulations and arrangements to be issued by a decision of the Minister of Commerce and Industry.

The expert shall submit his report within 30 days from the date on which he's assigned to the task. However, the Director General of Commerce may, by a justified request of the expert, grant him a further period of time.

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*(\* Amended by Royal Decree No. 83/1994*

A copy of the report shall be sent to subscribers and the promoters shall deposit enough copies of such report at the Company's head office. The report shall also be published in two local daily Arabic newspapers prior to the constitutive meeting by at least, 20 days. Every concerned party may peruse the report.

If the assessment of the expert is less than that of the promoter, then the person who has contributed the share in kind shall be required either to pay the difference in cash or provide an additional share in kind for the value of the balance, subject to the consent of the remaining promoters and the verification of the accuracy of its evaluation shall be carried out according to the preceding way. Nevertheless, the person who has contributed the share in kind may withdraw it altogether and pay the assessed value of such share in cash subject to the approval of the other promoters.

If the constitutive meeting has decided to reject the share in kind or if such share has been withdrawn by its owner, it may be subscribed for in cash, pursuant to the terms and conditions of cash subscription, or the capital may be reduced by the amount equivalent to the reduction, provided that the capital shall not be less than the limit provided in this law and subject to the approval of the Director General of Commerce of the reduction.



Decisions related to the valuation of the share in kind shall be made by majority votes of the subscribers of cash shares provided that such majority owns, at least, two third of the said shares. The kind shareholders shall have no right to vote even if they hold cash shares.

Contributors of shares in kind shall be bound to transfer the titles of the evaluated shares in kind to the name of the Company immediately after the constitutive meeting's approval of the experts' report, and the Auditors of the Company shall make sure of such transfer.

#### Article 67

The promoters shall, within 30 days after the expiry date of subscription, summon the subscribers to the constitutive General Meeting.

The constitutive General Meeting shall convene pursuant to the provisions of this Law and the provisions of the Company's Articles of Associations, which govern the extraordinary general meetings.

The promoters shall present to the constitutive General Meeting a report, together with supporting documents, including sufficient information on all the actions taken, the expenses paid for the incorporation of the Company and all commitments contracted by the promoters on behalf of the Company under incorporation. The constitutive General Meeting may ratify all or part of such contracted actions or commitments.

The promoters shall be jointly and severally responsible for the expenses paid and commitments contracted on behalf of the Company under incorporation and which have not be ratified by the constitutive Meeting.

The constitutive General Meeting shall elect the members of the first Board of Directors and appoint the first Auditors in accordance with the provisions of this Law and the Company's Articles of Association. The constitutive Meeting shall also make sure and declare whether the conditions required for the incorporation of the Company have been complied with.

#### Article 68

The constitutive General Meeting or a subsequent extraordinary meeting may adopt internal regulations that govern the management and business of the Company. The provisions of the internal regulations shall not be valid except to the extent that they comply with the provisions of the law and Company's Articles of Association, and such internal regulations shall be amended only by an extraordinary General Meeting.

Article 69 (\*)

The Company's first Board of Directors shall register the Company with the Commercial Register within one month from the date of the constitutive General Meeting. The Company shall finally be constituted on completion of its registration in the Commercial Register and the members of the Board of Directors shall be jointly and severally responsible for the damages arising from non-registration of the Company.

Article 70

The Company shall make its Articles of Association available to the public at its principal place of business for inspection, and any person shall be entitled to obtain a duplicate thereof against reasonable fee.

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*(\*) Amended by Royal Decree No. 83/1994*

Article 71

If any fault has occurred in the procedures of establishing a Joint-stock Company, any interested party may, within five years from the Company's establishment, warn the Company of the necessity of amending such fault. Should the Company fail, within one month from the warning to take the necessary actions to make the required amendment, such interested party may claim the dissolution of the Company by the Authority for the Settlement of Commercial Disputes. The promoters or founders, the members of the first Board of Directors and the first auditors shall be jointly and severally responsible for the damages arising from the dissolution of the Company and which are attributable to their illegal acts or their negligence or their omission in establishing the Company.

**Chapter Two**

## **Shares of Stock & Bonds**

### **Article 72**

The Joint-stock Company shall not issue “Promoters’ Shares”, “*bonds de jouissance*” or any other securities that grant the promoters or any other person a right to a share in the Company’s earnings or profits without having made an appropriate advance contribution to the capital.

### **Article 73 (\*)**

Shares of a Joint-stock Company shall be represented by negotiable certificates. They shall be nominal shares and each one shall bear a special number.

### **Article 74 (\*\*)**

The shares of the Joint-stock Company shall have the same nominal value, and a share shall neither be divided nor shall it be owned by more than one person except when such ownership is by inheritance provided that the heirs are represented by the person whose name comes first in the Register and the owners of the share shall be responsible severally and jointly for the liabilities arising from such ownership. However, the transfer of the share requires endorsement by all joint owners.

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*(\*) Amended by Royal Decree No. 13/1989*

*(\*\*) Amended by Royal Decree No. 16/1996*

### **Article 75**

All shares of a Joint-stock Company shall enjoy equal and inherent rights in the ownership thereof, namely, the right to receive dividends declared by the general meeting, the preferential right of subscribing for new shares, the right to share in the distribution of the Company’s assets on liquidation, the right to transfer shares in pursuance of the Law, the right to view the Company’s balance sheet, the profit and loss of account and the shareholder registers, the right to be notified of the meetings of the general meeting and to participate and vote in such meetings personally or by proxy, the right to apply for annulment of any decision made by the general meeting or the Board of Directors if such decision is contrary to the Law, or the Company’s Articles of Association or the Company’s internal regulations, and the right to sue Directors and the

Auditors of the Company on behalf of the share holders or on behalf of the Company pursuant to Article 110.

Article 75 (1) (\*)

The Articles of Association of a Company may provide some privileges for certain types of shares in voting or profits or the proceeds of liquidation, provided that shares of the same types shall be equal in rights, privileges or restrictions. Rights, privileges and restrictions related to a type of shares shall not be amended except by a decision made by an extraordinary General Meeting and the approval of two-third of the holders of the relevant type of shares.

Companies whose Articles of Association provides the amortization of their shares prior to the expiry of the Company's term because of the connection of the Company's activity to a commitment to utilize a natural resource or a public utility which is granted to the Company for a limited period of time, or to any sort of utilization that may be exhausted by use or cease to exist after a certain period of time, may issue "*actions de jouissance* (1)" concessionary shares.

However, the Company's Articles of Association shall, on establishment, include the rules and conditions of the preferential and concessionary shares. The capital shall not be increased by preferential shares unless the Articles of Association originally permits so and after the approval of an extraordinary General Meeting.

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*(\*) Added by Royal Decree No. 83/1994*

The executive regulations shall state the controls, conditions and circumstances related to the issue of the preferential and concessionary shares.

Article 76

Notwithstanding the provisions of the preceding Article, the Company's Articles of Association may provide the division of the capital of the Company, into shares of different categories in order to give the shareholders of each category the right to elect, by majority of their votes, a certain member of proportion of the members of the Board of Directors.

If the Company has different categories of shares, then every increase in the capital shall lead to a proportionate increase in the number of the shares of each category unless a special meeting of each category and an extraordinary General Meeting of all the shareholders approve an unequal issue or the creation of a new category of shares. No decision made by the General Meeting shall affect the rights of any category unless, such a decision is approved by such class in a special meeting. The special meetings of each class shall be held by the members of the concerned class in accordance with the rules that govern extraordinary General Meetings. Shareholders of a certain category shall have the preferential right of subscribing only for the new shares of the same category.

Article 77 (\*)

The transfer of negotiable shares, which shall be sold or brought on the Securities Market, shall not be subject to the approval of the Board of Directors of the relevant Joint-stock Company. The Company shall register the ownership of such shares without any restriction or condition, with the exception of the following conditions:

- A. If the share or bond certificate is lost or damaged.
- B. If the shares or bonds are pledged or seized.
- C. If the sale or transfer of ownership is in breach of the provisions of the prevailing laws or the rules prohibiting the transfer of such securities to non-Omanis.

The Company shall, in the event of its refusal to register any shares transfer, explain the cause of such refusal, and any interested party may appeal against the refusal to the Authority for the Settlement of Commercial Disputes.

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*(\*) Added by Royal Decree No. 13/1989*

The promoters shall not withdraw from the Company or dispose of their shares before the Company has published two balance sheets for two consecutive financial years, except in case of the assignment of shares among shareholders themselves, the shares owned by the government, inheritance or sale by public auction to recover installments due and unpaid on these shares.

Article 78 (\*)

Shares shall not be issued at a price less than their nominal value. An additional amount within 2% of the nominal value of share may be collected for each share as issue fees. If the shares are issued at a value higher than the nominal value, the excess amount, after backing issue expenses, shall be added either to the legal reserve or a special reserve to be established as provided under Article 106 of the Law.

#### Article 79

The shares whose value is not fully paid shall be represented by a nominal provisional certificate which bears an expression indicating that the holder of such certificate shall pay the amount unpaid of its value when it becomes due and payable. Upon the payment of the share value in full, the holder of such share shall be entitled to a final certificate for the same share as soon as he returns the provisional certificate to the Company.

#### Article 80 (\*\*)

Amounts unpaid of shares value fall due and payable as specified in the subscription contract; and if a shareholder fails to pay installment in time, the Company shall have the right to offer his shares in the Securities Market after sending a notice to such shareholder at his domicile registered in the shareholders' register, allowing him at least 14 days from the date the notice is sent to him to make the payment. The Company shall have priority over all creditors to recover from the proceeds of sale, all amounts unpaid of the shares value in addition to interest and expenses and the balance shall be paid to the shareholder. Should the sale proceeds be insufficient to cover the shareholder's arrears, the company shall then claim the payment of the balance from the shareholder's property.

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*(\*) Amended by Royal Decree No. 13/1989*

*(\*\*) Added by Royal Decree No. 13/1989*

#### Article 81 (\*)

Transfer of shares shall come into effect by confirming it in the register of the Securities Market. The transfer of ownership shall also be entered in the shareholders' register in the Company and which shall include the shareholder's name his nationality, domicile and the number of shares he holds and their numbers.

The Company shall not consider any person as owner of its shares unless his ownership is registered in the shareholder's register. The Company shall register transfer of ownership free of charge and within three days from its receipt of the required documents and it shall be impermissible for the Company to receive any charges against the issue of ownership certificates.

Article 82 (\*\*)

The authorized capital may be increased by a resolution adopted by an extraordinary General Meeting of the Company and, the issued capital of the Company may be increased, by a resolution passed by the Board of Directors, to within the limits of the authorized capital, provided that the issued capital shall actually be increased within the five year period that follows the issue of the resolution authorizing the increase otherwise such increase shall be null and void. This period shall be calculated, with regard to every increase decided or approved prior to the date of the application of the provisions of the law, as of this date.

Article 83 (\*\*\*)

- A. Subject to the provisions of Article 76, each shareholder shall have the preferential right to subscribe a number of the new shares in proportion to the number of shares he owns.

A written notice must be sent to each shareholders at his domicile registered in the shareholders Register informing him of such preferential right. Such notice must be accompanied by a copy of the prospectus attested by Muscat Securities Market and this notice must be published in two daily newspapers for two consecutive days at least, after such notice has been certified by Company Affairs Department and a copy thereof is deposited with Muscat Securities Market, and the said notice must indicate the specified period during which the preferential right may be practiced provided that such period shall not be less than fifteen days from the date of publication.

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(\*) *Added by Royal Decree No. 13/1989*

(\*\*) *Added by Royal Decrees No. 13/1989 & 83/1994*

(\*\*\*) *Amended by Royal Decrees No. 13/1989 & 16/1996*

- B. Any new shares not subscribed for by the present shareholders within the specified period, may be re-offered to such shareholders who may subscribe for such shares in proportion to the number of shares owned by each. Re-offering

shall be advertised in two daily newspapers on two consecutive days, and the period during which such subscription can be effected shall be indicated in such advertisement.

C. The shares not subscribed for by the present shareholder must be offered for public subscription pursuant to the rules of subscribing for the capital of a Joint-stock Company under incorporation, and all that refer to the founders in these provisions shall be deemed as referring to the Directors. The prospectus in this case shall include satisfactory information about the Company's past business as well as its financial positions including the last certified balance sheet and loss and profit account for the previous financial years or the period that begins from the date of the establishment of the Company if such date goes back to less than three years.

#### Article 84 (\*)

The Extraordinary General Meeting may resolve the reduction of the Company's capital if such capital exceeds the need of the Company or if the Company has sustained losses. Nevertheless the capital shall not be reduced to below the minimum specified in Article (58) of the Law.

The resolution to reduce the Capital of the Company must be published in, at least two daily newspapers and for two consecutive issues, and all the debts of the Company must be notified in writing to submit their objections.

Such capital reduction shall not be valid except after the lapse of the 60-day period specified above and after all the objecting debtors have been satisfied either by paying their debts or by giving them appropriate guarantees.

#### Article 85

The Joint-stock Company shall not acquire its own shares except pursuant to a resolution reducing its capital or, if such shares are part other assets of a project which is acquired by the Company with all its assets and liabilities.

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*(\*) Amended by Royal Decrees No. 13/1989 & 16/1996*

#### Article 86 (\*)



The Joint-stock Company may, pursuant to a resolution adopted by an extraordinary General Meeting, issue through public subscription negotiable bonds against the amounts it borrows.

All bonds of the same issues shall have the same nominal value and shall have the same entitlement. A bond shall not be divisible but may be owned by more than one person provided that such persons shall have one representative who shall be deemed, by the Company, the holder of the bond and, it is this representative whose name shall stand first in the Register. However, the transfer of such bond shall require endorsement of all joint holders.

The value of the bonds shall be fully paid at the time of subscription.

Article 87 (\*\*)

The bonds shall be nominal and shall give their holder the right to claim an interest of specified rate payable at certain terms and the right to refund the nominal value of his bonds from the Company's property.

The Company shall not advance or postpone the maturity date of the bonds it has issued or change the conditions of such bonds without the approval of a general meeting of the bondholders.

The Company shall not issue lottery bonds or bonds whose maturity date is subject to future events or reward bonds.

The conditions of issue may include the convertibility of bonds issued into shares after the lapse of two years, at least, from the date of their issue. The bondholder shall have the option to convert his bonds into shares or receive the nominal value thereto.

Article 88

A Joint-stock Company shall not issue bonds unless the following conditions are fulfilled:

- (A) The subscribed share capital of the Company has been fully paid.
- (B) The aggregate principal amount of all outstanding bonds of the Company plus the aggregate principal amount of the bonds

*(\* Amended by Royal Decree No. 13/1989*

*(\*\* Amended by Royal Decree No. 83/1994*

proposed to be issued does not exceed the amount of the Company's capital, however, this condition shall not apply to loans obtained by Banks through issue of bonds.

(C) The Company's Articles of Association shall not prohibit the issue of bonds and an ordinary General Meeting shall duly authorize a specific issue.

Article 89 (\*)

Subscription for bonds shall be effected through, at least, three National Banks licensed to operate in Oman. Invitation for subscription shall take place in the same manner adopted for invitation for subscription for shares. The prospectus, shall be signed by all members of the Board of Directors who shall be held responsible for the validity thereof, and it shall include:

- A. The resolution of the General Meeting authorizing the bond issue and the date thereof.
- B. The subscription opening and closing dates as well as the place and conditions of subscription.
- C. The number of bonds offered and their nominal value, interest rate and the maturity date thereof.
- D. Terms and conditions of the bonds and any security or guarantee of payment.
- E. The total nominal value of all bonds previously issued by the Company, the guarantee or security furnished therefore and the total nominal value of the bonds, if any, remaining outstanding at the time of the issue of the new bonds.
- F. The amount of the Company's capital and the value of any contributions in kind made within the last five years.
- G. Reasonably adequate information about the past operations of the Company and its financial positions including the latest approved balance sheet and loss and profit account.

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*(\*) Amended by Royal Decrees No. 13/1989 & 83/1994*

H. The method of using the issue proceeds.

The foregoing information shall be included in all advertisements and publications pertaining to the loan, and the information provided in (A), (B), (C) and (D) above shall be indicated in the bonds themselves, with reference to the number and date of the official Gazette in which the prospectus is published.

If the foregoing provisions have not been compiled with, or if the issue has been abandoned, or if the issue has been delayed without a legitimate reason the subscribers for the bonds may cancel their subscriptions and refund the amount they have paid.

The rules provided with regard to subscription for shares and their issue shall apply to subscription for bonds and their issue by Joint-stock Companies.

#### Article 90

The Board of Directors shall resort to the registration of the issue in the Commercial Register after the sale of bonds has been completed.

The provisions of Article 77 of the Law shall apply to the registration, negotiability and transfer bonds ownership.

#### Article 91

The bondholders of each issue shall constitute, by virtue of the Law, a legal body. The resolutions legally adopted by such body in a General Meeting of bondholders shall be binding on all the bondholders of the said issue.

The Company shall, within 15 days from the closing date of subscription, call the bondholders to a General Meeting to elect their representatives.

#### Article 92 (\*)

The bond holders' General Meeting shall be convened by means of a notice published in, at least, two daily newspaper on two consecutive days and shall also be sent to nominal bond holders 15 days, at least, prior to the date specified for the meeting and the invitation shall not be valid unless it includes the agenda of the meeting.

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*(\* Amended by Royal Decree No. 83/1994*

Article 93

The resolutions of the bond holders' General Meeting shall not be valid unless such meeting is attended by, personally or by proxy, a number of bond holders representing at least two-thirds of the bonds of a certain issue. Failing such quorum, a second meeting shall be convened to discuss the same agenda. The date of the second Meeting shall be notified to the bond holders in the same manner followed with regard to the first Meeting, one week, at least, prior to the date set for the second meeting. A quorum representing one-third of the bonds shall be sufficient for the second Meeting provided the second Meeting is held within one month from the date of the first Meeting. However, a resolution to extend the redemption period of the bonds or reduce the rate of interest or the principal debt or the securities or in a way prejudice the rights of the bond holders, shall not be adopted unless the Meeting is attended by bond holders who represent two-third of the bonds.

Resolutions shall be adopted by two-thirds majority of the bonds represented at the Meeting.

Article 94 (\*)

The candidate to represent the bondholders shall, prior to his election, inform the bondholders General Meeting of the following information which he shall record in the minutes of the meeting:

- A. His name, domicile, address, occupation and nationality.
- B. The number of bonds and the nominal value of the bonds of each of the Company's issues he owns personally or owned by any of his relatives up to the third class, or owned by any business in which any of persons has, directly or indirectly, a vital interest.

C. A description of any material transaction made or he intends to make between the Company and the candidate or any of his relatives up to the third class or between the Company and any business in which any of such persons has, directly or indirectly, a material interest.

The representative elected by the bondholders General Meeting shall have the right to attend the shareholders General Meetings. The Company shall send them the same invitations it sends to the shareholders.

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*(\* Amended by Royal Decree No. 13/1989*

Such representatives shall have the right to participate in the discussions that take place in the shareholders' General Meetings without the right to vote.

### **Chapter Three** **Management of the Joint-stock Company**

#### **Division One – Board of Directors**

##### Article 95 (\*)

The management of the Joint-stock Company shall be entrusted to a Board of Directors, the number of whose members and term of office, shall be provided by the Company's Articles of Associations.

The members of the Board of Directors shall not be less than three for the closed Joint-stock Companies, and five for the public Joint-stock Companies. In both cases the number shall not exceed 12 members. The member's term of office shall not exceed three years subject to re-election more than once.

No one shall be a member of the Board of Directors of more than five Joint-stock Companies whose principal place of business is in Oman, or be Chairman of more than three Joint-stock Companies, whose principal place of business is in Oman, or pluralise the membership of the Board of Directors of two Banks or two Insurance Companies.

No person, also, shall become a member of the Board of Directors of a Company if he has been convicted, in Oman or abroad, of offence uniting moral turpitude unless he is rehabilitated.

#### Article 96

The ordinary General Meeting shall elect the members of the Board of Directors pursuant to the provisions of the Law and the Company's Articles of Association.

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*(\* Amended by Royal Decree No. 83/1989*

#### Article 97 (\*)

Any person who holds at least 10% of the shares of the Company shall have the right to be a member of the Board of Directors if he so wishes.

The remaining members of the Board of Directors shall be elected from among the shareholders who holds the minimum number of shares specified by the Company's Articles of Association. Each shall deposit with the Company, within one month of his election, the required number of shares, which shall be held as security for his responsibility for his management. Such shares shall be considered as a non-negotiable bailment till the end of the member's term of office and until the General Meeting approves the balance sheet of the last financial year of his office.

Two non-shareholder members, at most, of competence and expertise, may be included in the Board of Directors. Such members shall be nominated and elected by the ordinary General Meeting, in which case the number of the members of the Board of Directors, shall be increased by one or two members, as the case may be.

#### Article 98

If the office of a Director becomes vacant in the period between two ordinary General Assemblies, the Board, unless the Articles of Association provides otherwise, may appoint a temporary Director who meets the requirements provided by the Articles of

Association and the preceding Article to assume his office until the next ordinary General Meeting.

If at any time more than half of the number of Directors are temporary Directors appointed by the Board under the preceding paragraph, the Board of Directors shall call, within two months, an ordinary General Meeting for the purpose of electing Directors in accordance with the Company's Articles of Association to replace the Directors who were so elected but are no longer in Office.

Directors elected by the ordinary General Meeting to fill vacancies in the Board of Directors shall serve for the remaining period of their predecessors in office unless the Company's Articles of Association provides otherwise.

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*(\* Amended by Royal Decrees No. 13/1989 & 83/1994*

#### Article 99

The General Meeting may, at any time and without any justification, remove any or all of the members of the Board of Directors even if the Company's Articles of Association provide otherwise.

#### Article 100 (\*)

Immediately following the election of a new Board of Directors by the ordinary General Meeting, the said Board shall meet to elect one of its members as Chairman whose term of Office shall not exceed his term of office as a member of the Board of Directors, though he may be re-elected. Subsequent meetings of the Board of Directors may be convened by the Chairman, at any time, and the Chairman, shall convene a meeting upon request made by two or more members of the Board of Directors. If the Chairman finds it difficult to respond to such request, or if he does not wish to do so, any two members of the Board of Directors may convene the meeting.

The meeting of the Board of Directors shall not be valid unless it is attended by, at least, half the members of their representatives.

The Company's Articles of Association may provide a higher ratio or number and they may, as well, provide a special quorum for the meetings of the Board. The Board makes its decisions by the relative majority of the present members unless the Company's Articles of Association provides otherwise. In the case of a tie vote, the Chairman shall have a casting vote.

A juristic person represented by a member of the Board of Directors may delegate another person of its subordinates to attend any meeting and vote on its behalf.

A member of the Board of Directors may delegate another member of the Board, however, no one member of the Board shall act on behalf of more than one member, and in any case the delegation shall be exclusive and written.

Article 101 (\*\*)

The General Meeting shall determine the remuneration of the Chairman and members of the Board of Directors which shall not exceed 10% of

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*(\*) Amended by Royal Decree No. 13/1989*

*(\*\*) Amended by Royal Decrees No. 13/1989 & 83/1994*

the Company's net profits after the deduction of the legal and optional reserves and, after the distribution of dividends to the shareholders at not less than 5% unless the Company's Articles of Association provides a higher rate.

In the event of losses brought forward, no dividends shall be distributed to the shareholders, however, upon the approval of the annual ordinary General Meeting, remuneration of the Chairman and members of the Board of Directors may be paid at a rate not exceeding 3% of the year's profits after the deduction of the legal and optional reserves.

Dividends shall be formed of the net profits minus the losses incurred by the capital of the Company in previous years, which have been fully amortized.

The report of the Board of Directors to the ordinary General Meeting shall include a comprehensive statement on all amounts and other benefits received by each member from the Company



during the year as compensation for his services, including all amounts paid to the member in their capacity as employees of the Company.

#### Article 102

The Board of Directors shall have full authority to perform all acts required for the management of the Company in the course of achieving its objective and implementing the resolutions of the General Meeting. Such authority shall not be limited or restricted except to the extent provided in the Law or in the Company's Articles of Association.

The Board of Directors shall not, however, perform the following acts unless expressly authorized to do so by the Company's Articles of Association or by a resolution of the General Meeting:

- A. Donations, except donations required by the business wherever they are small and customary amounts.
- B. To sell all or a substantial part of the Company's assets.
- C. Pledge or mortgage the assets of the Company, except to secure debts of the Company incurred in the ordinary course of the Company's business.
- D. Guarantee debts of third parties, except guarantees made in the ordinary course of business for the sake of achievement of the Company's objectives.

The Board of Directors may, by a resolution adopted by the absolute majority of all its members, and within the limits prescribed in the Company's Articles of Association, delegates its powers to the Chairman or the Managers or Committees formed of its members, to perform certain acts.

#### Article 103

The Chairman of the Board of Directors shall implement the resolution of the Board of Directors and shall conduct the regular business of the Company under the supervision and control of the Board of Directors.

The Articles of Association of the Company may include a provision that authorizes the Board of Directors to elect a Deputy

Chairman who shall act as Chairman in the absence of the Chairman, and a Managing Director or more who shall have the authority of signing in the name of the Company jointly or individually as the Board may determine.

The names and signatory powers of the Chairman, Deputy Chairman and Managing Directors, if any, shall be registered in the Commercial Register.

The General Meeting or the Board of Directors may, at any time, appoint other executives to supervise the management of the Company, and specify the powers of such supervisors.

#### Article 104

The Joint-stock Company shall be bound by all acts performed by its Board of Directors, its Chairman, Managing Directors and all other executives, if any, as long as they act in the name of the Company and within the scope of their powers. Any third party in good faith shall have the right to assume that any act done by the Board of Directors, Chairman and the Managing Directors of the Company in pursuance of its business is within scope of powers delegated to such persons and the Company shall be bound thereby, unless the limitation of such persons' authority is registered in the Commercial Register.

#### Article 104 (1) (\*)

Public Joint-stock Companies shall prepare half-yearly unaudited accounts which include the balance sheet, profit and loss account and cash-flow statement, provided such accounts are published within three months from the end of half the Company's financial year in two daily newspapers.

#### Article 105 (\*\*)

Within three months from the end of the financial year, the Board of Directors shall prepare the balance sheet of the Company and a statement containing the Company's profit and loss account, after they have been audited by the Company's auditors. The statement shall also include a detailed explanation of the main debit and credit entries during the financial year. The Board shall also prepare a report on the Company's operations during the expired

year and on the net profits that proposed to be distributed. Copies of all the above-mentioned statements shall be sent to Muscat Securities Market and the Company Affairs Department 21 days, at least, prior to the meeting of the ordinary annual General Meeting. A copy of the balance sheet, the report of the Board of Directors and the report of the auditors shall, likewise, be sent to each shareholder together with the invitation to attend the meeting of the ordinary annual General Meeting.

#### Article 106

The Board of Directors shall deduct 10% of the Company's net profits after the deduction of taxes as a legal reserve for each financial year until such legal reserve amounts to, at least, one-third of the Company's capital. The legal reserve shall not be distributed to shareholders as dividends.

The ordinary General Meeting may decide the establishment of optional reserve accounts which shall not exceed 20% of the net profits for that year after deduction of taxes and the legal reserve, provided that total amount deducted as an optional reserve shall not exceed half the capital of the Company except in the case of Banks and Insurance Companies.

#### Article 107 (\*\*)

A member of the Board of Directors shall not participate in the management of a business competitive with that of the Company except by approval of the General Meeting, provided such approval shall be renewed annually.

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(\*) *Amended by Royal Decrees No. 83/1994*

(\*\*) *Amended by Royal Decree No. 13/1989*

Likewise, a member of the Board of Directors or any of the key staff of the Company, shall not utilize the information accessible to him by virtue of his position for the achievement of a benefit for himself or for his minor children or for any of his immediate relatives up to the fourth degree as a result of dealing in the Company's securities. No one of such persons shall have any interest, directly or indirectly, with anybody involved in activities intended to affect the prices of the securities issued by the Company. In the event of infringement of the above, the provisions of Articles 109 and 110 of the Law shall apply.

#### Article 108

A member of the Board of Directors shall not have any direct or indirect interest in the transactions or contracts concluded by the Company for its account except by the prior consent of the ordinary General Meeting, which shall be annually renewed. Shall be exempted from such restriction the contracts and transactions made by public tenders if the member of the Board of Directors has offered the best tender. Likewise, shall be exempt the normal contracts and transactions into which the Company enters with its customers in the course of its normal business.

The members of the Board of Directors shall notify the General Meeting of any personal interest they may have in the transactions and contracts intended to be concluded for the account of the Company and which require the approval of the General Meeting. Such notification shall be recorded in the minutes of the General Meeting and the interested member shall not participate in voting on the decision to be adopted in respect of such transaction or contract.

Article 109 (\*)

The members of the Board of Directors shall be liable to the Company, the shareholders and third parties for the damages caused by their acts in violation of the Law and their acts which fall beyond the scope of their powers or by any fraud or negligence in the performance of their duties or by their failure to act as prudent men under certain circumstances.

If there are more than one Director liable under the preceding paragraph, the Authority for the Settlement of Commercial Disputes may hold each such Director liable for all or part of the damages as the Authority may deem proper in view of the circumstances of the case.

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*(\*) Amended by Royal Decree No. 13/1989*

Shall be null and void any provisions or stipulations limited the liability of the members of the Board of Directors, and the Company shall reimburse any Director the costs and sums adjudged in any civil or criminal case brought against him as a result of his activities as a member of the Board of Directors of the Company in the event that final judgement in such case shall absolve the Director of liability.

### Article 110

The Company may institute an action against any Director of the Company it deems liable for damages that have come upon it under the provisions of the preceding Article. The Board of Directors or the ordinary General Meeting shall take a decision appointing a person to pursue the case on behalf of the Company and authorizing him to pay the costs of the case from the funds of the Company. However, if the Company is under liquidation, the decision to file the case shall rest with the liquidator of the Company.

Any shareholder may propose suing the members of the Board of Directors, and if the ordinary General Meeting does not adopt his proposal, he may himself file the case on behalf of the Company. And if the case is successful, such shareholder shall be reimbursed the costs and expenses of the case out of the sums adjudged and the balance shall be paid to the Company.

### **Division Two – Auditors**

#### Article 111 (\*)

The Joint-stock Company shall have, at least, one auditor who shall be appointed by the ordinary General Meeting to perform his duties until the next meeting of the ordinary annual General Meeting which may re-appoint such auditor.

Auditors shall be persons licensed to practice accountancy and auditing profession in accordance with the provisions of the Law.

Auditors shall be independent from the Company, hence, they shall not be promoters or directors or employees of the Company or its affiliates. Such auditors shall not provide, regularly, the Company or its affiliates with technical or administrative or consultative services.

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*(\*) Amended by Royal Decree No. 13/1989*

#### Article 112

The Auditors shall have the right, at any time, to examine all books, records and documents of the Company and obtain all

information they deem necessary for the proper performance of their duties.

The Auditors shall ascertain that the balance sheet and profit and loss statement, conform with the books and records of the Company and that such books and records are kept in conformity with the generally accepted principles of accounting.

#### Article 113

The Auditors shall make a report to the annual General Meeting on the financial position of the Company and the proposed distribution of dividends, including their opinion as to whether the balance sheet and the profit and loss account presented to the meeting reflect the true financial position of the Company, according to the generally accepted accounting principles. Any change made in the accounting principles adopted in the preparation of the balance sheet and profit and loss account since the preceding financial year shall be clearly mentioned in the Auditor's report.

If the Auditor's report is not presented to the General Meeting and, if it does not conform to the requirements of the preceding paragraph, then the resolution of the annual Meeting approving the accounts presented to the meeting shall be void.

The Auditor who in the performance of his functions ascertains the existence of a violation of the Law or the Company's articles of Association, shall report such violation to the management of the Company through the concerned Auditor and, in the event of a serious violation, he shall report it to the General Meeting.

#### Article 114

Auditors shall be liable towards the Company, shareholders and third parties for damages arising from any fraud in the performance of their duties. They shall be liable to the Company and shareholders for the damages arising from failure in performing their professional and technical duties with efficiency.

### **Division Three – General Meetings**

### Article 115

Each shareholder shall have the right to attend General Meeting and shall have one vote against each share held by him, even if such share is represented by a provisional certificate.

A shareholder may give a written proxy to another person to attend the General Meeting and vote on its resolutions. The shareholder may revoke such proxy at any time. The representative need not be a shareholder unless the Company's Articles of Association so ordains.

### Article 116 (\*)

The Board of Directors may convene the General Meeting at any time and such meeting shall be convened whenever required by the Law or the Company's Articles of Association, or upon request of one or more shareholders who represent at least 25% of the capital of the Company.

If the Board of Directors fails to convene the General Meeting's meeting, then the Auditors shall do so. Notice to attend a meeting of the General Meeting shall not be valid unless it includes the agenda and such notice, shall be published after its attestation by the Company Affairs Department, and an attested copy thereof has been deposited with Muscat Securities Market, in two daily newspapers and for two consecutive days, at least. At the same time, a copy of the notice shall be sent to each shareholder by registered mail or delivered by hand to him or to his representative against signature, at least two weeks before the date specified for the meeting.

The Company Affairs Department shall be notified of the date of the meeting of the General Meeting of the public Joint-Stock Companies and the Department shall delegate an observer to attend the meeting and supervise the related procedures and ensure that the resolutions adopted are in accordance with the Law. The minutes of the General Meeting shall be deposited with the Ministry after their approval by the Chairman and the Auditor, within 15 days of the date of the meeting of the General Meeting.

Any meeting at which all the above mentioned procedures and time limits are not followed shall be void.

*(\*) Amended by Royal Decrees No. 13/1989 & 83/1994*

**Article 117 (\*)**

The Board of Directors shall establish the agenda of the General Meeting, if the meeting is convened by the Auditors, the agenda shall then be established by them. The Board, or the Auditors, if necessary, shall include in the agenda any proposal put forward by shareholders, who represent more than 10% of the capital of the Company provided that such proposal is submitted for inclusion in the agenda at least one month before the date of the meeting.

The General Meeting shall consider only the matters included in the agenda. However, in exceptional cases, the General Meeting may consider an urgent and unexpected matter, which arises during the meeting subject to a resolution adopted by the General Meeting by relative majority of the votes of the present members.

**Article 118**

The shareholders and proxies representing all the shares of the Company may hold a General Meeting without regard to the rules stipulated for such meeting. The meeting so held may, deliberate on all matters which are within the authority of the General Meeting to decide.

**Article 119**

The ordinary General Meeting may consider and decide all matters, which are not, by Law or by the Company's Articles of Association, reserved for decision by the Board of Directors or by an extraordinary general Meeting.

**Article 120 (\*\*)**

The annual General Meeting shall be held each year within four months of the end of the Company's financial year. Other ordinary General Meetings shall be held when required by Law or the Company's Articles of Association or when need arises to hold such meetings. The agenda of the annual General Meeting shall include:

- A. Study and approval of the Board of Directors report.
- B. Study of the Auditor's report and approval of the balance sheet and profit and loss account.
- C. Declaration of dividends, provided the dividends, shall be declared only out of the net profit or out of the optional reserve subject to the provisions of Article 106.



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*(\*) Amended by Royal Decree No. 13/1989*

*(\*\*) Amended by Royal Decrees No. 13/1989 & 83/1994*

- D. Declaration of members of the Board of Directors if the office term of one, or all of them has expired or any of the posts becomes vacant.
- E. Appointment of auditors for the financial year without prejudice to the State's Audit Law.

Article 121 (\*)

The Company's balance sheet, profit and loss account and the reports of the Board of Directors and Auditors of the Company concerning the expired financial year, shall be available for inspection by the shareholders and bondholders of the Company, during business hours at the Company's principal place of business during a period of at least two weeks immediately preceding the date of the ordinary annual General Meeting. If any shareholder is deprived of his right to inspect these documents, the decision approving these documents shall be null and void.

The Board of Directors shall publish the balance sheet, the profit and loss account and a summary of the report of the Board in a local daily newspaper within one month of the ordinary annual General Meeting's approval of the said documents.

Article 122

The resolutions of the ordinary General Meeting shall be void unless the meeting is attended by shareholders of their proxies who represent, at least, half the capital of the Company. If such a quorum is not formed, a second meeting shall be called to discuss the same agenda. The second ordinary General Meeting shall be notified to shareholders in the same manner as the first meeting, at least one week prior to the date set for the second meeting. The resolutions of the meeting shall be valid regardless of the number of shares represented, provided that such meeting is held within one month for the date of the first meeting.

The resolutions, of the ordinary General Meeting, shall be adopted by, a relative majority of the votes.

Article 123 (\*)

The extraordinary General Meeting shall be convened to consider and decide all matters which such meeting is specifically authorized

to settle in accordance with the Law or the Company's Articles of Association.

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*(\* Amended by Royal Decree No. 13/1989*

The extraordinary General meeting may decide to amend the Company's Articles of Association, however such amendment shall not be valid unless approved by the Director General of Commerce and registered in the Commercial Register.

Article 124 (\*)

The resolution of the extraordinary General Meeting shall not be valid, unless the meeting is attended by shareholders and proxies representing at least three-quarter's of the Company's capital. Failing such quorum, a second meeting shall be convened to discuss the same agenda. The shareholders shall be notified of the second extraordinary General Meeting in the same manner as the first extraordinary General Meeting, at least two weeks prior to the date set for the second meeting. The resolutions of the second meeting shall be valid if the meeting is attended by shareholders or proxies representing more than half of the Company's capital, provided such meeting is held within six weeks of the date of the first meeting.

The resolutions of the extraordinary General Meeting shall be adopted by a majority of three-quarters of the votes cast in respect of a certain resolution, provided such resolution shall always receive votes representing more than 50% of the Company's capital.

If the resolution is for the purpose of transforming a closed Joint-stock Company into a General or Limited Partnership Company, then such resolution shall be unanimously adopted by the shareholders.

Article 125

The General Meetings shall be presided at by the Chairman of the Company or any other person to be appointed by the Board of Directors. If the General Meeting is convened by the Auditors, then the Auditors shall appoint the Chairman of such meeting. The General Meeting shall appoint a Secretary who shall be responsible for the taking and keeping of the minutes of the

meeting, which shall indicate the resolutions proposed and voting process at the meeting.

The minutes shall be signed by the Chairman and Secretary of the Meeting and shall thereafter be available for inspection by any shareholder or bondholder of the Company at the Company's principal place of business.

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*(\* Amended by Royal Decree No. 83/1994*

**Article 126**

The resolutions of the General Meeting duly adopted pursuant to the provisions of the Law and the Company's Articles of Association of its regulations, if any, shall be binding to the Company and each of its shareholders, but shall not affect the rights of third parties except to the extent provided by this Law.

Any shareholder or any other interested person may, within five years from the date of the General Meeting, apply to the Authority for the Settlement of Commercial Disputes to decide the annulment of any resolution if adopted by such General Meeting in violation of the Law or the provisions of the Company's Articles of Association or its regulations, if any, or if adopted by fraud or abuse of authority by any person.

## **Chapter Four (\*)**

### **Holding Companies**

#### Article 127

The Holding Company is a Joint-stock Company or a Limited Liability Company which financially and administratively controls one or more other Companies which become subsidiary to such Company by means of its holding at least 51% of such Company or Companies whether they are Joint-stock Companies or a Limited Liability Companies. The term "Holding" shall be added to the title of such Company in all its papers, advertisements and other documents issued thereby. The Capital of a Holding Company shall not be less than Two Million Omani Rials and a Holding Company shall neither hold shares of General or Limited Partnership Companies nor shall it hold any shares in other Holding Companies.

The objectives of the Holding Company shall be as follows:

- to manage its subsidiary Companies or to participate in the management of other companies in which it holds shares;
- to invest its funds in share, bonds and securities;
- to provide loans, security and finance to its subsidiaries;
- to own patents, trademarks, concessions and other incorporate rights, utilize them and lease them to its subsidiaries and other Companies.

The holding Company shall be established by either of the following means:

- A. Establishing a Joint-stock Company or a Limited Liability Company whose objectives shall combine one or more of the objectives provided in the preceding paragraph and in establishing subsidiary Companies or in acquiring shares and stocks in Joint-stock Company or a Limited Liability Companies to carry out such objectives.

**B. Amending the objectives of an existing Joint-stock Company or a Limited Liability Company to a Holding Company in accordance with the Law.**

**The Minister of Commerce and Industry shall specify the organizational provisions of the Holding Companies and their subsidiaries, and he shall arrange the balance sheet and profit and loss account of the subsidiary Companies in a unified system.**

**Article 128**

**The Board of Directors of the Holding Company may invite the Chairman of any subsidiary Company to attend the meetings of the Board of Directors of the Holding Company when matters related to the subsidiary Company are being considered by such meetings, so that he may make remarks, express his opinions or give explanations or statements about certain issues. Such Chairman shall have the right to participate in discussions but his vote shall not count.**

## **Chapter Five**

### **Dissolution & Liquidation of the Joint-stock Company**

#### **Article 129**

The Joint-stock Company shall be dissolved for any of the reasons for dissolution provided in the Company's Articles of Association or in Article 14 of this Law. The ordinary General Meeting may resolve the dissolution of the Company at any time.

If the Company has lost three-quarters of its capital, the Chairman of the Board of Directors shall convene an extraordinary General Meeting to decide whether the Company shall be dissolved or its capital be reduced or some other appropriate measures shall be taken. If the Chairman fails to convene the extraordinary General Meeting, or if the Meeting cannot be held due to lack of quorum, or if it has been decided not to dissolve the Company without taking any appropriate measures, then each shareholder or creditor of the Company shall have the right to apply to the Authority for the Settlement of Commercial Disputes to decide the dissolution of the Company.

#### **Article 130**

After its dissolution, the Joint-stock Company shall be liquidated pursuant to the Law and the provisions of its Articles of Association, provided that such provisions shall not violate any mandatory legal provisions.

## **Chapter Six**

### **Participation of the Sultanate and Omani Public Establishments**

#### **Article 131**

The Joint-stock Companies in which the Sultanate or any Omani Public Establishment contributes shall be subject to all provisions of this Law concerning the Joint-stock Companies which are not contradictory to the following Articles.

#### **Article 132 (\*)**

The share of the Sultanate or any of its administrative units shall be represented in the Company's Board of Directors by one or more members who shall be appointed by virtue of a Royal Decree pursuant to nomination by the concerned Minister.

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*(\*) Added by Royal Decree No. 53/1982*

Such member or members, shall not be discharged except by a Royal Decree. The Company's Articles of Association shall determine the number of Directors who shall represent the share of the Sultanate or any of its administrative units.

The remaining members of the Board of Directors shall be elected in pursuance of the provisions of this Law and the Company's Articles of Association. The shares representing the interest of the Sultanate Public Establishment shall participate in this voting unless the Company's Articles of Association provides otherwise.

#### Article 133

All appointed members of the Board of Directors shall exercise all powers inherent in the office of the Director. Acts performed by the Directors appointed by a Royal Decree in the exercise of their powers as Directors, however, shall not subject them, the Sultanate or the Public Establishment to liability under the provisions of this Law.

### **Chapter Seven** **Maritime Companies**

#### Article 134

The maritime Company is a Joint-stock Company, which is established for the sole purpose of engaging in maritime activities provided in the Maritime Law.

#### Article 135

The maritime Company shall be subject to the provisions of this Law related to the Joint-stock Companies with such amendments and exceptions provided in the Maritime Law.

PART SIX  
LIMITED LIABILITY COMPANY

**Chapter One**  
**Establishment of the Limited Liability Company**

Article 136 (\*)

The Limited Liability Company is a Commercial Company with a fixed capital divided into equal shares. It consists of two or more natural or juristic persons whose liability is limited to the nominal value of their shares in the capital of the Company. The number of partners of the Limited Liability Company shall not exceed forty partners.

The Limited Liability Company shall be subject to all provisions provided in Part One of this Law which are not contradictory to the provisions prescribed in this part.

The partners shall register the Limited Liability Company in the Commercial Register pursuant to the Law.

Article 137

The name of the Limited Liability Company may consist of any word and may include the name of one or more partners of the Company, provided that the name of the Company shall not be misleading as to the objectives of the Company, its identity or the identity of its partners. The name of the Company shall, wherever it appears, be followed by the words "Limited Liability Company" or by the abbreviation "LLC".

If a violation of the provisions of the preceding paragraph has caused a third party in good faith make a mistake as to the extent of the partners' liability, the persons responsible for such violation shall be deemed responsible in persons towards such party for the damages that may befall him as a result.

Article 138 (\*)

The Capital of a Limited Liability Company shall not be less than RO 20,000/- (Rials Omani Twenty Thousand). All shares of a Limited Liability Company shall be of equal nominal value and the full value thereof shall be paid in upon subscription.



*(\* Amended by Royal Decree No. 83/1994*

Such shares shall not be represented by negotiable Certificates. If the capital of a Limited Liability Company decreases to less than RO 20,000/- (Rials Omani Twenty Thousand), and interested person may send a notice to the Company demanding the restoration of the capital thereof to the specified minimum, and if the Company fails to do so within one year from the date of such notice, such third party may apply to the Authority for the Settlement of Commercial Disputes to decide the dissolution of the Company.

#### Article 139

Contributions to the capital of a Limited Liability Company may be made in cash or in kind. However, such contributions shall not comprise the services or labour of any person.

A Limited Liability Company shall not resort, directly or indirectly, to public subscription in raising or increasing its capital, or to borrowing of funds.

#### Article 140 (\*)

A Limited Liability Company shall not be deemed finally constituted nor shall the liability of its shareholders be limited until the following conditions have all been fulfilled:

- A. The Memorandum of Association of the Company has been signed by all the shareholders of the Company.
- B. The number of shares to be owned by each shareholder has been determined and the nominal value of all shares has been fully paid in cash or in kind.
- C. Registration of the Company in the Commercial Register.

For the payment of the value of the Company's shares a special account shall be opened with a Bank operating in Oman, in the name of the Company with the term "Under Formation" wherein each shareholder shall deposit, in cash, the full nominal value of his shares. As for the contributions in kind, the Auditors of an office licensed to operate in Oman may submit a report confirming the value and payment of each shareholder's contribution in kind

in the capital of the Company under establishment, or that the value of the contribution in kind shall be

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*(\*) Amended by Royal Decree No. 83/1994*

determined by one or more experts appointed by the Ministry of Commerce and Industry pursuant to an application submitted by the shareholders in accordance with the rules and procedures decided by the Minister of Commerce and Industry.

The said Bank shall not release such deposits to anyone other than the Managers of the Company upon the presentation of a Certificate confirming the Registration of the Company in the Commercial Register or the depositors should the establishment of the Company be abandoned.

If the Company is not finally established within a period of six months from the date of the first contribution to the capital of the Company, any of the shareholders may annul the Memorandum of Association of the Company by giving notice to the Bank and the shareholders and thereupon all depositors shall have the right to refund their respective capital contributions on deposit in the Bank.

#### Article 141

The Limited Liability Company shall keep a membership register, in which the name of each shareholder shall be listed together with his nationality, his domicile and the number of shares he owns.

#### Article 142

Shares of a Limited Liability Company shall not be divisible but they may be owned by more than one person provided that such persons shall have a single representative who shall be deemed by the Company to be the owner of the shares under joint ownership. Such representative shall be the person whose name shall stand first in the membership register although the disposal of the shares shall require an instrument signed by all joint owners.

Joint shares owners shall be deemed jointly and severally liable for the obligations arising from such ownership and shall be deemed one person for purposes of determining the number of partners provided in Article 136.

### Article 143

Subject to the restrictions provided by Law and subject to the provisions of the Company's Memorandum of Association, any partner of the Limited Liability Company may assign any of his shares in the Company to any other partner of the Company or a third party by a written instrument.

### Article 144

If a partner of the Limited Liability Company wishes to assign any of his shares in the Company to any one who is not yet a partner of the Company, he shall send a written notice, expressing his wish to do so, to the Managers of the Company, together with as many copies of such notice as there are partners in the Company, provided such notice shall indicate the number of shares he intends to assign, the name, nationality and address of the proposed assignee and the terms of the proposed assignment. The Managers shall acknowledge the receipt of the notice of intent and the date of receipt, and shall promptly send a copy of the notice to each other partner of the Company at his domicile which is indicated in the partners register. The Managers, when sending such notice to the other partners, shall advise such members, in writing, on their preemptive right to purchase the shares offered on the terms specified in the notice by giving notice of their intention to do so to the Managers of the Company and by depositing the full amount of the purchase price of the number of shares they wish to purchase within 45 days from the date on which the notice of the proposed assignment has received by the Managers. The notice of intent to exercise the preemptive right shall not be valid unless it expresses acceptance of all the terms, described in the notice of proposed assignment, unless it is accompanied by an acceptable deposit of the full purchase price and unless it is received by the Managers within the period provided in this Article.

### Article 145

If valid notices of intent to exercise the preemptive right are received from more than one partner and the aggregate number of the shares such partners wish to purchase is greater than the number of shares offered, then the shares offered shall be divided between them to the nearest whose share in proportion to the number of shares owned by each of them, and any remaining shares shall be held by such partners under joint ownership. If a partner elects to purchase less than his proportionate share, all shares he has elected to purchase shall be allocated to him and the

remaining shares shall be divided among the remaining partners pursuant to the provisions of this Article.

#### Article 146

If no valid notice of intent to exercise the preemptive right is received from any partner of the Company, or if the valid notices received relate in the aggregate to less than the number of shares offered, the managers may decide to purchase, in the name of the Company and on the terms provided in the notice of the proposed assignment, such number of shares offered which have not been purchased by the partners of the Company, provided that the Company's Memorandum of Association or any Resolution adopted by the partners meeting provides otherwise, and provided that the purchase price of such shares shall not be paid from the capital of the Company or its legal reserve. Shares so purchased in the name of the Company shall be held by all partners of the Company under joint partnership in proportion to the number of shares owned by each of them, however, such shares as long as they are so held, shall neither be voted in partners meetings nor be counted in determining a quorum or a required majority at such meetings, nor shall such shares be considered in the distribution of dividends or the assets of the Company. Upon sale of such shares, the proceeds shall be paid to the Company and shall be added to the reserves.

#### Article 147

If the partners of the Company have decided to purchase the shares offered, the Managers of the Company shall send a written notice to the selling partner expressing their wish to exercise the preemptive right and such notice shall be accompanied by the purchase price of the shares specified in the notice of proposed assignment. If such notice and the same amount are not received by the selling partner within 50 days from the date on which the notice of proposed assignment was received by the Managers, such partner shall be free to effect the assignment provided such assignment is effected within the next 30 days and in accordance with the terms specified in the notice of the proposed assignment.

#### Article 148 (\*)

The preemptive rights related to the partners and the Company shall not apply to the shares transferred by inheritance or will on the death of a partner. If shares are transferred by inheritance or will to more than one person causing the number of partners to

exceed forty partners, then such shares shall be held by all heirs or legatees under joint ownership unless such heirs or legatees agree to transfer such shares to such number of them which maintains the number of partners within the maximum allowed.

#### Article 149

The capital of the Limited Liability Company may be increased by an unanimous decision of the partners. Each partner shall have the right to subscribe for a number of new shares in proportion to the number of shares he owns, and if a partner has subscribed for less than the proportion

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*(\* Amended by Royal Decree No. 83/1994*

he is entitled to, the remaining shares may be subscribed for only by other partners in proportion to the number of shares owned by them.

#### Article 150 (\*)

The Capital of the Limited Liability Company may be reduced by an unanimous resolution made by the partners if such capital exceeds the need of the Company or if the Company has incurred losses, however, the capital of the Company shall not, in any case, be reduced to less than RO 20,000/- (Rials Omani Twenty Thousand).

The resolution to reduce the capital of the Company shall be published in Arabic local newspapers for two consecutive times together with a notice inviting all the creditors of the Company to submit their objections within 30 days from the date of publication.

The reduction of capital shall be effective only after the expiry of such 30 days and after all objecting creditors have been satisfied either by paying their debts or by giving them suitable security.

## **Chapter Two**

### **Management of the Limited Liability Company**

#### Article 151

The management of the Limited Liability Company shall be entrusted to one or more managers who shall be natural persons

and who may be partners or non-partners of the Company. Managers shall be appointed for a limited or indefinite period of time pursuant to the Company's Memorandum of Association. Notwithstanding any agreement to the contrary, any Manager may be removed by a decision of the partners meeting, and if the manager is also a partner of the Company, he shall not participate in the voting on the resolution related to his removal.

A Manager may also be removed by a decision of the Authority for the Settlement of Commercial Disputes upon request of one or more partners of the Company if the Authority finds a legitimate cause that justifies such removal.

#### Article 152

The Managers of the Limited Liability Company may perform all acts in pursuance of the Company's objectives unless their authority is limited by the Company's Memorandum of Association or by subsequent agreements made between all the partners of the Company and registered in the Commercial Register.

The Managers, however, shall not perform the following acts unless they are expressly authorised to do so by the Company's Memorandum of Association or by an unanimous decision of all the partners:

- A. Donations, except donations required by business and, in ordinary, small amounts.
- B. Sale of all or substantial part of the Company's assets.
- C. Mortgage or pledge the Company's assets except to secure the Company's debts incurred in the ordinary course of the Company's business.
- D. Guarantee debts of third parties, except guarantees made in the ordinary course of business for the fulfilment of the Company's objectives.

#### Article 153

The Limited Liability Company shall be bound by all acts performed by the Managers acting in its name and within the scope of their powers. A third person in good faith shall have the right to assume that any act done by the Managers of the Company in the

course of its business comes within the scope of the Manager's authority and the Company shall be bound thereby unless the limitation of the managers' powers is registered in the Commercial Register.

#### Article 154

In respect of each financial year, the managers shall withhold 10% of the net profits of the Company after deduction of taxes as a legal reserve until such reserve amounts to, at least, one third of the capital of the Company. The legal reserve shall not be distributed to the Company's partners as dividends.

#### Article 155

The Managers of the Limited Liability Company shall be liable to the Company, its partners and third parties for damages arising from their acts in violation of the law or beyond the scope of their powers and from any fraud or negligence in the performance of their duties or from their failure to act as prudent men under certain circumstances.

If liability under the preceding paragraph is directed to more than one Manager, the Authority for the Settlement of Commercial Disputes may hold each of such Managers liable for all or such part of the total damages as the authority deems appropriate under certain circumstances. Any provision or term that limits the liability of the Managers shall be null and void.

#### Article 156

The Company may institute an action against any of its Managers whom it regards responsible for the damages caused to it in accordance with the provisions of the preceding Article. The partners meeting shall appoint a person to follow up the case on behalf of the Company and pay the costs of the case from the Company's funds. If the Company is under liquidation, the liquidator of the Company may decide the institution of the action. Any partner may propose the suing of the Managers, and if the partners meeting does not adopt such proposal, he shall have the right, then, to institute the case on behalf of the meeting. If such case is successful, such member shall be reimbursed the costs and expenses of the case from the amount adjudged provided the balance shall be paid to the Company.

#### Article 157

The Limited Liability Company shall have at least one Auditor who shall be appointed by the partner's meeting if:

- A. The number of the Company's partners exceeds ten;
- B. The Capital of the Company exceeds RO 50,000/- (Rials Omani Fifty Thousand only);
- C. The appointment of an Auditor is demanded by one or more partners representing, at least, one-fifth of the capital of the Company.

#### Article 158

The term of office, qualifications, rights and duties and liability of Auditors of the Limited Liability Company shall be the same as the term of office, qualifications, rights and duties and liability of Auditors of the Joint-stock Company.

#### Article 159

Within four months after the end of the Company's financial year, the Managers of the Limited Liability Company shall prepare a balance sheet as of the end of the Company's financial year and a profit and loss statement for the expired financial year. If the Company has auditors, the Managers shall put such documents, together with a report on the Company's operations during the expired financial year and the proposed allocation of the net profits, if any, at the disposal of the Company's auditors within the same period. The auditors shall prepare their report to the partners meeting and put a copy thereof at the managers disposal within two months from the date of their receipt of the Company's financial statement and the Manager's report.

#### Article 160

The Managers shall send a copy of the Company's balance sheet and the profit and loss statement and the reports of the Managers and Auditors, if any, concerning the expired financial year, together with a notice of a partners meeting for the approval of these documents and the allocation of the net profits, if any to each partner of the Company within six months after the end of the Company's financial year. The originals of these documents shall be available for inspection by the partners of the Company at the Company's principal place of business during a period of at least two



weeks immediately preceding the date set for the partners meeting for the approval of these documents.

In addition, each partner shall have the right to inspect the original balance sheet, profit and loss statements, reports of the Managers and Auditors, if any, related to the last five financial years of the Company at any time during business hours at the principal place of business of the Company. Any agreement contrary to the provisions of this Article shall be null and void.

#### Article 161

The partners of the Limited Liability Company shall act by virtue of resolutions adopted by voting at partners meetings. However, decisions in matters other than the distribution of profits, approval of the balance sheet, profit and loss statement and the reports of the Managers and Auditors, if any, may also be reached without a meeting if all partners of the Company consent to any such decisions in writing.

#### Article 162

Every partner shall have the right to attend partners meeting and shall have one vote for each share he owns or represents.

A member may give a written proxy to another person to attend and vote at the partners meeting as his representative. Such proxy may be revoked by the partner at any time. Such representative shall be a member of the Company unless the Company's Memorandum of Association provides otherwise.

#### Article 163

Membership meetings may be convened by the Company's Managers at any time and shall be convened by the Managers wherever required by Law or the Company's Memorandum of Association or upon request by one or more partners representing at least one fifth of the Company's capital. If the Managers fail to convene the partners Meeting when so required or requested, any member may request the Authority for the Settlement of Commercial Disputes to appoint a person to convene the said meeting and prepare the agenda.

Notice of the meeting shall be sent to each partner at least 20 days prior to the date set for the meeting. The notice shall not be valid unless it includes the agenda of the meeting. The partners meeting

shall consider only the matters included in the agenda of the meeting. However, in exceptional cases the meeting may consider any unanticipated and urgent matter brought before the meeting.

#### Article 164

Partners and proxies representing all the shares of the Company may hold a partners meeting without regard to formalities of notice, and such meeting may deliberate over all matters which are within the Authority for the partners meeting to decide.

#### Article 165

The resolution of the partners meeting shall not be valid unless the meeting is attended by partners and proxies who represent at least 50% of the capital of the Company. Failing such quorum, a second meeting shall be convened to discuss the same agenda.

The second meeting shall be notified to the partners at least one week prior to the date set for such meeting. The resolution of the second meeting shall be valid regardless of the capital represented, provided such meeting is held within one month from the date of the first meeting.

#### Article 166

Resolutions of the partners meeting shall be adopted by the relative majority of the votes cast in respect of a given resolution, except when a greater majority is required by the Law or the Company's Memorandum of Association.

#### Article 167

Notwithstanding the provisions of Article 165, an unanimous decision of all partners is required to increase or reduce the capital of the Company or to transform the Company into a general or limited partnership, and the favourable vote of a majority of partners representing at least three quarters of the capital is required for any other amendment of the Memorandum of Association or for a decision to transform the Company into a Joint-stock Company.

#### Article 167 (1) (\*)

The interest of the Sultanate or any of its administrative units shall be represented by one Manager or more who shall be appointed by virtue of a Royal Decree pursuant to nomination by the competent Minister. Such Managers shall not be removed except by a Royal

Decree. The number of Managers representing the Sultanate or any or its administrative units shall be determined by the Company's Memorandum of Association. Neither the Managers appointed by a Royal Decree, nor the Sultanae or any of its administrative units shall be held liable, according to the provisions of this Law, for their acts in the course of performing their functions as Managers of the Company.

### **Chapter Three**

#### **Dissolution and Liquidation of the Limited Liability Company**

##### Article 168

The Limited Liability Company shall be dissolved for any of the reasons for dissolution provided in the Company's Memorandum of Association or in Article 14 of this Law. The partners meeting may resolve, at any time, to dissolve the Company upon the favourable vote of a majority of members representing, at least, three quarters of the Company's capital.

##### Article 169

After its dissolution the Limited Liability Company shall be liquidated in accordance with the Law and the provisions of the Company's Memorandum of Association, provided such provisions shall not violate any provisions of the Law of mandatory nature.

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*(\*) Added by Royal Decree No. 53/1982*

### **PART SEVEN**

#### **PENALTIES**

##### Article 170

The following persons shall be punished, upon conviction, by imprisonment from three days to three years, or a fine of RO 10/- to RO 500/- (Rials Omani Ten to Five Hundred), or by both such penalties:

- A. Every person who, with intent to defraud, includes or uses false information in a commercial Company's Memorandum of Association or Articles of Association, in an application for authorization to establish a Joint-stock Company or in its prospectus, or in any document necessary for the establishment of a Commercial Company, or who, with intent to defraud, omits any essential fact deceived thereby to his detriment.
- B. Every person who induces another to join a Commercial Company by using fraudulent means, every promoter or Director of a Joint-stock Company who participates in the issue of an invitation to the public to subscribe for shares or bonds of a Joint-stock Company knowing that such invitation is issued in violation of the provisions of the Law, and every person who offers such shares or bonds for subscription if such person is aware that such violation has been committed.
- C. Every person who, with intent to fraud, overvalues any contribution in kind to the capital of a Commercial Company by an amount exceeding 25% of its true value.
- D. Every person who, knowingly, participates in the distribution of fictitious profits of a Commercial Company on the basis of a fraudulent balance sheet, or without having a balance sheet, or on the basis of a fraudulent inventory or profit and loss account.
- E. Any Manager, Director, Auditor, Liquidator or any person charged with the management of a Commercial Company, who intentionally includes or uses false information in the balance sheet or profit and loss statement of a Commercial Company, or in a report to partners or to shareholders or membership meeting thereof, or who intentionally omits any essential fact from any of the said documents, if the true financial position of the Company shall have been thereby concealed from the Company's partners or third parties.

**Article 170 (1) (\*)**

The following persons, by virtue of their personal capacity, shall be penalized by a fine of not less than RO 5,000/- (Rials Omani Five Thousand) on their failure to convene the annual ordinary general meeting of the Company on the time provided for such meeting:

- A. The Chairman and Members of the Board of Directors.

**B. The Auditors of the Company in case of failure of the Board of Directors to convene the meeting.**

**Article 171**

**The following persons, on their conviction, shall be penalized by a fine of RO 10/- to RO 5,000/- (Rials Omani Ten to Five Thousand):**

- A. Every person who, by way of negligence, includes or uses false information in the Memorandum of Association or Articles of Association of a Commercial Company, in an application for authorization to establish a Joint-stock Company or in the prospectus of such Company, or in any document necessary for the establishment of a Commercial Company; or who, by way of negligence, omits any essential fact from any of the said docuemnts.**
  - B. Every person responsible for a violation by the Company of the Provisions of Article 4 of this Law.**
  - C. Every partner, Director or Manager of a Commercial Company who violates the provisions of Articles 8, 107 or 108 and every Auditor of a Joint-stock Company or a Limited Liability Company who violaes the provisions of the third paragraph of Article 111 of this Law.**
  - D. Every person who, by way of negligence, overvalues any contribution in kind to the capital of a Commercial Company.**
  - E. Every Director, Manager or any other person charged with the management of a Commercial Company, which has Auditors, who seriously interferes with the exercise of the Auditor's functions.**
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***(\* Added by Royal Decree No. 83/1994***

- F. Every person who, knowingly, participates in the distribution of any part of the leval reserve in violation or Articles 106 and 154 of this Law.**

G. Every Manager, Director, Auditor, Liquidator or any person charged with the management of a Commercial Company who, by way of negligence, includes or uses false information in the balance sheet or profit and loss statement of a Commercial Company, or in a report to members or to shareholders or partners meeting thereof, or who, by way of negligence, omits any essential fact from any of the said documents.

Article 172

Punishment under the provisions of this part shall not affect the legal consequences of the act or omission punished, including civil liability for damages caused by such act or omission.

**PART EIGHT**  
**TRANSITIONAL AND FINAL PROVISIONS**

**Article 173**

The Commercial Companies wholly owned by Omani nationals shall be deemed legally formed even if such Companies do not adopt one of the forms of Commercial Companies provided in this Law, or even if their Memorandum and Articles of Association contradict the provisions of this Law provided such Companies prove to the Ministry of Commerce and Industry, by written or verbal proof presented within one year from the date of the publication of this Law in the official Gazette, that they were formed and engaged in regular commercial activity in Oman prior to the publication of this Law in the official Gazette.

Subject to the provisions of the preceding paragraph, such Companies shall be governed by the provisions of this Law governing the most similar form of Company described in this Law.

**Article 174**

Commercial Companies which have one or more members who are not Omani nationals shall be deemed legally formed even if they do not adopt one of the forms of Commercial Companies described in this Law or even if their memorandum or Articles of Association contradict the provisions of this Law, provided such Companies establish to the Ministry of Commerce and Industry, by written or verbal evidenc presented within one year from the publciation of this Law in the official Gazette, that they were formed and engaged in regular commercial activity in Oman prior to the first day of january, 1970, and provided further that they did not directly or indirectly increase their capital or widen the scope of their activities after such dates.

Subject to the provisions of the preceding paragraph, such Companies shall be governned by the provisions of this Law governing the most similar form of Company described in this Law.

**Article 175**

Commercial Companies which have one or more non-Omani partners and which were established after the first day of January,

1970, and before the date of publication of this law in the official Gazette, and which comply with or exempt from the provisions of the Foreign Business and Investment Law, shall be granted a period of one year as of the date of publication of this Law in the official Gazette to adopt one of the forms of Commercial companies described in this Law and to adjust their Memorandum and Articles of Associations, their status and activities to comply with the provisions of this Law.

Any Company to which the provisions of the preceding paragraph apply, and which fails to abide by such provisions within the one-year period specified for such Company, shall be unlawful and may be dissolved and liquidated at the end of the said period pursuant to an application submitted to the Authority for the Settlement of Commercial Disputes by the Minister of Commerce and Industry or any other person.

Article 176

This Law shall be published in the official Gazette.

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