

**KINGDOM OF SAUDI ARABIA**

**CAPITAL MARKET AUTHORITY**

## **MERGER AND ACQUISITION REGULATIONS**

**English Translation of the Official Arabic Text**

**Issued by the Board of the Capital Market Authority  
Pursuant to its Resolution Number 1-50-2007  
Dated 21/9/1428 H Corresponding to 3/10/2007 G  
Based on the Capital Market Law  
issued by Royal Decree No. M/30 dated 2/6/1424H**

**Amended by Resolution of the Board Of the Capital Market Authority  
Number 3-45-2018 Dated 7/8/1439H Corresponding to 23/4/2018 G  
Based on the Capital Market Law  
issued by Royal Decree No. M/30 dated 2/6/1424H  
and the Companies Law issued by Royal Decree No. M/3 dated 28/1/1437H**

**Arabic is the official language of the Capital Market Authority**

**Important Notice:**

**The current version of these Regulations, as may be amended, can be found at  
the CMA website: [www.cma.org.sa](http://www.cma.org.sa)**

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## **PART 1**

### **GENERAL PROVISIONS**

#### **Article 1 : Preliminary Provisions**

- a) Any reference to the “Capital Market Law” in these Regulations shall mean the Capital Market Law issued by Royal Decree No. M/30 dated 2/6/1424H and any reference to the “Companies Law” in these regulations shall mean the Companies Law issued by Royal Decree No. M/3 dated 28/1/1437H.
- b) Expressions and terms in these Regulations have the meaning which they bear in the Capital Market Law and in the Glossary of defined terms used in the Regulations and Rules of the Capital Market Authority, unless the contrary intention appears.

#### **Article 2 : Extent and Scope of the Regulations**

- a) The purpose of these Regulations is to regulate the following:
  - 1) Acquisitions activities, based on the Authority’s powers as stated in the Capital Market Law; and
  - 2) Merger activities, based on the Authority’s powers as stated in the Companies Law.
- b) The provisions of the Regulations apply to the following:
  - 1) any purchase or sale of shares with voting rights of listed companies, resulting in an ownership or control of a person, individually or collectively by acting in concert, over ten percent (10%) or more of the relevant Offeree Company; or
  - 2) any Offer to purchase shares with voting rights of listed companies, if the percentage of shares sought to be acquired by the Offeror would increase its ownership, individually or collectively by acting in concert, or the shares under

their Control, to ten percent (10%) or more of the shares of the relevant Offeree Company, and of that same shares class.

- c) The parties to whom the Regulations apply include:
  - 1) Any person who deals in the Exchange, including (without limitation) issuers, shareholders, authorized persons, and any person involved directly or indirectly in participating or giving an advice on any transaction regulated by these Regulations;
  - 2) directors of companies which are subject to these Regulations; and
  - 3) any person who seek the Acquisition of, or increase its shares in, any company subject to this regulation.
- d) This Regulation shall not contradict the provisions of the Capital Market Law and its implementing regulations.
- e) Any reference to a person or persons in these Regulations applies to private investment fund(s).

### **Article 3 : General Provisions**

- a) Except in private transactions, an Offeror or Offeree Company must appoint their Independent Financial Advisor who shall be approved by the Authority, and an Independent Legal Advisor, who shall be authorized to practice law in Saudi Arabia. The Independent Financial Advisors of the Offeror or Offeree Company shall be the point of contact to coordinate with the Authority on behalf of the party each of them represents, in respect of the potential Acquisition or the potential Merger.
- b) Parties involved in Acquisitions or Mergers must take care that information made available for the purpose of the Acquisition or Merger are not made in a way that may mislead shareholders or the Exchange.

- c) In the case of an Offer, all shareholders of the same class of an Offeree Company must be treated equally by an Offeror.
- d) Any document or announcement related to an Offer or potential Offer, addressed by the Offeror, the board of the Offeree Company or their respective advisors, to shareholders, must be true, fair and not misleading.
- e) During the course of an Offer, or when an Offer is in contemplation by the Offeree Company, neither an Offeror, nor the Offeree Company, nor any of their respective advisors may furnish information to some shareholders which is not readily made available to all shareholders. This principle does not apply to the following:
  - 1) the furnishing of information in confidence by the Offeree Company to a *bona fide* potential Offeror or vice versa in the context of an Offer; or
  - 2) the furnishing of information in confidence by the selling shareholder and/or Offeree Company to an Offeror in the context of a Private Transaction.
- f) An Offeror should only announce an Offer after the most careful consideration in accordance with the provisions of these Regulations, and if it firmly believes that it can and will continue to be able to implement the Offer; responsibility for advising the Offeror and ensuring all reasonably steps are taken in this respect rests on the financial advisor of the Offeror.
- g) In case of a merger or acquisition by an offer to exchange securities against securities that'll be listed in the exchange, the offeror shall comply with relevant provisions stated in the Capital Market Law and its implementing regulation.
- h) In case of an Offer, the Offeror and the board of directors of the Offeree Company must give sufficient information and advice to the shareholders of the Offeree Company to enable them to reach a properly informed decision to accept or reject the offer, and must have sufficient time to do so. No relevant information should be withheld from them.

- i) All persons who have access to confidential information, especially information that are price sensitive, regarding the acquisition or any similar transaction, shall deal with such information in confidential manner, and it shall not be provided to any person unless it's necessary to do so, provided that such person is aware of the importance of confidentiality. Moreover, such persons shall act in manner that eliminates the chances of a leak of the information that are price sensitive.
- j) In case the board of the Offeree Company has reason to believe that a *bona fide* Offer might be imminent, the board of the Offeree Company may not take any action in relation to the affairs of the company, that may cause the rejection of the offer or preventing shareholders from making a decision on it, without the approval of the shareholders convened in a general assembly
- k) Where there are Related Parties to an Acquisition to which these Regulations apply, there must be full disclosure of the Related Party's interest in the transaction to the affected shareholders prior to completion of that transaction. Any such transaction must be on arm's length terms.
- l) The board of an Offeree Company must always act in the best interests of its shareholders.
- m) Directors of the Offeree Company must always, in advising their shareholders, act only in their capacity as directors and not have regard to their personal shareholdings, the shareholdings through Related Parties, the shareholdings of the shareholders they represent in the board, or to their personal relationships with the Offeror or Offeree Company, as applicable, and must at all times have regard to advice given in accordance with Article 18 of these Regulations. It is the shareholders' interests taken as a whole, together with those of employees and creditors, that should be considered when the directors are giving advice to shareholders. Directors of the Offeree Company should give careful consideration before they enter into any commitment with an Offeror (or anyone else) which would restrict their freedom to advise their shareholders in the future.

- n) A shareholder who owns shares with offeror (or Merging Company) and the offeree company (or the merged company) may not vote in shareholders general assembly on decisions related to offers subject to this regulation, except in one of these companies.
- o) A director shall not vote at a meeting of board or of its committees or a general assembly meeting on any resolution concerning an offer subject to these Regulations or any other relevant matter where the director, any relative or representative of his/her has a conflict of interest. In this context such a conflict of interest would arise if:
  - 1) the director has, directly or indirectly, an interest related to the offer or the potential offer.
  - 2) the director is a shareholder in the Offeror and at the same time he/she is a director of the Offeree Company board, or vice versa.
  - 3) the director is a director of the Offeror board and at the same time he/she is a board member of, or a manager in the Offeree Company, or vice versa.
- p) For the purposes of these Regulations, an interest of a person who is a relative or an affiliate of a director shall be treated as an interest of the director.
- q) If a person is intending to enter into an acquisition, which will result in an obligation to extend an Offer to all shareholders, he/she must, before making the Acquisition, ensure that he/she can and will continue to be able, financially and practically, to implement such an Offer.
- r) A false market must not be created where the securities value fluctuate, weather of the Offeree Company/merged company, or the Offeror company/Merging Company or of any other company concerned by the Acquisition/Mergers or any other company concerned by the offer in such way that the rise or fall of the prices of the relevant securities becomes artificial and the normal functioning of the market is distorted.
- s) An Offeree Company activities must not be affected longer than reasonable as a consequence of an Acquisition or a Merger.

#### **Article 4 : General Principles of Announcements**

- a) Any announcement or statement related to a transaction, required under these Regulations, must be complete, clear, accurate and not misleading, and it must comply with the Instructions of announcement issued by the Authority and the provisions of these Regulations.
- b) Parties of an offer or Private Transactions, other than listed companies, that are required to make a public announcement pursuant to these Regulations, and which are not a members in the exchange, may use the Exchange website to make such announcements, or use other Regulatory Information Service Providers.

#### **Article 5 : Compliance with Competition Law**

##### **a) Notification**

Where the Competition Law, its Implementing Regulations and other related instructions are applicable on an offer, or where it's required to obtain other local or foreign regulatory approvals or non-objection, the Offeror must state that in its announcement. The Offeree Company and the Offeror must notify and obtain the approval of the General Authority for Competition pursuant to the provisions of the Competition Law.

##### **b) Transaction lapse**

Where the Competition Law, its Implementing Regulations and other related instructions are applicable on an offer, the transaction will lapse if the General Authority for Competition notifies the Offeror or the Offeree Company in writing, or through any other formal means of notification, that it objects to the transaction.

##### **c) The end of Offer period**

- 1) When the Offeror or the Offeree Company is notified of the General Authority for Competition objection on the Offer or potential Offer, the Offer period will end, and any new Offer must be announced within 21 days after the General Authority for Competition's approval of the transaction under the provisions of the

Competition Law. In all cases, a new Offer period will be deemed to begin on the date of the General Authority for Competition's approval of the transaction.

- 2) If there is no announcement of a new Offer within 21 days after the General Authority for Competition's approval of the transaction under the provisions of the Competition Law, the Offer period will last until either the expiry of the referred to period, or the announcement by all relevant Offerors (affected by the General Authority for Competition's approval of the transaction under the provisions of the Competition Law) that they do not intend to make an Offer, whichever is earlier.

**Article 6 : Waiver**

The Authority reserves the right to waive any person subject to this regulation from applying the provision of these Regulations in whole or in part, upon his/her request or on its own initiative.

**PART 2**  
**ACQUISITIONS**

**Chapter 1: RULES OF PRIVATE TRANSACTIONS**

**Article 7 : Negotiation between Selling Shareholder and Offeror**

- a) Negotiations or discussions between a selling shareholder and an Offeror regarding a Private Transaction must remain strictly confidential and be restricted to a limited number of concerned people within the selling shareholder and Offeror and their immediate advisors (if any).
- b) A selling shareholder and an Offeror who are in negotiation or discussions regarding a Private Transaction must take adequate measures to limit any potential leakage or unlawful usage of confidential/price sensitive information.

**Article 8 : Approaching the Offeree Company**

- a) The parties involved in a Private Transaction (the selling shareholder and the Offeror) may inform the board of the Offeree Company or its advisors of the potential transaction, at their discretion, in order to provide the offeror with price sensitive confidential information, conditioning the absence of any of the events requiring disclosure as per paragraph (d) of this Article.
- b) The Offeree Company is deemed informed of a potential Private Transaction upon formally notifying and informing its board of directors. Following its formal notification of a potential Private Transaction, the board of director of an Offeree Company shall act independently to serve the best long term interests of the Offeree Company and its shareholders. The knowledge of individual board members of a potential private transaction shall not be imputed to the Offeree Company, unless the board of directors is formally notified of the potential Private Transaction.

- c) Upon formally approaching an Offeree Company in respect of a potential Private Transaction, an Offeror or potential Offeror must make clear the identity of its substantial shareholders.
- d) In the event of a leakage of confidential and/or price sensitive information about the Offeree Company or the potential Private Transaction or in the event of the Offeree Company becoming subject of rumors relating to the potential Private Transaction, the Offeror should promptly notify the Offeree Company's board of directors and the Authority of the Private Transaction and announce the Transaction to the public in accordance with Article 10 of these Regulations.

**Article 9 : Access to Confidential Information of the Target Company**

- a) If and when an Offeree Company is formally approached in respect of a potential Private Transaction in accordance with paragraph (b) of Article 8 of these Regulations, such Offeree Company may share confidential/price sensitive information with a *bona fide* Offeror, to assist such Offeror in conducting its due diligence over the Offeree Company to evaluate the merits of the potential Private Transaction, provided this is made in strict confidence.
- b) The Offeree Company (through its board of directors) shall have the discretion to determine the nature and extent of confidential/price sensitive information to be shared with a *bona fide* Offeror. Any such determination shall be considered on a case by case basis and be made by the board of directors of the Offeree Company, taking into consideration the interests of the Offeree Company and its shareholders. The board of directors of the Offeree Company must also take adequate measures to limit any potential leakage or unlawful usage of confidential/price sensitive information.

**Article 10 : Announcements**

- a) An announcement to the public is required to be promptly made by each of the Offeror and the selling shareholder when:

- 1) definitive agreements (including the share sale and purchase agreement and excluding entering into preliminary agreements such as memorandum of understanding) relating to a Private Transaction, entered into by and between the Offeror and the selling shareholder; or
  - 2) prior to formally notifying the Offeree Company of a potential Private Transaction in accordance with paragraph (b) of Article 8 of these Regulations, the Offeree Company is the subject of rumours and speculations or where there is an untoward price movement since the start of the negotiations between the selling shareholder and the Offeror, of 10% or more within a single day or 20% or more of the lowest share price since the start of the negotiations between the selling shareholder and the Offeror, and there are reasonable grounds for concluding that it is the potential Private Transaction which have led to the situation.
- b) An announcement to the public is required to be promptly made by each of the Offeree Company's board of directors, the Offeror and/or the selling shareholder when, after the Offeree Company is formally notified of a potential Private Transaction in accordance with paragraph (b) of Article 8 of these Regulations and the Offeree Company is the subject of transaction related rumors and speculations or where there is an untoward price movement in the Offeree Company since the start of the negotiations between the selling shareholder and the Offeror, of 10% or more within a single day or 20% or more of the lowest share price since the start of the negotiations between the selling shareholder and the Offeror, and there are reasonable grounds for concluding that it is the potential Private Transaction which have led to the situation.

#### **Article 11 : Prohibitions and Restrictions on Dealings**

- a) **Restrictions on dealings by the selling shareholder, the Offeror or persons acting in concert with any of them;**

No dealings of any kind in securities of the Offeree Company by the selling shareholder, the Offeror or any party acting in concert with them may take place between the time

during the preliminary consideration regarding a potential Private Transaction (including entering into a memorandum of understanding or other relevant agreements) is reached, between the selling shareholder and the Offeror, and the announcement of the closing of the transaction or termination of discussions and negotiations.

**b) Prohibition on dealings by persons with access to confidential price sensitive information**

- 1) No dealings of any kind in securities of the Offeree Company by any person, who is privy to confidential price-sensitive information concerning a potential Private Transaction, may take place between the time when a preliminary understanding regarding a potential Private Transaction (including entering into a memorandum of understanding or other relevant agreements) is reached, between the selling shareholder and the Offeror, and the announcement of the closing of the transaction or termination of discussions and negotiations.
- 2) No person who is privy to confidential price-sensitive information concerning a potential Private Transaction or contemplated transaction may make any recommendation to any other person as to dealing in the relevant securities.
- 3) If the transaction wasn't completed, the offeror who have obtained confidential price-sensitive information concerning the Private Transaction may not, in any kind, trade in the offeree company's securities for 6 months from the date of announcing the non-completion of the transaction.

**Article 12 : Appointment of Financial Advisors and Legal Advisors**

Each Offeror and selling shareholder that is party to a Private Transaction may appoint an Independent Financial Advisor and an Independent Legal Advisor, provided that they'll be responsible for advising in regards of the requirements of this regulation.

### **Article 13 : Mandatory Offer Triggers**

- a) An Offeror who, in a Private Transaction which results in the purchase or an increase in the aggregate ownership or interest in the shares so that such Offeror or persons acting in concert with it become the owner (or Controller) of 40% or more of the offeree company's shares carrying voting rights, becomes subject to Article 23 of these Regulations.
- b) The provision set out in paragraph (a) of this Article shall also apply to any beneficiary on behalf of whom the selling shareholder or Offeror is acting in the context of the Private Transaction. A person shall be treated as a beneficial owner of shares of the Offeree Company if he/she has the ultimate beneficial ownership or Control of such shares, whether through multiple entities or a contractual arrangement.

### **Article 14 : Purchase Price**

- a) The selling shareholder and Offeror may agree, in a Private Transaction, on any purchase price they deem appropriate for the acquired shares by applying a premium or discount on the market price of the shares of the Offeree Company on the Exchange.
- b) The selling shareholder, Offeror and/or Offeree Company (as applicable), each must disclose the agreed purchase price for the Private Transaction, in the announcement they are required to make in accordance with Article 10 of these Regulations.

### **Article 15 : Exemptions from the Offer of Securities Regulation**

The solicitation by a selling shareholder of multiple potential Offerors to enter into a Private Transaction for the sale of part or all of its shares in the Offeree Company shall not constitute an Offer of securities subject to the private placement requirements of the Rules Of Offering Securities And Continuing Obligations , as long as the shares of the Offeree Company are listed in the Exchange.

## **Chapter 2:**

### **RULES OF OFFERS**

#### **Article 16 : Approaching the Offeree Company**

- a) An Offer must be put forward to the board of the Offeree Company or to its Independent Financial Advisor on or before it is made to the shareholders of the offeree company.
- b) Any Offer, or an approach with a view to an Offer being made, must make clear the identity of the substantial shareholders of the Offeror or potential Offeror or any persons Acting in Concert with the Offeror or potential Offeror.
- c) If the Offer, or an approach with regard to a possible Offer, is not made by the Offeror or potential Offeror, the identity of that Offeror or potential Offeror must be disclosed to the board of the Offeree Company at the outset of the Offer or the approach with regard to a possible Offer.

#### **Article 17 : Announcement and Offer Timetable**

##### **a) Mandatory public announcement**

A public announcement is required to be promptly made in the following circumstances:

- 1) When firm intention to make an Offer (the making of which is not, or has ceased to be, subject to any pre-condition, other than the General Authority for Competition's approval in accordance with Article 5 of these Regulations) is notified to the board of the Offeree Company in accordance with paragraph (e) of this Article, irrespective of the attitude of the board of directors of the Offeree Company to the Offer;
- 2) upon an Acquisition of shares by a person which gives rise to an obligation to make an Offer under paragraph (a) of Article 23 of these Regulations. The announcement shall not be delayed even if all relevant information was not

obtained, as additional information can be the subject of a later supplementary announcement;

- 3) when a person, individually or acting in concert with the others, owns 40% of the shares carrying voting rights in the offeree company as per Article 24 of this regulation;
- 4) When, before a bid approach has been made, the Offeree Company is the subject of rumors and speculations or where there is an untoward price movement of 10% or more within a single day and there are reasonable grounds for concluding that it is the potential Offeror's actions which have led to the situation;
- 5) When, following a bid approach, an Offeree Company is the subject of Offer-related rumors and speculations, or where there is an untoward price movement in the Offeree Company shares of 20% or more of the lowest share price since the time of the approach or a price movement of 10% or more in a single day;
- 6) When negotiations or discussions regarding an Acquisition relating to shares listed on the Exchange carrying 30% or more of the voting rights of a company, or when the board of a listed company is seeking one or more potential Offerors, to include more than a very restricted number of people (outside those who need to know in the companies concerned and their immediate advisors).

b) **Responsibilities of Offeror and the Offeree Company**

- 1) Before the board of the Offeree Company is approached, the responsibility for making the announcement required under paragraph (a) of this Article lies only with the Offeror. The Offeror should, therefore, keep a close watch on the Offeree Company's share price for any signs of untoward movements in the Offeree Company's share price or where the Offeree Company is the subject to Offer-related rumors or speculations. The Offeror is also responsible for making an announcement once an obligation is incurred as per Article 23 of these Regulations .

- 2) Following an approach to the board of the Offeree Company which may or may not lead to an Offer, the primary responsibility for making the announcement required under paragraph (a) of this Article will rest with the board of the Offeree Company which must, therefore, keep a close watch on its share price for any untoward movement or if it is the subject of Offer-related rumors or speculations.
- 3) Where there is a recommendation from the Offeree Company's board of directors to accept the Offer and to submit an application to the Authority to grant a temporary suspension of trading, and the Authority has granted such suspension, the Offeree Company may instead of announcing, obtain the temporary suspension and make the announcement afterwards.
- 4) A potential Offeror must not attempt to prevent the board of an Offeree Company from making an announcement or requesting the Authority to grant a temporary suspension of trading.

c) **Offer timetable**

- 1) The Offeror must approach the Authority for the purpose of submitting its proposed Offer timetable by no later than three days from the date of the announcement required under sub-paragraphs (1) or (2) of paragraph (a) of this Article. Provided that the timetable includes the following stages:
  - a. the delivery of the final Offer Document to the Authority for approval;
  - b. the publication of the Offer Document approved by the Authority and prepared by the Offeror and providing the same to the board and to the shareholders of the Offeree Company which shall take place no later than 3 days from obtaining the Authority's approval;
  - c. the publication of the Offeree Company's board circular in accordance with Article 39 of these Regulations (if such information has not been published with the Offer Document), which shall take place no later than 14 days from step (b) of this sub-paragraph;

- d. Offeror shareholders' approval (if any), which shall take place no later than 28 days from step (b) of this sub-paragraph, provided that the period between announcing the general assembly meeting and convening it must not be less than 21 days;
- e. Offeree Company shareholders' approval which shall take place no later than 28 days from step (b) of this sub-paragraph, provided that the period between announcing the general assembly meeting and convening it must not be less than 21 days;
- f. the earliest permitted closing date of the Offer, which shall be no earlier than 28 days from step (b) of this sub-paragraph;
- g. the right of withdrawal of acceptances if the Offer has not become unconditional as to acceptances, which shall be no later than 14 days from the first closing date mentioned in step (f) of this sub-paragraph;
- h. the last date on which the Offeree Company may announce profit or dividend forecasts, asset valuations or proposals for dividend payments, which shall be no later than 60 days from step (b) of this sub-paragraph;
- i. the last date on which the Offeror may revise its Offer or publish new information which shall be no later than 60 days from step (b) of this sub-paragraph;
- j. the last date on which the Offer can be declared unconditional as to acceptances, which shall be no later than 60 days from step (b) of this sub-paragraph;
- k. the last date on which the Offer must remain open for acceptance after it is declared unconditional as to acceptance, which shall be no earlier than 21 days from step (j) of this sub-paragraph;

- l. the last date for satisfaction of all other conditions, which shall be no later than 21 days from step (j) of this sub-paragraph; and
    - m. the last date for cash or other consideration to be provided to the shareholders of the Offeree Company, which shall be no later than 10 days from step (I) of this sub-paragraph.
  - 2) All parties related to the Offer must comply with the timetable as specified in sub-paragraph (1) of paragraph (c) of this Article.
  - 3) The Authority must be notified immediately if the Offeror or the Offeree Company considers that it cannot comply with the adopted timetable as specified in sub-paragraph (1) of paragraph (c) of this Article. The Authority may, in any circumstances, amend the periods in the adopted timetable.
  - 4) The offeror, while approaching the Authority as per sub-paragraph (1) of paragraph (c) of this Article, shall provide the offer document prepared in line with the provisions of Article 38 of these regulations.
  - 5) The Offeror must notify the Authority, at any time after publishing the offer document and before the offer becomes unconditional in respect of acceptance, or before the meeting of the general assembly (if applicable) of any significant changes in the offering document or any other document required by the offeror under these Regulations, or the rise of any important issues that should've been added to this document.
  - 6) The offer timetable as per sub-paragraph (1) of paragraph (c) of this Article shall be published in the manner specified by the Authority.
- d) **The setting of deadline to make a firm Offer announcement**

When an announcement has been made in accordance with paragraph (a) of this Article other than the announcement of a firm intention to make an Offer, the Offeree Company's board of directors may request that the Authority to set a time limit for the

Offeror to clarify its intentions in respect of the Offeree Company. If such a time limit is approved by the Authority, at some time on or before the expiry of that limit the Offeror must publicly announce either a firm intention to make an Offer, or that it does not intend to make an Offer.

e) **The announcement of a firm intention to make an Offer**

- 1) The announcement of a firm intention to make an Offer should be made only when an Offeror has every reason to believe that it can and will continue to be able to implement the Offer. Responsibility for advising the Offeror in this connection rests on the Independent Financial Advisor of the Offeror.
- 2) When a firm intention to make an Offer is announced, the announcement must contain at least the following information:
  - a. the terms of the Offer;
  - b. the identity of the Offeror and any persons Acting in Concert with the Offeror;
  - c. details of any existing holding in the Offeree Company:
    1. which the Offeror owns or Controls;
    2. which is owned or controlled by any person Acting in Concert with the Offeror;
    3. in which the Offeror has received an irrevocable commitment to accept the Offer;
    4. in which the Offeror or any person Acting in Concert with it holds an option to purchase;
  - d. all conditions (including any conditions relating to acceptances, listing and increase of capital and any consent or regulatory approval) to which the Offer or the publication of the Offer Document is subject; and

- e. details of any indemnity arrangement involving the Offeror, the Offeree Company or any person Acting in Concert with any of them in relation to relevant securities.
- 3) The announcement of a firm intention to make an Offer should include confirmation by the Independent Financial Advisor that financial and practical capabilities available to the Offeror are sufficient to satisfy full acceptance of the Offer. The Independent Financial Advisor must act responsibly in accordance with paragraph (f) and paragraph (d) of Article 38 of these Regulations and take all reasonable steps to assure itself that capabilities are available.

f) **Obligation on the Offeree Company to circulate announcements**

The offeree company promptly after the Authority's approval on publishing the offer document, shall announce its board's circular, summarizing the terms and conditions of the Offer.

g) **Consequences of a “firm announcement”**

When there has been an announcement of a firm intention to make an Offer, the Offeror must, except with the consent of the Authority, proceed with the Offer unless the Offer is subject to the prior fulfilment of a specific condition which has been made public and which has not been met. The Offeror must proceed with the Offer in accordance with the timetable referred to in sub-paragraph (1) of paragraph (c) of this Article.

h) **Issuing a statement of intention not to make an Offer**

An Offeror making a statement that he/she does not intend to make an Offer for the Offeree Company should ensure that the statement is clear and unambiguous. Such Offeror (and persons acting in concert) will be bound by that statement for a period of six months unless there is a material change of circumstances related to the statement or there has occurred an event which the Offeror specified in its statement as an event which would enable it to be set aside.

## **Article 18 : Independent Advice**

The board of the Offeror (if the Offeror is a listed company) and the board of the Offeree Company must obtain competent independent advice from Independent Financial Advisors, appointed in accordance with paragraph (a) of Article 3 of these Regulations, and inform their respective shareholders of the substances of such advice.

## **Article 19 : Prohibited and Restricted Dealings**

### **a) Prohibited dealings**

- 1) No dealings of any securities of the Offeree Company by any person (including persons Acting in Concert), who is privy to confidential price-sensitive information concerning an Offer or potential Offer, from the time when there is reason to suppose that an approach or an Offer is contemplated and the announcement of the approach or Offer or of the termination of the discussions.
- 2) No person who is privy to confidential price-sensitive information concerning an Offer or contemplated Offer may make any recommendation to any other person as to dealing in the relevant securities.

### **b) Restriction on dealings by the Offeror**

- 1) During an Offer period, the Offeror must not sell any securities of the Offeree Company without obtaining the Authority's prior approval, and in any cases it may not sell with price less than the offer price.
- 2) During an Offer period, the Offeror (including persons Acting in Concert) must not deal in Offeror securities (if the Offeror is a listed company) where any information concerning an Offer or potential Offer is considered by the Offeror to be price sensitive in respect of those Offeror securities.

### **c) Gathering of irrevocable commitments**

- 1) The Offeror's Independent Financial Advisor shall inform the Authority before any offeree shareholder or Offeror shareholder, where Offeror shareholder consent is required, is contacted with a view to seeking an irrevocable commitment to accept/approve or refrain from accepting/approving an Offer.
- 2) Any person proposing to contact any shareholder with a view to seek an irrevocable commitment to accept or refrain from accepting an Offer or potential Offer may consult the Authority in advance, and the Independent Financial Advisor of the Offeree Company must ensure that such shareholder (other than a sophisticated investor) fully knows the nature of the commitment being requested.

d) **Dealings in Offeree Company's securities by certain persons**

During the Offer period, Independent Financial Advisor or Independent Legal Advisor (as applicable) to an Offeree Company, any other person in its group, any person Acting in Concert with it or any of their subsidiaries, shall not:

- 1) either for its own account or on behalf of discretionary account, purchase Offeree Company shares or deal in their derivatives of such shares;
- 2) make any loan to a person to assist him in making any such purchases or carrying out any such dealings referred to in sub-paragraph (1) of this paragraph except for lending in the ordinary course of business and on normal commercial terms to persons with which they have an established client relationship and in accordance with the Authorized Persons Regulations; or
- 3) enter into any indemnity or option arrangement, or any arrangement, agreement or understanding, formal or informal, of whatever nature, which may be an inducement for a person to retain, deal or refrain from dealing in relevant securities of the Offeree Company.

**Article 20 : Purchases Resulting in an Obligation to Offer a Minimum Level of Payment**

a) **Purchases before announcement referred to in paragraph (e) of Article 17**

When an Offeror has purchased shares in the Offeree Company within the three month period prior to the announcement of firm intention to provide an offer, or prior to these three months (if required by the Authority), the Offer to the shareholders of the same class shall not be on less price than the price of the purchase made prior to the announcement of firm intention.

**b) Purchases after announcement referred to in paragraph (e) of Article 17**

- 1) If, during the period from the announcement made in accordance with subparagraphs (1) or (2) of paragraph (a) of Article 17 of these Regulations until the end of the Offer period, an Offeror purchases shares at more than the Offer price (being the then current value of the Offer), or otherwise acquires any other interest in shares giving it Control of the voting rights of such shares, it shall increase its Offer to not less than the highest price paid for the shares so acquired during that period.
- 2) An Offeror must announce, immediately after the purchase, that a revised Offer will be made in accordance with this Article. The announcement should also state the number of shares purchased, or the interest otherwise acquired, and the price paid.

**Article 21 : Consequences of Certain Dealings**

An Offeror (or any persons acting in concert) who purchase shares in an Offeree Company must fulfil any obligations arising under Article 23, 24 or 25 of these Regulations. An announcement shall be made by the offeror immediately after such a purchase, or immediately upon becoming a substantial shareholder of the Offeree Company, and shall include the number of shares purchased and the price paid.

**Article 22 : Disclosure of Dealings during the Offer Period, Indemnity and other Arrangements**

**a) Dealings by Offer parties and by persons Acting in Concert**

- 1) Dealings in relevant securities by an Offeree Company, and by any person Acting in Concert with it, for their own account in the offeror's securities (if the offeror is a listed company) or the offeree company's, must be publicly disclosed during the Offer period by the end of the third trading day following the day of the relevant dealing.
  - 2) Dealings in relevant securities by an Offeror, and by any person Acting in Concert with it, for their own account in the offeree company's securities or the offeror's (if the offeror is a listed company), must be publicly disclosed during the Offer period by the end of the third trading day following the day of the relevant dealing.
- b) **Dealings by offer parties or any persons Acting in Concert with them for non-discretionary account**

Dealings in relevant securities during an Offer period by the Offeror or the Offeree Company, and by any person Acting in Concert with them, for the favour of clients in securities of the offeror (if it was a listed company) or the offeree company must be privately disclosed to the Authority by the end of the third trading day following the day of the relevant dealing.

### **Article 23 : The Mandatory Offer**

a) **The mandatory Offer**

Where a person (or persons Acting in Concert with it) increase an aggregate interest in shares through a restricted purchase of shares or restricted Offer for shares so that such person's ownership (individually or collectively with persons Acting in Concert with it) becomes 50% or more of a given class of shares listed on the Exchange carrying voting rights, the Board shall have the right to exercise its discretionary power in accordance with Article 54 of the Capital Market Law to order such person (and any person or persons Acting in Concert with it) to Offer to purchase the shares of the same class it does not own of the Offeree Company on the terms set out in this Article and in

accordance with the other relevant provisions of these Regulations. When an obligation to make a general Offer is incurred under this Article, it is not necessary for the Offer to extend to treasury shares in the Offeree Company .

b) **Conditions, third party consents and regulatory approvals**

No Acquisition of shares which would give rise to an obligation of providing an Offer under this Article, if the making or implementation of such Offer would or might be dependent on the passing of a resolution at any general assembly of shareholders of the Offeror or upon any other conditions, consents or arrangements, including the relevant regulatory approvals.

c) **Payment Method and Takeover Consideration**

1) An Offer made under this Article must, in respect of each class of share of the Offeree Company, be in cash or be accompanied by a cash alternative at not less than the highest price paid by the Offeror, or persons acting in concert, for shares of that class during the Offer period and within 12 months prior to its commencement. The Authority should be consulted where there is more than one class of share capital involved.

2) If the Offeror considers that the highest price as specified in sub-paragraph (1) of paragraph (c) of this Article should not apply in a particular case, the Offeror should approach the Authority, which has discretion to agree on an adjusted price.

3) In no case will the Offeror be compelled under this Article to Offer to purchase the remaining shares at a price exceeding the highest price it paid, or paid by persons acting in concert with it, to purchase (or otherwise gain Control over) any of the shares of that company during the 12 months preceding the date of the Board order in accordance with paragraph (a) of this Article.

d) **Restrictions on exercise of rights by an Offeror**

From the time when the Offeror announces the firm intention to make an Offer, no person who formally represents the interests of an Offeror, or persons acting in concert, may be appointed to the board of directors of the Offeree Company, nor may an Offeror, or persons acting in concert with it, exercise the votes attached to any shares held by them in the Offeree Company, on items of the general assembly meetings related to the offer, until the Offer Document has been published.

e) **Filing with the Authority**

When an Offer to which this Article applies is to be made, the Offeror must file a report with the Authority detailing all relevant purchases of the Offeree Company's shares in the prior 12 month period no later than the end of the trading day on which the announcement of the mandatory Offer is made.

**Article 24 : Restrictions on the control of shares representing 40% of the voting rights**

- a) Any person obtaining shares (or have control over them) by a deal or number of deals (in owned or controlled shares, or which is controlled by persons acting in concert with it) that represent 40% or more of a specific class of shares that carry voting rights, may not have control over its shares during the following 6 months of obtaining such percentage without the Authority's approval and in accordance with the conditions it specifies.
- b) a) Any person obtaining shares (or have control over them) by a deal or number of deals (in owned or controlled shares, or which is controlled by persons acting in concert with it) that represent 40% or more of shares that carry voting rights of a listed company, shall disclose such information to the public in period not exceeding the end of the third trade day following the day on which its ownership reached the aforementioned percentage, provided that its disclosure includes the following as minimum:
- 1) the ownership details of such person and persons acting in concert with it, before and after the transaction.
  - 2) The purchase method and the price for share.

- 3) Parties of the purchase (if the shares were bought through private transactions).
  - 4) The purpose of such purchase and the future plans (with persons acting in concert) toward the offeree company's activity, shareholders and employees resulting from the purchase.
- c) When a person obtains shares (or have control over them) by a deal or number of deals (in owned or controlled shares, or which is controlled by persons acting in concert with it) that represent 40% or more of shares, the offeree company shall disclose such information to the public, in period not exceeding the end of the third trade day following the day on which the announcement was made, as per paragraph (b) of this Article, provided that its disclosure includes the following as minimum:
- 1) Details of structure changes of the company.
  - 2) The most significant rights and obligations on the buyer in light of the relevant laws and regulation beside the company's Article of Association.
  - 3) The opinion of offeree company's board regarding the person's (and persons acting in concert with it) plans toward the company's activity, shareholders and employees.
  - 4) Any financial impact on the offeree company as a result of the takeover.
- d) Any person may consult the Authority in advance in any matter relating to the application of the provisions of this Article.
- e) The Authority may add any additional obligations to any person to whom this Article applies as it deems appropriate to market safety and investor protection.

**Article 25 : The Partial Offer**

- a) An Offeror may, subject to obtaining the Authority's prior approval, make a Partial Offer to the board of an Offeree Company.

- b) The partial offer for the purpose of owning 30% or more shall not be conditional unless the Offeror obtains the approvals relating to the shares which, together with the shares acquired or agreed to be acquired by the Offeror before or during the offer, result in the offeror obtaining 30% or more of the voting rights (in the absence of any other regulatory approvals necessary to implement the offer).
- c) If the Offeror receives a level of acceptance that is higher than the one initially planned for, it may, subject to obtaining the Authority's prior approval, allocate the shares to the accepting shareholders in proportion to each accepting shareholder's current ownership stake in the Offeree Company.
- d) A Partial Offer is subject to the provisions of these Regulations including Article 23 of these Regulations.

**Article 26 : Securities Exchange Offer for all the shares of the Offeree Company**

- a) An Offeror (who is a joint stock company) may provide, after obtaining the Authority's prior approval, the Offeree Company with a Securities Exchange with the Offeror in consideration of all the shares in the Offeree Company.
- b) The provisions of these Regulations shall apply to a Securities Exchange Offer for all the shares in the Offeree Company, except the provisions of sub-paragraphs (1/f), (1/g), (1/h), (1/i), (1/j), (1/k), (1/l) and (1/m) of paragraph (c) of Article 17 of these Regulations.
- c) With no prejudice to the Companies Law, to the decision to complete the acquisition offer by offering an exchange of securities for all the shares of the offeree Company, shall not be deemed valid unless it is issued by the votes of 75% of the shares represented in Extraordinary General Assembly.

**Article 27 : The Acceptance Condition**

- a) with consideration to paragraph (a) of article 25 of these regulations, in the event of any takeover offer, to which article 23 of these regulations apply, for shares carrying voting rights which, if accepted in full, would result in the offeror holding shares carrying over

90% of the voting rights of the offeree company (including a merger of the offeree company), the offer shall not become or be announced as unconditional in regards of acceptances unless the offeror has acquired or agreed to acquire (either pursuant to the offer or otherwise) shares carrying over 50% of the voting rights attributable to any class of shares of the offeree company.

- b) Any announcement made pursuant to Article 32 of these Regulations must state whether the Offer has reached the required acceptance level to announce unconditional acceptances (if permitted by the Offer timetable), or whether the Offer is to remain open for acceptance and whether the Offeror shall maintain or reduce the acceptance level.
- c) The offer presented to acquire all shares of the offeree company must be only conditioned with the offeror obtaining the approvals related to shares, which result in (along with acquired shares or agreed to be acquired by the offeror during or after the offer) the offeror (or any persons acting in concert with it) owning shares that carry more than 50% percent of the voting rights.
- d) An Offeree Company may accept a Takeover Offer in respect of treasury shares until after the Offer is unconditional as to acceptances.

#### **Article 28 : Nature of Payment to be Offered**

##### **a) Cash Offer**

In the event where shares of any class in the Offeree Company are purchased in exchange for cash by an Offeror (or any persons acting in concert) during the Offer period or in the 12 months prior to it, in which case the Offer for that class shall be in cash or accompanied by a cash alternative at not less than the highest price paid by the Offeror (or any persons acting in concert) for shares of that class during the Offer period or in the 12 months prior to it.

##### **b) Exemption from highest price**

If the Offeror considers that the highest price (for the purpose of paragraph (a) of this Article) should not apply in a particular case, the Offeror should approach the Authority, which has discretion to agree on an adjusted price.

c) **Non-cash payment**

If the Offeror is a company, it may make an Offer that includes in whole or in part non-cash consideration (including issuing share by Offeror to the shareholders of the Offeree Company) as per the following conditions:

- a. all shareholders of the same class of the Offeree Company are treated equally by the Offeror; and
- b. where the Offeree Company's shareholders are offered shares in the Offeror or other non-cash consideration, the Offeror must provide a valuation report of the non-cash consideration prepared by the Offeror's Independent Financial Advisor and which shall be required to be published in accordance with paragraph (f) of Article 38 of these Regulations.

**Article 29 : Subjective and Financing Conditions**

- a) An Offer must not be subject to conditions which depend solely on subjective judgements by the Offeror or the Offeree Company, or in either case, their respective directors, or that the fulfilment of such conditions is subject to their opinions.
- b) An Offer must not be made subject to conditions relating to financing.

**Article 30 : Offer to a Company with more than One Class of Shares**

- a) Where an Offeree Company has more than one class of share capital, an Offer (that is comparable) must be made for each class (whether such classes of shares carry voting rights or not); and the Authority should be consulted in advance. An Offer for non-voting shares shall not be made conditional on any particular level of acceptances in respect of

that class unless the Offer for the voting shares is also conditional on the success of the Offer for the non-voting shares.

- b) Provisions of this Article shall apply to an Offeree Company which has options or subscription rights that are outstanding.

#### **Article 31 : Special Deals with Favourable Conditions**

An Offeror (or any person acting in concert with it) may not make any arrangements with shareholders and may not deal, enter into arrangements to deal in shares of the Offeree Company, or enter into arrangements which involve acceptance of an Offer, if there are favourable conditions attached which are not being extended to all shareholders.

#### **Article 32 : Announcement of Acceptance Results**

##### **a) Timing and contents**

An Offeror must make an announcement regarding the Offer acceptance result no later than half an hour before the time on which the Exchange is due to open and not exceeding the day following the time on which an Offer is due to expire, the next day when the offer becomes, or is declared unconditional as to acceptances, or the next day following the offer revising or extension. The announcement must state the total number of shares and rights over shares as follows:

- 1) Shares which acceptances of the Offer have been received;
- 2) Shares held by the Offeror before the Offer period; and
- 3) Shares acquired or agreed to be acquired during the Offer period,

Such announcement must specify the percentages of the relevant classes of shares represented by these figures.

##### **b) Consequences of failure to announce**

- 1) If an Offeror (having announced the Offer to be unconditional as to acceptances) fails to comply with any of the requirements of paragraph (a) of this Article, any shareholder having accepted the Offer will be entitled to withdraw his acceptance, unless the Authority decides otherwise.
- 2) If an Offeror fails to make an announcement as required by paragraph (a) of this Article, the Authority may suspend the trading of the Offeree Company's shares until an appropriate announcement is made.

**Article 33 : The Use of Proxies and Other Authorities in Relation to Acceptances**

An Offeror may not require a shareholder as a term of his acceptance of an Offer to appoint a proxy to vote in respect of his shares in the Offeree Company, or to exercise any other rights or take any other action in relation to those shares, other than as may be required following the Offer being declared unconditional as to acceptances and a power of attorney being granted in favour of the Offeror in respect of the transfer of the Offeree Company's shares.

**Article 34 : Information Relating to an Offer**

a) **Standards of care**

- 1) Each announcement, or document, or statement related to an Offer issued during the course of an Offer must, as is the case with a prospectus issued in accordance with the Capital Market Law and its Implementing Regulations, satisfy the highest standards of accuracy and the information given must be adequately and fairly presented. This applies whether it is issued by the Offeree Company or the Offeror directly or by their Independent Financial Advisor(s) on their behalf.
- 2) If any announcement, document, or statement published in connection with an Offer includes an advice, opinion, report or an independent valuation prepared by third party advisors then such a document or announcement must include a statement that each of the parties giving these particulars (such as Independent Financial Advisor(s), the auditor and/or the independent evaluator) has given and not withdrawn its consent to the inclusion of its advice, report or opinion (as

applicable) in the relevant document in the form and context in which it is included.

b) **Inaccurate announcements**

Parties to an Offer and their advisors must not issue inaccurate or imprecise announcements, which may mislead shareholders or the Exchange.

c) **Distribution and availability of documents and announcements**

Copies of all documents and announcements bearing on an Offer and of advertisements and any material released to the media must, at the time of request, be provided to the Authority, the Independent Financial Advisors and all parties of the Offer. When the release is outside normal business hours, such Independent Financial Advisors must be informed of the release immediately; special arrangements may need to be made to ensure that the material is delivered directly to them and to the Authority. No party to an Offer should be put at a disadvantage through delay in the release of new information to it.

**Article 35 : Equality of Information**

a) **Equality of information to shareholders**

Information about the Offer, including announcements, statements, presentations, circulars and information concerning companies involved in an Offer must be made equally available to all shareholders as nearly as possible at the same time and in the same manner, including publication on the website of the Offeror and Offeree Company, through the exchange or other Regulatory Information Service Providers (as applicable), no later than the end of the trading day.

b) **Equality of information to competing Offerors**

Any information, including particulars of shareholders, given to one Offeror or potential Offeror must, upon request, be given equally and promptly to another Offeror or *bona fide* potential Offeror.

#### **Article 36 : Restrictions on Frustrating Actions**

##### **a) Shareholders' consent in the general assembly**

During the course of an Offer, or even before the date of the Offer if the board of the Offeree Company has reason to believe that a *bona fide* Offer might be imminent, the board must not, except in pursuance of a binding contract entered into earlier, and without the approval of the shareholders convened in a general assembly, effect any of the following:

- 1) Issue any undisclosed unissued shares;
- 2) issue or grant rights in respect of any unissued shares;
- 3) create or issue, or permit the creation or issuance of, any convertible securities into shares or subscription for shares;
- 4) sell, dispose of or acquire, or agree to sell, dispose of or acquire, assets of a value equal to 10% of the net asset of the Offeree Company according to the latest reviewed interim financial statements or audited annual financial statements, whichever is later, whether through a transaction or various transactions;
- 5) buy-back of offeree company's shares; or
- 6) enter into contracts otherwise than in the ordinary course of business.

The notice convening such a general assembly of shareholders must include information about the Offer or potential Offer.

##### **b) Break-up Fees**

- 1) For the purposes of these Regulations a break-up fee is an arrangement which may, with the consent of the Authority, be entered into between an Offeror or a potential Offeror and the Offeree Company pursuant to which a cash sum will be payable by the Offeree Company if certain specified events occur which have the effect of preventing the Offer from proceeding or causing it to fail, including, without limitation, a recommendation by the Offeree Company board of a higher competing Offer.
- 2) Any break-up fee that is proposed must be of a minimal size (no more than 1% of the Offer value) and the Offeree Company board of directors and its Independent Financial Advisor must confirm to the Authority in writing that the fee is in the best interests of the Offeree Company's shareholders. Any break-up fee arrangement must be fully disclosed in the Offer Document and in the announcement made under paragraph (e) of Article 17.

**Article 37 : Responsibilities of the Offeree Company to Update its Shareholders' Register**

The board of the Offeree Company shall keep the Depository Center and/or the Exchange informed of an Offer to ensure that its shareholder register is kept up to date during the Offer period in accordance with the relevant laws and regulations.

**Article 38 : Offer Document**

**a) Financial and other information about the offeror, the offeree company and the offer.**

- 1) The Offer Document (including, where relevant, any amendments to the Offer Document) must include the following requirements:
  - a. A statement at the beginning of the document asserting on the need of consulting an independent financial advisor approved by the Authority in case of any doubts regarding the offer.
  - b. The date of publishing the document, the offeror's name and address and the persons who presented the offer on its behalf (if any).

- c. Details regarding the securities subject to the offer, and clarifying if they are going to be transferred with profits or without it.
- d. Total amount of the presented offer.
- e. Details of all needed documents and procedures that need to be followed to accept the offer.
- f. Closing price of the securities to be acquired, and offered securities (in the event of a merger or securities exchange), for the first day of each month for past 6 months prior to the date of publishing the offer document, the last day prior to beginning of the offer period and the last available date before the publishing of the offer document (provided that the price of listed securities in exchange is obtained from the exchange, and if securities aren't listed, then information about all transactions made in the last 6 months and its values must be disclosed, in addition to the source of such information, or provide a clarification of the non-availability of any of that).
- g. Details of the first patch of profits and revenues that the new securities will participate in (in the event of a merger or securities exchange offer) and the priority classification of such securities in respect of profits, revenues, capital and redemption. In addition to a statement clarifying the impact of accepting the offer on capital and income earned by shareholders of the offeree company. In the event that the new securities are not identical with the listed securities, the offer document shall contain all the details of the rights associated with the securities and a statement indicating whether or not a request has been or will be submitted to the Authority for listing.
- h. In the event of a merger or offer of a securities exchange, reference should be made to the effect of accepting the offer (in full) for the purpose of controlling the assets of the offeror, its profits and its business that may be important for the proper valuation of the offer.

2) The Offer Document must include a statement as follows:

"The Capital Market Authority and the Saudi Stock Exchange do not assume any responsibility for the contents of this Offer Document and make no assurances as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from this document or reliance on any part thereof "

- 3) In the event of the offer of a securities exchange in which the offeror is a non-listed company, or where the offer for the purpose of control results in merger with an non-listed company, the offer document shall include:
- a. Sales and net profit or loss before and after the deduction of Zakat or tax, the value of Zakat or tax paid, any exceptional items, minority interests, and the total amount of dividends, revenues and profits per share for the last three financial years in which this information was published.
  - b. Statement of assets and liabilities in accordance with the most recent audited financial statements.
  - c. Cash flows when available in accordance with the most recent audited financial statements.
  - d. All material changes in the financial or commercial position of the offeror in accordance with the most recent audited financial statements, or a statement that none have occurred.
  - e. Details of the items referred to in sub-paragraph (3) of paragraph (a) of this Article on any quarterly announcement or any interim financial statements issued since the last audited financial statements were published.
  - f. Any information on any of the above that has been adjusted to take inflation impact into account.
  - g. Significant accounting policies and any key notes to the financial statements relating to the adjustment of the data, including any data adjusted to take inflation impact into account. If the data cannot be compared due to a change in accounting policy, it should be disclosed and the approximate amount of variation arising from the change is specified.
  - h. The names of the members of the board of directors of the offeror and their contributions to the offeree company and the offeror.

- i. The nature of the offeror's activity and the financial and commercial expectations.
  - j. A summary of the basic contents of each essential contract entered into by the offeror or any of its subsidiaries outside the ordinary course of business of the company during the two years preceding the beginning of the offer period. The summary shall include a clarification of the date of the contract, its parties, terms and conditions and any amounts paid by the offeror (or any of its subsidiaries) Or paid to it on the basis of each contract.
- 4) The offer document shall contain a description of how the offer is financed and the financing source, and identify the names of the major lenders or the person arranging the financing. If the offeror decides that the payment of the fee or payment or the provision of security for any obligation (conditional or otherwise) will depend to a large extent on the business of the offeree company, the planned arrangements shall be described, or provide a statement that there is no such arrangement.
  - 5) If any document issued to the shareholders of the offeree company contains a recommendation or opinion of a financial advisor regarding the acceptance of the offer or not; the document, unless issued by the financial advisor itself, shall contain a statement stating the approval of the financial advisor (and without withdrawing its consent) to issue the document containing its recommendation or opinion in the form and text contained in the document.

**b) Shareholdings and dealings**

The offer document should indicate the following:

1. the shareholdings, and the size of any control shareholding, of the Offeree Company in the Offeror;
2. the shareholdings, and the size of any control shareholding of directors of the Offeree Company, in the Offeree Company and in the Offeror (or in which the directors of the Offeree Company have interests).
3. shareholdings and the size of any control shareholding in the offeror (in the event of merger or offer of securities exchange), the shareholdings and

the size of any control shareholding in the offeree company which is owned or controlled by persons acting in concert with the offeror, with their names stated.

4. shareholdings and the size of any control shareholding in the offeror (in the event of merger or offer of securities exchange), the shareholdings and the size of any control shareholding in the offeree company which is owned or controlled by persons who have committed to accept the offer irrevocably prior to publishing the offer document, with their names stated.
5. shareholdings and the size of any control shareholding in the offeror (in the event of merger or offer of securities exchange), the shareholdings and the size of any control shareholding in the offeree company which is owned or controlled by a person with whom the offeror (or any person acting in concert with it) have any arrangements mentioned in subparagraph (3) of paragraph (d) of Article 19 of these Regulations.
6. In the absence of ownership shares or control shares as set out in the above cases, this shall be stated in the offer document, except for the cases mentioned in subparagraphs (4) and (5) of paragraph (b) of this Article if there are no irrevocable arrangements or obligations.
7. If a person whose shareholding is required to be disclosed under this Article (whether existing or not) has dealt in the shares in question during the period beginning 12 months prior to the Offer period and ending with the last day prior to the publication of the circular, the details, must be stated (Including dates and prices). In the absence of such transactions, this should be stated in the offer document.

**c) Special arrangements or conditions**

The offer document shall contain a statement indicating the existence (or absence) of any agreement, arrangement or understanding (including any arrangement for compensation) between the offeror (or any person acting in concert with it) and any of the board members of the offeree company, its current shareholders or any person who was a member of the Board of Directors of the Offeree Company or a shareholder within the

twelve months prior to the date of publication of the Offer Document, as well as the substantial details of any such agreements, arrangements or understandings.

**d) Confirmation of cash sufficiency**

If the offer or any part thereof is to be paid in cash, the offer document must contain a bank guarantee issued by a local bank that ensures that the bidder can fulfil the full value of the offer.

**e) The final owner of the shares acquired and the controlling shareholders in the offeror**

The offer document shall contain a description of any person or persons who own or have control over 30% or more of the offeree company's capital, or is able to direct and manage its decisions, as well as to clarify whether there is a transfer of any securities acquired under the offer to other persons or not, with the names of the parties in any relevant agreement, arrangement of understanding (If any), besides the details of the securities held by such persons in the offeree company, or a statement that there is no such securities.

**f) Estimated value of unlisted securities**

If the offer includes the issuance of securities not listed in the market as compensation, and will remain unlisted, or the consideration is non-cash, the offer document and any subsequent document made by the offeror shall include, an estimate of the value of these securities or any other non-monetary consideration and issued by a financial advisor.

**g) Information not applicable to other offers**

The information contained in sub-paragraphs (1/g), (1/h), and (3) of paragraph (a) of this Article shall not apply to the partial offer that is not intended for the takeover of the shares of the offeree company.

**Article 39 : Offeree Board Circular**

**a) Views of the board**

The board of the Offeree Company must circulate its views on the Offer to the shareholders, including any alternative Offers, and must, at the same time, make known to its shareholders the substance of the advice given to it by the Independent Financial

Advisor appointed pursuant to Article 18 of these Regulations. An Offeree Company board circulars shall be published in accordance with the Offer timetable announced by the Authority pursuant to paragraph (c) of Article 17 of these Regulations.

b) **Views of the Offeree Company's board on the Offeror's plans for the company and its employees**

The circular of the board of the Offeree Company (referred to in paragraph (a) of this Article) should, insofar as relevant, include its views on the Offeror's plans in respect of the Offeree Company and its employees.

c) **Shareholdings and dealings**

- 1) The first circular from the board of the Offeree Company advising shareholders on an Offer (whether recommending acceptance or rejection of the Offer) must state:
  - a. the shareholdings, and the size of any control shareholding, of the Offeree Company in the Offeror;
  - b. the shareholdings, and the size of any control shareholding of directors of the Offeree Company, in the Offeree Company and in the Offeror (or in which the directors of the Offeree Company have interests).
  - c. the shareholdings, and the size of any control shareholding, in the Offeree Company and (in the case of a Merger or Securities Exchange Offer) in the Offeror owned or subject to shareholder Control by a subsidiary of the Offeree Company, by a pension fund of the Offeree Company or of a subsidiary of the Offeree Company, or by an advisor to the Offeree Company, or by any person Acting in Concert with the Offeree Company;
  - d. the shareholdings and the size of any control shareholding, in the Offeree Company and (in the case of a Merger or a Securities Exchange Offer) in the Offeror owned or subject to shareholder Control by a person who has

an arrangement of the kind referred to in sub-paragraph (3) of paragraph (d) of Article 19 of these Regulations;

- e. the shareholdings in the Offeree Company and (in the case of a Merger or a Securities Exchange Offer) in the Offeror which are managed on a discretionary basis by a Connected Fund Manager, unless the Authority consents or otherwise; and
- f. whether the directors of the Offeree Company intend, in respect of their own shareholdings, to accept or reject the Offer.

- 2) If there are no shareholdings or controlled shareholdings as prescribed above, then this fact shall be stated.
- 3) If any person whose shareholdings or substantial shareholdings are required by sub-paragraphs (1/a) or (1/b) of paragraph (c) of this Article to be disclosed (whether there is an existing holding or not) has dealt in the shares in question during the period beginning 12 months prior to the Offer period and ending with the last day prior to the publication of the circular, the details, including dates and prices, must be stated. In all cases, if no such dealings have taken place this fact should be stated.
- 4) If any person whose shareholdings or substantial shareholdings are required by sub-paragraphs (1/c), (1/d) or (1/e) of paragraph (c) of this Article to be disclosed (whether there is an existing holding or not) has dealt in the shares in question during the Offer period and ending with the last day prior to the publication of the circular, details of such dealing, including dates and prices, must be stated. In all cases, if no such dealings have taken place this fact shall be stated.

d) **Material contracts**

The first circular from the board of the Offeree Company advising shareholders on an Offer must contain a summary of the principal contents of each material contract entered into by the Offeree Company (or any of its subsidiary companies) out of the ordinary

course of business during the period beginning two years before the commencement of the Offer period where the total amount of consideration for such contract is 10% or more of the Offeree Company's annual revenues according to the latest reviewed interim financial statements or latest audited annual financial statements, whichever is later. Such summary must include particulars of dates, parties, terms and conditions and any consideration passing to or from the Offeree Company (or any of its subsidiaries) on each contract basis.

**Article 40 : Making Documents Available for Review**

- a) Copies of the following documents must be made available for review from the date the Offer Document or Offeree Company board circular is published until the end of the Offer period:
- 1) memorandum and articles of association of the Offeror (if it is a legal entity) and the Offeree Company or any equivalent documents;
  - 2) consolidated and audited financial statements of the Offeror (if it is a legal entity), if any, and the Offeree Company for the last two financial years for which these have been published;
  - 3) any report, letter, valuation or other document which is exhibited or referred to in any document issued by or on behalf of the Offeror and the Offeree Company;
  - 4) written consents of the Independent Financial Advisors given in accordance with subparagraph (5) of paragraph (a) of Article 38 of these Regulations;
  - 5) any document evidencing an irrevocable commitment to accept an Offer;
  - 6) documents relating to the financing arrangements for the Offer where such arrangements are described in the Offer Document in compliance with subparagraph (4) of paragraph (a) of Article 38 of these Regulations; and
  - 7) documents relating to break-up fees or similar arrangements.

- b) The Offer Document or Offeree Company board circular must state the place, being the registered address of the Offeror company or the Offeree Company respectively or such other place as the Authority may agree, where document required to be on display in accordance with paragraph (a) of this Article, can be inspected.
- c) A copy of each document required to be on display in accordance with paragraph (a) of this Article must, upon request, promptly be made available by the Offeror or the Offeree Company to the other party and to any competing Offeror or potential Offeror.

#### **Article 41 : Profit Forecasts**

- a) **Standards of care**

A profit forecast must be compiled with due care and consideration by the relevant board of directors with the assistance of such professional advice, whose sole responsibility it is; the Independent Financial Advisors must ensure that the forecast has been prepared in care and consideration by the board of directors.

- b) **Assumptions**

When a profit forecast appears in a document addressed to shareholders in connection with an Offer, or in a press announcement, any assumptions on which the forecast is based should be included.

- c) **Publication of a profit forecast**

Unless the Authority consents or otherwise, if, during an Offer period (or in an announcement which commences an Offer period), the Offeree Company or the Offeror in a securities exchange offer, must include in the document or announcement in which the forecast or statement is first published, the following:

- 1) a report from the auditor of the Offeree Company or the Offeror (as applicable), who is authorized to practice in Saudi Arabia, ensuring that the forecast or statement has been properly compiled on the assumptions stated and the accounting policies applied in the offeree company or the offeror (as applicable).

In addition to ensuring that (in the case of a profit forecast only) the basis of accounting used are consistent with the company's accounting policies; and

- 2) an acknowledgement from the Independent Financial Advisor(s) of the Offeree Company or the Offeror (as applicable) stating that, in its (or their) opinion, the forecast or statement has been prepared with due care and consideration.

d) **Statements which will be treated as profit forecasts**

- 1) An estimate of profit for a period which has already expired shall be treated as a profit forecast.
- 2) Unless the Authority consents or otherwise, any unaudited profit figures published during an Offer period must be prepared based on the same standards as a profit forecast, except the following:
  - a. unaudited statements of annual or interim results which have been published prior to the commencement of the Offer period; and
  - b. any other unaudited statements of results which comply with the Capital Market Law and its Implementing Regulations.
- 3) A profit forecast for a limited period (such as for the following quarter) is subject to this Article.
- 4) The Authority must be consulted in advance of publishing any announcement of guaranteed profits in connection with an Offer.

e) **Earnings enhancement and Offer benefits statements:**

Parties related to an Offer wishing to make earnings enhancement statements which are not intended to be profit forecasts must include within the statement an explicit and clear disclaimer to the effect that such statements should not be interpreted to mean that earnings per share will necessarily be greater than those for the relevant preceding financial period.

## **Article 42 : Asset Valuations**

### **a) Valuation Report**

When a value of real or intangible property assets is stated in connection with an Offer, it shall be supported at the time of publication by a valuation report containing the opinion of a named independent licensed valuator, and the basis of valuation must be clearly stated. The document containing the valuation must also state that the evaluator has given and not withdrawn his consent to the publication of his valuation report.

### **b) Validity of Valuation**

A valuation report related to the Offer made in accordance with this Article must state the effective date as at which the assets were valued and the address of the valuator and his professional qualifications. If a valuation is not current, the valuator must state that a current valuation would not be materially different. If this statement cannot be made, the valuation must be updated.

## **Article 43 : Publication of the Offer Document and the Offeree Company Board Circular**

### **a) Approval of the Offer Document**

- 1) The Offeror must submit the Offer Document to the Authority for its approval to publish it.
- 2) An Offer Document may not be published without the prior approval of the Authority.
- 3) The Authority will grant its approval to the Offer Document within 30 days of receiving all information and documentation required under these regulations.
- 4) If the Authority considers that the proposed Offer may not be in the interest of investors or may result in a breach of the Capital Market Law or its Implementing Regulations, then it may take any of the following actions:

- a. carry out any investigation which it considers appropriate including requiring the concerned person or its representative to appear before the Authority to answer the questions of the Authority and to explain any matters that the Authority considers relevant to the Offer;
  - b. require the concerned person or third parties to provide additional information or documents, or to confirm, in such manner as the Authority may specify, that the information provided is accurate; or
  - c. defer making any decision for such period as may be reasonably necessary to carry out a further study and examination or to allow for additional information to be provided.
- 5) If, having taken actions pursuant to sub-paragraph (4) of paragraph (a) of this Article, the Authority determines that the Offer to be made pursuant to the Offer Document is still not in the interest of investors or may result in a breach of the Capital Market Law or its Implementing Regulations, the Authority shall, after giving the Offeror a suitable opportunity to be heard, issue a notification to the Offeror stating that the approval of the Authority to publish the Offer Document is not granted. A notification under this sub-paragraph may include a prohibition on a further Offer for the Offeree Company on such terms as the Authority sees appropriate.
- 6) On receipt of a notification under sub-paragraph (5) of paragraph (a) of this Article, an Offeror must notify the Offeree Company of, and publicly announce, the rejection of publishing the Offer Document.

b) **Publication of the Offer Document**

The Offer Document must be published by, or on behalf of, the Offeror in accordance with the timetable referenced in sub-paragraph (1) of paragraph (c) of Article 17 of these Regulations.

c) **The Offeree Company board circular**

The board of the Offeree Company shall publish the circular containing its advise to shareholders regarding the Offer in accordance with the Offer timetable referenced in sub-paragraph (1) of paragraph (c) of Article 17 of these Regulations.

d) **Material changes**

- 1) Unless the Authority approves otherwise, following the publication of the initial Offer Document or Offeree Company's board circular (as applicable) and until the end of the Offer period, the Offeror or the Offeree Company (as applicable) must promptly announce the following:
  - a. any material changes in information disclosed in any document or announcement published in connection with the Offer; and
  - b. any material new information which would have been required to have been disclosed in any previous document or announcement published during the Offer period, had it been known at the time.
- 2) Where an announcement is required to be made under sub-paragraph (1) of this paragraph, the Authority may, in addition, require:
  - a. a document setting out the relevant information to be sent to shareholders in the Offeree Company and persons with the right to view information;
  - b. making the documents including relevant information available to the Offeree Company's employee representatives (or, where there are no employee representatives, to the employees themselves); and
  - c. the Offeror to publish an updated Offer timetable, after the Authority approves such updates.

e) **Subsequent documents**

If, following the publication of the Offer Document or Offeree Company's board circular (as applicable) and before the end of the Offer period, an Offeror or the Offeree Company

publishes any subsequent document in connection with the Offer, that document must include any material changes in information (relating to the Offeror, Offeree Company or the Offer), intentions or opinions disclosed in any previous document published by it in connection with the Offer which are material in the context of that document, or a statement that there have been no such material changes.

**Article 44 : Timing of the Offer**

**a) Periods related to the offer**

- 1) All periods relating to an Offer (whether revised or not) must be in accordance with the timetable proposed by the Offeror referenced in sub-paragraph (1) of paragraph (c) of Article 17 of these Regulations, including the period during which the Offer will be open, and the period when the Offer may become or be declared unconditional as to acceptances.
- 2) Where an Offer is subject to the Competition Law, the Offer may not become or be declared unconditional as to acceptances after the end of the period prescribed in the Offer timetable referenced in sub-paragraph (1/j) of paragraph (c) of Article 17 of these Regulations.
- 3) Where an Offeror has stated that its Offer will not be extended beyond a particular day, that Offer may not become or be declared unconditional as to acceptances after that day.
- 4) After an Offer has become or is declared unconditional as to acceptances, the Offer must remain open for acceptance for not less than the period prescribed in sub-paragraph (1/k) of paragraph (c) of Article 17 of these Regulations. When, however, an Offer is unconditional as to acceptances from the outset, an extension is not required provided that the position should be set out clearly in the Offer Document.

**b) Announcement that Offer is unconditional as to acceptances**

On the last business day on which an Offer may be declared unconditional as to acceptances an announcement shall be made immediately after closing of trading in the Exchange as to whether the Offer is unconditional as to acceptances or has lapsed. Such announcement shall include, if possible, the details required in paragraph (a) of Article 32 of these Regulations, and must include a statement of the offer acceptance result.

c) **Extension of Offer**

- 1) There is no obligation to extend an Offer, the conditions of which are not met by the first or any subsequent closing date.
- 2) In any announcement of an extension of an Offer, either announce the next closing date must be stated, or, if the Offer is unconditional as to acceptances, a statement may be made that the Offer will remain open until further notice in accordance with sub-paragraph (1/k) of paragraph (c) of Article 17 of these Regulations.

d) **Time for fulfilment of all other conditions**

All conditions must be fulfilled or the Offer must lapse within the period prescribed in the timetable referred sub-paragraph (1/l) of paragraph (c) of Article 17 of these Regulations.

e) **Settlement of payment**

The Offer payment must be made within the period prescribed in the timetable adopted in accordance with sub-paragraph (1/m) of paragraph (c) of Article 17 of these Regulations.

f) **Offeree Company announcements**

The board of the Offeree Company may not announce any material new information including trading results, profit or dividend forecasts, asset valuations or proposals for dividend payments after the date prescribed in the timetable referred to in sub-paragraph (1/g) of paragraph (c) of Article 17 of these Regulations. Where the publication of such results would be required by the Capital Market Law and its Implementing Regulations,

the board of directors of the Offeree Company shall, as soon as possible, raise the issue to the Authority that will decide as it deems appropriate.

**g) Effect of lapsing**

The lapsing of an Offer, before it becomes unconditional as to acceptance, will result in the Offer ceasing to be capable of further acceptance and the shareholders and the Offeror thereafter shall not be bound by prior acceptances. Such effect shall be clearly stated in the Offer Document.

**Article 45 : Revision of the Offer**

**a) Entitlement to revised payment**

If an Offer is revised, it must be revised on terms making it not less favourable to Offeree Company's shareholders, and all shareholders who accepted the original Offer must be entitled to the revised payment.

**b) New conditions for the Offer**

Subject to the prior approval of the Authority, and only to the extent necessary to implement an improved or increased Offer, the Offeror may introduce new conditions.

**Article 46 : Right to Withdraw Acceptance**

A person who has accepted an Offer must be entitled to withdraw his acceptance from the time prescribed in the timetable referenced in sub-paragraph (1/i) of paragraph (c) of Article 17 of these Regulations.

**Article 47 : Reduction or Increase of Company's Shares**

**a) Possible requirements to make an Offer as per Article 23 of these regulations or impose restriction period and disclosure requirement as per Article 24 of these regulations**

When for any reason the total number of a particular class of shares of a company listed on the Exchange is reduced or increased, whether by redemption, repurchase or cancellation, resulting in each case in an increase in the percentage of voting rights held by a shareholder or group of shareholders Acting in Concert with it, the provisions of Article 23 and 24 of these Regulations shall apply (as the case may be).

b) **Subsequent Acquisitions of shares**

Subsequent to the reduction or increase referred to in paragraph (a) of this Article, all shareholders will be subject, in making further Acquisitions of shares in the company, to the relevant provisions of these Regulations.

c) **Redemption or purchase of shares by the Offeree Company**

1) **Providing information to shareholders**

If a notice for the general assembly of shareholders of the Offeree Company is sent for approval of redemption or purchase by the Offeree Company of its own shares during the course of an Offer, or before the date of the Offer, and the board of the Offeree Company has reason to believe that a *bona fide* Offer might be imminent, the board of the Offeree Company must include information about the Offer, Merger or anticipated Offer in the notice convening the general assembly.

2) **Public disclosure**

For the purpose of applying the provisions of paragraph (a) of Article 22 of these Regulations, dealings in relevant securities by the Offeree Company include the redemption or purchase of, or taking or exercising an option over, any of its own relevant securities. The total amount of securities of the relevant class remaining in issue following the redemption or purchase must also be disclosed.

3) **Disclosure in the Offeree Company board circular**

The Offeree Company board circular advising shareholders on an Offer must state the amount of relevant shares of the Offeree Company which the Offeree

Company has redeemed or purchased during the period commencing 12 months prior to the Offer period and ending with the latest date prior to the publication of the circular, and the details of any such redemptions and purchases, including dates and prices.

d) **Redemption or purchase of securities by the Offeror**

1) **Public disclosure**

For the purpose of applying the provisions of paragraph (a) of Article 22 of these Regulations, dealings in relevant securities include the redemption or purchase of, or taking or exercising an option over, any of its own relevant securities by an Offeror (if it is a listed joint stock company).

2) **Disclosure in the Offer Document**

The Offer Document must state the amount of relevant securities of the Offeror which the Offeror has redeemed or purchased during the period commencing 12 months prior to the Offer period and ending with the latest date prior to the publication of the Offer Document and the details of any such redemptions and purchases, including dates and prices.

**Article 48 : Related Parties' Offers**

a) **Requirements to Related Parties' Offers**

Where an Offeror makes an Offer to which these Regulations apply, and there exists any Related Party, the Offer shall be made subject to the additional conditions set out in this Article.

b) **Shareholders consent as a precondition to Offer**

- 1) Any Offer made in relation to which there is a Related Party shall be conditional to obtaining the independent and disinterested shareholders' approval, in accordance with this Article.

- 2) The announcement of any Offer made under Article 17 of these Regulations shall include the following:
  - a. the name of the Related Party, and of any person Acting in Concert with it, and with reference that such person is a Related Party; and
  - b. the fact that, by virtue of the existence of a Related Party in relation to the Offer, the Offer will be subject to the independent and disinterested shareholders' vote as required by these Regulations.
- 3) Where this Article applies to an Offer, it must be a term of the Offer that it will lapse if, by the earliest approved closing date for the Offer, the Offeror has not obtained approval of a majority of the Offeree Company's independent and disinterested shareholders in voting in general meeting on the completion of the Offer.
- 4) If requested by the Offeror who owns 5% or more of the Offeree Company, the board of the Offeree Company must convene a general assembly of shareholders and send a circular to shareholders prior to the date of such general assembly in accordance with the terms of its bylaws and the provisions of the Companies Law and the Corporate Governance Regulations. Such circular must include at least the following:
  - a. a copy of the Offer Document;
  - b. the details of any existing holdings of Related Party in each of the Offeror and the Offeree Company, including:
    1. any holdings which such Related Party (or any person Acting in Concert with it) owns or over which it has shareholding Control;
    2. any holdings in respect of which such Related Party (or any person Acting in Concert with it) holds an option to purchase;

- c. the details of any position of such Related Party (and any person Acting in Concert with it) in the Offeror or the Offeree Company (as applicable);
  - d. details of any outstanding derivative referenced to the securities of the Offeror or the Offeree Company (or any of their affiliates) entered into by such Related Party and any person Acting in Concert with it;
  - e. a statement whether the directors (excluding the Related Party) are of the view that the proposed Offer is fair and reasonable so far as the shareholders are concerned, and that the directors have reached such a view without the Related Party taking any role in the matter, and that the directors have been so advised by a competent Independent Financial Advisor; and
- 5) The board of directors of the Offeree Company shall ensure the compliance with relevant provisions included in the Capital Market Law and Companies Law and their Implementing Regulations, related to counting the votes of the Related Party (or any person Acting in Concert with it) in determining the resolution approving the Offer at the shareholders' general assembly convened in accordance with subparagraph (4) of paragraph (b) of this Article.
- 6) In the event that the resolution approving the proposed Offer is not passed, the Offer shall lapse and the Offeror shall promptly notify the Authority of such.

**PART 3**  
**MERGER**

**Article 49 : Types of Merger Transactions**

Without prejudice to the Capital Market Law, Companies Law, and their Implementing Regulations, a company may enter into a Merger transaction through any of the following:

a) **Merger by way of absorption**

A merged Company may merge into another entity by way of absorption by a Merging Company, whether the shares of Merging Company are listed on the Exchange or not.

1) **Merged Company absorbed by another listed Company**

- a. If a Merger involves the absorption of a Merged Company by a Merging Company which shares are listed on the Exchange, a Security Exchange Offer to purchase all of the Merged Company's shares shall be made by the Merging Company in accordance with Part 2 of these Regulations, and new shares in the Merging Company shall be offered and issued to the shareholders of the Merged Company in accordance with the provisions of Capital Market Law, Companies Law and their Implementing Regulations.
- b. Upon successful completion of the share exchange mentioned in subparagraph (1/a) of paragraph (a) of this Article and closing of the Merger transaction, all assets of the Merged Company are transferred to the Merging Company, which will continue to exist. The listing of the Merging Company will remain in place while the Merged Company will cease to exist and its shares will be delisted from the Exchange in accordance with the Capital Market Law and its Implementing Regulations.

2) **Merged Company absorbed by a non-listed company**

- a. If a Merger involves the absorption of a Merged Company by a Merging Company which shares are not listed on the Exchange, a Security Exchange Offer to purchase all of the Merged Company's shares shall be made by the Merging Company in accordance with Part 2 of these Regulations, and new shares in the Merging Company shall be offered and issued to the shareholders of the Merged Company in accordance with the provisions of Capital Market Law, Companies Law and its Implementing regulations.
- b. Upon successful completion of the share exchange mentioned in subparagraph (2/a) of paragraph (a) of this Article and closing of the Merger transaction, all assets of the Merged Company are transferred to the Merging Company which will continue to exist. The Merged Company will cease to exist and its shares will be delisted from the Exchange in accordance with the Capital Market Law and its Implementing Regulations.

b) **Merger by way of forming a new legal entity**

- 1) If a Merger involves the formation of a newly formed legal entity into which the Merged Company and another Merging Company will merge, a Security Exchange Offer for the purchase of all the shares of the Merged Company's shareholders shall be made by the newly formed legal entity in accordance with Part 2 of these Regulations, and shares in the newly formed legal entity shall be issued to the shareholders of the Merged Company and the other Merging Company in accordance with the provisions of the Capital Market Law, Companies Law and its Implementing Regulations.
- 2) Upon successful completion of the Offers mentioned in subparagraph (1) of paragraph (b) of this Article and closing of the Merger transaction, the assets of the Merged Company and of the other Merging Company are transferred to the

newly formed legal entity, the Merged Company and other Merging Company will cease to exist, and the Merged Company's shares will be delisted from the Exchange in accordance with the Capital Market Law and its Implementing Regulations.

- 3) Should the newly formed legal entity wish to list its shares on the Exchange, it shall submit a new application to list the shares of the new legal entity to the Authority in accordance with the Capital Market Law and its Implementing Regulations.

#### **Article 50 : Rules of Merger Transactions**

The provisions of Chapter 2 of Part 2 of these Regulations, applicable to Takeover Offers, shall apply *mutatis mutandis* to Merger transactions.

#### **Article 51 : Required Approvals for a Merger Transactions**

- 1) The Offer related to a Merger transaction shall not be declared unconditional as to acceptances unless the Offeror has acquired or agreed to acquire (either pursuant to the Offer or otherwise) shares carrying over 50% of the voting rights attributable to any class of shares of the Offeree Company.
- 2) Notwithstanding paragraph (1) of this Article, the implementation and closing of a Merger transaction is not permitted until the passing of resolutions of the extraordinary general assembly of shareholders of the Offeror and the Offeree Company, in accordance with the provisions of the Companies Law.

## **PART 4**

### **PUBLICATION AND ENTRY INTO FORCE**

#### **Article 52 : Publication and Entry into Force**

These Regulations shall become effective upon their publication.