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Qatar Companies Commercial Law Update

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Qatar Companies Commercial Law Update

Agenda

Introduction and highlights

Limited Liability Companies (LLC)

Public Shareholding Companies (P.S.C.)

Holding Companies

Other general provisions

Introduction and highlights

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Timelines

June, 2015

His Highness, the Emir, Sheikh Tamim Bin Hamad Al Thani issued law No. 11 of 2015 referred to as the new Qatar Commercial Companies' Law.

August, 2015

The law was officially published in the Official Gazette on July 7, 2015 and would become applicable effective August 7, 2015.

February, 2016

The law stated that all addressees should adjust their situation in accordance with the provisions of the attached law within six months period from its effective applicable date.

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Key changes

Following are the key changes observed in the new commercial law

| Key Changes | |
|---|---|
| Governance Report | <ul style="list-style-type: none">•The new law requires corporate governance report to be an integral part of the General Assembly |
| Changes in forms of business entities | <ul style="list-style-type: none">•Private establishments and Single Person Companies are no longer a form of business entities |
| Share Capital of a Limited Liability Company | <ul style="list-style-type: none">•The Share Capital need to not be a minimum of QR. 200,000 |
| Fines and penalties | <ul style="list-style-type: none">•New fines and penalties amounting to QR. 10,000 per day to a maximum of QR. 1 Million are introduced |

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Forms of business entities

Limited Liability Companies

Public shareholding company

Private shareholding company

Joint venture company

Limited partnership

Equities partnership

General partnership



Permitted
forms of
business
entities

Any company that does not take any of the above forms shall be deemed null and void.

Public Shareholding Company (P.S.C.)

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Public Shareholding Companies (P.S.C.)

Minimum Share Capital: QR. 10 Million. The par value can range from QR. 1 to QR. 100, compared to QR. 10 as in the old law.

Board of Directors: Minimum 5 and Maximum 11 Board Members

Shares are distributed amongst public shareholders and can be traded on the stock exchange



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Public Shareholding Companies (P.S.C.)

Loans to the Board of Directors

- A PSC cannot give cash loans to its Board members
- Except for Banks or other financial institutions who can grant loan and open credit facilities in accordance with the credit rules set out by the Qatar Central Bank.

BOD Remuneration

- BOD remunerations should not exceed 5% of net profit after deduction of legal reserve, legal deductions and contribution and distribution of dividends to shareholders .

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Public Shareholding Companies (P.S.C.)

Publishing of the financial statements

- The Chairman of the board shall issue the full set of financial statements
- Before 15 days of the scheduled Annual General Meeting
- In 2 local newspapers; one in English and one in Arabic – copy to the Ministry prior to publishing
- Also on company's website

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Public Shareholding Companies (P.S.C.)

The General Assembly

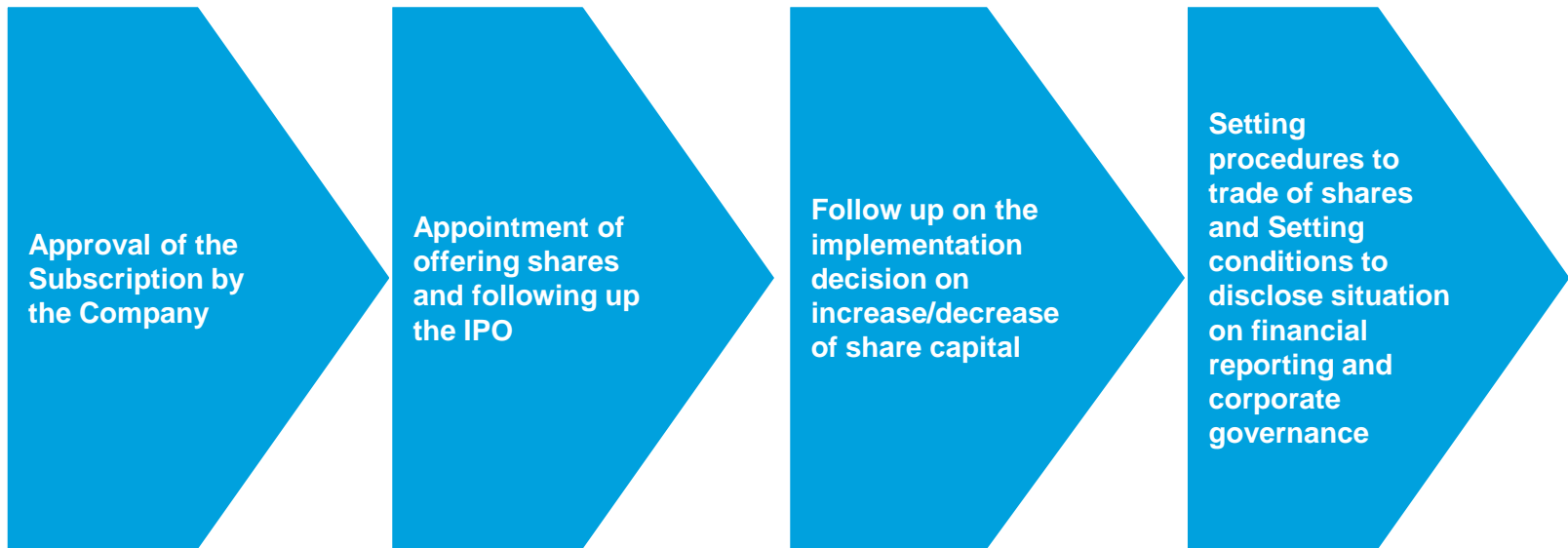
- To be held at least once a year and within 4 months of financial year end
- The Agenda should include,
 - Reading the BOD report
 - Discuss financial performance and position and discuss improvement
 - Discuss **corporate governance report**
 - Suggest distribution of profits
 - Appointment of auditors
 - Reviewing BOD members

A General assembly is only valid if attended by shareholders holding in total 50% of the capital, the representative of the Ministry and the auditor

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Public Shareholding Companies (P.S.C.)

Control over listing



Limited Liability Company (L.L.C.)

Qatar Companies Commercial Law Update Limited Liability Company (L.L.C.)

Definition: Partner's liability is limited to the extent of the shareholders

Minimum Share capital requirement: No minimum share capital requirement. The partner decides in the Memorandum of Association.

Number of Partners: Minimum 1 partner and maximum 50



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Limited Liability Company (L.L.C.)

Partner's Register

The company shall keep a special register, at its head office for the partners, to include the following:

- Names of the partners, their places of residence, nationalities and professions.
- Number and value of shares owned by each partner.
- The assignments taken place of the shares along with the date of the same transactions, reasons of transferring the ownership, name of the assigner and assignee as well as their signatures.
- Total number of shares owned by the partners after the assignment.

Change in Capital

The company AOA shall neither be amended nor the company capital increased or decreased except by a decision issued by the partners GA based on the majority of votes holding three quarters of the company capital unless the AOA requires higher percentage of votes.

Legal Reserves

Companies should allocate 10% of their net profit for the year to legal reserve. Legal reserve allocation can stop once the legal reserve has reached 50% of the share capital. This reserve can be used to offset the Company's losses or increase its capital through a GA meeting of partners.

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Limited Liability Company (L.L.C.)

Key Considerations

Accumulation of Loss

If the loss of an LLC exceed 50% of the share capital, the management has to call for a partners' meeting and the partner's should resolve to either dissolve the Company or increase its share capital. If managers fail to call for a partners meeting, or if this resolution is not passed, then the managers or partners according to the situation will become jointly and severally responsible for the Company's commitments.

Annual Accounts

Companies to prepare the final accounts (balance sheet, and P&L) and report on Company's operations, suggestions for profit distribution within 2 months after the reporting date and file it along with the auditor report with the Ministry within a period of a month after preparation of the document.

Annual General Meeting (AGM)

The Partner's general assembly agenda in its annual meeting should include the following:
Discuss the report of the directors for the Company's activities and financial position during the year and the auditor's report.

- Discuss the statement of financial position and profit and loss accounts and approve them.
- Determine the profits to be distributed to partners.
- Appointment of the managers, board of directors, or member of supervisory board if any, and determine their remuneration.
- Appointment of auditors and determine his fees
- Other matters falling within their responsibilities under this law or the partners agreement.

Holding Companies

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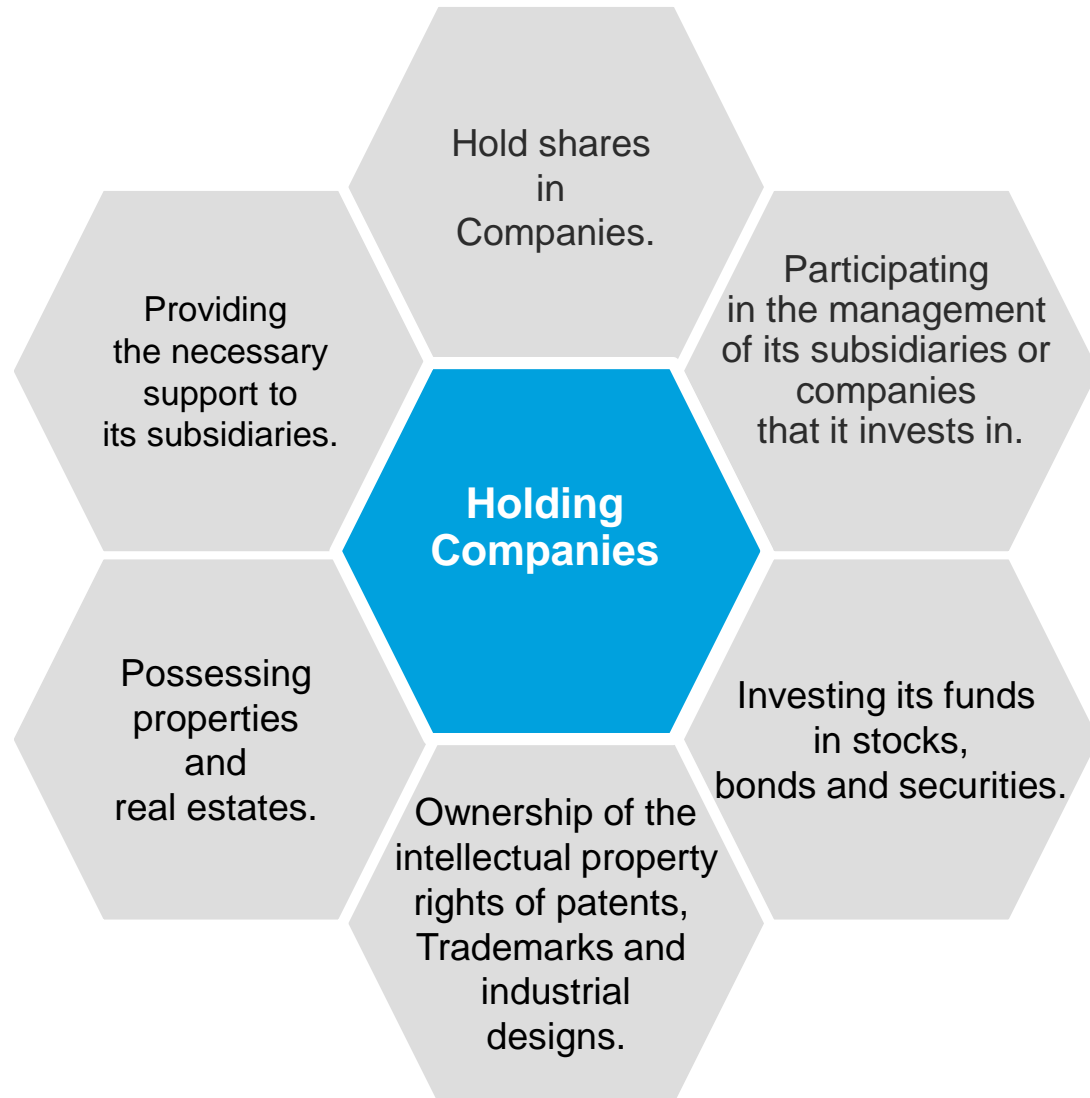
Holding Companies

Minimum Share capital requirement: QR. 10 Million

Financial Reporting :

Ensure that the subsidiaries keep the accounting records necessary to enable the members of the board of directors or managers of the holding company to ensure compliance with the provisions of the law

The holding company has to prepare the consolidated Financial Position, Statement of Profit and Loss and Cash Flows for itself as well as for all of its subsidiaries at the end of each fiscal year



Other general provisions

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General provisions

Violation of the law and penalties

In case of any violation of the law the Ministry may impose

- Warnings
- Blames
- Preventing the violator to act as a member of the board
- Fines amounting to QR. 10,000 per day if violation is continued
- Penalties up to QR. 1,000,000

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General Provisions

Violation of the law and penalties

Imprisonment of maximum 2 years and/or a fine of QR. 1 Million may be imposed on

- Anyone making false statements on issuance of prospectus of shares
- A founder of the LLC who falsely represents distribution of share capital
- Any valuator who values shares more than its true value
- Everyone who decide or distributed profits in bad intention
- An auditor who intentionally presents a false report on the financial statements
- Member of the board or Director who falsely prepares the financial statement
- An employee, chairman or board member, who discloses company's confidential information



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