

RULES ON RIGHTS ISSUE OF SHARES FOR LISTED COMPANIES (2010)



**ROYAL SECURITIES OF EXCHANGE OF
BHUTAN LTD.**

RULES ON RIGHTS ISSUE, 2010

1. **Short title:-** These rules shall be called 'Rules on Rights Issue of Shares,2010'.

2. **Definitions-** In these rules, unless the context otherwise requires :-

- a) 'Board' means board of directors of the issuing company;
- b) 'General Body Meeting' means Shareholders' Annual General Meeting or any general meeting of the shareholders;
- c) 'Record date' means date established by the issuing company for the purpose of determining the holders who are entitled for the rights issue;
- d) 'Rights issue' means issuing rights to a company's existing shareholders to buy a proportional number of additional shares at a given price.
- e) 'Rights issue offer document' means a description of a company's operations, financial background, prospects, and the detailed terms and conditions relating to an offer for rights issue.
- f) 'Authority' means Royal Monetary Authority of Bhutan.
- g) 'Significant owner' of a company means a person who either acting alone or through or in concert with one or more other persons represents 10 percent or more of the capital or the voting rights at the general meeting of the company or undertaking or exercise control over the management of the company or undertaking, as determined by the Authority.

3. Announcement to the Exchange

Every company shall immediately advise the Exchange of all decisions taken by its board of directors regarding the issue of right shares. The information shall include:-

- a) The certified copy of the Board minutes;
- b) The number of shares to be issued;
- c) The proportion in which shares are to be issued;
- d) The price of the rights shares;
- e) The purpose for which the proceeds of the issue are to be utilized;

4. Conditions to be fulfilled prior to making rights issue

A company may make rights issue by issuing rights share offer document subject to the following conditions:

- a) The Company shall propose the Rights Issue of shares at the general body meeting. Such rights issue and price thereof should be approved at the general body meeting;

- b) The proceed of previous public offering ,or any additional issue has been utilized fully;
- c) The Articles of incorporation of the company shall contain a provision for rights issue. If there is no such provision in the Articles, the company shall pass a Resolution at its general body meeting making provisions in the Articles of incorporation for rights issue.

The company shall inform the Exchange regarding the alteration of Articles as required under Appendix 3, Section 10 of the Rules Governing Official Listing of Securities and subsequently seek the approval of the Registrar of Companies as per Section 7 of the Companies Act of the Kingdom of Bhutan 2000.

- d) With the rights shares if the subscribed and paid-up capital exceeds the authorized share capital, a Resolution shall be passed by the company at its general body meeting for increasing the authorized Capital. The company shall inform the Registrar of Companies and fulfill the requirements thereof as specified under Section 9 of The Companies Act of the Kingdom of Bhutan 2000.

5. Pricing and ratio of rights issue

The company making rights issue shall determine the price of its rights share and the ratio subject to the following provisions.

- a) The company shall set the price of right issue at a discount to the market price.
- b) The company shall not set the price of its rights share above par value; if it has not been in commercial operation for past three years or do not have track record of profitability and net positive cash flows from its operating activities;
- c) The number of rights share proposed shall not exceed five for each existing share held in the company.

6. Filing of the application for rights issue offer

An application for issuing rights share along with offer document shall be furnished to the Exchange within fifteen days of approval of such issue by the shareholders of the company in a general body meeting.

Such application shall be submitted to the Exchange along with:-

- a) Rights issue offer document;
- b) Special resolution passed in the general body meeting approving the issue;
- c) Extract of Article of Incorporation permitting the company for such issue;
- d) Original auditors' report and certificate with the related financial statements;
- e) Undertakings by the company and directors in prescribed form (FORM A);

7. Contents of the Rights Issue Offer Document

Rights Issue offer document shall include inter alia the following information:-

- a) Name of the issuing company, address and date of the rights issue offer document;
- b) Total amount of rights shares in Ngultrum, divided into number of shares, issue price of each share, and number of right share offered for each existing shares;
- c) Highlight of the rights offer, risk factors, and management plans for reduction of such risks;
- d) Date and time of opening and closing of subscription;
- e) Reasons for raising the fund through rights share, specifying clearly the heads and amount of the fund utilization, and identifying various proposed projects with heads and amount of expenditure for each projects, and also highlights of such projects;
- f) Name of the products manufactured or to be manufactured or services rendered or to be rendered by the issuer together with capacity or proposed capacity of the existing and proposed projects vis-à-vis capacity utilized by the existing project during the last three years or such shorter period during which the issuer was in commercial operation;
- g) If the issue price of rights share is higher than the par value thereof, justification of the premium should be stated with reference to-
 - i) net asset value per share at historical or current costs;

- ii) Price Earnings Ratio calculated for preceding three years or such shorter period during which the issuer was in commercial operation;
 - iii) average market price per share for the last six months immediately prior to the offer for rights issue; and
 - iv) projected earnings per share/book value for the next three accounting year as per the assessment of the issuer;
- h) Projected cash flows statement, profit and loss account, balance sheet for the next three years after the rights issue;
 - i) Summarized audited cash-flows statement, profit and loss account and balance sheet, and dividend declared and paid for each of the three years preceding the issue of rights share offer document;
 - j) quantity of shares held by each director and persons who hold 5% or more of the paid-up share capital of the issuer on the date of the rights share offer document;
 - k) name, address, description and occupation of directors; managing director, managers and company secretary of the company;
 - l) name of the public listed companies under common promoters, if any;
 - m) number of rights shares that the directors and promoters are going to subscribe, and in case they propose to make renunciation, the reasons and extent of such renunciation;
 - n) statement of actual utilization of fund raised by public offering of shares or rights shares, if any, prior to the proposed rights issue vis-a-vis the plan thereto;
 - o) a statement that a lock-in on the rights shares of the significant owner (including their renounced shares) for a period of two years from the date of closure of the rights share subscription shall be operative;

8. Approval and rejection

- a) On receipt of an application for approval to the rights issue offering by a company, the Exchange shall examine the said application. In case, the said application is incomplete, the Exchange shall inform the applicant in writing of the deficiencies generally within one week from the receipt of the said

application, and the company shall correct the deficiencies within fifteen days of communication thereof.

- b) On receipt of the complete application and satisfaction of the Exchange, the application shall be put up to the approving Committee comprised of members from the Office of the Companies Registrar, Authority, a representative from Bhutan Chamber of Commerce and Industries and the Exchange. The Committee shall accord its approval, subject to such conditions as the Committee may deem fit.
- c) If the offer is not approved, the Exchange shall issue a rejection order on behalf of the Committee, stating the reasons for such rejection, within seven days of decision passed by the committee.

9. Approval fee on rights share

The issuing company shall deposit Nu.15,000/- as approval fee with the Exchange for the rights issue through a cheque or demand draft issued in favor of the Exchange within seven working days from the date of according the said approval.

10. Public Announcement for rights issue

The listed company making offer for rights issue shall:

- a) Announce two separate date for record date, one for shareholders decision regarding the proposed rights issue, and the other for determination of entitlement of rights issue after the Exchange accords approval;
- b) For the purpose of determination of entitlement of rights issue under these Rules, the issuer shall not announce the dates for the rights issue until the issue and listing of shares is approved in principle by the Exchange;
- c) Disseminate the receipt of the approval along with purpose of the rights issue, amount of issue, price of rights share as a price sensitive information, as prescribed by the Exchange mentioning the record date for the determination of entitlement of rights share, and subscription opening and closing dates should be disclosed within three working days;
- d) Commence record date not earlier than seven working days and not later than fourteen working days from the date of approval by the Exchange;
- e) Deliver offer document approved by the Exchange to the shareholders entitled to have rights shares within 10 working days from the record date as mentioned in clause (d) above.

Once approval is obtained, no rights offer can be withdrawn or cancelled or postponed or varied by the issuer without prior written consent from the Exchange.

11. Appointment of Broker and Subscription

- a) The issuing company shall appoint a broker to execute the transaction of rights issue and to effect the increase of its paid up shares in the record of Exchange's trading system.
- b) Subscription shall be received through the broker to the issue during the subscription period of not less than fifteen days and not more than thirty days.
- c) Subscription opening date shall commence after fifteen working days from the record date as mentioned in rule 8 (d).
- d) The broker shall submit the Trade Confirmation Certificate to the issuing company. The issuing company shall then distribute the trade confirmation certificate to its shareholders.

12. Information on rights issue

The issuing company or the executing broker shall furnish to the Exchange and Central Depository:

- a) Statement of the subscription received against the offer for rights issue within two weeks of the closing of the subscription lists; and
- b) Statement of the subscription received from the broker against the under subscribed shares within one week of the expiry of the subscription period.

13. Renunciation of Rights Issue

The Shareholders shall have the right to renounce the shares offered partially or in full in favour of any person other than the promoters and substantial shareholders of the issuing company.

The rights issue offer document shall contain a letter of renunciation attached to an allotment letter that the shareholder completes should he/she decide to transfer his/her entitlement to another person or to renounce his/her rights absolutely.

14. Listing of additional securities on the Exchange

- a) The Exchange shall list the additional issue after the receipt of the statement of the subscription received against the offer for rights issue within two weeks of the closing of the subscription lists as mentioned in rule 10 (a).
- b) The issuing company shall make an application for official listing of rights issue to the Exchange.
- c) An additional listing fee of Nu.25,000/- shall be payable to the Exchange on the application for listing of Rights Issue.

FORM A
[As per Rule 6 (e)]

Certificate by the directors about their personal responsibility in respect of the rights share offer document

This rights share offer document has been prepared, reviewed and approved by us; and we collectively and individually accept full responsibility for the accuracy of the information given in the rights share offer document; relevant documents and financial statements submitted to the Exchange under the Securities Exchange (Rights Issue) Rules, 2010. We confirm after making all reasonable enquiries that all conditions concerning this rights issue and rights share offer document have been met. We further confirm that we have not concealed any information or statement which might have any bearing on the information already made.

Chairman

Managing Director

Director

Director

Director

Director

Director

Director

Director

Place

Dated

(Name and Seal of the Issuer Company)