

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



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

RULES ON BONUS ISSUE, 2010

A. Short Title

These rules shall be called "Rules on Bonus Issue 2010".

B. Definition - In these rules, unless the context otherwise requires:-

- (i) 'Board' means board of directors of the issuing company;
- (ii) 'Bonus issue/shares' means free shares issued by a company to the existing shareholders based on the number of shares that the shareholders own;
- (iii) 'Ex-bonus date' means date set by the Exchange prior to the record date for bonus issue based on the T+3 clearing and settlement principle;
- (iv) 'Exchange' means Royal Securities Exchange of Bhutan Ltd;
- (v) 'General Body Meeting' means Shareholders' Annual General Meeting or any general meeting of the shareholders;
- (vi) 'Record date' means date established by the issuing company for the purpose of determining the holders who are entitled for the bonus issue;

C. Conditions for Bonus Issue

A listed company proposing to enhance its paid up capital through the issue of bonus shares shall comply with the following conditions:

1. The bonus issue should be made out of free reserves which are created from legitimate profits or share premium collected in cash only.
2. Reserves created by re-valuation of fixed assets shall not be capitalized.
3. If the company has not made profit during the year declaration of bonus issue, in lieu of dividend, shall not be made.
4. The Company has :-
 - i) Not defaulted in payment of interest or principal in respect of loans and advances availed from the Financial Institutions.
 - ii) Sufficient reason to believe that it has not defaulted in respect of the payment of statutory dues of the employees such as contribution to provident fund, gratuity, bonus etc.

5. The RSEBL must be informed of the decision of the board to propose issue of bonus shares in the general body meeting immediately after the board meeting.
6. A company which announces bonus issue shall seek shareholders' approval for capitalization of profits or reserves for making bonus issue within the scope of the Articles of Incorporation and shall complete the formalities of bonus issue within 30 days from the date of approval of the issue by the shareholders and shall not have the option of changing the decision.
7. The Articles of Incorporation of the company shall contain a provision for capitalization of reserves. If there is no such provision in the Articles, the company shall pass a Resolution in its general body meeting making provisions in the Articles of Incorporation for capitalization.

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

8. With the issue of Bonus shares if the subscribed and paid-up capital exceeds the authorized share capital of the company, 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.
9. For the purpose of determination of entitlement of bonus issue, the record date for allotment of bonus issue shall be fixed by the issuing company within a week after the issue has been accorded by the RSEBL. The issuing company shall immediately announce the record date of bonus issue through the media for the benefit of the shareholders.
10. The Exchange shall set the Ex-bonus date prior to the Record Date based on T+3 clearing and settlement principle coinciding with one of the trading day (Tuesday or Friday). Investors purchasing shares on or after the Ex-bonus date are not entitled for the bonus issue, as the purchase will not affect the ownership on the record date, and therefore the buyer will not be reflected on the list of shareholders to which the company issues bonus shares.
11. All investors holding the shares on the record date are eligible for the bonus shares.

12. On the request of the issuing company, the Central Depository shall provide the list of shareholders of the company as of record date for the purpose of allocation of bonus issue.
13. The Exchange shall provide a time period of 3 trading days within which the allocation of bonus issue is to be completed.

D. Information to Central Depository.¹

14. The issuing company shall inform the Central Depository to execute transaction of bonus issue to effect the increase of its paid up shares in the record of Exchange's Electronic Depository System.
15. The Central Depository within the given timeframe shall execute the transaction of bonus issue in the ratio as prescribed by the issuing company and shall submit a copy of the updated list of shareholdings to the company. *(The fees charged by the Central Depository for the allocation of bonus issue is given in the Rules Governing the Official Listing of Securities)*

E. Procedure for listing of additional shares on the Exchange

16. The company shall put up a formal application for listing of additional securities to the RSEBL prior to their issue and such application should be accompanied with the following documents:
 - i. A copy of resolution passed during the general body meeting approving the issue of Bonus Issue.
 - ii. If the company has availed any loan from the Financial Institutions, a copy of no objection certificate obtained from the institutions for issue of bonus shares or a copy of statement from the Credit Information Bureau (CIB) as a proof that the company has not defaulted in payment of interest or principal in respect to loans and advances availed from the Financial Institutions.
 - iii. Copies of audited or certified accounts and balance sheet of the company for 3 years preceding the making of such application.
17. On receipt of an application for approval of listing of bonus issue the Exchange shall examine the said application and other relevant documents. In case, the said application is incomplete or the issuer has failed to fulfill any

¹ Amended on April 2nd, 2012 with the approval from RMA

condition specified under section C, 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.

F. Additional Listing Fee

18. An additional listing fee of Nu.25, 000/- shall be payable to the Exchange on the application for listing of Bonus Issue.