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**ROYAL SECURITIES  
EXCHANGE OF BHUTAN**



**RSEB**

**RULES GOVERNING THE OFFICIAL  
LISTING OF SECURITIES**

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# CHAPTER 1

## INTERPRETATION

### *1.1 Definitions*

These Rules shall apply to all companies and securities applying for listing and those listed on the Exchange.

In these Rules, unless the context otherwise requires: “Act” means the Companies Act of Bhutan, 2016.

“Articles” means the Articles of Incorporation.

“Associate” means a shareholder of the issuer in a position to substantially influence its business decision, a Director of the issuer, an officer of an issuer, or member of their immediate families or household who is or was connected with the company or is deemed to have been connected with the company having a common interest. For this purpose, Associate shall include the following:

- i. Any natural person shall include parents, children, sibling, spouses, in-laws and business entities where 25% or more of the paid-up shares owned collectively or individually; and
- ii. Any juristic person shall include parent company, subsidiaries, fellow subsidiaries and business entities wherein the concerned juristic person owns 25% or more of its paid-up shares. It shall also include companies whose majority of the Directors acts as per the wishes of the concerned company.

“Authority” means the Royal Monetary Authority of Bhutan.

“Board” means the governing body of the Exchange comprising persons elected or appointed under the Articles of Incorporation of the Royal Securities Exchange of Bhutan.

“Chief Executive” means a person who either alone or together with one or more other persons is or will be responsible under the immediate Authority of the Board of Directors for the conduct of a listed issuer.

“Convertible debt securities” means debt securities convertible into or Exchangeable for other securities or other property.

“Convertible equity securities” means shares convertible into or Exchangeable for other securities.

“Compulsory Delisting” means delisting of securities of a company by the Exchange.

“Controlling Shareholder” means a person owning more than 51% of the paid-up shares of a company.

“Debt Securities” means loan stock, debentures, bonds, treasury bills and other securities or instruments acknowledging, evidencing or creating indebtedness, whether secured or unsecured and options, warrants or similar rights to subscribe or purchase any of the foregoing and convertible debt securities.

“Director” includes any person who occupies the position of a Director, by whatever name called.

“Delisting Rehabilitation Plan” means a plan of eliminating the ground of delisting.

“Equity Securities” means shares (including preference shares), convertible equity securities and options, warrants or similar rights to subscribe or purchase shares or convertible equity securities.

“Exchange” means the Securities Exchange, and its securities market, established by the Royal Securities Exchange of Bhutan.

“Group” means the issuer and its subsidiaries, if any.

“Holding Company” has the same meaning as in Chapter 17 Section 23 of the Companies Act.

“Issuer” means a company, any of whose equity or debt securities are the subject of an application for listing, or some of whose equity or debt securities are already listed.

“Institutional Investor” means a legal person devoted to holding and managing financial assets either for clients or itself, such as Fund Managers and Investment Advisors, Financial Institutions and Pension Funds.

“Listed issuer” in the case of equity securities, means a company whose equity securities are already listed, and in the case of debt securities, means a company whose debt securities are already listed.

“Listing” means the grant of a listing of, and permission to deal in, securities on the Exchange and “listed” shall be construed accordingly.

“Listing Committee” means the Listing Committee appointed by the Board.

“Listing Particulars” means the General Principles referred to Section 2.09 of this Rules.

“Listing Rules” means the Rules Governing the Official Listing of Securities herein contained and made by the Royal Securities Exchange of Bhutan with the approval of the RMA.

“Listing Undertaking” means the undertaking (in the form set out in Appendix 2) by an issuer to the Exchange specifying the continuing obligations which the issuer undertakes to comply with as a condition of listing.

“Lock-in Period” means the period, whereby the promoter of the company is restricted from disposing his/her holding.

“Listed Securities” means securities listed or authorized to be traded on the Exchange.

“New Applicant” means in the case of equity securities, an applicant for listing none of whose equity securities is already listed, and in the case of debt securities means an applicant for listing none of whose debt securities is already listed.

“Prospectus” has the same meaning as in Chapter 17, Section 35 of the Companies Act.

“Reporting Accountant” means the professional accountant who is responsible for the preparation of the accountants’ report required to be included in the Listing Particulars.

“Subsidiary” has the same meaning as in Chapter 17, Section 43 of the Companies Act.

“Substantial Shareholder” means in relation to a company, a person who is entitled to exercise, or control the exercise of 10% or more of the voting power at any general meeting of the company.

“Voluntary Delisting” means delisting of securities of a corporate body voluntarily by the substantial shareholder or issuer.

In these Rules, references to a document being certified means certified to be a true copy or extract (as the case may be) by a director, the secretary or other authorized officer of the issuer or by a member of the issuer’s auditors or solicitors.

Where the context so permits or requires, words importing the singular number include the plural and vice versa and words importing the masculine gender include the feminine and neuter genders and vice versa.

These Rules shall be interpreted, administered and enforced by the Exchange. The decision of the Exchange shall be conclusive and binding on an issuer. The Exchange may issue practice notes and guidance notes, from time to time, to assist issuers or their advisors in interpreting and complying with these Rules.

## CHAPTER 2

### GENERAL AND LISTING COMMITTEE

#### 2.1 GENERAL

##### 2.1.1 Introduction

The principal function of the Exchange is to provide a fair, orderly and efficient market for the trading of securities. In furtherance of this, the Board with the approval of the RMA has made these Listing Rules prescribing the requirements for the listing of securities on the Exchange. These comprise both requirements, which have to be met before securities may be listed and also continuing obligations with which an issuer must comply once listing has been granted.

It is emphasized that the Listing Rules are not exhaustive and that the Board, with the approval of the RMA, may impose additional requirements or make listing, subject to special conditions, whenever it considers it appropriate. Conversely, the Exchange, with the approval of the RMA, may waive, modify or not require compliance with the Listing Rules either generally or to suit the circumstances of a particular case as a variety of circumstances may exist which require it to make ad hoc decisions.

Suitability for listing depends on many factors. Applicants for listing should appreciate that compliance with the Listing Rules may not of itself ensure an applicant's suitability for listing. The Exchange retains discretion to accept or reject applications and in reaching their decision will pay particular regard to the general principles outlined in Section 2.09 of this Rule; Prospective issuers (including listed companies) are therefore encouraged to contact the Exchange to seek informal and confidential guidance as to the eligibility of a proposed application for listing at the earliest possible opportunity. To avoid any misunderstanding, it is emphasized that the Listing Rules are entirely independent of and without prejudice to the provisions on contents of prospectuses laid down in the Companies Act and that compliance with these Listing Rules does not in any way guarantee that the prospectus concerned complies with the relevant requirements of the Companies Act.

These Listing Rules shall not apply to any debt securities issued by the Royal Government of Bhutan, any request for the listing of which will be considered by the Exchange on ad hoc basis as and when required.

The Authority shall have the powers to exempt any provisions of these Rules as deemed fit.

The RSEB shall have the powers to suspend dealings in any securities of the listed companies that are time bound but with the prior approval from the Authority.

### *2.1.2 Procedure*

All applications made to the Exchange for listing will be considered by the listing Committee who will examine the eligibility and suitability of the company for listing after due consideration, the Listing Committee will inform the Board whether the company has been admitted or refused admission to the Official List.

### *2.1.3 General Principles*

The Listing Rules reflect currently accepted standards and are designed to ensure that investors have and can maintain confidence in the market and in particular that:

- i. Applicants are suitable for listing;
- ii. The issue and marketing of securities is conducted in a fair, open and orderly manner and that potential investors are given sufficient information to enable them to make an informed assessment of the applicant and of the securities for which listing is sought;
- iii. Investors and the public are kept fully informed by listed companies and in particular that immediate disclosure is made of any information that might reasonably be expected to have a material effect on market activity and the prices of the listed securities;
- iv. All holders of listed securities are treated fairly and equally;
- v. Directors of a listed company acts in the interest of its shareholders as a whole, particularly where the public represents only a minority of the shareholders; and
- vi. All new issues of equity securities by a listed issuer are first offered to the existing shareholders by way of rights unless they have agreed otherwise.

In these last four respects, the Listing Rules seek to secure for holders of securities, other than controlling interests, certain assurances and equality of treatment.

### *2.1.4 Listing Application*

Companies seeking admission to the Official List of the Exchange must submit an application that complies with Chapter 4 of this Rule.

### *2.1.5 Listing Particulars*

Companies seeking admission to the Official List of the Exchange must issue Listing Particulars, which must in addition to complying with the prospectus requirements of the Companies Act wherever necessary, comply with the content requirements set out in Appendix 1.



### *2.1.6 Listing Undertaking*

Companies seeking admission to the Official List of the Exchange are required to enter into a Listing Undertaking with the Exchange to comply with the Continuing Listing Obligations of the Exchange as set out in Chapter 5 of this Rule.

The forms of the Undertaking required are set out in Appendix 2.

### *2.1.7 Articles of Incorporation*

Companies seeking admission to the Official List of the Exchange are required to incorporate in their Articles (Regulations) the various provisions set out in Appendix 3.

### *2.1.8 Methods of Issuing Securities to be Listed*

Both equity securities and debt securities may be brought to listing by any one of the methods described in Section 2.1.9 to 2.1.14 of this Rule, except where otherwise indicated.

### *2.1.9 Offer for Subscription*

An offer for subscription is an offer to the public by or on behalf of a company of its own equity or debt securities for subscription.

### *2.1.10 Offer for Sale*

An offer for sale is an offer to the public by or on behalf of the holders or allottee of equity or debt securities already in issue or agreed to be subscribed.

### *2.1.11 Placing*

A placing is the obtaining of subscriptions for or the sale of equity or debt securities privately by a company or its intermediary from or to persons selected or approved by the company or its intermediary, provided that not more than 50 persons subscribe to the securities at a time.

### *2.1.12 Rights Issue*

A Rights Issue is an offer by way of rights to existing holders of listed equity securities, which enables those holders to subscribe cash for equity securities in proportion to their existing holdings.

### *2.1.13 Capitalisation Issue*

A capitalisation issue (Bonus Issue) is an allotment of further equity securities to existing holders, credited as fully paid-up out of the company's reserves or profits, in proportion to their existing holdings without any monetary payment.

#### *2.1.14 Other Methods*

Securities may also be brought to listing through the issuance by the company of its securities through:

- i. The exercise of options, warrants or similar rights to subscribe for or purchase securities;
- ii. An issue of securities on exercise of options granted to or for the benefit of executives and/or employees of the listed company; or
- iii. Such other methods as the Exchange may from time to time approve.

#### *2.1.15 Authorised Representative*

Every listed issuer shall appoint an authorised representative who will act at all times as the issuer's principal channel of communication with the Exchange. The Authorised Representative must be either a Director of the company or the company secretary.

#### *2.1.16 Suspension and Delisting*

Listing is granted subject to the condition that where the Exchange considers it necessary for the protection of the investor or the maintenance of an orderly market, it may at any time suspend dealings in any securities or delist (As per Chapter 7 of this Rule) any securities in such circumstances and subject to such conditions as it thinks fit, whether requested by the company or not. The Exchange may do so where:

- i. A company fails, in a manner which the Exchange considers material, to comply with the Listing Rules or its Listing Undertaking;
- ii. The Exchange considers there are insufficient shares of the company in the hands of the public (see Section 3.07);
- iii. The Exchange considers that the company does not have a sufficient level of operations or sufficient assets to warrant the continued listing of its securities; or
- iv. The Exchange considers that the company or its business is no longer suitable for listing.

Where a company itself seeks suspension, the request for approval for suspension must be made to the Exchange by its Authorised Representative and in all cases must be supported by specific reasons. The Exchange may accept the request for suspension in its absolute discretion.

Where dealings have been suspended, the procedure for lifting the suspension will depend on the circumstances and the Exchange reserves the right to impose such conditions as it considers appropriate.

Where the suspension was at the company's request, the company will be required to announce the reason for the suspension and where appropriate, the anticipated timing of the lifting of the suspension. In some cases (for example a temporary suspension pending an announcement) the suspension will be lifted as soon as possible after the announcement is made. In other cases, the suspension will be continued until any relevant requirements have been met. The continuation of a suspension for a prolonged period without the company taking adequate action to obtain restoration of listing may lead to the Exchange cancelling the listing.

There may be cases where securities are delisted without a suspension intervening. Where the Exchange considers that a company or its business is no longer suitable for listing, it will publish an announcement naming the company and specifying the period within which the company must have remedied those matters, which have rendered it unsuitable for listing. Where appropriate, the Exchange will suspend dealings in the securities of the company. If the company fails to remedy those matters within the period set out in the announcement, the Exchange will delist the company as per Chapter 7 of this Rule.

#### *2.1.17 Listing Fees*

Companies admitted to the Official List of the Exchange are required to pay listing fees in accordance with the scales set out in Appendix 4.

## 2.2 LISTING COMMITTEE

### *2.2.1 Members*

The Board shall appoint the members of the Listing Committee consisting of representatives from the following agencies:

- i. One member from the Board of RSEB as chairman;
- ii. Royal Monetary of Bhutan;
- iii. Ministry of Economic Affairs;
- iv. Bhutan Chambers of Commerce and Industries;
- v. Two representatives from the Exchange;
- vi. One Independent Representative; and
- vii. One Representative from Academia.

### *2.2.2 Functions*

The Listing Committee shall have the following functions:

- i. to examine the eligibility and suitability of applications made to the Exchange for admission to the Official List of the Exchange; and
- ii. to admit or refuse admission to the Official List of the Exchange.

### *2.2.3 Proceedings*

In the exercise of its powers under these Rules, the Listing Committee shall be subject to and act in accordance with the provisions of these Rules.

The Board shall appoint one of its Directors as a Chairman, the Vice-Chairman and a Secretary to the Listing Committee or shall be selected by the Committee in exercising the functions.

### *2.2.4 Meetings*

Meetings of the Listing Committee shall be held as often as may be considered necessary by the Chairman and at such times and places as the Chairman may, subject to Section 2.2.3 of this Rules, determine.

At a meeting of the Listing Committee:

- i. the chairman shall chair the meeting; or
- ii. if the chairman is not present, the vice-chairman shall chair the meeting; or
- iii. if neither the chairman nor the vice-chairman is present, the members present shall choose one of their members to chair the meeting.
- iv. The quorum for a meeting of the Listing Committee shall be 4 members.
- v. Each member of the Listing Committee present at a meeting shall have a vote.
- vi. Every question for decision at a meeting of the Listing Committee shall be determined by a majority of votes of the members present and in the event that voting is equally divided, the Chairman of the meeting shall have a casting vote.

### *2.2.5 Disclosure of Interest*

- i. A member of the Listing Committee who has any direct or indirect personal or pecuniary interest in any listing application coming before the Listing Committee shall on each and every occasion declare his interest and thereafter, unless otherwise directed by the Chairman of the meeting shall withdraw from the meeting, take no

further part in the proceedings of the Listing Committee in relation to that application or vote in respect of it.

- ii. A declaration, withdrawal or direction referred to Section 2.2.5 (i) of this Rules shall be recorded. Unless the Chairman of the meeting shall otherwise direct, any decision reached by the Listing Committee on a listing application in respect of which a member has declared an interest in accordance to Section 2.2.5(i) of this Rules shall be recorded in the normal way to save that the proceedings of the Listing Committee prior to the making of a decision shall be recorded separately and that record shall be provided only to those members of the Listing Committee who were present at those proceedings.
- iii. Without prejudice to the generality of Section 2.2.5 (i) of this Rules, a member of the Listing Committee has a disclosable interest if:
  - a) he is a director or officer of the applicant company;
  - b) he is a substantial shareholder of the applicant company or of the holding company of the applicant company;
  - c) he is a substantial shareholder of a competitor of the applicant company;
  - d) he is a major customer or major supplier of the applicant company;
  - e) he is a creditor or debtor of the applicant company; or
  - f) he is a landlord or a tenant of the applicant company.

#### *2.2.6 Confidentiality*

No member of the Listing Committee shall disclose, except to the extent that its disclosure is strictly necessary for the proper discharge of his functions as a member of the Listing Committee, any information that has come to his knowledge in the performance of his functions as a member of the Listing Committee.

## CHAPTER 3

### QUALIFICATIONS FOR LISTING

#### *3.1 Preliminary*

This Chapter sets out the basic conditions, which have to be met as a pre- requisite to the listing of equity and debt securities. They apply to every method of listing and to both new applicants and listed companies, except where otherwise stated. It is to be noted:

- i. that these requirements are not exhaustive and the Exchange may impose additional requirements in a particular case; and
- ii. that the Exchange retains an absolute discretion to accept or reject applications for listing and that compliance with the relevant conditions may not of itself ensure an applicant's suitability for listing.

#### *3.2 Equity Securities*

- i. The company must be incorporated in Bhutan under the Companies Act and must continue to be incorporated to remain listed.
- ii. Both the company and its business must in the opinion of the Exchange be suitable for listing.
- iii. A new applicant must have a track record of profitability for at least two financial years preceding the date of application.
- iv. In the case of a new applicant, the latest financial period reported on by the reporting accountants must not have ended more than six months before the date of the Listing Particulars.
- v. There must be an adequate market in the securities for which listing is sought. This means that the Exchange must be satisfied that there will be sufficient public interest in the business of the company and in the securities for which listing is sought.
- vi. There must be an open market in the securities for which listing is sought. This means that:
  - a) the minimum percentage of securities in public hands, (i.e. persons who are not a director, chief executive or substantial shareholder of the company, institutional investors or an associate of any of them) after excluding the securities held by the Government, must be 25% of the paid-up capital, with a minimum of 50 shareholders; and

- b) the company must have a minimum paid-up capital of Nu. 20 million.
- vii. The 25% public shareholding criterion specified in Section 3.07 (i) may be relaxed by the Exchange to permit an initial minimum public shareholding of 15% provided that the company undertakes to increase this to 20% not later than the end of the third year of listing, and to 25% not later than the end of the fifth year of listing.
- viii. The securities for which listing are sought must be freely transferable and must not carry any liability for any further payments such as in the case of partially paid securities.
- ix. Where application for listing is made in respect of any class of security:
  - a) if none of the securities of that class is already listed, the application must relate to all securities of that class issued or proposed to be issued; or
  - b) if some of the securities of that class are already listed, the application must relate to all further securities of that class issued or proposed to be issued.
- x. Listing must be sought for all further issues of securities of a class already listed prior to the issue of securities.
- xi. The face value of the securities listed on the Exchange must be equal to Nu. 10.

### *3.3 Migration from AIM Board*

A company listed with the Alternative Investment Market Board shall automatically qualify for initial public offering if:

- i. The company fulfills the requirements of initial public offering regulation; and
- ii. The company's net asset value is positive.

### *3.4 Debt Securities*

- i. The company must be incorporated in Bhutan under the Companies Act and must continue to be incorporated to remain listed.
- ii. If the company's shares are not listed, both the company and its business must, in the opinion of the Exchange be suitable for listing.

- iii. A new applicant must produce Audited Accounts for the three financial years preceding the application for listing. In exceptional cases, the Exchange may accept a shorter period.
- iv. In the case of a new applicant, the latest financial period reported on by the reporting accountants must not have ended more than nine months before the date of the Listing Particulars.
- v. If the company's shares are not listed, the company must have net tangible assets of at least Nu. 10 million and the nominal amount of each class of debt securities for which listing is sought must be at least Nu. 1 million (and divided into units of not less than Nu. 1000) or such other amount as the Exchange may from time to time determine. Further issues of debt securities which are uniform in all respects with debt securities of a class already listed are not subject to these limits. In exceptional cases, a lower minimum nominal amount may be accepted where the Exchange is satisfied as to marketability. In the case of options, warrants or similar rights to subscribe or purchase debt securities, the same limits will apply as would apply to the underlying debt securities to be subscribed or purchased.
- vi. The debt securities for which listing are sought must be fully negotiable and freely transferable.

### *3.5 Sovereign Bond*

Following regulations are applicable to issue of sovereign bond:

- i. Legal Requirements
- ii. The issue must be in line with Government Bond Regulation, 2020.
- iii. Prospectus  
The draft prospectus shall be submitted to RSEB and RMA for review to ensure that all required information is adequately disclosed to enable the potential investor to make an accurate assessment of the securities being offered for subscription. Further, the Ministry of Finance must approve the final prospectus.
- iv. Transferability  
The Bond must be freely transferable.
- v. Broker



RMA shall act as the executing broker for the primary issue of all Government Bonds.

vi. Private Placement

Any private placements of the issue shall be carried out prior to public auction of the securities and the information must be disclosed in the offer document.

vii. Government Bond Listing Application

The following document and information must be submitted by Ministry of Finance along with an application to list:

- a) Offer document;
- b) Copy of approval by the Lhengye Zhungtsho;
- c) Listing application along with the applicable fees; and
- d) Copy of the announcement made to the public.

## CHAPTER 4

### APPLICATION PROCEDURES AND REQUIREMENTS

#### 4.1 Preliminary

This Chapter sets out the procedures and requirements for applications for the listing of and permission to deal in equity and debt securities, whether by new applicants, companies listed on the alternative investment market board or by listed companies except where otherwise stated.

These requirements are not exhaustive and an applicant for listing must satisfy any additional requirements and supply such further documents and information that the Exchange may require in any particular case or class of case.

#### 4.2 Equity Securities

##### 4.2.1 Application

Each application for listing shall consist of the following:

- i. a formal letter of application signed by a duly authorised officer of the company and which complies with the requirements of Section 4.2.2, 4.2.3 and 4.2.4 of this Rules;
- ii. the various supporting documents specified in Section 4.2.5 of this Rules;
- iii. Listing Particulars that comply with the content requirements set out in Appendix 1; and
- iv. the appropriate listing fees set out in Appendix 4.

##### 4.2.2 Letter of application

A formal letter of application for listing shall, in substantially the order given below, cover the information there indicated:

- i. Title Page
  - a) the name of the applicant and the date of incorporation;
  - b) the address of the principal registered office;
  - c) the date of application and a formal request for the listing of and for permission to deal in the securities in respect of which application is made specifying the amount, class and par value and whether they are to be fully paid; and

- d) the proposed method of listing;
- ii. Capitalisation
  - A list in tabular form of:
    - a) The designation or title of each class of share;
    - b) The number of shares authorised;
    - c) The number of shares issued
    - d) The par value;
    - e) The amount of fully paid-up shares;
    - f) The names of directors and officers of the company and their respective shareholdings; and
    - g) So far as is known or can be ascertained after reasonable enquiry, the names of substantial shareholders of the company and their respective shareholding.
- iii. History and Nature of Business
  - A short introductory paragraph describing the general nature of the business and products of the applicant. A brief history of the company from inception to the date of the application. A description of the business now conducted by the company and its subsidiaries, including principal markets for products and raw materials, method of marketing, annual output for the preceding 2 financial years and for the current financial year to the latest date available.
- iv. Summary of Earnings
  - A summary of earnings, on a consolidated basis, if the applicant has subsidiaries, for at least 2 financial years preceding the date of application, showing sales, earnings before charges for depreciation, interest and income tax, the amount of each of those charges, net income before extraordinary items, net income and earnings per share.
- v. Tabulation of Balance Sheet
  - A tabulation of its balance sheet for each of the last 2 financial year (on a consolidated basis if the company has subsidiaries). The tabulation should include a calculation of the net worth per share for each of the 2 financial years.
- vi. Employees
  - A statement as to the total number of persons regularly employed and if subject to seasonal fluctuations, the maximum and minimum numbers employed during the preceding 12 months.
- vii. Subsidiaries
  - A tabular list of all subsidiaries showing in respect of each such company:
    - a) The name of the company;

- b) A brief statement of the nature of its business and its relationship to the operations of the entire enterprise; and
  - c) Capital share issues by classes, showing the par value, amount authorised, amount issued and the amount owned by the holding company.
  
- viii. Dividend Record

State the number of consecutive years in which dividends have been paid. State the amount of dividend (per share in the aggregate) paid by the applicant (and its subsidiaries) for each of the 2 preceding years. Indicate whether dividends have been paid on quarterly, semi-annual or annual basis. State the record date, payment date and the date of declaration with respect to each dividend paid during the past 2 years.
  
- ix. Properties

Describe briefly the general character of the properties of the applicant and its subsidiaries, including:

  - a) Location;
  - b) Land area;
  - c) Number of buildings;
  - d) Aggregate floor area of buildings;
  - e) Whether property owned or leased, and if leased state total rental paid for each of the 2 preceding financial years and average term of years.
  
- x. Litigation

Particulars of any litigation or claims of material importance pending or threatened against the applicant and its subsidiaries, or an appropriate negative statement.
  
- xi. Management
  - a) The full name, residential or business address and description (being his qualifications or area of expertise or responsibility) of every director or proposed director (or any such person who performs an important administrative, management or supervisory function) and particulars of the principal functions performed by each of them within the applicant and its subsidiaries, if any;
  - b) The nature of any family relationship between the persons mentioned in (a);
  - c) A brief account of the business experience of each of these persons during the last 5 years;

- d) Indicate any other directorships held by each director or proposed director; and
- e) State if any director or proposed director has been convicted in any criminal proceeding or has had a bankruptcy petition filed against them or any partnership in which he/she was a partner or any corporate body of which he/she was a director.

#### 4.2.3 Bankers and Auditors

The application shall also contain;

- a) The names and addresses of the company's principal bankers, authorised representative and solicitors; and
- b) The name, address and professional qualification of the company's auditors.

#### 4.2.4 Declaration

A letter of application must include a declaration, stated to be to the best of the company's knowledge, information and believe:

- a) That all the qualifications set out in Chapter 3 of the Listing Rules have, in so far as applicable and required to be met and fulfilled prior to application, been met or fulfilled in relation to the company and the securities of the company the subject of the application;
- b) That all information required to be included in the Listing Particulars pursuant to Appendix 1 has been included; and
- c) That there are no other facts bearing on the company's application for listing and permission to deal in such securities which, in the company's opinion, should be disclosed to the Exchange.

#### 4.2.5 Supporting Documents

In support of its letter of application for listing, the applicant must lodge with the Exchange at the same time the following documents;

- a) In the case of a new applicant, a certified copy of its Certificate of Incorporation;
- b) A certified copy of its articles and all amendments to date;
- c) The Annual Report and accounts for each of the 2 completed financial years of the company and its subsidiaries if any, preceding the issue of the Listing Particulars or such shorter period as may be accepted by the Exchange;
- d) A certified copy of:
  - (i) The resolution of the company in General Meeting authorizing the issue of all securities for which listing is sought; and

- (ii) The resolution(s) of the Board of Directors authorizing the issue and allotment of such securities, the making of the application for listing and the signing of the Listing Undertaking and approving and authorizing the issue of the Listing Particulars.
- e) A Listing Undertaking, unless previously supplied in connection with a listing, in the form in Appendix 2, duly signed for and on behalf of the company;
- f) A certified copy of any resolution of the company in General Meeting or of the Board of Directors authorizing any alterations in the share capital of the company, or any mergers or amalgamations, within the period of 2 years preceding the date of the application for listing; and
- g) Such other documentation as may be required by the Listing Committee.

#### 4.2.6 Listing Particulars

The listing Particulars, which must be published, must contain all the specific items of information set out in Appendix 1.

#### 4.2.7 Corporate Disclosure Policy

In addition to the detailed requirements set out in Appendix 1, the Listing Particulars must, as an overriding principle, contain such particulars and information which accordingly to the particular nature of the issue and the securities for which listing is sought is necessary to enable an investor to make an informed assessment of the activities, assets and liabilities, financial position, management and prospects of the issuer and of its profits and losses and of the rights attaching to such securities.

### 4.3 Debt Securities

#### 4.3.1 Application of Rules

Section 4.2 of these rules which relate to applications for the listing of and permission to deal in equity securities, shall apply with the necessary modifications to applications for listing of, and for permission to deal in, debt securities subject to the following variations and additions:

- i. In addition to the supporting documents specified in section 4.2.5 of these Rules, a copy of charges created under the Companies Act to secure the debt securities must be supplied unless this has previously been supplied; and

- ii. Any issuer failing to make coupon payment to the bondholders on the coupon payment date shall be liable to pay an additional penalty for the number of days defaulted, at 15% per annum.

## CHAPTER 5

### CONTINUING LISTING OBLIGATIONS

#### DISCLOSURE

##### *5.1 Corporate Disclosure Policy*

Generally, and apart from compliance with all the specific requirements of this Chapter, the listed company shall keep the Exchange, its shareholders and investors of its listed securities informed as soon as reasonably practicable of any information relating to the company and its subsidiaries that:

- i. Is necessary to enable them and the public to appraise the financial position of the company and its subsidiaries, if any;
- ii. Is necessary to avoid the establishment of a false market in its securities; and
- iii. Might reasonably be expected materially to affect market activity in the price of its securities.

##### *5.2 Closure of Books*

The company shall publish in the newspapers notice of the closure of its books at least 14 calendar days before such closure.

##### *5.3 Notice of AGM and EGM*

The company shall publish in the newspapers notice of every Annual General Meeting and Extraordinary General Meeting.

#### ANNUAL ACCOUNTS

##### *5.4 Distribution of Director's Report and Annual Accounts*

The company shall upload a copy of the Director's report and its Annual Accounts (which must be prepared in accordance with the requirements of the Companies Act), not less than 14 calendar days before the date of the issuer's Annual General Meeting

### *5.5 Information to Accompany Director's Report and Annual Accounts*

The company shall include in its Director's Report and Accounts:

- i. A description of the principal activities of the company and its subsidiaries if any, where two or more such activities are so described, a statement giving in respect of each such activity and its turnover;
- ii. A geographical analysis of consolidated turnover and of its subsidiaries outside Bhutan if applicable;
- iii. A statement showing:
  - a) The name of every subsidiary, its principal country of operation, its country of incorporation and its main business; and
  - b) Particulars of the issued share capital and debt securities of every subsidiary, if applicable.

Provided that, if in the opinion of the Directors of the company and with approval of the Exchange, the number of them is such that compliance with this paragraph would result in particulars of excessive length being given, compliance with this paragraph shall not be required except in the case of subsidiaries carrying on a business the results of the carrying on of which in the opinion of the Directors materially affected the amount of the profit or loss of the company or the amount of the assets of the company.

- iv. A statement as at the end of the relevant financial showing:
  - a) The interest of each Director and Chief Executive of the issuer in the equity or debt securities of the issuer or any subsidiary; and
  - b) The details of any right to subscribe for equity or debt securities of the issuer granted to any Director or Chief Executive of the issuer, and the exercise of such right.
- v. The statement required by Section 5.5 (iv) of these Rules must:
  - a) Distinguish between beneficial and non-beneficial interest; and



- b) Specify the company in which securities are held, the class to which those securities belong and the number of such securities held.
- vi. In the event of operating results shown by the accounts for the period under review differing materially from any published forecasted by the issuer, an explanation for the difference;
- vii. A statement that the company has followed Financial Reporting Standards as prescribed by the Accounting and Auditing Standards Boards of Bhutan (AASBB) during the preparation of financial statement and the reasons for any significant departure from the applicable standards;
- viii. A statement as at the end of the financial year showing firstly, bank loans and overdrafts and secondly, other borrowings of the company, the aggregate amounts repayable:
  - a) On demand or within a period not exceeding one year;
  - b) Within a period of more than one year but not exceeding two years;
  - c) Within a period of more than two years but not exceeding five years; and
  - d) Within a period of more than five years.
- ix. In respect of the financial year, a statement of the amount of interest capitalized by the company during the year;
- x. Particulars of any contract of significance subsisting during or at the end of the financial year in which a Director of the company is or was materially interested, either directly or indirectly or if there has been no such contract, a statement of the fact;
- xi. Particulars of any contract of significance between the company or one of its subsidiary companies, or a substantial shareholder or any of its subsidiaries;
- xii. Particulars of any contract of significance for the provision of services to the company and its subsidiaries by a substantial shareholder or any of its subsidiaries;
- xiii. Particulars of any arrangement under which a Director has waived or agreed to waive any emoluments;

- xiv. Particulars of any arrangement under which a shareholder has waived or agreed to waive any dividends;
- xv. A summary in the form of a comparative table of the results and of the assets and liabilities of the company and its subsidiaries, for the last five financial years;
- xvi. Particulars on the number of Board meetings held during the year and attendance of each Board Director; and
- xvii. A statement if the company has not declared dividend for the year and the reasons thereof.

If the relevant Annual Accounts do not give a true and fair view of the state of affairs and profit or loss of the company and its subsidiaries, more detailed and/or additional information must be provided.

## INTERIM REPORTS AND PRELIMINARY ANNOUNCEMENTS

### *5.6 Interim Reports and Preliminary Announcements*

- i. All listed companies shall prepare in respect of the first six months of each financial year of the companies, unless that financial year is of six months or less, an interim report containing at least the information required by Section 5.7 (ii) of these Rules and within one week after the approval by the respective boards and a copy of such report shall be submitted to RSEB for record. The issuer shall
  - a) Publish in the newspapers the unaudited financial statement the day after approval by or on behalf of the Board;
  - b) Supply the Exchange immediately on publication with the names of the relevant newspapers and the date of the publication; and
  - c) As soon as reasonably practicable after such publication, upload a copy of the interim report on its website.
- ii. Each interim report referred to in Section 5.6(i) of these rules shall contain at least the following information stated in respect of the company and its subsidiaries if any, such information must be published in the company's website:
  - a) Operating revenue;

- b) Profit (or loss) before taxation;
  - c) Rates of interim dividend paid or proposed;
  - d) Transfers to or from reserves;
  - e) earnings per share calculated on the basis of profits before net of taxation;
  - f) comparative figures of the matters specified for the corresponding previous period;
  - g) a statement as at the end of the relevant period showing:
    - i. the interest of each Director and Chief Executive of the issuer in the equity or debt securities of the issuer and any subsidiary; and
    - ii. the details of any right to subscribe for equity or debt securities of the issuer granted to any Director or Chief Executive of the issuer and of the exercise of such right or if there is no such interest or no such right that has been granted or exercised, a statement of that fact;
  - h) the statement required by Section 5.6 (ii) (g) of this Rules may
    - i. distinguish between beneficial and non-beneficial interests; and
    - ii. specify the numbers of securities held.
  - i) an explanatory statement relating to the activities of the company and its subsidiaries and profit (or loss) during the relevant period which must include any significant information enabling investors to make an informed assessment of the trend of the activities and profit (or loss) of the company and its subsidiaries together with an indication of any special factor which has influenced those activities and the profit (or loss) during the period in question, and enable a comparison to be made with the corresponding period of the preceding financial year and must also, as far possible, refer to the prospects of the company and its subsidiaries in the current financial year; and
  - j) any supplementary information which in the opinion of the Directors of the issuer is necessary to be highlighted during the six-month period.
- iii. Where the accounting information given in an interim report has not been audited that fact must be stated. If the accounting information contained in an interim report

has been audited by the company's auditor, his report thereon including any qualifications must be set out in the interim report.

## NOTIFICATION

### *5.7 Changes*

The listed company shall inform the Exchange immediately of any decision made in regard to:

- i. any proposed alteration of the company's Articles;
- ii. any changes in its Board of Directors, and shall procure and lodge with the Exchange as soon as practicable after their appointment a signed undertaking in the form set out in Appendix 2, from each new Director;
- iii. any change in the rights attaching to any class of listed securities and any change in the rights attaching to any shares into which any listed debt securities are convertible or Exchangeable; and
- iv. any changes in its secretary, auditors or registered address.

### *5.8 Winding-Up and Liquidation*

All listed companies shall inform the Exchange on the happening of any of the following events as soon as the same shall come to their attention:

- i. the presentation of any winding-up petition or equivalent application in the country of incorporation or other establishment or the making of any winding-up order or the appointment of a provisional liquidator in respect of the company or its subsidiaries;
- ii. the passing of any resolution by the company or its subsidiaries by way of shareholders' or creditors' voluntary winding-up;
- iii. the entry into possession of or the sale by any mortgagee of a portion of the company's assets which in aggregate value represents an amount in excess of 15% of the consolidated net tangible assets of the company and its subsidiaries, if any; or
- iv. the making of any judgment, declaration or order by any court;

- v. or tribunal of competent jurisdiction whether on appeal or at first instance, which may diversely affect the company's enjoyment of any portion of its assets which in aggregate value represents an amount in excess of 15% of the consolidated net tangible assets of the company and its subsidiaries, if any.

### *5.9 Minimum Required Public Holdings*

- i. The Exchange shall inform if the number of listed securities which are in the hands of the public has fallen below the relevant required minimum percentage.
- ii. Once the company becomes aware that the number of listed securities in the hands of the public has fallen below the relevant prescribed minimum percentage, the company shall take steps to ensure compliance at the earliest possible moment.

## PRE-EMPTIVE RIGHTS

### *5.10 Pre-Emptive Rights*

- i. Except in the circumstances mentioned in Section 5.11(iii) of this Rules the Directors of the company shall obtain the consent of shareholders in General Meeting prior to:
  - a) allotting, issuing or granting:
    - (i) shares;
    - (ii) securities convertible into shares; or
    - (iii) options, warrants or similar rights to subscribe of any shares or such convertible Securities; and
  - b) any subsidiary of the company making any such allotment, issue or grant so as materially to dilute the percentage equity interest of the company and its shareholders in such subsidiary;
- ii. Notwithstanding Section 5.11 (iii) (b) of this Rules, the Directors of the company shall obtain the consent of the shareholders in General Meeting prior to allotting any voting shares, if such allotments effectively alter the control of the company.
- iii. No such consent as is referred to in Section 5.11 (i) of this Rules shall be required:
  - a) for the allotment, issue or grant of such securities pursuant to an offer made to the shareholders of the company and where appropriate, to holders of other equity securities of the company entitled to be offered them, pro rata (apart from fractional entitlements) to their existing holdings; or
  - b) if, but only to the extent that, the existing shareholders of the company have by ordinary resolution in general meeting given a general mandate to the directors

of the company, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to allot or issue such securities or to grant any offers, agreements or options which would or might require securities to be issued, allotted or disposed of, whether during the continuance of such mandate or thereafter, subject to a restriction that the aggregate number of shares allotted or agreed to be allotted must not exceed 10% of the existing issued share capital of the company.

- iv. A general mandate given under Section 5.11 (iii) (b) of this Rules shall only continue in force until:
  - a) the conclusion of the first Annual General Meeting of the company following the passing of the resolution at which time it shall lapse unless by ordinary resolution passed at that meeting, the mandate is renewed, either unconditionally or subject to conditions; or
  - b) revoked or varied by ordinary resolution of the shareholders in General Meeting whichever occurs first

## APPROVAL OF DOCUMENTS

### *5.11 Approval of Documents*

In addition to the specific requirements set out in these Rules, the company shall submit to the Exchange, for approval:

- i. copies of drafts, before they are issued, of any announcements or advertisements relating to the issue of new or further securities (other than pursuant to a capitalisation issue) or any announcements or advertisements, the subject matter of which may involve a change in or relate to or affect arrangements regarding trading in its listed securities (including a suspension of dealings);
- ii. copies of drafts, before they are issued, of any documents issued in connection with takeovers, mergers or offers; and
- iii. copies of drafts, before they are issued, of any proposed amendments to its articles.

## Code of Corporate Governance

All listed companies other than licensed by the RMA shall ensure compliance of the following code of Corporate Governance. The respective dates of compliance are mentioned in the Annexure A to the Code.

**i. Appointment of Board of Directors.**

- a) The nominees for Directorship other than the Director representing the minority shareholders shall be recommended by the Board of the listed companies and their appointment on the Board shall be endorsed by the shareholders during the Annual General Meeting.
- b) The subscriber of the Articles of Incorporation who are individuals shall be deemed to be the Directors of the company until such Directors are duly appointed in the General Body Meeting.
- c) All Directors are required to submit themselves for re-election or reappointment in accordance to Chapter 7, Section 138 of the Companies Act.
- d) While reappointing the members, a company shall give the attendance record of the concerned Directors. If the Director has been absent with or without leave for 50% or more during the meetings, the Director is not eligible for re-election or reappointment.

**ii. Qualification and Eligibility to Act as a Director**

- a) No company shall appoint or continue the appointment of any person as a director as per section 141 of the Companies Act.

**iii. Composition of Board of Directors**

- a) Subject to compliance of the provisions under the Companies Act, the following shall apply for the listed companies:
  - (i) Every listed company shall have minimum of three Directors and the Board shall be comprised of a majority of non-executive Directors.
  - (ii) In a board of listed company, at least 1/3rd of the directors shall be independent; to protect the interest and investment of all the shareholders and particularly the minority shareholders. To ensure an appropriate balance of power and increased accountability, the roles of CEO and Chairperson shall not be combined.
  - (iii) A maximum of two Executive Directors shall be permissible on the Board.

- (iv) If an Independent Director resigns or is removed from the office, the company shall notify the Exchange of the reasons.
- b) The Board shall meet at least 4 times in a year with a maximum time gap of 4 months between any two consecutive meetings. The minimum information required to be placed before the Board shall be as stated in the Annexure B to the Code.

**iv. Independent Directors**

- a) An Independent Director means a person as defined in Chapter 7, Section 135 of the Companies Act.
- b) Independent Directors shall be nominated by the Board and their appointment shall be endorsed by the shareholders.
- c) The company shall put in place a policy for specifying criteria of Independent Directors such as experience and expertise, foresights, managerial quality and ability to read and understand financial statements. Such policy should be accepted by the Board and endorsed by the shareholders.
- d) The company must submit a copy of certificate as outlined in Annexure C to the Code duly signed by the Independent Directors to the Exchange at the time of their appointment.
- e) The tenure for any Independent Director must not exceed for a period more than (Not fixed as it will be determined by rotation cycle under Chapter 7, Section 138 of the Companies or as determined by the company in its articles with the approval of the ROC) and the maximum number of listed companies in which an individual Director may serve as an Independent Director should be restricted to 3 provided the individual doesn't hold Directorship in other non-listed companies.
- f) To enable the Independent Directors to perform their duties effectively, the company should give the option and opportunity to interact with the management periodically including access to additional information for the purpose to carry out study and analyze various aspects of the company.

**v. Roles of the Board of Directors**

The Board of Directors' key role is to ensure the company's prosperity by collectively directing the company's affairs, at the same time meeting the appropriate interests of its shareholders and stakeholders. In addition to business and financial issues, Boards of Directors must also deal with challenges and issues relating to Corporate Governance, Corporate Social Responsibility and Corporate Ethics. The roles of the Board are given below:

- a) Establish Vision, Mission and Values



The Board should determine the company's vision and mission to steer and set the pace for its current operation and future development. The Board is also responsible to implement and promote corporate values which are found desirable to the company.

b) Stewardship of the Company

The Board of Directors of the company should explicitly assume the role of stewardship and should assume the responsibility for overseeing operation of the business and supervising management. Further, the Board shall establish a sound internal control which is effectively implemented at all levels within the company.

c) Set Strategy and Structure

The Board is responsible for reviewing and approving company's business and financial policy in order to meet the business objectives and to maximize shareholders' value. While doing so the Board must evaluate present and future opportunities, threats and risks in the external environment and current and future strengths, weaknesses and risks relating to the company. The Board is also responsible for determining business strategies and plans that support the corporate strategy and ensure that the company's organizational structure and capability are appropriate for implementing the chosen strategies.

d) Appoint Chief Executive Officer and Senior Executive of the Company

The Board is responsible for the appointing, training and monitoring of the CEO and other senior management of the company. The Board is also responsible for overseeing management succession planning related to the replacement of the current senior management team and ensure that processes are in place to recruit senior managers with highest standard of integrity and competence.

e) Delegation of Power to the Management

The Board should delegate certain authority to the management as specified in the charter or internal regulations to manage day to day affairs of the company. The Board should approve the internal regulations of the company regarding routine activities specifying the responsibilities and the authorities of the executive management.

f) Communication with the Shareholders and Relevant Stakeholders

The Board must ensure that the communication policies of the company both to and from shareholders and relevant stakeholders are effective. The Board should approve all the major communications, including annual reports and financial

documents. The Board must also ensure that the company complies with timely and continuous disclosure requirement as prescribed by the acts and by-laws.

The Board must make constructive use of the Annual General Meeting to communicate with the shareholders.

**vi. Code of Business Conducts and Ethics**

Every company must adopt the code of business conduct and ethics for members of the Board of Directors and employees. The code shall provide guidance to Directors and employees to help them recognize and deal with ethical issues provide mechanisms to report possible unethical conduct and foster a culture of honesty and accountability. All Directors and employees must comply not only with the terms, but also the intent, of the Code. Among other requirements the code must contain the following provisions:

a) Conflict of Interest.

Conflict of interest arise when the Director's or employees' personal interest interferes or appears to interfere over the interest of the company in general. A conflict situation can arise when a Director or an employee takes actions or has interests that may make it difficult to discharge his/her responsibilities effectively. Conflicts of interest may also arise when a Director or an employee or a member of his or her immediate family, receives improper personal benefits as a result of his or her position as a Director or an employee of the company.

Every Director/employee must avoid any conflicts of interest arising between him/her and the company. Any situation that involves, or may reasonably be expected to involve, a conflict of interest with the company, should be disclosed promptly to the Board or the management.

Board members shall recuse themselves if it involves, or may reasonably be expected to involve a conflict of interest and shall not participate in the consideration of any matter or attempt to affect the outcome of any issue before the Board.

Directors may not accept compensation (in any form) for services performed for the company from any source other than the Company.

b) Corporate Opportunities Directors/employees are prohibited from:

(i) Taking opportunities to gain personal benefits from the company's business;

(ii) using the company's property, information, or position for personal gain;  
or

(iii) competing with the company for business opportunities, provided, if the company decides not to pursue an opportunity that relates to the company's business, a Director/employee may do so.

c) Confidentiality

Directors/employee should maintain the confidentiality of information entrusted to them by the company including any other confidential information about the company that comes to them, except when disclosure is authorized by the Board/Management or legally mandated. For this purpose, "confidential information" includes all non-public or proprietary information relating to the company.

d) Compliance with Laws, Rules and Regulations

Directors shall comply, and oversee compliance by employees, officers and other Directors, with laws, rules and regulations applicable to the company, including insider trading laws as specified under Section 113 of the Companies Act.

e) Encouraging the Reporting of Any Possible Illegal or Unethical Behavior

Directors should take extra steps to ensure that the company:

(i) promotes ethical behavior;

(ii) encourages employees to talk to supervisors, managers and other appropriate personnel when in doubt about the best course of action in a particular situation;

(iii) encourages employees to report violations of laws, rules, regulations or the company's Code of Ethics and Business Conduct to appropriate personnel; and

(iv) Informs employees that the company will not allow retaliation for reports made in good faith.

**vii. Orientation and Education of Board of Directors.**

a) Every company shall provide an orientation and education program to its new Directors and such practice should be an integral part of the process for

appointing new Directors. The company should ensure that the Directors are inducted through a suitable familiarization process covering, inter-alia their roles, responsibilities and liabilities. Efforts should be made to ensure that every director has the ability to understand basic financial statement and related documents.

- b) If the company has Governance Committee of the Board in place, the committee is responsible for organizing such induction programs for the Directors.
- c) The senior management should make presentations to the Board on main areas of the company's business and provide useful information about the company. If possible, for convenience and easy reference the company may develop a Board manual for the members containing useful information about the organization, Board structure and operations and fellow Board members and staff.

**viii. Independence of the Board of Directors.**

- a) Every Board should have in place appropriate structure beyond these guidelines to ensure that the Board functions independently of the management. The Board should appoint its chairperson who is not a member of the management with the responsibility to ensure that the Board discharges its task effectively.
- b) The non-executive Directors should play a material role in the decision making and should become active participants in the Board and should have defined responsibilities within the Board and other committees.
- c) A listed company shall be separated from its substantial shareholders in such aspects as personnel, assets and financial affairs and shall be independent in institution and business, shall practice independent business accounting and shall independently bear risks and obligations.
- d) The personnel of a listed company shall be independent from the substantial shareholders. The management, employees and secretary of the Board of Directors of the listed company shall not take posts other than as a Director in a substantial shareholder's entities. In the case where a member of a substantial shareholder's senior management concurrently holds the position of Director of the listed company, such member shall ensure adequate time and energy to perform the work for the listed company.
- e) The assets invested by a substantial shareholder in a listed company shall be independent, complete and with clear indication of ownership. Where substantial shareholders invest non-cash assets into a listed company, ownership registration procedures shall be completed and explicit boundaries for such assets shall be clarified. The listed company shall independently register such assets, independently set up account for such assets, and independently carry out

business accounting and management for such assets. The substantial shareholders shall not misappropriate or control such assets or interfere with the listed company's management of such assets.

**ix. Remuneration of Directors and Chief Executive Officer**

- a) The company should ensure that the level and composition of remuneration to the Directors are reasonable and sufficient to attract, retain and motivate Directors of the quality required to fulfill their roles and responsibilities effectively. The company must also ensure that the compensation of Directors realistically reflects the responsibilities and risk involved on being an effective Director.
- b) Remuneration policy for the members of the Board, committees and CEO should be clearly laid down and such policy should be approved by the shareholders during the General Body Meeting.
- c) If possible, the company may form a remuneration committee and such committee should comprise of at least three members of whom majority should be non-executive Director with at least one Independent Director. The committee is responsible for determining remuneration to the Directors, members of the committees and the CEO, and the principles, criteria and the basis of remuneration policy should be disclosed to the shareholders. The committee may also recommend and monitor the salary structure for the senior management and its employees.
- d) In order to ensure better effort from the non-executive Directors other than the Independent Directors, the company may pay compensation over and above the sitting fees for the use of the professional inputs. Such commissions could be in the form of monetary remuneration (profit based) or through stock options and any such proposals should be approved by the shareholders.  
In order to attract, retain and motivate the independent directors of the quality to contribute effectively to the company, they may be paid adequate sitting fees depending upon their contribution to the company. However, the compensation to these directors may not be allowed to be paid in the form of stock option or through profit-based compensation as their independence may be compromised.

**x. Audit Committee**

- a) A Company with the paid up capital over Nu.100 million shall set up an Audit Committee with clearly defined terms of reference and must assist the Board of Directors in Board's oversight responsibilities relating to the integrity of the company's financial statements, financial reporting process and systems of

internal accounting and financial controls; the qualifications, independence, and performance of the statutory auditor and the performance of the company's internal audit department; and the company's legal and regulatory compliance. However, for those companies which has been listed on the Exchange for less than 5 years, as an interim arrangement the Board shall assume the role of Audit Committee.

- b) The Board shall set up an Audit Committee in accordance to the following guidelines:
- (i) The committee shall comprise of at least three members, with two-third of members being the non-executive Directors including at least one Independent Director and the members are to be appointed by the Board.
  - (ii) The Chairperson of the committee shall be an Independent Director or non-executive Director.
  - (iii) All the members of the committee shall be financially literate (ability to read and understand basic financial statement) and at least one member shall have accounting or related financial management expertise.
  - (iv) The Audit Committee shall meet at least four times a year with majority of the Directors including the Independent Director being present in the meeting.
  - (v) The Board shall set up the terms of reference for the Audit Committee specifying its authority and responsibilities and description on the method to discharge its responsibilities effectively.
  - (vi) The Audit Committee shall have the authority to call on the presence of the Head of Internal Audit or the Finance Manager as invitees in the meeting. The committee also has the power to seek information from any employee of the company and securing the advice and attendance of outsiders with relevant expertise if considered necessary.
  - (vii) The Audit Committee shall hear the views of the external auditors before forwarding the annual accounts to the Board and the shareholders meeting for approval.
  - (viii) The Audit Committee shall hear the views of the internal auditors at least once a year without the presence of the management.

(ix) The primary role of the Audit Committee shall be as per Annexure D to the Code.

- c) The company with the paid-up capital over Nu.100 million shall set up an internal audit cell with the aim to accomplish the company's objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
- d) The requirement specified under clause (c) above maybe exempted provided the companies outsource the function of internal audit to the external auditors and the findings are submitted to the Board or Audit committee on quarterly basis.
- e) Internal Auditors' roles include monitoring, assessing, and analyzing organizational risk and controls, and reviewing and confirming information and compliance with policies, procedures and laws.
- f) The internal auditors shall work in partnership with the management and shall be responsible to the Board and the Audit Committee.
- g) All listed companies shall appoint/remove its external auditors as per section 251 of the Companies Act.

**xi. Related Party Transaction**

- a) A 'related party transaction' is a transfer of resources, services, or obligations between the parties, in which:
  - (i) the aggregate amount involved exceeds Nu. 200,000;
  - (ii) the company is a participant; and
  - (iii) the related party has or will have a direct or indirect material interest.

For this purpose, the definition of related party shall include the following:

- (i) Any person who is a Director of the company/parent company/subsidiaries/fellow subsidiaries;

- (ii) Any person who was Director in the last 12 months in the company/parent company/subsidiaries/fellow subsidiaries;
  - (iii) Chief Executive Officer or any employee having significant influence in the company or reports directly to the Board;
  - (iv) Any person who is a significant shareholder (holds or controls 10% or more of the paid-up shares) of the Company or any other company which is its subsidiary or parent company or is a fellow subsidiary of its parent undertaking;
  - (v) Any person who is an associate of any natural person as mentioned under 1,2,3 and 4 above; and
  - (vi) Any person who is an associate of any juristic person as mentioned under 1, 2 and 3 above.
- b) The related party shall not engage in any transactions with the company where the party holds direct or indirect interest except under following conditions:
- (i) Any transactions or contracts carried out between the related party and the company in the ordinary course of business shall be without any differential advantage accruing to the related party. Such transactions shall be notified in the Annual General Meeting on post-facto basis;
  - (ii) The company shall have a policy in place to address any related party transactions and such policy shall be approved by the Board;
  - (iii) Where the amount of any transaction or contract is below Nu. 200,000, the company shall disclose to the Board or the Audit Committee the nature of such transaction, direct or indirect interest of the party and the name of the related party;
  - (iv) Where the transaction or contract exceeds Nu. 200,000, the company shall obtain approval from the Chairperson of the Board or the Audit Committee prior to the execution of the transaction. Such transactions



shall be approved only if the Chairperson of the Board or the Audit Committee is satisfied that it doesn't involve any conflict of interest, it is carried out at arm's length and absence of such transaction may lead to non- attainment of the company's objective.

- (v) The company shall enter into written agreement with the related parties if the transaction amount exceeds Nu. 200,000. Such agreements shall observe principles of equality, voluntarily, and making compensation for equal value. The contents of such agreements shall be specific and concrete. Matters such as the signing, amendment, termination and execution of such agreements shall be disclosed by the company in accordance with the relevant laws and regulations.
  
- (vi) Any contracts or transactions in which the Director of a company is interested must conform to Chapter 7, Section 159 of the Companies Act.
  
- (vii) A statement in a prescribed or structured format giving details about all related party transactions taken place in a particular year should be included in the Board of Director's report for disclosure to the stakeholders.
  
- (viii) The record of the related party transaction shall include the following particulars in respect of each transaction:
  - a) Name of related party;
  
  - b) Nature of relationship with the related party;
  
  - c) Nature of transaction;
  
  - d) Amount of transaction;
  
  - e) Terms and conditions of transactions, including the amount of consideration received or given;
  
  - f) Basis or method for determining such consideration;
  
  - g) Detailed assumption and estimates underlying the transfer price and details of computation and transfer price; and

- h) A statement whether, in management's opinion, such consideration is an arm's length price along with appropriate explanation in case of exception to arm's length price.

**xii. Shareholder's Rights and Privileges**

- a) As the owner of a company, the shareholders shall enjoy the legal rights stipulated by Companies Act, administrative regulations and the company's Articles of Incorporation;
- b) The corporate governance structure of a company shall ensure fair treatment toward all shareholders, especially minority shareholders. All shareholders are to enjoy equal rights and to bear the corresponding duties based on the shares they hold;
- c) The company must make every effort to educate its shareholders regarding their rights and responsibilities through engaging in regular, effective and fair communication with the shareholders at the General Body Meeting or through any other means;
- d) The Directors should ensure that shareholders' statutory and general rights are protected at all times;
- e) Shareholders shall be responsible for appointing Directors and approving the terms and conditions of their Directorships;
- f) Voting rights and procedures must be clearly explained to shareholders so they may fully assert their rights in the General Body Meetings. The shareholders can either be present at the shareholders' meetings in person or they may appoint a proxy to vote on their behalf; and
- g) In establishing the voting procedures and rights, its Articles of Incorporation and the provision specified under Chapter 3, Section 23 of the Companies Act must guide every company.

**xiii. Controlling and Substantial Shareholder**

- a) The controlling and substantial shareholders owe a duty of good faith toward the listed company and other shareholders. The controlling shareholders of a listed

company shall strictly comply with the laws and regulations while exercising their rights as investors, and shall be prevented from damaging the listed company's or other shareholders' legal rights and interests, through means such as assets restructuring, or from taking advantage of their privileged position to gain additional benefit.

- b) The important decisions of a listed company shall be made through a shareholders' meeting or Board of Directors' meeting in accordance with the Companies Act or these rules. The controlling or substantial shareholder shall not directly or indirectly interfere with the company's decisions or business activities conducted in accordance with the laws; nor shall they impair the listed company's or other shareholders' rights and interests.
- c) The controlling or substantial shareholders shall have the right to nominate their candidates for Directors in strict compliance with the terms and procedures provided for by the Companies Act or these rules. The nominated candidates shall possess certain relevant professional knowledge and the capability to make decisions or supervise.
- d) The resolutions passed by the shareholders' meetings, electing personnel or the Board of Directors' resolutions appointing personnel shall not be subjected to approval of the controlling or substantial shareholders. The controlling or substantial shareholders are forbidden to appoint senior management personnel by circumventing the shareholders' meetings or the Board of Directors.

**xiv. General Meetings**

- a) The general meetings, in particular the Annual General Meeting is the main means of communication between the shareholders, Management and the Board.
- b) The venue of a General Body Meeting of shareholders shall be carefully chosen in such a way as to make it possible and affordable (in terms of distance and cost) for the majority of shareholders to attend and vote.
- c) Notices of General Body Meeting shall be sent at least 21 days before the meeting and such notice shall include information on the agenda items and other information which will enable the shareholders to vote properly on any issue.
- d) Information made available to the substantial & institutional shareholders should also be made available to other shareholders at the same time in such a manner as to ensure that neither group enjoys preferential treatment.

- e) The quorum for a general meeting of shareholders other than Annual General Meeting shall be as prescribed in the Articles of Incorporation of the respective companies.
- f) The quorum for Annual General Meeting shall consist of members representing at least 70% of the issued shares present in person or represented through the appointment of proxy.
- g) The outcome and proceedings of General Body Meetings shall be recorded and be verifiable, such records shall be maintained in accordance to Chapter 8, Section 195 of the Companies Act.

**xv. Disclosure of Information**

a) Board Meetings

All listed companies shall, on a confidential basis, inform the Exchange of the details of the declaration, recommendation or payment of a dividend is expected to be decided or at which any announcement of the profits or losses for any year, half- year or other period is to be approved for publication or any other major event ( such as issue of new shares, Rights Issue and bonus) that is likely to have an influence on the price of the securities or would affect an investors decision to purchase or sell the securities is to be decided upon, at least three clear business days in advance of the date fixed for such board meeting.

b) After Board Meetings

The listed company shall inform the Exchange immediately (within 24 hours) after approval by or on behalf of the Board of:

- (i) any decision to declare, recommend or pay any dividend or to make any other distribution on its listed securities and the rate and amount thereof;
- (ii) any decision not to declare, recommend or pay any dividend which would otherwise have been expected to have been declared, recommended or paid in due course;
- (iii) any preliminary announcement of profits or losses for any year, half-year or other period;

- (iv) any proposed change in the capital structure, including any redemption of its listed securities; and
  - (v) any decision to change the general character or nature of the business of the listed company and its subsidiaries, if any.
- c) Every company must ensure that it issues an annual report that complies with the provisions of the Companies Act and these Rules. The report must also contain corporate governance section where they may disclose whether they have complied with the provisions specified above and if not, the company must explain why the compliance could not be achieved.
- d) In addition to the disclosure requirements specified under chapter 5 of this Rules, the company must ensure that all current or potential conflicts of interests and interested third party transactions by the Directors or the management are disclosed to the Exchange and in the Annual Report.
- e) A company shall make public disclosure of any material information within 24 hours of its occurrence first to the Exchange and at the same time to the press or the news media. Material information is defined as information reasonably expected to have a material effect on the price, value or market activity of any shares or on the decision of an investor that will affect the choice of action.

## GENERAL

### *5.12 Director's Service Contracts*

The listed company shall ensure that no service contract of 10 years or longer duration shall be granted by the company or any of its subsidiaries to any Director or proposed Director of the company and its subsidiary if any, without the prior approval of the shareholders of the company in a general meeting at which the relevant director shall be refrained from voting on the matter.

### *5.13 Subsequent Listing*

The company shall apply for the listing of any further securities which are of the same class as securities already listed, prior to their issue, and shall not issue such securities unless it has applied for the listing of those securities and the Exchange has approved the application in line with Chapter 6 of this Rule.

#### *5.14 Proxy Forms*

The company shall upload proxy forms along with the notice convening a meeting of holders of listed securities to all persons entitled to vote at the meeting, with provision for two-way voting on all resolutions intended to be proposed there at.

#### *5.15 Equality of Treatment*

The company shall ensure equality of treatment for all holders of securities of the same class who are in the same position.

#### *5.16 Sufficient Operations*

The company shall carry out, directly or indirectly, a sufficient level of operations or have tangible assets of sufficient value and/or intangible assets for which a sufficient potential value can be demonstrated to the Exchange to warrant the continued listing of the issuer's securities.

#### *5.17 Response to Enquiries*

The company shall respond promptly to any enquiries made by the Exchange or the RMA concerning unusual movements in the price or trading volume of its listed securities or any other matters by giving such relevant information as is available to the company or, if appropriate, by issuing a statement to the effect, that the company is not aware of any matter or development that is or may be relevant to the unusual price movement or trading volume of its listed securities and shall respond promptly to any enquiries made of the company by the Exchange or the RMA.

#### *5.18 Variation*

The Exchange shall be entitled to require the publication of further information by, and impose additional requirements on the company, where it considers that circumstances so justify, but will allow representations by the company before imposing any additional requirements on it, which are not imposed on listed companies generally.

#### *5.19 Insider Dealing*

Insider dealing has the same meaning as in Companies Act. Insiders must not trade on the basis of material information which is not known to the investing public. Furthermore, insiders should refrain from trading, even after material information has been released to the press and other media, for a period sufficient to permit thorough public dissemination and evaluation of the information.

#### *5.20 Penalty*

Whoever fails or refuses to comply with, or contravenes any provision of these rules, or knowingly and willfully authorizes or permits such failure, refusal or contravention, shall, in addition to any other liability under the Companies Act, be also punishable with fine not exceeding five thousand Ngultrum and in case of continuing failure, refusal or contravention to a further fine not exceeding Five hundred Ngultrum for every day after the first during which such contravention continues.

### *5.21 Inspection*

In order to ensure strict compliance to these Rules by the listed companies, the RSEB may carry out inspection with regard to compliances whenever necessary.

## CHAPTER 6

### BONUS AND RIGHTS ISSUE

#### BONUS ISSUE

##### *6.1 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:

- i. The bonus issue should be made out of free reserves which are created from legitimate profits or share premium collected in cash only;
- ii. Reserves created by re-valuation of fixed assets shall not be capitalized;
- iii. If the company has not made profit during the year, declaration of bonus issue, in lieu of dividend, shall not be made;
- iv. The company has;
  - a) Not defaulted in payment of interest or principal in respect of loans and advances availed from the Financial Institutions; and
  - b) 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.
- v. The RSEB 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;
- vi. 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;
- vii. 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 (viii) of this Rule and subsequently seek the approval of the Registrar of Companies under Chapter 3, Section 28 of the Companies Act.



- viii. 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 Chapter 6, Section 123 of the Companies Act.
- ix. 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 RSEB. The issuing company shall immediately announce the record date of bonus issue through the media for the benefit of the shareholders.
- x. The Exchange shall set the Ex-bonus date prior to the Record Date based on T+2 clearing and settlement principle coinciding with one of the trading days. 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.
- xi. All investors holding the shares on the record date are eligible for the bonus shares.

### *6.2 Information to Central Depository*

- i. The issuing company shall inform the Central Depository to execute transaction of bonus issue to affect the increase of its paid-up shares in the record of Exchange's Electronic Depository System.
- ii. 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 shall be as per the Central Depository Rules.

### *6.3 Procedure for Listing of Additional Shares on the Exchange*

The company shall put up a formal application for listing of additional securities to the RSEB 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 shares;
- 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; and

- iii. 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 condition specified under section 6.1 of these rules, the Exchange shall inform the applicant in writing of the deficiencies generally within 1 week from the receipt of the said application and the company shall correct the deficiencies within fifteen days of communication thereof.

## RIGHTS ISSUE

### *6.4 Announcement to the Exchange*

Every listed company shall immediately inform the Exchange of all decisions taken by its Board of Directors regarding the issue of right shares. The information shall include:

- i. The certified copy of the Board minutes;
- ii. The number of shares to be issued;
- iii. The proportion in which shares are to be issued;
- iv. The price of the rights share; and
- v. The purpose for which the proceeds of the issue are to be utilized.

### *6.5 Conditions to be Fulfilled Prior to Making Rights Issue*

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

- i. 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;
- ii. The proceed of previous public offering or any additional issue has been utilized fully;
- iii. 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 (viii) of this Rule and subsequently seek the approval of the Registrar of Companies as per Chapter 3, Section 28 of the Companies Act; and
- iv. 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 Chapter 6, Section 123 of the Companies Act.

### *6.6 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;

- i. The company shall set the price of right issue at a discount to the market price;

- ii. The company shall not set the price of its rights share above facevalue; if it has not been in commercial operation for past 3 years or do not have track record of profitability and net positive cash flows from its operating activities; and
- iii. The number of rights shares proposed shall not exceed five for each existing share held in the company.

#### *6.7 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 15 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:

- i. Rights Issue offer document;
- ii. Special resolution passed in the General Body Meeting approving the issue;
- iii. Extract of Article of Incorporation permitting the company for such issue;
- iv. Original auditors' report and certificate with the related financial statements, if not furnished to the Exchange; and
- v. Undertakings by the company and Directors in prescribed form (FORM A).

#### *6.8 Contents of the Rights Issue Offer Document.*

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

- i. Name of the issuing company, address and date of the rights issue offer document;
- ii. Total amount of rights shares in Ngultrum, divided into number of shares, issue price of each share, and number of right shares offered for each existing share;
- iii. Highlight of the rights offer, risk factors, and management plans for reduction of such risks;
- iv. Date and time of opening and closing of subscription;
- v. 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 project and also highlights of such projects;
- vi. 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 3 years or such shorter period during which the issuer was in commercial operation;
- vii. If the issue price of rights share is higher than the face value of thereof, justification for the premium should be stated with reference to:
    - a) Net asset value per share at historical or current costs;
    - b) Price Earnings Ratio calculated for preceding 3 years or such shorter period during which the issuer was in commercial operation;
    - c) Average market price per share for the last 6 months immediately prior to the offer for rights issue;
    - d) Projected earnings per share/book value for the next 3 accounting year as per the assessment of the issuer;
    - e) Projected cash flow statement, profit and loss account, balance sheet for the next 3 years after the rights issue; and
    - f) Summarized audited cash flow statement, profit and loss account and balance sheet, and dividend declared and paid for each of the 3 years preceding the issue of rights share offer document.
  - viii. 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.
  - ix. Name, address, description and occupation of directors; managing director, managers and company secretary of the company;
  - x. Name of the public listed companies under common promoters, if any;
  - xi. 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;
  - xii. 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; and
  - xiii. A statement that a lock-in on the rights shares of the significant owner (including their renounced shares) for a period of 2 years from the date of closure of the rights share subscription shall be operative.

### *6.9 Approval and Rejection*

- i. 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 1 week from the receipt of the said application, and the company shall correct the deficiencies within 15 days of communication thereof.
- ii. 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, Royal Monetary Authority of Bhutan, 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.
- iii. 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 a week of decision passed by the committee.

### *6.10 Public Announcement for Rights Issue*

The listed company making offer for rights issue shall:

- i. Announce two separate dates 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;
- ii. 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;
- iii. Disseminate the receipt of the approval along with purpose of the rights issue, amount of issue, price of rights shares 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 3 working days;
- iv. Commence record date not earlier than 7 working days and not later than 14 working days from the date of approval by the Exchange;
- v. The issuing company shall immediately announce the record date of Rights Issue through the media for the benefit of the shareholders once approved by the Exchange; and
- vi. 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.

### *6.11 Appointment of Broker and Subscription*

- i. The issuing company shall appoint a broker to execute the transaction of rights issue and to affect the increase of its paid-up shares in the record of Exchange's trading system.
- ii. Subscription shall be received through the broker to the issue during the subscription period of not less than 15 days and not more than 30 days.
- iii. Subscription opening date shall commence within 7 working days from the record date as mentioned in Section 6.10 (iv) of this Rules.

### *6.12 Information on Rights Issue*

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

- i. Statement of the subscription received against the offer for rights issue within 2 weeks of the closing of the subscription lists; and
- ii. Statement of the subscription received from the broker against the under subscribed shares within a week of the expiry of the subscription period.

### *6.13 Renunciation of Rights Issue*

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

- i. The shareholders who do not want to renounce their rights shall have the option to sell their rights as per Section 6.14 (i);
- ii. Any shareholder not exercising their rights, the RSEB shall treat their rights as renounced and shall be sold as per Section 6.14 (ii); and
- iii. The rights issue offer document shall contain a letter of renunciation and sale of rights attached to an allotment letter that the shareholder completes if he/she decides to transfer or sale his/her entitlement to another person.

### *6.14 Option for Sale of the Rights Issue*

The shareholders shall have the option for sale of their rights through the RSEB auctioning process. All shareholders who agree to sale their rights shall inform the executing broker through the rights issue form;

- i. The RSEB shall offer sale of the rights issue through an auctioning process where the buyers shall be allowed to bid for the sale volume. The best price shall be determined through RSEB auctioning process where prices shall be placed in descending order,

the price at which the total volume gets filled shall be the auction price. The orders shall be allocated as per pro-rata allocation method with time priority;

- ii. After the close of the rights issue, the executing broker shall submit the list of the shareholders in the following format:
  - a) Shareholders who have subscribed;
  - b) Shareholders who have renounced; and
  - c) Shareholders who have not subscribed.
- iii. The RSEB shall announce the date for the auction of the rights within 2 working days from the receipt of the list of the shareholders from the executing broker;
- iv. The auction of the rights issue shall be open for 3 working days, after the announcement;
- v. Interested bidders shall submit their bids for the rights issue through any broker according to the bid order form and the minimum lot size shall be 100 shares.
- vi. Interested bidders shall deposit 25% as advance of the initial bid value in order to qualify for the auction. Successful bidders shall deposit the remaining amount on the allotment date. If the successful bidders fail to deposit the amount on the allotment date, the 25% advance shall be forfeited in favor of the RSEB.
- vii. In the event of unsuccessful auction or if the right issue is partially auctioned, the remaining rights issue shall be exercised by the company in the most beneficial manner that the company deems fit.

#### *6.15 Broker's Commission and Settlement Procedures*

- i. Permissible fee charged to the bidders by the respective brokers for the auction shall be 2% of the successful bid value;
- ii. The Exchange shall charge 1% of the total successful bid value from the respective brokers;
- iii. The RSEB shall provide the allotment list of the successful bidders to the respective brokers for the purpose of payment and settlement;
- iv. The respective brokers shall deposit the proceeds from the auction to the settlement account of the RSEB. The RSEB shall be responsible to transfer the rights issue subscription proceeds to the issuing company. The difference between the auction price and the rights issue price shall be paid to respective shareholders through the executing broker.

*6.16 Listing of Additional Securities on the Exchange.*

- i. The Exchange shall list the additional issue after the receipt of the statement of the subscription received against the offer for rights issue within 2 weeks of the closing of the subscription lists as mentioned in Section 6.12 of this Rules.
- ii. The issuing company shall make an application for official listing of rights issue to the Exchange.



## CHAPTER 7

### DELISTING OF SECURITIES

These rules shall be applicable in delisting of securities of companies and specifically shall apply to:

#### 7.1 Voluntary Delisting

A company may delist from the Exchange, where its securities are listed:

Provided that the securities of the company have been listed for a minimum period of 3 years on the Exchange and that an exit opportunity has been given to the shareholders for the purpose of which an exit price shall be determined in accordance with the “Market Price of Past 12 weeks or the Book Value of the Company.” The order of delisting shall be prepared, if after evaluation of the petition and required documents, the Exchange finds that the delisting will not prejudice the interests of the shareholders.

##### *7.1.1 Procedures for Voluntary Delisting*

- i. Appoint an Independent Financial Advisor/Independent Professional, with the approval of the Board, to act as an advisor and to give recommendation to the shareholders who are not concerned with the issuer for supporting their consideration of the request for delisting of its securities. The Independent Financial Advisor/Independent Professional shall perform its function as an Independent professional and act fairly for the interest of the shareholders and shall meet the qualifications as may be prescribed by the Exchange;
- ii. Notify the Exchange of the resolution of the Board of Directors of the issuer in respect of the delisting of its securities;
- iii. Hold a shareholders’ meeting to seek special resolution for delisting of its securities;
- iv. The issuer shall submit an application to delist its shares in accordance with these Rules to the Exchange. The Listing Committee shall consider the application and notify the issuer of the result of consideration within 30 days from the date of receipt of the application by the Exchange of the accurate and complete documents and evidence from the issuer. The Listing Committee may impose any conditions, as it deems appropriate;
- v. After the Listing Committee notifies the result of its consideration of the delisting of securities, the issuer shall cause the offer to purchase the securities to be prepared in accordance with the requirements prescribed by the Exchange. The period for the offer to purchase the securities shall be equal to the maximum period prescribed by the Exchange;

- vi. In ordering the delisting of securities of the issuer, the RSEB shall order and designate the date on which the delisting shall take effect. After thesecurities of the issuer are delisted, such securities shall lose their statusof listed securities;
- vii. The issuer applying for delisting shall not have any unpaid fees orpenalties; and
- viii. In the event that an issuer seeks the listing of securities that was oncedelisted, the same shall be treated as a new listing

#### *7.1.2 Public Announcement for Voluntary Delisting*

- i. Before making application for delisting, the issuer or the substantial shareholders shall make a public announcement; and
- ii. The public announcement shall contain inter-alia information specified in Schedule I.

#### *7.1.3 Exit Price for Voluntary Delisting of Securities*

- i. The issuer who desires to delist from the Exchange shall determine an exit price for delisting of securities in accordance with the “Market Price of Past 12 weeks or the Book Value of the Company”;
  - a) In the event, if the Listing Committee find the exit price proposed by the issuer/substantial shareholders as inappropriate, the Listing Committee shall recommend the exit price based on fair valuation;
  - b) In the case of infrequently traded securities, the offer price shall be asper the book value of the company;
  - c) The Exchange shall provide the infrastructure facilities for display of theprice at the terminals of the trading members to enable the shareholdersto access the price on the screen to bring transparency to the delisting process;
  - d) In the event of securities being delisted, the issuer/substantial shareholders shall allow a further period of 6 months for any of the remaining shareholders to tender securities at the same price;
  - e) The Exchange shall monitor the possibility of price manipulation and keep under special watch the securities for which announcement for delisting has been made;

- f) The paid-up share capital shall not be extinguished as in the case of buy back of securities; and
- g) The amount of consideration for the tendered and accepted securities shall be settled in cash.

#### *7.1.4 Rights of the Issuers*

- i. The issuer may not accept the securities at the offer price determined by the Listing Committee based on Market Price of Past 12 weeks or the Book Value of the Company;
- ii. Where the issuer decides not to accept the offer price so determined:
  - a) The substantial shareholders shall not make an application to the Exchange for delisting of the securities; and
  - b) The substantial shareholders shall ensure that the public shareholding is brought up to the minimum limits specified under the listing rules within a period of 6 months from the date of such decision, by any of the modes specified in sub-clause (c).
- iii. For the purposes of sub-clause 7.05 (b) (ii) the public shareholding may be increased by any of the following means:
  - a) By issue of new shares by the company in compliance with the provisions of the Companies Act;
  - b) By the substantial shareholders making an offer for sale of his holdings in compliance with the provisions of these Rules; and
  - c) By the substantial shareholders making sale of his holdings through the secondary market in a transparent manner.
- iv. In the event of the issuer not being able to raise the public shareholding in accordance with sub-clause iii within 6 months, the substantial shareholders shall offer for sale to the public such portion of his holdings as would bring up the public shareholding to the minimum limits specified in these Rules.
- v. The shareholders shall have the right to exit at the given price or remain as the shareholder of the company post voluntary delisting.

#### *7.1.5 Public Announcement of the Final Price.*

- i. On determination of the final price pursuant to the Market Price or Book Value, the issuer/ substantial shareholders shall within a period of 2 working days from such determination:
  - a) Make a public announcement in the newspapers of the final price as discovered by the Market Price or Book Value and whether or not the issuer/substantial shareholders have accepted the price; and
  - b) Communicate to the Exchange, the final price discovered and whether the issuer/substantial shareholders have accepted the price.

#### *7.1.6 Minimum Number of Shares to be Acquired*

Where the offer for delisting results in acceptance of a fewer number of shares than the total shares outstanding and as a consequence the public shareholding does not fall below the minimum limit specified by these Rules, the offer shall be considered to have failed and no securities shall be acquired pursuant to such offer.

#### *7.1.7 Payment to the Shareholders*

The issuer/substantial shareholders shall deposit the amount required to be paid to the shareholders in an Escrow Account maintained by the Exchange. The Exchange in turn shall pay to the shareholders on behalf of the issuer/substantial shareholders.

#### *7.1.8 Delisting of One or All class of Securities*

The issuer may delist one or all of its class of securities subject to the provisions of this clause;

- i. If the equity shares of a company are delisted, the fixed income securities may continue to remain listed on the Exchange; and
- ii. The issuer which has a convertible instrument outstanding shall not be permitted to delist its equity shares till the exercise of the conversion options.

#### *7.1.9 Voluntary Delisting Fee*

The issuer applying for voluntary delisting must, upon approval of its delisting, pay the Exchange the amount equivalent to its annual listing fee for the year when the application for delisting is filed.

## 7.2 Compulsory Delisting by the Exchange

To ensure quality of companies listed on the RSEB and to afford additional protection to the investors, securities listed in the Exchange may be suspended from being traded or removed from the list at any time should, after due notice, the Exchange determines the issuer falls under any of the criteria listed below:

### 7.2.1 Criteria for Delisting

The issuer that is experiencing one of the following conditions shall be considered for delisting:

- i. The issuer has failed to comply with the Rules, now or hereafter in effect, despite notice and after the lapse of the period specified;
- ii. A false market exists in any securities of the issuer condemned and such false market can be attributed whether directly or indirectly, solely to the issuer (e.g., information spread by the issuer which triggered or resulted in the active trading of the securities of the issuer and the same was later found or proven to be untrue or concocted to create false market; trading of the securities without actual buyer or seller);
- iii. Should the issuer be rendered incapable of continuing the business or accomplishing the purpose for which it was incorporated by reason of the abandonment, destruction, condemnation, or seizure or expropriation of its operating assets;
- iv. Whenever liquidation of the issuer's assets has been authorized or any competent authority has ordered dissolution of the issuer. An announcement by the issuer of an intent to file, or the actual filing of proceeding for suspension of payments or under the Bankruptcy Rules or the issuer otherwise becomes the subject of legal proceedings under the Bankruptcy Rules shall merit and immediate suspension of the trading of securities of the issuer;
- v. The stockholder's equity becomes negative;
- vi. Whenever the issuer's entire outstanding amount of the listed class, or series is to be retired through payment at maturity or through redemption, re-classification or otherwise;
- vii. The issuer repeatedly fails to make timely, adequate, and accurate disclosure of information, or fails to submit any reportorial requirement by the Exchange and its shareholders in accordance with these Rules or willfully makes a false statement in the financial statement;
- viii. Whenever it is shown that the issuer has made a purchase of its securities in violation of the Companies Act;

- ix. If the issuer has failed to be in actual commercial operations within two years from the date of listing. The issuer shall be considered in actual commercial operation, if it can show that it has valid projects with realistic time table of executed contract relative to its principal business;
- x. If the issuer or its management have engaged in operations which, under the Companies Act, are contrary to the public interest, and continuation of listing is likely to give rise to an unacceptable risk of damage to the reputation of the Exchange;
- xi. The equity shares do not meet all the qualifications pursuant to the part of qualifications of listed securities in these Rules;
- xii. The issuer violates or fails to comply with these Rules, which may seriously and adversely affect the rights, interests or decision of the shareholders or the change of price of the securities;
- xiii. The issuer fails to disclose material information or makes a mistake in disclosing material information, which may seriously and adversely affect the rights, interests or decision of the shareholders or the change of price of the securities;
- xiv. The issuer's operation or financial condition falls within any of the following cases:
  - a) The assets used in the operation of the issuer has significantly lessened or are going to significantly lessen as a result of the sale, disposition, letting, separation, operation suspension, abandonment, destruction, deterioration, seizure, expropriation or any other case resulting in the same effect;
  - b) The operation is halted entirely or almost entirely for any reason whatsoever, regardless of whether such halting of operation is due to the act of the issuer or any other person;
  - c) The auditor issues a disclaimer or an adverse opinion on the financial statements of the issuer for 3 consecutive years; and
  - d) The financial condition disclosed in the latest audited financial statements or consolidated financial statements shows that the shareholders' equity is lower than zero.
- xv. The issuer enters into liquidation to dissolve its business;
- xvi. The issuer is under receivership by a court order or under any similar circumstance;
- xvii. The issuer does any act which may seriously damage the interests of the shareholders;

- xviii. The nature of business operation of the issuer is not suitable for it to remain a listed company;
- xix. There is a change in the issuer's shareholding in its subsidiary companies or associated companies and such change in shareholding seriously and adversely affects the results of operations, financial condition and liquidity of the issuer;
- xx. Upon the occurrence of any event under Section 7.12 (q) of this Rules, the Exchange shall notify the issuer of such event in writing without delay and give an opportunity for the issuer to make explanations;
- xxi. The management of the issuer acts in bad faith or does any act giving rise to the possibility that the ordinary shares of the issuer may be delisted;
- xxii. The issuer fails to explain or ignores to prepare or neglects to take action according to the delisting rehabilitation plan or is unable to eliminate the grounds for delisting; and
- xxiii. If it is not possible to eliminate the grounds for delisting of the ordinary shares of the listed company, in ordering the delisting of ordinary shares, the Board may order that the buying or selling of securities of that issuer be continued for a period of time prior to the effective date of delisting of ordinary shares of the listed company.

#### *7.2.2 Procedures for Delisting*

- i. The Exchange may delist companies which have been suspended for a minimum period of 6 months for non-compliance with these Rules;
- ii. The Exchange shall give show cause notice to the issuer or adopt procedures provided under Schedule II;
- iii. The Exchange shall give adequate and wide public notice through newspapers (including one English national daily of wide circulation) and through display of the notice on the notice board/website/trading systems of the Exchange;
- iv. The Exchange shall provide a time period of 15 days within which representation may be made to the Exchange by any person who may be aggrieved by the proposed delisting;
- v. The Exchange may, after consideration of the representations received from aggrieved persons, delist the securities of such companies;
- vi. Where the Exchange delists the securities of an issuer, it shall ensure that adequate and wide public notice of the fact of delisting is given through newspapers and on the

notice boards/trading systems of the Exchange and shall ensure disclosure in all such notices of the fair value of such securities determined in accordance with the explanation to Section 7.13 (iii) of this Rules;

- vii. During consideration of delisting by the Exchange or during the process of eliminating the grounds for delisting by the listed company, the Exchange may order a temporary suspension of the trading of securities of the issuer by posting the SP (suspension) sign on the board of such securities, until the issuer is able to eliminate the grounds for delisting or until the Listing Committee orders a delisting of such ordinary shares. The Exchange may post the NC (Non-compliance) sign on the board of the listed securities in order to make known to the investors in general that the issuer is under the process of eliminating the grounds for delisting, until the issuer is able to eliminate the grounds for delisting or until the Listing Committee orders a delisting of such ordinary shares;
- viii. When the issuer has already eliminated the grounds for delisting, the issuer shall submit an application together with an explanation on the reasons or any other necessary information to request the Exchange to cancel the temporary suspension of the trading of the listed securities and remove the SP (suspension) sign from the board of these securities. Upon receipt by the Exchange of the application under the first paragraph and having considered that the issuer has already eliminated the grounds for delisting, the Exchange shall cancel the temporary suspension of the trading of the listed securities and shall remove the SP (suspension) sign from the board of such securities. In canceling the temporary suspension of the trading of the listed securities under the second paragraph, if it is deemed appropriate, the Listing Committee may impose any conditions for the issuer to fulfill;
- ix. Under these Rules the temporary suspension of the trading of listed securities shall apply to the issuance and the cancellation of order for temporary suspension of the trading of securities of the listed company; and
- x. In ordering the delisting of ordinary shares, the Listing Committee shall order and designate the date on which the delisting takes effect. After the ordinary shares are delisted pursuant to the first paragraph, those ordinary shares shall lose their status of listed securities. After the Listing Committee orders the delisting of ordinary shares of the listed company, the Exchange shall give a written notification of such delisting to the listed company.

### *7.2.3 Rights of Securities Holders in Case of Compulsory Delisting*

Where the securities of the issuer are delisted by the Exchange, the substantial shareholders of the company shall have the option to compensate the security holders of the company by paying them the fair value of the securities held by them and acquiring their securities, subject to their option to remain securities holders with the company.



### 7.3 Reinstatement of Delisting of Securities

Reinstatement of delisted securities should be permitted by the Exchange with a cooling period of 3 years. In other words, relisting of securities should be allowed only after three years of delisting of the securities. It would be based on the respective norms/criteria for listing at the time of making the application for listing and the application will be initially scrutinized by the Listing Division.

### 7.4 Delisting Committee

The Delisting committee shall have the same meaning as the Listing Committee under Section 2.2 of this Rule.

### 7.5 Miscellaneous

The Exchange shall announce the delisting of securities so as to make them known to general public before the date on which the delisting takes effect. The Board shall have the power to prescribe Rules for the purpose of accomplishing the objects.

## SCHEDULE I

### CONTENTS FOR THE PUBLIC ANNOUNCEMENT

1. Exit price and the details on how it was reached;
2. Complete and full material facts;
3. Description of the methodology to be adopted for determination of acceptable price;
4. The necessity and the object of the delisting;
5. A full and complete disclosure of all material facts;
6. Details of the escrow account and the amount deposited therein;
7. Present capital structure and shareholding pattern;
8. The likely post-delisting capital structure;
9. The aggregate shareholding of the promoters and of the directors of the company; and
10. Name of compliance officer of the company.

## SCHEDULE II

### GROUNDINGS FOR DELISTING OF SECURITIES BY THE EXCHANGE

- i. Norms:**

The percentage of equity capital (floating stock) in the hands of shareholders. This may be seen with reference to:

  - a) Existing paid-up equity capital;
  - b) Market lot;
  - c) Share price – high, medium, low; and
  - d) Market Capitalization.
- ii. Financial/Business aspects:**
  - a) The issuer should generate reasonable revenue/income/profits. It should be operational/working. It must demonstrate earning power through its financial results, profits, reserves, dividend payout for last 2 to 3 years; and
  - b) The issuer should have some tangible asset. It is for consideration as to what value of assets the company should own in order to be listed continuously;
- iii. Track records of compliance of the Listing Rules requirements for the past 3 years:**
  - a) Submission of audited/unaudited results, annual report, other documents required to be furnished to the Exchange;
  - b) Record date with due notice;
  - c) Payment of listing fee;
  - d) Service to shareholders especially with regard to timely return or timely payment of dividend, communication of price sensitive information, etc.;
  - e) Failure to observe good accounting practices in reporting financial statements;
  - f) Publishing half yearly unaudited/audited results; and
  - g) Frequent changes in accounting year, Share transfer agent and registered office name.
- iv. Substantial shareholders and Directors' track record especially with regard to insider trading, manipulation of share prices, unfair market practices (e.g., returning of share transfer documents under objection on frivolous grounds with a view to creating scarcity of floating stock, in the market causing unjust aberrations in the share prices, auctions, close-out, etc.) depending upon the trading position of directors or the firms.**
- v. If the whereabouts of the company's substantial shareholders and directors are not available and even the letters sent by the Exchange return undelivered and the company fails to remain in touch with the Exchange.**
- vi. The issuer has become sick and unable to meet current debt obligations or to**

adequately finance operations, or has not paid interest on debt securities for the last 2 to 3 years, or has become defunct, or there are no employees, or liquidator appointed, etc.

- vii.** On the basis of the above norms and other relevant information available about the company, its substantial shareholders' and directors', project, litigations, etc., a profile of the company should be prepared and then a decision on delisting should be taken by an Exchange.

**FORM A**

[As per Section 6.7 (v)]

**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 Chapter 6 of this Rules. We confirm after making all reasonable enquiries that all conditions concerning this rights issue and 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

Chief Executive Officer

Director

Director

Director

Director

Director

Director

Director

Place .....

(Name and Seal of Issuing Company)

Dated.....

# APPENDIX I

## REQUIRED CONTENTS OF LISTING PARTICULARS

### PART A – EQUITY SECURITIES

#### **General Information about the Issuer, its Advisors and the Listing Particulars.**

- i. The full name and address of the registered office of the issuer.
- ii. A statement as follows:

"These Listing Particulars includes particulars given in compliance with the Rules Governing the Official Listing of Securities for the purpose of giving information with regard to the issuer. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in these Listing Particulars and confirm, having made all reasonable enquiries that to the best of their knowledge and belief that there are no other facts, the omission of which would make any statement herein misleading’;
- iii. The names and addresses of the issuer's principal bankers, sponsor, authorised representative, stockbroker and the advisers to the issue;
- iv. The name, address and professional qualifications of the issuer's auditors;
- v. Certified true copy of the Certificate of Incorporation;
- vi. The provisions, or a sufficient summary of the provisions, of the articles with regard to:
  - a) any power enabling a Director to vote on a proposal, arrangement or contract in which he is materially interested;
  - b) any power enabling the Directors to vote for remuneration to themselves or any members of their body and any other provision as to the remuneration of the Directors;
  - c) borrowing powers exercisable by the Directors and how such borrowing powers can be varied;
  - d) retirement or non-retirement of Directors under an age limit;
  - e) Directors' qualification shares;
  - f) changes in capital; and
  - g) arrangements for transfer of the securities and (where permitted) any restrictions on the free transferability.
- vii. Where the Listing Particulars include a statement purporting to be made by an expert, a statement:

- a) specifying the qualifications of such expert and whether such expert has any shareholding in the company and its subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the group and, if so, a full description thereof;
- b) that the expert has given and has not withdrawn his written consent to the issue of the Listing Particulars with the expert's statement included in the form and context in which it is included; and
- c) of the date on which the expert's statement was made and whether or not it was made by the expert for incorporation in the Listing Particulars.

*Information about the Securities for which Listing is Sought and the Terms and Conditions of their Issue and Distribution:*

- viii. A statement that application has been made to the Exchange for the listing of, and permission to deal in the securities.
  - a) The nature and amount of the issue including the number of securities which have been or will be created and/or issued and a full description of, including a summary of the terms attaching to the securities for which listing is sought.
  - b) The following information, so far as is appropriate, concerning the terms and conditions of the issue of the securities in respect of which the application for listing is made:
    1. the total amount of the issue and the number of securities offered, where applicable, by category;
    2. the issue price or offer price of each security, stating the nominal value of each security;
    3. the methods of payment of the issue;
    4. the procedure for the exercise of any right of pre-emption and the transferability of subscription rights;
    5. the period during which the issue or offer of securities will remain open after issue of the Listing Particulars, the date and time of opening of the subscription list, and the names of the receiving bankers;
    6. the methods of and the time limits for delivery of the securities;
    7. the names, addresses and description of the persons underwriting the issue for the issuer, if applicable; in the case of an offer for sale of securities, the names, addresses and descriptions of the vendor(s) of the

securities or, if there are more than ten vendors, such details of the ten principal vendors and a statement of the number of other vendors and particulars of any beneficial interest possessed by any Director of the issuer in any securities so offered for sale; and

8. the method of listing.
- ix. Where listing is sought for securities with a fixed dividend, particulars of the profits cover for dividend.
- x. A statement of the net tangible asset backing for each class of security for which listing is sought, after making allowance for any new securities to be issued, as detailed in the Listing Particulars.
- xi. If known, the date on which dealings will commence.

#### *Information about the Issuer's Capital*

- xii. Information about the existing capital:
  - a) The authorised share capital of the issuer, the amount issued or agreed to be issued, the amount paid up, the nominal value and a description of the shares;
  - b) The amount of any outstanding convertible debt securities and particulars of the conditions governing and the procedures for conversion, exchange or subscription of such securities;
  - c) The voting rights of shareholders;
  - d) If there is more than one class of share, the rights of each class of share as regards to voting, dividend, capital redemption, and the creation or issue of further shares ranking in priority to or pari passu with each class other than the lowest ranking equity; and
  - e) A summary of the consents necessary for the variation of such rights.
- xiii. Particulars of any alterations in the capital of the issuer, its subsidiaries and associates if any, within two years immediately preceding the issue of the Listing Particulars.



### *General Information about the Company's Activities*

- xiv. If the issuer is a member of a group, a brief description of that group covering the issuer's position within that group and, if a subsidiary, the names of and the number of shares held (directly or indirectly) by each holding company of the issuer.
- xv. Particulars of any trademarks, patents or other intellectual or industrial property rights which are material in relation to the issuer's business and where such factors are of fundamental importance to the issuer's business or profitability, a statement regarding the extent to which the group is dependent on such factors.
- xvi. Information concerning the policy of the issuer on the research and development of new products and processes over the past two financial years where significant, if applicable.
- xvii. Particulars of any interruptions in the business of the issuer which may have or have had a significant effect on the financial position in the last 12 months.
- xviii. The number of people employed by the issuer and changes therein in the last financial year, if such changes are material in the context of the issuer, with, if possible, a breakdown of persons employed by main categories of activity.
- xix. Particulars, including location of the principal investments (if any), including such investments as new plant, factories, research and development, being made or planned by the issuer.

### *Information about the Issuer's Management.*

- xx. The full name, nationality, residential or business address and description (being his qualifications or area of expertise or responsibility) of every Director or proposed Director.
- xxi. The full name and professional qualification, if any, of the secretary of the issuer.
- xxii. The address of the registered office and, if different, the head office and transfer office.
- xxiii.
  - a) A statement showing the interest (distinguishing between beneficial and non-beneficial interests) of each Director and Chief Executive of the issuer in the equity or debt securities of the issuer or any associated company;
  - b) A statement showing the name, so far as is known to any Director or Chief Executive of the issuer, of each person, other than a Director or Chief Executive of

the issuer, who is directly or indirectly interested in ten percent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the issuer and the amount of each person's interest in such securities together with particulars of any options in respect of such capital or if there are no such interests, an appropriate negative statement;

- c) The aggregate of the remuneration paid and benefits in kind granted to the Directors of the issuer by its subsidiaries or any associate, if any in respect of the last completed financial year under any description whatsoever; and
  - d) An estimate of the aggregate remuneration payable to and benefits in kind receivable by the Directors or any proposed Directors of the issuer by any associates or subsidiaries in respect of the current financial year under the arrangements in force at the date of the Listing Particulars.
- xxiv. Full particulars of any contract or arrangement subsisting at the date of the Listing Particulars in which a Director of the issuer is materially interested and which is significant in relation to the business of its subsidiaries and associates or an appropriate negative statement.

#### *Use of Proceeds*

- xxv. In the case of issue of new shares, details of the intended use of the proceeds of the issue.

#### *Material Contracts*

- xxvi. The dates of and parties to all material contracts (not being contracts entered into in the ordinary course of business) entered into by any associates within the two years immediately preceding the issue of the Listing Particulars, together with a summary of the principal contents of such contracts and particulars of any consideration passing to or from any associates.

#### *Documents for Inspection*

- xxvii. Details of a reasonable period of time (being not less than 14 calendar days) during which, and a place in Bhutan at which, the following documents (or copies thereof) where applicable may be inspected:
- a) the Articles of Incorporation of the issuer;
  - b) each contract disclosed pursuant to Section 26 of this Appendix or in the case of a contract not reduced into writing, a memorandum giving full particulars thereof;
  - c) all reports, letters or other documents, balance sheets, valuations and statements by any expert any part of which is extracted or referred to in the Listing Particulars;

- d) a written statement signed by the reporting accountants setting out the adjustments made by them in arriving at the figures shown in their report and giving the reasons thereof; and
- e) the audited accounts of the issuer or, in the case of a group, the consolidated audited accounts of the issuer and its subsidiaries for each of the two financial years immediately preceding the issue of the Listing Particulars.

## PART B – DEBT SECURITIES

### *General Information about the issuer, its advisors and Listing Particulars*

- i. The full name and nationality of the issuer.
- ii. A statement as follows:

"These Listing Particulars includes particulars given in compliance with the Rules Governing the Official Listing of Securities for the purpose of giving information with regard to the issuer. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in these Listing Particulars and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts and the omission of which would make any statement herein misleading."

- iii. The names and addresses of the issuer's principal bankers, sponsor, authorised representative, stockbroker, solicitors and registrars and of the solicitors to the issue.
- iv. The name, address and professional qualifications of the issuer's auditors.
- v. Certified true copy of the Certificate of Incorporation.

### *Information about the Securities for which Listing is Sought and the Terms and Conditions of their Issue and Distribution.*

- vi. A statement that application has been made to the Exchange for the listing of, and permission to deal in the securities.
- vii. The estimated amount of the expenses of the issue and of the application for listing and by whom the same are payable.
- viii. If known, the date on which dealings will commence.

*Information Concerning the Debt Securities.*

- ix. An estimate of the net proceeds of the issue and a statement as to how such proceeds are intended to be applied.
  
- x. A description of or the text of the terms and conditions of the issue containing:
  - a) the nominal amount of the issue or if this amount is not fixed, a statement to that effect, the nature and number of the debt securities and the denomination(s);
  
  - b) a summary of the rights conferred upon holders and particulars of the security;
  
  - c) except in the case of continuous issues, the issue price (or if different, offerprice), redemption prices, nominal interest rate and if floating, how is it calculated; if several interest rates are provided for, an indication of the conditions for changes in the rate. If any issue discount is allowed or premium is payable, a statement describing this. If any expenses of the issue are specifically charged to subscribers or purchasers, a statement describing this;
  
  - d) details of the method of payment of the issue price including a description of any installment arrangement;
  
  - e) details of the arrangements for the amortization or early redemption of the issue, including procedures to be adopted;
  
  - f) details of the following time limits:
    - 1. final repayment date and early repayment dates, specifying their exercisable limit at the issuer's or the holder's option
  
    - 2. the date from which interest accrues and the interest payments due; and
  
    - 3. prescription period for claims for payment of interest and repayment of principal.
  
  - g) except in the case of continuous issues, an indication of yield. The method whereby that yield is calculated should also be described in summary form.
  
- xi. The following legal information:
  - a) an indication of the resolutions, authorizations and approvals by virtue of which debt securities have been or will be created and/or issued and of the number of debt securities which have been or will be created and/or issued, if predetermined;

- b) the nature and scope of the guarantees, securities and commitments intended to ensure that the issue will be duly serviced with regard to both the principal of and the interest on the debt securities and an indication of the places where the public may have access to copies of such guarantees, securities and commitments;
- c) a copy of the charges created to secure the issue under the Companies Act;
- d) Wherever applicable, details of the trustee, fiscal agent or of any other representative for the debt securities holders as a whole, the name and function or description and head office of such representative of the debt securities holders, the conditions under which the representative may be replaced together with an indication of where the public may inspect copies of the documents detailing how the representative is to act;
- e) a description of any subordination of the issue to other debts of the issuer already incurred or to be incurred; and
- f) an indication of any legislation under which the debt securities have been created, the governing law and of the competent courts in the event of litigation.

#### *Information about the Issuer's Management*

- xii. The full name, nationality, residential or business address and description (being his qualifications or area of expertise or responsibility) of every Director or proposed Director.
- xiii. The full name, nationality, residential or business address and description (being his qualifications or area of expertise or responsibility) of every Director or proposed Director.
- xiv. The address of the registered office and, if different, the head office and transfer office.
- xv.
  - a) A statement showing the interest (distinguishing between beneficial and non-beneficial interests) of each Director and Chief Executive of the issuer in the equity or debt securities of the issuer or any associated company;
  - b) A statement showing the name, so far as is known to any Director or Chief Executive of the issuer, of each person, other than a Director or Chief Executive of the issuer, who is directly or indirectly interested in 10 percent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the issuer and the amount of each person's interest in such securities together with particulars of any options in respect of such capital or if there are no such interests, an appropriate negative

statement;

- c) The aggregate of the remuneration paid and benefits in kind granted to the Directors of the issuer by its subsidiaries or any associate, if any, in respect of the last completed financial year under any description whatsoever; and
- d) An estimate of the aggregate remuneration payable to and benefits in kind receivable by the Directors or any proposed Directors of the issuer by any associates or subsidiaries in respect of the current financial year under the arrangements in force at the date of the Listing Particulars.

#### *Material Contracts*

- xvi. The dates of and parties to all material contracts (not being contracts entered into in the ordinary course of business) entered into by any associates within the 2 years immediately preceding the issue of the Listing Particulars, together with a summary of the principal contents of such contracts and particulars of any consideration passing to or from any associates.

#### *Documents for Inspection*

- xvii. Details of where annual and any interim reports are available and how often interim reports are published.
- xviii. Details of a reasonable period of time (being not less than 14 calendar days) during which, and a place in Bhutan at which, the following documents (or copies thereof) where applicable may be inspected:
  - a) the articles of the issuer;
  - b) any trust deed, fiscal agency agreement or other document constituting the debt securities;
  - c) all reports, letters or other documents, balance sheets, valuations and statements by any expert any part of which is extracted or referred to in the Listing Particulars;
  - d) a written statement signed by the reporting accountants setting out the adjustments made by them in arriving at the figures shown in their report and giving the reasons thereof; and
  - e) the audited accounts of the issuer or, in the case of a group, the consolidated audited accounts of the issuer and its subsidiaries for each of the 2 financial years immediately preceding the issue of the Listing Particulars.

## APPENDIX II

### LISTING UNDERTAKING

**Form of Listing Undertaking Required to be entered into by a Company in Support of its Application for Admission to the Official List of the Royal Securities Exchange of Bhutan**

TO : The Royal Securities Exchange of Bhutan  
FROM : (.....)

In consideration of the Royal Securities Exchange of Bhutan ("the Exchange") granting the Company's application for admission to the Official List of the Exchange ("the Official List"), and for permission to deal in the securities specified in the Company's application, the Company HEREBY ACKNOWLEDGES that it shall remain on the Official List, and that trading in the Company's listed securities shall continue, only during the pleasure of the Exchange, and the Company HEREBY UNDERTAKES AND AGREES to comply with the listing rules from time to time issued by the Exchange and in particular undertake and agree to comply with the continuing listing obligations of the Exchange as set out in Chapter 5 of the Rules Governing the Official Listing of Securities.

Signature:

Name:

Dated.....

(Seal of the Issuer Company)

Signed for and on behalf of the company as authorised thereto by resolution of the board of directors

**DIRECTORS' UNDERTAKING**

**Form of Undertaking required to be entered into by each director of a company in support of the company's application for admission to the Official List of the Royal Securities Exchange of Bhutan.**

To: The Royal Securities Exchange of Bhutan.

I ..... director of ..... (the "Company") hereby undertake that in the exercise of my powers and duties as such a Director, I shall:

- i. comply to the best of my ability with the Rules Governing the Official Listing of Securities from time to time in force;
- ii. use my best endeavors to procure that any alternate of mine shall so comply; and
- iii. use my best endeavors to ensure that the Company complies with the Listing Rules from time to time.

Signature:

Name

Date:.....



## APPENDIX III

### ARTICLES OF INCORPORATION

The Articles of Incorporation of all companies seeking admission to the Official List of the Exchange must conform with the following provisions. This Appendix does not apply to a company that has only debt securities listed.

#### *As Regards Transfer and Registration*

- i.
  - a) That transfers and other documents relating to or affecting the title to any shares shall be registered; and
  - b) That fully paid shares shall be free from any restriction on the right of transfer (except when permitted by the Exchange) and shall also be free from all lien.

#### *As Regards Directors*

- ii.
  - a) That transfers and other documents relating to or affecting the title to any shares shall be registered; and
  - b) That fully paid shares shall be free from any restriction on the right of transfer (except when permitted by the Exchange) and shall also be free from all lien.
  - c) That, where not otherwise provided by law, the shareholders in general meeting shall have power by special resolution to remove any Director (including a managing or other executive director, but without prejudice to any claim for damages under any contract) before the expiration of his period of office; and
  - d) That, the minimum period required of notice to the issuer of the intention to propose a person for election as a Director, and notice to the issuer by such person of his willingness to be elected, will be at least 7 days and that the latest date for lodgment of such notices will be not more than 7 days prior to the date of the meeting appointed for such election.

#### *As Regards Accounts*

- iii. That, a printed copy of the directors' report, accompanied by the financial statements (including every document required by law to be annexed thereto) shall, at least 21 days

before the date of the general meeting, be uploaded on its website.

#### *As Regards Rights*

- iv.
  - a) That, adequate voting rights will, in appropriate circumstances, be secured to preference shareholders; and
  - b) That, the quorum for a separate class meeting (other than an adjourned meeting) to consider a variation of the rights of any class of shares shall be the holders of at least one-third of the issued shares of the class.

#### *As Regards Notices*

- v. That, the quorum for a separate class meeting (other than an adjourned meeting) to consider a variation of the rights of any class of shares shall be the holders of at least one-third of the issued shares of the class.

#### *As Regards Capital Structure*

- vi. That, the structure of the share capital of the issuer be stated and where such capital consists of more than one class of share, it must also be stated how the various classes shall rank for any distribution by way of dividend or otherwise.

#### *As Regards Non-voting or Restricted Voting Share*

- vii.
  - a) That, where the capital of the issuer includes shares which do not carry voting rights, the words "non-voting" must appear in the designation of such shares; and
  - b) That, where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favorable voting rights, must include the words "restricted voting" or "limited voting".

#### *As Regards Alteration of Articles*

- viii. Companies admitted to the Official List shall not delete, amend or add to any of their existing articles, which have previously been approved by the Exchange, unless prior written approval has been sought and obtained from the Exchange for such deletion, amendment or addition.

## APPENDIX IV

### LISTING FEES

The Board or the Exchange may revise the fees or any of the slabs or add new slabs.

#### *Initial Listing Fee*

- i.
- ii. In the case of an issue of equity securities by a new applicant, an initial listing fee of Nu. 250,000 shall be payable on the application for listing;
- iii. In the case of an issue of debt securities by a new applicant, an initial listing fee of Nu. 250,000 shall be payable on the application for listing; and
- iv. A new applicant shall pay the initial listing fee, in advance, at the same time as it submits its formal letter of application in accordance with Rule 4.03 (iv).

#### *Annual Listing Fee*

- v. In addition to the initial listing fee, an annual listing fee shall be payable based on the Issuer's Market Capitalization at the following progressive range:
  - a) Nu. 120,000 per annum for Market Capitalization up to Nu. 250 million
  - b) Nu. 160,000 per annum for Market Capitalization above Nu. 250 million to Nu. 500 million
  - c) Nu. 200,000 per annum for Market Capitalization above Nu. 500 million to Nu. 750 million
  - d) Nu. 240,000 per annum for Market Capitalization above Nu. 750 million to Nu. 1,000 million
  - e) Nu. 280,000 per annum for Market Capitalization above Nu. 1,000 million to Nu. 3,000 million
  - f) Nu. 320,000 per annum for Market Capitalization above Nu. 3,000 million to Nu. 6,000 million
  - g) Nu. 360,000 per annum for Market Capitalization above Nu. 6,000 million to Nu. 12,000 million
  - h) Nu. 400,000 per annum for Market Capitalization above Nu. 12,000 million to Nu. 24,000 million
  - i) Nu. 440,000 per annum for Market Capitalization up to Nu. 24,000 million to Nu. 48,000 million
  - j) Nu. 480,000 per annum for Market Capitalization up Nu. 48,000 million to Nu. 60,000 million
- vi. Annual listing fees shall be payable during the month of January every year.
- vii. The management of the Exchange shall have the power to exempt any fees as deemed fit.

- viii. Annual listing fees for Bonds:
  - a. Maturity period up to one year = Nu. 37,500 per annum
  - b. Maturity period up to five years = Nu. 30,000 per annum
  - c. Maturity period up to ten years = Nu. 22,500 per annum
  - d. Maturity period more than ten years = Nu. 15,000 per annum

#### *Subsequent Listing Fee*

- ix. Where a listed issuer makes a subsequent listing of equity securities, a subsequent issue fee of Nu.100,000 shall be charged.
- x. The appointed broker shall pay a system charge of Nu.150,000
- xi. This charge does apply to the issue of securities on the exercise of options, warrants or conversion rights under convertible securities, the grant or issue of which have been approved by the Exchange, or to a capitalisation issue including the issue of securities under a scrip dividend scheme.

#### *Approval Fee on Rights Offer Documents*

- xii. The issuing company shall deposit Nu.50,000 as approval fee with the Exchange for the rights issue through a cheque or demand draft issued in favor of the Exchange within 7 working days from the date of according the said approval.
- xiii. The RMA shall pay the Exchange an annual fee of Nu. 2,500,000 for the listing of RMA Bills on the Exchange.

#### *Fees for online terminal users*

- xiv. Any subscribers for the online client shall pay annual fees of Nu.500.

The RSEB may however revise the fee once every three years.

## APPENDIX V

### ACCOUNTANTS REPORTS

#### *Preliminary*

- i. This Appendix sets out the detailed requirements for Accountants' Reports on the profits and losses, assets and liabilities of, and other financial information of an issuer which must be contained in Listing Particulars.

#### *Reporting Accountants*

- ii. Accountants' reports must be prepared by professional accountants who are qualified for appointment as auditors of a company and who are independent of the issuer.

#### *Basic Contents*

- iii. An accountants' report must include:

##### Two-year History of Results

- a) The results of the issuer or, if the issuer is a holding company, the consolidated results of the issuer and its subsidiaries in respect of each of the 2 financial years immediately preceding the issue of the Listing particulars or such shorter period as may be acceptable to the Exchange.
- b) The results of any business or subsidiary acquired, agreed to be acquired or proposed to be acquired since the date to which the latest audited accounts of the issuer have been made up (on the same basis, where the subsidiary is itself a holding company, as in (a) above) in respect of each of the 2 financial years immediately preceding the issue of the Listing Particulars or in respect of each of the financial years since commencement of such business or the incorporation or of such subsidiary (as the case may be) if this occurred less than 2 years prior to such issue, or such shorter period as may be acceptable to the Exchange.
- c) The report on results under Section (a) and (b) of this Rules must disclose separately the following information:
  - (i) operating revenue;
  - (ii) profit (or loss) before taxation and extraordinary items, including the share of the profit (or loss) of associated companies, with separate disclosure of any items included therein which are exceptional because of size and incidence;

- (iii) taxation on profits (Bhutan and foreign) in each case indicating the basis of computation, with separate disclosure of the taxation on share of associated companies' profits;
- (iv) profit (or loss) attributable to minority interests;
- (v) profit (or loss) attributable to shareholders before extraordinary items;
- (vi) extraordinary items (net of taxation);
- (vii) profit (or loss) attributable to shareholders; and
- (viii) rates of dividend paid or proposed on each class of shares (with particulars of each such class) and amounts absorbed thereby and any waivers of dividend except that the accountants' report need not disclose this information if the accountants' report relates to an issue of debt securities.

#### *Assets and Liabilities*

- iv. The assets and liabilities of the issuer and, if the issuer is itself a holding company, the consolidated assets and liabilities of the issuer and its subsidiaries in each case as at the date to which the latest audited accounts of the issuer have been made up.
- v. The assets and liabilities of any business or subsidiary acquired, agreed to be acquired or proposed to be acquired since the date to which the latest audited accounts of the issuer have been made up (on the same basis, where the subsidiary is itself a holding company, as in (iii) above) in each case as at the date to which the latest audited accounts of such business or subsidiary (as the case may be) have been made up.

#### *Other*

- vi. The earnings per share and the basis of computation in respect of each of the financial years referred to in Section iii (a) and (b) of this Appendix above except that the accountants' report need not include this information if, in the opinion of the reporting accountants, such information is not meaningful having regard to the purpose of the accountants' report or if the accountants' report relates to an issue of debt securities.
- vii. Transfers to and from any reserves arising on:
  - a) Consolidation or acquisition (i.e. the write off of goodwill/establishment of a

- capital reserve);
  - b) The revaluation of assets; or
  - c) The translation of accounts denominated in foreign currencies, if those transfers are not reflected in the results of each of the financial years referred to in Section iii (a) and (b) of this Appendix above;
- viii. A statement of the indebtedness as at the end of the period reported on showing, as regards bank loans and overdrafts and separately as regards other borrowings of the issuer (or of the issuer and its subsidiaries, including any company which will become a subsidiary by reason of any acquisition falling within Section 3(b) and (d) of this Rules, the aggregate amounts repayable: (check relevant sections within the Appendix)
- a) on demand or within a period not exceeding one year;
  - b) within a period of more than one year but not exceeding two years; and
  - c) within a period of more than two years but not exceeding five years.
- ix. The details of the principal accounting policies which have been applied in respect of the period reported on.
- x. A statement of any significant subsequent events which have occurred to any business or company or within any group covered by the accountants' report since the end of the period reported on or, if there are no such events, a statement of that fact.
- xi. Any other matters which appear to the reporting accountants to be relevant having regard to the purpose of the accountants' report.  
In all cases the accountants' report must:
- a) state whether or not the accounts for the period reported on have been audited and, if so, by whom;
  - b) state whether or not any audited accounts have been made up since the end of the last financial period reported on;
  - c) express an opinion as to whether or not the relevant information gives, for the purposes of the accountants' report, a true and fair view of the results for the period reported on and of the assets and liabilities at the end of that period;
  - d) state that it has been prepared in accordance with Section xiii of this Appendix below;

- e) name the reporting accountants; and
- f) be dated.

#### *Disclosure*

- xii. The information to be disclosed in respect of Section iii (c) (3 & 4) of this Appendix must conform to the accounting standards and guidelines prescribed by Accounting and Auditing Standard Board of Bhutan.

#### *Accounting Standards*

- xiii. The financial history of results and the statement of assets and liabilities included in the accountants' report must be drawn up in conformity with Bhutanese Financial Reporting Standards.
- xiv. Any significant departure from such accounting standards must be disclosed and explained and, if it is both relevant and practical, the financial effects of such departure quantified.
- xv. The relevant standards will be those current in relation to the last financial year reported on and, wherever possible, appropriate adjustments should be made to show profits for all periods in accordance with such standards.

#### *Statement of Adjustments*

- xvi.
  - a) In preparing the accountants' report, the reporting accountants should make such adjustments (if any) as are in their opinion appropriate for the purposes of the accountants' report and state therein that all adjustments considered necessary have been made, or (where appropriate) that no adjustments were considered necessary. Where adjustments are made, a written statement (the statement of adjustments) must be made available for public inspection, and should be signed by the reporting accountants (see Section xxvii (d) of Part A and Section xviii (d) of Part B of Appendix 1 of this Rules)
  - b) The statement of adjustments must set out, for each of the years reported upon, each adjustment made and be sufficiently detailed so as to reconcile the figures in the accountants' report with the corresponding figures in the audited accounts and must give the reasons therefore.

#### *Other Reports*

- xvii. Where the reporting accounts refer to reports, confirmations or opinions of



valuers, accountants or other experts, the names, addresses and professional qualifications of such other persons or firms should be stated in the report. In any case, the Listing Particulars will be required to include a statement that such other persons or firms have given and have not withdrawn their written consent to its issue with the inclusion of such references in the form and context in which they are included.

#### *Qualified Reports*

- xviii. Where the reporting accountants qualify their accountants' report, they should refer to all material matters about which they have reservations. All reasons for the qualification should be given and its effect quantified if this is both relevant and practical. A qualified accountants' report in respect of a new applicant may be acceptable where the qualification does not relate to a matter of significance to investors but will not be acceptable where the qualification does relate to a matter of significance to investors.

#### *General*

- xix. It is emphasized that these requirements are not exhaustive and that further information may be required, or the required information varied, by the Exchange where it considers it necessary. In cases of doubt or difficulty the reporting accountants should consult the Exchange through the issuer's authorised representative.

## ANNEXURE A to CG CODE

<b>Sl. No</b>	<b>SECTION</b>	<b>TOPIC</b>	<b>COMPLIANCE DEADLINE</b>	<b>REMARKS</b>
1.	5.13 (iv)	Independent Directors	June, 2016	
2.	5.13 (x)	Audit Committee	June, 2016	
3.	5.13 (xi)	Related Party Transaction	January, 2016	
4.	5.13 (x) (c)	Internal Audit Cell	June, 2016	If the functions are outsourced, the auditor shall submit the quarterly report.

## **ANNEXURE B**

### **Information to be placed before the Board of Directors**

- i. Annual operating plans, budgets and any updates;
- ii. Capital Budget and any updates;
- iii. Quarterly results of the company;
- iv. Minutes of the meetings of the Audit committee and other committees of the board;
- v. Information on the recruitment, resignation, removal and remuneration of the key position holders;
- vi. Any material defaults in financial obligations to and by the company;
- vii. Issues involving public and product liability claims of substantial nature;
- viii. Noncompliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend;
- ix. Sale of material nature, of investments, assets, subsidiaries which is not in normal course of business;
- x. Wage negotiation and settlement, significant labor problems and their proposed solutions;
- xi. Brief on statutory developments, change in Government policies etc. with impact thereof;
- xii. Proposal for investments, mergers and acquisitions; and
- xiii. Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.

## ANNEXURE C

### Certification of Independent Directors

I, Dasho/Dr./Mr./Mrs./Ms.....of..... sincerely and truly affirm and declare as follows in terms of Corporate Governance Regulation:

i. I am an Independent Director of ..... (Company) being so appointed on .....

ii. I am affiliated with the following companies or organizations:

Company/ Organization	Relationship	Period of Service (If Applicable)

iii. I possess all the qualification to serve as an independent director of the company as provided in Section G (iv) of the of this Rule.

iv. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Corporate Governance section of this Rule.

v. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Corporate Governance section of this Rule.

Affirmed by.....(Signature and name of the independent Director)  
on this day.....of .....at.....(Place)

## ANNEXURE D

### **The primary roles of an Audit Committee are defined below:**

- \* To review effectiveness of company's internal risk controls and risk management systems;
- \* To serve as a channel of communication between external auditors, internal auditor and the board;
- \* To monitor internal audit function in general with particular reference to reviewing of scope of internal audit plan for the year, reviewing the reports of internal auditors pertaining to critical areas, reviewing the efficacy of the internal auditing;
- \* To monitor the integrity of annual and interim financial statements of the company, the clarity of disclosure and the context in which statements are made;
- \* To put in place an appropriate system to ensure adoption of appropriate accounting policies and principles leading to fairness in financial statements;
- \* To investigate any matter within its terms of reference, full access to and co- operation by Management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly;
- \* To review and approve proposed specific transactions with related parties and setting rules for entering into small value transactions with related parties without obtaining prior approval of audit committee and the board;
- \* To recommend board on the appointment, reappointment and if necessary removal or replacement of external auditors and the fixation of audit fees;
- \* To evaluate the independence and effectiveness of the work of the external auditors; and
- \* To redress complaints/grievances of the shareholders/investors and focus on strengthening investor relation.

## **Amendment to Rules Governing the Official Listing of Securities**

- i. The board has approved the change in the rules during the 83rd board meeting held on 26th March, 202.
- ii. The amendment was informed to the regulator (RMA) vide letter no RSEB/POLICY/RMA/2021/33 dated 19th May, 2021.
- iii. RMA approved the amendment vide letter no RMA/DFRS/66/2020-2021/4337 dated 25th June, 2021.
- iv. RMA approved the amendment vide letter no RMA/DFRS/66/2020-2021/661 dated August 19 2021