

RESOLUTION  
OF THE FINANCIAL REGULATORY COMMISSION

2009.02.19

No.38

Ulaanbaatar city

About renewing and approving the Regulation on  
“Registering securities to be offered and sold to  
public and offering and selling securities at the  
initial market”

According to clause 6.1.2 of Financial Regulatory Commission’s (FRC) legal status law, clause 8.1 and 34.1.3 of Securities law and clause 13.3 of Company law it is hereby resolved that:

1. To approve the renewed regulation on “Registering securities to be offered and sold to public and offering and selling of securities at the initial market” as set in the appendix;
2. To respectively invalidate the resolution on “Setting regulation ” dated as of 22 of 1997, resolution 120 as of 1997 “Amendment to Mongolian stock exchange securities trading report, resolution 74 as of 1999 “Renewing and approving regulation ” by Securities Commission /old name/; resolution on “Approval of regulation ” # 37 as of 2006 on “Amendment to regulation on registering securities to be offered to the public” and resolution 120as of 2007 upon the approval of above mentioned renewed regulation ;
3. To assign the Securities Department of FRC /Kh.Bum-Erdene/ to develop regulation on qualified legal bodies for lawyers, valuers, auditing companies and the managers of the securities issuer, and to submit for review and discussion at the Commission’s meeting by first quarter of this year;
4. To assign Administration Department of FRC /N.Udaanjargal/ to advertise this regulation to the public and to instruct Securities Department of FRC /Kh.Bum-Erdene/ to organize training to professional entities;
5. To assign Operational Unit of FRC /O.Ganbat/ to monitor the implementation of this resolution.

CHAIRMAN

D.BAYARSAIKHAN

**“REGULATION ON REGISTERING SECURITIES TO BE OFFERED AND SOLD TO PUBLIC AND OFFERING AND SELLING SECURITIES AT THE INITIAL MARKET”**

**ONE. GENERAL PROVISION**

- 1.1 The objective of this regulation is to coordinate relations relevant with FRC’s (further on “the Commission”) registration of new and additional securities to be offered to the public, setting price for the publicly offered securities, issuing and selling securities at the initial market, to submit report on securities trading to the Commission and to publicly inform the trading results, restructuring of listed joint stock companies through merger and acquisition, shares divided or consolidated, to make amendments and changes to registration in case of termination of unsold bonds.
- 1.2 Registration shall be made by the Commission regardless of whether the additionally issued shares of public companies are sold publicly or closed subscription.
- 1.3 The secondary market trading of securities is prohibited until the initially registered securities with the Commission are fully traded at the initial market.
- 1.4 Shares initially issued in intangible form shall be intangibly issued if additional securities are to be issued.
- 1.5 Documents to register securities and requirements can vary based on types of the securities to be issued, financial and operational performance, as well as open and closed issuance of securities.
- 1.6 This regulation shall not regulate the relations relevant to receiving subscription and trading orders of the securities to be sold and purchased at the secondary market.
- 1.7 It is prohibited to advertise any securities to public and to trade on the securities market in case those are not registered at the Commission. However, preliminary discussions and negotiations with strategic and jointly invested entity and with the underwriter on issuance of the securities at the initial market shall not be considered as an advertisement on public offering.

**TWO. DOCUMENTS TO BE SUBMITTED TO REGISTER THE SECURITIES TO BE OFFERED TO PUBLIC, REQUIREMENTS FOR COMPANY ON INITIAL OR ADDITIONAL ISSUANCE OF SECURITIES AND BOND**

- 2.1 The IPO issuing company and its underwriter shall meet the requirements stated in this section and shall perform following procedure by the company and its underwriter.
- 2.2 The underwriter and the securities issuer shall jointly comply with the following activities and shall make opinions on performance of the company prior to applying for registering he securities at the Commission.

- 2.2.1 To be audited by auditing companies accepted by the Commission and to have following opinions:
  - 2.2.1.1 Compliance of bookkeeping, accounting and financial report with International Accounting Standards /IAS/;
  - 2.2.1.2 Compliance of accounting policy and internal auditing mechanism of the company with IAS to ensure completeness and sufficiency of operational efficiency of shareholders assets;
  - 2.2.1.3 Compliance of financial information in the prospectus on securities, and its annexes in relevance with reality.
- 2.2.2 The fixed assets of the company shall be valued by a valuation company accepted by the Commission.
- 2.2.3 The law firm accepted by the Commission shall make the legal opinions on:
  - 2.2.3.1 Compliance of the company charter, labor and other internal procedures with “Mongolian corporate governance code” approved by the Commission;
  - 2.2.3.2 Compliance of effective contracts including loan, purchase and supply contracts with the respective laws;
  - 2.2.3.3 Whether a contract with conflict of interest and significant transaction exists in contracts made last 3 years, if exists, whether it was concluded within acceptable legal framework;
  - 2.2.3.4 Validity of special permits, licenses for essential operations and potential consequences for operations of the company in case the above licenses expire or are revoked;
  - 2.2.3.5 Compliance of rules, procedure, contract and agreements with the interest of issuer and investors, securities law, procedures issued by the Commission;
  - 2.2.3.6 Compliance of application and prospectus on securities registration and relevant documents with this and the other procedures of the Commission;
  - 2.2.3.7 Whether documents included in the prospectus are supported by legally evidenced materials;
  - 2.2.3.8 To determine the ultimate controlling entity of the securities issuer based on information on company’s subsidiaries, affiliates and daughter companies.
- 2.2.4 The underwriter shall make a written conclusion on individual and authorized officials in case the company itself is controlling entity about crime records, management knowledge and skills to operate a joint stock company in accordance with lawyer’ legal opinion;
- 2.2.5 In case of company registered with stock exchange, whether its corporate governance is in compliance with governance codex principles, in case of non banking financial institution (NBFI) and insurance company, whether they are normally operating under the

preconditions specified under the special permits shall be considered in making conclusion as stated in provision 2.1.1.4;

- 2.2.6 The respective departments of the Commission shall issue references on normal performance of NBFIs and insurance companies whether they are in compliance with requirements for special permits;
- 2.2.7 The analysts of underwriting company shall make a comprehensive study and analyses about market in which securities issuing company is operating and its market position in order to assess and evaluate its operations and future business opportunity. If the underwriting company does not have a valuator of business it shall conclude a contract with a valuation company accepted by government respective authorities.
- 2.3 The company issuing IPO shall not have overdue loan (this provision shall not be relevant to companies issuing additional shares for swapping debt with shares) and shall be required to fulfill requirements based on the estimated proceeds from the share sales:

Planned amount of proceeds from share sales is:

- 2.3.1 to be up to 3 billion of MNT then the company shall have been operated not less than 1 year, and EBIT to net equity of previous year should not be less than 5%;
- 2.3.2 to be 3 – 10 billion of MNT then the company shall have been operated not less than 3 year, and average EBIT to net equity of previous 3 years should not be less than 5%;
- 2.3.3 be more than 10 billion of MNT then the company shall have been operated not less than 5 year, and average EBIT to net equity of previous 5 years should not be less than 5%.
- 2.3.4 Ultimate proceeds from share sales for all companies shall not be more than 80% of the net equity on the balance sheet of the company.
- 2.3.5 The above requirements shall not be relevant to a company that established to provide goods and services with intention making a significant impact on economic growth and development, also the project is in its implementation process or in other words, not started sales. However such company shall comply with the following:
  - 2.3.5.1 80% of the project was financed by own internal resources, or the project that has strategic investor who provided such amount of investment and this investor has agreed on irrevocability on investment until the company completes the project and starts sales;
  - 2.3.5.2 All necessary special permits for implementing a project were obtained;
  - 2.3.5.3 The underwriting company accepted and agreed on technical and economic feasibility studies of the project;
  - 2.3.5.4 The authorized officials of the company shall be compliant persons;
  - 2.3.5.5 The corporate governance procedures are approved for implementation.

- 2.3.6 A commercial bank making IPO shall meet additional requirements along above provisions as follows:
  - 2.3.6.1 Permission from Mongol Bank (central bank of Mongolia) for the intended IPO;
  - 2.3.6.2 It shall have fulfilled prudential ratios of Mongol Bank for the previous 8 consecutive months and Mongol Bank shall have to provide reference on these;
  - 2.3.6.3 The bank shall have approved internal procedures in compliance with internationally accepted banking good governance and Mongolian corporate governance codex principles.
- 2.4 The securities issuing company to public, its intended majority shareholder, its members of the Board of Directors, CEO shall have references on their non-personal overdue loans and taxes arrears, past and present successful governance of their company, no arrears in corporate taxes from Credit information database, relevant tax authorities and Mongolian Stock Exchange.
- 2.5. The company offering and issuing additional shares to public shall meet requirements:
  - 2.5.1. It shall not have overdue loan;
  - 2.5.2. The total turnover of its shares in last 2 years shall be not lower than 30% of total issued shares; and average trading price of its share for last 2 years shall be 30% higher than its nominal price;
  - 2.5.3. The Commission and Board and Stock Exchange assessed the corporate governance as satisfactory; majority shareholders do not have overdue loan; and chairman of BOD and an authorized official of executive management shall be deemed to be “compliant” by the Commission;
  - 2.5.4. The company shall be used to follow internal procedures that are compliant with the principles of Mongolian corporate governance, including:
    - 2.5.4.1.Procedure on Shareholders’ meeting;
    - 2.5.4.2.Procedure on Board of Directors and its meetings;
    - 2.5.4.3.Procedure on corporate internal auditing;
    - 2.5.4.4.Procedure on corporate information;
    - 2.5.4.5.Corporate dividend policy.
  - 2.5.5. A company, issuing additional shares by offering to public, which does not meet requirements in provision 2.5.2, then it shall have a contract with underwriting company.

The underwriter company shall undertake study and analysis stated in provision 2.2 of this procedure and it shall support application for registering the securities.

- 2.6. If the company issues additional shares for closed selling to investors according to pre-negotiation, swapping debt with shares and distributing dividend in the form of shares, it shall meet the requirement stated in provision 2.5.4 of this procedure. In this case, the resolution on additional share issuance shall state whether there is preferred buying of shares; if yes, it shall be reflected in implementation procedure of the resolution.
- 2.7. The company issuing bond by offering to public shall meet requirements stated in provisions 2.2.1-2.2.3 and 2.3 and the planned proceeds from bond sales shall be lower than net equity amount of latest balance sheet of the company.
- 2.8. The company met above requirements shall send its application for securities registration to the Commission by collaborating with the underwriter. Securities registration application shall consist of following documents:
  - 2.8.1 Application for securities registration;
  - 2.8.2 The prospectus on securities;
  - 2.8.3 Opinions of lawyer, auditor, valuator and underwriter;
  - 2.8.4 Evidence documents and materials to support information stated in application for securities registration and in the prospectus;
  - 2.8.5 Bank payment slip on service charge for the Commission.
- 2.9. Document stated in provision 2.8 of this procedure shall be made in 2 copies in written form and one of copies shall be the original. Documents stated in provisions 2.8.1-2.8.2 shall be in soft copy as well as in hard copy.
- 2.10. The documents stated in provision 2.8 of this procedure shall not only meet official documentation requirements but also shall be ordered as follows:
  - 2.10.1. Shall be ordered, covered and indexed according to provision 2.8 of this procedure;
  - 2.10.2. Each page of application, the prospectus and other attached documents shall be numbered, and on the right bottom of each front page shall be stamped by securities issuer and underwriting company, duly signed by authorized official and dated;
  - 2.10.3. The forms shall be filled duly without any correction;

- 2.10.4. If the original document is provided in foreign language, official Mongolian translation shall be attached;
- 2.10.5. One file shall have no more than 400 pages;
- 2.10.6. If necessary to certify the copy by notary, it shall duly be made according to respective procedures;
- 2.10.7. The documents shall have no mistake of wording, meaning and composition and no mismatch shall be allowed in information provided, calculation made.
- 2.11. If above requirements have not been met, it will be a reason for refusal not to accept the documents.
- 2.12. Service charge paid by securities issuer to the Commission shall be not refunded.
- 2.13. Securities issuer shall fill the application, stated in provision 2.8.1 of this procedure, according to Annex No.1 of this procedure and the application shall include the information stated in this appendix.
- 2.14. Commission official receiving the application and other related documents shall make a special note on reception of these documents.
- 2.15. At the first page of the prospectus on securities, brief information (further on referred as “brief introduction”) on main content shall be made and attached according to Annex No.2 of this procedure.
- 2.16. Brief introduction shall include a warning note -- “One shall consider that the Financial Regulatory Commission does not provide any guarantee for risks associated with these securities by registering them to be issued for selling through public offering in accordance to clause 7.1 of Securities Market Law. It is advised that YOU, the investor, should make investment decision based on careful study on the prospectus and issuing process of these securities considering that investment by buying these securities is ALWAYS RISKY action”. When writing this warning in brief introduction of the securities, it shall be highlighted in red to be distinguished it from other information.
- 2.17. The prospectus on securities shall have 2 main parts and in addition to information stated in clause 7.3-7.4 of Securities Market Law, following information shall be provided and related documents shall be attached. (Requirements for information content are defined in Annex No.3 in compliance with IOSCO)

- 2.18. In beginning part of the prospectus, following information on securities issuer shall be provided with related evidence documents in the form of attachments.
- 2.18.1. Name, address and history of the securities issuer (established date and information on whether the company changed its form of operation according to law since its establishment), big changes made to the company (whether change in majority of shareholders, and major events influenced to change its service and operation), establishing branches, representative office and subsidiary, and occasions of increasing and decreasing its equity by 20% and its reasons (major damages and loss, earned windfall profits, joining of new major shareholder, investment is recalled by shareholder and etc.);
- Information about operational type, product and service type, brand product and service; and major changes to its production and service type in last 3 years;
  - Study and SWOP analysis on current and future market conditions, market position of securities issuer, market share, sales volume;
  - Whether the company's operation has seasonal character, if yes, how does it affect its cash flows.
- 2.18.2 Introduction on organizational and management structure, branch, representative offices and units of the securities issuer;
- 2.18.3 Name, position information of the major shareholders (founders) and names of authorized officials, information on positions they hold;
- 2.18.4 Information on the Auditing Company that made the audit opinion stated in provision 2.2.1 of this procedure, whether their authorized officials have common interest with the securities issuing company;
- 2.18.5 Information on the major clients of the securities issuer, whether their authorized officials have common interest with the securities issuer, whether the client holds shares more than 5%;
- 2.18.6 Information on the company's lawyer and the law firm that made on the opinion stated in provision 2.2.3;
- 2.18.7 Information on the company's legal status of operations and validity of special rights, permits and licenses;
- 2.18.8 Detailed information on how the company obeys corporate governance codex and internal procedures that are specified in "Mongolian corporate governance codex";
- 2.18.9 Information on decision made by authorized organization regarding offering securities to public. Information on whether the decision was made in accordance with Company Law in case the amount of securities transaction is significant for the Company;



- 2.18.10 Quarterly financial statements, main financial indicators and auditor's opinion prior to application for registration of securities and previous 3 years' additional comments and notes in accordance with "Guide to prepare financial statement and notes" approved by 248th Resolution of Minister of Finance on 22 December 2004, "Template compliance list for accounts for securities issuer and professional organizations of securities market, template financial statement, template financial statement note" approved by 143th Resolution of the FRC on 12 June 2008;
- 2.18.10.1 Information on main indicators of previous 3-year financial statement, comments and notes if the company requesting for IPO registration is to be newly established and founder is legal entity; if the founder is a citizen than s/he shall provide reference on no overdue loans to banks;
- 2.18.10.2 In this part, management of company shall submit "Management report and opinions on corporate financial and economic indicators" approved by its BOD. This report shall be prepared according to section No.5 of Annex No. 3.
- 2.18.11 Information on the securities issuing company, holding company, subsidiaries, affiliates and majority of shareholders and the parties with common interest;
- 2.18.12 Auditor's opinion on shareholder's decision, project to swap debt by shares, lender's permission, bookkeeping information in case the company is swapping debt with shares according to the procedure stated in clause 25th of Company law;
- 2.18.13 If the securities is issued in closed way and if the payment is agreed to be made in title right transfer of property or in property, list of such properties valued by valuation company shall be provided, introduction shall be made on the reasons of necessity for the properties and BOD resolution's copy must be submitted and information on what that resolution was issued shall be provided;
- 2.18.14 Justification and calculation on share price shall be provided in case the securities are being sold in closed way or those are being swapped by other shares;
- 2.18.15 Opinions of Minerals Council of Mongolia based on geological surveys on reserves of deposit shall be provided if the IPO shall be registered in accordance to clause 5.6 of Mongolian Minerals Law;
- 2.18.16 Opinions on the assets value of securities issuer by valuation company accepted by the Commission shall be provided;
- 2.18.17 In case the securities are to be issued for implementation of a specific project, the Project shall provide the technical and economic feasibility study, profitability calculation, introduction on project preparation, special permits and licenses, land permits, environmental study, opinions of respective government authorities.
- 2.18.18 Risk analysis: To provide a comprehensive analysis and explanation on all types of potential risks that could affect investors. Risk analysis shall cover the following:
- 2.18.18.1 Market risk in which the securities issuer operates;

- 2.18.18.2 Country risks on government policy and structure, politics;
  - 2.18.18.3 Liquidity risk, financial positions of the securities issuer;
  - 2.18.18.4 Demand risk for securities offered by the company;
  - 2.18.18.5 Risks related to decisions by corporate executive management;
  - 2.18.18.6 Risks associated with supply of skilled, experienced, professional employees;
  - 2.18.18.7 Risks associated with extraordinary situation in competition;
  - 2.18.18.8 Risks related to validity of licenses, special permits and contract terms;
  - 2.18.18.9 Risks associated with few or limited number of suppliers, buyers, and clients;
  - 2.18.18.10 Risks related to cash flow and liquidity;
  - 2.18.18.11 Risks associated with management team skills and experience;
  - 2.18.18.12 Opinions on business risks of securities issuer;
  - 2.18.18.13 Risks associated with environmental and health safety;
  - 2.18.18.14 Risks related to decisions made by majority shareholders;
  - 2.18.18.15 Economic and political risks, regulatory and supervisory risks;
  - 2.18.18.16 Financial track records;
  - 2.18.18.17 All other important events that may affect decision making of the future investors;
  - 2.18.18.18 Company shall provide information in case the current securities owners might have a risk to make additional financing on a higher share price. In informing the above risk, list of potential impacts ranked in order of severity has to be provided. It is prohibited to artificially decrease severity of impacts by providing false explanations.
- 2.19 In second part of introduction shall contain following information:
- 2.19.1 Securities type, nominal price of one unit, total price of securities;
  - 2.19.2 Rights of securities owner;
  - 2.19.3 Maturity term, interest, whether the interest rate is constant or floating, interest payment date, whether it is callable in case of promissory note (bond);
  - 2.19.4 Obligation of promissory note issuer, company equity and fixed assets, guarantee and warranty from others and their legal consent;

- 2.19.5 Procedure on which method to use to issue IPO (share orders, fixed price, auction) to take securities order, to determine the price of securities, to distribute securities, IPO transaction;
- 2.19.6 Method, starting and finishing issuance (time period taking orders), conditions and procedures to extend or shorten this period, determining the offer price, types of public advertisements;
- The procedure of setting the issuance date shall be explained in case if it is not set at submission of application.
- 2.19.7 Detailed spending and spending items of the net proceeds planned to achieve after selling securities;
- 2.19.8 If the proceeds from sales of securities are not sufficient to finance the project or activities, company shall provide information on how to finance and cost estimation on each additional sources of funding and shall integrate with general investment plan;
- 2.19.9 The company shall provide estimation, price comparison, purchase contracts on new equipments and other properties or the company plans to start new operations if the proceeds are to be used other than funding its general business operations; Detailed information shall be provided if the purchase contract of new assets is in conflict of interests;
- 2.19.10 If the proceeds are to be used in acquiring a new business then it shall provide detailed information on target business and legal preconditions on purchase transaction;
- 2.19.11 If the company is planning to use the proceeds for paying the debt, following information shall be provided a detailed information on the maturity, interest of debt, origin of liability, if loan arrear than for what it was used for;
- 2.19.12 If there is no certain plan on use of proceeds, the company shall provide the reason for public offering.
- 2.20 If shares are issued to swap debts to shares, provisions 2.5.5; 2.8.3; 2.16; 2.18.18; 2.19.4 - 2.19.10 and 2.19.12 of this procedure are irrelevant.
- 2.21 If the purpose of issuing additional shares is to distribute dividends to shareholders, provisions 2.18.12 - 2.18.18 and 2.20 are irrelevant.
- 2.22 Payment slip of registration charge shall be attached to the application.

### **THREE. RESOLVING THE APPLICATION FOR SECURITIES REGISTRATION**

- 3.1. The Commission shall resolve application within 30 working days since the receipt of application for the securities registration, the prospectus and other related documents meeting requirements of this procedure and clause 7.3 - 7.4 of Securities Market Law. The date shall be start from the day of receiving documents stated in the second part and met requirement of Annex No.3 of this procedure.

- 3.2. The Commission expert shall check that whether the securities registration application and its attached documents are complete and whether the securities issuer met requirements of this procedure within 5 working days since receipt of the application.
- 3.3. If the necessary documents stated in provision 3.2 of this procedure are not provided or different with each other, or the securities issuer does not meet requirements stated in this procedure, the Commission expert shall deliver official letter notifying on missing, mismatching and non qualifying documents received and return one copy of delivered documents to the applicant.
- 3.4. If the securities issuer does not meet requirements of this procedure, draft resolution about rejecting to register the securities shall be prepared and it shall be resolved by the Commission meeting. It shall be pre-informed to securities issuer by an official letter; and the securities issuer has a right to make an explanation in the Commission meeting.
- 3.5. If the application and its attached documents and the securities issuer are deemed to meet requirements of this procedure, application reviewing process shall be made within 15 days.
- 3.6. The team appointed by Director of Department on Securities Market of the Commission shall make field visits to securities issuer and shall provide an evaluation report within the time stated in provision 3.5.
- 3.7. In case of requiring additional document, explanation and clarification from the securities issuer while processing actions stated in provisions 3.2 and 3.5 of this procedure, the term stated in provision 3.1 of this procedure shall be delayed from the date of notification is delivered till the securities issuer provides required documents.
- 3.8. Deadline of responding to requirements stated in provision 3.3 of this procedure shall be defined; and if the securities issuer does not respond to requirements by its due date or does not send extension request letter for application, it shall be reason to discontinue review process and hand back its application.
- 3.9. The Commission's Operational Unit shall provide information about review process on securities registration application to the Chairman and members of the Commission.
- 3.10. Securities issuer and underwriter shall make presentation on the securities for registration to Operational Unit of the Commission before the Commission's meeting; and presentation date shall be defined by Director handling the application.
- 3.11. The expert responsible for review actions stated in provision 3.5 of this procedure shall prepare proposal about whether it is possible to accept the application for securities registration and memo and draft resolution to be discussed by the Commission meeting; and shall introduce it to Director of Operational Unit and Directors and Deputy Directors of respective departments. The Commission Chairman and full-time members shall

review the memo and draft resolution; and the Commission Chairman shall give permission to whether to discuss it at the Commission meeting.

- 3.12. Following information, stated in Annex No.4, shall be included in the memo and draft resolution of the Commission.
- 3.13. When discussing the application for registering securities, the securities issuer and representatives from professional organizations which conducted audit, valuation and legal analysis shall be present at the Commission meeting and shall be afforded with opportunity for comments. Absence of them at the Commission meeting shall not be justification for postponing the meeting.
- 3.14. Commission will disclaim for registering securities based under followings:
  - 3.14.1 Justification found cases based on clauses of 7.10.1 - 7.10.3 of Securities Market Law;
  - 3.14.2 If securities issuer is not meeting requirements of this procedure;
  - 3.14.3 Application and attached documents are found to be false.
- 3.15. If decision of disclaim for registering securities is caused by professional organizations' improper activities, this will be justification for invalidating or suspending permission of professional organizations' operation.
- 3.16. Introduction of securities which is registered with the Commission shall be confirmed with following:
  - 3.16.1 Information related to decision of Commission shall be reflected in brief introduction;
  - 3.16.2 Three copies of each securities introduction and all pages of illustrated documents shall be dated and sealed as "Registered by Financial Regulatory Commission".
- 3.17. Offering securities to public shall be launched after verification of introduction and registration to the Commission.

#### **FOUR. OFFERING SECURITIES TO INITIAL MARKET, TAKE ORDER OF SECURITIES, PRICING OF SECURITIES, DISTRIBUTION OF SECURITIES AND GIVING PERMISSION FOR SELLING**

- 4.1. The securities issuer refrain in changing and altering the information contained in the brief introduction, it shall be prohibited to refuse a disclosure or partial disclosure of its contents to interested individual and legal body, disseminating wrong forecasting and information on probable increase of share price to public, false information or share price comparison with share prices of domestic and international securities issuers without consent of the Commission.

- 4.2. Following preparations must be done before offering to public:
  - 4.2.1 It shall have sufficient fund to cover the cost for conducting public offering event;
  - 4.2.2 It shall submit a request to register securities to securities trader and Securities Settlement and Depository Organization. If there is a specific need, it shall make a special agreement on ordering securities;
  - 4.2.3 It shall prepare media casting and advertisements on securities for public;
  - 4.2.4 It shall prepare soft copy of brief introduction on the securities and publish on the web pages of the Commission, Stock Exchange, Securities Settlement and Depository organization and other participating professional intermediary organizations as well as on its own web page;
  - 4.2.5 It shall assign an office space for interested individuals and entities in securities where one can get comprehensive and complete information on the securities issued;
- 4.3. The securities issuer and underwriter shall use appropriate media tools for public.
  - 4.3.1 They shall locate at least 3 advertising tools for brief introduction of securities;
  - 4.3.2 They must convene a press conference to public on offering securities within 2 days from its launch date;
  - 4.3.3 They shall broadcast on television or radio to public;
  - 4.3.4 They shall print at least 500 copies of introduction; its sufficient copies shall be located in the offices of the company, Stock Exchange, Securities Settlement and Depository organization, and as well as in the office of the broker and dealer companies;
  - 4.3.5 The securities issuer shall organize field trip, meetings (road show) during which it shall hand out brochures.
- 4.4. The securities issuer or underwriting company shall launch securities registered with the Commission to the initial market as stated in brief introduction of the securities. If underwriter and other underwriters have agreed to cooperate and negotiated in lock in partial and full package buying and paid for securities, title of these securities shall assigned to the underwriter. This shall be done on the basis of request of the securities issuer and proof document certifying transfer of share proceeds to securities issuer from the underwriter.
- 4.5. If underwriters have not bought all securities, the following 3 methods in combination or single manner shall be used to offer the securities at the initial market.
  - 4.5.1 To offer at fixed price;

- 4.5.2 To sell by action;
- 4.5.3 To place by order registration.
- 4.6. In order to offer at fixed price, permission shall be acquired from the Commission and launch date shall be fixed in accordance with agreement made with trading company.
- 4.7. All information on general introduction on securities, offer price, starting and closing day, and timetable shall be delivered to all broker companies and public within 10 days before order registration date.
- 4.8. When offering at fixed price, order registration shall have to start 10 days after offering to public through media. Transaction on ordering shall start from top price ordering at initial market. When offer prices are equal, then timing shall be criteria for transacting. Duration of transaction shall not exceed 1 month.
- 4.9. The securities trading company shall obey the Commission recommendation and make procedure for transactions with fixed price at the initial market. This procedure shall separate securities trading at initial and secondary markets.
- 4.10. If it is stated in introduction that partial or full package of securities shall be transacted at the initial market, the action shall be chosen. If this method is selected, the company shall make agreement with securities trading company with permission from the Commission; and it shall fix transaction date, time and it shall be organized by trading company`s network. When using action, it shall provide introduction on securities to public and information to all trading companies on number of securities in the single package, floor price, starting and closing time of action 10 days before action. Duration of action shall not exceed 21 days.
- 4.11. The trading company shall make procedure for action and shall obey the Commission`s recommendation. This shall include the shortest period of offer price for securities package to be on network.
- 4.12. When placing securities at the initial market with order registration, the orders shall be taking after 6 working days since the public offering and duration shall not exceed 1 month.
- 4.13. The securities issuer and underwriter shall be agreed for setting floor and ceiling prices, they shall agree on starting and closing date of order taking with Securities Settlement and Depository organization and shall send information to all trading companies 5 days prior and shall broadcast on TV or media at least 10 times.
- 4.14. Person who is interested in buying certain number of securities with certain price can order and also s/he can **designate** only total amount not indicating exact numbers of

- securities and price. This total amount shall be deemed as interest indication and will to obtain securities equal to total amount regardless price fixed at the initial market.
- 4.15. Orders shall be taken by brokerage firm; it needs to be registered according to regular securities transaction procedure at specified time in trading software by the brokerage firm. To confirm the registered orders, collateral (not less than 30% of order amount) needs to be placed in centralized deposit account and all required fund for servicing the orders need to be transferred within 24 hours prior to complete the orders.
  - 4.16. Collateral fund for ordered securities shall be separated until trading starts.
  - 4.17. A valid order shall be considered to be after application has been duly fulfilled and submitted, payment for securities shall be placed in an account of Securities Settlement and Depository organization and order has been registered with the securities trading companies.
  - 4.18. It is forbidden to take order after working hours of last day of ordering deadline.
  - 4.19. Price for securities shall be fixed in 3 days after deadline of securities order and securities shall be distributed in accordance with possible orders. For this time, securities shall not be placed in the accounts of persons made orders but only numbers of shares shall be distributed.
  - 4.20. The share price shall be determined by underwriter and issuer of securities at the initial market. In order to fix the price they shall consider the weighted average of price from total order, realistic share price achieving projected proceeds from sales of securities, probable price to fulfill the more orders. The person who gave orders at the price fixed or higher price shall have a right to buy shares distributed evenly to order made after the price fixation (This shall not violate the deadline announced to public).
  - 4.21. If securities company is issuing additional securities, it shall distribute securities assigned to preferred shareholders according to article 39 of Company Law on the basis of their orders on preferred buying that was resolved by the Board of Directors and of payment received after registered share price with the Commission.
  - 4.22. If introduction on the securities stated that a certain amount of securities shall be sold to strategic investors at agreed price and if it is required to do distribution according provision 4.21, than after execution of distribution the certain amount of securities shall be distributed to strategic investors. The remaining portion of the securities shall be placed at the initial market in accordance with forms specified in the introduction.
  - 4.23. Undistributed securities shall be registered as announced and idle securities.



- 4.24. After finished placing at the initial market, secondary market trading shall start after having permission from the Commission. In order to get the permission, the securities issuer needs to satisfy following:
  - 4.24.1. Report on traded securities at the initial market, total securities ordered, fund raised from public, price estimation basis if the securities were placed through order at the initial market, distribution of securities, the list of orders were not fulfilled;
  - 4.24.2. Justification, estimation and list of securities distributed to strategic investors or preferred buying of additional shares issued.
- 4.25. Commission shall announce to public on **annulations** of its resolution on registration of certain securities considering sales proceeds below than 70% of total estimated fund generated from sales of securities in case for fixed price or auction, in case of total sum to be generated from orders collected and it shall regard this issuance as unsuccessful public offering within 10 days after period intended to conduct initial market trading.
- 4.26. Proceeds generated from securities sales shall be deposited in consolidated deposit account and these shall not be transferred to securities issuer until completion of the initial market trading.
- 4.27. If the initial market trading is not successful then generated fund shall be returned to the individuals and legal entities by the Securities Settlement and Depository organization.
- 4.28. The Commission shall grant permission to securities issuer on trading the securities by orders at initial market when it fulfilled followings requirements and the trading shall be performed in 2 days after such permission issued:
  - 4.28.1. A reasonable price was fixed for the initial market; the orders could be fulfilled for individuals and entities made orders at same or higher price.
  - 4.28.2. 70% of planned proceeds have been collected and available to transfer them to the securities issuer.
  - 4.28.3. Preparation has been done to issue securities on secondary market.
  - 4.28.4. No complaints were made in relation on placement of securities at the initial market.
- 4.29. For those companies offering its shares to public for the first time it is forbidden to sell securities package in closed manner except to strategic investors. But it is not considered to be as closed order that the closed company converts shares into public company according to following procedure.
  - 4.29.1. Net value of assets reflected in last financial statements (of the closed company that is converting into public company) reviewed by underwriter and by verified by auditing

company shall be divided into nominal value of shares and numbers. The number of shares to converted and owned by the shareholder of the closed company shall be regulated by restructuring plan of the company.

- 4.29.2. Before producing financial statement on restructuring period, revaluation for assets of the company could be done and new valuation shall be presented in financial statements. The intangible assets created by the company shall be registered in Intellectual property agency at the cost. Revaluation is forbidden for intangible assets. But purchased intangible assets shall be registered for purchase value and it shall be included into bookkeeping and financial statements.
- 4.30. If company is issuing additional shares to sell in closed order, the price shall be settled according to last 6 month average trading price, the company's account price of the shares. If Board of Directors is deciding to set price lower than average, it shall warrant preferred right to its shareholders to buy shares in first stage in accordance with article No.39, Company Law.
- 4.31. The Commission shall confirm the ownership of the legal body buying shares through closed order based on remitted money for buying shares in deposit with Securities Settlement and Depository organization, documents certifying transfer of fund by banks, bookkeeping records.
- 4.32. If company issues additional shares to swap liabilities of the company or decision were taken by it to swap liabilities with shares announced but not issued then the Commission shall confirm the ownership based on documents confirming debt existence and debt writing in bookkeeping records and in financial statements and audit reports. The price for shares to be swapped with liabilities shall be determined in accordance with provision of 4.30 of this procedure.
- 4.33. If company is issuing additional shares to pay dividend then after registering decision of the Commission on issuance of shares, the trading shall be suspended in order to register additional shares in each account of each shareholder and this transactions shall be handled by Securities Settlement and Depository organization within 5 days.

#### **FIVE. TO REGISTER SECURITIES TRANSACTION, TO PRODUCE REPORTS AND TO CONFIRM**

- 5.1. The company shall send comprehensive report on securities transactions to the Commission in 30 days after finalization of transactions at the initial market according to Annex No.5.
- 5.2. The securities issuer shall inform public with a brief report on securities transactions within period stated in provision of 5.1 of this procedure. If the company has launched

IPO to become public company then this brief report shall state the date of the first Shareholders' meeting.

- 5.3. Securities Settlement and Depositary organization shall transfer back the excess payment within period stated in provision 5.1 of this procedure for orders which have not fulfilled or fulfilled but with excess fund. If a legal person submits request to hold fund in account for further transactions and not provided and "application on fund reimbursement", this period will not take in account.
- 5.4. The securities issuer shall record proceeds from securities in special account, in case securities issued for raising fund for new project, then these securities shall be registered in the account of the new project.
- 5.5. The company which has issued securities for implementing a project shall send project implementation process report, fund utilization report on detailed cost items with quarterly report within 20<sup>th</sup> day of first month of each quarter to the Commission and shall inform public in its web site.
- 5.6. The securities issuer shall compile files on all order, transactions according to archive and office record keeping requirements and transfer to the Archive of Securities Settlement and Depositary organization.

## **SIX. RESPONSIBILITIES OF SECURITIES ISSUER, UNDERWRITER, LAWYER, VALUATOR AND AUDITOR**

- 6.1. The securities issuer shall give all required information to underwriter, lawyer, valuator and auditor for all actions required in this procedure. The authorized official of the securities issuer shall be responsible for the loss occurred to the investors due to insufficient, inadequate and false information.
- 6.2. Lawyer, evaluator, auditor and underwriter shall make their professional opinions based on the documents provided the securities issuer. They shall be responsible for the loss to the investors due to opinions mismatching the reality.
- 6.3. The Commission shall disregard a legal person further, opinion of whom served as basis for the loss occurred to the investor.
- 6.4. Before making an agreement with the securities issuer, the underwriter shall contacted with authorized legal body having at least 2 valutors who are authorized to value company's business or authorized valuator capable to undertake a detailed analysis on the company and to provide a comprehensive opinions.

- 6.5. If the underwriter decided to syndicate with other underwriters on agreement, the draft needs to be submitted to the Commission. Agreement shall cover responsibilities and rights, fee sharing for each underwriter.
- 6.6. The securities issuer and the underwriter shall define in which way to place securities at the initial market. The introduction of securities shall explain the type of securities and reasons chosen placement methods.
- 6.7. The justification for dissolving the license of the underwriter shall be 3 times unsuccessful trading at the initial market.

#### **SEVEN. TO MAKE AMENDMENTS IN SECURITIES REGISTRATION**

- 7.1. The securities registration shall be amended in cases of change of the joint stock company by the forms of merging, dividing; issuance of additional shares, shares division, consolidation; cancellation of unsold bond.
- 7.2. The shareholders' meeting shall resolve the changes in structure of the company, issuance of additional shares, shares division and consolidation; cancelation of unsold bond shall be decided by meeting of the organization that authorized bond issuance.
- 7.3. The company shall send their request for amendments in registration within, related resolutions and documents within 3 working days to the Commission after decision taken in accordance with provision 7.2 of this procedure.
- 7.4. The Board of Directors shall draft the changes in the structure of the company on merger, consolidation, division or shares' division, consolidation and this draft shall be approved by Shareholders' meeting. It shall contain following:
  - 7.4.1. Preconditions of changes in structure and execution procedure for the companies' merger, consolidation and division or shares' division, consolidation;
  - 7.4.2. Conversion ratio and related estimation of shares of the company and the company emerging through restructuring;
  - 7.4.3. Statements on transferred assignments to newly established company by restructuring – the equity, liabilities, responsibilities, rights, obligations;
  - 7.4.4. Plan, procedure on how to implement rights of shareholders regarding restructuring of the company;
  - 7.4.5. In case a company is merging or dividing or becomes a limited liability company, the Board of Directors shall set price for fractional securities when dividing or consolidating the securities and for buying back price at the demand of shareholders.

- 7.5. In case the company is recalling its securities, price shall be set accordance with article No. 56.4 of the Company Law on the basis of estimation of independent valuation organization. If price is set below than trading average of last 6 months, the valuation company and the Board of Directors shall give explanation and supporting documents on pricing to the Commission.
- 7.6. If a shareholder wishes to buy fractional securities and makes payment for the difference at the price resolved by the Board of Directors in the plan securities division or consolidation, then the shareholder shall have a right to own a full securities.
- 7.7. The actions shall be taken to collect the comments from the shareholders on the company restructuring plan in the manner of announcing shareholders' meeting.
- 7.8. The request for amendment in securities registration and supporting documents shall be submitted to the Commission:
  - 7.8.1. Information regarding date and date announcement for Shareholders' meeting in accordance article No. 66.3, Company Law to the shareholders;
  - 7.8.2. Resolution on approval of vote counting by ad hoc Commission;
  - 7.8.3. Plans for company restructuring and securities division or consolidation;
  - 7.8.4. Resolution of Board of Directors on procedure on buying back shares from shareholders, price for fractional share after shares division or consolidation in conjunction with company restructuring.
  - 7.8.5. Resolution of the shareholders' meeting and other related information stated in provision 8.2 of this procedure on company division, merger, shares division or consolidation;
  - 7.8.6. Resolution on appointment of members of an ad hoc Commission for restructuring of company, and the reports of this Commission;
  - 7.8.7. Information and explanation stated in provisions of 8.4, 8.6, 8.7 of this procedure in case of joint stock company restructured into limited liability company by division or merger;
  - 7.8.8. Resolution of authorized organization making amendment on to securities registration on cancelation of unsold bonds, explanation on this amendment; reference materials from the Securities Settlement and Depository organization on timely payment handling for matured principles and interests for the bond issued;
  - 7.8.9. Confirmation non-refusal letter on amendment to be made in registration by Stock Exchange and Securities Settlement and Depository organization and on implementation of each party`s obligations in the agreement respectively;

- 7.8.10. Status on dividend payment and remittance documents on outstanding dividend transfer to personal accounts of the shareholders with Securities Settlement and Depository organization;
- 7.9. The Commission shall review the request for amendment in securities registration and it may reject the request on the basis of non compliance with provisions of 8.4, 8.6, and 8.7 of this procedure.
- 7.10. After acceptance of request by the Commission to make amendment in securities registration, the Operational Unit of the Commission shall make the requested amendment in securities registration within 3 working days and the State Registration organization shall be informed on this amendment within 10 working days.

## **EIGHT. DELISTING OF SECURITIES FROM REGISTRATION**

- 8.1. The securities of a company shall be delisted from the registration when joint stock company registered with the Commission was restructured into a limited liability company or liquidated.
- 8.2. The request for delisting shall be submitted to the Commission in case the resolution was adopted by the shareholders' meeting on restructuring joint stock company into a limited liability company or liquidation within 30 working days after such resolution. The request shall be accompanied with following documents:
  - 8.2.1. Resolution of the Board of Directors on company restructuring, minutes of the shareholders' meeting, announcement of meeting date and location, to change structure of company, date and a plan on company restructuring;
  - 8.2.2. The company restructuring plan shall comprise of following:
    - 8.2.2.1. Justification for restructuring the company and the purpose;
    - 8.2.2.2 Company restructuring preconditions and procedure;
    - 8.2.2.3. Conversion method of shares, estimation;
    - 8.2.2.4. Procedure exercising the rights of shareholders voted against or not participated in voting on the company restructuring plan on buying back of their securities at the demand in accordance with Company Law.
  - 8.2.3. Explanation and documents related to prior delivery of draft resolution on company restructuring to the shareholders;
  - 8.2.4. Resolution of the Board of Directors on setting price of buying back of the securities;

- 8.2.5. Opinion of valuation company on buying back price, explanation provided in case the price is lower than in provision 7.5 of this procedure;
- 8.2.6. Confirmation non-refusal letter on amendment to be made in registration by Stock Exchange and Securities Settlement and Depository organization and on implementation of each party`s obligations in the agreement respectively;
- 8.2.7. Status on dividend payment and remittance documents on outstanding dividend transfer to personal accounts of shareholders with Securities Settlement and Depository organization;
- 8.2.8. Information on securities buying offer from others by the shareholders who own **securities package on common interest**. No provision of such information shall be justification for postponing securities delisting from registration. In case no such offer exists, buying back price was set above than legally determined price, and then it is not necessary to have an offer.
- 8.3. The Operational Unit of the Commission shall review all the materials and shall forward a statement on prohibition to the company for actions stated in provision No. 8.4 of this procedure in case of the shareholders` meeting is invalid, its resolution is illegal, company restructuring plan is legally incomplete and low buying back price has no real justification. This statement shall provide all justification on prohibition for the actions.
- 8.4. If the company receives a permission note by the Commission for implementation of activities specified in company restructuring plan, the ad hoc Commission responsible for company restructuring plan or in case of no such ad hoc Commission then the executive management shall send letters to its shareholders who were not able to attend the shareholders` meeting on decision to restructure the company and share buyback demand rights and price fixed by the Board of Directors, on execution of these demand rights in accordance with clause 55 of Company Law.
- 8.5. The shareholders are titled to implement abovementioned rights within 30 working days after receipts of such statement. If the shareholder resides in the province out of reach then period for vote closing will be 2 months considering delivery of statement and response.
- 8.6. The shares buyback from the shareholder on demand shall be validated on the basis of documents verifying or receipts about cash transfer from the company or in kind by negotiation between two parties, remitted payment to the bank account, or money transfer through local broker or dealer company.
- 8.7. The shareholders who did not respond within timeframe in provision 8.5 of this procedure shall continue to be considered as shareholders of the closed company. Money

fund needed for payment of securities shall be placed in the accounts, for those with no accounts, the accounts shall be opened at the Securities Settlement and Depositary Organization, in case the shareholder were not in the official address or statement has delayed to reach in time and the response is on the way back, as well as other unforeseen factors.

- 8.8. When the shareholder comes in personal and has requested to remain as a shareholder of the closed company, then the fund shall be transferred back to previous company and the person shall be registered as company shareholder and the State Registration shall be informed on this.
- 8.9. The company restructured shall implement the buyback of its shares based on the agreement made with broker and dealer company or Securities Settlement and Depositary Organization.
- 8.10. The authorized official of the company that has been decided to be restructured who own control package securities of the company and their related parties shall maintain their duties in accordance with clause 58.1 of Company Law and they have proposed to buy the securities owned by others in compliance with procedures approved by the Commission under the Securities Market Law; they have had bought back the securities after delivery of a statement to on securities buyback demand right in case of preconditions created in accordance with clause 54.2 of Company Law.
- 8.11. The company shall send request for delisting after abovementioned actions taken and request shall have attachments as follow:
  - 8.11.1 A copy of agreement and receipt of fund transfer for buying back shares to Securities Settlement and Depositary Organization;
  - 8.11.2 Introduction and documents related to actions taken under provisions 8.4, 8.6, 8.7, 8.9, 8.10 of this procedure.
- 8.12. The trading of company securities shall be terminated after decision by the Commission on delisting of the company securities from securities registration in other cases except provision 8.17 of this procedure (amended according to Resolution No. 278 of FRC dated as of 23 of December 2009).
- 8.13. Commission may suspend delisting of the company from the securities registration, in case the company is considered taken incomplete actions provided in 8.4, 8.6, 8.7, 8.9, 8.10 of this procedure. In this case, justification for suspension shall be informed in letter.
- 8.14. The Commission shall inform the State Registration Agency on delisting decision of the securities of the company restructured within 10 working days.



- 8.15. If the decision to liquidate the company is made by authorized organization, then liquidation Commission shall inform this to the Commission within 3 working days.
- 8.16. The decision on company liquidation shall accompanied with documents as follow:
  - 8.16.1. The decision made by authorized organization for liquidation and appointment of an ad hoc commission;
  - 8.16.2. Liquidation period and liquidation decision and plan approved by the shareholders' meeting including the procedures to distribute remaining equity to the shareholders after serving the outstanding liabilities by the company;
  - 8.16.3. Procedure for liquidation and claim issuing, evidence of verbal schedule information sent to public and lenders;
  - 8.16.4. Reference from Stock Exchange or Securities Settlement and Depository Organization confirming no refusal for amendments to be made in securities registration and full completion of obligations under the respective agreement.
- 8.17. The trading of company securities shall be terminated from day after decision by the Commission on delisting of the company securities from securities registration (amended according to Resolution No. 278 of FRC dated as of 23 of December 2009).
- 8.18. The ad hoc Commission on liquidation shall inform the Commission on execution of company liquidation in accordance with clauses 27, 28 and 29 of Company Law. Documents accompanying this statement shall be have attachments as follow:
  - 8.18.1. Temporary and closing balance to liquidate;
  - 8.18.2. Reference on the deal whether that had a conflict of interest in case of selling property of the company; if the deal created a conflict of interest, information about auction is made in accordance with clause 27.7 of Company Law;
  - 8.18.3. Report on distribution of proceeds income to the shareholders from selling fixed assets after servicing debt in accordance with clause 28 of Company Law;
  - 8.18.4. Receipt of money transfer and contract on granting fund for shares through Securities Settlement and Depository Organization to the shareholders those did not paid yet from the company;
  - 8.18.5. Status on dividend distribution and document certifying fund transfer to accounts of the shareholders with the Securities Settlement and Depository Organization in case of outstanding dividend.

8.19. The Commission shall inform the State Registration Agency on delisting decision of the securities of the company liquidated within 10 working days.

Annex No.1 of the Procedure for “Registering securities to be offered and sold to public and offering and selling securities at the initial market”

**APPLICATION FORM ON REGISTRATION  
OF SECURITIES TO BE OFFERED TO PUBLIC**

In accordance with clause 3 of article 7 of Securities Market Law

\_\_\_\_\_ company (name of securities issuer) on the resolution as of \_\_\_ day \_\_\_ month \_\_\_ year by \_\_\_\_\_ (name of authorized organization)

is hereby submitting this application to register the securities for public offering with the Financial Regulatory Commission. /The related documents, materials are attached./

One. Securities issuer:

Name and industry type:	1.2. State registration number:	1.3. Registration number:
1.4. Operation type:		1.5. Official address:
1.6. Postal address:		1.7. Name and position of official in charge for application:
1.8. Phone:	1.9. Mobile phone:	1.10. E-mail address:

Two. Details of securities:

2.1. Name of securities:	2.2. Type of securities:	2.3. Estimated amount of proceeds to be generated from public offer:
2.4. Number of securities:	2.5. Forms of securities offering:	2.6. Unit price of securities (nominal price, in case bidding lowest and highest price):
2.7. Terms on securities (discounted, flow, fixed interest, recall option):		2.8. Duration for public offering:

Three. Registering and trading activities at the initial market are to be performed by professional organization:

3.1. Name:	3.2. State registration number:	3.3. Registration number:
3.4. Address:	3.5. Postal address:	3.6. Type of operation in accordance with license:
3.7. Validity of license:		3.8. Name and position of official in charge of application:
3.9. Phone:	3.10. Mobile phone:	3.11. E-mail address:

Four. Utilization purpose of proceeds generated from securities to be offered to public:

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Five. Information about services to be provided by professional organization intermediating to securities market and contracts and negotiations on purchase of securities at the initial market:

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

Six. Applicant company ..... shall be fully responsible for truthfulness of this document and its attachment. The risks for the investors and other proper information be delivered to investors are fully stated in the prospectus on the securities.

Applicant:

Family and given Name:

Position:

Signature:

(Zeal or stamp of legal body)

Submission Date:

**SPECIAL NOTE (it shall be filled by only by the official of the Financial Regulatory Commission)**

Name of official received the application:	Date and hour, minute of application receipt:	Number of pages of documents and attachments (single sided):
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Annex No.2 of the Procedure for “Registering securities to be offered and sold to public and offering and selling securities at the initial market”

**BRIEF INTRODUCTION OF SECURITIES**

**First part of the prospectus**

1. Name and address of the securities issuer:

Address: \_\_\_\_\_  
Tel: \_\_\_\_\_  
Fax: \_\_\_\_\_  
E-mail: \_\_\_\_\_

2. Brief information about state registration:
3. Information and study on history, type of operation, future prospect, type of production and services, the market share of the securities issuer:
4. Introduction about organizational and management structure, branches, representative offices and units of the securities issuer:
5. Information about a person who owns over 5 percent of the shares of the securities issuer:

	Name	If works, position If legal person, address	Percent of owning share

6. Information about authorized person; if owns company’s stock, amount of the share:

	Full name	Position	Percent of owning share

7. Securities issuer’s major contracts concluded with others:
8. Information about right of the shareholder and dividend policy stated in the charter registered in State Registration of the securities issuer:

9. Resolution of authorized organization of the securities issuer on offering securities to public. If issuing securities is deemed to be a big transaction for the company, information about resolution is made according to the Company Law:
10. Audited financial report of last 3 years with previous quarter, before applying for requesting the approval of securities registration (by annex No.2 of Resolution No.143 dated 12 June 2008):
11. Information about the owners of the securities issuing company, its headquarter and subsidiary and controlling interest, the person having common of interests with them and the reference from banks and no overdue loan notification from debt workout units of the banks:
12. Information on business valuation of securities issuing company made by authorized organization and valuator's assessment on its business valuation:
13. Information on legal justification in case of issuing securities to fund a project (special permits, land usage title, license, patent and other necessary documents).

## **Second part of the prospectus**

1. Type and form of securities;
2. Rights of securities owner;
3. Form and schedule of trading securities at the initial market;
4. Information about whether issued securities before or not, if yes, type, issuance date, total amount, amount to be paid or was paid; if it issued the bond, whether principal and interest were paid within the term and whether it has a reference from Securities Settlement and Depository organization;
5. Brief introduction on the project to spend proceeds from securities issuing and economic feasibility;
6. Scope of securities offer;
7. Potential risks facing the investors after buying the securities, full risk analysis and notification stated in provision 2.13 of this procedure;
8. Information on the underwriting company in case it is planned to issue the securities at the initial market by underwriter;
9. Place and time to obtain information on the securities and detailed prospectus, and name and telephone number of the responsible official.

Annex No.3 of the Procedure for “Registering securities to be offered and sold to public and offering and selling securities at the initial market”

## **INFORMATION CONTENT TO BE STATED IN PROSPECTUS ON SECURITIES**

### **I. INFORMATION ABOUT DIRECTORS AND AUTHORIZED OFFICIALS OF EXECUTIVE MANAGEMENT**

In this section, the main purpose is to provide information about people who participated to prepare documents and information to issue the company securities and authorized officials to represent the company.

#### A. Directors and authorized officials

Their name, position and duty

#### B. Consultants

Name and address of the bank, legal consultant cooperating constantly with the company for a long time, underwriter of securities registration and legal consultant, auditor and valuator who gave advice to a registration work and made an opinions and assessment.

C. Name and address of the auditing company (their professional associations) cooperated for last 3 years.

### **II. TYPE OF OFFERING**

In this section, information shall be provided on actions for securities offering and offering duration shall be stated.

#### A. Information on actions for offering

Type of offering and total amount of issuing securities. This shall include: offering price, price fixing methods and the number of securities.

#### B. Type of offering and planned date

Following information related to actions for offering and process of offering to each targeted group of the investors shall be stated in the prospectus.

1. Order receiving period and where and who receives purchasing order. Information about whether the ordering period can be extended or closed beforehand, if yes, for how long, how to solve this issue and how to inform the public. When it is difficult to define the order receiving period, when and how to define it and inform;
2. Payment type and period for the securities; full payment period in case of partial installments;
3. When and how to transfer the securities offerer and buyer. Including: (certificate of ownership in case of issuance);

4. Information about how to perform the preferred buying right for the securities, how to solve the right over non-ordered securities in case no orders received;
5. How to deliver information on the securities distribution to public, how to handle excess payment made, how to handle interest on excess payment.

### **III. IMPORTANT INFORMATION**

In this section, information related to finance, assets and risk shall be stated. If the financial report, purpose of stating big changes made to the company's structure and accountancy policy, stated in the prospectus is renewed, the changes shall be also made to and stated in the financial information.

#### **A. Selected financial information**

1. Last 5 years' selected financial information (if not operating for 5 years, it can be from the year of an operation) shall be in currency same with financial report. If noticed to the Regulatory organization about renewing the financial report due to above mentioned reason and requiring much cost and time to renew other financial information, out of above mentioned 5 years the first 1 year or 2 years' financial information can be not included. If the information of unaudited financial report is included, related financial information shall have a notice of unaudited. If the selected financial information is made by quarterly, except the year balance sheet is deemed to satisfy the requirement of comparing balance sheet, the information possible to compare with previous year's same quarter shall be included together.
2. If the selected financial information has different category than the company's financial report, followings must be stated. Including: net sales or operation income, total profit (loss), net profit (loss), total and net profit (loss) for per share, profit (loss) of a main operation or continuing operation for per share, total assets, net assets, equity, capital stock (not include long term debt and preferred stock), stock amount stating equity changes, dividend in currency of financial report or issuing country (if any adjustment is made to dividend, the formula shall be shown) and diluted net profit for per share. When defining the amount for per share, accountancy policy of financial report shall be exercised.
3. If the financial report is made in different currency than the currency of country issuing securities according to the clause VIII, currency exchange rate to transfer from the currency of country issuing securities to currency of financial report. The rate shall be as following:
  - a) by possible last date;
  - b) highest and lowest rate of last 6 months;
  - c) average of last 5 years and last quarter of financial report (average rate based on the rate of each month's last day within the certain period).

#### **B. Assessment and debt**

The information not more than 60 days prior than the date of delivering the prospectus document and the company assessment shall be truthfully stated in the assessment and debt report (debts shall be separately stated as pledged or not and certified or not). If possible, income impact to be earned from sales of newly issuing securities shall be stated.

C. The reason of issuing securities to offer to public and expense of sales proceeds

1. Planned proceeds from securities sales and expense shall be stated in the prospectus. Planned expense shall be shown by each item and amount. If planned proceeds are insufficient for planned expense, expense shall be listed by its importance and plan to find source of lacking financing shall be shown. If there is no expense plan, the reason of offering securities to public shall be written on the prospectus.
2. If sales proceeds from securities trading are used for buying non-operational property in cash or non cash, type and price of the property shall be informed. If the property is bought from person with common interest, information about selling person and price shall be provided.
3. If sales proceeds are used for acquiring any business, brief introduction of the business and process of acquisition shall be delivered.
4. If most of sales proceeds are used for paying debt, interest amount and term of the debt shall be informed.

D. Risk indicators

In this section, risk indicators could happen to the company and its operational field shall be classified by its impact of the risk. In the indicators, following information shall be provided. Including: The company's operating business or business plan to operate, the country where the company is operating, the last operational loss, financial situation of the company, probability of losing its liquidity of the securities, the ability and reliability of the management, probability of losing shareholders' participation due to increasing the number of securities, abnormal competition situation, termination or suspension of the patent, contract and trademark and dependency from few number of suppliers and customers.

**IV. INFORMATION ABOUT THE COMPANY**

In this section, information about the company's operation, product, service and factors influencing the business shall be stated. Information about whether the company's properties and equipments are appropriate and sufficient for its operation and whether to have a plan to increase or decrease their power in the future shall be provided. The properties stated in this section shall be assessed.

A. The company's history and further development

In this section, following information shall be stated. Including:

1. Name of the company;
2. Established date of the company and if possible, duration of the company's operation
3. Information about the place where the company is located, legal form, operational legal environment, established place; registered address and telephone number (if it is different from the registered place, provide the address of the general administration). If the company has a representative office in a country where securities is issued, name and address of the representative office.
4. Important changes of the company's history. For example: merging the companies and subsidiaries, result of this merging, purchasing the property for non operational purpose or transferring to others, management of the business operation and big changes to



product, service and its name; and if the company was liquidated, result of the liquidation and assigning the company and its subsidiaries to person appointed from court and other similar cases.

5. The purpose and amount of the big investments made in last 3 years before offering securities (including investments for other companies);
6. Amount and location (domestic and foreign) of the current big investments and its financing source (domestic and foreign);
7. Whether the third party announced a tender to purchase the controlling interest of the company or the company announced a tender to purchase the other company's controlling interest in previous year or during the financial year. If announced, what is offering price.

#### B. General information about the operating business

This section's information shall be prepared in accordance with principle of accounting and bookkeeping used for financial report. Following information shall be included:

1. The main operation of the company. Type of product and service in last 3 years. Whether introduced new type of product and service. New or renewing product and service, and its process;
2. Major markets in which company operates last 3 years and income and revenue by its location;
3. Whether the company's operation is seasonal;
4. Raw material supplier and its price fluctuation;
5. The company's marketing & sales policy, for instance sales for fragmented payment etc;
6. Patent, license, contract of procurement, loan and sales, and production cycle that could strongly affect the company's operation, especially to sales and revenue;
7. Position in industry and evidence of the competitiveness assessment;
8. Name of government regulatory organization which has a significant influence on company's operation.

#### C. Organizational structure

If company is one of the group companies, information about the group and status of the company in the group shall be provided. Name, legal address and percentage of shareholding of the subsidiaries and if its different from shareholding, voting rights shall be shown by list.

#### D. Property, plant and equipment

Information about valuable fixed assets including rented and pledged properties. In the information, property amount, function, capacity, construction, utilization and utilized period of equipments, production and location shall be included. If there is an environmental effect in the company's property, it shall be explained. Whether to have a plan to increase its capacity, if there is, what it is, what is the reason, type and amount of the planned financing, planned date to start and finish the financing and capacity increment after execution shall be informed.

### **V. OPERATIONAL AND FINANCIAL OVERVIEW, FUTURE PERSPECTIVE**

In this section, management's evaluation and assessment about important factors influenced to financial situation and results of operation during the financial report period stated in the

prospectus and factors could affect to the company's future financial situation and results of operation shall be revealed.

Big changes made in the result of the company's financial situation and results of operation, a necessary information for understanding the whole operation of the company, shall be defined based on the indicators of yearly or quarterly financial report; and the reason of changes shall be explained. This information shall be defined by every leading branch of the company's operation. Other information that investors should have known about below stated, the company's financial situation, its changes and results of operation shall be included.

#### A. Results of operation

Study on important factors, including: abnormal, inconsistent cases and restoration, influencing to operational income of the company and these factors' influence the income shall be informed. Important categories of income and cost for defining results of operation of the company shall be shown in detail.

1. Changes of net sales and income, and research about how the amount of product and service, structure, price or new product and service influenced to this changes.
2. If noticeable, inflation effect shall be shown. If financial report is made in currency of country with high inflation, year on year inflation rate of last 5 years shall be shown and impact of hyperinflation to the company's operation shall be explained.
3. If noticeable, changes of foreign exchange rate shall be shown. Whether the foreign currency investment is hedged by foreign currency loan or other hedgings.
4. Information about whether the government policy of economy, finance and money influences or could influence to the company's operation and investment from shareholder of securities issuing country by direct or indirect way.

#### B. Liquidity and fund source

Following information shall be included:

1. Information related to the payment ability /short and long term/ of the company, including:
  - a) Interpretation on the internal and external source of payment and its non utilized source. Working capital estimation and if it is insufficient, interpretation on finding financing.
  - b) The company's source of cash and its amount; and whether there is any legal and economical restriction on transferring dividend, loan and property in prepayment form from its subsidiaries to head company; if there is, interpretation on its impact to payment ability of the company.
  - c) Debt amount at the end of the certain period, repayment date and interpretation on whether the needs of loan is seasonal and whether to have any restriction on loan utilization.
2. Information related to financial tool utilization, debt repayment date and interest structure. Reserve policy and future propositions, as financial instruments like how to control to financial source use, in what currency should be expressed cash and cash equivalent assets; which loan has regular interest; and use of financial tool to make hedging, shall be included.

3. Information about a huge amount of investment plan, its main purpose and required fund source for performance shall be provided as of last year or the end of the quarter.

C. R&D, analysis, improvement, patent, license and etc

Interpretation on the company's policy on R&D, such as last 3 years' research and analysis made by the company's financing and fund amount spent for improvement, shall be made.

D. Information about future perspective

Future perspective of production, sales and property, and current situation of order registration, cost and price shall be shown as of last financial year. Also perceptible perspective, uncertainty, demand, negotiation and procedure that could influence to income, profitability, payment ability and fund source of the company's constant operation in certain financial year shall be discussed.

**VI. BOD MEMBERS, EXECUTIVE MANAGEMENT, SENIOR MANAGEMENT AND WORKERS**

In this section, information about BOD members, executive management and managers shall be delivered to the investors and also information about their experience, education, amount of incentive and relation with the company shall be stated.

A. BOD members, executive management and authorized person

Following information related to the personnel, such as BOD members, executive management, authorized person, expert of research and analysis, scholars and designers, whose work has an important impact to the company shall be included.

1. Name, experience, duty and professional field;
2. Other duties with another company than securities issuing one (whether serves as BOD member or in executive management);
3. Birth date or age;
4. Whether above mentioned personnel have common interest;
5. Whether there are any personnel from shareholder, customer and supplier in the BOD and executive management.

B. Incentives

BOD members, executive management and members of administrative, audit and management shall provide following information as of last whole year, including:

1. Total amount of salary, incentives and other incomes granted from the company and its subsidiary for the service of that person. State regulatory organization doesn't have this kind of requirement for the head company; so these person shall disclose such information to public, in case of the company does not. If salary and incentive haven't granted but planned to do, it shall be informed either. If (a) incentive is distributed according to the profit distribution program, information about the program and participation of the personnel, and (b) incentive is in the form of stock option, information about quantity, exercise price, buying price (if possible) and expiration shall be provided.
2. Total amount of pension and money saved and accumulated for distributing benefit from the company and its subsidiary.

### C. Operational procedure of BOD

Following information about BOD members, executive management and members of administrative, audit and management shall be provided as of last financial year.

1. If defined, termination and duration of the position;
2. Contract made with the company or its subsidiary and whether have allowance after termination;
3. Information about the company's audit and Commission of salary and allowance; and brief introduction about BOD members and operational procedure of BOD.

### D. Workers

Information about a number of workers and its changes as of a half and full year in last 3 years, if possible, classifying by location and operational field. And information about a sudden changes to number of workers and relationship between management and labor union. If the company hires a number of part-time workers, average number of these workers and average working period a year as of the last year.

### E. Shareholding

1. Latest information about shareholding of VI.B and above mentioned people (including: number of stock per person, percentage for total share and voting rights) and a number of stocks of the company owning through their option. In case of option: name, number of securities stated in the option, exercise price, buying price, other terms and expiration.
2. If planning to give stocks to workers in the future, information about that plan and guarantee to issue that stock and option.

## **VII. DEAL OF BIG SHAREHOLDERS AND COMMON INTEREST PERSON**

In this section, information about owners of controlling interest and people who could become also owners, and information about whether deal is made with a related person, if yes, whether it is made according to law shall be provided.

### A. Big shareholders

It shall be made based on the information that is known within the company and delivered to public and it shall be as latest as possible. Information about the number of stock, owning as an owner and beneficiary, shall be included.

1. Information about the person who owns 5% of common stock and more than 5% stock as a beneficiary shall be provided.
  - a. Name of big shareholders, number of shares and its percent of total shares as of last possible day, if there is not any big shareholder, then information about this;
  - b. Big changes in ownership of big shareholders within last 3 years;
  - c. About if big shareholders of the company have different voting rights;
2. Type of securities and number and percent that are owned by investors of current country and number of registered shareholders;

3. Information on whether the company is individually or partly owned or controlled by other company, Government of other country, or individual, enterprise, if yes, their name and control feature and brief introduction about number of voting right shares, percent;
4. Information on contract which will make change in structure of company control owners.

#### B. Negotiation of individuals with common interest

From a beginning of the first year of last three years, the company shall provide with negotiation with a) an enterprise which controls or is controlled by one or more mediators or operates under control of other company; b) partner, client; c) controlling package owners and their family members who can influence company directly and indirectly; d) a person in charge of company planning, a director in charge in controlling and leading company operation, a senior leader and their family members; e) a person determined in c) or d) or controlling package owner in direct or indirect way or a person who can influence intensively or below mentioned information related to loan. It includes enterprises which are owned by directors or big shareholders and leaders' own enterprises of company. Family member means person who influence or works with company which can influence. Partner and client is a company which influence forcefully and does not join. Forceful influencing is an ability to participate into financial and operational policy of enterprise. Owners of 10% of total share shall be considered as having a probability to influence company.

1. Negotiation about influential goods, tangible and intangible assets that are influential in company or field part of company for content and quantity or planned negotiation.
2. Loan that efficient to the above mentioned persons and granted by company, head company and subsidiary or loan guarantee. Information about balance in highest amount at current time to send, unpaid amount of balance, loan content, purpose, type, background of loan, guarantor and loan interest rate.

#### C. Advisor and expert's interest

Brief introduction of their nature and hiring terms shall be sent, if you hired an advisor or an expert on certain term, or they own some share of company and subsidiary company and the share is in important weight of individual's capital or have an economical interest in direct or indirect way or operation that will be offered is effective to their interest.

### **VIII. FINANCIAL INFORMATION**

This section describes financial statement that should be attached to introduction and a period of financial statement, issues related to preparation of financial statement. If company reveals annual financial statement and consolidated financial statement, then both of these shall be sent.

#### A. Consolidated statement and other financial information

1. Consolidated financial statement which is audited concluded and its conclusion shall be sent. Statement includes below mentioned sections:
  - a) Balance sheet;
  - b) Income statement;

- c) Statement of changes in equity;
  - d) Statement of cash flows;
  - e) Addendum requirements by Ministry of Finance and the Commission;
  - f) Changes in number of package shareholders.
2. Last three years compared financial statement audited according to international standard of audit shall be sent.
  3. All attached financial statements to introduction shall have an audited opinion. Shall explain detailed reason, if auditors declined to make opinion or a having responsibility on conclusion. The Commission shall decide whether the financial statements are acceptable.
  4. Audited statement shall be the last financial year statement before send documents for registration.
  5. If they prepare documents 9 months after audited financial statement revealed, then shall send financial statement of first half of financial year.

If the financial statement includes income statement, statement of cash flow, then show below mentioned information:

- a) A change in transferred common shares to shareholders and common shares transaction between shareholders.
- b) Total changes in common securities.

If not included in the main financial statement, then shall reveal statement that includes a change in structure of management team of shareholders.

Shall state information about changes in following financial situation, profitability from last annual statement which is attached to introduction in quarterly financial statement. Quarterly financial statement as required in above shall be audited.

6. If export made up a significant share in total trade, then shall clarify the export share and amount.
7. Shall inform regarding if company has judge and arbitration cases like bankruptcy of 3rd party that can influence short and long term operation and influence company finance and profitability. Shall include expected and planned movement of Government in this information.
8. Shall state a company policy of dividend distribution.

#### B. Significant changes

Company shall inform regarding if it has following significant changes from annual financial statement and last quarterly financial statement.

### **IX. TO OFFER AND REGISTER**

This section includes statement which involves with offering, registering and distributing share.

A. Detailed information regarding offering and registering

1. Offering price of share or pricing method and cost, especially cost for purchaser or subscriber.
2. Shall include information about main indicators for pricing and warrant and convert price of share, and individual who established price, in the case without stabilized market for share.
3. Statement if shareholders of company are entitled to purchase shares at first stage, the reasons if superior right for purchasing at first stage are limited or terminated, and regarding if the decision allowed someone to have advantage, or basis of pricing as cash selling.
4. Following information regarding offering and registration price:
  - a. Last 5 financial years: yearly minimum and maximum price;
  - b. Quarterly minimum and maximum price for last 2 financial years;
  - c. Last 6 months: monthly minimum and maximum price;
  - d. For the first stage securities with right to buy, price of first trading day of last 6 months, last trading day before statement to offer securities to public and last day before introduce to public.

If securities is traded in several market, then information of price per market. If there is a case of denied trade within last 3 years, then about this and in the case that securities is not traded constantly, then information regarding no liquidity.

5. Shall determine a type and classification of securities that planned to offer and be registered, and send below mentioned information:
  - a) Number of total securities and securities for market as both of name securities or statement securities per type, nominal price of unit or likened price, minimum and maximum price for offering. If issue simultaneously, then description of coupon.
  - b) If any restriction is for transferring securities, then about that.
6. If certified right with offered securities are limited by certified right with other securities or any contract or other documents, then about nature of securities and its influence to certified right with offered securities.
7. Brief comment regarding certified right with offered securities other than common shares.
  - a) If offered warrant or right, then name and number of certified securities with this securities, number of warrant and right that are already issued but not paid, fund for change and adjustment on performing price, transferring period of warrant and right, price and other important information
  - b) If offered warrant or convertible securities to purchase share: converting term, about if the right will be invalid in case not performed convertible and purchasing

right before deadline, date of becoming invalid or expired warrant, date and frequency of statement to purchase and recall securities, about how to send the statement, statement regarding if investors carry responsibility to prevent from losing purchasing and convertible right for statement securities.

#### B. Distribution plan

1. Name and address of individual who works as underwriter or guarantee on securities to register;
2. If big shareholders, directors or certified persons of the company are planning to purchase offered securities, then about this and individual who is planning to purchase more than 5 percent of offered shares;
3. Information about intended pack of investors, to whom offered securities. In case that securities is issued in 2 or more country simultaneously and reserved to issue in parts, then information about reserve.
4. If reserved securities to distribute to current shareholders, directors, or workers of the company and subsidiary company, persons who worked before etc., intended investors, then information about this, and about if planned to distribute in preference.
5. In case that exceeded underwriter's purchasing securities from a number of issued securities, then shall determine a possible quantity of additional securities.
6. In case that securities is not distributed by underwriter, then shall show distribution plan. If securities is distributed by broker, dealer company, then shall send distribution plan and contract. About broker and dealer, who participate for offering, and their offered amount of securities.
7. In case that offer in form of call option by trade organization, then about this transaction.
8. If one part of shares which are for registering to trade company are placed simultaneously and limitedly, then information about this and number of public and limited shares.
9. Information about underwriters' syndicate which includes number of each underwriter's selling securities etc. Information about form of underwriter's transaction: shall includes form of purchasing in whole amount and making confirmation to purchase or working as mediator, or making payment of capable amount of securities which underwriter can offer and sell or form of highest intension.
10. If underwriter is affiliated physically with other advisor company, shall interpret about this situation.

#### C. Market

The company shall inform about a trade organization to register securities. But a statement seems that the trade organization have already permitted to register shall be disallowed.

#### D. Owner of selling share

1. Name, address, appointment of individual who offering shares of joint stock company and being reorganized company and about if individual has had physical relation with his or her previous obligor and subsidiary for last 3 years;



2. Number, type of offered securities by each seller and share in joint capital. Number and percentage of securities owned in seller's profit before and after offering.

E. Change in share ownership proportion

Shall send below mentioned information:

1. If there is notable difference between public offered price of possession securities and cost of purchased securities of securities right owned by directors, senior managers, individuals who have similar interest with them within last 5 years, then about this;
2. Shall calculate a difference between offered price per unit of securities and net price in balance statement based on indicators of last balance, and show number and structure change in current ownership in case of added shares;
3. In case of offering by getting order from current shareholders, if they do not order from new issuance, then information about changes in structure of shareholders and ownership;

F. Expense of issuing share

Shall send below mentioned information:

1. Shall show discount amount and Commission amount settled between underwriter, other mediator and company, percent of Commission on total offered amount or discount per unit share and Commission amount.
2. Shall send report of bigger expense involves with to registration of securities, issuance offering and selling by type and information about who, if other individuals will pay this expense. The information show probable expense for the future as imagination in uncertain condition.

**X. ADDITIONAL INFORMATION**

A. Joint capital

Below mentioned information shall be based on the last financial statement.

1. Total amount of issued shares by type:
  - a. Number of declared shares;
  - b. Number of fully paid shares and not fully paid shares;
  - c. Nominal price of share or about this, if there is not nominal price;
  - d. Payment situation in beginning and end of the year for issued shares.

If 10 percent of capital is made in form of assets other than cash during the last 5 years, then about this.

2. Number and price in balance statement and nominal price of shares owned by company or subsidiary and branch company.
3. Shall show below mentioned information, if the company has a right to increase joint capital as declared, but no issued shares or warrant, convertible voucher, other securities related to shares or warranted right to order.

4. Amount of issued securities related to shares and increasing amount of joint capital related to the securities, period of right, certified with the securities, to convert:
  - a. Classification of preferential individuals who have a right to order when additional shares are issued.
  - b. Additional activities and organization which shall be performed relatively with increasing shares.
5. Shall send changes in amount of joint capital for the last 3 years and its influenced events that include number of shares, type, and comment regarding changes in vote right per type. Shall determine price and condition in the case of issued additional share, and shall explain if payment was made in non cash and there is condition of discount, period, and payment in parts. Shall explain a reason which caused joint capital to be increased and ratio of own capital to decrease.

B. Shall send statement regarding following issues that are specified under company charter and other rules:

1. Company objective and purpose that are indicated in company rule.
2. About any condition related to directors in company rule, other internal rule.
  - a. About Director's right to vote on any offer, measures and negotiation, and about if there is any right limitation;
  - b. Right to vote on granting compensation to its own or members of BOD, in case that being without independent member;
  - c. Directors' drawing rights, its limitation;
  - d. Pension plan for Directors, about what will do if not reached to pension age;
  - e. Minimum number of shares which is required to work as director, if determined;
3. Granted right, preference, limitation for each type
  - a. Dividend right, if dividend right has deadline, then about this, and about individuals who shall enjoy the right;
  - b. Voting right, and about how voting with cumulative method influence to this, if time is specified to candidate members of BOD to be voted again.
  - c. Receiving right from company profit;
  - d. Receiving right from capital of a company disbandment;
  - e. Conditions to withdraw by purchasing;
  - f. Conditions to make repayment of company bond;
  - g. If there is any discrimination policy regarding big shareholder and individual who will hold pack of shares, then about this.
4. Conditions that will cause to change ownership's right
5. Shall hold an annual regular or irregular meeting of shareholders, about this.
6. If shareholders' rights are limited in any outline, then about this: shall include foreign law, company rule, and about issues related to owning securities and performing right by

foreigner who is specified in official document. If there is no limitation, then shall inform about this.

7. Regarding if includes the clauses which shall protect, prevent, postpone from changes in company control by combining into company rule, procedures, purchasing control pack, reorganize the company.
8. About procedure which determined limitation of ownership that shareholder should make open.
9. If there is huge different between law of current country that is issuing securities which are solved with above mentioned issues 2-8 and law of registered country of the company, then shall explain law effect for this issue.
10. If a clause, related to changes in joint capital specified in company rule or other comparable documents, has more firm condition than required under law, then shall explain this condition.

#### B. Large contract

Introduction of each large contract except daily business operation which made 2 years ago before sending documents.

#### C. Market regulation

Shall interpret law, procedures and other legal acts of county where company operates, have possibility to influence to below mentioned issues.

1. Securities export, import and it shall include a possibility to transfer group money and comparable capital of company.
2. To pay dividend, interest and other fees to foreign shareholder of company.

#### D. Tax

The company shall show issues related to tax (including condition related to income tax) to shareholders who are located in current country.

#### E. Agent of dividend and payment

Shall release limitation on dividend, declaration, granting date, information about how to individual who is not citizen of current country, receive dividend. To find financial organization which will work as payment agent of the company when officially registering shares in country.

**Content of introduction for Commission meeting about registration of public offered and issued securities**

1. Project of Commission decision, specialist who prepared its introduction, information regarding revised, met, permitted to introduce in meeting;
2. Introduction of following performed activities from receipt of request to register securities;
3. Structure and history, capital and financial indicators of securities issuer;
4. Information about securities and project, plan which are financed by issuing securities;
5. Information about possible risk for investors;
6. Project content of decision and related comment;
7. Opinion to decide problem of securities registration, basis of opinion, required recommendation;
8. If prepared project of decision to deny securities registration, then basis of this decision, its comment;
9. If prepared project of decision to register securities, then information about public offering after register securities;
10. Shall attach a securities registration and brief introduction to this introduction. If necessary, may attach copies of other documents.

## REPORT ON IPO

### A. Cover page of report

Securities issuer name, address, location.....

Securities name and type.....

Date of the Commission's permission to register securities.....

Securities issuer's:

- Name and signature of Executive Director.....
- Name and signature of General Accountant.....

Issuer's stamp

Date of report: .....

### B. Report content

1. Started date and finished date of selling newly issued and additionally issued securities;  
Type and date of made payment if sold securities in limited scope;  
Payment, securities registration date for individual who has receivable in savings organization;  
Sold date of pack, if sold bond in part by pack;
2. Nominal price of issued securities
3. Number of sold securities
4. Max, min, average price of securities transaction
5. Information of securities payment:
  - a) Cash assets, in domestic currency and foreign currency
  - b) Intellectual property, name of individual who paid in form of intellectual property, document which certifies if State of Intellectual property registered it, price, information about pricing
  - c) If payment made by form of capital, then price of this capital and basis of pricing; if real estate, then its certificate and conclusion of certified organization about pricing; if current asset, then date and number of certified individual's decision to permit asset price.
  - d) If payment made by form of capital right, then name of individual who has received right of capital ownership, document which certifies if owner of right and transferred right to securities issuer;
6. Amount of additional income from sale in higher price than nominal.

7. List of negotiation with interest conflict or huge amount negotiations made when sell all types of securities, copy of decision of certified organization which approved the negotiation
8. If make report regarding issued securities, name of individual who owns solely or with individual in same interest more than 5 percent of issued securities, number of owned shares and percent.

If make report regarding issued securities when joint stock company established, then name and surname of certified person of this company and number of owned shares and percent.

Comment: Negotiation with interest conflict and huge amount negotiation, certified person of company are determined under Company Law of Mongolia.