



Bahrain Monetary Agency

DISCLOSURE STANDARDS



ODG/407/03

3rd December 2003

The CEO/General Manager,
All Listed Companies and Financial Services Providers,
Manama,
Kingdom of Bahrain.

Dear Sir,

Subject: Disclosure Standards

This Circular is issued in accordance with legislative Decree No. 21/2002 with respect to the establishment and organization of the Bahrain Stock Exchange and its amendments, and legislative Decree No. 23 of 1973 of the Bahrain Monetary Agency (BMA).

All listed companies quoted on the Bahrain Stock Exchange must comply in full with the Disclosure Standards provided for in this Circular.

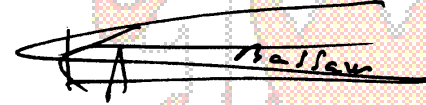
These Disclosure Standards shall apply to listings, public offerings and sales of securities in the Kingdom of Bahrain. Unless otherwise indicated, the Standards are intended to be used for prospectuses, offerings and initial listing documents. Companies engaged in specialized industries (i.e. banking, investment, insurance, etc.) may be required to provide additional information as directed by the Bahrain Monetary Agency (BMA).

This Circular shall come into effect on 1st January 2004. Listed companies shall take all appropriate steps to comply in full with the requirements of this Circular.

To maintain efficient implementation of these Standards, all listed companies are required to appoint a Compliance Officer to liaise with the Capital Markets Supervision (CMS) Directorate at the BMA and the Bahrain Stock Exchange. The name, title and other contact details of the appointed officer should be forwarded to the CMS Directorate by no later than 31st December 2003.

Any queries relating to the above should be directed to the attention of Mr. Ali S. Thamer, Director, Capital Markets Supervision (CMS) Directorate on Tel: 17547909 / Fax: 17532957 or via e-mail ali@bma.gov.bh.

Yours faithfully,



Khalid A. Al-Bassam
Deputy Governor

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INTRODUCTION

CHAPTER I

DISCLOSURE REQUIREMENTS FOR OFFERINGS AND INITIAL LISTINGS

Scope of standards

The Disclosure Standards prescribed hereinafter apply to listings, public offerings and sales of equity securities in the Kingdom of Bahrain. Unless otherwise indicated in Part I, the Standards are intended to be used for prospectuses, offerings and initial listing documents. Issuers engaged in specialized industries (i.e., banking, insurance, mining, and oil and gas companies) may be required to provide additional information as directed by the Bahrain Monetary Agency (the Agency), and any other regulatory body in the Kingdom of Bahrain.

Material Information

In addition to the specific disclosures described below, the issuer should disclose any information that would be material to an investor's investment decision, and that is also necessary for a full and fair disclosure. It is the responsibility of each issuer to determine the material information (1) according to the particular nature of its own affairs and the securities for which an offering or listing is sought, and (2) necessary to enable a person who invests or seeks to invest in securities to make an informed assessment of the activities, assets, liabilities, financial position, management and prospects of the issuer, and of its profits and losses and the rights attached to such securities, as well as the implicit risk associated with such investment. Material information consists of both material facts and material changes related to the business and affairs of the issuer, taking into account qualitative and quantitative facts, developments and events capable of influencing the market price or value of issued securities.

Omission of information

If a disclosure requirement is inapplicable to an issuer's sphere of activity or legal form, no information need be provided in response to that requirement, although equivalent information should be given, if possible. The Agency may authorize the omission of information from the prospectus if it considers that:

1. Such information is of minor importance only and as such, will not influence the assessment of the activities, assets, liabilities, financial position, profits and losses, or implicit risks and prospects of the issuer.
2. Such information required in the prospectus represents a competitive advantage for the issuer, and its disclosure could affect its financial situation or operating results.

3. Disclosure of such information would be contrary to the public interest, or be seriously detrimental to the issuer, provided that such an omission would not be likely to mislead the public with regard to facts and circumstances, knowledge of which is essential for the assessment of the securities in question.

In these cases, issuers must explain the reasons for not making public such information in a letter to the Agency, and obtain the Agency's written authorization on the matter.

Supplementary information

A supplementary or replacement prospectus must be lodged if, during the validity period of a prospectus, the issuer becomes aware that the prospectus is deficient or outdated in that:

1. The prospectus contains a material statement that is false or misleading.
2. There is a material omission from the prospectus.
3. There has been a significant change affecting information in the prospectus.
4. A significant new matter has arisen, and the prospectus content requirements would have required information on that matter to have been included in the prospectus, if the matter had arisen when the prospectus was being prepared.

The issuer must lodge the supplementary or replacement prospectus with the Agency as soon as practicable, after becoming aware of that fact. A replacement prospectus is a prospectus that has the same wording as the original prospectus, except for (a) the provision of new or additional information, or (b) the correction of deficiencies in the original prospectus.

However, the use of supplementary and replacement prospectuses is not limited to the abovementioned cases. They can be used and lodged whenever an issuer wants to correct a deficiency in the original prospectus, update the original prospectus by providing information about something which has happened since the prospectus was prepared (whether or not material), or provide additional information (whether or not the information is new or material). A supplementary and/or replacement prospectus can also be used to correct, update or add to the original prospectus at any time, e.g., before the start of the application period of the prospectus. For example, they can be used to update a prospectus, which has been lodged or registered, but not issued.

Equivalent Information

All information of importance to shareholders made public about the issuer in other markets must be made public in the Kingdom of Bahrain as well, whether or not disclosure of such information would otherwise be required by the Agency.

Presentation

Although the information headings and order of presentation are not mandatory, it

is recommended that the format of these Standards be followed to enhance comparability. If the same information required by these Standards is also required by the body of accounting principles used in preparing financial statements, the information need not be repeated, as long as there is a cross-reference to the location of the information. It is also recommended that a table of contents be provided at the beginning of the document.

CHAPTER II ONGOING OBLIGATIONS

While an issuer remains on the Official List of companies listed on the Exchange, it is required to comply with the following requirements, and to provide forthwith any explanations requested by the Agency or the Exchange. This part sets out the continuing obligations of listed companies, that is to say obligations which an issuer is required to observe once its securities have been admitted for listing. These obligations are divided into the following Articles:

- Article 32- Immediate Announcement
- Article 33- New Issues
- Article 34- Periodic Reports
- Article 35- Annual Financial Statements
- Article 36- Statements, Transfers, Transmission and Registers
- Article 37- Form and Content of Statements
- Article 38- A Dematerialized Environment
- Article 39- Communications with holders of listed securities
- Article 40- Transactions by Directors and Executive Officers of listed companies
- Article 41- Guidelines for Trading by Directors and Senior Managers

General

Generally, and apart from compliance with all specific requirements which follow, any information necessary to enable holders of the issuer's listed securities and the public to appraise the financial condition, performance and prospectus of the issuer must be notified to the Exchange.

Any information required to be released to the Exchange by an issuer under Part 2 of the disclosure standards shall be simultaneously passed to the Agency.

CHAPTER III POLICY STATEMENTS ON TIMELY DISCLOSURE

The Agency considers that the conduct of a fair and orderly market requires every listed issuer to make available to the public information necessary for investing, and to take reasonable steps to ensure that all who invest in its securities enjoy equal access to such information. In applying this fundamental principle, the

Agency has adopted the following six specific policies concerning disclosure:

1. Policy on Immediate Public Disclosure of Information.
2. Policy on Thorough Public Dissemination.
3. Policy on Clarification or Confirmation of Rumours and Reports.
4. Policy on Insider Trading.
5. Policy on Response to Unusual Market Action.
6. Policy on Unwarranted Promotional Disclosure.

Each of the abovementioned policies, along with the Agency's requirements regarding the content and preparation of public announcements, are discussed in detail in this part of the Standards.

GLOSSARY OF DEFINED TERMS

The following definitions apply to certain terms used in the accompanying Disclosure Standards, unless the context indicates otherwise.

Affiliate – An "affiliate" of a specified Person refers to another Person who, directly or indirectly, either controls or is controlled by, or is under common control with, the specified person.

The Agency – means the Bahrain Monetary Agency (BMA) or Bahrain Monetary Agency official or such other persons as the BMA may by regulation specify.

The Agency Official – means a person who is or has been employed by the Agency or any auditor or expert instructed by the Agency.

Bahrain – means the Kingdom of Bahrain.

Bahrain Dinars or (BHD) – means the lawful currency for the time being of the Kingdom of Bahrain.

Beneficial Owner – The term "beneficial owner" of securities refers to any person who, even if not the recorded owner of the securities, has or shares the underlying benefits of ownership. These benefits include the power to direct the voting or the disposition of the securities, or to receive the economic benefit of ownership of the securities. A person is also considered to be the "beneficial owner" of securities if that person has the right to acquire such securities within a certain period of time, either by option or other agreement. Beneficial owners include persons who hold their securities through one or more trustees, brokers, agents, legal representatives or other intermediaries, or through issuers in which they have a "controlling interest", which means the direct or indirect power to direct the management and policies of the issuer, or any other entity in question.

Books Closing Date – refers to the specified time and date set by an issuer for the lodging of transfers for the purpose of determining the persons entitled to dividends, bonuses, new securities, interests or rights to a priority of application for issues of securities.

Confidential Information – means information which (a) relates to the business or other affairs of any person; (b) was received by the Agency for the purposes of, or in the discharge of, any functions of the Agency under any provision made by or under this Disclosure Standard or for such other purposes as the Agency may by Regulation specify; and (c) is not prevented from being Confidential Information (look under Non-Confidential Information) and is immaterial for the purposes of this definition whether or not the information was received (i) by virtue of a requirement to provide it imposed by or under this Disclosure Standard or (ii) for purposes in addition to those mentioned in part (b) above.

Debt Securities – Securities requiring fixed payments, such as a government or corporate bond.

Directors and Senior Management – This term includes (a) the issuer's directors, (b) senior management: Chief Executive Officers, Presidents, Heads of Finance, Heads of Business Departments, (c) partners with unlimited liability, in the case of a limited partnership with share capital, (d) nominees to serve in any of the aforementioned positions, and (e) founders, if the issuer has been established for fewer than two years.

Document – This term covers prospectuses and offering documents used in connection with a public offering of securities and registration prospectuses, used in connection with the initial listing of securities.

Equity Securities – The term "equity securities" includes common or ordinary shares, preferred or preference shares, options or warrants to subscribe for equity securities, and any securities, other than debt securities, which are convertible into, exercisable or redeemable for equity securities of the same issuer, or another issuer. If the securities available upon conversion, exercise or redemption are those of another issuer, the Disclosure Standards will also apply to the other issuer. However, the Disclosure Standards do not apply to debt securities, or debt that is convertible into or exercisable, or redeemable for equity or debt securities.

The Exchange – means the Bahrain Stock Exchange.

Group – A "group" is a parent and all its subsidiaries. References to an issuer's group mean the group of which it is a member.

Home Country – This term refers to the jurisdiction in which the issuer is legally organized, incorporated or established, and if different, the jurisdiction where it has its principal listing.

Host Country – This term refers to jurisdictions other than the home country in which the issuer is seeking to offer, register or list its securities.

Inside Information – means information (a) which is of a precise nature relating directly or indirectly to one or more security or securities; (b) which has not been made public; (c) which, if it were made public, would likely to have a significant effect on the price of those securities or any related derivative security; and (d) in the case of derivatives on commodities, which relate directly or indirectly to such derivatives which users of markets on which such derivatives are traded would expect to be disclosed in accordance with the rules or accepted market practices on those markets.

Issuer – references to the "issuer" means the company whose securities are being or have been offered or listed, and refers to the company on a consolidated basis, unless the context indicates otherwise.

Market Day – means any day between Sunday and Thursday during which the Exchange is open, which is not a market holiday or public holiday.

Market Information – means information consisting of one or more of the following facts:

- a) the securities of a particular kind have been or are to be acquired or disposed of, or that their acquisition or disposal is under consideration or the subject of negotiation;
- b) the securities of a particular kind have not been or are not to be acquired or disposed of;
- c) the number of securities acquired or disposed of or to be acquired or disposed of or whose acquisition or disposal is under consideration or the subject of negotiation;
- d) the price (or range of prices) at which securities have been or are to be acquired or disposed of or the price (or range of prices) at which the securities whose acquisition or disposal is under consideration or the subject of negotiation may be acquired or disposed of;
- e) the identity of the persons involved or likely to be involved in any capacity in an acquisition or disposal of a security.

Materiality – information is material if its omission or misstatement could influence the economic decisions of the users take on the basis of the financial statements.

Non-Confidential Information – information is not confidential if (a) it has been made available to the public by virtue of being disclosed; (b) it is in the form of a summary or collection of information so framed that it is not possible to ascertain from it information relating to any particular person.

Person – means any natural or legal person.

Pre-emptive issue – The term "pre-emptive issue" and references to "pre-emptive purchase rights" refer to offerings made to the issuer's existing shareholders, in order to permit them to maintain their pro rata ownership in the issue.

Record date – Date on which a shareholder must officially own shares in order to be entitled to a dividend.

Reviewed – An accounting service providing some assurance to the Board of Directors and interested parties as to the reliability of financial data without the External Auditors conducting an examination, in accordance with the generally accepted accounting standards.

Sponsor – Listing agent that undertakes the responsibility to finalize the pre-listing requirements on behalf of the issuer in relation with the authorities.

Short-Term – Means within a three month period.

Tippees – Persons receiving and using or passing on information to another as a basis for buying or selling securities, with such information determined to be of

material value and not available to the general public.

Underwriters – Investment bankers who singly or as a member of an underwriting group or syndicate, agree to purchase a new issue of securities from an issuer and distributes or offers it to investors, according to the underwriting agreement.

Underwriting Agreement – Agreement between the issuer of a new security to be offered to the public and the underwriting group. It represents the underwriter's commitment to purchase and distribute the securities, and it details the public price. The underwriting arrangements to which the term is sometimes loosely applied are BEST EFFORT, ALL OR NONE, and STANDBY COMMITMENTS; in each of these, the risk is shared between the issuer and the underwriter.

US Dollars or USD. – means United States Dollars, the lawful currency for the time being of the United States of America.

CHAPTER I

DISCLOSURE REQUIREMENTS FOR OFFERINGS AND INITIAL LISTINGS

OFFERS OF SECURITIES AND PROSPECTUSES

ARTICLE 1 OFFERS OF SECURITIES

- 1.1 Unless the Agency permits otherwise, no person may issue any securities in Kingdom of Bahrain unless:
- 1.1.1 A prospectus has been submitted to, and approved by the Agency and published;
 - 1.1.2 A summary of the prospectus has been published in one Arabic and one English language newspaper published in Bahrain.
- 1.2 A prospectus published in accordance with Article 1.1 shall be in such form and contain such financial and other information as the Agency may by Regulation prescribe.
- 1.3 In addition to the information prescribed by the Agency, a prospectus must include all such information within the knowledge of those preparing the prospectus as investors and their advisers may reasonably require in order to make an informed assessment of:
- 1.3.1 The assets and liabilities, profits and losses, financial position and prospects of the issuer;
 - 1.3.2 The rights attached to the securities.
- 1.4 If between the time of preparation of the prospectus and the time of issue of the securities the issuer, exercising his best professional judgment, believes that:
- 1.4.1 There is a material change in the information included in the prospectus; or
 - 1.4.2 Material new matters arise which would have been required to be included in the prospectus, had they arisen at the time that it was prepared, then

the issuer must issue a supplementary prospectus that must be approved by the Agency and published in summary form in accordance with Article 1.1.

ARTICLE 2 THE PROSPECTUS

Cover Page Disclosure and Declarations:

The prospectus must contain on the front cover page, the following statements:

2.1 Disclaimer Statement

The document must contain on its front cover page, the following prominent and legible disclaimer statement:

THE BAHRAIN MONETARY AGENCY AND THE BAHRAIN STOCK EXCHANGE ASSUME NO RESPONSIBILITY FOR THE ACCURACY AND COMPLETENESS OF THE STATEMENTS AND INFORMATION CONTAINED IN THIS DOCUMENT AND EXPRESSLY DISCLAIM ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS DOCUMENT.

2.2 Responsibility Statement

If not already disclosed on the front cover, the document should include on the inside cover a declaration by those responsible for it (usually the directors of the issuer) that:

THE DIRECTORS OF THE COMPANY, WHOSE NAMES APPEAR HEREIN, ACCEPT RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS DOCUMENT. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE DIRECTORS, WHO HAVE TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE, THE INFORMATION CONTAINED IN THIS DOCUMENT IS IN ACCORDANCE WITH THE FACTS AND CONTAINS NO OMISSIONS LIKELY TO AFFECT THE IMPORTANCE AND COMPLETENESS OF THE DOCUMENT.

2.3 Offering and/or Listing Summary

The cover page of the prospectus must contain:

- 2.3.1 The name and legal form of the issuer or, if different, the person making the offer.
- 2.3.2 A summary description of the public offering and/or listing particulars dealt with in the document.
- 2.3.3 The name and legal form of the underwriter, lead manager, co-manager, sponsor and other related parties.

ARTICLE 3 IDENTITY OF DIRECTORS, SENIOR MANAGERS, ADVISORS AND AUDITORS

Identify the issuer's representatives and other individuals involved in the issuer's listing.

3.1 Directors and Senior Management

Provide the names, business addresses and functions of the issuer's directors and senior management.

3.2 Advisors

Provide the names and addresses of the issuer's principal bankers and legal advisors, to the extent that the issuer has a continuous relationship with such entities, the sponsor for listing (where required), and the legal advisors to the issue.

3.3 Auditors

Provide the names and addresses of the issuer's auditors for the preceding three years.

ARTICLE 4 OFFERING STATISTICS AND EXPECTED TIMETABLE

Provide key information regarding the conduct of any offering and the identification of important dates relating to that offering and /or listing.

4.1 Offering Statistics

For each method of offering, e.g., rights offering, general offering, etc. state the total expected amount of the issue, including the expected issue price, or the method of determining the price and the number of securities expected to be issued.

4.2 Method and Expected Timetable

For all offerings, and separately for each group of targeted potential investors, state the following information to the extent applicable to the offering procedure:

4.2.1 State the time period during which the offer will be open, and where and to whom purchase or subscription applications should be sent. Describe whether the purchase period may be extended or shortened, and the manner and duration of possible extensions to, or shortening of, this period. Describe the manner in which any extension or shortening shall be made public. If the exact dates or periods are not known when the document is first filed or distributed to the public, describe arrangements for announcing the final or definitive date or period.

4.2.2 State the method and time limits for paying the subscription on the securities; where payment is partial, state the manner and dates on which the amounts due will be paid.

4.2.3 State the method and time limits for the delivery of securities (including provisional certificates, if applicable) to subscribers or purchasers.

4.2.4 In the case of preemptive purchase rights, state the procedure for the exercise of any right of preemption, the negotiability of subscription rights and the treatment of subscription rights not exercised.

4.2.5 Include a full description of the manner in which results of the distribution of securities will be made public and, when appropriate, the manner for refunding excess amounts paid by applicants (including whether interest will be paid).

ARTICLE 5 KEY INFORMATION

Summarize key information about the issuer's financial condition, capitalization and risk factors. If the financial statements included in the document are restated to reflect material changes in the issuer's group structure or accounting policies, the selected financial data must be restated.

5.1 Selected Financial Data

5.1.1 The issuer shall provide the selected historical financial data for itself for the five most recent financial years (or such shorter period as the issuer has been in operation), in the same currency as the financial statements. Selected financial data for either (or both) of the earliest two years of the five year period may be omitted, if the issuer declares to the Agency that such information cannot be provided, or cannot be provided on a restated basis, without unreasonable effort or expense. If interim period financial statements are included, the selected financial data should be updated for that interim period, which may be unaudited, provided that fact is stated. If selected financial data for interim periods are provided, comparative data from the same period in the previous financial year shall also be provided, unless the requirement for comparative balance sheet data is satisfied by presenting the year-end balance sheet information. In the provision of this summary of financial information, the issuer is required to state whether the financials (a) have been prepared in accordance with International Accounting Standards (IAS); (b) have been audited; and shall state the type of audit opinion received (i.e. 'clean' or 'qualified').

5.1.2 The selected financial data presented should include items generally corresponding to the following, except that the specific line items presented should be expressed in the same manner as the corresponding line items in the issuer's financial statements. Such data shall include, at a minimum, net sales or operating revenues; income (loss) from operations; income (loss) from continuing operations; net income (loss); net income (loss) from operations per share; income (loss) from continuing operations per share; total assets; net assets; capital shares (excluding long-term debt and redeemable preferred shares); number of shares as adjusted to reflect changes in capital; dividends declared per share in the functional currency of the issuer and also in either US Dollars or Bahraini Dinars, including the formula used for any adjustments to dividends declared, and diluted net income per share.

Per share amounts must be determined in accordance with the same body of accounting principles used in preparing the financial statements.

5.1.3 Where the financial statements provided in response to Article 18 below are prepared in a currency other than the Bahraini Dinar (BHD) or United States Dollar (USD), disclosure of the exchange rate between the financial reporting currency and BHD or USD should be provided, using the exchange rate designated by the Agency for this purpose, if applicable:

- (i) At the latest practicable date;
- (ii) The highest and lowest exchange rates for each month during the previous 12 months; and
- (iii) For at least the last three most recent financial years and any subsequent interim period for which financial statements are presented, the average rates for each period, calculated by using the average of the exchange rates on the last day of each month during this period.

5.2 Capitalization and Indebtedness

A statement of capitalization and indebtedness (distinguishing between guaranteed and unguaranteed, and secured and unsecured indebtedness) dated not more than 60 days prior to the date of the document shall be provided, showing the issuer's capitalization on an actual basis, and if applicable, as adjusted to reflect the sale of new securities being issued and the intended application of the net proceeds therefrom. Indebtedness also includes indirect and contingent indebtedness.

5.3 Reasons for the offer and use of proceeds

5.3.1 The document shall disclose the estimated net amount of the proceeds of this issue, broken down into each principal intended use thereof. If the anticipated proceeds will not be sufficient to fund all the proposed purposes, the order of priority of such purposes should be given, as well as the amount and sources of other funds required. If the issuer has no specific plans for the proceeds, it should discuss the principal reasons for the offering.

5.3.2 If the proceeds are being used directly or indirectly to acquire assets other than in the ordinary course of business, briefly describe the assets and their cost. If the assets will be acquired from affiliates of the issuer or their associates, disclose the persons from whom they will be acquired, and how the cost to the issuer will be determined.

5.3.3 If the proceeds may, or will be used to finance acquisitions of other businesses, give a brief description of such businesses and information on the status of the acquisitions.

5.3.4 If any material part of the proceeds is to be used to discharge, reduce or retire indebtedness, describe the interest rate and maturity of such indebtedness, and for indebtedness incurred within the past year, the uses to which the proceeds of such indebtedness were put.

5.4 Risk Factors

The document shall prominently disclose risk factors that are specific to the issuer or its industry, and which might make the offering speculative or one of high risk, in a section headed "Risk Factors". Issuers are encouraged, but not required, to list the risk factors in the order of their priority to the issuer. Among other things, such factors may include for example: the nature of the business in which it is engaged or proposes to engage; factors relating to the countries in which it operates; the absence of profitable operations in recent periods; the financial position of the issuer; the possible absence of a liquid trading market for the issuer's securities; reliance on the expertise of management; potential dilution; unusual competitive conditions pending expiration of material patents, trademarks or contracts; or dependence on a limited number of customers or suppliers.

ARTICLE 6 INFORMATION ON THE ISSUER

Provide information about the issuer's business operations, the products or the services it provides, and the factors that affect its business. Also provide information regarding the adequacy and suitability of the issuer's properties, plant and equipment, as well as its plans for future increases or decreases in such capacity. The issuer is also required to provide current valuations of its properties other than those that are available for sale or held as investment, and any additional information regarding these properties, plant and equipment that are not already disclosed in the financial statements of the issuer.

6.1 History and Development of the Issuer

The following information shall be provided.

6.1.1 The legal and commercial name of the issuer.

6.1.2 The date of incorporation and the length of life of the issuer, except where unspecified.

6.1.3 The domicile and legal form of the issuer, the legislation under which the issuer operates, its country of incorporation and the address and telephone and facsimile numbers of its registered office (or principal place of business, if different from its registered office). Provide the name and address of the issuer's agent in Bahrain, if applicable.

6.1.4 Information concerning the nature and results of any material

reclassification, merger or consolidation of the issuer, or any of its significant subsidiaries; acquisitions or dispositions of material assets other than in the ordinary course of business; any material changes in the mode of conducting the business; any material changes in the types of products produced or services rendered; name changes; or the nature and results of any bankruptcy, receivership or similar proceedings with respect to the issuer or significant subsidiaries within the preceding 5 years.

- 6.1.5 A description, including the amount invested of the issuer's principal capital expenditures and divestitures, including interests in other issuers (other than those in the ordinary course of business), since the beginning of the issuer's last three financial years other than the information disclosed in the accompanying financial statements, up to the date of the offering or listing document.
- 6.1.6 Information concerning the principal capital expenditures and divestitures currently in progress (other than those in the ordinary course of business), including the distribution of these investments geographically (home and abroad) and the method of financing (internal or external).
- 6.1.7 An indication of any public takeover bids by third parties in respect of the issuer's shares, or by the company in respect of other issuers' shares (other than in the ordinary course of business), which have occurred during both the last and current financial years. The price or exchange terms attached to such offers and the outcomes thereof are to be stated.

6.2 Business Overview

The information required by this item may be presented without prejudice to the competitive position of the issuer on the same basis as that used to determine the issuer's business segments under the body of accounting principles used in preparing the financial statements. The following information shall be provided:

- 6.2.1 A description of the nature of the issuer's operations and its principal activities, stating the main categories of products sold and/or services performed for each of the last three financial years. Indicate any significant new products and/or services that have been introduced, and to what extent the development of new products or services has been publicly disclosed, giving the status of such development.
- 6.2.2 A description of the principal markets in which the issuer competes, including a breakdown of total revenue (by category) for each activity and split into different geographical markets for each of the last three financial years.
- 6.2.3 A description of the seasonal nature of the issuer's main business.

- 6.2.4 A description of the sources and availability of raw materials, including a description of whether prices of principal raw materials are volatile.
- 6.2.5 A description of the marketing channels used by the issuer, including an explanation of any special sales methods, i.e. by installments.
- 6.2.6 A summary of information regarding the extent to which the issuer is dependent, if at all, on patents or licences, industrial, commercial or financial contracts (including contracts with customers or suppliers), or new manufacturing processes, royalty agreements, franchises, agencies and other contracts where such factors are material to the issuer's business or profitability.
- 6.2.7 The basis for any statements made by the issuer regarding its competitive position shall be disclosed. If the issuer claims a competitive advantage, it should disclose the basis for that claim. If the issuer does not disclose some information based on competitive issues, it should also disclose that fact.
- 6.2.8 A description of the material effects of government regulations on the issuer's business, identifying the regulatory body for the issuer.

6.3 Organizational Structure

If the issuer is part of a group, include a brief description of the group and the issuer's position within the group. Provide a listing of the issuer's subsidiaries, including name, country of incorporation or residence, proportion of ownership interest, and if different, proportion of voting power held.

6.4 Property, Plant and Equipment

Provide information regarding any tangible fixed assets, including leased properties, and any major encumbrances thereon, including a description of the size and uses of the property; productive capacity and extent of utilization of the issuer's facilities; how the assets are held; the products produced; and the location. Also describe any environmental issues that may affect the issuer's utilization of the assets. With regard to any plans to construct, expand or improve facilities, describe the nature of and reason for the plan, an estimate of the amount of expenditure, including the amount of expenditures already paid, a description of the method of financing the activity, the estimated start dates and completion of the activity, and the increase of production capacity anticipated after completion.

ARTICLE 7 OPERATING AND FINANCIAL REVIEW AND PROSPECTS

- 7.1 Give an explanation (in financial statement line items) of factors that have

affected the issuer's financial condition and results of operations for each year, as well as the interim period for which the financial statements are required in the prospectus, including the causes of these material changes from year-to-year. The information provided shall also relate to a forecast or statement of the issuer's prospects for the current and future periods. This may include management's assessment of factors and trends that are anticipated to have a material effect on the issuer's financial conditions and results of operations in the same future period. Provide the information as specified below, as well as any information that is necessary for an investor's understanding of the issuer's business as a whole, including all separate segments of the issuer.

7.2 Operating Results

Provide information regarding significant factors, including unusual or infrequent events or new developments that are materially affecting the issuer's income or its operations, indicating the extent to which income was so affected. Describe any other significant component of revenue or expenses necessary to understand the issuer's results of operations.

- 7.2.1 To the extent that the financial statements disclose material changes in net sales or revenues, provide a narrative discussion of the extent to which such changes are attributable to changes in prices or to changes in the volume, or the amount of products or services being sold, or the introduction of new products or services.
- 7.2.2 Describe the impact of inflation, if material. If the currency in which financial statements are presented is from a country that has experienced hyperinflation, a minimum of at least five years history of the annual rate of inflation and a discussion of the impact of hyperinflation on the issuer's business shall be disclosed.
- 7.2.3 Provide information regarding the impact of foreign currency fluctuations on the issuer, if material, and the extent to which foreign currency net investments are hedged by currency borrowings and other hedging instruments.
- 7.2.4 Provide information regarding any governmental economic, fiscal, monetary or political policies or factors that have materially affected, or are expected to materially affect, directly or indirectly, the issuer's operations or investments by host country shareholders.

ARTICLE 8 LIQUIDITY AND CAPITAL RESOURCES

The following information shall be provided:

- 8.1 Information regarding the issuer's liquidity (both short and long term), including:
- 8.2 An evaluation of the sources and amounts of the issuer's cash flows, including the nature and extent of any legal or economic restrictions on the ability of subsidiaries to transfer funds to the issuer in the form of cash dividends, loans or advances and the impact such restrictions have had, or are expected to have, on the ability of the issuer to meet its cash obligations.
- 8.3 To the extent this information is not already mentioned in the financial statements, a description of the internal and external sources of liquidity, and a brief description of any material and unused sources of liquidity. A statement should be included by the issuer stating that, in its opinion, the working capital is sufficient for the issuer's present requirements, or if not, how it proposes to provide the additional working capital needed. Information must be included on the level of borrowings at the end of the period under review, the seasonal borrowing requirements and the maturity profile of borrowing and committed borrowing facilities, with a description of any restrictions on their use.
- 8.4 To the extent this information is not already mentioned in the financial statements, information regarding the type of financial instruments used, the maturity profile of debt, and the currency and interest rate structure. The description should also include funding and treasury policies and objectives, in terms of the manner in which treasury activities are controlled, the currencies in which cash and cash equivalents are held, the extent to which borrowings are at fixed rates, and the use of financial instruments for hedging purposes.
- 8.5 To the extent this information is not already mentioned in the financial statements, information regarding the issuer's material commitments for outstanding capital expenditure as of the end of the latest financial year and any subsequent interim period, and an indication of the general purpose of such commitments, and the anticipated sources of funds needed to fulfill such commitments.

ARTICLE 9 RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES ETC.

Provide a description of the issuer's research and development policies for the last three years, where significant, including the amount spent during each of the last three financial years on issuer-sponsored research and development activities.

**ARTICLE 10
DIRECTORS AND EMPLOYEES**

10.1 Provide information on the issuer's directors and senior managers that will allow investors to assess such individuals, expertise, qualifications and levels of compensation, as well as their relationship with the issuer.

10.2 Directors and Senior Management

The following information shall be disclosed with respect to the issuer's directors and senior management, and any employees such as scientists or designers, upon whose work the issuer depends:

- 10.2.1 Name, business experience, functions and areas of expertise in the issuer.
- 10.2.2 Principal business activities performed outside the issuer (including, in the case of directors, other principal directorships).
- 10.2.3 Date of birth, or age.
- 10.2.4 Any arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which any person referred to above was selected as a director, or member of senior management.
- 10.2.5 Whether such person is a party to current debt recovery litigation or has a record of being a cheque abuser, or has been involved previously in any bankruptcy, fraud, money laundering or other serious criminal proceedings, as can be ascertained from the Agency's or other similar records in other jurisdictions. If so, disclose circumstances.

**ARTICLE 11
COMPENSATION**

For the latest audited full financial year of the issuer, provide information related to compensation separated into two distinct categories; (i) for the issuer's directors in the aggregate, and (ii) for the issuer's employees in the aggregate, including key members of its administrative, supervisory or management bodies. The information provided should cover:

- 11.1 The amount of compensation paid and benefits in kind granted in the aggregate to persons in each of the two categories by the issuer and its subsidiaries, for services in all capacities to the issuer and its subsidiaries by such persons. Disclosure of compensation is required on a categorical basis only, unless individual disclosure is required in the issuer's home country or is otherwise publicly disclosed by the issuer.
- 11.2 Contingent or deferred compensation accrued for the year, even if the

compensation is payable at a later date.

- 11.3 The total amounts set aside or accrued by the issuer or its subsidiaries, to provide pension retirement or similar benefits.

If any portion of the compensation was paid (a) pursuant to a profit-sharing plan, provide a brief description of the plan; or (b) in the form of stock options, provide the title and amount of securities covered by the options in the aggregate, the exercise price, the purchase price (if any), and the expiration date of the options.

**ARTICLE 12
BOARD PRACTICES**

The following information for the issuer's last completed financial year shall be given with respect to, unless otherwise specified, the issuer's directors.

- 12.1 Date of expiration of the current term of office, if applicable, and the period during which the person has served in that office.
- 12.2 Details of directors' service contracts with the issuer or any of its subsidiaries, providing for benefits upon termination of employment, or an appropriate negative statement.
- 12.3 Details relating to the issuer's primary board committees, including but not limited to audit committee and remuneration committee, including the names of committee members, and a summary of the terms of reference under which the committee operates.

**ARTICLE 13
EMPLOYEES**

- 13.1 Give the number of employees at the end of each of the last three financial years. If possible, provide a breakdown of persons employed by nationality, main category of activity and geographic location during the most recent full financial year. Also disclose any significant change in the number of employees, and information regarding the relationship between management and any labour committee or union. If the issuer employs a significant number of temporary employees, include the number of temporary employees on an average during the most recent financial year.

13.2 Share Ownership

- 13.2.1 With respect to employees, provide information as to their share ownership in the issue as of the most recent practicable date, including disclosure of the total number of shares and percentage of shares

outstanding of that class, whether they have different voting rights where held by the employees and a description of options granted to them on the issuer's shares. Information regarding options shall include the title and amount of securities called for by the options; the exercise price; the purchase price, if any; and the expiration date of the options.

- 13.2.2 Describe any arrangements for involving the employees in the capital of the issuer, including any arrangement that involves the issue or granting of options, shares or other securities of the issuer.

ARTICLE 14

MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Information about major shareholders:

Unless otherwise disclosed in the financial statements, provide information regarding the major shareholders and others that control or may control the issuer. Also give information regarding transactions the issuer has entered into with persons affiliated/associated with the issuer, and advise whether the terms of such transactions are at arms' length to the issuer.

ARTICLE 15

MAJOR SHAREHOLDERS

- 15.1 To the best extent of the issuer's knowledge and information, or to the extent it can be ascertained from public records, the issuer should provide, as of the most recent practicable date, the number of shares held, including shares beneficially owned by the issuer's major shareholders, e.g. shareholders that are the beneficial owners of 5% or more of each class of the issuer's voting securities:
- 15.1.1 Provide the names and nationalities of the major shareholders, and the number of shares and percentage of outstanding shares of each class owned by each of them as of the most recent practicable date, or an appropriately worded statement if there are no major shareholders.
- 15.1.2 Disclose any significant change in the percentage ownership held by any major shareholders during the past three years.
- 15.1.3 Indicate whether the company's major shareholders have different voting rights, or include an appropriately worded negative statement.
- 15.2 Information shall be provided as to the portion of each class of securities held, and the number of recorded shareholders in the Kingdom of Bahrain.
- 15.3 To the extent known to the issuer, state whether the issuer is directly or

indirectly owned or controlled by another corporation(s), by any foreign government, or by any other person(s) separately or jointly, and, if so, give the name(s) of such controlling corporation(s), government or other person(s), and briefly describe the nature of such control, including the amount and proportion of capital held giving a right to vote.

- 15.4 Describe any arrangements known to the issuer, the existence or operation of which may at a subsequent date, result in a change in control of the issuer.

ARTICLE 16

RELATED PARTY TRANSACTIONS

- 16.1 Unless otherwise disclosed in the audited financial statements, provide the information required below for the whole of the issuer's last two financial years up to the date of the document, with respect to transactions or loans between the issuer and:

- 16.1.1 Persons that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, the issuer;
- 16.1.2 Associates, other than those transactions in the ordinary course of business. An associate is an unconsolidated enterprise in which the issuer has a significant influence, or which has significant influence over the issuer, and includes enterprises owned by directors or major shareholders of the issuer and enterprises that have a member of key management in common with the issuer.

Significant influence over an enterprise is the power to participate in the financial and operating policy decisions of the enterprise, but does not have control over those policies. Shareholders beneficially owning 10% or more interest in the voting power of the issuer are presumed to have a significant influence on the issuer.

- 16.1.3 Individuals owning, directly or indirectly, an interest in the voting power of the issuer that gives them significant influence over the issuer, and close members of any such individual's family. Close members of an individual's family are those that may be expected to influence, or be influenced by that person in their dealings with the issuer.
- 16.1.4 Key management personnel, i.e. those persons having authority and responsibility for planning, directing and controlling the activities of the issuer, including directors and senior management of issuers, and close members of such individuals' families; and
- 16.1.5 Enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in 16.1.2 or 16.1.3, or over which such a person is able to exercise significant influence.

16.2 Describe the nature and extent of any transactions or currently proposed transactions that are material to the issuer or the related party, or any transactions that are unusual in their nature or conditions, involving goods, services, or tangible or intangible assets to which the issuer or its holding company, or any of its subsidiaries was a party.

16.3 Describe the amount of outstanding loans (including guarantees of any kind) made by the issuer or any of its holding companies or subsidiaries, to or for the benefit of any of the persons mentioned in 16.1 above. The information given should include the largest amount outstanding during the period covered, the amount outstanding as of the latest practicable date, the nature of the loan and the transaction in which it occurred, and the interest rate on the loan.

ARTICLE 17 INTERESTS OF EXPERTS AND COUNSEL

If any of the named experts or counselors were employed on a contingency basis, and own an amount of shares in the issuer or its subsidiaries which is material, or has a material (direct or indirect) economic interest in the company, or has an interest that depends on the success of the offering, provide a brief description of the nature and terms of such contingency or interest.

ARTICLE 18 FINANCIAL INFORMATION

The audited financial statements shall be presented for the last two financial years and the primary statements; including the balance sheet, income statement, cash flow statement and change in shareholders' fund for the last three financial years (or a shorter period if the company has not been in operation that long), must be included in the document. Where there has been a material change to the issuer's entity or to the company's group structure or accounting policies, the financial statements should be restated to show such changes. In addition, if the last year of audited financial statements are older than 15 months at the time of the offering or listing, interim period reviewed financial statements, as compared with the same period in the previous financial year, shall also be provided. If the financial statements and other financial information are presented in a currency other than Bahraini Dinar (BHD) or United States Dollar (USD), the exchange rate against BHD and /or USD, as well as the inflation rate, shall also be included as designated by the Agency for this purpose.

ARTICLE 19 CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

19.1 In addition to Article 18 above, if the issuer is part of a group, the annual consolidated financial statements shall be included in the documents as follows:

19.1.1 The document must contain consolidated financial statements, audited by an independent auditor and accompanied by an audit report, comprising of:

- (i) a balance sheet;
- (ii) an income statement;
- (iii) a statement showing either (a) changes in equity other than those arising from capital transactions with owners and distributions to owners; or (b) all changes in equity (including a sub-total of all non-owner movements in equity);
- (iv) a cash flow statement,
- (v) related notes and schedules required by the International Accounting Standards, pursuant to which the financial statements are prepared; and
- (vi) if not included in the primary financial statements, a note analyzing the changes in each caption of shareholders' equity presented in the balance sheet.

19.2 The document should include comparative audited financial statements that cover the last three financial years, and the audited primary financial statements for the last two years.

19.3 The audit report(s) must cover each of the periods for which these disclosure standards require audited financial statements. If the auditors have refused to provide a report on the annual accounts, or if the report(s) contain qualifications or disclaimers, such refusal, qualifications or disclaimers shall be reproduced in full and the reasons given, so that the Agency can determine whether or not to accept the financial statements of the document. An indication of any other information in the document that has been audited by the auditors should be included.

19.4 If the document is dated more than nine months after the end of the last audited financial year, it should contain consolidated Interim Financial Statements covering at least the first six months of the financial year. These statements may be unaudited but must be reviewed by an independent auditor and a copy of the auditor's interim review report must be provided in the document. The Interim Financial Statements should be prepared in accordance with IAS.

19.5 If, on the date of the document the issuer has published Interim Financial Statements that cover a more current period than those otherwise required by 19.4 above, the more current Interim Financial Statements must be included in the document. That may be unaudited but must be reviewed by

an independent auditor and a copy of the auditor's interim review report must be provided in the document.

- 19.6 If the amount of export sales constitutes a significant portion of the issuer's total sales volume, provide the total amount of export sales and the percentage and amount of export sales in the total amount of sales volume.
- 19.7 Provide information on any legal or arbitration proceedings, including those relating to bankruptcy, receivership or similar proceedings, and those involving any third party, which are expected to have, or have had in the recent past, significant effects on the issuer's financial position or profitability. This includes governmental proceedings pending, or known to be contemplated.
- 19.8 Describe the company's policy on dividend distributions.

ARTICLE 20 MATERIAL CHANGES

Disclose whether or not any material change has occurred since the date of the annual financial statements, and/or since the date of the most recent interim financial statements, if any, included in the document.

ARTICLE 21 RESTATEMENT OF FINANCIAL STATEMENTS

Where there have been material changes to the issuer's group structure or accounting policies, certain adjustments or reclassifications to the figures previously reported in the financial statements may be required, if the amounts involved are material. Adjustments are required where necessary, in order for the financial statements to be presented on a consistent and comparable basis. The financial statements for earlier years required in this document shall be restated or reformatted into a combined presentation, and shall include an audit report to reflect such changes.

ARTICLE 22 RATIOS

It is the responsibility of each issuer to determine which ratios should be calculated, according to the particular nature of its own business and the securities for which offering or listing is sought, according to what is necessary to enable the investors or potential investors to make an informed assessment about the health and soundness of the financial position and operating results. Information about the method of calculation of stated ratios should also be provided in the document.

ARTICLE 23 PROJECTIONS OF FINANCIAL STATEMENTS

Projections of future operating results are not required in the document. However, if the issuer decides to disclose such information, it has to justify its projections adequately. The issuer also has to provide an explanation on how the projections were calculated, taking into account all the assumptions and the risk of failure in the projected results. If such statements are presented in the document, they must be examined and reported on by the reporting accountants, experts or consultants.

ARTICLE 24 SEPARATE FINANCIAL INFORMATION

For better and adequate presentation of the issuer's financial condition, or where necessary for the protection of the investor, separate financial information of an acquired subsidiary or where the acquirer has a controlling interest, which is not held for resale and which is not consolidated in the financial statements of the issuer, must be provided.

The separate financial information can be in the form of summarized or condensed financial highlights.

ARTICLE 25 THE OFFERING AND LISTING

Provide information regarding the offering or listing of securities, plans for distribution of the securities and other related matters.

25.1 Resolutions, Authorizations and Approvals

Indicate the name, nature and date of all the resolutions, authorizations and approvals, by virtue of which the securities have been, or will be, offered and listed. If there are any special arrangements or conditions pursuant to which the offering and listing of securities has been approved, such arrangements or conditions must be presented in the document.

25.2 Listing on Other Exchange(s)

State the name of any other stock exchange(s) and regulated market(s) on which the issuer's securities (equity or debt) are listed, or are planned to be listed. Indicate the stock exchange(s) where the issuer will have its primary listing. Indicate the trading, clearing and settlement arrangements between such exchanges.

25.3 Offering and Listing Details

- 25.3.1 Indicate the price at which the securities will be offered, or the method for determining the price and the amount of any expenses specifically charged to the subscriber or purchaser.
- 25.3.2 If there is no established market for the securities, the document shall contain information regarding the manner of determination of the offering price, as well as of the exercise price of warrants, and the conversion price of convertible securities, including identifying the persons who established the price, or who is formally responsible for the determination of the price, the various factors considered in such determination and the parameters or elements used as a basis for establishing the price.
- 25.3.3 If the issuer's shareholders have pre-emptive purchase rights and where the exercise of the right of pre-emption of shareholders is restricted or withdrawn, the issuer shall indicate the basis for the issue price, if the issue is for cash, together with the reasons for such restriction or withdrawal and the beneficiaries of such restriction or withdrawal, if intended to benefit specific persons.
- 25.3.4 Information regarding the price history, where available of the security to be offered or listed shall be disclosed as follows:
- (i) for at least the last three most recent financial years: the annual highest and lowest closing prices;
 - (ii) for the last most recent financial year and any subsequent period: the highest and lowest closing prices for each full financial quarter;
 - (iii) for the last six months: the highest and lowest closing prices for each month;
 - (iv) for pre-emptive issues, the closing prices for the first trading day in the last six months, for the last trading day before the announcement of the offering, and (if different) for the latest practicable date prior to publication of the document.
- 25.3.5 Information shall be given with respect to the closing price on the Exchange and the principal trading market in other exchange(s). If any trading suspensions occurred in the previous three years, these should also be disclosed. If the securities are not regularly traded in an organized market, information must be given about any lack of liquidity.
- 25.3.6 State the type and class of the securities being offered or listed, and furnish the following information:
- (i) In the case of shares, provide the number of shares to be issued and made available to the market for each kind of share. The nominal par or equivalent value should be given on a per share basis, and where applicable, a statement of the minimum offer price. Describe the coupons attached, if applicable;
 - (ii) Describe arrangements for transfer and any restrictions on the free

transferability of the shares.

- 25.3.7 If the rights evidenced by the securities being offered or listed are, or may be materially limited or qualified by the rights evidenced by any other class of securities, or by the provisions of any contract or other documents, include this information and its effect on the rights evidenced by the securities to be listed or offered.
- 25.3.8 With respect to securities other than common or ordinary shares to be listed or offered, outline briefly the rights evidenced thereby:
- (i) If subscription warrants or rights are to be listed or offered, state the title and amount of securities called for; the amount of warrants or rights outstanding; provisions for changes to or adjustments in the exercise price; the period during which and the price at which the warrants or rights are exercisable; and any other material terms of such warrants or rights.
 - (ii) Where convertible securities or stock purchase warrants to be listed or offered are subject to redemption or call, the description of the conversion terms of the securities or material terms of the warrants should include whether the right to convert or purchase the securities will be forfeited, unless it is exercised before the date specified in the notice of redemption or call; the expiration or termination date of the warrants; the kind, frequency and timing of notice of the redemption or call, including where the notice will be published.

ARTICLE 26 PLAN OF DISTRIBUTION

- 26.1 The names and addresses of the person(s) underwriting and/or guaranteeing the offering shall be provided.
- 26.2 To the best of the issuer's knowledge, indicate whether major shareholders, directors or members of the issuer's management, supervisory or administrative bodies intend to subscribe to the offering, or whether any person intends to subscribe to 5% or more of the offering.
- 26.3 Identify any group of targeted potential investors to whom the securities are offered. If the offering is being made simultaneously in the markets of two or more countries and if a tranche has been, or is being reserved for certain of these, indicate any such tranche.
- 26.4 If securities are reserved for allocation to any group of targeted investors, including for example, offerings to existing shareholders, directors, or employees and past employees of the issuer or its subsidiaries, provide details of these and any other preferential allocation arrangements.
- 26.5 Indicate whether the amount of the offering could be increased, such as by the

exercise of an underwriter's over-allotment option or "greenshoe", and by how much.

- 26.6 Indicate the amount, and briefly outline the plan of distribution of any securities that are to be offered other than through underwriters. If the securities are to be offered through the selling efforts of brokers or dealers, describe the plan of distribution and the terms of any agreement or understanding with such entities. If known, identify the broker(s) or dealer(s) that will participate in the offering and state the amount to be offered through each.
- 26.7 If the securities are to be offered in connection with the writing of exchange-traded call options, briefly describe such transactions.
- 26.8 If simultaneously, or almost simultaneously, with the creation of shares for which admission to official listing is being sought, shares of the same class are subscribed for or privately placed, or if shares of other classes are created for public or private placing, provide details of the nature of such operations and of the number and characteristics of the shares to which they relate.
- 26.9 Unless otherwise described under the response to Article 31.2 ("Material Contracts"), describe the features of the underwriting relationship, together with the amount of securities being underwritten by each underwriter in accordance with the terms of contract with the issuer or selling shareholders. The foregoing information should include a statement as to whether the underwriters are, or will be committed to take and pay for all of the securities, if any are taken, or whether it is an agency or the type of "best efforts" arrangement, under which the underwriters are required to take and pay for only such securities as they may sell to the public.
- 26.10 Describe the nature and terms of any relationship, other than those in the ordinary course of business, with any underwriters or other financial advisers.

ARTICLE 27 SELLING SHAREHOLDERS

The following information shall be provided:

- 27.1 The name and address of the person or entity offering to sell the securities, the nature of any position, office or other material relationship that the selling shareholder has had within the past three years with the issuer, or any of its predecessors or affiliates.
- 27.2 The number and class of securities being offered by each of the selling holders, and the percentage of the existing equity capital. The amount and percentage for each particular type of securities beneficially held by the selling holder, before and immediately after the offering shall be specified.

ARTICLE 28 DILUTION

28.1 The following information shall be provided:

- 28.1.1 Where there is a substantial disparity between the public offering price and the effective cash cost to directors or senior management, or affiliated persons of equity securities acquired by them in transactions during the past five years, or which they have the right to acquire, a comparison should be included of the price to the public in the proposed public offering, and the cost to such persons.
- 28.1.2 Disclose the amount and percentage of immediate dilution resulting from the offering, computed as the difference between the offering price per share and the net book value per share and the average closing market price for the last 30 days for the equivalent class of security, as of the latest audited/reviewed balance sheet date.
- 28.1.3 In the case of a subscription offering to existing shareholders, disclose the amount and percentage of immediate dilution if they do not subscribe to the new offering in the same manner as described above in Article 28.1.2.

ARTICLE 29 EXPENSES OF THE ISSUE

29.1 The following information shall be provided:

- 29.1.1 The total amount of discount or commission agreed upon by the underwriters or other placement or selling agents and the issuer or selling shareholders, as well as the percentage such commissions represent of the total amount of the offering, and the amount of discounts or commissions per share.
- 29.1.2 A reasonably itemized statement of the major categories of expenses incurred in connection with the issuance and distribution of the securities to be listed or offered, and by whom the expenses are payable, if other than the issuer. If any of the securities are to be offered for the account of a selling shareholder, indicate the portion of such expenses to be borne by him. The information may be given subject to future contingencies. If the amounts of any items are not known, estimates (identified as such) shall be given.

**ARTICLE 30
ADDITIONAL INFORMATION**

30.1 Share Capital

The following information shall be given as of the date of the most recent balance sheet included in the financial statements, and as of the latest practicable date:

- 30.1.1 The amount of issued capital and, for each class of share capital: (a) the number of shares authorized; (b) the number of shares issued and fully paid-up and issued but not fully paid-up; (c) the par value per share and (d) a reconciliation of the number of shares outstanding at the beginning and end of the year. If more than 10% of capital has been paid for with assets other than cash within the past five years, that fact should be stated.
- 30.1.2 If there are shares not representing capital, the number and main characteristics of such shares shall be stated.
- 30.1.3 Indicate the number, book value and face value of shares in the issuer, held by the issuer directly or indirectly, or by subsidiaries of the issuer.
- 30.1.4 Where there is authorized but unissued capital, or an undertaking to increase the capital for example, in connection with warrants, convertible obligations or other outstanding equity-linked securities, or subscription rights granted, indicate: (i) the amount of outstanding equity-linked securities and of such authorized capital or capital increase and, where appropriate, the duration of the authorization; (ii) the categories of persons having preferential subscription rights for such additional portions of capital; and (iii) the terms, arrangements and procedures for the share issue corresponding to such portions.
- 30.1.5 The persons to whom any capital of the issuer is under option, or agreed conditionally or unconditionally to be put under option, including the title and amount of securities covered by the options; the exercise price; the purchase price, if any; and the expiration date of the options. Where options have been granted, or agreed to be granted to all the holders of shares or debt securities, or of any class thereof, or to employees under an employees' share scheme, it will be sufficient so far as the names are concerned, to record that fact without giving names.
- 30.1.6 A history of share capital for the last three years, identifying the events during that period which have changed the amount of issued capital and/or the number and classes of shares of which it is composed, together with a description of changes in voting rights, attached to the various classes of shares during that time. If there is any share capital issued for consideration other than cash, details on the price and terms

of such issue (including information regarding discounts, special terms or installment payments) should be given. If there are no such issues, an appropriately worded statement must be made. The reason for any reduction of the amount of capital and the ratio of capital reductions shall also be given.

**ARTICLE 31
MEMORANDUM AND ARTICLES OF ASSOCIATION**

A copy of the Memorandum and Articles of Association should be incorporated by reference in the prospectus.

31.1 The following information shall be provided:

- 31.1.1 With respect to directors, provide a summary of any provisions of the issuer's Articles of Association, or charter and by-laws with respect to: (a) a director's power to vote on a proposal, arrangement or contract in which the director is materially interested; (b) the directors' power, in the absence of an independent quorum to vote for compensation to themselves, or any members of their body; (c) borrowing powers exercisable by the directors, and how such borrowing powers can be varied; (d) retirement or non-retirement of directors under an age limit requirement; and (e) number of shares, if any, required for the director's qualification.
- 31.1.2 Describe the rights, preferences and restrictions attached to each class of shares, including: (a) dividend rights, including the time limit after which dividend entitlement lapses and an indication of the party in whose favour this entitlement operates; (b) voting rights, including whether directors stand for re-election at staggered intervals, and the impact of that arrangement where cumulative voting is permitted or required; (c) rights to share in the issuer's profits; (d) rights to share in any surplus in the event of liquidation; (e) redemption provisions; (f) sinking fund provisions; (g) liability to further capital calls by the issuer; and (h) any provision discriminating against any existing or prospective holder of such securities as a result of such shareholder owning a substantial number of shares.
- 31.1.3 Describe what action is necessary to change the rights of holders of the shares, indicating where the conditions are more significant than is required by law.
- 31.1.4 Describe the conditions governing the manner in which annual general meetings and extraordinary general meetings of shareholders are convened, including the conditions of admission.
- 31.1.5 Describe any limitations on rights to own securities, including the rights of foreign shareholders to hold, or exercise voting rights on the securities

imposed by foreign law, or by the charter or other constituent document of the issuer or state that there are no such limitations if that is the case.

- 31.1.6 Describe the limitations, if any, on voting power in annual general meetings of shareholders, including such limitations on the voting power of brokerage firms, nominees, portfolio managers and any other person who holds or manages the portfolios on behalf of others.
- 31.1.7 Describe briefly any provision of the issuer's Articles of Association that would have the effect of delaying, deferring or preventing a change in control of the issuer or that would operate only with respect to a merger, acquisition, or corporate restructuring involving the issuer (or any of its subsidiaries).
- 31.1.8 Describe provision in the Articles of Association, if any, governing the ownership threshold above which shareholder ownership must be disclosed.
- 31.1.9 With respect to Articles 31.1.1 through 31.1.8 above, if the law applicable to the issuer in these areas is significantly different from that in the Kingdom of Bahrain, the effect of the law in these areas should be explained.
- 31.1.10 Describe the conditions imposed by the Memorandum and Articles of Association governing changes in the capital, where such conditions are more stringent than is required by law.

31.2 Material Contracts

Provide a summary of each material contract, other than contracts entered into in the ordinary course of business, to which the issuer or any member of the group is a party, for any outstanding contracts at the time of publication of the document, including dates, parties, general nature of the contracts, terms and conditions, and amount of any consideration passing to or from the issuer, or any other member of the group.

31.3 Exchange controls

Describe any governmental laws, decrees, regulations or other legislation of the home country of the issuer that may affect:

- 31.3.1 The import or export of capital, including the availability of cash and cash equivalents for use by the issuer's group.
- 31.3.2 The remittance of dividends, interest or other payments to non-resident holders of the issuer's securities.

31.4 Taxation

The issuer shall provide information regarding taxes (including withholding provisions) to which shareholders in the Kingdom of Bahrain and in the host country(s) may be subject. Information should be included as to whether the issuer assumes responsibility for the withholding of tax at source and regarding applicable provisions of any reciprocal tax treaties between the home country and the host countries or a statement, if applicable, that there are no such treaties.

31.5 Dividends and Paying Agents.

Disclose any dividend restrictions, the date on which the entitlement to dividends arises, if known, and any procedures for non-resident holders to claim dividends. Identify the financial organizations, which at the time of admission of shares to the official listing are the paying agents of the issuer in the countries where admission has taken place, or is expected to take place.

31.6 Statement by Experts

Where a statement or report attributed to a person as an expert is included in the document, provide with that person's consent, their name, address and qualifications and a statement to the effect that such a report is included, the form and context in which it is included, and who authorized the contents of that part of the document.

31.7 Documents on Display

The issuer shall provide an indication of when the issuer's documents (referred to in the report) may be inspected. Exhibits and documents on display should generally be translated into Arabic and/or English. Such documents, as well as the prospectus, must be made available by the issuer in the Kingdom of Bahrain simultaneously with the public offering or listing.

31.8 Subsidiary Information

Information relating to the issuer's subsidiaries eligible for consolidation under IAS must be provided, if such information is not otherwise called for by the International Accounting Standards used in preparing the financial statements.

- 31.8.1 Provide information in respect of the matters mentioned below, relating to unconsolidated subsidiaries that are not held for resale and that are likely to have a significant effect on the assessment of the issuer's own assets and liabilities, financial position or profits and losses:

- (a) the name and address of the registered office;
- (b) the principal activities;
- (c) the proportion of capital held;

- (d) the issued capital;
- (e) the reserves;
- (f) the profit or loss arising out of ordinary activities after tax (if any), for the last three financial years,
- (g) the value at which the issuer shows in its accounts the interest held;
- (h) any amount still to be paid up on shares held;
- (i) the amount of dividends received in the course of the last three financial years in respect of shares held; and
- (j) the amount of the debts owed to and by the issuer, with regard to the undertaking.

31.8.2 The items of information listed above must be given in any event, for every undertaking in which the issuer has a direct or indirect participating interest, if the book value of that participating interest represents at least 20% of the consolidated net assets (or capital and reserves of the company's own accounts, if required to be provided), or accounts for at least 20% of the consolidated net profit or loss of the group (or the issuer's own accounts, if required to be provided). The information required by (e) and (f) above may be omitted where the undertaking in which a participating interest is held does not publish annual accounts.

31.8.3 With the permission of the Agency, the information required by (d) to (i) above may be omitted if the annual accounts of the undertakings in which the participating interests are held are consolidated into the group's annual accounts, or if the value attributable to the interest under the equity method or its fair value evaluation is disclosed in the annual accounts, provided that the omission of the information is not likely to mislead the public with regard to the facts and circumstances, knowledge of which is essential for the assessment of the security in question. With the permission of the Agency, the information provided for under points (g) and (j) may be omitted, if such omission does not mislead investors.

31.8.4 Provide individual details relating to the undertakings not referred to in Article 31.8.1 above, in which the issuer holds at least 20% of the share capital. The name and registered office of the undertaking and the proportion of the capital held may be omitted when they are of negligible importance.

31.8.5 When the document includes consolidated annual financial statements, provide disclosure:

- (a) of the consolidation principles applied (which must be described in detail); where such principles are not consistent with International Financial Reporting Standards;
- (b) of the names and registered offices of the undertakings included in the consolidation, and where this information is important for the

- purpose of assessing the assets and liabilities, the financial position and the profits and losses of the issuer. It is sufficient to distinguish them by a symbol in the list of undertakings of which details are required in item Article 31.8.1 above; and
- (c) for each of the undertakings referred to in 31.8.5 above:
 - (i) the total proportion of third-party interest, if annual accounts are wholly consolidated;
 - (ii) the proportion of the consolidation calculated on the basis of interests, if consolidation has been effected on a pro rata basis.

CHAPTER II
ONGOING OBLIGATIONS

IMMEDIATE ANNOUNCEMENT TO BE MADE TO THE AGENCY FOR RELEASE

ARTICLE 32 IMMEDIATE ANNOUNCEMENT

The issuer must notify the Agency of any major developments or changes in its sphere of activity, i.e.:

- 32.1 Any information concerning the issuer, or any of its subsidiaries necessary to avoid the establishment of a false market in the issuer's securities, or which would be likely to materially affect the price of its securities.
- 32.2 Any intention to fix the Record Date of any corporate action and the reason for establishing a Record Date, which shall be at least 10 calendar days after the date of notification to the Agency, and the address of the share registry at which documents will be accepted for filing. In addition, Annual General Meetings must be held within three months from the end of the issuer's financial year.
- 32.3 Any proposed change in capital, including that of the issuer's debt securities listed on the Exchange, must be notified immediately after board approval.
- 32.4 Any decision by the board to submit to the issuer's shareholders a proposal for the issuer to be authorized to purchase its own shares must be notified immediately. An indication must be given as to whether the proposal relates to specific purchases, or to a general authorization to make purchases. The outcome of the shareholders meeting must also be notified immediately.
- 32.5 Any recommendation of declaration of a dividend (including bonuses, if any), the rate and amount per share and date of payment, which shall be within a maximum of 10 calendar days from the general meeting date approving the dividend.
 - (a) Once the Record Date is announced, the issuer shall not make any subsequent alterations to that date.
 - (b) All dividends (including bonuses, if any) must be paid within a maximum of 45 days from the date of declaration.
- 32.6 Any notification to shareholders of any nature that may be price sensitive should be made to the Agency before circulation.
- 32.7 All resolutions put to an extraordinary general meeting of an issuer within 7 calendar days after such meeting, whether or not the resolutions were carried.

- 32.8 Any call to be made upon any of the partly paid-up share capital of the issuer.
 - 32.9 Any change of address of the registered office of the issuer, or of any office at which the register of securities of the issuer is kept.
 - 32.10 Any change in the directors or senior management or auditors of the issuer.
 - 32.11 Any proposed alteration to the Memorandum of Association, or Articles of Association of the issuer.
 - 32.12 Any notice of substantial shareholdings or changes received by the issuer relating to:
 - 32.12.1 Acquisition of 5% or more of the issuer's issued and paid-up capital by a beneficial owner, reaching 5% or more.
 - 32.12.2 Ownership of a beneficial owner reaches 10% or more.
 - 32.12.3 If a beneficial owner's ownership reaches 10% or more of the issuer's issued and paid-up capital and wishes to purchase or own 20% of the issuer's shares.
- Details of the above information shall be provided. In addition, acquisition or disposal of 10% or more of the paid-up capital of any listed issue on the Bahrain Stock Exchange should be approved by the Agency, prior to the execution of such order on the Exchange.
- 32.13 Any application filed with a court or legal entity to wind up the issuer, or any of its subsidiaries.
 - 32.14 The appointment of a receiver, administrator or liquidator (or equivalent in the country of incorporation) of the issuer, or any of its subsidiaries.
 - 32.15 Any acquisition of shares of an unquoted company which results in such company becoming a subsidiary of the listed issuer, or where the valuation of the transaction exceeds 10 percent of the net assets of the listed issuer.
 - 32.16 Any acquisition of shares which results in the holding being 10 percent or more of the paid-up capital of another quoted issuer, or where the valuation of the transaction exceeds 10 percent of the net assets of the listed issuer.
 - 32.17 Any sale of shares in another company:
 - 32.17.1 resulting in that company ceasing to be a listed issuer's subsidiary; or
 - 32.17.2 resulting in a holding falling below 10 percent of the issued capital of that company, if it is a quoted issuer.

32.18 After the end of the issuer's financial year (unless accompanied by preliminary financial statements, as required in Article 34), no announcement shall be made of any:

- 32.18.1 cash dividend;
- 32.18.2 bonus or rights issues;
- 32.18.3 record date;
- 32.18.4 capital return;
- 32.18.5 passing of a dividend;
- 32.18.6 sales, turnover or total return.

32.19 Any significant discovery of mineralization or hydrocarbons by an issuer, whose activities include or are to include exploration for natural resources.

32.20 A description of all pending litigation, or occurrence of circumstances of a material nature in which the issuer, or any of its subsidiaries may be involved, which may affect its income derived from title to or possession of any of its properties, licences or concessions from governmental authorities.

32.21 In the case where a valuation (not in the ordinary course of business) has been conducted on the fixed assets of the company and/or its subsidiaries, a prompt announcement must be made and shall state whether the valuation is subject to the approval of supervisory or other government authorities. A copy of each of the valuation reports must be submitted to the Agency and be made available for inspection at the issuer's registered office for a period of 3 months.

32.22 Any change in the status of the issuer for taxation and/or zakat purposes under any statutory provisions must be notified.

ARTICLE 33 NEW ISSUES

33.1 An issuer shall not issue securities without the prior approval of shareholders at a general meeting, or as stipulated by the Articles of Association of the issuer or applicable laws and regulations of the issuer's home market, as the case may be.

33.2 An issuer intending to make a rights issue should make a prompt announcement which shall state that the rights issue is subject to the approval of the authorities. The price, terms and purpose of the rights issue, as well as the financial circumstances which call for the rights issue, should also be disclosed. No date should be fixed for the record date until the issue has been approved by the Agency.

33.3 An issuer intending to make a bonus issue should make a prompt announcement in accordance with the requirements of Article 32.18, which shall state whether the bonus issue is subject to the approval of the authorities. No date should be fixed for the record date until the issue has been approved by the Agency.

33.4 In relation to a rights issue, in which holders of securities are given the right to participate in proportion to the amount of existing shares held, such rights shall allow for renunciation in part or whole, in favour of a third party at the option of the entitled shareholders. The Agency will not entertain any rights issue in which the rights cannot be made renounceable in part or whole in favour of a third party at the option of the entitled shareholders.

33.5 In relation to a rights issue, an issuer shall fix the closing date for the receipt of applications for and acceptance of the new securities, not earlier than one month after the record date, provided that the period from the date of splitting to the date of the exercise and payment of rights shall not be less than 10 calendar days.

33.6 All rights issues for which there are no irrevocable written undertakings from the shareholders to take up their full entitlement shall be taken up by an underwriter. If a rights issue is underwritten, a copy of the underwriting agreement between the issuer and its underwriters shall be provided to the Agency.

33.7 An issuer shall issue to the appropriate persons within 7 market days (or a longer period as approved by the Agency) after the record date: -

33.7.1 A Letter of Entitlement.

33.7.2 A Provisional Letter of Allotment, incorporating:

- (i) Form of Acceptance;
- (ii) Request for Splits;
- (iii) Form of Renunciation;
- (iv) Form of Nomination; and
- (v) Excess Shares Application Form.

33.8 Except in the case of a rights issue to shareholders, no director or senior manager of the issuer, or any person regarded as an associate of any director, shall participate (directly or indirectly) in an issue of equity securities, or other securities with rights to conversion to equity, unless shareholders at a general meeting have approved the specific allotment to be made to such a director or executive officer, or associated person. Such directors, executive officers and associates shall abstain from exercising any voting rights on the matter.

The notice of the meeting shall state:

- 33.8.1 the number of securities to be allotted;
 - 33.8.2 the precise terms and conditions of the issue; and
 - 33.8.3 that such directors, executive officers and associates shall abstain from exercising any voting rights.
- 33.9 When existing holders are offered a specific entitlement in a new issue of securities, or in a company about to be floated, such entitlement must be on a pro-rata basis, with no restriction placed on the number of shares to be held before entitlements accrue.
- 33.10 Once the basis of the entitlement and the books closing date are declared, the issuer shall not make any subsequent alteration to such entitlements.
- 33.11 An issuer must not close its register to determine holders' entitlements to participate in a new issue, until 10 market days after copies of the issuer's registered prospectus or memorandum of offer for sale, or other documents have been lodged with the Agency.
- 33.12 Where an issue of securities is to be made overseas only and is supported by a prospectus or other public documents, the prospectus or other public documents in Arabic or English shall be lodged with the Agency. Such documents shall be endorsed "Specimen - For Information Only."
- 33.13 All schemes involving the issue or sale of shares or other securities (including options) to employees shall be governed by the following provisions, and shall apply to schemes not only for all listed issuers, but also all subsidiaries thereof, even if the subsidiary is incorporated and operating abroad:
- 33.13.1 The scheme, which must be approved by the shareholders of the issuer at a general meeting, must contain provisions relating to:
- (a) the persons to whom securities may be issued or sold under the scheme ("participants");
 - (b) the total amount of the securities to be issued must not be more than 10 percent of the issued share capital, without prior approval;
 - (c) a fixed maximum entitlement for any one participant;
 - (d) the amount payable on application or acceptance, and the basis for determining the subscription or sale or option price, and the period in or after which payments or calls or loans to provide the same, may be paid or called ;
 - (e) the time limit for the scheme,
 - (f) the period during which the participants are debarred from disposing of the allotted securities, if applicable,
 - (g) the voting, dividend, transfer and other rights, including those arising from the liquidation of the company, attached to the securities

- 33.13.2 The scheme or corresponding document, if not circulated to the shareholders, must be available for inspection at the issuer's registered office or posted on its website, if it so desires, for a period of not less than 10 calendar days.
- 33.13.3 The resolution must approve a specific scheme and refer to either the scheme itself (if circulated to the shareholders), or to a summary of its principal terms included in the circular, which must contain all the provisions set out in Article 33.13.1 above. Where directors of the issuer are trustees of the scheme, or have a direct or indirect interest in the scheme, the circular must disclose that interest.
- 33.13.4 Unless the securities subject to the scheme are identical with other listed securities, they must be separately designated;
- (a) the scheme may provide for an adjustment of the subscription or option price, or the number or amount of securities subject to the scheme not already allotted in the event of a capitalization issue, and may provide for variation of the terms in the event of other circumstances (e.g. sub-division or consolidation of shares). Such variation should normally give a participant the same proportion of the equity capital as that to which he was previously entitled;
 - (b) the issue of securities as consideration for an acquisition will not be regarded as a circumstance requiring adjustment,
 - (c) an adjustment other than on a capitalization issue must be confirmed in writing by the company's auditors and in their opinion be fair and reasonable,
 - (d) the scheme must provide, or the circular must state, that the provision relating to the matters contained in Article 33.13.1 (a) to (g) cannot be altered to the advantage of participants, without the shareholders' prior approval.
- 33.13.5 The scheme and any subsequent renewal or amendments to the terms of the scheme shall be subject to the approval of the Agency.

ARTICLE 34 PERIODIC REPORTS

- 34.1 An issuer shall give a preliminary financial statement to the Agency (on a consolidated basis) immediately after figures are available, and in any event not later than 2 months after the end of the financial year, giving all the information as prescribed by the Agency and stating whether such results are audited or subject to audit. Unless an extension has been granted by the Agency, the Agency may, without notice, suspend trading in the issuer's securities if the preliminary financial statement is not submitted within the 2 months' period. The suspension will last until such time as the preliminary financial statement is received.

- 34.2 An issuer shall give a half-yearly report to the Agency (on a consolidated basis) immediately after figures are available and in any event not later than 2 months after the end of the first half of the financial year, supplying all the information as prescribed by the Agency.
- 34.3 Where any audited accounts differ materially from the announced unaudited accounts or any forecasts/projections previously made, or when any auditor has qualified his report, an explanation of such difference, or full details of such qualification shall be given to the Agency immediately for public release upon its receipt by the issuer.
- 34.4 An issuer shall publish the financial statements for each interim quarter no later than 2 months after the end of the related quarter, prepared in accordance the prevailing IAS.

ARTICLE 35 ANNUAL FINANCIAL STATEMENTS

- 35.1 The interval between the end of the financial year of the issuer and the issuing of the printed annual report to the company's shareholders and the Exchange shall not exceed 6 months.
- 35.2 The annual audited accounts shall be prepared in accordance with the International Accounting Standards (IAS) and in compliance with Bahrain's Commercial Companies Law or other applicable laws, as well as the requirements of the Agency. In addition, the annual report should also include both directors' and management's reports on the results for the year.
- 35.3 The issuer shall separate items in its annual report:
- 35.3.1 the amount of:
- (i) turnover, and
- (ii) investment and other income, excluding extraordinary items, together with comparative figures for the previous year;
- 35.3.2 A statement of source and application of funds with comparative figures for the previous year;
- 35.3.3 A statement as at the end of the financial year, showing the interest of the directors of the issuer, or related corporations.
- 35.4 Particulars of material contracts involving directors' interests shall be disclosed, either those still in existence at the end of the financial year, or if not, then those entered into since the end of the previous financial year, providing, in the case of a loan, and without limiting the generality of the foregoing:

- 35.4.1 the names of the lender and the borrower,
- 35.4.2 the relationship between the borrower and the director (if the director is not the borrower);
- 35.4.3 the purpose of the loan;
- 35.4.4 the amount of the loan;
- 35.4.5 the interest rate;
- 35.4.6 the terms regarding payment of interest and repayment of principal; and
- 35.4.7 security provided.

35.5 A statement as at the end of the issuer's financial year shall be disclosed setting out:

- 35.5.1 The names and nationalities of the major shareholders and the number of equity securities of each class held in which they have an interest of 5% or more of outstanding shares, as shown in the issuer's shares register;
- 35.5.2 The number of holders of each class of equity security, and the voting rights attached to each class;
- 35.5.3 A distribution schedule of each class of equity security, setting out the number of holders and percentage in the following categories:

<u>Categories*</u>	<u>No. of Shares</u>	<u>No. of Shareholders</u>	<u>% of Total Outstanding Shares</u>
Less than 1%			
1% up to less than 5%			
5% up to less than 10%			
10% up to less than 20%			
20% up to less than 50%			
50% and above			

**Expressed as a percentage of total outstanding shares of the listed company.*

35.6 There shall be disclosed:

- 35.6.1 the name of the company secretary;
- 35.6.2 the address and telephone number of the registered office; and
- 35.6.3 the address of each office at which a register of securities is kept.

35.7 In the first financial year in which an issuer adopts new accounting policies, there shall be stated by way of notes to the accounts the principles and policies adopted, the amount of increase or decrease in profits and losses, and the amount of assets or reserves resulting from the adoption of such policies.

35.8 Except for those firms that are regulated by the Agency as financial institutions and that are involved in the acquisition and disposition of properties in the ordinary course of business, the following information shall be provided:

- 35.8.1 The address of each property;
- 35.8.2 In respect of each property:
- (i) a brief description (e.g. land or buildings, approximate areas, etc);
 - (ii) existing use (e.g. shops, offices, factories, residential, etc);
 - (iii) tenure (i.e. freehold, or leasehold, giving terms);
 - (iv) terms of tenants leases or under leases (including repairing obligations);
 - (v) approximate age of the buildings;
 - (vi) present capital value in existing state.

ARTICLE 36 STATEMENTS, TRANSFERS, TRANSMISSION AND REGISTERS

The issuer shall agree:

- 36.1 To allot securities within 7 calendar days of the final applications closing date for an issue of securities, and to dispatch statements within 7 calendar days of the date of allotment, or within such period as may be prescribed by the Agency.
- 36.2 To dispatch within 4 working days after the day of lodgment of a registrable transfer of securities of the issuer, a statement in respect of such securities and a balance statement for any remainder.
- 36.3 Notwithstanding Article 33 (New Issues) above, upon declaration of a disaster by the Agency and the subsequent lodging of a report of the statements lost or destroyed, together with a letter of indemnity by the Clearing House to replace the said lost or destroyed statements and to dispatch them within 7 working days from the date of lodgment, or a longer period as determined by the Agency. In this section "Disaster" means a situation arising from destruction or loss of statements in the possession of the Clearing House and such a situation shall be considered as a disaster, as declared by the Agency.
- 36.4 When so requested by the transferee at the time of lodging the registrable transfer of securities of the issuer, to dispatch the statement in respect of those securities to the lodging broker.
- 36.5 Not to refuse to register or fail to register, and to give effect to any transfer in registrable form of a fully paid security issued by the listed issuer except:
- (a) the registration of the transfer would result in a contravention of, or failure to observe the provisions of the law in the Kingdom of Bahrain, or result in non-compliance with the rules and restrictions of the issuer's Memorandum and Articles of Association.
 - (b) the transfer is in respect of a partly paid security, in respect of which a call has been made and is unpaid.
- 36.6 If in the exercise of its rights under Article 36.5 (a) above, the issuer refuses to register a transfer of a security, it shall give to the lodging broker and the transferee written notice of the refusal and the precise reasons therefore within 7 working days after the date on which the transfer was lodged with the issuer.
- 36.7 To register transfers, split statements, issue statements and mark or note transfers and where any fee is charged, such fee should not exceed the amount that shall, from time-to-time, be approved by the Agency for each statement issued.
- 36.8 When so requested by the transferee at the time of lodgment of registrable transfers of securities of the issuer, to issue statements in requested denominations.
- 36.9 To endorse (where necessary) transfer forms with the notation "power of attorney exhibited" or "probate exhibited" on production of the proper documents, and to do so without charge.
- 36.10 To split statements within 4 working days of receipt, or to certify transfers within 2 working days upon lodging the relevant statements.
- 36.11 To accept for registration, transfers of the issuer's Transfer Forms securities, executed on a standard form of transfer approved by the Agency, or on such other form as may be approved by the Agency.
- 36.12 To design proxy forms in a manner which will allow a shareholder of an issuer appointing a proxy, to indicate how he would like his proxy to vote in relation to each resolution.
- 36.13 To give to the Agency upon inquiry an extract of the share register, showing full details on or between the named date or dates of all entries relating to the registration of shares entered or deleted under any particular name, and the relevant statement numbers and the names into which, or from which any particular stock or shares may have been transferred.
- 36.14 In the case of multiple listing, to permit securities of the issuer to be transferred from one register to another without restriction.
- 36.15 In the case of share splits carried out by the issuer, the issuer shall issue without charge, statements in denominations requested by the shareholders, up to a maximum of 5 statements per shareholder.
- 36.16 To inform the Agency as and when a report is lodged with the issuer, or the issuer's registrar on any loss of statements, giving all the information prescribed by the form set out by the Agency.
- 36.17 To inform the Agency immediately the issuer is notified of any forgery in the statements of the company by the issuer's registrar.

- 36.18 The issuer upon request by the Agency must ensure that its transfer agent submit a report by an independent accountant that studies and evaluates the transfer agent's internal controls.
- 36.19 To provide the Agency upon request, with an auditor's certificate to the effect that the processing of transfers and the issue of statements is in accordance with the Agency's law.

**ARTICLE 37
FORM AND CONTENT OF STATEMENTS**

Notwithstanding the above provisions, the investor is entitled upon request to receive share certificates subject to the following:

- 37.1 The number of securities represented by the certificates must be clearly shown in words and figures on the face of the certificates, or in such a manner as may be approved by the Agency.
- 37.2 The certificates should be designed so that paper quality and watermark forgery and/or alterations are readily detectable. The printing of securities certificates must only be entrusted to recognized security printers. The paper for printing securities must either be first class bond or banknote paper containing a watermark of the printer or issuer, and any other additional security features as may be determined by the Agency from time-to-time.
- 37.3 Share certificates shall show the following:
 - 37.3.1 serial number;
 - 37.3.2 par value of securities;
 - 37.3.3 class of securities;
 - 37.3.4 name of the company and the authority under which it was incorporated;
 - 37.3.5 address of the registered office of the issuer;
 - 37.3.6 name and address of the registrar, if it is different from the registered office of the issuer;
 - 37.3.7 where a rubber seal is imprinted, original signatures shall support it;
 - 37.3.8 where an embossed seal is used, it may, subject to the Articles of Association of the issuer, be supported by facsimile signatures only;
 - 37.3.9 where only the seal is used without supporting signatures, the method or system of control by the issuer on the application of the seal must be approved by the auditors of the issuer, and a copy of such approval forwarded to the Agency.
- 37.4 Debt security certificates shall show the following:
 - 37.4.1 serial number;
 - 37.4.2 the name of the issuer, and the authority under which it was incorporated;

- 37.4.3 the address of the registered office of the issuer, and the register on which the loan securities are situated;
 - 37.4.4 the security, rate of interest and dates of payment, any participating rights and the date and method of redemption;
 - 37.4.5 where a rubber seal is imprinted, original signatures shall support it;
 - 37.4.6 where an embossed seal is used, it may, subject to the Articles of Association of the issuer, be supported by facsimile signatures only;
 - 37.4.7 where only the seal is used without supporting signatures, the method or system of control by the issuer on the application of the seal must be approved by the auditors of the issuer, and a copy of such approval forwarded to the Agency.
- 37.5 The size of the certificates shall be determined by the Agency from time-to-time.

**ARTICLE 38
A DEMATERIALIZED ENVIRONMENT**

Securities Settlement (transfer of securities) shall be effected by simple debit or credit on the books of the Clearing House system via computer data entry.

Transferees (new owners) of securities will regularly report to the issuer's transfer agent(s) for legal transfer of title within 4 days.

**ARTICLE 39
COMMUNICATIONS WITH HOLDERS OF LISTED SECURITIES**

- 39.1 All circulars to holders of listed securities, together with notes of meetings, proxy forms and advertising material to holders of listed securities must be submitted to the Agency in draft form for approval before they are published, at least 5 market days in advance.
- 39.2 A draft of any proposed amendment to the issuer's Memorandum and Articles of Association, or equivalent documents, must be submitted to the Agency.
- 39.3 Whenever shareholders are sent a notice of a meeting which includes any business other than routine business at an annual general meeting, an explanatory circular must accompany the notice, or if the business is to be considered at or on the same day as an annual general meeting, an explanation must be incorporated in the directors report. An explanatory circular must also accompany any notice of a meeting sent to holders of listed debt securities.
- 39.4 Where an increase in authorized capital is proposed, the directors must state in the explanatory circular, or any other document that accompanies the notice of the meeting, whether they have any present intention of issuing any part of that capital.

- 39.5 The issuer must forward to the Agency a copy of all circulars, notices, reports, announcements, or any other documents at the same time as they are issued, and a copy of all resolutions passed by the issuer, other than resolutions concerning routine business at an annual general meeting.
- 39.6 The issuer must ensure that all the necessary facilities and information are available to enable holders of such securities to exercise their rights. In particular, it must inform the holders of any and all meetings to be held which they are entitled to attend, to enable them to exercise their right to vote (where applicable) and publish notices or distribute circulars, giving details of the allocation and payment of dividends or interest in respect of such securities, the issue of new securities (including arrangements for the underwriting, allotment, subscription, renunciation, conversion or exchange of such securities) and repayment of securities.
- 39.7 The issuer must appoint a registrar, and/or where appropriate, a paying agent in the Kingdom of Bahrain, unless the issuer itself performs these functions.
- 39.8 The issuer must allow for proxy forms, with a provision for two-way voting on all resolutions intended for proposal, with a notice convening the meeting of holders of listed securities to all persons entitled to vote at the meeting.
- 39.9 Unless shareholders otherwise permit, an issuer proposing to issue securities that has an equity element for cash, must offer those securities to existing equity shareholders (and where appropriate, to holders of other securities that have an equity element of the issuer entitled to be offered to them) in proportion to their existing holdings.
- 39.10 Similarly, unless shareholders otherwise permit, an issuer must obtain the consent of shareholders before any major subsidiary of the issuer makes any issue of securities having an equity element for cash, so as materially to dilute the percentage equity interest of the issuer and its shareholders in that subsidiary.
- 39.11 In the event of a circular being issued to the holders of any particular class of security, the issuer must issue a copy or summary of such circular to the holders of all other listed securities, unless the contents of such circular are irrelevant to these other holders.
- 39.12 Airmail, courier, fax or email must always be used when communicating with overseas holders of listed securities.
- 39.13 When a foreign issuer publishes or sends a circular to holders of its listed security on the Exchange at an address in the Kingdom of Bahrain, it must be in the Arabic language and/or in the English language.

ARTICLE 40 TRANSACTIONS BY DIRECTORS AND SENIOR MANAGEMENT

- 40.1 Any change in the board of directors and senior management must be notified immediately to the Agency.
- 40.2 The issuer must adopt rules governing dealings by directors, senior management and associated persons in the listed securities of the issuer, in terms no less exacting than those issued by the Agency.
- 40.3 The rules issued by the Agency should be regarded as applicable to purchases by an issuer of its own shares.
- 40.4 The directors, senior management and associated persons wishing to buy or sell securities in their company, must first pay attention to the following basic rules, and any other rules issued by the Agency from time to time:
- 40.4.1 Directors and senior management should not deal in their companies' securities on considerations of a short-term nature.
- 40.4.2 Directors and senior management will always be thought to be in possession of more information than can ever be published. Accordingly, they must accept that they cannot always feel free to deal in their companies' securities, even when the rules would not prohibit them from doing so.
- 40.4.3 Notwithstanding this general constraint, there must be periods in the year when directors are, in principle (but subject to the rules) regarded as free to deal in their companies' securities. The following rules have been formulated on the basis that:
- (a) dealings should not normally take place for a minimum period prior to the announcement of regularly recurring information, particularly profits, dividends and other distributions, whether or not the information is price-sensitive (this period being defined in Article 41 below), and
- (b) dealings should not take place prior to the announcement of matters of an exceptional nature involving unpublished price-sensitive information, in relation to the market price of the securities of the issuer (or where relevant, any other listed company).
- 40.4.4 For the purpose of the rules, the grant to a director or senior manager of an option to subscribe or purchase his issuer's securities shall be regarded as a dealing by him, if the price at which such option may be exercised is fixed at the time of such grant. If, however, an option is granted to a director or senior manager on terms whereby the price at which such option may be exercised is to be fixed at the time of exercise, the dealing is to be regarded as taking place at the time of exercise.

40.5 Matters of an exceptional nature cause particular difficulty. A director and senior manager who has knowledge of the exceptional matter in question will normally be prohibited from dealing by the Agency's law and rules, but even if he is not so prohibited he should nevertheless refrain from dealing under the circumstances outlined below. Similarly, a director or senior manager who has no such knowledge should be advised, when he notifies his intention to deal under Article 41 below, that it would be inappropriate for him to deal where the same circumstances apply. Those circumstances are when:

40.5.1 The matter in question constitutes unpublished price-sensitive information in relation to the issuer's securities, and

40.6 In principle, a director should seek to secure that all dealings in which he is deemed to be interested should be conducted in accordance with the provisions of Article 41, set out as a general proposition.

Nevertheless it is recognized that a director's or senior manager's duty in this respect will depend on the particular circumstances. A director who is sole trustee, for example, should follow the same procedure as for any dealings on his own account, and should deal only if he would be personally allowed to do so under the rules, even if he is exempt from the general prohibitions imposed by the Agency's law and rules, by virtue of the special defences relating to trustees covered by such provisions.

Where a director has co-trustees who are not directors of the issuer, he may not be able to ensure that the procedure applicable to his personal dealings is followed in respect of dealings on behalf of the trust. The director/trustee has to avoid acting in breach of trust, and at the same time to refrain from divulging or abusing confidential information, and it may not always be practicable to expect that the trustee will refrain from dealing, at a time when one of their members is not personally free to deal.

On the other hand, if a director, whether or not himself a trustee, has as settlor or otherwise, an important influence over the decision of the trustee, the procedure applicable to his personal dealings ought to be followed and the trustee should not deal when he personally is not free to deal. Again, the remoteness of some interests may be such as to make the imposition of any duty under Article 41 below impracticable or inappropriate. Article 41 below indicates certain precautions, which should be taken.

It is an over-riding principle that under no circumstances should a director or senior manager deal, where prohibited from doing so by the Agency's law and rules, or make any unauthorized disclosure of any confidential information, whether to co-trustees or any other person, or make any use of such information for the advantage of himself or others, even those to whom he owes a fiduciary duty.

40.7 When a director places investment funds under professional management where either he retains or exercises influence, the managers should be made subject to the same restrictions and procedures as the director himself, in respect of proposed dealings in the issuer's securities.

ARTICLE 41

GUIDELINES FOR TRADING BY DIRECTORS AND SENIOR MANAGEMENT:

41.1 A director or a senior manager should not deal in any of the securities of the issuer at any time, when he is in possession of unpublished price-sensitive information in relation to those securities.

41.2 The same restrictions should apply to dealings by a director or by a senior manager in the securities of any other listed issue, when by virtue of his position as a director or as a senior manager of his own company, he is in possession of unpublished price-sensitive information in relation to those securities.

41.3 A director or a senior manager should not deal in any securities of his own company without first notifying the Board's committee appointed for this purpose, and receiving a form of acknowledgement. In his own case, the committee should first notify the other directors and receive a form of acknowledgement.

41.4 The procedure established within the issuer should, as a minimum, provide a written record maintained by the issuer, saying that the appropriate notification was given and acknowledged, and for the concerned director to have written confirmation to that effect.

41.5 During the 30 days immediately preceding the preliminary announcement of the issuer's annual results and the announcement of the quarterly and half-yearly results, or of dividends and distributions to be paid, a director, senior management and associated persons should not purchase any securities of the company, nor should he deal in securities as laid out in the abovementioned Article 40, nor should he sell any such securities unless the circumstances are exceptional, for example, where a pressing financial commitment has to be met. In any event, he must comply with the procedure in Article 40.5 above.

41.6 Issuers producing quarterly results should consult the Agency on the formulation of modified dealing procedures appropriate to their case.

41.7 The restrictions on dealings by a director or by a senior manager contained in these rules should be regarded as equally applicable to any dealings by his or her spouse, or by or on behalf of any minor, and any other dealings in which for the purpose of the applicable laws, regulations and rules he is to be treated as interested. It is the duty of the director, to seek avoidance of any such dealing, at a time when he himself is not free to deal.

- 41.8 Any director of the issue who acts as trustee of a trust should ensure that his co-trustees are aware of the identity of any company of which he is a director, so as to enable them to anticipate possible difficulties. A director having funds under management should likewise advise the investment manager.
- 41.9 Any director who is a beneficiary, but not a trustee, of a trust which deals in securities of the issuer, should endeavour to ensure that the trustees notify him after they have dealt in such securities on behalf of the trust, in order that he in turn may notify the issuer. For this purpose, he should ensure that the trustees are aware of the companies of which he is a director.
- 41.10 A list of directors and senior managers dealing in the securities of the issuer since the date of the previous list should be circulated to members of the board with the board papers, or alternatively, the register maintained for this purpose.
- 41.11 An issuer shall endeavour to ensure that any employee of the issuer, or director or directors of an issuer, who as a board member or individual employee of a subsidiary company and, because of his office or employment in the company or subsidiary, is likely to be in possession of unpublished price-sensitive information in relation to the securities of any listed company, should deal in those securities in accordance with these Rules.

CHAPTER III

POLICY STATEMENTS ON TIMELY DISCLOSURE

POLICY ON IMMEDIATE PUBLIC DISCLOSURE OF MATERIAL INFORMATION

ARTICLE 42 APPLICABLE STANDARDS

- 42.1 Immediate disclosure should be made of any information regarding an issuer's affairs, or about events or conditions in the market that will affect the issuer's securities, which meets either of the following standards:

Where the information is likely to have a significant effect on the price of any of the issuer's securities.

Where such information (after any necessary interpretation by securities analysts or other experts) is likely to be considered important, by a reasonable investor, in determining his choice of action.

- 42.2 Any material information of a factual nature that bears on the value of an issuer's securities, or on decisions as to whether or not to invest or trade in such securities, should be disclosed. Included is information known to the company concerning the issuer's property, business, financial condition and prospects; mergers and acquisitions; and dealings with employees, suppliers, customers and others; as well as information concerning significant changes in ownership of the issuer's securities owned by insiders, or representing control of the issuer.
- 42.3 The Agency does not normally consider the disclosure of an issuer's internal estimates or projections of its earnings or any other data relating to its affairs, to be necessary. If such estimates or projections are released, they should be carefully prepared, on a proper factual basis, and should be stated with the appropriate qualifications. Moreover, if such estimates or projections subsequently appear to have been mistaken, they should be promptly and publicly corrected.
- 42.4 The price of an issuer's securities, as well as an investor's decision whether to buy or sell those securities, may be affected as much by factors directly concerning the market for the securities, as by factors concerning the issuer's business. Factors directly concerning the market for an issuer's securities may include such matters as the acquisition or disposal by a company of a significant amount of its own securities, an event affecting the present or potential dilution of the rights or interests of an issuer's securities, or events materially affecting the size of the "public issue" of its securities. While as noted above, an issuer is expected to make the appropriate disclosure about significant changes in insider ownership of its securities, the issuer should not indiscriminately disclose to the public any knowledge it has of the trading activities of outsiders, such as trading by

unit trusts or other institutions, for such outsiders normally have a legitimate interest in preserving the confidentiality of their securities transactions.

- 42.5 The following events, while not comprising a complete list of all the situations that may require disclosure, are particularly likely to require prompt announcements:
- 42.5.1 Changes in share ownership that may affect the control of the issuer.
 - 42.5.2 Changes in corporate structure, such as reorganizations, amalgamations, etc.
 - 42.5.3 Take-over bids or issuer bids.
 - 42.5.4 Major corporate acquisitions or dispositions.
 - 42.5.5 Changes in capital structure.
 - 42.5.6 Borrowing of a significant amount of funds.
 - 42.5.7 Public or private sale of additional securities, or a call of securities for redemption.
 - 42.5.8 Development of new products and other changes that would affect the issuer's resources, technology, products or markets.
 - 42.5.9 Significant discoveries by resource companies.
 - 42.5.10 Entering into, or the gain or loss of significant contracts.
 - 42.5.11 Firm evidence of significant increases or decreases in near-term earnings prospects.
 - 42.5.12 Declaration or omission of dividends or determination of earnings.
 - 42.5.13 Changes in capital investment plans or corporate objectives.
 - 42.5.14 Significant changes in management.
 - 42.5.15 Significant litigation.
 - 42.5.16 Major labour disputes, or disputes with major contractors or suppliers.
 - 42.5.17 Events of default under financing or other agreements.
 - 42.5.18 Treasury share programmes.
 - 42.5.19 Any other developments relating to the business that would significantly affect the market price or value of any of the issuer's securities, or that would reasonably be expected to have a major influence on any investor's decisions.

ARTICLE 43 TEMPORARY WITHHOLDING OF MATERIAL INFORMATION

- 43.1 Exceptions:
- Occasionally circumstances arise in which, provided that complete confidentiality is maintained, a company may temporarily refrain from publicly disclosing material information. The following circumstances where disclosure can be withheld are limited and constitute an infrequent exception to the normal requirement of immediate public disclosure. Thus in cases of doubt, the presumption must always be in favour of disclosure.
- 43.1.1 When immediate disclosure would prejudice the ability of the issuer to

pursue its corporate objectives and even though public disclosure is generally necessary to protect the interests of investors, circumstances may occasionally arise where disclosure would prejudice an issuer's ability to achieve a valid corporate objective. Public disclosure of a plan to acquire certain real estate for example, could result in an increase in the issuer's cost of the desired acquisition, or could prevent the issuer from carrying out the plan at all. In such circumstances, if the unfavourable result to the issuer outweighs the undesirable consequences of non-disclosure, disclosure should probably be deferred to a more appropriate time.

43.1.2 When the facts are in a state of flux and more appropriate moments for disclosure are imminent.

(a) Occasionally corporate developments give rise to information, which although material, is subject to rapid change. If the situation is about to stabilize or resolve itself in the near future, it may be proper to withhold a public announcement until a firm announcement can be made, since successive public announcements concerning the same subject, but based on changing facts, may confuse or mislead the public rather than enlighten it.

(b) In the course of a successful negotiation for the acquisition of another company, for example, the only information known to each party at the outset may be the willingness of the other to hold discussions. Shortly thereafter it may become apparent to the parties that it is likely an agreement can be reached. Finally, agreement in principle may be reached on specific terms. In such circumstances an issuer need not issue a public announcement at each stage of the negotiations describing the current state of constantly changing facts, but may await agreement in principle on specific terms. If, on the other hand, progress in the negotiations should stabilize at some other point, disclosure should then be made if the information is material.

(c) Companies or securities laws may restrict the extent of permissible disclosure before or during a public offering of securities, or a solicitation of proxies.

ARTICLE 44 INSIDER TRADING AND MATERIAL INFORMATION TEMPORARILY WITHHELD

Immediate public disclosure of the information in question must be effected if the issuer should learn that insider trading, as defined in Article 57 hereof, has taken, or is taking, place. In unusual cases, where the trading is insignificant and did not have any influence on the market, and measures sufficient to halt the insider trading and prevent its recurrence have already been taken, exceptions could be

made which should be discussed with the Agency. The Agency can provide current information regarding market activity in the issuer's securities with which to help assess the significance of such trading.

ARTICLE 45 CONFIDENTIALITY OF MATERIAL INFORMATION TEMPORARILY WITHHELD

Whenever material information is being temporarily withheld, the strictest confidentiality must be maintained and the company should be prepared to make an immediate public announcement if necessary. During this period, the market action of the issuer's securities should be closely watched, since unusual market activity frequently signifies that a "leak" may have occurred.

Confidentiality of material information temporarily withheld that is to be kept confidential should be confined where possible, to only the highest echelons of management, and should only be disclosed to officers, employees and others on a need to know basis. Distribution of paperwork and other data should be kept to a minimum. Where the information has to be disclosed more broadly to employees or others, their attention should be drawn to its confidential nature, and to the restrictions that apply to its use, including the prohibition of insider trading.

It may be appropriate to require each person who gains access to the information, to report any transaction that he/she effects in the issuer's securities to the issuer. If counsel, accountants, or financial or public relations' advisers, underwriters or other outsiders are consulted, steps should be taken to ensure that they are aware of the need for confidentiality. In general, it is recommended that a listed company remind its employees on a regular basis of its policies on confidentiality.

ARTICLE 46 POLICY ON THOROUGH PUBLIC DISSEMINATION

Confidential information must not be disclosed by a recipient, or by any person obtaining the information directly or indirectly from a recipient, without the approval of the person from whom the recipient obtained the information, and if different, from the person to whom it relates.

ARTICLE 47 PERMITTED DISCLOSURES

47.1 Article 46 does not prevent a disclosure of Confidential Information which is permitted:

47.1.1 Under Article 48, 49, or 50; or

- 47.1.2 By regulations made by the Agency
- 47.2 The Agency may by regulation specify disclosures of Confidential Information which are permitted in addition to those permitted under Article 48, 49, or 50.

**ARTICLE 48
DISCLOSURE BY AND TO THE AGENCY**

- 48.1 A disclosure of Confidential Information is permitted when it is made to any person by the Agency or an Agency official for the purpose of enabling or assisting the person making the disclosure to discharge any functions of the Agency (in accordance with the Agency's Law).
- 48.2 A disclosure of Confidential Information is permitted when it is made by any recipient, or person obtaining the information directly or indirectly from a recipient, to the Agency for the purpose of enabling or assisting the Agency to discharge any of its functions.

**ARTICLE 49
DISCLOSURE FOR THE PURPOSE OF PROCEEDINGS
AND INVESTIGATIONS**

- 49.1 A recipient of Confidential Information, or a person obtaining such information directly or indirectly from a recipient, is permitted to disclose such information to any person for the purpose of or in connection with:
 - 49.1.1 any criminal investigation or proceedings;
 - 49.1.2 any proceedings before any review committee appointed by the Agency;
 - 49.1.3 any other civil proceedings to which the Agency is, or is proposed to be, a party.

**ARTICLE 50
DISCLOSURE BY AND TO PUBLIC BODIES**

- 50.1 A recipient of Confidential Information, or a person obtaining such information directly or indirectly from a recipient, is permitted to disclose such information to:
 - 50.1.1 A public body in Bahrain for the purposes of assisting or enabling that body to discharge any of its functions;
 - 50.1.2 A public body either in the country of incorporation or where the issuer lists its securities, for the purposes of assisting or enabling that body to discharge any of its functions as such;

- 50.1.3 An international organization having any function corresponding to any function of the Agency for the purposes of assisting or enabling that organization to discharge any such function.
- 50.2 A person specified in 50.1.1 through 50.1.3 above is permitted to disclose information to which this Chapter applies to any person for the purposes of enabling or assisting the person making the disclosure to discharge any of his functions.

**ARTICLE 51
NOTIFY THE AGENCY**

Disclosure of material information can often be made after the market closes. Otherwise, when it is necessary to make disclosure of material information before or during trading hours, the Agency expects an issuer to notify it in advance of such disclosure, if the material is of a non-routine nature, or is expected to have a substantial impact on the market for the securities of the issuer. The Agency, with the benefit of all the facts provided by the issuer, will be able to consider whether a temporary halt in trading is not a reflection on the issuer or its securities, but provides an opportunity for disseminating and evaluating the information released. Such a step frequently helps avoid rumours and market instability, as well as the unfairness to investors that may arise when material information has reached some but not all of the investing community. Thus, in appropriate circumstances the Agency can often provide a valuable service to investors and listed companies by arranging for such a halt.

**ARTICLE 52
AT TIME OF PUBLIC DISCLOSURE**

Any public disclosure of material information should be made by an announcement released simultaneously to (a) the Agency, (b) the Exchange and then to (c) the business and financial newswire services, Internet and/or newspapers. Issuers may also wish to broaden their distribution to other news or broadcast media, such as those in the location of the issuer's plants or offices, and to other publications. The information in question should always be given to the media in such a way as to promote publication by them as promptly as possible, i.e. by telephone, or in writing by hand delivery, facsimile or email, in both cases on an "immediate release" basis. Issuers are cautioned that some of the media may refuse to publish information given by telephone until it has been confirmed in writing, or may require written confirmation after its publication.

**ARTICLE 53
OPEN DOOR POLICY**

The Agency recommends that issuers observe an "open-door" policy in dealing with analysts, journalists, shareholders and others. However, under no circumstances should disclosure of material corporate developments be made on an individual or selective basis to analysts, shareholders or other persons, unless such information has previously been fully disclosed and disseminated to the public. In the event that material information is inadvertently disclosed on the occasion of any meetings with analysts or others, it must be publicly disseminated as promptly as possible, by the means described above.

The Agency also believes that even any appearance of preference or partiality in the release or explanation of information should be avoided.

**ARTICLE 54
POLICY ON CLARIFICATION OR CONFIRMATION OF
RUMOURS AND REPORTS**

Means of response:

A public circulation by any means, whether by an article published in a newspaper or by a broker's market letter, or information passed by word-of-mouth, either correct or false, which has not been substantiated by the issuer and which is likely to have, or has had an effect on the price of the issuer's securities or would be likely to have a bearing on investment decisions, should be clarified or confirmed.

**ARTICLE 55
THE AGENCY REQUIREMENTS**

55.1 In the case of a significant rumour or report containing erroneous information that has been circulated, the issuer should prepare an announcement denying the rumour or report, and setting forth facts sufficient to clarify any misleading aspects of the rumour.

55.2 In the case of a significant rumour or report containing information that is correct, an announcement setting forth the facts should be prepared for public release. In both cases, the announcement should then be publicly disseminated in accordance with the guidelines discussed above. In addition, in the case of a false rumour or report, reasonable effort should be made to bring this to the attention of the particular group that initially distributed it (in the case of an erroneous newspaper article, for example, by sending a copy of the announcement to the newspaper's financial editor, or in the case of an erroneous market letter, by sending a copy to the broker responsible for the letter).

55.3 In the case of a rumour or report predicting future sales, earnings or other data, no response from the company is ordinarily required. However, if such a report is manifestly based on erroneous information, or is wrongly attributed to the issuer, the issuer should respond promptly to the supposedly factual elements of the rumour or report, in the same manner as for other false rumours and reports of a supposedly factual nature. Moreover, if a rumour or report contains a prediction that is clearly erroneous, the issuer should issue an announcement to the effect that the issuer itself has made no such prediction, and currently knows of no facts that would justify making such prediction.

**ARTICLE 56
POLICY ON INSIDER TRADING**

Insiders:

All persons who come into possession of material inside information before its public release are considered insiders for the purposes of the Agency's disclosure policies. Such persons include controlling shareholders, directors, officers and employees, and frequently should also include any officials of the Agency and the Exchange who have access to such information, outside attorneys, accountants, auditors, underwriters, investment bankers, public relations advisers, advertising agencies, consultants and other independent contractors. The husbands, wives, immediate families and those under the control of insiders may also be regarded as insiders. Where acquisition or other negotiations are concerned, the above relationships apply to other parties to the negotiations as well. Finally, for purposes of the Agency's disclosure policy, insiders include "tippees" who come into possession of material inside information.

**ARTICLE 57
INSIDER TRADING**

"Insider trading" refers not only to the purchase or sale of an issuer's equity and debt securities, but also to the purchase or sale of puts, calls or other options with respect to such securities. Such trading is deemed to be done by an insider whenever he has any beneficial interest, direct or indirect, in such securities or options, regardless of whether they are actually held in his name. Included in the concept of "insider trading" is "tipping", or revealing inside information to outside individuals, to enable such individuals to trade in the issuer's securities on the basis of undisclosed information.

**ARTICLE 58
INSIDERS AND REFRAINING FROM TRADING**

Following dissemination of the information, insiders should refrain from trading until the public has had an opportunity to evaluate it thoroughly. Where the effect of the information on investment decisions is readily understandable, as in the case of earnings and dividends, the required waiting period in this case can be shorter than where the information needs to be interpreted, before its bearing on investment decisions can be evaluated. While the waiting period is dependent on how thoroughly and how quickly after its release the information is published by the news-wire services and the press, the Agency recommends that as a basic policy, when dissemination is made in accordance with the Agency policy, insiders should wait until the commencement of the following day's trading, or for twenty-four hours, whichever is less, after the general publication of the release in a national medium.

**ARTICLE 59
PREVENTION PROCEDURES**

- 59.1 Issuers can establish, publish and enforce effective procedures applicable to the purchase and sale of its securities by the issuer, its officers, directors, employees and other "insiders" designed not only to prevent improper trading, but also to avoid any question of the propriety of insider purchases or sales.
- 59.1.1 One such procedure might require corporate insiders to restrict their purchases and sales of the issuer's securities, to periods following the release of annual statements or other releases setting forth the financial condition and status of the issuer.
- 59.1.2 Another could involve the purchase of an issuer's securities on a regular basis by an agent, over which neither the issuer nor the individual has any control.
- 59.1.3 All insiders, as defined above, must clarify or confirm in written form all their dealings, including bid and offer quotations placed by them, to the issuer's Board's committee established for this purpose as required by the Agency.

**ARTICLE 60
THE OFFENCE**

- 60.1 A person who is in possession of Inside Information as an insider may not:
- 60.1.1 Deal in any securities to which that information relates; or

- 60.1.2 Encourage another person to deal in any securities to which that information relates; or
- 60.1.3 Disclose that information, otherwise than in the proper performance of the functions of his employment, office or profession, to any other person.

**ARTICLE 61
DEFENCES**

- 61.1 A person is not guilty of Insider Trading by virtue of dealing in Securities if he shows:
- 61.1.1 That he did not at the time expect the dealing to result in a profit attributable to the fact that the information in question was Inside Information in relation to the Securities, or
- 61.1.2 That at the time he believed on reasonable grounds that the information had been disclosed widely enough to ensure that none of those taking part in the dealing would be prejudiced by not having the information, or
- 61.1.3 That he would have done what he did even if he had not had the information.
- 61.2 A person is not guilty of Insider Trading by virtue of encouraging another person to deal in Securities if he shows:
- 61.2.1 That he did not at the time expect the dealing to result in a profit attributable to the fact that the information in question was Inside Information in relation to the Securities; or
- 61.2.2 That at the time he believed on reasonable grounds that the information had been or would be disclosed widely enough to ensure that none of those taking part in the dealing would be prejudiced by not having the information, or
- 61.2.3 That he would have done what he did even if he had not had the information.
- 61.3 A person is not guilty of Insider Trading by virtue of a disclosure of information if he shows:
- 61.3.1 That he did not at the time expect any person, because of the disclosure, to deal in the Securities in question.
- 61.4 A person is not guilty of Insider Trading by virtue of dealing in Securities or encouraging another person to deal if he shows that he acted in good faith in the course of his business as a market maker or his employment in the

business of a market maker. For the purposes of this Article a market maker is a person who is licensed as a market maker by the Agency.

- 61.5 An individual is not guilty of Insider Trading by virtue of dealing in Securities or encouraging another person to deal if he shows that:
- 61.5.1 The information which he had as an insider was Market Information; and
- 61.5.2 It was reasonable for an individual in his position to have acted as he did despite having that information as an insider at the time.
- 61.6 For the purpose of Article 61.5.2, in determining whether it is reasonable for an individual to do any act despite having Market Information at the time, there shall, in particular, be taken into account:
- 61.6.1 The content of the information;
- 61.6.2 The circumstances in which he first had the information and in what capacity; and
- 61.6.3 The capacity in which he now acts.
- 61.7 A person is not guilty of Insider Trading by virtue of dealing in Securities or encouraging another person to deal if he shows:
- 61.7.1 That he acted:
- (a) in connection with an acquisition or disposal which was under consideration or the subject of negotiation, or in the course of a series of such acquisitions or disposals; and
- (b) with a view to facilitating the accomplishment of the acquisition or disposal or the series of acquisitions or disposals; and
- 61.7.2 That the information which he had as an insider was Market Information arising directly out of his involvement in the acquisition or disposal or series of acquisitions or disposals.
- 61.8 A person is not guilty of Insider Trading by virtue of dealing in Securities or encouraging another person to deal if he shows that he acted in conformity with any price stabilization rules made by the Agency.

ARTICLE 62 SIGNIFICANCE OF UNUSUAL MARKET ACTION

Where unusual market action in price movement, trading activity, or both occurs without any apparent publicly available information which would account for the action, it may signify trading by persons who are acting either on unannounced material information, or on a rumour or report, whether true or false, about the issuer. Most often of course, unusual market activity may not be traceable either to insider trading or to a rumour or report. Nevertheless, the market action itself

may be misleading to investors, who are likely to assume that a sudden and appreciable change in the price of an issuer's securities must reflect a parallel change in its business or prospects. Similarly, unusual trading volume, even when not accompanied by a significant change in price, tends to encourage rumours and give rise to excessive speculative trading activity, which may be unrelated to actual developments in the issuer's affairs.

ARTICLE 63 POLICY ON RESPONSE TO UNUSUAL MARKET ACTION

- 63.1 The issuer should attempt to determine the reason for the market action, by considering in particular:
- 63.1.1 Whether any information about its affairs, which would account for the action, has been recently disclosed to the public,
- 63.1.2 Whether there is any information of this type that has not been publicly disclosed (in which case the unusual market action may signify that a "leak" has occurred), and
- 63.1.3 Whether the issuer is the subject of rumour or report.
- 63.2 If the issuer determines that the market action results from information that has already been publicly disseminated, generally no further announcement is required, although if the market action indicates that such information may have been misinterpreted it may be helpful, after discussion with the Agency, to issue a clarifying announcement.
- 63.3 If the market action results from the "leak" of previously undisclosed information, the information in question must be promptly disseminated to the public.
- 63.4 If the market action results from a false rumour or report, the Agency policy on correction of such rumours and reports (discussed above) should be complied with.
- 63.5 Finally, if the issuer is unable to determine the cause of the market action, the Agency may suggest that the issuer make a public announcement to the effect that there have been no undisclosed recent developments affecting the issuer, or its affairs, which would account for the unusual market activity.

ARTICLE 64 UNWARRANTED PROMOTIONAL DISCLOSURE

The issuer should refrain from promotional disclosure activity that exceeds that necessary to enable the public to make informed investment decisions. Such activity includes inappropriately-worded news releases, public announcements not

justified by actual developments in an issuer's affairs, exaggerated reports or predictions, flamboyant wording and other forms of overstated disclosure activity which may mislead investors and cause unwarranted price movements and activity in an issuer's securities.

Definition

Unwarranted promotional disclosure is defined as disclosure activity beyond that necessary to inform investors, and explicable only as an attempt to influence the prices of securities, and is considered to be unnecessary and self-promotional. Although the distinction between legitimate public relations activities and such promotional activity is one that must necessarily be drawn from the facts of a particular case.

The following are frequent indications of unwarranted promotional activity:

- 64.1 A series of public announcements, unrelated in volume or frequency to actual developments in an issuer's business and affairs.
- 64.2 Premature announcement of products still in the development stage, with unproven commercial prospects.
- 64.3 Promotions and expense-paid trips, or the seeking out of meetings or interviews with analysts and financial writers, which could have the effect of unduly influencing the market activity in the issuer's securities, and which are not justified in frequency or scope by the need to disseminate information about actual developments in the issuer's business and affairs.
- 64.4 Press releases or other public announcements of a one-sided or unbalanced nature.
- 64.5 Company or product advertisements which in effect promote the issuer's securities.

ARTICLE 65

CONTENT AND PREPARATION OF A PUBLIC ANNOUNCEMENT

Content of announcement:

The content of a press or other public announcement is as important as its timing. Each announcement should:

- 65.1 Be factual, clear and succinct.
- 65.2 Contain sufficient quantitative information to allow investors to evaluate its relative importance to the activities of the issuer.
- 65.3 Be balanced and fair. Thus the announcement should avoid:

- 65.3.1 Omission of important unfavourable facts, or minimizing such facts (e.g. by "burying" them at the end of a press release.)
- 65.3.2 Presentation of favourable possibilities as certain, or as more probable than is actually the case.
- 65.3.3 Presentation of projections without sufficient qualification, or without a sufficient factual basis.
- 65.3.4 Use of promotional jargon calculated to excite rather than to inform.
- 65.3.5 Negative statements phrased so as to create a positive implication e.g. "The Company cannot now predict whether the development will have a materially favourable effect on its earnings," (creating the implication that the effect will be favourable even if not materially favourable), or "The Company expects that the development will not have a materially favourable effect on earnings in the immediate future," (creating the implication that the development will eventually have a materially favourable effect).
- 65.4 Avoid over-technical language, and where possible, use language comprehensible to a layman.
- 65.5 Explain, if the consequences or effects of the information on the issuer's future prospects cannot be assessed, why this is so.
- 65.6 Clarify and point out any reasonable alternatives where the public announcement undertakes to interpret disclosed information.

ARTICLE 66

PREPARATION OF ANNOUNCEMENTS

The following guidelines for the preparation of press releases and other public announcements should help issuers to ensure that the content of such announcements will meet the requirements discussed above:

- 66.1 Every announcement should either be prepared or reviewed by:
 - 66.1.1 An official familiar with the matters about which the disclosure is to be made, and
 - 66.1.2 An official familiar with the requirements of the Agency and the Exchange, as well as any other applicable requirements of the commercial companies law, and other related securities laws.
- 66.2 Since skill and experience are important to the preparation and editing of accurate, fair and balanced public announcements, the Agency recommends

that a limited group of individuals within the company be given this assignment, on an on-going basis. (Since a press announcement must usually be prepared and released as quickly as possible, the group charged with this assignment should be large enough to handle problems that arise suddenly and unexpectedly).

- 66.3 Review of press releases and other public announcements by legal counsel is often desirable and necessary, depending on the importance and complexity of the announcement.

ARTICLE 67 UNUSUAL MARKET ACTIVITY

The Agency's Capital Markets Supervision (CMS) Directorate is primarily responsible for the day-to-day relations between listed companies, the Agency and the Exchange.

When unusual market activity occurs, it must be reported to the Capital Markets Supervision Directorate. In many cases, by checking with market surveillance, the directorate will try to trace the reason for the action to a specific cause, such as recently disclosed information, recommendations by advisory services, or rumours. Market surveillance may also check with brokerage firms as to the source and reasons for the activity stemming from their particular firms. (This latter information, it should be noted, must remain confidential to the Agency). If no explanation of the unusual activity is revealed, the Directorate may call officials of the issuer to determine whether the cause of the action is known to them. If the action appears to be attributable to a rumour or report, or to material information that has not been publicly disseminated, the issuer may be requested to take the appropriate corrective action, and it may be advisable to halt trading until such action has been taken.

Listed companies are urged to contact the Directorate as early as possible whenever problems are encountered or anticipated in interpreting or applying the Agency's disclosure policies. By means of such advance consultation, effective liaison between issuers, the Agency and the Exchange can be maintained.

ARTICLE 68 NON-COMPLIANCE

Any person who contravenes the provisions of these Disclosure Standards or does not comply with these provisions, shall be subject to the actions as prescribed in the Agency's Law and other regulations.

Bahrain Monetary Agency
CAPITAL MARKETS SUPERVISION (CMS) DIRECTORATE

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