

Issuance of Warrants

Rules Summary

When a listed company would like to issue and allocate its warrants, the company has to disclose relevant information and performing relevant actions such as disclosing the board’s resolution, seeking approval from shareholders, allocating the warrants and reporting results, reporting about the conversion of warrants to common shares, and registering these additional common shares.

If the listed company wish to get their warrants traded on SET to enhance liquidity to unitholders, it needs to follow the listing process and notify shareholders about their conversion rights.

Warrant Issuance and Allotment

Subject	Details
<p>Required information disclosure once the Board has made a resolution to issue warrants</p>	<ul style="list-style-type: none"> • The company has to notify, via SETLink, about the board resolutions on warrant issuance and allotment immediately, that is within the day the board has reached the resolution or by 9.00 am of the following business day at the latest. • Information to be disclosed when the warrants are issued and allocated: <ul style="list-style-type: none"> ○ Persons receiving an allotment through <ul style="list-style-type: none"> - Right Offerings (Warrant RO) - Right Offerings except offering to persons who would cause the company to have duty under foreign law (Warrant PPO) - Public Offerings (Warrant PO) - Private Placement* (Warrant PP) <p>*Private Placement is an allocation to no more than 50 persons, or the allotment value not exceeding 20 million baht within 12 months (including the selling and exercise prices), or to institutional investors.</p> <ul style="list-style-type: none"> ○ Preliminary details about warrant issuance and allotment <ul style="list-style-type: none"> - Warrant title, warrant quantity, No. of shares reserved for an exercise of warrants, terms, offering price, exercise price and ratio, exercise period including the first and last exercise dates, ex-warrants date, subscription and payment dates, exercise method, secondary market, conditions for the rights adjustment, and dilution effect. • Capital increase upon exercise of warrants (Follow the process of capital increase) • Hosting the shareholders’ meeting (Follow the process of shareholders’ meeting)
<p>Delivering an invitation to shareholder meeting</p>	<p>Deliver an invitation letter to shareholders along with related documents 7 days prior to the meeting date. However, for warrant PP case, the company needs to deliver the invitation 14 days in advance, plus additional following information:</p> <ul style="list-style-type: none"> • Details required in the invitation letter to the shareholder meeting <ol style="list-style-type: none"> 1. Details about an offer, for example: <ol style="list-style-type: none"> (1) No. of warrants for buying the newly issued shares (2) No. of newly issued shares reserved for the above mentioned warrants (3) No. of PP shares issued along with warrant PP offer (if any) (4) Type of investors receiving an offer

<p>Delivering an invitation to shareholder meeting</p>	<ul style="list-style-type: none"> (5) Calculation method for the offering price, conversion ratio, and market price (6) Method of offering and allotment (7) Exercise period (8) Expiry date for warrant conversion (9) Rationale for new shares issuance upon the rights adjustment (10) Others (if any) (11) Requirement for the conversion to be completed within warrant term <p>2. Objectives of warrant PP offering¹</p> <ul style="list-style-type: none"> (1) Clear objectives about warrant PP issuance (2) Plan on the use of fund raised through warrant PP (3) Details about the project² <p>3. Effects on the shareholders upon warrant PP offering</p> <ul style="list-style-type: none"> (1) Price dilution³ (2) Earnings per share dilution⁴ or the control dilution⁵ (3) Benefits to the shareholders compared to their profit or rights dilution <p>4. The directors' views</p> <ul style="list-style-type: none"> (1) Rationale and the necessity to increase capital (2) Possibilities on the use of fund raised through the offering (3) Rationality of capital increase, the use of fund, and planned project, adequacy of the fund raised through securities offering which has not covered overall budget required for the mentioned plan or project. (4) Possible effects to the company's business, including financial positions and operational performance after the capital increase and using the proceeds as planned. (5) Suitability and rationality of designated market price and offering price. (6) Other information (if any), please specify. <p>5. A statement informing the shareholders of their rights to claim the losses in case the company's director fails to comply with the fiduciary duty.</p>
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¹ For multi-purpose use of funds, details, budget, and the funding planned for each purpose must be separately and clearly identified.

² In case of connected transactions or being subject to the acquisition or disposal of assets, the shareholders' approval as per related announcements is required and must be stated in the agenda, so that the transaction can be done upon approval.

³ **Price Dilution** =
$$\frac{\text{Pre-offering market price} - \text{Post-offering market price}}{\text{Pre-offering market price}}$$

Post-offering market price =
$$\frac{(\text{Mkt price} \times \text{Paid-up shares}) + (\text{Offering price of shares reserved for warrants} \times \text{No. of warrants allocated}) + (\text{Exercise price} \times \text{No. of shares received after conversion})}{\text{Paid-up shares} + \text{Total shares offered}}$$

⁴ **Earnings Per Share Dilution** =
$$\frac{\text{Pre-offering earnings per share} - \text{Post-offering earnings per share}}{\text{Pre-offering earnings per share}}$$

Pre-offering earnings per share = Net profits / Paid-up shares

Post-offering earnings per share = Net profits / (Paid-up shares + Total shares offered)

⁵ **Control Dilution** =
$$\frac{\text{Total shares offered}}{\text{Paid-up shares} + \text{Total shares offered}}$$

Delivering an invitation to shareholder meeting

6. In the event that the shareholders are to reach for a solution on the selling prices, for both warrant PP and post-offering proportional allotment to shareholders, the company shall provide information additional to 1 – 5 items as follows:


- (1) List of investors to receiving the offering
- (2) Opinion of the Board of Directors on one of these issues:
 - a) Rationale of the warrant PP price to be offered to investors in (1)
 - b) Determination of the selling price
 - c) Rationale and the need in offering the warrants to investors in (1)
- (3) Certified statement by the directors showing that they have carefully considered and examined PP investor information in (1) that the investors have potentials to invest, or have managed to ensure that they can make the investment happen.

7. When the shareholders shall reach a resolution about the offering price of shares reserved for warrants⁶ and such price is below the market price, or when the warrants after rights offering shall be sold below the fully diluted price, the company has to take these steps in addition to the above 1. – 6.:

- (1) Rights of the shareholders to oppose the offering at a low price. Veto shall not $\geq 10\%$ of total votes from participating shareholders.
 - (2) The Board of Directors' opinion on:
 - a) PP Investors: Considering whether the investors have any business which could be supporting the listed company in terms of expertise or experience, which could be beneficial to the company.
 - b) Worthiness: The value of benefits from investors compared to new shares being offered at a low price to them, which affect the company's expense and financial positions according to the share-based payments⁷
- Letter of Proxy: At least one person who receive authority shall be an independent director. Also, if that independent director has involved in the transaction, it must be clearly stated.
 - The offering must be approved at the shareholder meeting with no less than 3/4 of votes from shareholders who were present and eligible to vote. For the case of discounted offering price, there must be no more than 10% veto from shareholders who were present and eligible to vote.

⁶ The warrant offering price is based on offering and exercise price of Warrant PP.

⁷ The shareholders should be informed that the figures are only estimates for their primary consideration. The exact number will be based on the share prices on the SET on the date they have become entitled.

Announcement of the shareholder resolution	Within the shareholder meeting date, or by 9:00 am of the following day at the latest via SETLink system.
Report on warrant issuance and allotment	Within 14 days from the closing and payment date (or the day warrants are issued as free warrants) via SETLink system using the Securities Offering Report Form (F 53-5)
	The listed company must <u>clearly</u> notify about the conditions for rights adjustment in the shareholder meeting invitation, for example, when the company pay out dividend more than 75% of net profits after tax, during an accounting period when the warrants are still valid.

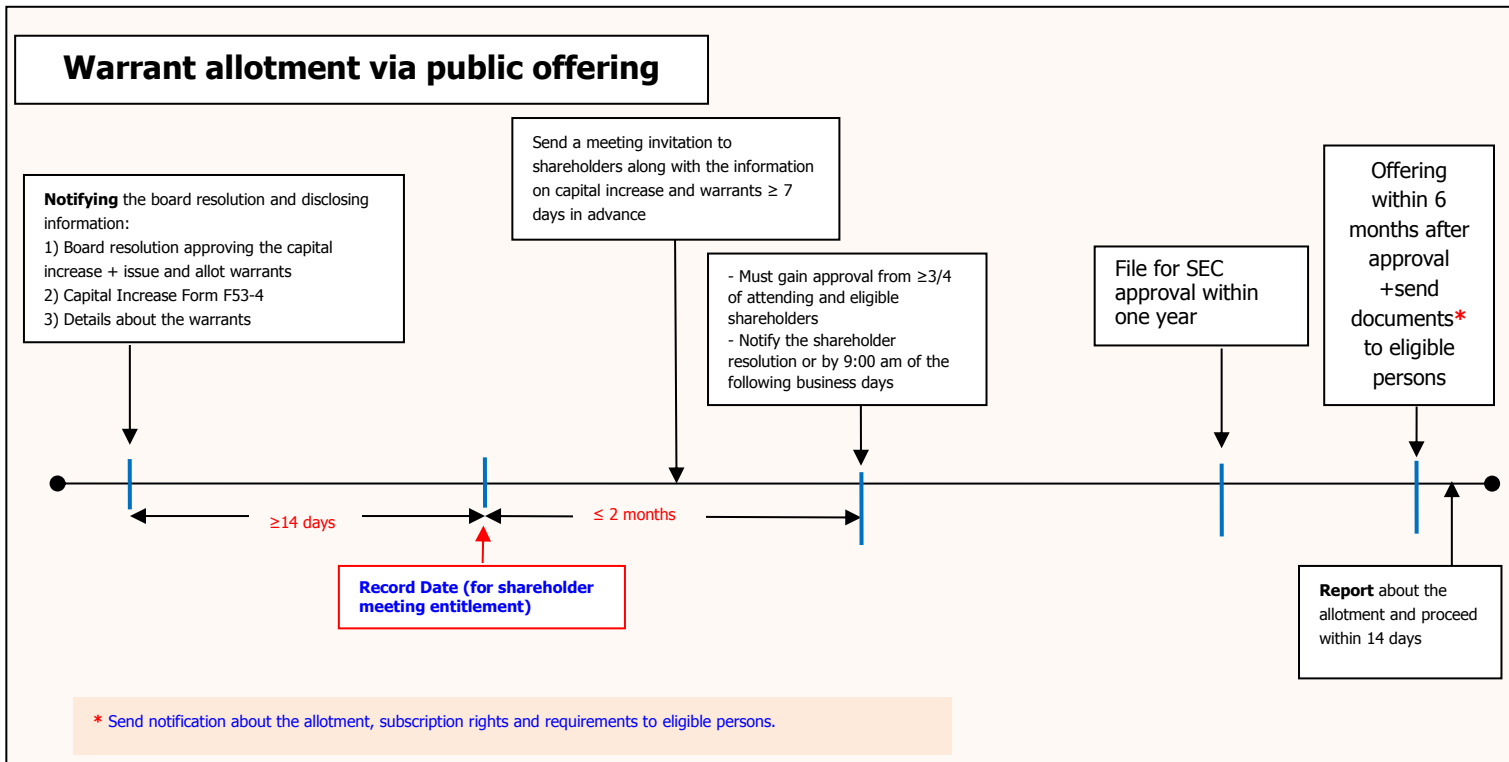
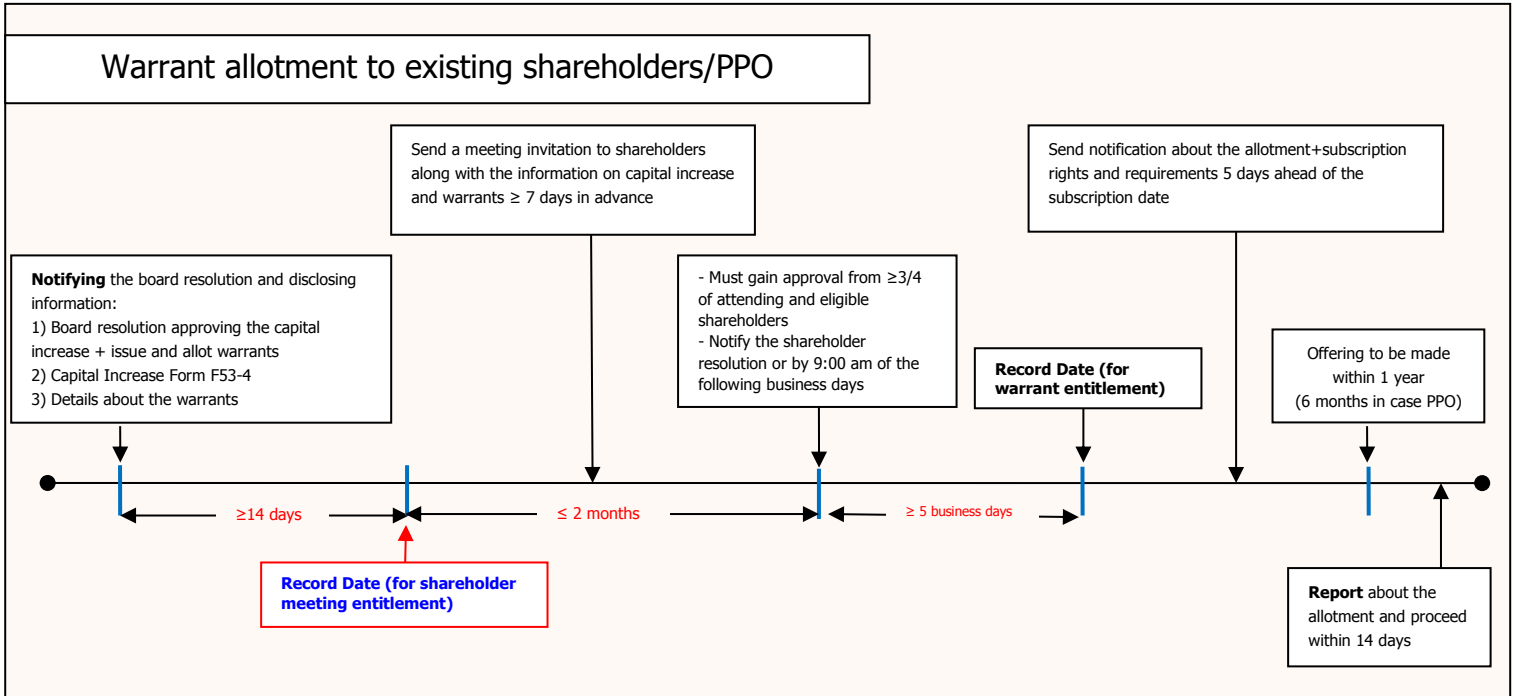
Comparison of SEC Rules by Type of Warrant Issuance and Allotment

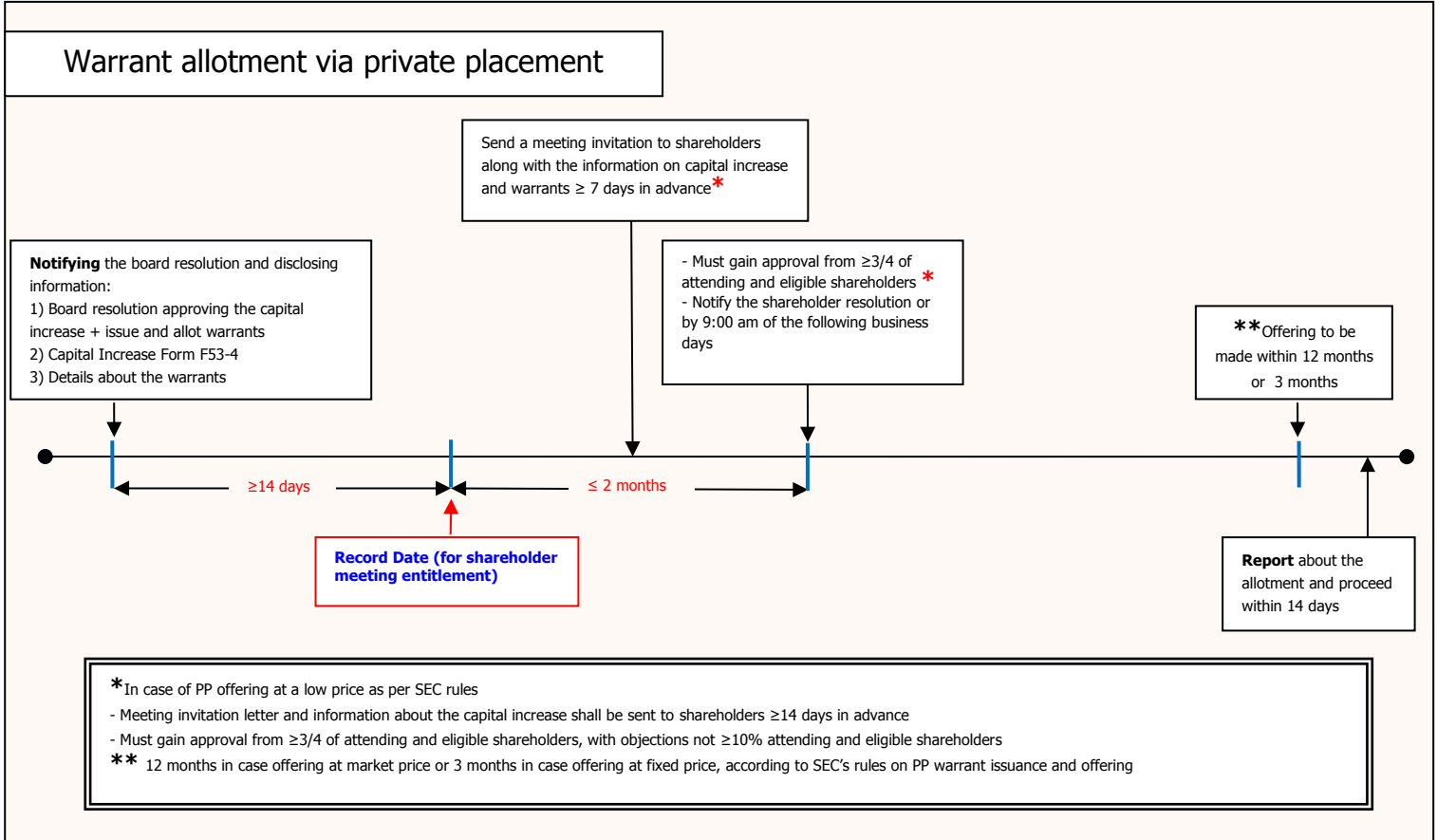
Features	Type of Allotment		
	Existing shareholders/PPO	General public	Private placement
Feature of Warrants			
• Finite term period of no more than 10 years from the issuing date	/	/	/
• Shares reserved are newly issued shares	/	/	/
• Exercise price and ratio have been determined	/	/	/
• Last application to exercise the warrants is no less than 15 days before the exercise	/	/	-
• In bearer’s name, no transferring limitation	/	/	With transferring limitation
Requirements for the listed company			
• Have a FA included in the process	-	/	
• Filing to seek SEC’s approval	-	/	*
• Reserved shares are limited to 50% of total offered shares	/	/	/
• Have protection measures in place, for the shareholders who are affected by warrant issuance	/	/	/
• Compensation to be paid for the damage caused upon the conversion default	/	/	/
• Terms of the rights: <ul style="list-style-type: none"> • Term period, price, ratio, and method of rights exercise • Reasons, conditions, and process of the rights adjustments • Compensation for the damages the warrant holder will receive upon the conversion default 	/	/	/
• Protection measure for the warrant holder in case of premature exercise. The case and conditions of premature exercise must be specified, and adjusted rights must be inferior than previously**			
• Specifying that the rights cannot be registered for any level of transfer, except for inheritance	-	-	/
• Seeking approval from the shareholders about warrant issuance	/	/	/
• Filing for warrant issuance within one year after the shareholders’ resolution	/	/	*
• Offering shall be done within 6 months after the SEC has notified about an approval	RO 1 year PPO 6 months	/	*
• Warrant and underlying share offering shall be made within one year after getting approval from shareholders	/	-	/
• Exercise must be made during the term, with no extension or adjustments on the exercise price and ratio, unless specified otherwise	/	/	/

*Depending on how the offering price is determined as per the rules on PP warrants issuance and offering.

**The company must specify the case and conditions about the rights adjustments that “The listed company will notify about warrant ratio and price before the previous ratio or conversion will take effect.”

Warrant Issuing Procedures





Q&A

Question	Answer
When will the company have to complete the warrant offering?	<ul style="list-style-type: none"> - In case of Warrant PO, the company shall make the offering within 6 months after the SEC has notified about the approval, or within the period relaxed by the SEC, but no later than 12 months - In case of Warrant RO , the offering must be made within one year after gaining approval from shareholders - In case of Warrant PPO, the offering must be made within 6 months after gaining approval from shareholders - In case of Warrant PP, the offering must be made within 12 months for offering at market price or within 3 months for offering at fixed price
When will the terms of rights of warrant holder have to be sent to eligible persons?	<p>When the company allocate warrants proportionately to the shareholding, the company has to send the terms of rights and notification to allot warrants to all shareholders. If the allocation has a price, the notification must be sent before the warrant subscription and payment dates (The company may send the notification no less than 5 business days before the warrant subscription and payment dates, in line with an allocation of capital increase shares.)</p>
In case the warrants have value, how long should the company set the payment period?	<p>The company may determine the subscription and payment dates no less than 5 business days before the warrant subscription and payment dates, in line with an allocation of capital increase shares.</p>
How to calculate the ratio of shares reserved for warrant conversion, which should not be over 50% of total shares sold.	<p>$((\text{No. of shares reserved for warrants} + \text{No. of shares allocated for convertible debentures or other warrants excl. ESOP}) / \text{Total shares sold} + \text{No. of shares to be sold along with warrants}) * 100$ Please note that the calculation should be made on the date the board reaches the resolution to issue warrants.</p>
What are the reasons and conditions about warrant rights adjustment	<ol style="list-style-type: none"> 1) Changes in the par value of company's shares, as a result of the share merge or split 2) Offering newly issued shares at a low price 3) Offering the convertible debentures or warrants at a low price 4) Paying out all dividend, or paying partial dividend with newly issued shares 5) Paying the dividends in cash at a ratio higher than the rights specification 6) Other cases similar to 1) to 5) which will yield inferior benefits in warrant conversion. <p>The company must clearly state the conditions to inform shareholders</p>

Related Regulations

SET's regulations

1. Regulations of the Stock Exchange of Thailand Re: Rules, Conditions and Procedures Governing the Disclosure of Information and Other Acts of a Listed Company B.E. 2560 (2017)
2. SET Circular
 - Bor. Jor (Wor) 17/2015: The stipulation on prohibiting the sales of shares in specified period (Silent Period) for shares or convertible securities offered through private placement
 - Bor. Jor (Wor) 58/2015: Requesting attention and compliance on disclosure guidelines in case listed companies increase capital or allocate capital increase shares to specific persons (private placement: PP)

Other organization's regulations

1. Notification of Capital Market Supervisory Board TorChor 34/2551: Application for and Approval of Offer for Sale of Newly Issued Share Warrants and Newly Issued Underlying Shares
2. Notification of Capital Market Supervisory Board TorChor 72/2558
3. Notification of Capital Market Supervisory Board TorChor 73/2551
4. Notification of the Office of the Securities and Exchange Commission SorChor. 39/2551: Calculation of Offer Price of Securities and Determination of Market Price for Consideration of Offer for Sale of Newly Issued Shares with Discount
5. Notification of the Securities and Exchange Commission korChor. 17/2551: Determination of Definitions in Notifications relating to Issuance and Offer for Sale of Securities
6. SEC Circular SEC. Chor Tor-1(w) 27/2564 : Offer for Sale of Warrants

Forms

- Capital Increase Report Form (F 53-4)
- Report on issuance and allotment of new shares under a general mandate (F 53-4-1)
- Report on the results of the sale of securities (F 53-5)
- Certificate of shareholders (Silent Period for Private Placement), Table for prohibited selling shares of shareholders