



CORPORATE ISSUES

INDUSTRY AND LEGAL UPDATE

KALIKOVA & ASSOCIATES

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Industry Update

June 29, 2012

The representative of Kyrgyzstan at the board of directors of "Centerra" has left his post

The representative of Kyrgyzstan at the board of directors of "Centerra", Niyazbek Aldashev, has resigned from the post of deputy director of social policy.

June 19, 2012

Part of shares in RSK Bank to be publicly traded on global stock exchanges

This was reported by the minister of economy and antimonopoly policy Temir Sariev at the meeting of the Parliament's Budget and Finance Committee. The minister noted that RSK Bank was on the list of strategic assets not subject to privatization. But part of the bank shares will go public through initial public offering and will be publicly traded on the stock exchange. «Now the work is underway to develop the program of the RSK bank's IPO process and trading on the global stock exchanges. By the end of 2013-beginning of 2014, this work will be done», Temir Sariev reported.

Legal Update

June 21, 2012

The Kyrgyz Parliament has put to a vote in the first reading the bill for establishing the Bank for Development

The minister of economy and antimonopoly policy Temir Sariev introduced to the Parliament the bill for establishing the State Bank for Development.

According to Sariev, commercial banks cover only 10% of the needs, with the credits being expensive and short-term. On this account, the government decided to establish the Bank for Development. After this law is adopted, the charter and regulations of the banks will be developed. The Prime Minister will be responsible for appointing the board of directors.

As T. Sariev reported, the start-up capital will amount to 2 billion KGS and will be mainly provided by the government which will acquire a 100% interest in the bank. The latter will be organized as an open joint-stock company and will be managed by the State Property Fund acting on behalf of the government.

The members of the Parliament had questions about the sources from which the authorized capital would be formed, services, obligations and formation of the board of directors of the bank and other issues. The Parliament put the bill to the vote in its first reading.

May 24, 2012

Director of the State Property Fund under the Government of the Kyrgyz Republic dismissed

By the ordinance of the Kyrgyz Prime Minister Omurbek Babanov, the director of the State Property Fund under the Kyrgyz Government, Marat Askerovich Amankulov, has been dismissed from office. The deputy director, Almazbek Abdymalikovich Primov, has been appointed acting director of the said agency.

May 24, 2012

Kyrgyz Mobile Company OJSC shares are of interest to Hyundai Motor and Aga Khan Foundation for Economic Development

The shares of stock issued by the public cellular operator, Kyrgyz Mobile Company, are of interest to the South Korean company Hyundai Motor, the Aga Khan Foundation for Economic Development and a delegation of Azerbaijani investors. The State Property Fund is to offer 75% stake in Kyrgyz Mobile Company and set its market value. The company has been organized in summer of 2011, but has not started to operate yet. The country's authorities planned to sell only 51% stake with 49% stake remaining in the public ownership, but now they are going to auction a controlling interest.

May 21, 2012

Public auction announced for sale of 49% stake in Alfa Telecom CJSC will not take place due to lack of bids

The deadline for submitting bids expired at 16:30 on May 18, 2012 with no offers. The starting value of 49% public take in Alfa Telecom CJSC was set at 4,900,000,000 (four billion nine hundred million) KGS.

May 8, 2012

Draft Government Resolution «On optimization of state enterprises in the Kyrgyz Republic».

For the purposes of improving efficiency of management of state enterprises, the State Property Fund under the Government of the Kyrgyz Republic has developed the draft Government Resolution «On optimization of state enterprises in the Kyrgyz Republic» and submitted it to the Ministry of Economy and Antimonopoly Policy of the Kyrgyz Republic for review and revision.

The draft Government Resolution proposes to create the Interdepartmental commission for optimization of state enterprises in the Kyrgyz Republic consisting of the members of Parliament, public officials of the agencies controlling state enterprises as well as representatives from NGOs, NCOs, public supervisory councils, and business communities.

The creation and functioning of the Interdepartmental Commission will help solve the following challenges: (a) to make inventory of state enterprises registered in the Kyrgyz Republic; (b) to conduct comprehensive analysis of activities of state enterprises.

As a result of making inventory and legal and economic analysis of the activities of state enterprises the respective recommendations will be developed and submitted to the Government of the Kyrgyz Republic.

March 27, 2012

Public securities to be placed and circulated through the Kyrgyz Stock Exchange

Under the Government Resolution of March 27, 2012, the public securities will be placed and circulated through the trading floor of Kyrgyz Stock Exchange CJSC. The respective ordinance was signed by the Prime Minister Omurbek Babanov.

Thus, Kyrgyz Stock Exchange will be used to

May 17, 2012

Kyrgyzstan announces winners of stock market competition

Kyrgyzstan announced the winners of the stock market competition in the following nominations:

1. «Best Listing Company» – Roskazmet LLC (in 2011, its stock market trading volume reached 268 shares for the total amount of 54.7 million KGS);
2. «Issuer of the Year» – SHORO CJSC (in 2011, the company sold KGS 12 million worth of bonds on a stock market);
3. «Company of the Year» – Manas International Airport OJSC (in 2011, its stock market trading volume reached 20 securities transactions for the total amount of 50.5 million KGS);
4. «Leader of Financial Sector» – Dos Credo Bank OJSC (in 2011, its stock market trading volume reached 17 securities transactions for the amount of 9 million KGS).

May 16, 2012

Lawyer applies to the court to get information about formation of the Board of Directors of Kyrgyztelecom

Lawyer and holder of shares in Kyrgyztelecom OJSC under a power of attorney, Nurbek Toktakunov, is going to apply to the court to get information about formation of the Board of Directors of the telecommunications company. He filed the lawsuit against the Ministry of Transport and Communications in the Bishkek Interdistrict Court on May 14.

«On April 26, 2012, I sent an inquiry to the Ministry of Transport and Communications. In particular, I was interested to get the following information: what were the criteria used to select candidates for the Board of Directors of Kyrgyztelecom and whether there was competition among them. If so, whether the

place 3-month state treasury bills and 24-month state treasury bonds, except for reverse repo transactions. By recommendation of the International Monetary Fund, it is not the Central Depository but the government represented by the National Bank of the Kyrgyz Republic which will be responsible for keeping the registry of holders and recording the transfer of rights in these types of public securities.

March 17, 2012

Open joint-stock companies required to publish annual financial statements in mass media

Therepective law «On amending the Civil Code» adopted by the Parliament on March 2 was signed by President Almazbek Atambaev. According to the law, all open joint-stock companies are required to publish, within two months from the annual meeting of shareholders, their financial reports for the previous year in mass media.

The financial statements must be published by June 1 of the year following the reporting period. The law applies to open joint-stock companies with the number of shareholders exceeding 500 or with at least one initial public offering of securities.

The law will become effective 15 days after its official publication.

February 28, 2012

The bill for establishing the State Bank for Development approved

At the Government's meeting, the bill for establishing the state bank for development was approved with the recommendations of the National Bank being taken into account. The purpose of the state bank will be to promote the Government's socio-economic policy by providing investment to major national projects on a long-term basis and at a low interest rate.

The state bank for development will differ from commercial banks in that it:

competition was transparent», Nurbek Toktakunov commented.

He clarified that since the government owns major part of shares in Kyrgyztelecom OJSC, any citizen can inquire into the management and affairs of the company. «The Ministry of Transport failed to respond within the required two-week period, therefore, I turned to the court to enforce the right of access to information», the lawyer said.

May 7, 2012

Deadline for placement of 33.4% stake in Kyrgyz Stock Exchange offered to the government expires in May

May of the current year was the deadline for placing the third issue of shares in Kyrgyz Stock Exchange CJSC whose major stake of 33.4% was offered to the government. At the moment, the stock exchange needs additional funds and the government's entry would become an impulse to the development of the stock exchange.

April 9, 2012

Zalkar Bank announces changes to Board of Directors

At its annual share holders meeting, Zalkar Bank OJSC announced the new members of the Board of Directors. Sayid Zulpuev, Director of the Debt Restructuring and Bank Reorganization Agency (DEBRA), was elected the Chairman of the Board. Members of the Board of Directors are: Kanysh Sharshkeeva, Aibek Osmonolaiev, Nurlan Eraliev, Erik Usabaliev.

Formerly, Kanysh Sharshkeeva was the chairman of the Board of Directors. Emil Orozbaev is the new member of the bank's management.

- will not be subject to banking supervision by the National Bank of the Kyrgyz Republic;

- will finance major national projects and will not compete with commercial banks;

- will not act as a deposit taking institution;

- will be owned by the Kyrgyz Government;

- will pursue only national interests and objectives of socio-economic policy.

The bank's sources of finance will be the credits guaranteed by the Government and the proceeds from sale of securities and assets of the Kyrgyz Republic, in particular, 33% interest in Centerra Gold Inc.

February 22, 2012

Nationalized Assets Management Fund to be abolished

There respective resolution was signed by the Prime Minister, Omurbek Bananov. The head of Cabinet signed the Resolution «On Issues of the State Property Fund» addressing the structure and activities of the fund. This document:

1) approves the regulations on the State Property Fund and Property Relations Department of this Fund, and the management structure of the Fund;

2) establishes the property relations department, the structure of which includes the Nationalized Assets Management Fund and the Property Relations Department of the abolished Ministry of State Property;

3) announces the State Property Fund as the legal successor to the Ministry of State Property with the function of developing the state property management policy being lost;

4) announces the Fund's property relations department as the legal successor to the property relations department and the Nationalized Assets Management Fund;

5) instructs the Ministry of Finance to finance the State Property Fund and all its structures in 2012.

December 26, 2012

March 16, 2012

Gasprom OJSC is ready to acquire 75% stake in Kyrgyzgaz OJSC by September 2012

Russian Gazprom OJSC is ready to acquire 75% stake in Kyrgyzgaz OJSC by September 2012. In the framework of the upcoming privatization, Gazprom is ready to invest 500 million dollars into the reconstruction of Kyrgyzgaz. This reconstruction program is estimated to continue for 5 years.

It should be reminded that Kyrgyzgaz OJSC has gained profit for the first time over the last 6 years. Over 12 months of 2011, its profit before tax has reached 23, 490, 184 KGS. To compare, in 2009 its losses have reached 468.6 million KGS, whereas in 2010 – 132 million KGS.

March 15, 2012

Kyrgyzaltyn OJSC received more than 30 million dollars of dividends from Centerra Gold Inc.

In the past year, the amount of Kyrgyzaltyn's dividends on 33% stake in Centerra Gold Inc. has reached 30 million 167 thousand dollars. As a reminder, last May Centerra Gold Inc. paid dividends to all shareholders of the company registered at the Toronto stock exchange. Kyrgyzaltyn OJSC is the holder of the biggest stake of about 33%.

March 2, 2012

Kumushbek Shamkanov is elected the president of Kyrgyz Stock Exchange CJSC

By the Decision of the Board of Directors of March 1, 2012, Kumushbek Shamkanov was elected the president of Kyrgyz Stock Exchange

Minority share holders to participate in the formation of the Boards of Directors of joint-stock companies

New amendments to the Joint Stock Company Law require mandatory cumulative voting for the election of the Boards of joint stock companies in the non-financial sector. This will help protect the rights of minority shareholders and improve investors' trust in the local companies.

According to the new law, the Board of Directors will be elected by cumulative voting which will help increase minority representation and improve transparency in companies and will encourage national and foreign investors to buy stocks of local companies.

In the process of cumulative voting, each voting share shall have as many votes as the number of directors in the board of directors. For example, if a shareholder has 100 shares, and the board of directors consists of 5 members, when electing the directors, the shareholder will have 500 votes: $100 \times 5 = 500$. A shareholder may thus cast his votes for one or more nominees. 20% vote will be enough to elect one member of the Board consisting of 5 members. This allows minority shareholders pool their votes together and cast for their nominee for the Board of Directors.

CJSC. Earlier, this position was occupied by Aibek Tolubaev who resigned after four years on the job. Kumushbek Shamkanov, since 2006, served as a state secretary of the Kyrgyz State Registration Service.

February 29, 2012

At the end of February, the Kyrgyz stock exchange witnessed 215 transactions for the amount of 43 million soms

As of February 24, 2012, the Kyrgyz stock exchange witnessed 215 transactions with the trading volume reaching 42, 984, 620. 34 KGS. This was reported at the press-conference of the State Service for Regulation and Supervision of Financial Market.

February 14, 2012

Ecobank OJSC ceased professional activity on the securities market

This was reported today, February 14, at the press-conference of the State Service for Regulation and Supervision of Financial Market. In this regard, the State Service annulled the dealer and trust management licenses issued to Ecobank OJSC on March 27, 2008.



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Kyrgyz Republic

The sources of news contained in the update are the following websites: www.gov.kg, www.fsa.kg, www.knews.kg, www.tazabek.kg, www.akipress.kg, www.24.kg, www.kse.kg

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