

FORM I

FORM OF APPLICATION FOR SEEKING LISTING OF AN SME ON THE EXCHANGE UNDER SECTION 9 OF THE SECURITIES AND EXCHANGE ORDINANCE, 1969

To:

The Secretary,
Pakistan Stock Exchange Limited,
Karachi.

Dear Sir,

1. We hereby apply for the listing of our (Name of the SME) _____ on your Stock Exchange.
2. Necessary information and documents as required under the Regulations and mentioned at Annexure-I to Form I are enclosed herewith.

Yours faithfully,

SIGNATURE & ADDRESS

c.c. to:

The Securities & Exchange Commission of Pakistan
ISLAMABAD - as required under Sub-Section (1) of Section 9 of the Securities & Exchange Ordinance, 1969.

Annexure-I

LIST OF DOCUMENTS REQUIRED TO BE SUBMITTED ALONGWITH APPLICATION FOR SEEKING LISTING OF AN SME ON THE EXCHANGE UNDER SECTION 9 OF THE SECURITIES AND EXCHANGE ORDINANCE, 1969

An SME along with application on Form-I for listing under section 9 of the Securities and Exchange Ordinance, 1969 shall furnish the following documents/information:

1. Memorandum and Articles of Association containing copy of the certificate of incorporation and copy of the certificate of commencement of business.
2. A brief history of the SME since incorporation giving names of the sponsors/promoters and all directors, details of its activities including any re-organization, changes in its capital structure and borrowings.
3. Names and addresses of the directors and persons holding ten per cent or more of any class of equity security as on the date of application together with the number of shares and other securities convertible into ordinary shares held by each of them.
4. A statement showing cash dividends and bonuses paid (if any) during the last 3 years or such shorter period as the company may have been in existence.
5. A statement containing particulars, dates of and parties to all material contracts, agreements (including agreements for technical advice and collaboration), concessions and similar other documents except those entered into in the normal course of the company's business or intended business together with a brief description of the terms of such agreements.
6. Particulars of the security listing of which is sought.
7. An undertaking on the format as prescribed in Form-II.
8. Auditors' Certificates on the SME's latest balance sheet, five years income statement containing EPS as well, paid up capital and the break-up value per share on the basis of latest audited accounts. The certificate must contain calculation of the Break-up value.
9. Copy of the resolution passed by the Board of Directors of the SME with respect to issue and listing of the shares.
10. Copy of the appraisal report prepared by the Market Advisor and Consultant to the Issue.
11. Consent of Market Maker appointed by the SME under this Chapter.
12. Undertaking by the Market Maker, on the format provided in Form-III, for compulsory Market Making in the share of the SME, in case the SME has appointed the Market Maker.
13. Copies each of Information Memorandum, audited annual accounts of the SME for the last 5 years or for a shorter period if five years of the commencement of business are not completed.
14. Copy of application submitted to the CDC for declaration of the share of the SME as an eligible security for its CDS.
15. Report of State Bank of Pakistan that name of the SME as well as names of other companies in which directors of the SME are holding directorship and name of promoters/sponsors/controlling directors, of the SME are not in the Defaulter's List of SBP either in their individual capacity or in the capacity of Directors of other companies. (This will not apply to nominee Directors of the Federal Government, Provincial Governments and Financial Institutions).
16. Pay Order/Bank Draft/Cheque in favour of the Exchange for payment of initial listing fee, annual listing fee and service charges as prescribed under the Regulations.

Annexure-II

**CRITERIA FOR ISSUE/OFFER OF SHARES OF SMALL AND MEDIUM ENTERPRISES (SMEs)
THROUGH BOOK BUILDING.**

Under Regulation 5A.2(c) of the Regulations Governing Listing and Trading of Equity Securities of Small and Medium Enterprises (SMEs), it is required that “the offer is made through fixed price method, the book building method or any other method acceptable to the Exchange”.

For the purpose of above Regulation, Privately Placed Book Building will be conducted amongst the Institutional Investors and HNWIIs subject to following conditions:

- i. The post issued paid up capital of the SME is not less than Rs. 100 million, and the offer size is not less than two million shares and 20% of the post issue paid up capital of SME.
- ii. Under Book Building mechanism, bids are collected from the QIBs and HNWIIs and a book is built which depicts demand for the shares at different price levels. Price at which shares are issued is based on Dutch Auction method.
- iii. Dutch Auction method means the method through which price is determined by arranging all the bid price in descending order along with the number of shares and the cumulative number of shares bid for at each bid price. The strike price is determined by lowering the bid price to the extent that the total number of shares offered under the Book Building portion is subscribed.
- iv. The Book Runner shall be appointed to perform the function of Book Building.
- v. The Issue is being made through the Book Building process at a floor price.

BOOK BUILDING PROCEDURE:

A bid by an Eligible Investor can be a “Limit Bid” or a “Step Bid”.

Limit Bid: Limit bid is at the Limit Price, which is the maximum price an investor is willing to pay for a specified number of shares.

Step Bid: A series of Limit Bids at increasing prices. The aggregate amount of Step Bid shall not be less than PKR 1,000,000/- and the amount of any individual step shall not be less than PKR 1,000,000/-.

- An eligible investor shall not make more than one bid severally or jointly.
- The Book Runner to the Issue shall be responsible to:
 - i. ensure that necessary infrastructure and electronic system is available to accept bids and to undertake the whole Book Building in a fair, efficient and transparent manner;
 - ii. use the software provided by the Designated Institution for the Book Building on such terms and conditions as may be agreed through an agreement in writing;
 - iii. ensure that the software used for Book Building is based on Dutch Auction Method for display of the order book and determination of the strike price;
 - iv. ensure that the bidders can access to the System and can revise their bids electronically using the user ID and the password;
 - v. maintain record of all the bids received;
 - vi. the Book Runner has established bid collection centers.

ELIGIBILITY TO PARTICIPATE IN BIDDING:

Eligible Investors who can place their bids in the Book Building shall be those whose Bid Amount is not less than PKR 1,000,000/- (Rupees One Million only).

INFORMATION FOR BIDDERS:

- The bids should be submitted on the prescribed bidding form in person or through fax numbers.
- Investors can place, revise or withdraw their bids by accessing the Designated Institution’s online portal for book building by using the user id and password communicated to them.

PROCEDURE FOR BIDDING:

- i) Bids can be placed at “Limit Price” or “Step Bid”. In case of Limit Bid the minimum size of the bid is not less than PKR 1,000,000/- (one million rupees) and in case of a Step Bid, the amount of any step shall not be less than PKR 1,000,000/- (one million rupees).

- ii) The persons at the Bid Collection Centers shall vet the bid applications and accept only such bid applications that are duly filled in and supported by pay order, demand draft or a bank receipt evidencing transfer of the bid money into the Issuer's designated bank account;
- iii) The bidding shall commence from 09:00 a.m. and close at 05:00 p.m. on all days of the Bidding Period. The bids shall be collected and entered into the system by the Book Runner till 05:00 p.m. on the last day of the bidding period; and
- iv) The Book Runner shall collect full amount of the bid money as margin money in respect of bids placed by the individual investors and institutional investors.
- v) Once the Strike Price is determined, all those bidders whose bids are found successful shall become entitled for allotment of shares.
- vi) The bidders who have made bids at prices above the Strike Price shall be allotted shares at the Strike Price and the differential shall be refunded.
- vii) The bidders who have made bids below the Strike Price shall not qualify for allotment of shares and their margin money shall be refunded within five working days of the close of the bidding period.
- viii) The successful bidders shall be issued shares only in the form of book-entry to be credited in their respective CDS accounts. All the bidders shall, therefore, provide their CDC account numbers in the bid application.

Schedule-I

CONTENTS OF INFORMATION MEMORANDUM

The Information Memorandum (IM) prepared with respect to issue of shares for listing under this Chapter shall contain at least the following information/disclosures:

- i. On cover page, the following shall be disclosed:
 - a) A disclaimer in bold letters stating that, "This is not a prospectus for issue of shares to the general public but a document prepared for the purpose of offering shares of an SME only to Qualified Institutional Buyers(QIBs) and High Net Worth Individual Investors (HNWIs). This IM has not been approved by the Securities & Exchange Commission of Pakistan (the Commission) or the Pakistan Stock Exchange Limited (the Exchange)";
 - b) A disclaimer in bold letters stating that, "This is an IM by ... [Name of the issuing SME which is an SME. SMEs being small capital based companies exposed to the risk of high volatility in its share market price at the Exchange after listing. The investors are strongly advised to evaluate their risk tolerance and sustainability capability prior to investing in the equity of this company. PSX or SECP shall not be held responsible for any direct or indirect losses incurred due to investment in the equity of this SME.]";
 - c) A statement in bold letters stating that, "The SME Board is designed primarily for emerging of small capital based companies. Companies listed at SME Board are comparatively exposed to higher investment risk as compared the companies listed at the main Board of the Exchange. The prospective investor should, therefore, be aware of the risk of investing in such companies and should make the decision to invest only after careful diligence of the issue and consideration. It is advisable to consult any independent investment advisor before making investment in the equity of this SME."
 - d) A statement in bold letters stating that, "The Board of Directors of ... (Name of the issuing SME) ... accepts responsibility for accuracy of the information contained in this document"; and
 - e) Name of the SME, name of the entity that has prepared the IM and date of the IM.
- ii. Table of contents, Executive summary by the entity that has prepared the IM, purpose of preparation of the IM and their scope of work;
- iii. Glossary of technical terms and acronyms should be provided after the table of contents;
- iv. The capital structure of the SME.
- v. Information about the SME like its name, date of its incorporation, registration number, addresses of its registered & head offices, names of its sponsors, major shareholders and associated companies/undertakings etc.;
- vi. Organization structure of the SME and its principle business;
- vii. Latest pattern of shareholding of the SME.
- viii. Names of the directors of the SME and their directorships in other companies;
- ix. Profile of the management of the SME including all the members of the Board of Directors excluding the nominee directors, the Chief Financial Officer and the Company Secretary;
- x. Future outlook/ business strategy of the SME.
- xi. Highlights of major restructuring, if any, like merger, demerger, amalgamation, acquisition, reorganization, financial restructuring etc.;
- xii. Five years financial highlights relating to cash flows and financial & operating position of the SME including key financial ratios like debt/equity ratio (pre & post issue), current ratio, return on equity, return on assets, earning per share, Break-up value per shares (pre & post issue) etc. in tabular form;
- xiii. Salient features of the Issue like issue size, face value of share, offer price etc.
- xiv. Justification for premium, if any;

- xv. Terms & conditions for investment in the SME's shares;
- xvi. Rights of the shareholders like right to vote, dividend etc.;
- xvii. Purpose of the issue & breakup of the utilization of the proceeds of the Issue;
- xviii. In case the proceeds of the Issue are to be utilized for project financing, detail of such project like project cost & means of financing (i.e. Financial Plan), project implementation schedule, latest status of the implementation of the project, expected date of completion of the project, expected date of trial & commercial production etc.;
- xix. Five years financial projections (i.e. Balance Sheet, Income Statement, cash flow statement and statement on changes in equity) including key financial ratios;
- xx. All the risk factors associated with the investment in the shares of the SME and their mitigants;
- xxi. Basic information about the industry the SME belongs to, key players in the industry, basic raw material used by the SME, if any, and list of supplier thereof, main clients of the SME, competitors of the SME, etc.;
- xxii. Summary of all the material contracts relating to the Issue and the project, if any;
- xxiii. Any other material fact, information and disclosure as required under any agreement, rules, regulations or the law for the time being enforced which may affect the investor's decision to invest;
- xxiv. Names of all the stock exchange(s) where the SME will be listed;
- xxv. Tentative subscription dates;
- xxvi. Tentative date of allotment of shares to the investors.

FORM II

FORM OF UNCONDITIONAL UNDERTAKING BY THE SME

Date: _____

The Board of Directors,
Pakistan Stock Exchange Limited,
Karachi.

UNDERTAKING

We undertake, unconditionally, to abide by the Regulation(s) of the Pakistan Stock Exchange Limited applicable to the company which presently are, or hereinafter may be in force.

We further undertake:

1. That our shares shall be quoted on the _____ at the discretion of the Exchange;
2. That the Exchange shall not be bound by our request to remove shares from the _____;
3. That the Exchange shall have the right, at any time to suspend or remove the said share for any reason which the Exchange consider sufficient in the interest of the market;
4. That such provisions in the Articles of Association of our company or in any declaration or agreement relating to any other security as are or otherwise not deemed by the Exchange to be in conformity with the Listing of Companies and Securities Regulations of the Exchange shall, upon being called upon by the Exchange, be amended to supersede the Articles of Association of our company or the nominee relating to the other securities to the extent indicated by the Exchange for purposes of amendment and we shall not raise any objection in relation to a direction by the Exchange for such amendment; and
5. That our company and/or the share may be delisted by the Exchange in the event of non-compliance and breach of this undertaking.

Yours sincerely,

SIGNATURE OF AUTHORIZED PERSON

Common Seal of the Company

FORM III

FORM OF UNCONDITIONAL UNDERTAKING BY THE MARKET MAKER

To:

The Head of Operations,
Pakistan Stock Exchange Limited,
Karachi.

UNDERTAKING

We (Name of Market Maker), have been appointed by ... (Name of SME) ... as the Market Maker for Market Making in its shares applied for listing at SME Board of the Exchange.

We the Market Maker hereby undertake as under:-

1. That we shall abide by all the applicable provisions of the Regulations Governing Listing and Trading of Equity Securities of Small and Medium Enterprises (SMEs) which presently are, or hereinafter may be in force.
2. That we will compulsorily make market in the scrip of the SME at least for a period of three years from the date of commencement of trading on the Exchange i.e. from the date of listing and shall not withdraw from such Market Making obligation until another Market Maker is appointed under the Regulations and the Exchange has given its consent for such withdrawal.
3. That we will quote bids and offer in the share of the SME within the spread which shall not be more than 10%.

Yours faithfully

(Signature of Authorized Person)

Common Seal of the company