
MSM LISTING GUIDE

To list on the MSM Main Board, a company will have to follow the procedures & guidance of MSM. Some of the key requirements are given below.

1 Pre-listing requirements (MSM operational manual chapter 7)

In order to qualify for listing a company must:

- (a) Be registered as a Public Limited Company (Plc.) under the Companies Act, 2011;
- (b) Be a going concern and not a shell company and/or development stage company;
- (c) Be duly organized, exist and in compliance with the laws of any jurisdiction in which the company is organized or does business;
- (d) Be Sponsored by at least one MSM approved and licensed Sponsor;
- (e) Have published financial statements in accordance with internationally accepted reporting standards for at least 1 year in the last 2 recent fiscal years;
- (f) Have reasonable profitability in the period stated in (e) above or have a strong potential to be profitable;
- (g) Not be subject to any bankruptcy or reorganization proceedings;
- (h) Have a minimum of 1,000,000 shares in issue and unconditionally issued;
- (i) It is the responsibility of an applicant company to ensure that its securities are freely transferable and be eligible for electronic settlement;
- (j) Have the public holding at least 20% of the number of shares in issue;
- (k) Have a minimum of 300 shareholders each holding at least 100 shares and at least 20% in public hands;
- (l) The minimum paid up capital of the company should be M1,000,000;
- (m) A company seeking the admission of debt securities to the MSM may be considered for such admission if the security concerned has a total of not less than M5 million face value;
- (n) In case of Government securities, there is no prescribed minimum in respect of either the amount of issue or number of holders to permit admission and listing on the MSM;

(o) Admission may be granted to:

- (i) A class of securities where less than 20% of that class is in public hands or where the number of shareholders is less than 300 provided that the applicant company undertakes to increase the shareholding in public hands to 20% and the number of shareholders to 300 or more within the first year of admission failing which the company's listing may not be renewed;
- (ii) An applicant company without a proven track record provided it submits to the MSM a sound business plan, certified by an independent financial adviser regulated by the Registrar and approved by the MSM, covering at least 3 years and clearly demonstrating viability of the applicant company. The applicant company shall also disclose risk factors involved.

2 Appointment of a listing team

2.1 Appointment of a Sponsor

- a)** Sponsors have to be appointed for the duration of issuer's listing on the MSM as they are liable to ensure fair and transparent disclosure and compliant with all requirements by the applicant company;
- b)** A Sponsor shall formally be appointed two months before listing application to allow the Sponsor to have sufficient time to meet its obligations and responsibilities and conduct due diligence on the applicant company;
- c)** If the applicant company or listed company fails to appoint or ceases to have a Sponsor, the MSM reserves the right to suspend and/or cancel trading of its securities;
- d)** A Sponsor appointed by the applicant or listed company shall be bound by these requirements and other applicable laws including but not limited to the Capital Markets Regulations, 2014, the Companies Act, 2011 and any other relevant legislation;

- e) A Sponsor appointed in accordance with these requirements shall enter into a written agreement with the applicant or listed company and provide copies of such agreement to the MSM;
- f) Apart from the Sponsor, the applicant or listed company shall communicate in writing to MSM, the name and capacity of all other persons nominated to act as their authorized representatives. The company will also provide the signature specimen of the authorized persons;
- g) MSM reserves the right to recognize any person nominated as authorized representative or to determine the fit and proper status of such to act as representative;
- h) If the agreement between the company and the Sponsor is terminated, it becomes the duty of the Sponsor and the applicant or listed company to immediately inform the MSM of such contractual termination;
- i) Subsequent to termination, if a new Sponsor is not appointed within 30 (thirty) working days, then trading in a listed security may be suspended at the discretion of MSM.

2.2 Qualifications of Sponsors

- a) Sponsors shall apply and be admitted as members of the MSM before agreeing to discharge Sponsoring responsibilities;
- b) A sponsor will only be qualified if he/she has made an undertaking to MSM that s/he agrees to discharge the responsibilities of advising at all times to the satisfaction of MSM;
- c) MSM reserves the right to reject the application for the registration of the Sponsor if:
 - (i) It believes the Sponsor lacks adequate skills in performing the functions and /or responsibilities set out in these rules,

(ii) Any of the Sponsor's Directors is a Director in a listed company which has violated and/or failed to comply with any provision of these listing requirements.

d) The MSM shall afford the Sponsor an opportunity to be heard before rejecting registration application.

The other members making the listing team apart from a sponsor are accountants, lawyers, auditors, marketing consultants, share registrar and various other experts who may be engaged to produce any necessary reports in connection with the prospectus. Legal experts, accountants and others such as marketing consultants may be employees of a company but audit reports must be compiled by independent auditors.

2.3 Legal Experts

The corporate lawyers will prepare the company for listing, including assisting the company to comply with the continuing obligations; advise the company on all legal matters relating to the application for listing; perform the legal due diligence and authenticate information contained in the prospectus; and be primarily responsible, with the company and other advisors, for drafting of the prospectus. The legal experts will also be involved in the negotiation and drafting of all other documents required in connection with the application for listing.

2.4 Independent Auditors

The independent auditors in collaboration with the management of the company, audit the financial statements to be included in the prospectus and assist in the preparation of other financial disclosures in the prospectus. The auditors must also produce a comfort letter endorsed by the board of directors confirming the accuracy of financial information in the prospectus that ties to the accounting records of the company.

3 PREPARATION OF A PROSPECTUS

For the purposes of this procedure, preparation of a prospectus will be governed by Companies Act 2011, Part XV. However, from time to time, MSM may review and impose extra requirements over those of the Companies Act.

4 DEALING WITH REGULATORS

The company will need to liaise with the Registrar of Capital Markets (i.e. the Central Bank of Lesotho), The Maseru Securities Market (MSM) and the Registrar of Companies during the initial stages of the preparation for listing to ensure it meets all regulatory requirements such as registration and dematerialisation of existing securities (shares, debentures, bonds etc.), approval of prospectus and admittance of shares to trading on a MSM. Frequent communication with these institutions will assist in solving problems whenever they arise.

a) Prospectus approval by the Registrar of Companies

To obtain approval of issuance of shares, the issuer must draw up a prospectus in line with the legal requirements as articulated in the Companies Act of 2011 and file an application with the Registrar of Companies.

b) MSM Requirements

During the prospectus approval process by the Registrar of Companies, the MSM reviews the prospectus and can request the company to supplement with additional information.

c) Listing Costs

The company will take account of all listing costs, which include among others, costs related to initial listing and annual listing fees.

d) Registration with Registrar of Capital Markets

Before company shares are admitted to trading on the MSM, the issuer must reach an agreement with the Registrar of Capital Markets (the CBL) to register such securities at the Central Securities Depository for onward listing on the MSM.

5 THE APPLICATION PROCESS

The listing application process shall meet the following requirements;

- a) An application which shall be made in writing to MSM must be filed by the Sponsor and signed by both the applicant company's secretary or executive director and the Sponsor;
- b) An application must be accompanied by an prospectus produced by an applicant company disclosing the information as specified by MSM from time to time;
- c) At its sole discretion, the MSM may permit the omission of information from a prospectus of an applicant company where it's appointed sponsor affirms that:
 - (i) information is of minor importance only and not likely to influence assessment of the applicant's assets and liabilities, financial position, profits and losses, and prospects; or
 - (ii) disclosure of that information would be seriously detrimental to the applicant and its omission would not be likely mislead investors with regard to facts and circumstances necessary to form an informed assessment of the applicant's securities.
- d) Application document must be received by the MSM at least twenty (20) working days before the expected date of admission in both electronic and hard copies accompanied by the nominated Sponsor's declaration;
- e) The MSM listing fee will be invoiced to the applicant company and should be paid in relation to the provisions of these requirements;

- f) An applicant company will be admitted to the MSM only when a dealing notice is issued to that effect and when the decision of the MSM has been communicated to the applicant company and announced to the public by way of a press release in at least one widely read weekly newspaper;
- g) At its sole discretion and for protection of investors, the MSM may reject the listing application of the applicant company if MSM believes the applicant company is not suitable or the company does not meet the eligibility criteria set out in these rules and requirements, provided that, a company shall be given an opportunity of hearing by the MSM before the application is rejected;
- h) An applicant company has the responsibility to ensure that all related parties and applicable employees as at the date of admission agree not to pass on or dispose of any interest in its securities for at least one year from the admission of its securities. This rule will not apply in the event of an intervening court order and the death of a party who has been subject to this rule;

All application documents or any documents sent to shareholders or potential shareholders must be in English.

6 DUE DILIGENCE AND INFORMATION AUTHENTICATION

While MSM and CBL may conduct due diligence to ensure that a prospectus contains all information material to investors and that there are no material misstatements or omissions, the company should primarily carry out this process before submitting its application for listing. Due diligence is a process that involves a complete reassessment and authentication of the information relating to the company.

It is intended to ensure the accuracy, truthfulness and completeness of a company's prospectus, and to ensure that such company has complied with

the relevant requirements of the prospectus requirements as articulated in Companies Act and other related regulations.

The due diligence exercise is carried out by investigation the information relating to business strategy and potential for future growth, its financial and accounting - the historical financial results and operational and financial operations, including adequacy of internal controls and legal due diligence which covers legal records, material contracts and litigation. All these are carried out by different experts engaged by the company.

7 CONTINUING LISTING OBLIGATIONS

7.1 Compliance with continuing listing requirements

This section sets out some of the continuing obligations which a listed company is required to comply with once any of its securities have been admitted to MSM. Additional continuing obligations are set out in chapter 10 of MSM operational manual.

7.1.1 Directors and Officers obligations

- (1) Directors and Officers of the company are responsible for compliance with listing requirements and are solely responsible for the content of information provided by the company to the MSM;
- (2) If for any reason whatsoever, MSM considers that a contravention of these listing requirements by a listed company is due to a failure by all or any of the company's directors or officers, it may:-
 - (a) censure the directors (and/or officers) concerned;
 - (b) publish the fact that the directors (and/or officers) have been censured;

- (c) state publicly that in its opinion the retention of the office by the director or an officer is prejudicial to the interests of investors.

7.1.2 General obligation of disclosure

An issuer must, without any delay and subject to approval by the MSM, publish announcement in print and electronic media giving details of:

- (1) circumstances or events that have or are likely to have a significant effect on the financial results, the financial position or cash flow of the issuer and/or information necessary to enable holders of the issuer's listed securities and the public to avoid the creation of a false market in its listed securities;
- (2) any new developments in its sphere of activity which are not public knowledge and which may by virtue of the effect of those developments on its assets and liabilities or financial position or on the general course of its business, lead to material movements in the underlying price of its listed securities.

7.1.3 Confidentiality

- (1) Information that is required to be published in terms of these listing requirements, and information which is not required to be announced in terms of the listing requirements but which is price sensitive and which the company wishes to release, may not, subject to requirement these rules, be released to any third party until such a time when such information has been released through and approved by the MSM.
- (2) An issuer may give information in strict confidence to its advisers and to persons with whom it is negotiating;

- (3) Information required by and provided in confidence to, and for the purposes of, a government department, the Central Bank of Lesotho, MSM, or any other statutory or regulatory body or authority need not be published;

7.1.4 Disclosure of corporate transactions

1) Significant transactions

An applicant company must immediately advise MSM of the terms of any significant transaction agreed, disclosing the information specified by Appendix One of MSM operational manual; and for this purpose, a significant transaction shall be determined and prescribed by MSM from time to time.

2) Significant changes of business

Any disposal by a listed company which is deemed to be a disposal resulting in a significant change of business and must be:

- a) conditional on the consent of its shareholders being given in a general meeting;
- b) immediately reported, disclosing the information specified by Appendix One of MSM operational Manual;
- c) accompanied by the publication of a circular with details of the disposal and any proposed change in business together with the information specified above and convening the general meeting.

7.1.5 Other Information Disclosures

- (1) A listed company must immediately release a statement advising of:

- (a) any **deals** by directors disclosing the information specified by Appendix Two of MSM operational manual, as soon as it has such information;

- (b) any relevant changes to any **significant shareholders**, disclosing the information specified by Appendix Two of operational manual, as soon as it has such information;
- (c) the resignation, dismissal or appointment of any director, giving the date of such incident and for an appointment, the information specified in the prospectus paragraph 14 and any shareholding in the company;
- (d) any change in its accounting reference date;
- (e) any change in its registered office address;
- (f) any change in its legal name;
- (g) any substantial change between its actual trading performance or financial condition and any profit forecast, estimate or projection included in the prospectus or otherwise made public on its behalf;
- (h) any decision to make any payment in respect of its listed securities specifying the net amount payable per security, the payment date and the record date;
- (i) the reason for the application for admission or cancellation of any listed securities;
- (j) the occurrence and number of shares taken into and out of treasury, as specified by Appendix Four of MSM operational manual;