



The Egyptian Exchange
البورصة المصرية

Listing Rules Small & Medium Enterprises Market



Contents

Introduction	2
SMEs Market Role & Advantages	4
How to List?	6
Does your Company Fulfill the SMEs Market Listing Requirements?	9
Main Documents Required for Listing at the SMEs Market	14
IPO Prospectus	17
Steps of Listing Process	18





Introduction

Small and Medium Enterprises (SMEs) play a vital role in the economic development and in creating job opportunities; however, these companies face difficulties in acquiring the necessary finance to fund their expansion plans through banks.

Accordingly, The Egyptian Exchange (EGX) cooperated with the specialized entities to establish the first SMEs market in the region. This market provides SMEs significant financing opportunities from one side and from the other side new investment prospects for investors to diversify their portfolios.

Worth noting that the SMEs Market is part of EGX where the trading is done through EGX trading system.

SMEs Market.... Source of Finance

The Egyptian SMEs Market is the first specialized market in the region that aims at SMEs development in the region, Middle East and North Africa through providing them with necessary financing to expand and grow.

This market is established after in-depth study to fulfill the needs of both investors and SMEs. Similar experiences have proven their success in assisting those companies to grow and expand by providing them with the necessary funding via investors who see potential in investing in SMEs.

Target Companies

This market targets promising SMEs from all market industries and does not have restrictions on any geographical locations including family businesses after obligating to the listing rules.





SMEs Market Role & Advantages

Listing on the SMEs Market provides SMEs with a significant funding opportunity, not needing to resort to direct borrowing from banks.

SMEs Market Promotes Sustainable Development

SMEs Market is a gateway for promising SMEs to offer their shares in the market to investors. This market is also effective in transforming family owned companies or companies that are controlled by a limited number of shareholders to listed shareholding companies that offer their shares to public offering or private placement, which allows these companies to get financing via capital increase. This guarantees SMEs sustainability and growth within an efficient market; hence, continuously initiates job opportunities, which

will be reflecting positively on the national economy.

Importance of SMEs Market

The SMEs market enhances the companies' capabilities to face the challenges arising from the altered economic conditions; consequently, it protects them from failure and collapse. In addition, the SMEs Market offers the companies the following:

Acquiring unlimited financing smoothly, without any complicated procedures as no guarantees to develop the businesses is required. However, the market proposes companies' sustainable growth.

A vast pool for Egyptian and foreign investors looking for promising companies to finance and invest in.



Investment Banks and Fund Managers target companies listed on the SMEs Market to invest in and develop these companies' management, marketing, technological systems etc.

Listed companies on SMEs Markets worldwide witnessed remarkable growth after acquiring the required financing to fund their growth.

Being listed on the stock market facilitates for the company the banking facilities.

Listed companies have a strong position in front of customers and suppliers as well as banks as they are confident that these companies oblige to strong financial and legal standards.

Listing on the SMEs Market facilitates the mergers of small companies to form highly competitive entities.

Providing free advertising for the company and its products.

Efficient trading infrastructure that facilitates faster transfer of ownership at fair pricing mechanism based on supply and demand.



How to List?

The listing process requires a series of procedures divided into the following stages:

First: The company planning to list must contract with one of the Nominated Advisors who will be responsible for assisting the company in all the listing stages. The Nominated Advisor will also be responsible for confirming the company's commitment to the listing and disclosure rules and regulations.

The company should remain contracted with a Nominated Advisors for a minimum period of two years from the listing date during which the nominated advisor is obligated to contract with one of the companies specialized in research coverage to issue it semiannually for the listed company.

Second: The company should list in the Financial Regulatory Authority (FRA), which has the registry for all Egyptian and foreign entities should list on to proceed in listing on the stock market. It includes basic data for each company such as the company name, address, purpose, activities, ownership structure, types of shares, major shareholders, Board of Directors and key managers as well as the shares types (preferred stocks, common stocks)

Third: Preparing the required listing documents to be submitted to the stock market's listing department, documents should be submitted within a month maximum since the FRA approval. This period may be extended upon FRA's approval.

Fourth: The company offers a percentage of its shares to be traded on the stock market based on the 'IPO disclosure report or Prospectus' FRA approved. The process then starts at the OPR department at the stock market.

Fifth "final phase": After the IPO success, the listing and trading requirements are fulfilled

and trading commences at the SMEs platform based on the date the OPR committee determines. Moreover, the committee decides the opening price, whether or not to levy the price limits on the first trading day to determine the of the borders closing price based on supply and demand.





Does your Company Fulfill the SMEs Market Listing Requirements?

Legal Structure:

Egyptian Shareholding Company

Shares Type

(Common Stock, Preferred stocks)

Listing at FRA

Listing at FRA is according to certain regulations ensuring that the company is eligible to go through an IPO without any obstacles.

Company's Performance Report

The company must have two-year financial statements issued prior to the listing request approved by the concerned authorities;

in case only one financial statement for a complete fiscal year is issued then it can attach a three-year future plan including the expected financial results approved by the Nominated Advisor and one of the financial consultants accredited from FRA. A "no objection" certificate from FRA on the financial consultant's study of the fair value of the share based on the principles and methodologies should be submitted.

Accounting and Auditing Standards

The financial statements should be prepared in accordance to The Egyptian accounting standards, audited by the company's financial



auditor and authorized via the company's General Assembly as well as the concerned authority.

Financial Auditor

He/she should be appointed through the company's General Assembly and should be listed at FRA's auditors registry.

Minimum Profit

A specific percentage of the net profit is not required for listing.

Shareholders' Equity

Shareholders' rights in the last annual or periodical financial statement issued prior to the listing request should not be less than the paid in capital.

Capital to be Listed

It should not exceed EGP 100 million and not less than EGP 1 million fully paid in upon listing, and it should not exceed EGP 200 million later on the annual or periodic financial statements.

Minimum Number of Shares to be Listed

Not less than 100 thousand shares.

Minimum Percentage of Shares to be Offered

It should not be less than 25% of the total listed shares or 0.25/1000 of the free floated market capitalization; yet, not less than 10% of the company's shares.



Minimum Free Floated Shares

It should be less than 10% of the total listed shares or 1/8 per thousand of the the free floated market capitalization; yet not less than 5% of the company's shares.

Minimum number of shares Major shareholders should hold

It should be not be less than 51% for a period of two fiscal years; not less than 24 months since the listing or IPO date at a minimum of 25% of the total required shares to be listed. In case half of the held shares is less than 25%, the company's Board of Directors and founders should fulfill the remaining percentage. In all cases, this 25% should be maintained for a following fiscal year, and same condition should be applied in case of any capital increase except if it is through stock dividend.

Minimum Number for Shareholders

It should be 100 shareholders after the IPO, taking into account that they shares are distributed in accordance to the regulations the stock market determines.

Rules and Regulations

The SMEs Market Rules and Regulations should be followed and to resort to the main market's Listing Rules and Regulations in special circumstances.

Listing Agreement

The company requesting to list should sign an agreement with the stock market once it is notified of the acceptance of the listing. This agreement organizes the rights and obligations of each party; it includes the penalties the company will be obligated to



pay to the stock market penalties in case of violating the listing rules and regulations or any of the agreement's pledges. The agreement, its amendments and additional annexes are part of listing obligations.

- Trading Agreement & Restrictions

- Central Depository of the Shares

The company articles should be free of any restrictions on trading the shares to be listed taking into consideration the legislation governing some of the activities and certain geographical areas.

The company's shares should be centrally deposited.

Contracting with a Nominated Advisor

The contract with the nominated advisor who are certified at the stock market should be

not be less than two years contract since the listing date.

Though, among the company's shareholders there is a Risk Management Fund, investment or financial institution whose contribution is not be less than 10% of the total issued company shares, a written pledge is required to guarantee not selling his share for two years since the listing date.

Website

The company is committed to create a website for publishing data and information requested by the stock market's management.



Commitment to Financial Expansions and Exit Plan

The company is committed within three years from its listing date to execute expansions and to raise its issued and paid in capital.

The company should be committed to the following:

- List all the issued shares of the same type.
- Submit the listing request and its attachments through the legal representative after pre-listing at FRA.
- Get the approval on the disclosure report for the IPO or the prospectus from FRA and publish the disclosure report.
- List on the stock market within a month from the FRA's listing approval.

What is the deadline for applying for the offering in the stock market? Is it possible to extend the deadline?

The company should list at the stock market within a month from the listing date at FRA; the deadline may be extended with the approval after FRA's approval.

Cumulative Voting

The cumulative voting method should be used in electing the board members board, which allows the proportional representation whenever possible.

Licensed Capital

The company's licensed capital should exceed 5 times the issued capital.

Prohibition of Occupying Two Posts

It is prohibited to delegate the Chairman post together with Managing Director or CEO post to one person.

Women Representation on BOD

The formation of the boards of directors of these companies includes at least two female members, or the percentage of women's representation shall not be less than (25%).

A Pledge from Each Major Shareholder and Board Member that They Don't Have Law Sentences

Each major shareholder and board member should submit a pledge that they don't have lawsuits or sentences against them from FRA.

الرمز	الفعل طلب	الفعل عرض	الفعل	عدد الصفحات	عدد الصفحات
566,880	0.0000	4.170	16.120	4.160	2,284
1,280,371	12.340	12.340	4.160	12.310	46,147
39,383	14.000	9.440	13.100	9.280	4
329,302	26,682,328	9.440	13.100	9.280	293
644,184	644,184	4.940	9.280	4.930	4
33,334,148	33,334,148	10.670	4.930	10.500	35
1,861,899	1,861,899	2.960	10.500	2.950	578
45,647	45,647	20.580	2.950	20.210	89
42,069	42,069	1.099	1.040	1.040	1,218
4,201,497	4,201,497	8.940	8.700	8.700	109
2,181,533	2,181,533	68.000	67.000	67.000	
614,098	614,098	27.990	27.200	27.200	
		18.000	17.780	17.780	

▲ RACC.CA 7.010 ▲ FWRY

Main Documents Required for Listing at the SMEs Market



Set of documents that prove the legal presence of the company:

- FRA's approval to issue the company's shares upon establishment and at every capital increase.
- The company's Articles of Association, published at the investment or company's newsletter.
- A recent official transcript for the company's business record.

Documents associated with the stock market's listing request:

- A listing registration request signed by the company's legal representative on the form prepared for that.
- A copy of the official power of attorney is submitted to the nominated advisor or to the authorized person for the listing procedures authorized by legal representative.
- FRA's Listing letter.
- The documents that prove that the company's shares are centrally deposited.
- The listing forms on the company's letterhead and stamped by the company's official stamp.
- Copies of the receipts of the services and listing fees.
- The listing agreement between the stock market and the company signed by the company's legal representative.



Documents associated with the presence or absence of the nominated advisor:

In case of the Nominated Advisor presence:

- A copy of the contract between the nominated advisor and the company printed on the form prepared for that.
- A pledge from both the nominated advisor and the company acknowledging their obligations towards the stock market and FRA.

In case, the absence of a nominated advisor:

- A pledge signed by the legal representative of the venture capital fund or the investment institution acknowledging that it won't sell its share that is a minimum 10% of the total company shares for a two years duration starting from the listing date.

- The documents related to the company's financial position
- Financial statements for two full fiscal years before the listing date as well as the periodical financial reports.
- The General Assembly Minutes approving the financial statements.
- In the case, the company published financial statements for one year:
- Financial statement for a fiscal year prior to the listing date.
- The General Assembly Minutes approving the financial statements approved by the authority in charge.



The Egyptian Exchange
البنك المصرى للتداول

- A recent certificate from FRA certified auditor illustrating the capital progress and the method of paying each issuance.
- Three years future business plan that includes the expected results approved by the nominated advisor.
- Fair value study prepared by an independent financial consultant and approved by the financial auditor and the board of directors.





IPO Prospectus

It includes the material and marginal legal and accounting data that are necessary for the investment decision.

It is considered as a contract between the potential buy and sell sides based on which the deal is offered and the buyer approves to buy the offered shares.

It is the report that illustrates the company's financial and legal position.

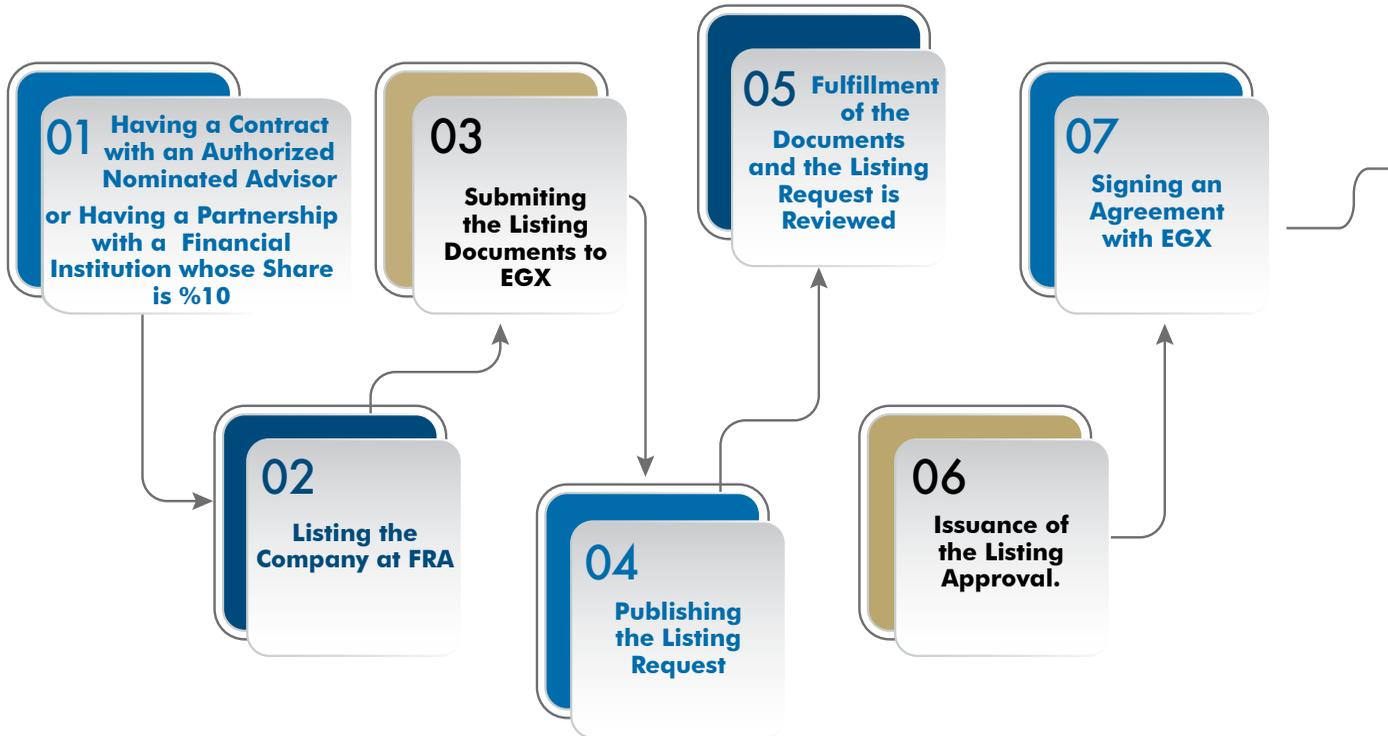
It does not include undocumented information.

It does not include fraud information; otherwise, penalties will be applied in accordance to penalties referred to by law articles (No. 95) for the year 1992.

Importance of IPO Prospectus



Steps of Listing Process





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