

NOTICE ON INITIAL PUBLIC OFFER (IPO) AND RIGHTS ISSUES

The following guidelines are provided to aid the process of issuing securities to the public.

INITIAL PUBLIC OFFER (IPO) AND RIGHTS ISSUES

A. PUBLIC OFFERS

In the light of increased issues of securities to the public and recent developments with the flotation of IPOs, it has become necessary for the Commission to provide a guide to the market to streamline the process.

In furtherance of the above, the attached guidelines have been developed by SEC. The guidelines are based on the provisions of the Securities and Exchange Regulations 2003, LI 1728 and do not replace the Law and Regulations.

The Commission in addition to the provisions set out in Regulation 51 and Schedule 5 Part II A of LI 1728, issues the following notices to guide market participants.

- Issuers are reminded that the proceeds of any public offer/ rights issue are to be used in strict accordance with the purpose(s) indicated in the offer document.
- The Commission will continue to undertake Post-IPO /Post-Rights Issue inspections to ascertain whether proceeds of the IPO / Rights Issue have been / are being utilised as indicated in the offer document.
- Issuers are required to disclose all fees to be paid out to persons or bodies in pursuance of the IPO / Rights Issue. The Commission shall require the refund of all amounts disbursed from the proceeds of the offer which were not disclosed e.g. 'success fees' and other such fees however described. The Lead Manager shall be required to refund all such monies which were illegally paid out to recipients. The Commission reserves the right to investigate all payments to be paid out to persons or bodies in pursuance of the IPO / Rights Issue.

The Commission wishes to remind Issuers that full disclosure of use of proceeds of IPO / Rights Issue is a requirement under the law as it enables investors to make informed decisions.

B. APPROVAL REQUIRED IN THE INSTANCE OF CHANGE OF USE OF THE IPO /RIGHTS ISSUE FUNDS AS CONTAINED IN PROSPECTUS

Issuers shall require the approval of the Issuer's registered shareholders granted at an Annual General Meeting or Extraordinary General Meeting before funds raised by the offer are used for any other purpose other than those disclosed in the offer document.

A resolution to this effect when taken shall be communicated to the Commission.

The involvement and / or decisions of shareholders in the above-mentioned action at the AGM or EGM is necessary as the law requires that the shareholders receive full disclosure of all information that will enable them to make an informed decision.

C. FLOTATION EXPENSES

The Securities and Exchange Commission acknowledges that some expenses must necessarily be incurred in any Initial Public Offer or Rights Issue. The Commission has however noted with disquiet that the flotation expenses incurred in some IPOs / Rights Issues amount to as much as 10% of the proceeds raised.

The Commission is concerned that such expenditure prejudices the purpose for which the money was ostensibly raised, i.e. the proposed expansion of the Issuer's business. As the underlying purpose of the flotation is the increased value of the shareholders' investment, the Issuer should endeavour to increase or maximize the net proceeds of the flotation for the expansion of the business. The Commission therefore directs that total flotation costs should not exceed 5% of the total amount to be raised.

D. REPORTING ACCOUNTANT

LI 1728 Regulation 51 and Schedule 5 requires that an Offer Document should contain a report by an accountant, i.e. normally referred to as the 'reporting accountant'. The law also requires that the reporting accountant should be an accountant qualified to be appointed auditors of the issuer or other qualified accountants acceptable to SEC. The offer document should contain disclosures, on the identity and addresses of the issuer's auditors and reporting accountants. Further to these statutory requirements, the Commission has determined that for the protection of investors and to ensure transparency and independence of functions, the reporting accountant in a public issue:

1. shall not be the same as the Issuer's external auditors;
2. shall not be the same as the Issuer's accountants who may be carrying out normal accounting functions or performing any other services for the Issuer.

E. INTRODUCTION OF PROCESSING FEE FOR REVIEW OF PROSPECTUSES

The SEC in its review of prospectuses submitted by proposed Issuers, has found it necessary to offer both technical advice and editorial services to Issuers in order that their offer documents meet international standards. The SEC has on numerous occasions had to perform this preliminary (and often extensive) screening before the offer documents are laid before the Approval & Licensing Committee.

This service which the SEC has hitherto been providing gratis takes a heavy toll on the SEC's human resources and detracts from its other statutory duties.

The Commission is of the view that it is proper Issuers pay for this crucial and invaluable service it provides as in other emerging markets. The Commission has therefore proposed the following scale of processing fees for the review of prospectuses with effect from 1st July 2006 (proposed starting date):

1. ø20,000,000.00. for first submission
2. ø10,000,000.00. for all re-submission due to material omissions or discrepancies identified by the Commission after initial review at the first submission.

**ISSUED BY SECURITIES AND EXCHANGE COMMISSION
2nd AUGUST 2006**