

WONG AND CHAN

SOLICITORS & NOTARIES

(with SHANGHAI REPRESENTATIVE OFFICE)

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AIM (Alternative Investment Market)

in LONDON STOCK EXCHANGE

I. Admission requirements:

The regulatory regime of AIM is very flexible when compared to the main market:-

- no minimum number of shares to be in the hand of the public after admission
- no minimum requirement of size of the company
- no requirement for a trading record (although in the absence of any record of making profits for two years with respect to the major business, the substantial shareholders may not transfer their equities in the year after admission.)
- no minimum market capitalization required
- admission documents not pre-vetted by Exchange nor by UK Listing Authority (UKLA) in most circumstances (only to be verified and approved by the Nomad and the Nomad shall issue a written declaration to the UKLA). The UKLA will only vet an Admission document when it is also a Prospectus, which shall be prepared when the company is also seeking a public offering.

The main admission criteria of AIM are as follows:-

- (1) A Nomad registered with London Stock Exchange(LSE) must be appointed before the application and retained at all times following the admission, or otherwise the listing status may be cancelled;

The Nomad will decide on whether the applicant is suitable for AIM through independent investigation and at the same time advise on the applicant's listing structure, admission procedure, etc. and liaise with other listing advisors of the applicant. When the Nomad issues a formal declaration of ensuring that the

applicant meets with all the requirements of being a listing company and its consent to be the applicant's Nomad, the applicant may then be listed in the LSE three days thereafter.

- (2) appoint a broker registered with LSE (Nomad often also fulfills this role)
- (3) prepare a set of admission documents including a statement declaring that the applicant has enough working capital for the present operation and that for twelve months following the admission.
- (4) Other criteria for Nomad to judge the applicant's suitability for AIM:-
 - (a) showing a substantial short-term profitability
 - (b) having a strong management team
 - (c) showing a demonstrable substantial market for its products
 - (d) the shares of the applicant must be freely transferable and eligible for electronic settlement (so it may be necessary to revise the articles of association of the Company) and this requirement entails that it must be a publicly listed company)
- (5) Overseas company incorporated outside UK may also be listed in AIM.

II. Methods of listing

(1) Initial public offering (IPO)

IPO is usually the most expensive way of listing, and so it is always adopted by large enterprises. However, this kind of listing may bring in private investors and so enhance the transferability of the company's shares. And it is also preferred by those enterprises seeking to raise larger amount of capital. The applicant seeking this way of listing shall prepare and submit a Prospectus to the UKLA for pre-vetting.

(2) Private placement

Private placement is to issue shares to a group of chosen institutional investors. This kind of listing may enable the company to raise capital at a relatively low cost. The enterprises seeking such way of listing may also enjoy more freedom of choosing suitable investors. However, its major weakness lies in the limited spectrum of its shareholders and this results in less transferability of its shares as compared to that in IPO.

(3) Reverse take-over (RTO)

RTO means choosing an AIM listed company (“Listco”) and let it take over the private company wishing to be admitted to AIM market, so the private company becomes the wholly-owned subsidiary to the Listco. The fund-raising will be conducted at the same time of RTO or afterward. The original shareholders of the private company will then have control over the Listco after RTO. This method of listing requires submission to LSE a set of new admission documents, but RTO may still simplify the admission process and lower the costs to some extent.

III. Admission timetable

The admission to AIM takes about 3-6 months to complete.

IV. Our legal services

As the organizer and coordinator of the whole listing scheme, our firm may render the following services or any of them:

- (1) Conduct the pre-IPO due diligence with the associated accounting firm and help to determine the feasibility of listing based on the result thereof, as well as advise on the potentialities and/or problems in respect thereof.
- (2) Assist our client to appoint law firm(s) to issue legal due diligence report in respect of overseas listing
- (3) Assist our client to appoint accounting firm to issue financial due diligence report in respect of overseas listing
- (4) Assist our client to appoint Nomad, Broker and other professionals and represent our client to negotiate for and sign the service agreements in respect thereof.
- (5) Assist to determine the listing corporate structure or restructure and prepare the listing scheme together and in consultation with the Nomad.
- (6) Assist PRC and overseas lawyers (including UK lawyers) to conduct corporate restructuring (mergers & acquisitions, exchange of shares, etc.), amendment of Articles of Association, amendment of service agreements between the company and its directors, and etc.
- (7) Review and advise on all the legal documents issued by various professional advisors.
- (8) Assist our client and other listing advisors to prepare the admission

documents.

- (9) Assist our client to appoint public relations company and/or arrange road show.
- (10) Assist to introduce strategic investors and arrange for the first round of private placement, if chosen.
- (11) Coordinate the work of other professional advisors at home and abroad.
- (12) Assist to offer training about corporate governance, director's responsibilities and other regulations required by AIM to our client for admission according to the requirement of LSE.