

# LONDON STOCK EXCHANGE EXPECTS MORE AIM LISTINGS FROM SOUTHEAST ASIA

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**Christine Lim**

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The London Stock Exchange (LSE) expects more companies from Southeast Asia to raise funds via listings on the AIM, its junior stock market for small and growing companies.

LSE head of Asia-Pacific Jane Zhu said currently three companies -- two from Malaysia and one from Singapore -- have submitted for listings on AIM and they were in the process of conferring with the exchange's approved list of nominated advisers in London. "The expected listing dates for these companies are around the fourth quarter of 2005," she said in an interview.

The AIM or Alternative Investment Market provides the benefits of being traded on the public market of the LSE and allows development within a regulatory environment which is designed for smaller companies.

The AIM comprises 33 sectors and 88 sub-sectors with a market capitalisation of 35.8 billion pounds.

"India, China and Russia will stay as the LSE's leading markets for equity listing. However, emerging markets from the Southeast Asian region has a lot of potential," Zhu said. "There is a growing awareness among Asian companies on the importance of expanding their international profiles and corporate governance standards to tap into larger funds overseas among global institutional investors," she added.

Zhu said LSE senior manager Dennis Ow would be visiting Malaysia and Singapore more frequently based on the strong interest shown and enquiries received. She said to gain prominence on the LSE, it is advisable for a company to have good investor relations or publicity roadshows in the United Kingdom and the United States to promote itself among potential investors.

According to her, the companies that have performed remarkably well on the LSE in terms of share price performance and turnover are most often those which have conducted extensive investor and media relations as well as seminars in their bids to woo more investors.

Since 2004, there have been six listings on the AIM from Southeast Asia comprising AEC (Singapore), Sino Asia Mining & Copper Resources (Philippines) and Anglo-Eastern Plantations (a plantation group in Indonesia and Malaysia) with Infoscreen Networks (Malaysia), **Peninsular Gold** (Malaysia) and Forum Energy (Philippines) among the latest.

Zhu said four Malaysian companies were currently listed on the main market of the LSE and more listings are expected, mainly on the AIM.

The four Malaysian companies listed on the LSE main market are Highlands & Lowlands Bhd, Inch Kenneth Kajang Rubber, Riverview Rubber Estates Bhd and Tanjong. "A listing on AIM with its very flexible regulatory listing requirements is an attractive incentive for small high growth companies wanting to raise their international profiles and at the same time raise funds for their company," Zhu said. She also said that the recent bombing incidents in London were not expected to affect the LSE as the exchange was mainly driven by institutional investors looking for long-term business fundamentals rather than short-term speculative gains. She added that top institutional investors that have substantial portfolio of funds in the LSE comprised leading international banking and fund management giants such as Threadneedle Investments, UBS AG, Deutsche Bank AG, Barclays, Fidelity International Ltd, Credit Suisse First Boston and Legal & General Plc.

"The onerous Sarbanes-Oxley requirement in the US has also made listing in the LSE a strategic choice for most investors due to its greater flexibility and lower compliance cost," Zhu said. The Sarbanes-Oxley Act of 2002 (often shortened to SOX) was introduced by the US authorities in response to the Enron and WorldCom financial scandals to protect shareholders and the general public from accounting errors and fraudulent business practices. Zhu said the exchange also helped to foster good corporate governance standards among AIM companies.

"A nominated adviser (NOMAD) will be able to offer advice on the corporate governance standards expected for a company of its type," she said. Unlike most markets of the world, the listing requirement for the AIM does not have suitability criteria such as minimum shares in public hands, trading record and minimum market capitalisation.

However, all prospective companies will need to appoint a NOMAD from the exchange's approved list of advisers who will ensure that they are appropriate for the AIM.

The top nominated advisers by money raised, according to the LSE website, are Numis Securites. Seymour Pierce, Collins Stewart, Evolution Securites, KBC Peel Hunt, Bridgewell Securities, Morgan Stanley, Altium Capital, Insinger de Beaufort and Canaccord Capital Europe. Chairman of International Business Development Consultants Limited (IBDC), Malcolm Coleman, said UK institutional investors have an increasing appetite for investments in Southeast Asia.

"Malaysia with its well-established legal and corporate regulations is a prime target," he said. IBDC, a London-based group with offices in Kuala Lumpur and Hong Kong, provides support resource for businesses seeking to develop internationally.

It has formed close links with Strategic Global Investments Plc (SGI), an AIM listed company which has been specifically established to provide development capital for emerging market companies seeking to list on the AIM.

Coleman said with the recent de-pegging of the ringgit, UK investors would look forward to higher investment returns from Malaysia as the country positioned its monetary policy and economic progress with greater flexibility in global economic trade. "Investment in Asian companies is increasingly in demand although in practice the procedure is to have a UK holding company," he said. "Malaysian companies will find that being listed on the AIM in London is a credible move towards gaining access to the world's largest capital funds," he added.

Coleman also pointed out that there are a large number of institutional investors in London, which are predominantly venture capital trusts. "The venture capital funds are funded by members of the public who are out to obtain valuable tax benefits from such investments," he said. "There is no preferred type of investment and although at present the largest sector by way of market capitalisation is in the oil and gas industry, practically all types of business activity are represented," he added.

IBDC Malaysia managing director, Ler Leong Keh, said Malaysian companies which are growing and successfully run should not have problems raising funds domestically and internationally. "It is a question of identifying the right companies to match with the right investors," he said. Ler emphasised that a Malaysian company seeking to list on the AIM should have, among other things, a business plan setting out its short-term and long-term objectives. "AIM is relatively new to many people in Malaysia. IBDC Malaysia has started focusing on AIM listings for potential clients slightly less than a year ago and is currently nurturing ccompanies at various stages of preparations," he said.

According to Ler, IBDC Malaysia is targeting for two companies to be listed on the AIM by the end of this year. He said its strategic partner, HLB Ler Lum, a Malaysia-based chartered accounting firm with worldwide affiliations, has acted as reporting accountants for AIM-listed Infoscreen Networks Plc, a subsidiary of YTL e-Solutions Bhd. Ler said the number of listing

and interest in the AIM was expected to accelerate next year as the Malaysian economy moved to greater heights with the de-pegging of its currency regime.

There were 1,197 AIM admitted companies on the LSE as at May 2005, representing a growth of 35.4 percent over the past 12 months. Equity turnover for the AIM stood at 18.1 billion pounds in the January to December 2004 period, a growth of 173 percent over 2003. The AIM, regulated by the LSE, provides a more flexible regulatory environment while the main market in compliance with the rules of the UK Listing Authority normally requires a three-year trading record.

According to Ow, the listing and annual fee on the AIM market is 4,180 pounds while the average advisory cost charged by NOMAD in London amounts to as high as 250,000 pounds, depending on the complexity of the company's listing. In addition, there is a fund-raising commission of three to four percent which is deducted from funds raised from the AIM listing. Ow also said that from July 1 this year, the European Union prospectus directive became law in the UK.

"Under the new EU prospectus directive, any company seeking a listing on AIM will be required to publish a prospectus if the aggregate value of the securities being offered in any 12-month period is greater than 2.5 million euro or 100 people," he said. -- BERNAMA  
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