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Aim's strengths may obviate need for doom and gloom

Urging my acceptance, a recent invitation to lunch said the event "wouldn't be the same without your finely tuned cynicism and inexhaustible doom and gloom".

Such flattery is irresistible, but it did make me wonder whether my view of the diminishing small-cap sector has been too bleak. There are others of a more optimistic bent.

One such is Richard Thornhill, capital markets director at Deloitte, who expects Aim to hit a low of 1,200 companies before the end of this year and then return to growth. If he is right, recovery is close – given that at the end of July there were a total of 1,222 companies quoted on Aim, down a net 13 on the previous month.

Mr Thornhill argues that the past six months have displayed positive characteristics compared with those seen this time a year ago, with a definite uptick in the numbers of companies listing. There has been a steady increase in the levels of activity, with 18 new listings in the second quarter compared with only eight in the same period last year.

"Trends in recent activity suggest that only once the total number of companies reaches the 1,200 mark, a drop of almost 30 per cent from its peak of 1,694 in December 2007, will the number of companies listing and level of activity rebound and begin to increase," he says.

In any case the continuing exit of companies from Aim should not always be seen as a problem. West China Cement, for example, this week left Aim for the Hong Kong stock exchange.

Just because it has not moved to the full list in London does not mean its use of Aim has been a failure.

As the directors said in March on announcing the move: "Aim has provided the company with an excellent stock

market platform for the past three years of its growth. Perhaps its success is behind the rare attempt of another Chinese company to join the junior market.

Miloc, advised by ZAI Corporate Finance, is trying to raise £3m to buy and modernise to western standards a string of acupuncture and herbal medicine clinics in China.

Hutchison China Meditech, which is trying to develop a global market for traditional Chinese medicine, should provide another example. After a shaky start, its shares have risen from less than 50p to more than 400p on Aim this year.

But raising funds for Chinese companies is far more difficult than it was a few years ago. Miloc was scheduled to start trading on Tuesday, but has postponed its admission date until September 8.