

Chinese companies opting for ASX

Small Chinese companies continue to find the Australian share market a good place to pursue a public listing.

16th December 2017 - AAP

The number of Chinese companies listing on the Australian share market continues to grow, but they need to work hard to get investor attention.

Six Chinese companies had listed on the Australian share market during 2017 by the end of November, bringing the total to 55.

Twenty-three have listed since the start of 2015.

The Chinese companies listed so far in 2017 are Winha Trade and Commerce International, Tianmei Beverage Group, Jiajiafu Modern Agriculture, Retech Technology, Eagle Health and AuMake.

At the start of December they were joined by Bojun Agriculture, a specialist in making cider from mandarins and achieved a healthy five per cent gain on its 30 cent issue price on debut.

More companies will follow before the end of the 2017, including traditional Chinese medicine supplier Rong Yu Pharmaceuticals, and recycler Zaige Waste Management. Corporate advisory firm Beer & Co, which has helped numerous Chinese companies with an Australian listing, including Eagle Health, Rong Yu and Zaige, says the number of Chinese companies on the ASX is growing along the same scale as Chinese tourism.

Beer & Co director and chartered accountant Michael Beer says Chinese companies may have sought an ASX listing in the past for the prestige attached to it but smarter companies realise that if their shares here are doing well, they can acquire assets using shares rather than cash and debt.

Mr Beer says there can be suspicion among Australian investors about Chinese companies.

"It comes back to the issue of whether we have a future with America or China - there's that macro issue in terms of the long-term security future of our country," Mr Beer told AAP.

"There's lots of 'sharp' Chinese business people, but there are lots of sharp Australians, New Zealanders and Americans as well."

Also, some investors appear to treat Chinese companies as they do exploration companies in Australia - make a quick buck and then get out - he said.

"There needs to be more patience, more wisdom, more professionalism, and interest in the underlying stories of these Chinese companies - and that is an education process," Mr Beer said.

He said some quality Chinese companies are listed on the Australian share market with solid profit and balance sheets.

Mr Beer said the standard was improving but a listed investment company with a mandate to buy inexpensive Chinese companies listed in Australia would help generate investor interest.

"That will give these companies a bit of breathing space so that they are not hammered down the minute they get one cent under their issue price," Mr Beer said. Of the six Chinese companies that have listed so far in 2017, all except Jiajiafu closed higher than the price of new shares, on the first day of trading.

Only AuMake is currently trading above its issue price and Winha is currently suspended from quotation.

Mr Beer said Chinese companies listing in Australia need to do more than the average Australian company when it comes to making announcements, governance and ensuring liquidity, so that their shares trend up and not down once they start trading.

The Chinese companies that listed in 2017 are mostly focused on food and beverages. Winha sells specialty food and beverages from different Chinese regions through owned and franchised retail outlets in China.

Tianmei sells its own brand of drinking water in China; Jiajiafu grows and sells fruit, vegetables and dandelion tea; and Retech designs and builds electronic-learning platforms.

Eagle Health makes and distributes health food products and dietary supplements; and AuMake operates retail stores in Australia aimed specifically at Chinese tourists and "daigou" (buyers who buy goods for residents of China).

The ASX says all the companies on its Chinese list are meeting ASX requirements and are monitored with the same scrutiny as any other company.

<https://www.sbs.com.au/news/chinese-companies-opting-for-asx>