

Zaige Waste Management Holding Group (ASX:ZGZ) to list on ASX

by **Jessica Amir** December 19, 2017



Zaige Waste Management Holding Group Non- Executive Chairman, Andrew Thomson, discusses the company's upcoming IPO, key markets and growth plans.

Jessica Amir: Hi, I'm Jessica Amir for the Finance News Network. Joining me now over the phone from his soon-to-list Zaige Waste Management Holding Group is Non-Executive Chairman, Andrew Thomson. Hi Andrew, and welcome.

Andrew Thomson: Well, I'm very pleased to talk to you.

Jessica Amir: First up, Andrew, can you start with an introduction to the company?

Andrew Thomson: Yes, it's an interesting enterprise. Zaige is based in Hebei Province, which is largely to the south of Beijing. It's a recycling business. 68 per

cent of its turnover is recycling of steel. The steel is sourced from various providers of scrapped cars, basic scrap metal, the dismantling of factories. The remainder of the business is recycling of plastics, mostly PET bottles, but some others. It's been established by a very enterprising individual who's well-supported by the China Recycling Association.

Jessica Amir: Thanks, Andrew. Now to the business in more detail. Can you tell us about your operations, starting with scrap materials?

Andrew Thomson: China has a steel industry based largely in the north of the country, where the coal resources are. That's Shanxi Province, which is slightly to the west of Beijing. Its imports of iron ore come from largely the coastal ports along Shandong, the coast there. Hebei Province sits basically between these two areas, so for Zaige to be able to provide scrap steel pelletized as a product to the various steel mills, it's in a very strategic location for that. As the Chinese economy moves more from infrastructure towards more consumer-orientated economy, there's a large amount of scrap steel available. So it's an opportunity that the founder of the company, Mr Liu Kang, took up some years back, and with the support of the China Recycling Association he's established a business that turns over AUD\$200 million a year now. So it's quite a substantial enterprise, and steel, as I say, is its main product of the moment. After the IPO, we, the board and the management, want to expand that recycling business into pyrolysis of tyres, in addition to the plastics and the steel.

Jessica Amir: Now to your IPO, how much are you planning to raise?

Andrew Thomson: Well, \$14 million is the minimum raise. We've permission to go to AUD\$20 million. At the moment, subscriptions are steady, and we're going to close the issue on Thursday the 21st of December. So we're confident of raising the \$14 million, plus some extra we hope. Opportunities for IPOs for these kind of Chinese companies are relatively limited in China, so looking overseas to exchanges such as the ASX, which upon conditions permit Chinese companies to list, is in an odd way from our perspective in Australia, it's the sensible way to go for these Chinese companies. The Australian connection for Zaige is a joint venture, we've got it on foot with a company called Waste Audit, which is a waste management consultancy, and the plan is to deploy in China, Australian waste management technology and know-how.

The Waste Audit consultancy, Peter Hosking and his colleagues, they are at the forefront of that in Australia. The Chinese municipal waste system at present is remarkably backwards, so Zaige is going to take that Australian know-how, deploy it in China, and use that opportunity to both earn income from waste collection activities, but also, we hope, expand its sourcing of waste products for the recycling business. So that's why it makes sense for them to list on the ASX.

Jessica Amir: And where will the funds go?

Andrew Thomson: 60 per cent of the funds will be allocated to establishing the

waste tyre recycling business. 20 per cent will be for upgrading the current scrap steel and the waste plastics processing machinery. We'll put aside around 5 per cent to establish that waste management services business in China, and we should have around, we think, about 7 per cent for the waste management joint venture with Waste Audit here in Australia. That latter will also include bringing students from China to study waste management technology here in Australia, in Victoria in particular. So that's our intended plan for deployment of the IPO proceeds.

Jessica Amir: Just tell us now, where can investors find out more?

Andrew Thomson: Well, the lead manager is Beer & Co. The prospectus is available online at <http://zaige.xin/en/>. Beer & Co that's the English-language prospectus, the lead manager.

Jessica Amir: Last question now, Andrew, before we wrap up. What's the long-term plan for the company?

Andrew Thomson: The long-term ambition is to be a well-regarded ASX-listed company that has good yield, good dividend yield, and good growth prospects. Not really ready to count the chickens in terms of what the company might do in terms of further joint ventures or even acquisitions in Australia, but its core competence is there in China, and if we can find more technology know-how, methods, or even equipment in Australia or elsewhere that can be deployed profitably in China, then that's what we'll do.

Jessica Amir: Andrew Thomson, thank you so much for the introduction, and good luck with the IPO.

Andrew Thomson: My pleasure.

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