



# Chinese firms storm bourse

## Simon Evans

A Chinese pharmaceutical company whose products are based on the principles of traditional Chinese medicine is the latest among a flood of companies aiming to list on the ASX to fuel growth aspirations in their home country.

Rong Yu Pharmaceuticals is seeking to raise up to \$20 million in an initial public offering at a price of 20¢ a share as it looks to expand its distribution networks in China, buy 10,000 acres of farmland to grow raw materials, and slowly begin introducing the Rong Yu brand into the Australian market.

The Rong Yu plans come as Zaige Waste Management, which runs a scrap steel and plastic waste recycling business in China, is also preparing to list on the ASX by raising up to \$20 million. It also follows the sharemarket debut on December 1 of food snacks and beverage group Bojun Agriculture Holdings, which raised \$8 million in a float priced at 30¢ a share. Bojun's specialty is fermented beverages and snacks made from mandarins. Bojun shares closed at 31.5¢ on their first day of trading. More than 50 Chinese companies currently trade on the ASX.

Rong Yu chairman Rod Hannington said 80 per cent of the pharmaceutical company's business was in three main products areas, including lowering

cholesterol levels and relieving menstrual pain.

It aims to list on the ASX on December 22 and at the issue price of 20¢ would have a market capitalisation of \$80 million. The prospectus outlines that Rong Yu made a net profit after tax of \$19.3 million in 2016-17, up from \$18.1 million in 2015-16. Revenue was \$71.5 million in 2016-17, compared with \$62.3 million a year earlier. The lead manager is Beer & Co.

Mr Hannington said it was a high-margin business and the main aim was to expand its distribution in China. "It's getting more geographic reach. It's having more reps on the road," he said. Rong Yu, founded in 2004, distributes its products across 28 provinces in China.

He said Australian investors were keenly aware of the growth prospects for companies able to tap into the right channels in China in the consumer goods and health and well-being. "Australians get the category. They get the China growth," he said.

Infant formula companies such as Bellamy's Australia, Bubs Australia

and Wattle Health have all experienced big share price hikes on demand from China, while vitamins groups Blackmores and Swisse have enjoyed enormous growth since 2014, although there have been hiccups and volatility largely

stemming from regulatory shifts by Chinese authorities.

But those companies have used the strength of their Australian businesses and popularity with Australian consumers as a strong selling point in China. Blackmores uses Chinese celebrities such as retired tennis star Li Na to help promote its products in China.

The Australian Securities Exchange in early September asked around 50 Chinese companies listed on the stockmarket whether they were experiencing problems transferring capital into or out of China. The ASX query was prompted by one Chinese company being suspended from trading because it could not meet its August 31 deadline to lodge its half-year results.

### Key points

**Australian investors are keenly aware of the growth prospects.**

**Rong Yu's main aim was to expand its distribution in China.**