

Meet Andrew Stoner: from NSW deputy premier to public company chair, Moelis adviser, China-specialist and consultant to Sam Dastyari's benefactor

Stephen Mayne December 11, 2017 *Chairman Interviews*



- **Former NSW Deputy Premier missing politics “like a hole in the head”**
- **Slams Sam Dastyari but defends also accepting funding from Mr Xiangmo Huang**
- **Says one of his National Party successors John Barilaro would now regret Turnbull attack**
- **Welcomes \$10b investment from 2000 Significant Investor Visa (SIV) recipients**
- **Confirms wealthy Chinese nationals seeking residency backed Moelis Redcape hotels float**
- **Explains how Chinese floats on the ASX come to life**
- **Surprised to hear world record NSW pokies losses are still rising strongly**

Unlike many National Party MPs, former NSW deputy premier Andrew Stoner admits he is an economic dry who supports foreign investment, capital driven migration programs and coal seam gas exploration to keep the cost of energy down.

The man who led the NSW Nationals for over a decade now sits on 3 public company boards and is specialising in Chinese companies floating Down Under, the latest being newly listed Bojun Agriculture, which he chairs.

Bojun employs 200 Mandarin-speaking workers to manufacture healthy mandarin (fruit not language) vinegar for the Chinese market, amongst other unusual fruit-based delicacies.

Given the current political debate about Chinese influence, Stoner makes a fascinating interviewee as he has also worked for Sam Dastyari's controversial benefactor Mr Xiangmo Huang and is involved with investment bank Moelis as it designs products so that wealthy Chinese citizens can invest \$5 million in Australia and qualify for permanent residency.

In between slamming Senator Dastyari for acting unwisely on security matters, Mr Stoner praised the Senator's benefactor: "I think all credit to Mr Huang. I don't think he's been involved in anything untoward whatsoever."

Stoner's association with investment bank Moelis is also interesting given Moelis has recently bought the second biggest pokies pub business in NSW, as is outlined in this [Redcape Hotels prospectus](#), which provided a very bullish outlook on growth in NSW gaming revenue.

Moelis settled on the deal by raising about \$300 million in equity from many wealthy Chinese nationals seeking permanent residency and plans to flip Redcape onto the public markets next year.

Going back in time, Stoner was one of the signatories to this [Memorandum of Understanding](#) between the NSW Coalition and Clubs NSW. The effect of this deal has seen a strong increase in pokies losses, with more to come as is [explained here](#), but the former NSW deputy premier is unaware of these world record pokies losses, claiming "I can't see it growing any more".

All up, this week's chairman interview provides a fascinating insight into the inter-play between politics and business, plus Australia's multi-faceted relationship with China, including through new floats on the ASX. Listen to it all.



Welcome to the Constant Investor Chairman Interview series, I'm Stephen Mayne and in week 16 of this unique series we've got Mr Andrew Stoner in the hot seat, the former Deputy Premier of New South Wales who's just become the Chair of his first public company called Bojun Agriculture. Welcome to the Constant Investor, Andrew.

Thanks, Stephen.

Andrew, you spent 16 years in the New South Wales Parliament and rose to be Deputy Premier, a position you held for three years until October 2014. Do you miss it? Do you look back and say, 'well I should have stayed on and stuck with politics in the New South Wales Parliament'?

I look back now, Stephen, and I see some of what's going on in Politics and I think to myself, I miss it like a hole in the head! [Laughs] 16 years was long enough for me and some of the things on my to-do list were ticked off by the time I stood down from the position and left the Parliament. I'm quite happy to be out of it and into a new chapter in the book of this life, so no regrets at all.

You must have raised your eyebrows with what one of your successors has done of late, John Barilaro calling for the Prime Minister to resign by Christmas. You wouldn't have done that, I imagine?

John's a fairly straight shooter and being of Italian descent he's a bit of a fiery bloke sometimes. I think some of us sometimes regret what comes out of our mouth in the heat of the moment and probably John would have regretted that one. But, hats off to him, he does speak from the heart, he doesn't hold back and politicians get criticised for being grey men and sitting on the fence. I don't think my mate, Barra, will do that.

That's good. You left Parliament in April in 2015. Give us a brief summary of your business activities since then?

Well, Stephen, I set up my own consulting business which has mainly been around economic matters in particularly Australia-Asia business. That will be a little bit of investment attraction, not so much in relation to government matters, although I get asked from time to time for advice in that area. I acted as advisor to a couple of larger corporates and are now starting to get involved in company director roles. I'm currently on three listed company boards and the most recent of these of course is the Bojun Agriculture Holdings, which I chair.

Tell us about the other public companies that you're on first and then let's have a quick chat about Bojun as well. I know you're on three other boards. There's Global Dairy Corp, SlasherTeck and Global Fortune Investments, so take us through those, particularly the listed ones.

The listed ones are China Dairy Corporation, I've been on the board of that one for around 18 months now in the Vice Chairman role. It's another Chinese company listed in Australia, another very solid business whose operations are principally in China, very strong revenues and a very sound financial position that's similar to Bojun. In relation to Global Fortune Investment, this is a kind of a cross border trading and investment company with investments in agriculture and mining, but is also involved in the export trade of consumer products from Australia to China.

You were also involved I think with Moelis, the investment bank, for a while. What were you doing with them?

I still have and I'm very grateful for an advisory role with Moelis & Company Australia. 20% of that company also listed – this year I'm not on the board per se but my position there as Senior Advisor and my advice that I offer to Moelis is mainly around the areas of investment attraction. Moelis has got some wonderful investment products and is quite active in the Asian market. That's mainly my role with Moelis, which again, is a very strong company with global links and anyone that's followed the share price of Moelis particularly those invested in it wouldn't be disappointed with the performance of our company.

It has gone very well. I also noticed you had a consultancy role with Yuhu Group, which is the same group that's been caught up in the whole Sam Dastyari thing. Just take us through your history with that and also any comments you've got about the way the whole Dastyari thing has played out of late.

I have had an advisory role to Yuhu Group and Yuhu Group invest in agri-business as well as property, it's an Australian company and it's chaired by Mr Xiangmo Huang who has been in the newspapers a lot because he has really donated to both sides of politics. Some of the media allege that he's got strong links to the Chinese Government. From my knowledge of Mr Huang, he's never abused his position, he's never sought information, he's never acted on behalf of the Chinese government. In fact, it would be, in my estimation, well over 100 million people in China who have been a member of the Communist Party. It's the only party over there, it's merged within the community. It might be a local government body here or it might be some sort of community association here – well, it's probably going to have some links to the Communist Party in China and therefore, to the government.

I'm not one of these under the bed conspirators or believers. That said, I've got to say Sam Dastyari has acted quite unwisely in my view, in terms of both his advice to Mr Huang in relation to security issues, as reported. I don't know if that's the case. I haven't had a conversation with Mr Huang about that but certainly in terms of his efforts and time and role within the parliament, it's not a very good look. It's not going to pass the 'pub test'. I think all credit to Mr Huang. I don't think he's been involved in anything untoward whatsoever. But gee, Sam Dastyari doesn't look great on the basis of what's been reported.

No. National Party MPs in New South Wales tend to have a bit of a history of being a bit more commercial than perhaps the rest of Australia. Quite a few of you have been on different boards. Mark Vaile, the Chair of Whitehaven Coal; John Sharp, Deputy Chair of Regional Express, the airline; John Anderson was Chair of Eastern Star Gas; Obviously yourself on three public company boards. Is it something about the Nats in New South Wales, you tend to be more sort of pro-business/commercial rather than agrarian socialist which is what some people sometimes criticise the Nats with?

The principles of the National Party are actually pro-business and particularly pro-small business. We don't have too many large corporation headquarters out in the regions, but most of us have served our apprenticeship for politics not in the youth wing of a political party, but in some form of a small business or some commercial enterprise before entering politics. Even those who have been on a farm, these days running a farm is like running a small business. You have to be pretty high-tech, you have to be very financially capable, you've got to be across international commodity prices, you name it. I do think the average Nat is going to be able to make the transition both from business into politics and then subsequently from politics into business. In my case, I had Bachelor of Business degree and an MBA before I went into politics, so it was always really my bent and my portfolio when I was in government was in relation to economic matters, specifically trade and investment and tourism and major events. It's always been something that's of great interest to me and I was

very happy to make that transition post politics. Guys like Mark Vaile and others have given me some great advice about how to do that.

Because sometimes the Nats do split between protectionist and keep out the foreign investors side of things, and obviously you've got the coal seam gas side of things which is, don't allow the coal seam gas industry to go ahead. You I think were a bit more supportive of coal seam gas. I think Alan Jones used to have the odd go at you and you're probably more supportive of the whole inward Chinese investment side of things. Is that a fair call that there are quite a few Nats who are different to you and you're more pro coal seam gas, pro Chinese investment, pro trade?

Every political party is a broad church and no doubt about it, there are some protectionists within the National Party. I think probably reflecting my university study, I was probably a bit drier economically than most Nats. I did champion access to reasonably priced energy here in Australia upon which you can build a strong manufacturing sector, you've got other sectors that are quite dependent upon those energy resources, everything from chemicals through to the fertiliser that many farmers use based on those sort of products. When we're talking about investment I am pro foreign investment subject to strategic assets not being bought by other sovereign nations.

I wouldn't say particularly pro Chinese investment, in fact if you look dispassionately at the stats on foreign investment Chinese investment lags well behind the United States or Europe for example. But all foreign investment, I'm of the belief that Australia was built on foreign investment and we've still got a lot of need for investment, we need a lot more infrastructure development in this country and a lot of that's going to be funded through foreign investment. Yeah, I'm a bit drier than the average Nat and not averse to foreign investment or the development, the safe development, of some of our abundant energy resources.

Let's talk about Bojun Agriculture, I bought \$500 dollars' worth of shares today, so I'm probably your 480th shareholder. You've just floated this week you've raised \$7.6 million, your market cap's about \$36 million and obviously all its operations are in China at the moment with a food and beverages manufacturing operation in Nanjing. Why did they come to Australia to raise capital and how did you get involved?

I think there's two main reasons. One is certainly they were looking to list as a means to raise that capital because they've got strong market expansion plans in China and those plans coincide with a really strong market for the sort of product that they make. It's a bit harder to list within China itself, the Shanghai Stock Exchange. I'm told that the process in Hong Kong is a little bit more onerous than here in Australia, although we seem to be catching up in terms of some of the regulations here.

That's one reason, we're in the same geographic and time zone, and of the stock exchanges they felt the ASX was the best fit for them, but it also aligned with some of their future plans to source the fruit that they use for their product from Australia. Australia's reputation for food in terms of quality, cleanliness of the environment and therefore, the product, is very, very strong. It was those two reasons really put together which led them towards Australia.

There's five directors, yourself as Chair, Nicholas Ong who's the other Australian-based director, the former Senior Advisor in the ASX in Perth who's very well across the listings process, and then three China-based directors. Are you going to head up to China for most of your board meetings and have them at the plant or you'll sort of

alternate between there and Australia? How do you do a Chinese based company with 200 staff all in China and then a listing here with the Chairman here?

Well, obviously it's not easy and it will be a mixed. They will come down to Australia from time to time. They were here for the ringing of the bell last week. No doubt, they'll be here again at some stage in 2018. I have visited the plants there in Jiangxi Province in China myself and no doubt I'll be back up there again at some stage in 2018. We will probably have another couple of board meetings by way of teleconference with interpreters. That slows the process down a little bit but it's a necessary evil to make sure that we're all understood. Certainly, with the China Dairy Corporation the majority of the board meetings I've had there have been by way of teleconference with the directors based in China and a couple of directors based here in Australia and some interpreters in there somewhere on the phone line who make it all work.

Tell us about these Nanfeng mandarins, they're obviously important to the whole show. Give us more of an insight into the mandarin side of the business?

Stephen, they tell me they're quite a famous mandarin in China as the past Chinese emperors would insist on this particular fruit. Having visited some of the orchards and tasted them, I can understand why. They're a really juicy and really sweet, delightful tasting fruit. I like the Aussie mandarins but I have to say, these are juicier and sweeter although they're smaller. We produce here in Australia nice big mandarins, like a lot of the things we produce, a nice big size. But this particular mandarin, being both famous but also producing lots of nice tasting juice is ideal for the product that Bojun makes.

The revenues last year were USD\$62 million and the EBIT was \$US12 million, so it's already quite a sizeable business and quite a profitable business. Having raised \$A7.6 million is that likely to rise? Also, tell us a bit about paying dividends. How do you actually get the money out of China? If I'm a shareholder here in Melbourne are you going to have any issues with actually getting a dividend to me with any of the regulations in China?

On the first one, Stephen, the company's revenues and profits have been steadily growing year on year and we'd expect that to continue and in fact, accelerate, because a large slice of the capital raised through this listing will be used to expand the company's marketing effort from nine provinces currently in China to the balance of the provinces. There are around 30 provinces in China, so some really strong upside growth potential for the company there. I would expect those figures to continue to improve and in fact at that accelerated rate.

In terms of the issue of dividends, there's no doubt that some of the Chinese companies listed not only here in Australia but elsewhere in the world, have had some issues with the movement of capital out of China from which to pay dividends. In terms of Bojun, I've already spoken to the company management and the other directors to say that we should either apply early or have a pool of funds available in Australia so that if there's an intention to pay a dividend, that this is not held up or the opportunity lost because the Chinese government agency responsible for approving applications for the movement of capital hasn't gotten around to it. Anecdotally, that's what I've heard has been the case with some of the other Chinese companies listed here and elsewhere.

Does that mean you keep the float proceeds here in Australia?

Well, I'm told that some of the float proceeds will be kept here in Australia for sure. The balance will be used, as I say, for market expansion and also production expansion back in China. I think for the Australian investment community, investors are not only looking for

capital growth but they're looking for some regular dividend payments and if the company is profitable and doesn't have alternative uses for the profits, then they should make those dividends on a regular basis.

What about the cost of raising capital in Australia? I notice you did raise \$7.6m, you were hoping to raise as much as \$12m if you had some overs, but you did get above your minimum of \$7.2m, but the expenses of the issue were over a couple of million. That's quite expensive in terms of \$7.6 million raised if you've spent more than \$2 million raising it, that's a fair whack of admin and float costs. Was that surprising that it's so expensive to raise money in Australia like that?

I've been involved to a smaller extent with some other IPOs over the last year or two, so it didn't surprise me actually professionally given the level of regulation around foreign companies listing in Australia. It didn't really surprise me a lot and I think certainly the company were told before they embarked on this path that you're going to need both lawyers and accountants in China as well as Australia to get this thing through. Quite often the accounting standards in Australia will be higher than in China, so there's quite a lot of work back in China to get all the accounts in order. Yeah, they're high but not unexpected.

Once you've got through that first hurdle you can obviously raise more capital cheaply down the track. Who owns the company now? They've raised \$7.6m, that's roughly 20% of the capital. I looked through the top 20 shareholders and they were mainly individuals, so I'm guessing there's no government, there's a founder and there's some other sort of high net worth or key players at the company and other significant investors, but mainly Chinese investors including individual Chinese and fund managers in China. Not that many actual Australian-based investors?

That's certainly the case, Stephen, and the majority shareholder being the Founder, Dr Zhu, who has really invented the product and a lot of the technology that goes with the product. When it comes to Aussie individual investors it doesn't surprise me that they're not a high proportion because I think they just don't by and large understand fully the product or the market for the product. This is not a product that we consume in Australia, it's not on the supermarket shelves here. If we're talking fruit cider vinegar, the average Aussie would probably turn up his nose or screw up his face at the thought of it.

Having tasted the product it's actually pretty good, quite tasty and refreshing but also really good for you. That's the Chinese taste, that's the Chinese market and the market for it's growing really strongly. But as I say, the average individual Aussie investor doesn't know the intricacies of that market or that product.

How did you come to meet Mr Zhu, the founder and majority shareholder? Was it through Moelis? Because I know Moelis – I was reading Andrew Pridham's interview with Alan Kohler earlier this week. They've got 250 high net worth Chinese clients. Was that the connection?

No, that wasn't the connection. These days I have a lot of contacts in business between Australia and China and a lot of people very actively involved in China and a lot of these are Chinese-Australians. It was through a particular Chinese-Australian who invited me to visit the plant and meet the founder and the management team and try out the product. This was about 12 months ago and whilst there I was informed of their plans and asked if I'd like to join the board, so I said yes and here we are today. A pretty extensive business network across the China-Australia trade investment space these days, but not through Moelis. It was

another guy who's actually a qualified lawyer in Australia but does a lot of his work up in China.

When you were back in the parliament, you were quite a good supporter of the Significant Investor Visa (SIV) programs, which is where high net worth Chinese can invest \$5 million in Australia and citizenship can flow from that. Is that something that you think is working well? Has the clampdown been too tough or do you think '\$5 million and you're in' is a good model for capital inflows into Australia?

I think the clampdown to which you refer were some changes that were made in July last year where the qualifying investments were tweaked to put more into growing and smaller Aussie companies, rather than into other more passive investments. It certainly did slow the flow of the significant investor visas. They haven't been approved at the same rate as they were prior to that change. But I support the change – and this was introduced by Andrew Robb when he was the Minister for Trade and Investment federally.

I think it's directing that foreign investment, and that's what it is, into our smaller cap listed segment, as well as privately owned growth companies. There has to be 10% go into the one I just mentioned which was the privately-owned companies and also, 20% go into smaller cap listed companies and I think that was a terrific change.

I understand the recent Moelis raising for the Redcape hotels float attracted quite a bit of support from SIV investors. Is that an example of a business which does qualify under the tightened rules, so when you're raising \$300 million for a big wholesale pub fund?

Yes, it is, Stephen. Moelis is probably the number one approved SIV funds manager in Australia in terms of funds invested and they keep innovating to come up with complying investments which will satisfy the needs of the significant investor, but which attract other investors as well out of Australia. They're terrific products and as I say, they meet the needs of both dimensions. When it comes to the SIV, so far it's attracted nearly \$10 billion dollars into Australia. The nearly 2,000 visa applicants will if they want to eventually get a permanent residency to Australia. Most of these people will continue to operate a business in China but they will live at least part of the time in Australia.

For mine, these are the sort of migrants we want in our country and they're not only coming from China, they're coming from South Africa, they're coming from Vietnam, from Malaysia, even Russia, but they're people with significant resources and they come and they invest and they help grow our economy.

I was going to ask you a related question on the Redcape float. We've seen data out last week, New South Wales poker machine losses up another \$400 million for the year to \$6.1 billion I think it was, so really big losses. I work in the anti-gambling space, I should disclose that – but do you think that's just going to keep rising at \$400 million a year or do you think there's a chance you'll ever see a clampdown on the most pokies saturated jurisdiction in the world, some people say, in New South Wales?

Yeah, it's already pretty tightly controlled, Stephen, in terms of caps on poker machine numbers, on regulation and legislation around problem gambling. The general licensing type restrictions that cover where these machines are located. I can't see it growing anymore. I missed the report in terms of the increase in losses through poker machines. I couldn't hazard a guess as to why that's occurred, but I think it's certainly something the government will have a look at and if necessary, tweak some of that regulation around problem gambling

or even access to poker machines and ATMs and all of that sort of thing that forms part of that regulation.

All right, well, Andrew Stoner, we'll leave it there, just one last question. As someone who's asked questions at 450 AGMs over the last 18 years, am I going to be able to come along and ask you a couple of curly questions at the Bojun agriculture AGM or is it going to be up in China?

Well, I'd be delighted to see you come along as a shareholder, Stephen. At this stage I can't tell you where the AGM will be. In the example of CDC, it's in China later this month and I'll be attending that by telephone myself, patching into that one. At this early stage, I'm not sure. I would encourage the company to hold the first one at least in Australia as they've listed in this country, but we'll wait and see.

All right, I look forward to seeing you there if you do win the board numbers to have that happen. Andrew Stoner, thanks so much for joining the Constant Investor Chairman Interview series.

It's a pleasure, Stephen, thank you.

That's Andrew Stoner, I'm Stephen Mayne. Next week, our last one for the year. We're interviewing Gordon Cairns, the Chairman of Origin Energy and Woolworths. Thanks for listening, we'll speak to you next week.

<https://theconstantinvestor.com/meet-andrew-stoner-nsw-deputy-premier-public-company-chair-moelis-adviser-china-specialist-consultant-sam-dastyaris-benefactor/>