

China-based companies to list on ASX to avoid Asian stock market costs and free float requirements

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By Emily Stewart

Premiere Eastern Energy lists on the ASX today, the first of several smaller China-based companies looking to avoid the cost and free float requirements of larger Asian exchanges.



| STOCK | BID | OFFER | LAST | VOL | STOCK | BID |
|------------|-------|-------|-------|-----|------------|-------|
| TAWANA | 0.20 | 0.21 | 0.20 | 29T | TOTALCOMM | 1.33 |
| TECH ONE | 0.925 | 0.98 | 0.99 | 2HT | TOUR&LEIS | 1.20 |
| TECHNICHE | 0.057 | 0.06 | 0.057 | 0 | TOWER | - |
| TECHSTAR | 0.05 | 0.089 | 0.055 | 20T | TOX FREE | 1.545 |
| TECTONIC | 0.082 | 0.084 | 0.084 | 1HT | TPLANET | - |
| TELE-IP | 0.014 | 0.015 | 0.015 | 0 | TPX | 6.54 |
| TELECOM NZ | 3.83 | 3.84 | 3.84 | 1M | TRAFALGAR | 0.29 |
| TELEZON | 0.35 | 0.36 | 0.35 | 0 | TRAFFIC | 0.3 |
| TELSTRA | 3.59 | 3.60 | 3.59 | 1HM | TRAFFORD | 0.3 |
| TELSTRA IR | 2.14 | 2.15 | 2.14 | 1HM | TRAKA RES | 0.3 |
| TEMPLETON | 1.605 | 1.61 | 1.59 | 21T | TRANSERU | 0.3 |
| TEN NET | 3.51 | 3.52 | 3.51 | 1M | TRANSFIELD | 6 |
| TENNANT CK | 0.475 | 0.49 | 0.49 | 2HT | TRANSMETRO | 0.3 |
| TERRAIN | 0.165 | 0.18 | 0.18 | 10T | TRANSOL | 0.3 |
| TERRAMIN | 1.83 | 1.835 | 1.82 | 59T | TRANSP SPS | 0.3 |
| TERRITORY | 0.28 | 0.29 | 0.28 | 0 | TRANSPAC | 0.3 |
| | 0.44 | 0.445 | 0.445 | 0 | TRANSURBAN | 0.3 |
| | | | | 25T | TRANZACT | 0.3 |
| | | | | | TRAVEL+COM | 0.3 |

China-based companies are looking to list on the ASX. (Credit: AFP)

Smaller Chinese companies are looking to list on Australian stock market operator the ASX to avoid the cost and free float requirements of larger Asian exchanges.

Petrochemical company Premiere Eastern Energy will list on the ASX this afternoon, after raising the minimum share prescription of just \$3 million in an initial public offering (IPO) last year.

The company issued 15 million shares at 20 cents each and just over 500 investors were involved.

On listing, the family-run business will have a market capitalisation of \$183 million.

In order to list in Australia the company must have two Australian directors.

Perth based David Wheeler has been appointed deputy chairman.

He said he is comfortable working with a family business.

"I did my due diligence by going to Guangzhou and meeting both Mr Zhan senior and junior," he said.

"I thought that Mr Zhan junior, who is the CEO, had a really good strong understanding of what it meant to run a profitable business."

The other Australian director, Ting Jiang, is also a director of Chinese menswear retailer Sunbridge Group which listed on the ASX in 2013.

Premiere plans to capitalise on the growth of the car industry in China by introducing full service petrol stations - currently motorists rely on kiosk style pumps.

The company has no plans to expand to Australia.

Three of 11 companies to list on the ASX are China-based

It raises the question - why not list on a bigger stock exchange in Asia, like Singapore or Hong Kong?

Mr Wheeler said it was easier to list on the ASX.

"The most important reason was that the free float requirements in Hong Kong and Singapore were quite onerous given the nature of this listing," he said.

To ensure liquidity, many exchanges impose a minimum percentage of shares that must be in public hands, known as free float.

In Hong Kong the minimum is 25 per cent and in Singapore it ranges from 12-25 per cent.

The ASX does not have a set minimum free float.

"We were looking at a free float of under the minimum subscription of 6 per cent and maximum of 12 per cent," Mr Wheeler said.

"We wouldn't have qualified ... Those exchanges are quite expensive by comparison.

"Advisers in early days thought that both those markets are fairly full with Chinese listings. The ASX doesn't have a great number of good quality listings.

"We thought it was an opportunity and so did the ASX."

Of the next 11 companies to list on the ASX, three are China-based.

Of the 2,000 companies listed, 106 are foreign.

Most are from New Zealand and 36 have Chinese links.

Mr Wheeler, who has worked with Chinese companies for 20 years, said there will be more.

"I think we'll need to be discerning in the terms of the quality of them," he said.

"Certainly we wouldn't want to just take everything that comes along."

The float will also give Premiere better access to debt markets, as it can be difficult for Chinese family businesses to access bank loans.

"It is an issue when you embark on an aggressive growth structure where capital is required," Mr Wheeler said.

"Debt markets are not easy to access for private companies in China and certainly this will give the company an opportunity to look at debt markets as an option for funding growth."

The corporate regulator will not comment on individual companies, but warns Australian investors to be vigilant when investing, particularly in foreign companies.

The Australian Securities and Investment Commission (ASIC) is focusing on emerging market issuers from Asia, Africa and the Middle East listing in Australia.

ASIC commissioner John Price said it is looking at governance and disclosure.

"We want to lift the sector's transparency and make investors understand what they are getting into," he said.

<http://www.radioaustralia.net.au/international/2015-02-12/chinabased-companies-to-list-on-asx-to-avoid-asian-stock-market-costs-and-free-float-requirements/1414633>