

Chinese firm seeks to list on ASX

- by: *Rowan Callick, Asia-Pacific editor*
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THE Australian Stock Exchange's floundering long-term plan to establish itself as a regional bourse could be revived -- by China.

It attracted a rare float this morning that could prove to be the first of many.

Shenhua International is a 10-year-old privately owned company that makes home textiles in China. It wants to raise \$16.3 million, of which just over \$14m has come from the initial subscription.

Robin Chambers, a senior partner at Chambers Lawyers in Melbourne which is advising on the float, said yesterday that three other Chinese companies were considering listing in Australia.

Like Shenhua, they were from outside the resource sector. Previously, Chinese corporate interest in Australia has focused heavily on the mining and energy sectors.

Mr Chambers' senior commercial lawyer Pierre Lau is to become a non-executive director of Shenhua. He said: "More and more Chinese private companies are seeing the ASX as a viable and attractive place to list."

Shenhua's products are mainly exported, but the company is seeking to "actively develop" the domestic market as China shifts towards a consumer-driven economy, with rapidly growing home ownership a vital component.

Shenhua, one of the largest producers of fabrics in the country, is based at a huge factory that takes up 1sqkm at Shaoxing in Zhejiang province, just south of Shanghai -- a centre for China's textile industry, the world's biggest.

It is seeking a place on the ASX because there is a two-year wait at the Shanghai stock exchange -- and Shenhua has the handicap of not being a state-owned enterprise, which increasingly receive preference.

The company, which earned about \$10.2m in the financial year ended June 30 from about \$120m revenue, is owned by Xia Yaorong, who is known in English as Philip Widjaya.

His Joyful Huge Holdings will hold about 56 per cent of the shares if the whole subscription is taken up.

The company says its key reasons for listing on the ASX are to develop the Asia-Pacific market and to take advantage of Australia's broad demographic "as an excellent test market" for its products.

It also points to "the mature and sophisticated investor base of the ASX", Australia's developed corporate regulatory regime, and the need to set up a "new base outside China to progress international expansion".

Shenhua says in its prospectus that although the global economic downturn has reduced export demand, it will also "result in inefficient manufacturers being forced out of the industry" -- giving it an opportunity to increase market share.