

HD Corporate News: Chinese Firm Looks At Australian Ports

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WC 491 words

PD 18 July 2014

SN The Wall Street Journal Asia

SC AWSJ

PG 19

LA English

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SYDNEY -- **China** Merchants Group Ltd. is in talks to buy a large **stake** in four Australian container ports, the latest push by Asian investors to own infrastructure vital to regional trade networks, a person familiar with the situation said.

China Merchants is seeking to buy a majority **stake** in Asciano Ltd.'s Patrick Terminals and Logistics business, which runs international container terminals in Sydney, Melbourne, Brisbane and Perth, the person said. However, recent discussions with Asciano over a deal worth around 1.1 **billion** Australian dollars (US\$1.03 **billion**) have foundered because the Australian transport group is reluctant to sell more than a 49% **stake** and cede control of the business, the person said.

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Asciano is being advised by Goldman Sachs and J.P. Morgan on the process to sell the **stake**, which is code-named "Project Guinness," the person said. While talks with **China** Merchants have taken place on and off for two years, Asciano recently signed a 60-day memorandum of understanding with the state-owned **Chinese** conglomerate to pursue a deal, the person added.

An Asciano spokesperson didn't reply to a request to comment. **China** Merchants declined to comment.

China Merchants, which owns property and banking businesses, has long viewed Australian export infrastructure as an attractive investment.

In April, **China** Merchants was part of a consortium that successfully bid A\$1.75 **billion** for a 99-year lease on the Port of Newcastle in eastern Australia on offer by the New South Wales state government. The port exports **coal** produced by **mining** companies including Glencore PLC, Peabody **Energy** Corp. and Rio Tinto PLC.

China Merchants also has a ports joint venture with France's CMA CGM SA, the world's third-largest shipping **company**. In May, CMA CGM lost out in bidding for the rights to build a A\$1.6 **billion** container terminal in Melbourne.

For the fiscal year through June 2013, the Patrick ports business generated earnings before interest, tax, depreciation and amortization of A\$198 **million**, or 19% of Asciano's profits as a whole. Still, the ports operation is facing headwinds as Australian state governments seek to inject competition into the sector and bring down freight costs for local businesses.

In 2008, the Port of Brisbane Corp. signed up **Hong Kong**-based ports operator Hutchison Whampoa Ltd. to build a third container terminal. A year later, Sydney Ports Corp. signed a deal with Hutchison Whampoa to expand capacity at Port Botany. Another foreign investor -- Philippines-based International Container Terminal Services Inc. -- won a contract in May as part of a consortium to build a third container terminal in Melbourne.

Asciano put its ports business up for **sale** in 2009, as management sought funds to repair its balance sheet. **China** Merchants's former chairman publicly expressed interest in the port assets two years later.

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AN Document AWSJ000020140717ea7i0001l