

HD Leighton sells John Holland to **China** SoE

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China Communications Construction **Company** is buying John Holland, one of Australia's biggest builders, in a deal that gives the state-owned enterprise a foothold in a country spending tens of **billions** of dollars building new road and rail projects.

A subsidiary of CCCC has agreed a deal with Leighton Holdings, the parent **company** of John Holland, to buy the building and engineering **company** for an enterprise value of A\$1.15bn (\$950m).

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"Following a comprehensive and extensive global **sale** process we have achieved a fair value for John Holland that reflects its position as one of the country's leading engineering and construction companies," said Leighton.

CCCC is the fourth-largest construction **company** in the world with a market capitalisation of A\$23.5bn, and is traded on the **Hong Kong** and Shanghai stock exchanges.

Its proposed takeover of John Holland is conditional on approval by Australia's Foreign Investment Review Board, and would represent the biggest investment by a **Chinese** construction **company** in Australia to date.

Last month Australia and **China** announced plans to sign a bilateral trade agreement between the countries in a sign of ever closer economic ties.

Joe Hockey, Australia's treasurer, has said the country was open to **Chinese** investment as it prepared to sell A\$100bn in state assets to fund a A\$50bn state programme to build new roads, rail and ports over six years.

Until now most **Chinese** investment in Australia has been directed towards the **mining** and resources sector but there is growing interest from **Chinese** companies in other sectors such as **energy**, agriculture and property.

"It is likely that acquiring John Holland would provide CCCC with new technology and skills," said Jeffrey Wilson, a fellow at the Asian research centre at Murdoch University. "It would also help to have a local subsidiary when they tender for Australian government contracts.

China's investment in Australia has increased tenfold since 2005 and totals \$57.2bn annually, making it the largest destination for **Chinese** investment after the US.

But with Australia's **mining** investment boom tapering off, the value of **Chinese** investment in the country fell 10 per cent to \$9.15bn last year, even as overall overseas investment from **China** increased by 16 per cent to \$90.1bn, according to KPMG.

CCCC said the deal represented "significant progress" in its international development strategy. "There is a strong pipeline of social infrastructure projects planned in Australia and [CCCC] intends to support [Leighton], financially and technically, to bid for and deliver world-class infrastructure projects," it said.

Last month President Xi Jinping predicted that **Chinese** offshore investment would reach \$1.25tn over the next decade. Beijing has prioritised building investment and infrastructure links across central Asia and the Asia-Pacific region.

Leighton said the deal would reduce its gearing by 10 percentage points and cut annual revenues by A\$3.7bn and work in hand by A\$5.4bn.

About 4,100 John Holland employees will transfer to CCCC International Holding Limited, a subsidiary of CCCC. John Holland is the third-biggest division of Leighton and made revenues of A\$4.75bn in 2013.

CO charb : China Communications Construction Co., Ltd. | leiho : Leighton Holdings Ltd | jhgpl : John Holland Group Pty Ltd | hocht : Hochtief AG | ocisa : ACS Actividades de Construcciones y Servicios SA

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