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ANZ backs **Chinese** bid for John Holland AUSTRALIA'S ANZ Bank has thrown its weight behind a \$1 **billion** bid by **China** Communications Construction **Company** for Leighton Holdings contractor John Holland.

According to sources, the Australian bank is part of a lending syndicate that also includes investment bank Morgan Stanley and Bank of **China**.

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The news follows a 6.7 per cent leap in the Leighton Holdings share price yesterday to \$21.18 after its subsidiary, John Holland, unveiled a \$150 **million**-plus contract to expand an agricultural project in South Australia.

However, others are questioning whether the jump is connected to excitement around an imminent deal. Sources said an announcement could be made next week with CCCC relying on a \$US1bn (\$1.2bn) bridging loan to fund its **acquisition**.

The **Chinese company** was first revealed as a suitor for John Holland by The Australian in September and the **group** has been competing with Samsung, which is believed to have recently left the contest.

Yet a bid by CCCC may stir up controversy and could raise concerns with the Foreign Investment Review **Board**, given corruption allegations by the World Bank, which has banned the **company** from working on its projects until 2017. But then Leighton's business practices have also attracted scrutiny and it remains under investigation by the Australian Securities and Exchange Commission over alleged bribes in Iraq.

John Holland has numerous contracts with government departments, including Defence.

Balancing these qualms is the freshly-inked free trade deal between **China** and Australia, which has made the **purchase** of an Australian construction **company** more attractive for the **Chinese group**, as the agreement allows for **Chinese** workers to be brought into Australia on build projects.

Leighton placed various parts of its business up for **sale** earlier this year after its Spanish-controlled parent, German construction **group** Hochtief, launched a proportional takeover bid for the **company**.

Morgan Stanley is working with CCCC, while Macquarie Capital is adviser for Leighton. John Holland is said to be the most valuable asset on offer.

Investa? Certainly DEATH and taxes are two of life's certainties.

In Australia's real **estate** circles you can add a third: the **sale** of Investa **Property Group**.

The fate of the Morgan Stanley-backed **commercial property** landlord, which manages a multi-**billion**-dollar portfolio that includes the listed vehicle Investa Office Fund, as well as the unlisted blue-chip office landlord ICPF, is a perennial target of speculation.

So when another spasm shoots through the market about a looming **sale**, scepticism is inevitable.

Nonetheless, senior **property** circles are once again abuzz with speculation about a looming sales process.

This latest outburst appears to have rippled down from **Hong Kong** with a number of sources claiming Morgan Stanley held talks with advisers, which may fire the starting gun on a long-awaited auction early next year.

The investment bank holds Investa **Property** within its MSREF VI fund, which was raised in 2007, and additionally controls close to 20 per cent in IOF.

Any **sale** is likely to necessitate the appointment of an investment bank to IOF, or its **board** of independent directors, as well as Investa **Property Group**, depending on how Morgan Stanley structures its exit.

The New York bank famously snapped up the sprawling **property** empire at the pinnacle of the credit boom in 2007, paying \$4.7 **billion** for the assets in a highly-leveraged deal.

Since then Morgan Stanley has steadily shrunk the Investa asset base, paying down debt and securing a new \$1.9bn senior banking facility.

While a resurgence in **property** values has bolstered the performance of this top-of-the-cycle **purchase**, many doubt whether the institutional investors MSREF VI would see a return on their money.

There are many permutations to any deal. Morgan Stanley may of course continue to gradually sell down the core portfolio, as it has done with a number of its other Australian assets.

Alternatively, the properties could be shunted into IOF, with public markets tapped to fund the **acquisition**. A second capital raising would then be needed to internalise the listed vehicle's management.

Another strategy would be to appoint an adviser to IOF to draw suitors for that fund, while charging a second set of advisers to lure institutional investors for Investa. In that scenario the line-up is likely to include heavyweights such as TIAA Henderson, and a host of global pension and sovereign wealth funds.

Finally, there is always the potential for Blackstone, which is shifting into core real **estate**, to also take a tilt.

Alinta bidding to begin THERE was speculation the \$2.5 **billion**-plus Alinta **Energy** could be subject to a carve-up, but it has since emerged that should the **sale** unfold that way, it would happen via a three-way split.

Prospective bidders for the asset are expected to receive confidentiality agreements next week. Once these are signed suitors will receive an information memorandum on Alinta.

US private **equity** owner TPC Capital will strive to find one buyer for the complex mix of **energy** assets but if this proves impossible, it is expected to sell off the assets piecemeal or attempt an initial public offering.

On offer are 10 gas-fired power stations throughout Australia and New Zealand and the Flinders **coal**-fired power station in South Australia. Lazard has been appointed as an adviser to run Alinta's sales process, but Macquarie **Group** is very close to Alinta and its private **equity** owner, TPG Capital.

Overall, the **company**'s earnings before interest, tax, depreciation and amortisation is about \$350 **million** - \$20m, or 5 per cent of which is derived from Flinders.

Should the three-way split occur it would be structured in a way where one offering would be gas retail assets, predominantly within Western Australia, which is expected to attract Origin **Energy**, AGL **Energy** and EnergyAustralia.

The second offering would be geared up to appeal to infrastructure investors; power stations with long-term power contracts in place. Groups such as Japan suitors Marubeni Corporation and Sumitomo Corporation would be likely buyers.

Finally, non-contracted power stations, which fed into the network when demand was high, would be pieced together for a prospective suitor. They would pay for a so-called "bottom dollar basis".

There have also been suggestions the timing of the **sale** is set to coincide with Queensland and NSW state government electricity privatisations.

Bidding consortiums could also break up the portfolio following the **purchase** of Alinta as a whole.

Should AGL **Energy** be a buyer of the entire business, it would either have to sell or exclude the South Australian asset Flinders **coal**-fired power station from the deal for competition reasons. The businesses include a string of gas-powered generators in Western Australia, **coal** generators in South Australia, a New Zealand power station and a retail electricity service on the eastern seaboard.

CO aanzb : Australia and New Zealand Banking Group Limited | charb : China Communications Construction Co., Ltd. | leiho : Leighton Holdings Ltd | dwitd : Morgan Stanley | jhgpl : John Holland Group Pty Ltd | hocht : Hochtief AG | ocisa : ACS Actividades de Construcciones y Servicios SA

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