



BRI Pulse

China Q1 External Capital Raised – China Inbound

Over the past quarter, we have seen members of the media question and indeed challenge China's ability to fund the BRI in light of the COVID19 outbreak and its economic effects. For months, we have also heard charges of a "One Way Road", especially from non BRI countries. We thus decided to release this *Pulse* to provide facts to address both concerns. In it we set out China capital raised during Q1, via selected announced Chinese inbound investments/pledges by country totalling \$11+ billion⁽¹⁾, equity capital raised in the Shenzhen markets totalling \$7.7 billion and selected disposals of Chinese international assets totalling \$5.2 billion. Collectively, these represent circa \$25 billion of new equity capital to China⁽²⁾, which could support \$75 billion new debt thus totalling \$100 billion new spending power (excluding circa \$100 billion possible energy savings from budgeted amounts)⁽³⁾.

China Inbound Announced Equity Investments/Pledges by Country ⁽⁴⁾⁽⁵⁾

Asia

- Hong Kong – Hong Kong Land agreed to pay \$4.48 billion to acquire a development site in the Xuhui District of Shanghai
- Singapore – GIC acquired LG's China HQ for \$1.15 billion; ESR and GIC announced a US\$500 million JV to invest in China's logistics real estate industry
- Japan – Shionogi & Co announced a JV with Ping An, with the goal of discovering and distributing new drugs and developing generic ones as part of its expansion in China

UK/Europe

- Germany (7) – Allianz commits \$392 million; Mercedes \$389 million; Volkswagen \$560 million (20% stake under discussion); Kion €100 million (by 2025); DOMO Chemicals €12 million; Wellberger buyout of existing Chinese JV partner and Sicoya – new Chinese JV
- UK (5) – INEOS will build a new \$800 million plant with 600,000 ypy capacity of acrylonitrile butadiene styrene (ABS); Standard Chartered acquired an equity stake supply chain platform Linklogis; Actis formed a China JV in logistics assets; Versarien signed a JV involving advanced engineering; Wood Group commenced its service contract with Sinochem involving new \$3.25 billion oil and petrochemical plants
- UK/Netherlands(1) – Royal Dutch Shell signed a MoU with CNOOC to build its first scale polycarbonate production plant in Huizhou with capacity of 260,000 tpa (Amount ND)
- France (4) – China Energy signed an agreement with EDF Group to jointly develop an offshore wind farm for \$1.13 billion (EDF Group 37.5% for \$423 million); JCDecaux SA, was part of an investor group to acquire Clear Media for \$498 million; Louis Dreyfus Company (LDC) announced it will develop aquaculture and plant-based energy JV with Donlink Group; HRA Pharma has set up a JV with specialty healthcare company Profex
- Netherlands (2) – LyondellBasell Industries announced it had signed definitive agreements with Liaoning Bora Enterprise Group on a \$2.6 billion JV to produce petrochemicals; Randstad Hong Kong merged into Chinese vehicle to form Randstad Greater China

(1) Q1 announced outbound M&A/equity investments only a fraction of this inbound amount.

(2) Excluding international purchases of public equities and debt (March was 16th consecutive month of increases in foreign investment in Chinese bonds).

(3) Former McKinsey Partner estimate.

(4) As we are based in the West, this data is for announced (accrual – Western accounting) versus closed deals - when cash leaves China (MOFCOM accounting).

(5) This data is selected from a larger multi-year Europe into China Study; all numbers footnoted by source.

© Grisons Peak 2020. All rights reserved. Reproduction by permission only of the Author of this document, Grisons Peak.

Copyright and Intellectual Property Right Ownership: This document and all Information therein, contains material owned by either Grisons Peak or its Information Providers which is protected under copyright, trademark and other intellectual property laws. Neither this report nor any part of it may be reproduced, stored in a retrieval place or transmitted by any means, electronic, mechanical, photocopying, recording or otherwise without the prior written permission of Grisons Peak. Grisons Peak and its Information Providers, as applicable, own the copyright to all Information and works of authorship. All trademarks, service marks, and logos used on the document are the trademarks, service marks, or logos of Grisons Peak or its Information Providers, as applicable.



BRI Pulse

China Q1 External Capital Raised – China Inbound

- Switzerland (2) – ABB completed its acquisition of a 67% stake in Chinese e-mobility solution provider Chargedot Shanghai New Energy Technology; Chungkin General Hospital in Liangjiang New Area, in Chongqing, signed an agreement with the Paracelsus Clinic
- Spain (1) – Spain and China signed an agreement on the Joint Technology Hub for Mobility, with headquarters in Spain and in China for new energy vehicles and future mobility
- Portugal (1) – Frimec International China, located in Zhenjiang, focuses on providing air conditioning solutions, including air cleaning equipment for hospital operating rooms confirmed that it is determined to stick to its 2020 investment plan of \$43 million

North America

- USA – (3) Mastercard has secured Chinese government approval to enter the country's electronic payment services market; Goldman Sachs and Morgan Stanley have obtained approval from the CSRC to take a controlling stake in their China mainland JVs, becoming the 4th and 5th companies to obtain such permission. It is worth noting that GM pledged \$4.3 billion investment over the next 5 years in Q4 2019 and in early April JP Morgan paid \$1 billion to acquire control of its Chinese JV
- Canada – Bombardier Transportation (50%) announced that its Chinese JV has been awarded a contract from China State Railway to supply 160 CR400AF cars, a new Chinese standard high-speed train cars, valued at circa \$427 million

In 2019, China inbound FDI was \$137 billion, up 5.8% y-o-y, the biggest rise since 2017, when it grew 7.9% in yuan terms. These Q1 investments/pledges can be expected to continue this China opening up trend, which most recently commenced in 2018.

Chinese Public Equity Markets/SOE Reform Programme

In Q1 2020, the Shanghai Stock Exchange ranked #1 among all exchanges with circa \$10 billion of fresh equity capital raised. Q1 2020 the Top 10 A share IPOs raised yuan 54.2 billion (\$7.7 billion) up 254% from Q1 2019. The Beijing Shanghai Rail IPO alone raised yuan 30.7 billion (\$4.5 billion). The other 9 SSE (6 involved STAR Market) A share IPOs included 3 industrials, 2 TMT, 2 healthcare, 1 consumer and 1 financial services.

Q1 activity follows two major Q4 2019 equity capital raises; a \$4 billion IPO/capital raise by Postal Savings Bank (SSE); Alibaba raised \$11.2 billion in a secondary (HKEX). Also in Q4, as part of the SOE reform programme, Hillhouse won an international auction to acquire a 15% stake in Gree Electric for \$7.5 billion.

Selected Chinese Q1 International Disposals

- Wanda Sports Group agreed to sell its Ironman franchise Advance Publications (USA) to the owner of publishing house Condé Nast, for \$730 million
- Anbang has sold the set of six commercial assets in Amsterdam, Rotterdam and the Hague to Aviva (UK) for €700 million (\$763 million)
- Blackstone agreed to acquire 200 Japanese rental apartments from Anbang Insurance for \$2.8 billion
- Oceanwide sold the real estate related to its San Francisco planned office tower to HONY Fund for \$1 billion

© Grisons Peak 2020. All rights reserved. Reproduction by permission only of the Author of this document, Grisons Peak.

Copyright and Intellectual Property Right Ownership: This document and all Information therein, contains material owned by either Grisons Peak or its Information Providers which is protected under copyright, trademark and other intellectual property laws. Neither this report nor any part of it may be reproduced, stored in a retrieval place or transmitted by any means, electronic, mechanical, photocopying, recording or otherwise without the prior written permission of Grisons Peak. Grisons Peak and its Information Providers, as applicable, own the copyright to all Information and works of authorship. All trademarks, service marks, and logos used on the document are the trademarks, service marks, or logos of Grisons Peak or its Information Providers, as applicable.