

HD **UPDATE 2-Hong Kong's Li Ka-shing \$2.2 bln Envestra takeover hits snag**

WC 499 words

PD 20 June 2014

ET 18:37

SN Reuters News

SC LBA

LA English

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* CKI and Envestra want deal to proceed

* Dispute may **lead** to lengthy legal tussle

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* Continues Envestra's bumpy year (Recasts to include comments from CKI)

By Byron Kaye

SYDNEY, June 20 (Reuters) - **Hong Kong** tycoon Li Ka-shing's Cheung Kong Group (CKI) and an Australian pipeline **company** it plans to buy revealed on Friday they are in a bitter dispute over dividend payments, casting a cloud over the \$2.2 **billion** deal.

CKI and takeover target Envestra Ltd said separately they still want the takeover to proceed. But the dispute over the timing of Envestra's last dividend could **lead** to lengthy legal wrangling before the Australian takeover regulator and sour sentiment between the parties.

In a statement to the Australian Securities Exchange, Envestra said it now wants to declare a final dividend for the fiscal year ending June 30 on July 11, not Aug. 21 as agreed last month with Li's Cheung Kong Group (CKI). CKI "objects" to the change in the dividend payment date, Envestra said.

Envestra wants to bring forward the dividend to encourage investors to support the takeover and said it may take the dispute to a financial regulator for resolution. Envestra Managing Director Ian Little told Reuters the dispute won't kill CKI's offer, but said that "directors (of Envestra) can withdraw their recommendation at any time".

If CKI doesn't withdraw its objection, Envestra expects "an application will need to be made to the Takeovers Panel to resolve the matter", the Envestra statement said.

CKI said it objects only to Envestra's "accelerated timetable" for the dividend payment and that it will not withdraw its objection.

"(CKI) does not understand why private discussions concerning this matter were released to the market by the Envestra board, nor the basis on which the matter has any relevance to the Takeovers Panel," CKI said.

The cash **purchase** would be the latest in a string of deals by CKI to expand into regions offering higher growth and returns than its **Hong Kong** base. In April, CKI lost out in a bid for Port of Newcastle which went to **Chinese** government-backed interests for A\$1.75 **billion** (\$1.64 **billion**).

The development continues an eventful year for Envestra and its shareholders. For two months the **company** recommended shareholders accept a slightly lower scrip offer from Australian rival and one-third Envestra stakeholder Australian Pipeline Ltd .

That offer was blocked by CKI interests, which own 17 percent of Envestra.

Then on May 9, CKI submitted its higher cash offer and on May 30 the Envestra board changed its stance and said it supported the CKI bid instead.

An Australian Pipeline spokesman declined comment on Friday.

Envestra shares closed 0.74 percent higher at A\$1.36 in a weaker overall market.

(\$1 = 1.0639 Australian dollars) (Editing by Kenneth Maxwell and Matt Driskill)

RF Released: 2014-6-20T09:37:31.000Z

CO invest : Envestra Ltd.

IN i1 : Energy | i13 : Crude Oil/Natural Gas

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