

HD Li Ka-Shing Grabs Australian Pipelines

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SYDNEY -- **Hong Kong billionaire** Li Ka-shing emerged triumphant in a takeover battle for Australian gas-transmission **company** Envestra Ltd. after a rival bidder agreed to support his 2.37 **billion** Australian dollar (US\$2.22 **billion**) offer.

The victory gives Asia's richest man access to a network of pipelines that span a combined 22,500 kilometers and distribute natural gas to households and businesses in major Australian cities such as Melbourne and Adelaide. It also adds to a string of offshore deals for Mr. Li in recent years as he disposes of some assets in **Hong Kong**, and comes just days after it was revealed he was considering a bid for an Irish aircraft-leasing **company**.

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Mr. Li's Cheung Kong Infrastructure Holdings Ltd. is leading a consortium that offered A\$1.32 per Envestra share, trumping an earlier bid from Australia's APA Group Ltd. and pitting two of Envestra's biggest shareholders against each other.

Rather than raise its offer, APA said Thursday that it had decided to sell its 33% interest in Envestra to the Cheung Kong-led group.

"The cash offer put forward by the consortium well exceeded our valuation of the Envestra business, even at full ownership," said Mick McCormack, APA's chief executive officer.

Mr. Li's offer for Envestra places a high value on the **company** by historical standards. The shares have rarely traded as high as A\$1.32, having previously only come close to that level in 2007, just before the global financial crisis took hold.

In May, Cheung Kong said it would attempt to generate cost savings by combining Envestra's **operations** with some of its other Australian power assets. Cheung Kong also owns 51% of both SA Power Networks in South Australia state and Victoria Power Networks in Victoria state. About 80% of Envestra's assets are located in those two states.

Cheung Kong appears to be paying a large premium for Envestra, based on other recent deals in Australia's power sector, such as State Grid Corp. of **China's acquisition** of a **stake** in SP AusNet Ltd., said Nathan **Lead**, a Brisbane-based senior analyst at broker Morgans.

"I just wonder if it's part of a bigger roll-up play for them," Mr. **Lead** said. "They've potentially got an appetite for further investments in the **energy**-infrastructure space."

Pipelines that connect gas fields to export plants, power generators and homes are typically monopoly assets that can provide steady, regulated returns to investors. APA owns big pipelines to export hubs and cities, while Envestra owns the thousands of so-called spaghetti strands that run to separate end-users.

Australia, the world's 12th-largest economy, has seven gas-export terminals valued at A\$180 **billion** under construction on its coastline to feed utilities overseas, supporting a need for transmission infrastructure and sparking a spate of deals in the pipeline sector. APA in 2012 paid US\$1.36 **billion** for rival pipeline owner Hastings Diversified, while last year local pension fund QIC Global Infrastructure beat out Cheung Kong among others to buy the Moomba-to-Adelaide gas pipeline.

Mr. Li is acquiring Envestra through a consortium that includes two of his other companies: Cheung Kong Holdings Ltd. and Power Assets Holdings Ltd.

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