

CLM acquisitions  
SE Business  
HD **Cheung Kong in offer for offshore pipeline**  
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Envestra is Li Ka-shing's latest overseas

target as group rebalances local holdings in favour of foreign assets with higher returns

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Cheung Kong (Holdings), Cheung Kong Infrastructure (CKI) and Power Assets have joined hands to acquire Envestra, an Australian gas pipeline **firm**, in a cash deal worth A\$2.37 **billion** (HK\$17 **billion**).

The firms in the consortium are all controlled by Li Ka-shing, Asia's richest man.

The cash offer is the latest in a string of overseas acquisitions by the Cheung Kong group of companies as it rebalances its holdings in **Hong Kong** and on the mainland in favour of international assets offering higher growth and returns.

The news came a day after AS Watson, the retailing arm of Hutchison Whampoa, said it would sell its 50 per cent **stake** in a joint venture, Nuance-Watson Group, which operates travel retail businesses in airports and duty-free stores in shopping centres in cities including **Hong Kong**, Macau and Singapore and on the mainland.

AS Watson said it would sell the interest in Nuance-Watson to its partner, The Nuance Group.

Hutchison agreed in March to sell a 25 per cent **stake** in AS Watson to Singapore's Temasek for HK\$44 **billion** and pushed back plans for an initial public offering for the unit.

The three firms in the consortium said in a joint statement yesterday that they had offered an off-market takeover bid for all of Envestra's shares for a cash consideration of A\$1.32 a share.

In a statement to the Australian Securities Exchange yesterday, Envestra said its chairman and an independent board committee had unanimously recommended the cash offer.

CKI is a subsidiary of Hutchison Whampoa, which is 49.97 per cent owned by Cheung Kong. Power Assets is 38.87 per cent owned by CKI.

The offer price values Envestra at about A\$2.37 **billion**. The offer will be financed through existing cash reserves and credit facilities available to the three firms in the consortium, according to the Envestra announcement.

CKI, through a wholly owned subsidiary, already owns 17.46 per cent of Envestra and is its second-largest shareholder.

By accepting the consortium's offer, Envestra is reversing its previous support for a share-swap offer from its largest shareholder, APA, Australia's largest gas pipeline group.

Envestra had recommended APA's bid for about two months, but companies related to CKI opposed it and unexpectedly submitted a higher, cash offer.

"Given that 80 per cent of Envestra's gas coverage is in South Australia and Victoria, the **acquisition** would enable us to further share our expertise and to explore opportunities for synergy," CKI group managing director Kam Hing-lam said.

Kam said CKI's investment in Envestra in 1999 was its first entry into the Australian market. It now has a portfolio of regulated **energy** businesses in Australia comprising SA Power Networks and Victoria Power Networks.

The buying consortium expects that a bidder's statement will be lodged with the Australian Securities and Investments Commission, the Australian Securities Exchange, and Envestra by the middle of next month.

According to Envestra, the deal is subject to conditions including approval from Australia's Foreign Investment Review Board, and the consortium is required to acquire a relevant interest in more than 50 per cent of Envestra's shares, including CKI's existing **stake**.

Li Kwok-suen, a fund manager at Phillip Capital Management, described it as a logical move by the Cheung Kong group to enlarge its asset size by acquiring higher-yielding assets.

**CO** aswac : A.S. Watson & Company, Limited | chkinf : Cheung Kong Infrastructure Holdings Ltd | ckh : Cheung Kong (Holdings) Limited | envest : Envestra Ltd. | hutwam : Hutchison Whampoa Limited | nuawhl : Nuance-Watson (HK) Limited | gcos : Gecos Generale di Commercio e Servizi SpA | nuafra : The Nuance Group | stfni : Stefanel SpA

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