

CCHL makes bid for Lyttelton Port Company

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Christchurch City Holdings Ltd (CCHL) has announced a takeover bid for all the remaining shares in the listed Lyttelton Port Company Ltd (LPC).

CCHL has a 69% shareholding in LPC, and if the takeover bid is successful, intends to delist the company from the New Zealand Stock Exchange (NZX).

CCHL - the investment arm of the Christchurch City Council – is offering \$2.10 per share for the remaining shares, valuing the port company at \$214 million.

The offer is 20% above Friday's closing price.

Along with its takeover bid, CCHL has also announced a proposed operational joint venture for the Port, involving the international port managers, Hong Kong-based Hutchison Port Holdings Ltd (HPH).

The formation of the joint venture depends on the success of the takeover bid, and would be subject to regulatory consents.

The proposal would see CCHL retaining control of the Port of Lyttelton, and all employment agreements at the Port would be unaffected by the joint venture.

HPH is the world's leading port manager, developer and investor, with involvement in 242 berths in 41 ports and 20 countries, with a 2004 turnover of \$US3.5 billion.

The Hong Kong-based company is a wholly-owned subsidiary of Hutchison Whampoa Limited, which is listed on the Hong Kong Stock Exchange.

With the takeover completed and the joint venture in place, CCHL would receive net proceeds of about \$41 million.

CCHL would continue to control Lyttelton Port Company and its assets by holding the majority of the shares (50.1%), and by appointing four of the seven directors.

The City Council therefore stays in control of the company.

For operational and governance reasons, CCHL would hold 49.9% of a newly formed operating company - Lyttelton Port of Christchurch - with HPH holding the other 50.1% and appointing a majority of the directors. Both companies would effectively be run as a combined joint venture with existing management overseeing both entities.

The new port company's dividends would be shared equally between the two partners.

"When the proposal was first considered, we made it clear any proposal had to be on the basis of CCHL and the Christchurch City Council retaining control of the Port," said the Chief Executive of CCHL Mr Bob Lineham.

"With that well understood, discussions could begin," said Mr Lineham.

"The discussions were very timely, because we had growing concerns about the need for Lyttelton to be able to meet the challenges of attracting shipping in a market increasingly dominated by major lines," said Mr Lineham.

"These challenges result largely from the amalgamation of shipping companies which are increasingly able to play off one port against another while driving down port charges to sometimes unsustainable levels," he said.

Other ports in similar situations have decided the best solution was to join forces with a strong international player like HPH but this would be a first for New Zealand, said Mr Lineham.

A delisting of LPC was also seen as a benefit, because LPC had found it increasingly hard to operate in the commercial arena due to the continuous disclosure requirements of a listed company.

The proposed partnership would help shift the balance of power for a very small port on the international maritime scene, said Mr Lineham.

"HPH is also the largest port operator in China, and this is timely for the South Island as New Zealand seeks a free trade agreement with China," said Mr Lineham.

HPH is regarded as one of the most technologically advanced port operators in the world, with considerable expertise in container handling and associated IT infrastructure, as well as a substantial and long-term commitment to research and development.

HPH is a subsidiary of Hong Kong's Hutchison Whampoa Limited, one of Hong Kong's oldest trading companies. Founded in 1866, Hutchison Whampoa now has a \$US23 billion turnover, operating in 52 countries with over 200,000 employees.

Li Ka-shing of Hong Kong, one of the world's wealthiest men and better-known philanthropists, heads Hutchison Whampoa.

“We were pleased to see there is a strong New Zealand influence in HPH’s operations,” said Mr Lineham.

“In fact, our negotiations were largely carried out with two New Zealanders, Richard Pearson and Mark Jack, who are both executive directors of HPH.

“They are both aware of the importance of the Port to Christchurch and Canterbury,” he said.

The takeover bid and proposed involvement with HPH comes with the backing of the Christchurch City Council.

Councillors were briefed by CCHL at a special meeting on 9 February 2005 and approved the transaction.