

SE Business  
HD **Yanzhou sees Yancoal's note offer as a route to 100pc control**

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**CHINESE** giant Yanzhou has asked its shareholders to back its "major transaction" with Yancoal, saying it could end up with a "possible **acquisition**".

The **Hong Kong**-listed **company** has outlined to its shareholders that, through its agreement to take up \$US1.8 **billion** of Yancoal's \$US2.3bn subordinated capital note offer, it could end up with an almost 100 per cent **stake** in the Australian **company**.

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"In the case that only the **company** will subscribe for its full pro rata entitlement of the convertible hybrid **bonds** and all other Yancoal Australia shareholders do not ... the **equity** interest held by the **company** in Yancoal will increase from 78 per cent to 98.8 per cent," Yanzhou told its shareholders.

"The issue of such new Yancoal shares to the **company** will therefore constitute an **acquisition** of **equity** interest upon conversion of the convertible hybrid **bonds** to be subscribed by the **company**." Yancoal revealed the \$US2.3bn subordinated capital note offer on Monday — the largest note offer in Australian corporate history — to repay debt and fund **operations** and growth. Under the offer, open to all shareholders, Yancoal will issue 2.32112 subordinated capital notes for every 100 Yancoal shares held. The notes will be treated as **equity**. Shares in Yancoal sank on the news and declined further yesterday, by 6.25 per cent to 15c.

**Hong Kong** commodities trader Noble Group has a 13.8 per cent **stake** in Yancoal and is understood to be annoyed it was kept in the dark about the offer until it was announced to the market.

A prospectus on the offer is not expected for a couple of weeks. If Noble Group, which also has a marketing agreement with Yancoal, does not take up the offer, it will be diluted to a 0.7 per cent holding in one of Australia's largest listed pure **coal** plays. The commodities trader earned its interest in the **company** when Yancoal took over Gloucester **Coal** in 2012, which Noble controlled.

Noble is believed to have been trying to get Yanzhou to agree on a deal to buy out the minority shareholders after the **Chinese** group abandoned its takeover of Yancoal earlier this year.

In July last year, Yanzhou launched a non-binding proposal to mop up the 22 per cent of Yancoal it did not own via a scheme of arrangement, with the view to then privatising the **company**. Yancoal chief executive Reinhold Schmidt said this week that its independent board committee was tasked with considering many options and the note offer was the most appropriate at this stage.

CO yaptl : Yancoal Australia Limited | yankua : Yankuang (Group) Corp | ynzmn : Yanzhou Coal Mining Co Ltd

IN i112 : Coal Mining Support Activities | ibasicm : Basic Materials/Resources | imet : Mining/Quarrying

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RE austr : Australia | apacz : Asia Pacific | ausnz : Australia/Oceania

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