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HD **Yancoal \$2.8b raising in doubt after ruling**
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Troubled miner Yancoal's plan to raise \$US2.3 **billion** (\$2.8 **billion**) through a controversial rights offering has been thrown into doubt, after the Takeovers Panel upheld concerns from minority shareholders that the plan was "unacceptable" and likely to be "highly dilutive".

Loss-making Yancoal had sought to raise the \$US2.3 **billion** by issuing convertible notes, under a plan that would have used seen much of the money used to repay debts owed to its 78 per cent shareholder, Yanzhou **Coal** of **China**.

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The ruling is a major blow for Yanzhou.

The **company** has now failed twice in the space of 18 months to buy the 22 per cent of Yancoal that it does not own.

Minority shareholders in Yancoal, including Noble Group and **Hong Kong** hedge fund Senrigan Capital, feared the plan was another attempt to dilute them out of the business, given Yanzhou could have raised its **stake** in Yancoal to more than 98 per cent if it was the only participant in the raising.

After complaints by Senrigan, the Takeovers Panel declared on Monday that the circumstances of the rights offer were unacceptable.

It said that insufficient steps had been taken to minimise the "control effect" of the rights offer.

The panel said the subordinated capital notes created under the offer would not be attractive to shareholders beyond Yanzhou.

While the rights offer can still go ahead, Yanzhou can only convert the notes into Yancoal shares so long as its ownership does not grow beyond its 78 per cent share.

If Yanzhou wanted to convert sufficient notes to grow its **stake** in Yancoal beyond 78 per cent, it would require approval from more than half of the minority shareholders.

Given Noble, which owns just over 13 per cent of Yancoal, has previously opposed attempts by Yanzhou to take Yancoal private, it appears unlikely that minority shareholders would approve such a conversion.

"As far as practicable, the holders of the ordinary shares in Yancoal to whom the [subordinated capital notes] are being offered, other than Yanzhou, do not have a reasonable and equal opportunity to participate in any benefits," the panel said in its findings.

The scathing response by the Takeovers Panel is at odds with the approval that independent directors of Yancoal gave the plan prior to it being announced on November 10.

The independent directors include Greg Fletcher, Dr Geoff Raby, Vince O'Rourke and Huaqiao Zhang and

The independent directors contacted on Monday declined to comment on the Panel's findings. In July 2013 Yanzhou offered the minority shareholders CHESS Depositary Receipts in its **Hong Kong** stock, which analysts said valued Yancoal shares at around 69¢ each.

Yancoal shares were fetching around 71¢ at the time, but in recent weeks have traded as low as 11¢.

The stock was unmoved at 14¢ on Monday.

Yancoal lost \$832 **million** in 2013 and a further \$192 **million** in the first six months of 2014 under depressed **coal** prices.

Yanzhou has vowed to ensure that the **company** remains solvent under a deal with the Australian government. The December 2013 agreement excused Yanzhou from having to reduce its **stake** in Yancoal below 70 per cent.

In a statement released to the ASX, Yancoal said it would consider the ruling before deciding whether to proceed with the raising.

"Yancoal is currently considering the Takeovers Panel's decision and its next steps," the **company** said.

Noble Group declined to comment on Monday.

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