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HD **Panel rebuffs Yancoal plan**  
BY Peter Ker  
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Resources - Minority shareholder concerns upheld

Troubled miner Yancoal's plan to raise \$US2.3 **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 was likely to be "highly dilutive".

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Loss-making Yancoal had sought to raise the \$US2.3 **billion** (\$2.79 **billion**) by issuing convertible notes, under a plan that would have used much of the money to repay debts owed to its 78 per cent shareholder Yanzhou **Coal**, of **China**.

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, and 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, and while the rights offer could still go ahead, Yanzhou could convert the notes into Yancoal shares only if its ownership did not grow beyond 78 per cent.

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

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

The scathing response by the Takeovers Panel is at odds with the approval independent directors of Yancoal - including Greg Fletcher, Dr Geoff Raby, Vince O'Rourke and Huaqiao Zhang - gave the plan before it was announced on November 10.

The independent directors contacted on Monday declined to comment about the panel's findings.

The ruling is a blow for Yanzhou, which has failed twice in 18 months to buy the 22 per cent of Yancoal it does not own.

Yancoal lost \$832 **million** last year and another \$192 **million** in the first six months of this year under depressed **coal** prices. Yanzhou has vowed to ensure the **company** remains solvent under a deal with the Australian government that excused Yanzhou from having to reduce its **stake** in Yancoal to less than 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. Noble Group declined to comment.

**CO** yaptyl : 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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