



SE Overseas
 HD Hony Capital Ups Stake in Australia-listed Oil Player
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LP [Hony Capital \(弘毅投資\)](#) will buy A\$500 million (US\$381 million) worth of shares in Australia-based oil and gas supplier Santos, as part of the company's bid to cut debt by raising A\$3.5 billion.

Santos is placing A\$500 million shares with [Hony Capital](#), which already has a 1.4% stake in the company at A\$6.80 per share, a 15% premium to recent closing price. This will increase Hony's stake to 7.9%. The Chinese group has agreed not to increase its total holding in Santos above 9.9% for a period of three months. The capital raising and private placement to Hony would help bolster Santos' defence against opportunistic bidders.

TD Santos is to bolster its balance sheet and fight off opportunistic bidders following the plunge in global oil prices.

It is also selling its 35% stake in the Kipper gasfield off the southern coast of Australia to Mitsui E&P Australia for A\$520 million.

The moves follow Santos's rejection last month of a A\$7.1 billion takeover bid from Scepter Partners, an investment group backed by Middle Eastern and Asian royalty and managed by former Blackstone bankers, which it said did not reflect fair value.

"The A\$3.5 billion of capital initiatives reinforce the Santos balance sheet and mark a significant step towards restoring long-term value for shareholders," said Peter Coates, Santos executive chairman.

Santos's sale of a near 10% stake to Hony would mean that Scepter would probably walk away. Under Australian takeover rules Scepter would need to secure 90% acceptance from shareholders to gain full control of the company.

Santos said it had appointed Kevin Gallagher, currently chief executive of Australian engineering services group Clough, as its managing director and chief executive. Mr Gallagher will take the helm early in 2016, subject to agreement on a release date with Clough.

Santos owns 30% of a US\$18.5 billion LNG plant in Queensland that recently began production, and a smaller stake in another US\$19 billion [Exxon Mobile](#)-led development in Papua New Guinea.

Investors became nervous about Santos's net debt, which stood at A\$8.8 billion at the end of June, when returns from its oil and gas operations began declining as commodity prices collapsed. Santos's net profit fell 82% to A\$37 million in the six months through June from the same period a year earlier.

CO hnycp : Hony Capital (Beijing) Co., Ltd. | sants : Santos Ltd | legndh : Legend Holdings Ltd

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