Chinese firms face hurdles in Australia

BEIJING, March 25 -- The Australian government has decided to extend its review of two other Chinese firms' investments in the country's miners just one week after a similar extension was granted to examine Aluminum Corp of China's (Chinalco's) investment in Rio Tinto.

The country's Foreign Investment Review Board announced that it would extend its probe of the takeover of OZ Minerals by China's Minmetals by as long as 90 days from March 24, OZ Minerals said on Monday.

The Minmetals Corp, China's largest metal trader, last month proposed to buy the Australian mining firm for A$2.6 billion ($1.7 billion) in cash to ensure adequate supplies of non-ferrous metals. The Melbourne-based company operates zinc, lead, copper, gold and silver mines in Australia and overseas.

OZ Minerals said it understands the requirement for proper processes to be followed. "It is in the interests of OZ Minerals, its shareholders, employees and all its stakeholders that Minmetals' application is determined as soon as possible," it said.

The company has asked its lenders to extend a March 31 debt deadline to Sept 15 to give it time to conclude the deal. If the takeover fails, OZ will be unable to refinance $1.3 billion in debt. Minmetals said yesterday it was "optimistic" it would win approval for the bid from Australia.

Bloomberg quoted Wang Jionghui, general manager of the mineral resources division at Minmetals, as saying that the obstacles to overseas investments would fall because mining companies need capital.

The Review Board announced last Thursday that it would extend its review of Fortescue's planned sale of a stake to China's Hunan Valin Iron and Steel for up to 30 days.

Fortescue said it remains confident that the structure of the share subscription agreement will enable Valin to obtain government approval. Valin plans to pay about $770 million for a 16.5 percent stake in Fortescue under a deal announced last month.

A steep fall in the prices of key resources, triggered by the global economic downturn, has provided opportunities for Chinese companies to make overseas investments, analysts said. But such intensive acquisitions may rouse public as well as government concerns at the destination countries.

(Source: China Daily)