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# **新奥能源控股有限公司**

## **ENN Energy Holdings Limited**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2688)**

*(Website: [www.ennenergy.com](http://www.ennenergy.com))*

**CONNECTED TRANSACTIONS -  
DISPOSAL OF EQUITY INTERESTS IN BEIHAI AND QINSHUI  
AND  
CONTINUING CONNECTED TRANSACTION -  
MASTER LNG SUPPLY AGREEMENT**

### **SALE AND PURCHASE AGREEMENTS**

The Board announces that on 15 August 2014, ENN China Gas entered into the Sale and Purchase Agreements with Xinneng, pursuant to which ENN China Gas agreed to sell and Xinneng agreed to purchase the Target Interest for a total consideration of RMB229,990,000 on and subject to the terms and conditions of the Sale and Purchase Agreements.

Xinneng is a wholly-owned subsidiary of Hebei Veyong, an associate of Mr. Wang and therefore Xinneng is a connected person of the Company and the transactions contemplated under the Sale and Purchase Agreements hence constituted connected transaction for the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules exceed 0.1% but less than 5%, the Disposal is only subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing

Rules.

## **MASTER LNG SUPPLY AGREEMENT**

The Board also announces that on 15 August 2014, the Company entered into the Master LNG Supply Agreement with Hebei Veyong for a term commencing from 15 August 2014 and expiring on 31 December 2016, pursuant to which Hebei Veyong will supply LNG products to the Group.

As at the date of this announcement, Mr. Wang is a substantial shareholder of the Company holding approximately 30.11% of the issued share capital of the Company and is therefore a connected person of the Company. As Mr. Wang is interested so as to exercise or control the exercise of 30% or more of the voting power at the general meetings of Hebei Veyong, such company is an associate of Mr. Wang and thus a connected person of the Company. The entering into of the Master LNG Supply Agreement therefore constituted a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As all applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the annual caps for the transaction contemplated under the Master LNG Supply Agreement are more than 0.1% but are less than 5% on an annual basis, such transaction is subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **SALE AND PURCHASE AGREEMENTS**

On 15 August 2014, ENN China Gas entered into the Sale and Purchase Agreements with Xinneng, pursuant to which ENN China Gas agreed to sell and Xinneng agreed to purchase the Target Interest for a total consideration of RMB229,990,000 on and subject to the terms and conditions of the Sale and Purchase Agreements. The principal terms of the Sale and Purchase Agreements are summarised as follows:

### **Date**

15 August 2014

### **Parties**

Vendor: ENN China Gas

Purchaser: Xinneng

## Assets to be disposed of

The Target Interest, being 45% equity interest in Beihai and 100% equity interest in Qinshui owned by ENN China Gas.

### *Financial information of Beihai*

The principal businesses of Beihai are in the operation of LNG processing plant and sales of LNG products. Set out below is the audited financial information of Beihai for the two financial years ended 31 December 2012 and 31 December 2013, and unaudited financial information of Beihai for the six-month ended 30 June 2014:

	For the year ended 31 December		For the six-month ended 30 June
	2012 (audited) RMB'000	2013 (audited) RMB'000	2014 (unaudited) RMB'000
Revenue	70,944	64,777	29,016
Profit before tax	15,556	6,514	264
Profit/(loss) after tax	15,556	5,537	(214)

As at 30 June 2014, the unaudited carrying value of the equity interest in Beihai as a joint venture was approximately RMB67 million.

### *Financial information of Qinshui*

The principal businesses of Qinshui are in the operation of LNG processing plant and sales of LNG products. Set out below is the audited financial information of Qinshui for the two financial years ended 31 December 2012 and 31 December 2013, and the unaudited financial information for the six-month ended 30 June 2014:

	For the year ended 31 December		For the six-month ended 30 June
	2012 (audited) RMB'000	2013 (audited) RMB'000	2014 (unaudited) RMB'000
Revenue	121,250	185,925	144,174

Profit before tax	18,002	22,695	15,179
Profit after tax	15,302	19,291	12,902

As at 30 June 2014, the unaudited net asset value of Qinshui was approximately RMB125 million.

### **Consideration and Payment Terms**

The Consideration payable by Xinneng to ENN China Gas for the Target Interest is RMB229,990,000 and shall be satisfied in the following manner:

- (a) the first installment of RMB114,995,000 will be settled by cash within 10 working days from the effective date of the Sale and Purchase Agreements; and
- (b) the remaining balance of RMB114,995,000 will be settled by cash within 60 working days from the completion of registration of change of business and tax license.

The benchmark date in respect of the transfer of the Target Interest is 30 June 2014 (the “**Benchmark Date**”). The Consideration may be subject to adjustment in the event any gain or loss attributable to the Target Interest incurred from the Benchmark Date to the completion date of the Sale and Purchase Agreements.

The consideration was arrived at after arm’s length negotiation between the parties to the Sale and Purchase Agreements by making reference to the valuation report prepared by an independent valuer. ENN China Gas agreed to sell and Xinneng agreed to purchase the Target Interest for a consideration of RMB229,990,000 which represented a premium of 2.22% over the appraised value and a premium of 20% over the net assets value as at 30 June 2014 of the Target Interest.

### **Conditions Precedent**

The taking effect of the Sale and Purchase Agreements are conditional upon satisfaction of the following conditions:

- a. the signing of the Sale and Purchase Agreements by the parties thereto;
- b. the approval of the Sale and Purchase Agreements by the parties to the Sale and Purchase Agreements (including but not limited to approval by the shareholders (if applicable)); and
- c. receipt of the approval documents from the relevant government authorities in relation to the

transfer of the Target Interest.

## **Completion**

Completion of the Sale and Purchase Agreements shall take effect from the date of the completion of the State Administration of Industry and Commerce registration of the transfer of the Target Interest.

## **Financial effects of the Disposal**

Upon Completion, the Company will cease to have any equity interests in the operating LNG processing plants located at Beihai and Qinshui respectively, and they will cease to be a joint venture and a subsidiary of the Company.

The Company will record a book gain of approximately RMB38 million as a result of the Disposal, being the difference between the consideration and the net assets value of the Target Interest as at Completion. The net proceeds from the Disposal will be used by the Group as general working capital and allocated to the downstream businesses of the Group where its core competence lies.

## **Reasons for and the benefits of entering into the Sales and Purchase Agreements**

The Company constructed and operated its own domestic LNG processing plants to secure natural gas source in early 2000 as the gas supplying infrastructure was not well-established, gas shortage was a prominent problem in the downstream distribution sector at that time. In recent years, however, numbers of long-distance natural gas pipelines and LNG receiving terminals have commenced operation, relieving the gas supply bottleneck significantly, the Company could then utilise the mature pipeline network and imported LNG to supply natural gas to its downstream users, thus, the importance of operating its own LNG processing plants to the Company has diminished substantially.

In addition, there is a growing number of market participants entering into the LNG processing industry, LNG supply is believed to be more abundant and pricing to be more competitive. The Board believes re-allocating the resources that the Company has been spending on operating the LNG processing plants to its core downstream businesses, is in line with the Company's overall strategy.

The Board (including the independent non-executive Directors) is of the opinion that the Sales and Purchase Agreements were entered into on normal commercial terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## MASTER LNG SUPPLY AGREEMENT

On 15 August 2014, the Company entered into the Master LNG Supply Agreement with Hebei Veyong for a term commencing from 15 August 2014 and expiring on 31 December 2016, pursuant to which Hebei Veyong will supply LNG products to the Group. The principal terms of the Master LNG Supply Agreement are summarised as follows:

- Date** : 15 August 2014
- Parties** : (a) the Company; and  
(b) Hebei Veyong
- Term** : From 15 August 2014 to 31 December 2016
- Subject Matter** : Upon request from the Group, Hebei Veyong will supply LNG products to the Group, whereby:
- (a) without breach of any relevant laws, rules and regulations, Hebei Veyong agreed to supply LNG products to the Company prior to a third party purchaser under the same condition; and
  - (b) without breach of any relevant laws, rules and regulations, the Company agreed to purchase LNG products from Hebei Veyong prior to a third party supplier under the same condition.
- Fee and Payment terms** : The fees payable by the Group to the Hebei Veyong for the LNG products will be on normal commercial terms determined by the market price with reference to the market price of LNG quoted from some well-recognised gas market information websites in PRC, in which the market price of LNG quoted therein is the average price of various public quotations confirmed by various LNG processing plants in the PRC.

The fees shall be prepaid to the designated account of Hebei Veyong before the supply of LNG products was delivered.

## **Proposed Annual Caps**

It is anticipated that the amount of fees payable by the Group to the Hebei Veyong under the Master LNG Supply Agreement for each of the financial years ending 31 December 2014, 2015 and 2016 will not exceed the following amount respectively:

<b>Financial year ending 31 December</b>		
<b>2014</b>	<b>2015</b>	<b>2016</b>
RMB167,599,000	RMB299,205,000	RMB274,271,000

The above annual caps are determined with reference to the estimated annual LNG supply volume to the Group from Hebei Veyong in such periods multiplied by the current market price of LNG products, and taking into account of inflation factor and the historical figures. The estimated annual LNG supply volume is determined with reference to the daily production capacity of the LNG processing plants, the estimated LNG conversion ratio, the estimated number of operating days and the estimated percentage of the plant's production sold to the Group.

The Directors (including the independent non-executive Directors) consider that the proposed annual caps above are fair and reasonable.

## **Reasons for and benefits of the entering into of the Master LNG Supply Agreement**

Before the Disposal, the LNG processing plant located in Qinshui has been providing LNG supply to the Group since its start of operation in 2009. The LNG supply constitutes one of the sources for the Company to develop its downstream natural gas sale and distribution business. The entering into of the Master LNG Supply Agreement ensures that part of the Company's downstream business which has been receiving gas from Qinshui would remain unaffected and does not need to seek other source of natural gas upon completion of the Disposal. The aggregate fees paid by the Group to Qinshui amounted to RMB104,563,000, RMB137,013,000, RMB209,735,000 and RMB193,826,403 in respect of the financial years ended 31 December 2011, 2012, 2013 and seven months from January to July in 2014 respectively.

Qinshui had been a wholly owned subsidiary of the Company before it was disposed to Hebei Veyong upon the Completion. Since such Disposal, Qinshui becomes a wholly owned subsidiary of the Hebei Veyong and is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

In view of the abovementioned merits, the Company considers that the entering into of the Master LNG Supply Agreement is necessary to guarantee the stability of LNG supply upon the completion of the Disposal of the Target Interest.

The Board (including the independent non-executive Directors) is of the opinion that the Master LNG Supply Agreement was entered into on normal commercial terms that are fair and reasonable and in the interests of the Company and the shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

### **The Sale and Purchase Agreements**

As at the date of this announcement, Mr. Wang is a substantial shareholder of the Company holding approximately 30.11% of the issued share capital of the Company and is therefore a connected person of the Company. As Mr. Wang is interested so as to exercise or control the exercise of 30% or more of the voting power at the general meetings of Hebei Veyong, such company is an associate of Mr. Wang and thus a connected person of the Company. As Xinneng is a wholly-owned subsidiary of Hebei Veyong, the entering into of the Sale and Purchase Agreements therefore constituted connected transaction of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules exceed 0.1% but less than 5%, the Disposal is only subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As Mr. Wang, being the Director, is deemed to be interested in the shares of the Hebei Veyong and therefore has a material interest in the Sale and Purchase Agreements and the transactions contemplated thereunder, he had therefore abstained from voting on the board resolutions approving the Sale and Purchase Agreements. Further, Mr. Wang Zizheng, being the Directors and the son of Mr. Wang, had also abstained from voting on the board resolutions approving the Sale and Purchase Agreements.

### **Master LNG Supply Agreement**

As at the date of this announcement, Mr. Wang is a substantial shareholder of the Company holding approximately 30.11% of the issued share capital of the Company and is therefore a connected person of the Company. As Mr. Wang is interested so as to exercise or control the exercise of 30% or more of the voting power at the general meetings of Hebei Veyong, such company is an associate of



Mr. Wang and thus a connected person of the Company. The entering into of the Master LNG Supply Agreement therefore constituted a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As all applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the annual caps for the transaction contemplated under the Master LNG Supply Agreement are more than 0.1% but are less than 5% on an annual basis, such transaction is subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As Mr. Wang, being the Director, is deemed to be interested in the shares of Hebei Veyong and therefore has a material interest in the Master LNG Supply Agreement and the transactions contemplated thereunder, he had therefore abstained from voting on the board resolutions approving the Master LNG Supply Agreement. Further, Mr. Wang Zizheng, being the Directors and the son of Mr. Wang, had also abstained from voting on the board resolutions approving the Master LNG Supply Agreement.

## **GENERAL INFORMATION**

The principal activity of the Company is investment holding. The Group is principally engaged in gas supply business in the PRC, including but not limited to the sales of piped gas, gas connection, construction and operation of vehicles gas refuelling stations, wholesale of gas, sales of other energy and sales of gas appliances and materials.

The principal businesses of Xinneng are coal mining and sales of mines.

The principal businesses of the Hebei Veyong are principally engaged in the coal, coal-based chemical and bio-chemical businesses.

## **DEFINITIONS**

Unless the context otherwise requires, the following terms shall have the meanings set out below:-

"associate" has the meaning ascribed to it under the Listing Rules

"Beihai" CNOO Xinao (Beihai) Gas Company Limited\*(中海油新奥(北海)燃氣有限公司), a company incorporated in the PRC with limited

liability and a joint venture of the Company

"Board"	the board of Directors
"Company"	ENN Energy Holdings Limited (新奧能源控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	RMB229,990,000, being the total consideration for the sale and purchase of the Target Interest
"Director(s)"	the director(s) of the Company
"Disposal"	the disposal of the Target Interest by ENN China Gas to Xinneng on and subject to the terms and conditions of the Sale and Purchase Agreements
"ENN China Gas"	ENN China Gas Investment Company Limited*(新奧(中國)燃氣投資有限公司), a company incorporated in the PRC with limited liability and a wholly owned subsidiary of the Company
"Group"	the Company and its subsidiaries from time to time
"Hebei Veyong"	Hebei Veyong Bio-Chemical Co., Ltd (河北威遠生物化工股份有限公司), a company incorporated in PRC with limited liability, the shares of which are listed on The Shanghai Stock Exchange with the stock code of 600803.SH. Hebei Veyong is an associate of Mr. Wang in which he is entitled to control the exercise of 30% or more of the voting power at the general meetings of Hebei Veyong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"LNG"	Liquefied Natural Gas
"Master LNG Supply Agreement"	the master LNG supply agreement dated 15 August 2014 entered into between the Company and Hebei Veyong for a term commencing from 15 August 2014 and expiring on 31 December 2016
"Mr. Wang"	Mr. Wang Yusuo (王玉鎖), the chairman, an executive Director and a substantial shareholder of the Company as at the date of this announcement
"PRC"	the People's Republic of China and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
"Qinshui"	Shanxi Qinshui Xinao Gas Company Limited*(山西沁水新奧燃氣有限公司), a company incorporated in the PRC with limited liability and a wholly owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreements"	(a) the sale and purchase agreement dated 15 August 2014 entered into between ENN China Gas (as the vendor) and Xinneng (as the purchaser) in relation to the sale and purchase of the 45% equity interest in Beihai (b) the sale and purchase agreement dated 15 August 2014 entered into between ENN China Gas (as the vendor) and Xinneng (as the purchaser) in relation to the sale and purchase of the 100% equity interest in Qinshui
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules
"Target Interest"	45% equity interest in Beihai and 100% equity interest in Qinshui owned by ENN China Gas

“Xinneng” Xinneng Mining Company Limited\*(新能礦業有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Hebei Veyong

"%" per cent.

*\*For identification purpose only*

By order of the Board  
**ENN Energy Holdings Limited**  
**Ms. WONG Chui Lai**  
*Company Secretary*

Hong Kong, 15 August 2014

As at the date of this announcement, the Board comprises the following Directors:

*Executive Directors:*

*Mr. Wang Yusuo (Chairman)*

*Mr. Cheung Yip Sang (Vice Chairman)*

*Mr. Yu Jianchao*

*Mr. Han Jishen (President)*

*Mr. Wang Dongzhi (Chief Financial Officer)*

*Non-executive Directors:*

*Mr. Wang Zizheng*

*Mr. Jin Yongsheng*

*Mr. Lim Haw Kuang*

*Independent Non-executive Directors:*

*Mr. Wang Guangtian*

*Ms. Yien Yu Yu, Catherine*

*Mr. Ma Zhixiang*

*Mr. Yuen Po Kwong*

*Mr. Law Yee Kwan, Quinn*