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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)

CONNECTED TRANSACTIONS IN RELATION TO EQUITY TRANSFER AND FORMATION OF A JOINT VENTURE COMPANY IN PRC

The Board announced that, on 8 January 2016, the Company has entered into two agreements (as further detailed below) in order to conduct pilot projects in electricity sales business in Kunming High Tech Zone located in Yunnan and Zhaoqing New Zone located in Guangdong, so as to diversify the revenue stream of the Group's core downstream business by exploring a new business segment.

1. EQUITY TRANSFER AGREEMENT

Xinao Gas Development (a wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreement with Xinao Guangdong, pursuant to which Xinao Gas Development agrees to sell, and Xinao Guangdong agrees to purchase 40% of the equity interest in Zhaoqing Xinao at a cash consideration of RMB12,000,000 in accordance with the terms and conditions of the agreement.

As at the date of this announcement, Zhaoqing Xinao is owned as to 70% by Xinao Gas Development and 30% by Zhaoqing Investment. Upon completion of the Disposal, Zhaoqing Xinao will be owned as to 40% by Xinao Guangdong, 30% by Xinao Gas Development and 30% by Zhaoqing Investment. The Group expects to record a book gain of approximately RMB2,868,000 from the Disposal.

2. JOINT VENTURE AGREEMENT

Xinao Gas Development (a wholly-owned subsidiary of the Company), Xinao Energy Services and Yunnan Investment Group entered into a Joint Venture Agreement for the formation of a Joint Venture Company. The Joint Venture Company will be, among other things, engaged in the sale and supply of electricity, investment and construction of

electricity projects and power grids as well as operation and management of invested projects, EPC, and consulting services for integrated energy conservation and electricity utilization in Kunming High Tech Zone located in Yunnan.

Pursuant to the Joint Venture Agreement, the total registered capital of the Joint Venture Company shall be RMB200,000,000. Accordingly, Xinao Gas Development shall contribute RMB68,000,000 (representing 34% of the registered capital of the Joint Venture Company) in cash, Xinao Energy Services shall contribute RMB30,000,000 (representing 15% of the registered capital of the Joint Venture Company) in cash and Yunnan Investment Group shall contribute RMB102,000,000 (representing 51% of the registered capital of the Joint Venture Company) in cash.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Xinao Energy Services is a company of which Mr. Wang (an executive Director and Substantial Shareholder of the Company) and his associates have the right to exercise, or, control the exercise of 30% or more of the voting power at any general meeting, while Xinao Guangdong is a wholly-owned subsidiary of Xinao Energy Services. Accordingly, Xinao Energy Services and Xinao Guangdong constitute connected persons of the Company under the Listing Rules, and the Transactions also constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Under Rule 14A.81 of the Listing Rules, the Transactions have been aggregated. Since certain applicable percentage ratios under the Listing Rules, in aggregate, are higher than 0.1% but lower than 5%, the Transactions were subject to the reporting and announcement requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

1. EQUITY TRANSFER AGREEMENT DATED 8 JANUARY 2016

Parties

Seller: Xinao Gas Development (a wholly-owned subsidiary of the Company)

Purchaser: Xinao Guangdong (a connected person of the Company)

Equity interest to be disposed of

Xinao Gas Development agrees to sell, and Xinao Guangdong agrees to purchase the Target Equity Interest, being 40% of the equity interest in Zhaoqing Xinao. Out of the RMB12,000,000 registered capital in Zhaoqing Xinao attributable to the Target Equity Interest, RMB11,000,000 remains unpaid as at the date of this announcement.

Financial information about Zhaoqing Xinao

Established in October 2013, Zhaoqing Xinao started operation in the second half of 2015. It is principally engaged in the investment and operation of Distributed Energy (分佈式能源) projects as well as the operation of Smart Energy Networks (泛能網) and Micro Grids (泛能微網) in Zhaoqing New Zone located in Guangdong.

Set out below are the audited financial information of Zhaoqing Xinao for the three months ended 31 December 2013 (since incorporation of Zhaoqing Xinao) and the financial year ended 31 December 2014, as well as the unaudited financial information of Zhaoqing Xinao for the eleven months ended 30 November 2015, respectively:

	3 months ended 31 December 2013 (Audited) RMB'000	Year ended 31 December 2014 (Audited) RMB'000	11 months ended 30 November 2015 (Unaudited) RMB'000
Revenue	-	-	3,915
Loss before tax	(2,651)	(2,724)	(1,795)
Loss after tax	(2,651)	(2,724)	(1,795)

As at 30 November 2015, the unaudited net assets of Zhaoqing Xinao amounted to approximately RMB22,830,000.

Consideration and payment terms

Xinao Guangdong shall pay Xinao Gas Development a Consideration of RMB12,000,000 for the transfer of the Target Equity Interest, out of which, RMB6,000,000 will be payable in cash within 15 days of the entering into of the Equity Transfer Agreement and the remaining amount will be payable to Xinao Gas Development within 3 years from the date of the Equity Transfer Agreement in three equal installments in cash; the timing shall be negotiated and determined by three shareholders of Zhaoqing Xinao.

The Consideration was determined after both parties conducted arm's length negotiation based upon the contribution percentage of Xinao Gas Development in Zhaoqing Xinao's registered capital.

Payment of registered capital

Xinao Guangdong is not required to make contribution to Zhaoqing Xinao subsequent to the transfer of the Target Equity Interest. The unpaid contributions will be paid to Zhaoqing Xinao within 3 years from the date of the Equity Transfer Agreement in three equal installments in cash. The detailed timing of contributions will be determined by shareholders of Zhaoqing Xinao representing more than two-third of the voting rights in the general meeting by way of resolutions.

Completion date

The completion date of the Equity Transfer Agreement will be the date on which the change of industrial and commercial registration is completed.

Financial impact of the Disposal and proposed use of proceeds

Upon completion of the Disposal, the Group will cease to own the Target Equity Interest and Zhaoqing Xinao will become an affiliated company indirectly owned by the Company as to 30% and no longer be a subsidiary of the Company. Its results will be accounted for in the Group's consolidated financial statements using the equity method.

Out of the proceeds from the Disposal, RMB11,000,000 will be used for paying on behalf of Xinao Guangdong for the registered capital in Zhaoqing Xinao attributable to the Target Equity Interest, while the remaining RMB1,000,000 (after deducting any necessary costs) will be used by the Group as general working capital.

The Group expects to record a book gain of approximately RMB2,868,000 from the Disposal, being the difference between the unaudited net assets of Zhaoqing Xinao as at 30 November 2015 attributable to the Target Equity Interest and the Consideration.

Shareholding and governance structure of Zhaoqing Xinao

The following table shows the shareholding structure of Zhaoqing Xinao (i) as at the date of this announcement; and (ii) immediately after the Disposal:

	As at the date of this announcement:		Immediately after the Disposal:	
	Capital contributed or to be contributed	% of equity interest	Capital contributed or to be contributed	% of equity interest
	RMB'000		RMB'000	
Xinao Gas Development	21,000	70%	9,000	30%
Zhaoqing Investment	9,000	30%	9,000	30%
Xinao Guangdong	-	-	12,000	40%
Total	<u>30,000</u>	<u>100%</u>	<u>30,000</u>	<u>100%</u>

The general meeting of Zhaoqing Xinao comprises of all its shareholders and is the highest authority. All decisions of the general meeting of Zhaoqing Xinao must be approved by its shareholders representing more than two-third of the voting rights, except that resolutions in relation to an investment by Zhaoqing Xinao in other enterprise or the provision of a guarantee by Zhaoqing Xinao to other party or its shareholder or its de facto controller shall be subject to the approval by other shareholders of Zhaoqing Xinao who are present at the general meeting and holding more than half of the voting rights.

The board of directors of Zhaoqing Xinao shall consist of seven members. Xinao Guangdong, Xinao Gas Development and Zhaoqing Investment shall have the right to appoint two directors, three directors and two directors of Zhaoqing Xinao respectively. The chairman of the board of directors of Zhaoqing Xinao shall be appointed by Xinao Guangdong.

Zhaoqing Xinao has two supervisors. Xinao Gas Development and Zhaoqing Investment shall each appoint one supervisor.

2. JOINT VENTURE AGREEMENT DATED 8 JANUARY 2016

The Joint Venture Company will be engaged in, among other things, the sale and supply of electricity, investment and construction of electricity projects and power grids as well as operation and management of the invested projects, EPC, and consulting services for integrated energy conservation and electricity utilization in Kunming High Tech Zone located in Yunnan.

Set out below are the principal terms of the Joint Venture Agreement:

Date: 8 January 2016

Parties: Xinao Gas Development (a wholly-owned subsidiary of the Company);
Xinao Energy Services (a connected person of the Company); and
Yunnan Investment Group (the partner of an existing affiliated company of the Company).

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiry, Yunnan Investment Group and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

Percentage of equity interest in the Joint Venture Company:	Xinao Gas Development	– 34%
	Xinao Energy Services	– 15%
	Yunnan Investment Group	– 51%

Registered capital: The total registered capital of the Joint Venture Company shall be RMB200,000,000. Accordingly, Xinao Gas Development shall contribute RMB68,000,000 (representing 34% of the registered capital of the Joint Venture Company) in cash, Xinao Energy Services shall contribute RMB30,000,000 (representing 15% of the registered capital of the Joint Venture Company) in cash and Yunnan Investment Group shall contribute RMB102,000,000 (representing 51% of the registered capital of the Joint Venture Company) in cash.

Their investment amounts were determined by each parties after having considered factors including the Joint Venture Company's shareholder structure, the expertise and technology required, and financial resources of each party.

Capital contribution schedule:

1. Within 90 days after the obtaining of a business license by the Joint Venture Company, Xinao Gas Development shall contribute RMB13,600,000, Xinao Energy Services shall contribute RMB6,000,000, and Yunnan Investment Group shall contribute

RMB20,400,000;

2. The remaining capital contributions shall be paid up within five years. The detailed timing and the amount shall be determined by the parties through negotiations.

The contribution by Xinao Gas Development shall be funded by its own internal resources.

Business scope of the Joint Venture Company:

among other things, the sale and supply of electricity, investment and construction of electricity projects and power grids as well as operation and management of invested projects, EPC and consulting services for integrated energy conservation and electricity utilization.

Operating period of the Joint Venture Company:

30 years from the date on which the Joint Venture Company obtains a business license and is renewable in accordance with the laws and regulations of the PRC.

Board of directors and supervisory committee of the Joint Venture Company:

The board of directors of the Joint Venture Company shall consist of seven members. Yunnan Investment Group, Xinao Gas Development and Xinao Energy Services shall have the right to nominate four directors, two directors and one director respectively as candidates for the directors of the Joint Venture Company. The chairman of the board of directors of the Joint Venture Company shall be appointed by Yunnan Investment Group, while the vice-chairman shall be appointed by Xinao Gas Development.

The supervisory committee of the Joint Venture Company shall have three supervisors. Yunnan Investment Group and Xinao Gas Development shall each nominate a candidate for the supervisor. An employee supervisor shall be nominated from the employees of the Joint Venture Company as determined and negotiated by the three parties to the Joint Venture Agreement.

Transfer of equity interest:

Unless with the consent of the other two parties to the Joint Venture Agreement and approval of the approval authority, any one party to the Joint Venture Agreement may not transfer all or part of its equity interest in the Joint Venture Company to the other parties that are not parties to the Joint Venture Agreement. If a party to the Joint Venture Agreement transfers all or part of its equity interest in the Joint Venture Company to other parties that are not parties to the Joint Venture Agreement, the other two parties to the Joint Venture Agreement shall have pre-emptive rights on terms not harsher than terms of transfer to the other parties that are not parties to the Joint Venture Agreement. Where the articles of association of the Joint Venture Company

provide for the transfer of equity interest otherwise, such provisions shall be followed.

In order to align with the requirements of restructuring state-owned enterprises in Yunnan province, the parties to the Joint Venture Agreement agree that according to the requirements of State-owned Assets Supervision and Administration Commission of the Yunnan Provincial Government of the PRC, Yunnan Investment Group shall provide no more than 3% equity interest in the Joint Venture Company, while Xinao Gas Development and Xinao Energy Services shall provide a total of no more than 3% equity interest in the Joint Venture Company (the three parties to the Joint Venture Agreement shall provide a total of no more than 6% equity interest in the Joint Venture Company), to support the restructuring of state-owned enterprises. The specific method of transfer shall be based upon the net assets value or market assessment price according to the equity interest percentage in the Joint Venture Company. The specific proposal shall be decided by the board of directors of the Joint Venture Company.

After formation of the Joint Venture Company, the Joint Venture Company will become an affiliated company of the Company. Its results will be accounted for in the Group's consolidated financial statements using the equity method.

REASONS FOR, AND BENEFITS OF, THE TRANSACTIONS

In November 2015, the National Development and Reform Commission (“NDRC”) of the PRC and the National Energy Administration (“NEA”) officially published six supportive documents on the reform of the electricity regime in the PRC, including the “Implementation Proposal for Promoting Power Transmission and Distribution Pricing Reform”, to further promote the liberalization of electricity sales market, encourage private enterprises to invest in the establishment of electricity sales entities, and at the same time encourage water suppliers, gas suppliers, heating suppliers and other public utility service providers and energy-saving solution companies to engage in the electricity sales business. Electricity consumption by commercial and industrial users in 2014 amounted to 4.73 trillion kilowatt hours and the estimated revenue from the downstream retail sales market of electricity exceeds RMB2 trillion; such vast market is being gradually opened up by the PRC.

On 9 November and 9 December 2015, Yunnan province and Guangdong province were officially approved by the NDRC and NEA as pilot projects for electricity market reform respectively. In light of the favorable policies giving rise to opportunity from the liberalization of electricity sales market, the Group proposed to explore and enter into the electricity sales business in Kunming High Tech Zone in Yunnan and Zhaoqing New Zone in Guangdong as pilot projects through the Transactions.

The Group has been engaged in the PRC downstream gas distribution business for many years, has accumulated large customer resources, established a sound management and customer service platform. The Group has exclusive citygas operation rights in Kunming High Tech Zone and Zhaoqing New Zone. For this reason, the Company expects to, by bringing into full play the existing resources of citygas operations in these two regions, to engage in electricity sales business which is customer service oriented, so as to maximize the utilization rate of the Group's resources and facilities, and to enhance the Group's operational efficiency. Engaging in electricity sales business helps diversify the Group's revenue stream

with limited capital investment; this is in line with the Group's intention to seek new growth drivers in a prudent manner. Moreover, the Group may also take advantage of the capability of combined sales of gas and electricity to tailor-make integrated energy usage solutions for customers, thereby, reducing their overall energy consumption cost and enhancing energy usage efficiency, facilitating the cultivating of new customers and development of the Group's downstream business.

The commencement of the electricity sales business requires highly specialized technical standards and professional teams, as well as intelligent dispatching capabilities to ensure secured and stable use of energy in the region. Xinao Energy Service (an associate of Mr. Wang) has the required expertise, experienced teams and technological know-how having engaged in provision of energy technology services including converting gas efficiently to cooling, heating and electricity to clients' need, establish and plan power grid and dispatch system in the projects since 2010. Thus, it possesses good track record in designing and operating demonstrative smart energy networks projects which are recognized by the PRC government. In December 2015, Xinao Guangdong successfully obtained the electricity sales license in Guangdong province. Since the Group does not have the required technological know-how and related experience, the Company believes that partnering with Mr. Wang's associates will enable Zhaoqing Xinao and the Joint Venture Company to obtain the electricity sales license and technological know-how that are essential for their businesses.

Electricity sales is a new business segment for the Group, the equity investment by Mr. Wang's associates is in the interests of the Group as each investing party shall share the risks and returns of the business. Xinao Energy Service has been providing technological services to the Group to support to the Group's Distributed Energy projects since 2010, hence, Xinao Energy Service and the Group have experience of cooperation for many years in the relevant fields, and established good understanding of the Group's business needs. The Group expects that cooperating and developing the new electricity sales business with Xinao Energy Service will reap greater synergies.

INFORMATION OF YUNNAN INVESTMENT GROUP, XINAO GUANGDONG AND XINAO ENERGY SERVICES

Yunnan Investment Group is currently a wholly state-owned enterprise which engaged in investment, financing and other services. It has good social resources and influence.

Xinao Energy Services is currently mainly engaged in the provision of services for consulting, planning, designing and building of energy systems, as well as overall solutions to the development of clean energy in the PRC.

Xinao Guangdong is currently mainly engaged in the investment in, as well as construction, operation and management of electricity projects and power grids in the PRC.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Xinao Energy Services is a company of which Mr. Wang (an executive Director and Substantial Shareholder of the Company) and his associates have the right to exercise or control the exercise of 30% or more of the voting power at any general meeting, while Xinao Guangdong is a wholly-owned subsidiary of Xinao Energy Services. Accordingly, Xinao Energy Services and Xinao Guangdong constitute connected

persons of the Company under the Listing Rules, and the Transactions also constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Under Rule 14A.81 of the Listing Rules, the Transactions have been aggregated. Since certain applicable percentage ratios under the Listing Rules, in aggregate, are higher than 0.1% but lower than 5%, the Transactions were subject to the reporting and announcement requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Except that the five Directors, namely (i) Mr. Wang who is deemed to be interested in the equity interest of Xinao Energy Services and Xinao Guangdong; (ii) Mr. Wang Zizheng as Mr. Wang's son; and, (iii) Mr. Cheung Yip Sang, Mr. Jin Yongsheng and Mr. Han Jishen who are directors of Xinao Energy Services, have abstained from voting on the relevant resolutions of the Board, none of the Directors have a material interest in the Transactions and are required to abstain from voting on the relevant resolutions of the Board.

The Board, including the independent non-executive Directors, is of the view that such Transactions are conducted at arm's length negotiations on normal commercial terms or better and in the ordinary and usual course of business of the Group, and that such terms are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

GENERAL

The Company's principal business is investment holding. The Group is principally engaged in the gas supply business in the PRC, including but not limited to sales of piped gas, gas connection, construction and operation of vehicle gas refuelling stations, wholesale of gas, miscellaneous energy sales as well as sales of gas appliances and materials.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	ENN Energy Holdings Limited, 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”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration of RMB12,000,000 for the transfer of the Target Equity Interest
“Director(s)”	the director(s) of the Company

“Disposal”	the disposal of the Target Equity Interest by Xinao Gas Development to Xinao Guangdong under the terms of the Equity Transfer Agreement
“EPC”	energy performance contracting (合同能源管理)
“Equity Transfer Agreement”	the equity transfer agreement dated 8 January 2016 between Xinao Gas Development and Xinao Guangdong
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Joint Venture Agreement”	the joint venture agreement dated 8 January 2016 between Xinao Gas Development, Xinao Energy Services and Yunnan Investment Group
“Joint Venture Company”	Yunnan Yuntou Xinao Electricity Sales Limited* (雲南雲投新奧售電有限公司) (This is provisional name. The company name finally registered with the industrial and commercial administrative department shall prevail)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wang”	Mr. Wang Yusuo, the chairman, an executive Director and a Substantial Shareholder of the Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement, does not include Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder”	has the meaning ascribed to it under the Listing Rules
“Target Equity Interest”	RMB12,000,000 registered capital in Zhaoqing Xinao, being 40% of the equity interest in Zhaoqing Xinao
“Transactions”	transactions under the Equity Transfer Agreement and the Joint Venture Agreement
“Xinao Energy Services”	Xinao Energy Services Company Limited* (新奧能源服務有限

		公司), a company incorporated in the PRC with limited liability
“Xinao Gas Development”	Gas	Xinao Gas Development Company Limited* (新奧燃氣發展有限公司), a company incorporated in the PRC with limited liability
“Xinao Guangdong”		Xinao (Guangdong) Energy Sales Company Limited* (新奧(廣東)能源銷售有限公司), a company incorporated in the PRC with limited liability
“Yunnan Investment Group”		Yunnan Investment Group Limited* (雲南省投資控股集團有限公司), a company incorporated in the PRC with limited liability
“Zhaoqing Investment”		Zhaoqing New Zone Investment Development Limited* (肇慶新區投資發展有限公司), a company incorporated in the PRC with limited liability, which owns 30% of the equity interest in Zhaoqing Xinao
“Zhaoqing Xinao”		Zhaoqing Xinao Clean Energy Company Limited* (肇慶新奧清潔能源有限公司), a company incorporated in the PRC with limited liability, a non-wholly owned subsidiary in which the Company indirectly owns 70% of the equity interest as at the date of this announcement
“%”		percentage

**For identification purpose only*

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

Hong Kong, 8 January 2016

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:

Ms. Yien Yu Yu, Catherine

Mr. Ma Zhixiang

Mr. Yuen Po Kwong

Mr. Law Yee Kwan Quinn