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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)

ANNOUNCEMENT

CONNECTED TRANSACTION

RELATING TO CAPITAL INJECTION INTO ENN FINANCE

THE CAPITAL INJECTION INTO ENN FINANCE

On 22 July 2016, ENN (China), Bengbu ENN Gas, ENN Energy Logistics, ENN Gas Engineering and ENN Energy Trading (all being subsidiaries of the Company) entered into the Capital Increase Agreement with EIH. Pursuant to the Capital Increase Agreement, ENN (China) has agreed to subscribe for the increased registered capital of ENN Finance (a non-wholly owned subsidiary of the Company) in the amount of RMB1,000,000,000 in cash. The Capital Injection is not in proportion to the respective shareholding interest of the existing shareholders of ENN Finance. Following the completion of the Capital Injection and assuming there is no other change in the shareholding structure of ENN Finance, the equity interest in ENN Finance held by subsidiaries of the Company will be increased from 91% to 95.5% (and the Company's effective interest in ENN Finance will be increased from 89.5% to 94.75%), whereas EIH's equity interest in ENN Finance will be diluted from 9% to 4.5%. Upon completion of the Capital Injection, the total registered capital of ENN Finance will be increased from RMB1,000,000,000 to RMB2,000,000,000, and ENN Finance will remain an indirect non-wholly owned subsidiary of the Company.

EIH is beneficially wholly owned by Mr. Wang (the chairman and an executive Director of the Company) and Ms. Zhao (the spouse of Mr. Wang), who together own the entire issued share capital in EGII, the controlling shareholder of the Company holding approximately 30.42% of the issued share capital of the Company. Therefore, EIH is a connected person of the Company within the meaning of the Listing Rules. Accordingly, the transaction contemplated under the Capital Increase Agreement constitutes a connected transaction of the Company under the Listing Rules.

As some of the applicable percentage ratios in respect of the transaction contemplated under the Capital Increase Agreement, as calculated under Rule 14.07 of the Listing Rules, are more than 0.1%

but all of them are less than 5%, such transaction is subject to the reporting and announcement requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

On 22 July 2016, ENN (China), Bengbu ENN Gas, ENN Energy Logistics, ENN Gas Engineering and ENN Energy Trading (all being subsidiaries of the Company) entered into the Capital Increase Agreement with EIH. Pursuant to the Capital Increase Agreement, ENN (China) has agreed to subscribe for the increased registered capital of ENN Finance (a non-wholly owned subsidiary of the Company) in the amount of RMB1,000,000,000 in cash. The Capital Injection is not in proportion to the respective shareholding interest of the existing shareholders of ENN Finance. Following the completion of the Capital Injection and assuming there is no other change in the shareholding structure of ENN Finance, the equity interest in ENN Finance held by subsidiaries of the Company will be increased from 91% to 95.5% (and the Company's effective interest in ENN Finance will be increased from 89.5% to 94.75%), whereas EIH's equity interest in ENN Finance will be diluted from 9% to 4.5%. Upon completion of the Capital Injection, the total registered capital of ENN Finance will be increased from RMB1,000,000,000 to RMB2,000,000,000, and ENN Finance will remain an indirect non-wholly owned subsidiary of the Company.

THE CAPITAL INCREASE AGREEMENT

The Capital Increase Agreement

The principal terms of the Capital Increase Agreement are summarized below.

Date

22 July 2016

Parties

- (1) ENN (China)
- (2) Bengbu ENN Gas
- (3) ENN Energy Logistics
- (4) ENN Gas Engineering
- (5) ENN Energy Trading
- (6) EIH, a connected person of the Company

The Capital Injection

As at the date of this announcement, ENN Finance has six shareholders, namely ENN (China), Bengbu ENN Gas, ENN Energy Logistics, ENN Gas Engineering and ENN Energy Trading (all being subsidiaries of the Company) and EIH, holding 45%, 5%, 19%, 9%, 13% and 9% of the registered capital of ENN Finance respectively.

The Capital Injection is not in proportion to the respective shareholding interest of the existing shareholders of ENN Finance. Among the six existing shareholders, only ENN (China) has agreed to subscribe for additional registered capital of RMB1,000,000,000 in ENN Finance which will be payable in cash, whereas Bengbu ENN Gas, ENN Energy Logistics, ENN Gas Engineering, ENN Energy Trading and EIH have waived their respective rights to participate in the capital injection and therefore will not subscribe for any additional registered capital in ENN Finance.

Assuming there is no other change in the shareholding structure of ENN Finance other than the Capital Injection, the following table illustrates the changes in the registered capital and shareholding interest in ENN Finance immediately before and after completion of the Capital Injection, and the amounts of the capital injection to be contributed under the Capital Injection:

Shareholder	Immediately before completion of the Capital Injection		Amount of the Capital Injection	Immediately after completion of the Capital Injection	
	Registered capital	Percentage interest		Registered capital	Percentage interest
	(RMB)	(%)	(RMB)	(RMB)	(%)
ENN (China)	450,000,000 <i>(Note)</i>	45	1,000,000,000	1,450,000,000	72.5
Bengbu ENN Gas	50,000,000	5	-	50,000,000	2.5
ENN Energy Logistics	190,000,000	19	-	190,000,000	9.5
ENN Gas Engineering	90,000,000	9	-	90,000,000	4.5
ENN Energy Trading	130,000,000	13	-	130,000,000	6.5
EIH	90,000,000	9	-	90,000,000	4.5
Total:	1,000,000,000	100	1,000,000,000	2,000,000,000	100

Note: Among such RMB450,000,000 registered capital of ENN Finance, RMB100,000,000 was contributed in USD by ENN (China).

Upon completion of the Capital Injection, the total registered capital of ENN Finance will be increased from RMB1,000,000,000 to RMB2,000,000,000, and ENN Finance will remain an indirect non-wholly owned subsidiary of the Company. Following the completion of the Capital Injection, the registered capital of ENN Finance will be held as to 72.5%, 2.5%, 9.5%, 4.5%, 6.5% and 4.5% by ENN (China), Bengbu ENN Gas, ENN Energy Logistics, ENN Gas Engineering, ENN Energy Trading and EIH respectively.

The amount to be contributed by ENN (China) was arrived at after arm's length negotiation and was determined taking into account the capital requirement of ENN Finance, the relevant PRC regulatory requirements, the growth and development of ENN Finance's business and the financial resources of the parties.

The contribution to be made by ENN (China) will be financed by its own internal resources.

Payment

The Capital Injection shall be contributed in RMB cash by ENN (China) and shall be paid within six months after the signing of the Capital Increase Agreement.

Conditions of Completion of the Capital Injection

The completion of the Capital Injection is conditional upon, among others, (i) the approval of the transactions under the Capital Increase Agreement by a resolution of the board of directors of ENN Finance; (ii) the parties to the Capital Increase Agreement having obtained their respective internal approval of the Capital Injection or the waiver of their rights to participate in the capital injection in accordance with the applicable law and/or their articles of association; (iii) the approval or registration of the transactions under the Capital Increase Agreement by the relevant PRC authorities (including without limitation, CBRC and the relevant authority for business registration management) and the completion of the required procedures for the Capital Injection in accordance with the applicable laws; and (iv) the compliance by the Company with the applicable requirements under the Listing Rules, including the announcement requirement.

Information of ENN Finance

ENN Finance is a non-bank financial institution with limited liability established under the PRC law on 14 April 2011 with the approval of and is subject to the supervision of CBRC. The business activities of ENN Finance are regulated and supervised by CBRC.

The current principal business of ENN Finance is the provision of financial services to its shareholders or their subsidiaries, which include:

- (1) financial advisory services, certification of financial position and other advisory and agency services;
- (2) receipt and payment of the transaction proceeds;
- (3) approved insurance agency services;
- (4) provision of guarantee;
- (5) arranging entrustment loans;
- (6) commercial notes acceptance and discounting services;
- (7) internal transfer and settlement, and design of settlement plans;
- (8) deposit services;
- (9) inter-bank lending and borrowing;
- (10) loans and finance lease;
- (11) handling entrusted investments between members;
- (12) underwriting of corporate bonds of members;

- (13) investments in marketable securities (excluding share investments); and
 (14) consumer credit facilities and buyers' credit of members in respect of products of members.

As EIH is a connected person of the Company, any transactions between ENN Finance and EIH are subject to the requirements of Chapter 14A of the Listing Rules.

As at 31 December 2015, ENN Finance had a total audited net asset value of approximately RMB1,309 million based on its audited financial statements prepared in accordance with the generally accepted accounting principles in the PRC.

Set out below is the audited financial information of ENN Finance for the financial years ended 31 December 2014 and 2015 respectively, based on the audited financial statements of ENN Finance prepared in accordance with accounting principles generally accepted in the PRC:

	Financial year ended 31 December	
	2014 <i>(audited)</i> <i>approximate</i> RMB'000	2015 <i>(audited)</i> <i>approximate</i> RMB'000
Net profits before taxation and extraordinary items	127,092	148,751
Net profits after taxation and extraordinary items	95,098	105,382

Implications under the Listing Rules

EIH is beneficially wholly owned by Mr. Wang (the chairman and an executive Director of the Company) and Ms. Zhao (the spouse of Mr. Wang), who together own the entire issued share capital in EGII, the controlling shareholder of the Company holding approximately 30.42% of the issued share capital of the Company. Therefore, EIH is a connected person of the Company within the meaning of the Listing Rules. Following the completion of the Capital Injection and assuming there is no other change in the shareholding structure of ENN Finance, the equity interest in ENN Finance held by subsidiaries of the Company will be increased from 91% to 95.5% (and the Company's effective interest in ENN Finance will be increased from 89.5% to 94.75%), whereas EIH's equity interest in ENN Finance will be diluted from 9% to 4.5%. Accordingly, the transaction contemplated under the Capital Increase Agreement constitutes a connected transaction of the Company.

As some of the applicable percentage ratios in respect of the transaction contemplated under the Capital Increase Agreement, as calculated under Rule 14.07 of the Listing Rules, are more than 0.1% but all of them are less than 5%, such transaction is subject to the reporting and announcement requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE AGREEMENT

The Capital Injection is expected to strengthen the capital base of ENN Finance, so as to increase its industry rating, facilitate its subsequent application for business scope expansion, thus, enabling its business growth and at the same time enhancing its bargaining power when transacting with other financial institutions. Leveraging the economies of scale from capital consolidation, the Group's overall costs of financing and other financial services will be lowered.

OPINION OF THE BOARD

The terms of the Capital Increase Agreement have been determined after arm's length negotiation. Taking into account the terms of Capital Increase Agreement and the internal control and risk management system of ENN Finance, the Directors, including the independent non-executive Directors, consider that the transactions contemplated under the Capital Increase Agreement are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and the terms thereof are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

INFORMATION OF THE GROUP

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, sales of other energy as well as sales of gas appliances and materials.

INFORMATION OF EIH

The EIH Members are principally engaged in the businesses of energy chemicals, culture, property & travel and intelligent energy. The main objective of EIH Members' energy chemicals business is to utilize China's ubiquitous coal reserves to produce cleaner fuels that emit less pollutant than traditional way of coal-burning. EIH Members' culture, property & travel business arm has positioned itself as a life-style platform provider of cultural creations, property development and tourism that promote a healthy lifestyle with low-carbon footprint. EIH Members' intelligent energy business focuses on energy conservation and environmental protection by providing clients with intelligent, low-carbon and integrated internet plus clean energy solution services.

GENERAL

As EIH is beneficially wholly owned by Mr. Wang (the chairman and an executive Director of the Company) and Ms. Zhao (the spouse of Mr. Wang) together, and Mr. Wang Zizheng (a non-executive Director of the Company) is Mr. Wang's son, Mr. Wang and Mr. Wang Zizheng have a material interest in the transactions contemplated under the Capital Increase Agreement, and they have abstained from voting in the relevant Board resolutions approving the Capital Increase Agreement. Save as above, none of the other Directors have a material interest in the transactions contemplated under the Capital Increase Agreement.

OTHERS

As disclosed in the announcement of the Company dated 4 January 2013, ENN Finance signed a conditional financial services agreement with EIH on the same date, pursuant to which ENN Finance provided to EIH Members certain financial services. Upon the expiry of this agreement on 31 December 2015, such agreement has been renewed for a further period under the same terms, and thus ENN Finance shall continue to provide to EIH Members certain financial services (including financial advisory services, certification of financial position and other advisory and agency services; settlement services and design of settlement plans; insurance agency services; arranging for entrustment loans and deposit services) required by the EIH Members on normal commercial terms. The transactions under such financial services agreement are exempt continuing connected transactions pursuant to Rule 14A.76(1) and 14A.90 of the Listing Rules.

DEFINITIONS

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

“Bengbu ENN Gas”	蚌埠新奧燃氣有限公司 (Bengbu Xinao Gas Co., Ltd.*), a company established in the PRC with limited liability and an indirect 70% owned subsidiary of the Company
“Board”	the board of Directors
“Capital Increase Agreement”	the capital increase agreement dated 22 July 2016 entered into between ENN (China), Bengbu ENN Gas, ENN Energy Logistics, ENN Gas Engineering, ENN Energy Trading and EIH in relation to the Capital Injection, details of which are summarized in this announcement above
“Capital Injection”	the additional capital injection by ENN (China) in the amount of RMB1,000,000,000 to the registered capital of ENN Finance
“CBRC”	中國銀行業監督管理委員會 (China Banking Regulatory Commission)
“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
“Director(s)”	director(s) of the Company

“EGII”	ENN Group International Investment Limited, the controlling shareholder of the Company holding approximately 30.42% of the issued share capital of the Company
“EIH Member(s)”	EIH and its subsidiaries
“EIH”	新奧控股投資有限公司 (ENN Investment Holdings Co., Ltd.*), a company established in the PRC with limited liability
“ENN (China)”	新奧（中國）燃氣投資有限公司 (Xinao (China) Gas Investment Company Limited*), a company established in the PRC with limited liability and a direct wholly owned subsidiary of the Company
“ENN Energy Logistics”	新奧能源物流有限公司 (Xinao Energy Logistics Company Limited*), a company established in the PRC with limited liability and an indirect wholly owned subsidiary of the Company
“ENN Energy Trading”	新奧能源貿易有限公司 (Xinao Energy Sales Company Limited*), a company established in the PRC with limited liability and an indirect wholly owned subsidiary of the Company
“ENN Finance”	新奧財務有限責任公司 (ENN Finance Co., Ltd.), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
“ENN Gas Engineering”	新奧燃氣工程有限公司 (Xinao Gas Engineering Company Limited*), a company established in the PRC with limited liability and an indirect wholly owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wang”	Mr. Wang Yusuo, the chairman and an executive Director of the Company
“Ms. Zhao”	Ms. Zhao Baoju, the spouse of Mr. Wang

“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
“USD”	United States Dollars, the lawful currency of the United States of America
“%”	per cent.

**For identification purpose only*

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

Hong Kong, 22 July 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. Han Jishen (President)
Mr. Wang Dongzhi (Chief Financial Officer)

Non-executive Directors:

Mr. Wang Zizheng
Mr. Jin Yongsheng

Independent Non-executive Directors:

Mr. Ma Zhixiang
Mr. Yuen Po Kwong
Mr. Law Yee Kwan Quinn