ENN 新奥

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)

(I) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE MASTER LNG TERMINAL USAGE SERVICES AGREEMENT AND THE NEW MASTER LNG PURCHASING AGREEMENT; (II) CONNECTED TRANSACTION IN RELATION TO THE ESTABLISHMENT OF FUND; AND (III) CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 4.5% EQUITY INTEREST IN ENN FINANCE

Independent Financial Adviser

Lego Corporate Finance Limited
力高企業融資有限公司

MASTER LNG TERMINAL USAGE SERVICES AGREEMENT AND NEW MASTER LNG PURCHASING AGREEMENT

For the purpose of executing the three signed long-term LNG procurement contracts and acquiring more LNG resources, on 28 September 2018, the Company entered into (i) the Master LNG Terminal Usage Services Agreement with the Wang Family Company, pursuant to which the Wang Family Group agreed to provide and the Group agreed to receive LNG terminal usage services, which enables the Group to receive imported LNG through the Zhoushan LNG Terminal from 1 October 2018 to 31 December 2028 (both days inclusive) and (ii) the New Master LNG Purchasing Agreement with the Wang Family Company, pursuant to which the Wang Family Group agreed to sell and the Group agreed to purchase imported LNG from 1 October 2018 to 31 December 2020 (both days inclusive).

ESTABLISHMENT OF FUND

For the purpose of echoing the "Three-year Action Plan to Win the Blue Sky Defense War" ("**Blue Sky Action**") of the PRC government and focusing on investing in projects in the field of centralised heating supply, atmospheric pollution prevention, new energy, energy saving and emission reduction in Langfang, Hebei Province, the PRC, on 28 September 2018, ENN Langfang (as limited partner) entered into the Limited Partnership Agreement with Zhongzhi Ruiyi (as general partner) and Langfang Chasin (as limited partner), pursuant to which the parties agreed to establish the Fund.

ACQUISITION OF 4.5% EQUITY INTEREST IN ENN FINANCE

For the purpose of fulfilment of regulatory requirements, on 28 September 2018, ENN (China) and EIH entered into the Share Transfer Agreement, pursuant to which ENN (China) as purchaser conditionally agreed to acquire and EIH as vendor conditionally agreed to dispose of the Sale Shares at the consideration of approximately RMB100 million. ENN Finance is an internal service company, therefore the consideration is determined based on the net assets value. The Sale Shares represent 4.5% of the entire registered share capital of ENN Finance held by EIH. Upon completion of the Acquisition and assuming that there is no other change in the shareholding structure of ENN Finance, ENN Finance will become an indirect wholly-owned subsidiary of the Company and EIH will cease to hold any interest in ENN Finance.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

For the purpose of further improving the Company's corporate governance, the Company has established Independent Board Committee on a voluntary basis, comprising all the independent non-executive Directors, to advise and make recommendation to the Board in respect of the Transactions. The Board has also appointed Lego as the Independent Financial Adviser of the Company on a voluntary basis to advise the Independent Board Committee.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Wang and Ms. Zhao (the spouse of Mr. Wang), who together own the entire issued share capital of EGII, the controlling shareholder of the Company. EGII, together with its wholly-owned subsidiary, holds approximately 32.80% of the issued share capital of the Company. Therefore, Mr. Wang is a controlling shareholder and a connected person of the Company. As Mr. Wang is entitled to exercise or control the exercise of 30% or more of the voting power at the general meetings of the Wang Family Company, the Wang Family Company is an associate of Mr. Wang and thus a connected person of the Company. The transactions as contemplated under the Master LNG Terminal Usage Services Agreement and the New Master LNG Purchasing Agreement therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (under Rule 14.07 of the Listing Rules) calculated, on an aggregate basis, in respect of the annual caps for the continuing connected transactions contemplated under the Master LNG Terminal Usage Services Agreement and the New Master LNG Purchasing Agreement are more than 0.1% but less than 5% on an annual basis, such continuing connected transactions are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.52 of the Listing Rules, given that the duration of the Master LNG Terminal Usage Services Agreement exceeds three years, the Company must appoint an independent financial adviser to explain why the Master LNG Terminal Usage Services Agreement requires a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration. For this purpose, the Board has engaged Lego as the independent financial adviser of the Company to advise the Independent Board Committee.

As at the date of this announcement, EIH is beneficially wholly-owned by Mr. Wang and Ms. Zhao. Therefore, EIH is a connected person of the Company. Zhongzhi Ruiyi is a wholly-owned subsidiary of EIH. Thus, Zhongzhi Ruiyi is also a connected person of the Company. Accordingly, each of the entering into of (i) the Limited Partnership Agreement and the transactions contemplated thereunder and (ii) the Acquisition respectively constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of each of the entering into of (i) the Limited Partnership Agreement and the transactions contemplated thereunder and (ii) the Acquisition calculated in accordance with Rule 14.07 of the Listing Rules are more than 0.1% but all of them are less than 5%, each of the entering into of (i) the Limited Partnership Agreement and the transactions contemplated thereunder and (ii) the Acquisition is subject to the reporting and announcement requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

I. CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE MASTER LNG TERMINAL USAGE SERVICES AGREEMENT AND THE NEW MASTER LNG PURCHASING AGREEMENT

Background to the transactions

China's energy structure is being optimised progressively, and the government has set a target to increase the proportion of natural gas in the nation's primary energy consumption from the current 7% to 15% by 2030. Therefore, the growth of natural gas consumption in China will remain rapid in the future. However, domestic natural gas production fails to keep up with the growth in demand, thus, natural gas import is needed to satisfy such huge demand. In 2017, volume of imported LNG in China increased significantly by 48% compared with 2016, making China the world's second largest LNG importer.

Natural gas sales of the Group in 2017 reached 19.6 billion cubic meters, with a year-on-year increase of 37%, which was higher than the national natural gas consumption growth of 15%. Adequate upstream gas sources are essential to secure the development of downstream natural gas distribution business. The Group has diversified natural gas supplies, apart from the three major petroleum and natural gas suppliers in China, the Group also has international and domestic source of supplies from independent third parties, as well as the supplies from the Wang Family Group. Further expanding the gas source procurement channels ensures the Group maintain stable gas supply effectively for its city-gas projects, eases gas supply pressures during heating seasons and stabilises natural gas procurement cost.

There are 20 LNG terminals in operation in China currently, 16 of which are owned by the three major state-owned petroleum and natural gas companies. They are not fully open for third-party access currently. The Wang Family Group owns a LNG terminal in Zhoushan, Zhejiang Province, which has been put into operation in August this year. The Group intends to leverage on the advantage of its priority to use the LNG terminal owned by the Wang Family Group and plans to execute the long-term LNG procurement contracts starting from the fourth quarter of 2018, these contracts were entered into with three international LNG suppliers for a period of 5 to 10 years with take-or-pay terms, which will supply approximately 1.44 million tons in total annually. In the meantime, the Group is planning to purchase spot imported LNG at the terminal to provide stable and sufficient gas sources for the development of its downstream natural gas distribution business.

In view of the above, on 28 September 2018, the Company entered into (i) the Master LNG Terminal Usage Services Agreement and (ii) the New Master LNG Purchasing Agreement with the Wang Family Company to receive and purchase imported LNG respectively.

(i) MASTER LNG TERMINAL USAGE SERVICES AGREEMENT

Date	:	28 September 2018
Parties	:	(i) the Company; and (ii) Wang Family Company.
Term	:	From 1 October 2018 to 31 December 2028 (both dates inclusive)
Subject matter	:	During the term of the agreement, the Wang Family Group will provide LNG terminal usage services to the Group, such that the Group will be able to receive imported LNG through Zhoushan LNG Terminal.

Pricing mechanism and other terms

The service fee for LNG terminal in China is generally determined in accordance with the charge standard approved by the local price bureau which is determined with reference to the factors such as the investment cost, turnover rate, operating costs, rate of returns, etc. The price bureau has the right to review and adjust the charge standard from time to time.

Fees payable by the Group to the Wang Family Group will be determined on the basis of normal commercial terms and in accordance with the above-mentioned charge standard approved by Zhejiang Provincial Price Bureau. Such fees shall be calculated based on the actual volume of LNG used and time incurred, and shall be settled at the end of each month in accordance with the market practice and payable to the account designated by the Wang Family Group.

The Group will ensure that the price offered by the Wang Family Group to the Group is determined on the basis of normal commercial terms. The Group will obtain quotations from other similar LNG terminal service providers in the market (if any) to ensure that the terms offered by the Wang Family Group to the Group are no less favourable than those offered by independent third-party to the Group. If there are no other similar LNG terminal service providers in the market, the Group will compare the terms offered by the Wang Family Group to the Group with the terms offered by the Wang Family Group to independent third-party customers (if any) to ensure that the terms offered by the Wang Family Group to the Group are no less favourable than those offered by the Wang Family Group to independent third-party customers.

Proposed annual caps and the basis for determining such annual caps

The proposed annual caps of three months from 1 October to 31 December 2018 and for the ten years ending 31 December 2019 to 2028, and the basis for determining such annual caps are set out as follows:

	For the three months from 1 October to 31 December 2018	For the year ending 31 December 2019	For each of the year ending 31 December 2020 to 2028
RMB	238,000,000	685,440,000	714,000,000
(approximately in HK$)	270,716,033	779,662,174	812,148,098

The annual caps for the Master LNG Terminal Usage Services Agreement are determined with reference to the following:

1. estimated potential LNG demand and distribution capability of the Group;

2. estimated annual imported volume to be executed under the existing long-term LNG procurement contracts; and

3. estimated services fee of the Zhoushan LNG Terminal to be approved by the Zhejiang Provincial Price Bureau.

Reasons for and benefits of entering into the Master LNG Terminal Usage Services Agreement

The Company considers that using the LNG terminal services provided by the Wang Family Group is in the interests of the Group for the following reasons:

1. it allows the Group to gain priority in using the LNG terminal with stable and flexible time-slots, to ensure that the Group has sufficient receiving capacity to meet the obligations of the existing long-term LNG procurement contracts given the fact that other LNG terminals in the PRC have not yet been liberalised; and

2. it enables the Group to procure LNG from international market, thereby increases the diversity of its natural gas supply sources, and hence provides a stable and reliable support to expand its downstream business.

Opinion of the Independent Financial Advisor

Pursuant to Rule 14A.52 of the Listing Rules, given that the duration of the Master LNG Terminal Usage Services Agreement exceeds three years, the Company has engaged Lego as its independent financial adviser to issue the following independent opinions.

Set forth below are Lego's independent opinion pursuant to Rule 14A.52 of the Listing Rules and the principal factors and reasons that it has considered in arriving its opinion:

(a) As discussed under the section headed "Background to the transactions" and "Reasons for and benefits of entering into the Master LNG Terminal Usage Services Agreement" of this announcement, in order to secure the stable supply and distribution of downstream natural gas, the Group has entered into LNG procurement contracts with take-or-pay terms, which require a minimum quantity of LNG to be purchased by the Group each year. The durations of these procurement contracts range from 5 to 10 years. Therefore, LNG terminal services in China is necessary for the Group to import these LNG in the long run. However, LNG terminals in China are not entirely open to third parties, and the Group is unable to secure other LNG terminal slots to fulfill its procurement commitment under the aforesaid LNG procurement contracts. Accordingly, the Company has entered into the Master LNG Terminal Usage Services Agreement with a duration exceeding three years to prevent the Group from failing to meet its procurement commitment under the LNG procurement contracts due to the failure to access LNG terminal services. In view of the above, Lego considered that it is in the interest of the Group to enter into the Master LNG Terminal Usage Services Agreement with the Wang Family Company with a duration exceeding three years.

(b) In considering whether it is normal business practice for agreements of similar nature with the Master LNG Terminal Usage Services Agreement to have a term of such duration, Lego has identified similar terminal service agreements entered into by companies listed on the Stock Exchange with terms exceeding three years and longer than that of the Master LNG Terminal Usage Service Agreement. Since the nature of the Master Terminal Usage Service Agreement is similar to the abovementioned agreements and with shorter term, Lego is of the opinion that it is normal business practice for the Master LNG Terminal Usage Services Agreement to have a duration of longer than three years.

(ii) NEW MASTER LNG PURCHASING AGREEMENT

Date	:	28 September 2018
Parties	:	(i) the Company; and (ii) Wang Family Company.
Term	:	From 1 October 2018 to 31 December 2020 (both dates inclusive)
Subject matter	:	the Wang Family Group agreed to sell and the Group agreed to purchase imported LNG during the term of the agreement.

Pricing mechanism and other terms

Fees payable by the Group to the Wang Family Group for purchase of LNG are determined on the basis of normal commercial terms with reference to the quoted price by CNOOC's Ningbo LNG terminal nearby.

Prior to issuing any purchase orders to or entering into any purchase contracts with the Wang Family Group, the Group will obtain the market price information from the aforesaid CNOOC's Ningbo LNG terminal, and then compare with the fee quotations as offered by at least two independent suppliers selected nearby. LNG supplier will be selected after taking into account factors such as the LNG prices, payment terms and transportation costs. In accordance with the market practice, such fees will be paid in advance to the account designated by the Wang Family Group before the delivery of LNG.

Proposed annual caps and the basis for determining such annual caps

The proposed annual caps for the three months from 1 October to 31 December 2018 and the two years ending 31 December 2019 and 2020, and the basis for determining such annual caps are set out as follows:

	For the three months from 1 October to 31 December 2018	For the year ending 31 December 2019	For the year ending 31 December 2020
RMB	1,520,000,000	1,665,000,000	1,665,000,000
(approximately in HK$)	1,728,942,729	1,893,874,765	1,893,874,765

The annual caps for the New Master LNG Purchasing Agreement are determined with reference to the following:

1. estimated potential LNG demand and distribution capability of the Group;

2. estimated volume of LNG to be purchased by the Group from Wang Family Group;

3. estimated volume of LNG available to be supplied by Wang Family Group; and

4. the annual average quoted price by CNOOC's Ningbo LNG terminal.

Reasons for and benefits of entering into the New Master LNG Purchasing Agreement

The Company considers that purchasing LNG from the Wang Family Group is in the interests of the Group for the following reasons:

1. more adequate LNG supply can facilitate the Group's downstream natural gas distribution with stable supply; and

2. with the support of Wang Family Group's LNG Terminal and its upstream resources, it increases the diversity of the Group's source of natural gas sources and enhances its bargaining power.

Opinion of the Board

The Board (including the Independent Board Committee, after considering the opinion of Independent Financial Adviser) is of the view that transactions contemplated under the Master LNG Terminal Usage Services Agreement and the New Master LNG Purchasing Agreement will be conducted in the ordinary and usual course of business of the Group based on normal commercial terms or better, and that the relevant terms, duration and annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

General

As (i) Mr. Wang owns shares in Wang Family Group and is deemed to be interested in Wang Family Company; (ii) Mr. Wang Zizheng (executive director and executive chairman of the Company) is the son of Mr. Wang; and (iii) Mr. Wang, Mr. Wang Zizheng and Mr. Cheung Yip Sang (executive director and vice chairman of the Company) are directors and/or members of the senior management at certain subsidiaries of Wang Family Group, they are deemed to have a material interest in the Master LNG Terminal Usage Services Agreement and the New Master LNG Purchasing Agreement and the transactions contemplated thereunder, and have abstained from voting in respect of the relevant Board resolutions. Save as disclosed above, there are no other directors who have material interest in the Master LNG Terminal Usage Services Agreement and the New Master LNG Purchasing Agreement and the transactions contemplated thereunder.

II. CONNECTED TRANSCTION IN RELATION TO THE ESTABLISHMENT OF FUND

Background to the transaction

Langfang Chasin, which was established under the approval of Langfang municipal committee and municipal government, is a municipal state-owned enterprise and an authorised investor of government investment fund to focus on investments for the purpose of implementing government's major policies. With an aim to echo the Blue Sky Action of the PRC government and carry out the function of government investment fund, Langfang Chasin initiated a sub-fund to direct the social capital to focus on investing in projects in the field of centralised heating supply, atmospheric pollution prevention, new energy, energy saving and emissions reduction in Langfang, Hebei Province, the PRC by preliminarily setting out the capital contribution amount, fund objective, investment requirements and return distribution for the sub-fund, and then recruiting for fund managers. Zhongzhi Ruiyi was selected under the public tender recruitment of Langfang Chasin. Based on the principle of equality and mutual benefit, on 28 September 2018, ENN Langfang (introduced by Zhongzhi Ruiyi and as limited partner) entered into the Limited Partnership Agreement with Zhongzhi Ruiyi (as general partner) and Langfang Chasin (as limited partner), pursuant to which the parties agreed to establish the Fund. The key terms of the Limited Partnership Agreement are set out below:

Date	**:**	28 September 2018
Parties	**:**	(1) ENN Langfang, an indirect wholly-owned subsidiary of the Company (as limited partner); (2) Zhongzhi Ruiyi, a connected person of the Company (as general partner); and (3) Langfang Chasin (as limited partner). To the best knowledge, information and belief of the Directors, having made all reasonable enquiry, Langfang Chasin and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

Capital contribution : Pursuant to the Limited Partnership Agreement, the size of the Fund will be RMB2,440 million and payable in three instalments as follows:

	First instalment RMB'000	Second instalment RMB'000	Third instalment RMB'000	Total RMB'000	%
ENN Langfang	221,940	791,600	791,460	1,805,000	*73.98*
Langfang Chasin	75,000	267,500	267,500	610,000	*25.00*
Zhongzhi Ruiyi	3,060	10,000	11,940	25,000	*1.02*
	300,000	1,069,100	1,070,900	2,440,000	*100.00*

The first instalment will be paid before 31 December 2019 and within 15 business days after receipt of demand notice issued by Zhongzhi Ruiyi. The second and third instalments will be paid before 31 December 2020 and 2021 respectively.

The term and proportion of the capital contribution of each period may be adjusted within the total amount of capital contribution agreed by the Partners in accordance with the actual needs of the Fund.

The amount of capital contribution was determined after arm's length negotiation among the Partners with reference to the capital needs and investment objectives of the Fund.

Purpose of the Fund : The Fund aims to echo the Blue Sky Action of the PRC government and focus on investing in projects in the field of centralised heating supply, atmospheric pollution prevention, new energy, energy saving and emissions reduction in Langfang, Hebei Province, the PRC.

Term of the Fund : The term of the Fund shall be five years commencing from the date of incorporation of the Fund, which may be extended pursuant to the terms of the Limited Partnership Agreement.

Investment committee : The Partners will form an investment committee which comprises five members, of which two will be appointed by Zhongzhi Ruiyi, two will be appointed by ENN Langfang and one will be appointed by Langfang Chasin.

The investment committee will be responsible for decision-making in relation to the investments of the Fund. All decisions by the investment committee require unanimous consent of all members in attendance of the relevant meeting, and will be implemented by Zhongzhi Ruiyi.

Investment decision process : The investment decision process of the Fund shall be as follows:

(1) the general partner shall conduct due diligence and feasibility studies on potential investment projects for submission to the investment committee; and

(2) the investment committee shall consider and make the final decision in respect to the investment projects.

Management and operation of the Fund	:	Zhongzhi Ruiyi will be solely responsible for, and ENN Langfang and Langfang Chasin will not take part in, the day-to-day management and operation of the Fund, except for the reserved matters which will require approval of the Partners' meeting in accordance with the terms of the Limited Partnership Agreement. Each of the Partners will have one vote at such Partners' meeting, where ENN Langfang and Langfang Chasin will also have veto right. The Fund will enter into a management agreement with Zhongzhi Ruiyi in accordance with the terms of the Limited Partnership Agreement.
Management Fee	:	The general partner will not charge any management fee.
Distributions	:	Unless otherwise unanimously agreed by the Partners, the distribution will be made in cash at the end of the term of the Fund in the following manner after deduction of all Partners' expenses:- (1) repayment of actual capital contribution by the Partners in the order of (i) Langfang Chasin, (ii) ENN Langfang, and (iii) Zhongzhi Ruiyi; and (2) after the repayment as referred to in subparagraph (1) above, the excess will be distributed among the Partners in proportion to their respective actual capital contribution. Langfang Chasin further agreed to gift 50% of the excess return (i.e. the fund return excess portion after deduction of a 2.5% annual rate of return) received by it to ENN Langfang.
Exit of Investment	:	The Fund can choose appropriate exit strategies to dispose of the portfolio investments by way of sale or other means, including but not limited to listing, transfer of the Fund interests, transfer of the equity interests, liquidation, and other appropriate methods in which the investment committee considers appropriate. However, the Partners have no obligation to buy back.
Liabilities of the Partners	:	Zhongzhi Ruiyi will undertake unlimited liability for the debts of the Fund. ENN Langfang and Langfang Chasin will undertake liability for the debts of the Fund up to their respective actual capital contribution.

Reasons for and benefits of entering into the Limited Partnership Agreement

The Board believes that the establishment of the Fund pursuant to the Limited Partnership Agreement will enable the Group to grow further and expand its principal businesses. With the support from the PRC government, the Fund will have a clear investment direction and objective to pursue. The participation in the Fund will enable the Group to echo and enjoy the business opportunities arising from the Blue Sky Action of the PRC government and contribute to the community, which are in line with the Company's mission to establish a modern energy system for the betterment of people's life. Apart from the distribution on the capital contributed by the Group, the Group may also share extra distribution from Langfang Chasin if a certain level of return has been reached pursuant to the Limited Partnership Agreement as set out above.

Opinion of the Board

The Board (including the Independent Board Committee, after considering the opinion of the Independent Financial Adviser) considers that the terms of the Limited Partnership Agreement and the transactions contemplated thereunder are fair and reasonable, are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and are in the interest of the Company and its shareholders as a whole.

The Company intends to finance its capital contributions and commitments to the Fund by internal resources.

General

As (i) Mr. Wang is a beneficial owner of Zhongzhi Ruiyi; (ii) Mr. Wang Zizheng (an executive Director and the executive chairman of the Company) is Mr. Wang's son; (iii) Mr. Wang Zizheng and Mr. Cheung Yip Sang (an executive Director and the vice chairman of the Company) are directors of the parent company of Zhongzhi Ruiyi (refer to EIH) ; and (iv) Mr. Wang Dongzhi (an executive Director of the Company) is the director and general manager of Zhongzhi Ruiyi, they are deemed to have a material interest in the transactions contemplated under the Limited Partnership Agreement. As such, they have abstained from voting in relation to the relevant Board resolutions approving the Limited Partnership Agreement. Save as disclosed above, none of the Directors has any material interest in the transactions contemplated under the Limited Partnership Agreement or is required to abstain from voting from the relevant Board resolutions.

III. CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 4.5% EQUITY INTEREST IN ENN FINANCE

Background to the transaction

On 28 September 2018, ENN (China) and EIH entered into the Share Transfer Agreement, pursuant to which ENN (China) as purchaser conditionally agreed to acquire and EIH as vendor conditionally agreed to dispose of the Sale Shares. The major terms under the Share Transfer Agreement are as follow:

Date	:	28 September 2018
Parties	:	(1) ENN (China) as the purchaser; and (2) EIH as the vendor.
Assets to be acquired	:	Pursuant to the Share Transfer Agreement, ENN (China) as purchaser conditionally agreed to acquire and EIH as vendor conditionally agreed to dispose of the Sale Shares. The Sale Shares represent 4.5% of the entire registered share capital of ENN Finance held by EIH. The registered share capital contributed by EIH was RMB90 million

which represents the original investment cost of the Sale Shares.

Consideration and Payment : The consideration for the Acquisition shall be approximately RMB100 million ("**Consideration**").

As at 30 June 2018, the net assets value of ENN Finance was approximately RMB2,552 million which comprised current assets of mainly the credit assets of approximately RMB7,300 million (mainly represented by loans to the Group members (refers to the Group and the Group's joint ventures and associates) ("**Group Members**") of approximately RMB6,200 million and finance leases of approximately RMB1,100 million), deposits placed in central bank and inter-bank of approximately RMB2,100 million and current liabilities of mainly the deposits absorbed from the Group Members of approximately RMB6,900 million. As ENN Finance is an internal service company, the management of the Company considers that its book value reflects its fair value, therefore the Consideration was determined after arm's length negotiation between ENN (China) and EIH based on the ENN Finance's net assets value after distribution as at 30 June 2018 (approximately RMB2,223 million) and with reference to the appraised value (approximately RMB2,300 million) as at 30 June 2018 based on the valuation report issued by an independent valuer.

Pursuant to the Share Transfer Agreement, the Consideration is payable by ENN (China) on or before 31 December 2018, or such earlier date as notified by EIH in writing upon any of the following events:

(1) the commencement of bankruptcy, cessation of business, insolvency or deregistration proceedings of ENN Finance;
(2) the breach of other obligations of ENN (China) under the Share Transfer Agreement, including the breach of its representations and warranties thereunder; and
(3) any material changes in the national policy, regulations or market conditions of the PRC, which (i) may have an adverse effect on the performance of the obligations and responsibilities by ENN (China) under the Share Transfer Agreement; and (ii) ENN (China) is unable to provide sufficient protection measures in a timely manner.

The Consideration payable by ENN (China) will be financed by its internal resources.

Conditions Precedent : Payment of the Consideration is conditional upon the fulfillment of the following conditions precedent:

(1) the execution of the Share Transfer Agreement by ENN (China) and EIH;
(2) all necessary authorisation, consent and approval to be obtained by EIH regarding the disposal of the Sale Shares as contemplated under the Share Transfer Agreement;

(3) the passing of the relevant resolution by the shareholder of ENN (China) in accordance with its articles of association approving the Acquisition; and
(4) approval to be obtained by the China Banking Regulatory Commission Hebei Office.

Completion of the Acquisition : After the fulfilment of the conditions precedent, EIH shall transfer the Sale Shares to ENN (China) within 30 days upon the settlement of the Consideration by ENN (China) and shall assist ENN (China) to complete the registration and application for the transfer of the Sale Shares to ENN (China) with the relevant industrial and commercial authorities. Upon completion of the Acquisition and assuming that there is no other change in the shareholding structure of ENN Finance, ENN Finance will become an indirect wholly-owned subsidiary of the Company and EIH will cease to hold any interest in ENN Finance.

Information on 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 the CBIRC. The business activities of ENN Finance are regulated and supervised by the CBIRC.

Currently ENN Finance mainly provides financial services to the Group Members, 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.

The services provided by ENN Finance to EIH Members mainly include receipt and payment of the transaction proceeds and deposits etc, but do not include the provision of financial guarantee and direct loans. The amount of continuing connected transactions between ENN Finance and EIH Members for the financial year 2016 and 2017 only amounted to RMB229,521 and RMB69,426 respectively.

As at 31 December 2017, ENN Finance had an audited net assets value of approximately RMB2,476 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 2016 and 2017 respectively, based on the audited financial statements of ENN Finance prepared in accordance with the generally accepted accounting principles in the PRC:

	Financial year ended 31 December	
	2016	**2017**
	(audited)	*(audited)*
	approximate	*approximate*
	RMB'000	**RMB'000**
Net profits before taxation and extraordinary items	201,128	205,562
Net profits after taxation and extraordinary items	148,091	152,067

Reasons for and benefits of entering into the Share Transfer Agreement

Adjustments were made to the financial regulatory policies since year of 2017. According to the current regulatory policies, EIH does not fulfil the qualification of being a shareholder of ENN Finance, and ENN Finance was informed by the China Banking Regulatory Commission Hebei Office to resolve the shareholder qualification non-fulfilment situation as soon as possible. Therefore, the services previously provided by ENN Finance to EIH Members have to be stopped. As the Group held 95.5% of the equity interest in ENN Finance prior to the Acquisition, and ENN Finance is an internal service company in view of the provision of financial services by ENN Finance to group companies as its principal business, the Company proposes to acquire the Sale Shares.

Immediately after the completion of the share transfer, EIH will no longer hold any equity interest in ENN Finance. ENN Finance can focus more on providing services to the Group, putting the function of the settlement and clearing platform, capital management platform and capital raising and financing platform of the Group into full play, strengthening the collective management of the capital of the Group, enhancing the capital usage efficiency of the Group, reducing the cost of capital raising and financing of the Group, preventing financial risks and providing comprehensive financial services and support to the development of the Group.

Opinion of the Board

The Board (including the Independent Board Committee, after considering the opinion of the Independent Financial Adviser) considers that the transactions contemplated under the Share Transfer 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.

General

As (i) EIH is beneficially wholly-owned by Mr. Wang and Ms. Zhao (the spouse of Mr. Wang); (ii) Mr. Wang Zizheng (an executive Director and the executive chairman of the Company) is Mr. Wang's son and the director of EIH; and (iii) Mr. Cheung Yip Sang (an executive Director and the vice chairman of the Company) is also a director of EIH, they are deemed to have a material interest in the transactions contemplated under the Share Transfer Agreement, and they have abstained from voting in the relevant Board resolutions approving the Share Transfer Agreement. Save as disclosed above, none of the other Directors have a material interest in the transactions contemplated under the Share Transfer Agreement.

Other

As disclosed in the announcement of the Company dated 22 July 2016, ENN Finance and EIH had renewed the Financial Services Agreement, pursuant to which ENN Finance agreed to provide EIH Members with certain financial services on normal commercial terms, for a further period under the same terms upon its expiry on 31 December 2015. The transactions contemplated under the Financial Services Agreement are exempt continuing connected transactions pursuant to Rules 14A.76(1) and 14A.90 of the Listing Rules.

Following the completion of the Acquisition, ENN Finance will cease providing financial services to EIH Members. Pursuant to the terms of the Financial Services Agreement, ENN Finance and EIH agreed to terminate the Financial Services Agreement. Neither ENN Finance nor EIH would have any claim against each other as a result of the termination of the Financial Services Agreement.

IV. GENERAL INFORMATION

The Group is one of the largest clean energy distributors in the PRC and is principally engaged in the investment and construction, as well as operation and management of gas pipeline infrastructures, vehicle and ship refuelling stations and integrated energy projects, the sales and distribution of piped gas, LNG and other multi-energy products, and whole sale of gas business and provision of other services in relation to energy supply in the PRC.

The Wang Family Company is a limited liability company established under the laws of the PRC and a group company of the Wang Family Group. The businesses of the Wang Family Group cover the energy sector, including energy and chemical engineering, LNG terminals, LNG procurement and sales; the lifestyle sector, including real estate, tourism, cultural and healthcare industry; the high-tech sector, including smart city operations, industrial network operation, cloud computing and artificial intelligence.

Zhongzhi Ruiyi is a limited liability company established in the PRC. It is principally engaged in equity investment, property investment and asset management.

Langfang Chasin is a municipal state-owned enterprise and is an authorised investor of government investment fund to focus on the investment for the purpose of implementing Langfang municipal committee and municipal government's major policies. It is principally engaged in unlisted equity investment as well as listed companies' non-public offered shares and investment consultancy.

EIH is a limited liability company established in the PRC and the EIH Members are principally engaged in the businesses of energy and chemical engineering, culture, real estate and tourism and intelligent energy business.

V. ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Company has established Independent Board Committee on a voluntary basis, comprising all the independent non-executive Directors (Mr. Ma Zhixiang, Mr. Yuen Po Kwong and Mr. Law Yee Kwan, Quinn) on a voluntary basis, to opine whether the terms of the Transaction are fair and reasonable, are on normal commercial terms or better and in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole, and to advise and make recommendations to the Board. The Board has also engaged Lego as the Independent Financial Adviser of the Company to advise the Independent Board Committee on a voluntary basis.

VI. LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Wang and Ms. Zhao (the spouse of Mr. Wang), who together own the entire issued share capital of EGII, the controlling shareholder of the Company. EGII, together with its wholly-owned subsidiary, holds approximately 32.80% of the issued share capital of the Company. Therefore, Mr. Wang is a controlling shareholder and a connected person of the Company. As Mr. Wang is entitled to exercise or control the exercise of 30% or more of the voting power at the general meetings of the Wang Family Company, the Wang Family Company is an associate of Mr. Wang and thus a connected person of the Company. The transactions as contemplated under the Master LNG Terminal Usage Services Agreement and the New Master LNG Purchasing Agreement therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (under Rule 14.07 of the Listing Rules) calculated, on an aggregate basis, in respect of the annual caps for the continuing connected transactions contemplated under the Master LNG Terminal Usage Services Agreement and the New Master LNG Purchasing Agreement are more than 0.1% but less than 5% on an annual basis, such continuing connected transactions are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.52 of the Listing Rules, given that the duration of the Master LNG Terminal Usage Services Agreement exceeds three years, the Company must appoint an independent financial adviser to explain why the Master LNG Terminal Usage Services Agreement requires a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration. For this purpose, the Board has engaged Lego as the independent financial adviser of the Company to advise the Independent Board Committee.

As at the date of this announcement, EIH is beneficially wholly-owned by Mr. Wang and Ms. Zhao. Therefore, EIH is a connected person of the Company. Zhongzhi Ruiyi is a wholly-owned subsidiary of EIH. Thus, Zhongzhi Ruiyi is also a connected person of the Company. Accordingly, each of the entering into of (i) the Limited Partnership Agreement and the transactions contemplated thereunder and (ii) the Acquisition respectively constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of each of the entering into of (i) the Limited Partnership Agreement and the transactions contemplated thereunder and (ii) the Acquisition calculated in accordance with Rule 14.07 of the Listing Rules are more than 0.1% but all of them are less than 5%, each of the entering into of (i) the Limited Partnership Agreement and the transactions contemplated thereunder; and (ii) the Acquisition is subject to the reporting and announcement requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

VII. CORPORATE GOVERNANCE MEASURES AND INTERNAL CONTROL PROCEDURES

In order to further protect the interests of the Company and the Shareholders as a whole, the Company has been conducting work for the reporting and disclosure of connected transactions and continuing connected transactions as required by the Listing Rules. In order to ensure that the continuing connected transactions entered into between the Group and connected persons are conducted on normal commercial terms as disclosed and based on the aforesaid pricing mechanisms, the Company continues to adopt the following corporate governance measures and internal control procedures:

1. The continuing connected transactions conducted under the specific contracts which will be entered into under all master agreements shall be carried out in strict compliance with the terms and conditions contained in the relevant master agreements. If amendments to the terms and conditions contained in such master agreements are required due to change of actual conditions, the relevant approval procedures have to be re-complied with, including but not limited to obtaining approvals from the Board and compliance with the relevant requirements under the Listing Rules;

2. The finance department of the Company is responsible for the continuous monitor and review of the pricing terms, payment arrangements and actual transaction amounts of the continuing connected transactions and ensure that the relevant transactions are carried out in accordance with the terms of the relevant master agreements and will not exceed the respective proposed annual caps;

3. The internal control department and the risk management department of the Company will review the connected transactions under each master agreement regularly, to consider (i) the effective implementation of the pricing policies and the payment method, early warning system on balances of annual caps; (ii) whether the executed contracts are entered into on normal commercial terms or better, and whether the terms are fair and reasonable; and (iii) to make recommendations to the management from time to time to ensure that the internal control procedures in respect of the continuing connected transactions remain complete and effective;

4. The independent auditor of the Company will conduct annual review and opine on the implementation and whether the continuing connected transaction amounts are within the annual caps in accordance with the requirements of the Listing Rules every year; and

5. The Board and the audit committee of the Company will review the continuing connected transactions implementation report every year. The independent non-executive Directors will express their views on the continuing connected transactions during the reporting period in the annual report, including but not limited to whether the continuing connected transactions are fair and reasonable, whether they are conducted on normal commercial terms or better and whether they are in the interests of the Company and the Shareholders as a whole.

The Board considers that the above corporate governance measures and internal control procedures adopted by the Company concerning all continuing connected transactions are appropriate and sufficient, and that the procedures and measures give sufficient assurance to the Shareholders that the continuing connected transactions will be appropriately monitored by the Company.

Save as mentioned above, in respect to the Transactions, the Company has also established the Independent Board Committee and appointed an independent financial adviser as the Company thinks fit to opine and advise the Independent Board Committee on the Transactions as to whether the Transactions are fair and reasonable, whether they are conducted on normal commercial terms or better and whether they are in the interests of the Company and the Shareholders as a whole. The relevant cost in relation to the appointment of an independent financial adviser was borne by the Company.

VIII. DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and phrases have the following meanings:

"Acquisition"	the acquisition of the Sale Shares by ENN (China) from EIH pursuant to the Share Transfer Agreement;
"associate(s)"	has the meaning ascribed to it under the Listing Rules;
"Board"	the board of Directors;
"CBIRC"	中國銀行保險監督管理委員會 (China Banking and Insurance 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 (stock code: 2688.HK);
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"Consideration"	has the meaning ascribed to it in the section headed "*III. Connected Transaction in relation to the Acquisition of 4.5% Equity Interest in ENN Finance*" in this announcement;
"continuing connected transaction"	has the meaning ascribed to it under the Listing Rules;
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules;
"Director(s)"	director(s) of the Company;
"EGII"	ENN Group International Investment Limited, a company incorporated in the British Virgin Islands with limited liability, which is owned as to 50% by Mr. Wang and 50% by Ms. Zhao as at the date of this announcement;
"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 as at the date of this announcement;
"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 as at the date of this announcement;
"ENN Langfang"	廊坊新奧燃氣有限公司 (ENN Langfang Gas Company Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company;
"Financial Services Agreement"	the conditional financial services agreement dated 4 January 2013 entered into between ENN Finance and EIH in respect of the provision of certain financial services to EIH Members by ENN Finance;
"Fund"	廊坊市藍天基金(有限合伙) (Langfang Blue Sky Fund (LLP)*), a limited partnership to be established in the PRC pursuant to the Limited Partnership Agreement;
"Group"	the Company and its subsidiaries;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Independent Board Committee"	the Independent Board Committee comprised by the all independent non-executive Directors;
"Langfang Chasin"	廊坊市財信投資基金有限公司 (Langfang Chasin Investment Fund Co., Ltd), a company established in the PRC with limited liability;
"Lego" or "Independent Financial Adviser"	Lego Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);

"Limited Partnership Agreement"	the partnership agreement entered into among ENN Langfang (as limited partner), Zhongzhi Ruiyi (as general partner) and Langfang Chasin (as limited partner) dated 28 September 2018 in relation to, among others, the establishment of the Fund;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"LNG"	liquefied natural gas;
"Master LNG Terminal Usage Services Agreement"	the master LNG terminal usage services agreement dated 28 September 2018 entered into between the Company and the Wang Family Company for a term commencing from 1 October 2018 and expiring on 31 December 2028;
"Mr. Wang"	Mr. Wang Yusuo, the chairman, an executive Director and a controlling shareholder of the Company;
"Ms. Zhao"	Ms. Zhao Baoju, the spouse of Mr. Wang;
"New Master LNG Purchasing Agreement"	the new master LNG purchasing agreement dated 28 September 2018 entered into between the Company and the Wang Family Company for a term commencing from 1 October 2018 and expiring on 31 December 2020;
"Partners"	collectively, ENN Langfang, Langfang Chasin and Zhongzhi Ruiyi;
"PRC"	the People's Republic of China and for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan;
"RMB"	Renminbi, the lawful currency of the PRC;
"Sale Shares"	4.5% of the entire registered share capital of ENN Finance;
"Shareholder(s)"	the registered holder(s) of the share(s) of the Company;
"Share Transfer Agreement"	the share transfer agreement dated 28 September 2018 entered into between ENN (China) as purchaser and EIH as vendor in respect of the Acquisition;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Transactions"	transactions contemplated under the Master LNG Terminal Usage Services Agreement, the New Master

	LNG Purchasing Agreement, the Limited Partnership Agreement and the Share Transfer Agreement;
"Wang Family Company"	a company of which Mr. Wang and/or his associates is/are entitled to exercise or control the exercise of 30% or more of the voting power at any general meeting, established under the laws of the PRC with limited liability;
"Wang Family Group"	the Wang Family Company and its subsidiaries and associates (as the case may be);
"Zhongzhi Ruiyi"	中智瑞繹投資管理有限公司 (Zhongzhi Ruiyi Investment Management Company Limited*), a company established in the PRC with limited liability;
"Zhoushan LNG Terminal"	the Zhoushan LNG terminal owned by the Wang Family Group, located in the economic development zone of Zhoushan city in the Zhejiang province; and
"%"	percentage.

Note: For information purposes only, the translation of HK$ to RMB in this announcement is based on the rate of HK$1.00 to RMB 0.87915.

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

Hong Kong, 28 September 2018

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. Wang Zizheng (Executive Chairman)
Mr. Han Jishen (Chief Executive Officer)
Mr. Liu Min (President)
Mr. Wang Dongzhi

Independent Non-executive Directors:
Mr. Ma Zhixiang
Mr. Yuen Po Kwong
Mr. Law Yee Kwan, Quinn

**For identification purposes only*