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# **新奥能源控股有限公司**

## **ENN Energy Holdings Limited**

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

**(Stock Code: 2688)**

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

### **CONNECTED TRANSACTIONS**

#### **ACQUISITIONS OF COMPANIES HOLDING NORTH AMERICA**

#### **GAS REFUELLING STATIONS BUSINESSES**

The Board announces that on 28 October 2014, the Purchaser, a wholly owned subsidiary of the Company, entered into the Sale and Purchase Agreements with the Vendor, pursuant to which:

- (i) the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the CA Target Interests for the consideration of US\$20 million; and
- (ii) the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the US Target Interests for the consideration of US\$180 million;

on and subject to the terms of the respective Sale and Purchase Agreements.

The principal businesses of ENN Canada and ENN US are the operation of gas refuelling stations in Canada and Western USA respectively.

As at the date of this announcement, the Purchaser is a wholly owned subsidiary of the Company, and the Vendor is a limited company which is ultimately jointly controlled by Mr. Wang and Ms. Zhao, who are both substantial shareholders of the Company. The Vendor is accordingly a connected

person of the Company and the Acquisitions constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios in respect of the Acquisitions on an aggregated basis pursuant to Rule 14.07 of the Listing Rules exceed 0.1% but are less than 5%, the Acquisitions are only subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **SALE AND PURCHASE AGREEMENTS**

On 28 October 2014, the Purchaser, a wholly owned subsidiary of the Company entered into the Sale and Purchase Agreements with the Vendor, the principal terms of which are summarised as follows:

### **Date**

28 October 2014

### **Parties**

the Vendor; and  
the Purchaser.

### **Interests to be acquired**

Pursuant to the CA Sale and Purchase Agreement, the Purchaser shall acquire the CA Target Interests from the Vendor.

Pursuant to the US Sale and Purchase Agreement, the Purchaser shall acquire the US Target Interests from the Vendor.

### **Consideration and Payment Terms**

The consideration for the acquisition under the CA Sale and Purchase Agreement shall amount to US\$20 million, and the consideration for the acquisition of the US Target Interests shall be US\$180 million, which may be paid in other currencies to be mutually agreed by the parties.

Within 10 Business Days after the signing of the Sale and Purchase Agreements, the Purchaser shall

pay the first instalment in the amount of US\$12 million and US\$108 million, being 60% of the respective consideration for the acquisition under the Sale and Purchase Agreements, to the Vendor. Subject to the Completion having taken place, the remaining 40% of the consideration, i.e. US\$8 million and US\$72 million respectively, shall be paid by the Purchaser directly to the Vendor on or before the Long Stop Date.

The Company will satisfy the Total Consideration for the Acquisitions by the Group's internal resources.

The Total Consideration for the Acquisitions was arrived at after arm's length negotiation between the parties to the Sale and Purchase Agreements with due regard to various relevant factors, including (i) price-to-book ratios and/or share trading prices of companies listed in the relevant markets which have a downstream operation in natural gas business; (ii) strategic rationale behind the Acquisitions; (iii) the latest financial information and net asset value of each of ENN Canada and ENN US; (iv) future prospects of the relevant industries including economic trends and market growth potential; and (v) the prevailing commercial and business conditions in which ENN Canada and ENN US operate.

### **Conditions Precedent**

Completion for the respective Acquisitions is subject to, among others, the fulfillment (or waiver) of the following Conditions:

- (i) the covenants, representations and warranties given by the Vendor and the Purchaser respectively contained in the relevant Sale and Purchase Agreement shall be true and correct at the Completion Time;
- (ii) all of the terms, covenants and Conditions of the relevant Sale and Purchase Agreement have been duly complied with or performed by the Vendor and the Purchaser respectively at or before the Completion Date;
- (iii) no legal action or proceeding shall be pending or threatened to enjoin, restrict or prohibit the purchase and sale contemplated by the relevant Sale and Purchase Agreement;
- (iv) in respect of the CA Sale and Purchase Agreement only, the consent from the relevant bank for the acquisition of the CA Target Interests shall have been obtained; and
- (v) in respect of the CA Sale and Purchase Agreement only, the Purchaser shall assume the

guarantee given by a company controlled by Mr. Wang for the purpose of guaranteeing the credit facility provided by the relevant bank.

The Vendor and the Purchaser shall use its best endeavour to fulfil the relevant Conditions on or before 31 December 2014. If any Condition has not been fulfilled or waived by the Vendor or the Purchaser, as applicable, on or before the Long Stop Date, the relevant Sale and Purchase Agreement will lapse and the Vendor shall refund to the Purchaser those parts of the CA Consideration and the US Consideration (as the case may be) paid by the Purchaser no later than 10 Business Days following the Long Stop Date.

### **Completion**

Subject to compliance with the terms and conditions of the Sale and Purchase Agreements, Completion shall take place on 31 December 2014, or such earlier or later date as may be mutually agreed by the parties of the respective Sale and Purchase Agreements.

Upon Completion, ENN Canada and ENN US shall become subsidiaries of the Company and their results shall be consolidated into the Group's financial statements as subsidiaries.

### **INFORMATION ABOUT ENN CANADA AND ENN US**

#### ***Business of ENN Canada***

ENN Canada is primarily engaged in natural gas refuelling business in Canada, where it owns 4 gas refuelling stations. Major customers of ENN Canada include liquefied natural gas vehicle users, the majority of which are engaged in the trucking business. The natural gas sold by ENN Canada is sourced from local suppliers with stable natural gas supply. ENN Canada has established sound business networks with its customers and suppliers and has created its brand awareness in the Canada market.

#### ***Financial information of ENN Canada***

Set out below is the audited financial information of ENN Canada for the two financial years ended 31 December 2012 and 31 December 2013, and unaudited financial information for the nine-month ended 30 September 2014 of ENN Canada, each of which has been prepared in accordance with the generally accepted accounting principles in Canada:

|                      | For the year ended 31 December                         |  | For the<br>nine-month ended                              |
|----------------------|--|--|--|
|                      | 2012<br>(audited)<br><i>(approximately)</i><br>RMB'000 | 2013<br>(audited)<br><i>(approximately)</i><br>RMB'000 | 2014<br>(unaudited)<br><i>(approximately)</i><br>RMB'000 |
| Revenue              | -  | -  | 6,154  |
| Gross profit         | -  | -  | 2,198  |
| Loss before taxation | (2,209)  | (33,395)   | (32,640)   |
| Loss after taxation  | (2,209)  | (33,395)   | (32,640)   |

*Note: The gas refuelling stations business of ENN Canada was still in the preparation and development stage in 2012 and 2013. In January 2014, such gas refuelling stations commenced their operation.*

As at 30 September 2014, the unaudited net asset value of ENN Canada under the generally accepted accounting principles in Canada was approximately RMB83 million.

### ***Business of ENN US***

ENN US is primarily engaged in natural gas refuelling business in Western USA, where it owns 29 gas refuelling stations. Major customers of ENN US include liquefied natural gas vehicle users, the majority of which are engaged in the logistics and trucking businesses. The natural gas sold by ENN US is sourced from local suppliers with stable natural gas supply. ENN US has established its gas refuelling stations in various major freight trucking corridors and sound business networks with its customers and suppliers in the USA market.

### ***Financial information of ENN US***

Set out below is the unaudited financial information for the year ended 31 December 2012, the audited financial information for the year ended 31 December 2013, and the unaudited financial information for the nine-month ended 30 September 2014 of ENN US, each of which has been prepared in accordance with the generally accepted accounting principles in the USA:

|                      | <b>For the year ended 31 December</b>                                  |  | <b>For the nine-month<br/>ended 30<br/>September</b>                   |
|----------------------|--|--|--|
|                      | <b>2012</b><br>(unaudited)<br><i>(Approximately)</i><br><i>RMB'000</i> | <b>2013</b><br>(audited)<br><i>(Approximately)</i><br><i>RMB'000</i> | <b>2014</b><br>(unaudited)<br><i>(Approximately)</i><br><i>RMB'000</i> |
| Revenue              | 14,015   | 23,902   | 63,340   |
| Gross profit/(loss)  | 3,162  | (941)  | 9,493  |
| Loss before taxation | (39,813)   | (217,294)  | (147,648)  |
| Loss after taxation  | (39,813)   | (217,294)  | (147,648)  |

As at 30 September 2014, the unaudited net asset value in ENN US under the generally accepted accounting principles in the USA was approximately RMB744 million.

## **REASONS FOR AND THE BENEFITS OF THE ACQUISITIONS**

The companies being acquired pursuant to the Sale and Purchase Agreements, namely ENN Canada and ENN US are currently operating gas refuelling stations in Canada and Western USA respectively, where the demand and consumption of natural gas in transportation markets have been growing and are expected to continue to grow. Due to the abundance of domestic natural gas resources, the cost of natural gas in these regions, on an energy equivalent basis, are significantly less and more stable than the cost of crude oil, which could be volatile due to global economic and political conditions.

Use of natural gas to fuel vehicles is also more environmental friendly as it creates less pollution than use of gasoline and diesel. According to the report published by United States Environmental Protection Agency in 2012, 28% of total USA greenhouse gas emissions and 13% of global greenhouse gas emissions are attributable by transportation in 2012, replacing gasoline and diesel with natural gas as vehicle fuels can reduce greenhouse gas emissions by 20%-30%. As more stringent air quality control regulations are being implemented by the governments in Canada and USA, given natural gas is plentiful, domestic, cheaper and cleaner than gasoline and diesel, it is generally considered as an attractive alternative fuel for the transportation industry in these regions to meet with the air quality standards required locally, especially heavy-duty trucks which require high

level of energy consumption. According to the Annual Energy Outlook 2014 Early Release published by Department of Energy's Energy Information Administration of the USA, use of natural gas in the heavy-duty transportation sector in USA will grow to 1.7 trillion cubic feet (approximately 1,746 million MMbtu) by 2040 (while the annual consumption of natural gas in vehicles in 2013 was just 33 billion cubic feet), this market is expected to have a huge growth potential.

Besides, in an effort to reduce dependence on imported oil, urban emissions and greenhouse gases emissions, the respective local governments encourage the use of natural gas vehicles through tax incentives of various kinds and subsidies policies. These supports are expected to be conducive to the growth of the industry.

Apart from the respective local experienced management team, ENN Canada and ENN US have also established infrastructures, a substantive customer base and supplier networks in both the Canada and USA markets. The Company therefore will not need to incur the initial cost and time on setting up new businesses.

The Acquisitions provide a platform for the Group to tap into the largest economic region with one of the richest natural gas reserves in the world. Leveraging on the Group's years of experience in the downstream gas industry, the Board believes that the Acquisitions will strategically position the Group to take up new opportunities and to capture growth potential in the gas refuelling industry in the Canada and USA markets. Expanding our business geographical coverage will also allow us diversify operational risks.

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

## **LISTING RULES IMPLICATIONS**

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

As at the date of this announcement, the Purchaser is a wholly owned subsidiary of the Company, and the Vendor is a limited company which is ultimately jointly controlled by Mr. Wang and Ms. Zhao, who are both substantial shareholders of the Company. The Vendor is accordingly a connected person of the Company and the Acquisitions constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios in respect of the Acquisitions on an aggregated basis pursuant to Rule 14.07 of the Listing Rules exceed 0.1% but are less than 5%, the Acquisitions are only subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Other than four Directors (i) Mr. Wang, who is deemed to be interested in the shares of the Vendor; (ii) Mr. Wang Zizheng, the son of Mr. Wang and a director of a subsidiary of ENN North America Investment Corporation; (iii) Mr. Cheung Yip Sang, a director of a subsidiary of ENN North America Investment Corporation; and (iv) Mr. Jin Yongsheng, a director of ENN Canada, had abstained from voting, no Director had a material interest in the Sale and Purchase Agreements and the Acquisitions who was required to abstain from voting on the relevant Board resolutions.

## **GENERAL INFORMATION**

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

The Vendor is an investment holding Company, which have the operation of gas refuelling stations business in North America through its investment in subsidiaries.

## **DEFINITIONS**

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

|                    |   |
|--------------------|---|
| “Acquisitions”     | the acquisition of the CA Target Interests and US Target Interests pursuant to the Sale and Purchase Agreements;  |
| “Board”            | the board of Directors;   |
| “Business Day”     | a day other than a Saturday, Sunday or any other day on which the principal commercial banks located in either Luxembourg or Hong Kong are not open for business during normal banking hours; |
| “CA Consideration” | The total purchase price payable by the Purchaser to the Vendor for the acquisition of the CA Target Interests;   |

|                                  |   |
|----------------------------------|---|
| “CA Sale and Purchase Agreement” | the sale and purchase agreement dated 28 October 2014 entered into between the Vendor and the Purchaser in relation to the sale and purchase of the CA Target Interests;  |
| “CA Target Interests”            | the entire equity interests of ENN Canada;  |
| “Company”                        | ENN Energy Holdings Limited (新奧能源控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;  |
| “Completion”                     | completion of the Acquisitions pursuant to the respective Sale and Purchase Agreements;   |
| “Completion Date”                | 31 December 2014, or such earlier or later date as may be mutually agreed by the parties to the Sale and Purchase Agreements;   |
| “Completion Time”                | the time on the Completion Date at which the Completion takes place;  |
| “Condition(s)”                   | the condition(s) precedent to which the Acquisitions are subject, as set out in the CA Sale and Purchase Agreement and/or the US Sale and Purchase Agreement respectively, which are summarised in the section headed “Conditions Precedent”; |
| “connected person(s)”            | has the meaning ascribed to it under the Listing Rules;   |
| “Director(s)”                    | the director(s) of the Company;   |
| “ENN Canada”                     | ENN Canada Corporation, a limited company incorporated in Canada;   |
| “ENN US”                         | ENN North America Investment Corporation, a limited company incorporated in Delaware, the USA, and its subsidiaries;  |
| “Group”                          | the Company and its subsidiaries from time to time;   |

|                                |   |
|--------------------------------|---|
| “Hong Kong”                    | Hong Kong Special Administrative Region of the People’s Republic of China;  |
| “Listing Rules”                | the Rules Governing the Listing of Securities on the Stock Exchange;  |
| “Long Stop Date”               | 31 March 2015, or such earlier or later date as may be mutually agreed by the parties to the Sale and Purchase Agreements in writing;                             |
| “Mr. Wang”                     | Mr. Wang Yusuo (王玉鎖), the chairman, an executive Director and a substantial shareholder of the Company;   |
| “Ms. Zhao”                     | Ms. Zhao Baoju (趙寶菊), the spouse of Mr. Wang and a substantial shareholder of the Company;  |
| “PRC”                          | the People’s Republic of China and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan;                 |
| “Purchaser”                    | ENN Gas North America Investment Limited (新奧燃氣北美投資有限公司), a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company; |
| “RMB”                          | Renminbi, the lawful currency of the PRC;   |
| “Sale and Purchase Agreements” | the CA Sale and Purchase Agreement and the US Sale and Purchase Agreement;  |
| “Stock Exchange”               | The Stock Exchange of Hong Kong Limited;  |
| “substantial shareholder”      | has the meaning ascribed to it under the Listing Rules;   |
| “Total Consideration”          | the aggregate amount of the CA Consideration and the US Consideration;  |
| “US Consideration”             | the total purchase price payable by the Purchaser to the Vendor for the acquisition of the US Target Interests;   |

|                                  |  |
|----------------------------------|--|
| “US Sale and Purchase Agreement” | the sale and purchase agreement dated 28 October 2014 entered into between the Vendor and the Purchaser in relation to the sale and purchase of the US Target Interests; |
| “US Target Interests”            | the entire equity interests of ENN North America Investment Corporation;   |
| “USA”                            | United States of America;  |
| “US\$”                           | United States dollar(s), the lawful currency of the USA;   |
| “Vendor”                         | ENN Transportation Fuels S.À .R.L.*(新奧交通能源有限公司), a company incorporated in Luxembourg with limited liability;  |
| “%”                              | per cent.  |

*\*For identification purpose only*

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

Hong Kong, 28 October 2014

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

*Executive Directors:*

*Mr. Wang Yusuo (Chairman)*

*Mr. Cheung Yip Sang (Vice Chairman)*

*Mr. Yu Jianchao*

*Mr. Han Jishen (President)*

*Mr. Wang Dongzhi (Chief Financial Officer)*

*Non-executive Directors:*

*Mr. Wang Zizheng*

*Mr. Jin Yongsheng*

*Mr. Lim Haw Kuang*

*Independent Non-executive Directors:*

*Mr. Wang Guangtian*

*Ms. Yien Yu Yu, Catherine*

*Mr. Ma Zhixiang*

*Mr. Yuen Po Kwong*

*Mr. Law Yee Kwan, Quinn*