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China's ENN to cautiously consider Harbour's \$10.3-billion Santos offer

By Perry Williams and Cathy Chan on 4/9/2018

SYDNEY and HONG KONG (Bloomberg) -- A Chinese company holding the largest stake in Santos said it will "cautiously consider" a \$10.3-billion takeover approach from U.S. suitor Harbour Energy for the Australian liquefied natural gas exporter. 

A unit of gas distributor ENN Group, which owns 10.1% of Santos, will hold initial talks with Harbour with the aim of maximizing shareholder value, it said in an emailed statement Monday, while warning a deal may not be completed due to uncertainty over the price and timing.

Harbour returned with a sweetened A\$6.50/share bid for Santos late last month after a A\$4.55/share non-binding proposal made last August was rejected due to an "inadequate" price and uncertain funding. The South Australian company granted Harbour due diligence on April 3 and its board will likely issue a recommendation to shareholders in the next two months, CEO Kevin Gallagher said last week.

ENN said Monday it remains bullish about Santos' long-term prospects and hopes to maintain a strategic working relationship, including an agreement reached in February to create a trading venture to tap Chinese demand for [LNG](#).

ENN and an associated Chinese company Hony Capital may emerge with a 30% stake in a new company if the Harbour takeover proceeds, Credit Suisse Group analysts wrote in an April 5 note. The prospect of high overseas ownership may raise issues with Australia's Foreign Investment Review Board given Santos has significant gas reserves on the nation's east coast.

Cathy Wang, a Beijing-based spokeswoman at Hony Capital, declined to comment.

Any deal to buy the Australian energy company would give Harbour stakes in the Gladstone [LNG](#) plant in Queensland, the Darwin [LNG](#) facility and a holding in Exxon Mobil's Papua New Guinea LNG project.

Harbour's CEO Linda Cook said she would seek to expand Santos in Asia and Africa should it win control of the company. Santos shares, which gained 16% last week, traded little changed at A\$5.88 in Sydney.

ENN Ecological Holdings, a listed unit of ENN Group, became the largest shareholder in Santos two years ago.

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