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# FINANCIAL REVIEW

SE Market Wrap - Street Talk  
HD Hony, ENN loom large in Santos takeover theories

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LP Just how close are Chinese gas distributor ENN and its countryman and fellow Santos shareholder, private equity firm [Hony Capital](#)?

The market is abuzz with potential Santos takeover theories and we do know ENN bought the original Hony stake of 11.7 per cent in March this year, and that Hony scooped up a fresh set of 40 million shares in Santos late last Thursday, as revealed by Street Talk.

TD Is there a grand plan being hatched in China as oil prices stabilise?

Under Australian corporate law if Hony and ENN are in cahoots then one would presume a substantial shareholding notice would need to find its way to the [Australian Securities Exchange](#) this week.

Spare a thought, too, for the operators of the espresso bar and cafe on the ground floor of the Santos headquarters in Flinders Street in Adelaide whose customer base has shrunk as more than 500 head office staff were hooked out of the joint in desperate cost-cutting measures.

And what of the recent correspondence to Santos chairman Peter Coates from ENN billionaire Wang Yusuo?

As The Australian Financial Review revealed on Saturday, Yusuo sent an email to Coates and Santos chief executive Kevin Gallagher, reiterating his request that ENN get a board seat as soon as possible. Write-downs at Santos have obviously caused some heartache at its biggest shareholder, and it is looking for change. (The board seat would also provide another layer in its diligence program should it be considering a bigger play).

Sources close to ENN said Yusuo had put a four-point plan to Santos in the email, including announcement of a clear strategy, improving the board composition, decreasing debt and bringing forward low-cost projects to drive growth. And it also made it known it was prepared to bring in the artillery should its plans be ignored.

We wonder whether the artillery includes Hony - which has now upped its stake - and investment bank UBS. Santos' board is understood to have former Lazard Australia boss John Wylie in its corner for advice.

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