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**Enviro Energy International Holdings Limited**

**環能國際控股有限公司**

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

*Website: <http://www.enviro-energy.com.hk>*

*(Stock Code: 1102)*

**DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS  
EXPANDING INTO THE OILFIELD MINERALS INDUSTRY**

The Board wishes to announce that on 20 February 2014, the Company, through its subsidiary, Migo Asia Pacific Limited, has entered into the Master Services Agreement with PT Baramas Mandiri, pursuant to which (1) Migo Asia has agreed to, among others, provide to Baramas certain technical and management services, and related support to develop the oilfield minerals business of Baramas in Indonesia; and (2) Baramas has granted Migo Asia the First Right of Refusal to invest up to 20% of the capital of Baramas.

As at the date of this announcement, the issued share capital of Baramas is held as to (i) 70% by Mr. Chan Wing Him Kenny, the chairman, chief executive officer and executive director of the Company, and also the ultimate controlling shareholder of the Company, who is a connected person of the Company under the Listing Rules; and (ii) 30% by Mr. Handojo Kolopaking, the commissioner of PT Bara Hugo Energy, an approximate 90% subsidiary of the Company. Mr. Chan Wing Him Kenny and Mr. Handojo Kolopaking are also the president director and the commissioner of Baramas, respectively. In accordance with Chapter 14A of the Listing Rules, the Master Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company. Further, in accordance with Chapter 14 of the Listing Rules, the Master Services Agreement also constitutes a discloseable transaction of the Company.

The estimated annual aggregate transaction amount for the financial year ending 31 December 2014 under the Master Services Agreement is less than 25% under the applicable percentage ratios and the total consideration is also less than HK\$10 million. Pursuant to Rule 14A.34(2) of the Listing Rules, such transaction is only subject to the annual review, reporting and announcement requirements, and is exempt from independent shareholders' approval requirements. Details of the Master Services Agreement will be included in the next annual report and accounts of the Company in accordance with Rule 14A.46 of the Listing Rules where appropriate.

If and when Migo Asia exercises the First Right of Refusal, the exercise of such right may constitute a notifiable and connected transaction for the Company. The Company will inform shareholders and

comply with Chapters 14 and 14A of the Listing Rules, where appropriate.

As Mr. Chan Wing Him Kenny, being a connected person, is materially interested in the continuing connected transactions, in accordance with the Listing Rules and applicable requirements, he was requested to abstain and did abstain from voting for passing the resolutions in relation to the approval of the Master Services Agreement at the Board meeting.

The Board wishes to announce that on 20 February 2014, the Company, through its subsidiary, Migo Asia Pacific Limited, has entered into the Master Services Agreement with PT Baramas Mandiri, pursuant to which (1) Migo Asia has agreed to, among others, provide to Baramas certain technical and management services, and related support to develop the oilfield minerals business of Baramas in Indonesia; and (2) Baramas has granted Migo Asia a first right of refusal to invest up to 20% of the capital of Baramas.

#### **MASTER SERVICES AGREEMENT**

**Date:** 20 February 2014

**Parties:** (i) Migo Asia, an indirect wholly-owned subsidiary of the Company; and  
(ii) Baramas

**Term:** from 1 January 2014 to 31 December 2017, renewable for a further term of two (2) years

Prior to the expiration, either party may renew the duration of the Master Services Agreement by no less than three (3) calendar months' notice in writing to the other. With written consent of both parties and in compliance with all the applicable provisions regarding continuing connected transactions and/or notifiable transactions (where applicable) under the Listing Rules, the date of expiration of Master Services Agreement may be extended to another date as agreed by both parties.

#### **Principal Terms:**

- 1) Migo Asia and / or its holding companies and / or fellow subsidiaries shall, upon the request of Baramas and / or its associates, provide technical and management services, and related support to develop the oilfield minerals business of Baramas in Indonesia; and
- 2) Migo Asia and / or its holding companies and / or fellow subsidiaries have the right to provide the aforesaid services and support to any third parties.

#### **First Right of Refusal:**

Baramas has granted Migo Asia a first right of refusal, during the Term, to invest up to 20% of the capital of Baramas, before Baramas is entitled to enter into investment agreements with a third party. The consideration and terms of the investment shall be subject to negotiation between the parties.

**Service Fees:**

US\$300,000 (equivalent to HK\$2,340,000) per annum plus reimbursements for the Term.

**PROPOSED ANNUAL CAPS**

The table below sets out the proposed annual caps under the Master Services Agreement for the three (3) years ending 31 December 2014, 2015 and 2016:

	<i>For the year ending 31 December 2014</i>	<i>For the year ending 31 December 2015</i>	<i>For the year ending 31 December 2016</i>
Master Services Agreement	<b>HK\$3,000,000</b>	<b>HK\$3,000,000</b>	<b>HK\$3,000,000</b>

**BASIS FOR DETERMINING THE ANNUAL CAPS**

The above annual caps have been determined with reference to: (i) the prevailing market prices of the types of technical and management services, and the related support to be provided by Migo Asia; (ii) the expected corresponding increase in relevant costs due to the rise in technical experts, labour and maintenance cost; (iii) the expected corresponding increase in relevant costs due to business development; and (iv) the gradually increasing transaction amounts pertaining to continuing connected transactions along with the growing scale of the operations and demands of Baramas, and in turn further in-depth cooperation in developing the business of Baramas.

**REASONS AND BENEFITS FOR THE MASTER SERVICES AGREEMENT**

The entering into of the Master Services Agreement represents an excellent opportunity for the Group to enter the industrial minerals industry, which covers a broad spectrum of minerals utilised globally in a nearly endless list of applications. In the oilfield minerals segment, several specialised higher-valued minerals offer attractive investment opportunities based on specific geological settings and rapid demand growth.

Oilfield minerals utilised in unconventional hydrocarbons especially as source material for proppant in shale oil and gas production offer attractive investment opportunities. Proppant is a necessary material in the production of shale oil and gas and minerals include high silica sand and high alumina content minerals such as kaolin or bauxite which can be processed into ceramic proppant.

Proppant demand is tied directly to the growth in new oil and natural gas well drilling and has seen spectacular growth over the previous ten years with a total market value of US\$7.5 billion which is expected to double in the period to 2017. High-value ceramic proppant represents 10% of the market by volume and 50% by value.

The business model adopted by Baramas is based on control of high quality mineral natural resources and production, strategic facilities locations(s), low cost processing and manufacturing and efficient logistics.

**OPINIONS OF THE BOARD**

The Directors (including the independent non-executive Directors) is of the view that the Master Services Agreement and the transactions contemplated thereunder have been entered into in the

ordinary and usual course of business of the Group and on normal commercial terms, that they have been implemented in accordance with the terms contained therein, and that the terms, as well as the annual caps applicable thereto, are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

## **IMPLICATIONS OF THE LISTING RULES**

As at the date of this announcement, the issued share capital of Baramas is held as to (i) 70% by Mr. Chan Wing Him Kenny, the chairman, chief executive officer and executive director of the Company, and also the ultimate controlling shareholder of the Company, who is a connected person of the Company under the Listing Rules; and (ii) 30% by Mr. Handojo Kolopaking, the commissioner of PT Bara Hugo Energy, an approximate 90% subsidiary of the Company. Mr. Chan Wing Him Kenny and Mr. Handojo Kolopaking are also the president director and the commissioner of Baramas, respectively. In accordance with Chapter 14A of the Listing Rules, the Master Services Agreement and the transaction contemplated thereunder constitutes continuing connected transaction of the Company. Further, in accordance with Chapter 14 of the Listing Rules, the Master Services Agreement also constitutes a discloseable transaction of the Company.

The estimated annual aggregate transaction amount for the financial year ending 31 December 2014 under the Master Services Agreement is less than 25% under the applicable percentage ratios and the total consideration is also less than HK\$10 million. Pursuant to Rule 14A.34(2) of the Listing Rules, such transaction is only subject to the annual review, reporting and announcement requirements, and is exempt from independent shareholders' approval requirements. Details of the Master Services Agreement will be included in the next annual report and accounts of the Company in accordance with Rule 14A.46 of the Listing Rules where appropriate.

If and when Migo exercises the First Right of Refusal, the exercise of such right may constitute a notifiable and connected transaction for the Company. The Company will inform shareholders and comply with Chapters 14 and 14A of the Listing Rules, where appropriate.

As Mr. Chan Wing Him Kenny, being a connected person, is materially interested in the continuing connected transaction, in accordance with the Listing Rules and applicable requirements, he was requested to abstain and did abstain from voting for passing the resolutions in relation to the approval of the Master Services Agreement at the Board meeting.

## **INFORMATION ON THE COMPANY**

The Company is engaged in investment holding and development of a full range of natural resource-related projects involving hydrocarbons and other natural resource.

## **INFORMATION ON BARAMAS**

Baramas is an investment company established in Indonesia, incorporated to develop the oilfield minerals segment of the industrial minerals industry in Indonesia. Baramas is focusing on the high-valued ceramic proppant materials, namely kaolin and bauxite, and the further processing of these materials into proppant. Baramas has arrangements for site, resource production, manufacturing, storage and loading as well as advanced arrangements for preliminary marketing and logistics in

primary North American markets.

As disclosed above, Baramas is owned as to (i) 70% by Mr. Chan Wing Him Kenny, the chairman, chief executive officer and executive director of the Company, and also the ultimate controlling shareholder of the Company; and (ii) 30% by Mr. Handojo Kolopaking, the commissioner of PT Bara Hugo Energy, an approximate 90% subsidiary of the Company.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“associate(s)”	shall have the meaning ascribed to it under the Listing Rules
“Baramas”	PT Baramas Mandiri, a company incorporated and existing under the laws of Indonesia
“Board”	the board of Directors
“Company”	Enviro Energy International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	shall have the meaning ascribed to it under Listing Rules
“Directors”	the directors of the Company
“First Right of Refusal”	the first right of refusal granted by Baramas to Migo Asia to invest up to 20% of the capital of Baramas during the Term
“Group”	the Company and its subsidiaries
“HK\$”	the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Services Agreement”	the master services agreement entered into between Migo Asia and Baramas on 20 February 2014
“Migo Asia”	Migo Asia Pacific Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	the lawful currency of the United States of America
“%”	per cent

*Unless otherwise specified in this announcement, translations of US\$ into HK\$ are made in this announcement, for illustration only, at the rate of US\$1.00 to HK\$7.8. No representation is made that any amounts in US\$ or HK\$ could have been or could be converted at those rates or at any other rates.*

By Order of the Board  
**Enviro Energy International Holdings Limited**  
**Chan Wing Him Kenny**  
Chairman and Chief Executive Officer

Hong Kong, 21 February 2014

As at the date of this announcement, the Directors are:

**Executive Directors**

Mr. Chan Wing Him Kenny  
Dr. Arthur Ross Gorrell

**Independent non-executive Directors**

Mr. David Tsoi  
Mr. Lo Chi Kit  
Mr. Tam Hang Chuen