

LETTER FROM THE BOARD



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)

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

Registered Office:

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Cayman Islands

Principal Place of Business

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Hong Kong

23 September 2014

*To the Shareholders and, for information,
holders of the outstanding Share Options*

Dear Sir/Madam,

It was announced on 2 September that the Company proposed to raise not less than approximately HK\$34.9 million (or not more than approximately HK\$37.4 million, as the case may be), before expenses, by issuing not less than 1,746,773,000 Offer Shares (assuming none of the Exercisable Options having been exercised on or before the Record Date) and not more than 1,872,463,000 Offer Shares (assuming the Exercisable Options having been exercised in full on or before the Record Date) at the Subscription Price of HK\$0.020 per Offer Share on the basis of one Offer Share for every two Shares held by the Qualifying Shareholders on the Record Date and payable in full on application, with the Bonus Issue on the basis of three Warrants for every five Offer Shares taken up under the Open Offer.

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On 1 September 2014, the Company entered into the Underwriting Agreement with Colpo in respect of the Open Offer. Details of the Open Offer and the Bonus Issue are set out below:

Issue statistics

Basis of the Open Offer:	One Offer Share for every two Shares held on the Record Date together with three Warrants for every five Offer Shares taken up. No Offer Share will be offered to the Excluded Shareholders, if any.
Subscription Price:	HK\$0.020 per Offer Share payable in full on application at or prior to 4:00 p.m. on a date which is currently expected to be Friday, 7 November 2014.
Expected gross proceeds from the Open Offer (assuming none of the Exercisable Options having been exercised on or before the Record Date); expected gross proceeds from the Open Offer (assuming the Exercisable Options having been exercised in full on or before the Record Date):	Not less than approximately HK\$34.9 million; and not more than approximately HK\$37.4 million.
Number of Shares in issue as at the Latest Practicable Date:	3,493,546,000 Shares
Number of Offer Shares:	Not less than 1,746,773,000 Offer Shares (assuming none of the Exercisable Options having been exercised on or before the Record Date); and not more than 1,872,463,000 Offer Shares (assuming the Exercisable Options having been exercised in full on or before the Record Date), with aggregate nominal value of not less than approximately HK\$4.4 million and not more than approximately HK\$4.7 million.
No application for excess applications:	Qualifying Shareholders will not have the right to apply for the Offer Shares in excess of their respective Offer Shares under the Open Offer.

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Underwriter and number of Underwritten Shares:	Colpo: assuming no new Share being issued and no Share being repurchased by the Company on or before the Record Date and having taking into account of the Committed Shares: (i) not less than 1,140,092,400 Offer Shares (assuming none of the Exercisable Options having been exercised on or before the Record Date); and (ii) not more than 1,265,782,400 Offer Shares (assuming the Exercisable Options having been exercised in full on or before the Record Date) will be underwritten by Colpo.
Number of Warrants to be issued:	Not less than 1,048,063,800 Warrants and not more than 1,123,477,800 Warrants to be issued to the first registered holders of the Offer Shares on the basis of three Warrants for every five Offer Shares taken up under the Open Offer.
Number of Shares in issue upon completion of the Open Offer	Not less than 5,240,319,000 Shares and not more than 5,617,389,000 Shares.

The number of Offer Shares to be issued represents 50% of the existing issued share capital of the Company and approximately 33.3% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares.

As at the date of this circular, there were an aggregate of 251,380,000 outstanding Share Options granted by the Company under the Share Option Schemes. Save as disclosed above, the Company has no derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the Latest Practicable Date. The number of Offer Shares which may be issued pursuant to the Open Offer will be increased in proportion to any additional Shares which may be allotted and issued pursuant to the exercise of the Exercisable Options on or before the Record Date.

To the best knowledge of the Company and having made all reasonable enquiries, all Directors who are interested in the Exercisable Options have no intention to exercise the Exercisable Options held by each of them at any time on or before the Record Date. None of the holders of the outstanding Share Options has given any undertaking in relation to the exercise of the Share Options nor their intention to take up their respective Offer Shares, if any.

Qualifying Shareholders and Excluded Shareholders

The Open Offer is only available to the Qualifying Shareholders. To qualify for the Open Offer, a Shareholder must, at the close of business on the Record Date (i) be registered on the register of members of the Company; and (ii) not be an Excluded Shareholder.

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In order to be registered as a member of the Company on the Record Date, Shareholders must lodge any transfers of the Shares (with the relevant share certificates) for registration with the Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. on Thursday, 16 October 2014.

If, at the close of business on the Record Date, any Shareholder whose address as shown on the register of members of the Company is in a place outside of Hong Kong, such Shareholder(s) may not be eligible to take part in the Open Offer as the Prospectus Documents will not be registered and/or filed under the applicable securities legislation of any jurisdictions other than Hong Kong. The Board will, if necessary, make enquiries to its legal advisers of the relevant jurisdictions regarding the legal restrictions under the law of the relevant place and the requirements of the relevant regulatory body or stock exchange. If after making such enquiries and based on the legal opinions obtained, the Board is of the opinion that it would be necessary or expedient not to offer the Offer Shares to such Overseas Shareholders, the Open Offer will not be available to such Overseas Shareholders. Accordingly, the Open Offer will not be extended to the Excluded Shareholders. The results of the enquiries and the basis of exclusion of the Overseas Shareholders will be included in the Prospectus. The Excluded Shareholders, so long as they are Independent Shareholders, shall be entitled to attend the EGM and vote on the proposed resolutions in relation to the Open Offer with the Bonus Issue and the Whitewash Waiver. As at the Latest Practicable Date, the Company is not aware of the existence of any Excluded Shareholders.

The Company shall, on or before the Prospectus Posting Date, post the Prospectus marked "For Information Only" and a letter explaining the circumstances in which the Excluded Shareholders are not permitted to participate in the Open Offer without the Application Form to the Excluded Shareholders, and post the Prospectus marked "For Information Only" to the holders of the outstanding Share Options.

Closure of register of members

The register of members of the Company will be closed from Friday, 17 October 2014 to Thursday, 23 October 2014, both dates inclusive, to determine the eligibility of the Open Offer. No transfer of the Shares will be registered during such periods.

Subscription Price

The Subscription Price is HK\$0.020 per Offer Share, payable in full on application. The Subscription Price represents:

- (i) a discount of approximately 84.96% to the closing price of HK\$0.133 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 79.02% to the theoretical ex-entitlement price of approximately HK\$0.095 per Share after the Open Offer, based on the closing price of HK\$0.133 per Share as quoted on the Stock Exchange on the Last Trading Day;

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- (iii) a discount of approximately 85.27% to the average closing price of HK\$0.136 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 85.80% to the average closing price of HK\$0.141 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 92.87% to the unaudited consolidated net asset value per Share of approximately HK\$0.281 (calculated by dividing the unaudited consolidated net asset value of the Group as at 30 June 2014 as shown in the interim results announcement of the Company for the six months ended 30 June 2014 by the number of Shares in issue as at 30 June 2014); and
- (vi) a discount of approximately 85.92% to the closing price of HK\$0.142 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Assuming none of the Exercisable Options having been exercised on or before the Record Date, the net price for the Offer Shares is approximately HK\$0.019 per Offer Share (calculated as the estimated net proceeds from the Open Offer divided by the total number of the Offer Shares). Assuming the Exercisable Options having been exercised in full on or before the Record Date, the net price for the Offer Shares is approximately HK\$0.019 per Offer Share (calculated as the estimated net proceeds from the Open Offer divided by the total number of the Offer Shares). The aggregate nominal value of the Offer Shares will be approximately HK\$4.4 million (assuming none of the Exercisable Options having been exercised on or before the Record Date) and approximately HK\$4.7 million (assuming the Exercisable Options having been exercised in full on or before the Record Date).

Basis of determining the Subscription Price

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to the prevailing market price and trading liquidities of the Shares prior to the Last Trading Day. Each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the same price in proportion to his/her/its shareholding in the Company on the Record Date. Taking into consideration the theoretical ex-entitlement price per Share and that the discount would encourage the Qualifying Shareholders to participate in the Open Offer, which would enable the Qualifying Shareholders to maintain their respective shareholdings in the Company and participate in the future growth of the Group, the executive Directors consider the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole. The view of the independent non-executive Directors are set out in the "Letter from the Independent Board Committee" in this circular.

When setting the Subscription Price, the Board has also taken into account, among others, the monthly working capital requirements for the Group's operations in Hong Kong and Indonesia, and the net proceeds to be raised from the Open Offer of not less than HK\$33.4 million, which shall be sufficient to support such working capital requirement for a reasonable period of time.

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Odd lot arrangement

In order to facilitate the trading of odd lots (if any) of the Shares arising from the Open Offer, the Company has appointed Metro Capital Securities Limited to match the purchase and sale of odd lots of the Offer Shares. Holders of the Shares in odd lots who wish to take advantage of this facility either to dispose of their odd lots of the Shares or to top up their odd lots to a full board lot may directly or through their broker contact Ms. Mabel Leung of Metro Capital Securities Limited at +852 3944-8000 for the period from Tuesday, 18 November 2014 to Monday, 8 December 2014. Holders of odd lots of Shares should note that successful matching of the sale and purchase of odd lots of Shares is not guaranteed. Any Shareholder who is in any doubt about the odd lot arrangement is recommended to consult his/her/its own professional advisers.

Status of the Offer Shares

The Offer Shares (when allotted, fully paid and issued) will rank pari passu in all respects with the Shares then in issue. Holders of the Offer Shares will be entitled to receive all future dividends and distributions, which are declared, made or paid on or after the close of business on the date of allotment and issue of the Offer Shares.

Certificates of the Offer Shares and Warrants and refund cheques

Subject to fulfillment of the conditions of the Open Offer as set out in the section headed “Conditions of the Open Offer with the Bonus Issue” in this circular and save as otherwise provided in the Underwriting Agreement, share certificates for fully-paid Offer Shares and the certificates for the Warrants are expected to be posted on or around Monday, 17 November 2014 and Friday, 21 November 2014, respectively to all Qualifying Shareholders who have applied for, accepted and paid for the Offer Shares by ordinary post at their own risks.

Refund cheques in respect of the Offer Shares if the Open Offer is terminated are expected to be posted on or around Monday, 17 November 2014 by ordinary post to the applicants at their own risks.

No application for excess Offer Shares

Considering that (i) the Open Offer with the Bonus Issue will give the Qualifying Shareholders an equal and fair opportunity to maintain their respective pro rata shareholdings interests in the Company and (ii) the Company will incur additional administrative work and costs to administer the excess application procedures, the Board has decided that there will be no application for excess Offer Shares by the Qualifying Shareholders. The Open Offer, including the fact that there will be no excess application for the Offer Shares, will be put forward to the Independent Shareholders for approval at the EGM.

The Qualifying Shareholders will therefore not be entitled to apply for any Offer Shares in excess of their respective Offer Shares under the Open Offer. All Offer Shares (other than the Committed Shares) not taken up by the Qualifying Shareholders and not available to the Excluded Shareholders are underwritten by the Underwriter.

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Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares and the Warrant Shares. No listing will be sought for the Warrants. The Company has assessed the possibility of issuing listed Warrants by considering the pros and cons of issuing listed Warrants in the context of the Bonus Issue. While listed Warrants are readily tradable by warrant holders, the Board considered that the Warrants are issued at a premium and will be of minimal value until they are in-the-money. To incur the additional costs for issuing listed Warrants and which listing platform may not be readily utilized by the warrant holders, the Board considered it not to be in the best interests of the Company and the Shareholders.

No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange. Subject to the granting of the listing of, and permission to deal in, the Offer Shares and the Warrant Shares on the Stock Exchange, the Offer Shares and the Warrant Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares and the Warrant Shares on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participations of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The Offer Shares and the Warrant Shares are expected to continue to be traded on the Stock Exchange in the existing board lot of 2,000 Shares. Dealings in the Offer Shares and the Warrant Shares will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy or any other applicable fees and charges in Hong Kong.

Principal terms of the Underwriting Agreement

Date:	1 September 2014 (after trading hours).
Parties:	(1) the Company (2) Colpo (as the Underwriter)
Number of Offer Shares underwritten:	The Offer Shares other than the Committed Shares, being not less than 1,140,092,400 Offer Shares (assuming none of the Exercisable Options having been exercised on or before the Record Date); and not more than 1,265,782,400 Offer Shares (assuming the Exercisable Options having been exercised in full on or before the Record Date). The aggregate nominal value of the Underwritten Shares will be not less than approximately HK\$2.9 million and not more than approximately HK\$3.2 million.
Commission:	1.5% of the total Subscription Price of the Underwritten Shares. The maximum commission to be received by the Underwriter will be approximately HK\$380,000.

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The commission rate was determined after arm's length negotiation between the Company and the Underwriter with reference to the existing financial position of the Group, the size of the Open Offer, and the current and expected market condition. The executive Directors consider the terms of the Underwriting Agreement including the commission rate are fair and reasonable so far as the Company and the Shareholders are concerned. The view of the independent non-executive Directors are set out in the "Letter from the Independent Board Committee" in this circular.

Colpo is a company incorporated in the British Virgin Islands and the controlling Shareholder. It is principally engaged in investment holding business, and its ordinary course of business does not include the underwriting of securities. It is wholly and beneficially owned by Mr. Chan who is also the sole director of Colpo. As at the Latest Practicable Date, Colpo, together with its beneficial owners and parties acting in concert (within the meaning of the Takeovers Code) with any one of them, is beneficially interested in 1,213,361,200 Shares, representing approximately 34.73% of the issued share capital of the Company. Mr. Chan holds 26,000,000 Share Options, all of which are Exercisable Options. To the best knowledge of the Company and having made all reasonable enquiries, Mr. Chan has no intention to exercise the 26,000,000 Exercisable Options held by him at any time on or before the Record Date.

Pursuant to the Underwriting Agreement, Colpo undertakes and confirms to the Company, among others, that:

- (i) Colpo's obligation to subscribe for the Underwritten Shares pursuant to the Underwriting Agreement is for its own account and it shall not hold the Company to be responsible for any loss or damage to any persons arising from any such transaction except where such loss or damage arises from any breach by the Company of its obligations under the Underwriting Agreement or the gross negligence or wilful default or omission of the Company. Colpo also undertakes that it shall fully comply with all applicable laws, rules and regulations, including without limitation the Listing Rules and Takeovers Code, and its constitutional documents and shall not do or omit anything, the doing or omission of which shall or may cause the Company or any of the Directors to be in breach of any applicable laws, rules and regulations;
- (ii) it will not without first having obtained the prior written consent of the Company transfer or otherwise dispose (including without limitation the creation of any option, charge or other encumbrances or rights over or in respect of) or acquire (except by taking up the Offer Shares underwritten by it and pursuant to the Underwriting Agreement and pursuant to the Undertaking or acquiring Shares in circumstances which do not contravene the Listing Rules or qualify as a disqualifying transaction under the Takeovers Code) any Shares or any interest therein between the date of the Underwriting Agreement and the Latest Time for Acceptance; and
- (iii) in the event that there is insufficient public float of the Company within the meaning of the Listing Rules immediately upon completion of the Open Offer, the Underwriter shall, subject to compliance with the Takeovers Code, take all appropriate steps including but not limited to the engagement of a placing agent to

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procure subscribers (who are independent third parties not connected with the directors, chief executive and substantial shareholders of the Company or its subsidiaries or any of their respective associates) to subscribe for the Shares which would otherwise be required to be taken up by the Underwriter under the Underwriting Agreement in order to restore the minimum public float requirement of the Company in compliance with Rule 8.08(1)(a) of the Listing Rules.

Undertaking

On the date of the Underwriting Agreement, Colpo has given its irrevocable undertakings to the Company that:

- (1) Colpo shall remain as the beneficial owner of a total of 1,188,680,000 Shares up to and including the Latest Time for Acceptance;
- (2) Colpo shall and shall procure Mr. Chan to accept, subscribe and pay for an aggregate of 606,680,600 Offer Shares, being the maximum number of the Offer Shares to be offered to Colpo and Mr. Chan by the Company for subscription under the Open Offer, and undertake to lodge or procure to be lodged with the Registrar acceptances for the Committed Shares, with payment in full therefor in cash by no later than the Latest Time for Acceptance or in the manner as set out in the Prospectus Documents; and
- (3) Colpo will not and shall procure Mr. Chan not to transfer or otherwise dispose of (including without limitation the agreement to dispose of, or the creation of any option or derivative) or acquire any Shares, any interest or voting rights (save for the Committed Shares to be subscribed by Colpo and Mr. Chan pursuant to the Open Offer) between the date of the Undertaking and completion of the Open Offer.

Save for the Undertaking, the Board has not received any information or irrevocable undertakings from any substantial Shareholders of their intention to take up their respective Offer Shares under the Open Offer.

Conditions of the Open Offer with the Bonus Issue

The Open Offer and the Bonus Issue are conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof. The conditions precedent of the Underwriting Agreement include:

- (1) the passing by the Independent Shareholders at the EGM by way of poll of the necessary resolution(s) approving, among others, the Open Offer, the Bonus Issue, the creation of the Warrants, the issue of the Offer Shares and the Warrant Shares and the Whitewash Waiver;
- (2) the Executive granting the Whitewash Waiver and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted;

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- (3) the delivery to the Stock Exchange for authorization and the registration with the Hong Kong Companies Registry, respectively, one copy of each of the Prospectus Documents not later than the Prospectus Posting Date and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of the Hong Kong);
- (4) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus for information only and a letter in the agreed form to the Excluded Shareholders, if any, explaining the circumstances in which they are not permitted to participate in the Open Offer on the Prospectus Posting Date;
- (5) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in the Offer Shares and the Warrant Shares by no later than the first day of their dealings as stated in the Prospectus;
- (6) compliance with and performance of all undertakings and obligations of the Company under the Underwriting Agreement;
- (7) compliance with and performance of all undertakings and obligations of the Underwriter under the Underwriting Agreement; and
- (8) the obligations of the Underwriter under the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof.

Save for the condition (7) above which can be waived by the Company (to the extent such condition is waivable) and conditions (6) and (8) above which can be waived by the Underwriter (to the extent such conditions are waivable), none of the above conditions can be waived by the Company or the Underwriter. Condition (7) above is not a regulatory or legal requirement and is waivable by the Company to provide it with flexibility. However, the Company does not have any intention to waive such condition. If the conditions precedent are not fully satisfied (or waived, as the case may be) by the Latest Time for Termination or such other date as the Company and the Underwriter may agree, the Underwriting Agreement shall be terminated and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches, and the Open Offer and Bonus Issue will not proceed.

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination:

- (1) there occurs:
 - (a) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or

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- (b) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or
- (c) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out;

and in the reasonable opinion of the Underwriter, such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or the success of the Open Offer or make it inadvisable or inexpedient to proceed with the Open Offer;

- (2) the Company commits any material breach of or omits to observe any of the obligations, undertakings, representations or warranties expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or
- (3) the Underwriter shall receive notification pursuant to the Underwriting Agreement of, or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the Underwriting Agreement, and the Underwriter shall, in its reasonable opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Open Offer,

the Underwriter shall be entitled (but not bound) by notice in writing issued by the Underwriter to the Company to elect to treat such matter or event as releasing and discharging the Underwriter from its obligations under the Underwriting Agreement and terminate the Underwriting Agreement.

Upon termination of the Underwriting Agreement, the Open Offer and the Bonus Issue will not proceed.

Principal terms of the Warrants

Issuer:	The Company.
Number of Warrants to be issued:	Not less than 1,048,063,800 Warrants but not more than 1,123,477,800 Warrants.
Exercise period:	Two years commencing from the date of the issue of the Warrants.

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Exercise price: An initial exercise price of HK\$0.21 per new Share (subject to adjustment) at which the holders of the Warrants may subscribe for new Share(s).

Transferability: The Warrants may be transferred or assigned to any person provided that any transfer of the Warrants to connected person shall be subject to the requirements that the Stock Exchange may impose from time to time.

To facilitate the transfer of the Warrants by the warrant holders, the Company has appointed Metro Capital Securities Limited to stand in the market to provide matching services on a best efforts basis for all warrant holders of the Warrants during the duration of exercise period, the fees of which shall amount to 0.15% on the transaction amount. Warrant holders of the Warrants who wish to take advantage of this facility may directly or through their broker contact Ms. Mabel Leung of Metro Capital Securities Limited at +852 3944-8000 during the duration of exercise period. The transfer price shall be determined based on arm's length negotiation between the transferor and transferee. The Company estimates the transfer fees for the transfer of the Warrants to be HK\$2.50 per transfer.

Application for listing: No application will be made for a listing of the Warrants on the Stock Exchange or any other stock or securities exchange. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares.

A summary of the terms of the Warrants is set out in Appendix III in this circular.

Number of Warrant Shares to be issued upon exercise of the Warrants

The minimum number of Warrant Shares of 1,048,063,800 Shares represents (i) approximately 30% of the existing issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 20% of the issued share capital of the Company as enlarged by the Offer Shares; and (iii) approximately 16.7% of the issued share capital of the Company as enlarged by the Offer Shares and the Warrant Shares.

The maximum number of Warrant Shares of 1,123,477,800 Shares represents (i) approximately 32.2% of the existing issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 20% of the issued share capital as enlarged by the Offer Shares; and (iii) approximately 16.7% of the issued share capital of the Company as enlarged by the Offer Shares and the Warrant Shares.

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The executive Directors consider that the possible dilution impact on the shareholding interests of those Shareholders who do not subscribe for the Open Offer to be acceptable taking into consideration of the following factors:

- (a) for a private placement of securities, only selected investors are allowed to participate in the fund raising exercise. In contrast, all Shareholders are given the opportunity to take part in the Open Offer;
- (b) the initial conversion price of the Warrants of HK\$0.21 is higher than the recent prices of the Shares and therefore there is no immediate dilution effect on the shareholding interests of the Shareholders who do not subscribe for the Offer Shares; and
- (c) although any exercise of Warrants will lead to a dilution of shareholding interests of Shareholders who do not subscribe for the Offer Shares, this is considered to be fair as those Shareholders who support the Company by way of subscription of the Offer Shares should be rewarded by the capital gain arising from the disposal or exercise of the Warrants.

The view of the independent non-executive Directors are set out in the “Letter from the Independent Board Committee” in this circular.

Exercise Price

The Exercise Price of HK\$0.21 per Warrant Share represents:

- (a) a premium of approximately 57.89% over the closing price of HK\$0.133 per Share as quoted on the Stock Exchange on 1 September 2014, being the Last Trading Day;
- (b) a premium of approximately 54.64% over the average closing price of HK\$0.136 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 1 September 2014, being the Last Trading Day;
- (c) a discount of approximately 25.19% to the unaudited consolidated net asset value per Share of approximately HK\$0.281 (calculated by dividing the unaudited consolidated net asset value of the Group as at 30 June 2014 as shown in the interim results announcement of the Company for the six months ended 30 June 2014 by the number of Shares in issue as at 30 June 2014); and
- (d) a premium of approximately 47.89% over the closing price of HK\$0.142 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Exercise Price was arrived at after arm’s length negotiations between the Company and the Underwriter with reference to, among other things, (i) the current share price of the Company; (ii) the exercise period of the Warrants; (iii) the historical volatility of the share price of the Company; (iv) the amount of proceeds expected to be raised from the exercise of the Warrants; and (v) the attractiveness of the terms of the Open Offer.

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When deciding to include the Bonus Issue with the Open Offer, the Board has considered the additional proceeds of HK\$235.9 million which will be raised from the full exercise of the Warrants. Although the Exercise Price represents a premium to the latest price of the Shares, it is still at a discount to the Group's consolidated net asset value per Share. Also, the price of the Shares has historically been trading at a much higher price. The average trading price of the Shares for the preceding five years was approximately HK\$0.309 with a high of HK\$0.82 per Share and a low of HK\$0.105 per Share. The Company believed the main reason for the Shares to be trading at a lower level in the recent years was that the Group's projects were not progressing as what was expected. The future performance of the Group's projects may have positive impact to the price of the Shares before the expiry of the Warrants.

Apart from the additional funding that the Company may raise upon the exercise of the subscription rights attaching to the Warrants, the purpose of the Bonus Issue is also to provide incentive to the Shareholders to accept the Offer Shares. For those Shareholders who have been Shareholders for a long time and understand the Group and the management well and who believe in the future prospect of the Group, they may take up the Offer Shares believing that the Warrants will become in-the-money within the exercise period. For other Shareholders, they may take up the Offer Shares (which only costs HK\$20 for a Shareholder holding a board lot of 2,000 Shares) and consider the Warrants as a potential gain which does not cost them anything by merely holding them at the moment. Shareholders who participate in the Open Offer and will be issued the Warrants will not incur any additional costs for holding the Warrants. Although the Warrants are currently out-of-the-money, it is possible that the Warrants will become in-the-money over the exercise period. From the perspective of the warrant holders, the value of the Warrants will be zero or a positive value depending on the share price performance of the Company during the exercise period. In view of the aforesaid, the executive Directors consider that the issuance of the Warrants is beneficial to the subscribers of the Offer Shares as they may make a gain from the disposal or exercise of the Warrants. The view of the independent non-executive Directors are set out in the "Letter from the Independent Board Committee" in this circular.

Ranking of the Warrants

The Warrant Shares when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares then in issue.

Fractions of the Warrants

Fractional entitlements to the Warrants to the Shareholders taking up the Offer Shares not in an integral multiple of five will not be issued.

Mandate to issue the Warrant Shares

The Warrant Shares will be allotted and issued under a specific mandate to be approved at the EGM by the Independent Shareholders.

LETTER FROM THE BOARD

REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

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

As previously disclosed in the Previous Announcements, TWE, a non-wholly owned subsidiary of the Company in which the Company held approximately 71.61% of the issued common shares and preferred shares in the capital of TWE, or approximately 82.92% of the issued common shares, preferred shares and warrants outstanding in the capital of TWE on a fully diluted basis, respectively, has declared a dispute with China National Petroleum Corporation and/or its affiliates, including, among others, PetroChina Company Limited and PetroChina Coalbed Methane Company Limited in relation to the a coalbed methane production sharing contract in the Junggar Basin of Xinjiang, China. Please refer to the Previous Announcements for details.

As disclosed in the interim announcement of the Company on 18 August 2014, the Group had a bank balances and cash of approximately HK\$10.0 million as at 30 June 2014. The Board acknowledges that the Group will encounter difficulty in raising funds from financial institutions by way of equity and/or debt financing in light of its recent financial performance and positions. The Board has also considered to conduct a right issue instead of the Open Offer. However, if the Company raises funds via rights issue instead of the Open Offer, the Company would incur higher administrative costs of approximately HK\$100,000 for the preparation, printing, posting and processing of excess applications forms as well as making arrangements with the share registrar on the trading of nil paid rights. The Company will also involve additional time of two to three weeks and incur resources to administer the trading of the nil-paid rights including communication between the Company and other parties such as the registrar or financial printer, and these additional costs and time are difficult to quantify. The objective of the Open Offer is to enable the Shareholders to maintain their proportionate interests in the Company should they wish to do so, ensuring stability in the Company's Shareholders' base, and to participate in the Company's future growth and development. The Board therefore considers, since the Open Offer will already give the Qualifying Shareholders an equal and fair opportunity to maintain their respective pro-rata shareholding interests in the Company, even without the right to trade their nil-paid rights as in a rights issue, on balance, to conduct an Open Offer instead of a rights issue will be more beneficial to the Company and the Shareholders in the current circumstances.

The terms and structure of the Open Offer, including the combination of the Subscription Price and the offer ratio, were arrived at after arm's length negotiations between the Company and Colpo having taken into account the Group's financial position and its working capital requirements. While the Company has explored and proposed other combinations during the negotiations that may result in other dilution effect on the shareholdings of those Shareholders who do not take up the Offer Shares, Colpo was only willing to act as the Underwriter with the current structure of the Open Offer. The Company has attempted but was unable to identify other underwriters for the Open Offer. In view of the financial position of the Group and its need for funding, the Board considered a Subscription Price of HK\$0.02 per Offer Share, an offer ratio of one Offer Share for two Shares and the overall dilution effect to be acceptable and as a whole, in the interests of the Company and the Shareholders. In particular, the

LETTER FROM THE BOARD

Company has exhausted all other fund raising options and the Open Offer with the current structure is the only one available at the moment which allows all Shareholders to participate in an equal and fair basis.

The Board is of the view that the Open Offer with the Bonus Issue will enable the Group to strengthen its capital base, to ease the Group's short-term financial stress and to enhance its financial position.

The estimated gross proceeds (before expenses) and the estimated net proceeds (after deduction of expenses, including the commission to be paid to the Underwriter) from the Open Offer will be not less than approximately HK\$34.9 million and HK\$33.4 million respectively and will not be more than approximately HK\$37.4 million and HK\$35.9 million respectively. The Company intends to apply the net proceeds from the Open Offer for general working capital of the Group.

The estimated maximum net proceeds from the full exercise of the Warrants will be approximately HK\$235.9 million. The net price per Warrant Share is approximately HK\$0.21. The Company intends to apply the net proceeds from the exercise of the Warrants for general working capital of the Group and/or other appropriate investments as may be identified by the Group.

Having taken into account the terms of the Open Offer and the Bonus Issue, the Directors consider that the Open Offer and the Bonus Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Furthermore, it also offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company to participate in the future development of the Company should they wish to do so. However, those Qualifying Shareholders who do not take up the Offer Shares to which they are entitled and the Excluded Shareholders should note that their shareholdings in the Company will be diluted.

LETTER FROM THE BOARD

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

For illustration purposes only, the effects on the shareholding structure of the Company as a result of the Open Offer and the exercise of the Warrants based on different assumed scenarios are illustrated as follows (assuming no new Share being issued and no Share being repurchased by the Company on or before the Record Date):

(1) Assuming none of the Exercisable Options having been exercised on or before the Record Date

Shareholder	As at the Latest Practicable Date		Immediately after completion of the Open Offer (assuming no Qualifying Shareholders take up the Offer Shares, except Colpo as Shareholder and Underwriter and Mr. Chan as Shareholder)		Immediately after completion of the Open Offer and full exercise of the Warrants (assuming no Qualifying Shareholders take up Offer Shares, except Colpo as Shareholder and Underwriter and Mr. Chan as Shareholder)		Immediately after completion of the Open Offer (assuming all Qualifying Shareholders take up the Offer Shares and full exercise of Warrants by Colpo and Mr. Chan only)	
	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %
Colpo	1,188,680,000	34.02	2,923,112,400	55.78	3,963,771,840	63.03	2,139,624,000	38.18
	<i>(Note 1)</i>							
Mr. Chan <i>(Note 1)</i>	<u>24,681,200</u>	<u>0.71</u>	<u>37,021,800</u>	<u>0.71</u>	<u>44,426,160</u>	<u>0.71</u>	<u>44,426,160</u>	<u>0.79</u>
Sub-total of Colpo and parties acting in concert with it	1,213,361,200	34.73	2,960,134,200	56.49	4,008,198,000	63.74	2,184,050,160	38.97
Arthur Ross Gorrell	2,625,000	0.08	2,625,000	0.05	2,625,000	0.04	3,937,500	0.07
Tam Hang Chuen	1,000,000	0.03	1,000,000	0.02	1,000,000	0.02	1,500,000	0.03
Cool Legend Limited <i>(Note 2)</i>	452,400,000	12.95	452,400,000	8.63	452,400,000	7.19	678,600,000	12.11
Public shareholders	<u>1,824,159,800</u>	<u>52.21</u>	<u>1,824,159,800</u>	<u>34.81</u>	<u>1,824,159,800</u>	<u>29.01</u>	<u>2,736,239,700</u>	<u>48.82</u>
Total	<u>3,493,546,000</u>	<u>100.00</u>	<u>5,240,319,000</u>	<u>100.00</u>	<u>6,288,382,800</u>	<u>100.00</u>	<u>5,604,327,360</u>	<u>100.00</u>

LETTER FROM THE BOARD

(2) Assuming the Exercisable Options having been exercised in full on or before the Record Date

Shareholder	After the exercise of the Exercisable Options but immediately before completion of the Open Offer		Immediately after completion of the Open Offer (assuming no Qualifying Shareholders take up the Offer Shares, except Colpo as Shareholder and Underwriter and Mr. Chan as Shareholder)		Immediately after completion of the Open Offer and full exercise of the Warrant Shares (assuming no Qualifying Shareholders take up Offer Shares, except Colpo as Shareholder and Underwriter and Mr. Chan as Shareholder)		Immediately after completion of the Open Offer (assuming all Qualifying Shareholders take up the Offer Shares and full exercise of Warrants by Colpo and Mr. Chan only)	
	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %
Colpo	1,188,680,000	31.74	3,035,802,400	54.04	4,144,075,840	61.48	2,139,624,000	35.72
Mr. Chan (Note 1)	50,681,200	1.35	76,021,800	1.35	91,226,160	1.35	91,226,160	1.52
Sub-total of Colpo and parties acting in concert with it	1,239,361,200	33.09	3,111,824,200	55.39	4,235,302,000	62.83	2,230,850,160	37.24
Arthur Ross Gorrell	7,625,000	0.20	7,625,000	0.14	7,625,000	0.11	11,437,500	0.19
Tam Hang Chuen	1,600,000	0.04	1,600,000	0.03	1,600,000	0.02	2,400,000	0.04
David Tsoi	1,500,000	0.04	1,500,000	0.03	1,500,000	0.02	2,250,000	0.04
Lo Chi Kit	1,100,000	0.03	1,100,000	0.02	1,100,000	0.02	1,650,000	0.03
Cool Legend Limited (Note 2)	452,400,000	12.08	452,400,000	8.05	452,400,000	6.71	678,600,000	11.33
Public shareholders	2,041,339,800	54.52	2,041,339,800	36.34	2,041,339,800	30.29	3,062,009,700	51.13
Total	3,744,926,000	100.00	5,617,389,000	100.00	6,740,866,800	100.00	5,989,197,360	100.00

Notes:

- The entire issued share capital of Colpo is beneficially wholly-owned by Mr. Chan, the Chairman, Chief Executive Officer and an executive Director of the Company, who is therefore deemed to be interested in 1,188,680,000 Shares held by Colpo.
- The entire issued share capital of Cool Legend Limited is solely and beneficially owned by Mr. Thio Sing Tjay Charles, a director of Hugo Link Global Investments Limited, a subsidiary of the Company, who is therefore deemed to be interested in 452,400,000 Shares held by Cool Legend Limited.

IMPLICATION UNDER THE LISTING RULES

As no excess application for the Offer Shares is available under the Open Offer and the Open Offer is underwritten by Colpo, who is a substantial Shareholder, pursuant to Rule 7.26A(2) of the Listing Rules, specific approval shall be obtained from the Independent Shareholders in respect of the absence of such excess application arrangement. Due to the above, Colpo and its associates (including Mr. Chan) shall abstain from voting at the EGM to approve the absence of such excess application arrangement.

The entering into of the Underwriting Agreement with Colpo, who is a substantial Shareholder, and the payment of the underwriting commission to Colpo as the Underwriter constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the underwriting commission to be received by Colpo of approximately HK\$380,000 (based

LETTER FROM THE BOARD

on 1,265,782,400 Shares, being the maximum number of Offer Shares underwritten by Colpo under the Open Offer) is on normal commercial terms and all applicable percentage ratios (as defined in the Listing Rules) are less than 5%, the payment of the underwriting commission by the Company to Colpo is therefore exempt from reporting, announcement and independent shareholders' approval requirements under Rule 14A.76(1) of the Listing Rules. Save for Mr. Chan, who holds the entire interest in the share capital of Colpo, had abstained from voting on the relevant board resolutions, none of the Directors has a material interest in the Open Offer, the Underwriting Agreement, the Undertaking, the Bonus Issue and the Whitewash Waiver and all matters contemplated thereunder and were not required to abstain from voting on the relevant board resolutions approving, among other things, the Open Offer, the Underwriting Agreement and all matters contemplated thereunder.

Pursuant to Rule 14A.92(2)(b) of the Listing Rules, provided that Rule 7.26A of the Listing Rules has been complied with, the allotment and issue of the Underwritten Shares to Colpo as the Underwriter pursuant to the Underwriting Agreement will be exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Open Offer will be conducted in compliance with Rule 7.26A of the Listing Rules as mentioned above.

Pursuant to Rule 7.24(5) of the Listing Rules, the Open Offer is conditional on, among other things, the approval by the Independent Shareholders at the EGM by way of poll, at which any controlling Shareholders and their associates or, where there are no controlling shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour. As at the Latest Practicable Date, Colpo and Mr. Chan are together interested in approximately 34.73 % of the issued share capital of the Company and hence are controlling Shareholders and Mr. Chan controls the voting right in respect of the entire 34.73% shareholding. As such, Colpo and its associates (including Mr. Chan) shall abstain from voting in favour of the resolution in relation to the Open Offer at the EGM.

Immediately following the completion of the Open Offer, the Company should be able to maintain the public float as required under the Listing Rules. In the event that there is insufficient public float of the Company within the meaning of the Listing Rules immediately upon completion of the Open Offer, the Underwriter agrees and undertakes to take such appropriate steps as may be required to maintain the minimum public float for the Shares in compliance with Rule 8.08(1)(a) of the Listing Rules.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company did not conduct any fund raising activities in the past twelve months immediately prior to the Latest Practicable Date.

LETTER FROM THE BOARD

ADJUSTMENTS RELATING TO SHARE OPTIONS UPON COMPLETION OF THE OPEN OFFER

Pursuant to the terms of the Share Option Schemes, the completion of the Open Offer will cause adjustments, as the case may be, to the exercise or conversion prices and/or the number of the outstanding Share Options. The Company will instruct its auditor or an approved financial adviser to review and certify the bases of such adjustments to the outstanding Share Options in compliance with Chapter 17 of the Listing Rules and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and in accordance with the terms of the Share Option Schemes. The Company will inform the holders of the Share Options and publish an announcement accordingly.

IMPLICATION UNDER THE TAKEOVERS CODE AND APPLICATION OF WHITEWASH WAIVER

As at Latest Practicable Date, Colpo, together with its beneficial owner and parties acting in concert with any one of them, is beneficially interested in 1,213,361,200 Shares, representing approximately 34.73% of the issued share capital of the Company. Mr. Chan holds 26,000,000 Share Options, all of which are Exercisable Options. To the best knowledge of the Company and having made all reasonable enquiries, Mr. Chan has no intention to exercise the 26,000,000 Exercisable Options held by him at any time on or before the Record Date.

In the event that, upon completion of the Open Offer (assuming no new Share being issued and no Share being repurchased by the Company on or before the Record Date), no Qualifying Shareholders will take up any Offer Shares (other than the Committed Shares), the Underwriter will be required to subscribe for and take up all Underwritten Shares, which will result in the total shareholding of Colpo and its ultimate beneficial owner and parties acting in concert with any of them in the Company increasing from 1,213,361,200 Shares, representing approximately 34.73% of the issued share capital of the Company (not taking into account of the 26,000,000 Exercisable Options held by Mr. Chan, a concert party of Colpo, as such Exercisable Options have not been exercised as at the Latest Practicable Date), to:

- (i) assuming that none of the Exercisable Options having been exercised on or before the Record Date, 2,960,134,200 Shares representing approximately 56.49% of the entire issued share capital of the Company as enlarged by the Offer Shares, or 4,008,198,000 Shares representing approximately 63.74% of the entire issued share capital of the Company as enlarged by the Offer Shares and assuming the full exercise of the Warrants by Colpo and parties acting in concert with it immediately upon the issue of the Warrants; or
- (ii) assuming that the 26,000,000 Exercisable Options having been exercised in full by Mr. Chan only on or before the Record Date, 2,999,134,200 Shares representing approximately 56.81% of the entire issued share capital of the Company as enlarged by the Offer Shares, or 4,054,998,000 Shares representing approximately 64.01% of the entire issued share capital of the Company as enlarged by the Offer Shares and assuming the full exercise of the Warrants by Colpo and parties acting in concert with it immediately upon the issue of the Warrants.

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Accordingly, the underwriting of the Underwritten Shares by Colpo pursuant to the Underwriting Agreement, the subscription for the Committed Shares pursuant to the Undertaking and the exercise of the Warrants will trigger an obligation on Colpo, together with parties acting in concert with it, to make a mandatory offer under Rule 26 of the Takeovers Code for all the issued securities of the Company (including the Exercisable Options) not already owned or agreed to be acquired by Colpo and parties acting in concert with it, unless the Whitewash Waiver is obtained.

An application has been made by Colpo to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval by the Independent Shareholders at the EGM by way of poll, which Colpo and parties acting in concert with it and (if applicable) Shareholders who are not Independent Shareholders will abstain from voting at the EGM on the relevant resolutions. If the Whitewash Waiver is not granted by the Executive, the Open Offer and the Bonus Issue will not become unconditional and will not proceed.

Upon completion of the Open Offer and the Bonus Issue, Colpo and parties acting in concert with it may hold more than 50% of the enlarged issued share capital of the Company, in which case, Colpo and parties acting in concert with it may increase their holding without any further obligations under Rule 26 of the Takeovers Code to make a general offer.

Colpo has confirmed that (for itself and on behalf of parties acting in concert with it) neither it nor parties acting in concert with it have acquired any voting rights of the Company or have dealt in any relevant securities of the Company (as defined in Note 4 to Rule 22 of the Takeovers Code) in the six months prior to the date of the Announcement and ending with the Latest Practicable Date which would constitute disqualifying transaction under Paragraph 3 of Schedule VI of the Takeovers Code by itself and parties acting in concert with it before completion of the Open Offer.

As at the Latest Practicable Date, other than the 1,213,361,200 Shares which Colpo and Mr. Chan are interested in and the 26,000,000 Share Options held by Mr. Chan:

- (i) Colpo and the parties acting in concert with it do not own, control or have direction over any voting rights or rights over the Shares or convertible securities, options, warrants or derivatives of the Company;
- (ii) save for the Underwriting Agreement and the Undertaking, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of Colpo or the Company which might be material to the Open Offer, the Underwriting Agreement, the Undertaking and/or the Whitewash Wavier;
- (iii) other than those set out in the paragraph headed “Conditions of the Open Offer with Bonus Issue” in this circular and the Underwriting Agreement, there is no agreement or arrangement to which Colpo is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Open Offer; and

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- (iv) Colpo and parties acting in concert with it have not received any irrevocable commitment to vote for the Open Offer, the Underwriting Agreement, the Undertaking and/or the Whitewash Wavier or to take up the securities of the Company to be offered to it under the Open Offer.

INTENTION OF COLPO

It is the intention of Colpo that the Group will continue its current business. Colpo has no intention to make any major changes to the business or employment of the employees of the Group or redeploy the fixed assets of the Group.

The decision to support the Open Offer with the Bonus Issue by way of acting as the Underwriter to the Open Offer with the Bonus Issue was mainly because Colpo believed that the Open Offer with the Bonus Issue would strengthen the Group's financial position and enlarge its capital base.

WARNING OF THE RISK OF DEALINGS IN THE SHARES

Shareholders and potential investors should note that the Open Offer with the Bonus Issue is conditional, inter alia, upon the fulfillment of the conditions set out under the section headed "Conditions of the Open Offer with the Bonus Issue" of this circular. In particular, the Open Offer with the Bonus Issue is subject to the Underwriter not terminating the Underwriting Agreement in accordance with the terms set out therein (a summary of which is set out in the section headed "Termination of the Underwriting Agreement" of this circular). Accordingly, the Open Offer with the Bonus Issue may or may not proceed.

Any Shareholders or other persons dealing in the Shares up to the date on which all conditions to which the Open Offer with the Bonus Issue are fulfilled or waived (if applicable) (which is expected to be on Monday, 10 November 2014), will accordingly bear the risk that the Open Offer with the Bonus Issue may not become unconditional and may not proceed. If the Underwriter shall terminate the Underwriting Agreement, the Open Offer with the Bonus Issue will not proceed and will lapse. Any Shareholders or other persons contemplating any dealings in the Shares are advised to consult their own professional advisers.

Overseas Shareholders should note that they may or may not be entitled to the Open Offer with the Bonus Issue, subject to the results of enquiries made by the Directors pursuant to Rule 13.36(2)(a) of the Listing Rules. Further details as to the entitlement of the Overseas Shareholders to the Open Offer with the Bonus Issue will be set out in the Prospectus to be despatched to the Shareholders relating to the Open Offer with the Bonus Issue.

LETTER FROM THE BOARD

GENERAL

The Board has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Open Offer, the Bonus Issue and the Whitewash Waiver, and to make recommendations (i) as to whether the Open Offer, the Bonus Issue and the Whitewash Waiver are fair and reasonable; and (ii) as to voting of the resolution(s) to approve the Open Offer, the Bonus Issue and the Whitewash Waiver.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, apart from Colpo and its associates (including Mr. Chan), there is no other Shareholder who shall abstain from voting on the relevant resolutions to approve the Open Offer, the Bonus Issue and the Whitewash Waiver at the EGM.

Subject to, among other things, the Open Offer, the Bonus Issue and the Whitewash Waiver being approved by the Independent Shareholders at the EGM, the Company will, on or around Friday, 24 October 2014, send (i) the Prospectus Documents to the Qualifying Shareholders; and (ii) the Prospectus (without the Application Form) to the Excluded Shareholders and the holders of the outstanding Share Options for information purpose only.

EGM

A notice convening the EGM to be held at Unit 806, Level 8, Core D, Cyberport 3, 100 Cyberport Road, Hong Kong on Monday, 13 October 2014 at 12:00 noon is set out from page 185 to 187 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time fixed for holding the EGM of the Company or any adjournment thereof. Completion and return of form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof, if you so wish.

In accordance with the Takeovers Code and the Listing Rules, Colpo and parties acting in concert with it and their respective associates (as defined under the Listing Rules) and those who are involved in and/or interested in the Open Offer with the Bonus Issue, the Underwriting Agreement and/or the Whitewash Waiver shall abstain from voting on the relevant resolutions in respect of the Open Offer with the Bonus Issue and the Whitewash Waiver at the EGM.

According to Rule 13.39(4) of the Listing Rules, any voting of the Shareholders at the EGM will be taken by way of poll and an announcement will be made after the EGM on the results of the EGM.

RECOMMENDATION

The Directors (including independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) believe that the terms of the Open Offer with the Bonus Issue and the Whitewash Waiver are on normal commercial terms and fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Accordingly, the Directors (including independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) recommend the Independent Shareholders to vote in favour of all resolutions to be proposed at the EGM.

Mr. Chan, the Chairman and Chief Executive Officer of the Company, who holds the entire interest in the share capital of Colpo, who has a material interest in the Open Offer with the Bonus Issue and the Whitewash Waiver and all matters, had abstained from voting on the relevant Board resolutions.

Shareholders are advised to read carefully the letter from the Independent Board Committee on pages 33 to 34 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out on pages 35 to 60 of this circular, considers that the terms of the Open Offer with the Bonus Issue and the Whitewash Waiver are on normal commercial terms and are fair and reasonable insofar as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to approve the Open Offer with the Bonus Issue and the Whitewash Waiver at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular.

Yours faithfully
By order of the Board
Enviro Energy International Holdings Limited
Chan Wing Him Kenny
Chairman and Chief Executive Officer