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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: 8182)

ANNOUNCEMENT DISCLOSEABLE TRANSACTION ACQUISITION OF SHARES IN TERRAWEST ENERGY CORP. AND RESUMPTION OF TRADING

Financial adviser to the Company



Reference is made to the Company's announcements dated 28 January 2008, 13 March 2008 and 4 June 2008. The Board noted the increase in the price of the Shares on 9 July 2008. This announcement is also made pursuant to Rule 17.10 of the GEM Listing Rules to provide information on the Acquisition.

The Board is pleased to announce that the Purchaser, being a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor on 9 July 2008 in respect of the Acquisition.

The Acquisition constitutes a discloseable transaction of the Company under Rule 19.06 of the GEM Listing Rules.

A circular containing, among other things, further details of the Acquisition and other disclosures in connection with the Acquisition required under the GEM Listing Rules will be dispatched to the Shareholders in due course.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 12:07 p.m. on 9 July 2008 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 14 July 2008.

Save as disclosed herein, the Board confirms that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Chapters 19 to 20 of the GEM Listing Rules.

Reference is made to the Company's announcements dated 28 January 2008, 13 March 2008 and 4 June 2008. The Board noted the increase in the price of the Shares on 9 July 2008. This announcement is also made pursuant to Rule 17.10 of the GEM Listing Rules to provide information on the Acquisition.

The Board is pleased to announce that the Purchaser, being a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor on 9 July 2008 in respect of the Acquisition. Details of the Agreement are set out below.

THE AGREEMENT

Date: 9 July 2008 (after trading hours)

Parties:

1. Purchaser: Rich Concept Technology Limited, a wholly-owned subsidiary of the Company
2. Vendor: Chavis International Limited
3. Guarantor: Cheng Miu Fong

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor and the Guarantor are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules).

Assets to be acquired

The Sale Shares, representing approximately 67.08% of the existing issued and outstanding common voting shares of TerraWest or approximately 48.65% of the enlarged issued and outstanding common voting shares of TerraWest upon full conversion of all the existing preferred shares and warrants of TerraWest as of the date of this announcement.

After Completion, assuming no conversion of any of the existing preferred shares and warrants of TerraWest into common voting shares of TerraWest, TerraWest will be considered as a non wholly-owned subsidiary of the Company and its financial statements will be consolidated into the accounts of the Company, subject to confirmation by the Company's auditors.

Consideration

The total consideration for the Acquisition is US\$9.6 million (equivalent to approximately HK\$74.88 million), which shall be settled by the Company in the following manner:

1. US\$3 million (equivalent to approximately HK\$23.4 million) refundable deposit (the "**Deposit**") paid by the Company to the Vendor prior to the date of this announcement pursuant to the Letter of Intent shall be applied as part of the consideration on Completion;

2. US\$3.6 million (equivalent to approximately HK\$28.08 million) shall be paid by cashier's order to the Vendor as part of the consideration on Completion; and
3. US\$3 million (equivalent to approximately HK\$23.4 million) shall be satisfied by the allotment and issuance of 93,600,000 new Shares at HK\$0.25 per Consideration Share on the Allotment Date.

The Deposit, together with the interests accrued on the Deposit at the best lending rate of The Hongkong and Shanghai Banking Corporation Limited from the date of payment of the Deposit up to and including the date of such refund to the Purchaser, shall be refunded to the Purchaser in full if Completion should fail to occur for any reason not attributable to the default of either party.

The Consideration has been arrived at after arm's length negotiation between the parties to the Agreement with reference to (1) the Group's internal assessment on TerraWest taking into account the value of the PSC (hereinafter defined) with reference to similar acquisition of companies with CBM projects in the PRC; (2) the future business prospects of TerraWest; (3) the strategic value of TerraWest on the future development of the Group; and (4) the potential business opportunities that can be provided to the Group.

The Company intends to finance the cash consideration with internal financial resources and/or funds raised from previous equity placement.

Consideration Shares

The issue price of HK\$0.25 per Consideration Share represents (i) a discount of approximately 39.76% to the closing price of HK\$0.415 per Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) a discount of approximately 27.75% to the 5-day average closing price of approximately HK\$0.346 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day. The total market value of the Consideration Shares amounted to approximately HK\$38.844 million based on the closing price of HK\$0.415 per Share as quoted on the Stock Exchange on the Last Trading Day.

The Consideration Shares comprise 93,600,000 new Shares, which represents approximately 4.01% of the Company's existing issued share capital as of the date of this announcement and approximately 3.85% of the Company's enlarged issued share capital after the allotment and issuance of the Consideration Shares on the Allotment Date.

The Consideration Shares will be issued, credited as fully paid, to the Vendor on the Allotment Date pursuant to the existing general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 21 January 2008 under which up to 20% of the aggregate nominal amount of the share capital of the Company in issue on that date can be allotted and issued (the "**General Mandate**"). As of 21 January 2008, the number of issued Shares were 2,226,080,800. Therefore the Directors were authorized to allot and issue up to 445,216,160 Shares under the General Mandate. As of the date of this announcement, 100% of the General Mandate (representing 445,216,160 Shares) has not been utilized and is therefore sufficient to cover the Consideration Shares to be allotted and issued on the Allotment Date.

The Consideration Shares, when issued, will rank pari passu with the existing issued fully-paid Shares including the right to receive in full all dividends and other distributions declared after the date of allotment of the Consideration Shares.

The Company will apply to the GEM Listing Committee for the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange.

Restrictions on the sale of the Consideration Shares

The Consideration Shares shall be subject to a lock-up period of 12 months from the Allotment Date, during which the Consideration Shares shall not be transferred, sold, lent, charged, mortgaged, otherwise used as security or otherwise encumbered.

Conditions precedent

Completion is subject to the fulfillment or waiver of the following conditions:

1. the Purchaser, being satisfied, at its absolute discretion, with the results of the due diligence conducted by the Purchaser on TerraWest;
2. the Purchaser being satisfied with a legal opinion (in the terms approved by the Purchaser) and addressed to the Purchaser by qualified lawyers in Canada on matters relating to TerraWest;
3. the delivery by the Vendor to the Purchaser of a copy of the management accounts for the period 1 January 2008 to 30 June 2008 (certified as true and accurate by the sole director of the Vendor) and the audited financial statements of TerraWest for the three financial years ended 31 December 2007;
4. the passing of the relevant resolutions of the respective boards of directors of the Purchaser and the Company for approving, among others, the Agreement and transactions contemplated therein;
5. the passing of the relevant resolutions of the sole director of the Vendor for approving, among others, the Agreement and transactions contemplated therein;
6. all liabilities, except for the accounts payable and accrued liabilities disclosed in item 3 above, of TerraWest having been settled by the Vendor (not sourced from any asset within TerraWest) and TerraWest will be free of any liability upon Completion;
7. the approval for the listing of, and permission to deal in, the Consideration Shares having been granted by the GEM Listing Committee; and
8. if required, the relevant authorities in Canada approving the transactions contemplated in the Agreement.

As at the date of this announcement, condition 4 above has been fulfilled.

Completion

Completion will take place on the next Business Day on which the last of the outstanding conditions above have been fulfilled or waived or such other date being not later than 31 August 2008 or such other date as is agreed in writing by the parties.

Change in shareholding structure of the Company

Assuming no further Shares are issued and/or repurchased by the Company before the Allotment Date, the shareholding structure of the Company as of the date of this announcement and immediately after the Allotment Date are as follows:

Name of Shareholders	Existing		Upon allotment and issuance of Consideration Shares on Allotment Date	
	No. of Shares	%	No. of Shares	%
Colpo Mercantile Inc. (1)	1,183,180,000	50.63	1,183,180,000	48.68
Vendor (2)	–	–	93,600,000	3.85
Public Shareholders	1,153,700,800	49.37	1,153,700,800	47.47
	<u>2,336,880,800</u>	<u>100.00</u>	<u>2,430,480,800</u>	<u>100.00</u>

Notes:

- (1) The entire issued share capital of Colpo Mercantile Inc. is beneficially owned by Mr. Chan Wing Him, Kenny, the Chairman and the Chief Executive Officer of the Company.
- (2) Upon the allotment and issuance of the Consideration Shares to the Vendor on the Allotment Date, the Vendor shall be classified as a public Shareholder.

INFORMATION ON THE GROUP

The Group is principally engaged in energy production projects, including exploration, exploitation and extraction of oil, natural gas and CBM. The Group also specializes in the exploration of climate change related technology, including geological sequestration of CO₂, enhanced CBM, enhanced oil recovery, coal mine methane mitigation and green house gases emissions reduction. The Group's business objective is to create its Shareholders' value by developing conventional and unconventional energy resources around the world.

Reasons for the Acquisition

In the PRC, forecast demand for natural gas outstrips supply by a wide margin and the development of CBM and other unconventional natural gas resources is being encouraged by the central government. The Group is able to deliver leading CBM exploration and production technology through internal knowledge and experience as well as through strategic alliances with world-class service providers. The PRC is considered one of the most prospective regions in the world for CBM based on widespread, high quality coal resources.

The Directors believe that there is strong and growing interest in the development of CBM resources globally following the enormous success of CBM developments in North America and Australia.

The Group has developed a strategy to respond to global concerns over climate change and emissions of greenhouse gases by becoming involved in the sequestration and storage of CO₂ and enhanced

hydrocarbon production. There is a consensus amongst business forecasters that emerging market systems for valuing and trading the emission credits created by sequestration of CO₂. This will provide additional economic value to the feasible projects that the Group undertakes. Given the high demand for clean energy, high energy prices and environmental issue, CBM is regarded as a key source of alternative clean energy which can ease the shortage of natural gas in the world.

Based on the foregoing, the Directors consider that after Completion, the 47% interest in the PSC held by TerraWest is expected to contribute additional profits and cashflow in the long run and accelerate the pace of business expansion of the Group. Besides, the Group has moved a further step forward in achieving its objective as aforesaid.

The Directors believe that the terms of the Agreement are fair and reasonable and in the best interest of the Shareholders and the Company as a whole.

INFORMATION ON THE VENDOR AND THE GUARANTOR

The Vendor is an investment holding company incorporated in the British Virgin Islands. It has no other investment other than its shareholding in TerraWest. The Guarantor is the sole beneficial owner of the Vendor.

There are no previous transactions between the Company with each of the Vendor and the Guarantor which may require aggregation under Rule 19.22 of the GEM Listing Rules.

INFORMATION ON TERRAWEST

TerraWest is a privately owned CBM exploration and development company established by premier coal/CBM consultants including principals of Norwest Corporation, an international CBM and energy consulting company, based in Calgary, Alberta, Canada. TerraWest was established to pursue CBM exploration and development in the PRC which is the sole business of the enterprise at this time. TerraWest currently holds a 47% interest in a production sharing contract (the “PSC”) with China United Coalbed Methane Corporation (“CUCBM”), which holds a 53% interest in the PSC, covering approximately 655 square kilometers (approximately 162,000 acres) in the Junggar Basin of Xinjiang province in the northwest of the PRC. It is one of the CBM production sharing contracts in the PRC with a foreign party on an area leased by PetroChina Company Limited (“PetroChina”), which “H” shares and American depository shares are listed on the Stock Exchange and the New York Stock Exchange, Inc. respectively.

Initial drilling program 2006 under the PSC

TerraWest completed three coal test wells in 2006, with depths ranging from 526 meters to 768 meters. The wells intersected the principal target Jurassic Xishanyao (“J2x”) formation as planned and aggregate coal seam thicknesses were found to be impressive, ranging from 16 meters to 43 meters. The two main J2x coal seams intersected in wells LGH 06-01 and 06-03 are over 30 meters in total thickness. The J2x coal seams are well developed over much of the project area of the PSC and are extensively mined using underground mining methods. The deeper Jurassic Badaowan formation that is the secondary exploration target was not drilled in 2006, and remains virtually unexplored in the project area. Elsewhere in the region it is of mineable thickness, and is exploited by underground mining. The term “Jurassic” is the geologic age of the rock formations. The two identified geologic formations (“Jurassic Xishanyao”

and “Jurassic Badowaon”) are the coal-bearing formations and are considered to be the prospective gas-bearing geologic formations. The use of the names of the formations indicates that TerraWest has identified the target prospective gas zones.

Characteristic of the target coal formation under the PSC

Test well drilling and CBM desorption analysis were completed under the project management of Norwest Corporation. Norwest Corporation concluded that the coal in the area tested is High Volatile Bituminous C to Subbituminous A in rank, with variable gas content ranging to 100 standard cubic feet per ton of coal. Initial gas resource estimates and production testing are expected to be completed during the next work program scheduled for the second half of 2008. The terms “High Volatile Bituminous C” and “Subbituminous A” are the accepted scientific, industry-standard terms that indicate the type of coal (“rank”) and therefore indicate a prospective natural gas content. The use of the terms indicates that TerraWest has identified the type of coal which is in the target prospective gas zones.

TerraWest’s audited financial statements are prepared using Canadian generally accepted accounting principles. Its audited net asset value as of 31 December 2007 was CAD3,747,515 (equivalent to approximately HK\$29,815,000).

The audited net losses of TerraWest for the two financial years ended 31 December 2006 and 2007 were CAD684,330 (equivalent to approximately HK\$5,445,000) and CAD193,357 (equivalent to approximately HK\$1,538,000), respectively.

Junggar Basin

The Junggar Basin is highly prospective for CBM reserves due to the existence of extensive coal resources with known gas content. The preliminary estimate of CBM gas potential for the Junggar Basin, as reported by CUCBM, is 69 trillion cubic feet (approximately 2 trillion cubic meters). The southern Junggar Basin is an active coal mining area and is also a productive petroleum and natural gas area with existing production facilities.

Existing natural gas pipeline infrastructure in the vicinity of the project area carries conventional natural gas to Urumqi, the capital and largest city in Xinjiang, and links the area to the major trans-national West-East natural gas pipeline, owned and operated by PetroChina. This pipeline is the key transportation vehicle in moving gas from the western part of China, where resources are rich, to the densely populated and industrialized eastern part of China. Spanning over nine provinces, the annual gas transmission capacity of this pipeline is estimated by PetroChina at 420 billion cubic feet.

GENERAL

The Acquisition constitutes a discloseable transaction of the Company under Rule 19.06 of the GEM Listing Rules.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 12:07 p.m. on 9 July 2008 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 14 July 2008.

Save as disclosed herein, the Board confirms that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Chapters 19 to 20 of the GEM Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by the Purchaser pursuant to the Agreement
“Agreement”	the agreement relating to the sale and purchase of the Sale Shares entered into between the Purchaser and the Vendor on 9 July 2008
“Allotment Date”	90 days after the date of Completion when the Consideration Shares shall be allotted and issued to the Vendor pursuant to the Agreement
“Board”	the board of Directors
“Business Day”	any day (not being a Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are generally open for business
“CAD”	Canadian dollars, the lawful currency of Canada
“CBM”	coal bed methane
“Company”	Enviro Energy International Holdings Limited, incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement
“Consideration”	the consideration for the Acquisition pursuant to the Agreement
“Consideration Shares”	being 93,600,000 new Shares to be allotted and issued at an issue price of HK\$0.25 per Share, credited as fully paid, to satisfy part of the Consideration, on the Allotment Date and “Consideration Share” shall be construed accordingly
“CO ₂ ”	carbon dioxide
“Directors”	the directors of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange

“GEM Listing Committee”	the listing committee for GEM
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Guarantor”	Cheng Miu Fong, the sole beneficial owner of the Vendor
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Day”	9 July 2008, being the last trading day before the publication of this announcement
“Letter of Intent”	the letter of intent dated 11 March 2008 entered into between the Purchaser and the Vendor
“PRC”	the People’s Republic of China
“Purchaser”	Rich Concept Technology Limited, a wholly-owned subsidiary of the Company
“Sale Shares”	108,000,000 issued common shares without par value in the capital of TerraWest comprising approximately 67.08% of the existing issued and outstanding common voting shares of TerraWest or approximately 48.65% of the enlarged issued and outstanding common voting shares of TerraWest upon full conversion of the existing preferred shares and warrants of TerraWest as of the date of this announcement
“Share(s)”	the share(s) of HK\$0.0025 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TerraWest”	TerraWest Energy Corp., a company incorporated in Canada with limited liability
“Vendor”	Chavis International Limited, a company incorporated in the British Virgin Islands with limited liability
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

Unless otherwise specified in this announcement, translations of US\$ into HK\$ and CAD to HK\$ are made in this announcement, for illustration purpose only, at the rates of US\$1.00 to HK\$7.80 and CAD1.00 to HK\$7.956, respectively.

By Order of the Board
Enviro Energy International Holdings Limited
Chan Wing Him Kenny
Chairman

Hong Kong, 11 July 2008

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the website of GEM at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of publication and the website of the Company at www.enviro-energy.com.hk.