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If you have sold or transferred all your shares in **Enviro Energy International Holdings Limited**, you should at once hand this circular to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

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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)

**DEED OF CANCELLATION
IN RELATION TO A DISCLOSEABLE TRANSACTION
AND
ACQUISITION OF SHARE IN CHAVIS INTERNATIONAL LIMITED
CONSTITUTING A DISCLOSEABLE TRANSACTION**

Financial Adviser to the Company



This circular does not constitute, or form part of, an offer or invitation, or solicitation or inducement of an offer, to subscribe for or purchase any of the Shares or other securities of the Company, nor is this circular circulated to invite offers for any Shares or other securities of the Company.

A letter from the Board is set out on pages 5 to 13 of this circular.

6 October 2008

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings, respectively:

“Acquisition Agreement”	the agreement relating to the sale and purchase of the Chavis Share entered into between Ms. Cheng and Rich Concept on 17 September 2008
“Acquisition of Chavis”	the proposed acquisition by Rich Concept of the Chavis Share from Ms. Cheng pursuant to the Acquisition Agreement
“Allotment Date”	any day, at the discretion of Rich Concept, falling within 120 days after the date of Completion when the Consideration Shares shall be allotted and issued to Ms. Cheng pursuant to the Acquisition 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
“BVI”	the British Virgin Islands
“CAD”	Canadian dollars, the lawful currency of Canada
“CBM”	coal bed methane
“Chavis”	Chavis International Limited, a company incorporated in the BVI with limited liability
“Chavis Share”	one issued share without par value in the capital of Chavis
“Colpo”	Colpo Mercantile Inc., a company incorporated in the BVI with limited liability, the entire issued share capital of which is solely and beneficially owned by Mr. Chan, and a controlling shareholder of the Company
“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 of Chavis in accordance with the terms and conditions of the Acquisition Agreement

DEFINITIONS

“connected person”	has the same meaning as ascribed to it under the GEM Listing Rules
“Consideration”	the consideration for the Acquisition of Chavis pursuant to the Acquisition 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
“controlling shareholder”	has the same meaning as ascribed to it under the GEM Listing Rules
“CO ₂ ”	carbon dioxide
“CUCBM”	China United Coalbed Methane Corporation
“Deed of Cancellation”	the deed of cancellation dated 17 September 2008 entered into between Chavis, Ms. Cheng and Rich Concept pursuant to which the parties thereto agreed to, among others, cancel the TerraWest Agreement
“Deposit”	US\$3 million (equivalent to approximately HK\$23.4 million)
“Directors”	the directors of the Company
“Dr. Gorrell”	Dr. Arthur Ross Gorrell, an executive Director
“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, its subsidiaries and jointly-controlled entities
“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

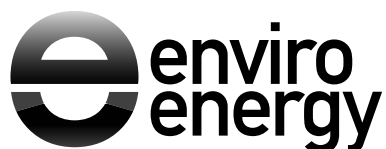
DEFINITIONS

“Last Trading Day”	17 September 2008, being the last trading day before the publication of the announcement of the Company dated 18 September 2008
“Latest Practicable Date”	30 September 2008, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion herein
“Letter of Intent”	the letter of intent dated 11 March 2008 entered into between Rich Concept and Chavis in respect of the sale and purchase of certain shares in TerraWest
“Mr. Chan”	Mr. Chan Wing Him Kenny, an executive Director, the chairman and chief executive officer of the Company and the ultimate beneficial owner of Colpo
“Ms. Cheng”	Ms. Cheng Miu Fong, the sole beneficial owner of Chavis
“Petromin”	Petromin Resources Limited, a company listed on the Toronto Stock Exchange Venture Board, which is principally engaged in acquiring and developing oil and gas properties
“PRC”	the People’s Republic of China, for the purposes of this circular, excluding Hong Kong
“PSC”	a production sharing contract dated 30 December 2005, which is shared as to 47% by TerraWest and 53% by CUCBM
“Rich Concept”	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 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 the existing preferred voting shares and warrants of TerraWest as at the Latest Practicable Date
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“Share(s)”	the share(s) of HK\$0.0025 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Option Scheme”	the post-IPO share option scheme adopted by the Company on 25 January 2003
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholders”	has the same meaning as ascribed to it under the GEM Listing Rules
“Target Group”	Chavis and TerraWest
“TerraWest”	TerraWest Energy Corp., a company incorporated in Canada with limited liability
“TerraWest Agreement”	the agreement relating to the sale and purchase of the Sale Shares entered into between Chavis, Ms. Cheng and Rich Concept on 9 July 2008 and the supplemental deed dated 28 August 2008 entered into between the same parties
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

Unless otherwise specified in this circular, translations of US\$ into HK\$ and CAD into HK\$ are made in this circular, for illustration purpose only, at the rates of US\$1.00 to HK\$7.80 and CAD1.00 to HK\$7.277, respectively.



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

(Stock Code: 8182)

Executive Directors:

Chan Wing Him Kenny

(Chairman and Chief Executive Officer)

Arthur Ross Gorrell

Independent Non-executive Directors:

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Lo Chi Kit

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Cayman Islands

6 October 2008

To the Shareholders

Dear Sir or Madam,

**DEED OF CANCELLATION
IN RELATION TO A DISCLOSEABLE TRANSACTION
AND
ACQUISITION OF SHARE IN CHAVIS INTERNATIONAL LIMITED
CONSTITUTING A DISCLOSEABLE TRANSACTION**

A. INTRODUCTION

On 18 September 2008, the Company announced that Rich Concept had on 17 September 2008 entered into (i) the Deed of Cancellation with Chavis and Ms. Cheng with respect to the cancellation of the TerraWest Agreement in relation to the sale and purchase of the Sale Shares; and (ii) the Acquisition Agreement with Ms. Cheng with respect to the sale and purchase of the Chavis Share from Ms. Cheng to Rich Concept at a total consideration of US\$4.031 million (equivalent to approximately HK\$31.44 million), which shall be satisfied by (i) a cashier's order in the amount of US\$1.031 million (equivalent to approximately HK\$8.042 million); and (ii) the allotment and issue of 93,600,000 new Shares

LETTER FROM THE BOARD

at HK\$0.25 per Consideration Share on the Allotment Date. The Acquisition of Chavis constituted a discloseable transaction of the Company under Rule 19.06 of the GEM Listing Rules.

B. THE DEED OF CANCELLATION

Date: 17 September 2008 (after trading hours)

Parties: Party A: Chavis, as vendor
Party B: Rich Concept, as purchaser
Party C: Ms. Cheng, as guarantor

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Chavis and Ms. Cheng are third parties independent of the Company and its connected persons.

Asset involved in the Deed of Cancellation

Pursuant to the Deed of Cancellation, Chavis, Ms. Cheng and Rich Concept had agreed to terminate and release all their respective rights and obligations under and pursuant to the TerraWest Agreement in relation to the sale and purchase of the Sale Shares with effect from the signing of the Deed of Cancellation.

As at the Latest Practicable Date, Rich Concept paid the refundable Deposit to Chavis pursuant to the terms of the Letter of Intent.

Pursuant to the Deed of Cancellation, Chavis had also agreed to refund the Deposit to Rich Concept within 14 days thereof and Rich Concept had agreed to waive the interests accrued on the Deposit.

C. THE ACQUISITION AGREEMENT

Date: 17 September 2008 (after trading hours)

Parties: Purchaser: Rich Concept
Vendor: Ms. Cheng

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Ms. Cheng is a third party independent of the Company and its connected persons.

Assets to be acquired

The Chavis Share, representing the entire issued share capital of Chavis, which in turn holds 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 voting shares and warrants of TerraWest as at the Latest Practicable Date.

LETTER FROM THE BOARD

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

Consideration

The total consideration for the Acquisition of Chavis is US\$4.031 million (equivalent to approximately HK\$31.44 million), which shall be settled by the Company in the following manner:

1. US\$1.031 million (equivalent to approximately HK\$8.042 million) shall be paid by cashier's order to Ms. Cheng as part of the Consideration on Completion; and
2. US\$3 million (equivalent to approximately HK\$23.4 million) shall be satisfied by the allotment and issue of 93,600,000 new Shares at HK\$0.25 per Consideration Share on the Allotment Date.

The Consideration has been arrived at after arm's length negotiation between the parties to the Acquisition Agreement with reference to (i) the Group's internal assessment on the Target Group taking into account the value of TerraWest and the PSC held by TerraWest with reference to similar acquisition of companies with CBM projects in the PRC; (ii) the future business prospects of the Target Group; (iii) the strategic value of the Target Group on the future development of the Group; and (iv) 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 placements.

Consideration Shares

The issue price of HK\$0.25 per Consideration Share represents (i) a premium of approximately 38.9% to the closing price of HK\$0.18 per Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) a premium of approximately 21.8% to the 5-day average closing price of approximately HK\$0.2052 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 HK\$16,848,000 based on the closing price of HK\$0.18 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 at the Latest Practicable Date and approximately 3.85% of the Company's enlarged issued share capital after the allotment and issue of the Consideration Shares on the Allotment Date.

LETTER FROM THE BOARD

The Consideration Shares will be issued, credited as fully paid, to Ms. Cheng 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 at 21 January 2008, the number of issued Shares was 2,226,080,800. Therefore, the Directors were authorised to allot and issue up to 445,216,160 Shares under the General Mandate. As at the Latest Practicable Date, 100% of the General Mandate (representing 445,216,160 Shares) has not been utilised 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 Allotment Date.

The Company has obtained the approval from 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 date of Completion, 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. Rich Concept being satisfied, at its absolute discretion, with the results of the due diligence conducted by Rich Concept on the Target Group;
2. Rich Concept being satisfied with a legal opinion (in the terms approved by Rich Concept) and addressed to Rich Concept by qualified lawyers in the BVI on matters relating to the Target Group;
3. Rich Concept being satisfied with a legal opinion (in the terms approved by Rich Concept) and addressed to Rich Concept by qualified lawyers in Canada on matters relating to the Target Group;
4. Rich Concept being satisfied with a tax opinion (in the terms approved by Rich Concept) and addressed to Rich Concept by qualified tax adviser in Canada that there is no tax liability to Rich Concept and Ms. Cheng under the law of Canada in respect of the sale and purchase of the Chavis Share and the transactions as contemplated in the Acquisition Agreement;

LETTER FROM THE BOARD

5. the delivery by Ms. Cheng to Rich Concept of a copy of the unaudited consolidated financial statements of the Target Group for the period from 2 January 2008 (date of incorporation of Chavis) to 31 July 2008 (certified as true and correct by Ms. Cheng);
6. the passing of the relevant resolutions of the Board for approving, among others, (i) the Acquisition Agreement and the transactions contemplated therein as required by the GEM Listing Rules; and (ii) the allotment and issue of the Consideration Shares to Ms. Cheng;
7. the passing of the relevant resolutions of the board of directors of Rich Concept for approving, among others, the Acquisition Agreement and transactions contemplated therein;
8. all liabilities, except for other payables and accrued liabilities disclosed in the unaudited consolidated financial statements of the Target Group in item 5 above, of the Target Group having been settled by Ms. Cheng (not sourced from any asset within the Target Group) and the Target Group will be free of any liability upon Completion;
9. the approval for the listing of, and permission to deal in, the Consideration Shares having been granted by the GEM Listing Committee; and
10. if required, the relevant authorities in the BVI, PRC or Canada approving the transactions contemplated in the Acquisition Agreement.

As at the Latest Practicable Date, conditions 6, 7 and 9 above have been fulfilled.

Completion

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

LETTER FROM THE BOARD

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 at the Latest Practicable Date and immediately after the Allotment Date are as follows:

Name of Shareholders	Existing		Upon allotment and issue of Consideration Shares	
	No. of Shares	%	No. of Shares	%
Colpo ⁽¹⁾	1,183,180,000	50.63	1,183,180,000	48.68
Ms. Cheng ⁽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 is beneficially owned by Mr. Chan.
- (2) Upon the allotment and issue of the Consideration Shares to Ms. Cheng on the Allotment Date, Ms. Cheng shall be classified as a public Shareholder.

D. 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 specialises 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 gasses 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 Deed of Cancellation and the Acquisition of Chavis

The Directors believe that acquiring the Chavis Share, which results in acquiring the Sale Shares indirectly through Chavis, will present a more beneficial structure for the Group, taking into account business and tax considerations. Accordingly, Rich Concept had decided to enter into the Deed of Cancellation and agreed with Ms. Cheng on the Acquisition of Chavis.

As disclosed in the circular dated 28 July 2008, 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 as one of the most prospective regions in the world for CBM based on widespread, high quality coal resources.

LETTER FROM THE BOARD

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 will eventually become as large and important as other major energy commodity markets. Sequestration and emission reductions will provide additional economic value to 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 the 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. The Acquisition of Chavis is also expected to increase the earnings and net asset value of the Group in the long term. Besides, the Group will move a further step forward in achieving its objective as aforesaid.

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

E. INFORMATION ON MS. CHENG

Ms. Cheng is the sole beneficial owner of Chavis. There are no previous transactions between the Company with Ms. Cheng which may require aggregation under Rule 19.22 of the GEM Listing Rules.

F. INFORMATION ON THE TARGET GROUP

Chavis

Chavis was incorporated on 2 January 2008 and its principal activity is holding its investment in TerraWest.

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.

LETTER FROM THE BOARD

TerraWest currently holds a 47% interest in the PSC with 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 LHG 06-01 and LHG06-03 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 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 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.

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.

LETTER FROM THE BOARD

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 transnational 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 the PRC, where resources are rich, to the densely populated and industrialized eastern part of the PRC. Spanning over nine provinces, the annual gas transmission capacity of this pipeline is estimated by PetroChina at 420 billion cubic feet.

Financial information on the Target Group

Chavis's unaudited consolidated financial statements are prepared using Hong Kong generally accepted accounting principles. The unaudited consolidated net asset value before minority interests of Chavis as of 31 July 2008 was CAD2,665,119 (equivalent to approximately HK\$19,394,000).

The unaudited consolidated net loss before minority interests of Chavis for the period from 2 January 2008 to 31 July 2008 was CAD1,176,888 (equivalent to approximately HK\$8,564,000).

G. GENERAL

Upon allotment and issue of the Consideration Shares to Ms. Cheng, Ms. Cheng's interest in the Company will be approximately 3.85% of the enlarged issued share capital of the Company; whilst the effective interest in the Company owned by Mr. Chan through Colpo, being the controlling shareholder of the Company, will change from approximately 50.63% to approximately 48.68%. It will still remain as the single largest Shareholder. The allotment and issue of the Consideration Shares will not result in a change of control of the Company.

H. RECOMMENDATION

The Board considers that the terms of the Acquisition of Chavis are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

I. ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of
Enviro Energy International Holdings Limited
Chan Wing Him Kenny
Chairman and Chief Executive Officer

1. RESPONSIBILITY STATEMENT

This circular, 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:

- (a) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this circular misleading; and
- (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are found on bases and assumptions that are fair and reasonable.

2. SHARE CAPITAL

HK\$

(a) *Authorised capital:*

<u>20,000,000,000</u>	ordinary Shares of HK\$0.0025 each	<u>50,000,000</u>
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(b) *Issued and fully paid or credited as fully paid:*

(i) As at the Latest Practicable Date

<u>2,336,880,800</u>	ordinary Shares of HK\$0.0025 each	<u>5,842,202</u>
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(ii) Upon allotment and issue of the Consideration Shares:

2,336,880,800	existing issued Shares	5,842,202
93,600,000	Consideration Shares	234,000
<u>2,430,480,800</u>		<u>6,076,202</u>

HK\$

- (iii) Upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme:

2,430,480,800	existing issued Shares and Consideration Shares	6,076,202
89,947,200	outstanding options (subject to adjustments as set out in the Share Option Scheme)	224,868
<u>2,520,428,000</u>		<u>6,301,070</u>

3. DISCLOSURE OF INTERESTS

(a) Interest of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company and their respective associates in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required to be entered into the register required to be kept under section 352 of the SFO; or (iii) were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange are as follows:

(i) Long positions in Shares

Name of Directors/ chief executives	Capacity	Number of Shares	Approximate % of the Company's issued share capital
Mr. Chan (<i>Note</i>)	Interest in a controlled corporation	1,183,180,000	50.63
Dr. Gorrell	Beneficial owner	2,625,000	0.11

Note: These Shares were held by Colpo, the entire issued share capital of which was solely and beneficially owned by Mr. Chan, who was therefore deemed to be interested in the Shares held by Colpo.

(ii) Long positions in underlying Shares pursuant to the Share Option Scheme

Name of Directors/chief executives	Number of share options granted and not yet exercised	Exercise period	Exercise price per Share (HK\$)	Approximate % of issued Shares upon exercise of share options
Mr. Chan	15,847,200	29/12/2006 to 24/1/2013	0.0635	0.68
	2,000,000	22/6/2007 to 24/1/2013	1.365	0.09
	500,000	19/6/2010 to 19/6/2018 (Note)	0.2316	0.02
Dr. Gorrell	1,500,000	22/6/2007 to 24/1/2013	1.365	0.06
	700,000	29/10/2007 to 24/1/2013	2.440	0.03
	500,000	19/6/2010 to 19/6/2018 (Note)	0.2316	0.02
Poon Lai Yin, Michael	500,000	19/6/2010 to 19/6/2018 (Note)	0.2316	0.02
Donald O Downing	350,000	19/6/2010 to 19/6/2018 (Note)	0.2316	0.01

Note: 50% of the share options shall be exercised in a period commencing two years from the date of grant and expiring on the tenth anniversary from the date of grant. The balance of 50% of the share options shall be exercised in a period commencing three years from the date of grant and expiring on the tenth anniversary from the date of grant.

Save as disclosed above, as at the Latest Practicable Date, so far as it was known to the Directors and chief executives of the Company, none of the Directors or chief executives of the Company and their respective associates had any interests and short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required to be entered into the register required to be kept under section 352 of the SFO; or (iii) were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as it was known to the Directors and the chief executives of the Company, the following persons (other than Directors or chief executives of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were recorded in the register kept by the Company pursuant to Section 336 of the SFO, or who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

Long positions in Shares

Name of substantial shareholders	Capacity and nature of interest	Number of Shares	Approximate % of issued Shares
Colpo	Beneficial owner	1,183,180,000 ⁽¹⁾	50.63
Fortis Investment Management Japan Ltd.	Investment manager	183,400,000 ⁽²⁾	7.85

Notes:

- (1) The entire issued share capital of Colpo was solely and beneficially owned by Mr. Chan, who was therefore deemed to be interested in 1,183,180,000 Shares held by Colpo.
- (2) 183,400,000 Shares were held by Fortis Investment Management Japan Ltd. in the capacity as investment manager. The entire issued share capital of Fortis Investment Management Japan Ltd. was wholly owned by Fortis Investment Management SA.

Save as disclosed above, the Directors and the chief executives of the Company were not aware that there was any person (other than Directors or chief executives of the Company) who, as at the Latest Practicable Date, had any interest or short position in the Shares and underlying Shares which would require to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were recorded in the register kept by the Company pursuant to section 336 of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or had any options in respect of such capital.

4. DIRECTOR'S SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with any member of the Group which were not expiring or determinable by the employer within one year without payment of compensation other than statutory compensation.

5. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or claims of material importance pending or threatened against any member of the Group.

6. COMPETING BUSINESS AND CONFLICTS OF INTEREST

As at the Latest Practicable Date, an executive Director, the compliance officer and controlling shareholder of the Company, namely Mr. Chan and an executive Director, Dr. Gorrell, are also directors of Petromin and TerraWest. The businesses of these two companies compete, or are likely to compete, directly or indirectly, with the Group's businesses.

Mr. Chan is a director, co-chairman and the chief executive officer of Petromin whilst Dr. Gorrell is the president and co-chairman. Petromin is engaged in the acquisition and development of oil and gas properties.

Mr. Chan is a director and co-chairman of TerraWest whilst Dr. Gorrell is a director, co-chairman, president and chief executive officer of TerraWest. TerraWest is engaged in the exploration for oil and natural gas.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the controlling shareholder of the Company or any of their respective associates had any interest in a business, which competes or may compete, either directly or indirectly, with the business of the Group.

7. MISCELLANEOUS

- (a) The secretary and qualified accountant of the Company is Mr. Poon Lai Yin, Michael. He is a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. He has over 13 years of experience in accounting and financial management.
- (b) The compliance officer of the Company is Mr. Chan.
- (c) The audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive Directors, namely Mr. David Tsoi (chairman of the Audit Committee), Mr. Lo Chi Kit and Mr. Tam Hang Chuen. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control systems of the Group. Details of the members of the Audit Committee are set out below:

David TSOI, aged 61, joined the Group on 8 July 2008. He is currently the managing director of Allriott, Tsoi CPA Limited and an independent non-executive director of Melco LottVentures Limited which shares are listed on GEM and China South Locomotive & Rolling Stock Corporation Limited which

“H” shares are listed on the Stock Exchange. Save as disclosed above, Mr. Tsoi does not hold any directorship in any other public listed companies on the Stock Exchange and any other stock exchange in the past three years preceding the date of his appointment. Prior to his appointment as an independent non-executive Director, Mr. Tsoi did not hold any directorship in the Company or any of its subsidiaries.

Mr. Tsoi holds a master’s degree in business administration from the University of East Asia, Macau. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Taxation Institute of Hong Kong. He is also a member of the Institute of Chartered Accountants of England and Wales, the Society of Chinese Accountants and Auditors, the Certified General Accountants’ Association in Canada and Macau Society of Certified Practising Accountants.

LO Chi Kit, aged 47, joined the Group in December 2006. He is a businessman who has extensive experience in senior management and business operations, in particular, in the waste chemical treatment and the import and export of fruit and vegetables business. Mr. Lo has extensive connection throughout the Pacific Rim and Asian region.

TAM Hang Chuen, aged 53, joined the Group in December 2006. He is a businessman with more than 21 years of experience in senior management and business operations, in particular, in the printing industry. Mr. Tam has broad connection with commercial groups in Asian region.

- (d) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (e) The head office and principal place of business of the Company is situated at Unit 806, Level 8, Core D, Cyberport 3, 100 Cyberport Road, Hong Kong.
- (f) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.