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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)

**DISCLOSEABLE TRANSACTION INVOLVING  
SUBSCRIPTION FOR 90 MILLION UNITS OF TERRAWEST ENERGY CORP.**

Reference is made to the announcement of the Company dated 30 June 2010 in relation to the proposed subscription for 90 million Units by Aces Diamond.

The Board is pleased to announce that Aces Diamond and TWE entered into the Subscription Agreement on 25 July 2010 pursuant to which, Aces Diamond has agreed to subscribe for 90 million Units at the Subscription Price. The Company, through Aces Diamond and Chavis, currently holds approximately 61.07% of the issued common shares and preferred shares in the capital of TWE, or approximately 68.02% of the issued common shares, preferred shares, warrants and options outstanding in the capital of TWE on a fully diluted basis, respectively. Immediately after completion of the Subscription, the controlling interests of the Company, through Aces Diamond and Chavis, in TWE will increase from approximately 61.07% to 71.61% of the issued common shares and preferred shares in the capital of TWE. Assuming immediately after completion of the Subscription and all C Warrants and D Warrants are exercised in full, the controlling interests of the Company, through Aces Diamond and Chavis, in TWE will increase from approximately 68.02% to 82.29% of the issued common shares, preferred shares, warrants and options outstanding in the capital of TWE on a fully diluted basis.

As the Company, through Aces Diamond, is acquiring additional interests in TWE pursuant to the Subscription Agreement and the interests acquired relate to the same target company, i.e. TWE, the Subscription, the First Acquisition and the Second Acquisition shall be aggregated and be treated as a single transaction pursuant to Rule 19.22 of the GEM Listing Rules. In consideration of the above aggregation, since certain applicable percentage ratios exceed 5% but are less than 25%, the above aggregated transactions constitute a discloseable transaction for the Company under Rule 19.06(2) of the GEM Listing Rules.

Where applicable, the Company will issue further announcement(s) in respect of the exercise of the C Warrants and D Warrants and comply with the requirements under the GEM Listing Rules.

Reference is made to the announcement of the Company dated 30 June 2010 in relation to the proposed subscription for 90 million Units by Aces Diamond (“**Announcement**”).

**Background**

On 13 October 2008, the Company, through Chavis, completed the acquisition of 108,000,000 common shares of TWE from an independent third party at an aggregate consideration of US\$4,031,000 (equivalent to approximately HK\$31,440,000 under the then exchange rate) (“**First Acquisition**”). TWE has therefore become a non wholly-owned subsidiary of the Company since 13 October 2008.

On 18 August 2009, the Company, through Aces Diamond, completed the subscription for 40,000,000 common shares, 40,000,000 A Warrants and 40,000,000 B Warrants of TWE for C\$2,000,000 (equivalent to approximately HK\$13,427,000 under the then exchange rate) (“**Second Acquisition**”).

### **Subscription Agreement**

The Board is pleased to announce that Aces Diamond and TWE entered into the Subscription Agreement on 25 July 2010 pursuant to which, Aces Diamond has agreed to subscribe for 90 million Units at the Subscription Price. Principal terms of the Subscription Agreement are set out below:

**Date:** 25 July 2010

**Parties:** (1) Aces Diamond; and  
(2) TWE

**Subscription Price:** C\$4,500,000 (equivalent to HK\$33,300,000) which is to be satisfied on the Completion Date.

The Subscription Price, the exercise price of C\$0.07 per C Warrant and the exercise price of C\$0.10 per D Warrant have been arrived at after arm’s length negotiation between Aces Diamond and TWE with reference to (i) the Group’s internal assessment on TWE taking into account the value of TWE and the PSC held by TWE with reference to similar acquisition of companies with CBM projects in China; (ii) the future business prospects of TWE; (iii) the strategic value of TWE on the future development of the Group; and (iv) the potential business opportunities that can be provided to the Group.

**Subscription:** The Company, through Aces Diamond, subscribes for 90 million Units at C\$0.05 per Unit. Each Unit consists of one TWE Share, one C Warrant (entitling its holders to subscribe for one TWE Share) and one D Warrant (entitling its holders to subscribe for one TWE Share).

**Ranking:** The Units and the TWE Shares to be allotted and issued under the Subscription Agreement shall be free from all encumbrances, credited as fully paid and rank pari passu in all respects in the case of the Units among themselves and in the case of the TWE Shares with the other common shares in issue or to be issued by TWE.

**Conditions Precedent:** Completion of the Subscription is conditional upon:  
(1) approval by the board of directors, and, if required, shareholders, of TWE; and  
(2) approval by the boards of directors of Aces Diamond and the Company.

**Adjustment:** The number of TWE Shares to be issued on exercise of the C Warrants and/or D Warrants is subject to adjustment in the event of, among others, subdivision, consolidation and reclassification of TWE Shares at any time while any C Warrant and/or D Warrant is outstanding.

**Completion:** Completion of the transactions contemplated under the Subscription Agreement will take place on the Completion Date.

**Payment:** On the Completion Date, Aces Diamond shall pay the Subscription Price to TWE by way of telegraphic transfer or in such other manner as may be agreed between the parties.

## **Reasons for the Subscription**

As disclosed in the Announcement, on-going leadership in the financing of TWE's treasury provides excellent leverage for the Group based on the business fundamentals and energy needs of China. China is considered one of the world's largest and fastest growing consumer markets for natural gas and also holds the largest estimated CBM resources (unconventional natural gas) in the world. Forecast demand for natural gas outstrips supply in China by a wide margin and the development of CBM and other unconventional natural gas resources is highly sought after, encouraged and supported by the central government. The rationale for investing in this sector is compelling and TWE in particular is well positioned to compete and succeed in the sector. The Group is able to deliver leading CBM and conventional natural gas exploration and production technology through internal knowledge and experience as well as through strategic alliances with world-class service providers.

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

Based on the foregoing, the Directors consider that after the completion of the Subscription, it is expected that TWE will contribute a stable stream of income and cashflow in the long run and accelerate the pace of business expansion of the Group. The Subscription is also expected to increase the earnings and substantially enlarge the net asset value of the Group in the long term while further contributing to the accomplishment of the Group's strategic objectives.

The Directors consider that the terms of the Subscription Agreement are fair and reasonable and in the best interest of the Company and its shareholders as a whole.

## **Source of funding**

The Subscription will be funded by immediately available internal funds and resources of the Company.

## **Effect of the Subscription**

The Company, through Aces Diamond and Chavis, currently holds approximately 61.07% of the issued common shares and preferred shares in the capital of TWE, or approximately 68.02% of the issued common shares, preferred shares, warrants and options outstanding in the capital of TWE on a fully diluted basis, respectively. Immediately after completion of the Subscription, the controlling interests of the Company, through Aces Diamond and Chavis, in TWE will increase from approximately 61.07% to 71.61% of the issued common shares and preferred shares in the capital of TWE. Assuming immediately after completion of the Subscription and all C Warrants and D Warrants are exercised in full, the controlling interests of the Company, through Aces Diamond and Chavis, in TWE will increase from approximately 68.02% to 82.29% of the issued common shares, preferred shares, warrants and options outstanding in the capital of TWE on a fully diluted basis.

After the Subscription, TWE will continue to be a subsidiary of the Company.

## **General information of the Group**

The Group is principally engaged in investment holding and development of environmental energy-related projects involving conventional oil, unconventional natural gas and state-of-the-art oil and gas related environmental technologies. The Group's business objective is to create its shareholders' value by developing conventional and unconventional energy resources around the world.

## **General information of TWE**

As disclosed in the Announcement, TWE is a CBM and natural gas exploration and development company, which holds a 47% interest in a CBM production sharing contract located adjacent to Urumqi, Xinjiang, China. The project area covers approximately 653 square kilometers (255 square miles; approximately 162,000 acres) in the Junggar Basin of Xinjiang. The size of the PSC area, its location in the prospective Junggar Basin and proximity to existing pipeline infrastructure make the Liuhuanggou Project a very attractive investment opportunity. TWE has been exploring the PSC area since 2006 and recently completed an evaluation of the CBM resources for the coal seams in a portion of its Liuhuanggou Project lands which provided a best estimate of discovered gas initially in place (GIIP) of 26.7 billion cubic feet per square mile for the Jurassic Xishanyao (J2X) and Jurassic Badaowan (J1B) coal seams in aggregate. The report is compliant with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities (NI 51-101) and Canadian Oil and Gas Evaluation (COGE) Handbook. For the latest update of TWE and the Liuhuanggou Project, please refer to the Company's announcements published on 21 June 2010, 26 May 2010 and 18 January 2010, respectively. For a comparison of the CBM reservoir characteristics of the Junggar Basin and other major producing basins in the world, please refer to the Company's announcement published on 26 May 2010.

The remaining 53% of the PSC is held by CUCBM and the contract is administered by PetroChina Coalbed Methane Company Ltd. (PCCBM).

The unaudited net asset value of TWE as of 31 December 2009 was approximately C\$7,815,000 (equivalent to approximately HK\$53,530,000 under the then exchange rate). The unaudited net losses of TWE for the two financial years ended 31 December 2008 and 2009 were approximately C\$403,000 and C\$336,000 (equivalent to approximately HK\$2,611,000 and HK\$2,301,000 under the then exchange rates), respectively.

## **GEM Listing Rules implications**

As the Company, through Aces Diamond, is acquiring additional interests in TWE pursuant to the Subscription Agreement and the interests acquired relate to the same target company, i.e. TWE, the Subscription, the First Acquisition and the Second Acquisition shall be aggregated and be treated as a single transaction pursuant to Rule 19.22 of the GEM Listing Rules. In consideration of the above aggregation, since certain applicable percentage ratios exceed 5% but are less than 25%, the above aggregated transactions constitute a discloseable transaction for the Company under Rule 19.06(2) of the GEM Listing Rules.

At present, Aces Diamond has no immediate plan to exercise the C Warrants and D Warrants in full. Where applicable, the Company will issue further announcement(s) in respect of the exercise of the C Warrants and D Warrants and comply with the requirements under the GEM Listing Rules.

## **Definitions**

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

- |                |  |
|----------------|--|
| “A Warrant(s)” | the common share purchase warrant forming part of the units under the Second Acquisition which shall be exercisable at the exercise price of C\$0.10 and entitling its holder, on exercise, to purchase one TWE Share (subject to adjustment) within two years following the date of issuance of such warrant; |
| “Aces Diamond” | Aces Diamond International Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company;   |

“B Warrant(s)”	the common share purchase warrant forming part of the units under the Second Acquisition which shall be exercisable at the exercise price of C\$0.15 and entitling its holder, on exercise, to purchase one TWE Share (subject to adjustment) within three years following the date of issuance of such warrant;
“Board”	the board of Directors;
“C Warrant(s)”	the common share purchase warrant forming part of the Units which shall be exercisable at the exercise price of C\$0.07 and entitling its holder, on exercise, to purchase one TWE Share (subject to adjustment) within two years following the date of issuance of such warrant;
“C\$”	Canadian dollars, the lawful currency of Canada;
“CBM”	coalbed methane;
“Chavis”	Chavis International Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company;
“China”	the People’s Republic of China;
“Company”	Enviro Energy International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on GEM;
“Completion Date”	the next Business Day (as defined in the Subscription Agreement) following the day on which the last of the conditions precedent to be satisfied will have been fulfilled provided that such Business Day (as defined in the Subscription Agreement) shall not be later than 31 July 2011 (Hong Kong time) or such later date as may be determined by Aces Diamond and TWE mutually;
“CUCBM”	China United Coalbed Methane Corp., Ltd.;
“D Warrant(s)”	the common share purchase warrant forming part of the Units which shall be exercisable at the exercise price of C\$0.10 and entitling its holder, on exercise, to purchase one TWE Share (subject to adjustment) within three years following the date of issuance of such warrant;
“Director(s)”	the director(s) of the Company;
“GEM”	the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;
“Group”	the Company and its subsidiaries and jointly-controlled entity;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“PSC”	the production sharing contract dated 30 December 2005 entered into between TWE and CUCBM;

“Subscription”	the subscription for 90 million Units by Aces Diamond for C\$4,500,000 (equivalent to HK\$33,300,000) pursuant to the terms of the Subscription Agreement;
“Subscription Agreement”	the subscription agreement dated 25 July 2010 entered into between Aces Diamond and TWE in relation to the Subscription;
“Subscription Price”	C\$0.05 per Unit and an aggregate amount of C\$4,500,000 (equivalent to HK\$33,300,000);
“TWE”	TerraWest Energy Corp., a company incorporated in British Columbia, Canada and a non wholly-owned subsidiary of the Company;
“TWE Share(s)”	common share(s) without par value in the capital of TWE;
“Unit(s)”	units being offered under the Subscription Agreement, each unit being comprised of one TWE Share, one C Warrant and one D Warrant;
“US\$”	United States dollars, the lawful currency of the United States of America; and
“%”	per cent.

*For the purpose of this announcement and for reference only, exchange rate of C\$1.00 to HK\$7.4 has been adopted.*

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

Hong Kong, 26 July 2010

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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the website of GEM at [www.hkgem.com](http://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](http://www.enviro-energy.com.hk).*