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Enviro Energy International Holdings Limited

環能國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

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

(Stock Code: 1102)

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE AND SUBSCRIPTION OF NON-LISTED WARRANTS

SUBSCRIBER



CEDRUS INVESTMENTS

Cedrus Investments Limited

Investment Agreement

On 29 July 2012, the Company entered into a conditional Investment Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed with the Company to subscribe for up to 255,000,000 New Shares at the Subscription Price of HK\$0.152 per Share.

The Subscription Price represents a discount of approximately 7.9% to the closing price per Share of HK\$0.165 on 27 July 2012 (the last trading day prior to the release of this announcement), a discount of approximately 9.0% to the average closing price per Share of approximately HK\$0.167 as quoted on the Stock Exchange for the last five trading days up to and including 27 July 2012 and a discount of approximately 10.1% to the average closing price per Share of approximately HK\$0.169 as quoted on the Stock Exchange for the last ten trading days up to and including 27 July 2012.

As at the date of this announcement, the New Shares to be issued pursuant to the Subscription represent approximately 7.9% of the existing issued share capital of the Company and approximately 7.3% of the issued share capital of the Company as enlarged by the Subscription.

An application will be made to the Listing Committee for the approval of the listing of, and permission to deal in, the New Shares to be issued pursuant to the Subscription. The gross proceeds and net proceeds from the Subscription are estimated to be approximately HK\$38.8 million and HK\$37.4 million, respectively, which will mainly be used to fund the working program of the

unconventional gas project in Liuhuanggou, Xinjiang, for new investment in natural resources, if opportunities arise, and as additional general working capital.

Warrant Subscription

Also on 29 July 2012, the Company as issuer entered into the conditional Warrant Subscription Agreement with the Subscriber in relation to the Warrant Subscription of a total of 50,000,000 Warrants by the Subscriber, at the Warrant Issue Price of HK\$0.0025 per Warrant.

The Warrants entitle the Subscriber to subscribe for new Shares at the Warrant Subscription Price of HK\$0.38 per new Share for a period of eighteen (18) months commencing from the date of issuance of the Warrants. Each Warrant carries the right to subscribe for one new Share.

It is intended that the net proceeds from the full exercise of Warrants of approximately HK\$19.0 million will be applied as general working capital of the Group and / or other appropriate investments as may be identified by the Board.

The new Shares under the Warrant Subscription will be issued under the General Mandate.

An application will be made to the Listing Committee for the approval of the listing of, and permission to deal in, the new Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

General

Shareholders and potential investors should note that completion of the Subscription and the Warrant Subscription is subject to fulfillment of the conditions under the Investment Agreement and the Warrant Subscription Agreement, respectively. As the Subscription and the Warrant Subscription may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

1. INVESTMENT AGREEMENT

Date

29 July 2012

Parties

- (a) The Company; and
- (b) the Subscriber.

The Subscriber and its ultimate beneficial owner(s) are independent of the Company and its connected persons. As at the date of this announcement, the Subscriber does not have any interest in Shares.

Information on the Subscriber

The Subscriber, Cedrus Investments Limited, is a global boutique investment firm. It specialises in asset management and financial advisory services. The Subscriber's asset management division makes direct investments in public companies with significant growth potential, unique assets, and proven management teams in the areas of natural resources, energy, life sciences and nanotechnology.

New Shares

The Subscriber will subscribe for up to 255,000,000 New Shares, representing approximately 7.9% of the existing issued share capital of the Company and approximately 7.3% of the issued share capital of the Company as enlarged by the Subscription, at the Subscription Price.

Subscription Price

The Subscription Price of HK\$0.152 per New Share was arrived at after arm's length negotiation between the Company and the Subscriber. After deducting the costs and expenses in connection with the Subscription, the net price per New Share under the Subscription will be approximately HK\$0.147.

The Subscription Price represents a discount of approximately 7.9% to the closing price per Share of HK\$0.165 on 27 July 2012 (the last trading day prior to the release of this announcement), a discount of approximately 9.0% to the average closing price per Share of approximately HK\$0.167 as quoted on the Stock Exchange for the last five trading days up to and including 27 July 2012 and a discount of approximately 10.1% to the average closing price per Share of approximately HK\$0.169 as quoted on the Stock Exchange for the last ten trading days up to and including 27 July 2012.

The Subscription Price was determined after arm's length negotiation between the Company and the Subscriber which have taken into account recent market price of the Shares as mentioned above and the current market conditions, and the Directors (including the independent non-executive Directors) consider that the Subscription Price to be fair and reasonable and is in the best interest of the Company and Shareholders.

Ranking of the New Shares

The 255,000,000 New Shares to be issued pursuant to the Subscription, when issued and fully paid, will rank equally with the existing Shares in issue as at the date of issuance of the New Shares including the right to receive all future dividends and distributions which may be declared, made or paid.

Mandate to issue New Shares

The 255,000,000 New Shares to be issued pursuant to the Subscription will be allotted and issued pursuant to the General Mandate to issue up to 646,071,760 new Shares. The Company has not issued any Shares pursuant to the General Mandate so far. As at the date of this announcement, the General Mandate comprised 646,071,760 new Shares. An application will be made to the Listing

Committee for the approval of the listing of, and permission to deal in, the New Shares to be issued pursuant to the Subscription.

Conditions of the Subscription

Completion of the Subscription is conditional upon the Listing Committee granting the approval of the listing of, and permission to deal in, the New Shares to be issued pursuant to the Subscription.

Completion of the Subscription

The parties expect that the Subscription will be completed within 14 days after the date of the Investment Agreement, unless mutually extended by both parties.

2. WARRANT SUBSCRIPTION AGREEMENT

Date

29 July 2012

Parties

- (a) The Company; and
- (b) the Subscriber.

As at the date of this announcement, save for the New Shares to be issued to the Subscriber pursuant to the Subscription as mentioned above, the Subscriber does not have any interest in Shares.

Number of Warrants

Pursuant to the Warrant Subscription Agreement, the Subscriber has agreed to subscribe for and the Company has agreed to issue a total of 50,000,000 Warrants.

Warrant Issue Price

The Warrant Issue Price is HK\$0.0025 per Warrant. Taking into account relevant expenses for the Warrant Subscription, the net Warrant Issue Price is approximately HK\$0.0025 per Warrant.

It is intended that the net proceeds from the Warrant Subscription of approximately HK\$125,000 will be applied as general working capital of the Group.

Warrant Subscription Price and Adjustment

The Warrant Subscription Price will be subject to adjustments in certain events, including:

- (a) an alteration to the nominal value of the Shares as a result of consolidation or subdivision;

- (b) issue of Shares credited as fully paid to Shareholders by way of capitalisation of profits or reserves, other than Shares issued in lieu of the whole or part of a cash dividend;
- (c) payment or making of any capital distribution to Shareholders; and
- (d) offer to Shareholders for subscription by way of rights, or grant to Shareholders any options or warrants to subscribe for new Shares, at a price which is less than the current market price on the date of the announcement of the terms of the offer or grant.

The Board confirms that the above are normal anti-dilutive adjustment events.

The Warrant Subscription Price of HK\$0.38 represents a premium of approximately 130.3% to the closing price per Share of HK\$0.165 on 27 July 2012 (the last trading day prior to the release of this announcement), a premium of approximately 127.5% to the average closing price per Share of approximately HK\$0.167 as quoted on the Stock Exchange for the last five trading days up to and including 27 July 2012 and a premium of approximately 124.9% to the average closing price per Share of approximately HK\$0.169 as quoted on the Stock Exchange for the last ten trading days up to and including 27 July 2012.

The aggregate of the Warrant Issue Price and the Warrant Subscription Price of HK\$0.3825 represents a premium of approximately 131.8% to the closing price per Share of HK\$0.165 on 27 July 2012 (the last trading day prior to the release of this announcement), a premium of approximately 129.0% to the average closing price per Share of approximately HK\$0.167 as quoted on the Stock Exchange for the last five trading days up to and including 27 July 2012 and a premium of approximately 126.3% to the average closing price per Share of approximately HK\$0.169 as quoted on the Stock Exchange for the last ten trading days up to and including 27 July 2012.

Having considered the recent market prices, the Board considers that both the Warrant Subscription Price and the aggregate of it with the Warrant Issue Price are fair and reasonable, which were determined after arm's length negotiations between the Company and the Subscriber, and are in the interests of the Company and the Shareholders as a whole.

Transferability

Subject to compliance with all applicable laws and regulations and such other requirements that the Stock Exchange may impose from time to time, the Warrants are transferable, with the Company's prior written consent, only to third parties independent of the Company (including other investors) and connected persons (as defined under the Listing Rules) of the Company, in integral multiples of 1,000,000 Warrants. Apart from the aforesaid, there are no restrictions on the transfer of the Warrants from the Subscriber to other parties.

Completion of the Warrant Subscription

The parties expect that the Warrant Subscription will be completed within 14 days after the date of the Warrant Subscription Agreement, unless mutually extended by both parties.

Information of the Warrants

The Warrants will be issued to the Subscriber upon completion in registered form and constituted by a warrant certificate. The Warrants will rank pari passu in all respects among themselves.

Each Warrant carries the right to subscribe for one new Share at the Warrant Subscription Price and is issued at the Warrant Issue Price.

The subscription rights attaching to the Warrants may be exercised at any time during a period of eighteen (18) months commencing from the date of issuance of the Warrants at integral multiples of 1,000,000 Warrants. The new Shares to be issued pursuant to the Warrant Subscription, when fully paid and allotted, will rank pari passu in all respects with the issued Shares in issue of the date of allotment and issuance of such new Shares. The integral multiples of 1,000,000 Warrants for the transfer of and exercise of the subscription rights under the Warrants was arrived at by the parties to the Warrant Subscription Agreement after taking into consideration of the costs and expenses for transferring or exercising the subscription rights under the Warrants.

Any subscription rights attaching to the Warrants which have not been exercised upon the expiration of the 18-month subscription period shall lapse.

A total of 50,000,000 Warrants for subscription of new Shares in an aggregate Warrant Subscription Price of HK\$19.0 million are proposed to be issued. Upon full exercise of the subscription rights attaching to the Warrants, a total of 50,000,000 new Shares (in nominal value of HK\$0.0025 per Share) will be issued, representing (i) approximately 1.5% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 1.5% of the issued share capital of the Company as enlarged by the new Shares which may fall to be allotted and issued upon the full exercise of the subscription rights attaching to the Warrants.

Conditions of the Warrant Subscription

Completion shall be subject to and conditional upon, among other things, the following:

- (a) (if required) the Listing Committee shall have approved the issuance of the Warrants either unconditionally or subject to conditions to which neither the Company nor the Subscriber shall reasonably object and the satisfaction of such conditions; and
- (b) the Listing Committee granting the approval of the listing of, and permission to deal in, the new Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants.

If the conditions of the Warrant Subscription Agreement are not fulfilled on or before 28 August 2012 (or such later date as may be agreed between the Company and the Subscriber), the Warrant Subscription Agreement will terminate and cease to have any effect and none of the parties shall have any claim against the other save for any antecedent breaches of the provisions thereof.

Voting rights for the holder of the Warrants

The holder of the Warrants will not have any right to attend or vote at any meeting of the Company by virtue of it being the holder of the Warrants. The holder of the Warrants shall not have the right to participate in any distributions and/or offers of further securities made by the Company.

Issuance of new Shares under General Mandate

The 50,000,000 new Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants will be allotted and issued pursuant to the General Mandate to issue up to 646,071,760 new Shares. Save for the 255,000,000 new Shares to be issued to the Subscriber pursuant to the Subscription, the Company has not issued any Shares pursuant to the General Mandate so far. As at the date of this announcement, the General Mandate comprised 646,071,760 new Shares. An application will be made to the Listing Committee for the approval of the listing of, and permission to deal in, the new Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

3. EFFECT ON THE SHAREHOLDINGS FOLLOWING COMPLETION OF THE SUBSCRIPTION AND THE WARRANT SUBSCRIPTION

Assuming no Shares will be issued, pursuant to the 2003 Share Option Scheme and the 2011 Share Option Scheme adopted by the Company, or repurchased between the date of this announcement and the completion of the Subscription and the Warrant Subscription, the shareholdings in the Company before and after the completion of the Subscription and the Warrant Subscription and full exercise of the subscription rights attaching to the Warrants are summarised as follows:

| Shareholder | As at the date of this announcement | | Immediately after completion of the Subscription | | Immediately after completion of the Subscription and Warrant Subscription and assuming full exercise of the subscription rights attaching to the Warrants | |
|---------------------------------------|-------------------------------------|---------------|--------------------------------------------------|---------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| | Number of Shares | Approx. % | Number of Shares | Approx. % | Number of Shares | Approx. % |
| Colpo (<i>Note 1</i>) | 1,188,680,000 | 36.80 | 1,188,680,000 | 34.10 | 1,188,680,000 | 33.62 |
| Chan Wing Him Kenny ("Mr. Chan") | 8,834,000 | 0.27 | 8,834,000 | 0.25 | 8,834,000 | 0.25 |
| Arthur Ross Gorrell | 2,625,000 | 0.08 | 2,625,000 | 0.08 | 2,625,000 | 0.07 |
| Tam Hang Chuen | 1,000,000 | 0.03 | 1,000,000 | 0.03 | 1,000,000 | 0.03 |
| Cool Legend Limited (<i>Note 2</i>) | 452,400,000 | 14.00 | 452,400,000 | 12.98 | 452,400,000 | 12.80 |
| Subscriber | - | - | 255,000,000 | 7.32 | 305,000,000 | 8.63 |
| Public shareholders | 1,576,819,800 | 48.82 | 1,576,819,800 | 45.24 | 1,576,819,800 | 44.60 |
| Total | <u>3,230,358,800</u> | <u>100.00</u> | <u>3,485,358,800</u> | <u>100.00</u> | <u>3,535,358,800</u> | <u>100.00</u> |

Notes:

1. The entire issued share capital of Colpo is beneficially wholly-owned by Mr. Chan, the Chairman and Chief Executive Officer of the Company and an executive Director.

As disclosed in the Company's announcement dated 13 April 2010, Mr. Chan through Colpo executed a note instrument dated 12 April 2010, pursuant to which, Green Island Cement Company, Limited is entitled to

exchange for up to 200,000,000 Shares held by Colpo at an exercise price of HK\$0.88 per Share, subject to adjustment, within an exercise period of three (3) years commencing from 12 April 2010 to 12 April 2013.

2. *The entire issued share capital of Cool Legend Limited is beneficially wholly-owned by Mr. Thio Sing Tjay Charles, a director of Hugo Link Global Investments Limited, a subsidiary of the Company.*

The Board considers that the Company can maintain the minimum public float as prescribed by the Listing Rules upon completion of the Subscription and the Warrant Subscription.

4. REASONS FOR THE SUBSCRIPTION, THE WARRANT SUBSCRIPTION AND USE OF PROCEEDS

The Group is principally engaged in investment holding and development of the full range of energy-related projects involving conventional oil, unconventional natural gas, state-of-the-art oil and gas related environmental technologies and other high return natural resource projects.

The Board considers that the future of the resources related pursuit of the Company will benefit from the expected continuous growth in the resources market. The Group is constantly pursuing business expansion strategy which requires additional capital when opportunities arise. The gross proceeds and net proceeds from the Subscription are estimated to be approximately HK\$38.8 million and HK\$37.4 million, respectively, which will mainly be used to fund the working program of the unconventional gas project in Liuhuanguo, Xinjiang, for new investment in natural resources, if opportunity arise, and as additional general working capital. It is intended that the net proceeds from the full exercise of Warrants of approximately HK\$19.0 million will be applied as general working capital of the Group and / or other appropriate investments as may be identified by the Group. The Directors consider that equity financing has merits over debt financing to fund its capital needs as the former could broaden the Shareholder base of the Company without creating any interest cost on the Company.

When comparing the various equity financing methods, the Directors perceive that the Subscription would enable the Company to raise funds in a more commercially expedient time-frame. Moreover, the Directors consider that the Subscription will strengthen the capital base and the financial position of the Company. Hence, the Directors decided to conduct the Subscription to raise fund. In view of the above, the Directors (including the independent non-executive Directors) are of the view that the Subscription and the terms are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Directors consider that the Warrant Subscription Agreement is entered into upon normal commercial terms following arm's length negotiations between the Company and the Subscriber and that the terms of the Warrant Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Company has not conducted any equity fund-raising activities in the twelve (12) months preceding the date of this announcement.

5. ISSUANCE OF WARRANTS

Pursuant to Rule 15.02(1) of the Listing Rules, the new Shares to be issued upon exercise of Warrants must not, when aggregated with all other equity securities which remain to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or

not such exercise is permissible, exceed 20% of the issued share capital of the Company at the time the Warrants are issued. Options granted under employee or executive share schemes which comply with Chapter 17 of the Listing Rules are excluded for the purpose of such limit.

As at the date of this announcement and except for the outstanding options granted under the share option schemes of the Company and 230,000,000 outstanding warrants granted under the warrant subscription agreement dated 9 May 2011 between the Company and the subscribers thereof as announced by the Company on 9 May 2011 (“**2011 Warrants**”), the Company did not have other securities with subscription rights outstanding and not yet exercised. Assuming full exercise of the subscription rights attaching to the 2011 Warrants and the Warrants, a maximum of 230,000,000 new Shares and 50,000,000 new Shares, respectively (representing approximately 7.1% and 1.5% of the existing issued share capital of the Company, respectively) will be issued.

6. GENERAL

Shareholders and potential investors should note that completion of the Subscription and the Warrant Subscription is subject to fulfillment of the conditions under the Investment Agreement and the Warrant Subscription Agreement, respectively. As the Subscription and the Warrant Subscription may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

7. DEFINITIONS

| | |
|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “associate” | has the meaning as defined in the Listing Rules; |
| “Board” | the board of directors of the Company; |
| “Business Day” | a day, excluding Saturdays, on which banks in Hong Kong are generally open for business; |
| “Colpo” | Colpo Mercantile Inc., a company incorporated in the British Virgin Islands with limited liability, the controlling shareholder of the Company; |
| “Company” | Enviro Energy International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on Stock Exchange; |
| “connected persons” | has the meaning as defined in the Listing Rules; |
| “Director(s)” | the director(s) of the Company; |
| “General Mandate” | the general mandate granted to the Directors at the annual general meeting of the Company held on 17 May 2012; |
| “Group” | the Company and its subsidiaries and jointly-controlled entity; |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China; |

| | |
|----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Investment Agreement” | the investment agreement dated 29 July 2012 between the Company and the Subscriber in respect of the Subscription; |
| “Listing Committee” | has the meaning ascribed to such term in the Listing Rules; |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “New Shares” | up to 255,000,000 new Shares available for the Subscription; |
| “Subscriber” | Cedrus Investments Limited; |
| “Subscription” | subscription of the New Shares pursuant to the Investment Agreement; |
| “Subscription Price” | price payable for the New Shares at HK\$0.152 per Share; |
| “Share(s)” | ordinary share(s) of HK\$0.0025 each in the share capital of the Company; |
| “Shareholder(s)” | holder(s) of the Shares; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “Warrant(s)” | 50,000,000 non-listed warrants to be issued by the Company at the Warrant Issue Price to subscribe for an aggregate of HK\$19.0 million in Shares, each entitles the holder thereof to subscribe for one new Share at the initial Warrant Subscription Price of HK\$0.38 (subject to adjustment) at any time during a period of eighteen (18) months commencing from the date of issuance of the Warrants; |
| “Warrant Issue Price” | HK\$0.0025 per Warrant to be issued pursuant to the Warrant Subscription; |
| “Warrant Subscription” | the subscription of the Warrants at the Warrant Issue Price pursuant to the Warrant Subscription Agreement; |
| “Warrant Subscription Agreement” | the conditional subscription agreement dated 29 July 2012 and entered into between the Company and the Subscriber; |
| “Warrant Subscription Price” | an initial subscription price of HK\$0.38 per new Share (subject to adjustment) at which holder of the Warrants may subscribe for the new Shares; |
| “HK\$” | Hong Kong dollar, the lawful currency of Hong Kong; and |
| “%” | per cent. |

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

Hong Kong, 30 July 2012

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