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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)*

### **DISCLOSEABLE TRANSACTION DISPOSAL OF 100% EQUITY INTEREST IN JILIN HENGLI INDUSTRIES LIABILITY CO., LTD.**

The Board wishes to announce that on 18 October 2012, the Vendor and the Purchaser have entered into the Agreement pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to acquire conditionally the Sale Interest for a consideration of RMB50 million (equivalent to HK\$60 million) and the Purchaser has agreed to pay the Vendor the cash balance of Jilin Hengli as at 30 June 2012.

As the applicable percentage ratios (within the meaning of the Listing Rules) for the Disposal are greater than 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company under the Listing Rules.

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#### **THE AGREEMENT**

**Date:** 18 October 2012 (after trading hours)

**Parties:** the Purchaser and the Vendor

The Purchaser is a company incorporated in the PRC with limited liability and with 100 individual shareholders. Neither the Purchaser nor any of its associates (within the meaning of the Listing Rules) is a director or chief executive of the Company or any of its subsidiaries. As at the date of this announcement, to the best knowledge, the Purchaser does not have any shareholding or directorship in the Company or any of its subsidiaries. To the best knowledge, information and belief of the Board and after making all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons within the meaning of the Listing Rules.

## **Assets to be disposed of**

Under the Agreement, the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Interest on and subject to the terms and conditions as set out in the Agreement. Qian An, a jointly-controlled entity of the Company, owned as to 50% by the Vendor through Jilin Hengli, will form part of the assets to be sold under the Agreement. Upon Completion, Jilin Hengli and Qian An will cease to be subsidiary and jointly-controlled entity of the Company.

Information regarding the Disposal Group is set out in the paragraph headed “Information on the Group and the Disposal Group” below.

## **Consideration**

The Consideration for the Disposal is RMB50 million (equivalent to HK\$60 million), which, together with the cash balance of Jilin Hengli as at 30 June 2012, shall be deposited by the Purchaser within three (3) Business Days after the setting up of a joint escrow account to be set up immediately after the execution of the Agreement (“**Deposit Date**”) and payable by the Purchaser to the Vendor in the following manner:

- (a) RMB48 million (equivalent to HK\$57.6 million) together with the cash balance of Jilin Hengli as at 30 June 2012 to be paid by the Purchaser to the Vendor in cash upon Completion; and
- (b) RMB2 million (equivalent to HK\$2.4 million) to be paid by the Purchaser to the Vendor in cash within three (3) days of completion of the re-registration process with relevant PRC authorities in respect of the transfer of the Sale Interest from the Vendor to the Purchaser.

The Consideration was determined after arm’s length negotiations between the parties to the Agreement with reference to, among other things, (i) the existing performance and production of the Disposal Group; (ii) the business prospects of the Disposal Group; (iii) the potentially recoverable resources of the Disposal Group; and (iv) the remaining duration of the exploration and exploitation rights on the Qian An oilfields.

## **Completion**

Completion will take place within seven (7) days of the Deposit Date.

## **INFORMATION ON THE GROUP AND THE DISPOSAL GROUP**

The Company 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 Disposal Group comprises (i) Jilin Hengli, a wholly-owned subsidiary of the Company and an investment holding company; and (ii) Qian An, which is 50% owned by Jilin Hengli, an equity joint venture company established in China. The other 50% of the equity interest of Qian An is beneficially owned by PetroChina. PetroChina is the operator of the Qian An oilfields. Qian An is principally engaged in the exploitation, development and production of oil and natural gas from two oilfields in Jilin, the PRC.

As disclosed in the circular of the Company dated 31 January 2008, according to the technical report named “China Jilin Qian An Oilfield Geological & Engineering Report” prepared by Jilin Petroleum Research Institute, Songyuan, Jilin, the PRC, dated June 2006, proven oil in place in the contract area of Qian An is approximately 21.7 million barrels while total recoverable oil reserve is approximately 6.1 million barrels. For the four years ended 31 December 2011, Qian An produced approximately 129,000 barrels, 112,000 barrels, 114,000 barrels and 101,000 barrels, respectively. Based on the above, the Directors estimate that the total recoverable oil reserve of Qian An as at the date hereof would be approximately 5 million barrels.

The audited net losses of the Disposal Group for each of the financial years ended 31 December 2010 and 2011, and the net liabilities as at 31 December 2010 and 2011 are shown below:

	<i>For the year ended (or as at) 31 December 2011 (Audited) HK\$'000</i>	<i>For the year ended (or as at) 31 December 2010 (Audited) HK\$'000</i>
Net loss before taxation and extraordinary items	277	443
Net loss after taxation and extraordinary items	1,193	20,802
Net liabilities	9,127	7,638

The gain expected to accrue to the Company on the Disposal is approximately HK\$64,397,000, which is equal to the difference between the carrying value of the Disposal Group as at date of the Agreement, the Consideration and cumulative exchange differences.

## **REASONS FOR THE DISPOSAL**

Having taken into account (i) the exploration and exploitation rights on the Qian An oilfields are due to expire on 19 December 2016, the extension of which is not certain; (ii) the Group is not the operator of the Qian An oilfields; and (iii) the cash flow generated from the Disposal Group has been minimal, the Directors consider that the Disposal represents a good opportunity for the Group to realise its gain in an investment. Upon Completion, the Group will continue developing its unconventional gas development in Xinjiang, via its non wholly-owned subsidiary TerraWest Energy Corporation, and reviewing potential investments in natural resources throughout Southeast Asia. The great resource potential of the region provides outstanding opportunities for growth, and the Group is actively on the lookout for sound targets. The Group reviews projects with the potential to leverage investment in the upstream end of the business and which can generate near term cash flow. The sale proceeds arising from the Disposal will be used for new investment in natural resources and as additional working capital of the Remaining Group.

In view of the above, the Directors believe the disposal of the Disposal Group would enable the Group to free up resources (in particular, management as well as financial resources), and accordingly, the Directors (including all the independent non-executive Directors) consider that the Disposal is beneficial to the Company and its Shareholders as a whole. The Directors (including the independent non-executive Directors) also consider that the terms of the Agreement and the Consideration are fair and reasonable and are in the interest of the Company and its Shareholders as a whole.

After Completion, (i) the Disposal Group will cease to be subsidiary and jointly-controlled entity of the Company; and (ii) its financial results will not be consolidated into the Remaining Group's financial statements.

## **LISTING RULES IMPLICATIONS**

As the applicable percentage ratios (within the meaning of the Listing Rules) for the Disposal are greater than 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company under the Listing Rules.

## **DEFINITIONS**

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

“Agreement”	the conditional agreement relating to the sale and purchase of the Sale Interest entered into between the Purchaser and the Vendor on 18 October 2012;
“Board”	the board of Directors;
“Business Day”	any day (not being Saturdays, Sunday or public holidays) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours;
“Company”	Enviro Energy International Holdings Limited, incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange;
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Agreement;
“Consideration”	the consideration for the Disposal pursuant to the Agreement;
“Disposal”	the disposal of the Sale Interest by the Vendor to the Purchaser pursuant to the Agreement;
“Disposal Group”	includes Jilin Hengli and Qian An;
“Directors”	the directors of the Company;
“Group”	the Company, its subsidiaries and jointly-controlled entity;
“Hong Kong”	Hong Kong Special Administrative Region of the People's Republic of China;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;

“Jilin Hengli”	Jilin Hengli Industries Liability Co., Ltd., a wholly owned foreign enterprise established in the PRC and a direct wholly-owned subsidiary of the Vendor;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PetroChina”	PetroChina Company Limited;
“PRC”	the People’s Republic of China (excluding, for the purposes of this announcement, Hong Kong, Macau and Taiwan);
“Purchaser”	吉林省柏仁實業股份有限公司, a company incorporated in the PRC with limited liability;
“Qian An”	Qian An Oilfield Development Co., Ltd., a joint venture company established in the PRC, owned as to 50% by the Vendor through Jilin Hengli and a jointly-controlled entity of the Company;
“Remaining Group”	the Group, excluding the Disposal Group;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Interest”	the entire equity interest of Jilin Hengli;
“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;
“US\$”	United States dollars, the lawful currency of the United States of America;
“Vendor”	Allied Resources Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company; and
“%”	per cent.

*Unless otherwise specified in this announcement, translation of RMB into HK\$ is made in this announcement, for illustration purpose only, at the rate of RMB1.0 to HK\$1.2.*

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

Hong Kong, 18 October 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