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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)*

**(Stock Code: 1102)**

**PROFIT WARNING  
AND  
MEMORANDUM OF UNDERSTANDING  
IN RESPECT OF  
A POTENTIAL ACQUISITION**

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the SFO.

**(1) PROFIT WARNING**

The Board wishes to inform the Shareholders and potential investors that despite the attempts by BHE, a subsidiary of the Company, to apply for the recommendation from the local government of Maros Regency which is essential for obtaining the New Mining Permit from the Provincial Government of South Sulawesi, the local government of Maros Regency informed BHE verbally that it refused to give such recommendation because the location of the relevant mine subject to the New Mining Permit falls into the planning tourist development area of Maros Regency which is no longer intended for mining activity.

Based on the management's preliminary assessment and having regard to the legal advice obtained by the Company, the Company expects to recognise a full impairment on the Group's mining properties in relation to the Maros Marble Project with carrying value of approximately HK\$81 million as at 30 June 2016. Such impairment, once confirmed, will be reflected in the Group's annual results for the financial year ended 31 December 2016, which will in turn result in an increase in the net loss of the Group as compared to that of approximately HK\$78.3 million for the prior year. The impairment provision is still subject to finalisation and audit.

**(2) MEMORANDUM OF UNDERSTANDING IN RESPECT OF A POTENTIAL ACQUISITION**

The Board is pleased to announce that after trading hours of the Stock Exchange on 18 January 2017, the Purchaser, an indirect wholly owned subsidiary of the Company, entered into the MOU with the Vendor in relation to the Potential Acquisition.

The MOU is non-legally binding (save for those terms in relation to due diligence, exclusivity, confidentiality and termination) and the consummation of the transactions under the MOU is subject to, among others, the execution of the formal binding agreement. The terms of the formal binding agreement for the Potential Acquisition have yet to be determined. Accordingly, the Potential Acquisition may or may not materialise.

**The Potential Acquisition, if materialises, may constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules and further announcement will be made by the Company in this regard when appropriate in accordance with the Listing Rules. Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.**

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the SFO.

**(1) PROFIT WARNING**

The Company indirectly holds approximately 90% interest in PT. Bara Hugo Energy (“**BHE**”, a subsidiary of the Company) which in turn holds 37.5% interest in PT. Grasada Multinational (“**GM**”). GM holds a mining permit (the “**Mining Permit**”) for a marble site covering approximately 33 hectares at Selenrang, Bontoa, Maros Regency (the “**Maros Marble Project**”) in southwestern Sulawesi, Indonesia (“**GM Quarry**”). As disclosed in 2016 Interim Report of the Company, the Mining Permit will expire on 22 January 2017, and the required extension is subject to approval by the Provincial Government of South Sulawesi. In May 2016, after the management of BHE was made aware by the Provincial Government of South Sulawesi that certain of the mining areas within the GM Quarry might be designated as archaeological and tourism sites, and that GM had delegated BHE to submit an application (the “**Application**”) for extending the mining permit (the “**New Mining Permit**”), BHE had accordingly made the Application with a reduced mining area within the GM Quarry that focused on the key development area as referred to in the competent person’s report on the GM Quarry as announced in the Company’s announcement dated 17 February 2014..

The Board wishes to inform the Shareholders and potential investors that despite the attempts by BHE to apply for the recommendation from the local government of Maros Regency which is essential for obtaining the New Mining Permit from the Provincial Government of South Sulawesi, the local government of Maros Regency verbally informed BHE that it refused to give such recommendation because the location of the relevant mine subject to the New Mining Permit falls into the planning tourist development area of Maros Regency which is no longer intended for mining activity. Upon receiving the verbal notification, the Company immediately sought for legal advice in Indonesia. Based on the legal advice obtained by the Company, the Provincial Government of South Sulawesi is unlikely to approve the application of the New Mining Permit in the absence of a positive recommendation from the local government of Maros Regency.

Based on the management's preliminary assessment and having regard to the legal advice obtained by the Company, the Company expects to recognise a full impairment on the Group's mining properties in relation to the Maros Marble Project with carrying value of approximately HK\$81 million as at 30 June 2016. Such impairment, once confirmed, will be reflected in the Group's annual results for the financial year ended 31 December 2016, which will in turn result in an increase in the net loss of the Group as compared to that of approximately HK\$78.3 million for the prior year. The impairment provision is still subject to finalisation and audit.

Please note that the information contained in this announcement is only based on the preliminary assessment by the management of the Company on the currently available information, which has neither been audited or reviewed by the Company's auditors nor approved or reviewed by the Audit Committee of the Company. Shareholders and potential investors of the Company are advised to read carefully the announcement of the Company in relation to the results of the Group for the financial year ended 31 December 2016, which is expected to be released by no later than 31 March 2017 in accordance with the Listing Rules.

The Company will continue to negotiate with the local government of Maros Regency to explore the possibilities to obtain a mining permit for a mining area with size and quality comparable to Maros Marble Project at a different location and further announcement will be made by the Company in accordance with the Listing Rules if the negotiation materialises. The Company would also actively seek investment opportunity in other mining properties to enrich or replenish the mineral resources held by the Group.

**(2) MEMORANDUM OF UNDERSTANDING IN RESPECT OF A POTENTIAL ACQUISITION**

**THE MOU**

Date : 18 January 2017

Parties : Vendor: China Area International Limited

Purchaser : Enviro Energy Minerals Limited, an indirect wholly owned subsidiary of the Company

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, the Vendor and its ultimate beneficial owner(s) are Independent Third Parties.

**Assets to be acquired**

Pursuant to the MOU, the Purchaser intends to acquire and the Vendor intends to sell the 100% issued share capital and shareholders loan, if any, of the Target Company.

As advised by the Vendor, the Target Company indirectly owns 100% equity interest in the PRC Subsidiary, which is principally engaged in opencast mining of granite for construction use. As advised by the Vendor, the Target Company holds the mining right for granite at a site located at Liaoning province, the PRC and is under the application process for the mining right for granite for another site also located at Liaoning province, the PRC.

**Exclusivity**

The MOU shall remain in effect from the date of the MOU to 31 March 2017 (or such later date as agreed by the Vendor and the Purchaser) (the “**Exclusivity Period**”), during which the Vendor has agreed and undertaken that it will not directly or indirectly engage in any discussion or negotiation with any third party in respect of any share, asset and interest of the Target Company and its subsidiaries.

**Due diligence**

Upon signing of the MOU, the Purchaser shall have the right during the Exclusivity Period to perform a diligence review and investigation of the assets, liabilities, financial condition, contracts, commitments and business of the Target Company and its subsidiaries.

## **Termination**

The MOU will be automatically terminated upon the occurrence of the earlier of (i) the expiry of the Exclusivity Period (or such later date as agreed by the Vendor and the Purchaser); and (ii) the entering into of a formal binding agreement for the Potential Acquisition. The terms of the formal binding agreement for the Potential Acquisition have yet to be determined.

## **Binding effect**

The MOU is not binding on the parties except for clauses in relation to due diligence, exclusivity, confidentiality and termination.

## **REASONS FOR AND BENEFITS OF THE POTENTIAL ACQUISITION**

The Group is principally engaged in investment holding, property investment, natural resources and energy and information technology related businesses.

The Board is of the view that the Potential Acquisition is in line with the Company's strategy and commitment to the natural resources and energy business segment as well as enables the Company to tap into different geographical mining area. The Potential Acquisition also represents an opportunity for the Company to enrich or replenish its mining resources.

## **GENERAL**

The Potential Acquisition may or may not materialise. The Potential Acquisition, if materialises, may constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules and further announcement will be made by the Company in this regard when appropriate in accordance with the Listing Rules. Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

## **TERMS USED IN THIS ANNOUNCEMENT**

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meanings given to them as below:

“Board”	the Board of Directors
“Company”	Enviro Energy International Holdings Limited (Stock Code: 1102), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	the third party(ies) who is/are, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, independent of and not connected with the Company and the connected person(s) (as defined in the Listing Rules) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the memorandum of understanding dated 18 January 2017 entered into between the Purchaser and the Vendor in relation to the Potential Acquisition
“Potential Acquisition”	the potential acquisition in relation to the 100% issued share capital and shareholder loan, if any, of the Target Company pursuant to the MOU
“PRC”	the People’s Republic of China and for the sole purpose of this announcement shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
“PRC Subsidiary”	遼寧興城市開元石材有限公司 (Liaoning Xingcheng Kaiyuan Stone Material Company Limited*), a limited liability company established in the PRC
“Purchaser”	Enviro Energy Minerals Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Company
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Shareholders”	the holders of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	China Area International Development Limited, a company incorporated in the British Virgin Islands with limited liability

“Vendor” China Area International Limited, a company incorporated in the British Virgin Islands with limited liability

“%” per cent.

*\* The English translation in this announcement is for reference only. The official names are in Chinese.*

By Order of the Board  
**Enviro Energy International Holdings Limited**  
**Zhang Yuanqing**  
*Chief Executive Officer*

Hong Kong, 18 January 2017

*As at the date of this announcement, the Board comprises five Executive Directors, namely Mr. Suen Cho Hung, Paul (Chairman), Mr. Zhang Yuanqing (Chief Executive Officer), Mr. Pu Wei (Chief Operating Officer), Mr. Lai Ming Wai and Mr. Zhu Lijia and three Independent Non-executive Directors, namely Mr. David Tsoi, Mr. Chiang Bun and Ms. Leung Pik Har, Christine.*

*If there is any inconsistency in this announcement between the Chinese and English versions, the English version shall prevail.*