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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)

ANNOUNCEMENT

IN RELATION TO

(1) DISCLOSEABLE TRANSACTION

INVOLVING SUBSCRIPTION FOR

40,000,000 UNITS OF TERRAWEST ENERGY CORP.,

(2) SUPPLEMENTAL DEED TO THE SUBSCRIPTION AGREEMENT

(3) MASTER RESEARCH SERVICES AGREEMENT

AND

(4) RESUMPTION OF TRADING

(1) Discloseable Transaction Involving Subscription for 40,000,000 Units of TWE

The Board is pleased to announce that Aces Diamond and TWE entered into the TWE Subscription Agreement on 23 July 2009 pursuant to which, Aces Diamond has agreed to subscribe for the 40,000,000 Units of TWE at the TWE Subscription Price. Immediately after the TWE Subscription, the controlling interests of the Company in TWE will increase from 58.17% to 65.58%. Assuming immediately after the TWE Subscription and all A Warrants and B Warrants are exercised in full, the controlling interests of the Company in TWE will increase from 58.17% to 74.59%.

In consideration of the aggregation of the TWE Subscription and the First Acquisition, since one of the applicable percentage ratios exceeds 5% but is less than 25%, the aggregated transactions constitute a discloseable transaction for the Company under GEM Listing Rule 19.06(2).

(2) Supplemental Deed to the Subscription Agreement

Pursuant to GEM Listing Rule 19.36, the Board announces that on 22 July 2009, Dragon Bounty and Petromin signed the Supplemental Deed to amend, inter alia, the aggregate subscription amount of the Debentures from C\$850,000 to C\$630,000.

The Subscription constitutes connected and discloseable transactions for the Company under the GEM Listing Rules and is only subject to reporting and announcement requirements but exempt from the independent shareholders' approval requirements.

(3) Master Research Services Agreement

The Board is pleased to further announce that the Company entered into the Master Research Services Agreement with ARC on 23 July 2009, pursuant to which ARC has agreed to, among others, provide to the Company certain Project Services towards the development of the oil and gas business of the Group.

(4) Resumption of Trading

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended from 9:30 a.m. on 23 July 2009 pending for the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9:30 a.m. on 24 July 2009.

(1) DISCLOSEABLE TRANSACTION INVOLVING SUBSCRIPTION FOR 40,000,000 UNITS OF TWE

Background

On 13 October 2008, the Company through its wholly-owned subsidiary completed the acquisition of 108,000,000 common shares of TWE from an independent third party at an aggregate consideration of US\$4.031 million (equivalent to approximately HK\$31.44 million) (“**First Acquisition**”). As at the date of this announcement, the controlling interests of the Company in TWE is approximately 58.17% of the issued common and preferred share capital of TWE. TWE has therefore become a non wholly-owned subsidiary of the Company since 13 October 2008.

TWE Subscription Agreement

The Board is pleased to announce that Aces Diamond and TWE entered into the TWE Subscription Agreement on 23 July 2009 pursuant to which, Aces Diamond has agreed to subscribe for 40,000,000 Units at the TWE Subscription Price. Principal terms of the TWE Subscription Agreement are set out below:

Date: 23 July 2009

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

Subscription Price: C\$2,000,000 (equivalent to HK\$13,427,000) which is to be satisfied by immediately available internal funds and resources of the Company on the TWE Completion Date

The TWE Subscription Price has 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: Aces Diamond will subscribe for an aggregate of 40,000,000 Units at C\$0.05 per Unit. Each Unit consisting of one TWE Share, one A Warrant (entitling its holders to subscribe for one TWE Share) and one B Warrant (entitling its holders to subscribe for one TWE Share)

Ranking: the Units and the TWE Shares to be allotted and issued under the TWE 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: TWE Completion is conditional upon:
(a) approval by the board of directors and shareholders of TWE; and
(b) approval by the boards of directors of Aces Diamond and the Company

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

Value of the 40,000,000 Units

Assuming immediately after the TWE Subscription and all A Warrants and B Warrants are exercised in full, the total book value of 40,000,000 Units is approximately C\$2,861,000 (equivalent to approximately HK\$19,207,000).

Reasons for the TWE Subscription

As previously disclosed in various announcements of the Company, 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 being encouraged by the central government. 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. China is considered as one of the most prospective regions in the world for CBM and other unconventional natural gas based on widespread, high quality coal resources and prospective hydrocarbon-bearing geological formations.

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.

The Group has developed a strategy to respond to global concerns over climate change and emissions of greenhouse gas 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. This will provide additional economic value to the feasible projects that the Group undertakes. Given the high demand for clean energy, high energy prices and environmental issue, natural gas including CBM is regarded as a key source of alternative clean energy which can ease the transition from higher carbon-content hydrocarbon fuels (e.g. petroleum, coal) in China and the rest of the world.

Based on the foregoing, the Directors consider that after the completion of the TWE 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 TWE Subscription is also expected to increase the earnings and net asset value of the Group in the long term. Besides, the Group has moved a further step forward in achieving its objective.

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

Effect of the TWE Subscription

As at the date of this announcement, TWE has 177,666,667 common shares and 8,000,000 preferred shares in issue.

Subject to the fulfillment of the conditions precedent, TWE will allot and issue 40,000,000 TWE Shares, 40,000,000 A Warrants and 40,000,000 B Warrants to Aces Diamond at the TWE Subscription Price. As at the date of this announcement, 40,000,000 TWE Shares to be directly subscribed by Aces Diamond represent approximately 21.54% of the issued common and preferred share capital, or approximately 17.73% of the enlarged common and preferred share capital, of TWE. The 40,000,000 TWE Shares together with 40,000,000 A Warrants and 40,000,000 B Warrants when exercise in full represent approximately 64.63% of the existing issued common and preferred share capital, or approximately 39.26% of the enlarged common and preferred share capital, of TWE. Immediately after the TWE Subscription, the controlling interests of the Company in TWE will increase from 58.17% to 65.58%. Assuming immediately after the TWE Subscription and all A Warrants and B Warrants are exercised in full, the effective controlling interests of the Company in TWE will increase from 58.17% to 74.59%.

Listing Rules Implications

As the Company, through Aces Diamond, will acquire additional interests in TWE pursuant to the TWE Subscription Agreement within a 12-month period preceding the date of this announcement, the TWE Subscription and the First Acquisition shall be aggregated and be treated as a single transaction pursuant to GEM Listing Rule 19.22. In consideration of the above aggregation, since one of the applicable percentage ratios exceeds 5% but is less than 25%, the above aggregated transactions constitute a discloseable transaction for the Company under GEM Listing Rule 19.06(2).

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

General Information of the Group

The Group is principally engaged in energy production projects, including exploration and exploitation for and extraction of conventional and unconventional oil and gas. The Group also specializes in the exploration for climate change related technology, including geological sequestration of CO₂, enhanced CBM, enhanced oil recovery, coal mine methane mitigation and green house gas emissions reduction. 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

TWE is a privately owned CBM and natural gas exploration and development company. TWE was established to pursue CBM exploration and development in China which is the sole business of the enterprise at this time. TWE currently holds a 47% interest in the PSC with CUCBM, which holds the remaining 53%. The project area, namely Liuhuanguo Project, under the PSC area covers approximately 653 square kilometers (approximately 162,000 acres) in the Junggar Basin of Xinjiang, China.

The unaudited net asset value of TWE as of 31 March 2009 was approximately C\$4,535,000 (equivalent to approximately HK\$30,446,000). The unaudited net loss of TWE for the three months ended 31 March 2009 was approximately C\$73,000 (equivalent to approximately HK\$490,000).

(2) SUPPLEMENTAL DEED TO THE SUBSCRIPTION AGREEMENT

This announcement is made pursuant to Rule 19.36 of the GEM Listing Rules.

Reference is made to the Announcement in connection with the Subscription Agreement. Unless otherwise defined in this announcement, capitalized terms used under the heading "Supplemental Deed to the Subscription Agreement" have the same meanings as those defined in the Announcement.

On 22 July 2009, Dragon Bounty and Petromin signed the Supplemental Deed to amend the following terms:

1. Subscription Amount: C\$630,000 to be satisfied in cash on the third business day after satisfaction of the conditions of the Subscription Agreement
2. Conversion: Dragon Bounty shall have the right to convert all or part of the Debentures at any time prior to the Maturity Date. Dragon Bounty must provide at least five (5) days prior notice to Petromin of the exercise of its conversion right. Each Debenture will be convertible into 5,000 Conversion Shares. Upon full conversion of the Debentures, Petromin will allot and issue to Dragon Bounty a maximum of 3,150,000 Conversion Shares, representing approximately 5.40% of the existing issued share capital, and approximately 5.13% of the enlarged issued share capital, of Petromin
3. Conditions of the Subscription Agreement: Completion of the Subscription Agreement is conditional upon:
 - (a) approval of the board of directors of Petromin;
 - (b) approval for the issuance of the Debentures and listing of, and permission to deal in, the Conversion Shares under the conversion of the Debentures by TSX and any other necessary governmental authorities or agencies in Canada;
 - (c) execution of definitive documentation for the transaction, in form and substance satisfactory to the legal counsel of both parties;
 - (d) approval by the board of director and shareholder of Dragon Bounty; and
 - (e) approval by the Board.

For clarification purpose, (a) the Conversion Price at C\$0.2 per Conversion Share represents a discount of 20% to the closing price of C\$0.25 per Common Share as quoted on TSX on the Last Trading Day; and (b) where applicable, the Company will comply with the requirements under the GEM Listing Rules upon the Conversion separately.

Save as disclosed above, the other terms of the Subscription Agreement remain unchanged.

Effect of Conversion

As at the date of this announcement, Petromin has 58,294,374 Common Shares in issue and 3,749,511 stock options outstanding.

Under the Subscription Agreement, a maximum of 3,150,000 Conversion Shares will be issued and allotted by Petromin to Dragon Bounty upon full Conversion. The Company's and the Directors' interests, whether direct or indirect, in Petromin before and after the full Conversion are as follows:

	<i>As at the date of this announcement</i>	<i>%</i>	<i>Assuming exercise of stock options in full</i>	<i>%</i>	<i>Assuming full Conversion</i>	<i>%</i>	<i>Assuming exercise of stock options and Conversion in full</i>	<i>%</i>
The Company (Note 1)	1,735,500 Common Shares	2.98	1,735,500 Common Shares	2.80	4,885,500 Common Shares	7.95	4,885,500 Common Shares	7.49
Mr. Kenny Chan (Note 2)	1,615,177 stock options	2.77	1,615,177 Common Shares	2.60	1,615,177 stock options	2.63	1,615,177 Common Shares	2.48
Dr. Gorrell (Note 3)	2,243,193 Common Shares	3.85	3,264,193 Common Shares	5.26	2,243,193 Common Shares	3.65	3,264,193 Common Shares	5.01
	1,021,000 stock options	1.75			1,021,000 stock options	1.66		

Notes:

1. The Company currently holds 1,735,500 Common Shares in Petromin. Upon full Conversion, Petromin will allot and issue 3,150,000 Conversion Shares to Dragon Bounty. The Company's direct and indirect interests in Petromin will thus increase to 4,885,500 Common Shares.
2. Mr. Kenny Chan is a co-chairman and a director of Petromin.
3. Dr. Gorrell is the president and chief executive officer, and a co-chairman and director, of Petromin.

Value of the Debentures

The book value of the Debentures is C\$630,000 (equivalent to approximately HK\$4,230,000) and the market value of 3,150,000 Conversion Shares is in the aggregate amount of C\$787,500 (equivalent to approximately HK\$5,287,000) based on the closing price of C\$0.25 per Common Share as quoted on TSX on the Last Trading Day.

Listing Rules Implications

Since Petromin is a substantial shareholder of TWE, a non wholly-owned subsidiary, and hence a connected person, of the Company. The entering into of the Subscription Agreement, including the Supplemental Deed by Dragon Bounty with Petromin constitutes connected and discloseable transactions for the Company under GEM Listing Rules 20.13(1) and 19.08, respectively. In respect of the Subscription, as one of the applicable percentage ratios exceeds 5% but is less than 25% and the total subscription amount is less than HK\$10,000,000, the Subscription is only subject to reporting and announcement requirements and is exempt from the Independent Shareholders' approval requirement.

Pursuant to GEM Listing Rule 19.08, the Conversion may constitute a major acquisition for the Company. At present, Dragon Bounty has no immediate plan to convert the Debentures in full. Where applicable, the Company will issue a further announcement in respect of the Conversion and comply with the requirements under the GEM Listing Rules.

(3) MASTER RESEARCH SERVICES AGREEMENT

The Board is pleased to further announce that the Company entered into the Master Research Services Agreement with ARC on 23 July 2009, pursuant to which ARC has agreed to, among others, provide to the Company certain Project Services towards the development of the oil and gas business of the Group. Subject to early termination as provided in the Master Research Services Agreement, the term of the Master Research Services Agreement shall be three years from the date thereof, unless, among others, the Company and ARC agree in writing to renew the Master Research Services Agreement, in which case the Master Research Services Agreement will expire at the end of the renewed term.

Under the Master Research Services Agreement, among others, the Company may retain ARC to perform the Project Services by entering into a Work Order on terms and conditions provided therein. In consideration of such Project Services, the Company shall compensate ARC in respect of the services provided based on a project by project basis.

The Directors consider that the Project Services to be provided by ARC to the Company under the Master Research Services Agreement will enhance the Company's diversification plans in:

- (a) upstream hydrocarbon development and production projects; and
- (b) enviro-energy projects,

which have high potential for making a significant contribution to the operating cashflow and income of the Company.

With respect to the Master Research Services Agreement, the Company will continue to comply with relevant requirements of the GEM Listing Rules.

ARC is an applied research and development corporation that develops and commercializes technology to grow innovative enterprises. It serves more than 950 customers and partners around the world in the energy, life sciences, agriculture, environment, forestry and manufacturing sectors. ARC is a not-for-profit corporation that is wholly-owned by the province of Alberta and governed by an eight-member board of directors drawn from the private, public, and higher education sectors.

(4) RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended from 9:30 a.m. on 23 July 2009 pending for the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9:30 a.m. on 24 July 2009.

DEFINITIONS

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

“A Warrant” 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 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;
“Announcement”	the announcement of the Company dated 8 July 2009;
“ARC”	Alberta Research Council Inc.;
“B Warrant”	the common share purchase warrant forming part of the Units 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\$”	Canadian dollars, the lawful currency of Canada;
“CBM”	coalbed methane;
“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;
“Conversion”	the conversion of the Debentures into Common Shares (whether in whole or in part) by Dragon Bounty;
“Conversion Shares”	a maximum of 3,150,000 Common Shares which may fall to be allotted and issued by Petromin upon the exercise in full of the conversion rights attaching to the Debentures;
“CUCBM”	China United Coalbed Methane Corporation;
“Debentures”	the subordinated unsecured convertible debentures in an aggregate subscription amount of C\$630,000 with 9% coupon rate per annum due 2014 to be subscribed by Dragon Bounty pursuant to the Subscription Agreement (as amended by the Supplemental Deed);
“Directors”	the directors of the Company;
“GEM”	the Growth Enterprise Market of the Stock Exchange;
“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 for the time being of Hong Kong;
“Last Trading Day”	6 July 2009, being the last Trading Day in TSX before the release of the Announcement;
“Master Research Services Agreement”	the master research services agreement dated 23 July 2009 entered into between the Company and ARC in relation to the provision of the Project Services by ARC to the Company;
“Project Services”	research and related work services as requested by the Company from time to time through the provision by ARC of its personnel, expertise, experience, technology and research services;

“PSC”	the production sharing contract dated 30 December 2005, which is shared as to 47% by TWE and 53% by CUCBM;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription”	the subscription for the Debentures by Dragon Bounty for an aggregate amount of C\$630,000 which can be converted into a maximum of 3,150,000 Conversion Shares at the Conversion Price;
“substantial shareholder”	has the meaning ascribed to that expression in GEM Listing Rule 1.01;
“Supplemental Deed”	the supplemental deed to the Subscription Agreement dated 22 July 2009 entered into between Dragon Bounty and Petromin;
“TWE”	TerraWest Energy Corp., a company incorporated in British Columbia, Canada, a non wholly-owned subsidiary of the Company;
“TWE Completion Date”	the next Business Day (as defined in the TWE 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 TWE Subscription Agreement) shall not be later than 30 September 2009 or such other date as is agreed in writing by Aces Diamond and TWE;
“TWE Share(s)”	common share(s) without par value in the capital of TWE;
“TWE Subscription”	the subscription for 40,000,000 Units by Aces Diamond for an aggregate amount of C\$2,000,000 (equivalent to HK\$ 13,427,000) pursuant to the terms of the TWE Subscription Agreement;
“TWE Subscription Agreement”	the subscription agreement dated 23 July 2009 entered into between Aces Diamond and TWE in relation to the TWE Subscription;
“TWE Subscription Price”	an aggregate amount of C\$2,000,000 (equivalent to HK\$13,427,000);
“Unit(s)”	units being offered under the TWE Subscription Agreement, each unit being comprised of one TWE Share, one A Warrant and one B Warrant;
“US\$”	United States dollars, the lawful currency of the United States of America;
“Work Order”	the work order in substantially the form as referred to in schedule A to the Master Research Services Agreement to be entered into by the Company with ARC from time to time; and
%	per cent.

For the purpose of this announcement and for reference only, exchange rates of C\$1.00 to HK\$6.7135 and US\$1.00 to HK\$7.80 are adopted.

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

Hong Kong, 23 July 2009

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: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the website of GEM at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days and the website of the Company at www.enviro-energy.com.hk.