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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)

**FURTHER UPDATE ON THE TWE-CNPC LIUHUANGGOU CBM PROJECT  
ARBITRATION PROCEDURE & SUMMARY OF BASIS OF THE DISPUTE  
AND CLARIFICATION ANNOUNCEMENT**

The Company was advised today by TWE that following issuance to CNPC of notice of referral of the unresolved CBM lands dispute to arbitration, TWE has followed the required process by providing notice of selected arbitration procedure to CNPC. Such notice to CNPC is provided according to the terms and conditions of the PSC.

A summary of key points at issue, which TWE has sent to its shareholders simultaneously at the time of publication of this announcement, among others, is set out herein.

Clarification announcement on certain recent press reports published on 22 and 23 October 2013.

**FURTHER UPDATE ON THE TWE-CNPC LIUHUANGGOU CBM PROJECT  
ARBITRATION PROCEDURE & SUMMARY OF BASIS OF THE DISPUTE**

This announcement is made by Enviro Energy International Holdings Limited (“**Company**”) pursuant to the provisions under Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and Part XIVA of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (“**SFO**”).

Reference is made to the announcements of the Company dated 17 June 2013 and 6 September 2013 relating to the unresolved dispute between TerraWest Energy Corp. (“**TWE**”), a non wholly-owned subsidiary of the Company and China National Petroleum Corporation (“**CNPC**”) regarding the coalbed methane (“**CBM**”) fairway lands within the Liuhuanggou CBM production sharing contract (“**PSC**”).

Following issuance to CNPC of notice of referral of the unresolved CBM lands dispute to arbitration, TWE has followed the required process by providing notice of selected arbitration procedure to CNPC. CNPC, in accordance with the terms and conditions of the PSC may respond with notice of its preferred procedure. In the event of a disagreement on procedure the terms and conditions of the PSC describe a default arbitration procedure to be followed, according to internationally-accepted due process.

A summary of key points at issue, which TWE has sent to its shareholders simultaneously at the time of publication of this announcement, among others, is set out below:

1. Clarification on discrepancy of the CBM exploration area, including highly prospective CBM zones and fairway lands between the PSC and the renewed CBM exploration permits and investigation on reported unauthorized coal drilling activity within the PSC area and any land title mismanagement by CNPC;
2. Dispute on CNPC's failure to certify two international independent expert reports on evaluations of CBM discovered resources and natural gas resources originally in place (OGIP) commissioned by TWE and provided to CNPC in support of application for extension of the exploration period of the PSC;
3. Dispute on CNPC's failure to validate the capital expenditure incurred by TWE on the project as required by the PSC; and
4. Dispute on CNPC's failure to cooperate to clarify the land status with relevant ministries.

Additionally, a search of the web-based data of the Ministry of Land and Resources of China suggests that other coal exploration and mining permits have been issued and/or earlier permits have been renewed and greatly expanded without required consents within the PSC area since 30 December 2005 (the date of the PSC) in contravention of Chinese law. In this regard, CNPC and its affiliates have failed to assist to monitor unauthorized issuances of such permits. The holders of illegal permits are to be provided notice of dispute and the relevant ministries will be provided notice.

TWE is a private, British Columbia, Canada (BC) incorporated company, registered under the BC Business Corporations Act. In addition to the Company, TWE has a substantial portion and a significant number of Canadian shareholders. TWE holds a 47% interest in and is the operator of the Liuhuanggou CBM PSC located in the Junggar Basin of Xinjiang, the People's Republic of China ("**China**"). CNPC holds the remaining 53% of the PSC according to the PSC Modification Agreement executed and approved by the Ministry of Commerce of China in 2011.

## **CLARIFICATION ANNOUNCEMENT**

The board of directors ("**Board**") of the Company is aware of certain recent press reports published on 22 and 23 October 2013 revealing, among others, some operational updates and future strategy of the Company provided by Mr. Chan Wan Tsun, Adrian Alan, the Company's chief financial officer ("**Mr. Chan**"). The Board wishes to inform the shareholders and investors that apart from figures and information already disclosed in the Company's interim results announcement for the six months ended 30 June 2013 and other disclosures made by the Company before, the mentioning of the capital required to develop the marble business as well as other business opportunities was made by Mr. Chan in response to inquiries from the media, and was based on Mr. Chan's personal expectation of the future development of the Company and the industry. The Board does not consider such information to be inside information as defined in the Listing Rules and the SFO.

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

Hong Kong, 23 October 2013

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