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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)

**UPDATE ON THE LIUHUANGGOU CBM PROJECT AND NOTICE OF  
ARBITRATION SERVED ON PETROCHINA AND CNPC**

TWE has advised its shareholders that it has taken advice from its Counsel and a notice was issued to CNPC on 3 July 2014 to terminate the PSC. Immediately on 4 July 2014, Counsel, on behalf of TWE, formally served a notice of arbitration on PetroChina and CNPC relating to the Dispute.

The Directors have taken into account the merits of the Dispute, and consider that while the PSC has been terminated, no impairment losses are required for PSC as the estimated recoverable amount of the oil and gas properties from the Damages far exceeds its carrying value as at 31 December 2013.

As previously reported, TerraWest Energy Corp. (“**TWE**”), a non wholly-owned subsidiary of Enviro Energy International Holdings Limited (“**Company**”) has declared a dispute (“**Dispute**”) with China National Petroleum Corporation and / or its affiliates, including, among others, PetroChina Company Limited (“**PetroChina**”) and PetroChina Coalbed Methane Company Limited (collectively “**CNPC**”) in relation to its Liuhuanggou coalbed methane (“**CBM**”) production sharing contract (“**PSC**”).

TWE has advised its shareholders that it has taken advice from its retained special international arbitration counsel (“**Counsel**”) and a notice was issued to CNPC on 3 July 2014 to terminate the PSC (“**Termination**”). In reaching the decision on the Termination, TWE has taken into account CNPC’s breaches of the PSC, including the breakdown in the relationship between TWE and CNPC, the reduction in the CBM exploration area as previously reported and the scale of ongoing coal mining activities, and the fact that the project is no longer financially or operationally viable.

Immediately on 4 July 2014, Counsel, on behalf of TWE, formally served a notice of arbitration on PetroChina and CNPC relating to the Dispute. By this notice of arbitration, TWE seeks an award of damages as compensation for the losses caused by CNPC’s breaches of the PSC, together with declaratory relief, costs and interest. The amount of damages (“**Damages**”) has taken into account, among others (i) the CBM discovered resources as previously reported by an independent third party in 2010 according to reporting standard National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities; and (ii) the original gas in place as previously reported by an independent third party in 2011 according to Petroleum Resources Management System of the Society of Petroleum Engineers, details of which have been set forth in the Company’s annual report for the year ended 31 December 2013.

As at 31 December 2013, the value of oil and gas properties attributed to the PSC amounted to approx. HK\$1.0 billion on the Company's balance sheet. The Directors have taken into account the merits of the Dispute, and consider that while the PSC has been terminated, no impairment losses are required for PSC as the estimated recoverable amount of the oil and gas properties from the Damages far exceeds its carrying value as at 31 December 2013.

As previously reported, TWE holds a 47% interest in and is the operator in the first and currently the only, foreign-operated CBM PSC in the Junggar Basin of Xinjiang, China. CNPC holds the remaining 53% of the PSC. Prior to the Termination, the PSC had been administered by PetroChina Coalbed Methane Company Limited, an indirect subsidiary of CNPC. TWE pioneered CBM operations in the Xinjiang region of China and since the PSC came into force in 2006, the project has reported independently evaluated discovered CBM resources and natural gas resources in-place. To date, these are the only independently evaluated CBM resources (including substantial natural gas in other rocks) reported in the Junggar Basin. These reported results, estimated based on drilling results according to international resource-reporting standards, reflect the substantial resource value for both TWE and CNPC, in-place within the total PSC area.

The Liuhuanggou CBM PSC was executed on 30 December 2005 and came into effect on 1 March 2006. Prior to the Termination, the PSC covered an area of 653.718 square kilometers (approximately 255 square miles) and provided the parties to the contract exclusive rights across the entire area of the PSC, to explore for, develop, produce and sell gas consisting methane and stored in the formations as stated in the PSC.

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

Hong Kong, 7 July 2014

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