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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)

**PROPOSED DISTRIBUTION IN SPECIE
OUT OF THE SHARE PREMIUM ACCOUNT
AND
NOTICE OF BOARD MEETING**

DISTRIBUTION IN SPECIE

The Board wishes to announce that the Company is considering putting to the Shareholders for consideration a proposed Distribution in Specie to the Shareholders whose name appear on the register of members of the Company on the Record Date on the basis of one Privateco Share for every Share held.

Upon completion of the Distribution in Specie, the Privateco Group will cease to be subsidiaries of the Company and will be held directly by the Shareholders, and the Company will continue as a publicly listed company on the Stock Exchange and will continue to operate the Remaining Businesses.

If any Shareholder does not wish to participate in the Distribution in Specie, he / she / it may sell the Shares on or before the last day of dealings in the Shares cum-entitlements to the Distribution in Specie, which is expected to be Friday, 12 December 2014.

The Group Restructuring and the Distribution in Specie have the objective of enabling the Shareholders to hold a direct investment in the Privateco Group thereby allowing them to benefit from the proceeds to be received by TWE, if the outcome of the arbitration is successful, and at the same time the Company can focus on developing the Remaining Businesses.

It should be emphasised that upon completion of the Distribution in Specie, the Shareholders maintain their respective interest, on a pro rata basis, in the Privateco Group and there will be no dilutive effect on such interests.

GENERAL

The Distribution in Specie does not constitute a transaction under Chapter 14 of the Listing Rules. The application of the Share Premium Account to effect the Distribution in Specie

will be subject to the passing of an ordinary resolution by the Shareholders by way of poll at the EGM, and to the Company being able to pay its debt as they fall due in the ordinary course of business, in each case in accordance with the articles of association of the Company and the Companies Law.

A circular containing, among others, details of (i) the Distribution in Specie; (ii) the application of the Share Premium Account to effect the Distribution in Specie; and (iii) a notice of EGM, will be despatched to the Shareholders as soon as practicable.

A meeting of the Board will be held on Thursday, 4 December 2014 for the purpose of considering the payment of a special dividend by way of the Distribution in Specie.

Shareholders should note that the Distribution in Specie is subject to the approval by the Shareholders as described in this announcement. Shareholders and / or potential investors in the Company should be aware that implementation of the Distribution in Specie may or may not become effective. There is no assurance that the Distribution in Specie will be approved or will materialise as a result thereof. Meanwhile, the Shareholders and prospective investors are advised to exercise caution in dealing in the Shares.

DISTRIBUTION IN SPECIE

The Board wishes to announce that the Company is considering putting to the Shareholders for consideration a proposed Distribution in Specie to the Shareholders whose name appear on the register of members of the Company on the Record Date on the basis of one Privateco Share for every Share held.

The Distribution in Specie is intended to be declared out of the Share Premium Account. As at 30 June 2014, the Share Premium Account was approximately HK\$929.5 million. After the completion of the Distribution in Specie, assuming there are no other changes to the Share Premium Account, the Share Premium Account is expected to be reduced to approximately HK\$365.6 million.

No application will be made for the listing of, and permission to deal in, the Privateco Shares on the Stock Exchange or any other stock exchange.

Upon completion of the Distribution in Specie, the Privateco Group will cease to be subsidiaries of the Company and will be held directly by the Shareholders, and the Company will continue as a publicly listed company on the Stock Exchange and will continue to operate the Remaining Business.

If any Shareholder does not wish to participate in the Distribution in Specie, he / she / it may sell the Shares on or before the last day of dealings in the Shares cum-entitlements to the Distribution in Specie, which is expected to be Friday, 12 December 2014.

Group Restructuring

The Group Restructuring will be implemented to prepare for the separation of the Privateco Group from the Remaining Businesses in order to facilitate the Distribution in Specie. The Group Restructuring will involve, among other things, the incorporation of Privateco and the transfer of interests in each of Aces Diamond International Ltd. and Chavis International Ltd. to the Privateco such that the Company will directly hold the entire interest in the Privateco, to facilitate the Distribution in Specie.

The Group Restructuring shall be conducted on terms which are (i) in compliance with all applicable laws and regulations of all relevant jurisdictions including Hong Kong, BVI and Cayman Islands; and (ii) where applicable, pursuant to the requirements of the Stock Exchange or such other governmental or regulatory bodies or authorities of competent jurisdiction.

The Group Restructuring does not require prior approval of Shareholders as all steps are conducted between the Company and its wholly-owned subsidiaries.

Conditions of the Distribution in Specie

The Distribution in Specie will be conditional upon:

- (i) completion of the Group Restructuring; and
- (ii) the passing of an ordinary resolution by the Shareholders at the EGM to approve the application of the Share Premium Account to effect the Distribution in Specie.

None of the above conditions can be waived.

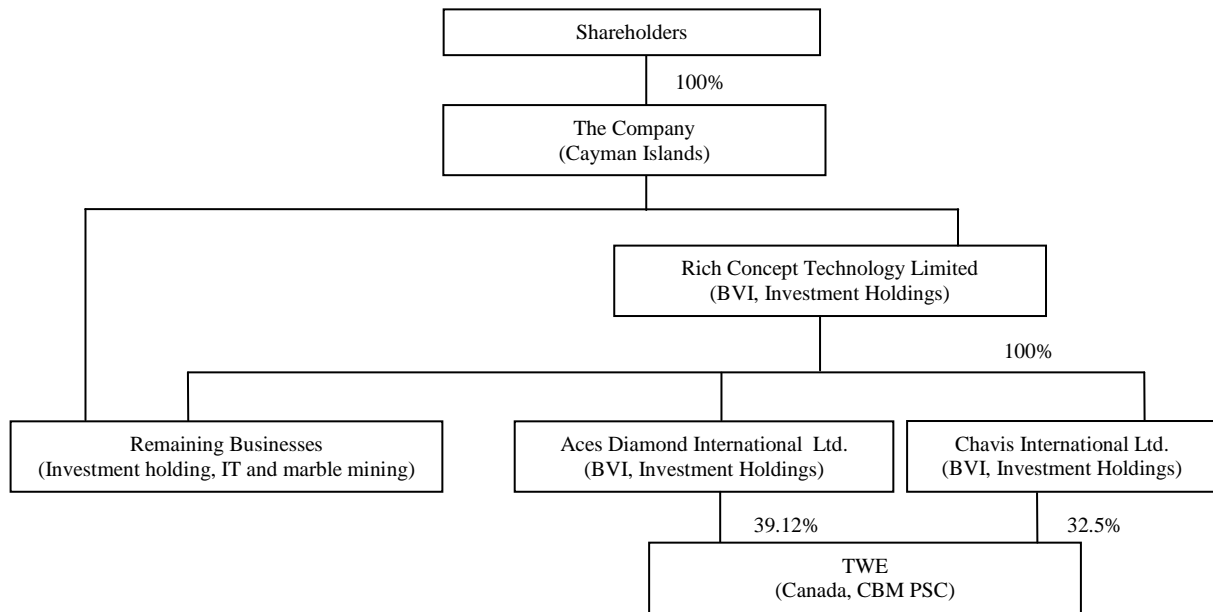
Overseas Shareholders

As the Distribution in Specie to persons who are not resident in Hong Kong may be affected by the laws of the relevant jurisdiction outside Hong Kong, Overseas Shareholders who are citizens or residents or nationals of a jurisdiction outside Hong Kong should keep themselves informed about and observe any applicable legal or regulatory requirements and where necessary seek legal advice. It is the responsibilities of the Overseas Shareholders to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection therewith (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions). As at the date of this announcement, the Company does not have any Overseas Shareholders.

Group structure

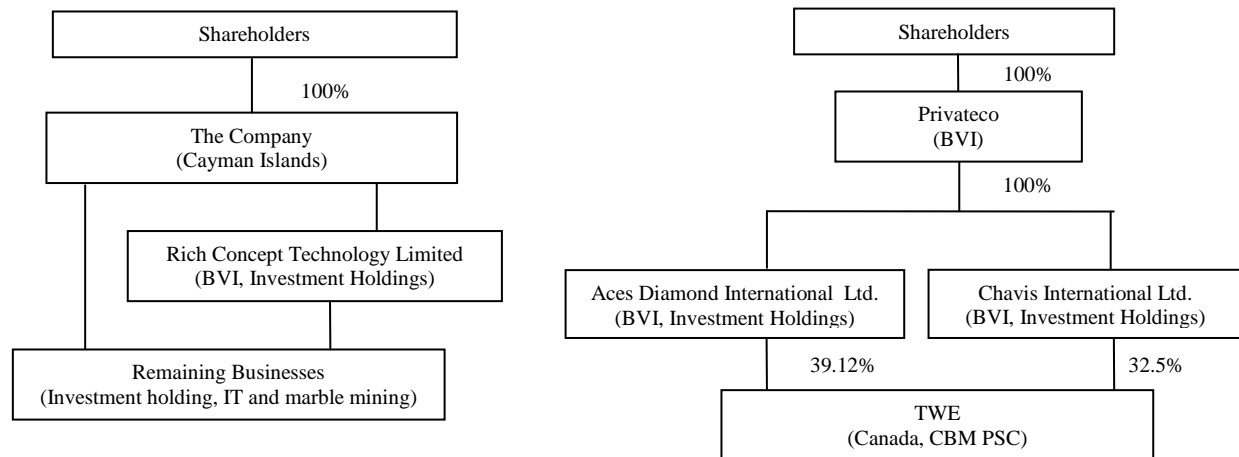
Current structure

Set out below is a summary of the current shareholding structure of the Group as at the date of this announcement:



Structure after the Distribution in Specie

The charts below show in summary the respective structure of the Privateco Group and the Remaining Group immediately after completion of the Group Restructuring and the Distribution in Specie:



EXPECTED TIMETABLE OF THE DISTRIBUTION IN SPECIE

Despatch of circular on Distribution in Specie	Wednesday, 26 November 2014
Latest time for lodging transfer of the Shares in order to be qualified for attending and voting at the EGM	4:30 p.m. on Monday, 8 December 2014
Register of members of the Company closes (both day inclusive)	Tuesday, 9 December 2014 to Thursday, 11 December 2014
Latest time and date for lodging proxy forms for the EGM	10:00 a.m. on Tuesday, 9 December 2014
Time and date of the EGM	10:00 a.m. on Thursday, 11 December 2014
Announcement of results of the EGM to be posted on the Stock Exchange's and the Company's websites	Thursday, 11 December 2014
Register of members of the Company reopens	Friday, 12 December 2014
Expected completion of the Group Restructuring	Friday, 12 December 2014
Last day of dealings in the Shares cum-entitlement to the Distribution in Specie	Friday, 12 December 2014
First day of dealings in the Shares ex-entitlement to the Distribution In Specie	Monday, 15 December 2014
Latest date and time for lodging transfers of Shares to qualify for entitlement to the Distribution in Specie	4:30 p.m. on Tuesday, 16 December 2014
Register of members of the Company closes (both day inclusive)	Wednesday, 17 December 2014 to Friday, 19 December 2014
Record Date	Friday, 19 December 2014
Register of members of the Company reopens	Monday, 22 December 2014
Despatch of certificates for Privateco Shares	Wednesday, 31 December 2014

INFORMATION ON THE PRIVATECO GROUP

Upon completion of the Group Restructuring, the Privateco Group, through Aces Diamond International Ltd. and Chavis International Ltd., will hold approximately 71.61% of the issued common shares and preferred shares in the capital of TWE, or approximately 82.92% of the issued common shares, preferred shares and warrants outstanding in the capital of TWE on a fully diluted basis, respectively. TWE holds a 47% interest in and is the operator in the first and currently the only, foreign-operated coalbed methane (“**CBM**”) production sharing contract (“**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 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.

As previously disclosed in the announcements of the Company dated 28 April 2014 and 7 July 2014, TWE has declared a dispute (“**Dispute**”) with CNPC in relation to the PSC. TWE has subsequently advised its shareholders that it has taken advice from its retained special international arbitration counsel and a notice was issued to CNPC on 3 July 2014 to terminate the PSC. 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, TWE’s counsel, on behalf of TWE, formally served a notice of arbitration on PetroChina Company Limited and CNPC. 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 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 the date hereof, TWE has completed the appointment of an international arbitrator to be one of three arbitrators on the arbitration tribunal. CNPC has, before the extended deadline, similarly appointed an arbitrator. The third arbitrator, as chairman, has also been appointed and the details of the arbitration, including place and timetable, shall be finalised.

Prior to the Termination, the project was still in exploration and evaluation phases and did not generate any revenue. As of 30 June 2014, the value of the oil and gas properties attributed to the PSC amounted to approximately HK\$1,063.9 million on the Group's financial statements. The Directors have taken into account of the merits of the Dispute, and consider that while the PSC has been terminated, no impairment losses are required for the PSC as the estimated recoverable amount of the oil and gas properties from the damages far exceeds its carrying value as at 30 June 2014.

REASONS FOR THE DISTRIBUTION IN SPECIE

The Board believes it is in the best interest of the Company and Shareholders to effect the Distribution in Specie for the following reasons:

- (i) TWE is a non-wholly owned subsidiary of the Company and all developments of the arbitration will be subject to the disclosure requirements of the Listing Rules. However, it is generally assumed as a matter of commercial dealings that arbitration proceedings will be (a) private (third parties who are not a party to the arbitration agreement cannot attend any hearings or play any part in the arbitration proceedings); and (b) confidential (which is a main reason commercial parties choose arbitration over court proceedings to resolve disputes. Arbitration arises through the contractual agreement to arbitrate that provides the necessary legal framework for arbitration in a private manner, as opposed to a dispute in a court which is open to the public and the press). The Board considers that any public disclosure of information regarding the arbitration may affect the negotiation and outcome of a possible settlement. Therefore, it will be beneficial to the Shareholders, who will ultimately have a direct interest in the possible outcome, if the Privateco Group is separated from the Group by effecting the Distribution in Specie;
- (ii) as mentioned, parties to the arbitration have just appointed the arbitrators for the arbitration and the details of the arbitration, including place and timetable are yet to be finalised. The arbitration is still at its early stage at the moment and timing of the arbitration may take a long time. The existence of an arbitration within the Group affects the Company's funding ability on other projects as some financial institutions that the Company has approached have expressed concern on the impact that the arbitration may have on the Group as a whole. In light of the uncertainty as to the timing and outcome of the arbitration and taking into account the imminent impact the arbitration has on the Group in its fund raising ability which in turn affects the future development of the Group, the Board considers the Distribution in Specie to be in the interests of the Company and the Shareholders; and
- (iii) the only outcome from the arbitration, if successful, would be a cash payment from CNPC, and it is the current intention of TWE to distribute all proceeds, after all relevant tax and expenses, to its shareholders. The Group Restructuring and the Distribution in Specie have the objective of enabling the Shareholders to hold a direct investment in the Privateco Group thereby allowing them to benefit from the proceeds to be received by TWE, if the outcome of the arbitration is successful, and at the same time the Company can focus on developing the Remaining Businesses. It should be emphasised that upon completion of the Distribution in Specie, the Shareholders maintain their respective interest, on a pro rata basis, in the Privateco Group and there will be no dilutive effect on such interests.

The Board is aware that the Privateco Shares do not have a liquid market as compared to the Shares which are traded on the Main Board of the Stock Exchange and no cash exit could be

offered to the Shareholders to realise all or part of their shareholdings in the Privateco Group. The Board has considered these issues but with the current status of the arbitration, it is difficult and inappropriate to impose a value on the Privateco Group and hence the value of a Privateco Share. In addition, the Privateco Group is not in operation and, as mentioned above, the only outcome of the arbitration, if successful, would be a cash payment from CNPC, and it is the current intention of TWE to distribute all proceeds, after all relevant tax and expenses, to its shareholders. Having taken into account the benefits the Distribution in Specie may bring to the Company and the Shareholders, the Board considers the Distribution in Specie, on balance, although without a on-market trading facilities for the Privateco Shares, is in the interest of the Shareholders.

Interests of the Privateco shareholders will be safeguarded by the Takeovers Code (until the Privateco is no longer regarded as a public company for the purposes of the Takeovers Code), the memorandum and articles of association of the Privateco and BVI company law.

In any event, any Shareholder who does not wish to participate in the Distribution in Specie may sell his / her /its Shares on or before the last day of dealings in the Shares cum-entitlements to the Distribution in Specie, which is expected to be Friday, 12 December 2014.

PRINCIPAL ACTIVITIES OF THE GROUP

The Group is principally engaged in investment holding and development of a full range of natural resource-related projects involving hydrocarbons and other natural resources.

The Remaining Businesses comprise mainly the Group's marble business. As at the date hereof, the Company indirectly holds approximately 90% of PT. Bara Hugo Energy ("**BHE**") which in turn holds 37.5% of PT. Grasada Multinational ("**GM**"), which holds a mining permit covering the Maros Marble Project in southwestern Sulawesi, Indonesia. BHE also holds warrants in GM which upon exercise will bring its shareholding in GM to 60%. Assuming the full conversion of all outstanding warrants of GM, the Group would hold approximately 54.15% controlling interest of the enlarged capital and have control over the financial and operating decisions of GM, and accordingly the Group has been consolidating its interests in GM as a subsidiary.

As announced on 17 February 2014, the Company completed a competent person's report ("**CPR**") regarding the GM Quarry. According to the CPR, as of 30 November 2013, the total proved and probable gross (100%) mineable reserve of marble estimated was approximately 2,613,000 m³. Details of the resources from the CPR have been set out in the annual report of the Company for the year ended 31 December 2013.

As also disclosed in the Company's previous financial reports and announcements, the Group steadily increased the marketing of marble products globally via various channels. With processing and warehouse facilities in place, the Group began to generate orders for the domestic Indonesian market. The overseas markets have also started to open up after the Indonesian government lifted the export ban on marble products in April 2014. The current operating arrangements between the Group and other marble suppliers do not necessitate qualification of marble resources / reserves according to international reporting standards. If and when the Group requires the issuance of marble resources / reserves according to a reportable standard, such evaluations will be completed and shared with shareholders of the Company.

The Company has also a co-operation agreement with another Indonesian marble company whereby the Group has been appointed as the general distributor in Indonesia and exclusive

distributor overseas for some marble products. The Group will also have an exclusive right to use cutting and processing facilities as well as a warehouse, which are all located in the Jakarta area. This quarry is currently producing high quality marble in South Sulawesi, Indonesia, producing 300 to 500 cubic metres per month, with capacity to reach 1,000 cubic metres per month in a relatively short period of time. The Group has already generated orders for products from this quarry in excess of 5,000 square metres for a project in Indonesia, representing contract value in excess of US\$200,000. The co-operation represents an excellent opportunity for the Group to move into a more integrated business model to secure a sustainable supply of quality marble products.

In addition, the Group has a distribution agreement with a company from the Sultanate of Oman that opened the Mideast marble market to the Company by appointing that company as a distributor of the Group's Indonesian marble products in Oman and the surrounding region. At the same time, the Group will broaden and expand its Asian market by becoming sole distributor of the Oman marble products in Indonesia and general distributor elsewhere.

As also announced on 21 February 2014, the Group entered into an arrangement with an Indonesian entity to develop the industrial minerals business in Southeast Asia, which includes a first right of refusal to invest up to 20% in the Indonesian entity. The demand for such minerals is well understood by the Group based on its hydrocarbon industry experience. The Group continues to assess its rights to invest into this growing venture as and when funding is available.

FINANCIAL INFORMATION AND EFFECTS OF THE DISTRIBUTION IN SPECIE

Based on figures extracted from the segment information of the 2014 interim report of the Company, as at 30 June 2014, the asset value and net asset value of the Privateco Group amounted to approximately HK\$1,064.2 million and HK\$826.8 million, respectively, representing approximately 86.3% and 84.3% of the Group's asset value and net asset value, respectively.

Based on figures extracted from the segment information of the 2014 interim report of the Company, as at 30 June 2014, the asset value and net asset value of Remaining Businesses amounted to approximately HK\$169.1 million and HK\$154.0 million, respectively, representing approximately 13.7% and 15.7% of the Group's asset value and net asset value, respectively.

Upon completion of the Distribution in Specie, the asset value of the Privateco Group will no longer be accounted for in the Company's consolidated financial statements as the Company will not own any shares in the Privateco Group.

Shareholders should note that the values of the Privateco Group have been accounted for using the "full costs" method of accounting, whereby all costs of acquisition, exploration for and development of oil and gas reserves have been capitalized and accumulated, and such costs include licence and land acquisitions, geological and geophysical activity and drilling of wells. The project has been terminated and is not in operation, and as mentioned above, the only outcome of the arbitration, if successful, would be a cash settlement from CNPC, and it is the current intention of TWE to distribute all settlement proceeds, after all relevant tax and expenses, to its shareholders.

GENERAL

The Distribution in Specie does not constitute a transaction under Chapter 14 of the Listing Rules. The application of the Share Premium Account to effect the Distribution in Specie

will be subject to the passing of an ordinary resolution by the Shareholders by way of poll at the EGM, and to the Company being able to pay its debt as they fall due in the ordinary course of business, in each case in accordance with the articles of association of the Company and the Companies Law. No Shareholder is required to abstain from voting on the resolution at the EGM.

A circular containing, among others, details of (i) the Distribution in Specie; (ii) the application of the Share Premium Account to effect the Distribution in Specie; and (iii) a notice of EGM, will be despatched to the Shareholders as soon as practicable.

A meeting of the Board will be held on Thursday, 4 December 2014 for the purpose of considering the payment of a special dividend by way of the Distribution in Specie.

Shareholders should note that the Distribution in Specie is subject to the approval by the Shareholders as described in this announcement. Shareholders and / or potential investors in the Company should be aware that implementation of the Distribution in Specie may or may not become effective. There is no assurance that the Distribution in Specie will be approved or will materialise as a result thereof. Meanwhile, the Shareholders and prospective investors are advised to exercise caution in dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise required, the following terms and expressions shall have the following meanings when used herein.

“Board”	board of Directors;
“BVI”	the British Virgin Islands;
“CNPC”	China National Petroleum Corporation and / or its affiliates, including, among others, PetroChina Company Limited and PetroChina Coalbed Methane Limited;
“Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands;
“Company”	Enviro Energy International Holdings Limited, 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)”	director(s) of the Company;
“Distribution in Specie”	a distribution in specie of the Privateco Shares by the Company to the Shareholders ;
“EGM”	the extraordinary general meeting of the Company to be convened for the Shareholders to consider, and if thought fit, approve the application of the Share Premium Account to effect the Distribution in Specie;
“Group”	the Company and its subsidiaries;

“Group Restructuring”	the proposed group restructuring of the Group, details of which are set out under the paragraph headed “Group Restructuring” in this announcement;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Overseas Shareholders”	the Shareholders (if any) with registered addresses on the register of members of the Company which are outside Hong Kong at the close of business on the Record Date;
“Privateco”	a company to be incorporated in BVI with limited liability, and upon completion of the Group Restructuring prior to the Distribution in Specie, will become a direct wholly-owned subsidiary of the Company which will wholly own Aces Diamond International Ltd. and Chavis International Ltd.;
“Privateco Group”	Privateco and its subsidiaries upon completion of the Group Restructuring;
“Privateco Share(s)”	ordinary share(s) in the share capital of Privateco;
“Record Date”	a date for determining entitlements of the Shareholders to the Distribution in Specie, which is expected to be 19 December 2014;
“Remaining Businesses”	the Group’s marble business and other activities carried on by the Remaining Group upon completion of the Group Restructuring and the Distribution in Specie;
“Remaining Group”	the Company and the Remaining Subsidiaries upon completion of the Group Restructuring and the Distribution in Specie;
“Remaining Subsidiaries”	the remaining subsidiaries of the Company upon completion of the Group Restructuring and the Distribution in Specie, which include all current subsidiaries of the Company other than the Privateco Group;
“Share(s)”	ordinary share(s) of HK\$0.0025 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Share Premium Account”	the share premium account of the Company from time to time;

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“TWE”	TerraWest Energy Corp., a non-wholly owned subsidiary of the Company;
“Termination”	the termination of the coalbed methane production sharing contract pursuant to a notice issued by TWE to CNPC on 3 July 2014;
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong; and
“%”	per cent.

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

Hong Kong, 24 November 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