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YUESHOU ENVIRONMENTAL HOLDINGS LIMITED

粵首環保控股有限公司

(Incorporated in Bermuda with limited liability)
(Stock code: 1191)

PROFIT WARNING ANNOUNCEMENT

This announcement is made pursuant to Rule 13.09(1) of the Listing Rules and Inside Information Provisions under XIVA of the SFO.

The Board wishes to inform potential investors and shareholders of the Company that it is expected that the Group will record substantial increase in losses for the financial year ended 31 July 2013, as compared with that for the financial year ended 31 July 2012.

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

This announcement is made by Yueshou Environmental Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (“**SFO**”).

Further to the announcement dated 19 September 2013, the board of directors of the Company (the “**Board**”) wishes to inform potential investors and shareholders of the Company that the Group is expected to record further substantial increase in losses for the financial year ended 31 July 2013 (“**FY2013**”) as compared with that for the financial year ended 31 July 2012 (“**FY2012**”). The losses are primarily attributable to further increase in impairment loss in goodwill of the forestry business in the Philippines and investment in

associate.

During the process of the audit of the Group's financial statements for FY2013, it has been brought to the Board's attention that based on an independent legal opinion dated 11 October 2013 on the Memorandum of Agreement of 17 November 2011 ("**MoA**") entered into between the Philippine Department of Environment and Natural Resource ("**DENR**") and Shannalyne, Incorporated (the "**Associate**"), the Associate might not be entitled to receive more than 60% of the total volume of the logs cut over the forest in the Philippines where the Associate has the operation rights, which under the Associate's business plans will be sold preferably to legitimate wood processors within the region. The change in the sharing ratio might have adverse impact on the amount and value of logs obtainable by the Associate, hence, the valuation of the Associate and the value of the Company's investment in it.

The MoA was signed by the Associate on 17th November 2011. This MoA was first unofficially presented in June 2013 to several members of the Board, during discussions over some other regulatory matters, by the Chairman, Mr. CT Tan ("**Mr. Tan**"), who is also the technical consultant of the Associate.

On 27 March 2011, the Associate obtained a legal opinion on the impact of Executive Order No. 23 ("**EO23**") dated 1 February 2011 declaring a moratorium on the cutting and harvesting of timber in the natural and residual forests and creating the anti-illegal logging task force. According to the said legal opinion, the Associate can claim exemption from and/or challenge EO23.

On 21 September 2013, Mr. Tan via the Joint Company Secretary of the Company informed the Board that based on a memorandum ("**Memorandum**") dated 3 June 2013 from DENR, where Mr. Tan considered the MoA redundant and defunct, based on which it follows that, in respect of the valuation of the Associate, the MoA will not have significant impact because the Associate can hold the MoA in abeyance.

Considering the difference in opinions presented by Mr. Tan and the Company from different lawyers and at different times, the Board is seeking further professional advice to reconcile the difference and the Board would take steps to clarify with DENR as to the interpretation and effectiveness of the MoA in order to fully understand the situation and assess its impact on the Group. Given the potential impact of the MoA and the Memorandum on the valuation of the Associate, the valuers of the Group are still working out the magnitude of the impact, if any.

Further announcements on the above shall be made as and when required according to the Listing Rules and SFO.

Investors and shareholders of the Company are advised to note that the information contained in this announcement is only based on the preliminary assessment by the Board with reference to the information currently available, unaudited consolidated management accounts of the Group and that the actual results for the Group is subject to audit and therefore may be different from what is disclosed in this announcement. The annual results of the Company for FY2013 have not been finalized as at the date of this announcement. The results announcement of the Company for FY2013 is expected to be released on or before 31 October 2013. Shareholders and investors are advised to refer to the results announcement carefully when it is issued.

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By order of the Board
Yueshou Environmental Holdings Limited
TANG Lo Nar KO Mei Ying
Joint Company Secretaries

Hong Kong, 18 October 2013

As at the date of this announcement, the Board consists of Mr. Tan Cheow Teck, Mr. Shen Xia, Mr. Shannon Tan Siang-tau (alias Shannon Chen Xiangdao), Ms. Juanita Dimla De Guzman, Mr. Lau Kwan, and Mr. Leung Wai Shun Wilson as Executive Directors; Mr. Pang King Sau, Nelson as Non-executive Director and Mr. Sai Chun Yu, Dr. Chiao Li, Mr. Chan Yee Ping, Michael and Mr. Wen Jian Sheng as Independent Non-executive Directors.