Yueshou Environmental Holdings Limited
粵首環保控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1191)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 JULY 2012

The Board of Directors (the "Board") of Yueshou Environmental Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 July 2012 together with comparative figures for the year ended 31 July 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 July 2012

	Notes	**2012** **HK$'000**	2011 *HK$'000* (restated)
Turnover	*5*	**139,798**	127,602
Cost of sales		**(135,128)**	(110,070)
Gross profit		**4,670**	17,532
Other revenue	*5*	**1,585**	4,337
Other income	*6*	**749**	1,915
Administrative expenses		**(38,694)**	(38,832)
Impairment loss recognised in respect of trade and other debtors		**(4,438)**	–
Impairment loss recognised in respect of loan receivables		**(4,465)**	–
Impairment loss recognised in respect of intangible assets		**(39,842)**	(740)
Impairment loss recognised in respect of goodwill		**(140,898)**	(77,490)
Gain/(loss) arising from changes in fair value of investment properties		**12,096**	(36,156)
(Loss)/gain arising from changes in fair value of plantation assets less costs to sell		**(45,248)**	9,752
Loss on disposal of property, plant and equipment		**–**	(15,836)

	Notes	**2012**	2011
		HK$'000	*HK$'000*
			(restated)
Gain on disposal of subsidiaries		**–**	347
Impairment loss recognised in respect of property, plant and equipment		**(569)**	–
Provision for obsolete inventories		**(244)**	–
Share of results of associates		**(256,893)**	(20,412)
Loss from operations	*6*	**(512,191)**	(155,583)
Finance costs		**(49,658)**	(43,424)
Loss before taxation		**(561,849)**	(199,007)
Taxation	*7*	**(651)**	2,108
Loss for the year		**(562,500)**	(196,899)
Other comprehensive (loss)/income			
Exchange differences on translating foreign operations		**1,912**	12,586
Share of changes in other comprehensive (loss)/income of associates		**(11,244)**	78,874
Other comprehensive (loss)/income for the year, net of tax		**(9,332)**	91,460
Total comprehensive loss for the year		**(571,832)**	(105,439)
Loss attributable to owners of the Company		**(562,500)**	(196,899)
Total comprehensive loss attributable to owners of the Company		**(571,832)**	(105,439)
Loss per share			
– basic	*9*	**HK$(0.034)**	HK$(0.012)
– diluted		**HK$(0.034)**	HK$(0.012)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 July 2012

	Notes	2012 HK$'000	2011 HK$'000
ASSETS			
Non-current assets			
Investment properties		**134,124**	122,028
Plantation assets		**41,929**	74,497
Property, plant and equipment		**13,788**	7,596
Goodwill		**842,618**	983,516
Investments in associates		**944,684**	1,212,821
Intangible assets		**38,884**	82,814
		2,016,027	2,483,272
Current assets			
Properties held for sale		**7,613**	7,613
Trade and other debtors	*10*	**20,758**	45,628
Deposit and prepayments		**9,755**	9,270
Inventories		**15,082**	17,420
Amounts due from associates		**43,650**	35,854
Other deposit		**9,434**	9,457
Loan receivables		**11,963**	15,933
Tax recoverable		**–**	73
Cash and bank balances		**7,090**	31,349
		125,345	172,597
Asset classified as held for sale		**–**	3,393
		125,345	175,990
Total assets		**2,141,372**	2,659,262
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**169,273**	816,367
Reserves		**1,287,737**	1,191,546
Total equity		**1,457,010**	2,007,913

	Notes	2012 HK$'000	2011 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income		**4,745**	4,690
Convertible notes		**–**	215,766
Promissory notes		**369,281**	334,031
Deferred taxation		**410**	2,146
		374,436	556,633
Current liabilities			
Trade and other creditors	*11*	**19,168**	36,751
Accrued charges		**5,592**	3,695
Loan from shareholders		**47,000**	43,000
Amount due to a shareholder		**2,000**	5,400
Amount due to a director		**2,634**	1,000
Convertible notes		**231,140**	4,870
Taxation payable		**2,392**	–
		309,926	94,716
Total liabilities		**684,362**	651,349
Total equity and liabilities		**2,141,372**	2,659,262
Net current (liabilities)/assets		**(184,581)**	81,274
Total assets less current liabilities		**1,831,446**	2,564,546

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda on 29 June 1994 as an exempted company with limited liability and its share are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company is located at 22/F., Hip Shing Hong Centre, No.55 Des Voeux Road Central, Hong Kong.

The principal activity of the Company is investment holding. Its subsidiaries and associates are principally engaged in the property development, provision of installation services, sales of chemical agents and petroleum chemical products, provision of technical services of environmental protection operations in the People's Republic of China (the "PRC") and forestry operation in PRC and Philippines respectively.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied a number of new and revised Standards, Amendments and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for annual periods beginning on 1 August 2011. The adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Disclosure – Transfer of Financial Assets
HKAS 24 (Revised in 2009)	Related Party Disclosures
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the new HKFRSs had no material effect on the results and the financial position of the Group.

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle[3]
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[3]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transitional Disclosures[5]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[3]
HKFRS 9	Financial Instruments[5]
HKFRS 10	Consolidated Financial Statements[3]
HKFRS 11	Joint Arrangement[3]
HKFRS 12	Disclosure of Interests in Other Entities[3]
HKFRS 13	Fair Value Measurement[3]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[5]
HKAS 12 (Revised)	Deferred Tax: Recovery of Underlying Assets[1]
HKAS 19 (Revised in 2011)	Employee Benefits[3]
HKAS 27 (Revised in 2011)	Separate Financial Statements[3]
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures[3]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[4]

[1] *Effective for annual periods beginning on or after 1 January 2012*

[2] *Effective for annual periods beginning on or after 1 July 2012*

[3] *Effective for annual periods beginning on or after 1 January 2013*

[4] *Effective for annual periods beginning on or after 1 January 2014*

[5] *Effective for annual periods beginning on or after 1 January 2015*

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

– Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

– In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

HKFRS 10 *Consolidated Financial Statements* builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. This standard replaces HK(SIC) – 12 *Consolidation – Special Purpose Entities* and replaces parts of HKAS 27 *Consolidated and Separate Financial Statements*.

HKFRS 11 *Joint Arrangements* provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. HKFRS 11 supersedes HKAS 31 *Interests in Joint Ventures* and HK(SIC) – 13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers*.

HKFRS 12 *Disclosure of Interests in Other Entities* is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

HKFRS 13 *Fair Value Measurement* improves consistency and reduces complexity by providing, for the first time, a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs.

The Group is in the process of making an assessment of the potential impact of these new and revised HKFRSs and the directors so far concluded that the application of these new and revised HKFRSs will have no material impact on the consolidated financial statements of the Group.

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company. All values are rounded to the nearest thousand, unless otherwise stated.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties, plantation assets and financial instruments that are measured at fair values.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group. The Group incurred a loss attributable to the owners of the Company of approximately HK$562,500,000 for the year ended 31 July 2012 and had net current liabilities of approximately HK$184,581,000 as at 31 July 2012. In addition, the convertible notes with principle amounts of approximately HK$233,600,000 in aggregate were matured on or before 29 October 2012.

On 25 October 2012, the Group announced that on 28 September 2012, the Company entered into a conditional agreement with Give Power Technology Limited ("GPT"), the sole holder of all convertible notes, which is solely owned by Mr. Yu Hong, an executive director and a shareholder of the Company. Under the agreement, the parties to it have agreed on a conditional basis that:

(a) the Company shall (i) sell to GPT (and GPT shall purchase) the entire issued share capital of Bestco Worldwide Investment Limited ("Bestco") and (ii) assign to GPT the Bestco sale debts. The initial Bestco transfer consideration is in the sum of HK$135,000,000 (subject to adjustment) which shall be satisfied by GPT surrendering and delivering up convertible notes in the aggregate principal amount of HK$135,000,000 (subject to adjustment) to the Company at first completion;

(b) the Company shall redeem part of the convertible notes in the principal amount of HK$30,000,000 at their full face value by cash at second completion; and

(c) GPT shall exercise the conversion rights attaching to part of the convertible notes having aggregate principal amount of HK$68,600,000 at the conversion price of HK$0.20 per conversion share in accordance with the convertible notes term at second completion.

In addition, the directors of the Company has been in discussions with the holders of the promissory notes and the convertible notes with respect to various debt restructuring plans, with a view to improving the Group's financial position. Pursuant to the agreement made between the Company and the holders of promissory notes date 9 August 2012, agreement was made by the Group with the holders of promissory notes as part of the Group's debt restructuring plan. Subject to the completion of convertible notes redemption and conversion taking place, the entire principal amounts of approximately HK$500,000,000 owing under the promissory notes will also be waived on the same date. Further details were set out in the Company's announcement dated 26 October 2012.

The consolidated financial statements have been prepared on a going concern basis on the basis that the proposed debt restructuring plan detailed above will be successfully completed. In the opinion of the directors of the Company, if the proposed debt restructuring plan accomplishes successfully, the Group will be able to generate sufficient funds to meet its future working capital requirements and financial obligations when they fall due. Accordingly, the directors of the Company consider that it is appropriate to prepare these consolidated financial statements on a going concern basis.

The applicability of the going concern basis is dependent on the success of the proposed debt restructuring plan being implemented by the Group, in order for the Group to meet its financial obligations as they fall due and to finance its future working capital and financial requirements. These consolidated financial statements do not include any adjustments that may result if the proposed debt restructuring plan could not proceed successfully. If the proposed debt restructuring plan could not proceed successfully and the going concern basis was not be appropriate, adjustments would have to be made to the consolidated financial statements to reduce the value of the assets of the Group to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

4. SEGMENT INFORMATION

The Group's operating and reportable segments are as follows:

(i) the property development segment involves the development of property, the management of shopping arcade and the sales of residential units in the PRC;

(ii) the environmental protection operations segment involves the installation services, sales of chemical agents and petroleum chemical products, and the provision of technical services in the PRC; and

(iii) the forestry and logging operation segment involves the development, management and processing of agricultural lands and forest lands for the planting, cultivation and production of industrial and fruit bearing trees and other agricultural forest products in the PRC and Philippines.

Segment turnover and results

An analysis of the Group's turnover and results by business segment is presented below:

	Property development		Environmental protection operations		Forestry and logging operation		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(restated)						(restated)
TURNOVER	**4,285**	17,887	**135,513**	109,715	**–**	–	**139,798**	127,602
RESULTS								
Segment profit/(loss)	**11,630**	(24,301)	**(11,281)**	(22,986)	**(263,773)**	(25,030)	**(263,424)**	(72,317)
Unallocated corporate income							**1**	525
Unallocated corporate expenses							**(13,877)**	(15,313)
Impairment loss in respect of goodwill	**–**	–	**(140,898)**	(77,490)	**–**	–	**(140,898)**	(77,490)
Impairment loss in respect of intangible assets	**–**	–	**(39,842)**	–	**–**	(740)	**(39,842)**	(740)
Impairment loss in respect of trade and other debtors	**(334)**	–	**(569)**	–	**(3,535)**	–	**(4,438)**	–
Impairment loss in respect of loan receivables	**–**	–	**–**	–	**(4,465)**	–	**(4,465)**	–
(Loss)/gain arising from change in fair value of plantation assets less cost to sales	**–**	–	**–**	–	**(45,248)**	9,752	**(45,248)**	9,752
Loss from operations							**(512,191)**	(155,583)
Finance costs							**(49,658)**	(43,424)
Loss before taxation							**(561,849)**	(199,007)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2011: Nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies. Business segment represents the profit/(loss) from each segment without allocation of central operating expenses including staff costs and finance costs. This is the measure reported for the purpose of resource allocation and assessment of segment performance.

Segment assets and liabilities

The following is analysis of the Group's assets and liabilities by reportable segment:

	Property development		Environmental protection operations		Forested and logging operation		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
ASSETS								
Segment assets	**154,646**	149,074	**48,463**	265,693	**1,925,548**	2,228,247	**2,128,657**	2,643,014
Unallocated corporate assets							**12,715**	16,248
Consolidated total assets							**2,141,372**	2,659,262
LIABILITIES								
Segment liabilities	**809**	685	**11,347**	23,028	**418,679**	375,630	**430,835**	399,343
Convertible notes							**231,140**	220,637
Deferred taxation							**410**	2,146
Unallocated corporate liabilities							**21,977**	29,223
Consolidated total liabilities							**684,362**	651,349

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than corporate assets.
- all liabilities are allocated to reportable segments other than amount due to a shareholder, amount due to a director, convertible notes and deferred tax liabilities.

Other segment information

The following is analysis of the Group's other segment information:

	Property development		Environmental protection operations		Forestry and logging operation		Unallocated		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Capital addition	**4,402**	4,665	**3,910**	185	**12,438**	17,235	**–**	–	**20,750**	22,085
Depreciation and amortisation	**915**	381	**4,670**	7,479	**1,575**	1,289	**45**	84	**7,205**	9,233
Gain/(loss) arising from change in fair value of investment properties	**12,096**	(30,669)	**–**	(5,487)	**–**	–	**–**	–	**12,096**	(36,156)
Impairment loss recognised in respect trade and other debtors	**334**	–	**569**	–	**(3,535)**	–	**–**	–	**(4,438)**	–
Impairment loss recognised in respect of intangible assets	**–**	–	**39,842**	–	**–**	740	**–**	–	**39,842**	740
Impairment loss recognised in respect of goodwill	**–**	–	**140,898**	77,490	**–**	–	**–**	–	**140,898**	77,490
(Loss)/gain arising from changes in fair value of plantation assets less cost to sales	**–**	–	**–**	–	**(45,248)**	9,752	**–**	–	**(45,248)**	9,752
Impairment loss recognised in respect of property, plant and equipment	**–**	–	**569**	–	**–**	–	**–**	–	**569**	–
Provision for obsolete inventories	**–**	–	**244**	–	**–**	–	**–**	–	**244**	–

Geographical information

The Group's operations are located in Hong Kong, the PRC and Philippines.

For the year ended 31 July 2012, all of the Group's turnover are derived from the PRC. The following is an analysis of the carrying amount of segment assets analysed by the geographical area in which the assets are located:

	Non-current assets		**Additions to property, plant and equipment and plantation assets**	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC	**228,240**	286,935	**20,189**	21,886
Hong Kong	**842,618**	983,516	**–**	199
Philippines	**945,169**	1,212,821	**561**	–
	2,016,027	2,483,272	**20,750**	22,085

Information about major customers

Included in turnover arising from environmental protection operations of approximately HK$135,513,000 (2011: HK$109,715,000) are turnover of approximately HK$32,662,000 (2011: HK$39,271,000) which arose from turnover to the Group's largest two (2011: two) customers with whom transactions have exceeded 10% of the Group's turnover during the year. No customer had exceeded 10% of the Group's turnover arising from property development during the year.

5. TURNOVER AND OTHER REVENUE

Turnover represents the aggregate of sales revenue from the sales of properties in the PRC, rental and management fee income from properties in the PRC, the sales of chemical agents and petroleum chemical products and the service income from the provision of technical and installation services.

	2012	2011
	HK$'000	*HK$'000*
		(restated)
Turnover:		
Sales of properties in the PRC	**330**	13,554
Sales of chemical agents and petroleum chemical products	**119,315**	83,128
Provision of installation services	**4,894**	10,433
Provision of technical services	**11,304**	16,154
Rental income *(Note)*	**1,663**	2,428
Management fee income *(Note)*	**2,292**	1,905
	139,798	127,602
Other revenue:		
Interest income	**1,340**	556
Governmental grant	**245**	3,712
Sundry income	**–**	69
	1,585	4,337

Note:

During the year ended 31 July 2012, the Group reallocated the resources to focus on property rental business and the directors of the Group considered that it became the main source of income of the Group.

As a result, rental income of approximately HK$1,663,000 (2011: HK$2,428,000) and management fee income of approximately HK$2,292,000 (2011: HK$1,905,000) were reallocated and included in turnover. The related costs of approximately HK$2,129,000 (2011: HK$1,152,000) were reallocated from administrative expenses and included in cost of sales.

6. LOSS FROM OPERATIONS

Loss from operations is stated at after charging:

	2012	2011
	HK$'000	*HK$'000*
Auditors' remuneration	**1,200**	750
Amortisation of intangible assets	**5,048**	4,689
Depreciation on owned assets	**2,157**	4,544
Operating lease rentals in respect of land and buildings	**1,580**	1,910
Loss on disposal of property, plant and equipment	**–**	15,836
Staff costs, including directors' remuneration:		
– Retirement benefits scheme contributions	**922**	488
– salaries and another benefits	**9,921**	8,183
Cost of inventories recognised as an expense	**119,644**	85,326

and after crediting:

Other income:		
Exchange gain	**749**	140
Reversal of impairment loss in respect of trade and other debtors	**–**	1,775
	749	1,915

7. TAXATION

No provision for Hong Kong Profits Tax has been made during the year (2011: Nil) as the Group had no assessable profit for the year.

Taxation for other jurisdictions is calculated at the rate prevailing in the respective jurisdictions.

	2012	2011
	HK$'000	*HK$'000*
Current taxation:		
Provision for the year in the PRC	**2,387**	848
Deferred taxation:		
Reversal during the year	**(1,736)**	(2,956)
	651	(2,108)

8. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 July 2012 (2011: Nil).

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on:

	2012	2011
	HK$'000	*HK$'000*
Loss		
Loss attributable to owners of the Company for the purpose of basic loss per share calculation	**562,500**	(196,899)

	2012	2011
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share calculation	**16,550,284**	16,035,096

Diluted loss per share

For the year ended 31 July 2012 and 31 July 2011, diluted loss per share is the same as the basic loss per share as the effects of the Company's outstanding convertible notes were anti-dilutive.

10. TRADE AND OTHER DEBTORS

	2012	2011
	HK$'000	*HK$'000*
Trade and other debtors	**37,934**	58,157
Less: Impairment loss recognised in respect of trade and other debtors	**(17,176)**	(12,529)
	20,758	45,628

The following is an aged analysis of trade and other debtors:

	2012	2011
	HK$'000	*HK$'000*
0 to 30 days	**11,853**	28,812
31 to 60 days	**1,762**	1,143
61 to 90 days	**115**	1,403
91 to 180 days	**2,799**	3,023
181 to 365 days	**6,726**	4,392
Over 365 days	**14,679**	19,384
	37,934	58,157
Less: Impairment loss recognised in respect of trade and other debtors	**(17,176)**	(12,529)
	20,758	45,628

11. TRADE AND OTHER CREDITORS

	2012	2011
	HK$'000	*HK$'000*
Trade and other creditors	**12,682**	28,265
Amounts due to ex-directors	**6,486**	8,486
	19,168	36,751

The amounts due to ex-directors are unsecured, interest free and repayable on demand.

The aged analysis of trade and other creditors is as follows:

	2012	2011
	HK$'000	*HK$'000*
0 to 30 days	**3,119**	16,351
31 to 60 days	**644**	249
61 to 90 days	**327**	206
91 to 180 days	**997**	567
181 to 365 days	**1,830**	635
Over 365 days	**5,765**	10,257
	12,682	28,265

12. EVENTS AFTER THE REPORTING PERIOD

(a) The placing of preference shares by Linshan Limited ("Linshan") and distribution of preference shares and ordinary shares by Corporate King Limited ("Corporate King") was completed on 28 September 2012. 5,200 million preference shares have been successfully placed by the placing agent to not less than six placees pursuant to the terms and conditions of the placing agreement.

All the conditions precedent to completion of the distribution agreement were fulfilled, completion of the distribution agreement took place immediately following the completion of the placing Agreement. Pursuant to the distribution, 1,200 million Shares and 2,349,733,333 preference shares were distributed to the shareholders of Corporate King in proportion to their respective shareholdings in Corporate King.

The majority of the net proceeds of the placing of the placing shares has been used by Linshan to repay the entirely of the third party loan currently indebted by Corporate King to an independent third party.

(b) Alyshan Limited ("Alyshan"), an indirect wholly owned subsidiary of the Company, entered into an agreement for subscription and further deposits with Juanita Dimla De Guzman ("JDG"), the beneficial owner of all the preferred shares in Alverna Dynamic Developments Inc. ("Alvena") which is the associate of the Company. Pursuant to the agreement, Alyshan and JDG have agreed to make further deposits for future subscriptions of up to approximately Peso 42.8 million (equivalent to about HK$7.8 million) and Peso 7.1 million (equivalent to about HK$1.3 million) respectively.

Details please refer to the Company's announcement on 26 September 2012.

(c) The Company announced that on 26 September 2012, a letter of intent was entered into with an independent third party (Possible Vendor). Under the letter of intent, the Company expressed intention to discuss further on the possible sale and purchase of possible vendor's forest business in China and Latin America. Further details are set out in the Company's announcement date 26 September 2012.

(d) On 28 September 2012, the Company entered into a sales and purchase agreement with to dispose 100% interest of Bestco Worldwide Investment Limited (hereinafter "Bestco") to Give Power Technology Limited (hereinafter "GPT"), which is the solely owned by the Company's executive director Mr. Yu Hong. Under the agreement, the parties have agreed on a conditional basis that:

- the Company shall (i) sell to GPT the Bestco Sale Share and (ii) assign to GPT the Bestco Sale Debts. The transfer consideration is in the sum of HK$135 million which shall be satisfied by GPT surrendering and delivering up convertible notes in the aggregate principal amount of HK$135 million to the Company at first completion;

- the Company shall redeem part of convertible notes in the principal amount of HK$30 million at their full face value by cash at second completion;

- GPT shall exercise the conversion rights attaching to part of the convertible notes having aggregate principal amount of HK$68.6 million at the conversion price of HK$0.20 per conversion share in accordance with the convertible notes terms at second completion.

Further details are set out in the Company's announcement dated 25 October 2012.

EXTRACT OF THE INDEPENDENT AUDITORS' REPORT

Basis for Disclaimer of Opinion

Material uncertainty relating to the going concern basis

As disclosed in note 3 to the consolidated financial statements, the Group incurred a loss attributable to the owners of the Company of approximately HK$562,500,000 for the year ended 31 July 2012 and had net current liabilities of approximately HK$184,581,000 as at 31 July 2012. In addition, the convertible notes with principle amounts of approximately HK$233,600,000 in aggregate were matured on or before 29 October 2012. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. As detailed in the Company's announcement dated 25 October 2012, a debt restructuring plan of outstanding convertible notes is proposed to be implemented by the Group (the "Proposed Debt Restructuring Plan") as explained in note 3 to the consolidated financial statements.

The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the success of the Proposed Debt Restructuring Plan being implemented by the Group, in order for the Group to meet its financial obligations as they fall due and to finance its future working capital and financial requirements. The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern and therefore do not include any adjustments relating to the realisation and reclassification of non-current assets that may be necessary of the Group is unable to continue as a going concern.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at other than the amounts at which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets as current assets. We consider that appropriate disclosures have been made in the consolidated financial statements. However, the material uncertainty in relation to the appropriateness of the adoption of the going concern basis is so extreme that we have disclaimed our opinion.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group and the Company as at 31 July 2012 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Segment Information

In the past year, the Group's total turnover increased as compared with last year mainly due to the increase in the trading of petroleum chemical products with lower profit margin, however the sales orders for sulphur fixing agents and the desulphurization projects with higher profit margin were still at a lower level, so even though the total turnover increased but the gross profit decreased. For the financial year ended 31 July 2012, the Group's total turnover increased by 9.56% to approximately HK$139,798,000 (2011: HK$127,602,000). Gross profit decreased by 73.36% to approximately HK$4,670,000 (2011: HK$17,532,000).

As the demand for sulphur fixing agents and the desulphurization projects continuously decreased, there was a further impairment loss of HK$140,898,000 recognised in respect of the goodwill of the environmental protection operations (2011: HK$77,490,000). The loss attributable to the equity holders of the Company was HK$562,500,000 (2011: HK$196,899,000).

The entire turnover for the year was generated from the business segments in the PRC (2011: 100%).

Environmental Protection Operations

During the year ended 31 July 2012, total turnover of environmental protection operations was approximately HK$135,513,000 (2011: HK$109,715,000), increased by HK$25,798,000 or 23.51% compared with last year, which accounted for approximately 96.93% of the Group's total turnover (2011: 85.98%).

For the financial year ended 31 July 2012, an impairment loss was recognised in respect of the goodwill of environmental protection operations for HK$140,898,000 (2011: HK$77,490,000).

Property Development

The turnover amounted to approximately HK$4,285,000 (2011: HK$17,887,000) for the year was derived from property development and leasing of properties, a decrease of HK$13,602,000 or 76.04% compared with last year, representing approximately 3.07% of the Group's total turnover (2011: 14.02%).

For the financial year ended 31 July 2012, there was a gain arising from change in fair value of investment properties located in Shunde, Guangdong Province, the PRC for about HK$12,096,000 (2011: loss of HK$36,156,000).

Forestry and Logging Operation

The Group currently possesses the right to use the forestry lands for approximately 10,300 Chinese Mou located in Raoping County, Guangdong Province, the PRC together with the right to possess and use the trees grown on these forestry lands. There are now about 687,000 eucalyptus of age about 3 to 4 years old planted in these forestry lands, the Group expects the logging and sales activities will be started from end of 2012.

However, these forestry lands were disposed of after year end as part of the Bestco sale. For details, please refer to Note 12 to this announcement.

In early August 2010, the Group has completed a very substantial acquisition of certain corporate interests in forestry plantation business including shares in some Philippines corporations which constituted the associates of the Group. One of these associates owns the development rights and management rights of certain pieces of public forestry lands in Philippines.

For the financial year ended 31 July 2012, the Group recorded a loss from share of results of these associates for approximately HK$256,893,000 (2011: 20,412,000).

Liquidity, Financial Resources & Gearing Ratio

The operation of the Group was mainly financed by internal resources generated, banking facilities such as bank loans and overdrafts, and the loan from a substantial shareholder of the Company. As at 31 July 2012, there was no secured bank borrowings outstanding (2011: NIL); however, there was a loan from a substantial shareholder of the Company amounted to HK$47,000,000 (2011: HK$43,000,000).

As disclosed in the Company's announcement dated 25 October 2012, the Group's financial position will be substantially improved by the reduction of liability upon the completion of its debt structuring exercises.

As at the balance sheet date, the current ratio was 0.40 (2011: 1.86), whereas the gearing ratio (defined as a ratio of total bank borrowings and other loans to net asset) was 30.2% (2011: 22.5%). The shareholders' equity decreased to HK$1,457,010,000 (2011: HK$2,007,913,000).

Foreign Currency Exposure

Borrowings and sales and purchases of the Group are generally transacted in Hong Kong Dollar, Renminbi and Philippine Peso. For the year ended 31 July 2012, the Group was not subject to any significant exposure to foreign exchange rates risk. Hence, no financial instrument for hedging was employed.

Pledge of Assets

At 31 July 2012 and 31 July 2011, the Group has not pledged any of its assets to the banks to secure credit facilities granted to the Group.

Future Plans

Environmental Protection Operations

As disclosed in Note 12 to this announcement and the Company's announcement dated 25 October 2012, owing to the disappointing results of this segment over the past two years and substantial losses have been incurred and impairments have been made in the past few financial years, the Company had to dispose it in order to minimize any potential loss from this segment in the coming years. The Group shall focus on its remaining segments in the future.

Forestry Operations

Shannalyne Inc ("Shannalyne") established in the Philippines is an associate of the Group, engaging in forestry operations in the Philippines. As a result of the adverse weather during the year, the whole forestry project under Shannalyne was adversely affected. Nevertheless, as at 31 July 2012, it was reported that the nursery site had been completed, and main road up to around 22.5 km and side roads up to around 21 km constructed. Site clearing, replanting and Ecozone were still under preparation.

Shannalyne shall strive to catch up with the original plan while the Group shall put more resources on the forestry operations in the future.

Property Development

After the disposal of the environmental protection operation, the Group intends to focus on its forestry operations and property development project on hand, and may seek potential property projects for investment in the future where appropriate. As at 31 July 2012, The Group owned three property interests in Foshan City, the PRC, including (i) 37 residential units with a total gross floor area of approximately 4,169.99 sq.m.; (ii) a land parcel with a site area of approximately 3,799 sq.m.; (iii) a property comprises 102 commercial units and 151 car/motorbike parking spaces with a total gross floor area of approximately 26,323.17 sq.m.

Material Acquisitions and Disposals

No material acquisitions or disposals during the year. Please refer to Note 12 to this announcement for details of subsequent disposals after the balance sheet date.

Employees

As at the balance sheet date, the Group hired about 80 employees both in Hong Kong, and Mainland China (2011: about 80). Remuneration package of the employees includes monthly salary, medical claims and (if considered appropriate) share options. The remuneration policies are formulated on the basis of performance of individual employees, the prevailing industry practice and market condition. As to our investment on human resources, education subsidies would be granted to the Group's employees, with a view to reinforce the competence of all levels of our employees. Share options would be granted to respective employees with outstanding performance and contributions to the Group.

Contingent Liabilities

The Group

(a) The liquidators of Wing Fai and Wai Shun Construction Company Limited ("Wai Shun") refused to recognise the effect of set off of inter-company accounts pursuant to a Set Off Agreement (the "Agreement") dated 23 November 2001 and the extinguishment of intra-group indebtedness and incidental transactions and arrangements upon the Group's sale of its interest in Wing Fai, Wai Shun and Zhukuan Wing Fai Construction Company Limited (the "Wing Fai Subsidiaries') on 22 April 2002. As a result, the liquidators have taken up legal action against the Company and several of its subsidiaries. Notices of Intention to Proceed have been filed by the solicitors for the liquidators about early 2010 after years of inaction. Certain defendants including the Company made an application to dismiss one of the legal actions for want of prosecution. A hearing has been held on 19 October 2010 to hear such application and the High Court allowed the application and dismissed one of the legal actions against the Company for want of prosecution. The liquidator has appealed the said Court Order of the High Court dismissing one of its claims against the Company and the appeal is pending in the Court of Appeal.

In the opinion of the Company's legal advisors, the Group has a good defence on all the claims on the remaining legal action which, on the balance of probabilities, are likely to be resolved in favour of the Group companies. In the opinion of the Company's legal advisors, there would not be any material contingent liability except that part of the legal costs incurred by the Group may not be recoverable on taxation.

In the opinion of the directors, the Group has valid grounds to defend the actions and as such, no provision is made in the consolidated financial statements of the Group for its exposure to the above actions.

(b) In respect of the sum of HK$40,000,000 due from Wing Fai to Benefit Holdings International Limited ("Benefit"), a subsidiary of the Company, repayment was personally guaranteed by Mr. Eric Chim Kam Fai ("Mr. Eric Chim"). In respect of the payment of purchase price for shares of the Wing Fai Subsidiaries in the sum of approximately HK$5,100,000 by Sino Glister International Investments Limited ("Sino Glister"), this sum was also personally guaranteed by Mr. Eric Chim.

Wing Fai defaulted in repayment of approximately HK$40,000,000 due to Benefit and is now in liquidation. Sino Glister defaulted as to approximately HK$3,100,000 of the HK$5,100,000 purchase price for the shares of Wing Fai Subsidiaries.

Benefit took legal action against Mr. Eric Chim for the sum of HK$40,000,000 plus HK$3,000,000 balance purchase price and obtained a judgment against Sino Glister and Mr. Eric Chim in July 2004. But the judgment was set aside later on the basis that he had not served with the original proceedings. On 28 December 2004, a defence was filed by Mr. Eric Chim. Mr. Eric Chim was examined in his capacity as a director of Sino Glister in relation to its assets in May 2005. Up to 31 July 2010 and the date of approval of these financial statements, no further action has taken place.

In the opinion of the legal advisors of the Company, the action against Mr. Eric Chim is likely to win but no recoveries are likely to be made in respect of the claim or legal costs in view of Mr. Eric Chim's lack of funds.

In the opinion of the directors, it is uncertain to what extent the sums will be recoverable from either Mr. Eric Chim or Sino Glister. As such, no asset is recognised in the Group's consolidated financial statements.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

Corporate Governance Practices

The Company has applied the principles of and complied with the applicable code provisions of the Corporate Governance Code ("CG Code"), effective on 1 April 2012, contained in Appendix 14 of the Listing Rules on the Stock Exchange during the year ended 31 July 2012, with the exception of CG Code provision A.4.1 and B.8 of the Model Code as explained below.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

Director's Securities Transactions

The Company has adopted a code for securities transactions, terms equivalent to the required standard of the Model Code as set out in Appendix 10 to the Listing Rules.

During the year, in one occasion, one of the Directors of the Company, Mr. Tan Shannon Siang-Tau, son of the Chairman, Mr. Tan Cheow Teck, did not comply with the requirement under B.8 of the Model Code. In that case, he had not first notified in writing to a director designated by the Board before he sold some of his shares held by his controlled company, Linshan Limited in June 2012. The Directors concerned reported that the amount sold was very small, less than 0.5% of total holdings, and specifically that it was sold as part of a portfolio without purposeful intent. Mr. Tan Shannon Siang-Tau and Mr. Tan Cheow Teck have been reminded to act in strict compliance with the Model Code in the future.

Save as disclosed above, having made specific enquiries with the Directors, the Company confirmed that each of the Directors have complied with the required standard set out in the Model Code regarding securities transactions by the Directors during the year.

Independent Non-Executive Directors

The Board currently has four Independent Non-executive Directors with two of them possessing appropriate professional qualifications, or accounting or related financial management expertise. It is noted that there is a deviation in the appointment of Independent Non-executive Directors from CG Code A.4.1, under which, Independent Non-executive Directors of the Company should be appointed for a specific term and subject to re-election. Currently, some of the Independent Non-executive Directors are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws of the Company.

However, the Board considers that sufficient measures have been taken to ensure that the corporate governance practices of the Company are similar to those under the CG Code. According to the Bye-laws of the Company, every director (including every Non-executive Director) is subject to retirement by rotation at least once every three years. One-third of the directors must retire from office at each annual general meeting and their re-election is subjected to the votes of shareholders.

AUDIT COMMITTEE

The Audit Committee was set up with the responsibilities of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee currently comprises four Independent Non-executive Directors, namely Mr. Wen Jian Sheng, Mr. Leung Wai Shun Wilson, Mr. Zhang Xi Chu and Mr. Sai Chun Yu who is the Chairman of this committee.

The Audit Committee held two meetings during the year ended 31 July 2012 to review the annual and interim results of the year. The Audit Committee is of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made. The former Chairman of this committee attended the Company's annual general meeting in 2011.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 July 2012 including the accounting principles and practices adopted by the Group, and discussed the internal control and financial reporting matters during the review.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year ended 31 July 2012 is scheduled to be held on Monday, 17 December 2012. A notice convening the annual general meeting will be issued and disseminated to shareholders of the Company in due course.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This result announcement is published on the website of the Stock Exchange at www.hkex.com.hk and the Company's website at www.yueshou.hk. The annual report containing all the information required by the Listing Rules will be dispatched to the shareholders and available on the same websites in due course.

By Order of the Board
Yueshou Environmental Holdings Limited
Shen Xia
Executive Director

Hong Kong, 30 October 2012

As at the date of this announcement, the Board comprises Mr. Yu Hong, Mr. Tan Cheow Teck, Mr. Shannon Tan Siang-tau (alias Shannon Chen Xiangdao), Ms. Juanita Dimla De Guzman, Mr. Lau Kwan, Mr. Shen Xia, and Mr. Li Bin as executive Directors; and Mr. Sai Chun Yu, Mr. Leung Wai Shun Wilson, Mr. Wen Jian Sheng and Mr. Zhang Xi Chu as independent non-executive Directors.