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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)

- (1) PROPOSED CAPITAL REORGANISATION;
(2) CHANGE OF BOARD LOT SIZE;
AND
(3) PROPOSED OPEN OFFER ON THE BASIS OF ONE OFFER SHARE
FOR EVERY ONE ADJUSTED SHARE HELD ON THE RECORD DATE**

Financial Adviser to the Company



KINGSTON CORPORATE FINANCE LTD.

Underwriter to the Open Offer



KINGSTON SECURITIES LTD.

PROPOSED CAPITAL REORGANISATION

The Board proposes that the Company implements the Capital Reorganisation which will involve (a) a reduction in the nominal value of the then issued Shares from HK\$0.20 to HK\$0.01 each by cancelling the paid-up capital to the extent of HK\$0.19 on each of the issued Share; and (b) a subdivision of each authorised but unissued Share into twenty (20) Adjusted Shares of HK\$0.01 each. The credit arising from the Capital Reduction will be transferred to the contributed surplus account of the Company such that the Company may apply the same in any manner permitted by the laws of Bermuda and the Bye-Laws including but not limited to setting off against the accumulated losses of the Company.

CHANGE OF BOARD LOT SIZE

The Board further proposes to change the board lot size for trading in the shares of the Company from 10,000 Shares to 20,000 Adjusted Shares upon the Capital Reorganisation becoming effective.

THE OPEN OFFER

Subject to the Capital Reorganisation becoming effective, the Company proposes to raise approximately HK\$142.33 million by issuing 1,423,286,665 Offer Shares at the Subscription Price per Offer Share on the basis of one Offer Share for every one Adjusted Share held on the Record Date and payable in full upon application. No excess Offer Shares will be offered to the Qualifying Shareholders and any Untaken Shares will be underwritten by the Underwriter. The Open Offer is only available to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders.

As at the date of this announcement, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the date of this announcement.

Assuming no further issue of new Shares or Adjusted Shares or repurchase of Shares or Adjusted Shares on or before the Record Date, the 1,423,286,665 Offer Shares proposed to be allotted and issued, will represent 100% of the Company's issued share capital as at the date of this announcement and approximately 50% of the Company's issued share capital as enlarged by the issue of the 1,423,286,665 Offer Shares immediately after completion of the Open Offer.

The Open Offer is only available to the Qualifying Shareholders. To qualify for the Open Offer, all transfers of Shares must be lodged for registration with the Registrar by 4:30 p.m. on Wednesday, 17 December 2014.

The register of members of the Company will be closed from Thursday, 18 December 2014 to Monday, 22 December 2014, both days inclusive, to determine eligibility for the Open Offer.

The Record Date is on Monday, 22 December 2014. The last day of dealings in the Shares on cum-entitlement basis of the Open Offer is Monday, 15 December 2014. The Shares will be dealt in on ex-entitlement basis of the Open Offer from Tuesday, 16 December 2014. To qualify for the Open Offer, a Shareholder must be registered as a member of the Company on the Record Date and not a Non-Qualifying Shareholder.

GENERAL

As the Open Offer will increase the issued share capital of the Company by more than 50%, pursuant to the Listing Rules, any controlling shareholders and their associates or, where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates will abstain from voting in favour of the resolution(s) relating to the Open Offer. As at the date of this announcement, there is no controlling shareholder. Accordingly, the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates will abstain from voting in favour of the resolution(s) relating to the Open Offer at the SGM.

The Company will establish an independent board committee to advise the Independent Shareholders as to whether the terms of the Open Offer are fair and reasonable and whether the Open Offer are in the interests of the Company and the Shareholders as a whole, taking into account the recommendations of the independent financial adviser. In this connection, the Company will appoint an independent financial adviser to advise the independent board committee and the Independent Shareholders as to whether the terms of the Open Offer are fair and reasonable.

A circular containing, among other things, further details of the Capital Reorganisation and the Open Offer and a notice convening the SGM will be despatched by the Company to the Shareholders as soon as practicable in accordance with the Listing Rules.

WARNING OF THE RISK OF DEALINGS IN THE SHARES OR ADJUSTED SHARES

Shareholders and potential investors should note that the Open Offer is conditional upon the Capital Reorganisation becoming effective, the Underwriting Agreement having become unconditional and Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof.

Accordingly, the Open Offer may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares or Adjusted Shares, and if they are in any doubt about their position, they should consult their professional advisers.

PROPOSED CAPITAL REORGANISATION

The Board proposes that the Company implements the Capital Reorganisation which will involve the Capital Reduction and the Subdivision.

Capital Reduction and Subdivision

The Capital Reduction of approximately HK\$270.42 million will involve a reduction of the nominal value of the then issued Shares from HK\$0.20 to HK\$0.01 each by cancelling the paid-up capital to the extent of HK\$0.19 on each of the then issued Shares. The Subdivision will involve the sub-division of each authorised but unissued Share into twenty (20) Adjusted Shares. The credit arising from the Capital Reduction will be transferred to the contributed surplus account of the Company such that the Company may apply the same in any manner permitted by the laws of Bermuda and the Bye-Laws including but not limited to setting off against the accumulated losses of the Company.

Conditions of the Capital Reorganisation

The Capital Reorganisation is conditional upon:

- (i) the passing of the necessary resolution(s) by the Shareholders approving the Capital Reorganisation at the SGM;
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Shares in issue arising from the Capital Reorganisation;
- (iii) the compliance with all applicable statutory requirements of the Bermuda Companies Act, including (i) publication of a notice in relation to the Capital Reduction in an appointed newspaper in Bermuda on a date not more than thirty days and not less than fifteen days before the date on which the Capital Reduction is to take effect; and (ii) that on the date on which the Capital Reduction is to be effected, there are no reasonable grounds for believing that the Company is, or after the Capital Reduction would be, unable to pay its liabilities as they become due; and
- (iv) the obtaining of all necessary approvals from the regulatory authorities or otherwise as may be required in respect of the Capital Reorganisation.

Assuming the above conditions are fulfilled, it is expected that the Capital Reorganisation will become effective on the next business day following the date of passing of the relevant resolution(s) approving the Capital Reorganisation.

Effects of the Capital Reorganisation

As at the date of this announcement, the Company has no outstanding options, warrants or other securities convertible into or giving rights to subscribe for Shares or Adjusted Shares, as the case may be. Based on the Company's existing authorised share capital of HK\$2,500,000,000 including (i) HK\$1,500,000,000, consisting of 7,500,000,000 Shares; and (ii) HK\$1,000,000,000 consisting of 5,000,000,000 Preference Shares, and the existing issued share capital of HK\$284,657,333, consisting of 1,423,286,665 Shares, upon completion of the Capital Reorganisation, the authorised share capital of the Company will remain at HK\$2,500,000,000 consisting of (i) 150,000,000,000 Adjusted Shares; and (ii) 5,000,000,000 Preference Shares, and the issued share capital will be HK\$14,232,866.65 consisting of 1,423,286,665 Adjusted Shares. Immediately after the Capital Reorganisation becoming effective, the Adjusted Shares will be traded in board lots of 20,000 Adjusted Shares. Any fraction of Adjusted Shares arising from the Capital Reorganisation will be aggregated and sold (if a premium, net of expenses, can be obtained) for the benefit of the Company. The Adjusted Shares will rank pari passu in all respects with each other.

The effect of the Capital Reorganisation is summarised below:

	Prior to the Capital Reorganisation becoming effective	Immediately following Reorganisation becoming effective <i>(Note)</i>
Nominal value of each Share/Adjusted Share	HK\$0.20	HK\$0.01
Nominal value of each Preference Share	HK\$0.20	HK\$0.20
Number of authorised Shares/Adjusted Shares	7,500,000,000	150,000,000,000
Number of authorised Preference Shares	5,000,000,000	5,000,000,000
Authorised share capital	HK\$2,500,000,000.00	HK\$2,500,000,000.00
Number of Shares/Adjusted Shares in issue	1,423,286,665	1,423,286,665
Number of Preference Shares in issue	–	–
Issued and fully paid-up share capital	HK\$284,657,333.00	HK\$14,232,866.65

Note: The issued share capital immediately after the Capital Reorganisation becoming effective is presented on the assumption that no further Shares would be issued or repurchased between the date of this announcement and the date of the SGM.

Based on 1,423,286,665 Shares in issue as at the date of this announcement, a credit of approximately HK\$270.42 million will arise as a result of the Capital Reorganisation and will be transferred to the contributed surplus account of the Company such that the Company may apply such surplus in any manner permitted by the laws of Bermuda and the Bye-Laws including but not limited to setting off against the accumulated losses of the Company.

Implementation of the Capital Reorganisation will not, of itself, alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests of the Shareholders, except for the payment of the related expenses. The Board believes that the Capital Reorganisation will not have any adverse effect on the financial position of the Group and the Board believes that on the date the Capital Reorganisation is to be effected, there will be no reasonable grounds for believing that the Company is, or after the Capital Reorganisation would be, unable to pay its liabilities as they become due. The Capital Reorganisation does not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any paid-up capital of the Company nor will it result in any change in the relative rights of the Shareholders.

Reasons for the Capital Reorganisation

The Board believes that the Capital Reorganisation is beneficial to the Company and the Shareholders as a whole. The Board is of the opinion that the Capital Reorganisation will provide the Company with greater flexibility for the issue of new Adjusted Shares in the future and the credit in the contributed surplus account arising as a result of the Capital Reorganisation will enable the Company to apply part of the amount standing to the credit of its contributed surplus account to eliminate the accumulated losses of the Company and this will facilitate the payment of dividends as and when the Directors consider it appropriate in the future.

Listing and Dealings

Application will be made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Adjusted Shares arising from the Capital Reorganisation.

The Adjusted Shares will be identical in all respects and rank pari passu in all respects with each other as to all future dividends and distributions which are declared, made or paid. Subject to the granting of the listing of, and permission to deal in, the Adjusted Shares on the Stock Exchange, the Adjusted Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Adjusted Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Free exchange of Share certificates

Subject to the Capital Reorganisation becoming effective, Shareholders may submit existing certificates for Shares to the Registrar from Tuesday, 20 January 2015 to Tuesday, 24 February 2015 (both dates inclusive) to exchange, at the expense of the Company, for certificates for the Adjusted Shares in board lot of 20,000 Adjusted Shares. Thereafter, certificates for the Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) for each share certificate of the Shares cancelled or each new share certificate issued for the Adjusted Shares, whichever number of certificates cancelled/issued is higher. Nevertheless, certificates for the Shares will continue to be good evidence of legal title and will be valid for dealings, trading and settlement purpose after the Capital Reorganisation has become effective and may be exchanged for certificates for the Adjusted Shares at any time in accordance with the foregoing.

CHANGE OF BOARD LOT SIZE

Upon the Capital Reorganisation becoming effective, the Board proposes to change the board lot size for trading of shares from 10,000 Shares to 20,000 Adjusted Shares.

To facilitate the trading of odd lots (if any) of the Adjusted Shares arising from the Capital Reorganisation and the change of board lot size, the Company has agreed to procure an agent to arrange for matching services regarding the sale and purchase of odd lots of Adjusted Shares on a best efforts basis, during the period from Tuesday, 20 January 2015 to Tuesday, 10 February 2015 (both dates inclusive). Further details in respect of the odd lots trading arrangement will be set out in the circular of the Company to be despatched to the Shareholders.

THE OPEN OFFER

The Company proposes to raise approximately HK\$142.33 million before expenses by way of open offer and details are set out as follows:

Issue statistics

Basis of the Open Offer:	One (1) Offer Share for every one (1) Adjusted Share held on the Record Date
Subscription Price:	HK\$0.10 per Share
Number of Shares in issue as at the date of this announcement:	1,423,286,665 Shares
Number of Offer Shares:	1,423,286,665 Offer Shares (assuming no further issue of new Shares/Adjusted Shares or repurchase of Shares/Adjusted Shares on or before the Record Date)

Number of Underwritten Shares: All the Offer Shares, being 1,423,286,665 Offer Shares

Number of enlarged Shares in issue upon completion of the Open Offer: 2,846,573,330 Shares

The Open Offer is fully underwritten by the Underwriter pursuant to the Underwriting Agreement.

As at the date of this announcement, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the date of this announcement.

Assuming no further issue of new Shares/Adjusted Shares or repurchase of Shares/Adjusted Shares on or before the Record Date, the 1,423,286,665 Offer Shares proposed to be allotted and issued, will represent 100% of the Company's issued share capital as at the date of this announcement and approximately 50% of the Company's issued share capital as enlarged by the issue of the 1,423,286,665 Offer Shares immediately after completion of the Open Offer.

The aggregate nominal value of the Offer Shares will be HK\$14,232,866.65.

Basis of entitlement

The basis of the entitlement shall be one (1) Offer Share for every one (1) Adjusted Share held on the Record Date, being 1,423,286,665 Offer Shares at the Subscription Price (assuming no further issue of new Shares/Adjusted Shares or repurchase of Shares/Adjusted Shares on or before the Record Date). Acceptance for all or any part of a Qualifying Shareholder's entitlement should be made by completing the Application Form and lodging the same with a remittance for the Offer Shares being accepted.

Qualifying Shareholders

The Open Offer is only available to the Qualifying Shareholders. The Company will send (a) the Prospectus Documents to the Qualifying Shareholders; and (b) the Prospectus, for information only, to the Non-Qualifying Shareholders.

To qualify for the Open Offer, the Shareholders must at the close of business on the Record Date be (a) registered on the register of members of the Company; and (b) not Non-Qualifying Shareholders.

Shareholders whose Shares are held by nominee companies should note that the Board will regard a nominee company as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee companies are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

In order to be registered as members of the Company prior to the close of business on the Record Date, Shareholders must lodge any transfers of Shares (together with the relevant share certificates) for registration with the Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Wednesday, 17 December 2014.

Closure of register of members

The register of members of the Company will be closed from Thursday, 18 December 2014 to Monday, 22 December 2014, both days inclusive. No transfer of Shares will be registered during this book closure period.

Subscription Price

The Subscription Price is HK\$0.10 per Offer Share, payable in full upon application.

The Subscription Price represents:

- (a) a discount of approximately 54.75% to the closing price of HK\$0.221 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 37.69% to the theoretical ex-entitlement price of HK\$0.1605 based on the closing price of HK\$0.221 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (c) a discount of approximately 54.04% to the average closing price of approximately HK\$0.2176 per Share for the last five consecutive trading days immediately prior to the Last Trading Day.

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to the prevailing market price of the Shares and the current financial market conditions. The Directors consider that each Qualifying Shareholder will be entitled to subscribe for the Offer Shares at the same Subscription Price in proportion to his/her/its shareholding held on the Record Date and the terms of the Open Offer, including the Subscription Price which has been set as a discount to the recent closing prices of the Shares with an objective of encouraging existing Shareholders to take up their entitlements so as to share in the potential growth of the Company, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole. The net price per Offer Share will be approximately HK\$0.097.

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong.

In compliance with the necessary requirements of the Listing Rules, the Company will make enquiries regarding the feasibility of extending the Open Offer to the Overseas Shareholders (if any). If, based on the enquiries, the Directors consider that it is necessary or expedient not to offer the Offer Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, the Open Offer will not be available to such Overseas Shareholders. Accordingly, the Open Offer will not be extended to the Non-Qualifying Shareholders.

Further information in this connection will be set out in the Prospectus Documents containing, among other things, details of the Open Offer, to be despatched to the Qualifying Shareholders on Tuesday, 23 December 2014. The Company will send copies of the Prospectus to the Overseas Shareholders for their information only, but no Application Form will be sent to them.

Status of the Offer Shares

The Offer Shares, when allotted and fully paid, will rank pari passu in all respects with the Adjusted Shares then in issue. Holders of fully-paid Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Offer Shares in their fully-paid form.

No application for excess Offer Shares

Considering that the Open Offer will give the Qualifying Shareholders an equal and fair opportunity to maintain their respective pro rata shareholding interests in the Company, if application for excess Offer Shares is arranged, the Company will be required to put in additional effort and costs to administer the excess application procedures. Accordingly, no excess Offer Shares will be offered to the Qualifying Shareholders and any Untaken Shares will be underwritten by the Underwriter.

Fractions of the Offer Shares

On the basis of provisional allotment of one Offer Share for every one Adjusted Share held by the Qualifying Shareholders on the Record Date, no fractional entitlements to the Offer Shares will arise under the Open Offer.

Application for the Offer Shares

The Application Form in respect of the entitlement of the Offer Shares will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Offer Shares as shown therein by completing such form and lodging the same with a remittance for the Offer Shares being taken up with the Registrar by the Latest Time for Acceptance.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of and permission to deal in, the Offer Shares. Dealings in the Offer Shares on the Stock Exchange will be subject to the payment of stamp duty (if any) in Hong Kong and any other applicable fees and charges in Hong Kong.

Subject to the granting of the approval for the listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

Underwriting Agreement

Date:	24 October 2014 (after trading hours of the morning session close)
Underwriter:	Kingston Securities Limited
Underwriting commitment of the Underwriter:	All the Offer Shares, being 1,423,286,665 Offer Shares

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Underwriter and its ultimate beneficial owners are Independent Third Parties. As at the Last Trading Date, the Underwriter was not interested in any Shares.

Pursuant to the Underwriting Agreement, in the event of the Underwriter being called upon to subscribe for or procure subscription for the Untaken Shares, the Underwriter shall not subscribe, for its own account, for such number of Untaken Shares which will result in the shareholding of it and parties acting in concert with it to exceed 19.9% of the voting rights of the Company upon the completion of the Open Offer. The Underwriter shall use its best endeavours to ensure that each of the subscribers of the Untaken Shares procured by it (i) shall be an Independent Third Party and not acting in concert with the Directors or chief executive of the Company or substantial Shareholders of the Company or their respective associates; and (ii), none of such subscribers, together with any party acting in concert with it, will hold 10.0% or more of the voting rights of the Company upon completion of the Open Offer.

Underwriting Commission

The Company will pay the Underwriter an underwriting commission of 2.0% of the aggregate Subscription Price in respect of the maximum number of the Underwritten Shares. The Directors are of the view that the terms of the Underwriting Agreement, including the commission, are fair and reasonable.

The Board considers the terms of the Underwriting Agreement including the commission rate accord with the market practice and are fair and reasonable so far as the Company and the Shareholders are concerned.

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination (provided that for the purposes of the termination clause of the Underwriting Agreement, if the date of the Latest Time for Termination shall be a business day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains in force in Hong Kong between 9.00 a.m. and 4.00 p.m. on that day, the date of the Latest Time for Termination shall be the next business day on which no tropical cyclone warning signal no. 8 or above or no black rainstorm warning signal is or remains in force in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day):

- (1) in the absolute opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or

- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (5) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Open Offer; or
- (7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements or circulars in connection with the Open Offer; or
- (8) any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange due to exceptional financial circumstances or otherwise,

the Underwriter shall be entitled by notice in writing to the Company and the other Underwriter, served prior to the Latest Time for Termination, to terminate the Agreement.

The Underwriter shall be entitled by notice in writing to rescind the Agreement if prior to the Latest Time for Termination:

- (1) any material breach of any of the representations, warranties or undertakings contained in Underwriting Agreement above comes to the knowledge of the Underwriter; or

- (2) any Specified Event comes to the knowledge of the Underwriter.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination.

Upon the giving of notice in accordance with the above, the Underwriting Agreement shall terminate and the obligations of the parties shall forthwith cease and be null and void and none of the parties shall, save in respect of any right or liability accrued before such termination, have any right against or liability towards any of the other parties arising out of or in connection with the Underwriting Agreement.

Conditions of the Open Offer

The Open Offer is conditional upon:

- (1) the passing of the necessary resolution(s) by the Shareholders (where applicable, the Independent Shareholders) at the special general meeting of the Company approving, confirming and ratifying (as appropriate) the Capital Reorganisation and the Open Offer;
- (2) the Capital Reorganisation becoming effective;
- (3) the delivery to the Stock Exchange for authorization and the registration with the Registrar of Companies in Hong Kong respectively not later than the Prospectus Posting Date one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) in accordance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance as having been approved by resolutions of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies Ordinance;
- (4) if necessary, the delivery and filing of the Prospectus with the Registrar of Companies in Bermuda prior to or as soon as reasonably practicable after publication of the Prospectus in compliance with the Companies Act;
- (5) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and the Overseas Letter to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Open Offer, on or before the Prospectus Posting Date;
- (6) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked, listing of and permission to deal in the Offer Shares by no later than the first day of their dealings;
- (7) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms hereof at or before the Latest Time for Termination;

- (8) the compliance with and performance of all the undertakings and obligations of the Company under the Underwriting Agreement and the representations and warranties given by the Company under the Underwriting Agreement remaining true, correct and not misleading in all material respects;
- (9) if required, the Bermuda Monetary Authority granting consent to the issue of the Offer Shares; and
- (10) there being no Specified Event occurring prior to the Latest Time for Termination.

All of the above conditions (other than condition (8) which can only be waived by the Underwriter) are not waivable. If any of the conditions of the Open Offer is not satisfied in whole or in part by the Company by the Latest Time for Termination or such other date as the Company and the Underwriter may agree, the Underwriting Agreement shall terminate and none of the parties shall, save in respect of any right or liability accrued before such termination, have any right against or liability towards any of the other parties arising out of or in connection with the Underwriting Agreement.

Reasons for the Open Offer and use of proceeds

The Company is principally engaged in property development in the PRC and forestry plantation operations in the Philippines.

The gross proceeds from the Open Offer will be approximately HK\$142.33 million. The net proceeds from the Open Offer, after deducting all relevant expenses, are estimated to be approximately HK\$138.38 million and are intended to be used for the general working capital of the Group and investment in any potential business opportunity, if any.

The Group is currently actively seeking possible investment opportunities in order to expand the source of income and prospects of the Group. As at the date of this announcement, no specific investment target is identified and no definitive agreement had been entered into. Appropriate announcement will be made as and when necessary in accordance with the Listing Rules.

The Directors consider that it is prudent to finance the expansion of the Group's business by equity financing as it will not increase the Group's finance costs and risk level and yet will provide the Group with the necessary financial resources as and when appropriate investment opportunities arise. As such, the Directors consider that the Open Offer is in the interests of the Company and the Shareholders as a whole as it offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and continues to participate in the future development of the Group should they wish to do so.

However, those Qualifying Shareholders who do not take up the Offer Shares to which they are entitled should note that their shareholdings in the Company would be diluted.

Fund raising exercises of the Company

Date of announcement	Event	Estimated net proceeds	Intended use of proceeds	Actual use of proceeds
15 May 2014	Placing up to 220,000,000 new Shares under general mandate	Approximately HK\$43.1 million	General working capital of the Group	Has been used as intended

Saved as disclosed above, the Company has not conducted any other equity fund raising exercises in the past twelve months from the date of this announcement.

WARNING OF THE RISK OF DEALINGS IN THE SHARES

Shareholders and potential investors should note that the Open Offer is conditional upon the Capital Reorganisation becoming effective, the Underwriting Agreement having become unconditional and Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof.

Accordingly, the Open Offer may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares or Adjusted Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Shareholders should note that the Shares will be dealt in on an ex-entitlement basis commencing from Tuesday, 16 December 2014 and that dealing in Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled.

Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be at 4:00 p.m. on Wednesday, 14 January 2015), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares or Adjusted Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.

Expected timetable

The expected timetable for the Capital Reorganisation and the Open Offer is set out below:

2014

Expected date of despatch of circular and proxy forms	Wednesday, 19 November
in relation to the SGM on or about	
Latest time for lodging transfer of Shares to be	4:30 p.m. on
qualified for attending and voting at the SGM	Tuesday, 9 December
Register of members of the Company closes	Wednesday, 10 December to
for determining entitlement to attend and	Friday, 12 December
vote at the SGM (both days inclusive)	
Latest time for returning and lodging	11:00 a.m. on
proxy forms for the SGM	Wednesday, 10 December
Expected date and time of SGM	11:00 a.m. on
	Friday, 12 December
Announcement of results of the SGM	Friday, 12 December
Expected effective date of the Capital Reorganisation	Monday, 15 December
Last day of dealings in the Adjusted Shares	Monday, 15 December
on a cum-entitlement basis	
First day of dealings in the Adjusted Shares	Tuesday, 16 December
on an ex-entitlement basis	
Latest time for lodging transfer of Adjusted Shares	4:30 p.m. on
for entitlement to the Open Offer	Wednesday, 17 December
Register of members of the Company closes	Thursday, 18 December to
for determining entitlement to the Open Offer	Monday, 22 December
(both dates inclusive)	
Record Date for the Open Offer	Monday, 22 December
Register of members re-opens	Tuesday, 23 December
Despatch of Prospectus Documents	Tuesday, 23 December

Latest time for payment for and acceptance of the Offer Shares	4:00 p.m. on Friday, 9 January
Open Offer to become unconditional	4:00 p.m. on Wednesday, 14 January
Announcement on results of the Open Offer	Friday, 16 January
Despatch of share certificates for Offer Shares	Monday, 19 January
Dealings in Offer Shares expected to commence	Tuesday, 20 January
Effective date of the change of board lot size from 10,000 Adjusted Shares to 20,000. Adjusted Shares	9:00 a.m. on Tuesday, 20 January
Designated broker starts to stand in the market to provide matching service for odd lots of the Adjusted Shares	9:00 a.m. on Tuesday, 20 January
First day of free exchange of existing share certificates for new share certificates	Tuesday, 20 January
Designated broker ceases to provide matching services for odd lots of the Adjusted Shares	4:00 p.m. on Tuesday, 10 February
Last day for free exchange of share certificates	Tuesday, 24 February

Note: All times and dates stated in this announcement refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be published or notified to Shareholders as and when appropriate.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

The existing shareholding structure of the Company as at the date of this announcement and the shareholding structure of the Company immediately upon completion of the Capital Reorganisation and the Open Offer are set out below for illustration purpose only:

Shareholders	As at the date of this announcement		Immediately after the Capital Reorganisation but before completion of the Open Offer		Immediately after the completion of the Open Offer (assuming all Offer Shares are subscribed for by the Qualifying Shareholders)		Immediately after the completion of the Open Offer (assuming NO Offer Shares are subscribed for by the Qualifying Shareholders) (Note 2)	
	Number of Shares	Approximate %	Number of Adjusted Shares	Approximate %	Number of Adjusted Shares	Approximate %	Number of Adjusted Shares	Approximate %
<i>Substantial Shareholder</i>								
Yang Zijiang (Note)	410,385,540	28.83	410,385,540	28.83	820,771,080	28.83	410,385,540	14.42
<i>Public</i>								
Underwriter	-	-	-	-	-	-	1,423,286,665	50.00
<i>Other public</i>								
Shareholders	1,012,901,125	71.17	1,012,901,125	71.17	2,025,802,250	71.17	1,012,901,125	35.58
Total	1,423,286,665	100.00	1,423,286,665	100.00	2,846,573,330	100.00	2,846,573,330	100.00

Note: Mr. Yang Zijiang (“Mr. Yang”) is an Executive Director of the Company. The 410,385,540 Ordinary Shares (“Shares”) include 183,385,540 Shares are held under Green Logic Investments Limited which is owned as to 62.40% and 37.60% by Mr. Yang and Mr. Fong Chi Chung respectively. The 349,385,540 Shares out of the 410,385,540 Shares are pledged to Kingston Finance Limited.

GENERAL

Shareholders and potential investors should note that the Open Offer is subject to the fulfillment of certain conditions, which included but not limited to the passing of the necessary resolution(s) by the Independent Shareholders at the SGM, the Capital Reorganisation becoming effective and the Underwriting Agreement not being terminated in accordance with the terms thereof. Accordingly, the Open Offer may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

As the Open Offer will increase the issued share capital of the Company by more than 50%, pursuant to the Listing Rules, any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates will abstain from voting in favour of the resolutions relating to the Open Offer. As at the date of this announcement, there is no controlling Shareholder. Accordingly, the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates will abstain from voting in favour of the resolutions relating to the Open Offer at the SGM.

The Company will establish an independent board committee to advise the Independent Shareholders as to whether the terms of the Open Offer are fair and reasonable and whether the Open Offer are in the interests of the Company and the Shareholders as a whole, taking into account the recommendations of the independent financial adviser. In this connection, the Company will appoint an independent financial adviser to advise the independent board committee and the Independent Shareholders as to whether the terms of the Open Offer are fair and reasonable.

A circular containing, among other things, further details of the Capital Reorganisation and the Open Offer and a notice convening the SGM will be despatched by the Company to the Shareholders as soon as practicable in accordance with the Listing Rules.

DEFINITIONS

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Adjusted Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company after the Capital Reorganisation becoming effective
“Application Form(s)”	the form(s) of application to be used by the Qualifying Shareholders to apply for the Offer Shares in the form agreed by the Company and the Underwriter
“associate(s)”	has the meaning ascribed thereto in the Listing Rules

“Board”	the board of Directors
“business day”	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Bye-Laws”	the bye-laws of the Company
“Capital Reduction”	the proposed reduction of the nominal value of the issued Shares from HK\$0.20 to HK\$0.01 each by cancelling the paid-up capital to the extent of HK\$0.19 on each of the issued Share
“Capital Reorganisation”	the proposed capital reorganisation of the Company involving the Capital Reduction and the Subdivision
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Act”	the Companies Act 1981 of Bermuda, as amended from time to time
“Companies Ordinance”	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong (as amended from time to time) or Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong (as the case maybe) (as amended from time to time)
“Company”	Yueshou Environmental Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company from time to time
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholder(s)”	the Shareholder(s), other than the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates, who are not involved in, nor interested in, the Underwriting Agreement
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, who are third party(ies) independent of and not connected with the Directors, chief executive and substantial Shareholders of the Company or any of its subsidiaries, or any of their respective associates
“Last Trading Day”	Thursday, 23 October 2014, the last full trading day on which the Shares were traded on the Stock Exchange immediately preceding the publication of this announcement
“Latest Lodging Time”	4:30 p.m. on Wednesday, 17 December 2014 or such other date and/or time as the Underwriter and the Company may agree as the latest time for lodging transfer of the Shares in order to qualify for the Open Offer
“Latest Time for Acceptance”	4:00 p.m. on Friday, 9 January 2015 or such later time or date as may be agreed between the Underwriter and the Company in writing, being the latest time for acceptance of, and payment for, the Offer Shares as described in the Prospectus Documents
“Latest Time for Termination”	4:00 p.m. on Wednesday, 14 January 2015, being the third business day after the Latest Time for Acceptance or such later time or date as may be agreed between the Underwriter and the Company in writing, being the latest time to terminate the Underwriting Agreement
“Listing Committee”	has the meaning as defined in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Non-Qualifying Shareholders”	those Overseas Shareholders whom the Directors, based on the enquiry made, consider it necessary or expedient not to offer the Open Offer to such Shareholders on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Offer Share(s)”	1,423,286,665 new Adjusted Shares (assuming no new Share or Adjusted Share being issued and no Share or Adjusted Share being repurchased by the Company on or before the Record Date) proposed to be provisionally allotted to the Qualifying Shareholders for subscription under the Open Offer
“Open Offer”	the proposed issue of the Offer Shares on the basis of one (1) Offer Share for every one (1) Share held on the Record Date by way of open offer to the Qualifying Shareholders for subscription pursuant to the terms and conditions to be set out in the Underwriting Agreement
“Overseas Shareholders”	Shareholders with registered addresses (as shown in the register of members of the Company on the Record Date) which are outside Hong Kong
“PRC”	the People’s Republic of China
“Preference Share(s)”	convertible preference shares of HK\$0.20 each in the share capital of the Company
“Prospectus”	the Open Offer prospectus in the agreed form expected to be despatched to the Shareholders on the Prospectus Posting Date
“Prospectus Documents”	the Prospectus and the Application Form
“Prospectus Posting Date”	Tuesday, 23 December 2014 or such later date as may be agreed between the Underwriter and the Company for the despatch of the Prospectus Documents
“Qualifying Shareholders”	Shareholders whose names appear on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholders

“Record Date”	Monday, 22 December 2014 or such other date as may be agreed between the Company and the Underwriter in writing for the determination of the entitlements under the Open Offer
“Registrar”	Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, the Hong Kong branch share register and transfer office of the Company
“SGM”	the special general meeting of the Company for approving, inter alia, the Capital Reorganisation and the Open Offer
“Share(s)”	ordinary share(s) of HK\$0.20 each in the share capital of the Company prior to the effective date of the Capital Reorganisation or Adjusted Share(s) of HK\$0.01 each, as the case maybe
“Shareholder(s)”	holder(s) of the Share(s) or the Adjusted Share(s)
“Specified Event”	an event occurring or matter arising on or after the date hereof and prior to the Latest Time for Termination which if it had occurred or arisen before the date hereof would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subdivision”	the subdivision of each authorized but unissued Share into twenty (20) Adjusted Shares
“Subscription Price”	the issue price of HK\$0.10 per Offer Share at which the Offer Shares are proposed to be offered for subscription
“subsidiary”	has the same meaning ascribed thereto in section 2 of the Companies Ordinance and “subsidiaries” shall be construed accordingly

“taken up”	in relation to any Offer Shares, means those Offer Shares in respect of which duly completed Application Forms (accompanied by cheques or banker’s cashier order for the full amount payable on application which are honoured on first or, at the option of the Company, subsequent presentation) have been received on or before the Latest Time for Acceptance and references to “take up” shall be construed accordingly
“Takeovers Code”	the Code on Takeovers and Mergers
“Underwriter”	Kingston Securities Limited, a licensed corporation to carry on business in type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Underwriting Agreement”	the underwriting agreement dated 24 October 2014 in relation to the Open Offer entered into between the Company and the Underwriter as amended from time to time
“Underwritten Shares”	1,423,286,665 Offer Shares
“Untaken Shares”	those (if any) of the Underwritten Shares for which duly completed Application Forms (accompanied by cheques or banker’s cashier order for the full amount payable on application which are honoured on first or, at the option of the Company, subsequent presentation) have not been lodged for acceptance, or received, as the case may be, on or before Latest Time for Acceptance
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%” or “per cent”	percentage

By order of the Board
Yueshou Environmental Holdings Limited
Yang Zijiang
Executive Director

Hong Kong, 24 October 2014

As at the date of this announcement, the Board comprises Mr. Leung Wai Shun Wilson, Mr. Yang Zijiang and Mr. Ng Chi Lung as Executive Directors and Mr. Wu Shiming, Mr. Lin Chaofan and Ms. Deng Chunmei as Independent Non-executive Directors.