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China Dredging Environment Protection Holdings Limited

中國疏浚環保控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 871)

VOLUNTARY ANNOUNCEMENT:

(A) FURTHER INFORMATION RELATING TO THE CONTRACTUAL ARRANGEMENTS; AND

(B) FURTHER INFORMATION RELATING TO THE SHARE OPTION SCHEME

Reference is made to (i) the prospectus (the “**Prospectus**”) of China Dredging Environment Protection Holdings Limited (“**Company**”) dated 8 June 2011; and (ii) the Company’s annual report (the “**2014 Annual Report**”) for the financial year ended 31 December 2014 (“**FY2014**”) which was issued on 24 April 2015. Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as defined in the 2014 Annual Report and the Prospectus.

FURTHER INFORMATION RELATING TO THE CONTRACTUAL ARRANGEMENTS

In addition to the information about the Contractual Arrangements provided in page 44 of the 2014 Annual Report, the board (the “**Board**”) of directors of the Company would supplement the following information about the Contractual Arrangements:

Revenue and Asset in relation to the Contractual Arrangements

The amount of revenue and assets subject to the Contractual Arrangements accounted for 81.8% and 66.9% of the Group’s total revenue and assets respectively for the year ended 31 December 2014.

Risks relating to the Contractual Arrangements

The followings are the major risks relating to the Contractual Arrangements:

- The Group conducts its business operation in the PRC through the PRC Operational Entity by way of the Contractual Arrangements, but certain of the terms of the Contractual Arrangements may not be enforceable under PRC laws. Therefore, in the event of breach of any agreements constituting the Contractual Arrangements by Mr. Liu, Ms. Zhou and/or the PRC Operational Entity, and if the

Group is unable to enforce the Contractual Arrangements, the Group may not be able to exert effective control over the PRC Operational Entity, and the Group's ability to conduct its business may be negatively affected.

- If the PRC government finds that the Contractual Arrangements or the ownership structures or business operations of the Company or the PRC Operational Entity do not comply with any of the PRC laws and regulations, the Group's business, financial condition or results of operations could be materially and adversely affected, as revenue in relation to the Contractual Arrangements accounted for 81.8% of the Group's total revenue for the year ended 31 December 2014.
- The Contractual Arrangements related to critical aspects of the Group's operations with the PRC Operational Entity and its shareholders which may not be as effective as direct ownership in providing operational control. In the event that the Group is unable to enforce these Contractual Arrangements, the Group may be unable to exert effective control over the PRC Operational Entity, and the Group's ability to conduct its business may be materially and adversely affected.
- Shareholders of the PRC Operational Entity, Mr. Liu and Ms. Zhou, may potentially have a conflict of interest with the Group, and they may breach their contracts with the Group. Such disputes and proceedings may significantly disrupt the Group's business operations, adversely affect its ability to control the PRC Operational Entity and/or otherwise result in negative publicity.

Actions taken by the Group to mitigate the above risks

The Group has adopted the following measures to ensure the sound and effective operation of the Group following the implementation of the Contractual Arrangements:

- as part of the internal control measures, major issues arising from implementation of the Contractual Arrangements had been and will be reviewed by the Board on a regular basis;
- matters relating to compliance and regulatory enquiries from governmental authorities had been and will be discussed at such regular meetings or extraordinary meetings of the Board;
- the relevant business units and operation divisions of the Group reported regularly to the senior management of the Company on the compliance and performance conditions under the Contractual Arrangements and other related matters;
- legal advisors and/or other professionals had been and will continue to be retained to assist the Group to deal with specific issues arising from the Contractual Arrangements, and the auditors of the Company had been engaged to provide annual confirmations regarding the Contractual Arrangements, as disclosed in page 45 of the 2014 Annual Report; and
- the independent non-executive Directors had and will continue to conduct annual reviews on the Contractual Arrangements to ensure that it is fair and reasonable and in the best interests of the Group and its Shareholders as a whole.

SHARE OPTION SCHEME

In addition to the information about the Share Option Scheme provided in page 45 to 46 of the 2014 Annual Report, the Board would supplement that the total number of Shares available for issue under the Share Option Scheme and the percentage to the total issued share capital of the Company that it represents as at the date of the 2014 Annual Report is 85,560,000 Shares and approximately 8.3% respectively.

By order of the Board

China Dredging Environment Protection Holdings Limited

Liu Kaijin

Joint Chairman, Executive Director and Chief Executive Officer

Hong Kong, 1 September 2015

As at the date of this announcement, the Board comprises Mr. Liu Kaijin as Joint Chairman, Executive Director and Chief Executive Officer; Ms. Zhou Shuhua as an Executive Director; Mr. Liu Longhua as a Non-executive Director and Joint Chairman; and Mr. Huan Xue Dong, Mr. Chan Ming Sun Jonathan and Mr. Xu Hengju as Independent Non-executive Directors.