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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)

DISCLOSEABLE TRANSACTION: PROPOSED FORMATION OF JOINT VENTURE

The Board is pleased to announce that, on 16 May 2015, the Company entered into the Agreement with Shanghai Property and Fundway Investment. Under the Agreement, subject to the conditions precedent set out therein, the JV Parties intended to form the JV which shall be principally engaged in micro-financing business. The JV Parties intend to, through the JV, conduct business including lending, venture capital financing and other business approved by Provincial Finance Office, the PRC targeting small-and-middle-size companies in the technology sector in the PRC.

Pursuant to the Agreement, the JV will be owned as to 80%, 10% and 10% by the Company, Shanghai Property and Fundway Investment respectively. The total registered capital of the JV will be RMB400 million. Each of the Company, Shanghai Property and Fundway Investment will contribute capital in the JV in proportion to their respective equity holdings in the JV in the amount of RMB320 million, RMB40 million and RMB40 million respectively.

The proposed formation of the JV is subject to the satisfaction of the conditions precedent, including among others, the approval by the relevant regulatory authorities in the PRC. The injection of the registered capital is subject to the obtaining of a PRC legal opinion confirming, the legality of the formation of the JV and the Investment by the Company, and that there are no material adverse issues regarding the formation of the JV or the Agreement.

Given that the applicable percentage ratios of the Investment is more than 5% but less than 25%, the Investment constitutes a discloseable transaction for the Company under the Listing Rules.

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The principal terms of the Agreement are set out below.

PRINCIPAL TERMS OF THE AGREEMENT

- Date : 16 May 2015
- JV Parties and their respective equity interests in the JV : (1) The Company (80%)
(2) Shanghai Property (10%); and
(3) Fundway Investment (10%)
- Proposed registered capital of the JV : RMB400 million
- Contribution by the JV Parties : The Company, Shanghai Property and Fundway Investment shall contribute capital in the JV in proportion to their respective equity holdings in the JV in the amount of RMB320 million, RMB40 million and RMB40 million respectively
- Contribution term : The contribution shall be paid in cash. 50% of the contribution by the JV Parties shall be respectively made upon formation of the JV, and the remaining 50% of the contribution by the JV Parties shall be respectively made in accordance with the relevant PRC law and regulations
- Principal business : Micro-financing business
- Board of directors of the JV : The board of directors of the JV shall comprise five directors, among which (i) the Company is entitled to appoint three directors; (ii) Shanghai Property is entitled to appoint one director; and (iii) Fundway Investment is entitled to appoint one director

Conditions Precedent of the Agreement

The formation of the JV is subject to, among other matters, the approval by the relevant regulatory authorities in the PRC. The injection of the registered capital is subject to the obtaining of a PRC legal opinion confirming, the legality of the formation of the JV and the Investment by the Company, and that there are no material adverse issues regarding the formation of the JV or the Agreement.

In the event the above conditions have not been fulfilled by 31 December 2015, the Agreement shall cease and determine.

INFORMATION ON THE JV PARTIES

The Company is an investment holding company incorporated in the Cayman Islands. The Company is principally engaged in providing dredging services in the PRC, ranging from capital dredging, reclamation dredging, maintenance dredging and environmental protection dredging.

Shanghai Property is a company established under the PRC law with limited liability. It is principally engaged in international & domestic trading and investment business.

Fundway Investment is a company established under the PRC law with limited liability. It is principally engaged in international & domestic trading and investment business.

REASONS FOR THE FORMATION OF THE JV

The Directors believe that the formation of the JV is beneficial to the Group. The PRC government has been encouraging the development of micro-financing business to provide support to small-and-middle-size companies in the technology sector. The Directors are optimistic about the prospect of the micro-financing business in the PRC. Furthermore, the proposed formation of the JV provides a valuable opportunity for the Group to expand its business scope with an objective to broaden its income source and enhance its financial performance. The Company will source experienced staff for the JV to ensure its smooth operation. Having regard to the above factors, the Directors, including the independent non-executive Directors, consider that the terms of the Agreement are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

Upon completion of the formation of the JV, the JV will become a majority-owned subsidiary of the Company, and the financial results of the JV will be combined and accounted for as a subsidiary of the Company.

LISTING RULES IMPLICATIONS

Given that the applicable percentage ratios of the Investment is more than 5% but less than 25%, the Investment constitutes a discloseable transaction for the Company under the Listing Rules.

DEFINITIONS

In this announcement, the following definitions shall have the meanings set out below, unless the context requires otherwise:

“Agreement”	the investment agreement dated 16 May 2015 and entered into among the Company, Shanghai Property and Fundway Investment in relation to the formation of the JV
“Board”	the board of Directors
“Company”	China Dredging Environment Protection Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Fundway Investment”	豐威實業投資集團有限公司 (Fundway Property Investment Group Limited*), a company established under the PRC law with limited liability, and an Independent Third Party
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a third party independent of and not connected with the Company and its subsidiaries and its connected persons (as defined under the Listing Rules)
“Investment”	the contribution intended to be made by the JV Parties into the JV
“JV”	the joint venture company proposed to be set up by the JV Parties pursuant to the Agreement
“JV Parties”	the parties to the Agreement, namely, the Company, Shanghai Property and Fundway Investment
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

“Shanghai Property”	上海璃澳實業有限公司 (Shanghai Liao Property Company Limited*), a company established under the PRC law with limited liability, and an Independent Third Party
“Shareholders”	holders of the Shares
“Share(s) ”	share(s) of HK\$0.1 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

* *For identification purpose only*

By order of the Board
China Dredging Environment Protection Holdings Limited
Liu Kaijin
*Joint Chairman, Executive Director
and Chief Executive Officer*

Hong Kong, 16 May 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 Joint Chairman and Non-executive Director; and Mr. Huan Xuedong, Mr. Chan Ming Sun Jonathan and Mr. Xu Hengju as Independent Non-executive Directors.