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SOUTH WEST ECO DEVELOPMENT LIMITED

西南環保發展有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1908)

CONNECTED TRANSACTION FORMATION OF JOINT VENTURE

The Board is pleased to announce that, on 1 December 2015, Yi Yue, an indirectly wholly-owned subsidiary of the Company, and Zhao Run entered into the Cooperation Agreement for the formation of a joint venture for a potential investment opportunity in Fujian Province, the PRC.

The total registered share capital of the Joint Venture will be RMB50,000,000, of which (i) the Company will (through Yi Yue) subscribe for RMB 20,000,000, representing 40% of the registered share capital of the Joint Venture and (ii) Zhao Run will subscribe for RMB 30,000,000, representing 60% of the registered share capital of the Joint Venture.

As Zhao Run is a wholly-owned subsidiary of C&D Real Estate Co., Ltd., a controlling Shareholder of the Company, Zhao Run is a connected person to the Company. Accordingly, the formation of the Joint Venture constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratio is less than 5%, the entering into of the Cooperation Agreement is only subject to reporting and announcement requirements but is exempted from the independent Shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

FORMATION OF JOINT VENTURE

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Cooperation Agreement

Date:

1 December 2015

Parties:

- (a) Yi Yue, an indirectly wholly-owned subsidiary of the Company
- (b) Zhao Run, a wholly-owned subsidiary of C&D Real Estate Co., Ltd, a controlling Shareholder of the Company

Capital contribution and shareholding in the Joint Venture

Pursuant to the Cooperation Agreement, the total registered share capital of the Joint Venture will be RMB50,000,000, of which (i) the Company will (through Yi Yue) subscribe for RMB 20,000,000, representing 40% of the registered share capital of the Joint Venture and (ii) Zhao Run will subscribe for RMB 30,000,000, representing 60% of the registered share capital of the Joint Venture. Yi Yue and Zhao Run will pay the capital contribution within 10 working days from the date of formation of the Joint Venture. Yi Yue will finance the capital contribution of the Joint Venture from its internal resources and shareholder's borrowing available to the Group.

The capital contribution will be made by Yi Yue and Zhao Run in proportion to their respective equity interest in the Joint Venture.

Composition of the board of directors of the Joint Venture

The board of directors of the Joint Venture will comprise 3 directors, 1 of whom will be appointed by Yi Yue and the remaining 2 will be appointed by Zhao Run.

Profit and loss sharing

Yi Yue and Zhao Run will be entitled to share the profit or bear the loss of the Joint Venture in proportion to their respective equity interest in the Joint Venture.

Information about the Yi Yue and Zhao Run

Yi Yue is a company established with limited liability in the PRC and is an indirect wholly-owned subsidiary of the Company. Yi Yue is principally engaged in the property investment and development business.

Zhao Run is a company established in the PRC with limited liability and is principally engaged in the property investment and development businesses.

REASONS FOR AND BENEFITS OF THE COOPERATION AGREEMENT

The Group is principally engaged in the property development, property investment and property management businesses in the PRC. The Group's strategy is to cooperate with the controlling shareholder in order to increase the Company's capacity of land acquisition and scale of the project leading to an increase in profitability, thereby achieving synergy benefits and diversifying its financial exposure.

LISTING RULES IMPLICATIONS

As Zhao Run is a wholly-owned subsidiary of C&D Real Estate Co., Ltd., a controlling Shareholder of the Company, Zhao Run is a connected person to the Company. Accordingly, the formation of the Joint Venture constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratio is less than 5%, the entering into of the Cooperation Agreement is only subject to reporting and announcement requirements but is exempted from the independent Shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, none of the Directors has a material interest in the transactions contemplated under the Cooperation Agreement.

Having considered the above reasons and benefits of the Cooperation Agreement, the Directors (including the independent non-executive Directors) consider that the Cooperation Agreement was entered into on normal commercial terms, and the terms of which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

DEFINITIONS

In this announcement, the following expressions have the following meanings, unless the context requires otherwise:

“Board”	the board of Directors
“Company”	South West Eco Development Limited (西南環保發展有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Cooperation Agreement ”	the cooperation agreement dated 1 December 2015 entered into between Yi Yue and Zhao Run for the formation of a joint venture
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Joint Venture”	the joint venture to be formed under the Cooperation Agreement, which will be owned as to 40% by Yi Yue and 60% by Zhao Run
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) of HK\$0.1 each of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Yi Yue”	Xiamen Yi Yue Property Company Limited* (廈門益悅置業有限公司), a company established with limited liability in the PRC and an indirect wholly-owned subsidiary of the Company
Zhao Run”	Fujian Zhao Run Property Company Limited* (福建兆潤房地產有限公司), a company established with limited liability in the PRC and a connected person of the Company
“%”	per cent.

For and on behalf of
South West Eco Development Limited
Zhuang Yuekai
Chairman and Executive Director

Hong Kong, 1 December 2015

As at the date of this announcement, the directors of the Company (the “**Directors**”) are:-

Executive Directors:

Mr. Zhuang Yuekai (*Chairman*)
Mr. Shi Zhen (*Chief Executive Officer*)
Ms. Zhao Chengmin (*Deputy Executive Officer*)

Non-executive Director

Ms. Wang Xianrong
Ms. Wu Xiaomin
Mr. Huang Wenzhou

Independent Non-executive Directors:

Mr. Wong Chi Wai
Mr. Wong Tat Yan, Paul
Mr. Chan Chun Yee