

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **China Dredging Environment Protection Holdings Limited**

**(formerly known as Xiangyu Dredging Holdings Limited)**

**中國疏浚環保控股有限公司**

**(前稱翔宇疏浚控股有限公司)**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 871)**

### **DISCLOSEABLE TRANSACTION: ACQUISITION OF EQUITY INTEREST IN TARGETCO**

The Board announces that on 20 December 2013 (after trading hours), Xingyu (a wholly-owned subsidiary of the Company by virtue of the Contractual Arrangements) and Xiangyu entered into the Agreement with the Vendors. Under the Agreement, subject to the conditions precedent set out therein, Xingyu and Xiangyu agreed to acquire and the Vendors agreed to sell 100% equity interest in TargetCo at the Consideration.

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

The Board is pleased to announce that, on 20 December 2013 (after trading hours), Xingyu (a wholly-owned subsidiary of the Company by virtue of the Contractual Arrangements) and Xiangyu as purchasers entered into the Agreement with the Vendors. Under the Agreement, subject to the conditions precedent set out therein, Xingyu and Xiangyu agreed to acquire and the Vendors agreed to sell 100% equity interest in TargetCo at the Consideration.

## **PRINCIPAL TERMS OF THE AGREEMENT**

### **Subject matter of the Agreement**

As at the date of the Agreement, TargetCo's registered capital amounted to RMB221.8 million (equivalent to approximately HK\$281.7 million) with a paid up capital of RMB85.8 million (equivalent to approximately HK\$109 million). The principal scope of business activities of TargetCo includes, among others, carrying out of port and waterway construction work, reclamation dredging construction work, lake and river water restoration and treatment work, and all levels of water channel maintenance work. The registered shareholders of TargetCo are (i) Ms. Xu (as to 98.89% equity interest), and (ii) Ms. Chou (as to 1.11% equity interest).

Each of the TargetCo and the Vendors is, to the best of the Directors' knowledge and belief, after having made all reasonable enquiries, an Independent Third Party.

### **Consideration**

The Consideration is RMB85.8 million (equivalent to approximately HK\$109 million) and shall be payable by Xingyu and Xiangyu to the Vendors in cash within three Business Days after completion of the Agreement.

As the registered capital of the TargetCo had not been paid up at the date of the Agreement, as requested by the relevant PRC authority pursuant to the relevant PRC laws and regulations, the 98.89% equity interest of the TargetCo held by Ms. Xu and the 1.11% equity interest of the TargetCo held by Ms. Chou shall be transferred to two separate purchasers. As such, Xingyu shall purchase the 98.89% equity interest of the TargetCo from Ms. Xu while Xiangyu shall purchase the remaining 1.11% equity interest of the TargetCo from Ms. Chou in order to comply with the relevant PRC legal requirements.

The Consideration amounting to the paid up capital in the sum of RMB85.8 million (equivalent to approximately HK\$109 million) was determined after arm's length negotiations between Xingyu and Xiangyu and the Vendors with reference to a Valuation Report prepared by an independent asset valuer stating that, as at the Valuation Date, the TargetCo's net asset value amounted to approximately RMB81 million (equivalent to approximately HK\$102.9 million) and the value of the TargetCo's major asset, namely Lugangjun No. 1 (which indicative value was determined having taken into account of the market comparable method) was about RMB290 million (equivalent to approximately HK\$368.3 million) together with a loan of RMB81.80 million (equivalent to approximately HK\$103.9 million) owed to the TargetCo by the Vendors.

On 6 November 2013, the TargetCo had entered into an agreement with an Independent Third Party to acquire Lugangjun No. 1. The transfer procedure of Lugangjun No. 1 from the Independent Third Party to TargetCo had already been completed on 6 November 2013. The purchase price of Lugangjun No. 1 shall be satisfied by TargetCo within two months from the date of the relevant agreement, which had not been paid as at the date of the Agreement. Upon completion of the Agreement, Xingyu and Xiangyu shall fund the TargetCo for the payment of the balance of purchase price of Lugangjun No. 1 of approximately RMB210 million (equivalent to approximately HK\$266.7 million).

### **Completion of the Agreement**

Completion of the Agreement is subject to, among other matters, the satisfaction of the following conditions precedents:

- (i) approval procedures (if any) by the competent authority with regard to the change of shareholding in the TargetCo be completed;
- (ii) the results of the due diligence conducted by Xingyu and Xiangyu and its legal advisers and accountants which indicates that Xingyu and Xiangyu will be able to obtain the equity interest of the TargetCo, and there is no material issues in relation to the TargetCo which would prevent Xingyu and Xiangyu to acquire the TargetCo;
- (iii) approval (if any) which include the Board and Shareholders' approval under the Listing Rules has been given;
- (iv) a PRC legal opinion confirming, among others, the legality of the TargetCo and the transfer of the 100% equity interest of the TargetCo from the Vendors to Xingyu and Xiangyu, that all necessary approvals had been obtained, and that there are no material adverse issues regarding the Acquisition; and
- (v) Ms. Xu and Ms. Chou had repaid the amount of debt owed by them to the TargetCo in the amount of RMB81.80 million (equivalent to approximately HK\$103.9 million) and the said amount had been used to settle part of the purchase price of Lugangjun No. 1.

## **Undertakings by the Vendors, Xingyu and Xiangyu**

The Agreement also contains other usual representations and warranties given by the Vendors as to (among other matters) the equity interest of TargetCo to be transferred by the Vendors being free from encumbrances, and the legality of the business and financial status of the TargetCo. Xingyu and Xiangyu have also represent and warrant, among others, the corporate legal status of Xingyu and Xiangyu and that Xingyu and Xiangyu have the legal capacity to enter into the Agreement. Xingyu and Xiangyu are entitled to terminate the Agreement and/or compensation by the Vendors upon, among others, breach of the representations and warranties by the Vendors. The Vendors may also terminate the Agreement in the event of any breach of the terms of the Agreement by Xingyu and/or Xiangyu.

## **INFORMATION ON THE GROUP AND TARGETCO**

The Group is principally engaged in providing dredging related services in the PRC, ranging from capital and reclamation dredging business, environmental protection dredging and water management business, dredging related construction business, and other marine business. TargetCo is a limited liability company incorporated on June 2004 in the PRC and is principally engaged in the business of carrying out of port and waterway construction work, reclamation dredging construction work, lake and river water restoration and treatment work, and all levels of water channel maintenance work.

The Directors believe that the Acquisition is beneficial to the Group as it will enhance the Group's capability and capacity to render dredging services by (a) increasing its business scope to carry out capital, maintenance, reclamation, and environmental protection dredging work in the PRC as a first class main contractor under the first class main contractor license obtained by the TargetCo and (b) increasing the capacity to carry out dredging works as Lugangjun No. 1 will also be obtained through the acquisition of the TargetCo. 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 above Acquisition, TargetCo will become a subsidiary of Xingyu, and the financial results of TargetCo will be combined and accounted for as a subsidiary of the Company.

## Financial Information of TargetCo

Based on the unaudited management accounts of the TargetCo, the total assets of TargetCo (including Lugangjun No.1) as at 30 November 2013 amounted to about RMB380 million (equivalent to approximately HK\$482.6 million). Set out below is the summary of the unaudited key financial information of TargetCo during the period from 1 January 2011 to 30 November 2013:

	<b>Period from 1 January 2011 to 31 December 2011</b>	<b>Period from 1 January 2012 to 31 December 2012</b>	<b>Period from 1 January 2013 to 30 November 2013</b>
	<i>(in RMB million)</i>		
Revenue	15.9	19.5	21.6
Net profit/(loss) (before tax)	(0.03)	0.2	(2.2)
Net profit/(loss) (after tax)	(0.03)	0.1	(2.2)

## LISTING RULES IMPLICATIONS

Given that the applicable percentage ratios of the Acquisition is more than 5% but less than 25%, the Acquisition 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:

“Acquisition”	the purchase of 100% equity interest in TargetCo by Xingyu and Xiangyu from the Vendors pursuant to the Agreement
“Agreement”	the agreement dated 20 December 2013 and made between Xingyu and Xiangyu (as purchasers) on the one part and the Vendors (as vendors) on the other part, pursuant to which the Vendors have agreed to sell 100% equity interest in TargetCo at the Consideration to Xingyu and Xiangyu
“Board”	the board of Directors
“Business Days”	statutory working days under the relevant PRC laws

“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(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration of RMB85.8 million (equivalent to approximately HK\$109 million) under the Acquisition
“Contractual Arrangements”	certain contractual arrangements made by Xiangyu with Xingyu and its shareholders, details of which are disclosed in the prospectus of the Company dated 8 June 2011
“Directors”	the directors of the Company
“Lugangjun No. 1”	a cutter-suction dredger with the name of 路港浚1 (“Lugangjun No. 1*”)
“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)
“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
“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

“TargetCo”	江蘇省路港建設工程有限公司 (Jiangsu Province Lugang Construction Project Co., Ltd.*), a limited liability company incorporated in the PRC
“Valuation Date”	the date on which the Valuation Report is reported which is 30 November 2013
“Valuation Report”	a report issued by an Independent Third Party engaged by TargetCo on 13 December 2013 that provide a valuation of 100% equity interest of TargetCo
“Vendors”	Ms. Xu Xiulan (“ <b>Ms. Xu</b> ”) and Ms. Chou Zhaoxiu (“ <b>Ms. Chou</b> ”), each an Independent Third Party who are registered shareholders (Ms. Xu as to 98.89% equity interest and Ms. Chou as to 1.11% equity interest) as at the date of the Agreement
“Xiangyu”	江蘇翔宇港建工程管理有限公司 (Jiangsu Xiangyu Port Constructing Project Administration Co., Ltd.*), a company established in the PRC with limited liability, which is an indirect wholly-owned subsidiary of the Company
“Xingyu”	江蘇興宇港建有限公司 (Jiangsu Xingyu Port Construction Company Limited*), a company established in the PRC with limited liability, which is treated as a wholly-owned subsidiary of the Company by way of the Contractual Arrangements

By Order of the Board  
**China Dredging Environment Protection Holdings Limited**  
**Liu Kaijin**  
*Chief Executive Officer and Executive Director*

Hong Kong, 20 December 2013

*For the purpose of this announcement, the exchange rate of HK\$1.00 = RMB0.7874 has been used for currency translation, where applicable. Such exchange rate is for illustration purposes and does not constitute representations that any amount in RMB or HK\$ has been, could have been or may be converted at such rate.*

*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 a Non-executive Director; and Ms. Peng Cuihong, Mr. Huan Xuedong and Mr. Chan Ming Sun Jonathan as Independent Non-executive Directors.*

*\* For identification purpose only*