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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)**

### **SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE**

The Board is pleased to announce that on 9 October 2018 (after trading hours of the Stock Exchange), the Company and the Subscriber entered into the Subscription Agreement in relation to the issue of 295,600,000 Subscription Shares to the Subscriber at the Subscription Price of HK\$0.12 per Subscription Share. The Subscriber has agreed to subscribe the Subscription Shares pursuant to the Subscription Agreement.

The Subscription Shares to be allotted and issued under the Subscription Agreement represent approximately 20.00% of the existing issued share capital of the Company as at the date of this announcement; and approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of Subscription Shares.

The Subscription Shares will be allotted and issued under the General Mandate. The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

**Shareholders and potential investors should note that the Completion is subject to fulfillment of the conditions under the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

The Board is pleased to announce that on 9 October 2018 (after trading hours of the Stock Exchange), the Company and the Subscriber entered into the Subscription Agreement in relation to the issue of Subscription Shares to the Subscriber, major terms of which are as follows:

## **THE SUBSCRIPTION AGREEMENT**

Principal terms of the Subscription Agreement are as follows:

### **Date**

9 October 2018 (after trading hours of the Stock Exchange)

### **Parties to the Subscription Agreement**

- (i) the Company (as issuer); and
- (ii) the Subscriber.

The Subscriber is a merchant with investments in finance, real estates and logistics businesses.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Subscriber is an Independent Third Party. It is expected that the Subscriber will become a substantial Shareholder (has the meaning ascribed to it under the Listing Rules) immediately upon the Completion.

### **Subscription Shares**

Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue an aggregate of 295,600,000 new Shares at the Subscription Price of HK\$0.12 per Subscription Share.

The Subscription Shares to be allotted and issued under the Subscription Agreement represent approximately 20.00% of the existing issued share capital of the Company as at the date of this announcement; and approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of Subscription Shares.

The aggregate nominal value of the Subscription Shares (with a par value of HK\$0.10 each) is HK\$29,560,000.

### **Conditions Precedent**

Completion shall be subject to the following conditions being fulfilled:

- (a) the Stock Exchange granting the approval for the listing of and permission to deal in the Subscription Shares; and

- (b) compliance with all the applicable requirements under the Listing Rules and other regulatory bodies.

If any of the above conditions are not fulfilled on or before 8 November 2018 (or such other date as the Company and the Subscriber may agree), the Subscription Agreement will terminate and cease to have effect and none of the parties thereto shall have any claim against the others save for any antecedent breaches of the provisions thereof.

### **Completion**

Completion shall take place within five business days from the date on which all the conditions referred to above have been fulfilled (or such other date as the Company and the Subscriber may agree).

### **Termination**

The Subscriber is entitled to terminate the Subscription Agreement by notice in writing to the Company, amongst others, (i) if it comes to the knowledge or reasonable belief of the Company or the Subscriber that any representation, warranty and undertaking is false, misleading or contravened and is, in the reasonable opinion of the Subscriber, material for the purpose of the Subscription; and (ii) upon the occurrence of any of the force majeure events set out in the Subscription Agreement at any time between the date of the Subscription Agreement and the Completion Date.

### **Subscription Price**

The Subscription Price of HK\$0.12 per Subscription Share represents:

- (a) a premium of approximately 4.34% to the closing price of HK\$0.115 per Share as quoted on the Stock Exchange on 9 October 2018, being the date of the Subscription Agreement;
- (b) a discount of approximately 2.28% to the average closing price of approximately HK\$0.123 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 8 October 2018, being the trading day immediately preceding the date of the Subscription Agreement; and
- (c) a discount of approximately 6.54% to the average closing price of approximately HK\$0.128 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 8 October 2018, being the trading day immediately preceding the date of the Subscription Agreement.

The net proceeds of the Subscription, after deducting the relevant expenses, are estimated to be approximately HK\$35,222,000 and the net price per Subscription Share is approximately HK\$0.12.

The Subscription Price was determined after arm's length negotiations between the Company and the Subscriber with reference to the recent trading prices of the Shares. The Directors consider that the Subscription is on normal commercial terms and the terms and conditions of the Subscription Agreement are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

The Subscriber shall pay to the Company's wholly owned PRC subsidiary the aggregate Subscription Price for the Subscription Shares on or before the Completion Date.

### **Ranking of the Subscription Shares**

The Subscription Shares will, when issued and allotted, rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares.

### **General Mandate**

The Subscription Shares will be allotted and issued under the General Mandate, which has not been used since granted. Accordingly, the General Mandate is sufficient for the issue and allotment of the Subscription Shares and the Subscription are not subject to the Shareholders' approval.

### **Application for listing**

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

### **USE OF PROCEEDS AND REASON FOR AND BENEFIT OF THE SUBSCRIPTION**

The gross proceeds of the Subscription will be HK\$35,472,000 (equivalent to approximately RMB31,276,000). The net proceeds of the Subscription are estimated to be approximately HK\$35,222,000.

Reference is made to (i) the Company's announcements dated 28 October 2013 and 8 November 2013 respectively in relation to the issue of the 2016 Bonds; (ii) the Company's announcement dated 7 November 2016 in relation to the maturity of the 2016 Bonds; (iii) the Company's announcements dated 15 November 2016 and 16 November 2016 respectively in relation to the Framework Agreement (as amended by a supplemental framework agreement and a second supplemental framework agreement); (iv) the Company's announcements dated 16 December 2016, 22 March 2017, 5 June 2017, 22 September 2017 and 23 January 2018 in relation to the various amendment agreements; and (v) the Company's announcements dated 15 November 2017 and 1 December 2017 respectively in relation to the further updates to the 2016 Bonds.

It is intended that net proceeds of the Subscription will be used to repay part of the 2016 Bonds ("**Bonds Repayment**").

The Directors consider that the Subscription not only broaden the Shareholders' base of the Company but also represent a good opportunity to raise additional funds at a reasonable cost for the Company for Bonds Repayment.

## FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS PERIOD

As disclosed in the announcement made by the Company on 22 September 2017 and the circular made by the Company on 18 October 2017, on 21 September 2017 (after trading hours of the Stock Exchange), the Company entered into a share placing agreement (the “**Share Placing Agreement**”) with Guotai Junan Securities (Hong Kong) Limited (“**Guotai Junan**”). Pursuant to the Share Placing Agreement, the Company has conditionally agreed to place, through Guotai Junan, on a best effort basis, up to an aggregate of 900,000,000 new placing shares (the “**Previous Proposed Placing**”). As further disclosed in the announcement of the Company dated 3 April 2018, given that certain conditions precedent of the Share Placing Agreement were not fulfilled on or before 31 March 2018, being the long stop date for the fulfillment of the conditions precedent of the Previous Proposed Placing, the Previous Proposed Placing lapsed.

Save as disclosed above, the Company has not conducted any equity fund raising activity during the past twelve months immediately preceding the date of this announcement.

## CHANGE IN SHAREHOLDING STRUCTURE

Assuming there is no change in the share capital of the Company from the date of the announcement up to Completion, below is the shareholding structure of the Company (i) as at the date of this announcement and (ii) immediately after Completion.

	As at the date of this announcement		Immediately after Completion	
	Number of Shares	%	Number of Shares	%
<b>Shareholders</b>				
Wangji Limited ( <i>Note 1</i> )	351,600,000	23.79	351,600,000	19.82
Mr. Liu Kaijin ( <i>Note 2</i> )	36,703,000	2.48	36,703,000	2.07
Panjiang International Investment and Trading Co., Limited (盤江國際投資貿易有限公司)	171,120,000	11.58	171,120,000	9.65
Jiangsu Baisite Environment Engineering Co., Ltd* ( <i>Note 3</i> )	246,000,000	16.64	246,000,000	13.87
Mr. Wu Bin ( <i>Note 4</i> )	7,218,000	0.49	7,218,000	0.41
The Subscriber	—	—	295,600,000	16.67
Other Shareholders	<u>665,423,000</u>	<u>45.02</u>	<u>665,423,000</u>	<u>37.52</u>
<b>Total</b>	<b><u>1,478,064,000</u></b>	<b><u>100.00</u></b>	<b><u>1,773,664,000</u></b>	<b><u>100.00</u></b>

*Notes:*

- (1) Mr. Liu Kaijin (“**Mr. Liu**”) is the sole beneficial owner of Wangji Limited, a company incorporated in the British Virgin Islands with limited liability, which is the direct owner of 351,600,000 Shares.
- (2) Mr. Liu is the chairman of the Board and an executive Director.
- (3) Luck Morgan Investment Limited acts as nominee for Jiangsu Baisite Environment Engineering Co., Ltd\* to hold 246,000,000 Shares.
- (4) Mr. Wu Bin is a vice chairman of the Board and an executive Director.
- (5) Certain percentage figures included in this table have been subject to rounding adjustments. Accordingly, figures shown as total may not be an arithmetic aggregation of the figures preceding them.

**Shareholders and potential investors should note that the Completion is subject to fulfillment of the conditions under the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

## **DEFINITIONS**

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

“2016 Bonds”	3% convertible bonds in the aggregate principal amount of HK\$243 million due 2016, which were issued by the Company to the Bondholder pursuant to the conditional subscription agreement dated 28 October 2013 entered into between the Company with the Bondholder
“Board”	the board of Directors
“Bondholder”	CITIC Capital China Access Fund Limited, being the holder of the 2016 Bonds
“Company”	China Dredging Environment Protection Holdings Limited (中國疏浚環保控股有限公司), 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
“Completion”	the completion of the Subscription
“Completion Date”	the date on which the Completion shall take place

“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company dated 29 May 2018, among other things, to allot, issue and deal with up to 295,612,800 Shares, being 20% of the then issued share capital of the Company as at the date of the annual general meeting
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with connected persons of the Company
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the Main Board of the Stock Exchange
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Share(s)”	ordinary share(s) of normal value of HK\$0.10 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Zhu Baolong (朱寶龍)
“Subscription Agreement”	the subscription agreement dated 9 October 2018 entered into between the Company and the Subscriber in relation to the Subscription
“Subscription Price”	the subscription price of HK\$0.12 per Subscription Share
“Subscription Shares”	an aggregate of 295,600,000 new Shares to be allotted and issued upon Completion of the Subscription

“Subscription” the subscription of an aggregate of 295,600,000 Subscription Shares at the Subscription Price pursuant to the terms and conditions of the Subscription Agreement

“%” per cent

*For the purpose of this announcement, conversion of Hong Kong dollars into RMB is based on the approximate exchange rate of HK\$1 to RMB0.8817. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or RMB have been, could have been or may be converted at such or any other rate or at all.*

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

Hong Kong, 9 October 2018

*As at the date of this announcement, the Board comprises Mr. Liu Kaijin as Chairman and Executive Director; Mr. Wu Bin as Vice Chairman and Executive Director; Mr. Wu Xuze as Executive Director and Chief Executive Officer; Ms. Zhou Shuhua as Executive Director; Mr. Liu Longhua as Vice Chairman and Non-executive Director; and Mr. Huan Xuedong, Mr. Chan Ming Sun Jonathan and Mr. Liang Zequan as Independent Non-executive Directors.*

\* *for identification purpose only*