

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)

PLACING OF UNLISTED WARRANTS UNDER GENERAL MANDATE

Placing Agent



THE PLACING AGREEMENT

On 24 December 2013 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Company has appointed the Placing Agent to procure Placees (the number of which is expected to be no less than six (6)) to subscribe for up to 35 million Warrants, on a best effort basis, at the Placing Price of HK\$0.01 per Warrant. Each Warrant carries the right to subscribe for one Share. The Subscription Price is HK\$2.70 (subject to adjustment) per Warrant Share.

Completion of the Placing Agreement is subject to the fulfillment of certain conditions as stated in the paragraph headed “Conditions of the Placing” below. The exercise of the subscription rights attaching to the Warrants is subject to the condition as stated in the paragraph headed “Principal terms of the Warrants — Condition precedent to exercise of the subscription rights attaching to the Warrants” below.

As at the date of this announcement, the Company has a total of 800 million Shares in issue. As mentioned in the Company's announcement dated 28 October 2013, the Company has issued the Convertible Bonds, upon the full exercise of the conversion rights attaching to which may result in the issue of 90 million new CB Shares. Assuming there is no further issue or repurchase of the Shares, upon exercise in full of the subscription rights attaching to the Warrants, a maximum of 35 million Warrant Shares will be allotted and issued, representing:

- (i) approximately 4.38% of the existing issued share capital of the Company as at the date of this announcement,
- (ii) approximately 4.19% of the issued share capital of the Company as enlarged by the allotment and issue of the Warrant Shares; and
- (iii) (further assuming that the conversion rights attaching to all the Convertible Bonds are exercised in full) approximately 3.78% of the issued share capital of the Company as enlarged by the allotment and issue of the Warrant Shares and the new CB Shares.

The Warrant Shares will be allotted and issued under the General Mandate.

USE OF PROCEEDS

The maximum net proceeds from the Placing (without taking into account the exercise of the subscription rights attaching to the Warrants), after taking into account the estimated expenses in relation to the Placing, will be approximately HK\$10,000.

Assuming exercise in full of the subscription rights attaching to the Warrants at the Subscription Price of HK\$2.70, it is expected that an additional net proceeds in the amount of approximately HK\$94.5 million will be raised, and the net proceeds raised per Warrant (including the allotment and issue of Warrant Share) will be approximately HK\$94.5 million.

The aggregate net proceeds from the Placing and the allotment and issue of the Warrant Shares are intended to be used as general working capital of the Group and for development of its environmental protection dredging business.

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares. No listing of the Warrants will be sought on the Stock Exchange or any other exchange.

Completion of the Placing is subject to, among other things, fulfillment of the conditions precedent in the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE PLACING AGREEMENT

Date: 24 December 2013 (after trading hours)

Parties: (i) Issuer: the Company

(ii) Placing Agent: President Securities (Hong Kong) Ltd.

Pursuant to the Placing Agreement, the Company has appointed the Placing Agent to procure Placees (the number of which is expected to be no less than six (6)) to subscribe for up to 35 million Warrants, on a best effort basis, at the Placing Price of HK\$0.01 per Warrant.

To the best of the Director's knowledge, information and belief, having made all reasonable enquires, the Placing Agent is an Independent Third Party.

Placing commission and the Placing period

The Placing Agent will charge a fixed placing fee of HK\$50,000 for the services rendered to the Company in the Placing. The Company is also required to pay to the Placing Agent all the reasonable out-of-pocket charges and expenses reasonably and properly incurred by the Placing Agent in relation to the Placing with the consent of the Company. Such arrangement was agreed after arm's length negotiations between the Company and the Placing Agent. The Directors (including the independent non-executive Directors) are of the view that the arrangement is fair and reasonable to the Company and the Shareholders taken as a whole.

The Placing Agent will procure Placees during the period from the date of the Placing Agreement to the date when the Company informs the Placing Agent that all the conditions precedent to completion of the Placing have been fulfilled.

Conditions of the Placing

Completion of the Placing is conditional upon the fulfillment of the following:

- (i) (if required) the Listing Committee of the Stock Exchange granting approval of the issue of the Warrants; and

- (ii) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, all the Warrant Shares falling to be issued on the exercise of the subscription rights to be attached to the Warrants either unconditionally or subject to conditions to which the Placing Agent accept and the satisfaction of such conditions (if any).

In the event that any of the conditions above is not fulfilled on or before 10 January 2014 (or such later date as may be agreed between the Company and the Placing Agent), the Placing Agreement shall terminate and neither party shall have any claim against the other in respect of any matter or thing arising out of or in connection with the Placing Agreement save for any antecedent breach of any obligation under the Placing Agreement.

Completion

Completion shall take place on the Business Day immediately after the date of the Placing Agent being informed of the fulfillment of all the conditions of the Placing. Further announcement(s) will be made by the Company upon Completion.

PLACEES

The Warrants shall be offered by the Placing Agent (as the Company's agent), on a best effort basis, to Placees (the number of which is expected to be no less than six). If the final number of Placees procured is less than six, the Company will make further announcement about the brief particulars of such Placees. The Placing Agent will take steps to ensure that each of the Placees procured by the Placing Agent and any person directly or indirectly under the same ultimate control as the relevant Placee will, to the best knowledge and belief of the Placing Agent, be an Independent Third Party.

PRINCIPAL TERMS OF THE WARRANTS

Placing Price: HK\$0.01 per Warrant

Subscription Price: HK\$2.70 per Warrant Share (subject to adjustment)

The Subscription Price is subject to adjustment in the event of, among other things, share subdivision, issue of Shares by way of capitalisation of profits or reserve, capital distribution and issue for cash new Shares at a price which is less than 80% of the then market price of the Shares. The Company will publish an announcement upon any adjustment to the Subscription Price.

Payments of the Subscription Price must be made in immediately available funds.

- Subscription period: Two years from the date of issue of the Warrants.
- Condition precedent to exercise of the subscription rights attaching to the Warrants: The subscription right is only exercisable upon the average closing price per Share for the 5 consecutive trading days immediately before the date of exercise as quoted on the Stock Exchange is no less than HK\$3.3.
- Transferability: The Warrants are transferable in integral multiples of 1 million Warrants to any person, other than a connected person. In the event of a transfer of Warrants to a connected person, prior approval from the Company and the Stock Exchange should be obtained.
- Ranking of the Warrant Shares: The Warrant Shares, when allotted and issued, will rank pari passu in all respects among themselves and with all other Shares then in issue.
- Rights for holders of Warrants: Holders of Warrants will not be entitled to attend or vote at any general meeting of the Company by virtue of them being the holders of the Warrants. Holders of Warrants shall not have the right to participate in any distribution and/or offers of further securities made by the Company.

THE WARRANT SHARES

The Warrant Shares will be allotted and issued under the General Mandate. Upon exercise in full of the subscription rights attaching to the Warrants, a maximum of 35 million Warrant Shares will be allotted and issued.

As at the date of this announcement, the Company has a total of 800 million Shares in issue. As mentioned in the Company's announcement dated 28 October 2013, the Company has issued the Convertible Bonds, upon the full exercise of the conversion rights attaching to which may result in the issue of 90 million new CB Shares.

Assuming that there is no further issue or repurchase of the Shares, upon exercise in full of the subscription rights attaching to the Warrants, a maximum of 35 million Warrant Shares will be allotted and issued, representing:

- (i) approximately 4.38% of the existing issued share capital of the Company as at the date of this announcement;
- (ii) approximately 4.19% of the issued share capital of the Company as enlarged by the allotment and issue of the Warrant Shares; and
- (iii) (further assuming that all conversion rights attaching to the Convertible Bonds are exercised in full) approximately 3.78% of the issued share capital of the Company as enlarged by the allotment and issue of the Warrant Shares and the new CB Shares.

APPLICATION FOR LISTING

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares.

No listing of the Warrants will be sought on the Stock Exchange or any other exchange.

PLACING PRICE AND SUBSCRIPTION PRICE

The aggregate of the Placing Price of HK\$0.01 per Warrant and the Subscription Price of HK\$2.70 per Share, i.e. HK\$2.71, represents:

- (i) a premium of approximately 3.5% over the closing price of HK\$2.62 per Share as quoted on the Stock Exchange on the date of the Placing Agreement;
- (ii) a premium of approximately 6.4% over the average closing price of approximately HK\$2.55 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day; and
- (iii) a premium of approximately 10.3% over the average closing price of approximately HK\$2.46 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day.

The Subscription Price of HK\$2.70 per Warrant Share represents:

- (i) a premium of approximately 3.1% over the closing price of HK\$2.62 per Share as quoted on the Stock Exchange on the date of the Placing Agreement;

- (ii) a premium of approximately 6% over the average closing price of approximately HK\$2.55 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day; and
- (iii) a premium of approximately 9.8% over the average closing price of approximately HK\$2.46 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day.

Both the Placing Price and the Subscription Price are determined after arm's length negotiations between the Company and the Placing Agent, after taking into account of the Group's existing financial position, historical Share price, liquidity of the Shares in the market and number of Warrant Shares.

ISSUE OF WARRANT SHARES UNDER GENERAL MANDATE

The Warrant Shares will be allotted and issued under the General Mandate granted to the Directors by a resolution of the Shareholders passed at the annual general meeting of the Company held on 29 May 2013, under which the Directors are authorized to issue Shares up to a maximum of 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the said annual general meeting, which is equivalent to a maximum issue of additional 160 million Shares as at the date of the said annual general meeting. Part of the General Mandate has been applied to up to 90 million CB Shares which may be issued upon the exercise of the conversion rights attaching to the HK\$243 million three per cent Convertible Bonds due 2016, brief details of which are set out in the Company's announcement dated 28 October 2013. Having taken into account the CB Shares, the Directors are still authorised to issue no more than 70 million Shares under the General Mandate.

As the Warrant Shares are to be issued under General Mandate, the Placing is not subject to the approval by Shareholders for a specific mandate.

REASONS FOR THE PLACING

The Company is an investment holding company. The principal activities of the Group are provision of dredging services (ranging from capital dredging, reclamation dredging, maintenance dredging to environmental protection dredging) as well as dredging-related construction services.

The Directors consider that the Placing would enhance the capital and shareholders' base of the Company and provide additional funds for developing its environmental protection dredging business segment and as general working capital.

The Directors consider that the terms of the Placing Agreement (including the Placing Price, the Subscription Price) are fair and reasonable and the Placing is in the interest of the Company and Shareholders as a whole.

USE OF PROCEEDS

The maximum gross proceeds from the Placing will be HK\$350,000 (without taking into account of the exercise of the subscription rights attaching to the Warrants). The maximum net proceeds from the Placing (without taking into account of the exercise of the subscription rights attaching to the Warrants), after taking into account the estimated expenses in relation to the Placing, will be approximately HK\$10,000.

Assuming exercise in full of the subscription rights attaching to the Warrants at the Subscription Price, it is expected that an additional amount of HK\$94.5 million will be raised, and the net proceeds raised per Warrant (including the allotment and issue of Warrant Share) will be approximately HK\$2.7.

The aggregate net proceeds from the Placing and the allotment and issue of the Warrant Shares are intended to be used as general working capital of the Group and for development of its environmental protection dredging business.

The net price to the Company of each Warrant (which is calculated by dividing the aggregate net proceeds from the issue of the Warrants and the exercise of the subscription rights attaching to the Warrants by the total number of Warrants) is approximately HK\$2.7.

FUND RAISING ACTIVITIES DURING THE PAST 12 MONTHS

On 28 October 2013, the Company issued the Convertible Bonds pursuant to the proposed issue and subscription of an aggregate of HK\$243 million three per cent Convertible Bonds due 2016 as detailed in the Company's announcement dated 28 October 2013. Upon the exercise in full of the conversion rights attaching to such Convertible Bonds, up to 90 million new CB Shares may be issued. The conversion price of the CB Shares is HK\$2.7 each.

The net proceeds raised from the issue of the Convertible Bonds amounted to approximately HK\$242 million. As mentioned in the Company's announcement dated 28 October 2013, such net proceeds were planned to be used for capital expenditures, repayment of bank borrowings and working capital purposes. Up to the date of this announcement, about HK\$40 million of the proceeds has been applied for the said purposes. The remaining balance of HK\$202 million are still deposited with licensed banks or financial institutions in Hong Kong.

Save as mentioned above, the Company has not conducted any other fund raising activities in the past 12 months prior to the date of this announcement.

CHANGE IN THE SHAREHOLDINGS STRUCTURE OF THE COMPANY

As at the date of this announcement, there are a total of 800 million Shares in issue. In addition, as at the date of the Agreement, there are certain outstanding share options, which are held by directors and/or employees of the Group. Upon exercise of such options in full, a total of 73.6 million Shares may be issued, which options were granted pursuant to the Company's share option schemes, which is subject to Chapter 17 of the Listing Rules. Furthermore, the Company issued the Convertible Bonds, which may result in up to 90 million Shares to be issued upon the exercise in full of the conversion rights attaching to all such Convertible Bonds. Other than the aforesaid, there are no outstanding convertible securities of the Company as at the date of this announcement.

For illustration purpose only and assuming that no further Shares will be issued or repurchased by the Company (other than as a result of the events mentioned below), the shareholding structure of the Company:

- (i) as at the date of this announcement;
- (ii) immediately after completion of the Placing and assuming the exercise in full of the subscription rights attaching to the Warrants at the Subscription Price; and
- (iii) immediately after completion of the Placing and assuming the exercise in full of
 - (aa) the subscription rights attaching to the Warrants at the Subscription Price and
 - (bb) the conversion rights attaching to the Convertible Bonds,

are as follows:

	Under Scenario (i)		Under Scenario (ii)		Under Scenario (iii)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Directors or their associates:						
Wangji Limited (<i>Note</i>)	325,100,000	40.64	325,100,000	38.93	325,100,000	35.15
Liu Kaijin	10,653,000	1.33	10,653,000	1.28	10,653,000	1.15
Subscribers of Convertible						
Bonds	0	0	0	0	90,000,000	9.73
Places:	0	0	35,000,000	4.19	35,000,000	3.78
Other public Shareholders:	<u>464,247,000</u>	<u>58.03</u>	<u>464,247,000</u>	<u>55.60</u>	<u>464,247,000</u>	<u>50.19</u>
Total	<u><u>800,000,000</u></u>	<u><u>100.00</u></u>	<u><u>835,000,000</u></u>	<u><u>100.00</u></u>	<u><u>925,000,000</u></u>	<u><u>100.00</u></u>

Note: Mr. Liu Kaijin is the sole beneficial owner of Wangji Limited.

GENERAL

Completion of the Placing is subject to, among other things, fulfillment of the conditions precedent in the Placing Agreement. As the Placing may or may not proceed finally, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to such term under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (excluding Saturday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon) on which licensed banks in Hong Kong are open for business
“CB Shares”	new Shares to be issued upon the exercise of the conversion rights attaching to the Convertible Bonds
“Company”	China Dredging Environment Protection Holdings Limited (formerly known as “Xiangyu Dredging Holdings Limited”, and the registration of such change of name is being processed by the relevant Hong Kong authority), a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on Main Board of the Stock Exchange
“Completion”	completion of the Placing in accordance with the terms and conditions of the Placing Agreement
“connected person(s)”	has the meaning ascribed to such term under the Listing Rules

“Convertible Bonds”	the three per cent. (3%) Convertible Bonds in the aggregate principal amounts of HK\$243 million due 2016 issued by the Company, brief details of which are disclosed in the Company’s announcement dated 28 October 2013
“Director(s)”	director(s) of the Company
“General Mandate”	the general mandate granted to the Directors by the Shareholders (pursuant to an ordinary resolution passed at the Company’s annual general meeting held on 29 May 2013) to allot and issue a maximum of 20% of the issued share capital of the Company as at the date of passing of the relevant resolution
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	party(ies) who is (are) independent of, and not connected with, the Company, any director(s), chief executive(s) or substantial shareholder(s) of the Company or any of its subsidiaries, or their respective associates
“Last Trading Day”	23 December 2013, being the Stock Exchange trading day immediately before (and excluding) the date of the Placing Agreement
“Listing Rules”	Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“Placee(s)”	investor(s) of the Warrants procured by or on behalf of the Placing Agent to subscribe for the Warrants pursuant to the Placing Agreement

“Placing”	the placing of the Warrants by or on behalf of the Placing Agent pursuant to the Placing Agreement
“Placing Agent”	President Securities (Hong Kong) Ltd., a licensed corporation to carry out (among other regulated activities) Type 1 (dealing in securities), Type 4 (advising on securities) regulated activities for the purpose of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the placing agreement dated 24 December 2013 entered into between the Company and the Placing Agent
“Placing Price”	HK\$0.01 per Warrant
“Share(s)”	share(s) of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$2.70 (subject to adjustment as mentioned in the paragraph headed “Principal terms of the Warrants — Subscription Price” in the main text of this announcement), being the subscription price per Warrant Share at which the holder of each Warrant may subscribe for the Warrant Shares
“Warrant(s)”	a maximum of 35 million unlisted transferable warrants of the Company each in registered form conferring rights entitling its holder(s) to subscribe for up to approximately HK\$94.5 million in aggregate in cash for 35 million Warrant Shares at the Subscription Price, to be issued by the Company pursuant to the Placing Agreement
“Warrant Share(s)”	new Share(s) to be allotted and issued by the Company upon exercise of the subscription rights attaching to the Warrants

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong
“%” per cent.

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

Hong Kong, 24 December 2013

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.