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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)

PLACING OF NEW SHARES

Placing Agent



Guotai Junan Securities (Hong Kong) Limited

On 29 December 2014 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent agreed to procure, on a best effort basis, the Placee to subscribe for the Placing Shares at the Placing Price of HK\$1.38 per Placing Share. The Placing is conditional upon the Stock Exchange agreeing to grant the listing of and permission to deal in the Placing Shares.

The 171,120,000 Placing Shares under the Placing represent (i) approximately 20% of the existing issued share capital of the Company, and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the Placing Shares to be issued pursuant to the Placing.

The Placing Shares will be allotted and issued pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 29 May 2014.

An application will be made to the Listing Committee of the Stock Exchange for the approval for the listing of and permission to deal in the Placing Shares.

The gross proceeds and net proceeds from the Placing will amount to HK\$236,145,600 and approximately HK\$235,400,000 respectively. The Company intends to use the net proceeds for general working capital purpose.

As the Placing may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

THE PLACING AGREEMENT

Date : 29 December 2014 (after trading hours)

Parties : the Company (as issuer); and

Guotai Junan Securities (Hong Kong) Limited (as Placing Agent)

Placing Agent

Pursuant to the Placing Agreement, the Placing Agent has conditionally agreed to procure, on a best effort basis, the Placee to subscribe for the Placing Shares and will receive a placing commission in the fixed sum of HK\$100,000. The Directors (including the independent non-executive Directors) are of the view that the placing commission is fair and reasonable.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are independent of and not connected with the Company and/or its connected persons.

Placee

The Placee of the Placing is Dongtai Jihua Machinery Accessories Co., Ltd* (東台際華機械配件有限公司). The ultimate beneficial owners of the Placee are Zhu Rongmei* (朱榮梅) and Tan Yongming* (譚永明). The principal activities of the Placee are petroleum machinery accessories processing, market information consultancy, research and development for environmental protection equipment and directly engaging in or acting as an agent for importing and exporting goods and technologies.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, the Placee and its ultimate beneficial owners are independent of and not connected with the Company and/or its connected persons.

As the Placee will become interested in 16.67% of the Company's enlarged issued share capital after completion of the Placing, it will become a substantial shareholder (hence a connected person) of the Company.

* For identification purpose only

Number of Placing Shares

The 171,120,000 Placing Shares under the Placing represent (i) 20% of the existing issued share capital of 855,600,000 Shares as at the date of this announcement, or (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the Placing Shares to be issued pursuant to the Placing.

Ranking of the Placing Shares

The Placing Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with the Shares in issue at the time of issue of the Placing Shares.

Placing Price

The Placing Price of HK\$1.38 per Share represents:

- (i) a premium of approximately 14.05% over the closing price per Share of HK\$1.21 as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a premium of approximately 0.15% over the average closing price per Share of HK\$1.378 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the Last Trading Day.

The Placing Price was determined after arm's length negotiations between the Company and the Placing Agent with reference to market prices of the Shares in recent times, and also having taken into account the provisions for the restrictions on disposal of the Placing Shares by the Placee. The Directors (including the independent non-executive Directors) consider that the terms of the Placing Agreement are on normal commercial terms, fair and reasonable based on the current market conditions and in the interest of the Company and the Shareholders as a whole.

Condition precedent to completion of the Placing

Completion of the Placing is conditional upon the Stock Exchange agreeing to grant the listing of and permission to deal in the Placing Shares. As at the date of this Agreement, such condition precedent to the Placing has not yet been satisfied.

In the event the above condition has not fulfilled by 31 January 2015 (or such later date as may be agreed by the Placing Agent), all rights, obligations and liabilities of the parties to the Placing Agreement shall cease and determine and none of the parties shall have any claim against any other in respect of the Placing, save for any antecedent breaches and expenses payable by the Company.

Completion Date

Subject to the above condition precedent being satisfied, completion of the Placing will take place at 5:00 p.m. on the seventh Business Day next following the fulfillment of the condition precedent to completion of the Placing.

Termination of the Placing Agreement

If at any time on or prior to the Completion Date:

- (a) in the reasonable opinion of the Placing Agent, there shall have been, since the date of the Placing Agreement, such a change in national or international financial, political or economic conditions or taxation or exchange controls as would be likely to prejudice materially the consummation of the Placing; or
- (b) any material breach of any of the representations and warranties set out in the Placing Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date thereof and prior to the Completion Date which if it had occurred or arisen before the date thereof would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Company of any other provisions of the Placing Agreement; or
- (c) there are any suspension of dealings in the Shares for more than seven consecutive trading days (other than as a result of the Placing); or
- (d) there are any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise at any time prior to the Completion Date,

the Placing Agent may, after consultation with the Company (to the extent that the same is reasonably practicable), terminate the Placing Agreement without liability to the Company by giving notice in writing to the Company, provided that such notice is received prior to the Completion Date.

Restrictions on disposal of the Placing Shares

Under the Placing Agreement, at or before completion of the Placing Agreement, the Placee (and each of its ultimate beneficial owners) shall supply the Company with a duly executed undertaking to the effect that within a period of three years from the Completion Date, (i) the Placee will not dispose of any of the Placing Shares or any interest therein, and (ii) the ultimate beneficial owners of the Placee will not dispose of any shares or equity capital in the Placee or any interest therein.

GENERAL MANDATE

The Placing Shares will be issued under the general mandate to allot, issue and deal in Shares granted to the Directors by a resolution of the Shareholders passed at the Company's annual general meeting held on 29 May 2014. Under such general mandate, the Company is authorised to issue up to 171,120,000 Shares (representing 20% of the issued share capital in the Company as at the date of the said annual general meeting). Up to the date of this announcement, such general mandate has not been exercised.

Issue of the Placing Shares is not subject to further Shareholders' approval.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Group's principal businesses include capital and reclamation dredging and ancillary construction works, environmental protection dredging and water management business, and other works operated in marine sites (such as salvage and hoisting works).

The Placing is planned to further enhance the Shareholders' base of the Company and the Groups' capital resources as general working capital. The Directors (including the independent non-executive Directors) consider that the terms of the Placing Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

On the basis of the 171,120,000 Placing Shares, upon completion of the Placing, the gross proceeds under the Placing will be approximately HK\$236,145,600, and the net proceeds (after deducting placing commission, and related professional fees payable by the Company) are estimated to be approximately HK\$235,400,000. The net proceeds raised per Share will be approximately HK\$1.38 per Placing Share. The aggregate nominal value of share capital for the Placing Shares is HK\$17,112,000.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The changes of the shareholding structures of the Company (i) immediately before and (ii) immediately after completion of the Placing (assuming that there are no other changes in the issued share capital of the Company) are as follows:

Shareholders	As at the date of this announcement		Immediately after completion of the Placing	
	No. of Shares	%	No. of Shares	%
Wangji Limited (<i>Note 1</i>)	335,301,000	39.19	335,301,000	32.66
Mr. Liu Kaijin (<i>Note 2</i>)	<u>17,098,000</u>	<u>2.00</u>	<u>17,098,000</u>	<u>1.66</u>
Sub-total:	352,399,000	41.19	352,399,000	34.32
The Placee	—	—	171,120,000	16.67
Public	<u>503,201,000</u>	<u>58.81</u>	<u>503,201,000</u>	<u>49.01</u>
Total	<u><u>855,600,000</u></u>	<u><u>100.00</u></u>	<u><u>1,026,720,000</u></u>	<u><u>100.00</u></u>

Notes:

1. Mr. Liu Kaijin (“Mr. Liu”) is the sole beneficial owner of Wangji Limited which is the direct owner of the 335,301,000 Shares.
2. Mr. Liu is the joint chairman, executive Director and chief executive officer of the Company.
3. The Company has outstanding convertible bonds and warrants which were issued on 8 November 2013 and 17 January 2014 respectively. (For further details of such securities, please refer to the Company’s announcements (among others) dated 28 October 2013 and 24 December 2013 respectively.) If all the conversion rights or the subscription rights (as the case may be) under the said convertible bonds and warrants are exercise in full, a total of 90 million Shares and 35 million Shares will respectively be issued, and the total number of the Company’s issued shares will be increased to 1,151.72 million (assuming completion of the Placing).

FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

Reference is made to the Company’s announcements dated 24 December 2013, 9 January 2014 and 17 January 2014 respectively. On 17 January 2014, the Company issued 35,000,000 unlisted warrants at a price of HK\$0.01 per warrant to seven placees and each warrant-holder is entitled to subscribe for one Share for every warrant. The net proceeds from the issue of such warrants amounted to HK\$300,000 (equivalent to RMB237,000) which were used for general working capital. None of the warrants issued have been exercised up to the date of this announcement.

Up to the date of this announcement, the entirety of the said net proceeds in the sum of HK\$300,000 were utilized as general working capital.

Save as disclosed above, the Company has not conducted any fund raising activities in the past 12 months immediately before the date of this announcement.

APPLICATION FOR LISTING

Application will be made to the Stock Exchange for the approval for the listing of, and permission to deal in, the Placing Shares.

As the Placing may or may not proceed, Shareholders and potential investors of the Company 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:

“Business Day”	any day (excluding a Saturday, Sunday and any other public holidays and any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which banks generally are open for business in Hong Kong
“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, the Shares of which are listed on the Stock Exchange
“Completion Date”	the 7th Business Day next following the fulfillment of all the conditions specified in the Placing Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Day”	29 December 2014, being the last trading day in the Shares prior to the issue of this announcement
“Listing Committee”	listing committee of the Stock Exchange
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Shareholder(s)”	shareholder(s) of the Company
“Placee”	Dongtai Jihua Machinery Accessories Co., Ltd*, the entity which the Placing Agent has procured to subscribe for the Placing Shares pursuant to the Placing Agent’s obligations under the Placing Agreement
“Placing”	the placing of the Placing Shares by the Placing Agent pursuant to the terms of the Placing Agreement
“Placing Agent”	Guotai Junan Securities (Hong Kong) Limited, a licensed corporation to carry on business in type 1 (dealing in securities) and type 4 (advising on securities) under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Placing Agreement”	a placing agreement dated 29 December 2014 and entered into between the Company and the Placing Agent in relation to the Placing
“Placing Price”	HK\$1.38 per Placing Share
“Placing Shares”	a maximum of 171,120,000 new Shares to be placed under the Placing, with an aggregate nominal value of HK\$17,112,000
“Share(s)”	ordinary share(s) of HK\$0.10 in the capital of the Company
“Shareholder(s)”	holder(s) of Shares

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

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, 29 December 2014

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 a Non-executive Director and Joint Chairman; and Mr. Huan Xue Dong, Mr. Chan Ming Sun Jonathan and Mr. Xu Hengju as Independent Non-executive Directors.

** for identification purpose only*