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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)

CONNECTED TRANSACTION: AMENDMENT TO THE DEED OF NON-COMPETITION

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



**NEW SPRING
CAPITAL LIMITED**

AMENDMENT TO THE DEED OF NON-COMPETITION

The Principal Deed was entered into between Mr. Liu, Mr. Dong, Wangji, Shen Wang and the Company on 24 May 2011 in contemplation of the initial public offering of shares by the Company in 2011. Pursuant to the Principal Deed, each of the Covenantors has given certain non-compete undertakings in favour of the Company as provided in the Principal Deed.

On 2 April 2015 (after trading hours), each of the Covenantors and the Company entered into the Supplemental Deed to amend, subject to and upon the Shareholders Approval being obtained, certain terms contained in the Principal Deed.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Liu (an executive Director) and Wangji are deemed to be interested in approximately 34% and 33% respectively of the entire issued share capital of the Company. They are accordingly connected persons of the Company as defined under the Listing Rules. The entering into the Supplemental Deed constitutes a connected transaction under Chapter 14A of the Listing Rules, which is subject to the reporting, announcement, and Independent Shareholders' approval requirements under the Listing Rules.

An Independent Board Committee has been formed to advise the Independent Shareholders on the Supplemental Deed. The Independent Financial Adviser has also been appointed to make recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Deed.

GENERAL

The AGM will be held for (among other things) the Independent Shareholders to consider and, if thought fit, approve the Supplemental Deed by way of ordinary resolution.

A circular containing (among other things) the following matters is expected to be despatched to the Shareholders on or before 24 April 2015: (i) further details of the Supplemental Deed; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Supplemental Deed; (iii) a letter of the IFA's recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Deed; and (iv) a notice to convene the AGM.

AMENDMENT TO THE DEED OF NON-COMPETITION

The Principal Deed

Reference is made to the Principal Deed dated 24 May 2011 and entered into between Mr. Liu, Mr. Dong, Wangji, Shen Wang and the Company in contemplation of the initial public offering of shares by the Company in 2011. Pursuant to the Principal Deed, each of the Covenantors has irrevocably and jointly and severally given certain undertakings in favour of the Company (for itself and for the benefits of its subsidiaries, where appropriate), including the undertakings that the Covenantor shall not (and shall procure that his/its associates at any time during the term of the Principal Deed (other than the Group) will not) in any Relevant Capacity directly or indirectly, alone or jointly with another person, in any form be interested or involved or engaged in or assist or support any third party in the operation of or acquire or hold any right or interest in any business or is about to be engaged in any business which competes or is likely to compete directly or indirectly with the Restricted Activity.

Under the Principal Deed, each Covenantor is also required to give certain confirmations and/or information to the Company and/or to perform certain acts on an annual basis (or when the circumstances as provided in the Principal Deed having occurred), so long as the Principal Deed is in force. Furthermore, the Principal Deed provides that it cannot be amended or varied save with the prior approval (“**Shareholders Approval**”) of the Shareholders by ordinary resolution (other than the Covenantors and their associates who are also Shareholders and are required to abstain from voting at the relevant general meeting).

The Supplemental Deed

On 2 April 2015 (after trading hours), each of the Covenantors and the Company entered into the Supplemental Deed.

In the Supplemental Deed, the parties agree and confirm that upon the Shareholders Approval being obtained, Mr. Dong and Shen Wang shall be excluded from being Covenantors to the Principal Deed, and they shall no longer be bound by the Principal Deed, nor be they deemed as part of the Controlling Shareholders for the purpose of the Principal Deed. Both Mr. Liu and Mr. Dong also confirmed in the Supplemental Deed that as at the date of the Supplemental Deed, they did not have any business or other special relationships between them, and they did not consider themselves to be persons connected to each other under the Listing Rules or parties acting in concert.

The amendments to the Principal Deed as contemplated by the Supplemental Deed shall take effect upon the Shareholders Approval being obtained. If the Shareholders Approval is not obtained on or before 31 December 2015 (or such later date as may be agreed by the parties), the Supplemental Deed shall become null and void in all respects and cease to have any effect; and no party shall have any claim against any of the other parties in connection with the Supplemental Deed.

The Supplemental Deed is supplemental to the Principal Deed. All the provisions of the Principal Deed shall continue to remain in full force and effect, save as supplemented and varied by the Supplemental Deed.

REASONS FOR ENTERING INTO THE SUPPLEMENTAL DEED

The Directors (excluding the INEDs whose views will be contained in the circular to be issued by the Company after considering the IFA's recommendation) are of the view that the collection and compilation of such information and/or taking of such actions as required under the Principal Deed will result in time and costs being incurred by the Company and also the Covenantors.

Mr. Dong and Shen Wang did not have any interest in any shares in the Company as at the date of the Supplemental Deed. Mr. Dong ceased to be a director of the Company with effect from 25 April 2012. Given that (i) Mr. Dong and Shen Wang cease to have any equity interest in the Company, and (ii) both Mr. Liu and Mr. Dong do not consider themselves to be persons connected to each other under the Listing Rules or parties acting in concert anymore, the Directors (excluding the INEDs) consider it appropriate to exclude Mr. Dong and Shen Wang from being bound by the Principal Deed in order to save unnecessary time and costs to be incurred by the Company to obtain annually the confirmations required under the Principal Deed from Mr. Dong and Shen Wang.

INFORMATION ON THE PARTIES AND THE COMPANY

Wangji is an investment holding company incorporated under BVI laws with limited liability. It is solely owned by Mr. Liu, and is one of the Controlling Shareholders. It is also one of the Covenantors.

Mr. Liu is one of the Controlling Shareholders, an executive Director, and the joint chairman and chief executive officer of the Company. He is also one of the Covenantors.

Shen Wang is an investment holding company incorporated under BVI laws with limited liability. It is solely owned by Mr. Dong, and is one of the Covenantors.

Mr. Dong is a former director of the Company, and he is also one of the Covenantors.

The Company is an investment holding company incorporated in the Cayman Islands. The Group is principally engaged in providing dredging services in the PRC, ranging from capital dredging, reclamation dredging, maintenance dredging and environmental protection dredging.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Liu (an executive Director and a controlling Shareholder) and Wangji are deemed to be interested in approximately 34% and 33% respectively of the entire issued share capital of the Company. They are accordingly connected persons of the Company as defined under the Listing Rules. The entering into the Supplemental Deed constitutes a connected transaction under Chapter 14A of the Listing Rules, which is subject to the reporting, announcement, and Independent Shareholders' approval requirements under the Listing Rules.

An Independent Board Committee has been formed to advise the Independent Shareholders on the Supplemental Deed. The Independent Financial Adviser has also been appointed to make recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Deed.

The Directors (excluding the INEDs) consider that the terms of the Supplemental Deed are fair and reasonable and in the interests of the Shareholders as a whole.

Save for Mr. Liu and Ms. Zhou Shuhua ("**Ms. Zhou**", who is the spouse of Mr. Liu), all of the Directors have confirmed that none of them has any material interest in the Supplemental Deed. Accordingly, no Director (except for Mr. Liu and Ms. Zhou) is required to abstain from voting at the meeting of the Board to approve the Supplemental Deed.

GENERAL

The AGM will be held for (among other things) the Independent Shareholders to consider and, if thought fit, approve the Supplemental Deed by way of ordinary resolution.

A circular containing (among other things) the following will be despatched to Shareholders on or before 24 April 2015: (i) further details of the Supplemental Deed; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Supplemental Deed; (iii) a letter of recommendation from the IFA to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Deed; and (iv) a notice to convene the AGM.

As at the date of this announcement, Mr. Liu and Wangji (being the Company's Controlling Shareholders and two of the Covenantors in the Supplemental Deed) have a material interest in the Supplemental Deed. Accordingly, they will abstain from voting in respect of the resolutions approving the Supplemental Deed at the AGM, pursuant to Rule 14A.36 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall have the meanings ascribed to them below, unless the context requires otherwise:

“AGM”	the annual general meeting of the Company to be held to consider and approve, among other matters, the Supplemental Deed
“associate”	has the meaning ascribed to such term under the Listing Rules
“Board”	the board of Directors
“BVI”	British Virgin Islands
“Company”	China Dredging Environment Protection Holdings Limited, 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 (Stock Code: 871)
“connected person(s)”	has the meaning ascribed to the term under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to the term under the Listing Rules
“Covenantors”	Mr. Liu, Mr. Dong, Wangji, and Shen Wang and “Covenantor” means any one of them
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	independent board committee of the Company comprising Mr. Huan Xue Dong, Mr. Chan Ming Sun Jonathan and Mr. Xu Hengju, being all INEDs, to advise the Independent Shareholders in respect of the Supplemental Deed

“Independent Financial Adviser” or “IFA”	New Spring Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Deed
“Independent Shareholder(s)”	any Shareholder that is not required to abstain from voting at the AGM to approve a connected transaction (e.g. the Supplemental Deed)
“INED(s)”	independent non-executive Director(s)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Dong”	Mr. Dong Liyong, one of the Covenantors, and who is a former Director, and the sole owner of Shen Wang
“Mr. Liu”	Mr. Liu Kaijin, one of the Controlling Shareholders, and who is an executive Director, a joint chairman and the chief executive officer of the Company, and also the sole owner of Wangji
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region, and Taiwan
“Principal Deed”	the deed of non-competition dated 24 May 2011 and entered into between Mr. Liu, Mr. Dong, Wangji, Shen Wang and the Company
“Relevant Capacity”	for its own account or for that of any person, firm or company other than the Company or the Group and whether through the medium of any company which is its associate (for which purpose there shall be aggregated with its shareholding or ability to exercise control the shares held or controlled by any of its associates) or as principal, partner, director, employee, consultant or agent and whether for profit, reward or otherwise
“Restricted Activity”	capital dredging, reclamation dredging, maintenance dredging and environmental protection dredging services and dredging-related construction services in the PRC and other business activities engaged by the Group from time to time
“Shareholder(s)”	Holder(s) of the shares of the Company
“Shen Wang”	Shen Wang Limited, a company incorporated under the laws of the British Virgin Islands on June 3, 2010 with limited liability and wholly owned by Mr. Dong, and one of the Covenantors

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Deed”	the supplemental deed of non-competition dated 2 April 2015 and entered into between Mr. Liu, Wangji, Mr. Dong, Shen Wang, and the Company, which contains provisions to amend the Principal Deed as summarised in the main text of this announcement
“Wangji”	Wangji Limited, a company incorporated under the BVI laws on 16 March 2010 with limited liability, which is solely owned by Mr. Liu, and is one of the Controlling Shareholders and one of the Covenantors

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

Hong Kong, 2 April 2015

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.