

*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**

**中國疏浚環保控股有限公司**

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

**(Stock Code: 871)**

### **DISCLOSEABLE TRANSACTION: DISPOSAL OF EQUITY INTERESTS IN A SUBSIDIARY**

The Board is pleased to announce that on 9 March 2016, the Vendor and the Purchaser entered into the Agreement pursuant to which, subject to the conditions precedent set out therein, the Purchasers agreed to acquire and the Vendor agreed to sell 100% equity interest in the TargetCo at the Consideration.

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

The Board is pleased to announce that on 9 March 2016, the Vendor and the Purchasers entered into the Agreement pursuant to which, subject to the conditions precedent set out therein, the Purchasers agreed to acquire and the Vendor agreed to sell 100% equity interest in the TargetCo at the Consideration, among which 98.89% equity interest shall be acquired by Ms. Xu while 1.11% equity interest shall be acquired by Ms. Chou.

The principal terms of the Agreement are set out below.

#### **PRINCIPAL TERMS OF THE AGREEMENT**

<b>Date</b>	: 9 March 2016
<b>Parties</b>	: (1) The Vendor; and (2) The Purchasers
<b>Subject of the Disposal</b>	The TargetCo

## **Consideration**

The total Consideration is RMB85.8 million, being the entire paid up capital of the TargetCo and payable by cash or by deduction from the receivables of the TargetCo from the Vendor. Ms. Xu and Ms. Chou shall pay the Vendor at a consideration of RMB83.34 million and RMB2.46 million respectively, both within three business days after completion of the Disposal. The Consideration was determined by the Vendor and the Purchasers on the basis of normal commercial terms and arm's length negotiations with reference to the total paid up capital of the TargetCo.

## **Conditions precedent and completion**

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

- (1) the TargetCo has completed all internal approval procedures for the changes of the articles of association and senior management of the TargetCo in relation to the Disposal;
- (2) there does not exist any circumstance which constitutes a breach of representations, undertakings, warranties or obligations provided by the Vendor or the Purchasers under the Agreement; and
- (3) the equity interest of the TargetCo to be transferred by the Vendor is true and legal and free from encumbrances.

Completion of the Disposal will take place within five business days after all conditions precedents have been fulfilled. The Vendor and the TargetCo shall deliver all required documents to the relevant regulatory authorities for the purpose of completing the Disposal.

## **Undertakings by the Vendor and the Purchasers**

The Agreement contains other usual representations and warranties given by the Vendor as to (among other matters) the equity interest of the TargetCo to be transferred by the Vendors being free from encumbrances and the legality of the interest of the TargetCo held by the Vendor. The Vendor also undertakes not to (among others) amend the articles of association of the TargetCo, change the share capital of the TargetCo or arrange for profit distribution by the TargetCo before completion of the Disposal.

The Purchaser represents and warrants (among others) legality of the source of fund of the Consideration. The Purchaser also undertakes that after completion of the Disposal, the Purchaser will continue to cooperate with the Vendor on its business to ensure that the operation of investment projects of the Vendor which tenders have been awarded will not be affected by the Disposal.

Upon completion of the Disposal, the TargetCo will cease to be a subsidiary of the Vendor or the Company.

Either the Vendor or the Purchasers are entitled to terminate the Agreement and/or entitled to compensation by the defaulting party upon, among others, breach of the representations, warranties or undertakings by the defaulting party.

## **INFORMATION ON THE COMPANY AND THE TARGETCO**

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

The TargetCo is a company established in the PRC. It is principally engaged in port and waterway construction and reclamation dredging business.

### **Financial information of the TargetCo**

Set out below is the summary of the unaudited key financial information of TargetCo during the period from 1 January 2014 to 31 December 2015:

	<b>For the year ended 31 December 2014 (RMB'000)</b>	<b>For the year ended 31 December 2015 (RMB'000)</b>
Net loss before taxation	5,451	11,836
Net loss after taxation	5,451	11,836

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Directors believe that the Disposal is beneficial to the Group as numerous environmental protection dredging works in the PRC currently requires to be equipped with more corresponding professional qualifications. However, the TargetCo is currently principally engaged in port and waterway construction and reclamation dredging business, which the growth prospect of this traditional dredging business is limited with the backdrop of the slowdown in the domestic economic growth in the PRC.

The Directors believe that the Disposal of the TargetCo can save administrative cost. Upon completion of the Disposal, the Group can still maintain the traditional dredging business such as port and waterway construction and reclamation dredging construction work while allocating more funding and resources into the environmental protection dredging sector, including technical upgrading of the environmental protection dredging and obtaining of more corresponding professional qualifications. Having regard to the above factors, the Directors, including the independent non-executive Directors, consider that the terms of the Disposal (including the basis of the Consideration), which are determined on an arm's length basis, are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

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

It is currently estimated that the Group will record a gain on Disposal of approximately RMB26.9 million (subject to adjustment and audit, and before expenses and taxes) for the year ending 31 December 2016, which is calculated by reference to the value of the Consideration to be received by the Vendor for the Disposal less the aggregate of the unaudited net asset value of approximately RMB58.9 million of the Target Company as at 31 December 2015.

## **LISTING RULES IMPLICATIONS**

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

“Agreement”	the share transfer agreement dated 9 March 2016 and entered into between the Vendor and the Purchasers pursuant to which the Vendor has agreed to sell and the Purchasers have agreed to acquire 100% equity interest in the TargetCo at the Consideration
“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
“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\$102.0 million) under the Disposal
“Contractual Arrangements”	certain contractual arrangements made by the Vendor with Jiangsu Xiangyu Port Constructing Project Administration Co. Ltd.* (江蘇翔宇港建工程管理有限公司), details of which are disclosed in the prospectus of the Company dated 8 June 2011
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of 100% equity interest in the TargetCo by the Vendor to the Purchasers pursuant to the terms of the Agreement
“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

“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
“Purchasers”	collectively, Ms. Xu Xiulan (“Ms. Xu”) and Ms. Chou Zhaoxiu (“Ms. Chou”), each an Independent Third Party
“RMB”	Renmini, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.10 in the capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TargetCo”	Jiangsu Province Lugang Construction Project Co. Limited* (江蘇省路港建設工程有限公司), a company established in the PRC which is an indirect wholly-owned subsidiary of the Company
“Vendor”	Jiangsu Xingyu Holding Group Limited* (江蘇興宇控股集團有限公司), 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
“%”	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, 9 March 2016

*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 Xuedong, Mr. Chan Ming Sun Jonathan and Mr. Xu Hengju as independent non-executive Directors.*