

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in **China Dredging Environment Protection Holdings Limited**, you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)**

- (1) PROPOSED SHARE CONSOLIDATION;**  
**(2) PROPOSED CHANGE IN BOARD LOT SIZE;**  
**(3) CONNECTED TRANSACTION IN RELATION TO**  
**SUBSCRIPTION OF NEW CONSOLIDATED SHARES BY**  
**THE SUBSTANTIAL SHAREHOLDER;**  
**(4) PROPOSED SHARE ISSUANCE UNDER SPECIFIC MANDATE;**  
**(5) APPLICATION FOR WHITEWASH WAIVER;**  
**AND**  
**(6) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



**Alliance Capital Partners Limited**

**同人融資有限公司**

Capitalised terms used on this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 8 to 28 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders is set out on pages 29 to 30 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 31 to 62 of this circular.

A notice convening the EGM to be held at Rooms 1501-2, 15/F, Siu On Plaza, 482 Jaffe Road, Causeway Bay, Hong Kong on Friday, 5 March 2021 at 3:00 p.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend and vote at the EGM in person, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event no less than 48 hours before the time appointed for holding the EGM (i.e. Wednesday, 3 March 2021 at 3:00 p.m. (Hong Kong time)) or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and, in such event, the instrument appointing the proxy shall be deemed to be revoked.

Please see the section headed "PRECAUTIONARY MEASURES FOR THE EGM" in the circular for measures being taken to try to prevent and control the spread of the COVID-19 at the EGM.

3 February 2021

## **PRECAUTIONARY MEASURES FOR THE EGM**

The Board has made reference to the “Joint Statement in relation to General Meetings in light of the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation” jointly issued by the Stock Exchange and the SFC on 1 April 2020 in relation to the arrangement of the EGM.

### **VOTING BY PROXY IN ADVANCE OF THE EGM**

The Company does not in any way wish to diminish the opportunity available to the Shareholders to exercise their rights and to vote, but is conscious of the pressing need to protect the Shareholders from possible exposure to the COVID-19 pandemic. For the health and safety of the Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy instead of attending the EGM in person. Physical attendance is not necessary for the purpose of exercising Shareholders’ rights. Completion and return of the proxy form will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof should they subsequently so wish.

### **PREVENTIVE MEASURES AT THE EGM**

The Company will implement the following preventive measures at the EGM to safeguard the health and safety of the attending Shareholders, staff and other stakeholders:

- (a) compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.5 degrees Celsius will be requested to stay in an isolated place for completing the voting procedures;
- (b) all Shareholders, proxies and other attendees are required to complete and submit at the entrance of the EGM venue a declaration form confirming their names and contact details, and confirming that they have not travelled to, or had physical contact with any person who to their best of knowledge has recently travelled to, any affected countries or areas outside Hong Kong (as per guidelines issued by the Hong Kong Government at [www.chp.gov.hk/en/features/102742.html](http://www.chp.gov.hk/en/features/102742.html)) at any time in the preceding 14 days. Any person who does not comply with this requirement will be requested to stay in an isolated place for completing the voting procedures;
- (c) every attendee will be required to wear a surgical face mask throughout the EGM. Please note that no masks will be provided at the EGM venue and attendees should bring and wear their own masks; and
- (d) no refreshments will be served and there will be no corporate gifts.

In the interest of all stakeholders’ health and safety and consistent with recent guidelines for prevention and control of COVID-19, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an

## **PRECAUTIONARY MEASURES FOR THE EGM**

alternative, by using proxy forms with voting instructions inserted, Shareholders may appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM instead of attending the EGM in person.

The Company will closely monitor the development of the COVID-19 pandemic and any regulations or measures introduced or to be introduced by the Hong Kong Government in relation to COVID-19 pandemic. The Company will ensure that the EGM will be conducted in compliance with the regulations or measures of the Hong Kong Government and Shareholders will not be deprived of their right of voting on the resolutions to be proposed at the EGM. Further announcements will be made by the Company as soon as possible if there is any update to the preventive measures as mentioned above.

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## DEFINITIONS

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

“2016 Bonds”	3% convertible bonds originally due 2016 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 and also a deed poll dated 8 November 2013 executed by the Company as amended and supplemented from time to time by a framework agreement (as amended by a supplemental framework agreement and a second supplemental framework agreement) and also various amendment agreements to such deed poll
“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Announcement”	the announcement of the Company dated 14 January 2021 in relation to, among other things, the Share Consolidation, the Change in Board Lot Size, the Subscription and the Whitewash Waiver
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Bondholder”	CITIC Capital China Access Fund Limited, being the holder of the 2016 Bonds
“Business Day”	any day (excluding Saturday) on which commercial banks generally are open for business in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time
“Change in Board Lot Size”	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 1,000 Existing Shares to 20,000 Consolidated Shares
“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

## DEFINITIONS

“Completion”	completion of the Subscription
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consolidated Share(s)”	ordinary Share(s) of HK\$0.20 each immediately after the Share Consolidation having become effective
“Director(s)”	the director(s) of the Company from time to time
“EGM”	the extraordinary general meeting of the Company to be convened on Friday, 5 March 2021 for the purpose of considering and if thought fit, approving the Share Consolidation, the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver
“Encumbrances”	a mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance or security interest of any kind, or any other type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect
“Executive”	the executive director of the Corporate Finance Division of the SFC or any delegate of the executive director
“Existing Share(s)”	ordinary Share(s) of HK\$0.10 each prior to the Share Consolidation having become effective
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

## DEFINITIONS

“Independent Board Committee”	the independent committee of the Board which comprises all the independent non-executive Directors, namely Mr. Huan Xuedong, Mr. Chan Ming Sun Jonathan and Mr. Liang Zequan, established to advise the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver
“Independent Financial Adviser” or “Alliance Capital”	Alliance Capital Partners Limited, a licensed corporation to carry out type 1 (dealing in securities) and 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 Subscription and the Whitewash Waiver
“Independent Shareholder(s)”	Shareholders other than (i) the Subscriber and parties acting in concert with him, including Ms. Zhou Shuhua and Wangji Limited; (ii) those who have a material interest in the Subscription or are required by the Listing Rules to abstain from voting on the resolution approving the Subscription, the allotment and issue of the Subscription Shares and other transactions contemplated under the Subscription Agreement; and (iii) those who are involved in or interested in the Subscription and/or the Whitewash Waiver
“Independent Third Party(ies)”	a person or company who or which is, to the best of the Director’s knowledge, information and belief, having made all reasonable enquiries, not a connected person of the Group
“Last Trading Day”	13 January 2021, being the last trading day of the Shares immediately prior to the entering into of the Subscription Agreement
“Latest Practicable Date”	29 January 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Committee”	has the meaning ascribed thereto under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	31 March 2021, or any other date to be agreed by the Subscriber and the Company in writing

## DEFINITIONS

“Ms. Zhou”	Ms. Zhou Shuhua (周淑華), an executive Director, a substantial Shareholder and the spouse of the Subscriber
“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Relevant Period”	the period commencing six months prior to the date of the Announcement (i.e. 14 January 2021) and ending on the Latest Practicable Date
“SFC”	The Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the Existing Share(s) or the Consolidated Share(s), as the case may be
“Share Consolidation”	the proposed consolidation of every two (2) Existing Shares into one (1) Consolidated Share
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the EGM to grant the authority to the Board for the allotment and issue of the Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Mr. Liu Kaijin (劉開進), the chairman of the Company, an executive Director and a substantial Shareholder
“Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the terms of the Subscription Agreement
“Subscription Price”	HK\$0.20 per Subscription Share
“Subscription Share(s)”	508,240,000 new Consolidated Shares (after the Share Consolidation having become effective) to be allotted and issued to the Subscriber pursuant to the Subscription Agreement



## DEFINITIONS

“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Wangji”	Wangji Limited, a company incorporated under the laws of the British Virgin Islands, wholly-owned by the Subscriber as an investment vehicle holding approximately 17.66% equity interest in the Company immediately prior to the Completion
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligations of the Subscriber to make a mandatory general offer for all the issued securities of the Company not already owned, or controlled or agreed to be acquired by the Subscriber and any parties acting in concert with them under Rule 26 of the Takeovers Code which would, if the Subscription proceeds, otherwise arise as a result of the Subscription
“%”	per cent.

*For the purpose of this circular, unless otherwise indicated, the exchange rate of RMB0.8802 = HK\$1 has been used. Such an exchange rate is for illustration only and does not constitute a representation that any amount have been, could have been or may be converted at such a rate.*

*\* for identification purpose only*

<b>EXPECTED TIMETABLE</b>
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The expected timetable for the implementation of the Share Consolidation and Change in Board Lot Size is set out below.

<b>Event</b>	<b>Time and Date</b>
Expected date of despatch of the circular with notice and form of proxy of the EGM.....	Wednesday, 3 February 2021
Latest date and time for lodging transfer documents in order to qualify for attending and voting at the EGM.....	4:30 p.m. on Monday, 1 March 2021
Closure of register of members for determining the entitlement to attend and vote at the EGM.....	Tuesday, 2 March 2021 to Friday, 5 March 2021 (both dates inclusive)
Latest date and time for lodging forms of proxy for the EGM .....	3:00 p.m. on Wednesday, 3 March 2021
Date and time of the EGM .....	3:00 p.m. on Friday, 5 March 2021
Announcement of poll results of the EGM.....	Friday, 5 March 2021

**The following events are conditional upon the fulfilment of the conditions for the implementation of the Share Consolidation as set out in the paragraph headed “Conditions of the Share Consolidation” above:**

<b>Event</b>	<b>Time and Date</b>
Effective date of the Share Consolidation.....	Tuesday, 9 March 2021
First day of free exchange of existing share certificates for new share certificates for the Consolidated Shares.....	Tuesday, 9 March 2021
Commencement of dealings in the Consolidated Shares.....	9:00 a.m. on Tuesday, 9 March 2021
Original counter for trading in the Existing Shares in board lots of 1,000 Existing Shares (in the form of existing share certificates) temporarily closes.....	9:00 a.m. on Tuesday, 9 March 2021

## EXPECTED TIMETABLE

Temporary counter for trading in the Consolidated Shares in board lots of 500 Consolidated Shares (in the form of existing share certificates) opens.....	9:00 a.m. on Tuesday, 9 March 2021
Original counter for trading in the Consolidated Shares in board lots of 20,000 Consolidated Shares (in the form of new share certificates) reopens .....	9:00 a.m. on Tuesday, 23 March 2021
Parallel trading in the Consolidated Shares (in the form of new share certificates and existing share certificates) commences.....	9:00 a.m. on Tuesday, 23 March 2021
Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Shares.....	9:00 a.m. on Tuesday, 23 March 2021
Temporary counter for trading in the Consolidated Shares in board lots of 500 Consolidated Shares (in the form of existing share certificates) closes.....	4:10 p.m. on Thursday, 15 April 2021
Parallel trading in the Consolidated Shares (in the form of new share certificates and existing share certificates) ends.....	4:10 p.m. on Thursday, 15 April 2021
Designated broker ceases to stand in the market to provide matching services for odd lots of the Consolidated Shares.....	4:10 p.m. on Thursday, 15 April 2021
Latest date and time for free exchange of existing share certificates for new share certificates for the Consolidated Shares .....	4:30 p.m. on Monday, 19 April 2021

*Note:* All times and dates in this circular refer to Hong Kong local times and dates. In the event that any special circumstances arise, such dates and deadlines may be adjusted by the Board if it considers appropriate. Any changes to the expected timetable will be published or notified to the Shareholders by way of announcement(s) on the website of the Stock Exchange and on the website of the Company as and when appropriate.

LETTER FROM THE BOARD



**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)**

*Executive Directors:*

Mr. Liu Kaijin (*Chairman*)  
Mr. Wu Xuze (*Chief Executive Officer*)  
Ms. Zhou Shuhua

*Independent non-executive Directors:*

Mr. Huan Xuedong  
Mr. Chan Ming Sun Jonathan  
Mr. Liang Zequan

*Registered office:*

Cricket Square, Hutchins Drive,  
P.O. Box 2681, Grand Cayman KY1-1111,  
Cayman Islands

*Headquarters and principal place of  
business:*

*The People's Republic of China:*  
7/F, Shengzhou Tower,  
39 Xindu West Road, Yandu District,  
Yancheng City, Jiangsu Province,  
the PRC

*Hong Kong:*

Rooms 1501-2, 15/F,  
Siu On Plaza,  
482 Jaffe Road,  
Causeway Bay, Hong Kong

3 February 2021

*To the Shareholders*

Dear Sir or Madam,

- (1) PROPOSED SHARE CONSOLIDATION;**  
**(2) PROPOSED CHANGE IN BOARD LOT SIZE;**  
**(3) CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF  
NEW CONSOLIDATED SHARES BY THE SUBSTANTIAL SHAREHOLDER;**  
**(4) PROPOSED SHARE ISSUANCE UNDER SPECIFIC MANDATE; AND**  
**(5) APPLICATION FOR WHITEWASH WAIVER**

**INTRODUCTION**

References are made to the Announcement in relation to, among other things, the Share Consolidation, the Change in Board Lot Size, the Subscription and the Whitewash Waiver.

## **LETTER FROM THE BOARD**

The purpose of this circular is to provide you with, among other things, (i) details of the Share Consolidation and the Change in Board Lot Size; (ii) details of the Subscription Agreement and the Whitewash Waiver; (iii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver; (iv) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver; (v) a notice of the EGM; and (vi) other information as required under the Listing Rules and the Takeovers Code.

### **PROPOSED SHARE CONSOLIDATION**

The Board proposes to implement the Share Consolidation on the basis that every two (2) issued and unissued Existing Shares of HK\$0.10 each be consolidated into one (1) Consolidated Share of HK\$0.20.

#### **Conditions of the Share Consolidation**

The Share Consolidation is conditional upon the following conditions being satisfied:

- (a) the passing of an ordinary resolution by the Shareholders at the EGM to approve the Share Consolidation; and
- (b) the Listing Committee granting the approval for listing of, and permission to deal in the Consolidated Shares.

As at the Latest Practicable Date, none of the conditions precedent set out above is fulfilled.

Subject to the satisfaction of all of the above conditions, it is expected that the Share Consolidation will become effective one clear Business Day after the date of the EGM.

#### **Effect of the Share Consolidation**

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$1,000,000,000 divided into 10,000,000,000 Shares of HK\$0.10 each, of which 1,991,283,000 Existing Shares have been allotted and issued, and are fully paid or credited as fully paid. Upon the Share Consolidation becoming effective and on the basis that the Company does not allot, issue or repurchase any Existing Shares prior thereto, the authorised share capital of the Company will become HK\$1,000,000,000 divided into 5,000,000,000 Shares of HK\$0.20 each, of which 995,641,500 Consolidated Shares will be in issue.

The Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Existing Shares as at the Latest Practicable Date.

## LETTER FROM THE BOARD

Other than the relevant expenses incurred, the implementation of the Share Consolidation will have no effect on the consolidated total asset value of the Group, nor will it alter the underlying assets, business, operations, management or financial position of the Group or the interests of the Shareholders as a whole, save for any fractional Consolidated Shares (if any) to which the Shareholders would otherwise be entitled. The Board believes that the Share Consolidation will not have any material adverse effect on the financial position of the Company.

### **Status of the Consolidated Shares**

Upon the Share Consolidation becoming effective, the Consolidated Shares shall rank *pari passu* in all respects with each other, and the Share Consolidation will not result in any change in the relative rights of the Shareholders.

### **Listing application**

An application will be made by the Company to the Listing Committee for the listing of, and the permission to deal in, the Consolidated Shares.

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange upon the Share Consolidation becoming effective, as well as the compliance with the stock admission requirements of the HKSCC, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

None of the Existing Shares are listed or dealt in on any other stock exchange other than the Stock Exchange, and at the time when the Share Consolidation becomes effective, the Consolidated Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

### **Other Arrangements**

#### ***Fractional entitlement to Consolidated Shares***

Fractional Consolidated Shares, if any, will be disregarded and will not be issued to Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefits of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Existing Shares regardless of the number of share certificates held by such holder.

## LETTER FROM THE BOARD

Shareholders who are concerned about losing out on any fractional entitlement are recommended to consult their licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser and may wish to consider the possibility of buying or selling the Existing Shares in a number sufficient to make up an entitlement to receive a whole number of Consolidated Shares.

### *Odd lots trading arrangement*

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares arising from the Share Consolidation, the Company has appointed China Tonghai Securities Limited, as an agent to provide matching services, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares during the period from Tuesday, 23 March 2021 to Thursday, 15 April 2021. Shareholders who wish to take advantage of this facility should contact Mr. Adrian Lam of China Tonghai Securities Limited at 18/F, China Building, 29 Queen's Road Central, Hong Kong (telephone number: (852) 2217 2858) during office hours (i.e. 9:00 a.m. to 6:00 p.m.) of such period. Holders of odd lots of the Consolidated Shares should note that successful matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Any Shareholder, who is in any doubt about the odd lot arrangement, is recommended to consult his/her/its own professional advisers.

**Shareholders or potential investors should note that (i) odd lots will be created after the Share Consolidation; (ii) odd lots arrangements do not guarantee successful matching of all odd lots at the relevant market price; and (iii) odd lots might be sold below the market price in the market.**

### *Exchange of share certificates*

Subject to the Share Consolidation becoming effective, Shareholders may, on or after 9 March 2021 until 19 April 2021 (both days inclusive), submit share certificates of the Existing Shares (in blue colour) to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong to exchange, at the expense of the Company, for new share certificates of the Consolidated Shares on the basis of two (2) Existing Shares for one (1) Consolidated Share (in green colour), which will reflect the new board lot size of 20,000 Consolidated Shares. Thereafter, share certificates of Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time be specified by the Stock Exchange) by the Shareholders for each share certificate for the Existing Shares submitted for cancellation or each new share certificate issued for the Consolidated Shares, whichever the number of certificates cancelled/issued is higher.

Nevertheless, after 4:10 p.m. on 15 April 2021, share certificates for the Existing Shares will continue to be good evidence of legal title and may be exchanged for new share certificates for the Consolidated Shares at any time but will not be accepted for trading, settlement and registration.

## **LETTER FROM THE BOARD**

### **PROPOSED CHANGE IN BOARD LOT SIZE**

As at the Latest Practicable Date, the Existing Shares are currently traded on the Stock Exchange in the board lot size of 1,000 Existing Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 1,000 Existing Shares to 20,000 Consolidated Shares conditional upon the Share Consolidation becoming effective.

Based on the closing price of HK\$0.083 per Existing Share as quoted on the Stock Exchange as at the Latest Practicable Date, (i) the market value per board lot of 1,000 Existing Shares is HK\$83; and (ii) the theoretical market value per board lot of 20,000 Consolidated Shares would be HK\$3,320 assuming the Share Consolidation and the Change in Board Lot Size becoming effective.

The Change in Board Lot Size will not result in change in the relative rights of the Shareholders.

### **REASONS FOR THE PROPOSED SHARE CONSOLIDATION AND THE PROPOSED CHANGE IN BOARD LOT SIZE**

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the Stock Exchange reserves the right to require the issuer either to change the trading method or proceed with a consolidation or splitting of securities. In this regard, the Share Consolidation will enable the Company to comply with the trading requirements of the Listing Rules.

In view that the Share had been traded below HK\$0.10 in the past 12 months (based on the closing price per Share as quoted on the Stock Exchange) which is considered by the Stock Exchange as reaching the extremity of HK\$0.01, the Board proposes to implement the Share Consolidation.

The Share Consolidation will increase the nominal value of the Shares and will reduce the total number of Shares currently in issue. As such, it is expected that the Share Consolidation will bring about a corresponding upward adjustment in the trading price of the Shares.

Further, the Share Consolidation will reduce the overall transaction and handling costs of dealings in the Shares as a proportion of the market value of each board lot, since most of the banks/securities houses will charge a minimum transaction costs for each securities trade. It is hoped that this will make investing in the Shares more attractive to a broader range of investors, in particular to institutional investors whose house rules might otherwise prohibit or restrict trading in securities that are priced below a prescribed floor, and thus help to further broaden the shareholder base of the Company.

Subject to the Share Consolidation becoming effective, the Board also proposes to change the board lot size for trading from 1,000 Existing Shares to 20,000 Consolidated Shares.



## LETTER FROM THE BOARD

Pursuant to the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 1 October 2020, the expected board lot value should be greater than HK\$2,000 per board lot taking into account the minimum transaction costs for a securities trade. As at the Latest Practicable Date, the closing price of each Existing Share is HK\$0.083, with a board lot size of 1,000 Existing Shares, the Company is trading under HK\$2,000 per board lot.

It is expected that the Share Consolidation, together with the Change in Board Lot Size, will increase the value of each board lot of the Consolidated Shares to more than HK\$2,000.

Given the above reasons, the Company considers that the Share Consolidation and the Change in Board Lot Size are justifiable despite the potential costs and negative impact arising from the creation of odd lots to Shareholders. Accordingly, the Directors consider that the Share Consolidation and the Change in Board Lot Size are beneficial to and in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the Company has no intention to carry out other corporate actions in the next 12 months which may have an effect of undermining or negating the intended purpose of the Share Consolidation and the Change in Board Lot Size, and the Company does not have any agreement, arrangement, understanding, intention, negotiation (concluded or otherwise) to conduct any fund raising activities in the next 12 months (save for the Subscription). However, the Board cannot rule out the possibility that the Company will conduct debt and/or equity fund raising exercises when suitable fund raising opportunities arise in order to support future development of the Group. The Company will make further announcements in this regard in accordance with the Listing Rules as and when appropriate.

### SUBSCRIPTION OF NEW CONSOLIDATED SHARES

#### The Subscription Agreement

*Date*

14 January 2021 (after trading hours)

*Parties*

Issuer : the Company

Subscriber : Liu Kaijin, a substantial Shareholder, the chairman of the Company and an executive Director

The Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 508,240,000 new Consolidated Shares at the Subscription Price of HK\$0.20 per Subscription Share to the Subscriber, with an aggregate consideration of HK\$101,648,000.

## LETTER FROM THE BOARD

### *The Subscription Shares*

The Subscription Shares represent (i) approximately 51.05% of the issued share capital of the Company as at the Latest Practicable Date (assuming the Share Consolidation having become effective); and (ii) approximately 33.80% of the then issued share capital of the Company as enlarged by the Subscription Shares (assuming there will be no other change in the number of issued Shares between the Latest Practicable Date and the date of Completion, save for the Share Consolidation and the issue and allotment of the Subscription Shares). With reference to the theoretical closing price of HK\$0.180 per Consolidated Share based on the closing price of HK\$0.090 per Existing Share on the Last Trading Day, the Subscription Shares have a market value of HK\$91,483,200, and the aggregate nominal value of the Subscription Shares is HK\$101,648,000 based on the par value of the Consolidated Shares of HK\$0.20.

### *Subscription Price*

The Subscription Price of HK\$0.20 per Subscription Share (which is equivalent to the par value of the Consolidated Shares), represents:

- (a) a premium of approximately 11.11% to the theoretical closing price of HK\$0.180 per Consolidated Share based on the closing price of HK\$0.090 per Existing Share on the Last Trading Day and taking into account the effect of the Share Consolidation;
- (b) a premium of approximately 17.65% to the theoretical average closing price of approximately HK\$0.170 per Consolidated Share based on the average closing price of approximately HK\$0.085 per Existing Share for the last five consecutive trading days up to and including the date of the Last Trading Day and taking into account the effect of the Share Consolidation;
- (c) a premium of approximately 23.30% to the theoretical average closing price of approximately HK\$0.162 per Consolidated Share based on the average closing price of approximately HK\$0.081 per Existing Share for the last ten trading days up to and including the Last Trading Day and taking into account the effect of the Share Consolidation;
- (d) a discount of approximately 87.63% to the Group's theoretical net asset per Consolidated Share of approximately HK\$1.617 based on the net asset per Existing Share as at 31 December 2019 of approximately HK\$0.808, which is based on the Company's audited consolidated net asset value attributable to the Shareholders of approximately RMB1,416,869,000 as at 31 December 2019 and the 1,991,283,000 Existing Shares in issue as at the Latest Practicable Date;
- (e) a discount of approximately 86.95% to the Group's theoretical net asset per Consolidated Share of approximately HK\$1.533 based on the net asset per Existing Share as at 30 June 2020 of approximately HK\$0.766, which is based on the Company's unaudited

## LETTER FROM THE BOARD

consolidated net asset value attributable to the Shareholders of approximately RMB1,343,078,000 as at 30 June 2020 and the 1,991,283,000 Existing Shares in issue as at the Latest Practicable Date; and

- (f) a premium of approximately 20.48% to the theoretical closing price of HK\$0.166 per Consolidated Share based on the closing price of HK\$0.083 per Existing Share on the Latest Practicable Date.

The Subscription Price was determined after arm's length negotiations between the Company and the Subscriber with reference to (i) the financial position of the Group, in particular the financial difficulties encountered by the Group as detailed below and in the section headed "**REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS**"; (ii) the recent market prices of the Shares; and (iii) the par value of the Consolidated Shares. When determining the Subscription Price, the Board is mindful of the followings: (i) the total liabilities of the Group were approximately RMB1,261.1 million as at 30 June 2020; (ii) the Group recorded an unaudited loss attributable to the owners of the Company of approximately RMB74.1 million for the six months ended 30 June 2020 and net current liabilities of approximately RMB352 million as at 30 June 2020; (iii) the Group has been encountering genuine difficulties in obtaining adequate debt or equity financing from financial institutions or independent third parties in the two recent financial years on favourable terms and/or in a large sum; and (iv) in view of the approaching maturity date of the 2016 Bonds (i.e. 31 March 2021) which will fall due within two months, placing of Shares to the Subscriber as a means to raise fund to repay the 2016 Bonds shall be the most viable option on hand compared with the other types of debt and equity financings and such repayment may improve the financial conditions and liabilities of the Group and remove the auditor's opinion on material uncertainty related to going concern, which is in the best interest of the Company and its shareholders in the long run. Based on the above reasons, despite there is a discount of the Subscription Price to the net asset value attributable to the Shareholders, the Directors (excluding the Subscriber and Ms. Zhou Shuhua (who is the spouse of the Subscriber) who are required to abstain from voting on the Board resolutions in relation to the Subscription Agreement and including the Independent Board Committee whose opinion is set forth in the "**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**" in this circular after taking into consideration of the advice from the Independent Financial Adviser) consider that the Subscription Price is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

### *Conditions precedent*

Completion is conditional upon the fulfillment of the following conditions:

- (a) the passing of the resolution(s) at the EGM by the Independent Shareholders to approve the Subscription Agreement and the transactions contemplated thereunder, including the granting of the Specific Mandate to allot and issue the Subscription Shares and the Whitewash Waiver;
- (b) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Subscription Shares on the Main Board of the Stock Exchange and such permission not having been revoked or withdrawn;
- (c) the Executive granting the Whitewash Waiver to the Subscriber;

## LETTER FROM THE BOARD

- (d) the Company not having received written notice from the Stock Exchange indicating that the listing of the Shares on the Stock Exchange would be suspended, revoked or withdrawn immediately after the Completion due to the Subscription Agreement and/or the transactions contemplated thereunder;
- (e) the representations, warranties and undertakings given by the Company under the Subscription Agreement remaining true and accurate in all material respects;
- (f) the Company having fulfilled its obligations under the Subscription Agreement in all material respects;
- (g) the representations, warranties and undertakings given by the Subscriber under the Subscription Agreement remaining true and accurate in all material respects;
- (h) the Subscriber having fulfilled its obligations under the Subscription Agreement in all material respects; and
- (i) the Share Consolidation and the Change in Board Lot Size having become effective.

As at the Latest Practicable Date, save for the approvals and/or filings required as set out in paragraphs (a), (b), (c) and (i) above, the Company is not aware of any material consent, permit, approval, registration, filing, notice, confirmation, authorisation or waiver required in relation to the Subscription Agreement and/or the transactions contemplated thereunder which must be obtained by the Company on or before Completion.

The conditions set out in paragraphs (e) and (f) above may be waived by the Subscriber, while the conditions set out in paragraphs (g) and (h) may be waived by the Company. Save as aforementioned, none of the conditions precedent can be waived by any parties to the Subscription Agreement. In the event that the conditions are not fulfilled or waived (as the case may be) on or before 5:00 p.m. of the Long Stop Date (or such later date as may be agreed between the Company and the Subscriber), the Subscription Agreement shall lapse and all the rights and obligations thereunder shall cease, save for any rights or obligations which may accrue prior to the date of such lapse or any liabilities for any antecedent breaches thereof. The Subscription will not proceed if the Whitewash Waiver is not granted by the Executive, or, if so granted by the Executive but not approved by the Independent Shareholders.

As at the Latest Practicable Date, none of the above conditions have been fulfilled.

### *Completion*

Subject to the conditions having been fulfilled or waived (if applicable), the Completion will take place on the second (2nd) Business Day following the day on which the last of conditions has been fulfilled (or waived, as the case may be), and in any event not later than the Long Stop Date (or such other date as may be agreed by the Company and the Subscriber in writing).

## LETTER FROM THE BOARD

On the date of the Completion, the Subscriber shall pay to the Company the total consideration of HK\$101,648,000 for the subscription of the Subscription Shares and the Subscription Shares shall be allotted and issued to the Subscriber free from all Encumbrances and ranking *pari passu* with all the Consolidated Shares in issue in all respects including the right to any dividends or distributions made or declared thereafter.

### *Payment terms*

The Subscriber shall pay the total Subscription Price of HK\$101,648,000 (or RMB equivalent) by way of bank wire transfer on the date of Completion.

### *Lock-up undertakings*

The Subscriber undertakes to and covenants with the Company that, unless in compliance with the requirements of the Listing Rules, the Subscriber shall not, in the period commencing on the date of Completion and ending on the date which is 6 months from the date of Completion, dispose of, or enter into any agreement to dispose of or otherwise create any encumbrances in respect of, any of the Subscription Shares.

### *Specific mandate to issue the Subscription Shares*

The Subscription Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM.

## **APPLICATION FOR LISTING**

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consolidated Shares and the Subscription Shares on the Main Board of the Stock Exchange.

## **REDEMPTION OF THE 2016 BONDS**

On 28 October 2013, the Company entered into a subscription agreement with the Bondholder, pursuant to which the Company has agreed to issue and the Bondholder has agreed to subscribe for the 2016 Bonds, the aggregate principal amount of which is HK\$243 million. Unless previously redeemed or converted or purchased and cancelled, the Company is obliged to make redemption, in cash, of the outstanding principal amount of the 2016 Bonds at the redemption amount which is equal to 133.792% of the principal amount of the outstanding 2016 Bonds on the maturity date, being 7 November 2016. For details, please refer to the announcement of the Company dated 28 October 2013. As disclosed in the announcement of the Company dated 15 November 2016, all conversion rights attached to the 2016 Bonds has been cancelled since 8 November 2016. Set out

## LETTER FROM THE BOARD

below are the details of agreements entered into between the Company and the Bondholder in relation to the extension of the maturity date of the 2016 Bonds.

Date	Name of the agreements	Events
15 December 2016	Amendment Agreement	Under the Amendment Agreement, it has been agreed that the principal amount of the 2016 Bonds shall be amended to HK\$275,415,351.76 and the maturity date of the 2016 Bonds shall be extended to 14 March 2017. For details, please refer to the announcement of the Company dated 16 December 2016.
21 March 2017	Second Amendment Agreement	Under the Second Amendment Agreement, it has been agreed that, among other matters, the principal amount of the 2016 Bonds shall be amended to HK\$274,434,701.5 and the maturity date of the 2016 Bonds shall be extended to 21 September 2017. For details, please refer to the announcement of the Company dated 22 March 2017.
5 June 2017	Third Amendment Agreement	Under the Third Amendment Agreement, it has been agreed that, among other matters, (i) the principal amount of the 2016 Bonds shall be amended to HK\$289,956,540; (ii) the grant of the security by Jiangsu Xiangyu Environment Protection Equipment Company Limited* (江蘇翔宇環保設備有限公司), a wholly-owned subsidiary of the Company and Jiangsu Xingyu Holdings Limited* (江蘇興宇控股集團有限公司), a wholly-owned subsidiary of the Company, to the Bondholder and/or its affiliate over an industrial premises located in Jiangsu Province, the PRC and a residential property located in Shandong Province, the PRC, respectively; and (iii) the maturity date of the 2016 Bonds shall be extended to 21 September 2017. For details, please refer to the announcement of the Company dated 5 June 2017.
21 September 2017	Fourth Amendment Agreement	Under the Fourth Amendment Agreement, it has been agreed that, among other things, the principal amount of the 2016 Bonds shall be amended to HK\$304,867,456 and the maturity date of the 2016 Bonds shall be extended to 30 November 2017. For details, please refer to the announcement of the Company dated 22 September 2017.

## LETTER FROM THE BOARD

<b>Date</b>	<b>Name of the agreements</b>	<b>Events</b>
23 January 2018	Fifth Amendment Agreement	Under the Fifth Amendment Agreement, it has been agreed that, among other matters, the principal amount of the 2016 Bonds shall be amended to HK\$278,776,992 and the maturity date of the 2016 Bonds shall be extended to 21 June 2018. For details, please refer to the announcement of the Company dated 23 January 2018.
15 March 2019	Sixth Amendment Agreement	Under the Sixth Amendment Agreement, it has been agreed that, among other matters, the principal amount of the 2016 Bonds shall be amended to HK\$290,000,141.27 and the maturity date of the 2016 Bonds shall be amended to 20 December 2019. For details, please refer to the announcement of the Company dated 15 March 2019.
3 December 2020	Seventh Amendment Agreement	Under the Seventh Amendment Agreement, it has been agreed that, among other matters, (a) the principal amount of the 2016 Bonds shall be amended to be HK\$319,482,769.63; (b) the redemption amount of the 2016 Bonds shall be amended to be HK\$352,446,870.29; and (c) the maturity date of the 2016 Bonds shall be amended to be 31 March 2021.

It has also been agreed that the Company shall be deemed to have paid the redemption amount of the 2016 Bonds in full if the Company pays or procures the payment to the Bondholder or its affiliate a sum of RMB equivalent of HK\$98,359,241 on or before the maturity date of the 2016 Bonds. For details, please refer to the announcement of the Company dated 3 December 2020.

If the Company pays or procures the payment to the Bondholder or its affiliate a sum of RMB equivalent of HK\$98,359,241 on or before the maturity date of the 2016 Bonds, the repayment of HK\$98,359,241 will be treated as the full and final settlement of the 2016 Bonds.



## **LETTER FROM THE BOARD**

Up to the Latest Practicable Date, the aggregate amount of partial repayment of the 2016 Bonds made by the Company to the Bondholder is approximately HK\$139 million. After various arm's length negotiations between the Bondholder and the Company and in view of (i) the partial repayments made by the Company to the Bondholder from time to time and (ii) the Bondholder's risk management policy of recouping the principal amount as much and as early as possible in order to avoid any possibilities of incurring bad debts, it has been agreed that the cash repayment of HK\$98,359,241 would be deemed as the repayment of the redemption amount of the 2016 Bonds in full.

The redemption will be paid out of the proceeds from the Subscription.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, the Bondholder is not a Shareholder.

### **BACKGROUND OF THE GROUP, THE COMPANY AND THE SUBSCRIBER**

The Group is primarily engaged in dredging business, which can be divided into three main operating and reportable segments, namely, (i) capital and reclamation dredging business; (ii) environmental protection dredging and water management business; and (iii) other works operated in marine sites such as hoisting wind power equipment, installing major parts of docks and bridges, as well as laying underwater pipelines and salvaging. In addition, the Group engaged in property management business in respect of managing Xingyu International Houseware Plaza (formerly known as Easyhome Yancheng Shopping Mall).

The Company is a company incorporated in the Cayman Islands with limited liability and is principally engaged in the business of investment holding.

The Subscriber is a substantial Shareholder, the chairman of the Company and an executive Director. He is the founder of the Group and has over 20 years of experience in the dredging industry in the PRC. He is primarily responsible for overseeing the Group's daily operations and planning of its business strategies.

Based on the information made available to the Company, as at the Latest Practicable Date, the Subscriber and parties acting in concert with him (namely Ms. Zhou Shuhua, the spouse of the Subscriber and Wangji, which is wholly-owned by the Subscriber) are interested in an aggregate of 387,159,000 Existing Shares, representing approximately 19.44% of the existing total issued share capital of the Company.

### **REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS**

The gross proceeds from the Subscription are expected to be approximately HK\$101.6 million in aggregate. After deducting related professional fees and all related expenses which will be borne by the Company in relation to the Subscription, the net proceeds of the Subscription will amount to



## **LETTER FROM THE BOARD**

approximately HK\$99.6 million. The net proceeds of approximately HK\$98.4 million from the Subscription will be used to fully redeem the 2016 Bonds and the remaining balance of approximately HK\$1.2 million will be used as general working capital of the Company.

The Board has also considered other ways of fund raising such as bank borrowings, placing of new shares, rights issue or open offer.

Bank borrowings in the PRC generally depends on a company's financial condition. Since 2015, the Group's income has been declining. Thus, banks in the PRC have been reducing their loan scales to the Group. With the substantial losses in the two recent financial years, the Group is unable to obtain further financing from the PRC banks to repay the 2016 Bonds.

As regards other types of equity financings such as a rights issue or an open offer, the Board considers that these types of equity financings would result in less favourable terms to the Company than the Subscription as they will incur extra transaction costs including but not limited to underwriting commission and additional costs for the preparation of listing documents. Such corporate exercises would involve a relatively more time-consuming process which may result in the Company being subject to the adverse effects of the current volatile market, thereby increasing the uncertainties in being able to raise funds in time to repay the 2016 Bonds which will become due in March 2021.

For placing of new shares, the Directors consider that it is difficult to procure the subscription of such a large amount of Shares from a placee, given the relatively low trading volume of the Shares in the past. The Company attempted to conduct a placing of Shares in 2017 but it did not proceed to completion as a result of not being able to secure enough placees. Furthermore, the Subscription, if approved by the Independent Shareholders in the EGM is to be done at a Subscription Price with a premium. The Directors consider it difficult to procure placees who are willing to subscribe for the Shares under such circumstances as the placees could purchase the Shares in the open market at a market price, which is lower than the Subscription Price of HK\$0.20 per Subscription Share.

### **FUTURE INTENTIONS OF THE SUBSCRIBER REGARDING THE GROUP**

Upon Completion, the Subscriber will become a controlling Shareholder (as defined under the Listing Rules). The Subscriber considers and confirms that:

- (a) it is intended that the Group will continue with its existing business following the Completion;
- (b) there is no intention to introduce any major changes to the existing business of the Group or the continued employment of the Group's employees; and
- (c) there is no intention to redeploy the fixed assets of the Group other than in its ordinary course of business.

## LETTER FROM THE BOARD

### IMPLICATIONS OF THE LISTING RULES AND THE TAKEOVERS CODE

The Subscriber is a substantial Shareholder and an executive Director, and therefore a connected person under Chapter 14A of the Listing Rules. Accordingly, the Subscription constitutes a connected transaction of the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Upon Completion, the shareholding of the Subscriber and parties acting in concert with him (namely Ms. Zhou Shuhua, the spouse of the Subscriber and Wangji, which is wholly-owned by the Subscriber) will increase from approximately 19.44% to approximately 46.67% of the then issued share capital of the Company as enlarged by the Subscription Shares (assuming there will be no other change in the number of issued Shares between the Latest Practicable Date and the date of Completion, save for the Share Consolidation and the issue and allotment of the Subscription Shares), thereby triggering an obligation on the Subscriber under Rule 26.1 of the Takeovers Code to make a mandatory general offer for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by him or parties acting in concert with him, unless the Whitewash Waiver is granted by the Executive. In this regard, the Subscriber would make an application to the Executive for the Whitewash Waiver in respect of the allotment and issue of the Subscription Shares. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, approval by the Independent Shareholders of the Subscription and the Whitewash Waiver at the EGM by way of poll.

#### **Application for Whitewash Waiver**

An application has been made by the Subscriber to the Executive for the granting of the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, would be subject to, among others, (i) the approval by at least 75% of the Independent Shareholders at the EGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the EGM by way of poll in respect of the Subscription. As obtaining the Whitewash Waiver is one of the conditions precedent to the Subscription Agreement and such condition is not waivable, the Subscription will not proceed if the Whitewash Waiver is not granted by the Executive, or, if so granted by the Executive but not approved by the Independent Shareholders.

As at the Latest Practicable Date, as confirmed by the Subscriber and parties acting in concert with him (namely Ms. Zhou Shuhua, the spouse of the Subscriber and Wangji, which is wholly-owned by the Subscriber), other than 387,159,000 Existing Shares as disclosed in the section headed "**EFFECT ON THE SHAREHOLDING OF THE COMPANY**" below and all the transactions contemplated under the Subscription Agreement as disclosed herein, neither the Subscriber nor any parties acting in concert with him:

- (a) has acquired or entered into any agreement or arrangement to acquire any voting rights in the Company within the six months prior to the date of the Announcement up to the Latest Practicable Date;

## **LETTER FROM THE BOARD**

- (b) owns any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivative in respect of securities in the Company;
- (c) has any arrangement as referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) or contracts with any other parties in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which might be material to the Subscription Agreement, the transactions contemplated thereunder (including the Specific Mandate) and the Whitewash Waiver;
- (d) has received any irrevocable commitment to vote for the resolution approving the transactions contemplated under the Subscription Agreement and/or the Whitewash Waiver;
- (e) has any agreements or arrangements to which the Subscriber or parties acting in concert with it is a party which relate to the circumstances in which the Subscriber or parties acting in concert with it may or may not invoke or seek to invoke a pre-condition or a condition to the transactions contemplated under the Subscription Agreement and/or the Whitewash Waiver;
- (f) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (g) has entered into any understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Subscriber or parties acting in concert with him on one hand and the Company and the Shareholders on the other hand; and
- (h) has entered into any understanding, agreement, arrangement or special deal between the Company, its subsidiaries or associated companies on one hand and any Shareholders on the other hand.

As at the Latest Practicable Date, the Company did not believe that the Subscription gives rise to any concerns in relation to the compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the Latest Practicable Date, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible. The Company notes that the Executive may not grant the Whitewash Waiver if the Subscription does not comply with other applicable rules and regulations.

### **EFFECT ON THE SHAREHOLDING OF THE COMPANY**

As at the Latest Practicable Date, the Company has 1,991,283,000 Shares in issue.

As at the Latest Practicable Date, the Company has no other outstanding convertible securities, options, warrants or other derivatives in issue which are convertible or exchangeable into Shares.

## LETTER FROM THE BOARD

The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Share Consolidation having become effective; and (iii) immediately after the allotment and issue of the Subscription Shares and the Share Consolidation having become effective (assuming no other change in the issued share capital between the Latest Practicable Date and the date of Completion):

Shareholders	Shareholding as at the Latest Practicable Date		Immediately after the Share Consolidation having become effective		Immediately after the allotment and issue of the Subscription Shares and the Share Consolidation having become effective	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
The Subscriber and parties acting in concert with him (Note 1)	387,159,000	19.44	193,579,500	19.44	701,819,500	46.67
<b>Public Shareholders</b>						
Yuan Xiangbing	191,917,000	9.64	95,958,500	9.64	95,958,500	6.38
Jiangsu Baisite Environment Engineering Co., Ltd (Note 2)	148,180,000	7.44	74,090,000	7.44	74,090,000	4.93
Other public Shareholders	<u>1,264,027,000</u>	<u>63.48</u>	<u>632,013,500</u>	<u>63.48</u>	<u>632,013,500</u>	<u>42.03</u>
<b>Total (Note 3)</b>	<u><u>1,991,283,000</u></u>	<u><u>100.00</u></u>	<u><u>995,641,500</u></u>	<u><u>100.00</u></u>	<u><u>1,503,881,500</u></u>	<u><u>100.00</u></u>

Notes:

- 387,159,000 Existing Shares are held as to 351,600,000 Existing Shares by Wangji, a company incorporated in the British Virgin Islands and 35,559,000 Existing Shares by the Subscriber as beneficial owner, respectively. The Subscriber is the sole director and the sole beneficial owner of Wangji. Accordingly, the Subscriber is deemed to be interested in the 351,600,000 Existing Shares. Ms. Zhou Shuhua is the spouse of the Subscriber, therefore, Ms. Zhou Shuhua is deemed to be interested in all interests of the Subscriber in the Company.
- Luck Morgan Investment Limited acts as the nominee for Jiangsu Baisite Environment Engineering Co., Ltd to hold 148,180,000 Existing Shares.
- The percentages may not add up to 100% due to rounding.

## LETTER FROM THE BOARD

### FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

In the 12-month period immediately preceding the Latest Practicable Date, the Company has carried out the following capital raising activities:

Date of announcement	Capital raising activities	Net proceeds <i>HK\$</i>	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
7 April 2020 (as supplemented by the announcement dated 23 November 2020)	Issue of 191,917,000 Shares under a general mandate	18,876,000	General working capital	General working capital: (i) approximately 32.8% of the net proceeds, or approximately HK\$6.2 million, for materials procurement and repairment and maintenance of vessels; (ii) approximately 21.5% of the net proceeds, or approximately HK\$4.1 million, for employees' remuneration; (iii) approximately 15.2% of the net proceeds, or approximately HK\$2.9 million for fuel costs; (iv) approximately 7.9% of the net proceeds, or approximately HK\$1.5 million, for tax expenses; (v) approximately 7.9% of the net proceeds, or approximately HK\$1.5 million for management expenses; (vi) approximately 7.5% of the net proceeds, or approximately HK\$1.4 million for repayment of bank interests; and (vii) approximately 7.3% of the net proceeds, or approximately HK\$1.4 million for rental of vessels and equipment.

Save as disclosed above, the Company has not carried out other capital raising activities during the 12 months immediately preceding the Latest Practicable Date.

### EGM

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of (i) the Subscription, including the Specific Mandate, and the Whitewash Waiver under the Takeovers Code; and (ii) the connected transaction regarding the Subscription, including the Specific Mandate, under the Listing Rules to vote at the EGM.

## LETTER FROM THE BOARD

The Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription, including the Specific Mandate, and the Whitewash Waiver to vote at the EGM. The appointment of the Independent Financial Adviser has been approved by the Independent Board Committee.

A notice convening the EGM to be held at Rooms 1501–2, 15/F, Siu On Plaza, 482 Jaffe Road, Causeway Bay, Hong Kong on Friday, 5 March 2021 at 3:00 p.m. is set out on pages EGM-1 to EGM-3 of this circular. Shareholders are advised to read the notice and complete and return the form of proxy for use at the EGM enclosed with this circular in accordance with the instructions printed thereon.

The EGM will be convened for the purpose of considering and, if thought fit, approving, among other things, the Share Consolidation, the Subscription Agreement, the transactions contemplated thereunder, including the Specific Mandate and the Whitewash Waiver.

No Shareholder is involved or interested in or has a material interest in the Share Consolidation and the transactions contemplated thereunder and therefore no Shareholder is required to abstain from voting in favour of the resolution to approve the Share Consolidation and the transactions contemplated thereunder at the EGM. Other than the Subscriber and parties acting in concert with him, there is no other Shareholder that is interested in or involved in the Subscription Agreement and therefore no other Shareholder is required to abstain from voting for the resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver at the EGM.

No Director has a material interest in the Share Consolidation which requires any of them to abstain from voting on the Board resolutions in relation to the Share Consolidation and the transactions contemplated thereunder. By virtue of the interests in the Subscription, the Subscriber, being the chairman of the Company and an executive Director and Ms. Zhou Shuhua, an executive Director and the spouse of the Subscriber, have abstained from voting on the relevant Board resolutions for approving the Subscription Agreement, the transactions contemplated thereunder and the Whitewash Waiver. Save as disclosed above, none of the Directors is regarded as having a material interest in, and therefore none of them is required to abstain from voting on, the relevant Board resolutions for approving the Subscription Agreement, the transactions contemplated thereunder and the Whitewash Waiver.

A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the EGM or any adjournment thereof should you so wish.

## **LETTER FROM THE BOARD**

The resolution(s) proposed to be approved at the EGM will be taken by poll and an announcement on the results of the EGM will be made by the Company thereafter. Under the Takeovers Code, the resolutions relating to the Whitewash Waiver and the Subscription, including the Specific Mandate, shall be approved by at least 75% and more than 50%, respectively, of the votes that are cast either in person or by proxy by the Independent Shareholders at the EGM.

### **CLOSURE OF REGISTER OF MEMBERS**

In order to determine the eligibility of shareholders to attend and vote at the EGM, which is to be held on Friday, 5 March 2021, the register of members of the Company will be closed from Tuesday, 2 March 2021 to Friday, 5 March 2021, both days inclusive, during which no transfer of shares will be registered.

All transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 1 March 2021.

### **RECOMMENDATIONS**

#### **Share Consolidation**

The Directors consider that the proposed Share Consolidation is in the interests of the Company and the Shareholders as a whole and recommend the Shareholders to vote in favour of the resolution at the EGM.

#### **The Subscription**

Your attention is drawn to (i) the letter of advice from the Independent Board Committee to the Independent Shareholders on the Subscription Agreement, the transactions contemplated thereunder, including the Specific Mandate, and the Whitewash Waiver; and (ii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement, the transactions contemplated thereunder, including the Specific Mandate, and the Whitewash Waiver.

The Board (including the members of the Independent Board Committee whose opinion is set forth in the "**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**" in this circular after considering the advice of the Independent Financial Adviser), is of the view that although the Subscription is not in the ordinary and usual course of business of the Company, the terms of the Subscription Agreement are fair, reasonable and on normal commercial terms, and are in the interests of the Company and the Shareholders as a whole; and considers that (i) the execution, delivery and performance of the Subscription Agreement; (ii) the allotment and issue of the Subscription Shares in accordance with the Subscription Agreement; (iii) the Specific Mandate under which the Subscription Shares will be issued; and (iv) the Subscription and the Whitewash

## **LETTER FROM THE BOARD**

Waiver, are in the interests of the Company and the Shareholders as a whole, accordingly, recommends that the Independent Shareholders to vote in favour of the resolution(s) relating thereto at the EGM.

### **ADDITIONAL INFORMATION**

Your attention is also drawn to the additional information set out in the appendices to this circular.

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



## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

*The following is the text of a letter of the Independent Board Committee to the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate and the Whitewash Waiver for inclusion in this circular.*



### **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)**

3 February 2021

*To the Independent Shareholders*

**Dear Sir or Madam,**

**(1) CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF  
NEW CONSOLIDATED SHARES BY THE SUBSTANTIAL SHAREHOLDER;  
(2) PROPOSED SHARE ISSUANCE UNDER SPECIFIC MANDATE;  
AND  
(3) APPLICATION FOR WHITEWASH WAIVER**

We refer to the circular of the Company dated 3 February 2021 (“**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms defined in the Circular shall have the same meanings when used in this letter.

We have been appointed by the Board to form the Independent Board Committee to consider the Subscription and the Whitewash Waiver (collectively, the “**Proposed Transactions**”), to advise the Independent Shareholders as to whether, in our opinion, the Proposed Transactions are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole, and to recommend how the Independent Shareholders should vote regarding the relevant proposed resolutions at the EGM.

The Independent Financial Adviser has been appointed to advise us and the Independent Shareholders in respect of the Proposed Transactions. Details of its advice, together with the principal factors taken into consideration in arriving thereat, are set out in its letter on pages 31 to 62 of the Circular.

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

Having considered the terms of the Subscription Agreement and the Whitewash Waiver, taking into account the information contained in the Circular and the advice of the Independent Financial Adviser, we are of the opinion that the terms of the Subscription Agreement (including the Subscription pursuant to the Specific Mandate) are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and the entering into of the Subscription Agreement and the Whitewash Waiver, while not in the ordinary and usual course of business of the Company, is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Subscription, Subscription Agreement, the Specific Mandate and the Whitewash Waiver.

Yours faithfully,

For and on behalf of

the Independent Board Committee

**China Dredging Environment Protection Holdings Limited**

**Mr. Huan Xuedong**

**Mr. Chan Ming Sun Jonathan**

**Mr. Liang Zequan**

*Independent non-executive Directors*

## LETTER FROM ALLIANCE CAPITAL

*The following is the full text of the letter of advice from Alliance Capital Partners Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, in respect of the Subscription and the Whitewash Waiver, which has been prepared for inclusion in this circular.*



Alliance Capital Partners Limited  
同人融資有限公司

Room 1502–03A, Wing On House  
71 Des Voeux Road Central, Central  
Hong Kong

3 February 2021

*To: The Independent Board Committee and the Independent Shareholders of  
China Dredging Environment Protection Holdings Limited*

Dear Sirs and Madams,

**(1) CONNECTED TRANSACTION IN RELATION TO  
SUBSCRIPTION OF NEW CONSOLIDATED SHARES BY  
THE SUBSTANTIAL SHAREHOLDER;  
(2) PROPOSED SHARE ISSUANCE UNDER SPECIFIC MANDATE;  
AND  
(3) APPLICATION FOR WHITEWASH WAIVER**

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to Independent Board Committee and Independent Shareholders in respect to the Subscription and the Whitewash Waiver, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 3 February 2021 (the “**Circular**”), of which this letter forms part. Unless otherwise stated, capitalised terms used in this letter shall have same meanings as those defined in the Circular.

Reference is made to the Announcement of the Company dated 14 January 2021 in relation to, among other things, the Subscription and the Whitewash Waiver. On 14 January 2021 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 508,240,000 new Consolidated Shares at the Subscription Price of HK\$0.20 per Subscription Share (which is equivalent to the par value of the Consolidated Shares) to the Subscriber.

The Subscriber is a substantial Shareholder and an executive Director, and therefore a connected person under Chapter 14A of the Listing Rules. Accordingly, the Subscription constitutes a connected transaction of the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

## LETTER FROM ALLIANCE CAPITAL

As at the Latest Practicable Date, the Subscriber and parties acting in concert with him (namely Ms. Zhou Shuhua, the spouse of the Subscriber and Wangji Limited, which is wholly-owned by the Subscriber) are interested in an aggregate of 387,159,000 Existing Shares, representing approximately 19.44% of the existing total issued share capital of the Company. Upon Completion, the shareholding of the Subscriber and parties acting in concert with him will increase from approximately 19.44% to approximately 46.67% of the then issued share capital of the Company as enlarged by the Subscription Shares (assuming there will be no other change in the number of issued Shares between the Latest Practicable Date and the date of Completion, save for the Share Consolidation and the issue and allotment of the Subscription Shares), thereby triggering an obligation on the Subscriber under Rule 26.1 of the Takeovers Code to make a mandatory general offer for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by him or parties acting in concert with him.

In this regard, an application has been made by the Subscriber to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among others, (i) the approval by at least 75% of the Independent Shareholders at the EGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the EGM by way of poll in respect of the Subscription. As obtaining the Whitewash Waiver is one of the conditions precedent to the Subscription Agreement and such condition is not waivable, the Subscription will not proceed if the Whitewash Waiver is not granted by the Executive, or, if so granted by the Executive but not approved by the Independent Shareholders.

### **THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Huan Xuedong, Mr. Chan Ming Sun Jonathan and Mr. Liang Zequan, has been established, pursuant to the Listing Rules and the Takeovers Code, to advise the Independent Shareholders on Subscription Agreement, the transactions contemplated thereunder and the Whitewash Waiver, after taking into account the factors and reasons considered by the Independent Financial Adviser and its conclusion and advice. We have been appointed by the Company with the approval of the Independent Board Committee as the Independent Financial Adviser to provide an independent opinion in the same regard.

We are not associated or connected with the Company, its directors, its substantial shareholders, the Subscriber or any party acting, or presumed to be acting, in concert with any of them and accordingly, we consider that we are eligible to give independent advice to the Independent Board Committee and the Independent Shareholders on the Subscription and the Whitewash Waiver. In the past two years from the date of our appointment, we have not acted as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders of the Company. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, its directors, its substantial shareholders, the Subscriber or any party acting, or presumed to be acting, in concert with any of them.

## LETTER FROM ALLIANCE CAPITAL

### BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our advice, we have relied on the information and facts supplied, and the opinions expressed, by the executive Directors and management of the Company (the “**Management**”) and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material respects at the time they were made and continue to be true, accurate and complete in all material respects up to the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in this Circular were reasonably made after due enquiry and careful consideration. We have also sought and received confirmation from the executive Directors and the Management that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information has been withheld, nor doubt the truth or accuracy of the information provided. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable and there are no reasons to doubt the accuracy and reliability of such public information.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We consider that we have received sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular to provide a reasonable basis for our opinions and recommendations.

We have reviewed, among other things, the information provided by the Company including the Subscription Agreement, certain published information from the public domain including trading performance of the Shares on the Stock Exchange, the announcements of the Company, the annual reports of the Company for the year ended 31 December 2018 (the “**2018 Annual Report**”), the annual report for the year ended 31 December 2019 (the “**2019 Annual Report**”) and the interim report of the Company for the six months ended 30 June 2020 (the “**2020 Interim Report**”), the unaudited consolidated management accounts of the Group for the eleven months ended 30 November 2020, and the information contained in the Circular. We consider that we have performed all the necessary steps as required under Rule 13.80 of the Listing Rules to enable us to reach an informed view and to justify our reliance on the information provided and representations made to us so as to form a reasonable basis for our opinions. We have not, however, conducted any independent investigation into the businesses and affairs of the Company, the Group, the Subscriber or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied. Shareholders will be notified of any material changes to such statements, information, opinions and/or representations as soon as possible in accordance with Rule 9.1 of the Takeovers Code if there arises any material changes of information previously provided to us by the Company in which event this letter shall be amended and updated.

# LETTER FROM ALLIANCE CAPITAL

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation regarding the terms of the Subscription Agreement and the transactions contemplated thereunder, we have considered the following principal factors and reasons:

### 1. Background of the Group and the Subscriber

The Group is primarily engaged in four main operating and reportable segments, out of which three related to dredging businesses, namely, (i) capital and reclamation dredging business; (ii) environmental protection dredging and water management business; (iii) other works operated in marine sites such as hoisting wind power equipment, installing major parts of docks and bridges, as well as laying underwater pipelines and salvaging; and (iv) property management business in respect of managing Xingyu International Houseware Plaza (formerly known as Easyhome Yancheng Shopping Mall).

The Subscriber is a substantial Shareholder, the chairman of the Company and an executive Director. He is the founder of the Group and has over 20 years of experience in the dredging industry in the PRC. He is primarily responsible for overseeing the Group's daily operations and planning of its business strategies.

### 2. Financial performance of the Group

Set out below are extracts of consolidated statement of profit or loss of the Group for the year ended 31 December 2017 (“FY2017”), 31 December 2018 (“FY2018”) and 31 December 2019 (“FY2019”) as extracted from the 2018 Annual Report and 2019 Annual Report and the six months ended 30 June 2019 (“6M2019”) and 30 June 2020 (“6M2020”) as extracted from the 2020 Interim Report:

	FY2017 (audited) RMB'000	FY2018 (audited) RMB'000	FY2019 (audited) RMB'000	6M2019 (unaudited) RMB'000	6M2020 (unaudited) RMB'000
<b>Revenue</b>	650,924	618,833	442,368	270,433	119,935
— Capital and Reclamation Dredging Business	281,589	165,960	145,031	80,695	29,035
— Environment Protection Dredging and Water Management Business	130,223	115,646	47,910	29,550	3,304
— Other Marine Business	232,572	327,451	241,678	155,610	83,447
— Property Management Business	6,540	9,776	7,749	4,578	4,149
<b>Gross profit/(loss)</b>	207,370	121,721	51,364	30,481	(14,571)
<b>Gross profit/(loss) margin</b>	31.9%	19.7%	11.6%	11.3%	(12.1%)
<b>(Loss) for the year/period</b>	72,204	(254,495)	(522,028)	(25,253)	(73,677)
<b>(Loss) for the year/period attributable to Owners of the Company</b>	71,040	(258,647)	(517,586)	(27,030)	(74,083)

## LETTER FROM ALLIANCE CAPITAL

	<b>Growth rate</b>		
	<b>FY2017 VS FY2018</b>	<b>FY2018 VS FY2019</b>	<b>6M2019 VS 6M2020</b>
	%	%	%
<b>Revenue</b>	(4.9)	(28.5)	(55.7)
— <i>Capital and Reclamation Dredging Business</i>	(41.1)	(12.6)	(64.0)
— <i>Environment Protection Dredging and Water Management Business</i>	(11.2)	(58.6)	(88.8)
— <i>Other Marine Business</i>	40.8	(26.2)	(46.4)
— <i>Property Management Business</i>	49.5	(20.7)	(9.4)
<b>Gross profit/(loss)</b>	(41.3)	(57.8)	(147.8)
<b>Gross profit/(loss) margin</b>	(38.2)	(41.1)	(207.1)
<b>(Loss) for the year/period</b>	(452.5)	(105.1)	(191.8)
<b>(Loss) for the year/period attributable to Owners of the Company</b>	(464.1)	(100.1)	(174.1)

(i) *Comparison between 6M2020 and 6M2019*

The Group's revenue decreased by approximately RMB150.5 million or 55.7% from approximately RMB270.4 million in 6M2019 to approximately RMB119.9 million in 6M2020, which was mainly due to (i) the outbreak of the COVID-19 in mainland China since January 2020, which directly led to the operation of the domestic construction projects being completely halted; and (ii) the multiple interruptions and long-term suspensions of the overseas construction projects because the overseas government imposed certain restriction on the movements of personnel and supplies and the various control and restrictions measures due to the outbreak of the COVID-19. Since the key operation and maintenance personnel for these overseas projects are intended to be sent from mainland China, the abovementioned restriction and control measures have led to the multiple interruption and long-term suspensions of the construction projects in Bangladesh, Cambodia and Thailand.

The gross loss of the Group was approximately RMB14.6 million during 6M2020, representing a decrease of approximately RMB45.1 million as compared to the gross profit of approximately RMB30.5 million for 6M2019, while the gross loss margin was approximately 12.1% for 6M2020 as compared to the gross profit margin of approximately 11.3% for 6M2019. The gross loss in 6M2020 was mainly due to the COVID-19 pandemic, which has caused the operation of the construction projects being slowed down or even halted, especially in capital and reclamation dredging business of which the segment gross loss margin increased from approximately 1.3% for 6M2019 to approximately 115.1% for 6M2020 which was mainly attributable to the provision of depreciation of dredgers and vessels.



## LETTER FROM ALLIANCE CAPITAL

The loss for the period of the Group was approximately RMB73.7 million in 6M2020 as compared to the loss for the period of approximately RMB25.3 million in 6M2019. The further loss of approximately RMB48.4 million or 191.8% was mainly due to (i) the decrease in gross profit of approximately RMB45.1 million as mentioned above; and (ii) the further loss under other gains and losses which were mainly due to the increase in the exchange loss.

(ii) *Comparison between FY2019 and FY2018*

The Group recorded a decrease in revenue of approximately RMB176.5 million or 28.5% from approximately RMB618.8 million for FY2018 to approximately RMB442.4 million for FY2019, which was mainly attributable to the decrease in revenue generated from other marine business of approximately RMB85.8 million or 26.2% as a result of the keen competition within the wind power industry.

The gross profit of the Group was approximately RMB51.4 million during FY2019, representing a decrease of approximately RMB70.4 million or 57.8% as compared to approximately RMB121.7 million for FY2018, while the gross profit margin was approximately 11.6% for FY2019 as compared to the gross profit margin of approximately 19.7% for FY2018. The decrease in gross profit margin was mainly due to (i) the keen competition of marine wind power industry leading to the decrease in the revenue from other marine business; (ii) the adoption of a prudent operation strategy resulting in a decrease in the revenue from the capital and reclamation dredging business and the environment protection dredging and water management business; (iii) the higher up-front cost of newly developed overseas reclamation dredging projects; (iv) a rise in operating cost for the newly devised wind power projects of the other marine business; and (v) substantial fixed costs such as depreciation of assets and maintenance of equipment not changing proportionately to the decline in revenue.

The loss for the year of the Group was approximately RMB522.0 million in FY2019 as compared to the loss for the year of approximately RMB254.5 million in FY2018, representing a further loss of approximately RMB267.5 million or 105.1%. The further loss was mainly due to (i) the decrease in gross profit of approximately RMB70.4 million as mentioned above; and (ii) the increase in recognition of allowance for expected credit losses on trade receivables, prepayment and the contract assets of approximately RMB87.6 million.



## LETTER FROM ALLIANCE CAPITAL

### (iii) *Comparison between FY2018 and FY2017*

The Group recorded a decrease in revenue of approximately RMB32.1 million or 4.9% from approximately RMB650.9 million for FY2017 to approximately RMB618.8 million for FY2018, which was mainly attributable to the decrease in revenue generated from capital and reclamation dredging business of approximately RMB115.6 million or 41.1% because of the slowdown of the implementation of the construction projects in dredging industry in the PRC and the implementation of a more robust and prudent policy by the Group in selecting new projects in recent years by taking into consideration the control of the operational risks and the timely collection of receivables.

The gross profit of the Group was approximately RMB121.7 million during FY2018, representing a decrease of approximately RMB85.6 million or 41.3% as compared to approximately RMB207.4 million for FY2017, while the gross profit margin was approximately 19.7% for FY2018 as compared to the gross profit margin of approximately 31.9% for FY2017. The decrease in gross profit margin was mainly due to (i) the insufficient utilisation of production capacity of fleet and equipment resulting from the adoption of a more prudent operating strategy by the Group; and (ii) the decrease in the proportion of capital and reclamation dredging business and the environment protection dredging and water management business, which have a higher gross profit margin.

The loss for the year of the Group was approximately RMB254.5 million in FY2018 as compared to the profit for the year of approximately RMB72.2 million in FY2017. The loss for FY2018 was mainly due to (i) decrease in gross profit of approximately RMB85.6 million as mentioned above; and (ii) the recognition of allowance for expected credit losses based on the assessment in recoverability of such receivables in the future by the management after considering the “expected credit loss model” under the then newly adopted Hong Kong Financial Reporting Standard 9 “Financial Instruments” of approximately RMB246.1 million.

## LETTER FROM ALLIANCE CAPITAL

### 3. Financial position of the Group

Set out below are extracts of consolidated statement of financial position of the Group as at 31 December 2017, 31 December 2018, 31 December 2019 and 30 June 2020 as extracted from the 2018 Annual Report, 2019 Annual Report and 2020 Interim Report, respectively:

	As at 31 December			As at
	2017	2018	2019	30 June
	(audited) RMB'000	(audited) RMB'000	(audited) RMB'000	(unaudited) RMB'000
<b>Total assets</b>	3,587,789	3,349,087	2,847,168	2,745,090
Bank balances and cash	69,505	48,435	12,612	25,968
<b>Total liabilities</b>	1,250,539	1,260,461	1,283,994	1,261,094
Amounts due to directors of the Company	9,602	6,933	11,334	28,600
Amounts due to non-controlling interests of a subsidiary	70,090	71,475	71,562	63,727
Bank borrowings	371,192	324,670	297,000	295,000
Bonds payable	230,378	254,916	286,804	309,739
Other borrowings	99,363	88,781	92,005	75,477
<b>Net assets attributable to the Shareholders ("NAV")</b>	2,337,250	2,088,626	1,563,174	1,483,996
<b>Gearing ratio (Note)</b>	33.4%	35.8%	48.5%	52.1%

*Note:* Gearing ratio is calculated based on the total debts divided by total equity as at the respective year or period and multiplied the resulting value by 100%. Total debts included the amounts due to directors of the Company, amounts due to non-controlling interests of a subsidiary, bank borrowings, bonds payable and other borrowings.

As at 30 June 2020, the Group recorded total assets of approximately RMB2,745.1 million and total liabilities of approximately RMB1,261.1 million as compared to that of approximately RMB2,847.2 million and RMB1,284.0 million as at 31 December 2019, respectively. The NAV was approximately RMB1,484.0 million as at 30 June 2020, which was decreased by approximately RMB79.2 million from approximately RMB1,563.2 million as at 31 December 2019, which was mainly attributable to (i) the decrease in trade and other receivables of approximately RMB82.0 million as certain projects were being halted due to the COVID-19 pandemic as abovementioned; and (ii) increase in the bond payables of approximately RMB22.9 million which were mainly due to the increase in interest expenses payable and the appreciation in RMB. The gearing ratio of the Group was approximately 52.1% as at 30 June 2020, which was increased by approximately 3.5% as compared to that of 48.5% as at 31 December 2019. The increase of gearing ratio was mainly attributable to the increase in bonds payable as abovementioned.

## LETTER FROM ALLIANCE CAPITAL

As at 31 December 2019, the Group recorded total assets of approximately RMB2,847.2 million and total liabilities of approximately RMB1,284.0 million as compared to that of approximately RMB3,349.1 million and RMB1,260.5 million as at 31 December 2018, respectively. The NAV was approximately RMB1,563.2 million as at 31 December 2019 and decreased by approximately RMB525.4 million as compared to that of approximately RMB2,088.6 million as at 31 December 2018, which was primarily due to decrease in trade and other receivables resulting from the increase in the recognition of the expected credit loss allowance. The gearing ratio of the Group was increased by approximately 12.8% to approximately 48.5% as at 31 December 2019 from 35.8% as at 31 December 2018 which was mainly due to the decrease in equity as a result of the further loss as abovementioned.

As at 31 December 2018, the Group recorded total assets of approximately RMB3,349.1 million and total liabilities of approximately RMB1,260.5 million as compared to that of approximately RMB3,587.8 million and RMB1,250.5 million as at 31 December 2017, respectively. The NAV was approximately RMB2,088.6 million as at 31 December 2018 and decreased by approximately RMB248.7 million as compared to that of approximately RMB2,337.3 million as at 31 December 2017, which was mainly attributable to the recognition of the expected credit loss allowance. The gearing ratio of the Group was increased slightly by approximately 2.4% from approximately 35.8% as at 31 December 2018 as compared to approximately 33.4% as at 31 December 2017. The slight increase was mainly attributable to the decrease in equity as a result of loss-making as abovementioned.

### *Going concern*

As mentioned in the 2019 Annual Report, the Company had not settled the 2016 Bonds during FY2019 when they became due in accordance with the sixth amendment agreement signed between the Company and the Bondholder on 15 March 2019. As at 31 December 2019, the total amount remained unsettled, including the accrued interest, amounting to approximately HK\$320.5 million (equivalent to approximately RMB286.8 million). Furthermore, the Group had net current liabilities of approximately RMB283.2 million as at 31 December 2019 and incurred a loss of approximately RMB522.0 million for FY2019. In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group.

The conditions described above indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and hence, its ability to realise its assets and discharge its liabilities in the normal course of business. The consolidated financial statements were prepared based on the assumption that the Group can be operated as a going concern as the Directors of the Company are of the view that the Group will have sufficient working capital to finance its operations in the next twelve months from 31 December 2019, after taking into account that (i) the Group continues to generate cash inflows from its operating activities by implementing measures to tighten cost controls over various operating expenses in order to improve its cash flows position and to generate greater positive cash inflows from its operations in the future; (ii) since most of the bank

borrowings as at 31 December 2019 of RMB297.0 million were secured by the Group's assets, the Directors believe that it is highly probable that they can be renewed in the next twelve months; (iii) as at 31 December 2019, the Group has unutilised banking facilities of RMB18.0 million which will be available for use by the Group in the next twelve months; and (iv) the Company will exercise its endeavour to reach an acceptable redemption arrangement with the Bondholder. Up to the date when the consolidated financial statements were authorised for issue, the Bondholder has not taken any action against the Group to request immediate repayment and the Company has continued discussions with the Bondholder in relation to settlement or any another arrangement concerning the 2016 Bonds.

#### **4. Prospects and outlook of the Group**

According to 2020 China Statistics Yearbook compiled by National Bureau of Statistics of China, (i) the gross value of construction work in 2017, 2018 and 2019 amounted to approximately RMB21.4 trillion, RMB23.5 trillion and RMB24.8 trillion, respectively, representing a growth rate of 9.8% in 2018 and 5.5% in 2019 when compared to the previous year; and (ii) the gross value of civil engineering construction work in 2017, 2018 and 2019 amounted to approximately RMB5.7 trillion, RMB6.3 trillion and RMB6.9 trillion respectively, representing a growth rate of 10.5% in 2018 and 9.5% in 2019 when compared to the previous year. This indicates that there is a slower growth in both the construction industry and civil engineering construction industry.

In July 2018, the State Council issued "Notice of the State Council on Strengthening the Protection of Coastal Wetlands and Strictly Controlling the Reclamation", which aims at strictly controlling the amounts of newly-built reclamation land, tightening approval process, and cancelling the annual planning indicators for reclamation areas. In addition, the approval of new reclamation projects will be completely stopped except for the national major strategic projects involving reclamation which are reported to the central government for approval. As discussed with the Management of the Company, the number of large-scale projects available in domestic coastal reclamation, port and waterway construction in the PRC are decreasing, and the relevant government policy related to the dredging industry has been further tightened. Therefore, the competition in the dredging industry has become more intense in recent years.

As discussed with the Management of the Company, the operation of both domestics and overseas construction projects were suspended in the first half of 2020 due to the outbreak of COVID-19. Although some of the Group's projects gradually resumed in the second half of 2020, it is uncertain as to whether the operation of the Group's construction projects will be suspended again as it depends on the development of the COVID-19 situation.

**5. Reasons for the Subscription, use of proceeds and financing alternative of the Group**

The gross proceeds from the Subscription are expected to be approximately HK\$101.6 million in aggregate. After deducting related professional fees and all related expenses which will be borne by the Company in relation to the Subscription, the net proceeds of the Subscription will amount to approximately HK\$99.6 million. The net proceeds of HK\$98.4 million from the Subscription will be used to fully redeem the 2016 Bonds and the remaining balance of approximately HK\$1.2 million will be used as general working capital of the Company.

As disclosed in the Company's announcement dated 28 October 2013, the Company issued the 2016 Bonds to the Bondholder with a principal amount of HK\$243,000,000 which were due on 7 November 2016. The Company then had not made any redemption of the outstanding amount of the 2016 Bonds upon the maturity date as disclosed in the Company's announcement dated 7 November 2016. The Company then subsequently entered into certain framework agreements and amendment agreements with the Bondholder with an aim to redeem the outstanding amount of the 2016 Bonds.

As disclosed in the Company's announcement dated 3 December 2020 ("the **Seventh Amendment Announcement**"), the Company and the Bondholder entered into the seventh amendment agreement (the "**Seventh Amendment Agreement**"). Under the Seventh Amendment Agreement, it has been agreed that, among other matters, subject to the fulfillment of the Conditions Precedent, (a) the principal amount of the 2016 Bonds shall be amended to be HK\$319,482,769.63; (b) the redemption amount of the 2016 Bonds shall be amended to be HK\$352,446,870.29 and (c) the maturity date of the 2016 Bonds shall be amended to be 31 March 2021. It has also been agreed that the Company shall be deemed to have paid the redemption amount of the 2016 Bonds in full if the Company pays or procures the payment to the Bondholder or its affiliate a sum of RMB equivalent of HK\$98,359,241 on or before the maturity date of the 2016 Bonds (i.e. 31 March 2021).

The Company has a prolonged history of having difficulties in redeeming the 2016 Bonds in full. Furthermore, the Group has been suffering from (i) a thin profit of not more than RMB75.3 million in FY2016 and FY2017 which was far below from the capital required for redemption of the 2016 Bonds, and a loss since FY2018; and (ii) low bank balances and cash of which is less than RMB70.0 million since 31 December 2016. As at 30 June 2020, the Group's bank balances and cash was approximately RMB26.0 million. Therefore, we consider that under the Seventh Amendment Agreement, it is favorable to the Company that if the Company pays or procures the payment to the Bondholder or its affiliate a sum of RMB equivalent of HK\$98,359,241 on or before the maturity date of the 2016 Bonds, because the Company shall be deemed to have paid the redemption amount of the 2016 Bonds in full.

The Subscriber, who is a substantial Shareholder, the chairman of the Company and an executive Director, wishes to show his support for the Group financially as well as to demonstrate to the Shareholders and potential investors as a whole that he remains confident in the future prospects of the Group despite the recent financial performance of the Group. For

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this purpose, the Subscriber has agreed with the Company that he will inject approximately HK\$101.6 million cash through subscription of the Subscription Shares. The Subscriber has also agreed to a lock-up of such shares for six months after issue.

As mentioned in the Letter from the Board, the Directors have also considered other ways of fund raising such as bank borrowings, placing of new shares, rights issue or open offer.

We understand from the Management that bank borrowings in the PRC generally depends on a company's financial condition. As the Group's income has been declining since 2015, the banks in the PRC have been reducing their loan scales to the Group. Furthermore, the Group is unable to obtain further financing from the PRC banks to repay the 2016 Bonds since the Group has been suffered from the substantial losses in the two recent financial years.

The Board considers other type of equity financing, such as a rights issue or an open offer, would be impracticable given the Existing Shares have been trading below the par value of HK\$0.1 per Existing Share, while any new shares have to be issued at or above the par value in order to comply with applicable laws, rules and regulations. It is highly unlikely that there would be sufficient investors willing to participate in any rights issue or open offer with offer price at or above HK\$0.1 per Existing Share or HK\$0.2 per Consolidated Share which is higher than the prevailing market price.

In addition, the Board considers that these types of equity financings would result in less favourable terms to the Company than the Subscription as they will incur extra transaction costs including but not limited to underwriting commission and additional costs for the preparation of the listing documents. Such corporate exercises would involve a relatively more time-consuming process which may result in the Company being subject to the adverse effects of the current volatile market, thereby increasing the uncertainties in being able to raise funds in time to repay the 2016 Bonds which will shortly become due in March 2021. In view of the Group's financial position, the recent Share price performance and the recent market sentiment, the Board did not consider the additional time and procedures needed for a right issue or open offer to be advisable. Furthermore, no underwriting or marketing fees are payable in respect of the issue of the Subscription Shares.

For placing of new shares, the Directors consider that it is difficult to procure the subscription of such a large amount of Shares by way of placing at HK\$0.2 per Consolidated Share or above. The Company attempted to conduct a placing of Shares in 2017 but it did not proceed to completion as a result of not being able to secure enough places, and have recently completed a placing exercise in April 2020 and entered into a supplemental subscription agreement in November 2020 raising approximately HK\$19.2 million in aggregate. Based on the recent experience in negotiation with potential investors for the previous placing exercise, the Directors consider that it is infeasible to conclude discussion on another equity investment in the remaining period of time to meet the revised maturity date of the 2016 Bonds on 31 March 2021 under the Seventh Amendment Agreement. Taken all circumstances as a whole, the Boards consider that the placing of new Consolidated Shares at

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Subscription Price with a premium is the best option in term of the certainty of raising the required capital to meet the maturity of the 2016 Bonds, which may then improve the financial conditions and liabilities of the Group and remove the auditor's opinion on material uncertainty related to going concern, and is therefore more beneficial to the Company and the Shareholders as a whole.

In light of the above, we concur with the Directors' view that equity financing by way of the Subscription is a more appropriate and viable means of raising additional capital and the Subscription is in the interests of the Company and the Shareholders as a whole.

### **6. Principal terms of the Subscription Agreement**

Set out below is a summary of the principal terms of the Subscription Agreement. Further details of the Subscription Agreement are set out in the Letter from the Board contained in the Circular.

#### *The 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 508,240,000 new Consolidated Shares at the Subscription Price of HK\$0.20 per Subscription Share to the Subscriber, with an aggregate consideration of HK\$101,648,000.

The Subscription Shares represent (i) approximately 51.1% of the issued share capital of the Company as at the Latest Practicable Date (assuming the Share Consolidation having become effective); and (ii) approximately 33.8% of the then issued share capital of the Company as enlarged by the Subscription Shares (assuming there will be no other change in the number of issued Shares between the Latest Practicable Date and the date of Completion, save for the Share Consolidation and the issue and allotment of the Subscription Shares). With reference to the theoretical closing price of HK\$0.180 per Consolidated Share based on the closing price of HK\$0.090 per Existing Share on the Last Trading Day, the Subscription Shares have a market value of HK\$91,483,200, and the aggregate nominal value of the Subscription Shares is HK\$101,648,000 based on the par value of the Consolidated Shares of HK\$0.20.

#### *The Subscription Price*

The Subscription Price of HK\$0.20 per Subscription Share (which is equivalent to the par value of the Consolidated Shares), represents:

- (i) a premium of approximately 20.5% to the theoretical closing price of HK\$0.166 per Consolidated Share based on the closing price of HK\$0.083 per Existing Share on the Latest Practicable Date and taking into account the effect of the Share Consolidation;



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- (ii) a premium of approximately 11.1% to the theoretical closing price of HK\$0.180 per Consolidated Share based on the closing price of HK\$0.090 per Existing Share on the Last Trading Day and taking into account the effect of the Share Consolidation;
- (iii) a premium of approximately 17.7% to the theoretical average closing price of HK\$0.170 per Consolidated Share based on the average closing price of HK\$0.085 per Existing Share for the last five consecutive trading days up to and including the date of the Last Trading Day and taking into account the effect of the Share Consolidation;
- (iv) a premium of approximately 23.3% to the theoretical average closing price of HK\$0.162 per Consolidated Share based on the average closing price of HK\$0.081 per Existing Share for the last ten trading days up to and including the Last Trading Day and taking into account the effect of the Share Consolidation;
- (v) a discount of approximately 87.6% to the Group's theoretical NAV per Consolidated Share of approximately HK\$1.617 based on the NAV per Existing Share as at 31 December 2019 of approximately HK\$0.808, which is based on the Company's audited consolidated NAV of approximately RMB1,416,869,000 as at 31 December 2019 and the 1,991,283,000 Existing Shares in issue as at the Latest Practicable Date; and
- (vi) a discount of approximately 87.0% to the Group's theoretical NAV per Consolidated Share of approximately HK\$1.533 based on the NAV per Existing Share as at 30 June 2020 of approximately HK\$0.766, which is based on the Company's unaudited consolidated NAV of approximately RMB1,343,078,000 as at 30 June 2020 and the 1,991,283,000 Existing Shares in issue as at the Latest Practicable Date.

As stated in the Letter from the Board, the Subscription Price was determined after arm's length negotiations between the Company and the Subscriber with reference to recent market prices and par value of the Consolidated Shares.

### *The lock-up undertakings*

The Subscriber undertakes to and covenants with the Company that, unless in compliance with the requirements of the Listing Rules, the Subscriber shall not, in the period commencing on the date of Completion and ending on the date which is six months from the date of Completion, dispose of, or enter into any agreement to dispose of or otherwise create any encumbrances in respect of, any of the Subscription Shares.



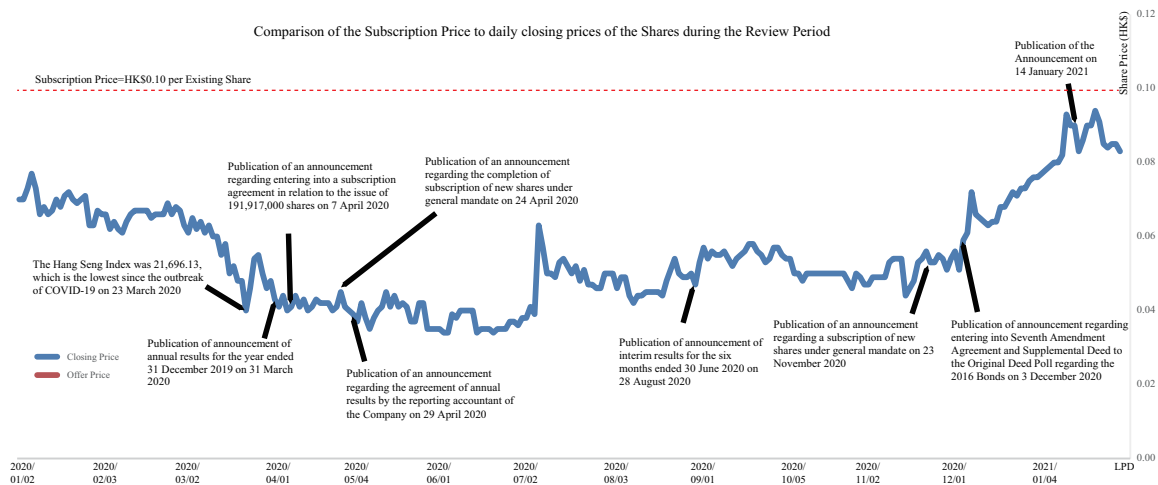
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## 7. Evaluation of the Subscription Price

For the purpose of assessing the fairness and reasonableness of the Subscription Price, we have compared the Subscription Price with reference to (i) the historical price performance of the Shares; (ii) liquidity of the Shares; and (iii) the market comparable analysis, as follows:

### (i) Analysis of historical Share price performance

Set out below is a chart showing the daily closing prices of the Shares as quoted on the Stock Exchange during the period from 2 January 2020, being the date which is approximately 12 months prior to the Last Trading Day, up to and including the Latest Practicable Date which we consider to be reasonable to illustrate the relationship between the historical trend of the closing price of the Share and the Share Subscription (the “Review Period”):



Source: website of the Stock Exchange (<http://www.hkex.com.hk>)

During the Review Period:

- (1) the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.094 per Existing Share on 21 January 2021; and
- (2) the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.034 per Existing Share on 3 June 2020, 4 June 2020, 15 June 2020 and 19 June 2020, respectively.

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During the Review Period, we note that the closing price of the Shares was at a range between HK\$0.034 per Existing Share and HK\$0.094 per Existing Share and were below the Subscription Price before the Share Consolidation having become effective of HK\$0.1 per Existing Share, and it represented (i) a premium of approximately 194.1% over the lowest closing price of the Shares; and (ii) a premium of approximately 6.4% over the highest closing price of the Shares. Furthermore, the Subscription Price represents a premium to the closing price per Share for one year period immediately before the entering into of the Subscription Agreement.

Since the beginning of the Review Period, the closing price of the Shares demonstrated a downward trend, edging down from HK\$0.07 per Existing Share on 2 January 2020 to the lowest of HK\$0.034 per Existing Share on 19 June 2020. The closing price bounced back to HK\$0.063 per Existing Share on 8 July 2020. The closing price of the Shares oscillated within a relatively narrow range between HK\$0.042 per Existing Share to HK\$0.063 per Existing Share during the period from 8 July 2020 to 2 December 2020. The closing price of the Shares increased from HK\$0.051 per Existing Share on 3 December 2020 to HK\$0.072 per Existing Share on 8 December 2020, after the publication of Seventh Amendment Announcement of the Company that the Company and the Bondholder entered into the Seventh Amendment Agreement in respect of the 2016 Bonds.

On 14 January 2021, the announcement in relation to the Subscription and the Whitewash Waiver was published. The closing price of the Shares slightly decreased from HK\$0.090 per Existing Share on the Last Trading Day to HK\$0.083 per Existing Share on 15 January 2021, being the first trading day after the publication of the Announcement. The Share price was closed at HK\$0.083 per Existing Share on the Latest Practicable Date.

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### (ii) Analysis of historical liquidity of the Shares

The table below sets out the trading volume of the Shares during the Review Period:

	Total monthly trading volume of the Shares <i>(in thousand Shares)</i>	Number of trading days	Average daily trading volume of the Shares <sup>(Note 3)</sup> <i>(Approximate thousand Shares)</i>	Percentage of average daily trading volume to total number of Shares in issue as at the end of the month/period <sup>(Note 4)</sup>	Percentage of average daily trading volume to total number of Shares in the public hands as at the end of the month/period <sup>(Note 5)</sup>
<b>2020</b>					
January	26,700	20	1,335	0.075%	0.096%
February	25,823	20	1,291	0.072%	0.093%
March	22,753	22	1,034	0.058%	0.074%
April <sup>(Note 1)</sup>	21,800	20	1,090	0.055%	0.069%
May	33,507	20	1,675	0.085%	0.106%
June	20,133	21	959	0.049%	0.060%
July	134,298	22	6,104	0.309%	0.385%
August	38,276	21	1,823	0.092%	0.115%
September	32,732	22	1,488	0.075%	0.094%
October	5,123	18	285	0.014%	0.018%
November	50,572	21	2,408	0.122%	0.152%
December	59,388	22	2,699	0.137%	0.170%
<b>2021</b>					
January (up to and including Latest Practicable Date) <sup>(Note 2)</sup>	64,908	20	3,245	0.163%	0.202%
Maximum	134,298		6,104	0.309%	0.385%
Minimum	5,123		285	0.014%	0.018%
Average	41,232		1,957	0.101%	0.126%

Source: website of the Stock Exchange (<http://www.hkex.com.hk>)

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*Notes:*

1. The number of Shares issued was increased by 191,917,000 on 24 April 2020.
2. The number of Shares issued was increased by 17,000,000 on 11 January 2021.
3. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period which exclude any trade day on which trading of the Shares on the Stock Exchange was suspended for the whole trading day.
4. Based on 1,782,366,000 Existing Shares in issue as at the end of the relevant month from January 2020 to March 2020, 1,974,283,000 Existing Shares in issue as at the end of relevant month from April 2020 to December 2020; and 1,991,283,000 Existing Shares in issue as at the end of relevant period up to and including the Latest Practicable Date.
5. Based on 1,395,207,000 Existing Shares in the public's hands at the end of the relevant month from January 2020 to March 2020, 1,587,124,000 Existing Shares in the public's hands as at the end of relevant month from April 2020 to December 2020; and 1,604,124,000 Existing Shares in the public's hands up to and including the Latest Practicable Date.

As illustrated in the table above, the average daily trading volume of the Shares during the Review Period ranged from approximately 285,000 Existing Shares to approximately 6,104,000 Existing Shares, representing approximately 0.018% to approximately 0.385% of the Shares in the public hands as at the relevant month/period. The average daily trading volume of Shares during the Review Period was generally thin. The low liquidity of the Shares may imply the lack of interest from potential investors to invest in the Shares and as such, it may be difficult for the Company to conduct equity fund raising exercise in the market with similar size to that of the Subscription.

(iii) *Comparable transactions analysis*

We, on a best efforts basis, have conducted a comparable analysis through identifying companies listed on the Main Board of the Stock Exchange which announced issuance/placing/subscription of new shares under specific mandate during the period from 1 January 2020 up to and including the Last Trading Day, excluding (i) open offers or right issues of new shares, which were extended to all shareholders; (ii) companies under prolonged suspension; (iii) such issue was terminated or lapsed; (iv) the purpose of the subject share issuance was not for partial/full settlement of a consideration for a transaction or acquisition of assets; (v) involving issuance of convertible securities; (vi) issues under share award or restructuring scheme or for emolument and (vii) the share issuance that are by listed companies with multiple classes of shares, whose share and capital structure may be different from that of the Company (which only has a single class of shares in trading), as the capital structure of such listed companies comprised of more than one class of shares in trading and the trading price of each class of shares, where applicable, may be materially different from each other from time to time and may affect the trading price of the other class of shares. On such basis, we have identified, on

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a best effort basis, a complete and exhaustive list of 26 transactions based on the aforesaid criteria (“**Comparable Transactions**”) which provide a reasonable number of comparable transactions for comparison purposes.

We consider that a review period from 1 January 2020 up to the Last Trading Day is appropriate since the Comparable Transactions are considered for the purpose of assessing recent market practice in relation to the setting of subscription prices under similar market conditions. It should be noted that the subject companies involved in the Comparable Transactions may have different principal activities, market capitalisations, profitability and financial positions as compared to those of the Company. However, as the Comparable Transactions can provide a general understanding of the pricing for this type of transaction in Hong Kong under the current market environment, we consider them relevant in assessing the fairness and reasonableness of the Subscription Price.

The table below sets out the details of the Comparable Transactions during the period from 1 January 2020 up to and including the Last Trading Day:

Company name (Stock code)	Date of announcement	Principal Business activities	Connected transaction/ involved subscription by connected person	Market Capitalization as at the last trading day (Approximate HK\$ million)	Premium/ (Discount) of the subscription price over/ (to) the closing price on the last trading day or pricing benchmark day	Premium/ (Discount) of the subscription price over/ (to) the average closing price for the five consecutive trading days up to and including the last trading day or pricing benchmark day	Premium/ (Discount) of the subscription price over/ (to) the consolidated NAV per share <sup>(Note 1)</sup>
China CBM Group Company Limited (8270)	31-Dec-20	Engaged in the exploitation, liquefaction production and sales of natural gas	Yes	382.7	0.0%	0.7%	(81.7%)
Polyard Petroleum International Group Limited (8011)	21-Dec-20	Engaged in the exploration, exploitation and development of oil, natural gas and coal, the provision of technical services and the trading of petroleum-related products	Yes	382.4	30.4%	21.6%	657.2%
Kinergy Corporation Ltd (3302)	15-Dec-20	Engaged in manufacturing equipment, machines, sub- systems, precision tools, spare parts, and components in the semiconductor industry	Yes	754.5	(17.8%)	(9.2%)	(0.4%)
Cornerstone Technologies Holdings Ltd (8391)	15-Dec-20	Engaged in the provision of printing services	Yes	302.2	(16.7%)	(17.9%)	159.9%
Kirin Group Holdings Ltd. (8109)	27-Nov-20	Engaged in the financial related business	No	69.4	10.1%	12.7%	27.4%
Zensun Enterprises Limited (185)	24-Nov-20	Engaged in property development	Yes	7,653.5	(4.2%)	(0.9%)	16.7%

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Company name (Stock code)	Date of announcement	Principal Business activities	Connected transaction/ involved subscription by connected person	Market Capitalization as at the last trading day (Approximate HK\$ million)	Premium/ (Discount) of the subscription price over/ (to) the closing price on the last trading day or pricing benchmark day	Premium/ (Discount) of the subscription price over/ (to) the average closing price for the five consecutive trading days up to and including the last trading day or pricing benchmark day	Premium/ (Discount) of the subscription price over/ (to) the consolidated NAV per share <sup>(Note 1)</sup>
hmvod Limited (8103)	4-Nov-20	Engaged in the system development business	No	234.7	(6.6%)	0.0%	N/A <sup>(Note 2)</sup>
Kiu Hung International Holdings Limited (381)	22-Oct-20	Engaged in the manufacturing and trading of toys and gifts items	No	140.9	11.1%	41.6%	(60.1%)
Sino Vision Worldwide Holdings Ltd (8086)	9-Oct-20	Engaged in the e-commerce business and the provision of online sales platforms	No	36.4	6.7%	(5.9%)	71.4%
Koolearn Technology Holding Ltd (1797)	9-Sep-20	Engaged in the provision of online education courses	Yes	24,692.0	(7.3%)	(12.8%)	1,234.3%
Yunfeng Financial Group Limited (376)	7-Sep-20	Engaged in the business of insurance	Yes	11,487.9	(5.9%)	(7.3%)	(0.1%)
China Uptown Group Company Limited (2330)	2-Sep-20	Engaged in the trading of raw sugar	Yes	142.5	47.1%	38.1%	(74.6%)
OCI International Holdings Ltd (329)	13-Aug-20	Engaged in the securities trading and investments business	No	2,399.6	6.6%	3.2%	199.7%
Mansion International Holdings Limited (8456)	7-Aug-20	Engaged in the manufacturing and sale of baby clothing and clothing accessories for infants and toddlers	No	47.9	(25.2%)	(9.1%)	277.4%
Aceso Life Science Group Ltd (formerly known as “Hao Tian Development Group Ltd”) (474)	27-Jul-20	Engaged in the sale of construction machineries and spare parts	Yes	1,580.5	(13.8%)	(15.3%)	(34.8%)
China Metal Resources Utilization Limited (1636)	20-Jul-20	Engaged in the manufacture and sales of copper and related products	No	736.8	60.6%	48.0%	(41.6%)

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Company name (Stock code)	Date of announcement	Principal Business activities	Connected transaction/ involved subscription by connected person	Market Capitalization as at the last trading day (Approximate HK\$ million)	Premium/ (Discount) of the subscription price over/ (to) the closing price on the last trading day or pricing benchmark day	Premium/ (Discount) of the subscription price over/ (to) the average closing price for the five consecutive trading days up to and including the last trading day or pricing benchmark day	Premium/ (Discount) of the subscription price over/ (to) the consolidated NAV per share <sup>(Note 1)</sup>
51 Credit Card Inc. (2051)	13-Jul-20	Engaged in the provision of one-step personal financial services covering personal credit management, credit card technology services, and online credit facilitation and investment services	Yes	719.9	(24.1%)	(1.6%)	(74.6%)
China Jinmao Holdings Group Limited (817)	6-Jul-20	Engaged in development of, investment in and operation of real estate projects	Yes	46,614.7	(6.6%)	(0.6%)	43.8%
China Technology Industry Group Limited (8111)	3-Jul-20	Engaged in the provision of power system integration services	Yes	219.6	58.7%	56.3%	1,963.1%
IR Resources Limited (8186)	28-Apr-20	Engaged in the forestry related businesses	Yes	13.2	(39.1%)	(41.7%)	18.2%
Binhai Investment Company Limited (2886)	23-Apr-20	Engaged in the sales of piped gas	Yes	1,784.7	0.0%	5.6%	18.9%
AsiaInfo Technologies Limited (1675)	14-Apr-20	Engaged in the provision of software products and related services	Yes	9,560.6	(27.6%)	(26.4%)	24.8%
Gemini Investments Holdings Ltd (174)	3-Apr-20	Engaged in investment businesses	Yes	629.2	81.8%	98.0%	(90.1%)
Sinopharm Tech Holdings Limited (8156)	2-Apr-20	Engaged in internet services	Yes	1,068.1	(12.3%)	(15.3%)	3,489.7%
China Finance Investment Holdings Limited (875)	6-Feb-20	Engaged in the cultivation, processing and trading of agricultural products	Yes	299.1	(31.6%)	(33.9%)	(67.4%)
CT Vision (International) Holdings Limited (994)	22-Jan-20	Engaged in the provision of construction services	Yes	798.9	(21.6%)	(21.4%)	38.7%
				Maximum	81.8%	98.0%	3,489.7%
				Minimum	(39.1%)	(41.7%)	(90.1%)
				Average	2.0%	4.1%	308.6%
				Median	(6.2%)	(1.3%)	18.9%
The Company (871)	14-Jan-21	Engaged in capital and reclamation dredging businesses	Yes	179.2	11.1%	17.7%	(87.0%)

*Source: website of the Stock Exchange (<http://www.hkex.com.hk>)*

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*Notes:*

1. The consolidated NAV per share is calculated based on the NAV according to the latest results announcement prior to the date of announcement of the respective transaction and the number of shares is based on the amount as at its respective latest practicable date of the transaction. Unless specified in the announcement, the NAV are translated into HK\$ at an exchange rate of RMB0.8802 = HK\$1 (if applicable).
2. hmvod limited is in net liability position and no premium or discount of the subscription price over/(to) the consolidated NAV per share is shown.

The subscription price in the Comparable Transactions was set at a range between 39.1% discount and 81.8% premium over their respective historical trading prices on the last trading day/pricing benchmark day, and at a range between 41.7% discount and 98.0% premium over the respective average closing price for the five consecutive trading days up to and including the last trading day/pricing benchmark day. The Subscription Price represents a premium of approximately 11.1% to the theoretical closing price per Consolidated Share over the closing price of the Shares on the Last Trading Day, which is higher than the average premium of 2.0% of the Comparable Transactions. Further, the Subscription Price represents a premium of approximately 17.7% to the theoretical closing price per Consolidated Share over the average closing prices for five trading days up to and including the Last Trading Day, which is higher than the corresponding average premium of approximately 4.1% of the Comparable Transactions.

In addition, we have conducted an analysis on the premium/discount of the respective NAV between the Company and the Comparable Transactions to illustrate the recent market trend as general reference. The Subscription Price represents a discount of approximately 87.0% to the Group's theoretical NAV per Consolidated Share. As set out in the above table, the premium/discount of consolidated NAV per share of the Comparable Transactions ranged from a premium of approximately 3,489.7% to a discount of approximately 90.1%. The Subscription Price was at the discount of approximately 87.0%, which is within the range of the Comparable Transactions. In addition, in order to further analyse the trading performance of the Share price as compared to the then NAV per Share, we have compared the historical closing price per Share against the then latest consolidated NAV per Share over the period from 14 January 2019 to the Last Trading Day (the “**24-Month Review Period**”).



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Period	Weighted average number of Shares during the period	Date of NAV	Published consolidated NAV per Share <sup>(Note 2)</sup> HK\$	Average closing price per Share for the period HK\$	Average discount to the NAV per share
14-Jan-19 <sup>(Note 1)</sup> to 29-Mar-19	1,773,664,000	30-Jun-18	1.409	0.151	(89.3%)
30-Mar-19 <sup>(Note 1)</sup> to 29-Aug-19	1,773,664,000	31-Dec-18	1.238	0.114	(90.8%)
30-Aug-19 <sup>(Note 1)</sup> to 31-Mar-20	1,780,423,228	30-Jun-19	1.216	0.084	(93.1%)
1-Apr-20 <sup>(Note 1)</sup> to 28-Aug-20	1,944,855,727	31-Dec-19	0.828	0.043	(94.8%)
29-Aug-20 <sup>(Note 1)</sup> to Last Trading Day	1,974,652,565	30-Jun-20	0.773	0.058	(92.5%)
Subscription Price per Existing Share	1,991,283,000	30-Jun-20	0.766	0.100	(87.0%)
Maximum					(94.8%)
Minimum					(89.3%)
Average					(92.1%)
Median					(92.5%)

Source: website of the Stock Exchange (<http://www.hkex.com.hk>)

*Notes:*

- Each period commenced from the first trading day immediately after the Company released its relevant interim or annual results announcements except for 14 January 2019 being the beginning of the 24-Month Review Period.
- The published consolidated NAV per Share is calculated based on the consolidated NAV as set out in the interim or annual results announcement and divided by the weighted average number of Shares during the respective period; and the NAV per Share are translated into HK\$ at an exchange rate of RMB0.8802 = HK\$1.

Based on the analysis above, we noted that, since 14 January 2019 up to the Last Trading Day, the Shares had been traded at a closing price below the NAV per Share during the 24-Month Review Period. The average discounts to the consolidated NAV per Share during the 24-Month Review Period (the “**Average Discounts Range**”) ranged from approximately 89.3% to approximately 94.8%. The Subscription Price represents a discount to the consolidated NAV per Share of approximately 87.0%, which is lower than the Average Discounts Range.

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### (iv) *Comparable companies analysis*

As mentioned in “1. Background of the Group and the Subscriber”, the Group is primarily engaged in four main operating and reportable segments, out of which three related to dredging and marine businesses. For direct comparison purpose, we have selected comparable companies that are engaged in dredging and marine business in the PRC, which is the same as the Group. We have identified, on a best effort basis, a complete and exhaustive list of two companies (“**Comparable Companies**”) based on the abovementioned selection criteria. We consider that the principal activities and major operation locations of such companies are in general affected by similar macro-economic factors including but not limited to, economy and outlook and the demand from customers in the industry as a whole. Based on the foregoing, we consider the Comparable Companies as fair and representative comparable, the analysis of which is useful for assessing the fairness and reasonableness of the Subscription Price.

The following table sets out the details of the Comparable Companies, computed based on the closing share prices of the Comparable Companies as at the Last Trading Day and their latest published financial information for the most recent financial year as disclosed in their respective latest annual reports and interim reports:

Company name	Stock code	Principal business activities	Percentage of revenue from dredging and marine business to overall business	Market capitalisation (Approximate HK\$ million) (Note 1)	P/E ratio (Times) (Note 2)	P/B ratio (Times) (Note 3)	P/S ratio (Times) (Note 4)
China Communications Construction Company Limited <sup>(Note 5)</sup>	1800	Engaged in the infrastructure construction businesses	6.2%	17,099.5	2.74	0.24	0.10
Watts International Maritime Engineering Limited	2258	Engaged in general contracting of port, waterway and marine engineering projects	44.9%	470.5	4.09	0.63	0.20
				Maximum	4.09	0.63	0.20
				Minimum	2.74	0.24	0.10
				Average	3.42	0.44	0.15
				Median	3.42	0.44	0.15
The Company	871	Engaged in capital and reclamation dredging businesses	98.2%	179.2 <sup>(note 6)</sup>	N/A <sup>(note 7)</sup>	0.13 <sup>(note 8)</sup>	0.40 <sup>(note 9)</sup>

Source: website of the Stock Exchange (<http://www.hkex.com.hk>)

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*Notes:*

1. The market capitalisation of the Comparable Companies is calculated based on the closing share prices and the total issued shares of the Comparable Companies as at the Last Trading Day.
2. P/E ratio is calculated based on the market capitalisation as described in note 1 above and audited profit attributable to equity shareholders, and translated into HK\$ at an exchange rate of RMB0.8802 = HK\$1.
3. P/B ratio is calculated based on the market capitalisation as described in note 1 above and the latest published NAV of the Comparable Companies, and translated into HK\$ at an exchange rate in note 2 above (if applicable).
4. P/S ratio is calculated based on the market capitalisation as described in note 1 above and sales revenue of the Comparable Companies, and translated into HK\$ at an exchange rate in note 2 above (if applicable).
5. The audited profit attributable to equity shareholders, NAV and the sales revenue are adjusted by the portion of H-shares to the total issued shares (including A-shares and H-shares), for the purpose of calculating respective P/E ratio, P/B ratio and P/S ratio for these companies with H-share structure.
6. The implied market capitalisation of the Company is calculated by multiplying the Subscription Price with the number of issued Consolidated Shares should Share Consolidation having become effective as at the Last Trading Day.
7. Net loss attributable to equity shareholders incurred as extracted from the 2019 Annual Report and no P/E ratio is presented.
8. The implied P/B ratio of the Company is calculated based on the implied market capitalisation of the company as described in note 1 above and the NAV of the Company as extracted from 2020 Interim Report, and translated into HK\$ at an exchange rate in note 2 above (if applicable).
9. The implied P/S ratio of the Company is calculated based on the implied market capitalisation of the company as described in note 1 above and the sales revenue of the Company as extracted from 2019 Annual Report, and translated into HK\$ at an exchange rate in note 2 above (if applicable).

We attempted to assess the valuation of the Group based on the Subscription Price through comparable analysis. However, given the Group recorded net loss attributable to the equity shareholders for FY2019, P/E ratio is not applicable.

We have considered P/B ratio as another valuation benchmark for the Group. As illustrated in the table set out above, the P/B ratios of the Comparable Companies range from approximately 0.24 times to 0.63 times, with the mean and median being approximately 0.44 times. Such ratios demonstrate that the share price of the Comparable Companies in the same industry as the Company are at significant discount to their respective NAV. The implied P/B ratio of the Company based on the Subscription Price is approximately 0.13 times, which is below the P/B ratios of the Comparable Companies. The Group's property, plant and equipment amounted to approximately RMB1,333.0 million as at 30 June 2020 as disclosed in the 2020 Interim Report. As

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discussed with the Management of the Company, most of the property, plant and equipment owned by the Group are the dredgers and vessels, which consist of dredgers tailored made for the Company's specific dredging projects and are illiquid in nature; therefore it is difficult to resell these dredgers in the secondary market, which is relatively small. It is uncertain about the time needed and ability to realise the value of these assets if the Company decides to sell them. Therefore, the relatively lower implied P/B ratio of the Company may be due to the difficulties in realising the value of these assets and reflect the poor financial conditions, prospects, and the continuous loss-making of the Group since FY2018 which leads to a substantial discount of the market capitalisation of the Group to its NAV. Having considered the above, we are of the view that the lower implied P/B ratio is justifiable.

We have further considered P/S ratio as another valuation benchmark for the Group. As illustrated in the table set out above, the P/S ratios of the Comparable Companies range from approximately 0.10 times to 0.20 times, with both the mean and median being approximately 0.15 times. The implied P/S ratio of the Company based on the Subscription Price is approximately 0.40 times, which is above the high-end of the range of the Comparable Companies. In this connection, we are of the view that the implied P/S ratio is fair and reasonable.

(v) *Recent transaction analysis*

On 7 April 2020 and 23 November 2020, the Group entered into a subscription agreement and supplemental agreement respectively, with an independent third party regarding its subscription of 191,917,000 Shares at subscription price of HK\$0.1 per Existing Share (the "**Previous Subscription**"), which is the same as the Subscription Price. The gross proceeds of the Previous Subscription is approximately HK\$19.2 million. The subscription price was agreed with the independent third party subscriber on an arm's length basis. Such subscription price represented:

- (A) a premium of approximately 78.6% to the closing price of HK\$0.056 per Existing Share as quoted on the Stock Exchange on 23 November 2020, being the date of the supplemental subscription agreement;
- (B) a premium of approximately 104.1% to the average closing price of approximately HK\$0.049 per Existing Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 20 November 2020, being the trading day immediately preceding the date of the supplemental subscription agreement;
- (C) a premium of approximately 96.1% to the average closing price of approximately HK\$0.051 per Existing Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 20 November 2020, being the trading day immediately preceding the date of the supplemental subscription agreement; and

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(D) a discount of approximately 87.6% to the Group's audited consolidated NAV per Existing Share as at 31 December 2019 of approximately HK\$0.808.

Notwithstanding that the subscription price for the Previous Subscription represented a greater premium to the historical closing price, the subscription price is at an identical discount to the Group's audited consolidated NAV per Share as at 31 December 2019.

In view of the above, we are of the view that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned. Independent Shareholders should note that the above analyses are for information and reference only, on a best effort basis. However, we considered that it would be beneficial to give the Independent Shareholders an idea on companies that share certain similarities with the Company. In addition, we have not conducted any in-depth investigation into the businesses and operations of the Comparable Companies stated hereinabove nor analysed their respective financial information.

### 8. Potential dilution effect on the shareholding interests of the existing public Shareholders

The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Share Consolidation having become effective; and (iii) immediately after the allotment and issue of Subscription Shares and the Share Consolidation having become effective (assuming no other change in the issued share capital between the Latest Practicable Date and the date of Completion). Please refer to the section headed "Effect on the shareholding of the Company" in the Letter from the Board for further details of the effect of the Subscription on the shareholding structure of the Company.

Shareholders	Shareholding as at the Latest Practicable Date		Immediately after the Share Consolidation having become effective		Immediately after the allotment and issue of the Subscription Shares and Share Consolidation having become effective	
	Approximate		Approximate		Approximate	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
The Subscriber and parties acting in concert with him <sup>(Note 1)</sup>	387,159,000	19.44	193,579,500	19.44	701,819,500	46.67
<b>Public Shareholders</b>						
Yuan Xiangbing	191,917,000	9.64	95,958,500	9.64	95,958,500	6.38
Jiangsu Baisite Environment Engineering Co., Ltd <sup>(Note 2)</sup>	148,180,000	7.44	74,090,000	7.44	74,090,000	4.93
Other public Shareholders	1,264,027,000	63.48	632,013,500	63.48	632,013,500	42.03
Subtotal	1,604,124,000	80.56	802,062,000	80.56	802,062,000	53.33
<b>Total</b> <sup>(Note 3)</sup>	<u>1,991,283,000</u>	<u>100.00</u>	<u>995,641,500</u>	<u>100.00</u>	<u>1,503,881,500</u>	<u>100.00</u>

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*Notes:*

1. 387,159,000 Existing Shares are held as to 351,600,000 Existing Shares by Wangji Limited, a company incorporated in the British Virgin Islands and 35,559,000 Existing Shares by the Subscriber as beneficial owner, respectively. The Subscriber is the sole director and the sole beneficial owner of Wangji Limited. Accordingly, the Subscriber is deemed to be interested in the 351,600,000 Existing Shares. Ms. Zhou Shuhua is the spouse of the Subscriber, therefore, Ms. Zhou Shuhua is deemed to be interested in all interests of the Subscriber in the Company.
2. Luck Morgan Investment Limited acts as the nominee for the Jiangsu Baisite Environment Engineering Co., Ltd to hold 148,180,000 Existing Shares.
3. The percentages may not add up to 100% due to rounding.

As illustrated in the table above, the shareholding in the Company held by existing public Shareholders would be reduced from approximately 80.56% as at the Latest Practicable Date to approximately 53.33% immediately after the allotment and issue of the Consolidated Shares and Share Consolidation having become effective, which represented significant dilutions to the public Shareholders. Moreover, the issue of the Subscription Shares to the Subscriber will enable the Subscriber to acquire a controlling stake in the Company immediately upon the Completion.

However, having taken into account the following factors:

- (i) the reasons for and overall benefits of the Subscription as discussed in the section headed “5. Reasons for the Subscription, use of proceeds and financing alternative of the Group” in this letter, including but not limited to (i) the Subscriber will be injecting substantial amount of cash (net proceeds of approximately HK\$99.6 million) into the Company to fully redeem the 2016 Bonds as the bond will become due in a short period of time, in order to avoid possible legal proceeding against the Group and to improve financial position of the Group for maintaining sustainability of the Group’s business and operations, and (ii) the difficulties encountered by the Company to conduct other fund-raising activities;
- (ii) the terms of the Subscription Agreement, including the Subscription Price, was determined after arm’s length negotiations between the Company and the Subscriber which is considered to be fair and reasonable as discussed in the section headed “7. Evaluation of the Subscription Price” in this letter;
- (iii) save for the Subscriber, the Company considers that it is difficult (i) to procure the subscription of such a large amount of Shares by other investors in the market, as the Company has already done the Previous Subscription with fund raising size of approximately HK\$19.2 million in 2020. From such fund raising exercise, the Company has gained experience that it is difficult to secure interested places to purchase the Shares in a large block at Subscription Price with a premium to the market price given the poor financial performance and continuous loss-making of the Company, as well as the prolonged low share price of the Company; and (ii) to

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procure placees who are willing to subscribe for the Shares under such circumstances as the placees could purchase the Shares in the open market at a market price, which is lower than the Subscription Price; and

- (iv) the success of equity financing is highly dependent on the then market condition and sentiment, time taken for completion of open offer or rights issue is considerably long; and cost for documentation works, administrative and professional fees for equity financing is relatively high as compared to the Subscription;

we are of the view that (a) the terms of the Subscription Agreement and the Whitewash Waiver are fair and reasonable to the Independent Shareholders; and (b) the dilution effect to the shareholding interests of the public Shareholders as a result of the Subscription is acceptable.

### **9. Financial effects on the Group**

#### *(i) Effect on NAV*

As set out in the 2020 Interim Report, the consolidated NAV was approximately RMB1,343.1 million as at 30 June 2020. Upon completion of the Subscription, the Directors expect that the consolidated NAV would increase as large portion of the net proceeds will be utilised to repay 2016 Bonds of which the redemption amount is approximately HK\$352.4 million, and the total liabilities would be decreased by the same amount while the repayment of approximately HK\$98.4 million would be deemed to have repaid the 2016 Bonds in full. The difference between the book value and the repayment amount will be considered as income arising from the redemption of the 2016 Bonds and the NAV would be increased by the same. The remaining proceeds of approximately HK\$1.2 million would increase the bank balances and cash of the Company and so its NAV. Accordingly, the Subscription is expected to have a positive impact on NAV.

As at the Latest Practicable Date, the Company has 1,991,283,000 Existing Shares in issue. Accordingly, consolidated NAV per Existing Share based on NAV as at 30 June 2020 was approximately RMB0.67 (which was equivalent to approximately HK\$0.77, assuming the exchange rate of RMB0.8802 = HK\$1) which is higher than the Subscription Price before Share Consolidation having become effective of HK\$0.10. It is expected that the consolidated NAV per Consolidated Share might be decreased immediately upon the Completion. However, having considered that the overall benefits of the Subscription, we consider that the benefits obtained after the utilisation of the net proceeds outweigh the reduction in the consolidated NAV per Share.

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(ii) *Effect on earnings*

Upon completion of the Subscription, the Directors expect that large portion of the net proceeds will be utilised to repay 2016 Bonds of which the redemption amount is approximately HK\$352.4 million, while the repayment of approximately HK\$98.4 million would be deemed to have repaid the 2016 Bonds in full, and the difference between the book value and repayment amount will be considered as income arising from the redemption of the 2016 Bonds. Furthermore, the interest expenses on the 2016 Bonds will no longer be incurred after the repayment.

(iii) *Effect on gearing ratio*

As set out in the section headed “3. Financial position of the Group”, the gearing ratio of the Group increased from 33.4% as at 31 December 2017 to 52.1% as at 30 June 2020. Upon completion of the Subscription, a large portion of net proceeds will be utilised to repay 2016 Bonds and hence the total liabilities and gearing ratio of the Group will be decreased. It is expected that the leverage position of the Group will be improved.

(iv) *Effect on working capital*

Upon completion of the Subscription, the Group will receive net proceeds of approximately HK\$99.6 million, of which approximately HK\$98.4 million will be utilised to redeem the 2016 Bonds, and the remaining balance of approximately HK\$1.2 million will be used as general working capital of the Company. Moreover, the Group will cease to incur further interest expenses, professional fees, and legal cost surrounding the outstanding amount of 2016 Bonds. The Group’s net current liabilities as at 30 June 2020 amounted to approximately RMB352.0 million, a significant amount of which was due to the outstanding amount of 2016 Bonds. As a large portion of the net proceeds will be utilised to redeem 2016 Bonds in full, together with approximately HK\$1.2 million of cash from the net proceeds will be used as general working capital, the net current liabilities would be significantly decreased by the same amount. As a result, the liquidity and cash position of the Group will be improved upon completion of the Subscription and the redemption of the 2016 Bonds.

In light of the above, we concur with the Directors’ view that the Subscription will bring positive impacts on the financial position of the Group. Independent Shareholders should however note that the above analyses are for illustrative purpose only and do not purport to represent the financial position of the Group upon completion of the Subscription.



**10. The Whitewash Waiver**

With reference to the section headed “Effect on the shareholding of the Company” in the Letter from the Board, upon Completion, the shareholding of the Subscriber and parties acting in concert with him will increase from approximately 19.44% to approximately 46.67% of the then issued share capital of the Company as enlarged by the Subscription Shares (assuming there will be no other change in the number of issued Shares between the Latest Practicable Date and the date of Completion, save for the Share Consolidation and the issue and allotment of the Subscription Shares), thereby triggering an obligation on the Subscriber under Rule 26.1 of the Takeovers Code to make a mandatory general offer for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by him or parties acting in concert with him.

In this regard, the Subscriber has made an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, approval by the Independent Shareholders of the Subscription and the Whitewash Waiver at the EGM by way of poll. In accordance with the Listing Rules and the Takeovers Code, the Subscriber and parties acting in concert with it, and other Shareholders who are involved or interested in the Subscription and the Whitewash Waiver shall abstain from voting on the respective resolutions at the EGM. Therefore, the Subscriber and parties acting in concert with him, who are interested in an aggregate of 387,159,000 Existing Shares (representing approximately 19.44% of the existing issued share capital of the Company), shall abstain from voting on the resolutions approving the Subscription and the Whitewash Waiver at the EGM.

The resolutions for (i) the Subscription Agreement shall be approved by way of ordinary resolution (representing more than 50% of the votes casted by Independent Shareholders); and (ii) the Whitewash Waiver shall be approved by way of special resolution (representing 75% of the votes cast by the Independent Shareholders either in person or by proxy at the EGM by way of poll). Completion is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders.

**OPINION AND RECOMMENDATION**

Having considered the factors and reasons set out in this letter, in particular,

- (i) the Group has been encountering financial and operating difficulties in recent years which it recorded continuing loss for the recent years/periods amounted to approximately RMB254.5 million for FY2018, approximately RMB522.0 million for FY2019 and approximately RMB73.7 million for 6M2020, as mentioned in the section headed “2. Financial performance of the Group”;

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- (ii) the issuance of Subscription Shares is a reasonable financing means available to the Company as compared to debt financing and other means of equity financing and is able to repay the 2016 Bonds in full at a discount as mentioned in the section headed “5. Reasons for the Subscription, use of proceeds and financing alternative of the Group”;
- (iii) the benefits from the Subscription that it allows the Group to repay the 2016 Bonds, which may then improve the financial conditions and liabilities of the Group and remove the auditor’s opinion on material uncertainty related to going concern;
- (iv) the fairness and reasonableness of the basis determining the Subscription Price of the Subscription Shares issued under the Subscription Agreement so far as the Independent Shareholders are concerned as mentioned in the section headed “7. Evaluation of the Subscription Price”;
- (v) the dilution effect to the Independent Shareholders as a result of the issuance of Subscription Shares is acceptable as mentioned in the section headed “8. Potential dilution effect on the shareholding interests of the existing public Shareholders”; and
- (vi) the Subscription would have an expected overall positive effect on the financial position of the Group and the net proceeds raised under the Subscription would improve the Company’s financial position by reducing the net current liabilities and improving the Company’s gearing ratio as mentioned in the section headed “9. Financial effects on the Group”.

We consider that, although the transactions contemplated under the Subscription Agreement are not in the ordinary and usual course of business of the Company, (i) the terms of the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the Subscription Agreement and the Whitewash Waiver in respect of the Subscription are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the Subscription Agreement and the Whitewash Waiver in respect of the Subscription.

Yours faithfully,  
For and on behalf of  
**Alliance Capital Partners Limited**  
**Alyssa Ng**  
*Managing Director*

*Ms. Alyssa Ng is a licensed person under the Securities and Future Ordinance to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities and has over 10 years’ experience in participation and advising in various initial public offerings and transactions involving companies listed in Hong Kong, including but not limited to the provision of independent financial advisory services regarding Takeovers Code and the Listing Rules.*

**1. FINANCIAL INFORMATION OF THE GROUP**

Financial information of the Group for the six months ended 30 June 2020 and for each of the three years ended 31 December 2017, 2018 and 2019 is set out in the following documents which are also available on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company (<http://www.cdep.com.hk>):

- (a) pages 22 to 60 of the interim report for the six months ended 30 June 2020 of the Company published on 17 September 2020  
(<https://www.hkexnews.hk/listedco/listconews/sehk/2020/0917/2020091700539.pdf>);
- (b) pages 86 to 212 of the annual report for the year ended 31 December 2019 of the Company published on 14 May 2020  
(<https://www.hkexnews.hk/listedco/listconews/sehk/2020/0514/2020051400352.pdf>);
- (c) pages 86 to 216 of the annual report for the year ended 31 December 2018 of the Company published on 23 April 2019  
(<https://www.hkexnews.hk/listedco/listconews/sehk/2019/0423/ltn20190423315.pdf>); and
- (d) pages 92 to 192 of the annual report for the year ended 31 December 2017 of the Company published on 20 April 2018  
(<https://www.hkexnews.hk/listedco/listconews/sehk/2018/0420/ltn20180420359.pdf>).

The following summary of financial information for each of the six months ended 30 June 2019 and 2020 and for each of the three years ended 31 December 2017, 2018 and 2019 is extracted from the condensed consolidated financial statements and the consolidated financial statements of the Company as set forth in the interim report for each of the six months ended 30 June 2019 and 2020, and the annual reports of the Company for the years ended 31 December 2017, 2018 and 2019, respectively.

	For the year ended 31 December			Six months ended 30 June	
	2017 (audited) RMB'000	2018 (audited) RMB'000	2019 (audited) RMB'000	2019 (unaudited) RMB'000	2020 (unaudited) RMB'000
<b>INCOME STATEMENT</b>					
Revenue	650,924	618,833	442,368	270,433	119,935
(Loss)/profit before tax	111,234	(232,345)	(411,355)	(23,143)	(73,187)
Income tax expense	(39,030)	(22,150)	(110,673)	(2,110)	(490)
Net (loss)/profit	72,204	(254,495)	(522,028)	(25,253)	(73,677)
Other comprehensive expense:					
Item that will not be reclassified to profit or loss					
— Revaluation of properties	—	(22,400)	—	—	—
Net (loss)/profit for the year attributable to:					
— Owners of the company	71,040	(258,647)	(517,586)	(27,030)	(74,083)
— Non-controlling interests	1,164	4,152	(4,442)	1,777	406
Total comprehensive (expense)/income for the period attributable to:					
— Owners of the company	71,040	(281,047)	(517,586)	(27,030)	(74,083)
— Non-controlling interests	1,164	4,152	(4,442)	1,777	406
Net (loss)/profit per share					
— basic and diluted (RMB cents)	0.048	(0.170)	(0.292)	(0.015)	(0.042)
<b>STATEMENT OF FINANCIAL POSITION</b>					
Total assets	3,587,789	3,349,087	2,847,168	3,319,656	2,745,090
Total liabilities	(1,250,539)	(1,260,461)	(1,283,994)	(1,260,740)	(1,261,094)
Total equity	2,337,250	2,088,626	1,563,174	2,058,916	1,483,996
Non-controlling interests	156,844	155,203	146,305	152,523	140,918

For each of the six months ended 30 June 2019 and 2020 and for each of the three years ended 31 December 2017, 2018 and 2019, no dividend was declared or paid.

The Group had no other material income or expense for each of the six months ended 30 June 2019 and 2020 and each of the three years ended 31 December 2017, 2018 and 2019.

The auditors of the Company for the year ended 31 December 2017 was CWC CPA Limited (“CWC”) and the years ended 31 December 2018 and 31 December 2019 was Moore Stephens CPA Limited (“Moore Stephens”). The audit opinions of CWC and Moore Stephens in respect of

the above years were not qualified nor modified, although material uncertainty related to going concern was contained in the auditor's report of CWC and Moore Stephens in respect of the above years.

#### **Details of material uncertainty related to going concern contained in the auditor's report**

An extract of the auditor's report in respect of material uncertainty related to going concern for each of the three years ended 31 December 2017, 2018 and 2019 is reproduced below:

##### ***For the year ended 31 December 2019***

“We draw attention to Note 2 to the consolidated financial statements, which highlight that the Group had net current liabilities of approximately RMB283 million. In addition, as at 31 December 2019, the bonds payable and accrued interest amounting to an aggregate amount of approximately RMB286.8 million have been past due and due for immediate payment, the circumstances surrounding the failure by the Group to settle the bonds when the bonds fell due for repayment on their maturity date is set out in Note 2. These conditions, along with other matters as set forth in Note 2 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt over the Group's ability to continue as a going concern. Our opinion is not modified in respect of these matters.”

##### ***For the year ended 31 December 2018***

“We draw attention to Note 2 in the consolidated financial statements, which describes the circumstances surrounding the failure by the Group to settle the bonds when the bonds fell due for repayment on their maturity date. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.”

##### ***For the year ended 31 December 2017***

“We draw attention to Note 2 in the consolidated financial statements, which describes the circumstances surrounding the failure by the Group to settle the convertible bonds when the bonds fell due for repayment on their maturity date. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter”

## **2. STATEMENT OF INDEBTEDNESS**

Save as disclosed below and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at 30 November 2020, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group did not have any outstanding debt securities, bank loans and overdrafts or other similar

indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits, mortgages, charges, debentures, loan capital, guarantees or other material contingent liabilities.

	<i>RMB'000</i>
<b>Short-term indebtedness</b>	
Bank borrowings	293,400
Other borrowings	51,568
Bonds payable	292,299
Lease liabilities	866
Other payable	<u>110,972</u>
<b>Total short-term indebtedness</b>	<b><u><u>749,105</u></u></b>
<b>Long-term indebtedness</b>	
Amount due to non-controlling interests of a subsidiary	62,683
Other borrowings	24,277
Lease liabilities	<u>112</u>
<b>Total long-term indebtedness</b>	<b><u><u>87,072</u></u></b>

The Directors confirm that there was no material change in the indebtedness status of the Group since 30 November 2020 up to the Latest Practicable Date.

### 3. MATERIAL CHANGE

The Directors confirm that except for the followings, there has been no material change in the financial or trading position or outlook of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Group were made up and up to and including the Latest Practicable Date:

- (a) as stated in the interim report of the Company for the six months ended 30 June 2020, the Group recorded (i) a deterioration in revenue from approximately RMB270.4 million for the six months ended 30 June 2019 to approximately RMB119.9 million for the six months ended 30 June 2020; and (ii) a deterioration in gross profit from approximately RMB30.5 million for the six months ended 30 June 2019 to a gross loss of RMB14.6 million for the six months ended 30 June 2020; and
- (b) as stated in the interim report of the Company for the six months ended 30 June 2020, the capital commitment contracted but not provided for relating to the acquisition of property, plant and equipment increased from approximately RMB59.1 million as at 31 December 2019 to RMB270.4 million as at 30 June 2020.

#### 4. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources including the available credit facilities, the internally generated funds, the net proceeds from the Subscription, the Group has sufficient working capital to satisfy its requirements for at least the next 12 months following the date of this circular in the absence of unforeseen circumstances.

#### 5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is primarily engaged in dredging business, which can be divided into three main operating and reportable segments, namely, (i) capital and reclamation dredging business; (ii) environmental protection dredging and water management business; and (iii) other works operated in marine sites such as hoisting wind power equipment, installing major parts of docks and bridges, as well as laying underwater pipelines and salvaging. In addition, the Group engaged in property management business in respect of managing Xingyu International Houseware Plaza (formerly known as Easyhome Yancheng Shopping Mall). The Company is a company incorporated in the Cayman Islands with limited liability and is principally engaged in the business of investment holding.

For the six months ended 30 June 2020 (the “**2020 Interim Period**”), the Group recorded a net loss of approximately RMB73.7 million, as compared to a net loss of approximately RMB25.3 million for the first half of the year 2019. The Company recorded a loss attributable to its shareholders of approximately RMB74.1 million for the 2020 Interim Period. During the 2020 Interim Period, the Group recorded a revenue of approximately RMB119.9 million, representing a decrease of 55.7% as compared with approximately RMB270.4 million in the corresponding period of 2019.

In view of the COVID-19 outbreak since January 2020 and the uncertain macroeconomic environment, the Group’s business and performance will continue to be affected. The degree of impact on the Group’s operation depends on the duration of the COVID-19 outbreak, the effectiveness of the preventive measures and the implementation of regulatory policies. The Group will closely monitor the situation and the Group’s exposure to the related risks and uncertainties, and will also assess and react proactively to its impacts on the financial position and results of the Group. The Group continuously adopts a robust and prudent operating strategy to ensure an effective control of various possible operational risks as well as to speed up the collection of receivables.

For capital operation, based on the progress of its substantial construction projects including the operating progress of the overseas projects, the Group will actively identify and materialise healthy and feasible financial plans, such as strengthening the collection of the receivables and enhancing the capital structure of the Group, so as to satisfy, support and meet the Group’s business development. When there is any material development made, the Company will timely inform the Shareholders and potential investors.

After the settlement of the 2016 Bonds, the Company intends to repay the remaining debts before their respective maturity dates by internal resources or by seeking extension of the maturity dates. As at the Latest Practicable Date, the Company does not have any agreement, arrangement, understanding, intention, negotiation (concluded or otherwise) on any potential fund-raising activities in the next 12 months (save for the Subscription).



## 1. RESPONSIBILITY STATEMENTS

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

This circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

## 2. SHARE CAPITAL

### (a) Share capital of the Company

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon Completion taking into account the Share Consolidation (assuming there will be no other change in the number of issued Shares between the Latest Practicable Date and the date of Completion) as follows:

#### (i) *Share capital as at the Latest Practicable Date*

	<b>Nominal value per Existing Share HK\$</b>	<b>Number of Shares</b>	<b>Amount HK\$</b>
Authorised:			
As at the Latest Practicable Date	0.1	<u>10,000,000,000</u>	<u>1,000,000,000.00</u>
Issued and fully paid:			
As at the Latest Practicable Date	0.1	<u>1,991,283,000</u>	<u>199,128,300.00</u>

- (ii) *Share capital immediately upon Completion and the Share Consolidation becoming effective (assuming there will be no other change in the number of issued Shares between the Latest Practicable Date and the date of Completion)*

	Nominal value per Share HK\$	Number of Shares	Amount HK\$
Authorised:			
As at the date of Completion	0.2	<u>5,000,000,000</u>	<u>1,000,000,000.00</u>
Issued and fully paid:			
Immediately before the date of Completion	0.2	995,641,500	199,128,300.00
Subscription Shares to be issued pursuant to the Specific Mandate	0.2	<u>508,240,000</u>	<u>101,648,000.00</u>
Shares in issue upon Completion	0.2	<u>1,503,881,500</u>	<u>300,776,300.00</u>

All issued Shares rank *pari passu* in all respects with each other, including, in particular, as to dividends, voting rights and return of capital.

The Subscription Shares to be allotted and issued will, when issued, rank *pari passu* in all respects with the Shares then in issue. The Subscriber will be entitled to receive all dividends and distributions which may be declared, made or paid on or after the date of issue of Subscription Shares. As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

As disclosed in the Company's announcement dated 7 April 2020 (as supplemented by the announcement dated 23 November 2020), the Company has issued a total of 191,917,000 Shares at the price of HK\$0.10 per share under a general mandate.

Mr. He Zongfeng (何宗峰), an employee of the Company, the grantee of share options pursuant to the share option scheme adopted by the Company on 24 May 2011 and an Independent Third Party, has exercised his share options in full (i.e. 17,000,000 share options) and was allotted 17,000,000 Existing Shares at the exercise price of HK\$0.10 per Existing Share on 11 January 2021.

Save as disclosed above, no Share has been issued since 31 December 2019 (being the date on which the latest audited financial statements of the Company were made up) and up to the Latest Practicable Date.

The issued Shares are listed on the Stock Exchange. The Company will apply to the Stock Exchange for the listing of and permission to deal in the Subscription Shares. None of the securities of the Company is listed or dealt in, and no listing or permission to deal in the securities of the Company is being or is proposed to be sought on any other stock exchange.

As at the Latest Practicable Date, the Company did not have any outstanding convertible securities, options, warrants or other derivatives in issue which are convertible or exchangeable into Shares.

### 3. MARKET PRICE

The table below sets out the closing prices of the Shares as quoted by the Stock Exchange on: (i) the Latest Practicable Date; (ii) the Last Trading Day; and (iii) the last day on which trading took place in each of the calendar months during the Relevant Period.

<b>Date</b>	<b>Closing price per Share (HK\$)</b>
31 July 2020	0.05
31 August 2020	0.047
30 September 2020	0.054
30 October 2020	0.049
30 November 2020	0.051
31 December 2020	0.076
13 January 2021 (being the Last Trading Day)	0.09
29 January 2021 (being the Latest Practicable Date)	0.083

The highest and lowest closing prices per Share recorded on the Stock Exchange during the Relevant Period were HK\$0.094 on 21 January 2021, and HK\$0.042 on 10 August 2020, respectively.

#### 4. DISCLOSURE OF INTERESTS

##### (a) Interests of Directors in securities of the Company

As at the Latest Practicable Date, the Directors and the Company's chief executive, and their respective associates had the following interests in the Shares and underlying Shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), or were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO:

##### (i) Long positions in the Shares:

Name of Director	Capacity	Notes	Long position	
			Number of ordinary Shares	Approximate percentage of shareholding
Mr. Liu Kaijin	Interest in controlled corporation	1	351,600,000	17.66%
	Beneficial owner		35,559,000	1.79%
Ms. Zhou Shuhua	Interest in spouse	2	387,159,000	19.44%

##### Notes:

- Mr. Liu is the sole beneficial owner of Wangji, a company incorporated in the British Virgin Islands with limited liability, which is the direct owner of the 351,600,000 Existing Shares. Further, Mr. Liu is the beneficial owner of 35,559,000 Existing Shares.
- Ms. Zhou is the spouse of Mr. Liu who is also a Director. By virtue of the SFO, Ms. Zhou is deemed to be interested in all interests of Mr. Liu in the Company including long position and short position.

(ii) *Long positions in the shares of the associated corporations of the Company*

Name of Director	Name of associated corporation	Capacity	Notes	Long position	
				Share capital	Approximate percentage of shareholding
Mr. Liu Kaijin	Wangji	Beneficial owner		200 ordinary shares	100%
	Jiangsu Xingyu Holdings Group Limited (“Jiangsu Xingyu”)	Beneficial owner	1	Registered capital of RMB39,315,800	100%
Ms. Zhou Shuhua	Wangji	Interest in spouse	2	200 ordinary shares	100%
	Jiangsu Xingyu	Interest in spouse	2	Registered capital of RMB39,315,800	100%

*Notes:*

1. Mr. Liu is the sole beneficial owner of the entire registered capital of Jiangsu Xingyu. Mr. Liu and Ms. Zhou are the registered holders of 98.47% and 1.53% respectively in the registered capital in Jiangsu Xingyu. The 1.53% interest in the registered capital of Jiangsu Xingyu were held on trust by Ms. Zhou for Mr. Liu pursuant to a shareholding confirmation dated 12 July 2010.
2. Ms. Zhou is the spouse of Mr. Liu who is a Director. By virtue of the SFO, Ms. Zhou is deemed to be interested in all interests of Mr. Liu in the associated corporations including long position and short position.

Saved as disclosed above, none of the Directors and chief executive of the Company or any of their associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any associated corporation as at the Latest Practicable Date (within the meaning of Part XV of the SFO), which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or chief executive of the Company were deemed or taken to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

**(b) Substantial Shareholders' interests in the Shares and underlying Shares**

As at the Latest Practicable Date, other than the Directors' and the chief executive's interests and short positions in the Shares and underlying Shares as recorded in the register required to be kept under Section 336 of the SFO, to the best of the knowledge and belief of the Directors, the following substantial Shareholders had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or otherwise notified to the Company and the Stock Exchange:

Name of Shareholder	Capacity	Note	Long position	
			Number of ordinary Shares	Approximate percentage of shareholding
Wangji	Beneficial owner		351,600,000	17.66%
Yuan Xiangbing	Beneficial owner		191,917,000	9.64%
Jiangsu Baisite Environment Engineering Co., Ltd	Beneficial owner	<i>1</i>	148,180,000	7.44%

*Note:*

1. Luck Morgan Investment Limited acts as nominee for Jiangsu Baisite Environment Engineering Co., Ltd\* to hold 148,180,000 Shares.

Save as disclosed above, as at the Latest Practicable Date, no person (other than the Directors and the Company's chief executive or their respective associates) had, or were deemed or taken to have, an interest or short position in the Shares or underlying shares of the Company and associated corporations that was required to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or any options in respect of such share capital.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**5. DISCLOSURES REQUIRED UNDER THE TAKEOVERS CODE**

As at the Latest Practicable Date:

- (a) the Company did not have any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeover Code) of the Subscriber and parties acting in concert with him and had not dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Subscriber and parties acting in concert with him during the Relevant Period;
- (b) save for the Subscriber and Ms. Zhou Shuhua, the spouse of the Subscriber, none of the Directors had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Subscriber and parties acting in concert with him and none of them had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Subscriber and parties acting in concert with him during the Relevant Period;
- (c) save as set out in the shareholding structure table in the section headed “Effect on the Shareholding of the Company” in the Letter from the Board in this circular and in the section headed “Disclosure of Interests” in this appendix, no Director was interested in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company and none of the Directors had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;
- (d) none of the subsidiaries of the Company, the pension fund of the Company or of its subsidiaries, person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding exempt principal traders and exempt fund managers) owned or controlled any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, or had dealt for value in any such securities of the Company during the Relevant Period;
- (e) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between any person and the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and no such person had owned, controlled or dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;

- (f) no Shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by any fund manager (other than exempt fund managers) connected with the Company had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company and no such persons had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;
- (g) the Directors intend, in respect of their own beneficial shareholdings (if any), to vote in favour of the resolutions to be proposed at the EGM (which they are permitted to vote) to approve the Subscription, the grant of the Specific Mandate and the Whitewash Waiver. As disclosed in the Letter from the Board in this circular, the Subscriber and Ms. Zhou Shuhua, the spouse of the Subscriber, will abstain from voting on the relevant resolutions to be proposed to the Independent Shareholders at the EGM in relation to the Subscription, the grant of the Specific Mandate and the Whitewash Waiver;
- (h) none of the Company or the Directors had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;
- (i) no person had irrevocably committed themselves to vote in favour of or against the resolutions approving the Subscription, the grant of the Specific Mandate and the Whitewash Waiver at the EGM;
- (j) the Subscriber and the parties acting in concert with him did not borrow or lend any relevant securities of the Company during the Relevant Period;
- (k) save as disclosed in the shareholding structure table in the section headed “Effect on the Shareholding of the Company” in the Letter from the Board in this circular and in the section headed “Disclosure of Interests” in this appendix, the Subscriber, the Subscriber’s director (if any) and parties acting in concert with the Subscriber did not hold, own, have control or direction over any other voting rights, rights over Shares, any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of the securities of the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period; and
- (l) neither the Subscriber nor the parties acting in concert with him has any arrangement as referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) or contracts with any other parties in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which might be material to the Subscription Agreement, the transactions contemplated thereunder (including the Specific Mandate) and the Whitewash Waiver during the Relevant Period.



As at the Latest Practicable Date, no Shares to be acquired by the Subscriber and parties acting in concert with him pursuant to the Subscription Agreement will be transferred, charged or pledged to any other person. As at the Latest Practicable Date, there was no agreement, arrangement or understanding and any related charges or pledges which may result in the transfer of voting rights in such Shares.

## 6. DIRECTORS' COMPETING INTERESTS

To the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors and their respective close associates was interested in any business which competes, or may compete, either directly or indirectly, with the businesses of the Group.

## 7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, save as disclosed below, none of the Directors had entered into any service contracts/appointment letters with the Company or any subsidiary or associated company of the Company which (a) (including continuous and fixed term contracts) had been entered into or amended within the Relevant Period; (b) are continuous contracts with a notice period of 12 months or more; (c) are fixed term contracts with more than 12 months to run irrespective of the notice period; or (d) are not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Name of Employers	Name of Directors	Commencement date of the term of contracts or appointment letters	Term	Expiry date	Remuneration per annum (RMB)	Termination Notice
Company	Mr. Liu Kaijin	1 June 2020	Three years	31 May 2023	100,000	Three months' notice in writing by either party
Power Wealth Engineering Limited ("Power Wealth"), an indirect wholly-owned subsidiary of the Company	Mr. Liu Kaijin	1 June 2020	Three years	31 May 2023	380,000	Three months' notice in writing by either party
Company	Ms. Zhou Shuhua	1 June 2020	Three years	31 May 2023	100,000	Three months' notice in writing by either party
Power Wealth	Ms. Zhou Shuhua	1 June 2020	Three years	31 May 2023	260,000	Three months' notice in writing by either party
Company	Mr. Liang Zequan	23 September 2020	One year	22 September 2021	Nil	Three months' notice in writing by either party

**8. DIRECTOR'S INTERESTS IN ASSETS OF THE GROUP**

As at the Latest Practicable Date, none of the Directors had any interest, either directly or indirectly, in any assets which has since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up), up to the Latest Practicable Date, been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

**9. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE**

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

**10. ARRANGEMENTS AFFECTING DIRECTORS**

As at the Latest Practicable Date:

- (a) there was no agreement, arrangement or understanding (including any compensation agreement) existing between the Subscriber or any person acting in concert with it and any Director, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the outcome of the Subscription, the Specific Mandate and the Whitewash Waiver;
- (b) there was no agreement, arrangement or understanding between any Director and any other person which is conditional on or dependent upon the outcome of the Subscription, the Specific Mandate and the Whitewash Waiver or otherwise connected therewith;
- (c) there were no benefits given or to be given to any Directors as compensation for loss of office or otherwise in connection with the Subscription, the Specific Mandate and the Whitewash Waiver; and
- (d) save for the Subscription Agreement with Mr. Liu Kaijin, being an executive Director and also the Subscriber, no material contract had been entered into by the Subscriber in which any Director has a material personal interest.

**11. MATERIAL LITIGATION**

As at the Latest Practicable Date, so far as the Directors were aware, no member of the Group was involved in any litigation or claim of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

## 12. MATERIAL CONTRACTS

Save for the contracts set out below, no contract (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) had been entered into by members of the Group within the two years immediately preceding the date of the Announcement and up to the Latest Practicable Date which are or may be material:

- (a) the Subscription Agreement;
- (b) the seventh amendment agreement and supplemental deed to the deed poll dated 3 December 2020 entered into between the Company and the Bondholder, pursuant to which the Company and the Bondholder agreed (among other things) to (i) extend the maturity date for the redemption of the 2016 Bonds to 31 March 2021; and (ii) amend certain other terms of the original convertible bond instrument and the original bond conditions;
- (c) the supplemental subscription agreement dated 23 November 2020 entered into between the Company and Yuan Xiangbing (袁響兵) (“**Mr. Yuan**”) in respect of the issue of 191,917,000 Existing Shares to Mr. Yuan, pursuant to which the Company and Mr. Yuan agreed (among other things) to clarify and amend the subscription price from HK\$0.04 per Existing Share to HK\$0.10 per Existing Share;
- (d) the subscription agreement dated 7 April 2020 entered into between the Company and Mr. Yuan pursuant to which the Company agreed to allot and issue 191,917,000 Existing Shares at the subscription price of HK\$0.04 per Existing Share to Mr. Yuan; and
- (e) the sixth amendment agreement and supplemental deed to the deed poll dated 15 March 2019 entered into between the Company and the Bondholder, pursuant to which the Company and the Bondholder agreed (among other things) to (i) extend the maturity date for the redemption of the 2016 Bonds to 20 December 2019; and (ii) amend certain other terms of the original convertible bond instrument and the original bond conditions.

## 13. EXPERT QUALIFICATIONS AND CONSENTS

The following is the qualification of the expert which has given opinions and recommendations which are included in this circular:

<b>Name</b>	<b>Qualification</b>
Alliance Capital Partners Limited	a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Alliance Capital Partners Limited did not have any direct or indirect shareholding in any member of the Group, or any right to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or any interest, direct or indirect, in any asset which had been acquired, disposed of by or leased to any member of the Group, or was proposed to be acquired, disposed of by or leased to any member of the Group, since 31 December 2019, being the date to which the latest published audited financial statements of the Company were made up.

Alliance Capital Partners Limited has given its written consent and has not withdrawn its written consent to the issue of this circular with the inclusion of its recommendations, opinions, letter and/or references to its name in the form and context in which they respectively appear.

#### **14. GENERAL**

- (a) The English text of this circular shall prevail over the Chinese text in case of inconsistency.
- (b) The company secretary of the Company is Ms. Wong Kwan Lai, an associate member of the Hong Kong Institute of Chartered Secretaries and the Chartered Governance Institute.
- (c) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (d) The principal place of business of the Company in Hong Kong is at Rooms 1501–2, 15/F, Siu On Plaza, 482 Jaffe Road, Causeway Bay, Hong Kong.
- (e) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (f) The address of the Subscriber is at Rooms 1501–2, 15/F, Siu On Plaza, 482 Jaffe Road, Causeway Bay, Hong Kong.
- (g) The address of the Independent Financial Advisor is at Room 1502–3A, Wing On House, 71 Des Voeux Road Central, Hong Kong.

#### **15. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection (i) during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturdays and public holidays) at the principal place of business of the Company in Hong Kong at Rooms 1501–2, 15/F, Siu On Plaza, 482 Jaffe Road, Causeway Bay, Hong Kong; (ii) on the website of the Company ([www.cdep.com.hk](http://www.cdep.com.hk)); and (iii) on the website of the Securities and Futures Commission ([www.sfc.hk](http://www.sfc.hk)) from the date of this circular up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the years ended 31 December 2018 and 2019;

- (c) the interim report of the Company for the six months ended 30 June 2020;
- (d) the letter from the Board, the text of which is set out on pages 8 to 28 of this circular;
- (e) the letter from the Independent Board Committee, the text of which is set out on pages 29 to 30 of this circular;
- (f) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 31 to 62 of this circular;
- (g) the written consent referred to in the section headed “Expert Qualifications and Consents” in this Appendix II;
- (h) the service contracts and appointment letters referred to in the paragraph headed “Directors’ Service Contracts” in this appendix;
- (i) the material contracts referred to in the section headed “Material Contracts” in this Appendix II; and
- (j) this circular.

## NOTICE OF EGM



### 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)

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of China Dredging Environment Protection Holdings Limited (the “**Company**”) will be held at Rooms 1501–2, 15/F, Siu On Plaza, 482 Jaffe Road, Causeway Bay, Hong Kong on Friday, 5 March 2021 at 3:00 p.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolutions. Unless the context otherwise requires, capitalised terms defined in the circular issued by the Company dated Wednesday, 3 February 2021 (the “**Circular**”) shall have the same meanings when used in this notice of extraordinary general meeting.

#### ORDINARY RESOLUTIONS

1. “**THAT** subject to the fulfilment of all the conditions set out in the section headed “Conditions of the Share Consolidation” (the “**Conditions**”) in the Circular (a copy of which is tabled at the meeting and marked “A” and initialled by the Chairman for purpose of identification), with effect immediately following the date on which this resolution is passed or the Conditions are fulfilled (whichever is the later):
  - (a) every two (2) issued and unissued Existing Shares of HK\$0.10 each in the share capital of the Company be consolidated into one (1) Consolidated Share of HK\$0.20 each (each a “**Consolidated Share(s)**”), such Consolidated Shares shall rank *pari passu* in all respects with each other and have the rights and privileges and be subject to the restrictions in respect of the shares contained in the memorandum and articles of association of the Company (the “**Share Consolidation**”); and
  - (b) any one Director be and is hereby authorised to, on behalf of the Company, do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with the implementation of and giving effect to the Share Consolidation and to aggregate all fractional Consolidated Shares (if any) and sell them for the benefits of the Company.”
2. “**THAT** subject to the fulfilment of the terms and conditions set out in the subscription agreement dated 14 January 2021 (the “**Subscription Agreement**”, copy of which have been produced to this meeting marked “B” and initialled by the Chairman for the

## NOTICE OF EGM

purpose of identification) entered into between the Company and Mr. Liu Kaijin (the “**Subscriber**”) pursuant to which the Company has agreed to allot and issue and the Subscriber has agreed to subscribe for 508,240,000 new Consolidated Shares (the “**Subscription Shares**”) at the subscription price of HK\$0.20 per Subscription Share (the “**Subscription Price**”):

- (a) the Subscription Agreement and the matters contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) all the transactions contemplated under the Subscription Agreement, including but not limited to the specific mandate to allot and issue the Subscription Shares by the Company to the Subscriber pursuant to the Subscription Agreement (the “**Specific Mandate**”), be and are hereby approved and the Directors be and are hereby authorised to allot and issue the Subscription Shares to the Subscriber pursuant to the Subscription Agreement; and
- (c) any one Director be and is hereby authorised to, on behalf of the Company, do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with the implementation of and giving effect to the Subscription Agreement and the transactions contemplated thereunder.”

### SPECIAL RESOLUTION

3. “**THAT**, subject to and conditional upon the passing of ordinary resolutions no. 1 and 2 and the granting of the Whitewash Waiver (as defined below) by the executive director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the executive director and any conditions that may be imposed thereon, the waiver of obligation on the part of the Subscriber and any parties acting in concert with him to make a mandatory general offer to the Shareholders for all the issued shares of the Company not already owned or agreed to be acquired by the Subscriber and any parties acting in concert with him which might otherwise arise as a result of the Subscriber subscribing for the Subscription Shares under the Subscription Agreement pursuant to Note 1 on Dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers (the “**Whitewash Waiver**”), be and is hereby approved, and that any one or more of the Directors be and is/are authorised to do all such acts and things and execute all such document as he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to any of the matters relating to, or incidental to, the Whitewash Waiver.”

By Order of the Board

**China Dredging Environment Protection Holdings Limited**

**Liu Kaijin**

*Chairman and executive Director*

Hong Kong, 3 February 2021

## NOTICE OF EGM

*Registered Office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Principal Place of Business in Hong Kong:*

Rooms 1501–2, 15/F  
Siu On Plaza  
482 Jaffe Road  
Causeway Bay  
Hong Kong

*Notes:*

- (a) A member entitled to attend and vote at the meeting may appoint a proxy or, if holding two or more shares, more than one proxy to attend and vote on his behalf. A proxy need not be a member of the Company.
- (b) The Subscriber and parties acting in concert with him (namely Ms. Zhou Shuhua, the spouse of the Subscriber and Wangji Limited, which is wholly-owned by the Subscriber), who are interested in 387,159,000 Existing Shares (representing approximately 19.44% of the existing issued share capital of the Company as at the date hereof) will abstain from voting on the relevant ordinary resolution and the relevant special resolution to be proposed at the meeting to approve the Subscription Agreement, the transactions contemplated thereunder (including the Specific Mandate) and the Whitewash Waiver.
- (c) To be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy thereof must be deposited at the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time fixed for holding the meeting or adjournment thereof.
- (d) To be valid, the form of notice of appointment of corporate representative, in the case of appointment by a shareholder which is a corporate shareholder other than a clearing house, must be deposited at the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time fixed for holding the meeting or adjournment thereof.
- (e) The register of members of the Company will be closed from Tuesday, 2 March 2021 to Friday, 5 March 2021, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending the meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 1 March 2021.
- (f) The following precautionary measures will be taken by the Company for the EGM to prevent the spread of coronavirus: (i) compulsory temperature checks; (ii) completion of health declaration forms; (iii) compulsory wearing of surgical face masks; and (iv) no provision of refreshments. Any person who does not comply with the precautionary measures will be requested to stay in an isolated place for completing the voting procedures. Shareholders are reminded that they may appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person.

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