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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)

FRAMEWORK STANDSTILL AGREEMENT REGARDING THE 2016 BONDS

INTRODUCTION

Redemption of the 2016 Bonds is due on the Original Maturity Date. As of the Original Maturity Date and up to the date of this announcement, the Company has not made redemption of the outstanding amount of HK\$329,735,351.76 payable under the 2016 Bonds which equals to a sum of (i) the Original Redemption Amount, (ii) the interest payable in the amount of HK\$3,674,958.90 and (iii) overdue interest in the amount of HK\$945,832.86. In such connection, the Board would announce that on 14 November 2016, the Company and the Bondholder entered into the Framework Agreement pursuant to which the parties agreed to (among other things and subject to the terms and conditions therein), restructure the liabilities under the 2016 Bonds and amend the conditions therein.

THE FRAMEWORK AGREEMENT

Under the Framework Agreement, it has been agreed that on or before 18 November 2016, the Company shall pay the First Portion Repayment in the sum of US\$5 million (equivalent to approximately HK\$38.8 million) to the Bondholder. The Bondholder has agreed to (other among things), subject to its receipt of the First Portion Repayment on or before the said date, enter into the Settlement Agreement with the Company on or before the Long Stop Date which aims at (among others) extending the original maturity date for the repayment of the outstanding Original Redemption Amount, interests and fees from the Original Maturity Date to the New Maturity Date (i.e. 14 March 2017) and reducing the Original Redemption Amount to HK\$275,415,351.76.

Subject to the payment of the First Portion Repayment, the Bondholder has agreed not to take any action to enforce its rights under the 2016 Bonds before the Long Stop Date.

To secure the performance of the repayment obligations of the Reduced Redemption Amount, the following collaterals shall be provided to the Bondholder: (a) a personal guarantee to be given by each of Mr. Liu and Ms. Zhou, (b) a mortgage to be created over a vessel owned by a PRC company which, through contractual arrangements in place, has been treated as a wholly-owned subsidiary of the Company, (c) pledge on the Shares to be issued to Jiangsu Baisite and (d) such other collaterals to the satisfaction of the Bondholder (which collaterals shall be confirmed by parties on or before 16 November 2016).

Shareholders and potential investors should note that the Settlement Agreement between the Company and the Bondholder may or may not be entered into. If such agreement is entered into, it will be subject to conditions precedent which may or may not be satisfied within the prescribed time, and such agreement is subject to the risk of not being completed finally. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

INTRODUCTION

Reference is made to (i) the Company's announcements dated 28 October 2013 and 8 November 2013 respectively (collectively, the "**2013 Announcements**") in relation to the issue of the 2016 Bonds under the then General Mandate, (ii) the Company's announcement dated 7 November 2016 (the "**Nov 7 CB Announcement**") in relation to the maturity of the 2016 Bonds and (iii) the Company's announcement dated 7 November 2016 (the "**Nov 7 Acq Announcement**") in relation to the acquisition agreement dated 4 November 2016 and made by a member of the Group to acquire certain land use right with property and machinery.

As mentioned in the Nov 7 CB Announcement, redemption of the 2016 Bonds is due on the Original Maturity Date. Up to the Original Maturity Date, the Bondholder has not exercised its right to convert the whole or any part of the 2016 Bonds into new Shares. As of the Original Maturity Date and up to the date of this announcement, the Company has not made redemption of the outstanding amount of HK\$329,735,351.76 payable under the 2016 Bonds which equals to a sum of (i) the Original Redemption Amount, (ii) the interest payable in the amount of HK\$3,674,958.90 and (iii) overdue interest in the amount of HK\$945,832.86.

In such connection, the Board would announce that on 14 November 2016, the Company and the Bondholder entered into the Framework Agreement, pursuant to which the parties agreed to, among other things and subject to the terms and conditions therein, restructure the liabilities under the 2016 Bonds and amend the conditions therein.

The principal terms of the Framework Agreement are set out below.

PRINCIPAL TERMS OF THE FRAMEWORK AGREEMENT

Date: 14 November 2016

Parties:

- (a) The Company; and
- (b) the Bondholder.

As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Bondholder and its ultimate beneficial owner(s) are Independent Third Parties.

Extension of maturity date and interest payment

Under the Framework Agreement, the parties agreed to extend the Original Maturity Date to the New Maturity Date, subject to the following terms and conditions:

- (a) on or before 18 November 2016 (or such later date as agreed by the Bondholder), the Company shall repay part of the Original Redemption Amount to the Bondholder in the sum of US\$5 million (equivalent to approximately HK\$38.8 million) (the “**First Portion Repayment**”);
- (b) upon and subject to the Bondholder's receipt of the First Portion Repayment on or before the said date, the Company and the Bondholder will enter into a formal settlement agreement (the “**Settlement Agreement**”) on or before the Long Stop Date in relation to, among other things, extension of the repayment date of the outstanding Original Redemption Amount and other interests and costs, the repayment arrangements and rights and obligations of the parties in connection with the 2016 Bonds. Pursuant to the Settlement Agreement, the Company shall undertake not to (and procure its subsidiaries not to) sell, create mortgage on or pledge any of its assets to other third parties, unless prior written consent will have been obtained from the Bondholder. The Settlement Agreement shall also include the followings:
 - (i) the maturity date for the repayment of the outstanding Original Redemption Amount, interests and fees will be extended from the Original Maturity Date to the New Maturity Date (i.e. 14 March 2017);
 - (ii) upon and subject to the payment of the First Portion Repayment and after taking into account the operating environment of the Group, the interest payable by the Company under the 2016 Bonds in the sum of US\$2 million (equivalent to approximately HK\$15.52 million) will be waived by the Bondholder and, accordingly, the redemption amount will be reduced to HK\$275,415,351.76;

(iii) on the New Maturity Date, the Company shall repay to the Bondholder the Reduced Redemption Amount plus interests accrued at the following rates:

Period	Interest rate per annum (%)
From 15 November 2016 to 14 December 2016 (both dates inclusive)	13%
From 15 December 2016 to 14 March 2017 (both dates inclusive)	15%
From 15 March 2017 to the actual payment date of the Reduced Redemption Amount	18%

Note: If the New Maturity Date is not a Business Day, interests shall be paid on the next Business Day immediately after the New Maturity Date.

- (iv) the Company is entitled to early prepayment of the Reduced Redemption Amount, provided that (i) three days' written notice will have been given to the Bondholder, and (ii) any sum payable by early prepayment shall be HK\$5 million or an integral multiple thereof;
- (v) the Company will undertake to repay the Reduced Redemption Amount as soon as possible with capital to be obtained through equity or debt fund raising, and any proceeds raised shall be first used to repay the Reduced Redemption Amount and the related interests before being used for other purposes; and
- (vi) all conversion rights attached to the 2016 Bonds will be cancelled.

Subject to the payment of the First Portion Repayment, the Bondholder has agreed not to take any action to enforce its rights under the 2016 Bonds before the Long Stop Date.

Collaterals

To secure the performance of the repayment obligations of the Reduced Redemption Amount and the related interests, the following collaterals shall be provided to the Bondholder:

- (a) a personal guarantee to be given by each of Mr. Liu and Ms. Zhou, both as executive Directors, on the same date of the Framework Agreement;
- (b) a mortgage document to be provided to the Bondholder or its nominee in relation to the charge being created over a vessel owned by Jiangsu Xingyu Holdings Group Limited* (江蘇興宇控股集團有限公司), a PRC company which, through contractual arrangements in place, has been treated as a wholly-owned subsidiary of the Company, on or before 18 November 2016;

- (c) the entire 246,000,000 Shares to be issued to Jiangsu Baisite Environmental Engineering Co., Ltd* (江蘇百斯特環境工程有限公司) (“**Jiangsu Baisite**”), the vendor in the Acquisition (for details, please refer to the Nov 7 Acq Announcement) shall be pledged to the Bondholder within two Business Days of such issue (or such later date as agreed by the Bondholder). Such issue of Shares is subject to the completion of such acquisition agreement, which shall not be later than 30 November 2016; and
- (d) such other collaterals to the satisfaction of the Bondholder (which collaterals shall be confirmed by parties on or before 16 November 2016).

The documents in relation to the abovementioned share pledges shall grant the rights to the Bondholder to give voting instructions to the pledgors and be authorised to vote in the relevant Shareholders’ meeting. The Company has also undertaken to sign any further documents and take all necessary actions to secure the collaterals under the Framework Agreement.

If any of the required collateral documents or actions have not been executed, delivered, implemented or taken or subject to any defects and the situation of which the Bondholder believes will substantially hinder the repayment of the Reduced Redemption Amount, the Bondholder shall be entitled to treat this as a breach of the Framework Agreement by the Company and demand in writing repayment of all outstanding amount under the 2016 Bonds (as amended by the Settlement Agreement (if applicable)) within five business days from the day of such demand notice (or such later date as agreed by the Bondholder). The Bondholder is also entitled to claim against the Company for losses and damages arise due to any breach of the Framework Agreement by the Company.

Conditions

The validity of the Settlement Agreement is subject to the following conditions:

- (a) the Company having paid the First Portion Repayment;
- (b) the abovementioned personal guarantees and the share pledge having been executed and effective; and
- (c) the Settlement Agreement having been signed and the above conditions having been satisfied both before the Long Stop Date.

Before the Settlement Agreement becomes effective, the Company shall not (and procure its subsidiaries not to) sell, create mortgage on or pledge any of its assets to other third parties unless with prior written consent from the Bondholder.

Further announcement in connection with the Settlement Agreement will be made in compliance with the Listing Rules.

Shareholders and potential investors should note that the Settlement Agreement between the Company and the Bondholder may or may not be entered into. If such agreement is entered into, it will be subject to conditions precedent which may or may not be satisfied within the prescribed time, and such agreement is subject to the risk of not being completed finally. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“2016 Bonds”	3% convertible bonds in the aggregate principal amount of HK\$243 million due 2016, which were 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
“Acquisition”	the acquisition by a member of the Group to acquire certain land use right with property and machinery which involved the issue of consideration Shares as disclosed in the Nov 7 Acq Announcement
“Board”	the board of Directors
“Bondholder”	CITIC Capital China Access Fund Limited, being the holder of the 2016 Bonds
“Business Day(s)”	a day (other than a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	China Dredging Environment Protection Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Framework Agreement”	the framework agreement dated 14 November 2016 and entered into between the Company and the Bondholder (as amended by a supplemental framework agreement entered into on the same date) pursuant to which (among other terms) the maturity date of the 2016 Bonds was agreed to be extended, on and subject to certain terms and conditions therein

“General Mandate”	the general mandate granted to the Directors at the Company’s annual general meeting held on 29 May 2013 to allot, issue or otherwise deal in up to 160 million Shares
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	a third party independent of and not connected with the Company and its subsidiaries and its connected persons
“Long Stop Date”	15 December 2016
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Liu”	Mr. Liu Kaijin, the chairman, chief executive officer and an executive director of the Company, who is the spouse of Ms. Zhou
“Ms. Zhou”	Ms. Zhou Shuhua, an executive Director and the spouse of Mr. Liu
“New Maturity Date”	14 March 2017, being the new maturity date of the 2016 Bonds pursuant to the Framework Agreement
“Original Maturity Date”	7 November 2016, being the original maturity date of the 2016 Bonds
“Original Redemption Amount”	HK\$325,114,560, which is equal to approximately 133.792% of the principal amount of the outstanding 2016 Bonds
“Reduced Redemption Amount”	the new redemption amount as provided under the Framework Agreement to be the sum of HK\$275,415,351.76
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

* for identification purpose only

Unless otherwise specified in this announcement, amounts denominated in United States dollars have been converted, for the purpose of illustration only, into Hong Kong dollars at the rate of US\$1: HK\$7.76. No representation is made that any amounts in Hong Kong dollars and United States dollars were or could have been or could be converted into each other at such rates or any other exchange rates on the date of this announcement or any other date.

By order of the Board
China Dredging Environment Protection Holdings Limited
Liu Kaijin
Chairman, chief executive officer and executive Director

Hong Kong, 15 November 2016

As at the date of this announcement, the Board comprises Mr. Liu Kaijin as Chairman, Executive Director and Chief Executive Officer; and Ms. Zhou Shuhua as executive Director; Mr. Liu Longhua as non-executive Director and Vice Chairman; and Mr. Huan Xuedong, Mr. Chan Ming Sun Jonathan and Mr. Liang Zequan as Independent Non-executive Directors.