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

If you have sold or transferred all your shares in China Dredging Environment Protection Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee, or to the bank, licensed securities dealer 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)

**PLACING OF NEW SHARES UNDER SPECIFIC MANDATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

Placing agent



Guotai Junan Securities (Hong Kong) Limited

A notice convening the extraordinary general meeting of China Dredging Environment Protection Holdings Limited to be held at 3:30 p.m. on Friday, 3 November 2017 at Room 3619, 36/F, China Merchants Tower, Shun Tak Centre, Sheung Wan, Hong Kong is set out on pages 17 to 19 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying 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 of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

18 October 2017

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“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
“Announcement”	the announcement of the Company dated 22 September 2017 in relation to the Share Placing
“Board”	the board of Directors
“Bondholder”	CITIC Capital China Access Fund Limited, being the holder of the 2016 Bonds
“Bonds Long Stop Date”	15 November 2017 (or such later date to be agreed by the Bondholder in its sole discretion)
“Business Day(s)”	any day (not being a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	China Dredging Environment Protection Holdings Limited (中國疏浚環保控股有限公司), a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on Main Board of the Stock Exchange
“Completion Date”	on or before the seventh (7th) business day after and not including the date when the conditions precedent to the Share Placing have been fulfilled (or such other time or date as the Company and Guotai Junan shall agree in writing) on which completion of the Share Placing shall take place pursuant to the Share Placing Agreement
“connected person(s)”	having the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be convened and held at 3:30 p.m. on Friday, 3 November 2017 at Room 3619, 36/F, China Merchants Tower, Shun Tak Centre, Sheung Wan, Hong Kong for the purpose of considering and, if thought fit, approving the ordinary resolutions in respect of, among others, the Share Placing Agreement and the transactions contemplated thereunder, and the allotment and issue of the Placing Shares under the Specific Mandate
“Fourth Amendment Agreement”	a fourth amendment agreement and supplemental deed to the Original CB Instrument dated 21 September 2017 in relation to the 2016 Bonds
“Group”	the Company and its subsidiaries
“Guotai Junan”	Guotai Junan Securities (Hong Kong) Limited, a licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities as defined in the SFO
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	persons who themselves (and in the case of any corporate entities, their ultimate beneficial owners) are, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, third parties independent of, and not connected with, the Company and its connected persons
“Last Trading Day”	21 September 2017, being the date of the Share Placing Agreement
“Latest Practicable Date”	17 October 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Committee”	the listing committee appointed by the Stock Exchange for considering applications for listing and the granting of listing of securities on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 March 2018, or such other time and date as the relevant parties to the Share Placing Agreement may agree in writing

DEFINITIONS

“Original Bond Conditions”	the terms and conditions as provided under the Original CB Instrument
“Original CB Instrument”	the instrument executed by the Company by way of deed poll dated 8 November 2013 constituting the 2016 Bonds
“Placing Price”	HK\$0.39 per Placing Share
“Placing Share(s)”	up to a total of 900,000,000 new Shares to be placed by Guotai Junan (as placing agent) to the Share Placees in accordance with the terms and conditions of the Share Placing Agreement
“PRC”	the People’s Republic of China which shall, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Redemption Payment”	the payment used to redeem all outstanding 2016 Bonds from the Bondholder
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of nominal value of HK\$0.1 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Placees”	any independent individual, professional or institutional investors whom Guotai Junan (as the placing agent) and/or any of its sub-placing agent(s) has procured to subscribe for any of the Placing Shares under the Share Placing
“Share Placing”	the placing of up to 900,000,000 Placing Shares in accordance with the terms and conditions of the Share Placing Agreement
“Share Placing Agreement”	the conditional placing agreement entered into between the Company and Guotai Junan dated 21 September 2017 in relation to the Share Placing
“Specific Mandate”	the specific mandate to be sought from the Shareholders at the EGM to authorize the Directors to allot and issue the Placing Shares

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	having the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

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 Bin (*Vice chairman*)
Mr. Wu Xuze (*Chief executive officer*)
Ms. Zhou Shuhua

Non-executive Director:

Mr. Liu Longhua (*Vice chairman*)

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

*Head office and principal place of
business in Hong Kong:*

Office 19, 36th Floor
China Merchants Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

18 October 2017

To the Shareholders

Dear Sir/Madam

**PLACING OF NEW SHARES UNDER SPECIFIC MANDATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement, *inter alia*, in relation to the Share Placing. The Board announced that, on 21 September 2017 (after trading hours of the Stock Exchange), the Company entered into the Share Placing Agreement with Guotai Junan. Pursuant to the Share Placing Agreement, the Company has conditionally agreed to place, through Guotai Junan, on a best effort basis, the Placing Shares in accordance with the terms of the Share Placing Agreement. The Share Placing Agreement is conditional upon, among others, the passing by the Shareholders of

LETTER FROM THE BOARD

all necessary resolution(s) to approve the Share Placing Agreement and the transactions contemplated thereunder, and the Specific Mandate for the allotment and issue of the Placing Shares.

The purpose of this circular is to give you (i) further details of the Share Placing Agreement and the transactions contemplated thereunder; and (ii) the notice of the EGM.

PLACING OF NEW SHARES UNDER SPECIFIC MANDATE

On 21 September 2017 (after trading hours of the Stock Exchange), the Company entered into the Share Placing Agreement with Guotai Junan. The principal terms of the Share Placing Agreement are set out below.

THE SHARE PLACING AGREEMENT

Date

21 September 2017 (after trading hours of the Stock Exchange)

Parties

- (1) The Company (as the issuer); and
- (2) Guotai Junan (as the placing agent)

To the best of the knowledge, information and belief of the Board, having made all reasonable enquiries, Guotai Junan and its ultimate beneficial owner(s) are Independent Third Parties.

Pursuant to the Share Placing Agreement, the Company has conditionally agreed to place, through Guotai Junan, on a best effort basis, up to an aggregate of 900,000,000 new Placing Shares to not less than six Share Placees at the Placing Price of HK\$0.39 per Placing Share. The Directors (including the independent non-executive Directors) are of the view that the terms of the Share Placing Agreement and the transactions contemplated thereunder, are on normal commercial basis, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Company does not intend to issue any Placing Shares to a Share Placee if such issue would result in such Share Placee, together with the parties acting in concert (as defined in the Takeovers Code) with it (if any), being entitled to exercise or control the exercise of 30% (or any amount specified in the Takeovers Code as the level for triggering a mandatory general offer obligation) or more of the voting power at any general meeting of the Company.

Share Placees

It is expected that the Placing Shares will be placed to not less than six Share Placees, who and whose ultimate beneficial owners are Independent Third Parties. It is expected that none of the Share Placees will become a substantial shareholder (as defined under the Listing Rules) of the

LETTER FROM THE BOARD

Company immediately after completion of the Share Placing. If any of the Share Placees becomes a new substantial shareholder of the Company after the completion of the Share Placing, further announcement will be made by the Company.

Number of Placing Shares

Assuming that there is no change in the issued share capital of the Company between the Latest Practicable Date and the completion of the Share Placing (save for and except the Share Placing), the maximum number of 900,000,000 Placing Shares represents: (a) approximately 60.89% of the existing issued share capital of the Company; and (b) approximately 37.85% of the issued share capital of the Company as enlarged merely by the Share Placing. The aggregate nominal value of the maximum number of Placing Shares is HK\$90,000,000.

Placing Price

The Placing Price has been determined to be HK\$0.39 per Placing Share, which represents:

- (i) a discount of approximately 9.30% to the closing price of HK\$0.43 per Share as quoted on the Stock Exchange on the Last Trading Day, being the date of the Share Placing Agreement;
- (ii) a discount of approximately 10.55% to the average closing price of approximately HK\$0.44 per Share as quoted on the Stock Exchange for the last 5 trading days immediately prior to the Last Trading Day;
- (iii) a discount of approximately 4.99% to the average closing price of approximately HK\$0.41 per Share as quoted on the Stock Exchange for the last 10 trading days immediately prior to the Last Trading Day;
- (iv) a premium of approximately 4.07% over the average closing price of approximately HK\$0.37 per Share as quoted on the Stock Exchange for the last 20 trading days immediately prior to the Last Trading Day;
- (v) a premium of approximately 10.53% over the average closing price of approximately HK\$0.35 per Share as quoted on the Stock Exchange for the last 30 trading days immediately prior to the Last Trading Day; and
- (vi) a discount of approximately 77.59% over the unaudited net assets value per share of approximately RMB1.46 based on the unaudited net assets value of the Company attributable to the Shareholders of RMB2,161,581,000 as at 30 June 2017 as set out in the Company's 2017 interim report and 1,478,064,000 Shares issued as at the Latest Practicable Date. The translation of HK\$ into RMB was made at the rate of HK\$1.00 to RMB0.84.

LETTER FROM THE BOARD

The Placing Price is HK\$0.39 per Placing Share. The Placing Price under the Share Placing Agreement was determined after arm's length negotiations between the Company and Guotai Junan with reference to the historical trading prices of the Shares, the prevailing market sentiment and conditions, liquidity flow in the capital market and the Group's existing financial position.

Assuming all the Placing Shares are successfully placed by Guotai Junan at the Placing Price of HK\$0.39 per Placing Share and based on the estimated expenses of the Share Placing in the amount of up to approximately HK\$6,000,000, the gross and net proceeds from the Share Placing are estimated to be approximately HK\$351,000,000 and approximately HK\$345,000,000 respectively. Therefore, the net price for the Share Placing is approximately HK\$0.38 per Placing Share.

Ranking of the Placing Shares

The Placing Shares will, when issued and allotted, rank *pari passu* in all respects among themselves and with all other fully paid Shares in issue on the date of allotment and issue of such Placing Shares, including the right to receive all dividends and distributions which may be declared, made or paid after such date and will be free and clear of all encumbrances.

Conditions precedent to the Share Placing

Completion of the Share Placing is conditional upon the fulfillment of the following conditions:

- (a) the passing of resolutions at the EGM by the Shareholders approving the Share Placing Agreement and the transactions contemplated hereunder, and the Specific Mandate for the allotment and issue of the Placing Shares; and
- (b) the Listing Committee of the Stock Exchange agreeing to grant approval for the listing of, and permission to deal in, the Placing Shares on the Stock Exchange either unconditionally or subject to conditions to which the Company does not object; and
- (c) the Company obtaining all other necessary written consents and approvals (if any) from the relevant authorities in respect of the transactions contemplated under the Share Placing Agreement, if applicable.

If the conditions precedent in respect of the Share Placing are not fulfilled by the Long Stop Date, the Share Placing Agreement shall thereupon lapse and become null and void and all rights, obligations and liabilities of the parties thereunder in respect of the Share Placing shall cease and determine and none of the parties shall have any claim against the other in respect of the Share Placing, save for any liability arising out of any antecedent breaches of the Share Placing Agreement and/or rights or obligations which may accrue under the Share Placing Agreement prior to such termination.

LETTER FROM THE BOARD

Completion of the Share Placing

Completion of the Share Placing will take place on or before the seventh (7th) Business Days after and not including the fulfilment of the last outstanding condition set out above, or such other date to be agreed between the Company and Guotai Junan.

If Completion does not take place within one month from the date of passing the proposed resolution as set out in the notice of EGM approving the Share Placing and the transactions contemplated thereunder and the allotment and issue of the Placing Shares under the Specific Mandate (i.e. 3 November 2017), the Company will convene another extraordinary general meeting and seek further approval from the Shareholders in accordance with the relevant requirements under the Listing Rules.

Force majeure

If at any time between the date of the Share Placing Agreement and at or before 8:00 a.m. on the Completion Date, there occurs:

- (a) there is any change in national, international, financial, exchange control, political, economic conditions in Hong Kong which render the Share Placing unable to proceed; or
- (b) any moratorium, suspension or material restriction on trading in shares or securities in general on the Stock Exchange occurs after the date of the Share Placing Agreement which render the Company or Guotai Junan unable to proceed with the Share Placing; or
- (c) the Company commits any material breach of or omits to observe any of its obligations or undertakings under the Share Placing Agreement which will render the Share Placing unable to proceed; or
- (d) Guotai Junan shall become aware of the fact that any of the representations under the Share Placing Agreement was, when given, materially untrue or inaccurate, or such untrue representation or warranty will have a material adverse effect on the Share Placing; or
- (e) any restrictions being imposed by any relevant regulatory body on Guotai Junan placing any Placing Shares,

then Guotai Junan, after consultation with the Company, may upon giving notice to the Company terminate the Share Placing Agreement with immediate effect. If the Share Placing Agreement shall be terminated, obligations and liabilities of the parties under the Share Placing Agreement shall cease and determine, save in respect of any antecedent breaches.

Specific Mandate

The Placing Shares will be allotted and issued under the Specific Mandate which is subject to Shareholders' approval at the EGM.

LETTER FROM THE BOARD

Application for listing

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

Shareholders and potential investors should note that the Share Placing is subject to the fulfillment of the conditions precedent set out in the Share Placing Agreement, and may or may not proceed. Shareholders and investors should exercise caution when dealing in the Shares.

REASONS FOR THE SHARE PLACING AND USE OF PROCEEDS

Reference is made to (i) the Company's announcements dated 28 October 2013 and 8 November 2013 respectively in relation to the issue of the 2016 Bonds; (ii) the Company's announcement dated 7 November 2016 in relation to the maturity of the 2016 Bonds; (iii) the Company's announcements dated 15 November 2016 and 16 November 2016 respectively in relation to the framework agreement (as amended by a supplemental framework agreement and a second supplemental framework agreement); and (iv) the Company's announcements dated 16 December 2016, 22 March 2017, 5 June 2017 and 21 September 2017 in relation to, *inter alia*, the various amendment agreements.

On 21 September 2017, the Company and the Bondholder entered into the Fourth Amendment Agreement and supplemental deed to the Original CB Instrument in relation to the 2016 Bonds to further amend the Original CB Instrument and the Original Bond Conditions. Under the Fourth Amendment Agreement, subject to and conditional upon the fulfillment of the Sept 21 Bonds Conditions (as defined below) in full, the parties agreed that the principal amount of the 2016 Bonds shall be further amended to HK\$304,867,456 (the "**Sept 21 Revised Amount**") from HK\$289,956,540. Furthermore, subject to and conditional upon the fulfillment of the Sept 21 Bonds Conditions (as defined below) in full, the parties also agreed to, among others, the following major amendments to the Original Bond Conditions (as amended by subsequent amendment agreements):

- (a) the maturity date of the 2016 Bonds shall be extended to 30 November 2017 (the "**Sept 21 Extended Maturity Date**");
- (b) the Sept 21 Revised Amount shall carry interest at the annual rate of 13% as from 22 September 2017 up to the Sept 21 Extended Maturity Date (both dates inclusive). The interest in respect of such period shall be paid on the Sept 21 Extended Maturity Date (or where such date is not a business day, on the business day immediately thereafter); and
- (c) the Company shall redeem all outstanding 2016 Bonds on the Sept 21 Extend Maturity Date in the total sum of HK\$312,468,261 (unless previously redeemed, purchased or cancelled), representing the Sept 21 Revised Amount plus interest.

LETTER FROM THE BOARD

The above amendments are subject to and conditional upon:

- (a) the Bondholder having received not less than 75% of the gross proceeds from the Share Placing in full on or before the Bonds Long Stop Date; and
- (b) the Company and its affiliates having duly executed and delivered to the Bondholder within 5 days from the date of the Fourth Amendment Agreement originals of further framework agreements and related documents with the Bondholder and CITIC Capital Shanghai Consulting Co., Ltd., the Bondholder's affiliate ("CITIC Shanghai") in connection with the mortgage of two properties located in the PRC by the affiliates of the Company in favour of the Bondholder and/or CITIC Shanghai for the purpose of providing security for the repayment of the 2016 Bonds.

(collectively, the "**Sept 21 Bonds Conditions**"). If any of the Sept 21 Bonds Conditions is not fulfilled in full on or before the Bonds Long Stop Date or the other timeframe as specified above, the amendments shall have no effect, and that the existing provisions of the Original CB Instrument and the Original Bond Conditions (as amended by subsequent amendment agreements) shall remain in full force and effect, which include the following provisions:

- (a) so long as the 2016 Bonds remain outstanding, the Company must first give written notice to the Bondholder and seek the Bondholder's consent to the intended use of the proceeds before commencing or conducting any fund-raising activity if:
 - (i) the fund-raising activity is intended to raise more than HK\$5 million in a single transaction; or
 - (ii) the amount of money intended to be raised in connection with such fund-raising activity, when aggregated with all money raised pursuant to other fund-raising activities conducted on or after 5 June 2017, exceeds HK\$20 million,unless the Company has given prior written notice of three days to the Bondholder of its intention to conduct such fund-raising activity and the intended use of the proceeds and the Bondholder has consented to it;
- (b) if the Company fails to pay any amount when due, default interest shall accrue on such due amount at the rate of 18% per annum from the relevant due date up to (and including) the date on which such due amount (together with all default interest accrued thereon) is paid in full;
- (c) the Company may at any time prepay the outstanding amount by giving no less than three-day prior written notice to the Bondholder and all interest accrued on the outstanding amount shall also be paid on the date of such prepayment; and
- (d) any change made to the composition of the Board or change of roles and functions of the existing Directors must be consented to by the Bondholder.

LETTER FROM THE BOARD

It is expected that the maximum aggregate gross proceeds and net proceeds from the Share Placing will be approximately HK\$351,000,000 and HK\$345,000,000 respectively. As previously disclosed in the Announcement, it is intended that the net proceeds of the Share Placing, which in any event shall not be less than 75% of the gross proceeds from the Share Placing, will be used to redeem all outstanding 2016 Bonds from the Bondholder. It is the Board's current intention to pay the Bondholder approximately HK\$263,250,000 by 15 November 2017, and pay the remaining balance (including all accrued interests) by 30 November 2017. The residual net proceeds after deducting the Redemption Payment (if any) will be used as the general working capital of the Group for meeting future obligations including (i) approximately 39% on purchasing fuel oils, (ii) approximately 38% on purchasing equipment and parts to maintain its dredger fleet, (iii) approximately 9% on settling various payables, and (iv) approximately 14% on other administrative expenses, including payment of employees' salary.

As at the Latest Practicable Date, the Group had cash of RMB11,000,000 and unutilized banking facilities of RMB463,100,000 which, however, are not available for draw down unless the Group pledges additional assets. As at 30 June 2017, charge over the Group's assets included bank deposits of approximately RMB80,000,000, certain dredgers and land owned by the Group, a property owned by a company which Mr. Liu Kaijin ("**Mr. Liu**"), an executive Director, has beneficial interest, and personal guarantees by Mr. Liu and Ms. Zhou Shuhua (who is an executive Director). In view of (i) the forthcoming maturity date of the 2016 Bonds which falls on 30 November 2017; and (ii) the high interest rate on the Sept 21 Revised Amount and its accumulative nature, the Directors consider that the Share Placing will allow the Group to meet the imminent funding needs of the Group, including the Redemption Repayment. The Share Placing also represents good opportunities to broaden the Shareholders' base and the capital base of the Company.

As at the Latest Practicable Date, the Company and its Directors do not have any intention, arrangement, agreement, understanding, negotiation (concluded or otherwise) on any potential corporate action in the forthcoming 12 months.

The Directors consider that Share Placing is a more cost-efficient means to raise funds having considered other alternative means of fund raising including bank borrowings. Given the current high interest rate environment, bank loans at the prevailing market borrowing rates would result in additional interest burden and higher finance costs and higher gearing ratio to the Group in its repayment obligations, in which the Directors consider not in the best interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

The Directors consider that the terms of the Share Placing are the best available terms given that (i) the placing commission is within the range of market rate as far as the Directors are aware; (ii) the Placing Price is within the range of recent historical Share price as analysed in the paragraphs headed “Placing Price” on page 7; and (iii) the Company has approached certain investors and found that their terms of investment are less favorable than the Placing.

The Directors (i) have made reference to the fluctuation of the market prices of the Shares in the past one month before the date of Share Placing Agreement with the closing prices of the Shares ranging from HK\$0.31 per Share to HK\$0.46 per Share; (ii) have reviewed the recent trading volume of the Shares (the total trading volume of the Shares from 22 August 2017 up to the date of the Share Placing Agreement (i.e. 21 September 2017) was approximately 105,202,000 Shares, representing approximately 4,781,900 Shares each day and approximately 0.32% of the total issued Shares as at the Latest Practicable Date), which shows a relatively thin trading volume of the Shares as compared to the number of the Placing Shares, making it difficult to solicit investors to invest in the Company at a higher price, and (iii) are aware of the recent decreasing trend in the trading price of the Shares, which is around HK\$0.37 per Share since the date of the Share Placing Agreement to the Latest Practicable Date. Further, the Directors also note that completion of the Share Placing requires certain period of time which exposed the parties involved to substantial market risk as it is subject to Shareholders’ approval.

Taking into consideration that (i) the Company has an imminent funding need for Redemption Repayment; (ii) the Share Placing is subject to the Shareholders’ approval at the EGM; (iii) it is not uncommon for listed issuers in Hong Kong to set the placing price at a discount to the closing prices in order to increase attractiveness of the Share Placing; (iv) the fluctuation of the market prices of the Shares in the past one month; (v) the relatively thin trading volume of the Shares; and (vi) the cash and financial position of the Company as at the Latest Practicable Date, a slight discount to the recent closing price of the Shares is appropriate in order to maintain the attractiveness of the Share Placing, as such the Placing Price is set at a marketable level of HK\$0.39 per Placing Share. The Directors (including the independent non-executive Directors) believe that the terms of the Share Placing Agreement (including the Placing Price) are on normal commercial terms, fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE

Assuming that there will be no change in the shareholding structure of the Company immediately before completion of the Share Placing and the maximum number of the Placing Shares are successfully placed by the Placing Agent, the effects of the Share Placing on the shareholding structure of the Company are set out in the table below:

Shareholders	As at the Latest Practicable Date		Immediately after the Completion of the Share Placing (assuming the Placing Shares were placed in full)	
	Number of Shares	Approximate percentage (Note 6)	Number of Shares	Approximate percentage (Note 6)
Wangji Limited (Note 1)	351,600,000	23.79	351,600,000	14.79
Mr. Liu Kaijin (Note 2)	36,703,000	2.48	36,703,000	1.54
東台際華機械配件有限公司	171,120,000	11.58	171,120,000	7.20
Jiangsu Baisite Environment Engineering Co., Ltd* (Note 3)	246,000,000	16.64	246,000,000	10.34
Mr. Wu Xuze (Note 4)	28,242,000	1.91	28,242,000	1.19
Mr. Wu Bin (Note 5)	7,218,000	0.49	7,218,000	0.30
Public Shareholders				
Share Places	—	—	900,000,000	37.85
Other public Shareholders	<u>637,181,000</u>	<u>43.11</u>	<u>637,181,000</u>	<u>26.79</u>
Total	<u><u>1,478,064,000</u></u>	<u><u>100.00</u></u>	<u><u>2,378,064,000</u></u>	<u><u>100.00</u></u>

Notes:

- Mr. Liu Kaijin (“**Mr. Liu**”) is the sole beneficial owner of Wangji Limited, a company incorporated in the British Virgin Islands with limited liability, which is the direct owner of the 351,600,000 Shares.
- Mr. Liu is the chairman of the Board and an executive Director.
- Luck Morgan Investment Limited acts as nominee for Jiangsu Baisite Environment Engineering Co. Ltd* to hold 246,000,000 Shares.
- Mr. Wu Xuze is an executive Director and chief executive officer of the Company.
- Mr. Wu Bin is a vice chairman of the Board and an executive Director.
- Certain amounts and percentage figures included in this circular have been subject to rounding adjustments. Any discrepancy between totals and sums of individual amounts listed are due to rounding. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company had not conducted any equity fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

THE EGM

A notice convening the EGM of the Company to be held at 3:30 p.m. on Friday, 3 November 2017 at Room 3619, 36/F, China Merchants Tower, Shun Tak Centre, Sheung Wan, Hong Kong is set out on pages 17 to 19 of this circular for the purpose of considering and, if thought fit, passing the resolution set out therein.

The register of members of the Company will be closed from Thursday, 2 November 2017 to Friday, 3 November 2017, both days inclusive, during which period no share transfers can be registered. In order to be eligible for attending and voting at the EGM, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 1 November 2017.

A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will 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 form of proxy shall be deemed to be revoked.

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, (i) no Shareholders have a material interest in the Share Placing Agreement which is different from other Shareholders, and (ii) each of the Bondholder and its ultimate beneficial owner(s) do not hold any interests in the Company and are Independent Third Parties. Accordingly, no Shareholders is required to abstain from voting on the resolution approving the Share Placing Agreement and the transactions contemplated thereunder and the allotment and issue of the Placing Shares under the Specific Mandate.

VOTING BY POLL

All resolutions will be put to vote by way of poll at the EGM pursuant to Rule 13.39(4) of the Listing Rules. An announcement on the poll results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

LETTER FROM THE BOARD

RECOMMENDATIONS

The Directors consider the Share Placing Agreement and the transactions contemplated thereunder and the allotment and issue of the Placing Shares under the Specific Mandate are in the interests of the Company and the Shareholders as a whole and accordingly recommend the Shareholders to vote in favour of the proposed resolution as set out in the notice of EGM approving the Share Placing and the transactions contemplated thereunder and the allotment and issue of the Placing Shares under the Specific Mandate.

RESPONSIBILITY STATEMENT

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.

MISCELLANEOUS

Save as otherwise indicated, the English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

By order of the Board

China Dredging Environment Protection Holdings Limited

Liu Kaijin

Chairman and executive Director

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 (the “**Meeting**”) of China Dredging Environment Protection Holdings Limited (the “**Company**”) will be held at 3:30 p.m. on Friday, 3 November 2017 at Room 3619, 36/F, China Merchants Tower, Shun Tak Centre, Sheung Wan, Hong Kong for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the conditional placing agreement dated 21 September 2017 (the “**Share Placing Agreement**”) and entered into between the Company as issuer and Guotai Junan Securities (Hong Kong) Limited as placing agent in relation to the placing of up to 900,000,000 new shares (the “**Placing Share(s)**”) of HK\$0.1 each in the share capital of the Company in accordance with the terms and conditions of the Share Placing Agreement at the Placing Price of HK\$0.39 per Placing Share (a copy of which is produced to the Meeting marked “A” and signed by the Chairman of the Meeting for the purpose of identification), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) conditional upon, among others, The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Placing Shares to be allotted and issued under the Share Placing Agreement, the allotment and issue of the Placing Shares to the relevant placee(s) in accordance with the terms and conditions of the Share Placing Agreement be and are hereby approved and the board (the “**Board**”) of directors (the “**Director(s)**”) of the Company be and is hereby granted with a specific mandate to allot and issue the Placing Shares to the relevant placee(s); and
- (c) any one Director be and is hereby authorised to do all such things and acts as he/she may in his/her discretion consider as necessary, expedient or desirable for the purpose of or in connection with the implementation of the Share Placing Agreement and the transactions contemplated thereunder, including but not limited

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to the execution all such documents under seal where applicable, as he/she considers necessary or expedient in his/her opinion to implement and/or give effect to the allotment and issue of the Placing Shares and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interests of the Company and its shareholders as a whole.”

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

Hong Kong, 18 October 2017

Registered Office:

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

Principal Place of Business in Hong Kong:

Office 19, 36th Floor
China Merchants Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

Notes:

1. A member entitled to attend and vote at the Meeting shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A member who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf at the Meeting. A proxy need not be a member of the Company. On a poll, votes may be given either personally or by proxy.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
3. To be valid, the instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding of the Meeting or any adjournment thereof.
4. For determining the entitlement for attending and voting at the Meeting, the register of members of the Company will be closed from Thursday, 2 November 2017 to Friday, 3 November 2017, both days inclusive, during which period no share transfers can be registered. In order to be eligible for attending and voting at the Meeting, all

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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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 1 November 2017.

5. No instrument appointing a proxy shall be valid after expiration of 12 months from the date named in it as the date of its execution, except at an adjourned meeting or on a poll demanded at the Meeting or any adjournment thereof in cases where the Meeting was originally held within 12 months from such date.
6. Where there are joint holders of any shares, any one of such joint holders may vote at the Meeting, either in person or by proxy, in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint holders be present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
7. Completion and delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the Meeting if the member so wish and in such event, the instrument appointing a proxy should be deemed to be revoked.