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XIANGYU DREDGING HOLDINGS LIMITED

翔宇疏浚控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 871)

PROFIT WARNING AND INSIDE INFORMATION

This announcement is made by the Company pursuant to Inside Information Provisions under Part XIVA of the SFO and Rule 13.09(2) of the Listing Rules.

The Board wishes to inform the Shareholders and potential investors that, based on the preliminary assessment of the Group's unaudited management accounts for the year ended 31 December 2012 and the information currently available to the Board, the Group expects to record a considerable decrease in net profit for the year ended 31 December 2012 as compared to that for the year ended 31 December 2011. The Group's revenue for the year ended 31 December 2012 is also expected to record a decrease as compared to that for the year ended 31 December 2011 but at an extent less than the expected decrease in net profit.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

This announcement is made by Xiangyu Dredging Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") pursuant to Inside Information Provisions (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the "**Listing Rules**") under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "**SFO**") and Rule 13.09(2) of the Listing Rules.

The board (the "**Board**") of directors (the "**Directors**") of the Company wishes to inform the shareholders of the Company (the "**Shareholders**") and potential investors that, based on the preliminary assessment of the Group's unaudited management accounts for the year ended 31 December 2012 and the information currently available to the Board, the Group expects to record a considerable decrease in net profit for the year ended 31 December 2012 as compared to that for the year ended 31

December 2011. The Group's revenue for the year ended 31 December 2012 is also expected to record a decrease as compared to that for the year ended 31 December 2011 but at an extent less than the expected decrease in net profit.

To the best of the Directors' knowledge, the decrease in revenue was mainly due to the slow-down of construction progress of certain projects. The Group is reviewing the corresponding construction timetable with the customers of such projects. Apart from the above, the decrease in net profit was also attributable to the following factors which include occasional factors: (i) the increase in cost of sales which was mainly due to diversification to new projects that required equipment other than those owned by the Group that led to an increase in use of sub-contractors; (ii) the increase in marketing and promotional expenses, and administrative expenses such as staff cost and expenses related to share-based payment arising from the grants of share options in 2012, the effects of which were partially offset by the decrease in non-recurring listing expenses and exchange losses incurred in 2011; and (iii) the increase in finance costs as a result of increase in bank borrowings.

The Group is still in the process of finalising its results for the year ended 31 December 2012. The information contained in this announcement is only based on the preliminary assessment made by the Board with reference to the unaudited management accounts of the Group for the year ended 31 December 2012 and the information currently available to the Board and the same has not been reviewed by or discussed with the auditors of the Company nor the Company's audit committee. Actual financial results of the Group for the year ended 31 December 2012 may be different from what is disclosed in this announcement. Further details of the Group's financial results for the year ended 31 December 2012 will be announced in due course.

Shareholders and potential investors are advised to exercise caution when dealing in shares of the Company.

By order of the Board
Xiangyu Dredging Holdings Limited
Mr. Liu Kaijin
*Joint Chairman, Executive Director
and Chief Executive Officer*

Hong Kong, 21 January 2013

As at the time of this announcement, the Board comprises Mr. Liu Kaijin as the Company's Joint Chairman, an Executive Director and Chief Executive Officer; Ms. Zhou Shuhua as an Executive Director; Mr. Liu Longhua as Joint Chairman and Non-executive Director; and Ms. Leung Mei Han, Ms. Peng Cuihong, Mr. Huan Xuedong and Mr. Chan Ming Sun Jonathan as Independent Non-executive Directors.