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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)

Discloseable transaction: acquisition of a dredger

On 1 September 2011, Xiangyu PRC and the PRC Operational Entity (both being subsidiaries of the Company) as purchasers entered into the Agreement with the Vendor, pursuant to which the Group has agreed to acquire MV Tong Xing No. 1 (a cutter suction dredger) at the Purchase Price of RMB145 million (equivalent to approximately HK\$170 million).

As the applicable percentage ratios (within the meaning of the Listing Rules) for the Acquisition exceeds 5% but is less than 25%, the Dredger Acquisition constitutes a discloseable transaction for the Company under the Listing Rules.

On 1 September 2011, Xiangyu PRC and the PRC Operational Entity (both being accounted for as subsidiaries of the Company) as purchasers entered into the Agreement with the Vendor, pursuant to which the Group has agreed to purchase from the Vendor MV Tong Xing No. 1 (a cutter suction dredger) at the Purchase Price of RMB145 million (equivalent to approximately HK\$170 million). The principal terms of the Agreement are set out below.

THE AGREEMENT

The Dredger Acquisition

Date : 1 September 2011 (after trading hours)

Parties:

Vendor : Jiangsu Tongyang Shipping Co. Ltd.* (江蘇通洋船務有限公司), which is principally engaged in the business of chartering of vessels, engineering management and sale of vessel equipments.

Each of the Vendor and its ultimate beneficial owner is a person who, to the best of the Directors' knowledge and belief, information and belief having made all reasonable enquiries, is not a connected person of the Company and is a third party independent of and not connected with the Company and its subsidiaries and its connected persons (as defined under the Listing Rules).

Purchaser : Xiangyu PRC and the PRC Operational Entity (each purchasing 50% interest in MV Tong Xing No. 1)

Subject matter of the Dredger Acquisition : MV Tong Xing No. 1, a cutter suction dredger whose construction was completed in 2009. It has a gross tonnage of 2,669 tonnes and net tonnage of 800 tonnes, and its hourly dredging capacity is about 3,500 cubic metres.

The Agreement also contains usual representations and warranties given by the Vendor as to (among other matters) title to and operational status of MV Tong Xing No. 1.

Completion of the Dredger Acquisition

It is provided under the Agreement that if the Dredger Acquisition is subject to the approval of the Company's shareholders in general meeting under the Listing Rules, completion of the Dredger Acquisition will take place on the third business day after the date of such general meeting (which approves such transaction), but the completion date in any event shall not fall later than 30 September 2011.

Registration of the transfer of title to MV Tong Xing No. 1 will commence upon the Group making payment of 50% of the Purchase Price to the Vendor. The Dredger Acquisition will be completed upon the successful registration with the relevant governmental department(s) as required under PRC laws and regulations of the transfer of title of MV Tong Xing No. 1 to the Purchasers pursuant to the Agreement.

MV Tong Xing No. 1 is in the process of delivery by the Vendor to the designated location to the Purchasers for taking possession, which is expected to take place within five days from the registration by the relevant PRC governmental department(s) of the transfer of title of MV Tong Xing No. 1.

Purchase Price

The Purchase Price for MV Tong Xing No. 1 is RMB145 million (equivalent to approximately HK\$170 million). It is payable by the Group to the Vendor in cash, of which:

- (1) as to 50% of the Purchase Price (i.e. RMB72.5 million, equivalent to approximately HK\$85.0 million) shall be paid before the submission of the application of the registration of change of owner (from the Vendor to the Purchasers) of MV Tong Xing No. 1; and
- (2) the remaining balance of 50% of the Purchase Price (i.e. RMB72.5 million, equivalent to approximately HK\$85.0 million) to be paid within 15 working days from the date of signing of the Agreement (or, if the Agreement is subject to the approval of the Company's shareholders in general meeting under the Listing Rules (as the case may be), within 15 working days from the date of such general meeting passing the relevant resolution to approve the Agreement).

The Purchase Price was determined after arm's length negotiations between the Vendor and the Purchasers with reference to a draft valuation report prepared by Jones Lang LaSalle Sallmanns Limited, an independent professional valuer in respect of MV Tong Xing No. 1 (which indicative value was determined having taken into account replacement cost method and the market approach and is stated to be RMB135 million as at 31 July 2011), as well as the time taken to be spent on construction and testing before a new dredger may carry on full dredging operations.

Source of fundings

As mentioned in the Company's prospectus dated 8 June 2011, about 80% of the net proceeds from the Global Offering (as defined in the said prospectus) will be used for the Group's purchase of dredgers and dredging equipment. In line with such plan, the Company will apply the net proceeds of the Global Offering to the Dredger Acquisition.

INFORMATION ON THE GROUP AND REASONS FOR THE DREDGER ACQUISITION

The Group is principally engaged in the providing dredging services in the PRC, ranging from capital dredging, reclamation dredging, maintenance dredging and environmental protection dredging.

The Directors believe that the acquisition of MV Tong Xing No. 1 is beneficial to the Group as it will enhance the Group's capacity to render dredging services, hence its income stream which is beneficial to the Company and its shareholders.

Having regard to the above factors, the Directors, including the independent non-executive Directors, consider that the terms of the Agreement are fair and reasonable and are in the interest of the Company and its shareholders as a whole.

IMPLICATION UNDER THE LISTING RULES

As the applicable percentage ratios (within the meaning of the Listing Rules) for the Dredger Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules.

DEFINITIONS

In this announcement, the following definitions shall have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors
“Company”	Xiangyu Dredging Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued 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
“Directors”	the directors of the Company
“Agreement”	the agreement dated 1 September 2011 and made between the Vendor on the one part and Xiangyu PRC and the PRC Operational Entity (as purchasers) on the other part, pursuant to which the Vendor has agreed to sell MV Tong Xing No. 1 to the Purchasers
“Dredger Acquisition”	the purchase of MV Tong Xing No. 1 by the Purchasers from the Vendor pursuant to the Agreement
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MV Tong Xing No. 1”	a cutter suction dredger) with the name of “Tong Xing No. 1”, which is solely owned by the Vendor
“PRC”	the People’s Republic of China
“PRC Operational Entity”	江蘇興宇港建有限公司 (Jiangsu Xingyu Port Construction Company Limited*), a limited company incorporated in the PRC and the financial results of which have been combined and accounted for as a subsidiary of the Company by way of certain contractual arrangements made by Xiangyu with such company and its shareholders

“Purchase Price”	RMB145 million (equivalent to approximately HK\$170 million), being the purchase price of MV Tong Xing No. 1 payable by the Purchasers to the Vendor under the Agreement
“Purchasers”	collectively, Xiangyu PRC and the PRC Operational Entity
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the Shares
“Shares”	share(s) of HK\$0.1 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	江蘇通洋船務有限公司 (Jiangsu Tongyang Shipping Co. Ltd.*)
“Xiangyu PRC”	江蘇翔宇港建工程管理有限公司 (Jiangsu Xiangyu Port Constructing Project Administration Co. Ltd.*)

In this announcement, for the purpose of illustration only, amounts quoted in RMB and HK\$ have been converted at the rate of HK\$1.17 to RMB1. Such exchange rate has been used, where applicable, for purposes of illustration only and do not constitute a representation that any amounts were or may have been exchanged at these or any other rates or at all.

By order of the Board
Xiangyu Dredging Holdings Limited
Liu Kaijin
Executive Director and Chief Executive Officer

Hong Kong, 1 September 2011

As at the date of this announcement, the Board comprises Mr Liu Kaijin and Ms Zhou Shuhua as executive Directors; Mr Dong Liyong as a non-executive Director and chairman; and Ms Leung Mei Han, Mr Zhang Jun and Ms Peng Cuihong as independent non-executive Directors.

* *For identification purpose only*