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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 25 June 2011, Xiangyu PRC and the PRC Operational Entity (both being subsidiaries of the Company) as purchasers entered into the Agreement with Qingdao Beiya, pursuant to which the Group has agreed to acquire MV Beiya No. 1 (a cutter suction dredger) at the Purchase Price of RMB196.5 million (equivalent to approximately HK\$229.9 million). Under the Agreement, Qingdao Beiya has agreed to grant to the Purchasers the First Right of Refusal of chartering MV New Beiya, a new cutter suction dredger whose construction is near the completion stage.

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 25 June 2011, Xiangyu PRC and the PRC Operational Entity (both accounted for as subsidiaries of the Company) as purchasers entered into the Agreement with Qingdao Beiya, pursuant to which the Group has agreed to purchase from Qingdao Beiya MV Beiya No. 1 (a cutter suction dredger) at the Purchase Price of RMB196.5 million (equivalent to approximately HK\$229.9 million). Under the Agreement, Qingdao Beiya has agreed to grant to the Purchasers the First Right of Refusal of chartering MV New Beiya, a new cutter suction dredger whose construction is near the completion stage. The principal terms of the Agreement are set out below.

THE AGREEMENT

The Dredger Acquisition

Date : 25 June 2011 (Saturday)

Parties:

Vendor : Qingdao Beiya, which is principally engaged in dredging business.

Other than Qingdao Beiya being the owner of MV Beiya No. 1 which has been chartered to the Group and being a sub-contractor commissioned by the Group for dredging operations, each of Qingdao Beiya and its ultimate beneficial owners is a person who, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, 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)

Purchasers : Xiangyu PRC and the PRC Operational Entity (each purchasing 50% interest in MV Beiya No. 1)

Subject matter of the Dredger Acquisition : MV Beiya No. 1, a cutter suction dredger whose construction was completed in 2005. It has a gross tonnage of 1,258 tonnes and net tonnage of 377 tonnes, and its hourly dredging capacity is about 2,500 cubic metres. At present, it is chartered by the Group from Qingdao Beiya

The Agreement also contains usual representations and warranties given by Qingdao Beiya as to (among other matters) title to and operational status of MV Beiya 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 of MV Beiya No. 1 will commence upon the Group making payment of 30% of the Purchase Price to Qingdao Beiya. 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 Beiya No. 1 to the Purchasers pursuant to the Agreement.

Purchase Price

The Purchase Price for MV Beiya No. 1 is RMB196.5 million (equivalent to approximately HK\$229.9 million). It is payable by the Group to Qingdao Beiya in cash, of which:

- (1) as to 30% of the Purchase Price (i.e. RMB58.95 million, equivalent to approximately HK\$68.97 million) shall be paid before the submission of the application of the registration of change of owner (from Qingdao Beiya to the Purchasers) of MV Beiya No. 1; and
- (2) the remaining balance of 70% of the Purchase Price (i.e. RMB137.55 million, equivalent to approximately HK\$160.93 million) to be paid within 30 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 3 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 Qingdao Beiya and the Purchasers with reference to a draft valuation report prepared by Jones Lang LaSalle Sallmanns Limited in respect of MV Beiya No. 1 (which indicative value was determined having taken into account replacement cost method and the market approach and is stated to be RMB165 million to RMB175 million as at 23 June 2011), as well as the additional time and efforts to be spent on identifying and testing other potential dredgers before concluding terms of the sale and purchase.

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.

FIRST RIGHT OF REFUSAL

The Group is also aware that Qingdao Beiya has commissioned the construction of MV New Beiya, a cutter suction dredger which has a planned hourly dredging capacity of about 4,000 cubic metres. After arm's length negotiations, Qingdao Beiya has agreed under the Agreement to grant the first right of refusal to the Purchasers to charter MV New Beiya on market rate and terms. The exact terms of any such charter will be provided under a charter agreement to be made (if so agreed and made) between Qingdao Beiya and the Purchasers within two months from the date of MV New Beiya being launched (i.e. being set into water). It is currently expected that the MV New Beiya will be launched in July 2011.

INFORMATION ON THE GROUP AND REASONS FOR THE DREDGER ACQUISITION

The Group is principally engaged in 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 Beiya No. 1 is beneficial to the Group as it will allow the Group's control of such dredger through ownership, as well as to avoid any rising charter fees which may be charged by its owner after expiry of the terms of a charter agreement. In addition, under the Agreement, the Purchasers are granted the First Right of Refusal which will allow the Group to secure a priority right to charter a new dredger (i.e. MV New Beiya) with high dredging capacity, which 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.

LISTING RULES IMPLICATIONS

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 25 June 2011 and made between Qingdao Beiya (as vendor) on the one part and Xiangyu PRC and the PRC Operational Entity (as purchasers) on the other part, pursuant to which Qingdao Beiya has agreed to sell MV Beiya No. 1 to the Purchasers and also granted the First Right of Refusal to the Purchasers to charter MV New Beiya
“Dredger Acquisition”	the purchase of MV Beiya No. 1 by the Purchasers from Qingdao Beiya pursuant to the Agreement

“First Right of Refusal”	the first right of refusal given by Qingdao Beiya under the Agreement for the Purchasers to charter MV New Beiya on market terms, which terms shall be provided under a charter agreement to be made (if so made) between such parties within two months from the date of MV New Beiya being launched (i.e. being set into water)
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MV Beiya No. 1”	a cutter suction dredger with the name of “Beiya No. 1”, which has been chartered by the Group from Qingdao Beiya
“MV New Beiya”	a new cutter suction dredger under construction with the proposed name of “New Beiya”, which is near the completion stage
“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 PRC with the PRC Operational Entity and its shareholders
“Purchase Price”	RMB196.5 million (equivalent to approximately HK\$229.9 million), being the purchase price of MV Beiya No. 1 payable by the Purchasers to Qingdao Beiya the under the Agreement
“Purchasers”	collectively, Xiangyu PRC and the PRC Operational Entity
“Qingdao Beiya”	青島北亞建設工程有限公司 (Qingdao Beiya Construction Engineering Co., Ltd.*)
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	holders 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
“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, 25 June 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*