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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)**

### **VOLUNTARY ANNOUNCEMENT: AGREEMENT RELATING TO AN EXCLUSIVE STRATEGIC ALLIANCE WITH THE MANUFACTURER OF THE MOBILE AUTONOMOUS SLUDGE PROCESSOR**

On 25 July 2011, the Group and the Equipment Supplier entered into the Agreement, pursuant to which the parties have agreed to enter into an exclusive strategic alliance agreement. Under the Agreement, the Group will act as an exclusive agent/distributor of the Equipment Supplier in the PRC, as well as in certain countries in Asia. The Group is given an exclusive right to import, use, and sell the Equipment Supplier's Equipment in the Territories.

#### **Background**

The principal activities of Xiangyu Dredging Holdings Limited (the "Company") and its subsidiaries (the "Group") include provision of dredging services in the People's Republic of China (the "PRC"), ranging from capital dredging, reclamation dredging, maintenance dredging and environmental protection dredging.

The Equipment Supplier (as defined below) is a supplier of dredging, weed harvesting, trash hunting for blue algae removal as well as mud processing/dewatering equipment. It has designed and built a scientifically advanced range of dredgers, weed harvesters, trash hunters as well as mud processing/dewatering equipment in Switzerland. It has manufactured, based on the information from the Equipment Supplier, the world's first container-size mobile sludge separation and dewatering plant for lakes and ponds.

## **The Agreement**

The Group and the Equipment Supplier had discussions on cooperation to promote, support and protect both parties' mutual interests in the environmental protection dredging, weed harvesting, trash hunting as well as mud processing/dewatering markets in Asia.

The directors (the "Directors") of the Company are pleased to announce that on 25 July 2011, the Group (through its wholly-owned subsidiary) entered into an agreement (the "Agreement") with an equipment supplier (the "Equipment Supplier") for the establishment of an exclusive strategic alliance ("Alliance") given by the Equipment Supplier for a term of five years. The Equipment Supplier is a company incorporated in Switzerland. To the best knowledge of the Directors after making all reasonable enquiries, the Equipment Supplier and its ultimate beneficial owner(s) are independent third parties and are not connected with the Company and its subsidiaries and its connected persons (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited).

Under the Agreement, the Group is appointed as the exclusive agent/distributor of the Equipment Supplier in certain Asian territories, including the PRC (including Hong Kong, Macau and Taiwan), the Philippines, Vietnam, Thailand and Malaysia (hereinafter known as the "Territories"). The Group will have exclusive right to import, use and sell the Equipment Supplier's range of dredgers, weed harvesters, trash hunters and mud processing/dewatering equipment/installations (the "Equipment") in the Territories. The Equipment includes (amongst others), based on the information from the Equipment Supplier, the world's first container-size mobile sludge separation and dewatering plant for lakes and ponds. The concept and design of a mobile silt treatment plant provides full size commercial sludge treatment for lakes and ponds in remote and smaller locations.

Under the Agreement, the Group is entitled to receive net prices for all Equipment that are manufactured/marketed by the Equipment Supplier and sold by the Group in the Territories, while the Group is responsible for marketing expenses in the Territories. The Equipment Supplier will provide to the Group training programs and technological and engineering support.

If the Group intends to manufacture the entire or part of the program of the Equipment Supplier, a new contract may be negotiated not earlier than 3 years from the date of signing of the Agreement based on the sales achieved in the Territories as well as a licence fee to be negotiated and agreed upon. However, in such connection, the intellectual property rights, trademarks, patents and know-how shall remain at all times with the Equipment Supplier.

## **Termination of the Agreement**

The alliance will expire in five years' time after the signing of the Agreement, unless both the Group and the Equipment Supplier then agree to continue the alliance on the same terms or on a new set of terms.

By order of the board of Directors  
**Xiangyu Dredging Holdings Limited**  
**Liu Kaijin**  
*Executive Director and Chief Executive Officer*

Hong Kong, 1 August 2011

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