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)

ANNOUNCEMENT OF AUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

INTERIM RESULTS

The board (the "Board") of directors (the "Director(s)") of Xiangyu Dredging Holdings Limited (the "Company") announces the audited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2011, together with the unaudited comparative figures for the six months ended 30 June 2010 as follows, which are presented in Renminbi ("RMB"):

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2011

		Six months ended 30 June	
		2011	2010
	Notes	***RMB'000***	*RMB'000*
			(Unaudited)
Revenue	*3*	**461,577**	159,853
Operating cost		**(277,747)**	(69,886)
Gross profit		**183,830**	89,967
Other income	*4*	**26,937**	11
Marketing and promotion expenses		**(2,439)**	(982)
Administrative expenses		**(7,263)**	(2,546)
Listing expenses		**(11,093)**	—
Finance costs	*5*	**(2,355)**	(1,146)
Profit before tax		**187,617**	85,304
Income tax expense	*6*	**(52,170)**	(21,419)
Profit for the period and total comprehensive income for the period	*7*	**135,447**	63,885
Earnings per share	*8*		
— basic (RMB)		**0.22**	0.58

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2011

	Notes	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**366,385**	376,300
Deposit paid for acquisition of property, plant and equipment		**27,116**	273
		393,501	376,573
CURRENT ASSETS			
Trade and other receivables	*10*	**599,372**	280,440
Pledged bank deposits		**60,000**	—
Bank balances and cash		**522,436**	12,520
		1,181,808	292,960
CURRENT LIABILITIES			
Trade and other payables	*11*	**251,709**	127,678
Amounts due to directors	*12(iv)*	**592**	26,464
Tax payable		**90,844**	39,185
Secured bank borrowings		**169,900**	40,000
		513,045	233,327
NET CURRENT ASSETS		**668,763**	59,633
NET ASSETS		**1,062,264**	436,206
CAPITAL AND RESERVES			
Share capital/paid-in capital		**67,200**	39,451
Reserves		**995,064**	396,755
TOTAL EQUITY		**1,062,264**	436,206

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Attributable to owners of the Company					
	Share capital *RMB'000*	**Share premium** *RMB'000*	**PRC statutory reserve** *RMB'000* *(note i)*	**Other reserve** *RMB'000*	**Retained profits** *RMB'000*	**Total** *RMB'000*
At 1 January 2010 (audited) *(note ii)*	39,406	—	13,549	—	114,673	167,628
Profit for the period and total comprehensive income for the period (unaudited)	—	—	—	—	63,885	63,885
Shares exchange between Power Wealth BVI and Power Wealth HK (unaudited) *(note iii)*	(22)	—	—	22	—	—
At 30 June 2010 (unaudited)	39,384	—	13,549	22	178,558	231,513
Profit for the period and total comprehensive income for the period (unaudited)	—	—	—	—	31,145	31,145
Issue of shares by Power Wealth BVI (unaudited) *(note iv)*	67	173,481	—	—	—	173,548
At 31 December 2010 (audited) *(note v)*	39,451	173,481	13,549	22	209,703	436,206
Profit for the period and total comprehensive income for the period	—	—	—	—	135,447	135,447
Shares exchange between the Company and Power Wealth BVI *(note vi)*	8,265	(173,481)	—	165,216	—	—
Transfer of paid-in capital of PRC Operational Entity *(note vii)*	(39,316)	—	—	39,316	—	—
Issue of new shares through Global Offering *(note viii)*	16,800	519,120	—	—	—	535,920
Transaction costs attributable to issue of new shares	—	(45,309)	—	—	—	(45,309)
Capitalisation Issue *(note ix)*	42,000	(42,000)	—	—	—	—
At 30 June 2011 (audited)	67,200	431,811	13,549	204,554	345,150	1,062,264

Notes:

(i) According to the rules and regulations in the People's Republic of China ("PRC"), a portion of the profit after taxation of the Company's PRC subsidiaries is required to be transferred to a statutory reserve before distribution of a dividend to their equity owners. The transfer can cease when the balance of the reserve reaches 50% of the registered capital of the respective subsidiaries. The reserve can be applied either to set off accumulated losses or to increase capital.

(ii) The balance of share capital at 1 January 2010 represents the paid-in capital of 江蘇興宇港建有限公司 (for identification purpose known as Jiangsu Xingyu Port Construction Company Limited or the "PRC Operational Entity" or "Jiangsu Xingyu") of approximately RMB39,316,000 and the share capital of Power Wealth Engineering Limited ("Power Wealth HK") of approximately RMB90,000. Both companies were controlled by Mr. Liu Kaijin ("Mr. Liu"), the controlling shareholder of the Company.

(iii) On 30 June 2010, Mr. Liu transferred all the issued share capital of Power Wealth HK to Power Wealth Group (BVI) Limited ("Power Wealth BVI") in exchange for 9,999 new shares of US$1.00 each issued by Power Wealth BVI. The difference between the share capital exchanged was credited to other reserve.

(iv) On 18 September 2010, Power Wealth BVI further issued 10,000 new shares of US$1.00 each to Wangji Limited ("Wangji"), a company controlled by Mr. Liu, at a consideration of RMB173,548,000 to raise additional capital for the Group.

(v) The balance of share capital at 31 December 2010 represents the paid-in capital of the PRC Operational Entity and the share capital of Power Wealth BVI.

(vi) On 19 April 2011, the Company (a) issued a total of 99,000,000 new shares of HK$0.10 each to Wangji in exchange of the entire share capital of Power Wealth BVI and (b) credited as fully paid at par the 1,000,000 nil-paid shares then held by Wangji. The excess of the share capital and share premium of Power Wealth BVI over the nominal value of the shares issued by the Company was credited to other reserve.

(vii) Upon completion of the Reorganisation (as defined in note 13), the paid-in capital of the PRC Operational Entity was transferred to other reserve.

(viii) On 20 June 2011, the Company issued a total of 200,000,000 new shares of HK$0.10 each at an issue price of HK$3.19 per share pursuant to its prospectus dated 8 June 2011 (the "Global Offering"). The gross listing proceeds were HK$638,000,000 (approximately RMB535,920,000).

(ix) On 20 June 2011, the Company issued and allotted a total of 500,000,000 shares of HK$0.10 each to the shareholders whose names appeared on the Company's register of members on 24 May 2011 by capitalising an amount of HK$50,000,000 standing to the credit of the Company's share premium account which was created pursuant to the Global Offering (the "Capitalisation Issue").

NOTES

1. GENERAL

The Company was incorporated as an exempted company with limited liability under the Companies Law of Cayman Islands. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its place of business in Hong Kong is located at office 19, 36th Floor, China Merchants Tower, Shun Tak Centre, Nos. 168–200 Connaught Road Central, Hong Kong. The shares of the Company ("Shares") have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 20 June 2011.

The consolidated financial statements are presented in Renminbi, which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis and in accordance with the HKFRSs issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and by the Hong Kong Companies Ordinance. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

In the current interim period, the Group has applied, for the first time, the following new and revised standards and interpretations ("new and revised HKFRSs") issued by HKICPA:

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 7 (Amendments)	Disclosures — Transfer of Financial Assets[4]
HKFRS 9	Financial Instruments[1]
HKFRS 10	Consolidated Financial Statements[1,5]
HKFRS 11	Joint Arrangements[1,5]
HKFRS 12	Disclosure of Interests in Other Entities[1,5]
HKFRS 13	Fair Value Measurement[1]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (Revised 2011)	Employee Benefits[1]
HKAS 27 (Revised 2011)	Separate Financial Statements[1,5]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[1,5]

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 July 2011
5 Earlier application is permitted provided that all of the five new or revised standards are applied early at the same time.

The Directors anticipate that these new or revised standards will be applied in the Group's consolidated financial statements for financial year when they first become effective and the potential impact is described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgment. The application of HKFRS 10 might result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated. The Directors are assessing the effect of application of this standard.

The Directors anticipate that the application of other new or revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the executive Directors of the Company who are also the chief operating decision makers that are used to making strategic decisions.

The Group has two operating and reportable segments, namely (i) Dredging Business and (ii) Dredging Related Construction Business. The segments are managed separately as each business offers different services and requires different marketing strategies.

Dredging Business refers to the capital and reclamation dredging services and related consultation services provided by the Group.

Dredging Related Construction Business refers to ancillary construction work related to the dredging services provided by the Group.

An analysis of the Group's reportable segment revenues and segment results is as below.

	Dredging Business	**Dredging Related Construction Business**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Six months ended 30 June 2011			
Segment revenue	**461,577**	**—**	**461,577**
Segment results	**183,830**	**—**	**183,830**
Other income			**26,937**
Unallocated corporate expenses			**(9,702)**
Listing expenses			**(11,093)**
Finance costs			**(2,355)**
Profit before tax			**187,617**

	Dredging Business	Dredging Related Construction Business	Total
	RMB'000	*RMB'000*	*RMB'000*
Six months ended 30 June 2010 (Unaudited)			
Segment revenue	157,707	2,146	159,853
Segment results	89,662	305	89,967
Bank interest income			11
Unallocated corporate expenses			(3,528)
Finance costs			(1,146)
Profit before tax			85,304

Segment revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in normal course of business, net of discounts and sales related taxes. Segment results represent the profit earned by each segment without allocation of central administrative costs, marketing and promotion expenses, other income and finance costs. This is the measure reported to the Company's executive Directors for the purposes of resource allocation and performance assessment.

Depreciation of property, plant and equipment has been included in the segment results of the Dredging Business due to the related property, plant and equipment are used for this segment.

Segment assets and liabilities

As the assets and liabilities are regularly reviewed by the executive Directors of the Company in total for the Group as a whole, the measure of total assets and liabilities by operating segment is therefore not presented.

Geographical Information

As all the Group's revenue is derived from its operation in the PRC and substantially all its assets (other than bank balances of approximately RMB418 million as at 30 June 2011 (31 December 2010: RMB7 million) which were located in Hong Kong) and liabilities are located in the PRC, no geographical information is presented.

Information about major customers

An analysis of revenue from customers contributing to over 10% of the Group's total sales for the period is as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
		(Unaudited)
Customer A		
— Dredging Business	**213,572**	38,937
— Dredging Related Construction Business	**Nil**	2,146
Customer B		
— Dredging Business	**Nil**	84,980
Customer C		
— Dredging Business	**Nil**	20,399
Customer D		
— Dredging Business	**245,594**	Nil

4. OTHER INCOME

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
		(Unaudited)
Bank interest income	**8**	11
Government financial incentive *(note)*	**26,929**	—
	26,937	11

Note: Pursuant to a document issued by a PRC local government authority, a PRC subsidiary was to be granted a financial incentive for a period of 3 years for its contribution to the economic development of the locality, provided it is duly registered in the locality and pays taxes according to tax laws. No other conditions are attached to the financial incentive.

In 2011, the PRC local government authority confirmed that the amount of such financial incentive that the Group was entitled up to 30 June 2011 was RMB26,929,000. Accordingly, the Group has recognised such amount as other income for the current period.

5. FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
		(Unaudited)
Interest expense on:		
Bank borrowings wholly repayable within five years	**1,283**	1,146
Discounted bills	**1,072**	—
	2,355	1,146

6. INCOME TAX EXPENSE

(i) Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the period, if any.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profits for both periods.

(ii) PRC Enterprise Income Tax

PRC Enterprise Income Tax is calculated at 25% of the assessable profits for both periods.

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
		(Unaudited)
Profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	**10,073**	1,687
Net foreign exchange loss	**656**	—
Directors' emoluments	**728**	928
Other staff costs	**8,635**	6,312
Retirement benefit scheme contributions, excluding those of Directors		
— current period	**1,043**	1,154
— over-provision in prior periods	**(990)**	—
Total staff costs	**9,416**	8,394

During both periods, no emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. Other than Mr. Zhang Jun who waived his emolument for the six months ended 30 June 2011 of RMB13,000 in total, none of the Directors waived any emoluments during both periods.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
		(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company	**135,447**	63,885
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share ('000)	**612,154**	110,975

The weighted average number of shares for the purpose of basic earnings per share is calculated based on the number of shares issued, and also has taken into account the weighted average effect of the capital injection by Mr. Liu to the companies comprising the Group prior to the Reorganisation.

The number of shares for the period ended 30 June 2010 has also been adjusted for the effect of the Capitalisation Issue.

No diluted earnings per share is presented as there were no potential dilutive shares in issue.

9. DIVIDENDS

No dividend has been paid or declared by the Company or by its subsidiaries since the date of their incorporation or during the six months ended 30 June 2011 (six months ended 30 June 2010: nil).

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Trade receivables	**532,387**	216,084
Less: Allowance on trade receivables	**—**	—
	532,387	216,084
Bills receivable	**25,000**	42,000
Deposits, prepayments and other receivables:		
Amount due from local government authority *(note 4)*	**26,929**	—
Rental deposits for chartered dredgers with short term leases	**2,060**	2,073
Rental receivables	**300**	300
Retention receivables	**6,224**	6,224
Deposits and prepayments	**4,247**	12,431
Others	**2,225**	1,328
	41,985	22,356
	599,372	280,440

The Group prepares an aged analysis for its trade receivables based on the dates when the Group and the customers agreed on the quantum of the services provided, as evidenced by progress certificates. Monthly statements are issued by the Group and agreed with the customers for the work performed and services rendered for the customers. Most of the contracts require the customers to make monthly progress payments with reference to the value of work completed (typically 70% to 80% of the value of work completed in the previous month) within thirty days after the issuance of the progress certificate each month. According to these contracts, the remaining balance (20% to 30% of the value of work completed) is to be paid by the customers within thirty to sixty days after the project is completed and the customers receive payment from the project owners.

The aged analysis of the Group's trade receivables (net of allowance on trade receivables) at the end of each reporting period is as follows:

Aged analysis of the Group's trade receivables

	At 30 June 2011	At 31 December 2010
	RMB'000	*RMB'000*
0–30 days	**102,499**	65,036
31–60 days	**80,898**	32,045
61–90 days	**82,874**	21,844
91–180 days	**210,941**	62,552
Over 180 days	**55,175**	34,607
	532,387	216,084

The bills receivable is aged within 0–30 days. Included in the balance as at 30 June 2011 is a bill receivable of RMB10.0 million (31 December 2010: nil) which was discounted to a bank with recourse. The Group recognised the cash received on the discounted bill as a secured bank borrowing.

Retention receivables represent trade receivables retained by customers during the maintenance period which is normally less than one year from the completion of provision of services. The Group prepares an aged analysis for its retention receivables based on the date of the last monthly progress certificate of the project. The aged analysis of the Group's retention receivables at the end of each reporting period is as follows:

Aged analysis of the Group's retention receivables

	At 30 June 2011	At 31 December 2010
	RMB'000	*RMB'000*
61–90 days	**—**	22
91–180 days	**—**	1,323
Over 180 days	**6,224**	4,879
	6,224	6,224

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines its credit limits based on reputation of the customers within the industry.

The Group does not hold any collateral over the above balances, but management considers that no impairment loss needs to be recognised in view of the financial background of these customers and their historical and subsequent repayments. No allowance for doubtful debts was recognised by the Group during the reporting periods.

11. TRADE AND OTHER PAYABLES

	At 30 June 2011	At 31 December 2010
	RMB'000	*RMB'000*
Trade payables	**182,012**	103,106
Other payable and accruals	**58,892**	17,990
Receipts in advance	**4,288**	3,991
Others	**6,517**	2,591
	69,697	24,572
	251,709	127,678

The aged analysis of the Group's trade payables presented based on the invoice date as at the end of each reporting period is as follows:

	At 30 June 2011	At 31 December 2010
	RMB'000	*RMB'000*
0–30 days	**38,083**	22,730
31–60 days	**27,144**	13,042
61–90 days	**16,286**	11,081
91–180 days	**67,193**	16,507
Over 180 days	**33,306**	39,746
	182,012	103,106

12. RELATED PARTY DISCLOSURES

(i) Related party transactions

During the reporting period, the Group had the following transactions with related parties:

		Six months ended 30 June	
		2011	2010
Related party	**Nature of transaction**	***RMB'000***	*RMB'000*
			(unaudited)
Mr. Liu	Acquisition of dredgers	**—**	346,000
Yancheng City San Ben Concrete Company Limited (鹽城三本混凝土有限公司) ("San Ben Concrete")	Rental expense	**26**	26
Yancheng Xingyu Construction Material Manufacturing Company Limited (鹽城興宇建材建造有限公司) ("Xingyu Construction")	Rental expense	**20**	—

On 30 December 2009, the PRC Operational Entity entered into a rental agreement with San Ben Concrete, a company controlled by Mr. Liu, for the lease of office premise with a lease term of 20 years. Pursuant to the relevant tenancy agreement, the term of tenancy commenced from 30 December 2009 and will expire on 29 December 2019 at an annual rental of RMB51,000.

In addition, during the six months ended 30 June 2010 and up to 15 July 2010, the PRC Operational Entity occupied certain office space owned by Xingyu Construction, a company controlled by Mr. Liu without charge. Pursuant to a tenancy agreement entered into between the PRC Operational Entity and Xingyu Construction on 16 July 2010, a term of tenancy was established for the period from 16 July 2010 to 30 June 2013 at an annual rental of RMB40,000.

(ii) Pledge of assets in support of the Group's borrowings

During the six months ended 30 June 2010, the Group's secured bank borrowings were supported by:

(a) pledge of properties owned by (a) Mr. Liu; (b) Ms. Zhou Shuhua ("Ms. Zhou"); (c) Mr. Li Jing (李錚), (a previous director of the PRC Operational Entity during the six months ended 30 June 2010) and (d) Yancheng Feng Yu Machinery Company Limited (鹽城市豐宇機械有限公司) and Xingyu Construction, both are companies controlled by Mr. Liu.

(b) personal guarantee provided by Mr. Liu.

On 17 September 2010, the pledge of properties was released and the security to the Group's bank borrowings was replaced by the corporate guarantee given by Jiangsu Xiangyu Port Constructing Project Administration Co., Ltd ("Xiangyu PRC").

The guarantees provided by Mr. Liu were released prior to 30 June 2011.

(iii) Pledge of the Group's assets in support of loans granted to Wangji

(a) On 7 September 2010, Wangji obtained a loan of HK$230 million from a financial institution. The collaterals of such loan were: (i) personal guarantee by Mr. Liu; (ii) pledge of the entire share capital of Wangji; (iii) pledge of the entire share capital of the Company; (iv) pledge of the entire share/registered capital of certain of the Company's subsidiaries and (v) pledge of Xiangyu PRC's interest in two dredgers. On 28 September 2010, Wangji applied an amount of HK$200 million out of the above loan proceed to subscribe for an additional 10,000 shares in Power Wealth BVI. On 4 October 2010, 40% of the collaterals (ii) to (v) were released and reassigned to another financial institution for the purpose of securing another loan of HK$153 million obtained by Wangji on that same date as more described in note (b) below.

(b) On 4 October 2010, Wangji obtained a loan of HK$153 million from another financial institution. The collaterals of such loan were: (i) personal guarantee by Mr. Liu; (ii) pledge of the 40% of the share capital of Wangji; (iii) pledge of 40% of share capital of the Company; (iv) pledge of 40% of the share/registered capital of certain of the Company's subsidiaries and (v) pledge of 40% of Xiangyu PRC's interest in two dredgers.

Guarantee (i) and collaterals (ii) to (v) as stated in (a) and (b) above were released during the six months ended 30 June 2011.

(iv) Related party balances

As at 30 June 2011, the amounts represent emolument payables to the Directors and are unsecured, interest-free and non-trade in nature.

As at 31 December 2010, the amount was due to Mr. Liu and was unsecured, interest-free and non-trade in nature.

(v) Compensation of key management personnel

The emoluments of directors who are also identified as members of key management of the Group during the reporting period are set out in note 7.

13. REORGANISATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

For the purpose of listing the Shares on the Stock Exchange, the entities in the Group have undergone a series of reorganisation steps to rationalise the group structure (the "Reorganisation").

As part of the Reorganisation, the PRC Operational Entity, Xiangyu PRC and their respective equity participants, being Mr. Liu and Ms. Zhou entered into a series of agreements (the "Contractual Arrangements") on 19 April 2011 with the following key provisions:

(i) Option Agreement

Xiangyu PRC, the PRC Operational Entity, Mr. Liu and Ms. Zhou entered into an exclusive option agreement ("Option Agreement") whereby Mr. Liu and Ms. Zhou have irrevocably granted Xiangyu PRC an option to acquire, directly or through one or more nominees, the entire equity interest held by Mr. Liu and Ms. Zhou in the PRC Operational Entity at a price ("Acquisition Cost") equivalent to the fair market value of such equity interest or, where applicable, the amount as permitted by the applicable PRC laws. The Acquisition Cost, when received, will be contributed by Mr. Liu and Ms. Zhou to the Xiangyu PRC as capital surplus. Subject to the compliance with the PRC laws, Xiangyu PRC may exercise the option at any time, in respect of all or part of the equity interest and in any manner at its sole discretion.

Pursuant to the Option Agreement, each of the PRC Operational Entity, Mr. Liu and/or Ms. Zhou has given undertakings that it shall perform certain acts or refrain from performing certain other acts unless with the prior written consent of Xiangyu PRC, including but not limited to the below matters:

(a) that the PRC Operational Entity shall not alter its constitutional documents or its registered capital;

(b) that any of the PRC Operational Entity, Mr. Liu and/or Ms. Zhou shall not incur any indebtedness (other than those incurred in the ordinary course of business and disclosed to and approved by Xiangyu PRC);

(c) that the PRC Operational Entity shall not provide any loan or guarantee to any third parties;

(d) that the PRC Operational Entity shall not dispose of or create encumbrances over any part of its assets, business or revenue and that Mr. Liu and Ms. Zhou shall not dispose of or create encumbrances over the equity interest held by them in the PRC Operational Entity, except the security created under the Equity Pledge Agreement (as defined in (iv) below);

(e) that the PRC Operational Entity shall not enter into any material contracts over certain amount other than those in its ordinary course of business;

(f) that the PRC Operational Entity shall not distribute any dividend (including any undistributed attributable profit payable to the entity shareholders prior to the Option Agreement becoming effective) to its shareholders and that Mr. Liu and Ms. Zhou undertake that such undistributed profit shall be retained in the PRC Operational Entity as its capital and/or reserved fund and shall give up and assign or transfer to Xiangyu PRC any dividend declared and distributed thereafter and payable to them by virtue of their holding of the equity interest in the PRC Operational Entity;

(g) that the PRC Operational Entity shall not make investment or engage in any merger or acquisition transactions; and

(h) that at the request of Xiangyu PRC, Mr. Liu and Ms. Zhou shall appoint such persons nominated by Xiangyu PRC to act as the directors, supervisors and senior management members of the PRC Operational Entity.

The Option Agreement became effective on 19 April 2011 and will expire on the date on which all the equity interests held by Mr. Liu and Ms. Zhou in the PRC Operational Entity are transferred to Xiangyu PRC and/or its nominee(s).

(ii) Proxy Agreement

Xiangyu PRC, the PRC Operational Entity, Mr. Liu and Ms. Zhou entered into a proxy agreement (“Proxy Agreement”) pursuant to which Mr. Liu and Ms. Zhou have unconditionally and irrevocably undertaken to authorize such person(s) as designated by Xiangyu PRC (being PRC citizens) to exercise the shareholders’ rights in relation to appointment of proxy and exercise of voting rights in the PRC Operational Entity under the articles of association of the PRC Operational Entity and the applicable PRC laws. Such shareholders’ rights include but not limited to (i) calling and attending the shareholders’ meetings of the PRC Operational Entity; (ii) exercising the voting rights on all matters requiring the consideration and approval of shareholders and those pursuant to articles of association of the PRC Operational Entity.

Before Xiangyu PRC acquires the entire equity interests in the PRC Operational Entity contemplated under the Option Agreement, Xiangyu PRC can exercise the voting rights of shareholders as if Xiangyu PRC and hence the Group were the ultimate beneficial owner of the PRC Operational Entity by virtue of the Proxy Agreement.

The term of the Proxy Agreement commenced on 19 April 2011 and will expire on 18 April 2026, and will be renewable at the election of Xiangyu PRC for successive terms of 10 years each until termination by Xiangyu PRC with a 30 day prior notice to the PRC Operational Entity.

(iii) Composite Services Agreement

Xiangyu PRC and the PRC Operational Entity entered into an exclusive composite services agreement ("Composite Services Agreement") pursuant to which the PRC Operational Entity will engage Xiangyu PRC on an exclusive basis to provide consultation and other ancillary services in enterprise management and consultancy services, dredging project management and consultancy services.

In consideration of the provision of the aforementioned services by Xiangyu PRC, the PRC Operational Entity agrees to pay to Xiangyu PRC fees on an annual basis in arrears. Fees payable to Xiangyu PRC by the PRC Operational Entity will be equivalent to the total audited revenue less all the related costs, expenses, taxes and statutory reserve of the PRC Operational Entity.

Pursuant to the Composite Services Agreement, the PRC Operational Entity shall not without the prior written consent of Xiangyu PRC to dispose of or pledge its material assets, operation rights and/or business; alter its registered capital; alter its scope of business; declare dividends; and/or remove any of its director and senior management members. Pursuant to the Composite Services Agreement, Xiangyu PRC is required to pay to the PRC Operational Entity a surety amount of approximately HK$22,276,000 for the performance of its services provided to the PRC Operational Entity under the Composite Services Agreement. As a security for the due payment of the consultation service fees and repayment of the surety money by the PRC Operational Entity to Xiangyu PRC under the Composite Services Agreement, the PRC Operational Entity has agreed to pledge its interest in the three vessels owned or (as the case may be) jointly-owned by it to Xiangyu PRC.

The term of the Composite Services Agreement commenced from 19 April 2011, and will expire on 18 April 2026, which will be renewable at the request of Xiangyu PRC for successive terms of 10 years each until termination by Xiangyu PRC with a 30 day prior written notice to the PRC Operational Entity.

(iv) Equity Pledge Agreement

Xiangyu PRC, the PRC Operational Entity, Mr. Liu and Ms. Zhou entered into an equity pledge agreement ("Equity Pledge Agreement"), pursuant to which Mr. Liu and Ms. Zhou granted a continuing first priority security interests over their respective equity interests in the PRC Operational Entity to Xiangyu PRC for guaranteeing the performance of the Composite Services Agreement, the Option Agreement and the Proxy Agreement.

Pursuant to the Equity Pledge Agreement, without the prior written consent of Xiangyu PRC, the PRC Operational Entity shall not alter its current shareholding structure and/or its nature or scope of business, Mr. Liu and Ms. Zhou shall not allow the PRC Operational Entity to transfer or dispose of its assets or pledge or transfer their respective equity interests in the PRC Operational Entity in favor of or to other third parties. Xiangyu PRC is entitled to receive all dividends derived from the pledged equity interests. Xiangyu PRC is entitled to demand repayment of the secured indebtedness and/or to exercise its rights to sell the pledged equity interests on occurrence of certain events of default including but not limited to non-performance or breach of any of the Composite Services Agreement, the Option Agreement and the Proxy Agreement; or failure to repay other debts when due by the PRC Operational Entity, Mr. Liu or Ms. Zhou (as the case may be).

The Equity Pledge Agreement became effective from the date of its execution and shall terminate upon performance of all obligations under the Composite Services Agreement, the Option Agreement and the Proxy Agreement in full.

(v) Vessel Pledge Agreements

The PRC Operational Entity and Xiangyu PRC have entered into three vessel pledge agreements ("Vessel Pledge Agreements") dated 19 April 2011, pursuant to which the PRC Operational Entity has pledged in favor of Xiangyu PRC (i) its entire interest in the dredger "Zhuayang No. 101"; (ii) its 50% interest in the dredger "Kaijin No. 1" and (iii) its 50% interest in the dredger "Kaijin No. 3" to Xiangyu PRC, as security for the due payment of the consultation service fees and repayment of the surety money (as well as related interest and expenses, etc.) then owing by the PRC Operational Entity to Xiangyu PRC under the Composite Services Agreement.

Pursuant to the Vessel Pledge Agreements, without the prior written consent of Xiangyu PRC, the PRC Operational Entity shall not pledge or dispose of its interests in the pledged vessels or any part thereof. Xiangyu PRC is entitled to exercise its rights to sell the pledged vessels on occurrence of certain events of default, including but not limited to the non-payment of the secured indebtedness or non-performance of the Composite Services Agreement.

The Vessel Pledge Agreements became effective from the date of its execution and shall terminate upon payment or repayment of the consultation service fees, surety money and all other related expenses under the Composite Services Agreement.

The Directors, after consulting legal opinion, are of the view that the terms of the Contractual Arrangements have in substance enable Xiangyu PRC to obtain control over, and benefit from the entire beneficial economic interests in, the PRC Operational Entity despite the absence of formal legal equity interest therein.

Power Wealth BVI was incorporated on 17 May 2010 and one ordinary share having a par value of US$1.00 was allotted and issued to Mr. Liu on 18 June 2010. Xiangyu PRC was established on 11 June 2010 as a wholly owned subsidiary of Power Wealth HK. On 30 June 2010, Power Wealth BVI acquired from Mr. Liu 100,000 shares of HK$1 each in Power Wealth HK, representing its entire issued share capital, in consideration of and in exchange for which Power Wealth BVI allotted and issued, credited as fully paid, a total of 9,999 new shares of US$1.00 each in its capital to Mr. Liu. Accordingly, Power Wealth HK became the wholly owned subsidiary of Power Wealth BVI. Prior to the Reorganisation and on 18 August 2010, Mr. Liu transferred the entire issued share capital of Power Wealth BVI (being 10,000 ordinary shares of US$1.00 each) to Wangji, a company wholly owned by himself. On 18 September 2010, Power Wealth BVI, further issued and allotted 10,000 new shares of US$1.00 each at a consideration of RMB173,548,000 to Wangji to raise additional capital for the Group. Through a share exchange as part of the Reorganization which was completed on 19 April 2011 by interspersing the Company between Power Wealth BVI and Wangji, the Company became the holding company of the companies now comprising the Group on the same date.

As the PRC Operational Entity, Xiangyu PRC and other companies comprising the Group have been under common control of Mr. Liu since their respective establishment date, the Reorganisation including the execution of the Contractual Arrangements is considered as a business combination under common control. Accordingly, the PRC Operational Entity and Xiangyu PRC are accounted for as subsidiaries of the Company throughout the periods presented on a merger basis. The assets, liabilities and results of the PRC Operational Entity and Xiangyu PRC are included in the consolidated financial statements of the Group as if the Company had always been the parent of the PRC Operational Entity and Xiangyu PRC.

The consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows include the results and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the periods presented or since their respective date of incorporation or establishment. The consolidated statement of financial position of the Group as at 31 December 2010 and at 30 June 2011 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at those dates.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Overview. The following summarised certain financial highlights of the Group:

	Six months ended 30 June		**Percentage**
	2011	2010	**increase**
	RMB'000	*RMB'000*	
		(Unaudited)	
Revenue	**461,577**	159,853	188.8%
Gross profit	**183,830**	89,967	104.3%
Net profit	**135,447**	63,885	112.0%

Revenue. During the period, the Group recorded a strong growth in revenue and profit. Revenue for the six months ended 30 June 2011 was about RMB461.6 million, representing an increase of about RMB301.7 million as compared with about RMB159.9 million in the corresponding period of 2010. The revenue growth was primarily attributable to increase in capital and reclaimed dredging activities in the PRC, which led to increased demands for the Group's dredging services. The number of major dredging projects increased substantially comparing these two periods.

Operating cost and gross profit. Operating cost for the dredging business for the six months ended 30 June 2011 amounted to approximately RMB277.7 million, representing an increase of about RMB207.8 million or 297.3% as compared with about RMB69.9 million in the corresponding period of 2010. The increases in operating cost is mainly attributed to the increase in operating revenue in the period, the increase in fuel cost and certain one-off moving cost of one of our dredgers. Due to the increase in revenue for the six months ended 30 June 2011, our gross profits rocketed from about RMB90.0 million in the same period of 2010 to about RMB183.8 million in the six months ended 30 June 2011.

Marketing and promotion expenses. Marketing and promotion expenses only accounted for about 0.5% and 0.6% of revenue for the six months ended 30 June 2011 and 2010, respectively, and were remained at a relative low level. For the six months ended 30 June 2011 marketing and promotion expenses, were about RMB2.4 million, representing an increase of about RMB1.4 million, or 140.0%, as compared with about RMB1.0 million in the corresponding period of 2010. The increase was due to more marketing activities in order to obtain new contracts in the current period.

Administrative expenses. Administrative expenses for the six months ended 30 June 2011 were about RMB7.3 million, representing an increase of about RMB4.8 million, or 192.0%, as compared with about RMB2.5 million in the corresponding period of 2010. The increase was mainly attributable to the increase in office expense, audit fee and staff cost.

Other income. Other income for the six months ended 30 June 2011 amounted to about RMB26.9 million, representing an increase of about RMB26.89 million or 2,689.0%, from about RMB0.01 million for the corresponding period of 2010, primarily attributable to financial incentive from the local government to support the growth of the Group received in the first half of 2011.

Income tax expense. Due to the increase in profit before tax as a result of the strong growth in revenue, income tax expense for the six months ended 30 June 2011 amounted to about RMB52.2 million, representing an increase of about RMB30.8 million, or 143.9%, from about RMB21.4 million in the corresponding period of 2010.

Profit for the period and earnings per share. Earnings per share is calculated based on profit for the period over the weighted average number of Shares. Profit for the six months ended 30 June 2011 was about RMB135.4 million, representing an increase of about RMB71.5 million from about RMB63.9 million in the corresponding period of the six months ended 30 June 2010. For the purpose of calculating basic earnings per share, the weighted average number of Shares for 2010 was calculated as if the Capitalisation Issue had taken place at the beginning of that period. Furthermore, as the capital injection was made by Mr Liu to the Group in the second half of 2010 (details of which are set out in the Company's prospectus dated 8 June 2011), the weighted average number of shares for the six months ended 30 June 2010 was small, resulting in higher earnings per share for the six months ended 30 June 2010.

Liquidity and Financial Resources and Capital Structure

Included in net current assets were cash and various bank deposits as at 30 June 2011 totalling about RMB582.4 million (31 December 2010: RMB12.5 million). Total bank borrowings as at 30 June 2011 were about RMB169.9 million (31 December 2010: RMB40.0 million), and these were mainly used to finance the working capital and other general corporate purposes. Such borrowings are denominated in Renminbi.

The gearing ratio, which is calculated by the Group's bank borrowings over total assets, of the Group as at 30 June 2011 was 10.8% (31 December 2010: 6.0%). The increase was mainly due to increase in bank borrowings during the period.

With regard to debtor's turnover days and creditor's turnover days, debtor's turnover days was reduced from 210 days as of 31 December 2010 to 147 days as of 30 June 2011 and creditor's turnover days was reduced from 194 days as of 31 December 2010 to 95 days as of 30 June 2011. This was mainly due to increase in revenue and operating cost and acceleration of collections and payments during this period.

Following the listing of the Shares on 20 June 2011, the Group's liquidity position became stronger and this will enable the Group to expand in accordance with its business directions.

Capital Commitments and Contingent Liabilities

As at 30 June 2011, the Group had pledged bank deposits with an aggregate carrying value of approximately RMB60 million (31 December 2010: nil) to secure bank borrowings.

As at 30 June 2011, the Group had capital commitments committed but not provided for in respect of acquisition of a dredger which amounted to about RMB173.8 million and other plant and equipment to about RMB3.0 million (31 December 2010: RMB0.1 million in respect of office renovation).

As at 30 June 2011 and 31 December 2010, the Group did not have any material contingent liability.

Risk Management Policies

The Group in its ordinary course of business is exposed to market risk such as interest rate risk, credit risk, liquidity risk and fair value. The Group's risk management strategy aims to minimise the adverse effects of these risks on its financial performance.

As most of the Group's trading transactions, monetary assets and liabilities are denominated mainly in Renminbi, which is the Group's operating and exporting currencies, and except for certain bank balances in Hong Kong dollars the impact of foreign exchange exposure to the Group was minimal and there was no significant adverse effect on normal operations. As at the end of each reporting period, no related hedges were made by the Group.

With the current interest rates staying at relatively low levels, the Group has not entered into any interest rate hedging contracts or any other interest rate related derivative financial instrument. However, the Group continues to monitor its related interest rate exposure closely.

As for credit risk, the Group continues its policy of only trading with customer with high creditability. In addition, the Group will continue to monitor closely the trade debtors to minimise potential impairment losses.

With the liquidity risk, the Group will continue maintaining a balance between continuity of funding and the flexibility through the use of bank borrowings. With the successful listing of the Shares on 20 June 2011, the liquidity position was enhanced and the Group will be in a better position to carry out its development plan at a pace relatively quicker than before.

As for fair value, the Group consider that carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Business Review

The dredging market in the PRC continues to be one of the fastest growing sectors in the PRC. According to the Frost & Sullivan Report, total dredging volume in China grew at a compound annual growth rate ("CAGR") of 31.5% from 2006 to 2010 and is expected to continue growing at approximately 27.1% CAGR from 2011 to 2015. Currently, the China dredging market faces two major constraints: a shortage of dredging capacity from qualified dredging companies and relatively low dredging efficiency.

Through its stable client relationship and project pipeline and with its project management team of high efficiency, the Group has consolidated its market position as the largest private dredging group in China in 2010 (in terms of dredging volume). With our devoting project management teams, our revenue records an increase of about 188.8% and our net profit increased more than one fold for the six months ended 30 June 2011 over the same period in 2010. During the six months ended 30 June 2011, we entered into new dredging contracts (including extension of contracts on hand) whose contract sums amounted to about RMB2.5 billion, resulting at the backlog amount (pre-tax) of approximately RMB3.2 billion as of 30 June 2011. During the six months ended 30 June 2011, the Group's dredging projects were mainly located in Caofeidian, Dalian, Tianjin and Jingtang Harbour. Further details of these projects are set out in the Company's prospectus dated 8 June 2011.

The below sets forth information and development regarding our major dredging projects.

Capital and reclamation dredging projects

Project	**Details**
Caofeidian Industrial Area Project (Hebei Province)/ Dalian Changxingdao Harbor Project, (Liaoning Province)/ Tianjin Port Project (Tianjin)	— These projects are long term expansion projects of major ports in the PRC, of which Caofeidian Industrial Area Project was included in PRC government's Eleventh Five Year Plan and is expected to continue until about 2030; Dalian Changxingdao Harbor Industrial Area was designated by the State Council as a National Economic and Technological Development Area in 2010; and Tianjin Port project was a port expansion project in Tianjin Port.
	— As the size of these projects is large, dredging works are divided into many phases. The Group has in the past provided the said dredging services on a continuous basis. The contract sums for new contracts (including extension of contracts on hand) entered into in respect of these projects amounted to about RMB0.7 billion in total during the period ended 30 June 2011.
Jingtang Harbor Project (Hebei Province)	— This is a dredging project at a tourism area in Hebei Province, which is a one-off capital and reclamation dredging project. The agreement for this project was entered into in 2010 and the contract sum amounted to approximately RMB0.8 billion. The remaining backlog on hand as of 30 June 2011 amounted to about RMB0.6 billion.

Outlook

The strong project backlogs on hand demonstrate the continuous growth potential of the Group's business, and will enable the Group to increase its market share, enhance its competitiveness and reputation in dredging market of the PRC. The Group will ride on its strong project pipeline to secure more contracts and to capture the growth in the dredging industry. The projects in the pipeline are as follows:

Project	**Details**
Dongying Harbor Project (Shandong Province)	— The Dongying Harbor was designated by the State Council as the leading port of the Yangtze River Delta in Shandong Province under the State Council's "Development Plan for the Efficient Ecological and Economic Zone in the Yangtze River Delta" (長江三角洲高效生態經濟區發展規劃). The Group entered into a letter of intent (non-binding) directly with the project owner of Dongying Harbor Project in 2010 for the phase one of the port expansion project in Dongying Harbor, which initially indicates its allowance for the Group to participate in the dredging works of this project. Currently, tender procedure relating to embankment under phase 1 of this project will start shortly.
	— The management has closely monitored its progress and works are expected to commence in 2011.
Yancheng City Project (Jiangsu Province)	— The Yancheng City project forms part of the ten-year Jiangsu Coastal Development Project, and its total expenditure is estimated to be RMB105.5 billion.
	— The Group has entered into a five-year framework agreement (non-binding) directly with the project owner for engaging the Group in dredging works involving output of no less than an aggregate of 120 million cubic meters over 2011 and 2012 (estimated contract sum of about RMB1.2 billion).
	— The project is expected to commence by end of 2011.

In addition, the Group has continued its efforts to expand and diversify its services by building up our environmental protection dredging business.

Environmental protection dredging and water management projects

Project	Details
Wuhan City Projects (Hubei Province)	— We entered into a series of letters of intent and framework agreements (non-binding) for certain dredging projects in Donghu, Nanhu and Guanqiaohu of Wuhan City since 2010, including a cooperation memorandum (non-binding) directly signed with Wuhan Water Resources Development Investment Group Company Limited (武漢水資源發展投資集團有限公司), the project owner of environmental protection dredging projects in Wuhan City. Pursuant to this memorandum, subject to the Group (i) importing certain foreign technology and equipment and (ii) successfully completed a trial project for silt removal and dehydration in Guanqiaohu, the Group may participate in the lake clean-up works for Donghu and Nanhu in accordance with the legal procedures. — In 2011, the Group imported a sludge treatment equipment, namely "Mud Master" from the Switzerland. Based on information from the Swiss supplier ("the "Supplier"), Mud Master is the world's first container-size mobile sludge separation and dehydration equipment for lakes and ponds. The Mud Master was delivered to Wuhan in August 2011, and installation and testing of the equipment is under progress. We expect the trial project will be completed within this year. After that, we will work with the Wuhan partner to develop cooperation of a larger extent. — In July 2011, we entered into a 5-year exclusive strategic alliance with the Supplier, pursuant to which the Group was appointed by the Supplier as its exclusive agent/distributor in certain Asian territories, including the PRC, and the Group has an exclusive right to import, use and sell a series of the Supplier's dredgers, weed harvesters, trash hunters and mud processing/dehydration equipment/installations in such Asia territories. With the strategic alliance, the Group believes that our right to use the Mud Master is secured, which will enable our development of a closer cooperation relationship with the Supplier.

Project	Details
Yandu Rivers Project (Jiangsu Province)	— This is a contract directly signed with the project owner to conduct environmental protection dredging works for restoring the aqua-ecology, treating polluted waters in rivers and providing waterway improvement services in Yandu District of Yancheng City, Jiangsu Province. — This contract adopts a build-and-transfer model, i.e. the project owner will pay the Group by instalments based on volume of engineering works: about 40% will be paid when the works are inspected and accepted by the local government; 40% in about one-year time after that acceptance; and the remaining 20% in two-years time after that. In return, the project owner has agreed that the Group will be entitled to a return for no less than 25% in respect of the investment on an annual basis.

On top of the above, the Group has been actively tracking down other sizeable dredging and dredging related projects.

Development from end of Reporting Period

Subsequent to 30 June 2011, on 25 July 2011, the Group entered into a 5-year strategic alliance with the Supplier pursuant to which the Group was appointed as the exclusive agent/distributor of the Supplier in certain Asian territories, including the PRC. Further details are set out in the "outlook" paragraph above.

Use of Proceeds Raised from Initial Public Offerings ("IPO")

On 20 June 2011, Shares became listed on the Main Board of the Stock Exchange. Total net proceeds received by the Company from the IPO after deducting all related expenses was approximately HK$608 million, equivalent to about RMB511 million.

As stated in the prospectus of the Company dated 8 June 2011, the Company intends to use the net proceeds for (i) the purchase of dredgers and dredging equipment; (ii) improvement of existing equipment and machinery of dredgers; and (iii) support the expansion of the Group's business including the setting up of new project offices and computerisation of management information systems.

As at 30 June 2011, part of the net proceeds raised from IPO was applied in the manner as stated in the prospectus of the Company dated 8 June 2011. The net proceeds pending their usage were held by us in short-term deposits with licensed banks and authorised financial institutions in Hong Kong and/or the PRC.

Related Party Transactions

Save as disclosed elsewhere in this announcement, during the six months ended 30 June 2011, there were no other material related party transactions.

Share Option Scheme

The Company has adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Company's share option scheme was approved by the Company's shareholders on 24 May 2011 (the "Scheme"). It became effective for a period of 10 years commencing on the date on which the Scheme is adopted.

The Directors consider the Scheme, with its broadened basis of participation, will enable us to reward the employees, our Directors and other selected participants for their contributions to us. Eligible participants of the Scheme include all Directors and employees of the Group, suppliers, customers, technical consultants who provide services to the Group, shareholders of the subsidiaries of the Group and joint venture partners, etc.

Under the Scheme, the Directors may, at their sole discretion, grant to any eligible participants options to subscribe for ordinary Shares at the highest of (i) the closing price of Shares on the Stock Exchange as stated in the Stock Exchange's daily quotation sheet on the date of the offer of grant; (ii) the average closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Share. The offer of a grant of options may be accepted within 21 days from the date of the offer. A nominal consideration of HK$1 is payable on acceptance of the grant of an option. The exercise period of the options granted is determined by the Directors, and commences after a certain vesting period and ends in any event not later than 10 years from the respective date when the share options are granted, subject to the provisions for early termination thereof.

During the period from the effective date of the Scheme to 30 June 2011, no share option has been granted, expired, lapsed or exercised.

Employees and Remuneration Policy

As at 30 June 2011, the Group had a workforce of 187 employees (31 December 2010: 184). The Group's remuneration policy is basically determined by the performance of individual employees and Directors and the market conditions. In addition to salaries and discretionary bonuses, employee benefits included pension contributions and share option schemes.

During the period under review, the Group did not experience any strikes, work stoppages or significant labor disputes which affected its operations in the past and it did not experience any significant difficulties in recruiting and retaining qualified staff.

DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations

As at 30 June 2011, the Directors and the Company's chief executives, and their respective associates had the following interests in the Shares in and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), or were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO:

Interests in the Company

			Long position		**Short position**	
Name of Director	**Capacity**	*Notes*	**Number of ordinary Shares**	**Approximate percentage of total number of Shares**	**Number of ordinary Shares**	**Approximate percentage of total number of shares**
Liu Kaijin	Interest in controlled corporation	*1*	325,100,000	40.64%	—	—
Zhou Shuhua	Interest in spouse	*1*	325,100,000	40.64%	—	—
Dong Liyong	Interest in controlled corporation	*2*	156,291,000	19.54%	30,000,000	3.75%

Notes:

1. Mr Liu is the sole beneficial owner of Wangji, a company incorporated in the British Virgin Islands with limited liability, which is the direct owner of 325,100,000 Shares. Mr Liu's spouse is Ms Zhou who is a Director. By virtue of the SFO, Ms Zhou is deemed to be interested in such 325,100,000 Shares.

2. Mr Dong Liyong ("Mr Dong") is the sole beneficial owner of Shen Wang Limited ("Shen Wang"), a company incorporated in the British Virgin Islands with limited liability, which is the direct owner of 156,291,000 Shares. A stock borrowing agreement dated 13 June 2011 was entered into between Shen Wang (as lender) and CCB International Capital Limited ("CCBI-Cap") (as borrower). Pursuant to the above agreement, Mr Dong is deemed to have short position of 30,000,000 Shares.

Interests in associated corporations

Name of Director	Name of the associated corporation	Capacity	*Notes*	Long position: Share capital	Long position: Approximate percentage of total number of Shareholding	Short position: Share capital	Short position: Approximate percentage of total number of Shareholding
Liu Kaijin	Wangji	Beneficial owner	*1*	200 ordinary shares	100%	200 ordinary shares	100%
	Jiangsu Xingyu	Beneficial owner	*1*	Registered capital of RMB39,315,800	100%	—	—
Zhou Shuhua	Wangji	Interest in spouse	*2*	200 ordinary shares	100%	200 ordinary shares	100%
	Jiangsu Xingyu	Interest in spouse	*2*	Registered capital of RMB39,315,800	100%	—	—

Notes:

1. Mr Liu is the sole beneficial owner of Wangji. His 100% shareholding interest in Wangji has been charged in favour of Apex Ally Investments Limited ("Apex Ally") and Hong Jun Investment Limited ("Hong Jun") as stated under the section "Pre-IPO Investments" in the Company's Prospectus dated 8 June 2011. Mr Liu is also the sole beneficial owner of the entire registered capital of Jiangsu Xingyu. Mr Liu and Ms Zhou are registered holders of 98.47% and 1.53% in the registered capital in Jiangsu Xingyu. The 1.53% interest in the registered capital of Jiangsu Xingyu were held on trust by Ms Zhou for Mr Liu pursuant to a shareholding confirmation dated 12 July 2010.

2. Ms Zhou is the spouse of Mr Liu who is a Director. By virtue of the SFO, Ms Zhou is deemed to be interested in all interests of Mr Liu in the associated corporations including long positions and short position.

Saved as disclosed above, none of the Directors and chief executives of the Company or any of their associates had any interests or short positions in the Shares, underlying shares or debentures of the Company or any associated corporation as at 30 June 2011 (within the meaning of Part XV of the SFO), which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or chief executive of the Company were deemed or taken to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company

As at 30 June 2011, other than the Directors' and the Company's chief executives' interests and short positions in the Shares in and underlying shares of the Company and associated corporations as recorded in the register required to be kept under Section 336 of the SFO, the following substantial shareholders had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or otherwise notified to the Company and the Stock Exchange:

Interests in the Company

			Long position		Short position	
Name of the substantial shareholder	**Capacity**	*Notes*	**Number of ordinary Shares**	**Approximate percentage of total number of Shares**	**Number of ordinary Shares**	**Approximate percentage of total number of Shares**
Wangji	Beneficial owner		325,100,000	40.64%	—	—
Shen Wang	Beneficial owner	*1*	156,291,000	19.54%	30,000,000	3.75%
Yang Yingying	Interest of spouse	*1*	156,291,000	19.54%	30,000,000	3.75%
Hong Jun	Nominee for another person	*2*	69,000,000	8.63%	—	—
CCB International Asset Management Limited ("CCBI-AM")	Interest in controlled corporations	*2*	69,000,000	8.63%	—	—
CCB International Assets Management (Cayman) Limited ("CCBI-AMC")	Interest in controlled corporations	*2*	69,000,000	8.63%	—	—
CCB International (Holdings) Limited ("CCBI-H")	Interest in controlled corporation	*2*	30,000,000	3.75%	3,709,000	0.46%
	Beneficial owner	*2*	69,000,000	8.63%	—	—
CCB Financial Holdings Limited ("CCB-FH")	Interest in controlled corporations	*2*	99,000,000	12.38%	3,709,000	0.46%
CCB International Group Holdings Limited ("CCBI-Gp")	Interest in controlled corporations	*2*	99,000,000	12.38%	3,709,000	0.46%

Name of the substantial shareholder	Capacity	*Notes*	Long position: Number of ordinary Shares	Long position: Approximate percentage of total number of Shares	Short position: Number of ordinary Shares	Short position: Approximate percentage of total number of Shares
China Construction Bank Corporation ("CCB")	Interest in controlled corporations	*2*	99,000,000	12.38%	3,709,000	0.46%
Apex Ally	Beneficial owner	*3*	45,900,000	5.74%	—	—
ICBC International Investment Management Limited ("ICBCI-IM")	Interest in controlled corporation	*3*	45,900,000	5.74%	—	—
ICBC International Holdings Limited ("ICBCI-H")	Interest in controlled corporations	*3*	45,900,000	5.74%	—	—
Industrial and Commercial Bank of China Limited ("ICBC")	Interest in controlled corporations	*3*	45,900,000	5.74%	—	—
Central Huijin Investment Ltd. ("Central Huijin")	Interest in controlled corporations	*4*	144,900,000	18.11%	3,709,000	0.46%

Notes:

1. Mr Dong is the sole beneficial owner of Shen Wang which is the direct owner of 156,291,000 Shares. A stock borrowing agreement dated 13 June 2011 was entered into between Shen Wang (as lender) and CCBI-Cap (as borrower). Pursuant to the above agreement, Shen Wang has short position of 30,000,000 Shares. Ms Yang Yingying is the spouse of Mr Dong Liyong. By virtue of the SFO, Ms Yang is deemed to be interested in all interests of Mr Dong in the Company including long position and short position.

2. Hong Jun is the registered holder of 69,000,000 Shares. Hong Jun is 100% owned by CCBI-AM, which is in turn 100% owned by CCBI-AMC. By virtue of the SFO, CCBI-AM and CCBI-AMC are deemed to be interested in the interests of the Company held by Hong Jun.

   CCBI-H is the beneficial owner of 69,000,000 Shares held under the name of Hong Jun. CCBI-H is 100% owned by CCB-FH, which is in turn 100% owned by CCBI-Gp. CCBI-Gp is 100% owned by CCB. By virtue of the SFO, CCB, CCBI-Gp and CCB-FH are deemed to be interested in the interests of the Company held by CCBI-H.

   Pursuant to a stock borrowing agreement dated 13 June 2011 and entered into between Shen Wang (as lender) and CCBI-Cap (as borrower), Shen Wang agreed to lend up to 30 million Shares to CCBI-Cap as an underwriter to perform as a stabilizing manager to facilitate the distribution of Shares during the Global Offering of the Company (for details please refer to section headed "Structure of the Global Offering - Over-allotment and Stabilization" in the prospectus of the Company dated 8 June 2011). CCBI-Cap is 100% owned by CCB International Capital (Cayman) Limited which is in turn 100% owned by CCBI-H. By virtue of the SFO, CCBI-H, CCB-FH, CCBI-Gp and CCB are deemed to be interested in the interests of the Company held by CCBI-Cap under the above agreement.

3. Apex Ally is the beneficial owner of 45,900,000 Shares. Apex Ally is 100% owned by ICBCI-IM which is in turn 100% owned by ICBCI-H. ICBCI-H is 100% owned by ICBC. By virtue of the SFO, ICBCI-IM, ICBCI-H and ICBC are deemed to be interested in the interests of the Company held by held by Apex Ally.

4. CCB and ICBC are 57.1% owned and 35.42% owned, respectively, by Central Huijin. By virtue of the SFO, Central Huijin is deemed to be interested in the interests of the Company held by CCB and ICBC as stated in note (2) and note (3) above.

Saved as disclosed above, no person (other than Directors and the Company's chief executives whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations" above) had interest or short position in the Shares or Underlying Shares of the Company that was required to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Directors' Compliance with the Model Code

The Company has adopted the Model Code as set out in Appendix 10 to Listing Rules as its own code of conducts regarding Directors' securities dealings. Specific enquiries had been made to all Directors, who confirmed that they have with the required standard set out in the Model Code since the date of listing of the Shares on 20 June 2011 up to and including 30 June 2011.

Compliance with the Code on Corporate Governance

The Company is committed to high standards of corporate governance. The Directors of the Company believe that the Company has complied with all the code provisions of the Code on Corporate Governance Practices (the "Code") in Appendix 14 of the Listing Rules for the period from its listing date to 30 June 2011 and there was no material deviation from that Code.

Audit Committee and Review of Financial Statement

The audit committee of the Company has been set up in accordance with the Listing Rules. Members of the audit committee comprise Ms Leung Mei Han (Chairman of the audit committee), Mr Zhang Jun and Ms Peng Cuihong independent non-executive Directors. The committee has reviewed with the management the accounting principles and practices adopted by the Group, financial reporting matters including a review of the audited consolidated results for the six months ended 30 June 2011 prior to recommending them to the Board for approval.

The consolidated interim financial statements for the six months ended 30 June 2011 have been audited by the Company's auditor, Deloitte Touche Tohmatsu ("Deloitte").

The Company notes that Deloitte has noted in its Independent Auditor's Report in respect of the Company dated 25 August 2011 that the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2010 and the relevant explanatory information have not been audited.

Remuneration Committee and Nomination Committee

The remuneration committee and nomination committee of the Company have been set up in accordance with Appendix 14 to the Listing Rules. The committee comprises Mr Dong Liyong, a non-executive Director, Ms Leung Mei Han and Ms Peng Cuihong both of whom are independent non-executive Directors.

Interim Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2011. Accordingly, no closure of Register of Members of the Company is proposed.

Purchase, Sale or Redemption of the Company's Listed Securities

The Shares first became listed on the Main Board of the Stock Exchange on 20 June 2011. During the six months ended 30 June 2011, save as disclosed in the Company's prospectus dated 8 June 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of the Company (*www.xiangyu.com.hk*) and the Stock Exchange (*www.hkexnews.com.hk*). An interim report for the six months ended 30 June 2011 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and available on the said websites in due course.

APPRECIATION

The Board of Directors would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as its shareholders, business associates, bankers, legal advisers, sponsor and auditor for their support to the Group throughout the period.

By order of the Board
Xiangyu Dredging Holdings Limited
Liu Kaijin
Executive Director and chief executive officer

Hong Kong, 25 August 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 non-executive Director and chairman of the Board; and Ms Leung Mei Han, Mr Zhang Jun and Ms Peng Cuihong as independent non-executive Directors.