

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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 DISPOSAL OF EQUITY INTEREST AND SHAREHOLDER'S LOAN**

#### **THE TRANSACTION**

The Board is pleased to announce that on 22 March 2013 (after trading hours), Xiangyu Water Management entered into the Agreement with Hongji Construction, an Independent Third Party, whereby, subject to the conditions precedent set out therein, Xiangyu Water Management agreed to sell and Hongji Construction agreed to acquire the Sale Interest for the Equity Consideration and the Shareholder's Loan for the Loan Consideration.

The Total Consideration of RMB252,968,116.82 (equivalent to approximately HK\$312,537,826.56), represents the aggregate of (a) the Equity Consideration of RMB158,388,164.43 (equivalent to approximately HK\$195,685,896.26) for the Sale Interest; and (b) the Loan Consideration of RMB94,579,952.39 (equivalent to approximately HK\$116,851,930.31) for the assignment of the Shareholder's Loan.

Reference is made to the Previous Announcements. As disclosed in the Previous Announcements, (i) subject to the conditions precedent set out in the Yongheng Agreement, Xiangyu Water Management agreed to acquire from Yandu State-owned Assets Investment 95% of the equity interest in Yongheng Properties for the Purchase Price and the Current Shareholders' Loan at its book value, and (ii) subject to the completion of the Yongheng Agreement, Xiangyu Water Management agreed to acquire from the Minority Equity-holder 5% of the equity interest in Yongheng Properties for a consideration of RMB400,000. Yongheng Properties is the owner of the Land.

As at the date of this announcement, some but not all of the conditions precedent under the Yongheng Agreement have been satisfied and completion of the Yongheng Agreement has not taken place.

## **LISTING RULES IMPLICATION**

As the applicable percentage ratios of the Transaction calculated pursuant to Rule 14.07 of the Listing Rules are more than 5% but less than 25%, the Transaction constitutes a discloseable transaction for the Company under the Listing Rules. Accordingly, the Company is subject to the announcement requirement under the Listing Rules.

## **INTRODUCTION**

Reference is made to the Previous Announcements. On 31 December 2012 (after trading hours), Xiangyu Water Management entered into the Yongheng Agreement with Yandu State-owned Assets Investment, an Independent Third Party, whereby, subject to the conditions precedent set out therein, Xiangyu Water Management agreed to acquire and Yandu State-owned Assets Investment agreed to sell 95% of the equity interest in Yongheng Properties for the Purchase Price and the Current Shareholders' Loan at its book value. On the same date, Xiangyu Water Management entered into a conditional agreement with the Minority Equity-holder whereby subject to the completion of the Yongheng Agreement, Xiangyu Water Management agreed to acquire and the Minority Equity-holder agreed to sell 5% of the equity interest in Yongheng Properties for a consideration of RMB400,000. As at the date of this announcement, some but not all of the conditions precedent under the Yongheng Agreement have been satisfied and completion of the Yongheng Agreement has not taken place.

On 22 March 2013 (after trading hours), Xiangyu Water Management entered into the Agreement with Hongji Construction whereby, subject to the conditions precedent set out therein, Xiangyu Water Management agreed to sell and Hongji Construction agreed to acquire the Sale Interest for the Equity Consideration and the Shareholder's Loan for the Loan Consideration. Completion of the Agreement is subject to, among other things, completion of the Yongheng Agreement.

The Total Consideration of RMB252,968,116.82 (equivalent to approximately HK\$312,537,826.56), represents the aggregate of (a) the Equity Consideration of RMB158,388,164.43 (equivalent to approximately HK\$195,685,896.26) for the Sale Interest; and (b) the Loan Consideration of RMB94,579,952.39 (equivalent to approximately HK\$116,851,930.31) for the assignment of the Shareholder's Loan.

## **PRINCIPAL TERMS OF THE AGREEMENT**

### **1. Date**

22 March 2013

### **2. Parties**

- (i) Xiangyu Water Management as the vendor
- (ii) Hongji Construction as the purchaser

### **3. Disposal of Sale Interest and Shareholder's Loan**

Subject to the conditions precedent set out therein, Xiangyu Water Management agreed to sell and Hongji Construction agreed to acquire the Sale Interest for the Equity Consideration and the Shareholder's Loan for the Loan Consideration.

### **4. Total Consideration**

The Total Consideration of RMB252,968,116.82 (equivalent to approximately HK\$312,537,826.56), being the aggregate of (a) the Equity Consideration of RMB158,388,164.43 (equivalent to approximately HK\$195,685,896.26) for the Sale Interest; and (b) the Loan Consideration of RMB94,579,952.39 (equivalent to approximately HK\$116,851,930.31) for the assignment of the Shareholder's Loan, will be paid by Hongji Construction before 31 December 2015 in the following manner:

- (i) a deposit of RMB10,000,000 (equivalent to approximately HK\$12,354,830.74) (“**Deposit**”) will be paid within three (3) business days upon signing of the Agreement;
- (ii) a sum of not less than RMB70,000,000 (equivalent to approximately HK\$86,483,815.17) (“**First Payment**”) (excluding the Deposit) will be paid before 31 December 2013;
- (iii) a sum of not less than RMB100,000,000 (equivalent to approximately HK\$123,548,307.39) (excluding the Deposit and the First Payment) will be paid between 1 January 2014 to 31 December 2014; and
- (iv) the balance together with interest (as described below), if any, will be paid before 31 December 2015 (the Deposit shall become part of the balance payment).

### **5. Interest**

In the event that the Total Consideration shall be settled in full by Hongji Construction by 31 December 2013, Hongji Construction shall not be required to pay interest on the Total Consideration. In the event that the Total Consideration shall not be settled in full by 31 December 2013, Hongji Construction shall be required to pay interest on such outstanding amount of the Total Consideration commencing from 1 January 2014 at an interest rate of 6% per annum.

### **6. Completion and Conditions Precedent**

Completion of the Agreement shall take place within 10 days upon payment in full of the Deposit and satisfaction of the following conditions precedent:

- (i) completion of the purchase of the entire equity interest in Yongheng Properties from Yandu State-owned Assets Investment and the Minority Equity-holder respectively and the Current Shareholders' Loan from Yandu State-owned Assets Investment;

- (ii) approval from and/or registration with the Ministry of Commerce of the PRC (if applicable) having been given/made;
- (iii) approval from the relevant PRC governmental authorities in respect of the transfer of the Sale Interest as contemplated under the Agreement having been given; and
- (iv) if so required under the Listing Rules, approval of the Transaction by the Shareholders or waiver from such Shareholders' approval requirement having been obtained.

If the above conditions precedent (i) and (iv) shall not be satisfied by 30 June 2013 (or such later date as agreed by the parties), the Agreement shall terminate and Xiangyu Water Management shall return the Deposit (without interest thereon) of RMB10,000,000 (equivalent to approximately HK\$12,354,830.74) to Hongji Construction.

## **7. Proceeds from sale/pre-sale of the properties**

Xiangyu Water Management and Hongji Construction shall have joint control of a specific bank account of Yongheng Properties for the proceeds arising from the sale/pre-sale of the properties constructed on the Land (collectively "**Proceeds**"). Until payment of the Total Consideration has been made in full, the parties shall close the balance of the Proceeds on a monthly basis and 90% of the Proceeds (on a monthly basis) shall be used towards settlement of the outstanding amount of the Total Consideration.

## **8. Construction and development funding**

Upon Completion of the Agreement, Hongji Construction shall be responsible for 100% of the funding that Yongheng Properties may require for the construction and development of the Land.

## **GUARANTEE FOR HONGJI CONSTRUCTION**

Concurrent upon the entry of the Agreement, on 22 March 2013, Yandu State-owned Assets Investment entered into a guarantee in favour of Xiangyu Water Management whereby Yandu State-owned Assets Investment has agreed to irrevocably guarantee the performance, observance and discharge by Hongji Construction of all of its payment obligations under or pursuant to the Agreement.

## **INFORMATION ON HONGJI CONSTRUCTION AND YONGHENG PROPERTIES**

Hongji Construction is a limited liability company established in the PRC and its scope of business includes property construction and related operation.

Yongheng Properties is a limited liability company established in the PRC and its scope of business includes property development and related operation. Yongheng Properties is the owner of the Land. It is expected that the Land will be developed into a residential and commercial complex.

To the best knowledge, information and belief of the Directors having made all reasonable enquiry, Hongji Construction and its ultimate beneficial owner(s) are Independent Third Parties.

## INFORMATION ON THE GROUP AND REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSACTION

The Group is principally engaged in providing dredging related services in the PRC, ranging from capital and reclamation dredging business, environmental protection dredging and water management business, dredging related construction business, and other marine business.

The Directors consider that, as property development does not fall within the ordinary course of business of the Group, it is a good opportunity for the Group to realize most of its shareholding in Yongheng Properties into cash through the Transaction. While the Group will remain as a shareholder as to 15% of the equity interest in Yongheng Properties upon the completion of the Agreement, the Transaction (if completed) will improve the liquidity of the Group and reduce the Group's exposure to any future financial commitment which may be required by Yongheng Properties for the funding of the construction and development of the Land. The proceeds generated from the Transaction will be applied as capital and operating expenditure of the Group. The Equity Consideration was determined based on the value of Yongheng Properties as indicated in the Valuation Report. The Loan Consideration was determined based on the value of the Shareholder's Loan.

The Directors considered that the terms and conditions of the Agreement are on normal commercial terms which are fair and reasonable and are in the interest of the Company and the Shareholders taken as a whole.

## FINANCIAL INFORMATION OF YONGHENG PROPERTIES

Based on the unaudited management accounts of Yongheng Properties provided by Yandu State-owned Assets Investment, the total asset and net asset value of Yongheng Properties as at 31 December 2012 amounted to about RMB299.0 million and about RMB187.7 million respectively.

Set out below is the summary of the unaudited key financial information of Yongheng Properties for the period from 8 October 2012 (date of incorporation) to 31 December 2012:

**Period from  
8 October 2012  
(date of incorporation)  
up to 31 December 2012  
(in RMB million)**

Revenue	—
Net profit (before tax)	—
Net profit (after tax)	—

## **FINANCIAL EFFECT OF THE TRANSACTION ON THE COMPANY**

The Directors considered that upon completion of the transactions contemplated in Previous Announcement and the Agreement. Yongheng Properties will be accounted for as an available-for-sale investment and will not be regarded as a subsidiary of the Company. Based on the preliminary assessment of the management of the Group, the Company does not expect to accrue any material gain or suffer any material loss, subject to any taxation effect, arising from the Transaction, as the Total Consideration of disposing 85% equity in Yongheng Properties is equivalent to the unaudited net book value of the Sale Interest and the Shareholder's Loan. The actual financial impact of the Transaction to the Group will be subject to the review by the Company's auditor.

## **LISTING RULES IMPLICATION**

As the applicable percentage ratios of the Transaction calculated pursuant to Rule 14.07 of the Listing Rules are more than 5% but less than 25%, the Transaction constitutes a discloseable transaction for the Company under the Listing Rules. Accordingly, the Company is subject to the announcement requirement under the Listing Rules.

## **DEFINITIONS**

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

“Agreement”	the agreement dated 22 March 2013 and made between Xiangyu Water Management (as the vendor) and Hongji Construction (as the purchaser) pursuant to which, subject to the conditions precedent set out therein, Xiangyu Water Management agreed to sell and Hongji Construction agreed to acquire the Sale Interest for the Equity Consideration and the Shareholder's Loan for the Loan Consideration
“Board”	the board of Directors
“Company”	Xiangyu Dredging Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose Shares are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Current shareholder's Loan”	current shareholder's loan due from Yongheng Properties to Yandu State-owned Assets Investment as at the Valuation Date, amounted to approximately RMB111.3 million
“Directors”	the directors of the Company
“Equity Consideration”	RMB158,388,164.43 for the sale and purchase of the Sale Interest

“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hongji Construction”	鹽城市鴻基建築安裝工程有限責任公司 (Yancheng City Hongji Construction Installation Engineering Company Limited*), a limited liability company established in the PRC
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its subsidiaries and its connected persons (as defined under the Listing Rules)
“Land”	two pieces of land located at 鹽城市鹽都區鹽龍街道丁晏居委會 (Yancheng City Yandu Qu, Yanlong Jie Dao, Dingyuan Residence Committee*) with an aggregated area of about 110,000 m <sup>2</sup>
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Consideration”	RMB94,579,952.39 for the sale and purchase of the Shareholder’s Loan
“Minority Equity-holder”	the holder of 5% of the equity interest in Yongheng Properties, namely 沈國凡 (Shen Guofan*) prior to the completion of the Yongheng Agreement
“PRC”	the People’s Republic of China
“Previous Announcements”	the announcement dated 31 December 2012 and the clarification announcement dated 2 January 2013 of the Company
“Purchase Price”	the consideration of the purchase of 95% of the equity interest in Yongheng Properties by Xiangyu Water Management from Yandu State-owned Assets Investment under the Yongheng Agreement as determined by the Valuation
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	85% of the equity interest in Yongheng Properties
“Shareholders”	holders of the Shares
“Shareholder’s Loan”	85% of the Current Shareholder’s Loan
“Share(s)”	share(s) of HK\$0.1 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited



“Total Consideration”	RMB252,968,116.82, being the aggregate of the Equity Consideration and the Loan Consideration
“Transaction”	the transactions contemplated under the Agreement
“Valuation”	the value of 95% of the equity interest of Yongheng Properties at the Valuation Date which amounted to about RMB177.0 million
“Valuation Date”	25 December 2012, being the date on which the Valuation Report is reported
“Valuation Report”	a report issued by an Independent Third Party engaged by Yongheng Properties on 26 December 2012 that provides a valuation of 95% of the equity interest of Yongheng Properties
“Xiangyu Water Management”	江蘇翔宇水務有限公司 (Jiangsu Xiangyu Water Management Company Limited*), a limited liability company established in the PRC, which is an indirect wholly-owned subsidiary of the Company
“Yandu State-owned Assets Investment”	鹽城市鹽都區國有資產投資經營有限公司 (Yancheng City Yandu District State-owned Assets Investment Management Co., Ltd.*), being the holder of 95% of the equity interest in Yongheng Properties prior to the completion of the Yongheng Agreement
“Yongheng Agreement”	the agreement dated 31 December 2012 and made between Xiangyu Water Management (as purchaser) and Yandu State-owned Assets Investment (as vendor) pursuant to which Yandu State-owned Assets Investment has agreed to sell 95% of the equity interest in Yongheng Properties at the Purchase Price and the Current Shareholder’s Loan at its book value to Xiangyu Water Management
“Yongheng Properties”	鹽城市咏恒置業有限公司 (Yancheng City Yongheng Properties Co., Ltd.*), a limited liability company established in the PRC
“%”	per cent

*For the purpose of this announcement, the exchange rate of HK\$1.00 = RMB0.8094 has been used for currency translation, where applicable. Such exchange rate is for illustration purposes and does not constitute representations that any amount in RMB or HK\$ has been, could have been or may be converted at such rate.*

By order of the Board  
**Xiangyu Dredging Holdings Limited**  
**Liu Kaijin**  
*Chief executive officer and executive Director*

Hong Kong, 22 March 2013



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

*\* For identification purpose only*