

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Xiangyu Dredging Holdings Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, 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 circular.



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)

- (A) PROPOSAL FOR AMENDMENTS TO THE ARTICLES;
(B) PROPOSALS FOR GENERAL MANDATES
TO ISSUE SHARES AND TO REPURCHASE SHARES;
(C) RE-ELECTION OF RETIRING DIRECTOR; AND
(D) NOTICE OF ANNUAL GENERAL MEETING**

A notice convening the AGM to be held at Boardroom 6, Mezzanine Floor, Renaissance Harbour View Hotel Hong Kong at 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 15 May 2012 at 11:30 a.m. is set out on page 12 to 19 of this circular. A form of proxy for use at the AGM is also enclosed with this circular. Whether or not you intend to attend the AGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the AGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM if you so wish and, in such event, the form of proxy shall be deemed to be revoked.

5 April 2012

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	
Introduction	3
Proposal for amendments to the Articles	4
The Issue Mandate	4
The Repurchase Mandate and Extension Mandate	4
Re-election of retiring Director	5
AGM	5
Voting by poll	6
Recommendation	6
Appendix I — Explanatory Statement for the Repurchase Mandate	7
Appendix II — Biographical details of retiring Director proposed for re-election	10
Notice of AGM	12

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“AGM”	the annual general meeting of the Company to be held at Boardroom 6, Mezzanine Floor, Renaissance Harbour View Hotel Hong Kong at 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 15 May 2012 at 11:30 a.m. or any adjournment thereof
“Articles”	the Articles of Association of the Company
“associate(s)”	shall have the same meaning as ascribed to such term under the Listing Rules
“Board”	the board of Directors
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands
“Company”	Xiangyu Dredging Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange
“connected person(s)”	shall have the meaning as ascribed to such term under the Listing Rules
“Director(s)”	the director(s) of the Company
“Extension Mandate”	a general and unconditional mandate to extend the Issue Mandate by such number of additional Shares as is equal to the number of Shares actually repurchased by the Company pursuant to the exercise of the Repurchase Mandate
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Issue Mandate”	a general and unconditional mandate to allot, issue and deal with Shares up to a maximum of 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the relevant resolution

DEFINITIONS

“Jiangsu Xingyu”	Jiangsu Xingyu Port Construction Company Limited* (江蘇興宇港建有限公司), a limited company established under the laws of the PRC on July 13, 2007, the financial results of which have been combined and accounted for as a subsidiary of our Company by virtue of a series of contracts entered with Xiangyu PRC, Mr. Liu and Mr. Zhou (as the case may be) to transfer all the benefits and risks of Jiangsu Xingyu to Xiangyu PRC.
“Latest Practicable Date”	29 March 2012, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC” or “China”	The People’s Republic of China
“Repurchase Mandate”	a general and unconditional mandate to repurchase on the Stock Exchange, or any other stock exchange on which the Shares of the Company may be listed, Shares up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the relevant resolution
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong
“Xiangyu PRC”	Jiangsu Xiangyu Port Constructing Project Administration Co. Ltd.* (江蘇翔宇港建工程管理有限公司), a wholly foreign-owned enterprise established under the laws of the PRC on June 11, 2010, which is an indirect wholly owned subsidiary of the Company
“%”	per cent

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Liu Kaijin (*Joint chairman
and chief executive officer*)
Ms. Zhou Shuhua

Non-executive Director:

Mr. Dong Liyong (*Joint chairman*)

Independent non-executive Directors:

Ms. Leung Mei Han
Mr. Zhang Jun
Ms. Peng Cuihong

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Head office and principal place of
business in Hong Kong:*

Office 19, 36th Floor
China Merchants Tower
Shun Tak Centre
Nos. 168–200 Connaught Road Central
Hong Kong

5 April 2012

To the Shareholders

Dear Sir/Madam

- (A) PROPOSAL FOR AMENDMENTS TO THE ARTICLES;
(B) PROPOSALS FOR GENERAL MANDATES
TO ISSUE SHARES AND TO REPURCHASE SHARES;
(C) RE-ELECTION OF RETIRING DIRECTOR; AND
(D) NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

On 24 May 2011, written resolutions were passed by all the Shareholders to grant to the Directors general mandates to issue Shares and to repurchase Shares respectively and to extend the general mandate to allot, issue and deal in additional Shares by the number of Shares repurchased by the Company. The abovementioned general mandates will lapse at the conclusion of the AGM. It is therefore proposed to seek at the AGM (among other matters) the grant by Shareholders to the Directors of the Issue Mandate, the Repurchase Mandate and the Extension Mandate.

LETTER FROM THE BOARD

Further, approval by Shareholders for the proposal for amendments to the Articles in view of the amendments to the Listing Rules relating to, among other matters, corporate governance practices, will be sought at the AGM.

PROPOSAL FOR AMENDMENTS TO THE ARTICLES

The Stock Exchange recently announced amendments to the Listing Rules relating to, among other matters, corporate governance practices. These amendments to the Listing Rules came into effect on 1 January 2012 and 1 April 2012 respectively.

The existing Articles were adopted in May 2011. To bring the Articles in line with such amendments to the Listing Rules, the Directors would propose to seek approval of the Shareholders by way of a special resolution for the amendments to the existing Articles. Details of the amendments to the Articles are set out in resolution no. 7 of the notice of AGM, which forms part of this circular.

The major proposed amendments to the Articles include the following: (i) to remove the 5% *de minimis* exemption on a Director's right to vote on an interested transaction, and (ii) to allow the chairman at a general meeting to exempt procedural or administrative matters from voting by poll.

Shareholders are advised that the Articles are available only in English, and the Chinese translation of the amendments to the Articles provided in the notice of AGM in Chinese is for reference only. In case of any inconsistency, the English version shall prevail.

THE ISSUE MANDATE

At the AGM, an ordinary resolution will be proposed that the Directors be granted the Issue Mandate to allot, issue and deal in Shares up to a maximum of 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the relevant resolution. As at the Latest Practicable Date, the number of Shares in issue is 800,000,000. Subject to the passing of the relevant resolution, the maximum number of new Shares to be issued under the Issue Mandate will be 160,000,000 Shares (assuming that there will be no change in the number of Shares in issue between the Latest Practicable Date and the date of the AGM).

THE REPURCHASE MANDATE AND THE EXTENSION MANDATE

At the AGM, an ordinary resolution will also be proposed that the Directors be granted the Repurchase Mandate to exercise all powers of the Company to repurchase on the Stock Exchange, or on any other stock exchange on which the Shares of the Company may be listed, Shares up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the relevant resolution.

LETTER FROM THE BOARD

In addition, at the AGM, an ordinary resolution will be proposed that the Directors be granted the Extension Mandate by which the Issue Mandate will be extended by such number of additional Shares as is equal to the number of Shares repurchased by the Company pursuant to the exercise of the Repurchase Mandate.

The Repurchase Mandate and the Issue Mandate will continue in force until the conclusion of the next annual general meeting of the Company, unless it is renewed at such meeting or until revoked or varied by ordinary resolutions of the Shareholders in general meeting held prior to the next annual general meeting of the Company.

An explanatory statement required by the Listing Rules to be sent to the Shareholders in connection with the Repurchase Mandate is set out in Appendix I to this circular. The explanatory statement contains all the information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the proposed resolution relating to the Repurchase Mandate at the AGM.

RE-ELECTION OF RETIRING DIRECTOR

In accordance with Article 105(A) of the Articles, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but no less than one-third) shall retire office from rotation. It is proposed that Ms. Zhou Shuhua (being an executive Director) and Mr. Zhang Jun (being an independent non-executive Director) will retire by rotation from their office of Directors at the AGM.

Ms. Zhou Shuhua, being eligible, would offer herself for re-election. An ordinary resolution will be proposed at the AGM, to re-elect Ms. Zhou as a Director.

Mr. Zhang Jun will retire from his directorship at the forthcoming AGM and, because of his work commitments, will not offer himself for re-election. The Board will identify and appoint a new independent non-executive Director in his place upon his retirement at the conclusion of the AGM.

Biographical details of Ms. Zhou (who would offer herself for re-election), which are required to be disclosed pursuant to the Listing Rules, are set out in Appendix II to this circular.

AGM

Notice of the AGM is set out on page 12 to 19 of this circular. A form of proxy for use at the AGM is despatched together with this circular. They are also published on the website of the Stock Exchange and the website of the Company. Whether or not you intend to attend the AGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the AGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or at any adjournment thereof if you so wish and in such event, the form of proxy shall be deemed to be revoked.

LETTER FROM THE BOARD

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. An announcement on the results of the poll will be published by the Company after the AGM on the respective websites of the Stock Exchange and the Company.

RECOMMENDATION

The Directors consider that the proposed granting to the Directors of the Issue Mandate, the Repurchase Mandate and the Extension Mandate, the proposal for amendments to the Articles and the re-election of the retiring Director are in the best interests of the Company and the Shareholders as a whole. The Directors therefore recommend Shareholders to vote in favour of all the relevant resolutions as set out in the notice of the AGM.

By Order of the Board
Xiangyu Dredging Holdings Limited
Liu Kaijin
*Joint chairman, executive Director and
chief executive officer*

This appendix serves as an explanatory statement, as required by the Listing Rules, to provide certain information to you for your consideration of the Repurchase Mandate.

1. SHARE CAPITAL

As at the Latest Practicable Date, the number of Shares in issue is 800,000,000. Subject to the passing of the resolution granting the Repurchase Mandate and on the basis that no further Shares are issued or repurchased before the AGM, the Company will be allowed to repurchase a maximum of 80,000,000 Shares, being 10% of the issued share capital of the Company as at the date of passing of the relevant resolution for granting the Repurchase Mandate.

2. REASONS FOR REPURCHASES

The Directors believe that it is in the best interests of the Company and the Shareholders to seek a general authority from the Shareholders to enable the Company to repurchase its Shares on the Stock Exchange. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earnings per share and will only be made when the Directors believe that such a repurchase will benefit the Company and the Shareholders.

3. FUNDING OF REPURCHASES

Repurchases made pursuant to the Repurchase Mandate would be funded out of funds legally available for the purpose in accordance with the Articles and the applicable laws of the Cayman Islands. Under the Cayman Islands laws, any repurchases by the Company may only be made out of profits of the Company or out of the proceeds of a fresh issue of shares made for the purpose of the repurchase or, if so authorised by its Articles and subject to the provisions of the Companies Law, out of capital and, in the case of any premium payable on a repurchase, such premium must be provided for out of the profits of the Company or from sums standing to the credit of the share premium account of the Company or, if authorised by its Articles and subject to the provisions of the Companies Law, out of capital.

There might be material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the Annual Report for the year ended 31 December 2011) in the event that the Repurchase Mandate were to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse impact on the working capital requirements of the Company or the gearing levels which, in the opinion of the Board, are from time to time appropriate for the Company.

4. SHARE PRICES

The following table shows the highest and lowest prices at which the Shares have been traded on the Stock Exchange during each of the ten months preceding the Latest Practicable Date:

Month	Share prices per Share	
	Highest	Lowest
2011		
June (<i>Note</i>)	2.96	2.33
July	3.26	2.37
August	3.21	2.30
September	2.57	1.45
October	1.90	1.39
November	1.77	1.53
December	2.02	1.58
2012		
January	1.92	1.70
February	2.30	1.45
March (up to the Latest Practicable Date)	2.85	1.97

Note: The Shares first became listed on the Stock Exchange on 20 June 2011.

5. GENERAL

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates, has any present intention to sell any Shares to the Company, if the Repurchase Mandate is approved by the Shareholders.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will only exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

The Company has not been notified by any connected person that such a person has a present intention to sell, or has undertaken not to sell, any Shares to the Company, if the Repurchase Mandate is approved by the Shareholders.

All repurchased Shares (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares must be cancelled and destroyed. Under Cayman Islands law, a company's repurchased shares may be treated as cancelled and the amount of the company's issued share capital will be reduced by the aggregate par value of the repurchased shares accordingly although the authorized share capital of the company will not be reduced.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert,

depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date, to the best of the knowledge and belief of the Company, (i) Mr. Liu Kaijin (through his interest in Wangji Limited ("Wangji", which is solely owned by Mr. Liu, a joint chairman, an executive Director and chief executive officer)) holds 325,100,000 Shares, representing approximately 40.64% of the issued share capital of the Company, and (ii) Mr. Dong Liyong (through his interest in Shen Wang Limited ("Shen Wang", which is solely owned by Mr. Dong, joint chairman and a non-executive Director which holds 160,020,000 Shares and he holds 10,000 Shares as beneficial owner)) holds 160,030,000 Shares, representing approximately 20.00% of the issued share capital of the Company. As 160,000,000 Shares held by Shen Wang were procured by Mr. Liu to be transferred in the form of a gift, Mr. Liu and Mr. Dong will be treated as parties acting in concert (as defined under the Takeovers Code) and are deemed to be a group of controlling shareholders of the Company. On the basis of the aggregate shareholdings of Mr. Liu and Mr. Dong, an exercise of the Repurchase Mandate in full will not result in such group of controlling shareholders becoming obliged to make a mandatory offer under Rules 26 of the Takeovers Code.

On the basis of the current financial position of the Group as disclosed in the annual report for the year ended 31 December 2011 and taking into account the Group's current working capital position, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse impact on the working capital and/or the gearing position of the Group as compared with the position disclosed in the annual report. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Group.

Assuming that there is no issue of Shares between the date of this circular and the date of a repurchase and no disposal by any of the substantial Shareholders of their interests in the Shares, an exercise of the Repurchase Mandate whether in whole or in part will not result in less than 25% of the Shares being held by the public. In any event, the Directors have no intention to exercise the Repurchase Mandate to an extent as may result in a public shareholding of less than 25%.

Save as disclosed above, the Directors are currently not aware of any consequences which will arise under the Takeovers Code as a result of any purchase made under the Repurchase Mandate.

No Shares had been repurchased by the Company, whether on the Stock Exchange or otherwise, during the six months preceding the Latest Practicable Date.

The particulars of Ms. Zhou Shuhua (周淑華), an executive Director, who will retire by rotation and is proposed to be re-elected at the Annual General Meeting are set out below:

Ms. Zhou Shuhua (周淑華), an executive Director

Ms. Zhou Shuhua (周淑華), aged 49, was appointed a Director on 18 August 2010 and re-designated as an executive Director on 24 May 2011. She is also a director of Jiangsu Xingyu since its incorporation in 2007. She is mainly responsible for general administrative work of the Group. Ms. Zhou is the spouse of Mr. Liu Kaijin, joint chairman of the Board, an executive Director and chief executive officer of the Group.

Ms. Zhou graduated from The Correspondence Institute of the Party School of the Central Committee of the Communist Party of China* (中共中央黨校函授學院), the PRC in December 1999 and obtained a graduation certificate for undergraduate courses in administrative management. She also obtained a graduation certificate for undergraduate courses in broadcasting in May 2001 from Nanjing Normal University* (南京師範大學), the PRC.

Ms. Zhou has entered into a Director's service contract with the Company for an initial term of three years commencing from 24 May 2011. She is subject to retirement by rotation under the Articles. Pursuant to the service contract, Ms. Zhou is entitled to a salary of RMB1,800,000 on an annual basis (subject to such increase as the Board may, subject to compliance with the provisions of the Articles for the time being in force, determine from time to time in its absolute discretion provided that such increase shall not exceed 10 per cent. per annum). In addition, she is also entitled to a discretionary bonus provided that the aggregate amount of the bonuses payable to the executive Directors for any financial year of the Company may not exceed 10% of the audited combined or audited consolidated net profit of the Group (after taxation and minority interests and payment of such bonuses but before extraordinary items) in respect of that financial year of the Company.

As at the Latest Practicable Date, Ms. Zhou was deemed to be interested in 325,100,000 Shares, representing approximately 40.64% of the issued share capital of the Company, through interest of her spouse.

Save as disclosed above, Ms. Zhou did not hold any other positions with the Company and/or any of its subsidiaries and did not hold any other directorships in any listed public companies in the last three years.

Mr. Dong Liyong (a joint chairman and non-executive Director) has known Mr. Liu Kaijin (the spouse of Ms. Zhou) for over 10 years. In 2007, Mr. Dong procured the necessary funding for Mr. Liu to support the Group's development in the PRC dredging market. The funding was mainly provided by way of personal loans from business entities with which Mr. Dong were acquainted and which agreed to advance the relevant sums to Mr. Liu or Jiangsu Xingyu on the recommendations of Mr. Dong. In consideration of Mr. Dong procuring the supply of funds to Mr. Liu to be used to pay up the registered capital of Jiangsu Xingyu in 2007, Mr. Liu agreed to transfer 20.0% (on a fully diluted basis upon completion of the global offering of the Company) of his interest in his dredging business to Mr. Dong as a gift effective on 1 July 2007. On 18 May 2011, out of the 100,000,000 Shares then held by Wangji, 26,666,667 Shares, representing approximately 26.7% of the then entire issued share capital of the Company, were transferred to Shen Wang, a company wholly-owned by Mr. Dong to honour Mr. Liu's

undertaking given to Mr. Dong. Other than the above arrangement with respect to the procurement of funds in 2007 and transfer of Shares between Mr. Liu and Mr. Dong in May 2011, there is no business and/or financial relationship between Mr. Liu and Mr. Dong.

Save as disclosed above, Ms. Zhou does not have any relationship with any Directors, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholder (as defined in the Listing Rules) of the Company.

As at the Latest Practicable Date, other than those disclosed above, Ms. Zhou does not have any interest in Shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, there are no other matters in relation to the appointment of the above Directors that need to be brought to the attention of the Company's shareholders, and there is no other information on related matters which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules (especially paragraphs (h) to (v) of that Rule).

NOTICE OF AGM



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)

NOTICE IS HEREBY GIVEN that the annual general meeting for the year ended 31 December 2011 (“Meeting”) of Xiangyu Dredging Holdings Limited (“Company”) will be held at Boardroom 6, Mezzanine Floor, Renaissance Harbour View Hotel Hong Kong at 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 15 May 2012 at 11:30 a.m. for the following purposes:

ORDINARY BUSINESS

1. To consider and adopt the audited financial statements and the reports of the directors and of the auditor for the year ended 31 December 2011.
2. To re-elect the retiring director (namely, Ms. Zhou Shuhua) and to authorise the board of Directors to fix the remuneration of directors of the Company.
3. To re-appoint the auditor of the Company and to authorise the Board to fix their remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, pass, with or without modification, the following resolutions as Ordinary Resolutions:

ORDINARY RESOLUTIONS

4. **“THAT:**
 - (a) subject to paragraph (c) of this resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including but not limited to bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such powers be and is hereby generally and unconditionally approved;
 - (b) the approval in paragraph (a) of this resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options (including but not limited to bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such powers after the end of the Relevant Period;

NOTICE OF AGM

- (c) the aggregate nominal amount of the shares allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a rights issue; (ii) the exercise of options under a share option scheme; (iii) the exercise of rights of conversion under the terms of any securities which are convertible into shares of the Company or exercise of warrants to subscribe for shares of the Company; (iv) any scrip dividend schemes or similar arrangements implemented in accordance with the articles of association (“Articles”) of the Company; or (v) a specific authority granted or to be granted by the shareholders in general meeting, shall not exceed 20 per cent of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of this resolution and the approval in paragraph (a) of this resolution shall be limited accordingly; and
- (d) for the purpose of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable laws to be held; and
 - (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

5. **“THAT:**

- (a) subject to paragraph (b) of this resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase its own shares on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) or on any other stock exchange on which the shares of the Company may be listed and which is recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited or of any other stock exchange, as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the shares of the Company to be repurchased or agreed conditionally or unconditionally to be repurchased by the Company pursuant to the approval in paragraph (a) of this resolution during the Relevant Period shall not exceed 10 per cent of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of this resolution; and
- (c) for the purpose of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;

NOTICE OF AGM

- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable laws to be held; and
 - (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.”
6. “**THAT** conditional upon the passing of Ordinary Resolutions No. 4 and 5 as set out in the notice convening this Meeting, the general mandate granted to the directors to allot, issue and deal with additional shares in the capital of the Company pursuant to Ordinary Resolution No. 4 set out in the notice convening this Meeting be and is hereby extended by the addition thereto the aggregate nominal amount of shares of the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution No. 5 above.”

To consider and, if thought fit, pass, with or without modification, the following resolution as a Special Resolution:

SPECIAL RESOLUTION

7. “**THAT** the articles of association of the Company be amended in the following manner:

- (i) Article 1(A)

By inserting the following new definition of “substantial shareholder” immediately after the definition of “Statutes”:

“substantial shareholder” shall mean a person who is entitled to exercise, or to control the exercise of, 10% or more (or such other percentage as may be prescribed by the rules of the stock exchange in the Relevant Territory from time to time) of the voting power at any general meeting of the Company;”

- (ii) Article 72

By deleting the existing Article 72 in its entirety and replacing therewith the following new Articles 72(1) and 72(2):

“72. (1) Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with these Articles, at any general meeting on a poll every shareholder present in person or by proxy or, in the case of a shareholder being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A resolution put to the vote of a meeting shall be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative

NOTICE OF AGM

matter to be voted on by a show of hands in which case every shareholder present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a shareholder which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. For purposes of this Article, procedural and administrative matters are those that (i) are not on the agenda of the general meeting or in any supplementary circular that may be issued by the Company to its shareholders; and (ii) relate to the chairman's duties to maintain the orderly conduct of the meeting and/or allow the business of the meeting to be properly and effectively dealt with, whilst allowing all shareholders a reasonable opportunity to express their views.

- (2) Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded:
 - (a) by at least three shareholders present in person or in the case of a shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
 - (b) by a shareholder or shareholders present in person or in the case of a shareholder being a corporation by its duly authorised representative or by proxy and representing not less than one tenth of the total voting rights of all shareholders having the right to vote at the meeting; or
 - (c) by a shareholder or shareholders present in person or in the case of a shareholder being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one tenth of the total sum paid up on all shares conferring that right.

A demand by a person as proxy for a shareholder or in the case of a shareholder being a corporation by its duly authorised representative shall be deemed to be the same as a demand by the shareholder.”

(iii) Article 73

By deleting the existing Article 73 in its entirety and replacing therewith the following new Article 73:

“73. Where a resolution is voted on by a show of hands, a declaration by the chairman that a resolution has been carried, or carried unanimously, or by a particular majority, or not carried by a particular majority, or lost, and an entry to that effect made in the minute book of the Company, shall be conclusive evidence of the facts without proof of the number or proportion of the votes recorded for or against the resolution. The result of the poll shall be deemed to be the resolution

NOTICE OF AGM

of the meeting. The Company shall only be required to disclose the voting figures on a poll if such disclosure is required by the rules of the stock exchange of the Relevant Territory.”

(iv) Article 74

By adding the words “whether on a show of hands or on a poll,” after the words “In the case of an equality of votes,” and by deleting the “,” after the word “meeting” in the first sentence of the existing Article 74.

(v) Article 89(B)

By inserting the words “in respect of the number and class of shares specified in the relevant authorization or proxy form including, where a show of hands is allowed, the right to vote individually on a show of hands” at the end of the existing Article 89(B).

(vi) Article 104(H)

By deleting the existing Article 104(H) in its entirety and replacing therewith with the following new Article 104(H):

“104.(H) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters namely:

- (i) any contract or arrangement for the giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associate(s) or obligations incurred or undertaken by him or any of his associate(s) at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub underwriting of the offer;

NOTICE OF AGM

- (iv) any contract or arrangement in which the Director or his associate(s) is/ are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/ their interest in shares or debentures or other securities of the Company; or
- (v) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to Directors or his associate(s) and to employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.”

(vii) Article 104(I)

By deleting the existing Article 104(I) in its entirety and replacing therewith the words “Intentionally deleted”.

(viii) Article 104(J)

By deleting the existing Article 104(J) in its entirety and replacing therewith the words “Intentionally deleted”.

(ix) Article 104(L)

By deleting the words “, (I), (J)” after the words “(D), (E), (H)” in the first sentence of Article 104(L).

(x) Article 139(B)

By inserting the following new sentence after the last sentence in Article 139(B):

“Notwithstanding the foregoing, a resolution in writing shall not be passed in lieu of a meeting of the Directors for the purposes of considering any matter or business in which a substantial shareholder of the Company or a Director has a conflict of interest and the Board has determined that such conflict of interest to be material.”

NOTICE OF AGM

(xi) Article 177(B)(iii)

By deleting the existing Article 177(B)(iii) in its entirety and replacing therewith with the following new Article 177(B)(iii):

“by placing it on the Company’s website or the website of the stock exchange in the Relevant Territory, and giving to the member a notice stating that the notice or other document is available there (a “notice of availability”) which may be given to the members by any of the means set out in this Article other than by posting it on a website.””

By Order of the Board
Xiangyu Dredging Holdings Limited
Lui Kaijin
*Joint chairman, executive Director and
chief executive officer*

Hong Kong, 5 April 2012

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong:

Office 19, 36th Floor
China Merchants Tower
Shun Tak Centre
Nos. 168–200 Connaught Road Central
Hong Kong

Notes:

- (a) A member entitled to attend and vote at the Meeting may appoint a proxy or, if holding two or more shares, more than one proxy to attend and vote on his behalf. A proxy need not be a member of the Company.
- (b) To be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy thereof must be deposited at the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the Meeting or adjournment thereof.
- (c) To be valid, the form of notice of appointment of corporate representative, in the case of appointment by a shareholder which is a corporate shareholder other than a clearing house, must be deposited at the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the Meeting or adjournment thereof.

NOTICE OF AGM

- (d) The register of members of the Company will be closed from Monday, 14 May 2012 to Tuesday, 15 May 2012, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending the Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 11 May 2012.
- (e) In relation to the proposed resolution no. 2, each of the re-election of the retiring Director and other matters mentioned therein will be considered and passed as a separate resolution.