

*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: ACQUISITION OF LAND USE RIGHTS, CHANGE OF USE OF LISTING PROCEEDS, AND CONNECTED TRANSACTION: FINANCIAL ASSISTANCE TO JIANGSU XINGYU**

#### **BACKGROUND**

The Company has been growing at a rapid pace. To further enhance its operation efficiency, it plans to re-locate offices of the Company and its subsidiaries to a centralized headquarter. The Yandu Western District is a “High and New Technology District” in Yancheng City which has recently accelerated its development by offering various financial incentive policies to new and growing enterprises that establish their headquarters in the District. The financial incentive policies offered include one-off financial grant from the local government, or annual incentives which may be enjoyed for a specific number of years. In connection with the Company’s expansion plan and in order to be eligible for such incentive policies, the Group has entered into the Land Acquisition Agreement.

#### **(A) LAND ACQUISITION AGREEMENT**

The Board is pleased to announce that on 7 May 2012, Jiangsu Xingyu (being treated as a subsidiary of the Company) entered into the Land Acquisition Agreement for the acquisition of land use rights in respect of the Site located in Yancheng City, Jiangsu Province, the PRC at a consideration of about RMB96.4 million (equivalent to about HK\$118.6 million) for the Group’s own use.

As the applicable percentage ratios (within the meaning of the Listing Rules) for the Site Acquisition exceeds 5% but is less than 25%, the Land Acquisition constitutes a discloseable transaction for the Company under the Listing Rules.

## **(B) CHANGE OF USE OF LISTING PROCEEDS**

The Board has decided to allocate about RMB60 million of the unused net proceeds from the initial public offering to other areas, which include the expansion of the Group's business.

## **(C) CONNECTED TRANSACTION: LOAN AGREEMENT — FINANCIAL ASSISTANCE TO JIANGSU XINGYU**

On 8 May 2012, the Company has agreed to advance or to procure its subsidiaries to advance to Jiangyu Xingyu no more than RMB60 million (equivalent to about HK\$73.8 million) to Jiangsu Xingyu for settling part of the consideration for the Land Acquisition.

Jiangsu Xingyu is treated as a subsidiary of the Company by virtue of the Contractual Arrangements. As its entire registered capital is owned by Mr. Liu, the controlling shareholder and a Director, it is a connected person of the Company under the Listing Rules. Accordingly the Loan Agreement constitutes a connected transaction of the Company under the Listing Rules.

As the applicable percentage ratios (within the meaning of the Listing Rules) for the maximum amount of the loan to be advanced under the Loan Agreement is less than 5%, the Loan Agreement is only subject to reporting and announcement requirements, and is exempt from independent shareholders' approval requirements.

## **BACKGROUND**

The Company has been growing at a rapid pace. To further enhance its operation efficiency, it plans to re-locate offices of the Company and its subsidiaries to a centralized headquarter. The Yandu Western District is a "High and New Technology District" in Yancheng City which has recently accelerated its development by offering various financial incentive policies to new and growing enterprises that establish their headquarters in the District. The financial incentive policies offered include one-off financial grant from the local government, or annual incentives which may be enjoyed for a specific number of years. In connection with the Company's expansion plan and in order to be eligible for such incentive policies, the Group has entered into the Land Acquisition Agreement.

## **(A) AGREEMENT FOR LAND ACQUISITION**

### **Background**

On 7 May 2012, Jiangsu Xingyu (being treated as a subsidiary of the Company) as purchaser and YC Land Bureau (as grantor) entered into the Land Acquisition Agreement. Pursuant to the Land Acquisition Agreement, the Group has agreed to acquire the land use rights in respect of the Site with an area of about 46,000 square metres for its own use.

## **The Land Acquisition Agreement**

*Date of the Land Acquisition Agreement* : 7 May 2012

*Parties to the Land Acquisition Agreement:*

*Grantor* : Land Resources Bureau of Yancheng City, Jiangsu Province (“YC Land Bureau”)

YC Land Bureau is a governmental department which oversees and supervises (among other matters) granting and management of land resources in Yancheng City, Jiangsu Province, the PRC. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, YC Land Bureau is not a connected person of the Company and is a third party independent of and not connected with the Company and its subsidiaries and its connected persons (as defined under the Listing Rules)

*Purchaser* : Jiangsu Xingyu, a company incorporated in the PRC and is treated as a subsidiary of the Company

*Location of and size of the Site* : Yancheng City, Jiangsu Province, the PRC, with an area of about 46,000 square metres

*Consideration* : about RMB96.4 million (equivalent to approximately HK\$118.6 million)

It is agreed under the Land Acquisition Agreement that the consideration will be fully paid within one month after the signing of the Land Acquisition Agreement. The consideration will be funded by Jiangsu Xingyu’s internal resources and/or borrowings of Jiangsu Xingyu under the Loan Agreement.

*Terms of land use rights* : 40 years from 31 March 2012

*Use and development of the site* : The site is permitted for commercial use, and the Group intends to acquire the land for its own use. Buildings on the Site shall be completed and put into use within 12 months (extendable) from the date of the signing of the Land Acquisition Agreement

## **Information on the Group and reasons for the Land Acquisition**

The Group is principally engaged in providing dredging services in the PRC, ranging from capital dredging, reclamation dredging, maintenance dredging and environmental protection dredging.

The Group plans to acquire the land for its own use. Such development will be financed from the internal resources and/or borrowings of Jiangsu Xingyu under the Loan Agreement.

The consideration for the acquisition of the land use rights in respect of the Site was arrived at after arm's length negotiations between the Group and the YC Land Bureau, having taken into account the location and potential value of the Site, and the offer price indicated by the YC Land Bureau in late 2011.

The Site is located at an area under the purview of the Management Committee of Western District of Yandu District of Yancheng\* (鹽城市鹽都區西區管理委員會). In recent years, such Management Committee has been accelerating the development of infrastructure, fostering the investment and development environment, and promoting the economic development in the area. Such Management Committee has also expressed its support to the Group's plan to build its headquarters at the Site. In line with the local policy, the Group could apply for financial incentives from such Management Committee.

The Directors, including the independent non-executive Directors, consider that the terms of the Land Acquisition Agreement are on normal commercial terms, and are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

#### **Implication under the Listing Rules**

As the applicable percentage ratios (within the meaning of the Listing Rules) for the Land Acquisition exceeds 5% but is less than 25%, the Land Acquisition constitutes a discloseable transaction for the Company under the Listing Rules.

#### **(B) CHANGE OF USE OF LISTING PROCEEDS**

As stated in the section headed "Future Plans and Use of Proceeds" of the Company's prospectus dated 8 June 2011, approximately 80% and 7% of the net proceeds from initial public offering was planned to be used for purchase of dredgers and dredging equipment and improvement of existing equipment and machinery of dredgers, respectively. As at 31 December 2011, about RMB71 million relating to the aforesaid net proceeds remained unused. The Board has decided to allocate about RMB60 million of such unused amount to other areas, which include the expansion of the Group's business.

#### **(C) CONNECTED TRANSACTION: LOAN AGREEMENT — FINANCIAL ASSISTANCE TO JIANGSU XINGYU**

On 8 May 2012, the Company and Jiangyu Xingyu entered into the Loan Agreement pursuant to which the Company has agreed to provide or to procure its subsidiaries to provide an unsecured (see note below) advance of no more than RMB60 million (equivalent to about HK\$73.8 million) to Jiangsu Xingyu for purpose of settling of part of the consideration for the Land Acquisition.

The maturity date of the loan falls 12 months from the date of the Loan Agreement, and may be further extended by agreement of the parties. Under the Loan Agreement, interest will accrue at a rate equal to the prevailing bank lending interest rate. As both the lender and Jiangsu Xingyu are members of the Group, the charging of such interest will not have any financial implication on the Group taken as a whole.

*Note:* For complete disclosure purpose, the entire registered capital in Jiangyu Xingyu has been pledged in favour of the equity-owned subsidiaries of the Company under the Contractual Arrangements.

### **Reasons for entering into the Loan Agreement**

Jiangsu Xingyu is regarded as a wholly-owned subsidiary of the Company by virtue of the Contractual Arrangements. As the consideration for the Land Acquisition is payable within one month from the date of the Land Acquisition Agreement, it is possible that the liquidity resources currently available to Jiangsu Xingyu may not be able to pay the entirety of such consideration. Accordingly, it is in the interest of the Company to agree to make financial assistance to Jiangsu Xingyu (a connected person but also a wholly-owned subsidiary of the Company).

The terms of the Loan Agreement were determined at after arm's length negotiation between the Company and Jiangsu Xingyu. The Directors (including the independent non-executive Directors) consider the terms of the Agreement are fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

Mr. Liu and Ms. Zhou Shuhua, Directors of the Company, are considered to be materially interested in the transaction. The said Directors abstained from voting at the Board meeting to consider and approve the Loan Agreement.

### **Listing Rules implications**

The entire registered capital in Jiangsu Xingyu is owned by Mr. Liu, the controlling shareholder and a Director. Accordingly, Jiangyu Xingyu is a connected person of the Company. The Loan Agreement constitutes a connected transaction of the Company under the Listing Rules.

By virtue of the Contractual Arrangements, Jiangsu Xingyu is regarded as a wholly-owned subsidiary of the Company. Though a waiver has been given from strict compliance with the connected transaction rules under the Listing Rules in respect of the Contractual Arrangements, financial assistance provided by the Group to Jiangsu Xingyu for purpose of settling of part of the consideration for the Land Acquisition is not covered by such waiver.

As the applicable percentage ratios (within the meaning of the Listing Rules) for the maximum amount of the loan to be advanced under the Loan Agreement is less than 5%, the Loan Agreement is only subject to reporting and announcement requirements, and is exempt from independent shareholders' approval requirements.

## DEFINITIONS

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

“Board”	the board of Directors
“Company”	Xiangyu Dredging Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Contractual Arrangements”	certain contractual arrangements made by Jiangsu Xiangyu Port Constructing Project Administration Co., Ltd.* (江蘇翔宇港建工程管理有限公司) (a limited company incorporated in the PRC on 11 June 2010 which is an indirect wholly-owned subsidiary of the Company) with Jiangsu Xingyu and its shareholders, details of which are disclosed in the Company’s prospectus dated 8 June 2011
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC
“Jiangsu Xingyu”	Jiangsu Xingyu Port Construction Company Limited* (江蘇興宇港建有限公司), a company incorporated in the PRC and which is treated as a subsidiary of the Company by way of the Contractual Arrangements
“Land Acquisition”	the acquisition of land use rights in respect of the Site by Jiangsu Xingyu pursuant to the Land Acquisition Agreement
“Land Acquisition Agreement”	the agreement dated 7 May 2012 and made between Jiangsu Xingyu (as purchaser) and the YC Land Bureau (as grantor) on the other part, pursuant to which YC Land Bureau has agreed to grant (and Jiangsu Xingyu has agreed to acquire) the land use rights in respect of the Site
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement”	the agreement dated 8 May 2012 and made between the Company and Jiangsu Xingyu, pursuant to which the Company has agreed to advance or procure its subsidiaries to advance no more than RMB60 million to Jiangsu Xingyu for purpose of payment of part of the consideration for the Land Acquisition

“Mr. Liu”	Mr. Liu Kaijin, Joint Chairman, Executive Director and Chief Executive Officer of the Company
“PRC”	People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) of HK\$0.1 each in the Company
“Shareholder(s)”	holder(s) of shares in the Company
“Site”	a plot of land which is situated in Yancheng City, Jiangsu Province, the PRC which has a site area of about 46,000 square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“YC Land Bureau”	Land Resources Bureau of Yancheng City, Jiangsu Province

In this announcement, for the purpose of illustration only, amounts quoted in RMB and HK\$ have been converted at the rate of HK\$1.23 to RMB1. Such exchange rate has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at these or any other rates or at all.

By order of the Board  
**Xiangyu Dredging Holdings Limited**  
**Liu Kaijin**  
*Joint Chairman,*  
*Executive Director and Chief Executive Officer*

Hong Kong, 8 May 2012

*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 an Executive Director; Mr. Liu Longhua as Joint Chairman and Non-executive Director; and Ms. Leung Mei Han, Mr. Zhang Jun, Ms. Peng Cuihong and Mr. Huan Xuedong as Independent Non-executive Directors.*

\* *For identification purpose only*