

**XIANGYU DREDGING HOLDINGS LTD:  
THIS COMPANY IS NOT FLUSH WITH CASH,  
BUT BETTER TIMES ARE COMING**

The most-worrying aspect of Xiangyu Dredging Holdings Ltd () (Code: 871, Main Board, The Stock Exchange of Hongkong Ltd) is that the Company is, effectively, completely controlled by just 5 corporate entities.

Page 131 of the Global Offering Prospectus of this Company states that the 5, largest customers accounted for about 97.30 percent, 96.90 percent and 99.30 percent, respectively, of the total revenue in respect of the 3 Financial Years, ended December 31, 2010.

The largest single customer is CCCC-TDC Port Construction Engineering Company Ltd (), a subsidiary of China Communications Construction Company Ltd () (Code: 1800, Main Board, The Stock Exchange of Hongkong Ltd).

China Communications Construction Company Ltd is an entity, the majority shares of which are being held by the Government of the People's Republic of China (PRC).

Therefore, it would not be unfair to state that Management of Xiangyu Dredging Holdings Ltd is dependent for its bread and butter on its good relations with the political powers that be in Beijing.

If Management of this Company ever fell out of favour with Beijing, one could, probably, kiss this dredging company goodbye.

Of the 5 largest customers, only one customer is not owned by the PRC Government, directly or indirectly.

That lone customer is Shanghai Hehai Dredging Company Ltd (), a privately owned company that has been a customer of Xiangyu Dredging Holdings Ltd since 2004, the Global Offering Prospectus states.

**The Flotation**

Xiangyu Dredging Holdings Ltd is Offering 200 million, 10-cent Shares at an Offer Price Per Share, ranging from a low of \$HK3.19 and a high of \$HK4.07.

Of the total number of Shares on Offer, 20 million Shares are being Offered to investors of the Hongkong Special Administrative Region (HKSAR) of the PRC, while 180 million Shares are reserved for International Investors.

Page 220 of the Global Offering Prospectus states that, based on an Offer Price Per Share of \$HK3.63, the Company should be able to net about \$HK645 million.

This amount of money will be utilised for the following purposes:

- \$HK516 million for the purchases of dredgers and dredging equipment;
- \$HK45.10 million for the improvement of existing equipment;
- \$HK19.40 million to establish new offices and computerisation of management information systems;

and,

- \$HK64.50 million to be used as Working Capital.

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