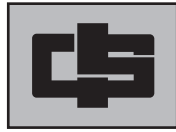


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CHINA SHIPPING DEVELOPMENT COMPANY LIMITED

中海發展股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock code: 1138)

CONNECTED TRANSACTION

On 11 December 2006, CS Development Hong Kong, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with China Shipping Haisheng HK, pursuant to which CS Development Hong Kong has agreed to sell the Tankers to China Shipping Haisheng HK at a total consideration of RMB240,800,000 (approximately HK\$240,800,000).

The consideration has been determined by reference to the assets valuation report on the Tankers dated 21 September 2006 issued by an independent and qualified PRC valuer, China Tong Cheng Assets Appraisal Co., Ltd.. As set out in the report, as at 31 August 2006, each of the Tankers has been valued at HK\$58,407,523, with an aggregate of HK\$233,630,092. As at 31 August 2006, the net carrying values of the Tankers were HK\$47,805,420.27, HK\$48,775,089.18, HK\$50,216,872.66 and HK\$49,881,307.46 respectively, with a total of HK\$196,678,689.57.

The Tankers were built by Dae Dong Ship Building Co. Ltd. Pusan, Korea, an independent third party, and have been duly put into service since 1995. Pursuant to the relevant international convention which will come into effect in 2007, the Tankers can no longer continue to ship vegetable oil. Meanwhile, given their excessively small tonnages, the Tankers are not suitable for international oil product transportation. Accordingly, CS Development Hong Kong intends to sell the Tankers as second-hand vessels.

Under the Listing Rules, CSC has become the controlling shareholder of the Company by virtue of holding approximately 47.46% of the issued share capital of the Company. China Shipping Haisheng HK is a wholly-owned subsidiary of China Shipping Haisheng, a company listed on the Shanghai Stock Exchange, and CSC holds approximately 27.49% of the issued share capital of China Shipping Haisheng. Therefore, China Shipping Haisheng HK is a connected person (as defined in the Listing Rules) of the Company. Given the above reason, the Transaction constitutes a connected transaction of the Company for the purpose of the Listing Rules. As each of the applicable percentage ratios relating to the Transaction exceeds 0.1% but is less than 2.5%, the Transaction shall only be subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules but is not subject to approval by the Independent Shareholders.

The terms and conditions of the Transaction have been determined through arms length negotiations and the Transaction has been conducted in the ordinary and usual course of business of the Company. The Board (including the Independent Directors) are of the opinion that the Transaction has been entered into under normal commercial terms, the terms of the Transaction are fair and reasonable, and are in the interests of the Company and its shareholders as a whole.

Details of the Sale and Purchase Agreement are set out below, and will be disclosed in the next annual report of the Company in accordance with the relevant requirements of the Listing Rules.

1. The Sale and Purchase Agreement entered into on 11 December 2006

1.1 The Parties

Seller: CS Development Hong Kong

Buyer: China Shipping Haisheng HK

1.2 The Tankers

The Tankers were built by an independent third party dockyard in Korea, and have been duly put into service since 1995, with tonnages of 8,984 DWT, 9,008 DWT, 8,999 DWT and 9,002 DWT respectively.

1.3 Sale of the Tankers

Pursuant to the Sale and Purchase Agreement, CS Development Hong Kong has agreed to sell the Tankers as second-hand vessels, while China Shipping Haisheng HK has agreed to purchase the Tankers.

1.4 Consideration

RMB240,800,000 (approximately HK\$240,800,000), which has been determined by reference to the appraised values of the Tankers as at 31 August 2006 by an independent and qualified PRC valuer, China Tong Cheng Assets Appraisal Co., Ltd. The valuation was made on the basis of, among others, the relevant PRC regulations, industry information, information relating to the Tankers (including design specifications, list of facilities and equipment, technical specifications, explanations by the Tankers' operators as to the technical status and usage conditions of the Tankers, inspection reports, repair and facility upgrade records, onsite inspection records, and operational history) and market value of second hand vessels.

The Directors are of the opinion that the relevant consideration has been determined after arms length negotiation, and is fair and reasonable so far as the Company and its shareholders are concerned.

1.5 Payment terms

The consideration shall be payable by two installments: the first installment RMB12,040,000 (approximately HK\$12,040,000) (being 5% of the total consideration) shall be payable within five business days after the Effective Date, while the second installment RMB228,760,000 (approximately HK\$228,760,000) (being 95% of the total consideration), together with the accrued interests from the date of delivery of the Tankers up to the payment date based on the prevailing lending rates of commercial banks in the PRC, shall be payable on or before 30 March 2007.

1.6 Conditions Precedent

The Sale and Purchase Agreement in respect of the Tankers shall be conditional upon approval granted by independent shareholders of China Shipping Haisheng at the extraordinary general meeting.

1.7 Financial Information relating to the Tankers

As at 31 August 2006, the Tankers had a net carrying amount of HK\$196,678,689.57. The net profit from the sale of the Tankers (i.e. the difference between the consideration of the sale and the net carrying amount of the Tankers) is expected to be HK\$44,121,310.43. It is intended that the net proceeds from the sale of the Tankers will be used as working capital.

For the two financial years ended 31 December 2005, the attributable net profit before tax and extraordinary items of the Tankers were RMB11,816,242.09 and RMB21,269,318.11 respectively while the attributable net profit after tax and extraordinary items of the Tankers were RMB8,587,171.86 and RMB17,498,705.62 respectively.

The financial information in relation to the Tankers above were prepared based on the PRC generally accepted accounting principles.

1.8 Delivery

The Tankers will be delivered to China Shipping Haisheng HK at the pier of the Lifeng Dockyard of China Shipping Industry (中海工業) in China on or before 30 March 2007.

1.9 Other Important Terms

The costs and risks in respect of the Tankers incurred before the delivery of the Tankers by CS Development Hong Kong will be borne by CS Development Hong Kong. The costs and risks in respect of the Tankers immediately following the delivery will be borne by China Shipping Haisheng HK.

The Sale and Purchase Agreement shall be subject to general force majeure provisions. In the event that CS Development Hong Kong fails to perform the Sale and Purchase Agreement due to force majeure events such as earthquake, fire, tsunami and war and China Shipping Haisheng HK chooses to terminate the Sale and Purchase Agreement, CS Development Hong Kong shall refund the deposit to China Shipping Haisheng HK within 7 banking days without interest.

In the event that China Shipping Haisheng HK fails to pay the deposit of RMB12,040,000, or fails to pay the balance of RMB228,760,000 in accordance with the Sale and Purchase Agreement, CS Development Hong Kong shall have the right to terminate the Sale and Purchase Agreement and make claims in respect of any subsequent losses and interests.

If there is any dispute between CS Development Hong Kong and China Shipping Haisheng HK which cannot be settled after reasonable negotiations, this shall be referred to China Maritime Arbitration Commission (a committee established pursuant to the resolution of the State Council of the PRC) for arbitration in Shanghai, China.

2. Reasons and Benefits for Entering Into the Sale and Purchase Agreement

Pursuant to the relevant international convention which will come into effect in 2007, the Tankers can no longer ship vegetable oil. Meanwhile, given their excessively small tonnages, the Tankers are not suitable for international oil product transportation. Accordingly, CS Development Hong Kong intends to sell the Tankers as second-hand vessels. The Board believes that such sale will generate more working capital for CS Development Hong Kong. The Board currently does not have any plans as regards the specific use of the working capital. The Directors do not expect there will be any adverse impact to the Group after the Transaction.

3. General

The operations of CS Development Hong Kong mainly comprise shipping, vessel leasing, investment, trading and agency. The operations of China Shipping Haisheng HK mainly comprise shipping, investment, trading and agency.

4. Requirements of the Listing Rules

Under the Listing Rules, CSC has become the controlling shareholder of the Company by virtue of holding approximately 47.46% of the issued share capital in the Company. China Shipping Haisheng HK is a wholly-owned subsidiary of China Shipping Haisheng and CSC holds approximately 27.49% of the issued share capital of China Shipping Haisheng. Therefore, China Shipping Haisheng HK is a connected person (as defined in the Listing Rules) of the Company. Given the above reason, the Transaction constitutes a connected transaction of the Company for the purpose of the Listing Rules.

As each of the applicable percentage ratios in respect of the Transaction exceeds 0.1% but is less than 2.5%, the Transaction is subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules but is not subject to Independent Shareholders' approval. The Group does not have any prior transaction with China Shipping Haisheng in the past 12 months.

Details of the Sale and Purchase Agreement will be disclosed in the next annual report of the Company in accordance with the relevant requirements of the Listing Rules.

The terms and conditions of the Transaction have been determined through arms length negotiations and the Transaction has been conducted in the ordinary and usual course of business of the Company. The Board (including Independent Directors) are of the opinion that the Transaction has been entered into under normal commercial terms, the terms of the Transaction are fair and reasonable, and are in the interests of the Company and its shareholders as a whole.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Board”	board of Directors;
“China Shipping Haisheng HK”	China Shipping Haisheng Hong Kong Co., Ltd., a wholly-owned subsidiary of China Shipping Haisheng;
“CS Development Hong Kong”	China Shipping Development (Hong Kong) Marine Company Limited, a wholly-owned subsidiary of the Company;
“China Shipping Haisheng”	China Shipping Haisheng Co., Ltd., a company listed on the Shanghai Stock Exchange;
“Company”	China Shipping Development Company Limited, a joint stock limited company incorporated in the People's Republic of China with limited liability;
“CSC”	China Shipping (Group) Company (中國海運(集團)總公司);

“Directors”	directors of the Company;
“Effective Date”	the effective date of the Sale and Purchase Agreement;
“Independent Directors”	independent non-executive Directors;
“Independent Shareholders”	shareholders of the Company excluding CSC and its associates (as defined under the Listing Rules);
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	The People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 11 December 2006 entered into between CS Development Hong Kong and China Shipping Haisheng HK in relation to the sale and purchase of the Tankers;
“Tankers”	four 9,000-tonne oil tankers, namely “Jianshe 33”, “Jianshe 34”, “Jianshe 35 and “Jianshe 36”; and
“Transaction”	the transaction contemplated under the Sale and Purchase Agreement.

By order of the Board
China Shipping Development Company Limited
Yao Qiaohong
Company Secretary

Shanghai, the PRC
11 December 2006

Note: Unless otherwise specified, the conversion of HK\$ into RMB is based on the exchange rate of HK\$1.00 = RMB1.00.

As at the date of this announcement, the Board of Directors of the Company is comprised of Mr. Li Shaode, Mr. Wang Daxiong, Mr. Zhang Guofa, Mr. Mao Shijia and Mr. Wang Kunhe as executive directors, Mr. Yao Zuozhi as non-executive director, Mr. Xie Rong, Mr. Hu Honggao and Mr. Zhou Zhanqun as independent non-executive directors.

Please also refer to the published version of this announcement in The Standard.