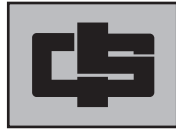


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CHINA SHIPPING DEVELOPMENT COMPANY LIMITED

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)

MAJOR TRANSACTION CONSTRUCTION OF NEW VESSELS

Reference is made to the Company's announcement dated 1st March 2007 concerning, among other things, negotiations on construction of new vessels which may constitute a major transaction.

On 2nd March 2007 after trading hours, the Company entered into the Agreements with the Vendors for the construction of six Tankers each of 76,000 dead weight tons for the transportation of oil and oil products. The total consideration for the construction of the Tankers is approximately US\$307,560,000 (equivalent to approximately HK\$2,383,590,000).

The entering into of the Agreements (which, for the purpose of the Listing Rules, will be aggregated with the agreements for the construction of four VLCCs of 298,000 dead weight tons each between the Company and Dalian Shipbuilding, details of which were contained in the Company's announcement dated 31st March 2006) constitutes a major transaction of the Company under the Listing Rules. A circular giving details of the transaction under the Agreements, together with a notice convening the EGM, will be despatched to Shareholders in due course.

The Agreement

Reference is made to the Company's announcement dated 1st March 2007 concerning, among other things, negotiations on construction of new vessels which may constitute a major transaction.

On 2nd March 2007 after trading hours, the Company entered into the Agreements with the Vendors for the construction of six Tankers each of 76,000 dead weight tons for the transportation of oil and oil products. The total consideration for the construction of the Tankers is approximately US\$307,560,000 (equivalent to approximately HK\$2,383,590,000). The consideration is determined by reference to the market price for the past six months of tankers of tonnage between 70,000 to 80,000 dead weight tons and with similar specifications.

On 31st March 2006, the Company entered into agreements with Dalian Shipbuilding for the construction of four VLCCs of 298,000 dead weight tons each, details of which were contained in the Company's discloseable transaction announcement dated 31st March 2006. For the purpose of the Listing Rules, these transactions will be aggregated with the transactions contemplated by the Agreements. Accordingly, the entering into of the Agreements constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. There are no other transactions with the Vendors in the past 12 months which require aggregation under the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendors and their ultimate beneficial owners are independent third parties not connected with the Company and its connected persons (as defined in the Listing Rules).

The Directors (including the Independent non-executive Directors) consider that the terms of the Agreements are determined on an arm's length basis, on normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Terms of the Agreements

The price of the Tankers will be payable in Renminbi. Relevant payments under each of the Agreements will be payable in 5 instalments at various stages of the construction of the relevant vessel:

- (i) for the first instalment, to pay 20% of the price within 3 business days after the Agreements become effective;
- (ii) for the second, third and fourth instalment, to pay 20% of the price within 5 business days of the receipt of the relevant invoice issued by the Vendors; and
- (iii) for the final instalment, to pay 20% of the price within 5 business days of the receipt of all documentation in relation to completion of the relevant Tankers by the Vendors.

The expected delivery date for each of the Tankers is on or before 30 June 2009, 30 September 2009, 31 December 2009, 31 March 2010, 30 June 2010 and 30 September 2010 respectively.

Each of the six Agreements provides that there will be no adjustment in the price of the relevant Tankers if the delivery is delayed for a period not exceeding 35 days respectively. If the delay exceeds such period of time but does not exceed 215 days respectively, there will be a reduction in the price of the relevant Tanker determined on the basis of the extent of the delay. The reduction in the price will be calculated based on a daily reduction rate ranging from US\$5,000 per day to US\$8,600 per day (depending on the extent of the delay), up to a total maximum reduction of US\$1,224,000. Under the six Agreements, delay will be permitted on account of force majeure events.

If the delay exceeds 215 days, unless the parties agree otherwise, the Company has the right to reject delivery of the relevant Tanker in which case all payments paid under the relevant

Agreement together with interests will be refunded to the Company. If the Company does not exercise this right after the expiry of the said period, the Vendors can propose new delivery dates and new price for the relevant Tanker in which case the Company has to elect between accepting such new terms or reject the relevant Tanker.

There will be other adjustments in price of the relevant Tanker if its performance (such as speed, fuel consumption and tonnage) fails below certain agreed criteria but are within an acceptable range. If the performance falls below the acceptable range, the Company has the right to refuse to accept delivery of the relevant Tanker or accept the relevant Tanker based on a new price to be negotiated and agreed.

The Agreements are conditional upon the approval of the Shareholders of the Company at the EGM.

Financing Terms

The construction of the Tankers will be funded by the Company as to approximately 80% of the price by bank borrowings and approximately 20% of the price by internal resources. The financing by way of bank borrowings is expected to increase the Company's level of borrowings. Taking into account the Company's capital and shareholders' base, the Company considers that bank borrowings is the best means of financing for the construction of the Tankers. The Directors (including the independent non-executive Directors) believe that in light of the Company's fleet expansion plan, it is fair and reasonable and in the interest of the Company and the shareholders as a whole to finance the transaction with such bank borrowings.

Information about the Group

The business scope of the Group includes: coastal, ocean and Yangtze River cargo transportation, container transportation, oil transportation, chartering, cargo agency and cargo transportation agency. The Directors are optimistic of the demand in the oil transportation market and its persistent growth in the coming years. The Directors are of the view that the construction and ownership of the Tankers will enable the Group to take advantage of the business opportunities in the shipping market, enjoy economies of scale, optimize its overall route arrangements and improve its operating efficiency and profitability.

Under the Listing Rules, the entering into of the Agreements (which, for the purpose of the Listing Rules, will be aggregated with the agreements for the construction of four VLCCs of 298,000 dead weight tons each between the Company and Dalian Shipbuilding, details of which were contained in the Company's announcement dated 31st March 2006) constitutes a major transaction of the Company. A circular giving details of the transactions under the Agreements as well as a notice convening the EGM will be dispatched to the Shareholders in due course. China Shipping (Group) Company, the controlling Shareholder of the Company, does not have and, as far as the Directors are aware having made all reasonable enquiries, no other Shareholder has a material interest in the transaction. As such, no Shareholder will be required under the Listing Rules to abstain from voting on the Agreements at the EGM.

Definitions

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:-

“Agreements”	six agreements all dated 2nd March 2007, each of which is entered into between the Company and the Vendors for the construction of one Tanker (for a total of six Tankers) for the transportation of crude oil and oil products
“CSITC”	China Shipbuilding International Trading Company Limited* (中國船舶重工國際貿易有限公司), a Chinese company engaging in the trading, import, export and agency of ships and shipping related technology and services
“Company”	China Shipping Development Company Limited (中海發展股份有限公司), a joint stock limited company established in the PRC, the H shares of which are listed on The Stock Exchange of Hong Kong Limited
“Dalian Shipbuilding”	Dalian Shipbuilding Industry Company Limited* (大連船舶重工集團有限公司), a Chinese Shipbuilder
“Directors”	directors of the Company
“EGM”	extraordinary general meeting of the shareholders to be convened by the Company to consider and, if thought fit, to approve the Agreements
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	The People’s Republic of China
“Shareholder(s)”	holders of share(s) of the Company
“Tankers”	tanker(s) to be constructed pursuant to the Agreements
“Vendors”	CSITC and Dalian Shipbuilding

“US\$” United States dollars, the lawful currency of the United States of America

“VLCC(s)” Very Large Crude Oil Carrier(s)

* *For identification purpose only*

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

Shanghai, the People’s Republic of China
2nd March 2007

As at the date of this announcement, the Board of Directors of the Company comprises of Mr. Li Shaode, Mr. Lin Jianqing, Mr. Wang Daxiong, Mr. Zhang Guofa, Mr. Mao Shijia and Mr. Wang Kunhe as executive Directors, Mr. Yao Zhongzhi as non-executive Director and Mr. Ma Xun, Mr. Xie Rong, Mr. Hu Honggao and Mr. Zhou Zhanqun as independent non-executive Directors.

The exchange rate adopted in this announcement for illustration purpose only is US\$1.00 = HK\$7.75.

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