
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt about this circular, you should consult appropriate independent advisers.

If you have sold all your shares in China Shipping Development Company Limited, you should at once hand this circular and the enclosed proxy form and reply slip to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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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)

CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF ANNUAL GENERAL MEETING

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



TC Capital Asia Limited
天財資本亞洲有限公司

A letter from the Board is set out on pages 5 to 11 of this circular.

A letter from the Independent Board Committee is set out on page 12 of this circular.

A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 13 to 17 of this circular.

A notice convening the AGM of the Company to be held at 2:00 p.m. on Friday, 27 May 2011 at 700 Dong Da Ming Road Shanghai, The People's Republic of China, is set out on pages N1 to N4 of this circular.

A reply slip and form of proxy used at the AGM are enclosed. If you are eligible and intend to attend the AGM, please complete and return the enclosed reply slip in accordance with the instructions printed thereon on or before Friday, 6 May 2011. Whether or not you are able to attend the above meeting, please complete and return the enclosed proxy form in accordance with the instructions printed thereon as soon as practicable and in any event by not less than 24 hours before the time appointed for the holding of the meeting. Completion and return on the proxy form will not preclude you from attending and voting in person at the meeting or at any adjourned meetings should you so wish.

11 April 2011

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DEFINITIONS

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

“2009 Announcement”	the announcement dated 22 October 2009 published by the Company in relation to, among other things, the Financial Services Framework Agreement
“A Shares”	PRC-listed Domestic Shares in the share capital of the Company, with a par value of RMB1.00 each, which are subscribed for and traded in RMB and listed on the Shanghai Stock Exchange
“AGM”	annual general meeting of the Shareholders to be convened by the Company on 27 May 2011 to consider and, if thought fit, to approve, among other things, the Termination Agreement and the New Financial Services Framework Agreement
“associate”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“CBRC”	China Banking Regulatory Commission
“China Shipping”	中國海運(集團)總公司 (China Shipping (Group) Company), a PRC state-owned enterprise and the controlling shareholder of the Company, currently holding 46.36% of the registered capital of the Company and owns 45% of CS Finance Company
“Company”	China Shipping Development Company Limited (中海發展股份有限公司) a joint stock limited company incorporated in the PRC with limited liability, whose H Shares have been listed on the Main Board of the Stock Exchange since 1994 and whose A Shares have been listed on the Shanghai Stock Exchange since 2002
“connected person”	has the meaning ascribed thereto under the Listing Rules
“CSCL”	China Shipping Container Lines Company Limited (中海集裝箱運輸股份有限公司), a joint stock limited company established in the PRC whose H shares and A shares are listed on the Stock Exchange and the Shanghai Stock Exchange respectively, and in which China Shipping has approximately 49.03% shareholding interest

DEFINITIONS

“CS Finance Company”	China Shipping Finance Company Limited (中海集團財務有限公司), a limited liability company established by the Company, China Shipping, Guangzhou Maritime Transport, CSCL and CS Haisheng in the PRC pursuant to the investment agreement dated 13 February 2009
“CS Haisheng”	China Shipping (Hainan) Haisheng Shipping and Enterprise Co., Ltd (中海(海南)海盛船務股份有限公司), a joint stock limited company established in the PRC whose A shares are listed on the Shanghai Stock Exchange, and in which China Shipping has approximately 27.49% shareholding interest
“Directors”	the directors of the Company
“Domestic Shares”	domestic shares of RMB1.00 each in the registered capital of the Company
“Financial Services Framework Agreement”	the financial services framework agreement dated 22 October 2009 between the Company and China Shipping, pursuant to which China Shipping shall procure CS Finance Company to provide the Group with a range of financial services including (i) deposit services; (ii) loan services; (iii) settlement services and (iv) other financial services as approved by CBRC
“Group”	the Company and its existing subsidiaries
“Guangzhou Maritime Transport”	Guangzhou Maritime Transport (Group) Co. Ltd. (廣州海運(集團)有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of China Shipping
“H Shares”	H shares of par value RMB1.00 each in the share capital of the Company, being overseas listed foreign invested shares
“HK\$”	the lawful currency of Hong Kong dollars
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	Messrs. Zhu Yongguang, Gu Gongyun, Zhang Jun and Lu Wenbin
“Independent Financial Adviser”	TC Capital Asia Limited, the independent financial adviser appointed to make the relevant recommendation to the Independent Board Committee and the Independent Shareholders in relation to the New Financial Services Framework Agreement, being a licensed corporation to carry our Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Independent Shareholder(s)”	the Shareholders other than China Shipping and its associates

DEFINITIONS

“Latest Practicable Date”	8 April 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“New Financial Services Framework Agreement”	the new financial services framework agreement dated 30 March 2011 entered into between the Company and CS Finance Company, pursuant to which CS Finance Company will provide the Group with a range of financial services including (i) deposit services; (ii) loan services; (iii) settlement services; and (iv) other financial services as approved by CBRC
“PBC”	People’s Bank of China (中國人民銀行)
“PRC”	the People’s Republic of China
“RMB”	Renminbi Yuan, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Termination Agreement”	the termination agreement dated 30 March 2011 entered into between the Company and China Shipping, pursuant to which both parties agree to terminate the Financial Services Framework Agreement

Note: Unless otherwise specified and for illustration purpose only, the conversion of RMB into HK\$ is based on the exchange rate HK\$1.00=RMB0.86.

EXPECTED TIMETABLE

Date of despatch of this circular. Monday, 11 April 2011

Last date for returning the reply slips for the AGM. Friday, 6 May 2011

Latest time for lodging proxy forms for the AGM. 2:00 p.m. on Thursday, 26 May 2011

Time and date of AGM 2:00 p.m. on Friday, 27 May 2011

LETTER FROM THE BOARD



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)

Executive Directors:

Li Shaode (*Chairman*)

Ma Zehua

Lin Jianqing

Wang Daxiong

Zhang Guofa

Yan Zhichong

Qiu Guoxuan

Registered Office:

168 Yuanshen Road

Shanghai

The PRC

Principal place of business in Hong Kong:

20/F, Alexandra House

18 Chater Road

Central, Hong Kong

Independent Non-Executive Directors:

Zhu Yongguang

Gu Gongyun

Zhang Jun

Lu Wenbin

11 April 2011

To the Shareholders

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS

1. INTRODUCTION

Reference is made to the announcement of the Company dated 30 March 2011 in respect of the Company entering into the Termination Agreement and the New Financial Services Framework Agreement.

The purpose of this circular is to provide the Shareholders with further information on the terms of the Termination Agreement and the New Financial Services Framework Agreement and to convene the AGM to seek the approval of the Shareholders with respect to, among other things, these agreements.

LETTER FROM THE BOARD

2. THE NEW FINANCIAL SERVICES FRAMEWORK AGREEMENT

Background Information

As disclosed in the Company's announcement dated 22 October 2009, the Company entered into the Financial Services Framework Agreement on 22 October 2009 with China Shipping pursuant to which China Shipping shall procure CS Finance Company to provide the Group with a range of financial services including (i) deposit services; (ii) loan services; (iii) settlement services and (iv) other financial services as approved by CBRC. The annual caps for the years ending 31 December 2011 and 2012 for the provision of deposit services and loan services were set out in the 2009 Announcement.

In light of the Company's increase in its investments in vessels, the Company expects that the demand for deposit and loan services from CS Finance Company for the remaining period ending 31 December 2011 and the year ending 31 December 2012 will exceed the annual caps previously set out in the 2009 Announcement.

As such and subject to obtaining Independent Shareholders' Approval, on 30 March 2011, the Company entered into (i) the Termination Agreement with China Shipping pursuant to which both parties agreed to terminate the Financial Services Framework Agreement, and (ii) the New Financial Services Framework Agreement with CS Finance Company pursuant to which CS Finance Company will provide the Group with the same services described in the Financial Services Framework Agreement with revised annual caps for the loan services for the years ending 31 December 2011 and 2012.

Major terms of the New Financial Services Framework Agreement

Date: 30 March 2011

Parties: CS Finance Company (as provider of services)
The Company (as recipient of services)

Pricing

Under the Financial Services Framework Agreement:

- (i) CS Finance Company shall accept deposits from the Group at interest rates not lower, and thus no less favourable, than (a) the lower limit of the relevant rates stipulated by PBC for the same type of deposits; (b) the interest rates offered by any independent third party for the same type of deposits; or (c) the interest rates at which CS Finance Company accepts from any independent third party for the same type of deposits;

LETTER FROM THE BOARD

- (ii) CS Finance Company shall provide loans to the Group at interest rates not higher, and thus no less favourable, than (a) the upper limit of the relevant rates stipulated by PBC for the same type of loan; (b) the interest rates offered by any independent third party for the same type of loan; or (c) the interest rates at which CS Finance Company charges any independent third party with the same credit rating for the same type of loan;
- (iii) The fees charged by CS Finance Company for the provision of settlement services to the Group shall not be higher, and thus no less favourable, than the fees charged by an independent third party for the same type of services at the time; and
- (iv) The fees charged by CS Finance Company for the provision of other financial services to the Group shall not be higher, and thus no less favourable, than (a) the upper limit (if applicable) of the fees stipulated by PBC to be charged for the same type of services; (b) the fees charged by any independent third party for the same type of services; or (c) the fees charged by CS Finance Company for the same type of services on any independent third party with the same credit rating.

Annual Caps

Based on internal estimates, the Directors propose to set the annual caps for the years ending 31 December 2011 and 2012 for the continuing connected transactions under the New Financial Services Framework Agreement as follows:

	Proposed annual caps for the year ending 31 December		Annual caps set out in the 2009 Announcement for the year ending 31 December	
	2011	2012	2011	2012
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
(1) Maximum daily outstanding balance of deposits (including accrued interest and handling fee) to be placed by the Group with CS Finance Company	3,000,000	3,500,000	3,000,000	3,500,000
(2) Maximum daily outstanding balance of loans (including accrued interest and handling fee) to be granted by CS Finance Company to the Group	3,000,000	3,000,000	1,700,000	1,900,000

LETTER FROM THE BOARD

In arriving at such revised annual caps, the Directors have considered the following factors:

- (i) The historical figures of the maximum daily outstanding balance of deposits (including accrued interest and handling fee) placed by the Group with commercial banks for the 3 years ended 31 December 2010 was approximately RMB2,781,048,000 (approximately HK\$3,233,776,744), approximately RMB2,898,353,000 (approximately HK\$3,370,177,907) and approximately RMB1,086,902,000 (approximately HK\$1,263,839,535), respectively;
- (ii) The historical figures of the maximum daily outstanding balance of loans (including accrued interest and handling fee) granted by commercial banks to the Group for the 3 years ended 31 December 2010 was approximately RMB6,466,387,000 (approximately HK\$7,519,054,651), approximately RMB6,907,284,000 (approximately HK\$8,031,725,581) and approximately RMB7,487,804,000 (approximately HK\$8,706,748,837), respectively;
- (iii) The historical figures of the maximum daily outstanding balance of deposits (including accrued interest and handling fee) placed by the Group with CS Finance Company for the year ended 31 December 2010 was approximately RMB1,756,582,000 (approximately HK\$2,042,537,210); and
- (iv) The historical figures of the maximum daily outstanding balance of loans (including accrued interest and handling fee) granted by CS Finance Company to the Group for the year ended 31 December 2010 was approximately RMB 1,475,618,000 (approximately HK\$1,715,834,883).

The proposed annual caps as set out above have been determined based on (i) the above historical figures; (ii) the Group's expectation of capital needs for the period from now up to 31 December 2012 due to the Group's increase in its investments in vessels; and (iii) CS Finance Company's financial ability.

Payment Terms

The payment terms are dependent on the type of financial services to be provided and are determined at the time when such financial services are entered into. The Group expect such terms of payment to be consistent with market terms for the relevant type of financial services.

Term

Subject to the approval being obtained from the Independent Shareholders, the New Financial Services Framework Agreement will be effective from the date when all conditions precedent under the New Financial Services Framework Agreement are satisfied to 31 December 2012. Unless either party requests not to renew the New Financial Services Framework Agreement during such term, the New Financial Services Framework Agreement will be automatically renewed for another three years from 1 January 2013.

LETTER FROM THE BOARD

3. REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW FINANCIAL SERVICES FRAMEWORK AGREEMENT

As the Group has been increasing the scale of its investments in vessels, the Group expects its capital needs for the next two years to increase accordingly. The PRC commercial banks has tightened the size of credit due to macro-economic factors, whereas the terms and conditions provided by CS Finance Company under the New Financial Services Framework Agreement to the Group are generally no less favourable than those provided by independent third parties.

Furthermore, the Group is not restricted under the New Financial Services Framework Agreement to approach, and in fact may choose, any bank or financial institution to satisfy its financial service needs. Its criteria in making the choice could be made on costs and quality of services. Therefore, the Group may, but is not obliged to, continue to use CS Finance Company's services if the service quality provided continues to be competitive. Having such flexibility afforded under the New Financial Services Framework Agreement, the Group is able to better manage its current capital and cashflow position. In addition, it is also expected that CS Finance Company will provide more efficient settlement services to the Group, as compared to independent third-party banks.

In light of the above circumstances, the Directors consider that the terms of the above transactions are fair and reasonable, on normal commercial terms, and that it is in the best interest of the Company and its Shareholders as a whole to enter into the Termination Agreement with China Shipping and the New Financial Services Framework Agreement with CS Finance Company.

4. LISTING RULES IMPLICATIONS

As at the date of this circular, China Shipping is beneficially interested in 1,578,500,000 Domestic shares, representing approximately 46.36% of the existing issued share capital of the Company and is therefore its controlling shareholder. As such, China Shipping is a connected person of the Company within the meaning of the Listing Rules. CS Finance Company, 45% of which is directly owned by China Shipping, is an associate of China Shipping. Therefore the transactions pursuant to the New Financial Services Framework Agreement constitute continuing connected transactions for the Company.

In respect of the provision of deposit services under the New Financial Services Framework Agreement, the applicable percentage ratios are more than 5% on an annual basis and the annual consideration exceeds HK\$10,000,000. Therefore, such transactions constitute continuing connected transactions of the Company that are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under the Listing Rules. In respect of the provision of the loan services under the New Financial Services Framework Agreement, pursuant to Rule 14A.65(4) of the Listing Rules, such transactions are exempt from all reporting, announcement and Independent Shareholders' approval requirements.

LETTER FROM THE BOARD

In respect of the provision of settlement services and other financial services under the New Financial Services Framework Agreement, any future transaction that may take place between the Group and CS Finance Company in respect of such services is expected to be less than 0.1% based on the applicable percentage ratios under Chapter 14 of the Listing Rules. Accordingly, pursuant to Rule 14A.31(2) of the Listing Rules, such transactions are exempt from all reporting, announcement and Independent Shareholders' approval requirements. Should such transactions exceed the exemption threshold in future, the Group will re-comply with the applicable connected transaction requirements under Chapter 14A of the Listing Rules.

China Shipping, the controlling shareholder of the Company, and its associates, will abstain from voting at the AGM in relation to the Termination Agreement and the New Financial Services Framework Agreement.

The following Directors, Mr. Li Shaode, Mr. Ma Zehua, Mr. Lin Jianqing, Mr. Wang Daxiong and Mr. Zhang Guofa, being the senior management of China Shipping, have a material interest in the transaction, and have abstained from voting on the relevant Board resolution.

The Independent Board Committee has been appointed to advise the Independent Shareholders, and the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders, as to whether the terms of the above transactions under the New Financial Services Framework Agreement are fair and reasonable and whether such transactions are in the interests of the Company and its Shareholders as a whole and in respect of the revised annual caps under the New Financial Services Framework Agreement.

Pursuant to Rule 13.39(4) of the Listing Rules, votes in relation to the resolutions to be proposed at the AGM shall be taken by poll.

5. AGM

The AGM will be convened and held at 2:00 p.m. on Friday, 27 May 2011 at 700 Dong Da Ming Road, Shanghai, The People's Republic of China to consider and, if thought fit, approve, among other things, the Termination Agreement, the New Financial Services Framework Agreement and the annual caps in respect of the transaction under the New Financial Services Framework Agreement. A notice of the AGM is set out on pages N-1 to N-4 of this circular.

A reply slip and form of proxy used at the AGM are enclosed. If you are eligible and intend to attend the AGM, please complete and return the enclosed reply slip in accordance with the instructions printed thereon on or before Friday, 6 May 2011. Whether or not you are able to attend the above meeting, please complete and return the enclosed proxy form in accordance with the instructions printed thereon as soon as practicable and in any event by not less than 24 hours before the time appointed for the holding of the meeting. Completion and return on the proxy form will not preclude you from attending and voting in person at the meeting or at any adjourned meetings should you so wish.

LETTER FROM THE BOARD

6. CLOSURE OF H SHARE REGISTER OF MEMBERS OF THE COMPANY

The H share register of members of the Company will be closed from Wednesday, 27 April 2011 to Friday, 27 May 2011 (both days inclusive), during which period no transfer of H Shares will be effected. Any holders of H Shares, whose names appear on the Company's register of members at the close of business on Tuesday, 26 April 2011, are qualified for the final proposed dividend and are entitled to attend and vote at the AGM after completing the registration procedures for attending the AGM. For holders of H Shares, in order to be qualified for the final proposed dividend and be entitled to attend and vote at the AGM, their share transfer documents must be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 26 April 2011. The final proposed dividend (the payment of which is subject to the Shareholders' approval at the AGM) is to be payable on or about Thursday, 30 June 2011 to Shareholders whose name appear on the register of members of the Company on Tuesday, 26 April 2011. The Shares will trade ex-dividend on Thursday, 21 April 2011.

7. INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising Messrs. Zhu Yongguang, Gu Gongyun, Zhang Jun and Lu Wenbin has been formed to advise the Independent Shareholders in respect of the transactions under the New Financial Services Framework Agreement and annual caps pursuant to the New Financial Services Framework Agreement. The Independent Financial Adviser has also been appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the above transactions and annual caps.

8. INFORMATION ABOUT THE COMPANY AND CS FINANCE COMPANY

The business scope of the Company mainly involves coastal, ocean and Yangtze River cargo transportation, oil transportation, chartering, cargo agency and cargo transportation agency. The business scope of CS Finance Company includes the provision of financial and financing advisory services, credit verification services and related consulting and agency services.

9. RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the transactions pursuant to the Termination Agreement and New Financial Services Framework Agreement and the annual caps in connection with the New Financial Services Framework Agreement to be fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend that all Independent Shareholders to vote in favour of the resolutions set out in the notice of the AGM.

Yours faithfully,
China Shipping Development Company Limited
Li Shaode
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

11 April 2011

To the Independent Shareholders

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS

We have been appointed as the Independent Board Committee to advise you in connection with the transactions pursuant to the New Financial Services Framework Agreement, details of which are set out in the Letter from the Board contained in the circular to the shareholders of the Company dated 11 April 2011 (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the transactions pursuant to the Termination Agreement and the New Financial Services Framework Agreement, and the opinion of the Independent Financial Adviser in relation thereto as set out on pages 13 to 17 of the Circular, we are of the opinion that the terms of the transactions pursuant to the New Financial Services Framework Agreement and their respective annual caps are fair and reasonable and such transactions are in the interests of the Company and the Shareholders as a whole. We therefore recommend that you vote in favour of the ordinary resolutions to be proposed at the AGM to approve such transactions and the respective annual caps.

Yours faithfully,

Zhu Yongguang
*Independent
non-executive
Director*

Gu Gongyun
*Independent
non-executive
Director*

Zhang Jun
*Independent
non-executive
Director*

Lu Wenbin
*Independent
non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from TC Capital Asia Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the New Financial Services Framework Agreement.



TC Capital Asia Limited
天財資本亞洲有限公司

11 April 2011

*The Independent Board Committee and the Independent Shareholders
China Shipping Development Company Limited*

CONTINUING CONNECTED TRANSACTIONS

We refer to our appointment as Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders relating to the New Financial Services Framework Agreement as described in the letter from the Board in the circular to Shareholders dated 11 April 2011 (the “Circular”). Our letter is made for incorporation into the Circular. Capitalized terms used in this letter have the same meanings as those defined in the Circular unless the context otherwise requires.

Background and terms of the New Financial Services Framework Agreement are set out in the letter from the Board in the Circular. Our role as Independent Financial Adviser is to give our opinion as to whether the New Financial Services Framework Agreement contained therein and the annual cap amount for each of the two years ending 31 December 2011 and 31 December 2012 are in the interest of the Company and are on normal commercial terms, in the ordinary and usual course of business and fair and reasonable insofar as the Independent Shareholders are concerned.

In putting forth our recommendation, we have relied on all relevant information, opinions and facts supplied and representations made to us by the representatives of the Company. We have assumed that all such information, opinions, facts and representations, which have been provided by the representatives of the Company, for which they are fully responsible, are true, accurate and complete in all material respects. The representatives of the Company have also confirmed to us that no material facts in connection with the New Financial Services Framework Agreement have been omitted from the information supplied and we have no reason to suspect that any material information has been withheld by the Company or is misleading. We consider that we have sufficient information to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, for the purpose of this exercise, conducted any form of detailed investigation or audit into the businesses or affairs of the Group, nor have we carried out any independent verification of the information supplied.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED IN RELATION TO THE CONTINUING CONNECTED TRANSACTIONS

In arriving at our opinion on the terms of the New Financial Services Framework Agreement, we have taken into consideration the following factors and reasons:

Background of the New Financial Services Framework Agreement

Reference is made to the 2009 Announcement, the Company entered into the Financial Services Framework Agreement on 22 October 2009 with China Shipping, pursuant to which China Shipping shall procure CS Finance Company to provide the Group with a range of financial services including (i) deposit services; (ii) loan services; (iii) settlement services; and (iv) other financial services as approved by CBRC.

The Group is mainly involved in coastal, ocean and Yangtze River cargo transportation, oil transportation, chartering, cargo agency and cargo transportation agency.

China Shipping, a PRC state-owned enterprise and the controlling shareholder of the Company, is a large shipping conglomerate involved in import and export business, trading, coastal and ocean cargo transportation, dry bulk cargo transportation, supply of food for vessels, management of docks and other services in relation to the above, and operates in different regions of the PRC and across the world.

CS Finance Company, of which 45% shareholding is directly owned by China Shipping, is mainly engaged in the provision of financial and financing advisory services, credit verification services and related consulting and agency services.

As the Group's investments in vessels will increase over the next few years, the Group expects the demand for deposit and loan services from CS Finance Company for the remaining period ending 31 December 2012 to exceed the annual caps previously set out in the 2009 Announcement. Consequently, the Company has entered into (i) the Termination Agreement with China Shipping; and (ii) the New Financial Services Framework Agreement with CS Finance Company on 30 March 2011.

Reasons for entering into the New Financial Services Framework Agreement

Prior to establishing CS Finance Company, the Group has been depositing and borrowing funds primarily to/from commercial banks to operate its business. The entering into the New Financial Services Framework Agreement allows the Group to capitalize on this aspect of the business by benefiting from potentially higher deposit rates or lower loan rates, when compared to normal services provided by commercial banks. As CS Finance Company is familiar with the Group's operation, it will be able to better accommodate and coordinate with the Company on various financial services that CS Finance Company will provide. As a result, it will provide more efficient and timely use of the Group's funds and reduce any unnecessary banking related costs.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Although the entering into the New Financial Services Framework Agreement is not in the ordinary and usual course of business of the Group, the continuing connected transactions contained thereunder are in the interest of the Company and its Shareholders as a whole.

Principal terms of the New Financial Services Framework Agreement

Date	:	30 March 2011
Parties	:	CS Finance Company, as a provider of services The Company, as a recipient of services
Services provided	:	CS Finance Company shall provide the Group with a range of financial services including: (i) deposit services; (ii) loan services; (iii) settlement services; and (iv) other financial services as approved by CBRC
Terms	:	Subject to the approval being obtained from the Independent Shareholders, the New Financial Services Framework Agreement will be effective from the date when all conditions precedent under the New Financial Services Framework Agreement are satisfied until 31 December 2012. Unless either party requests not to renew the New Financial Services Framework Agreement, the New Financial Services Framework Agreement will be automatically renewed for another three years from 1 January 2013.
Payment terms	:	The payment terms are dependent on the type of financial services to be provided and are determined at the time when such financial services are entered into. The Group expects such terms of payments to be consistent with markets terms for the relevant type of financial services.

Pricing policies

As disclosed in the letter from the Board in the Circular, the fees and charges of various financial services of the New Financial Services Framework Agreement will be determined in the following manners:

- (i) CS Finance Company shall accept deposits from the Group at interest rates not lower, and thus no less favourable, than (i) the lower limit of the relevant rates stipulated by PBC for the same type of deposits; (ii) the interest rates offered by any independent third party for the same type of deposits; or (iii) the interest rates at which CS Finance Company accepts from any independent third party for the same type of deposits;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) CS Finance Company shall provide loans to the Group at interest rates not higher, and thus no less favourable, than (i) the upper limit of the relevant rates stipulated by PBC for the same type of loans; (ii) the interest rates offered by any independent third party for the same type of loans; or (iii) the interest rates at which CS Finance Company charges any independent third party with the same credit rating for the same type of loans.

We note that the above pricing policies are similar to the previous policies under the Financial Services Framework Agreement. Having reviewed certain records provided by the Company, we are satisfied that those historical transactions are in compliance with the pricing policies under the Financial Services Framework Agreement. We are of the view that the above pricing principle is fair and reasonable so far as the Independent Shareholders are concerned as the interest paid and fees charged by CS Finance Company will be set at such rates equal to or better than either the upper or the lower limits (as the case may be) set by PBC, an independent third party or such rates at which CS Finance Company provides to an independent third party, thus the more favourable rate will always prevail.

Annual caps and basis of determination

A summary of the approximate maximum daily outstanding balance of deposits and loans placed by the Group to CS Finance Company for the year ended 31 December 2010, the annual caps set out in the 2009 Announcement for each of the two financial years ending 31 December 2012 and the proposed annual caps for each of the two financial years ending 31 December 2012 are set out in the following table:

	Historical maximum daily amount	Annual caps set out in the 2009 Announcement		Proposed annual caps	
		For the year ended/ending			
		2011	2012	2011	2012
(RMB million)	2010				
Maximum daily outstanding balance of deposits (including accrued interests and handling fees) placed or to be placed by the Group with CS Finance Company	1,757	3,000	3,500	3,000	3,500
Maximum daily outstanding balance of loans (including accrued interests and handling fees) granted or to be granted by CS Finance Company to the Group	1,476	1,700	1,900	3,000	3,000

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in the letter from the Board in the Circular, the proposed annual caps have been determined based on (i) the above historical figures; (ii) the Group's expectation of capital requirements for the remaining period up to 31 December 2012 as a result of the Group's increase in investments in vessels; and (iii) the financial ability of CS Finance Company.

We note that the proposed annual caps for the balance of maximum daily outstanding deposit amounts are the same as the annual caps set out in the 2009 Announcement, while the proposed annual caps for the balance of maximum daily outstanding loan amounts have been increased from RMB1,700 million to RMB3,000 million and RMB1,900 million to RMB3,000 million, respectively, for each of the two years ending 31 December 2011 and 31 December 2012. The proposed annual caps for the maximum daily outstanding balance of loans for the each of the two years ending 31 December 2011 and 31 December 2012 when compared to the maximum daily outstanding balance of loans granted by commercial banks and CS Finance Company to the Group for the year ended 31 December 2010, are approximately 33.5% and 33.5%, respectively.

As the Group is expecting to accept the delivery of a large numbers of vessels over the next two years, cash outlay due to both stage payments and completion of the vessels will increase accordingly. Based on the delivery schedule of the new vessels contained in the Company's website, the total number of vessels to be delivered to the Group for each of the two years ending 31 December 2011 and 31 December 2012 will be 26 and 45, respectively. The estimated capital expenditure, excluding those attributable to the joint venture companies of the Group, for the year ending 31 December 2011 and 2012 will be approximately RMB12.2 billion and RMB7.4 billion, respectively. Furthermore, due to the growing demand for shipping transportation of raw materials and general growth of China's economy, the increasing annual caps for both maximum daily outstanding balance of deposits and loans will be required to accommodate for the growth in the Group's business. The New Financial Services Framework Agreement offers an additional financing option to the Group when capital is required, and thereby increasing the financial flexibility of the Group. Based on the above, we are of the view that the proposed annual caps for the balance of maximum daily outstanding deposit and loan amounts under the New Financial Services Framework Agreement for the period ending 31 December 2011 and the year ending 31 December 2012 are fair and reasonable.

ADVICE

Having considered the above principal factors and reasons, we are of the opinion that the New Financial Services Framework Agreement and the continuing connected transactions contained thereunder, although are not in the ordinary and usual course of business of the Group, are fair and reasonable and in the interest of the Company and its Shareholders as a whole. Accordingly, we would recommend the Independent Board Committee to advise the Independent Shareholders to vote in favor of the resolution to approve the New Financial Services Framework Agreement at the forthcoming AGM.

Yours faithfully,
For and on behalf of
TC Capital Asia Limited
Edward Wu
Managing Director

GENERAL INFORMATION

1. RESPONSIBILITY STATEMENT

This circular for which Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors' Interests and Short Positions

As at the Latest Practicable Date, none of the Directors and chief executives, nor their associates, had any interest and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 and the Stock Exchange under the provisions of Divisions 7 and 8 of Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in appendix 10 of the Listing Rules to be notified to the Company and the Stock Exchange or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein.

Directors' Interest in Any Asset Acquired, Disposed or Leased

None of the Directors has had any material interest, direct or indirect, in any asset which, since 31 December 2010, being the date to which the latest audited consolidated financial statements of the Group have been made up, had been acquired or disposed of by or leased to any member of the Group or was proposed to be acquired or disposed of by or leased to any member of the Group.

Directors' Service Contracts

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, any service contracts with the Company or any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

Directors' Interest in Contracts

No contracts of significance to which the Company, any of its holding companies, fellow subsidiaries or subsidiaries was a party and in which a Director had a material interest and which is significant to the Group's business, whether directly or indirectly, subsisted at the date of this circular. None of the Directors or their respective associates has any competing interest (as would be required to be disclosed to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controller shareholder of the Company for the purpose of the Listing Rules).

GENERAL INFORMATION

3. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading prospects of the Group since 31 December 2010, the date to which the latest audited financial statements of the Group were made up.

4. CONSENT AND EXPERT

The following is the qualification of the professional adviser who has given opinion or advice, which is contained in this circular:

Name	Qualification
<i>TC Capital Asia Limited</i>	Independent Financial Adviser and a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or opinions and/or the references to its name in the form and context in which it respectively appears.

As at the Latest Practicable Date, (i) the Independent Financial Adviser did not have any interest, either direct or indirect, in any assets which had been, since the date to which the latest published audited financial statements of the Company were made up acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group; and (ii) the Independent Financial Adviser did not have any shareholding interests in any member of the Group and it did not have any right, whether legally enforceable or not, to subscribe for or nominate persons to subscribe for securities of any members of the Group.

5. MISCELLANEOUS

- (i) The legal address of the Company is at 168 Yuanshen Road, Shanghai, The People's Republic of China.
- (ii) The registered office of the Company in Hong Kong is 20/F., Alexandra House, 18 Chater Road, Central, Hong Kong.
- (iii) The Company's branch share registrar and transfer office in Hong Kong is at Hong Kong Registrars Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (iv) The secretary of the Company is Ms. Yao Qiaohong.
- (v) In the event of inconsistency, the English version of this circular shall prevail over the Chinese version.

GENERAL INFORMATION

6. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Reed Smith Richards Butler at 20/F., Alexandra House, 18 Chater Road, Central, Hong Kong during normal business hours on any weekday (except public holidays) from the date of this circular up to and including Friday, 27 May 2011:

- (a) Termination Agreement; and
- (b) the New Financial Services Framework Agreement.

NOTICE OF ANNUAL GENERAL MEETING



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)

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting (the “AGM”) of China Shipping Development Company Limited (the “**Company**”) will be held at 2:00 p.m. on Friday, 27 May 2011 at 700 Dong Da Ming Road, Shanghai, The People's Republic of China to consider and, if thought fit, pass the following ordinary resolution:

1. to consider and approve the 2010 audited financial statements of the Company;
2. to consider and approve the 2010 Report of the Board of Directors of the Company;
3. to consider and approve the 2010 Report of the Supervisory Committee of the Company;
4. to consider and approve the recommended 2010 final dividend of RMB0.17 (before tax) per share;
5. to consider and approve the 2010 Report of the Independent Board Committee of the Company;
6. to consider and approve the 2010 Annual Report of the Company;
7. to consider and approve the remuneration of the directors, supervisors and senior management of the Company for 2011;

The total remuneration of the Company's directors (the “Director(s)”), supervisors (the “Supervisor(s)”) and senior management (the “Senior Management”) amounted to RMB4,374,000 (before tax) for the year 2010. The Board and the Remuneration Committee of the Company recommend the remuneration standards for the senior management in 2011 be: the annual remuneration for the general manager of the Company be RMB800,000 per year (before tax) and on the premises of achieving the targets for operation management, it is proposed that the Board will review the business' performance and award discretionary bonus to the senior management of not more than 20% of their respective annual remuneration. It is proposed that the allowances for each of the four independent Directors and one independent Supervisor to be adjusted from RMB80,000 per year (before tax) in 2010 to RMB100,000 per year (before tax) in 2011.

NOTICE OF ANNUAL GENERAL MEETING

8. to consider and approve the reappointment of Baker Tilly China (天職國際會計師事務所有限公司) and Baker Tilly Hong Kong Limited (天職香港會計師事務所有限公司) as the domestic and international auditors of the Company for 2011, respectively, and authorize the board (the “Board”) of Directors to determine their remuneration; and
9. to consider and approve the termination agreement dated 30 March 2011 entered into between the Company and China Shipping (Group) Company (the “**Termination Agreement**”) and the new financial services framework agreement dated 30 March 2011 (the “**New Financial Services Framework Agreement**”) entered into between the Company and China Shipping Finance Company Limited (中海集團財務有限責任公司) and the proposed annual caps for the deposit and loan transactions contemplated thereunder; and to authorise the Directors to exercise all powers which they consider necessary and do such other acts and things and execute such other documents which in their opinion may be necessary or desirable to implement the transactions contemplated under the Termination Agreement and the New Financial Services Framework Agreement.

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

11 April 2011
Shanghai
The People’s Republic of China

Notes:

- (A) According to the Law on Corporate Income Tax of the People’s Republic of China and the relevant implementing rules which came into effect on January 1, 2008, the Company is required to withhold corporate income tax at the rate of 10% before distributing the 2010 final dividend to non-resident enterprise shareholders as appearing on the H share register of members of the Company. Any shares not registered in the name of an individual person, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations will be treated as being held by non-resident enterprise shareholders and therefore will be subject to the withholding of the corporate income tax.
- (B) The H Share register of the Company will be closed from Wednesday, 27 April 2011 to Friday, 27 May 2011 (both days inclusive), during which no transfer of H Shares will be effected. Any holders of H Shares of the Company, whose names appear on the Company’s register of members at the close of business on Tuesday, 26 April 2011 are qualified for the final proposed dividend and are entitled to attend and vote at the AGM after completing the registration procedures for attending the meeting. For the holders of H Shares, in order to be entitled to attend and vote at the AGM, their share transfer documents must be lodged with the Company’s H share registrar not later than 4:30 p.m. on Tuesday, 26 April 2011. The final proposed dividend (the payment of which is subject to the Shareholders’ approval at the AGM) is to be payable on or about Thursday, 30 June 2011 to Shareholders whose name appear on the register of members of the Company on Friday, 27 May 2011. The Shares will trade ex-dividend on Thursday, 21 April 2011.

NOTICE OF ANNUAL GENERAL MEETING

The address of the share registrar (for share transfer) for the Company's H Shares is as follows:

Hong Kong Registrars Limited
Rooms 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

- (C) Holders of H Shares, who intend to attend the AGM, must complete the reply slips for attending the AGM and return them to the Office of the Secretary to the Board of Directors of the Company not later than 20 days before the date of the AGM, i.e. no later than Friday, 6 May 2011.

Details of the Office of the Secretary to the Board of Directors of the Company are as follows:

Room 1601, 700 Dong Da Ming Road, Shanghai,
The People's Republic of China
Postal Code: 200080
Tel: 86(21) 6596 6666
Fax: 86(21) 6596 6160

- (D) Each holder of H Shares who has the right to attend and vote at the AGM is entitled to appoint in writing one or more proxies, whether that proxy is a shareholder or not, to attend and vote on his behalf at the AGM.
- (E) The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing. If that instrument is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign, or other documents of authorisation, must be notarially certified.
- (F) For holders of H Shares, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to the Company's H share registrar, Hong Kong Registrars Limited, 17M Floor, Hopewell Centre 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time appointed for holding the AGM (or any adjournment thereof) in order for such documents to be valid.
- (G) Each holder of A Shares is entitled to appoint in writing one or more proxies, whether a shareholder or not, to attend and vote on its behalf at the AGM. Notes (D) to (E) also apply to holders of A Shares, except that the proxy form or other documents of authority must be delivered to the Office of the Secretary to the Board of Directors, the address of which is set out in Note (C) above, not less than 24 hours before the time appointed for holding the AGM (or any adjournment thereof) in order for such documents to be valid.

NOTICE OF ANNUAL GENERAL MEETING

- (H) If a proxy attends the AGM on behalf of a shareholder, he should produce his identity card and the instrument signed by the proxy or his legal representative, which specifies the date of its issuance. If the legal representative of a shareholder which shareholder is a legal person attends the AGM, such legal representative should produce his identity card and valid documents evidencing his capacity as such legal representative. If a shareholder which is a legal person appoints a company representative other than its legal representative to attend the AGM, such representative should produce his identity card and an authorization instrument affixed with the seal of that shareholder (which is a legal person) and duly signed by its legal representative.
- (I) The AGM is expected to last for an hour. Shareholders attending the AGM are responsible for their own transportation and accommodation expenses.
- (J) As at the date of this notice, the board of directors of the Company is comprised of Mr. Li Shaode, Mr. Ma Zehua, Mr. Lin Jianqing, Mr. Wang Daxiong, Mr. Zhang Guofa, Mr. Yan Zhichong and Mr. Qiu Guoxuan as executive Directors, and Mr. Zhu Yongguang, Mr. Gu Gongyun, Mr. Zhang Jun and Mr. Lu Wenbin as independent non-executive Directors.