
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 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)

MAJOR TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS AND APPOINTMENT OF EXECUTIVE DIRECTOR AND SUPPLEMENTAL NOTICE OF EXTRAORDINARY GENERAL MEETING

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



TC Capital
天財資本

TC Capital Asia Limited

A letter from the Board is set out on pages 6 to 16 of this circular.

A letter from the Independent Board Committee is set out on page 17 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 18 to 28 of this circular.

A notice convening the EGM of the Company to be held at 1:30 p.m. on Tuesday, 18 December 2012 at Eiffelton Hotel, 1888 Puming Road, Pudong District, Shanghai, The People's Republic of China had been published by the Company on 2 November 2012 and a supplemental EGM notice is set out on pages N-1 to N-4 of this circular.

A reply slip and form of proxy used at the EGM were despatched by the Company on 2 November 2012. If you are eligible and intend to attend the EGM, please complete and return such reply slip in accordance with the instructions printed thereon on or before Wednesday, 28 November 2012. Whether or not you are able to attend the above meeting, please complete and return such 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.

23 November 2012

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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 First Financial Services Framework Agreement and the Old Services Agreement
“2011 Announcement”	the announcement dated 22 December 2011 published by the Company in relation to, amongst other things, the Supplemental 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
“Agreed Supplies and Services”	the necessary supporting shipping materials and services to be provided to the Company pursuant to the New Services 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 approximately 46.36% of the registered capital of the Company and owns 45% of CS Finance Company
“China Shipping Group”	China Shipping and its subsidiaries (excluding the Group)
“China Shipping Singapore”	China Shipping (Singapore) Petroleum Co., Ltd., a limited liability incorporated in Singapore established by China Shipping Development (Hong Kong) Marine Co., Limited, the Company’s subsidiary, with CSCL and China Shipping Regional Holdings Sdn Bhd.
“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

DEFINITIONS

“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 47.46% shareholding interest
“CS Finance Company”	China Shipping Finance Company Limited (中國海運財務有限責任公司), 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
“EGM”	the extraordinary general meeting of the Shareholders to be convened on Tuesday, 18 December 2012 by the Company to consider and, if thought fit, to approve, among other things, the New Financial Services Framework Agreement and the New Services Agreement
“First Financial Services Framework Agreement”	the financial services framework agreement dated 22 October 2009 between the Company and China Shipping, pursuant to which China Shipping may 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\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	Messrs. Zhu Yongguang, Zhang Jun, Lu Wenbin and Wang Wusheng
“Independent Financial Adviser”	TC Capital Asia Limited (天財資本亞洲有限公司), the independent financial adviser appointed to make the relevant recommendation to the Independent Board Committee and the Independent Shareholders in relation to the major and continuing connected transactions, being a licensed corporation to carry on 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
“Latest Practicable Date”	20 November 2012, 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 15 October 2012 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; (iv) foreign exchange services and (v) other financial services as approved by CBRC
“New Services Agreement”	the agreement to supply supporting shipping materials and services dated 15 October 2012 between the Company and China Shipping
“Old Services Agreement”	the agreement to supply supporting shipping materials and services dated 22 October 2009 between the Company and China Shipping
“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

DEFINITIONS

“State Price”	the price stipulated from time to time by the relevant pricing authorities of the PRC national government or municipal government of Shanghai Municipality or any PRC governmental body
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement dated 22 December 2011 between the Company and China Shipping in relation to, among other things, revising the annual cap in relation to the First 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=RMB0.8142. Such conversion should not be construed as a representation that the currency could actually be converted to HK\$ at that rate at all.

EXPECTED TIMETABLE

Date of despatch of this circular Friday, 23 November 2012

Last date for returning the reply slips for the EGM Wednesday, 28 November 2012

Latest time for lodging proxy forms for the EGM 1:30 p.m. on Monday, 17 December 2012

Time and date of EGM 1:30 p.m. on Tuesday, 18 December 2012

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*)

Xu Lirong

Zhang Guofa

Wang Daxiong

Yan Zhichong

Qiu Guoxuan

Independent Non-Executive Directors:

Zhu Yongguang

Zhang Jun

Lu Wenbin

Wang Wusheng

Registered Office

Room A-1015, No. 188 Ye Sheng Road

Yangshan Free Trade Port Area

Shanghai

The PRC

Principal place of business in Hong Kong:

20/F, Alexandra House

18 Chater Road

Central, Hong Kong

23 November 2012

To the Shareholders

Dear Sir/Madam,

MAJOR TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS AND APPOINTMENT OF EXECUTIVE DIRECTOR

1. INTRODUCTION

Reference is made to the announcements of the Company dated 29 June 2012 and 15 October 2012 in respect of the appointment of Mr. Ding Nong as an executive Director of the Company and the Company entering into the New Financial Services Framework Agreement and the New Services Agreement, respectively, and the notice of EGM dated 2 November 2012 published by the Company.

The purpose of this circular is to provide the Shareholders with further information on the terms of the New Financial Services Framework Agreement and the New Services Agreement and the appointment of Mr. Ding Nong as an executive Director and to convene the EGM to seek the approval of the Shareholders with respect to, among other things, these agreements and the appointment.

LETTER FROM THE BOARD

2. THE NEW FINANCIAL SERVICES FRAMEWORK AGREEMENT AND THE NEW SERVICES AGREEMENT

Background Information

As disclosed in the Company's 2009 Announcement and 2011 Announcement, the Company entered into the First Financial Services Framework Agreement and Supplemental Agreement with China Shipping pursuant to which China Shipping may 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 (as revised in the Supplemental Agreement) for the provision of deposit services and loan services were set out in the 2011 Announcement.

On 15 October 2012, the Company entered into the New Financial Services Framework Agreement with CS Finance Company pursuant to which CS Finance Company will (subject to Independent Shareholders' approval) provide the Group with similar services described in the First Financial Services Framework Agreement with revised annual caps for the three years ending 31 December 2015.

As disclosed in the Company's 2009 Announcement, the Company entered into the Old Services Agreement on the same date with China Shipping pursuant to which China Shipping agreed to provide necessary supporting shipping materials and services for the on-going operations of the oil transportation business and dry bulk cargo transportation business including dry-docking and repair services, supply of lubricating oil, fresh water, raw materials, bunker oil as well as other services for the ongoing operations for all vessels owned or bareboat chartered by the Group. The term of the Old Services Agreement shall come to an end on 31 December 2012 and the Company has on 15 October 2012 entered into the New Services Agreement to secure (subject to Independent Shareholders' approval) the Agreed Supplies and Services for the benefit of the Group for a further three years ending 31 December 2015.

Major terms of the New Financial Services Framework Agreement

Date:	15 October 2012
Parties:	CS Finance Company (as provider of services) The Company (as recipient of services)

Pricing

Under the New Financial Services Framework Agreement:

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

LETTER FROM THE BOARD

- (ii) CS Finance Company may provide loans to the Group at interest rates not higher than the upper limit of the relevant rates stipulated by PBC for similar type of loan; and the terms offered by CS Finance Company are more favourable than the terms offered by any independent third party for similar type of loan and the terms offered by CS Finance Company to any independent third party with the same credit rating for similar 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 any independent third party for similar type of services at the time;
- (iv) The fees charged by CS Finance Company for the provision of foreign exchange services shall not be higher, and thus no less favourable, than the fees charged by any independent third party for similar type of services at the time; and
- (v) 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 the lowest of (a) the upper limit (if applicable) of the fees stipulated by PBC to be charged for similar type of services; (b) the fees charged by any independent third party for similar type of services on the Group; or (c) the fees charged by CS Finance Company for similar 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 2013, 2014 and 2015 for the continuing connected transactions under the New Financial Services Framework Agreement as follows:

	Proposed annual caps for the year ending 31 December		
	2013	2014	2015
	<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	3,500,000	4,500,000	5,500,000
(2) Maximum daily outstanding balance of loans (including accrued interest and handling fee) to be granted by CS Finance Company to the Group	5,000,000	6,000,000	7,000,000
	<i>(USD'000)</i>	<i>(USD'000)</i>	<i>(USD'000)</i>
(3) Maximum amount of foreign exchange to be transacted during the year	400,000	500,000	600,000

LETTER FROM THE BOARD

In arriving at such 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 CS Finance Company for the 2 years ended 31 December 2011 and the six months ended 30 June 2012 was approximately RMB1,756,000,000 (approximately HK\$2,156,718,251), RMB2,387,000,000 (approximately HK\$2,931,712,110), and approximately RMB1,781,000,000 (approximately HK\$2,187,423,238), respectively; and
- (ii) 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 2 years ended 31 December 2011 and the six months ended 30 June 2012 was approximately RMB1,441,000,000 (approximately HK\$1,769,835,421), approximately RMB1,629,000,000 (approximately HK\$2,000,736,920), and approximately RMB1,877,000,000 (approximately HK\$2,305,330,386), respectively.

There were no foreign exchange services transacted between the parties for the above period.

In considering CS Finance Company's financial ability in the provision of the financial services, the Board has checked the continuing validity of the CS Finance Company's licence issued by CBRC and considered a report prepared by CS Finance Company based on the relevant financial statements and the strategy and development plans of CS Finance Company.

The proposed annual caps 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 2015 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 1 January 2013. 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 2016.

Reasons for and benefits of entering into the New Financial Services Framework Agreement

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.

LETTER FROM THE BOARD

In light of the unfavourable market conditions coupled with the tightening of credit policy in the PRC in general, the Board believes that securing deposit and loan services from CS Finance Company for the period from 1 January 2013 to the year ending 31 December 2015 would ensure availability of funds to the Group at reasonable costs and reduced working capital risks.

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 foreign exchange and settlement services to the Group, as compared to independent third-party banks.

In light of the above circumstances, the Directors consider the terms of the New Financial Services Framework Agreement to be fair and reasonable so far as the Independent Shareholders are concerned and to be in the interest of the Company and its Shareholders as a whole.

Major terms of the New Services Agreement

Date: 15 October 2012

Parties: China Shipping (as provider of services)
The Company (as recipient of services)

Supporting shipping materials and services provided

The Company has entered into the New Services Agreement with China Shipping pursuant to which China Shipping Group agreed to provide to the Group certain Agreed Supplies and Services for the ongoing operations for all vessels owned or bareboat chartered by the Group.

The Agreed Supplies and Services, to be provided for the vessels owned or bareboat chartered by the Group, include:

1. supply of lubricating oil, fresh water, raw materials, bunker oil, mechanical and electrical engineering, supporting shipping materials and repairs and maintenance services for vessels and life boats;
2. offshore purchase and provision of bunker oil;
3. oil removal treatment, maintenance, telecommunication and navigational services;
4. dry docking, repairs, special coating, technical improvements of vessels;
5. management services of sea crew;

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6. accommodation, lodging, medical services and transportation for employees;
7. agency commissions;
8. service fees on sale and purchase of vessels, accessories and other equipment; and
9. miscellaneous management services.

Fees for the supply of supporting shipping materials and services

The fee for the Agreed Supplies and Services will be determined by reference to the market price or State Price depending on the type of Agreed Supplies and Services. Pursuant to the New Services Agreement, items 3 and 4 above will be determined by reference to the State Price; and the remaining Agreed Supplies and Services above will be determined by reference to the market price. For items 3 and 4, if the State Price no longer applies or is not available subsequently, reference will be made to its market price. Such market price shall be determined by reference to the price chargeable by independent third parties for identical or similar type of supporting shipping material or service at the time in China or overseas (as the case may be) and the price charged to independent third parties by China Shipping in the most recent transaction of a similar nature. Where there is no market price, a price based on the actual book cost incurred by the China Shipping Group for providing the Agreed Supplies and Services will be referred to.

Annual Caps

The aggregate fee in any financial year for the Agreed Supplies and Services will depend on the types or quantity of the Agreed Supplies and Services provided to the Group. Pursuant to the New Services Agreement, the annual cap for the Agreed Supplies and Services will be as follows:

Year ending 31 December	Annual Cap
2013	RMB7,902,000,000 (approximately HK\$9,705,232,130)
2014	RMB9,172,000,000 (approximately HK\$11,265,045,443)
2015	RMB10,395,000,000 (approximately HK\$12,767,133,382)

These annual caps have been determined based on the actual amounts paid by the Company to China Shipping in the last three financial years ended 31 December 2011 and the six months ended 30 June 2012, management's estimates of fleet operational costs over the next three years ending 31 December 2015 and management's estimates of State Prices and other relevant market developments. The increment of the annual caps for the three years have been determined based on the estimated increase in shipping capacity (as a result of the delivery of vessels already commissioned for

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construction as well as historical expansion trends of the Company) and the estimated increase in revenue as a result of the increase in shipping capacity. The shipping capacities for the three years ending 31 December 2015 is estimated to be approximately 20,480,000 dwt, 23,610,000 dwt and 23,730,000 dwt respectively.

For the three years ended 31 December 2011 and the six months ended 30 June 2012, the amount of Agreed Supplies and Services (except for offshore purchase and provision of bunker oil which was not within the scope of service of the Old Services Agreement) purchased from China Shipping Group were approximately RMB2,375,000,000 (approximately HK\$2,916,973,717), approximately RMB3,187,000,000 (approximately HK\$3,914,271,678), approximately RMB2,485,000,000 (approximately HK\$3,052,075,657) and approximately RMB1,270,000,000 (approximately HK\$1,559,813,314) respectively.

As set out in the paragraph headed “Reasons for, an benefits of, entering into the New Services Agreement” below, due to the continuing price increase of bunker oil and the Group’s increasing demand for offshore bunker oil, the provision of services under the category “offshore purchase and provision of bunker oil” was added to the New Services Agreement. As disclosed in the Company’s overseas regulatory announcement dated 20 July 2012 and the Company’s interim report 2012, the Board approved the Company’s subsidiary, China Shipping Development (Hong Kong) Marine Co., Limited, to set up a new company, China Shipping Singapore, with CSCL and China Shipping Regional Holdings Sdn Bhd. It has been agreed by China Shipping and China Shipping Singapore that China Shipping Singapore will provide the Company with offshore bunker oil services based on a price not higher than the market price of the offshore bunker oil. Therefore the fees for such services contributed to the increment of the annual caps between each of the years ending 31 December 2013, 31 December 2014 and 31 December 2015. The annual cap for this service for the years ending 31 December 2013, 2014 and 2015 is RMB4,000,000,000 (approximately HK\$4,912,797,838), RMB4,500,000,000 (approximately HK\$5,526,897,568) and RMB5,200,000,000 (approximately HK\$6,386,637,190), respectively.

Payment terms

Other than fees which cannot be ascertained at the time or such fees which are being disputed, all fees and charges for a particular calendar month where the Agreed Supplies and Services have been provided by China Shipping Group to the Group shall be determined by the last business day of such calendar month and shall be paid by the Group no later than the 15th day on the following calendar month.

Term

The New Services Agreement is for a term of 3 years, starting from 1 January 2013 and ending on 31 December 2015.

The New Services Agreement is conditional upon approval of the Independent Shareholders at the EGM.

LETTER FROM THE BOARD

Effective date

The New Services Agreement will, subject to Independent Shareholders' approval, take effect from 1 January 2013. The term of the New Services Agreement between the Company and China Shipping will end on 31 December 2015.

Reasons for, and benefits of, entering into the New Services Agreement

The New Services Agreement is essential to the operation of the shipping businesses of the Group as it will provide the necessary supporting shipping services and shipping supplies to all the vessels owned or bareboat chartered by the Group. In general, material terms and conditions for the provision of the Agreed Supplies and Services under the New Services Agreement, including the pricing structure, items of services and services standards, are consistent with those under the Old Services Agreement save that there were no offshore purchase and provision of bunker oil in the Old Services Agreement. Due to the continuing price increase of bunker oil and the Group's increasing demand for offshore bunker oil, the purchase of offshore bunker oil under the New Services Agreement is expected to reduce the operation cost of the Group and increase its operational efficiency.

The terms of and consideration payable under the New Services Agreement have been arrived at after arm's length negotiation.

The Directors consider the terms of the New Services Agreement to be fair and reasonable so far as the Independent Shareholders are concerned and to be in the interests of the Company and its shareholders as a whole.

3. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, China Shipping is beneficially interested in 1,578,500,000 Domestic Shares, representing approximately 46.36% of the issued share capital of the Company and is therefore its controlling shareholder as defined under the Listing Rules. 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 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.

The transactions pursuant to the New Services Agreement also constitute continuing connected transactions of the Company given such agreement was entered into with China Shipping.

New Financial Services Framework Agreement

In respect of the provision of deposit services under the New Financial Services Framework Agreement, the placement of deposits by the Group with CS Finance Company constitutes a transaction under Chapter 14 of the Listing Rules. The applicable percentage ratios under Chapter 14 of the Listing Rules in connection with such placement of deposits are expected to be more than 25%

LETTER FROM THE BOARD

but less than 75% on an annual basis. Therefore, such transactions constitute major and continuing connected transactions of the Company which are subject to the relevant major transaction requirements under Chapter 14 of the Listing Rules and the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A 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.

In respect of the provision of foreign exchange services, the applicable percentage ratios under Chapter 14 of the Listing Rules are expected to be more than 5% on an annual basis. Therefore, such transactions constitute continuing connected transactions of the Company which are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under the Listing Rules.

In respect 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 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 Listing Rules.

New Services Agreement

In respect of the provision of the Agreed Supplies and Services by China Shipping to the Group, as the applicable percentage ratios under Chapter 14 of the Listing Rules are expected to be more than 5% on an annual basis, such transactions constitute continuing connected transactions of the Company which are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under the Listing Rules.

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

The following Directors, Mr. Li Shaode, Mr. Xu Lirong, Mr. Wang Daxiong and Mr. Zhang Guofa, being the senior management of China Shipping, have a material interest in the transactions under the New Financial Services Framework Agreement and the New Services Agreement, and have abstained from voting on the relevant Board resolutions.

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 and the New Services 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 annual caps under both of the agreements.

LETTER FROM THE BOARD

4. APPOINTMENT OF AN EXECUTIVE DIRECTOR

Reference is made to the Company's announcement dated 29 June 2012 where the Board announced its approval to appoint Mr. Ding Nong as an executive Director subject to the Shareholders' approval at the EGM. Mr. Ding's appointment will take effect immediately after the Shareholders' approval at the EGM. Details of Mr. Ding Nong are set out in appendix III to this circular.

5. EGM

The EGM will be convened and held at 1:30 p.m. on Tuesday, 18 December 2012 at Eiffelton Hotel, 1888 Puming Road, Pudong District, Shanghai, The People's Republic of China to consider and, if thought fit, approve, among other things, the New Financial Services Framework Agreement, the New Services Agreement and the annual caps in respect of the transactions under the New Financial Services Framework Agreement and the New Services Agreement, respectively and the appointment of Mr. Ding Nong as an executive Director. A notice of the EGM dated 2 November 2012 had been published by the Company and a supplemental notice of EGM is set out on pages N-1 to N-4 of this circular.

A reply slip and form of proxy used at the EGM were despatched by the Company on 2 November 2012. If you are eligible and intend to attend the EGM, please complete and return such reply slip in accordance with the instructions printed thereon on or before Wednesday, 28 November 2012. Whether or not you are able to attend the above meeting, please complete and return such 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.

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

The H share register of members of the Company will be closed from Saturday, 17 November 2012 to Tuesday, 18 December 2012 (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 Friday, 16 November 2012, are entitled to attend and vote at the EGM after completing the registration procedures for attending the EGM. For holders of H Shares, in order to be entitled to attend and vote at the EGM, 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 Friday, 16 November 2012.

7. INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising Messrs. Zhu Yongguang, Zhang Jun, Lu Wenbin and Wang Wusheng has been formed to advise the Independent Shareholders in respect of the transactions under the New Financial Services Framework Agreement and New Services Agreement and annual caps pursuant to the New Financial Services Framework Agreement and New Services 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.

LETTER FROM THE BOARD

8. INFORMATION ABOUT THE COMPANY AND CS FINANCE COMPANY AND CHINA SHIPPING

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. The business scope of China Shipping mainly involves import and export businesses, 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.

9. RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the transactions pursuant to the New Financial Services Framework Agreement and New Services Agreement and the annual caps in connection with the New Financial Services Framework Agreement and New Services 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 relevant resolutions set out in the supplemental notice of EGM.

The Directors (including the independent non-executive Directors) also consider that the resolution to approve the appointment of Mr. Ding Nong as an executive Director is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Shareholders to vote in favour of the relevant resolution set out in the supplemental notice of EGM.

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)

23 November 2012

To the Independent Shareholders

Dear Sir/Madam,

MAJOR TRANSACTIONS AND 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 and the New Services Agreement, details of which are set out in the Letter from the Board contained in the circular to the shareholders of the Company dated 23 November 2012 (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 New Financial Services Framework Agreement and the New Services Agreement, and the opinion of the Independent Financial Adviser in relation thereto as set out on pages 18 to 28 of the Circular, we are of the opinion that the terms of the transactions pursuant to the New Financial Services Framework Agreement and the New Services 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 EGM to approve such transactions and the respective annual caps.

Yours faithfully,

Zhu Yongguang

*Independent
non-executive
Director*

Zhang Jun

*Independent
non-executive
Director*

Lu Wenbin

*Independent
non-executive
Director*

Wang Wusheng

*Independent
non-executive
Director*

LETTER FROM 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 and the New Services Agreement.



TC Capital Asia Limited
天財資本亞洲有限公司

23 November 2012

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

MAJOR TRANSACTIONS AND 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 and New Services Agreement as described in the letter from the Board (the “Board Letter”) in the circular to Shareholders dated 23 November 2012 (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 and New Services Agreement are set out in the letter from the Board Letter. Our role as Independent Financial Adviser is to give our opinion as to whether the New Financial Services Framework Agreement and New Services Agreement contained therein and the annual cap amount for each of the three years ending 31 December 2015 are in the interest of the Company, on normal commercial terms, in the ordinary and usual course of business and fair and reasonable insofar as the Independent Shareholders are concerned.

China Shipping holds approximately 46.36% of the issued share capital of the Company and is therefore a controlling shareholder of the Company as defined under the Listing Rules. As such, China Shipping is a connected person of the Company within the meaning of the Listing Rules and the transactions pursuant to the New Services Agreement constitute continuing connected transactions of the Company. CS Finance Company, 45% of which is 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 putting forth our recommendation, we have considered, among other things, (i) the New Financial Services Framework Agreement and the New Services Agreement; (ii) the Company’s 2011 annual report and 2012 interim report; (iii) other information as set out in the Circular. We have also relied on all relevant information, opinions and facts supplied and representation made to us by the Directors and representatives of the Company. We have assumed that all such information, opinions,

LETTER FROM INDEPENDENT FINANCIAL ADVISER

facts and representations, which have been provided by the Directors or representatives of the Company, for which they are fully responsible, are true, accurate and complete in all respects. The Directors have also confirmed to us that no material facts in connection with the New Financial Services Framework Agreement and New Services 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 and China Shipping Group, nor have we carried out any independent verification of the information supplied.

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

1. Background of the relevant parties

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 businesses, 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 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.

2. New Financial Services Framework Agreement

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 and 2011 Announcement, the Company entered into the First Financial Services Framework Agreement on 22 October 2009 and the Supplemental Agreement on 22 December 2011 with China Shipping, pursuant to which China Shipping may 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.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Principal terms of the New Financial Services Framework Agreement

Date of the Agreement	:	15 October 2012
Parties	:	CS Finance Company, as provider of services The Company, as recipient of services
Subject matter	:	CS Finance Company may provide the Group with a range of financial services including: 1. deposit services; 2. loan services; 3. foreign exchange services; 4. settlement services; and 5. 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 1 January 2013. 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 2016.
Payment of Fee	:	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 payment to be consistent with market terms for the relevant type of financial services.

Pricing Policies

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

- (i) CS Finance Company may accept deposits from the Group at interest rates not lower, and thus no less favourable, than the highest of (a) the lower limit of the relevant rates stipulated by PBC for similar type of deposits; (b) the interest rates offered by any independent third party for similar type of deposits; or (c) the interest rates at which CS Finance Company accepts from any independent third party for similar type of deposits;
- (ii) CS Finance Company may provide loans to the Group at interest rates not higher than the upper limit of the relevant rates stipulated by PBC for similar type of loan; and the terms

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offered by CS Finance Company are more favourable than the terms offered by any independent third party for similar type of loan and the terms offered by CS Finance Company to any independent third party with the same credit rating for similar 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 any independent third party for similar type of services at the time;
- (iv) The fees charged by CS Finance Company for the provision of foreign exchange services shall not be higher, and thus no less favourable, than the fees charged by any independent third party for similar type of services at the time; and
- (v) 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 the lowest of (a) the upper limit (if applicable) of the fees stipulated by PBC to be charged for similar type of services; (b) the fees charged by any independent third party for similar type of services on the Group; or (c) the fees charged by CS Finance Company for similar type of services on any independent third party with the same credit rating.

The above pricing policies are similar to the First Financial Services Framework Agreement and Supplemental Agreement. We have obtained and reviewed certain records such as deposit and/or loan receipts, certificates of deposit and/or loan and other relative statements in respect of the Company obtaining financial services from CS Finance Company and independent third party. Having checked the interest rates offered and the fees charged with the above mentioned pricing policy, we are satisfied that those historical transactions are in compliance with the pricing policies under the First Financial Services Framework Agreement and Supplemental Agreement. We are of the view that the above pricing principles are fair and reasonable so far as the Independent Shareholders are concerned as the interests 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 unless deemed not applicable.

Reasons for and benefits of the New Financial Services Framework Agreement

The New Financial Services Framework Agreement allows the Group to benefit from potentially more favourable rates, when compare 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 usage of the Group's funds.

Besides, the New Financial Services Framework Agreement offers an additional financing option to the Group and increases the financial flexibility of the Group. The Group is not restricted under the New Financial Services Framework Agreement to choose, any bank or financial institution to satisfy its financial service needs. According to the Board Letter, 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

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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 foreign exchange and settlement services to the Group, as compared to independent third-party banks.

Having taken into account the reasons set out above, we are of the view that the entering into the New Financial Services Framework Agreement is in the interest of the Company and its Shareholders as a whole.

Annual caps and basis of determination

A summary of the historical amount and proposed annual caps for the continuing connected transactions under the New Financial Services Framework Agreement for each of the two years ended 31 December 2011, the six months ended 30 June 2012, and for each of the three years ending 31 December 2015 are set out in the table below:

	Historical amount			Proposed annual caps		
	2010	2011	2012	2013	2014	2015
	(RMB'000)	(RMB'000)	(Jan-Jun)	(RMB'000)	(RMB'000)	(RMB'000)
(1) Maximum daily outstanding balance of deposits (including accrued interest and handling fee) to be placed by the Group with CS Finance Company	1,756,000	2,387,000	1,781,000	3,500,000	4,500,000	5,500,000
(2) Maximum daily outstanding balance of loans (including accrued interest and handling fee) to be granted by CS Finance Company to the Group	1,441,000	1,629,000	1,877,000	5,000,000	6,000,000	7,000,000
				(USD'000)	(USD'000)	(USD'000)
(3) Maximum amount of foreign exchange to be transacted during the year (Note)	—	—	—	400,000	500,000	600,000

Note :

There is no foreign exchange services transacted between the parties for each of the two years ended 31 December 2011 and the six months ended 30 June 2012.

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In considering CS Finance Company's financial ability in the provision of the financial services, we have obtained the management account of the CS Finance Company and checked the continuing validity of the CS Finance Company's licence issued by CBRC and considered a report prepared by CS Finance Company based on the relevant financial statements. We have also reviewed the strategy and development plans of CS Finance Company. According to the relevant financial statements of the CS Finance Company, the profit increased approximately 150% from 2010 to 2011, and pursuant to the strategy and development plans, CS Finance Company will strengthen cooperation with commercial banks and/or other financial companies to actively develop syndicated business, improve liquidity management level and other relative business. Moreover, in order to enhance its capital adequacy ratio and risk resistance capacity, CS Finance Company may increase capital in the future.

As stated in the Board Letter, the proposed annual caps 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 2015; and (iii) CS Finance Company's financial ability.

As the proposed annual caps of the deposits and foreign exchange services are closely related to the size of the business operations of the Group, the net current assets and its funding requirements over the next three years. To arrive at our view on the Group's future demand for deposit, loan and foreign exchange services for the next three years, we have discussed with the management of the Company on the basis and assumptions. We have also considered the following factors:

(a) The net current assets of the Group

According to the Company's 2011 annual report and 2012 interim report, the cash and cash equivalents as at 31 December 2010, 31 December 2011 and 30 June 2012 were RMB1.1 billion, RMB3.4 billion and RMB2.8 billion while the net current liabilities as at the corresponding periods were RMB1.8 billion, RMB0.6 billion and RMB3.1 billion, respectively. We understand that the net current liabilities as at 30 June 2012 was mainly due to the recognition of a current portion of notes, interest-bearing bank and other borrowings of RMB6.6 billion, which will be refinanced when due. Without taking into account such amount, the net current assets as at 30 June 2012 is approximately RMB3.5 billion, which is approximate the proposed annual cap for the year ending 31 December 2013. In addition, as disclosed in the 2012 interim report of the Company, the issuance of corporate bonds with an aggregate nominal value of RMB5 billion for the Company was approved by the China Securities Regulatory Commission. The issuance will be carried out in phases. On 7 August 2012, the A-Share corporate bonds were issued by the Company and have been listed in Shanghai Stock Exchange since 21 August 2012. Having taken this into account, we are of the view the proposed annual caps for the maximum daily outstanding balance of deposits provide a financial flexibility to the Group to place its temporarily surplus cash.

(b) The business development of the Group

As disclosed in the 2011 annual report of the Company, the Group's shipping business has a steady growth over the past several years and expected to grow in the future with the number of vessels to be delivered. Based on the information provided by the Company, the Group's

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confirmed vessel capacity as at 31 December 2012, 2013, 2014 and 2015 is 15.50 million dwt, 20.48 million dwt, 23.61 million dwt and 23.73 million dwt, respectively, representing an annual growth rate of 32.1%, 15.3% and 0.5%. As the Company may acquire new vessels in the future, the Group's vessel capacity may exceed the above estimated amount.

(c) Amount of loans the Group is expected to assume.

As disclosed in the 2011 annual report of the Company, the composition of the Group's fleet has reached 189 in the end of 2011 and it is expected to reach 233 vessels, 247 vessels and 251 vessels respectively for the three years ending 31 December 2014, which represents an increased trend year by year. Given that the Group proposes to purchase vessels for expanding its business and expects to accept delivery of a large numbers of vessels over the next few years. Therefore, cash outlay due to both stage payments and completion of the vessels go on increasing for the Group over the next few years. We have discussed with the Company and understood that the Group will finance the above payments with loan. Having considered that the loans granted by CS Finance Company will be on terms no less favourable to the Group, we are of the view the proposed annual cap for the maximum daily outstanding balance of loans is fair and reasonable.

(d) The use of foreign currency in operation

The Group operates internationally and receives foreign currency in its normal operation. The Group's overseas turnover for each of the two years ended 31 December 2011 and the six months ended 30 June 2012 was RMB4,060 million, RMB4,766 million and RMB3,206 million and accounted for 36.0%, 39.2% and 57.1% of total turnover respectively. It is expected that the overseas turnover of the Group will continue to increase.

On the other hands, the Group requires foreign currency to fulfill its operation requirements, in particular, the purchase of vessels and fuels. As at 30 June 2012, the Group's foreign exchange liabilities mainly comprised secured bank loans equivalent to approximately RMB8,703 million, unsecured bank loans equivalent to approximately RMB1,958 million and unsecured other borrowings equivalent to approximately RMB632 million. In addition, the Company would pay dividend for H shares in HKD.

As disclosed in the Company's 2012 interim report, the Group is exposed to foreign exchange risk arising from various currency exposures, in particular USD and Hong Kong Dollar against RMB. The Group will further strengthen its efforts in monitoring and studying exchange rate fluctuations, and will actively implement effective measures to strive to avoid exchange rate fluctuation risks as the changes in exchange rates will have certain impact on the Group's profitability. The provision of foreign exchange services by CS Finance Company will be beneficial to the Group provided that the fee charged will always at a rate no less favourable than the fee charged by independent third party.

On the basis of the above, we are of the view that the proposed annual caps for the New Financial Services Framework Agreement for the three years ending 31 December 2015 are fair and reasonable.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

3. New Services Agreement

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

Principal terms of the New Services Agreement

Date of the Agreement	:	15 October 2012
Parties	:	China Shipping, as provider of services The Company, as recipient of services
Subject matter	:	China Shipping Group will provide the Group with certain Agreed Supplies and Services for the ongoing operations for all vessels owned or bareboat chartered by the Group. The list of Agreed Supplies and Services includes: 1. supply of lubricating oil, fresh water, raw materials, bunker oil, mechanical and electrical engineering, supporting shipping materials and repairs and maintenance services for vessels and life boats; 2. offshore purchase and provision of bunker oil; 3. oil removal treatment, maintenance, telecommunication and navigational services (the “Item 3”); 4. dry docking, repairs, special coating, technical improvements of vessels (the “Item 4”); 5. management services of sea crew; 6. accommodation, lodging, medical services and transportation for employees; 7. agency commissions; 8. service fees on sale and purchase of vessels, accessories and other equipment; and 9. miscellaneous management services.
Terms	:	3 years, starting from 1 January 2013 and ending on 31 December 2015
Payment of Fee	:	The fees for the Agreed Supplies and Services will be paid no later than the 15th day of the following calendar month.

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Compared to the Old Services Agreement, the offshore purchase and provision of bunker oil is added to the New Services Agreement.

Pricing Policies

As disclosed in the letter from the Board Letter, the fees and charges of the Agreed Supplies will be determined by reference to:

- (i) the State Price;
- (ii) if a State Price is not available, reference will be made to the relevant market price, which is the price chargeable by independent third parties for identical or similar type of shipping material or service; and
- (iii) where there is no comparable market price, a price based on the actual book cost incurred by China Shipping Group for providing the Agreed Supplies will be referred to.

We have obtained and reviewed the contracts and invoices in respect of the Company purchasing materials or obtaining services from China Shipping and/or independent third parties. We note that the terms of the contracts with China Shipping are no less favourable to the Company than the terms available from independent third parties, and we are satisfied that those historical transactions are in compliance with the pricing policies under the Old Service Agreement. Pursuant to the New Services Agreement, Item 3 and Item 4 above will be determined by reference to the State Price, and the remaining Agreement Supplies and Services above will be determined by reference to the market price. For Item 3 and Item 4, if the State Price no longer applies or is not available subsequently, reference will be made to its market price. We are of the view that the above pricing principle is fair and reasonable so far as the Independent Shareholders are concerned as (i) fees of the Agreed Supplies and Services will be set at either State Prices, market prices or on cost basis, with the former always prevail unless deemed not applicable; and (ii) the above pricing policies are the same as those stipulated under the Old Service Agreement which was approved by the Independent Shareholders in December 2012.

Reasons for and benefits of the New Services Agreement

The New Services Agreement is essential to the operation of the shipping businesses of the Group as it will provide the necessary supporting services and shipping supplies to all the vessels owned or bareboat chartered by the Group. In general, material terms and conditions for the provision of the Agreed Supplies and Services under the New Services Agreement, including the pricing structure, items of services and services standards, are consistent with those under the Old Services Agreement save that there were no offshore purchase and provision of bunker oil in the Old Services Agreement. Due to the continuing price increase of bunker oil and the Company's increasing demand for offshore bunker oil, the purchase of offshore bunker oil under the New Services Agreement is expected to reduce the operation cost of the Company and increase its operational efficiency. Consequently, we are of the view that the New Services Agreement is in the interest of the Company, in the ordinary and usual course of business and fair and reasonable insofar as the Independent Shareholders are concerned.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Annual caps and basis of determination

The aggregate fee in any financial year for the Agreed Supplies and Services will depend on the types or quantity of the Agreed Supplies and Services provided to the Group. A summary of the historical amount and proposed annual caps for the continuing connected transactions under the New Services Agreement for each of the three years ended 31 December 2011, the six months ended 30 June 2012, and for each of the three years ending 31 December 2015 are set out in the table below:

	Historical amount				Proposed annual caps		
	2009	2010	2011	2012	2013	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(Jan-Jun) (RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Fees for the Agreed Supplies and Services	2,375,000	3,187,000	2,485,000	1,270,000	7,902,000	9,172,000	10,395,000

(a) Increase of offshore purchase and provision of bunker oil

China Shipping Development (Hong Kong) Marine Co., Limited (“CSHK Development”), a wholly owned subsidiary of the Company, formed a new company to be named China Shipping (Singapore) Petroleum Co. Ltd. (“CSSP”), with China Shipping Container Lines (Hong Kong) Co., Ltd and China Shipping Regional Holdings Sdn Bhd. The registered capital of CSSP is USD5,000,000, CSHK Development will contribute USD250,000 (approximately RMB1,600,000), representing 5% of the registered capital of CSSP. CSSP will manage shipping fuel purchase, supply and trade business for China Shipping Group and the Group. The Group expects that following the establishment of CSSP, CSSP will supply offshore purchase and provision of bunker oil to the Group.

(b) Increase of total shipping capacity

As disclosed in the 2011 annual report of the Company, the Group’s shipping business is having a steady growth over the past several years and expected to grow in the future with the number of vessels to be delivered. Based on the information provided by the Company, the Group’s vessel capacity as at 31 December 2012, 2013, 2014 and 2015 is 15.50 million dwt, 20.48 million dwt, 23.61 million dwt and 23.73 million dwt, respectively, representing an annual growth rate of 32.1%, 15.3% and 0.5%. Hence, the need of the Agreed Supplies and Services will be increased.

(c) Increase of fuel cost

As disclosed in the 2011 annual report of the Company, the fuel cost takes the largest percentage of the main operating costs. The fuel cost was RMB2,670 million, RMB3,845 million, RMB5,016 million for each of the three years ended 31 December 2011, which represented an annual growth rate of 44.0% and 30.5% respectively. Such significant increase was mainly due to the increase of international oil prices in these years. Since the international oil price and the domestic bunker oil are expected to continue fluctuating at high levels for the coming few years, with the increasing operating scale, the fuel charges for the Agreed Supplies and Services will increase.

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(d) *Increase of other operating costs*

The China's economy, in term of the Gross Domestic Product ("GDP"), increased 9.2% from 2010 to 2011. It is expected the China's GDP will continue to grow at a rate of approximately 8.0% per annum. The positive prospect of the China's economy has been resulting inflation in China. Together with the increase in other operating costs, such as repair and insurance expenses and labour costs as a result of the increase in shipping capacity, the Company expects that the other operating costs will be increasing.

On the basis of the above, we are of the view that the proposed annual caps for the Agreed Supplies and Services for the three years ending in 31 December 2015 are fair and reasonable.

CONCLUSION

Having taken into account the principal factors and reasons set out above, we are of the opinion that (i) it is in the Company's ordinary and usual course of business to enter into the New Financial Services Framework Agreement and the New Services Agreement; (ii) the New Financial Services Framework Agreement and New Services Agreement would provide the Company with better business support services as China Shipping Group is familiar with the industry and operations of the Group; (iii) major terms of the New Financial Services Framework Agreement and the New Services Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iv) the annual cap amount for the New Financial Services Framework Agreement and the New Services Agreement for each of the three years ending 31 December 2015 are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we would recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the upcoming EGM to approve the New Financial Services Framework Agreement and the New Services Agreement.

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

A. FINANCIAL INFORMATION OF THE GROUP

The Company is required to set out in this circular the information for the last three financial years with respect to the Group's profits and losses, financial record and position (set out as a comparative table), and the latest published audited balance sheet together with the notes to the annual accounts for the latest financial year.

The audited consolidated financial statements of the Group together with the relevant notes for each of the three years ended 31 December 2009, 2010 and 2011 and the unaudited consolidated financial statements for the six months ended 30 June 2012 have been set out in the annual reports of the Company for the years ended 31 December 2009, 2010 and 2011 and the interim report of the Company for the six months ended 30 June 2012 dated 26 April 2010, 11 April 2011, 5 April 2012 and 3 September 2012, respectively, which are published on the websites of the Company (<http://www.cnshippingdev.com>) and the Stock Exchange (<http://www.hkex.com.hk>).

B. WORKING CAPITAL

Taking into account the financial resources available to the Group, including internally generated funds and the available banking facilities, the Directors of the Company are of the opinion that the Group has sufficient working capital for its requirement for at least 12 months from the date of this circular.

C. STATEMENT OF INDEBTEDNESS**Borrowings**

As at the close of business on 30 September 2012, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately RMB36,365 million, comprising (i) unsecured interest-bearing convertible bonds with carrying value and principal amount of approximately RMB3,223 million and RMB3,950 million respectively, (ii) unsecured interest-bearing corporate bonds with carrying value and principal amount of approximately RMB2,479 million and approximately RMB2,500 million respectively, (iii) other unsecured interest-bearing loans of approximately RMB553 million, (iv) interest-bearing bank and other borrowings of approximately RMB13,221 million secured by mortgages on the Group's 4 vessels under construction and 54 vessels with an aggregate carrying value of approximately RMB21,256 million, (v) unsecured notes, interest-bearing bank and other borrowings of approximately RMB16,889 million, of which the notes payable were having carrying value and principal amount of approximately RMB4,996 million and RMB5,000 million respectively.

As at 30 September 2012, the capital commitment of the Group for construction and purchases of vessels and equity investment amounted to approximately RMB8,391 million and RMB1,030 million respectively; pursuant to the operating lease agreements in respect of certain of its vessels and buildings, the minimum lease payments payable by the Group are approximately RMB4,248 million.

Disclaimer

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, the Group did not have outstanding at the close of business on 30 September 2012, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

D. FINANCIAL TRADING AND PROSPECTS OF THE GROUP

In the second half of 2012, the growth of global economy will face a more complicated environment, as the European debt crisis is not expected to be resolved promptly, and the international oil price is likely to rebound as a result of the geopolitical situation in the Middle East. Meanwhile, PRC economic growth is expected to slow down, and demand growth for oil and dry bulk shipment are also expected to slow down. However, there are still a large number of orders for all types of vessels in the shipping market, and the relationship between market demand and supply is not expected to materially improve in the short term. As a result, it is estimated that the shipment market will continue to fluctuate at low levels.

As for oil shipment, the imbalance between market demand and capacity supply in the tanker market is expected to continue in the second half of 2012, and the slow down of tanker shipment is not expected to turnaround again in the short term. For dry bulk shipment, since over one-third of the coastal shipment capacity operates both domestic coastal and international bulk shipment, the relationship between coastal market and international market is getting closer. It is expected that the coastal dry bulk market will follow the international bulk shipment market trend of different types of vessels and will remain fluctuating at the lower end of the market.

The Directors believe that, during the second half of 2012, the prospects of the domestic and overseas shipping market in the PRC will remain grim as disclosed in the Company's 2012 interim report and the third quarterly results and as such, it is expected that the net profit attributable to the owners of the parent company for the 12 month period ending 31 December 2012 will decrease by approximately 100% as compared with 2011.

To cope with the current market situation, the Group will focus on the following works in the second half of 2012:

- (1) Deepening the management and operating system reform, which is mainly shown as follows:
 - A. In the first half of 2012, the Company reorganised its dry bulk business and established China Shipping Bulk Carrier Co. Ltd. and China Shipping Bulk Carrier (Shanghai) Co., Ltd. As a result, an intensive and professional management platform has been set up, and the transfer of related assets, liabilities, personnel, business and

management has also been completed. In the second half of 2012, the share transfer of each jointly-controlled entity, associate and investee company will be completed when conditions are met, and great efforts will be made in centralising the operations of the dry bulk vessels so as to build-up the “China Shipping Dry Bulk” brand.

- B. In respect of the level of each of the professional companies, in order to further strengthen the marketing function of the Group, the Group will consolidate its marketing team, the marketing campaign will be strengthened and the Group will establish with the objective to breakthrough during the adverse condition.
 - C. Human resource system reform, strengthen personnel cultivation and all staff performance evaluation mechanism are expected to be a primary focus. The Group will strive to explore “Three Paths”, namely the path to cultivate ship and onshore personnel exchange, international operating management personnel cultivation path and young cadets career development path, in order to further enhance the standard of management of the Company. At the same time, the Group will place more emphasis on the performance evaluation mechanism and enhance its incentive system, with a view to improve the relevant staff’s ability on innovation, recognising opportunities and crisis, as well as increasing the enthusiasm of the staff to work harder.
- (2) Continue to strengthen strategic cooperation with major customers, consolidate and expand the Company’s transportation market shares for domestic and foreign trade, and reduce operation risks arising from freight rate fluctuations.

In recent years, the Company has actively and consistently implemented cooperation strategies with major customers, established stable freight sources and achieved expansion in markets in which the Group operates, seeking for transformation in its development approach. The Company will create strategic alliance between freight customers and ship owners actively through various means including continuously increasing the number of joint ventures to be formed, entering into long-term COA contracts and increasing the utilization of dedicated berths, in order to maximize economies of scale in shipping capacity and increase the operation efficiency of vessels. For bulk shipments, the Company will continue to strengthen strategic cooperation with major customers such as China Shenhua Group, Huaneng Power International, Baosteel Group, Shougang Company Limited, China Resources (Holdings) Company Limited, Shenergy Company Limited, Shanghai Electric Power Co Ltd and Guangzhou Development Industry (Holdings) Co., Ltd. and expand the size of shipping capacity within control through joint ventures and other means in order to increase the Group’s control over the coastal electricity and coal transportation markets. For oil shipments, the Company will endeavor to consolidate its presence in coastal markets and strengthen its cooperation with large domestic and foreign petroleum companies to stabilize the basic freight sources, nurture a team of ocean shipping operation talents and enhance the overall efficiencies.

- (3) Further strengthen its cost control system and enhancing cost effectiveness. In the second half of the year, the Group will continue strengthening its control over fuel costs, management and other fees, in order to prevent their rebound. Fuel costs are one of the Group's major costs. The Group will continue to strengthen the management of energy-saving and the use of energy-saving technologies, implement economical vessel speed and strive to control fuel costs.
- (4) Strengthen the competitiveness of its fleet structure. With the expectation that the shipment market will continue to slow down, the Group will further eliminate the outdated vessels and single-hull oil tankers. On the basis of the disposal of 5 outdated vessels and old vessels in the first half of the year, we continue to expect that 15 vessels will be eliminated in the second half of the year. The Group will adjust the fleet structure scientifically and reasonably to avoid unreasonable expansion of the fleet structure and to enhance the Group's competitiveness in the market.
- (5) Actively progress the LNG shipment business. Based on the basis of existing projects, the Group will persist to explore LNG shipment projects by capturing the long term co-operation relationship between the Group, PetroChina and Sinopec.
- (6) Expand its financing sources to secure development funds for the Company. According to the Group's shipbuilding plans, the capital expenditure of the Group from 2012 to 2014 is expected to be RMB9.39 billion, RMB3.18 billion and RMB0.8 billion respectively. Meanwhile, the associated and joint venture companies of the Group have a strong demand for capital increases. In this connection, the Company will further strengthen its co-operation with banks to maintain smooth financing channels.

As at the date of this circular, all of the RMB5 billion corporate bonds of the Company has been successfully issued.

- (7) Continue to strengthen safety and security. We will work hard to avoid possibilities of ship collision, carry out anti-piracy, fire prevention and anti-pollution measures, and improve the building and operating of comprehensive security system.

Effect of the New Financial Services Framework Agreement and Services Agreement on the earnings and asset and liabilities of the Group

In respect of the New Financial Services Framework Agreement, (1) deposits to be placed by the Group through the deposit services will generate interest income for the Company; (2) loans to be obtained by the Group through the loan services will result in an increase in the scale of assets and liabilities of the Company; and (3) the foreign exchange services to be used by the Group will not have any significant effect on the earnings and assets and liabilities of the Group.

In respect of the New Services Agreement, there has been no, and the Group does not expect there will be any, significant effect on the earnings and assets and liabilities of the Group.

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 and supervisors, 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 2011, 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 controlling shareholder of the Company for the purpose of the Listing Rules).

3. MATERIAL ADVERSE CHANGE

The demand for both domestic and international shipping market remained low since the beginning of 2012. Given the oversupply of shipping capacity, the ongoing decrease of freight rates for such transportation and the increasing oil price, the Group has recorded a loss in its consolidated net profits for the first quarter ended 31 March 2012, six months ended 30 June 2012, and the third quarter ended 30 September 2012. Pursuant to the third quarterly results of the Company, it has been estimated that the net profit attributable to the owners of the parent company for 2012 will decrease by approximately 100% as compared with 2011. Details of such material adverse change are set out in the announcements of the Company dated 10 April 2012 and 18 July 2012, the first quarterly results of the Company for the three months ended 31 March 2012 dated 26 April 2012, the interim results of the Company for the six months ended 30 June 2012 dated 21 August 2012 and the third quarterly results for the Company for the three months ended 30 September 2012 dated 30 October 2012.

As at the Latest Practicable Date, save as disclosed above, the Directors are not aware of any material adverse change in the financial position or trading prospects of the Group since 31 December 2011, being the date to which the latest audited financial statements of the Group were made up.

4. MATERIAL LITIGATION

As at the Latest Practicable Date, no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

5. 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
TC Capital Asia Limited	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 31 December 2011, being 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.

6. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contract (not being a contract entered into in the ordinary course of business) was entered into by members of the Group within the two years immediately preceding the Latest Practicable Date and is, or may be, material:

- a. a capital increase agreement dated 27 May 2011, entered into between China Shipping, Guangzhou Maritime Transport, the Company, CSCL and CS Haisheng, each of which agreed to increase their respective capital contribution in the total amount of RMB300,000,000 (approximately HK\$368,459,838) to CS Finance Company by way of cash in proportion to their then existing equity holdings in CS Finance Company, details of which are set out in the announcement of the Company dated 27 May 2011.

7. MISCELLANEOUS

- (i) The legal address of the Company is at Room A-1015, No. 188 Ye Sheng Road, Yanshang Free Trade Port Area, 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, being an affiliated person of The Hong Kong Institute of Chartered Secretaries. Ms. Yao obtained a company secretary training certificate from the Shanghai Stock Exchange.
- (v) In the event of inconsistency, the English version of this circular shall prevail over the Chinese version.

8. 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 Tuesday, 18 December 2012:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the two financial years ended 31 December 2011;
- (c) the letter from the Board, the text of which is set out in pages 6 to 16 of this circular;
- (d) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in page 17 of this circular;

- (e) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in pages 18 to 28 of this circular;
- (f) the written consent from the Expert;
- (g) the material contract as set out in the section headed “Material Contracts” in this appendix;
- (h) a copy of this circular;
- (i) the New Financial Services Framework Agreement; and
- (j) the New Services Agreement.

APPENDIX III BIOGRAPHY OF THE PROPOSED EXECUTIVE DIRECTOR

INFORMATION ON THE PROPOSED EXECUTIVE DIRECTOR

(1) Mr. Ding Nong

Mr. Ding Nong, born in May 1961 and aged 51, has a master degree and is now the deputy general manager of China Shipping (Group) Company. Mr. Ding obtained his bachelor degree from Shanghai Maritime University with a professional qualification in marine engineering in 1982 and obtained his master degree from Shanghai Maritime University with a professional qualification in transportation planning and administration in 2003. Mr. Ding started his career in 1982 and was a ship chief engineer of Guangzhou Bureau of Maritime Transportation Administration (“BOMTA”), the deputy general manager of the technical department of Taihua Oil Shipping Company of Guangzhou BOMTA, the assistant to the general manager and the deputy general manager of Guangzhou Shipping (Group) Company, the deputy general manager of the Bulk Carrier Branch of the Company, the general manager of China Shipping and Sinopec Suppliers Co., Ltd., the assistant to the president of China Shipping (Group) Company and the general manager of China Shipping International Ship Management Co., Ltd.

It is proposed that subject to the Shareholders’ approval, Mr. Ding will enter into a service contract with the Company for his appointment as an executive Director for a term from the date of obtaining the Shareholders’ approval on his appointment up to 19 June 2015 or the date of the Company’s annual general meeting in 2015 (whichever the earlier). Pursuant to such proposed service contract, Mr. Ding will not receive any remuneration from the Group. Such service contract shall be terminated by either party giving at least three months’ prior notice in writing.

Save as disclosed above, Mr. Ding does not hold any other position with the Company or other members of the Group. Mr. Ding does not and has not, in the past three years, held any directorships in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas. Save as disclosed herein, Mr. Ding does not have any relationship with any director, member of senior management or substantial or controlling shareholder of the Company. As at the Latest Practicable Date, Mr. Ding does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, there is no other information relating to Mr. Ding’s appointment as an executive Director to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules. There is no other matter which needs to be brought to the attention of the Shareholders in respect of Mr. Ding’s appointment as an executive Director.

SUPPLEMENTAL NOTICE OF THE EXTRAORDINARY 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)

SUPPLEMENTAL NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Notice dated 2 November 2012 had been given by the Company to convene the extraordinary general meeting (the “**EGM**”) of China Shipping Development Company Limited (the “**Company**”) to be held at 1:30 p.m. on Tuesday, 18 December 2012 at Eiffelton Hotel, 1888 Puming Road, Pudong District, Shanghai, The People's Republic of China to consider and, if thought fit, pass the following ordinary resolutions. This notice is a supplemental notice following the despatch of the Company's circular dated 23 November 2012 (the “**Circular**”) confirming the ordinary resolutions to be passed at the EGM:

1. to approve, ratify and confirm the new financial services framework agreement dated 15 October 2012 (the “**New Financial Services Framework Agreement**”) entered into between the Company and China Shipping Finance Company Limited (中國海運財務有限責任公司) and the proposed annual caps for the transactions contemplated thereunder; and to authorise the directors of the Company (“**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 New Financial Services Framework Agreement;
2. to approve, ratify and confirm the new services agreement dated 15 October 2012 (the “**New Services Agreement**”) entered into between the Company and 中國海運(集團)總公司 (China Shipping (Group) Company) and the proposed annual caps for the 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 New Services Agreement; and
3. to approve the appointment of Mr. Ding Nong as an executive director of the Company and the terms of the service contract of Mr. Ding Nong, details of which are set out in paragraph (a) of the explanatory note on this notice and to authorise any Director to make any further amendments to such service contract as he sees fit or desirable and execute the same on behalf the Company.

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

SUPPLEMENTAL NOTICE OF THE EXTRAORDINARY GENERAL MEETING

23 November 2012
Shanghai
The People's Republic of China

Notes:

- (A) The H Share register of the Company will be closed from Saturday, 17 November 2012 to Tuesday, 18 December 2012 (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 Friday, 16 November 2012 are entitled to attend and vote at the EGM 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 EGM, their share transfer documents must be lodged with the Company's H share registrar not later than 4:30 p.m. on Friday, 16 November 2012.

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

- (B) Holders of H Shares, who intend to attend the EGM, must complete the reply slips for attending the EGM 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 EGM, i.e. no later than Wednesday, 28 November 2012.

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

7th Floor, 670 Dong Da Ming Road, Shanghai,
The People's Republic of China
Postal Code: 200080
Tel: 86(21) 6596 6666
Fax: 86(21) 6596 6160

- (C) Each holder of H Shares who has the right to attend and vote at the EGM 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 EGM.
- (D) 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.
- (E) 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 EGM (or any adjournment thereof) in order for such documents to be valid.

SUPPLEMENTAL NOTICE OF THE EXTRAORDINARY GENERAL MEETING

- (F) 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 EGM. Notes (C) to (D) 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 (B) above, not less than 24 hours before the time appointed for holding the EGM (or any adjournment thereof) in order for such documents to be valid.
- (G) If a proxy attends the EGM 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 EGM, 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 EGM, 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.
- (H) The EGM is expected to last for an hour. Shareholders attending the EGM are responsible for their own transportation and accommodation expenses.
- (I) As at the date of this supplemental notice, the board of directors of the Company is comprised of Mr. Li Shaode, Mr. Xu Lirong, Mr. Zhang Guofa, Mr. Wang Daxiong, Mr. Yan Zhichong and Mr. Qiu Guoxuan as executive Directors, and Mr. Zhu Yongguang, Mr. Zhang Jun, Mr. Lu Wenbin and Mr. Wang Wusheng as independent non-executive Directors.

EXPLANATORY NOTE TO THE SUPPLEMENTAL NOTICE OF EGM

(a) Mr. Ding Nong (“**Mr. Ding**”)

Mr. Ding Nong, born in May 1961 and aged 51, has a master degree and is now the deputy general manager of China Shipping (Group) Company. Mr. Ding obtained his bachelor degree from Shanghai Maritime University with a professional qualification in marine engineering in 1982 and obtained his master degree from Shanghai Maritime University with a professional qualification in transportation planning and administration in 2003. Mr. Ding started his career in 1982 and was a ship chief engineer of Guangzhou Bureau of Maritime Transportation Administration (“BOMTA”), the deputy general manager of the technical department of Taihua Oil Shipping Company of Guangzhou BOMTA, the assistant to the general manager and the deputy general manager of Guangzhou Shipping (Group) Company, the deputy general manager of the Bulk Carrier Branch of the Company, the general manager of China Shipping and Sinopec Suppliers Co., Ltd., the assistant to the president of China Shipping (Group) Company and the general manager of China Shipping International Ship Management Co., Ltd.

It is proposed that subject to the approval of the Company’s shareholders (“**Shareholders**”), Mr. Ding will enter into a service contract with the Company for his appointment as an executive Director for a term from the date of obtaining the Shareholders’ approval on his appointment up to 19 June, 2015 or the date of the Company’s annual general meeting in 2015 (whichever the earlier). Pursuant to such proposed service contract, Mr. Ding will not receive any remuneration from the Group. Such service contract shall be terminated by either party giving at least three months’ prior notice in writing.

SUPPLEMENTAL NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Save as disclosed above, Mr. Ding does not hold any other position with the Company or other members of the Group. Mr. Ding does not and has not, in the past three years, held any directorships in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas. Save as disclosed herein, Mr. Ding does not have any relationship with any director, member of senior management or substantial or controlling shareholder of the Company. As at the Latest Practicable Date, Mr. Ding does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Save as disclosed above, there is no other information relating to Mr. Ding's appointment as an executive Director to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. There is no other matter which needs to be brought to the attention of the Shareholders in respect of Mr. Ding's appointment as an executive Director.