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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)

DISCLOSEABLE TRANSACTIONS IN RELATION TO GUARANTEES FOR SHIPBUILDING CONTRACTS AND TIME CHARTERS

The Board is pleased to announce that on 8th July 2014, the Company entered into the Corporate Guarantees and the Owner's Guarantees in connection with the Shipbuilding Contracts and Time Charters which are entered into by the JV Companies on the same date. The entering into of the guarantees will allow the JV Companies, each of which are held by the Group as to 50%, to participate in the LNG transportation market and in turn, further strengthen the Group's presence in such market and to generate positive investment return for the Group.

As the relevant applicable percentage ratios of the Corporate Guarantees and the Owner's Guarantees under Chapter 14 of the Listing Rules are in aggregate more than 5% but are less than 25%, the transactions under the Corporate Guarantees and the Owner's Guarantees together constitute discloseable transactions of the Company under the Listing Rules and are subject to the reporting and announcement requirements under the Listing Rules. Nevertheless, the Company is required by the applicable PRC rules and regulations to seek the approval of its Shareholders at the general meeting of the Company. The notice of EGM to be convened to approve, amongst other things, the Corporate Guarantees and the Owner's Guarantees will be sent to the Shareholders in due course.

INTRODUCTION

The JV Companies entered into the Shipbuilding Contracts with the Shipbuilders and the Time Charters with the Charterer. As a result, the Company entered into Corporate Guarantees in favour of the Shipbuilders and Owner's Guarantees in favour of the Charterer in connection with the due performance of the JV Companies' obligations under the Shipbuilding Contracts and the Time Charters, respectively.

1. CORPORATE GUARANTEES IN RELATION TO SHIPBUILDING CONTRACTS

On 8th July 2014, the JV Companies entered into the Shipbuilding Contracts with the Shipbuilders for the construction of three Vessels for the transportation of LNG. The total consideration for the construction of the Vessels is approximately US\$932,000,000 (equivalent to approximately HK\$7,223,000,000).

The expected delivery dates for each of the Vessels are on or before 31 March 2018, 31 December 2018 and 31 December 2019 respectively.

The Company has, in connection with such Shipbuilding Contracts, entered into the Corporate Guarantees in favour of the Shipbuilders in respect of each of the Vessels being constructed. Pursuant to the Corporate Guarantees, the Company:

- (a) guarantees the respective JV Companies' due performance of their obligations under the Shipbuilding Contracts; and
- (b) undertakes that it will immediately upon the Shipbuilders' first written demand, carry out its obligations referred to in (a) above and to indemnify the Shipbuilders against all losses or damages arising from the JV Companies' failure to perform their respective obligations under the Shipbuilding Contracts.

The liability of the Company under the Corporate Guarantees is pro-rata to its indirect shareholding in the JV Companies and the total aggregate liability of the Company under the Corporate Guarantees will not exceed US\$490,000,000 (equivalent to approximately HK\$3,797,500,000).

The obligations of the Company under each of the Corporate Guarantees shall be continuing and shall cease upon the earliest of (a) the JV Companies having performed in full all of their respective obligations under the relevant Shipbuilding Contracts; (b) the termination of the relevant Shipbuilding Contract; (c) the rights and obligations of the JV Companies having been novated to the Charterer; or (d) final delivery of the relevant Vessels in accordance with the Shipbuilding Contracts.

All funds which the Company may be required to make pursuant to the Corporate Guarantees shall be made immediately within 14 days after receipt of the Shipbuilders' written demand.

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

2. OWNER'S GUARANTEES IN RELATION TO THE TIME CHARTERS

On 8th July 2014, each of the JV Companies entered into the Time Charters with the Charterer, whereby the JV Companies will lease the Vessels to the Charterer for a term commencing from the delivery of each of the Vessels until 31 December 2045, with a buffer of up to 90 days before and after 31 December 2045 taking into account completion of the Vessels' voyage at the time before redelivery. The Charterer shall have the option to extend the term of the Time Charter for 2 consecutive periods of up to 5 years for each period, with a similar buffer referred to above but up to 60 days. The Vessels will be used for LNG transportation.

In connection with such Time Charters, the Company executed the Owner's Guarantees in favour of the Charterer in respect of each Time Charter. Pursuant to the Owner's Guarantees, the Company:

- (a) guarantees (i) the due and punctual performance of all terms and conditions of the Time Charter and the supplemental construction contract (which sets out the Charterer's rights and obligations during the construction of the Vessels) by the JV Companies; and (ii) the due and punctual payment and discharge of all monies due to be paid by the JV Companies under the Time Charters and the supplemental construction contract referred to above; and
- (b) undertakes that (i) if and whenever the JV Companies defaults in the due and punctual performance of any of their respective obligations under the relevant Time Charters and/or under the supplemental construction contract referred to above, the Company shall within 5 Business Days after receipt of the Charterer's demand perform or cause the performance of such obligations; and (ii) if and whenever a JV Company fail to pay on the due date any sum due and payable under the Time Charters and/or the supplemental construction contract referred to above, the Company shall within 7 Business Days after receipt of the Charterer's demand pay such sum to the Charterer.

The Company will also indemnify the Charterer against all costs and liabilities suffered by the Charterer as a result of the JV Companies' breach under the Time Charters and/or the supplemental construction contract referred to above.

The liability of the Company under the Owner's Guarantees is pro-rata to its indirect shareholding in the JV Companies and the total aggregate liability of the Company under the Corporate Guarantees will not exceed US\$6,400,000 (equivalent to approximately HK\$49,600,000).

The Owner's Guarantees shall be continuing security for the performance by the JV Companies of all their respective obligations under the Time Charter and the supplemental construction contract referred to above.

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

3. REASONS FOR AND BENEFITS OF ENTERING INTO THE CORPORATE GUARANTEES AND OWNER'S GUARANTEES

The Vessels to be constructed under the Shipbuilding Contracts will be owned by the JV Companies and upon delivery, will be chartered to the Charterer under the Time Charters. The JV Companies entering into the Shipbuilding Contracts and the Time Charters signifies a milestone for the Group in participating in the growing LNG transportation market through the ownership of 50% of the JV Companies.

The entering into of the Corporate Guarantees and the Owner's Guarantees would facilitate the entry into of the Shipbuilding Contracts and the Time Charters by the JV Companies, and in turn, is expected to generate positive investment return going forward for the Group through its interests in the JV Companies.

The Directors considered that the terms under the Corporate Guarantees and the Owner's Guarantees were determined on arm's length basis, and on the above basis, the Board believes that the entering into of the Corporate Guarantees and the Owner's Guarantees are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

4. INFORMATION ON THE COMPANY AND COUNTERPARTIES

The principal business of the Company mainly involves coastal, ocean and Yangtze River cargo transportation, oil transportation, chartering, cargo agency and cargo transportation agency.

Each of the JV Companies are owned by MOL as to 50% and the Group as to 50%. The JV Companies are formed for the sole purpose of owning and chartering the Vessels to be constructed and chartered under the Shipbuilding Contracts and the Time Charters.

The business scope of the Charterer, YAMAL Trade Pte. Ltd is trading of LNG.

The business scope of the Shipbuilders, Daewoo Shipbuilding & Marine Engineering CO., Ltd. and DY Maritime Limited, is shipbuilding and the repair of ships.

5. IMPLICATIONS UNDER THE LISTING RULES

As the relevant applicable percentage ratios of the Corporate Guarantees and the Owner's Guarantees under Chapter 14 of the Listing Rules are in aggregate more than 5% but are less than 25%, the transactions under the Corporate Guarantees and the Owner's Guarantees together constitute discloseable transactions of the Company under the Listing Rules and are subject to the reporting and announcement requirements under the Listing Rules. Nevertheless, the Company is required by the applicable PRC rules and regulations to seek the approval of its Shareholders at the general meeting of the Company. The notice of EGM to be convened to approve, amongst other things, the Corporate Guarantees and the Owner's Guarantees will be sent to the Shareholders in due course.

DEFINITIONS

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

“Board”	the board of Directors
“Charterer”	YAMAL Trade Pte. Ltd., a limited liability company incorporated in the Republic of Singapore

“Company”	China Shipping Development Company Limited (中海發展股份有限公司), a joint stock limited company established in the PRC, the H shares of which are listed on the Stock Exchange
“Corporate Guarantees”	the three corporate guarantees all dated 8th July 2014 and executed by the Company in favour of the Shipbuilders in connection with the obligations of each of the JV Companies under each of the Shipbuilding Contracts
“Directors”	directors of the Company
“EGM”	extraordinary general meeting of the Shareholders to be convened by the Company to consider and, if thought fit, to approve the Corporate Guarantees and the Owner’s Guarantees
“Group”	the Company and its subsidiaries
“JV Companies”	Arctic Blue LNG Shipping Limited, Arctic Green LNG Shipping Limited and Arctic Purple LNG Shipping Limited, each of which is owned as to 50% by MOL and 50% by the Group as at the date of this Announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LNG”	liquefied natural gas
“MOL”	MITSUI O.S.K. LINES, LTD., a company incorporated under the laws of Japan which shares are listed on various stock exchanges in Japan including Tokyo, Osaka, Nagoya and Fukuoka
“Owner’s Guarantees”	the three owner’s guarantee all dated 8th July 2014 and executed by the Company in favour of the Charterer respectively in connection with the obligations of each of the JV Companies under each of the Time Charters
“Shareholders”	shareholders of the Company

“Shipbuilders”	Daewoo Shipbuilding & Marine Engineering Co., Ltd. and DY Maritime Limited
“Shipbuilding Contracts”	three shipbuilding contracts all dated 8th July 2014 entered into between the Shipbuilders and each of the JV Companies respectively in respect of the construction of the Vessels
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Time Charter(s)”	three time charter agreements all dated 8th July 2014 in respect of the Vessels made between each of the JV Companies as owners and the Charterer as a charterer
“US\$”	the lawful currency of the United States of America
“Vessel 1”	an ARC 7, 172,410cbm Ice Breaking LNG carrier to be constructed which will be acquired and owned by Arctic Blue LNG Shipping Limited
“Vessel 2”	an ARC 7, 172,410cbm Ice Breaking LNG carrier to be constructed which will be acquired and owned by Arctic Green LNG Shipping Limited
“Vessel 3”	an ARC 7, 172,410cbm Ice Breaking LNG carrier to be constructed which will be acquired and owned by Arctic Purple LNG Shipping Limited
“Vessels”	Vessel 1, Vessel 2 and Vessel 3 which will be acquired and owned by each of the JV Companies upon completion of their respective construction pursuant to the Shipbuilding Contracts

Unless otherwise specified and for illustration purpose only, the conversion of US\$ into HK\$ is based on the exchange rate US\$1.00=HK\$7.75. Such conversion should not be construed as a representation that the currency could actually be converted into HK\$ at that rate or at all.

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

Shanghai, the People's Republic of China
8th July 2014

As at the date of this announcement, the board of directors of the Company comprises Mr. Xu Lirong, Mr. Zhang Guofa, Ms. Su Min, Mr. Huang Xiaowen, Mr. Ding Nong, Mr. Liu Xihan, Mr. Yu Zenggang, Mr. Han Jun and Mr. Qiu Guoxuan as executive Directors, Mr. Zhang Jun, Mr. Wang Wusheng, Mr. Lin Junlai, Mr. Ruan Yongping and Mr. Ip Sing Chi as independent non-executive Directors.