CHINA SHIPPING DEVELOPMENT COMPANY LIMITED
中海發展股份有限公司

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

(Stock Code: 1138)

CONNECTED AND DISCLOSEABLE TRANSACTION

ACQUISITION OF 20% EQUITY INTEREST IN SHANGHAI BEIHAI SHIPPING COMPANY LIMITED

On 30 July 2014, China Shipping Tanker, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement as purchaser with the Vendor as a result of its successful bid on the acquisition of 20% equity interests in the Target Company through the SUAEE.

The Target Company is a sino-foreign joint venture enterprise established in the PRC, which is engaged in the businesses of transportation of petroleum product from Shanghai to other ports along the coast and the middle-lower Yangtze River, international maritime dangerous goods transportation, vessel chartering and provision of transportation consultancy services.

As at the date of this announcement, China Shipping holds approximately 46.36% of the issued share capital of the Company, being the controlling shareholder of the Company as defined under the Listing Rules. The Vendor is a wholly-owned subsidiary of China Shipping. Therefore, the Vendor is a connected person (as defined under the Listing Rules) of the Company. Accordingly, the acquisition constitutes a connected transaction of the Company for the purposes of the Listing Rules. As certain applicable percentage ratios in respect of the acquisition of the Sale Shares are more than 5% but are less than 25%, the acquisition also constitutes a discloseable transaction of the Company under the Listing Rules. The acquisition is subject to Independent Shareholders' approval by way of poll on which China Shipping and its associates will abstain from voting. The notice of the EGM and a circular containing further details on the acquisition, a letter from the Independent Board Committee, a letter from the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders are currently expected to be despatched to the Shareholders on or before 20 August 2014 in accordance with the Listing Rules.

INTRODUCTION

On 30 July 2014, China Shipping Tanker, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement as purchaser with the Vendor as a result of its successful bid on the acquisition of 20% equity interests in the Target Company through the SUAEE.

THE EQUITY TRANSFER AGREEMENT

Principal terms of the Equity Transfer Agreement are set out as follows:-

Date:	30 July 2014
Purchaser:	China Shipping Tanker
Vendor:	上海海運(集團)公司(Shanghai Shipping (Group) Company*), a company established in the PRC and a wholly-owned subsidiary of China Shipping

Subject Matter

Under the Equity Transfer Agreement, the Vendor has agreed to sell, and China Shipping Tanker has agreed to purchase, the Sale Shares, being 152,750,000 shares in the share capital of the Target Company, representing 20% of the equity interests in the Target Company.

The Target Company is a sino-foreign joint venture enterprise established in the PRC, which is engaged in the businesses of transportation of petroleum product from Shanghai to other ports along the coast and the middle-lower Yangtze River, international maritime dangerous goods transportation, vessel chartering and provision of transportation consultancy services.

Upon completion of the acquisition, the Vendor will cease to be a shareholder of the Target Company. The other shareholders of the Target Company as at the date of this announcement are (i) 中海石油化工進出口有限公司 (CNOOC Petrochemicals Import & Export Co., Ltd.*, a 30% shareholder of the Target Company); (ii) 銀邦海外有限公司 (Silverbond Overseas Limited, a 20% shareholder of the Target Company); and (iii) 中國近海石油服務(香港)有限公司 (China Ocean Oilfields Services (Hong Kong) Limited*, a 10% shareholder of the Target Company). As at the date of this announcement, China Shipping Tanker already owned 20% of the Target Company and upon completion, China Shipping Tanker will own 40% of the Target Company.

Set out below are certain financial information of the Target Company for the years ended 31 December 2012 and 31 December 2013 respectively, which are prepared in accordance with the PRC Generally Accepted Accounting Principles:-

	For the year ended 31 December 2012 (audited) *RMB thousands*	**For the year ended 31 December 2013 (audited)** *RMB thousands*
Net profit before taxation and extraordinary items	587,996	507,051
Net profit after taxation and extraordinary items	449,176	365,244

Consideration and payment terms

The total consideration for the Sale Shares under the Equity Transfer Agreement payable by China Shipping Tanker to the Vendor is RMB830,000,000 (equivalent to approximately HK$1,030,287,984). The consideration is by reference to a valuation by an independent valuer of the Target Company of RMB4,150,000,000 as at 31 December 2013. In respect of this 20% indirect shareholding in the Target Company to be acquired, the Company expects to receive a dividend in the amount of RMB60 million in respect of the Target Company's accrued profits in 2013.

A security deposit in the amount of RMB249,000,000 (equivalent to approximately HK$309,086,395) paid by China Shipping Tanker to SUAEE when the bid for the Sale Shares was submitted will be applied towards the consideration. The balance of the consideration, being RMB581,000,000 (equivalent to approximately HK$721,201,589), will be paid by China Shipping Tanker to an escrow bank account designated by the SUAEE on 31 July 2014, being one business day from the date of the Equity Transfer Agreement, and (subject to Independent Shareholders' approval of the acquisition) will be released to the Vendor upon the issuance of a transaction certificate by the SUAEE, with which the parties to the Equity Transfer Agreement shall apply to the relevant administration of industry and commerce for the registration of the transfer of the Sale Shares.

Termination

China Shipping Tanker may terminate the Equity Transfer Agreement if completion of the acquisition is delayed for reasons attributable to the Vendor and the delay is not rectified within 30 days.

REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER AGREEMENT

As stated in the Company's announcement dated 20 June 2014 when it first acquired an equity interest in the Target Company, the acquisition of the Sale Shares in the Target Company represents a strategic expansion of the Group to further entrench its position in the coastal and domestic crude oil shipping market in the PRC, and having reviewed the track record of the Target Company, the Directors believe that the investment in the Target Company will provide a steady return to the Group. In addition, the largest shareholder of the Target Company, CNOOC Petrochemicals Import & Export Co., Ltd. ("CNOOC"), is a major customer in the maritime petroleum product transportation market. The Directors believe the investment in the Target Company will improve the Group's position in the maritime petroleum product transportation market, and further enhance the strategic relationship between the Group and CNOOC. An acquisition of a further interest in the Target Company further reinforces the Company's above strategy.

Having considered the above, the Directors (excluding the independent non-executive Directors whose opinion will be subject to the advice of the Independent Financial Adviser) consider that the terms of the Equity Transfer Agreement are fair and reasonable and the Group's acquisition of the Sale Shares is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, China Shipping holds approximately 46.36% of the issued share capital of the Company, being the controlling shareholder of the Company as defined under the Listing Rules. The Vendor is a wholly-owned subsidiary of China Shipping. Therefore, the Vendor is a connected person (as defined under the Listing Rules) of the Company. Accordingly, the acquisition constitutes a connected transaction of the Company for the purposes of the Listing Rules. As certain applicable percentage ratios in respect of the acquisition of the Sale

Shares are more than 5% but are less than 25%, the acquisition also constitutes a discloseable transaction for the Company under the Listing Rules. The acquisition is subject to Independent Shareholders' approval by way of poll on which China Shipping and its associates will abstain from voting. The notice of the EGM and a circular containing further details on the acquisition, a letter from the Independent Board Committee, a letter from the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders are currently expected to be despatched to the Shareholders on or before 20 August 2014 in accordance with the Listing Rules.

The Independent Board Committee has been constituted to make recommendations to the Independent Shareholders as to whether the acquistion is fair and resaonable and whether the transaction is in the interests of the Company and the Shareholders as a whole. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the acquisition has been entered into on normal commercial terms in the ordinary and usual course of business and whether the acquisition is in the interests of the Company and the Shareholders as a whole.

GENERAL INFORMATION

The business scope of the Company includes coastal, ocean and Yangtze River cargo transportation, oil transportation, chartering, cargo agency and cargo transportation agency.

China Shipping Tanker, a wholly-owned subsidiary of the Company, is principally engaged in provision of shipping services.

The Vendor is principally engaged in coastal, ocean and Yangtze River passenger and cargo transportation, vessel charters, vessel cargo agency and cargo transportation agency, supply and logistics of bunker and freshwater, vessel repairs, vessel dismantling, repairs and manufacturing of vessel communication and navigation facilities and products, export of services and technologies, transportation agency for imports and exports and container business, and real estate leasing.

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

DEFINITIONS

In this announcement, the following terms have the meanings set forth opposite them:

"associates"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"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, holding approximately 46.36% of the registered capital of the Company and 100% of the equity interest in the Vendor as at the date of this announcement
"China Shipping Tanker"	China Shipping Tanker Co., Ltd (中海油輪運輸有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
"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, and the A shares of which are listed in Shanghai Stock Exchange
"Directors"	the directors of the Company
"EGM"	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve, among other things, the Equity Transfer Agreement
"Equity Transfer Agreement"	an equity transfer agreement dated 30 July 2014 entered into between China Shipping Tanker as purchaser and the Vendor as vendor in relation to the transfer of 20% equity interest held by the Vendor in the Target Company to China Shipping Tanker
"Group"	the Company and its existing subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC

"Independent Board Committee"	the independent board committee constituted by Mr. Zhang Jun, Mr. Wang Wusheng, Mr. Lin Junlai, Mr. Ruan Yongping and Mr. Ip Sing Chi, all being independent non-executive Directors, to make recommendations to the Independent Shareholders in respect of the transaction contemplated under the Equity Transfer Agreement
"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 respect of the transaction contemplated under the Equity Transfer Agreement, being a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Independent Shareholders"	Shareholders other than China Shipping and its associates
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"RMB"	Renminbi, the lawful currency of the PRC
"PRC"	The People's Republic of China
"Sale Shares"	20% of the equity interests in the Target Company represented by 152,750,000 shares in the Target Company
"Shareholders"	the shareholders of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"SUAEE"	Shanghai United Assets and Equity Exchange, an approved equity exchange for the transfer of state-owned assets
"Target Company"	上海北海船務股份有限公司 (Shanghai Beihai Shipping Company Limited*), a a sino-foreign joint venture enterprise established in the PRC

"Vendor"	上海海運(集團) 公司 (Shanghai Shipping (Group) Company*), a company established in the PRC and a wholly-owned subsidiary of China Shipping
"%"	per cent.

Notes:

Unless otherwise specified and for illustration purpose only, the conversion of RMB into HK$ adopted in this announcement is based on the exchange rate of HK$1.00 = RMB0.8056. Such conversion should not be construed as a representation that the currency could actually be converted to HK$ 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
30 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.

* *For identification purpose only*