
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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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**

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



TC Capital
天財資本

A letter from the Board is set out on pages 4 to 10 of this circular.

A letter from the Independent Board Committee is set out on pages 11 to 12 of this circular.

A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 13 to 21 of this circular.

A notice convening the EGM of the Company to be held at 2:30 p.m. on Thursday, 16 October 2014 at 3rd Floor, Parkview Hotel, 555 Dingxiang Road, Pudong New Area, Shanghai, the People's Republic of China had been published by the Company on 29 August 2014 and a supplemental notice is set out on pages IV-1 to IV-3 of this circular.

Whether or not you are able to attend the above meeting, please complete and return the enclosed supplemental 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 or any adjournment thereof (i) in case of holders of H Shares, to the Company's Hong Kong branch share registrar, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, (ii) in case of holders of A shares, to the Office of the Secretary to the Board of Directors of the Company at 7th Floor, 670 Dong Da Ming Road, Shanghai, The People's Republic of China. Completion and return of the supplemental proxy form will not preclude you from attending and voting in person at the EGM or at any adjourned meetings should you so wish.

12 September 2014

CONTENT

	<i>Page</i>
DEFINITIONS	1
EXPECTED TIMETABLE	3
LETTER FROM THE BOARD	4
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	11
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	13
APPENDIX I — GENERAL INFORMATION	I-1
APPENDIX II — REPORT FROM THE PRC ACCOUNTANT IN RELATION TO THE PROFIT FORECAST	II-1
APPENDIX III — EXTRACT OF THE ASSET VALUATION REPORT	III-1
APPENDIX IV — SUPPLEMENTAL NOTICE OF THE EXTRAORDINARY GENERAL MEETING	IV-1

DEFINITIONS

“associate”	has the meaning ascribed thereto 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 Latest Practicable Date
“China Shipping Tanker”	China Shipping Tanker Co., Ltd (中海油輪運輸有限公司), a limited liability company incorporated 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
“connected person”	has the meaning as defined in the Listing Rules
“Directors”	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 subsidiaries
“H Shares”	H shares of par value RMB1.00 each in the share capital of the Company, being overseas listed foreign invested shares
“HK\$”	the lawful currency of Hong Kong
“Hong Kong”	the 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

DEFINITIONS

“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 (as defined in the Listing Rules)
“Latest Practicable Date”	9 September 2014, 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
“RMB”	the lawful currency of the PRC
“PRC”	the People’s Republic of China
“Sale Shares”	20% of the equity interests in the Target Company, being 152,750,000 shares of the Target Company
“Shareholder(s)”	shareholder(s) 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 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

Note: Unless otherwise specified and for illustration purpose only, the conversion of RMB into HK\$ adopted in this circular is based on the exchange rate of HK\$1.00 = RMB0.8056 and the conversion of USD into HK\$ adopted in this circular is based on the exchange rate of USD1.00 = HK\$7.75. Such conversion should not be construed as a representation that the currency could actually be converted to HK\$ at that rate or at all.

EXPECTED TIMETABLE

Date of despatch of this circular Friday, 12 September 2014

Latest time for lodging supplemental proxy forms
for the EGM 2:30 p.m. on Wednesday,
15 October 2014

Time and date of EGM 2:30 p.m. on Thursday,
16 October 2014

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:

Xu Lirong (*Chairman*)
Zhang Guofa
Su Min
Huang Xiaowen
Ding Nong
Liu Xihan
Yu Zenggang
Han Jun
Qiu Guoxuan

Registered Office:

Room A-1015, No. 188 Ye Sheng Road
China (Shanghai) Free Trade Port Area

Independent Non-Executive Directors:

Zhang Jun
Wang Wusheng
Lin Junlai
Ruan Yongping
Ip Sing Chi

*Principal place of business
in Hong Kong:*

20/F., Alexandra House
18 Chater Road
Central, Hong Kong

12 September 2014

To the Shareholders

Dear Sir/Madam,

CONNECTED AND DISCLOSEABLE TRANSACTION ACQUISITION OF 20% EQUITY INTEREST IN SHANGHAI BEIHAI SHIPPING COMPANY LIMITED

1. 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 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.

LETTER FROM THE BOARD

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 Latest Practicable Date 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 Latest Practicable Date, China Shipping Tanker already owned 20% of the Target Company (as a result of its earlier acquisition, further details of which are set out in the Company's announcement dated 20 June 2014) and upon completion, China Shipping Tanker will own 40% of the Target Company. Upon completion, the Target Company will be treated as an associate of the 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

The net asset value of the Target Company based on its audited balance sheet as at 31 July 2014 is RMB1,976,358,547.37.

LETTER FROM THE BOARD

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. The consideration and valuation are the same as that in connection with China Shipping Tanker's acquisition of 20% equity interest in the Target Company from Sinochem International Corporation (中化國際(控股)股份有限公司), further details of which are set out in the Company's announcement dated 20 June 2014. China Shipping Tanker does not currently expect to acquire further equity interest in the Target Company.

The Vendor is one of the founding shareholders of the Target Company and acquired approximately 25% of equity interest in the Target Company at time of its establishment by way of capital contribution in the amount of US\$500,000 (equivalent to approximately HK\$3,875,000). The aggregate investment in the Target Company made by the Vendor from the time when it became the founding shareholder to the date of the Equity Transfer Agreement is US\$500,000.

A summary of the valuation report (the "**Valuation Report**") is set out in Appendix III of this circular. The Board believes that the Valuation Report in summary form would give public investors and shareholders reasonably concise information with a fair and balanced disclosure of the contents of the Valuation Report. The Board confirms that Appendix III is an accurate summary of the Valuation Report in all material respect. Shareholders may refer to the full version of the Valuation Report published by the Company as an overseas regulatory announcement at the date of this circular. Whilst the record date of the Valuation Report is as of 31 December 2013, the Company understands that the valuation of the 20% interest represents the lowest bid price an intended bidder may submit for the acquisition of the Sale Shares through the SUAEE.

In respect of the 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), was 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. To the extent the transactions contemplated under the Equity Transfer Agreement is not approved by the Independent Shareholders at the EGM, the total consideration (including the security deposit) referred to above will be refunded to the Company.

The Target Company has also prepared a profit forecast report and expects its net profit for the two years ending 31 December 2014 and 2015 to be approximately RMB366,427,000 (equivalent to

LETTER FROM THE BOARD

approximately HK\$454,849,801) and RMB380,069,000 (equivalent to approximately HK\$471,783,764) respectively. The profit forecast report was prepared based on the relationship between the vessel turnover and operating revenue of the Target Company and applying accounting policies and estimates consistent with those normally adopted by the Target Company. The principal assumptions of such forecast are as follows:

- (1) there will be no material changes in the existing legal, national policy and social politics and economic conditions in the PRC;
- (2) there will be no material changes in the current taxation policies and tax benefits in the PRC which the Target Company needs to adhere to;
- (3) there will be no material changes to the legal, regulatory and industry policies, and industry quality standards which are applicable to the business operations of the Target Company;
- (4) there will be no material changes to the industry and market conditions in which the Target Company operates;
- (5) the Target Company may continue to operate normally, and there is no material change to its organisational structure;
- (6) there is no material change to the mobile communication fees which the Target Company incurs for its operations; and
- (7) there are no force majeure events or otherwise unforeseeable events which could have a material adverse effect to the Target Company.

A report from BDO China Shu Lun Pan Certified Public Accountants LLP on the accounting policy and assumptions are set out in Appendix II to this circular.

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.

Indemnity Arrangement

On 20 August 2014, the Vendor has issued an indemnity letter in favour of the Company confirming that, to the extent the net profit of the Target Company as may be reflected in the Group's annual report is less than what is projected in the profit forecast report and the Valuation Report, whichever is higher, the Vendor shall indemnify China Shipping Tanker in cash 20% (that is, pro rata to the equity interest acquired) of such shortfall within 10 business days of publication of the Group's annual report. The Company will comply with the disclosure requirements under the Listing Rules if the actual performance of the Target Company fails to meet what is projected in the profit forecast report. Based on the profit forecast report, it is expected that the Target Company's net profit for the

LETTER FROM THE BOARD

two years ending 31 December 2014 and 2015 would be approximately RMB366,427,000 (equivalent to approximately HK\$454,849,801) and RMB380,069,000 (equivalent to approximately HK\$471,783,764) respectively. Based on the Valuation Report, the valuer expected that the Target Company's net profit for the three years ending 31 December 2016 would be approximately RMB370,311,000 (equivalent to approximately HK\$459,671,053), RMB380,448,000 (equivalent to approximately HK\$472,254,220) and approximately RMB431,628,000 (equivalent to approximately HK\$535,784,508).

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 and taking into account the advice from the Independent Financial Adviser, the Directors (excluding the independent non-executive Directors whose view is set out in the letter from the Independent Board Committee on pages 11 to 12 of this circular) consider the terms of the Equity Transfer Agreement to be on normal commercial terms and is of the view that the terms 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 Latest Practicable Date, 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 (even if it were aggregated with the previous acquisition of 20% equity interest in the Target Company from Sinochem International Corporation (中化國際(控股)股份有限公司 in June 2014) 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 Independent Board Committee has been constituted to advise the Independent Shareholders as to whether the acquisition is fair and reasonable and whether the transaction is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders how to vote, taking into account the recommendation from the Independent Financial Adviser. The following

LETTER FROM THE BOARD

Directors, Mr. Xu Lirong, Mr. Zhang Guofa, Ms. Su Min, Mr. Huang Xiaowen, Mr. Ding Nong, Mr. Liu Xihan and Mr. Yu Zenggang, being the senior management of China Shipping, have a material interest in the Equity Transfer Agreement, and have abstained from voting on the relevant Board resolutions in relation to such transaction.

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.

Your attention is drawn to the letter from the Independent Board Committee (which is set out on pages 11 to 12 of this circular) and the letter from the Independent Financial Adviser (which is set out on pages 13 to 21 of this circular).

EGM

The EGM will be held at 2:30 p.m. on Thursday, 16 October 2014 at 3rd Floor, Parkview Hotel, 555 Dingxiang Road, Pudong New Area, Shanghai, The People's Republic of China, to consider and, if thought fit, approve the Equity Transfer Agreement. A supplemental notice of the EGM is set out on pages IV-1 to IV-3 of this circular.

A reply slip and supplemental proxy form used at the EGM are enclosed. 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 Friday, 26 September 2014. Whether or not you are able to attend the above meeting, please complete and return such supplemental proxy form in accordance with the instructions printed thereon as soon as practicable to the Company's Hong Kong H share registrar and transfer office, Hong Kong Registrars Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (in case of holders of H Shares) or the Office of the Secretary to the Board of Directors of the Company at 7th Floor, 670 Dong Da Ming Road, Shanghai, The People's Republic of China (in case of holders of A Shares) but in any event by not less than 24 hours before the time appointed for the holding of the meeting (or any adjournment thereof). Completion and return on the supplemental proxy form will not preclude you from attending and voting in person at the meeting or at any adjourned meetings should you so wish.

CLOSURE OF H SHARE REGISTER OF MEMBERS OF THE COMPANY

The H share register of members of the Company will be closed from Tuesday, 16 September 2014 to Thursday, 16 October 2014 (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 Thursday, 16 October 2014, 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, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 15 September 2014.

LETTER FROM THE BOARD

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.

RECOMMENDATION

The Board (other than Mr. Xu Lirong, Mr. Zhang Guofa, Ms. Su Min, Mr. Huang Xiaowen, Mr. Ding Nong, Mr. Liu Xihan and Mr. Yu Zenggang, being the senior management of China Shipping and have abstained from voting at the board meeting held to consider the transactions, and the independent non-executive Directors whose view is set out in the letter from the Independent Board Committee on pages 11 to 12 of this circular) considers the Equity Transfer Agreement to be on normal commercial terms, is of the view that their terms are fair and reasonable and that the Company's entry into the Equity Transfer Agreement is in the interest of the Company and the Shareholders as a whole, and accordingly recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Equity Transfer Agreement and the transactions contemplated thereunder.

Yours faithfully,
China Shipping Development Company Limited
Xu Lirong
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)

12 September 2014

To the Independent Shareholders

Dear Sir/Madam,

**CONNECTED AND DISCLOSEABLE TRANSACTION
ACQUISITION OF 20% EQUITY INTEREST IN
SHANGHAI BEIHAI SHIPPING COMPANY LIMITED**

We have been appointed as the Independent Board Committee to advise you in connection with the transactions pursuant to the Equity Transfer Agreement, details of which are set out in the Letter from the Board contained in the circular to the shareholders of the Company dated 12 September 2014 (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.

We also wish to draw your attention to the letter from the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Equity Transfer Agreement, which contains, among other things, the Independent Financial Adviser's advice, opinions and recommendations regarding the terms of the Equity Transfer Agreement, as set out on pages 13 to 21 of the Circular, and the Letter from the Board as set out on pages 4 to 10 of the Circular.

Having given due consideration to the reasons relating to the Equity Transfer Agreement and its terms and to the advice and recommendations of the Independent Financial Adviser stated in its letter dated 12 September 2014, we consider (i) the terms of the Equity Transfer Agreement to be on normal commercial terms and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group; (ii) the terms of the Equity Transfer Agreement to be fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the acquisition of the Sale Shares contemplated under the Equity Transfer Agreement to be in the interests of the Company and

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

the Shareholders as a whole and accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Equity Transfer Agreement and the transactions contemplated thereunder.

Yours faithfully,

Zhang Jun
*Independent
non-executive
Director*

**Wang
Wusheng**
*Independent
non-executive
Director*

Lin Junlai
*Independent
non-executive
Director*

**Ruan
Yongping**
*Independent
non-executive
Director*

Ip Sing Chi
*Independent
non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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



TC Capital Asia Limited
天財資本亞洲有限公司

12 September 2014

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

Dear Sir/Madam,

CONNECTED AND DISCLOSEABLE TRANSACTION ACQUISITION OF 20% EQUITY INTEREST IN SHANGHAI BEIHAI SHIPPING COMPANY LIMITED

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Equity Transfer Agreement, and the details of which are set out in the “Letter from the Board” (the “**Board Letter**”) contained in the circular of the Company dated 12 September 2014 issued to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular, unless otherwise specified.

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, a wholly-owned subsidiary of China Shipping, to acquire 20% equity interests in the Target Company.

As at the date of the Equity Transfer Agreement, 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, and is therefore a connected person (as defined under the Listing Rules) of the Company. Accordingly, the transactions contemplated under the Equity Transfer Agreement constitute connected transaction for the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Our role as independent financial adviser is to give our opinion as to whether the Equity Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable insofar as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

BASIS OF OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have considered, among other things, (i) the Equity Transfer Agreement; (ii) the asset valuation report (the “**PRC Valuation Report**”) dated 11 June 2014 prepared by Orient Appraisal Company Limited (上海東洲資產評估有限公司) (the “**PRC Valuer**”) to be filed with the State-owned Assets Supervision and Administration Commission of the State Council of the PRC; (iii) the indemnity letter dated 20 August 2014 issued by the Vendor in favour of the Company; (iv) the 2013 annual report of the Company; (v) the 2013 annual report of the Target Company; and (vi) other information as set out in the Circular.

We have relied on all relevant information, opinions and facts supplied and represented by the Company, the Directors and the management of the Company. We have assumed that all such information, opinions, facts and representations contained or referred to in the Circular, for which the Company is fully responsible, were true and accurate in all respects as at the date hereof and may be relied upon. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, and the Company has confirmed that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out independent verification of the information provided by the Directors and the representatives of the Company, nor have we conducted any form of in-depth investigation into the businesses, affairs, operations, financial position or future prospects of the Company, China Shipping, the Vendor and any of their respective subsidiaries and associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect of the Equity Transfer Agreement and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

I. Background and information of the Company and China Shipping Tanker

Background and information of the Company

The Company is principally engaged in coastal, ocean and Yangtze River cargo transportation, oil transportation, chartering, cargo agency and cargo transportation agency.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Background and information of China Shipping Tanker

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

II. Background and information of the Target Company and reasons for entering into of the Equity Transfer Agreement

Background and information of 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.

As at the Latest Practicable Date, China Shipping Tanker already holds 20% equity interest in the Target Company. Other shareholders of the Target Company include: (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) (“CNOOC”); (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). Upon completion of the proposed acquisition pursuant to the Equity Transfer Agreement (the “**Acquisition**”), China Shipping Tanker will hold 40% equity interest in the Target Company.

Financial information of the Target Company

Set out below are the key audited financial figures of the Target Company for the financial year ended 31 December 2012 and 31 December 2013, which are prepared in accordance with the PRC Generally Accepted Accounting Principles.

	For the year ended	
	31 December	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	1,257,525	1,334,440
Net profit before taxation and extraordinary items	507,051	587,996
Net profit after taxation and extraordinary items	365,244	449,176
	As at 31 December	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	2,449,109	2,590,216
Total liabilities	391,113	586,039
Net asset value	2,057,996	2,004,178

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated in the above table, revenue of the Target Company was approximately RMB1,257.5 million for the year ended 31 December 2013, representing a slight decrease of approximately 5.8% from the previous year due to a slight decrease in revenue derived from petroleum product transportation services. Net profit decreased from approximately RMB449 million for the year ended 31 December 2012 to approximately RMB365 million for the year ended 31 December 2013 as a result of the said decrease in revenue and increase in operating expenses in 2013.

The total assets of the Target Company decreased by approximately 5.4% for the year ended 31 December 2013 as compared to the corresponding period in 2012, the decrease was primarily attributable to the decrease in cash and cash equivalents, which was primarily utilized to repay bank borrowings. Total liabilities of the Target Company for the year ended 31 December 2013 was approximately RMB391.1 million, representing a decrease of approximately 33.3% from the previous year which is mainly due to a decrease in borrowings. As a result, the net asset value of the Target Company for the year ended 31 December 2013 increased by approximately 2.7% as compared to the corresponding period in 2012.

Reasons for entering into the Equity Transfer Agreement

As stated in the Board Letter, the Board is of the view that the entering into of the Equity Transfer Agreement represents a strategic expansion of the Group to further entrench its position in the coastal and domestic crude oil shipping market in the PRC as the Group already owns 20% equity interest in the Target Company. 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., 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.

Having considered that (i) the Group is already a shareholder of the Target Company; (ii) the Target Company has been profit making during the past two years; and (iii) the Acquisition will allow the Group to enhance its business relationship with CNOOC, a renowned state-owned oil company in the PRC, we are of the view that the entering into of the Equity Transfer Agreement is in line with the Group's existing business strategies, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Prospects of petroleum transportation industry in the PRC

The prospect of the petroleum transportation industry has direct correlation with the prospects of the petroleum industry in the PRC.

According to the data obtained from the National Bureau of Statistics of the PRC, gross domestic product per capita of the PRC increased from approximately RMB23,708 in 2008 to approximately RMB38,420 in 2012. The annual consumption of petroleum in the PRC from 2005 to 2011 has increased by approximately 39.46%. Moreover, the petroleum industry was listed as one of the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

industries that will be supported by the PRC governmental policies in the 12th Five-Year Plan. As stated under the 12th Five-Year Plan, the PRC government is aiming to increase petroleum exploration and development efforts, ensure stability of domestic petroleum production as well as to improve the transportation system for petroleum.

Having considered the growth rate in the consumption of petroleum in the PRC and the supportive policies implemented by the PRC government as discussed above, which may lead to an expected growth in the demand for petroleum transportation and a positive impact on the financial performance of the Target Company, we are of the view that the Acquisition is in line with the strategy of the Group and in the interest of the Company and the Shareholders as a whole.

III. Key terms of the Equity Transfer Agreement

Key terms of the Equity Transfer Agreement are set out below:

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: The Sale Shares, representing approximately 20% of the issued share capital of the Target Company as at the date of the Equity Transfer Agreement

Transfer of the Sale Shares

Pursuant to the Equity Transfer Agreement, China Shipping Tanker has agreed to acquire the Sale Shares, representing 20% of the equity interests in the Target Company, at a total consideration of RMB830,000,000 (equivalent to approximately HK\$1,030,287,984) (the “**Consideration**”). The Consideration was determined with reference to the PRC Valuation Report.

A security deposit (the “**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 remaining balance of the Consideration, being RMB581,000,000 (equivalent to approximately HK\$721,201,589), was 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 the 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We were advised by the Company that the Deposit will be returned to the Company if the Equity Transfer Agreement is (i) not approved by the Independent Shareholders at the EGM; or (ii) terminated by China Shipping Tanker as a result of delayed completion for reasons attributable to the Vendor and such delay is not rectified within 30 days. We were also advised by the Company that the remaining balance of the Consideration in the escrow bank account designated by SUAEE will not be transferred to the Vendor until (i) the Independent Shareholders have approved the Equity Transfer Agreement and the transactions contemplated thereunder at the EGM; and (ii) the issuance of the transaction certificate by the SUAEE.

In view of the aforesaid, we are of the view that the payment terms are fair and reasonable as the approval of the Acquisition by the Independent Shareholders is to be obtained before the remaining balance of the Consideration is transferred to the Vendor from the designated escrow bank account and the Deposit shall be returned to the Company if the said approval is unable to be obtained.

IV. Basis of consideration

The Vendor is one of the founding shareholders of the Target Company and acquired approximately 25% of the equity interest in the Target Company at the time of its establishment in 1994 by way of capital contribution in the amount of US\$500,000 (equivalent to approximately HK\$3,875,000).

As set out in the Board Letter, the Consideration was determined with reference to the PRC Valuation Report. According to the PRC Valuation Report, the appraised market value of the 20% equity interest in the Target Company is approximately RMB830,000,000, the amount of which is identical to the Consideration. The same basis was used for China Shipping Tanker's initial acquisition of 20% equity interest in the Target Company from Sinochem International Corporation (中化國際(控股)股份有限公司) as disclosed in the Company's announcement dated 20 June 2014 (the "Initial Acquisition"), accordingly, the consideration for the Initial Acquisition was approximately RMB830,000,000, which is identical to the Consideration. In respect of the 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 for the financial year ended 31 December 2013.

We note that the valuation date and issue date of the PRC Valuation Report is 31 December 2013 and 11 June 2014, respectively. We are of the view that the accuracy of information contained in the PRC Valuation Report is not affected as (i) the time lapsed since the issue date of the PRC Valuation Report is only approximately 2 months; (ii) the PRC Valuer has not noticed significant changes in the valuation between the valuation date and issue date of the PRC Valuation Report; and (iii) the expiration date of the PRC Valuation Report is 31 December 2014. Moreover, under the Equity Transfer Agreement, gains earned and losses incurred by the Target Company between the valuation date and the business registration transfer date will be enjoyed and borne by the Vendor. The Vendor has also issued an indemnity letter in favour of the Company confirming that, to the extent the net profit of the Target Company as maybe reflected in its annual report is less than what is projected in

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the profit forecast report and the PRC Valuation Report, whichever is higher, the Vendor shall indemnify China Shipping Tanker in cash 20% of such shortfall within 10 business days of publication of its annual report. We are of the view that the abovementioned 20% compensation is fair as it is determined pro rata to the equity interest acquired.

We have discussed with the PRC Valuer and reviewed the PRC Valuation Report. We understand that the PRC Valuer considered two generally acceptable valuation approaches including the market approach and income approach in valuing the Sale Shares under the Equity Transfer Agreement. The PRC Valuer is of the view that the adoption of market approach was not appropriate as (i) the approach is subject to volatility of the capital market; and (ii) the company structure, asset allocation as well as the business operation and scale are different for each company. As such, the PRC Valuer adopted the income approach in which the appraised value is determined with reference to the present value of anticipated future cash flows. Having considered the above, we are of the view that the valuation approach adopted by the PRC Valuer is fair and reasonable.

We note that the appraised value for the Sale Shares is higher than the book value according to the 2013 annual report of the Target Company as other factors such as management, branding, sales network, customers were considered and taken into account in the valuation. Moreover, as discussed with the PRC Valuer, the fact that the Target Company was able to stay profitable amid excess supply and economic contraction in 2013 was also taken into account in the valuation as it demonstrates that the Target Company has the ability to outperform its competitors. We have also reviewed and assessed the assumptions used in arriving at the valuation of the Sale Shares, which is also disclosed in Appendix II of the Circular. As discussed with the PRC Valuer, the assumptions used in arriving at the valuation of the Sale Shares are common assumptions which are consistent with normal market practice. As such, we are of the view that the assumptions used in the PRC Valuation Report are fair and reasonable. Further, we have noted that the PRC Valuation Report was prepared in accordance with the relevant rules and regulations regarding state-owned asset valuation in the PRC. Therefore, no material has come to our attention that would lead us to believe that the PRC Valuation Report was not prepared on a reasonable basis.

Having considered that the income approach is a commonly adopted valuation methodology and the assumptions used are fair and reasonable, we concur with the Directors' view that the valuation is a good reference for the determination of the Consideration. Accordingly, we are of the view that the Consideration under the Equity Transfer Agreement is fair and reasonable, and is in the interest of the Company and the Shareholders as a whole.

The Target Company has also prepared a profit forecast report and expects its net profit for the two years ending 31 December 2014 and 2015 to be approximately RMB366,427,000 (equivalent to approximately HK\$454,849,801) and RMB380,069,000 (equivalent to approximately HK\$471,783,764) respectively. The profit forecast report was prepared based on the linear relationship between the vessel turnover and operating revenue of the Target Company, using accounting policies and estimates consistent with those normally adopted by the Target Company. The principal assumptions of such forecast are as follows:

- there will be no material changes in the existing legal, national policy and social politics and economic conditions in the PRC;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- there will be no material changes in the current taxation policies and tax benefits in the PRC which the Target Company needs to adhere to;
- there will be no material changes to the legal, regulatory and industry policies, and industry quality standards which are applicable to the business operations of the Target Company;
- there will be no material changes to the industry and market conditions in which the Target Company operates;
- the Target Company may continue to operate normally, and there is no material change to its organisational structure;
- there is no material change to the mobile communication fees which the Target Company incurs for its operations;
- there are no force majeure events or otherwise unforeseeable events which could have a material adverse effect to the Target Company.

We have reviewed the profit forecast report and we note that the principal assumptions adopted are common assumptions used in a profit forecast. We also note that the Target Company recorded an audited net profit of approximately RMB212,757,236 for the seven months ended 31 July 2014 and the expected profit for the year ending 31 December 2014 is lower than that in 2015 is primarily due to an estimated loss on the expected disposal of one of the Target Company's vessels in the second half of 2014. Moreover, according to the World Oil Outlook 2013 published by the Organization of the Petroleum Exporting Countries, short-term to long-term oil demand in the PRC is expected to record significant growth from 2012 to 2035, which may increase the demand for maritime oil transportation in the PRC. Taking into consideration of the above, as well as (i) the fact that the profit forecast for the Target Company is in line with the recorded net profit of approximately RMB449,176,000 and approximately RMB365,244,000 for the years ended 31 December 2012 and 31 December 2013 respectively; and (ii) the audit report from BDO China Shu Lun Pan Certified Public Accountants LLP on the accounting policy and assumptions as set out in Appendix II of the Circular, we are of the view that the basis and assumptions adopted is fair and reasonable and the projected profit has been arrived at after due and careful enquiry.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, in particular (i) the Acquisition is in line with the Group's existing business strategies; (ii) the Target Company has been profit making for at least the past two years; (iii) the growing trend in petroleum consumption in the PRC; (iv) the Consideration was determined with reference to the market value of the Sale Shares as appraised by the PRC Valuer; and (v) the indemnity arrangement in favour of the Company, we are of the view that the Equity Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Accordingly, we recommend that the Independent Board Committee advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the upcoming EGM to approve the Equity Transfer Agreement and the transactions contemplated thereunder.

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

Note: Mr. Edward Wu of TC Capital Asia Limited is a responsible officer licensed under the SFO to engage in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities having over 13 years of experience in investment banking and corporate finance.

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 2013, 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 (other than common directorship with China Shipping) and which is significant to the Group's business, whether directly or indirectly, subsisted at the date of this circular. None of the Directors or their respective associates has any competing interest (as would be required to be disclosed to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controller shareholder of the Company for the purpose of the Listing Rules).

3. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading prospects of the Group since 31 December 2013, being the date to which the latest audited financial statements of the Group were made up.

4. CONSENT AND EXPERT

The following are the qualifications of the experts who have 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
Orient Appraisal Co., Ltd.* (上海東洲資產評估有限公司)	Independent professional property valuer qualified in the PRC
BDO China Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所(特殊普通合夥))	Certified public accountants registered in the PRC

The above experts have 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 above experts did not have any interest, either direct or indirect, in any assets which had been, since 31 December 2013, 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 above experts did not have any shareholding interests in any member of the Group and it did not have any right, whether legally enforceable or not, to subscribe for or nominate persons to subscribe for securities of any members of the Group.

5. MISCELLANEOUS

In the event of inconsistency, the English version of this circular shall prevail over the Chinese version.

6. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Reed Smith Richards Butler at 20/F., Alexandra House, 18 Chater Road, Central, Hong Kong during normal business hours on any weekday (except public holidays) from the date of this circular up to and including Friday, 26 September 2014:

- (a) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in pages 11 to 12 of this circular;
- (b) 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 13 to 21 of this circular;
- (c) the Valuation Report; and
- (d) the Equity Transfer Agreement.

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from BDO China Shu Lun Pan Certified Public Accountants LLP.

AUDIT REPORT OF PROFIT FORECAST

Xin Kuai Shi Bao Zi [2014] No. 151209

To All Shareholders of China Shipping Development Company Limited:

We have audited the accompanying profit forecast report for 2014 and 2015 prepared by 上海北海船務股份有限公司 (Shanghai Beihai Shipping Company Limited, hereinafter referred to as “Beihai Shipping”). We have conducted the audit on basis of No. 3111 of the Standards on Other Assurance Engagements for Certified Public Accountants of China — Auditing on the Prospective Financial Information. The management of Beihai Shipping is responsible for this forecast and the assumptions upon which it was based. Such assumptions have been disclosed in basis of preparation and basic assumptions set out in the profit forecast report.

Based on our audit result on the evidences supporting such assumptions, nothing has come to our attention that causes us to believe that such assumptions have not given a reasonable basis for the forecast. Also, we believe this forecast has been properly compiled based on such assumptions, which has been presented in accordance with the requirements of basis of preparation in the profit forecast report.

As the expected matters often do not occur as expected, and the changes could be material, the actual results may be different from the prospective financial information.

BDO CHINA SHU LUN PAN CPAs LLP

Certified Public Accountant of China:

Dai Dingyi

Certified Public Accountant of China:

Lin Wenjun

Shanghai, the PRC

18 August 2014

APPENDIX II**REPORT FROM THE PRC ACCOUNTANT IN
RELATION TO THE PROFIT FORECAST****PROFIT FORECAST STATEMENT****Forecast Period: 2014 to 2015**

Prepared by Shanghai Beihai Shipping Company Limited

Unit: RMB

Item	Realized amount for January to Forecast amount			
	July 2014 (Audited)	for August to December 2014	Forecast amount for 2014	Forecast amount for 2015
1. Operating income	697,864,244.34	497,169,439.31	1,195,033,683.65	1,186,789,862.35
Less: operating cost	384,486,797.43	284,493,673.89	668,980,471.31	656,221,839.34
Business tax and surcharges	1,395,552.98	4,198,109.06	5,593,662.04	9,854,033.22
Sales expenses				
Management costs	25,510,139.69	20,530,460.31	46,040,600.00	47,584,128.00
Finance costs	1,089,693.00	-1,638,357.65	-548,664.65	-3,448,931.42
Asset impairment loss				
2. Operating profit (loss is marked with “-”)	285,382,061.24	189,585,553.71	474,967,614.95	476,578,793.20
Add: non-operating revenue	1,088,068.00	65,948,840.90	67,036,908.90	30,179,700.00
Less: non-operating expenses	743,494.71	50,641,171.32	51,384,666.03	
3. Total profits (total loss is marked with “-”)	285,726,634.53	204,893,223.28	490,619,857.81	506,758,493.20
Less: income tax expenses	72,969,398.13	51,223,305.82	124,192,703.95	126,689,623.30
4. Net profits (net loss is marked with “-”)	<u>212,757,236.40</u>	<u>153,669,917.46</u>	<u>366,427,153.86</u>	<u>380,068,869.90</u>

The following is an extract of the asset valuation report dated 11 June 2014 prepared for the appraisal on the value of all shareholders' equities of 上海北海船務股份有限公司 (Shanghai Beihai Shipping Company Limited) conducted by the asset appraiser, 上海東州資產評估有限公司.*

The asset valuation report was prepared in Chinese and the English version is a translation of the original. In case of discrepancies between the two versions, the Chinese version shall prevail.

Please be aware that the content was extracted from the full text of the asset valuation report.

Summary of Enterprise Valuation Report

1. Profile of the client and other report users

Client	Enterprise name: Shanghai Shipping (Group) Company
	Registered address: No.700 Daming Road East, Shanghai
	Legal representative: Chen Jihong
	Registered capital: RMB1,398,941,000
	Economic type: Public ownership
Other report users	Mode of operation: Service, sales, manufacture, repair
	This report shall only be used by parties involved in this transaction, relevant regulatory authorities or agencies for state-owned assets valuation involved in this economic behavior and report users as stipulated by national laws and regulations, and shall not be used or relied on by any other third parties.

2. The appraised entity and its profile

Company name: Shanghai Beihai Shipping Company Limited (上海北海船務股份有限公司) (hereinafter referred to as "Beihai Shipping")

Domicile: 32#, 97 Lane, Song Lin Road, Pu Dong District, Shanghai

Legal representative: Weng Qiongmeng

Registered capital: RMB763,750,000

Company type: Company limited by shares (joint venture among Taiwan, Hong Kong, Macau and the PRC, unlisted)

Scope of operation: Oil transportation between Shanghai and coastal areas in the PRC and along ports in midstream and downstream of the Yangtze River, international vessel dangerous goods transport, vessel charters, transportation consulting, intermediary services (Where licensing is required, a license shall be obtained prior to operation)

As of the valuation date, the shareholding structure of Beihai Shipping is as follows:

Serial number	Name of Shareholder	Amount of Contribution (RMB10,000)	Percentage of Contribution
1	CNOOC Petrochemicals Import & Export Co., Ltd.	22,912.50	30%
2	China Ocean Oilfields Services (Hong Kong) Limited	7,637.50	10%
3	Shanghai Shipping (Group) Company	15,275.00	20%
4	Sinochem International Corporation	15,275.00	20%
5	Silverbond Overseas Limited	15,275.00	20%
	Total	76,375.00	100%

1. Enterprise operation overview

Beihai Shipping is principally engaged in the provision of domestic and international crude oil and refined oil water transport services. Major ship types include Aframax-type tankers, Panamax-type tankers and MR-type tankers. The company currently has 8 ships of its own, including a 110,000-tonne tanker - “Feng Huang Zhou (鳳凰洲)” Vessel, 105,000-tonne tankers - “Beihai Weiwang (北海威望)” Vessel and “Beihai Zhanwang (北海展望)” Vessel, a 100,000-tonne tanker - “Beihai Mingwang (北海名望)” Vessel etc. and leases 3 ships, with a total DWT of more than 700,000 tonnes.

2. Historical financial information and financial accounting system

Assets and financial position of Beihai Shipping for the last three years are set out in the table below:

Unit of amount: RMB10,000

Item	2011.12.31	2012.12.31	2013.12.31
Total assets	255,745.04	259,021.62	244,910.91
Total liabilities	66,524.32	58,603.85	39,111.32
Net assets	189,220.72	200,417.77	205,799.59
Item	2011	2012	2013
Operating income	152,904.85	133,444.00	125,752.52
Total profit	59,280.09	58,799.62	50,705.14
Net profit	45,826.20	44,917.58	36,524.42

The above information is extracted from the audit reports for 2011 to 2013 issued by BDO CHINA Shu Lun Pan Certified Public Accountants LLP and all audit reports are unqualified.

Beihai Shipping implements the Enterprise Accounting Standards. The value-added tax rate is 11%. The urban construction tax is calculated based on 7% of the turnover tax payable. The education surtax is calculated based on 3% of the turnover tax payable. The local education surtax is calculated based on 2% of the turnover tax payable. The enterprise income tax rate is 25%.

Assets and liabilities of Beihai Shipping as provided by Beihai Shipping are set out in the table below:

As of 31 December 2013

Amount Unit: RMB Yuan

No.	Particulars	Carrying Amounts	No.	Particulars	Carrying Amounts
1	I. Total of Current Assets	379,118,540.88	21	Fixed Assets	2,011,246,820.27
2	Cash	260,502,296.61	22	Fixed Assets at Cost	
3	Net Amount of Trading Financial Assets			(Asset Type: Equipment and Buildings)	3,004,058,887.60
4	Notes Receivable	12,006,480.92	23	Including: Equipment	2,948,165,408.71
5	Dividends Receivable (Profits Receivable)		24	Buildings	55,893,478.89
6	Interest Receivable		25	Less: Accumulated Depreciation	992,812,067.33
7	Net Account Receivable	67,538,087.49	26	Net Fixed Assets (Asset Type: Equipment and Buildings)	2,011,246,820.27
8	Net Amount of Other Receivables	1,913,881.42	27	Including: Equipment	1,979,740,822.28
9	Prepayments	623,280.64	28	Buildings	31,505,997.99
10	Subsidies Receivable		29	Less: Total of Provision for Impairment of Fixed Assets	
11	Net Amount of Inventory		30	Net Fixed Assets	2,011,246,820.27
12	Expenses to be Amortized		31	Project Goods and Materials	
13	Non-Current Assets Due within 1 Year		32	Projects under Construction	57,960,132.08
14	Other Current Assets	36,534,513.80	33	Disposal of Fixed Assets	
15	II. Total of Non-Current Assets	2,069,990,548.34	34	Net Amount of Productive Biological Assets	
16	Net Amount of Financial Assets Available for Sale		35	Oil and Gas Assets at Cost	
17	Net Amount of Investment Held until Its Maturity		36	Less: Accumulated Depletion	
18	Net Amount of Long-Term Equity Investment		37	Net Oil and Gas Assets	
19	Long-Term Receivables		38	Development Expenses	
20	Investment in Real Estate		39	Goodwill	
			40	Net Amount of Intangible Assets	

No.	Particulars	Carrying Amounts	No.	Particulars	Carrying Amounts
41	Long-Term Expenses to be Amortized	82,329.49	54	Interest Payable	322,463.05
42	Other Non-Current Assets	701,266.50	55	Other Payables	12,105,372.92
43	Deferred Income Tax Assets		56	Withholding Expenses	
44	III. Total Assets	2,449,109,089.22	57	Non-Current Liabilities Due within 1 Year	53,354,760.00
45	IV. Total of Current Liabilities	358,982,751.81	58	Other Current Liabilities	
46	Short-Term Borrowings	129,000,000.00	59	V. Total of Non-Current Liabilities	32,130,472.50
47	Trading Financial Liabilities		60	Long-Term Borrowings	32,130,472.50
48	Notes Payable		61	Bonds Payable	
49	Accounts Payable	17,761,612.13	62	Long-Term Payables	
50	Advances from Customers		63	Specific Accounts Payable	
51	Staff's Remuneration Payable	1,373,618.94	64	Estimated Liabilities	
52	Profits Payable (Dividends Payable)	32,925,015.62	65	Other Non-Current Liabilities	
53	Taxes & Dues Payable	112,139,909.15	66	Deferred Income Tax Liabilities	
			67	VI. Total Liabilities	391,113,224.31
			68	VII. Net Assets	2,057,995,864.91

3. Purpose of valuation

The purpose of the valuation is to reflect the market value of the total equity of the shareholders of Beihai Shipping as of valuation date so as to provide a value reference basis for the economic behavior of the transfer of a 20% equity interest in Beihai Shipping by Shanghai Shipping (Group) Company.

4. Valuation subject and scope of valuation

- The valuation subject is the total equity of the shareholders of the appraised entity involved in equity transfer. The scope of valuation is all assets and liabilities of the appraised entity, including current assets, non-current assets (comprising fixed assets, construction in progress, intangible assets, long-term deferred expenses, other non-current assets) and liabilities etc. Total assets are RMB2,449,109,089.22 in book and total liabilities are RMB391,113,224.31 in book. The net assets are RMB2,057,995,864.91 in book.

2. Basis of valuation includes the following basis of ownership:
 - Property ownership certificates;
 - Vehicle licenses;
 - Vessel ownership registration certificates;
 - Other relevant supporting documents.
3. Based on the information provided for valuation, the appraised entity has 7 buildings, all of which have full title certificates.
4. Based on the information provided for valuation, the appraised entity has fixed assets — a total of 8 vessels which are all in the normal operation state.
5. Based on the information provided for valuation, the appraised entity owns one graphic trademark which is not reflected in the books but has been included in the valuation report after having the trademark registration certificate verified.
6. The subject entrusted for valuation and the scope of valuation are consistent with the valuation subject and the scope of valuation involved in the economic behavior and have been audited by BDO CHINA Shu Lun Pan Certified Public Accountants LLP. The audit report is unqualified.

5. Value type and its definition

The value type selected for the valuation is market value. Market value refers to the estimated amount for which the valuation subject should exchange on the valuation date between a willing buyer and a willing seller in a normal arm's length transaction, wherein the parties had each acted rationally without compulsion.

It should be noted that there may be differences in the value of same asset in different markets. The valuation is generally based on market conditions and market environment conditions which can be observed or analyzed in the PRC.

Such value type is selected for the valuation mainly based on factors such as the purpose of the valuation, market conditions, valuation assumptions and the own conditions of the valuation subject.

The “appraised value” referred to in this report represents the valuation opinion expressed in connection with the agreed valuation scope and subject in accordance with the procedures and methods stated in this report under the value type, valuation assumptions and preconditions as agreed in this report only for serving the purpose of the valuation as agreed in this report.

6. Valuation Date

1. The asset valuation date for the project is 31 December 2013.
2. The asset valuation date has been determined following negotiation with the client after taking into account factors such as the realization of the economic behavior and the financial accounting period.
3. The impact of the determination of the valuation date on the valuation result is in line with the general case, without special influencing factors. The price selection standard for the valuation is the price standard in effect on the valuation date.

7. Methodology of Valuation

General

There are three basic methods for the valuation of an enterprise’s value, i.e. asset-based approach, income approach and market approach.

1. Asset-based approach, also known as the cost approach, is a valuation method of determining the value of all assets and liabilities on and off the balance sheet of the appraised enterprise on the basis of the balance sheet of the enterprise on the valuation date.
2. Income approach is a valuation method of determining the value of the valuation subject by capitalizing or discounting the expected income.
3. Market approach is a valuation method of determining the value of the valuation subject by comparing the valuation subject with comparable listed companies or comparable transaction cases.

Reasons for the Selection of Valuation methods and explanations

A certified public valuer, when carrying out enterprise valuation services, shall properly select one or more basic asset valuation methods by analyzing the applicability of the three basic asset valuation methods, namely income approach, market approach and asset-based approach, in accordance with the relevant requirements such as the purpose of valuation, the valuation subject, the value type and the data collection status.

Based on the analysis of the relevant requirements such as the purpose of valuation, the valuation subject, the value type and the data collection status and the applicability of the three basic asset valuation methods: The purpose of the valuation is equity interest transaction and the value type is market value. Based on the data collection status, the appraised enterprise can be valued using the income approach and the market approach. Since the appraised entity is an oil and dangerous goods transportation enterprise with various qualifications issued by the Ministry of Transport of the People's Republic of China and is characterized by the fact its intangible resources such as business model, service platform and qualifications are difficult to measure and quantify one by one if the asset-based approach is adopted, the cost approach cannot fully reflect the intrinsic value of the enterprise. The profitability of the appraised entity is strong. The future income period and the amount of income can be predicted and can be measured in monetary terms. The risk exposure for obtaining the expected income can also be quantified. Therefore, the income approach can be adopted. Meanwhile, there are many listed companies in the industry where it operates. Relevant information such as share prices and operating and financial data of comparable companies are publicly available, which facilitates data collection. Therefore, the market approach can also be adopted.

Income
approach

The basic theory of the income approach is to determine the value of the valuation subject by estimating the future expected income of the asset and discounting it to a present value at an appropriate discounting rate. Namely, the total equity of shareholders is arrived at by discounting the free cash flow of the enterprise for a certain number of years in future at an appropriate discounting rate to arrive at the value of operating assets and then adding the value of excess assets and non-operating assets and deducting interest-bearing debts.

Valuation
model and
formula

The enterprise discounted free cash flow model is selected as the valuation model for the income approach taking into account the business model of the enterprise

Total equity value of shareholders = enterprise value - interest bearing debt
Enterprise value = operating assets + surplus assets and Non-operating assets.

Value of operating assets=sum of the present value of free cash flow during the specific forecast period+the present value of free cash flow after the specific forecast period (P), i.e.

$$P = \sum_{i=1}^n \frac{F_i}{(1+r)^i} + \frac{F_n * (1+g)}{(r-g) * (1+r)^n}$$

Where:

r — discounting rate selected.

n — The specific forecast period refers to the duration from the valuation date to the time when the enterprise attains relatively stable operating conditions. Five years is selected as the specific forecast period n. Based on the current business operations, financial position, asset characteristics and resource conditions of the appraised entity as well as the development prospects of the industry, the income period after the forecast period is determined in accordance with an indefinite period.

F_i — expected amount of income during i th income period in future (free cash flow). The expected free cash flow to the enterprise for the years 2014, 2015, 2016, 2017 and 2018 are RMB358,751,100, RMB246,376,800, RMB435,371,400 RMB416,035,800 and RMB428,028,900, respectively.

g — annual growth rate of future income, which would be zero assuming F_i remains unchanged after n years.

Income forecast process

1. Review the income during the future forecast period provided by the management of the appraised entity.
2. Make a reasonable adjustment to the forecast made by the management in connection with the specific forecast period by analyzing the financial information such as historical income, cost and expenses of the appraised entity, also taking into account the capital structure, operating conditions, historical results and development prospects of the enterprise.
3. Reasonably determine the valuation assumptions while taking into consideration all future possibilities and their impact.
4. Analyze the trend of income during the sustainable period subsequent to the forecast period based on the macroeconomic and regional economic situations, the development prospects of the industry concerned and the business model of the appraised entity, and select an appropriate method to estimate the value after the forecast period.
5. Determine the working capital and capital expenditure based on the asset allocation and the utilization of fixed assets of the appraised entity.

Selection of Discounting Rate

1. Discounting rate, which is also known as expected rate of return on investment, is a key parameter for determining the assessed value in the income approach.
2. According to the principle of consistent basis for the income amount and the discount rate, the basis of the income amount for the valuation is the net cash flow of the enterprise and the weighted average capital cost (WACC) is chosen as the discount rate.

WACC is the weighted average value of the expected return on equity and the return on debt after income tax adjustment.

$$WACC = (R_e \times W_e) + [R_d \times (1-T) \times W_d]$$

Where:

R_e is the cost of equity capital of the company

R_d is the cost of debt capital of the company

W_e is the percentage of equity capital in the capital structure

W_d is the percentage of debt capital in the capital structure

T is the effective income tax rate of the company

Cost of Equity
Capital

Cost of equity capital: the cost of equity capital, R_e , is determined based on the Capital Asset Pricing Model (CAPM):

$$R_e = R_f + \beta_e \times MRP + \varepsilon$$

In the formula:

R_f : risk-free rate of return;

MRP : market risk premium;

ε : adjustment coefficient for specific risk faced by the valuation target;

β_e : coefficient for expected market risk associated with the equity of the valuation target;

$$\beta_e = \beta_t \times (1 + (1 - t) \times \frac{D}{E})$$

In the formula: β_t is unlevered beta coefficient of a potential reference company;

D and E : interest-bearing liabilities and equity capital of the valuation target respectively.

We take the following steps to perform a CAPM analysis:

- 1) Latest indicators showing the actual return rate of long-term treasury bonds that have a term over 5 years and are transferrable in the market as released by IFind Database of 10jqka. The weighted average return is about 3.83%.

- 2) Determining MRP: We have calculated the market risk premium of the Chinese market based on the following methods:
- a. Choosing an index to measure the overall change in the market: Currently, there are many different indices in Shanghai and Shenzhen. The index that we choose should be the one that can best reflect the changes of mainstream stocks in the market. Borrowing the experience of the relevant authorities in the United States who have chosen to use S&P 500 as the index, we have chosen CSI 300 to calculate the MRP in China. CSI 300 is the first cross-market index that has been jointly published by the Shanghai and Shenzhen Stock Exchanges since 8 April 2005. The index comprises of 300 A-shares in the Shanghai and Shenzhen markets that are large in scale and have great mobility so that they can sum up and reflect the collective performance of A- shares in the Shanghai and Shenzhen markets.
 - b. Choosing the return interval: We have chosen 10 years as the interval period after considering the fluctuation of stocks in the Chinese stock markets.
 - c. Determining the components of the index: Components of CSI 300 change every year. As a result, we have chosen the components of CSI 300 at the end of each year in our calculation.
 - d. Collection of data: We have used the closing price on the closing day of the year of each share as provided by Royal Flush. As the return of each share should include the annual bonus and dividend and other returns incurred, it is necessary to consider the annual bonus and dividend and other returns incurred. To do this, we have chosen to use the right restoration price at the end of the year as provided by Royal Flush. This price has effectively shown the annual bonus, dividend, and other returns in it.
 - e. Calculation of risk-free return: We have chosen returns of treasury bonds that have an expiration date of over five years by the end of each year.
 - f. Conclusion upon calculation: After calculation, the market risk premium in China is 7.40%.

3) Value of β_e

This coefficient is used to calculate the risk premium of the enterprise in the overall capital market. It is also used to evaluate how the overall economic environment will affect the price of an individual stock. As the company that is being valued is currently not a listed company, it is generally difficult to calculate its coefficient directly. Thus, in this valuation, we have used the β coefficient (i.e., β_t) of enterprises that are in the same industry as the company on the valuation date for reference.

At present, Royal Flush is a data company in China that engages in the study of β coefficient and publishes the value of β . The average β_t of compatible enterprises in the shipping industry after taking out their financial leverage is 0.7062.

As the capital structure of the valuation target is vastly different from others in the industry, this study focuses on the capital structure of the company being assessed in this valuation.

After calculation, the D/E of the valuation target is 5.2%.

Finally, it is concluded that the value of the equity expected risk coefficient (β_e) of the valuation target is 0.734.

4) Determine specific risk (ε)

Taking the size of assets, terms of financing, mobility of capital, management structure, and debt structure of the subject being studied into consideration, there are specific risks caused by its differences from other listed companies. Thus, the adjustment coefficient for specific risk (ε) is set at 1%.

Factors that may affect risk include policy risk and market risk and they are calculated after integration.

- A. Policy risk refers to risks associated with industry-specific policy restrictions, industry management, financial subsidies, and other risks associated with changes in policies. Consider the facts that the State has supported the transportation of oil by sea freight through policies, there is a surplus in the transportation force, and the economic downturn has led to poor performance on the transportation industry, the policy risk is set at 0.5%.
- B. Market risk refers to risks related to market sales and cost control. Prices of crude oil and refined oil have a greater impact on the enterprise. If the price of refinery oil rises, the gross profit of the enterprise will be impacted. Thus, market risk is set at 0.5%.

5) Measure the Cost of Equity Capital

Finally, the cost of equity capital of the valuation target (R_e):

$$\begin{aligned} R_e &= 3.83\% + 0.734 \times 7.40\% + 1.0\% \\ &= 10.26\% \end{aligned}$$

Cost of Debt
Capital

The cost of debt capital (R_d) is taken from interest rate of loans that have a term longer than five years, which rate is 6.55%.

Determining
the Structure of
Capital

By summing up the future profit of the enterprise and strategy of the management in future financing, it is determined that the enterprise's own capital structure is the enterprise's targeted capital structure ratio.

$$W_d = \frac{D}{D + E} = 4.90\%$$

$$W_e = \frac{E}{D + E} = 95.10\%$$

Calculating the
Discount Rate

$$R = R_d \times (1 - T) \times W_d + R_e \times W_e$$

Applicable tax rate: income tax is 25%.

Discount rate r : Applying each of the above values to the formula:

$$\begin{aligned} &= 6.55\% \times (1 - 25\%) \times 4.90\% + 10.26\% \times 95.10\% \\ &= 10\% \end{aligned}$$

Value of
Operating
Assets

In terms of assets and main business activities that have been incorporated into statements, based on actual trends from the operating history in recent years as well as the projected income from its business activities (net cash flow). The operating assets value is RMB 4,268,144,100.

Surplus and
non-operating
assets
(liabilities)

Surplus Assets refer to assets not directly relating to revenue of the enterprise and in excess of its operating needs, comprising mainly surplus cash and idle assets.

Non-operating assets and liabilities are assets and relevant liabilities not included in the income forecast scope which are not directly related to operating revenue of the enterprise and are mainly dividends payable.

Value of
Surplus Assets

Upon inspection: the cash account balance has a face value of RMB 260,502,300. Upon analysis by the valuers based on historical data, the enterprise needs to have a cash flow that is sufficient to cover two months of operating cost. Besides that, it has excess assets of about RMB 129,302,300.

Value of Non-operating Assets	After assets check and profit analysis and forecast, the non-operating assets of the enterprise include: Other Current Assets The book value of other non-current assets is RMB 701,300, mainly purchase of golf club memberships. As this asset is not associated with the main business of the enterprise, it was determined as a non-operating asset and was valued according to the book value. Dividends Payable The book value of dividends payable is RMB 32,925,000. As this liability is not caused by the main business of the enterprise but rather an outcome of the operating activities, which are returns or profits to the shareholders, it was considered a non-operating liability and was valued according to the book value. Interests Payable The book value of interests payable is RMB 322,500. This liability could be determined as an external debt as at the valuation date (a financing cost payable but has not been paid), which is also not caused by the operating activities to be considered an operating liability. The item was valued according to the book value. Therefore, the valuation sum of non-operating assets = RMB 701,300 - RMB 32,925,000 - RMB 322,500 = RMB - 32,546,200
Value of surplus and Non-operating Assets	$\text{RMB}129,302,300 - \text{RMB}32,546,200 = \text{RMB}96,756,100$
Value of the Enterprise	With the value of the operating assets obtained and taking the values of the surplus assets and the non-operating assets as at the valuation date into consideration, the value of the enterprise to be valued could be $\text{RMB}4,268,144,100 + \text{RMB}96,756,100 = \text{RMB } 4,364,900,000$.
Interest-bearing Debts	Interest-bearing debts are mainly amounts borrowed by the appraised entity from financial institutions or other entities, individuals etc., such as: short-term borrowings, long-term borrowings.

Value of Interest-bearing Debts	In view of the position as at the valuation date, the constitution of the interest-bearing liabilities was <table> <tr> <td>Short-term Loans</td><td>RMB 129,000,000</td></tr> <tr> <td>Non-current liabilities due within one year</td><td>RMB 53,354,800</td></tr> <tr> <td>Long-term Loans</td><td>RMB 32,130,500</td></tr> <tr> <td>Total</td><td>RMB 214,485,200</td></tr> </table>	Short-term Loans	RMB 129,000,000	Non-current liabilities due within one year	RMB 53,354,800	Long-term Loans	RMB 32,130,500	Total	RMB 214,485,200
Short-term Loans	RMB 129,000,000								
Non-current liabilities due within one year	RMB 53,354,800								
Long-term Loans	RMB 32,130,500								
Total	RMB 214,485,200								
Value of Shareholders' Full Equity	the value of the full equity of the enterprise to be valued was obtained: $E = B - D = \text{RMB } 4,364,900,000 - \text{RMB } 214,485,200 = \text{RMB } 4,150,000,000$ (Rounded)								
Market approach	The two methods commonly used in the market approach are the listed company comparison approach and the transaction case comparison approach. Considering the fact that relevant information of listed companies can be collected, the listed company comparison approach is chosen for this appraisal.								
Calculation formula	Value of the total equity of shareholders=value of operating assets+value of excess assets+value of non-operating assets (liabilities) Value of operating assets=relevant indicator of the enterprise entrusted for valuation$\times$corresponding value ratio of the reference enterprises$\times$correction factor								
Valuation procedure	Firstly, choose listed companies which operate in the same industry where the appraised entity operates and are active in stock trading as comparable companies and calculate the market values of the comparable companies through their trading share prices. Secondly, choose one or several profitability and asset type parameters of the comparable companies, such as: EBIT, EBITDA or total assets, net assets, as “analytical parameters” and calculate the proportional relationship “value ratio” between the market values of the comparable companies and the analytical parameters chosen. Lastly, quantify the differences by comparing and analyzing the similarities and differences between the appraised enterprise and the reference enterprises and calculate the value ratio applicable to the appraised enterprise to obtain the market value of the subject entrusted for valuation. Since comparable companies in the listed company comparison approach are listed companies normally traded on the open market, the conclusion of this valuation using the market approach has taken into account the impact of liquidity on the value of the subject.								

Selection of
reference
enterprises

As the enterprise to be valued is not a listed company and its equity is not traded in the open market, its market value could not be determined in a direct manner. Neither was it appropriate to calculate its rate of risk return on investment by direct calculation. We determined the factors of operating risk and discount rate by the method of analyzing contrastive enterprises selected from domestic listed companies. The process of selecting reference enterprises was as follows:

The criteria for selecting reference enterprises in this valuation were as follows:

- (1) The reference enterprise had been listed for at least three years;
- (2) The reference enterprise only issued A shares;
- (3) The trade and main business of the reference enterprise were identical with or similar to those of the Enterprise to be valued. According to the above principles, we selected the following three companies as reference enterprises:

Reference Enterprise 1: Ningbo Marine Company Limited (Stock Code: 600798)

Report Parameter Report Type	Three year average Consolidated Report
Total Profits	-3,950.56
Revenue from Sources other than Main Business	2,935.06
Total Profits after Deduction of Profits from Sources other than Main Business	-6,885.62
Net Profit	-6,917.20
Interest Expenditure	25,781.35
EBIT	18,895.73
EBIT/Operating Income	0.17
Depreciation Amortization	24,903.58
EBITDA	43,799.31
EBITDA/Operating Income	0.39
NOIAT	43,767.74
NOIAT/Operating Income	0.39
EBIT	0.03
NOIAT/EBITDA	1.00
NOIAT/EBIT	2.32
(Net Profit + Depreciation/Amortization)/Net Asset	0.07
NOIAT/Total Assets	0.06
Enterprise Cash Flow after Tax	17,986.38
Enterprise Equity Value	292,133.86
Interest-bearing Liabilities	412,625.45
Enterprise Value (EV)	704,759.31
EV1, directly extracted from coefficient, including Cash	688,093.57
EV2, directly extracted from coefficient, excluding Cash	665,180.20
EV/NOIAT	16.38

Reference Enterprise 2: Zhongchang Marine Company Limited (Stock Code: 600242)

Report Parameter Report Type	Three year average Consolidated Report
Total Profits	-201.36
Revenue from Sources other than Main Business	6,907.91
Total Profits after Deduction of Profits from Sources other than Main Business	-7,109.27
Net Profit	-7,149.26
Interest Expenditure	10,059.36
EBIT	2,950.09
EBIT/Operating Income	0.07
Depreciation Amortization	8,796.78
EBITDA	11,746.88
EBITDA/Operating Income	0.26
NOIAT	11,706.89
NOIAT/Operating Income	0.26
EBIT	0.01
NOIAT/EBITDA	1.00
NOIAT/EBIT	3.97
(Net Profit + Depreciation/Amortization)/Net Asset	0.04
NOIAT/Total Assets	0.05
Enterprise Cash Flow after Tax	1,647.53
Enterprise Equity Value	157,532.28
Interest-bearing Liabilities	151,544.28
Enterprise Value (EV)	309,076.55
EV1, directly extracted from coefficient, including Cash	244,020.68
EV2, directly extracted from coefficient, excluding Cash	225,096.80
EV/NOIAT	27.00

Reference Enterprise 3: COSCO Shipping Company Limited (Stock Code: 600428)

Report Parameter Report Type	Three year average Consolidated Report
Total Profits	10,106.38
Revenue from Sources other than Main Business	10,872.89
Total Profits after Deduction of Profits from Sources other than Main Business	-766.51
Net Profit	-1,936.57
Interest Expenditure	16,276.18
EBIT	15,509.67
EBIT/Operating Income	0.02
Depreciation Amortization	40,958.81
EBITDA	56,468.49
EBITDA/Operating Income	0.09
NOIAT	55,298.43
NOIAT/Operating Income	0.09
EBIT	0.01
NOIAT/EBITDA	0.98
NOIAT/EBIT	3.57
(Net Profit + Depreciation/Amortization)/Net Asset	0.07
NOIAT/Total Assets	0.04
Enterprise Cash Flow after Tax	39,022.24
Enterprise Equity Value	651,385.34
Interest-bearing Liabilities	633,293.46
Enterprise Value (EV)	1,284,678.80
EV1, directly extracted from coefficient, including Cash	1,287,981.01
EV2, directly extracted from coefficient, excluding Cash	966,763.62
EV/NOIAT	23.44

The above data are all released from IFind Database of 10jqka.

Ratio
calculation

NOIAT Ratio Calculation

Calculation period	Reference enterprise	Reference enterprise	Target enterprise	Reference enterprise	Target enterprise	Risk factor correction	Growth rate correction	NOIAT ratio before correction	Reference enterprise ratio reciprocal	Ratio after correction	Ratio value
		discount rate	discount rate	NOIAT long-term growth rate	NOIAT long-term growth rate						
3 year average	Ningbo Marine	9.29%	9.29%	6.75%	-0.90%	0.00%	7.65%	16.38	6.11%	7.27	8.67
	Zhongchang Shipping	12.01%	10.79%	4.68%	-0.90%	-1.22%	5.59%	27.00	3.70%	12.38	
	Cosco Shipping	10.87%	10.87%	10.54%	-0.90%	0.00%	11.44%	23.44	4.27%	6.37	

EBIT Ratio Calculation

Calculation period	Reference enterprise	Reference enterprise	Target enterprise	Reference enterprise	Target enterprise	Risk factor correction	Growth rate correction	EBIT ratio before correction	Reference enterprise ratio reciprocal	Ratio after correction	Ratio value
		NOIAT/EBIT(λ)	discount rate	EBIT growth rate	EBIT growth rate						
3 year average	Ningbo Marine	231.6%	4.01%	4.01%	6.75%	-0.90%	0.00%	7.65%	37.93	0.03	9.72
	Zhongchang Shipping	396.8%	3.03%	2.72%	4.68%	-0.90%	-0.31%	5.59%	107.14	0.01	16.09
	Cosco Shipping	356.5%	3.05%	3.05%	10.54%	-0.90%	0.00%	11.44%	83.58	0.01	7.91

EBITDA Ratio Calculation

Calculation period	Reference enterprise	Reference enterprise	Target enterprise	Reference enterprise	Target enterprise	Risk factor correction	Growth rate correction	EBITDA ratio before correction	Reference enterprise ratio reciprocal	Ratio after correction	Ratio value
		EBITDA (δ)	discount rate	EBITDA growth rate	EBITDA growth rate						
3 year average	Ningbo Marine	99.9%	9.30%	9.30%	6.75%	-0.90%	0.00%	7.65%	16.37	0.06	7.27
	Zhongchang Shipping	99.7%	12.05%	10.83%	4.68%	-0.90%	-1.22%	5.59%	26.91	0.04	12.37
	Cosco Shipping	97.9%	11.10%	11.10%	10.54%	-0.90%	0.00%	11.44%	22.96	0.04	6.33

Indicators of enterprise entrusted for valuation The final value ratios of this valuation are average ratios of NOIAT, EBIT and EBITDA in three years.

Enterprise entrusted for valuation: Shanghai Beihai Shipping Company Limited

Unit of amount: RMB '0000

Item	Three year average		
	NOIAT	EBIT	EBITDA
Ratio for target company	8.67	11.24	8.66
Parameter for the target company	56,046.09	53,045.92	69,307.57
Enterprise value for the target company	486,130.60	596,373.97	599,962.51
Debt for the target company	21,448.52	21,448.52	21,448.52
Equity value for the target company	464,682.08	574,925.45	578,513.99
Liquidity discount	25.78%	25.78%	25.78%
Value of operating assets	344,887	426,710	429,373
Add:non-operating assets & surplus assets	9,675.61	9,675.61	9,675.61
Equity value for the target company (Rounding)	354,600.00	436,400.00	439,000.00
Average value (Rounding)		410,000.00	

8. Valuation Process

According to the relevant state principles and regulations on asset valuation, we have performed the valuation and verification on the assets and liabilities within the appraisal scope and carried out the necessary due diligence on the operation and management status of the appraised entity. The process is as follows:

1. Contacting the client; listening to the relevant staff of the company introduce the company as well as the history and current situation of the assets entrusted for valuation; having an understanding of the purpose, valuation subjects and scope of valuation; determining the valuation date, signing the letter of engagement and drafting the valuation proposal;
2. Assisting the appraised entity in filling in the asset valuation declaration forms;

3. On-site field checking. Non-physical assets checking is carried out by checking the process of the formation of claims and debts of the enterprise and the truthfulness of the carrying values mainly by way of looking up original accounting documents of the enterprise, external confirmations and verifying the relevant supporting documents. Physical assets checking mainly comprises on-site physical goods stocktaking and investigation, checking, photographing and recording the conditions of the assets, collecting property right certificates of the assets entrusted for valuation, looking up information such as the records for the operation, maintenance and incidents related to the machines and equipment. The valuers gain an understanding of asset management and asset allocation through talking with the asset management personnel.
4. After checking against the relevant financial records and information of the appraised entity and conducting an on-site investigation, the valuers supplement and improve the content of the assets valuation declaration form completed by the enterprise.
5. Interviewing with the management and listening to the appraised entity's introduction of the operation model, income from major products or service businesses and its changes, the composition of cost and its changes, income over the years and major reasons for the changes; understanding the accounting system and the management approach of the appraised entity, core technologies, research and development ability of the appraised entity as well as future development plans and competitive advantages, disadvantages, and understanding the content of the excess assets and non-operating assets and assets utilization of the appraised entity;
6. Collecting information such as the operating indicators, financial indicators of the appraised entity and its operating plans, fixed asset update or investment plans for future years. Investigate the present situation of the industry where the appraised entity operates, regional market conditions and future development trends; analyzing the relevant macroeconomic situation and industry environment factors that affect the operations of the appraised entity; commencing market surveying and quotation inquiring to collect capital market information and data about the same industry.
7. Assessment and estimation. The valuers choose an appropriate valuation method based on the relevant conditions such as the valuation subject, the value type and the collection of valuation information; choosing the corresponding model or formula, analyzing the reasons for changes in the indicators, form a preliminary conclusion through calculation and judgment, and analyzing the preliminary conclusions formed by various valuation methods, determining the final valuation conclusion on the basis of evaluating the rationality of different valuation methods and preliminary value conclusions and the quality and quantity of the information used in a comprehensive manner.

8. Having confirmed that there is no repetition or omission in the valuation, the valuers make multiple contacts with other intermediaries to summarize the preliminary results of the assets valuation, analyze the valuation conclusion, prepare the valuation report and valuation explanations.
9. Reporting the valuation result to and communicating with the client and the appraised entity after the valuation report goes through the internal three-grade checking by the company; amending and improving the valuation report based on the opinions exchanged and submitting the official valuation report to the client.

9. Valuation Assumptions

(1) Basic assumptions:

1. Assumption of open market: Open market refers to a competitive market with adequately developed and complete market conditions as well as a willing buyer and a willing seller each having, on an equal footing, the opportunities and time to gain sufficient market information, whereby the transaction is conducted on a willing, rational (rather than forced) or unrestricted basis on either part of the buyer and the seller.
2. Assumption of continuous utilization: As the first step under the assumption, the target assets including assets being utilized and spare assets are assumed to be in use. Then such assets in use are supposed to be utilized continuously according to relevant data and information. In addition to defining the market conditions or environment for the target assets, the assumption of continuous utilization places emphasis on the subsistence of assets.
3. Assumption of going concern: The appraised entity is assumed to legitimately continue as a going concern based on its existing assets and resource conditions in the foreseeable future, instead of suspension due to various reasons.

(2) General assumptions:

1. Unless specified otherwise, this report does not take into account the impact on the valuation conclusion from any abnormal factors including any existing or potential charge, guarantee or special transaction modes.
2. There is no material change in the relevant prevailing laws and policies, industry policies or macro-economic situation of the PRC or in the political, economic or social environment in the location where the appraised entity operates, and there is no materially adverse impact from other force majeure or unforeseeable factors.

3. There is no material change in taxation policies including tax bases and tax rates applicable to the appraised entity, and the credit policies, interest rates and exchange rates are basically stable.
 4. According to the valuation purpose, the value type of the valuation conclusion is defined as market value. All pricing standards adopted in the valuation are subject to price rates and value system effective as at the valuation date.
- (3) Assumptions under the income approach:
1. All evidences provided by the appraised entity, including business contracts, corporate business license, articles of association, executed agreements, audit reports and financial information, are true and valid.
 2. The existing and future management team of the appraised entity has exercised and will exercise due diligence, will not involve any material noncompliance that might impact the company's development and revenue generation, and will maintain the existing operation and management model to continue the business as a going concern.
 3. The contracts executed by the appraised entity in previous years and the current year are valid and effective and can be fulfilled.
 4. The future forecast in the valuation is a reasonable forward-looking projection based on the existing market conditions, taking no consideration of any material changes or fluctuations in future market such as political turmoil, economic crisis or malignant inflation that are foreseeable at present.
 5. The future development plan, subsequent fixed asset investments and forecast operating data of the appraised entity can be realized in the future.
 6. The revenues, relevant prices and costs as the basis of the valuation conclusion are of the professional judgments by the appraiser based on its due diligence investigation on the historical data provided by the appraised entity. As a result, the valuation conclusion is subject to the rationality of the appraiser's judgments.

The calculation of the valuation result in this report is conducted based on the conditions of the valuation subjects on the valuation date as well as the assumptions and limitations on the valuation subjects in the enterprise valuation report. According to the requirements of the asset appraisal, these assumptions are recognized to be the established ones on the valuation date. When the economic environment in the future undergoes any change which is relatively large, we do not bear the responsibility for a different appraisal conclusion resulted owing to the change of conditions of the assumptions.

10. Valuation Conclusion

General

Pursuant to the relevant laws, regulations and asset valuation criteria and by adhering to the principle of independence, objectivity and equity, we have assessed the market value of the appraised entity on the valuation date using the income approach and the market approach in accordance with the necessary valuation procedure and arrived at the following valuation conclusion:

1. Valuation Conclusion under the Income Approach

Based on the income approach, the total equity interest of shareholders of the appraised entity under the aforesaid assumptions is valued at RMB4,150,000,000, representing an appreciation of RMB2,092,004,100 and an appreciation rate of 101.65% as compared to the audited net book assets.

2. Valuation Conclusion under the Market Approach

Based on the market approach, the total equity interest of shareholders of the appraised entity under the aforesaid assumptions is valued at RMB4,100,000,000, representing an appreciation of RMB2,042,004,100 and an appreciation rate of 99.22% as compared to the audited net book assets.

Conclusion and Analysis

1. The major reason for the difference in the valuation results between the income approach and the market approach is: The income approach determines the value of the enterprise by estimating its future expected income. Namely, the total equity of shareholders is arrived at by discounting the free cash flow of the enterprise for a certain number of years in future at an appropriate discounting rate to arrive at the value of operating assets and then adding the value of excess assets and non-operating assets and deducting interest-bearing debts. The income approach has reflected the intrinsic value of the enterprise.

Under the listed company comparison approach, listed companies which operate in the same industry where the appraised entity operates and are active in stock trading are chosen as comparable companies. Besides, one or several profitability and asset type parameters of the comparable companies are chosen to calculate the “value ratio” between the market values of the comparable companies and the analytical parameters chosen. The differences are quantified by comparing and analyzing the similarities and differences between the appraised enterprise and the reference enterprises and the value ratio applicable to the appraised enterprise is calculated to obtain the market value of the subject entrusted for valuation. Since the market approach and the income approach have adopted different valuation methods, the valuation conclusions differ.

Since the valuation conclusion under the market approach is affected to a great extent by fluctuations in stock indices in the capital market and the business structure, business model, enterprise scale and asset allocation of each company is different, it is very difficult objectively to achieve accuracy in quantifying the aforesaid differences. Therefore, the result under the income approach is preferred for the valuation.

1. The major reason for appreciation under the income approach is:
 - (1) With the overall profitability of the enterprise as the core, the income approach has reflected the value of the enterprise and the value of the equity of shareholders more objectively. It considers the enterprise value to be an organic coalition. Apart from unidirectional assets which can generate values, the various intangible assets of the enterprise formed by a combination of factors such as its operation qualification, goodwill, excellent management experience, market channels, customers and brand are also an integral part of the value which cannot be ignored. These factors have resulted in valuation appreciation.
 - (2) There is currently overcapacity in the shipping industry and the industry remains sluggish as a result of the economic contraction. Nevertheless, through the restructuring of its businesses and effective operating measures, Beihai Shipping still maintained a good level of net profit. Based on the analysis of its profitability indicator, the profitability of Beihai Shipping is higher than the industry average level. These are also important reasons for valuation appreciation.

After valuation, the total equity of the shareholders of the appraised entity is RMB4,150,000,000. (Four Billion One Hundred and Fifty Million Only).

Others In view of the limitation on the market transaction information, in our valuation using the income approach, we had neither considered the liquidity nor the premium or discount engendered from factors such as controlling or minority equity. In our valuation using the market approach, since all comparable companies are listed companies, we had made a discounting adjustment to the factors affecting non-listed liquidity.

11. Restrictions on the Use of the Valuation Report

Scope of Use
of the
Valuation
Report

1. This report can only be used by valuation report users stated in the valuation report for valuation objectives and purposes as set out in this report and shall be sent to the relevant government authorities for review as required.
2. The content of the valuation report shall not be extracted, cited or disclosed in open media without the written consent of the appraisal firm issuing the valuation report, unless provided by laws and regulations or otherwise agreed by the relevant parties.
3. This report contains certain annexes, valuation schedules and other official materials provided by the appraisal firm exclusively for review by government or industry regulatory authorities, which have the same legal effect and binding force as this report.

Valid period
for the Use of
the Valuation
Conclusion

The valuation conclusion will survive a valid period of one year according to prevailing regulations, i.e. it is valid from 31 December 2013 (the valuation date) to 30 December 2014.

The report is not permitted to use after the deadline.

12. Date of This Valuation Report

The date of the valuation report is 11 June 2014.

Appraisal Firm **Orient Appraisal Co., Ltd.**

Signed by Yu Junrong
Certified Public Wu Gang
Valuer

Issue Date of 11 June 2014
the Report



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 29 August 2014 had been given by China Shipping Development Company Limited (the “**Company**”) that the extraordinary general meeting (the “**EGM**”) of the Company will be held at 2:30 p.m. on Thursday, 16 October 2014 at 3rd Floor, Parkview Hotel, 555 Dingxiang Road, Pudong New Area, Shanghai, The People's Republic of China to consider and, if thought fit, pass the resolution set out therein. This notice is a supplemental notice following the Company's announcement dated 29 August 2014 setting out the additional resolution proposed by the controlling shareholder of the Company in accordance with Article 78 of the Company's Articles of Association to be passed at the EGM:

Ordinary Resolution

“2. THAT the entry into by China Shipping Tanker Co., Ltd (中海油輪運輸有限公司) of the equity transfer agreement dated 30 July 2014 (the “Equity Transfer Agreement”, a copy of which has been produced to the meeting and initialled by the chairman of the meeting for the purposes of identification) in respect of the acquisition of 20% equity interest in 上海北海船務股份有限公司 (Shanghai Beihai Shipping Company Limited*) and the transactions contemplated thereunder be and are hereby approved; and to authorise the directors of the China Shipping Development Company Limited 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 Equity Transfer Agreement.”

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

12 September 2014
Shanghai
The People's Republic of China

** for identification purposes only*

Notes:

- (A) Please refer to the notice of EGM dated 29 August 2014 for Resolution 1.
- (B) The H Share register of the Company will be closed from Tuesday, 16 September 2014 to Thursday, 16 October 2014 (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 Thursday, 16 October 2014 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 Monday, 15 September 2014.

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

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

- (C) 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 Friday, 26 September 2014.

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

- (D) 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.
- (E) The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing. If that instrument is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign, or other documents of authorisation, must be notarially certified.
- (F) For holders of H Shares, the supplemental form of proxy, and if the supplemental 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.

- (G) Each holder of A Shares is entitled to appoint in writing one or more proxies, whether a shareholder or not, to attend and vote on its behalf at the EGM. Notes (D) to (E) also apply to holders of A Shares, except that the supplemental proxy form or other documents of authority must be delivered to the Office of the Secretary to the Board of Directors, the address of which is set out in Note (C) above, not less than 24 hours before the time appointed for holding the EGM (or any adjournment thereof) in order for such documents to be valid.
- (H) If a proxy attends the EGM on behalf of a shareholder, he should produce his identity card and the instrument signed by the appointor of the proxy or his legal representative, which specifies the date of its issuance. If the legal representative of a shareholder which 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 authorisation instrument affixed with the seal of that shareholder (which is a legal person) and duly signed by its legal representative.
- (I) The EGM is expected to last for an hour. Shareholders attending the EGM are responsible for their own transportation and accommodation expenses.
- (J) As at the date of this supplemental notice, 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.