

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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 TRANSACTION SALE OF CONTAINER VESSELS**

On 27 June 2008, the Vendors entered into the Sale and Purchase Agreements with the Purchaser, pursuant to which the Vendors have agreed to sell the Container Vessels to the Purchasers at a total consideration of US\$36,520,000 (approximately HK\$284,856,000).

The consideration has been determined by reference to the assets valuation report on the Container Vessels dated 10 June 2008 issued by an independent and qualified PRC valuer, China Tong Cheng Assets Appraisal Co., Ltd.. As set out in the report, as at 31 May 2008, the Container Vessels have been valued at RMB255,648,000 (approximately HK\$284,591,000) in aggregate. As at 31 May 2008, the net asset value of the Container Vessels was HK\$184,113,851.75 in total.

The Container Vessels were built in 1994, 1995 and 1998 respectively and were previously leased to CSCL under bareboat charters. CSCL has requested to early terminate these bareboat charters and since such Container Vessels could not be cost effectively modified to bulk cargo carriers, the Group decided to sell the Container Vessels to the Purchaser.

Under the Listing Rules, CSC is the controlling shareholder of the Company by virtue of holding approximately 46.36% of the total issued share capital of the Company. CSCL is a company listed on the Stock Exchange, and CSC holds approximately 47.89% of the issued share capital of CSCL. Therefore, CSCL is a connected person (as defined in the Listing Rules) of the Company. Given the above reason, the Transaction constitutes a connected transaction of the Company for the purpose of the Listing Rules. The entering into of the Sale and Purchase

Agreements will be, for the purpose of the Listing Rules, aggregated with the agreements for the sale and purchase of the three container carriers to Shanghai Puhai Shipping Co., Ltd., a wholly owned subsidiary of CSCL, details of which were contained in the Company's announcement dated 9 July 2007. As each of the applicable percentage ratios relating to the Transaction exceeds 0.1% but is less than 2.5%, the Transaction shall only be subject to the reporting and announcement requirements as set out in Rules 14A.45 and 14A.47 of the Listing Rules but is not subject to approval by the Independent Shareholders.

The terms and conditions of the Transaction have been determined through arms length negotiations and the Transaction has been conducted in the ordinary and usual course of business of the Company. The Board (including the Independent Directors) are of the opinion that the Transaction has been entered into under normal commercial terms, the terms of the Transaction are fair and reasonable, and are in the interests of the Company and its shareholders as a whole.

Details of the Sale and Purchase Agreements are set out below, and will be disclosed in the next annual report of the Company in accordance with the relevant requirements of the Listing Rules.

## **1. The Sale and Purchase Agreements entered into on 27 June 2008**

### **1.1 The Parties**

Seller: The Vendors  
Buyer: The Purchaser, an indirect wholly owned subsidiary of CSCL

### **1.2 The Container Vessels**

The Container Vessels were built in 1994, 1995 and 1998 respectively and were previously leased to CSCL under bareboat charters, with gross tonnage of 7,864, 4,018, 4,960, 4,960 and 4,018 respectively.

### **1.3 Sale of the Container Vessels**

Pursuant to the Sale and Purchase Agreements, the Vendors have agreed to sell the Container Vessels, while the Purchaser has agreed to purchase the Container Vessels.

#### **1.4 Consideration**

US\$36,520,000 (approximately HK\$284,856,000) in aggregate, which has been determined by reference to the assets valuation report on the Container Vessels dated 10 June 2008 issued by an independent and qualified PRC valuer, China Tong Cheng Assets Appraisal Co., Ltd.. The valuation was made on the basis of, among others, the relevant PRC regulations, industry information, information relating to the Container Vessels (including design specifications, list of facilities and equipment, technical specifications, explanations by the Container Vessels' operators as to the technical status and usage conditions of the Container Vessels, inspection reports, repair and facility upgrade records, onsite inspection records and operational history), market value of second hand vessels, and valued on a cost basis on the assumption of continuing usage of such assets. As at 31 May 2008, the Container Vessels have been valued at RMB255,648,000 (approximately HK\$284,591,000) in aggregate, and the net asset value was HK\$184,113,851.75 in aggregate. The consideration shall be settled by the Purchaser by way of cash.

The Directors are of the opinion that the relevant consideration has been determined after arms length negotiation, and is fair and reasonable so far as the Company and its shareholders are concerned.

#### **1.5 Payment terms**

A 50% deposit amounting to US\$18,260,000 (approximately HK\$142,428,000) is payable by the Purchaser within 3 business days after the date of the Agreement. The balance of the same amount is payable within 1 month from the date of payment of the deposit.

#### **1.6 Financial Information relating to the Container Vessels**

As at 31 May 2008, the Container Vessels had a net asset value of HK\$184,113,851.75 in total. The net profit from the sale of the Container Vessels (i.e. the difference between the consideration of the sale and the net asset value of the Container Vessels) is expected to be approximately HK\$100,742,000. It is intended that the net proceeds from the sale of the Container Vessels will be used as working capital of the Group.

For the two financial years ended 31 December 2007, the attributable net profit (both before and after tax and extraordinary items) of the Container Vessels were HK\$12,863,130.84 and HK\$12,920,987.52 respectively.

The financial information in relation to the Container Vessels above were prepared based on the Hong Kong Financial Reporting Standards.

## 1.7 Delivery

The Container Vessels will be delivered to the Purchaser in a Chinese port to be determined by the Group and on such dates to be agreed between the parties.

## 1.8 Other Important Terms

The costs and risks in respect of the Container Vessels incurred before the delivery of the Container Vessels by the Vendors will be borne by the Vendors. The costs and risks in respect of the Container Vessels immediately following the delivery will be borne by the Purchaser.

The Sale and Purchase Agreements shall be subject to general force majeure provisions. In the event that the Vendors fails to perform the Sale and Purchase Agreements due to force majeure events such as earthquake, fire, tsunami and war, the Purchaser may choose to terminate the Sale and Purchase Agreements and in which case, the Vendors shall refund the consideration received pursuant to the Sale and Purchase Agreements to the Purchaser within 7 business days after such termination without interest. If the Purchaser chooses not to terminate the Sale and Purchase Agreements, the Vendors and the Purchaser shall agree a new delivery date for the Container Vessels.

In the event that the Purchaser fails to pay the consideration in accordance with the Sale and Purchase Agreements or fails to take delivery of the Container Vessels within the prescribed time period, the Vendors shall have the right to terminate the Sale and Purchase Agreements and make claims in respect of any subsequent losses and interests.

If there is any dispute between the Vendors and the Purchaser which cannot be settled after reasonable negotiations, this shall be referred to China Maritime Arbitration Commission (a committee established pursuant to the resolution of the State Council of the PRC) for arbitration in Shanghai, China.

## 2. Reasons and Benefits for Entering Into the Sale and Purchase Agreements

The Container Vessels were previously leased to CSCL under bareboat charters. CSCL has requested to early terminate these bareboat charters and since such Container Vessels could not be cost effectively modified to bulk cargo carriers, the Group decided to sell the Container Vessels to the Purchaser. The Board believes that such sale will generate more working capital for the Company. The Board currently does not have any plans in relation to the specific use of the sale proceeds. The Directors do not expect there will be any material adverse impact to the Company after the Transaction.

### **3. General**

The business of the Group mainly involves coastal, ocean and Yangtze River cargo transportation, container transportation, oil transportation, chartering, cargo agency and cargo transportation agency. The Purchaser mainly carries out the sub-route services (i.e. international trade feeder services and international sub-route services) for CSCL and the operations of CSCL mainly comprise the owning, chartering and operating container vessels for the provision of international and domestic container marine transportation service.

### **4. Requirements of the Listing Rules**

Under the Listing Rules, CSC is the controlling shareholder of the Company by virtue of holding approximately 46.36% of the total issued share capital of the Company. CSCL is a company listed on the Stock Exchange, and CSC holds approximately 47.89% of the issued share capital of CSCL. Therefore, the Purchaser, being an indirect wholly owned subsidiary of CSCL, is a connected person (as defined in the Listing Rules) of the Company. Given the above reason, the Transaction constitutes a connected transaction of the Company for the purpose of the Listing Rules.

The entering into of the Sale and Purchase Agreements, which for the purpose of the Listing Rules will be aggregated with the agreements for the sale and purchase of the three container carriers to Shanghai Puhai Shipping Co., Ltd., a wholly owned subsidiary of CSCL, details of which were contained in the Company's announcement dated 9 July 2007, constitutes connected transactions of the Company under the Listing Rules. As each of the applicable percentage ratios in respect of the Transaction exceeds 0.1% but is less than 2.5%, the Transaction is subject to the reporting and announcement requirements as set out in Rules 14A.45 and 14A.47 of the Listing Rules but is not subject to Independent Shareholders' approval.

Details of the Sale and Purchase Agreements will be disclosed in the next annual report of the Company in accordance with the relevant requirements of the Listing Rules.

The terms and conditions of the Transaction have been determined through arms length negotiations and the Transaction has been conducted in the ordinary and usual course of business of the Company. The Board (including Independent Directors) is of the opinion that the Transaction has been entered into under normal commercial terms, the terms of the Transaction are fair and reasonable, and are in the interests of the Company and its shareholders as a whole.

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

|                            |   |
|----------------------------|---|
| “Board”                    | board of Directors;   |
| “Company”                  | China Shipping Development Company Limited, a joint stock limited company incorporated in the PRC with limited liability;   |
| “Container Vessels”        | five container vessels, namely “Xiang Zhu”, “Xiang Xiu”, “Xiang Xing”, “Xiang Wang” and “Xiang Da”, with gross tonnages of 7,864, 4,018, 4,960, 4,960 and 4,018 respectively;       |
| “CSC”                      | China Shipping (Group) Company (中國海運(集團)總公司);   |
| “CSCL”                     | China Shipping Container Lines Co., Ltd. (中海集裝箱運輸股份有限公司), a company incorporated in the PRC and listed on the Stock Exchange;   |
| “Directors”                | directors of the Company;   |
| “Hong Kong”                | Hong Kong Special Administrative Region;  |
| “Independent Directors”    | independent non-executive Directors;  |
| “Independent Shareholders” | shareholders of the Company excluding CSC and its associates (as defined under the Listing Rules);  |
| “Listing Rules”            | the Rules Governing the Listing of Securities on The Stock Exchange;  |
| “PRC”                      | The People’s Republic of China;   |
| “Purchaser”                | Shanghai Puhai Marine Transportation (Hong Kong) Limited (上海浦海航運(香港)有限公司), a limited liability company established in Hong Kong and is an indirect wholly owned subsidiary of CSCL; |
| “RMB”                      | Renminbi, the lawful currency of the PRC;   |

|                                |   |
|--------------------------------|---|
| “Sale and Purchase Agreements” | the sale and purchase agreements all dated 27 June 2008 entered into between the Vendors and the Purchaser in relation to the sale and purchase of the Container Vessels;   |
| “Stock Exchange”               | The Stock Exchange of Hong Kong Limited   |
| “Transaction”                  | the transaction contemplated under the Sale and Purchase Agreements; and  |
| “Vendors”                      | Xiang Wang Shipping S.A., Xiang Xin Shipping S.A., Xiang Xiu Shipping S.A. and Xiang Da Shipping S.A., all being companies established in Panama and which are indirect wholly owned subsidiaries of the Company. |

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

Shanghai, the PRC  
27 June 2008

*Note:* Unless otherwise specified and for illustrative purposes only, the conversion of HK\$ into RMB is based on the exchange rate of HK\$1.00 = RMB0.8983 and the conversion of US\$ into HK\$ is based on the exchange rate of US\$1.00 = HK\$7.8

*As at the date of this announcement, the Board of Directors of the Company is comprised of Mr. Li Shaode, Mr. Ma Zehua, Mr. Lin Jianqing, Mr. Wang Daxiong, Mr. Zhang Guofa, Mr. Mao Shijia and Mr. Wang Kunhe as executive directors, Mr. Ma Xun, Mr. Xie Rong, Mr. Hu Honggao, Mr. Zhu Yongguang and Mr. Zhou Zhanqun as independent non-executive directors.*