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

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1138)

**VERY SUBSTANTIAL ACQUISITION
IN RELATION TO
CONSTRUCTION OF NEW VESSELS**

On 28 April 2013, Aspiration LNG, Hope LNG, Aurora LNG, Pioneer LNG, Peace LNG and Glory LNG, each an indirectly-owned subsidiary of the Company, entered into the Agreements with Hudong-Zhonghua and China Shipbuilding respectively for the construction of six LNG Carriers. The total consideration for the construction of the six LNG Carriers is approximately US\$1,510,000,000 (equivalent to approximately HK\$11,717,600,000).

Each of the Company, Sinopec Kantons and MOL also executed in favour of the Security Trustee the Vessel Sponsors' Undertakings whereby each of them agreed to provide pro rata shareholder funding support in connection with 20% of the total project cost and to cover cost overrun up to 10% of contract price in respect of the Agreements in excess of the total anticipated project cost.

Each of the Purchasers is owned as to 80% by CESI and 20% by MOL respectively. CESI is a joint venture company owned as to 49% by Kantons International and 51% by China Shipping LNG, a wholly-owned subsidiary of the Company.

As the relevant applicable percentage ratios of the Agreements and the Vessel Sponsors' Undertakings under Chapter 14 of the Listing Rules are in aggregate more than 100%, the transactions contemplated under the Agreements and the Vessel Sponsors' Undertakings constitute a very substantial acquisition for the Company under the Listing Rules and is subject to approval by the Shareholders at the AGM.

A circular containing, among other things, (i) the Agreements; (ii) financial information of the Group; and (iii) the notice of AGM, is expected to be despatched to the Shareholders on or before 13 May 2013 in accordance with the Listing Rules.

THE AGREEMENTS

On 28 April 2013, the Purchasers (each an indirectly-owned subsidiary of the Company) entered into the Agreements with Hudong-Zhonghua and China Shipbuilding for the construction of six LNG Carriers with an anticipated total project costs of approximately US\$1,510,000,000 (equivalent to approximately HK\$11,717,600,000) subject to possible Cost Overrun of up to US\$126,000,000 (equivalent to approximately HK\$977,760,000). The consideration has been determined by reference to the market price of LNG vessels ranging in sizes from 160,000 to 175,000 m³ during the past 12 months.

TERMS OF THE AGREEMENTS

The price of the LNG Carriers will be payable in US Dollars. Relevant payments under each of the Agreements will be payable in 5 instalments at various stages of the construction of the LNG Carriers, details of which are set out as follows:

- (i) for the first instalment, to pay 20% of the price amounting to an aggregate of US\$252,000,000 (equivalent to approximately HK\$1,955,520,000) not more than 36 months before the delivery date of each of the LNG Carriers and within seven 7 Business Days after the Purchasers receive (A) the duly executed relevant refund guarantee in respect of the Vendors' payment obligations under the Agreements and (B) delivery of the relevant invoice and seller notice;
- (ii) for the second, third and fourth instalment, to pay 20% of the price amounting to an aggregate of US\$756,000,000 (equivalent to approximately HK\$5,866,560,000) within 15 Business Days after the Purchasers receive the relevant invoice and interim stage certificate in respect of the shipbuilding progress issued by the Vendors;
- (iii) for the final instalment, to pay the remaining 20% of the price amounting to an aggregate of US\$252,000,000 (equivalent to approximately HK\$1,955,520,000) upon the Purchasers' acceptance of physical delivery of the LNG Carriers.

The expected delivery dates for the LNG Carriers are on or before April 2016, July 2016, November 2016, March 2017, July 2017 and November 2017 respectively.

The delivery dates of the respective vessels may be delayed but no penalty will be charged to the Vendors if such delay does not exceed 30 days from the corresponding delivery dates above (or as may be mutually agreed by parties from time to time). Any delay in excess of the 30 day grace period shall be subject to a daily fine.

The price of the LNG Carriers may also be adjusted downwards if its performance (such as speed, fuel consumption rate, cargo capacity, boil-off, dead-weight) exceeds or falls below certain agreed criteria (as the case may be). However, should the relevant performance exceeds or falls below certain agreed benchmark, the Purchasers have the right to refuse delivery of the LNG Carriers and accept a refund of the instalments paid with interest (at the rate of 7% per annum) from the Vendors.

The terms of the Agreements (including the aggregate contract price of all six LNG Carriers being approximately US\$1.26 billion (equivalent to approximately HK\$9,777,600,000)) are identical in all material respects save for the vessel delivery dates.

FINANCING TERMS

The construction of the six LNG Carriers will be funded as to approximately 20% (that is, US\$302,000,000 (equivalent to approximately HK\$2,343,520,000)) of the contract price by way of Shareholder Funding, and 80% (that is, US\$1,208,000,000 (equivalent to approximately HK\$9,374,080,000)) by long term limited recourse debt facilities by a syndicate of banks (The Export-Import Bank of China, Industrial and Commercial Bank of China Limited and Bank of China Limited, Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ, LTD. and Mizuho Corporate Bank, LTD.) of up to US\$1,208,000,000 (equivalent to approximately HK\$9,374,080,000) pursuant to the Facility Agreements (as supported by the Vessel Sponsors' Undertakings). To the extent there is Cost Overrun to be incurred, such will be settled by the parties through shareholders' loan pursuant to their respective Equity Commitment Percentages representing their pro-rata attributable shareholding interests in the Purchaser. Further details of the Facility Agreements, Vessel Sponsors' Undertakings and shareholders' loan are set out in the sections "Facility Agreements" and "Shareholders' Loan Agreements" below.

The financing by way of bank borrowings is expected to increase the Group's level of borrowings. Taking into account the Group's capital and Shareholders' base, the Group considers that the above proportion of bank borrowing is an appropriate means of financing for the construction of the LNG Carriers. The Directors believe that in light of the Group's fleet expansion plan, it is fair and reasonable and in the interest of the Company and the Shareholders as a whole to finance the transaction with such bank borrowings.

The Facility Agreement is conditional on the Vessel Sponsors having executed the Vessel Sponsors' Undertakings (which is carried out through the shareholders' loan agreements at the level of CESI and the Purchasers referred to below and which

represents the Shareholder Funding for the 20% construction cost of the six LNG Carriers described above). Save for the above, the Agreements, Facility Agreements and Vessel Sponsors' Undertakings are not otherwise inter-conditional to each other.

Facility Agreements

On 28 April 2013, each of the Purchasers entered into the Facility Agreements pursuant to which certain international banks and commercial banks which are Independent Third Parties agreed to make loans available to each of the Purchasers for the purposes of financing each of the Projects.

Pursuant to the Facility Agreements, a loan in the aggregate amount of US\$1,208,000,000 (equivalent to approximately HK\$9,374,080,000) may be drawn down for the purpose of financing the Projects at the interest rate to be determined by the banks at the time of each interest payment date based on the 3 month LIBOR rate. Such loan will be repayable 15 years from the date of delivery of the relevant vessel.

As a condition precedent to the Facility Agreements, the Vessel Sponsors are required to severally execute and deliver a Vessel Sponsors' Undertaking in favour of the Security Trustee and the Facility Agent in respect of each construction of the LNG Carriers.

Principal terms of the Vessel Sponsors' Undertakings are summarised below.

Date

28 April 2013

Parties

Vessel Sponsors:	(a) the Company; (b) Sinopec Kantons; and (c) MOL
Security Trustee:	Sumitomo Mitsui Banking Corporation, as agent and trustee for the finance parties named in the Facility Agreements, each of which is an Independent Third Party
Facility Agent:	Sumitomo Mitsui Banking Corporation, as agent and trustee for the finance parties named in the Facility Agreements, each of which is an Independent Third Party

Principal Terms

Pursuant to the Vessel Sponsors' Undertaking, each of the Vessel Sponsors shall unconditionally undertake to the Security Trustee to provide such proportion of the relevant Shareholder Funding and Cost Overrun to the Purchaser in each case as is equal to its Equity Commitment Percentage. As such, the Company's aggregate financial commitment under the Vessel Sponsors' Undertaking for the construction of all six LNG Carriers is (i) US\$123,216,000 (equivalent to approximately HK\$956,156,160), being 20% of the Project cost of US\$1,510,000,000 (equivalent to approximately HK\$11,717,600,000) (exclusive of Cost Overrun) multiplied by 40.8% (being its attributable interest in each of the Purchasers) and (ii) approximately US\$51,408,000 (equivalent to approximately HK\$398,926,080), being 10% of the LNG Carriers' total contract price of approximately US\$1.26 billion (equivalent to approximately HK\$9,777,600,000), multiplied by 40.8%, in respect of its portion of the expected total Cost Overrun calculated based on 10% of the contract price of the six LNG Carriers.

The above payments to be made by each Vessel Sponsor shall be made to the Purchasers by way of instalments. Each instalment shall be contributed no later than the date of, and as a condition precedent to, the making of any advance under any of the Facility Agreements.

The total commitment of the Company to provide or procure the provision of the Shareholder Funding under the Vessel Sponsors' Undertakings in respect of the Agreements shall be limited to the above US\$123,216,000 (equivalent to approximately HK\$956,156,160) but subject to Cost Overrun referred to below.

Save for the Vessel Sponsors' Undertakings above, the loan under the Facility Agreements is otherwise unsecured.

Cost Overrun Support

Each Vessel Sponsor agrees that, in the event a Cost Overrun has occurred or will imminently occur and upon service on it by a Purchaser or a facility agent of a vessel sponsor contribution notice, each Vessel Sponsor shall pay or shall procure that the shareholders of the Purchaser pays to the Purchaser by way of a shareholders' loan the amount specified in the relevant vessel sponsor contribution notice, provided that the total amount to be paid by each Vessel Sponsor in respect of each Project shall not exceed its Equity Commitment Percentage (that is, pro rata to their attributable shareholding interest in the Purchasers) of an amount equal to 10% of the contract price of the vessel payable under the Agreement in relation to the relevant Project.

Taking into account the contract price of the six LNG Carrier and the financing cost under the Facility Agreements, the expected maximum financial commitment of the Group pursuant to the Agreements is US\$1,510,000,000 (equivalent to approximately HK\$11,717,600,000) subject to Cost Overrun. To the extent Cost Overrun is in excess of 10% of the contract price of the vessels, it is the intention of the Group to renegotiate the Agreements with the Vendors. Based on current circumstances, the Board does not expect the Cost Overrun to be incurred (if any) would exceed 10% of the contract price of the vessels.

SHAREHOLDERS' LOAN AGREEMENTS

In order to carry out the Shareholders' Funding contemplated under the Vessel Sponsors' Undertakings, on 28 April 2013, Kantons International, China Shipping LNG and CESI entered into a shareholders' loan agreement, pursuant to which Kantons International and China Shipping LNG agreed to provide to CESI the Shareholder Funding in the aggregate amount of up to approximately US\$241,600,000 (equivalent to approximately HK\$1,874,816,000) in proportion to their respective shareholdings in CESI, subject to Cost Overrun. Such loan will be provided as to 49% or approximately US\$118,384,000 (equivalent to approximately HK\$918,659,840) by Kantons International and as to 51% or approximately US\$123,216,000 (equivalent to approximately HK\$956,156,160) by China Shipping LNG. These shareholder loan amounts do not take into account possible Cost Overrun which may be incurred under the Agreements.

On 28 April 2013, each of the Purchasers separately entered into the shareholders' loan agreement with CESI and MOL, pursuant to which CESI and MOL agreed to provide to each of the Purchasers up to approximately US\$51,408,000 (equivalent to approximately HK\$398,926,080) in proportion to their respective shareholdings in the Purchasers, subject to Cost Overrun. Each such loan will be provided as to 80% or approximately US\$41,126,400 (equivalent to approximately HK\$319,140,864) by CESI and as to 20% or approximately US\$10,281,600 (equivalent to approximately HK\$79,785,216) by MOL to each of the Purchasers respectively. These shareholder loan amounts do not take into account possible Cost Overrun which may be incurred under the Agreements.

The interest chargeable pursuant to the above shareholders' loans shall be the same as that charged under the Facility Agreements.

To the extent Cost Overrun occurs, the amount of Cost Overrun shall be settled through proportional commitments from the shareholders referred to above, further details of which are set out in the section "Facility Agreements" above.

INFORMATION OF THE PARTIES

The business scope of the Group mainly involves coastal, ocean and Yangtze River cargo transportation, chartering, cargo agency and cargo transportation agency.

China Shipping LNG, a wholly-owned subsidiary of the Company, is an investment holding company.

CESI, which is held as to 51% by China Shipping LNG and 49% by Kantons International, is engaged in investment and management of LNG vessels.

Sinopec Kantons is a company whose shares are listed on the Stock Exchange. The principal activities of Sinopec Kantons and its subsidiaries are the trading of crude oil and oil products, the operation of crude oil terminals and their ancillary facilities, provision of logistic services including the storage, logistic, terminal services and the distribution of oil and oil products and the international logistic agency services. Sinopec Kantons holds 100% equity interests of Kantons International.

Kantons International is a wholly-owned subsidiary of Sinopec Kantons and holds 49% equity interests in CESI which in turn holds 80% of each of the Purchasers. Kantons International is principally engaged in the trading of crude oil and oil products, the operation of crude oil terminals and their ancillary facilities, provision of logistic services including the storage, logistic, terminal services and the distribution of oil and oil products and the international logistic agency services.

MOL holds 20% of each of the Purchasers and 70% of each of Capricorn LNG Shipping Limited, Gemini LNG Shipping Limited, Aries LNG Shipping Limited and Aquarius LNG Shipping Limited (each of which is owned as to 30% by East China LNG Shipping Investment Co. Ltd. or North China LNG Shipping Investment Co. Ltd, both being non wholly-owned subsidiaries of the Company). MOL is principally engaged in marine shipping and logistics services.

China Shipbuilding, as one of the Vendors, is principally engaged as a broker of sales and purchases of vessels.

Hudong-Zhonghua, as one of the Vendors, is principally engaged in the business of shipbuilding and ship repairing.

Each of the Purchasers, namely Aspiration LNG, Hope LNG, Aurora LNG, Pioneer LNG, Peace LNG and Glory LNG, are investment holding companies owned as to 80% by CESI and 20% by MOL, all formed for the sole purpose of owning the LNG Carriers to be constructed under the Agreements.

REASONS FOR ENTERING INTO THE AGREEMENT

The acquisition of the LNG Carriers pursuant to the Agreements is to further expand the Group's logistic business, and enhance the Group's profitability through sharing profit from the transportation link in the LNG business chain. Such project will generate steady rental income and is expected to bring in better investment return. The completed LNG Carriers will be chartered to China Petroleum for the transportation of LNG.

The Directors, including the independent non-executive Directors, are of the opinion that the terms of the Agreements and the Vessel Sponsors' Undertakings are fair and reasonable and are in the interests of the Company and the shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

Each of Aspiration LNG, Hope LNG, Aurora LNG, Pioneer LNG, Peace LNG and Glory LNG, is owned as to 80% by CESI and 20% by MOL respectively. CESI is a joint venture company owned as to 49% by Kantons International and 51% by China Shipping LNG which in turn is a wholly-owned subsidiary of the Company.

Each of Sinopec Kantons, Kantons International and MOL are substantial shareholders of CESI and the Purchasers respectively (which are subsidiaries of the Company). As such, Sinopec, Kantons, Kantons International and MOL are connected persons of the Company. As the financial assistance under the Vessel Sponsors' Undertaking provided by Sinopec Kantons and MOL are on normal commercial terms (or better to the Group) and no security over the assets of the Group will be granted in respect of such financial assistance, the Vessel Sponsors' Undertaking from the Vessel Sponsors (other than the Company) are connected transactions exempt from reporting, announcement and independent shareholders' approval requirement under rule 14A.65(4) of the Listing Rules.

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

As the relevant applicable percentage ratios of the Agreements and the Vessel Sponsors' Undertakings under Chapter 14 of the Listing Rules are in aggregate more than 100%, the transactions contemplated under the Agreements and the Vessel Sponsors' Undertakings constitute a very substantial acquisition for the Company under the Listing Rules and is subject to approval by the Shareholders at the AGM.

A circular containing, among other things, (i) the Agreements; (ii) financial information of the Group; and (iii) the supplemental notice of AGM, will be despatched to the Shareholders on or before 13 May 2013 in accordance with the Listing Rules.

DEFINITIONS

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

- “AGM” the annual general meeting of the Shareholders to be convened by the Company on 29 May 2013 to consider and, if thought fit, to approve (amongst other things) the Agreements (and the transactions contemplated thereunder);
- “Agreements” six shipbuilding contracts dated 28 April 2013 entered into between each of Aspiration LNG, Hope LNG, Aurora LNG, Pioneer LNG, Peace LNG and Glory LNG (as purchasers) with Hudong-Zhonghua and China Shipbuilding (as vendors) in relation to the construction of a total of six LNG Carriers for each of the Purchasers;
- “Aspiration LNG” China Energy Aspiration LNG Shipping Co., Limited (中能理想液化天然氣運輸有限公司), a company incorporated in Hong Kong with limited liability and owned as to 20% by MOL and 80% by CESI;
- “Aurora LNG” China Energy Aurora LNG Shipping Co., Limited (中能曙光液化天然氣運輸有限公司), a company incorporated in Hong Kong with limited liability and owned as to 20% by MOL and 80% by CESI;
- “Business Day” means any day (other than a Saturday or Sunday) on which banks are open for general business in Beijing, London, Hong Kong, Tokyo, Seoul and Singapore and (in relation to any date for payment of purchase of US Dollars) New York;
- “CESI” China Energy Shipping Investment Co., Ltd., a joint venture company incorporated in Hong Kong with limited liability and owned as to 51% by China Shipping LNG and 49% by Kantons International;

“China Shipbuilding”	China Shipbuilding Trading Company Limited, a limited liability company established under the laws of the PRC;
“China Petroleum”	China Petroleum & Chemical Corporation, a company established in the PRC and listed on the Main Board of the Stock Exchange as well as in New York, London and Shanghai;
“China Shipping LNG”	China Shipping LNG Investment Company Limited, a limited liability company established under the laws of the PRC with limited liability 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;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Cost Overrun”	any sum payable in connection with a Project in excess of the total project cost in relation to that Project (which may include expenses relating to changes to be made to the LNG Carrier’s equipment as requested by the charterer);
“Directors”	directors of the Company;
“Equity Commitment Percentage”	40.8% in the case of the Company, 39.2% in the case of the Sinopec Kantons and 20% in the case of MOL
“Facility Agreements”	a suite of banking facility agreements dated 28 April 2013 entered into between (amongst others) the Purchasers as borrowers and certain commercial banks in connection with the construction of the LNG Carriers;
“Glory LNG”	China Energy Glory LNG Shipping Co., Limited (中能榮光液化天然氣運輸有限公司), a company incorporated in Hong Kong with limited liability and is owned as to 20% owned by MOL and 80% by CESI;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC;

“Hope LNG”	China Energy Hope LNG Shipping Co., Limited (中能希望液化天然氣運輸有限公司), a company incorporated in Hong Kong with limited liability and owned as to 20% by MOL and 80% by CESI;
“Hudong-Zhonghua”	Hudong-Zhonghua Shipbuilding (Group) Co., Ltd., a limited liability company established under the laws of the PRC;
“Independent Third Party(ies)”	third parties independent of the Group and which are not connected persons of the Group;
“Kantons International”	Kantons International Investment Limited, a company incorporated under the laws of the British Virgin Island and a wholly-owned subsidiary of Sinopec Kantons;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“LNG”	liquefied natural gas;
“LNG Carriers”	six 174,000m ³ liquefied natural gas carriers to be constructed and sold by the Vendors and to be delivered to Aspiration LNG, Hope LNG, Aurora LNG, Pioneer LNG, Peace LNG and Glory LNG pursuant to the terms and conditions of the Agreements;
“MOL”	Mitsui O.S.K Lines, Ltd., a company incorporated under the laws of Japan, which owns 20% equity interest in each of the Purchasers;
“PRC”	The People’s Republic of China;
“Peace LNG”	China Energy Peace LNG Shipping Co., Limited (中能和平液化天然氣運輸有限公司), a company incorporated in Hong Kong with limited liability and owned as to 20% by MOL and 80% by CESI;
“Pioneer LNG”	China Energy Pioneer LNG Shipping Co., Limited (中能先鋒液化天然氣運輸有限公司), a company incorporated in Hong Kong with limited liability and owned as to 20% by MOL and 80% by CESI;

“Projects”	the design, construction, financing, purchase and operation of six LNG vessels by the Purchasers
“Purchasers”	Aspiration LNG, Hope LNG, Aurora LNG, Pioneer LNG, Peace LNG and Glory LNG, being the six companies incorporated in Hong Kong for the purposes of entering into the Agreements and each of which is owned as to 80% by CESI and 20% by MOL;
“Shareholder(s)”	holders of share(s) of the Company;
“Shareholder Funding”	the contribution by the shareholders of the Purchaser by way of subordinated shareholders’ loans which shall in aggregate amount to a minimum of 20% (without taking into account the possible Cost Overrun) of the total project cost incurred in respect of each Project;
“Sinopec Kantons”	Sinopec Kantons Holdings Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Stock Exchange;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“US Dollars” or “US\$”	US dollars, the lawful currency of the United States of America;
“Vendors”	Hudong-Zhonghua and China Shipbuilding;
“Vessel Sponsors”	the sponsors under the Vessel Sponsors’ Undertakings, namely the Company, Sinopec Kantons and MOL; and
“Vessel Sponsors’ Undertakings”	the 6 undertakings dated 28 April 2013 and entered into by the the Company, Sinopec Kantons and MOL as sponsors and Sumitomo Mitsui Banking Corporation as security trustee and facility agent.

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

Shanghai, the People’s Republic of China
28 April 2013

As at the date of this announcement, the board of directors of the Company comprises of Mr. Li Shaode, Mr. Xu Lirong, Mr. Zhang Guofa, Mr. Wang Daxiong, Mr. Ding Nong and Mr. Qiu Guoxuan as executive Directors, and Mr. Zhu Yongguang, Mr. Zhang Jun, Mr. Lu Wenbin and Mr. Wang Wusheng as independent non-executive Directors.

The exchange rate adopted in this announcement for illustration purpose only is US\$1=HK\$7.76. Such conversion should not be construed as a representation that the currency could actually be converted into HK\$ at that rate or at all.

** For identification purpose only*