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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.

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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)

MAJOR AND CONTINUING CONNECTED TRANSACTIONS AND SUPPLEMENTAL NOTICE OF ANNUAL GENERAL MEETING

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



A letter from the Board is set out on pages 6 to 19 of this circular.

A letter from the Independent Board Committee is set out on page 20 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 21 to 33 of this circular.

A notice convening the AGM of the Company to be held at 2:00 p.m. on Friday, 20 May 2016 at 3rd Floor, Ocean Hotel, No. 1171 Dong Da Ming Road, Hongkou District, Shanghai, the PRC was published by the Company on 1 April 2016 and a supplemental AGM notice is set out on pages III-1 to III-3 of this circular.

A supplemental proxy form for use at the AGM is enclosed. 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 PRC. Completion and return of 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.

29 April 2016

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DEFINITIONS

In this circular, unless the context otherwise requires, the following terms and expressions have the meanings set forth below:

“AGM”	the annual general meeting proposed to be convened by the Company on 20 May 2016 to consider and, if thought fit, to approve, among other things, the Financial Services Framework Agreement and the Materials and Services Framework Agreement
“Agreed Supplies and Services”	Agreed Supplies and Services I and Agreed Supplies and Services II
“Agreed Supplies and Services I”	the necessary supporting shipping materials and services to be provided to Dalian Ocean Group by COSCO Group pursuant to the Materials and Services Framework Agreement
“Agreed Supplies and Services II”	the necessary supporting shipping materials and services to be provided to COSCO Group by Dalian Ocean Group pursuant to the Materials and Services Framework Agreement
“associate”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“CBRC”	China Banking Regulatory Commission
“China Shipping”	China Shipping (Group) Company (中國海運(集團)總公司), a PRC state-owned enterprise and the controlling shareholder of the Company, currently interested in approximately 38.56% of the entire issued share capital of the Company
“China Shipping Group”	China Shipping and its subsidiaries
“Circular”	a circular of the Company dated 22 April 2016 in relation to, among other things, the Restructuring
“controlling shareholder”	has the meanings as ascribed thereto under the Listing Rules
“Company” or “CS Development”	China Shipping Development Company Limited (中海發展股份有限公司), a joint stock limited company incorporated in the PRC, the H shares of which are listed on the Stock Exchange (Stock Code: 1138) and the A shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600026), and a direct non-wholly-owned subsidiary of China Shipping

DEFINITIONS

“COSCO Bulk”	China COSCO Bulk Shipping (Group) Co., Ltd. (中遠散貨運輸(集團)有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of COSCO Company
“COSCO Company”	China COSCO Shipping Corporation Limited (中國遠洋運輸(集團)總公司), a state-owned enterprise in the PRC
“COSCO Group”	COSCO Company and its subsidiaries
“COSCO Finance”	COSCO Finance Co., Ltd. (中遠財務有限責任公司), a company incorporated in the PRC with limited liability, and a non-wholly-owned subsidiary of COSCO Company
“CS Bulk”	China Shipping Bulk Carrier Co., Limited (中海散貨運輸有限公司), a company incorporated in PRC with limited liability, and a direct wholly-owned subsidiary of CS Development
“CS Development Group” or “Group”	CS Development and its subsidiaries
“Dalian Ocean”	Dalian Ocean Shipping Company Limited, a wholly-owned subsidiary of COSCO Company and will become a wholly-owned subsidiary of the Company upon the completion of Restructuring
“Dalian Ocean Group”	Dalian Ocean and its subsidiaries
“Directors”	the directors of the Company
“Enlarged Group”	CS Development and its subsidiaries upon completion of the Restructuring
“Financial Services Framework Agreement”	the financial services framework agreement dated 28 April 2016 entered into between Dalian Ocean and COSCO Finance, pursuant to which COSCO Finance will provide Dalian Ocean Group with a range of financial services including (i) deposit services; (ii) loan services; (iii) settlement services; (iv) foreign exchange services and (v) other financial services as approved by CBRC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	the committee of the Company comprising all Independent Non-executive Directors, namely Mr. Wang Wusheng, Mr. Ruan Yongping, Mr. Ip Sing Chi, Mr. Rui Meng and Mr. Teo Siong Seng established to make recommendation to the Independent Shareholders in relation to the transactions contemplated under the Financial Services Framework Agreement and the Material and Services Framework Agreement
“Independent Financial Adviser”	TC Capital International Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance, being the independent financial adviser appointed to make the relevant recommendation to the Independent Board Committee and the Independent Shareholders in relation to the deposit services and the foreign exchange services contemplated under the Financial Services Framework Agreement, the Agreed Supplies and Services I and the respective annual caps
“Independent Non-executive Directors”	the independent non-executive Directors of CS Development
“Independent Shareholder(s)”	the shareholders of CS Development who may vote on the resolutions in respect of the Financial Services Framework Agreement and the Material and Services Framework Agreement and the transactions contemplated thereunder at the AGM under the Listing Rules (excluding China Shipping and its associates)
“Latest Practicable Date”	26 April, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“LNG”	liquefied natural gas
“LPG”	liquefied petroleum gas
“Materials and Services Framework Agreement”	the agreement in connection with the Agreed Supplies and Services dated 28 April 2016 between Dalian Ocean and COSCO Company
“PBC”	People’s Bank of China (中國人民銀行)
“PRC”	the People’s Republic of China
“RMB”	Renminbi Yuan, the lawful currency of the PRC

DEFINITIONS

“Restructuring”	the acquisition of 100% equity interests of Dalian Ocean by the Company from COSCO Company and the disposal of 100% equity interest of CS Bulk to COSCO Company (to itself or through COSCO Bulk) from the Company, the details of which were disclosed in the announcement of the Company dated 29 March 2016 and the Circular
“Share(s)”	the share(s) of CS Development
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD”	US\$, the lawful currency of United States of America

EXPECTED TIMETABLE

Date of despatch of this circular Friday, 29 April 2016

Latest time for lodging supplemental proxy forms
for the AGM 2:00 p.m. on Thursday, 19 May 2016

Time and date of AGM 2:00 p.m., Friday, 20 May 2016

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*)

Huang Xiaowen

Ding Nong

Yu Zenggang

Yang Jigui

Han Jun

Qiu Guoxuan

Registered Office:

Room A-1015, No. 188 Ye Sheng Road
China (Shanghai) Pilot Free Trade Zone
People's Republic of China

Principal place of business in Hong Kong:

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

Independent Non-Executive Directors:

Wang Wusheng

Ruan Yongping

Ip Sing Chi

Rui Meng

Teo Siong Seng

29 April 2016

To the Shareholders

Dear Sir/Madam,

MAJOR AND CONTINUING CONNECTED TRANSACTIONS

1. INTRODUCTION

We refer to the announcements of the Company dated 11 December 2015, 29 March 2016 and 28 April 2016, the Circular, and the notice of AGM dated 1 April 2016 published by the Company, respectively.

The purpose of this circular is to provide the Shareholders with further information on the terms of the Financial Service Framework Agreement and the Materials and Service Framework Agreement and to seek the approval of the Shareholders in the upcoming AGM with respect to, among other things, these agreements and the proposed annual caps.

LETTER FROM THE BOARD

2. BACKGROUND INFORMATION

Upon completion of the Restructuring, as Dalian Ocean will become a wholly-owned subsidiary of the Company, the continuing transactions of Dalian Ocean Group with the connected persons of the Company will constitute the continuing connected transactions of the Company. Therefore, Dalian Ocean entered into the following agreements:

Financial Services Framework Agreement

On 28 April 2016, Dalian Ocean entered into the Financial Services Framework Agreement with COSCO Finance, pursuant to which COSCO Finance may, subject to the fulfillment or waiver of the conditions precedent thereof, continue to provide Dalian Ocean Group with a range of financial services as agreed in the Financial Service Framework Agreement including: (i) deposit services; (ii) loan and financing lease services; (iii) settlement services; (iv) foreign exchange services; and (v) other financial services as approved by CBRC for the three years ending 31 December 2018.

Materials And Services Framework Agreement

On 28 April 2016, Dalian Ocean entered into the Materials and Services Framework Agreement with COSCO Company, pursuant to which COSCO Group shall, subject to the fulfillment or waiver of the conditions precedent thereof, continue to provide the Agreed Supplies and Services I to Dalian Ocean Group, and receive the Agreed Supplies and Services II from Dalian Ocean Group for the three years ending 31 December 2018.

3. FINANCIAL SERVICES FRAMEWORK AGREEMENT

Date: 28 April 2016

Parties: COSCO Finance (as provider of services); and
Dalian Ocean (as recipient of services).

COSCO Finance agreed to continue to provide Dalian Ocean Group with a range of financial services including: (i) deposit services; (ii) loan and financing lease services; (iii) settlement services; (iv) foreign exchange services; and (v) other financial services as approved by CBRC.

Pricing Policy

- (a). Deposit Services: COSCO Finance may receive deposits from Dalian Ocean Group at interest rates not lower, and thus no less favourable, than (i) the lower limit of the relevant rates stipulated by PBC for similar type of deposits; and (ii) the interest rates offered by any independent domestic commercial bank for similar type of domestic deposits service at the time;
- (b). Loan Services: COSCO Finance may provide loans to Dalian Ocean Group at interest rates not higher than (i) the upper limit of the relevant rates stipulated by PBC for similar type of loan; and (ii) the interest rates offered by any independent domestic commercial bank for similar type of domestic loan service at the time;

LETTER FROM THE BOARD

- (c). Settlement Services: COSCO Finance may provide settlement services to Dalian Ocean Group without any charge for the time being. If it's necessary for COSCO Finance to charge service fees of Dalian Ocean Group, it shall be: (i) in line with the standards on similar type of services stipulated by PBC or CBRC; (ii) no higher than the average fees charged by any independent domestic commercial bank to Dalian Ocean Group for similar type of services at the time; and (iii) no higher than the fees charged by COSCO Finance to other members of COSCO Group for similar type of services at the time;
- (d). Foreign Exchange Services: The fees charged by COSCO Finance for the provision of foreign exchange services shall not be higher and thus no less favourable, than the fees charged by any independent domestic commercial bank for similar type of services at the time; and
- (e). Other Financial Services: Except for the above financial services, COSCO Finance is also planning to provide other financial services to Dalian Ocean Group. The fees charged by COSCO Finance for such financial services shall be (i) in line with the standards on similar type of services stipulated by PBC or CBRC; (ii) no higher than the fees charged by any independent domestic commercial bank to Dalian Ocean Group for similar type of services; and (iii) no higher than the fees charged by COSCO Finance to other members of COSCO Group for similar type of services.

To ensure sufficient protection of the Shareholders' interests, Dalian Ocean will adopt the following internal control procedures in connection with its receipt of the financial services provided by COSCO Finance upon completion of the Restructuring:

- (a). Before Dalian Ocean Group places any deposits, enters into any loan agreements or foreign exchange agreements with COSCO Finance, Dalian Ocean will obtain at least three quotations from the domestic independent commercial banks for similar type of services (for instance, in respect of loan services, a loan of the same duration or the same nature).
- (b). In respect of services with transaction amounts less than RMB1 million, quotations of such services together with the offer from COSCO Finance will forthwith be disclosed to the manager of the finance department of Dalian Ocean for review and approval.
- (c). In respect of services with transaction amounts equal to or more than RMB1 million, quotations of such services together with the offer from COSCO Finance will forthwith be disclosed to the manager of the finance department of Dalian Ocean for review. The manager of the finance department of Dalian Ocean will then seek approval from the general manager of Dalian Ocean as appropriate on whether to accept COSCO Finance's offer.
- (d). All borrowings from COSCO Finance will be conducted in accordance with the terms approved by the manager of the finance department or the general manager, as appropriate.

LETTER FROM THE BOARD

- (e). Dalian Ocean will report to the Independent Non-executive Directors every six months on:
- (i) the loan or credit facilities agreements entered into with COSCO Finance together with information on the comparable quotations obtained from the independent commercial banks; and
 - (ii) any changes in the credit ratings of COSCO Finance during the preceding six-month period.
- (f). Dalian Ocean will monitor the status of the deposits on a monthly basis.
- (g). A copy of every regulatory report submitted by COSCO Finance to the CBRC will be provided to Dalian Ocean's management team.
- (h). A copy of the financial statements of COSCO Finance for each month will be provided to Dalian Ocean in the following month.

Proposed Annual Caps

The proposed annual caps for three years ending 31 December 2018 for the continuing connected transactions under Financial Services Framework Agreement are as follows:

	Proposed annual caps for the year ending 31 December		
	2016	2017	2018
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
(1) Maximum daily outstanding balance of deposits (including accrued interest and handling fee) to be placed by Dalian Ocean Group with COSCO Finance	3,000,000	3,500,000	4,000,000
(2) Maximum daily outstanding balance of loans (including accrued interest and handling fee) to be granted by COSCO Finance to Dalian Ocean Group	600,000	1,000,000	1,500,000
	<i>(USD' 000)</i>	<i>(USD' 000)</i>	<i>(USD' 000)</i>
(3) Maximum amount of foreign exchange to be transacted during the year	100,000	100,000	100,000

LETTER FROM THE BOARD

In arriving at such annual caps, the management of Dalian Ocean have considered the following factors:

- (a) In respect of the deposit services, the historical figures of the maximum daily outstanding balance of deposits (including accrued interest and handling fee) placed by Dalian Ocean Group with COSCO Finance for the three years ended 31 December 2015 were approximately RMB301.07 million, RMB896.04 million and RMB1,969.50 million, respectively. According to the accountant's report of Dalian Ocean, the cash and cash equivalents of the Dalian Ocean Group as at 31 December 2015 was approximately RMB2,777.4 million, which was close to the proposed annual cap for the year ended 31 December 2016. Given the strong demand of crude oil import from China, the management of Dalian Ocean believes that the outlook of the tanker shipping market is expected to remain stable to positive in the next few years. As a major player in tanker shipping industry in China, Dalian Ocean expects to benefit from the stable to positive outlook of tanker shipping market. Therefore, the management of Dalian Ocean considers that increasing the annual caps in respect of the deposit serves will better accommodate the current cash and cash equivalents balance and provide an option for the Group to flexibly manage its surplus cash from operation in the future;
- (b) In respect of the loan services, the historical figures of the maximum daily outstanding balance of loans (including accrued interest and handling fee) granted by COSCO Finance to Dalian Ocean Group for the three years ended 31 December 2015 were approximately RMB620 million, RMB570 million, and RMB400 million, respectively. The growth of demand for crude oil in China will keep a strong momentum and the outlook for the oil tanker is expected to remain stable and positive in the next few years. In order to seize the great opportunity, Dalian Ocean is planning to expand its shipping capacities which leads to a stronger capital needs. Being optimistic about the future trend in the shipping market, the management of Dalian Ocean considers that the capital needs of Dalian Ocean is expected to increase for the period from now up to 31 December 2018. As Dalian Ocean is planning to expand its business by increasing its shipping capacities, the management of Dalian Ocean considers that the capital needs of Dalian Ocean is expected to increase for the period from now up to 31 December 2018;
- (c) In respect of the foreign exchange services, the historical figures of the maximum amount of foreign exchange transacted for the three years ended 31 December 2015 were approximately USD45.74 million USD47.58 million, and USD10.28 million, respectively. The low amount of foreign exchange transacted for the year ended 31 December 2015 was mainly due to abundant amount of RMB balances kept in 2015, therefore led to a lower amount of foreign exchange transacted to pay the daily expenses. As discussed above, Dalian Ocean's operation is expected to stay stable to positive in the next few years and its revenue and expenses are expected to increase accordingly. Therefore, the proposed annual caps of the foreign exchange services will need accommodate the potential operation growth of Dalian Ocean.

In addition to the factors above, the proposed annual caps have also considered COSCO Finance's financial ability. In considering COSCO Finance's financial ability in the provision of the financial services, Dalian Ocean has checked the continuing validity of the COSCO Finance's license issued by CBRC and considered a report prepared by COSCO Finance based on the relevant financial statements and the strategy and development plans of COSCO Finance.

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Payment Terms

The payment terms are dependent on the type of financial services to be provided and are determined at the time when such financial services are provided. The Group expects such terms of payment to be consistent with market terms for the relevant type of financial services.

Conditions Precedent

The Financial Services Framework Agreement shall come into force after the fulfillment of the conditions as follows:

- (1) the legal representatives or authorized representatives of COSCO Finance and Dalian Ocean having signed the Financial Services Framework Agreement with the official stamp;
- (2) the Independent Shareholders having passed resolutions to approve the Financial Services Framework Agreement; and
- (3) the Restructuring having been completed.

Term

Subject to the fulfillment of the conditions precedent, the Financial Services Framework Agreement will be effective from 1 January 2016 to 31 December 2018.

Reasons for and Benefits of Entering into the Financial Services Framework Agreement

Given Dalian Ocean will become a wholly-owned subsidiary of the Company upon completion of the Restructuring, the Board believes the continuing connected transactions under the Financial Services Framework Agreement will benefit Dalian Ocean and the Group in the following aspects:

COSCO Finance has been providing the various types of financial services to Dalian Ocean Group for many years. With the benefit of this long standing relationship, COSCO Finance understands well the financial conditions of Dalian Ocean Group and will be able to cater the financial needs of Dalian Ocean Group more efficiently.

In light of the tightening credit policy in the PRC in general, the Board believes that securing deposit and loan services from COSCO Finance for the period from 1 January 2016 to the year ending 31 December 2018 would ensure availability of funds to Dalian Ocean Group at reasonable costs and reduce working capital risks. The terms and conditions provided by COSCO Finance under the Financial Services Framework Agreement to Dalian Ocean Group are generally no less favorable than those provided by independent third parties.

Furthermore, Dalian Ocean Group is not restricted under the Financial Services Framework Agreement to approach, and in fact may choose, any bank or financial institution to satisfy its financial service needs. Its criteria in making the choice could be made on costs and quality of

LETTER FROM THE BOARD

services. Therefore, Dalian Ocean Group may, but is not obliged to, continue to use COSCO Finance's services if the service quality provided continues to be competitive. Having such flexibility afforded under the Financial Services Framework Agreement, Dalian Ocean Group is able to better manage its current capital and cash flow position. In addition, it is also expected that COSCO Finance will provide more efficient foreign exchange and settlement services to Dalian Ocean Group, as compared to independent third-party banks.

In light of the above circumstances, the Directors (excluding the Independent Non-executive Directors who will give their opinions based on the recommendations of the Independent Financial Adviser) consider (i) the terms of the Financial Services Framework Agreement as well as the proposed annual caps (including the basis of determination thereof) are fair and reasonable; (ii) the transactions contemplated thereunder are on normal commercial terms and in ordinary and usual course of business of the Group; and (iii) the entering into the Financial Services Framework Agreement is in the interest of the Company and its Shareholders as a whole.

4. MATERIALS AND SERVICES FRAMEWORK AGREEMENT

Date: 28 April 2016

Parties: Dalian Ocean;
COSCO Company.

Dalian Ocean has entered into the Materials and Services Framework Agreement with COSCO Company, pursuant to which COSCO Group agreed to provide the Agreed Supplies and Services I to Dalian Ocean Group, and also Dalian Ocean Group agreed to provide the Agreed Supplies and Services II to COSCO Group.

The Agreed Supplies and Services I includes:

- (1) supply of materials and fuels, mainly including fresh water, bunker oil and spare parts;
- (2) telecommunication and navigational services;
- (3) dry docking, repairs, special coating, technical improvements of vessels;
- (4) vessels and shipping agency;
- (5) service on sale and purchase of vessels, accessories and other equipment; and
- (6) other miscellaneous management services, mainly including insurance agency services.

The Agreed Supplies and Services II includes:

- (1) supply of shipping materials;
- (2) telecommunication and navigational services;

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- (3) management services of sea crew; and
- (4) accommodation, lodging, medical services and transportation for employees.

There are certain overlapping supplies and services between the Agreed Supplies and Services I and the Agreed Supplies and Services II (mainly including the supply of shipping materials and provision of telecommunication and navigational services). It is mainly because when the vessel from one group is at a place where it is not able or not economical to receive such supplies or services from its own group due to geographic limitation, it may purchase such supplies or services from the other group according to actual circumstances. Such arrangement can benefit both groups to reduce their operational costs and achieving synergy.

Pricing

The prices for the Agreed Supplies and Services will be determined by reference to the prevailing market price of the Agreed Supplies and Services and a combination of other factors. The prevailing market price shall be determined by reference to the price chargeable by independent third parties for identical or similar type of supporting material or service at the time in China or overseas (as the case may be) and the price charged to independent third parties by the COSCO Group or Dalian Ocean Group (as the case may be) in the most recent transaction of a similar nature.

In order to ensure the terms provided by COSCO Group are no less favourable than that offered by independent third parties, Dalian Ocean will (1) invite at least three service providers to submit their quotations or proposals; and (2) conduct the market research once every year for terms of the identical or similar supporting shipping material or service through which Dalian Ocean can compare the terms of those quotations or proposals.

In order to ensure the terms provided by Dalian Ocean Group are no more favorable than that offered to independent third parties, Dalian Ocean will (1) regularly update the average market price offered by at least three independent third parties generally through obtaining quotations via emails, fax or phone and tenders by publishing tender notice via various media resources; and (2) conduct the market research once every year for terms of the identical or similar supporting shipping materials or services through which the Dalian Ocean can compare the terms of those quotations or proposals.

After completion of the Restructuring, Dalian Ocean will review the actual transaction amounts between Dalian Ocean Group and COSCO Group and its associates periodically to ensure that the actual transaction amounts between Dalian Ocean and COSCO Group will not exceed the respective proposed annual caps.

LETTER FROM THE BOARD

In particular, in addition to the prevailing market price as described above, the prices for each category of the Agreed Supplies and Services I are also determined by reference to a number of factors as follows:

- (i) *in respect of (1) supply of materials and spare parts*: by reference to the type and quantity of shipping materials required, the time and location of delivery;
- (ii) *in respect of (2) and (3) telecommunication and navigational services and repairment of vessels*: by reference to the level of technicality required for the particular services, the scale and scope of the proposed services, the type of vessels involved, the type of materials and labour required for such services;
- (iii) *in respect of (4) shipping agency*: by reference to the market standard of commission rate, type of vessels involved, value and volume of cargo involved; and
- (iv) *in respect of (5) service fees on sale and purchase of vessels and equipments*: by reference to type and quantity of vessels, accessories and other equipment involved, estimated marketing expenses and the proposed sale targets.

In addition to the prevailing market price as described above, the prices for each category of the Agreed Supplies and Services II are determined by reference to the following factors:

- (i) *in respect of (1) supply of shipping materials*: by reference to the type and quantity of shipping materials required, the time and location of delivery;
- (ii) *in respect of (2) telecommunication and navigational services*: by reference to the level of technicality required for the particular services, the scale and scope of the proposed services, the type of vessels involved, the type of materials and labour required for such services;
- (iii) *in respect of (3) management services of crew members*: by reference to the capacity of vessels, the required number of crew members, the estimated working hours of the relevant employees taking into account the employees' benefits and the minimum wage requirements under the applicable PRC laws and regulations; and
- (iv) *in respect of (4) accommodation, medical and transportation services for sea crew members*: by reference to the number of sea crew members involved, costs of accommodation, medical insurance and transportation provided.

LETTER FROM THE BOARD

Proposed Annual Caps

The proposed annual caps for the three years ending 31 December 2018 for the continuing connected transactions under Materials and Services Framework Agreement are as follows:

	Proposed annual caps for the year ending 31 December		
	2016	2017	2018
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
(1) Agreed Supplies and Services I	2,000,000	2,500,000	3,000,000
(2) Agreed Supplies and Services II	50,000	80,000	100,000

In arriving at such annual caps, the Directors have considered the following factors:

- (a) In respect of the Agreed Supplies and Services I, the historical figures for the three years ended 31 December 2015 were approximately RMB1,527.54 million, RMB1,471.65 million, and RMB974.59 million, respectively. As approximately 60% of the Agreed Supplies and Services I was related to the supplies of crude oil, although the quantity purchased from COSCO Group remains stable, the low unit oil price in 2015 has led to the decrease in monetary amounts of the Agreed Supplies and Services I in 2015. According to the accountant's report of Dalian Ocean, its revenue recorded a compound annual growth rate ("CAGR") of 15.6% for the three years ended 31 December 2015. Given the strong demand of crude oil import from China, the management of Dalian Ocean believes that the revenue of Dalian Ocean is expected to increase in the next few years. In addition, Dalian Ocean is planning to increase its shipping capacities in the next few years. Given the potential increase in the Dalian Ocean's revenue and its potential investment in the shipping capacities, the fleet operational costs are expected to increase accordingly.
- (b) In respect of the Agreed Supplies and Services II, the historical figures for the three years ended 31 December 2015 were approximately RMB10.11 million, RMB14.45 million and RMB14.64 million, respectively, representing a CAGR of approximately 20%. The management of Dalian Ocean believes that given the long standing relationship between Dalian Ocean and COSCO Group and the expanding shipping business of COSCO Company, COSCO Company's demand for the Agreed Supplies and Services II is expected to increase accordingly. The increase in the annual caps in respect of the Agreed Supplies and Services II will be beneficial to Dalian Ocean as Dalian Ocean will be able to recognize more revenue from the provision of such supplies and services to COSCO Group.

In addition to the factors above, the proposed annual caps have also considered the estimated increase in the market prices of the Agreed Supplies and Services in the next few years.

LETTER FROM THE BOARD

Conditions Precedent

The Materials and Services Framework Agreement shall come into force after the fulfillment of the conditions as follows:

- (1) COSCO Company and Dalian Ocean having stamped on the Financial Services Framework Agreement with the official chop;
- (2) the Independent Shareholders having passed resolutions to approve Materials and Services Framework Agreement; and
- (3) the Restructuring having been completed.

Term

Subject to the fulfillment of the conditions precedent, Materials and Services Framework Agreement will be effective from 1 January 2016 to 31 December 2018.

Reasons for and Benefits of Entering into Materials and Services Framework Agreement

Given Dalian Ocean will become a wholly-owned subsidiary of the Company upon the completion of the Restructuring, the Board believes the continuing connected transactions under the Material and Services Framework Agreement will benefit Dalian Ocean and the Group in the following aspects:

COSCO Group and Dalian Ocean Group have been providing each other the necessary supporting shipping services and shipping materials for many years, and the transactions between COSCO Group and Dalian Ocean are essential to the businesses and operation of both groups.

The terms of the Materials and Services Framework Agreement have been arrived at after arm's length negotiation. The Board believes that securing the Agreed Supplies and Services with COCSO Group, which are one of the leading players in the shipping industry, will strengthen the competitiveness of the Group.

In light of the above circumstances, the Directors (excluding the Independent Non-executive Directors who will give their opinions based on the recommendations of the Independent Financial Adviser) consider (i) the terms of Materials and Services Framework Agreement as well as the proposed annual caps (including the basis of determination thereof) are fair and reasonable; (ii) the transactions contemplated thereunder are on normal commercial terms and in ordinary and usual course of business of the Group; and (iii) the entering into Materials and Services Framework Agreement is in the interest of the Company and its Shareholders as a whole.

5. LISTING RULES IMPLICATIONS

We refer to the announcements of the Company dated 11 December 2015, 29 March 2016 and the Circular, respectively, in relation to, among other things, the Restructuring. Upon completion of the Restructuring, Dalian Ocean will become a wholly-owned subsidiary of the Company. Therefore the continuing transactions between Dalian Ocean and the connected persons of the Company will constitute the continuing connected transactions of the Company.

LETTER FROM THE BOARD

Given the transactions between the Group and COSCO Group are deemed to be connected transactions, the transactions under the Financial Services Framework Agreement and the Material and Services Framework Agreement will constitute continuing connected transactions of the Company following completion of the Restructuring.

Financial Services Framework Agreement

In respect of deposit services under the Financial Services Framework Agreement, the placement of deposits by the Dalian Ocean Group with COSCO Finance constitutes a transaction under Chapter 14 of the Listing Rules. The applicable percentage ratios in connection with such placement of deposits, after aggregation with the similar transactions of the Company with its connected persons, are expected to be more than 25% but less than 75% on an annual basis. Therefore, such transactions constitute major and continuing connected transactions of the Company which are subject to the relevant major transaction requirements under Chapter 14 of the Listing Rules and the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of loan services under the Financial Services Framework Agreement, given that the transactions are conducted on normal commercial terms and are not secured by the assets of the Group, pursuant to Rule 14A.90 of the Listing Rules, such transactions are exempt from all reporting, announcement and Independent Shareholders' approval requirements.

In respect of foreign exchange services under the Financial Services Framework Agreement, the applicable percentage ratios, after aggregation with the similar transactions of the Company with its connected persons, are expected to be more than 5% on an annual basis. Therefore, such transactions constitute continuing connected transactions of the Company which are subject to the reporting, annual review, and announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Materials And Services Framework Agreement

In respect of the receipt of the Agreed Supplies and Services I by Dalian Ocean Group from COSCO Group, as the applicable percentage ratios, after aggregation with the similar transactions of the Company with its connected persons, are expected to be more than 5% on an annual basis, such transactions constitute continuing connected transactions of the Company which are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of the provision of the Agreed Supplies and Services II by Dalian Ocean Group to COSCO Group, as the applicable percentage ratios, after aggregation with the similar transactions of the Company with its connected persons, are expected to be more than 0.1% but less than 5% on an annual basis. Therefore, such transactions constitute continuing connected transactions of the Company which are subject to the reporting, annual review and announcement but exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

China Shipping, the controlling shareholder of the Company which currently interested in approximately 38.56% of the entire issued share capital of the Company, and its associates, will abstain from voting at the AGM in relation to the Financial Services Framework Agreement and Materials and Services Framework Agreement.

Given that Mr. Xu Lirong, Mr. Huang Xiaowen, Mr. Ding Nong, Mr. Yu Zenggang, Mr. Yang Jigui, Mr. Han Jun and Mr. Qiu Guoxuan, all being executive Directors of the Company, hold positions in entities connected with the parent company of the Company, they have abstained from voting on the relevant Board resolutions approving the Financial Services Agreement, the Material and Services Framework Agreement, and the continuing connected transactions contemplated thereunder due to potential conflict of interests.

6. AGM

Under the Listing Rules and the Company Law of the PRC (as the case may be), the Financial Service Framework Agreement and Materials and Service Framework Agreement are subject to the approval of the Shareholders. It is proposed that resolutions for, among other things, the approval of the Financial Service Framework Agreement and Materials and Service Framework Agreement will be put to the Shareholders for their consideration at the AGM. The AGM will be held at 2:00 p.m. on Friday, 20 May 2016 at 3rd Floor, Ocean Hotel, No. 1171 Dong Da Ming Road, Hongkou District, Shanghai, the PRC. A supplemental notice of the AGM is set out on pages III-1 to III-3 of this circular.

A supplemental proxy form for use at the AGM is enclosed. Whether or not you intend to attend the AGM, you are requested to complete and return the enclosed supplemental proxy form (for use at the AGM) in accordance with the instructions printed thereon as soon as possible 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 not less than 24 hours before the time appointed for the holding of the AGM (or any adjournment thereof). Completion and return of the said supplemental proxy form will not preclude you from attending and voting in person at the AGM or at any adjourned meeting should you so wish.

7. CLOSURE OF H SHARE REGISTER OF MEMBERS OF THE COMPANY

The H Share register of the Company was closed from Thursday, 21 April 2016 and will be closed until Friday, 20 May 2016 (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 Friday, 20 May 2016 are entitled to attend and vote at the AGM after completing the registration procedures for attending the meeting.

The Independent Board Committee comprising Mr. Wang Wusheng, Mr. Ruan Yongping, Mr. Ip Sing Chi, Mr. Rui Meng and Mr. Teo Siong Seng has been formed to advise the Independent Shareholders, and the Independent Financial Adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders, as to whether the terms of the

LETTER FROM THE BOARD

deposit services and the foreign exchange services under the Financial Service Framework Agreement and the Agreed Supplies and Services I are fair and reasonable and whether such transactions are in the interests of the Company and its Shareholders as a whole and in respect of the respective annual caps.

8. GENERAL INFORMATION

The Company is principally engaged in the business of transportation of product oil, crude oil, coal and iron ore in the coastal areas of China and other areas in the world, transportation of LNG imported by China.

COSCO Finance is principally engaged in deposit services, loan services and financing advisory services, credit verification services, agency services, settlement and clearance.

Dalian Ocean is principally engaged in tanker shipping business which provides oil and gas shipping services covering oil tanker shipping, LNG shipping and LPG shipping, etc. As at 31 December 2015, it owned 29 vessels with 6.60 million deadweight tons.

China Shipping is principally engaged in import and export business, trading, coastal and ocean cargo transportation, dry bulk cargo transportation, supply of food for vessels, management of docks and other services in relation to the above.

COSCO Company is principally engaged in the business of container shipping, dry bulk shipping, tanker transportation, logistics terminals, ship repairing and building, financial services and trade.

9. RECOMMENDATION

Having taken into account the advice of the Independent Financial Adviser as set out in pages 21 to 33 in this circular, the Directors (including the Independent Non-executive Directors) consider that the terms of the Financial Service Framework Agreement and Materials and Service Framework Agreement (including the annual caps) to be fair and reasonable so far as the Independent Shareholders are concerned, on normal commercial terms and in the Company's ordinary and usual course of business and in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend that all Independent Shareholders to vote in favour of the relevant resolutions set out in the notice of AGM.

Your attention is drawn to the additional information set out in the appendices to this circular.

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)

29 April 2016

To the Independent Shareholders

Dear Sir/Madam,

MAJOR AND CONTINUING CONNECTED TRANSACTIONS

We hereby refer to the supplemental circular (the "Supplemental Circular") dated 29 April 2016 issued by China Shipping Development Company Limited ("the Company"), of which this letter forms part. Unless otherwise specified, capitalized terms defined in the Supplemental Circular shall have the same meanings when used herein.

The Independent Board Committee has been formed to advise you in relation to the Financial Services Framework Agreement and Material and Service Framework Agreement, details of which are set out in the section headed "Letter from the Board". TC Capital International Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the deposit services and the foreign exchange services contemplated under the Financial Services Framework Agreement, the Agreed Supplies and Services I under the Material and Service Framework Agreement and the respective annual caps. The full text of the letter of advice from the Independent Financial Adviser containing its recommendation and principal factors it has taken into consideration in arriving at its recommendations is set out in the section headed "Letter from the Independent Financial Adviser" of the Supplemental Circular.

Having considered the terms and conditions of the Financial Services framework Agreement and Material and Service Framework Agreement, as well as the advice and recommendation of the Independent Financial Adviser set out in this letter of advice, we consider that the terms and conditions of the Financial Services Framework Agreement and Material and Service Framework Agreement, are entered into in the ordinary and usual course of business of the Group, and are on normal commercial terms and the terms of each of the respective agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

On the basis above, we recommend that the Independent Shareholders vote in favor of the resolutions to be proposed at the AGM in respect of the Financial Services Framework Agreement and Material and Service Framework Agreement.

Yours faithfully,

Wang Wusheng
*Independent
non-executive
Director*

Ruan Yongping
*Independent
non-executive
Director*

Ip Sing Chi
*Independent
non-executive
Director*

Rui Meng
*Independent
non-executive
Director*

Teo Siong Seng
*Independent
non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from TC Capital International 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 respect of the deposit services and the foreign exchange services under the Financial Services Framework Agreement, the Agreed Supplies and Services I and the respective annual caps.



29 April 2016

*The Independent Board Committee and the Independent Shareholders
China Shipping Development Company Limited (the “Company”)*

Dear Sirs,

MAJOR AND CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the provision of deposit services (the “**Deposit Services**”) and foreign exchange services (the “**Foreign Exchange Services**”) under the Financial Services Framework Agreement, the Agreed Supplies and Services I and the proposed annual caps for each of the Deposit Services, the Foreign Exchange Services and the Agreed Supplies and Services I for the three years ending 31 December 2018 (the “**Annual Caps**”), details of which are set out in the letter from the Board (the “**Letter from the Board**”) in the circular of the Company to the Shareholders dated 29 April 2016 (the “**Circular**”), of which this letter forms part. Capitalized terms used in this letter have the same meanings as those defined in the Circular unless the context otherwise requires.

As stated in the Letter from the Board, upon the completion of the Restructuring, Dalian Ocean will become a wholly-owned subsidiary of the Company. Therefore the continuing transactions between Dalian Ocean and the connected persons of the Company will constitute the continuing connected transactions of the Company. Given the transactions between the Group and COSCO Group are deemed to be connected transactions, the transactions under the Financial Services Framework Agreement and the Material and Services Framework Agreement will constitute continuing connected transactions of the Company following the completion of the Restructuring.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In respect of the provision of the Deposit Services, the placement of deposits by the Dalian Ocean Group with COSCO Finance constitutes a transaction under Chapter 14 of the Listing Rules. The applicable percentage ratios in connection with such placement of deposits, after aggregation with the similar transactions of the Company with its connected persons, are expected to be more than 25% but less than 75% on an annual basis. Therefore, such transactions constitute major and continuing connected transactions of the Company which are subject to the relevant major transaction requirements under Chapter 14 of the Listing Rules and the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of the provision of the Foreign Exchange Services, the applicable percentage ratios, after aggregation with the similar transactions of the Company with its connected persons, are expected to be more than 5% on an annual basis. Therefore, such transactions constitute continuing connected transactions of the Company which are subject to the reporting, annual review, and announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of the receipt of the Agreed Supplies and Services I by Dalian Ocean Group from COSCO Group, as the applicable percentage ratios, after aggregation with the similar transactions of the Company with its connected persons, are expected to be more than 5% on an annual basis, such transactions constitute continuing connected transactions of the Company which are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

We have been appointed by the Company to advise (i) the Independent Board Committee and the Independent Shareholders as to whether or not the terms of the Deposit Services, the Foreign Exchange Services, the Agreed Supplies and Services I and the Annual Caps are on normal commercial terms, in the ordinary and usual course of business of the Company, fair and reasonable insofar as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; and (ii) whether the Independent Shareholders should vote in favour of the Deposit Services, the Foreign Exchange Services, the Agreed Supplies and Services I and the Annual Caps.

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of us. In the last two years, we have acted as an independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to four occasions as detailed in the circulars of the Company dated 23 May 2014, 12 September 2014, 12 November 2015 and 22 April 2016 respectively. Given (i) our independent role in these four engagements; and (ii) our fees for these four engagements represented an insignificant percentage of our revenue, we consider these four engagements would not affect our independence to form our opinion in respect of the Deposit Services, the Foreign Exchange Services, the Agreed Supplies and Services I and the Annual Caps.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OPINION

In putting forth our recommendation, we have considered, amongst other things, (i) the Financial Services Framework Agreement and the Materials and Services Framework Agreement; (ii) the audited accountant's report of Dalian Ocean for the three years ended 31 December 2015 prepared for inclusion in the circular of the Company dated 22 April 2016 in respect of the Restructuring (the "**Dalian Ocean Accountant's Report**"); and (iii) other information as set out in the Circular. We have also relied on all relevant information, opinions and facts supplied and representations made to us by the Directors and the representatives of the Company and Dalian Ocean. We have also studied the relevant market information and trends of the related industry.

We have assumed that all such information, opinions, facts and representations, which have been provided to us by the Directors or the representatives of the Company and Dalian Ocean, for which they are fully responsible, are true, accurate and complete in all respects. The Company has also confirmed to us that no material facts have been omitted from the information supplied and we have no reason to suspect that any material information has been withheld by the Company or is misleading.

We consider that we have sufficient information to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided by the Directors and the representatives of the Company and Dalian Ocean, nor have we conducted any independent investigation into the business, affairs, operations, financial position or future prospects of each of the Dalian Ocean Group, COSCO Finance and COSCO Group.

PRINCIPAL FACTORS AND REASONS

In formulating our opinion in respect of the Deposit Services, the Foreign Exchange Services, the Agreed Supplies and Services I and the Annual Caps, we have taken into account the following principal factors and reasons:

1. **Background information of the parties to the Financial Services Framework Agreement and the Materials and Services Framework Agreement**

As stated in the Letter from the Board, Dalian Ocean is principally engaged in tanker shipping business which provides oil and gas shipping services covering oil tanker shipping, LNG shipping and LPG shipping, etc. As at 31 December 2015, it owned 29 vessels with 6.60million deadweight tons.

As stated in the Letter from the Board, COSCO Finance is principally engaged in deposit services, loan services and financing advisory services, credit verification services, agency services, settlement and clearance.

As stated in the Letter from the Board, COSCO Company is principally engaged in the business of container shipping, dry bulk shipping, tanker transportation, logistics terminals, ship repairing and building, financial services and trade.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. The Deposit Services and the Foreign Exchange Services

In arriving at our opinion on the Deposit Services, the Foreign Exchange Services and the respective annual caps for the three years ending 31 December 2018, we have taken into consideration the following factors and reasons:

Background of the Financial Services Framework Agreement

On 28 April 2016, Dalian Ocean entered into the Financial Services Framework Agreement with COSCO Finance, pursuant to which COSCO Finance may, subject to the fulfillment or waiver of the conditions precedent thereof, continue to provide Dalian Ocean Group with a range of financial services as agreed in the Financial Service Framework Agreement including: (i) the Deposit Services;(ii) the loan and financing lease services; (iii) the settlement services; (iv) the Foreign Exchange Services; and (v) other financial services as approved by CBRC for the three years ending 31 December 2018.

Principal terms of the Financial Services Framework Agreement

The principal terms of the Financial Services Framework Agreement have been set out in the Letter from the Board and are summarized below.

Date	:	28 April 2016
Parties	:	(i) COSCO Finance (as provider of services); and (ii) Dalian Ocean (as recipient of services)

Pricing policy:

Details of the pricing policy of the Financial Services Framework Agreement are set out in the Letter from the Board. Below is the pricing policy of the Deposit Services and the Foreign Exchange Services.

- (i) COSCO Finance may receive deposits from Dalian Ocean Group at interest rates not lower, and thus no less favourable, than (i) the lower limit of the relevant rates stipulated by PBC for similar type of deposits; and (ii) the interest rates offered by any independent domestic commercial bank for similar type of domestic deposits service at the time; and
- (ii) The fees charged by COSCO Finance for the provision of foreign exchange services shall not be higher and thus no less favourable, than the fees charged by any independent domestic commercial bank for similar type of services at the time.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

To ensure sufficient protection of the Shareholders' interests, Dalian Ocean will adopt the following internal control procedures in connection with its receipt of the financial services provided by COSCO Finance upon completion of the Restructuring:

- (i) Before Dalian Ocean Group places any deposits, enters into any loan agreements or foreign exchange agreements with COSCO Finance, Dalian Ocean will obtain at least three quotations from the domestic independent commercial banks for similar type of services (for instance, in respect of loan services, a loan of the same duration or the same nature).
- (ii) In respect of services with transaction amounts less than RMB1 million, quotations of such services together with the offer from COSCO Finance will forthwith be disclosed to the manager of the finance department of Dalian Ocean for review and approval.
- (iii) In respect of services with transaction amounts equal to or more than RMB1 million, quotations of such services together with the offer from COSCO Finance will forthwith be disclosed to the manager of the finance department of Dalian Ocean for review. The manager of the finance department of Dalian Ocean will then seek approval from the general manager of Dalian Ocean as appropriate on whether to accept COSCO Finance's offer.
- (iv) All borrowings from COSCO Finance will be conducted in accordance with the terms approved by the manager of the finance department or the general manager, as appropriate.
- (v) Dalian Ocean will report to the Independent Non-executive Directors every six months on:
 - a) the loan or credit facilities agreements entered into with COSCO Finance together with information on the comparable quotations obtained from the independent commercial banks; and
 - b) any changes in the credit ratings of COSCO Finance during the preceding six-month period.
- (vi) Dalian Ocean will monitor the status of the deposits on a monthly basis.
- (vii) A copy of every regulatory report submitted by COSCO Finance to the CBRC will be provided to the Dalian Ocean's management team.
- (viii) A copy of the financial statements of COSCO Finance for each month will be provided to Dalian Ocean in the following month.

We have obtained and reviewed certain records such as (i) 2 sets of deposit slips from COSCO Finance to Dalian Ocean and from independent domestic commercial banks to Dalian Ocean and compared the interest rates of deposit offered by COSCO Finance against the then rates stipulated by PBC for similar type of deposit and independent domestic commercial bank; and (ii) 3 statements of foreign exchange services of the Dalian Ocean Group obtaining from COSCO Finance and compared

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the exchange rate offered by COSCO Finance against the exchange rate offered by independent domestic commercial bank. We note that the interests received from COSCO Finance for the deposit and the fees charged (expressed as difference in exchange rate offered) by COSCO Finance for the provision of foreign exchange services to the Dalian Ocean Group are no less favourable than that of independent third parties.

We are of the view that the above pricing policies are fair and reasonable so far as the Independent Shareholders are concerned, as (i) the interests received for the Deposit Service will be set at such rates not lower than rates by PBC or an independent third party, thus the more favourable rate will always prevail unless deemed not applicable; and (ii) the fees charged by COSCO Finance for the provision of the Foreign Exchange Services to the Group shall not be higher than the fees charged by any independent third party for similar type of services at the time, thus a no less favourable rate will prevail.

Reasons for and benefits of the provision of the Deposit Services and the Foreign Exchange Services

COSCO Finance has been providing the various types of financial services to Dalian Ocean for many years. With the benefit of this long standing relationship, COSCO Finance understands well the financial conditions of Dalian Ocean Group and will be able to cater the financial needs of Dalian Ocean more efficiently.

In light of the tightening credit policy in the PRC in general, the Board believes that securing deposit and loan services from COSCO Finance for the period from 1 January 2016 to the year ending 31 December 2018 would ensure availability of funds to Dalian Ocean Group at reasonable costs and reduce working capital risks. The terms and conditions provided by COSCO Finance under the Financial Services Framework Agreement to Dalian Ocean Group are generally no less favorable than those provided by independent third parties.

Furthermore, Dalian Ocean Group is not restricted under the Financial Services Framework Agreement to approach, and in fact may choose, any bank or financial institution to satisfy its financial service needs. Its criteria in making the choice could be made on costs and quality of services. Therefore, Dalian Ocean Group may, but is not obliged to, continue to use COSCO Finance's services if the service quality provided continues to be competitive. Having such flexibility afforded under the Financial Services Framework Agreement, Dalian Ocean Group is able to better manage its current capital and cash flow position. In addition, it is also expected that COSCO Finance will provide more efficient foreign exchange and settlement services to Dalian Ocean Group, as compared to independent third-party banks.

Having taken into account the reasons set out above, we are of the view that the provision of the Deposit Services and the Foreign Exchange Services is in the interest of the Company and its Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Annual caps and basis of determination of the Deposit Services and the Foreign Exchange Services

A summary of the historical amount and proposed annual caps for the Deposit Services and the Foreign Exchange Services for each of the three years ended 31 December 2015 and for each of the three years ending 31 December 2018 respectively are set out in the table below:

	Historical amount			Proposed annual caps		
	for the year ended 31 December			for the year ending 31 December		
	2013	2014	2015	2016	2017	2018
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
(i) Maximum daily outstanding balance of deposits (including accrued interest and handling fee) placed/ to be placed by Dalian Ocean with COSCO Finance	301,070	896,040	1,969,500	3,000,000	3,500,000	4,000,000
	<i>(USD'000)</i>	<i>(USD'000)</i>	<i>(USD'000)</i>	<i>(USD'000)</i>	<i>(USD'000)</i>	<i>(USD'000)</i>
(ii) Maximum amount of foreign exchange transacted/to be transacted during the year	45,740	47,580	10,280	100,000	100,000	100,000

As stated in the Letter from the Board, the proposed annual caps above have been determined based on (i) the above historical figures; (ii) Dalian Ocean Group's expectation of capital needs for the period from now up to 31 December 2018; and (iii) COSCO Finance's financial ability.

Basis of determination of the proposed annual caps for the Deposit Services

As shown in the table above, the maximum daily outstanding balance of deposits (including accrued interest and handling fee) placed by Dalian Ocean with COSCO Finance for the year ended 31 December 2015 was approximately RMB1,969.5 million, accounted for approximately 65.7% of the proposed annual cap for the year ended 31 December 2016. According to the Dalian Ocean Accountant's Report, the cash and cash equivalents of the Dalian Ocean Group as at 31 December 2015 was approximately RMB2,777.4 million, which was close to the proposed annual cap for the year ended 31 December 2016. According to the Dalian Ocean Accountant's Report, the revenue of the Dalian Ocean Group for the year ended 31 December 2015 amounted to approximately RMB4,820.4 million, representing an increase of approximately 16.8% from the revenue of the Dalian Ocean Group for the year ended 31 December 2014 of approximately RMB4,126.5 million. As discussed with the management of the Company and Dalian Ocean, given the strong demand of crude oil import from China, the outlook of the tanker shipping market is expected to remain stable to positive in the next few years. As a major player in tanker shipping industry in China, Dalian Ocean expects to benefit from the stable to positive outlook of tanker shipping market. We concur with the Directors' view that the proposed annual caps for the maximum daily outstanding balance of deposits will better accommodate the current cash and cash equivalents balance and provide an option for the Group to flexibly manage its surplus cash from operation in the future.

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Basis of determination of the proposed annual caps for the Foreign Exchange Services

As discussed with the management of Dalian Ocean, the majority of Dalian Ocean's revenues are denominated in US dollars. In contrast, the selling expenses, administrative expenses and some of the cost of services are paid in RMB, therefore, creating currency mismatch in revenue and costs. As shown in the table above, the historical amount of the Foreign Exchange for each of the three years ended 31 December 2015 was approximately USD45.7 million, USD47.6 million and USD10.3 million respectively. As discussed with the management of Dalian Ocean, the low amount of foreign exchange transacted for the year ended 31 December 2015 was mainly due to abundant amount of RMB balances kept in 2015 therefore led to a lower amount of foreign exchange transacted to pay the daily expenses. As discussed above, Dalian Ocean's operation is expected to stay stable to positive in the next few years and its revenue and expenses are expected to increase accordingly. Therefore, the proposed annual caps of the Foreign Exchange Services have to accommodate the potential operation growth of Dalian Ocean.

COSCO Finance's financial ability

In considering COSCO Finance's financial ability in the provision of the relevant financial services, we have obtained the audited annual report of the COSCO Finance for the two years ended 31 December 2015. According to the relevant financial statements, COSCO Finance recorded net assets of approximately RMB29,728.7 million and RMB28,573.3 million as at 31 December 2014 and 2015 respectively. We have also checked the continuing validity of COSCO Finance's license issued by CBRC. Capital adequacy ratios of COSCO Finance were approximately 20.5% as at 31 December 2015 and 27.1% as at 31 December 2014, both were better than standard of 10% for finance companies as required by CBRC. Non-performing asset ratios of COSCO Finance were both approximately 0.03% as at 31 December 2015 and 31 December 2014, both were better than standard of 4% for finance companies as required by CBRC. Bad loan ratios of COSCO Finance were both zero as at 31 December 2015 and 31 December 2014, both were better than standard of 5% for finance companies as required by CBRC. Asset loss reserve ratio of COSCO Finance were both 100% as at 31 December 2015 and 31 December 2014, both met standard of 100% for finance companies as required by CBRC. Loan loss reserve ratio of COSCO Finance were both 100% as at 31 December 2015 and 31 December 2014, both met standard of 100% for finance companies as required by CBRC. We concur with Directors' view that COSCO Finance is able to provide the deposit services to the Group.

In light of the above, we are of the view that the proposed annual caps for the Deposit Services and the Foreign Exchange Services for the three years ending 31 December 2018 are determined based on reasonable estimation and after due and careful consideration and fair and reasonable so far as the company and the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. The Agreed Supplies and Services I

In arriving at our opinion on the Agreed Supplies and Services I, we have taken into consideration of the following factors and reasons:

Background of the Materials and Services Framework Agreement

On 28 April 2016, Dalian Ocean entered into the Materials and Services Framework Agreement with COSCO Company, pursuant to which COSCO Group shall, subject to the fulfillment or waiver of the conditions precedent thereof, continue to provide the Agreed Supplies and Services I to Dalian Ocean Group, and receive the Agreed Supplies and Services II from Dalian Ocean Group for the three years ending 31 December 2018.

Principal terms of the Materials and Services Framework Agreement

The principal terms of the Materials and Services Framework Agreement have been set out in the Letter from the Board and are summarized below.

Date	:	28 April 2016
Parties	:	(i) Dalian Ocean; and (ii) COSCO Company
Subject matter	:	Dalian Ocean has entered into the Materials and Services Framework Agreement with COSCO Company, pursuant to which COSCO Group agreed to provide the Agreed Supplies and Services I to Dalian Ocean Group, and also Dalian Ocean Group agreed to provide the Agreed Supplies and Services II to COSCO Group. Details of the Agreed Supplies and Services are set out in the Letter from the Board. The necessary supporting shipping materials and services to be provided under the Agreed Supplies and Services I includes: (i) supply of materials and fuels, mainly including fresh water, bunker oil and spare parts; (ii) telecommunication and navigational services; (iii) dry docking, repairs, special coating, technical improvements of vessels; (iv) vessels and shipping agency;

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- (v) service on sale and purchase of vessels, accessories and other equipment; and
- (vi) other miscellaneous management services, mainly including insurance agency services.

Pricing policy:

The prices for the Agreed Supplies and Services will be determined by reference to the prevailing market price of the Agreed Supplies and Services and a combination of other factors. The prevailing market price shall be determined by reference to the price chargeable by independent third parties for identical or similar type of supporting material or service at the time in China or overseas (as the case may be) and the price charged to independent third parties by COSCO Group or Dalian Ocean Group (as the case may be) in the most recent transaction of a similar nature. Details of the other pricing policy of the Agreed Supplies and Services are set out in the Letter from the Board. Below is the other pricing policy of the Agreed Supplies and Services I.

In order to ensure the terms provided by COSCO Group are no less favourable than that offered by independent third parties, Dalian Ocean will (i) invite at least three service providers to submit their quotations or proposals; and (ii) conduct the market research once every year for terms of the identical or similar supporting shipping material or service through which Dalian Ocean can compare the terms of those quotations or proposals.

After the completion of the Restructuring, Dalian Ocean will review the actual transaction amounts between Dalian Ocean Group and COSCO Group and its associates periodically to ensure that the actual transaction amounts between Dalian Ocean and COSCO Group will not exceed the respective proposed annual caps.

In particular, in addition to the prevailing market price as described above, the prices for each category of the Agreed Supplies and Services I are also determined by reference to a number of factors as follows:

- (i) in respect of (i) supply of materials and spare parts: by reference to the type and quantity of materials and spare parts required, the time and location of delivery;
- (ii) in respect of (ii) and (iii) telecommunication and navigational services and repairmen of vessels: by reference to the level of technicality required for the particular services, the scale and scope of the proposed services, the type of vessels involved, the type of materials and labour required for such services;
- (iii) in respect of (iv) shipping agency: by reference to market standard of commission rate, type of vessels involved, value and volume of cargo involved; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iv) in respect of (v) service fees on sale and purchase of vessels and equipments: by reference to type and quantity of vessels, accessories and other equipment involved, estimated marketing expenses and the proposed sale targets.

The management of Dalian Ocean mentioned that Dalian Ocean follows the internal guidance price set by COSCO Group for the necessary supporting shipping materials and services provided by COSCO Group to Dalian Ocean Group as Dalian Ocean is a member of COSCO Group before the Restructuring. The management of Dalian Ocean mentioned that COSCO Group takes into account of, among others, the price offered by the independent third parties and/or the bulk purchase discount and/or a margin in determining the internal guidance price. Thus the internal guidance price may or may not be lower than the price offered by the independent third parties.

The management of Dalian Ocean advised that Dalian Ocean will follow the pricing policy for the Agreed Supplies and Services I as stated in the Materials and Services Framework Agreement after the completion of the Restructuring. As the prices of the Agreed Supplies and Services I will be no less favourable than that of independent third parties, we are of the view that the pricing policy of the Agreed Supplies and Services I are fair and reasonable so far as the Independent Shareholders are concerned as fees of the Agreed Supplies and Services I will be set at market prices.

Reasons for and benefits of the receipt of the Agreed Supplies and Services I

As stated in the Letter from the Board, COSCO Group and Dalian Ocean Group has been providing each other the necessary supporting shipping services and shipping materials for many years, and the transactions between COSCO Group and Dalian Ocean are essential to the businesses and operation of both groups. The terms of the Agreed Supplies and Services I under the Materials and Services Framework Agreement have been arrived at after arm's length negotiation. The Board believes that securing the Agreed Supplies and Services I with COCSO Group, which are one of the leading players in the shipping industry, will ensure Dalian Ocean with strengthen the competitiveness of the Group.

We concur with the Directors' view that by entering into the Materials and Services Framework Agreement for the Agreed Supplies and Services I, Dalian Ocean Group can take advantages of (i) the long-established relationship with COSCO Group; and (ii) the stability and reliability of the supply of the Agreed Supplies and Services I. Therefore we concur with the Directors' view that the Agreed Supplies and Services I is in the ordinary and usual course of the business of the Company and is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Annual caps and basis of determination of the Agreed Supplies and Services I

A summary of the historical amount and proposed annual caps for the Agreed Supplies and Services I for each of the three years ended 31 December 2015 and for each of the three years ending 31 December 2018 respective are set out in the table below.

	Historical amount			Proposed annual caps		
	for the year ended 31 December			for the year ending 31 December		
	2013	2014	2015	2016	2017	2018
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
The Agreed Supplies and Services I	1,527,540	1,471,650	974,590	2,000,000	2,500,000	3,000,000

As shown in the above table, the amounts of the Agreed Supplies and Services I for each of the three years ended 31 December 2015 was approximately RMB1,527.5 million, RMB1,471.7 million and RMB974.6 million. As discussed with the management of Dalian Ocean, the decrease in the amounts of the Agreed Supplies and Services I for the year ended 31 December 2015 was mainly due to the decrease in oil price in 2015. According to the WTI (NYMEX) Price, the market future price quotes for crude oil, the price of crude oil decreased from around US\$100 per barrel in the first half of 2014 to around US\$50 per barrel at the beginning of 2015 and it stays at around US\$30 to US\$60 per barrel in 2015. As about 60% of the Agreed Supplies and Services I was related to the supply of crude oil, although the quantity of the Agreed Supplies and Services I remains stable, the low unit oil price has led to the decrease in dollar amounts of the Agreed Supplies and Services I in 2015.

As stated in the Dalian Ocean Accountant's Report, the revenue of Dalian Ocean for each of the three years ended 31 December 2015 amounted to approximately RMB3,607.7 million, RMB4,126.5 million and RMB4,820.4 million, respectively, representing a compound annual growth rate of approximately 15.6%. According to an article namely "Weak demand, vessel surplus to create horror 2016 for commodities shipping" dated 28 December 2015 issued by CNBC, China has been looking to boost strategic reserves of crude, taking advantage of multi-year lows in prices, which has helped the oil tanker market rally. According to another article namely "China imports record crude as price crash accelerates buying" dated 13 January 2016 issued by Bloomberg News, China increased imports of crude oil by 8.8% to a record 334 million metric tons in 2015 and China may start four additional strategic petroleum reserves in 2016 as part of a plan to stockpile enough oil to cover 100 days' worth of net imports by 2020. Given the strong demand of crude oil import from China, the outlook of the tanker shipping market is expected to remain stable to positive in the next few years. As discussed with the management of Dalian Ocean, Dalian Ocean, as a major player in the tanker shipping market in China, expected to benefit from the stable to positive prospects in tanker shipping market and the revenue of Dalian Ocean is expected to increase in the next few years. Given the potential increase in the Dalian Ocean's revenue, it is expected that the fleet operational costs will increase accordingly and the Agreed Supplies and Services I will also be increased.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In light of the above, we are of the view that the proposed annual caps for the Agreed Supplies and Services I for the three years ending 31 December 2018 are determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we are of the view that terms of the Deposit Services, the Foreign Exchange Services, the Agreed Supplies and Services I and the Annual Caps are on normal commercial terms, in the ordinary and usual course of business of the Company, fair and reasonable insofar as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend (i) the Independent Board Committee to advise the Independent Shareholders' and (ii) the Independent Shareholders, to vote in favour of the ordinary resolutions in this regard.

Yours faithfully,
For and on behalf of
TC Capital International Limited
Edward Wu
Chairman

Note: Mr. Edward Wu has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under the SFO since 2005. He has participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong.

I. THREE-YEAR FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Company for the years ended 31 December 2013, 2014 and 2015 together with the relevant notes to the financial statements of the Company can be found on pages 74 to 190 of the annual report of the Company for the year ended 31 December 2013, pages 85 to 208 of the annual report of the Company for the year ended 31 December 2014 and pages 85 to 198 of the annual report of the Company for the year ended 31 December 2015. Please also see below the hyperlinks to the said annual reports:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0417/LTN20140417045.pdf>

<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0430/LTN20150430037.pdf>

<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0418/LTN20160418181.pdf>

II. MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest published audited accounts of the Company have been made up.

III. WORKING CAPITAL

Taking into account the financial resources available to the Group and Dalian Ocean Group, including internally generated funds and the available banking facilities, and the terms of the Restructuring, the Directors of the Company are of the opinion that the Group and Dalian Ocean Group have sufficient working capital for its requirement for at least 12 months from the date of this circular.

IV. INDEBTEDNESS OF THE ENLARGED GROUP**1. Borrowings and Indebtedness**

At the close of business on 29 February 2016, being the latest practicable date for the purpose of this indebtedness statement prior to printing of this circular, the total outstanding interest-bearing bank and other borrowings, other loans and corporate bonds of the Enlarged Group are as follows:

	Total	Secured	Unsecured
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest-bearing bank and other borrowings	32,759,522	10,990,514*	21,769,008
Other loans	814,597	—	814,597
Corporate bonds	3,978,488	—	3,978,488

* Secured by pledges of the Enlarged Group's vessels and vessels under construction.

2. Contingent Liabilities

At the close of business on 29 February 2016, the Enlarged Group has the following significant contingent liabilities and guarantees:

- (i) East China LNG Shipping Investment Co. Ltd., a non-wholly-owned subsidiary of the Company, holds 30% equity interests in each of Aquarius LNG Shipping Limited (“Aquarius LNG”) and Gemini LNG Shipping Limited (“Gemini LNG”), and North China LNG Shipping Investment Co. Ltd., a non-wholly-owned subsidiary of the Company, holds 30% equity interests in each of Aries LNG Shipping Limited (“Aries LNG”) and Capricorn LNG Shipping Limited (“Capricorn LNG”). Each of these four companies entered into ship building contracts for the construction of one LNG vessel. After the completion of the LNG vessels, the four companies would, in accordance with time charters agreements to be signed, lease the LNG vessels to the following charterers:

Company Name	Charterer
Aquarius LNG	Papua New Guinea Liquefied Natural Gas Global Company LDC
Gemini LNG	Papua New Guinea Liquefied Natural Gas Global Company LDC
Aries LNG	Mobil Australia Resources Company Pty Ltd.
Capricorn LNG	Mobil Australia Resources Company Pty Ltd.

On 15 July 2011, the Company entered into four guaranteed leases (the “Lease Guarantees”). According to the Lease Guarantees, the Company irrevocably and unconditionally provided the charterers, successors and transferees of the four companies listed above with guarantee (1) for the four companies to fulfil their respective obligations under the lease term, and (2) to secure 30% of amounts payable to charterers under lease term.

According to the term of the Lease Guarantees and taking into account the possible increase in the value of the lease commitments and the percentage of shareholdings by the Company in the above four companies, the amount of lease guaranteed by the Company is limited to USD8.2 million (approximately RMB54 million).

The guarantee period is limited to that of the lease period, which is 20 years.

- (ii) At the seventh Board meeting of 2014 held on 30 June 2014, the Company approved the ship building contracts, time charter agreements and supplemental construction contracts signed by three joint ventures of the Company for the Yamal LNG project. To secure the obligation of the ship building contracts, time charter agreements and supplemental construction contracts, the Company provides corporate guarantees to the shipbuilders, Daewoo Shipbuilding & Marine Engineering Co., Ltd. and DY Maritime Limited. The total aggregate liability of the Company under the corporate guarantees is limited to

USD490,000,000 (approximately RMB3,207,148,000). In addition, the Company provides owner's guarantees to the charterer, YAMAL Trade Pte. Ltd. The total aggregate liability of the Company under the owner's guarantees is limited to USD6,400,000 (approximately RMB41,889,000).

- (iii) On 20 February 2011, one oil tanker of Dalian Ocean, "Yang Mei Hu", during the time of berthing and loading in Mohammedia port, clashed the dock bollard. On 23 February 2011, the dock authority applied for the detention of "Yang Mei Hu" in the local court of Morocco and required Dalian Ocean to provide estimated losses in the amount of Dirham55 million (approximately RMB37 million) for security. In March 2011, after the protection and indemnity club of "Yang Mei Hu" provided appropriate security according to the "Yang Mei Hu" membership certificate underwriting agreement, "Yang Mei Hu" left the port. In April 2014, the dock authority filed suit in the local court of Morocco and required Dalian Ocean to compensate the loss in the amount of Dirham17,380,000 and Euro2,062,000 (in total approximately RMB26,300,000).

Since Dalian Ocean had been insured, all compensations will be borne by the insurance companies, except for a maximum of USD15,000 (approximately RMB98,000), according to the membership certificate underwriting agreement. As at 29 February, 2016, Dalian Ocean was still in the process of setting all issues concerned.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 29 February 2016, the Enlarged Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities.

The Directors confirmed that no material changes in the indebtedness and contingent liabilities of the Enlarged Group since 29 February 2016 up to and including the Latest Practicable Date.

V. FINANCIAL AND TRADING PROSPECTS

The Enlarged Group will, through the Restructuring, further expand its oil shipment and LNG shipment businesses to create a globally leading energy transportation fleet in terms of transportation capacities, strengthen its ability to counter the business cycle of the conventional shipping business and its financial stability and enhance its overall profitability.

Effect of the Financial Services Framework Agreement and Material and Services Framework Agreement on the earnings, asset and liabilities of the Group

Upon the completion of the Restructuring, Dalian Ocean will become a wholly-owned subsidiary of the Company.

In respect of the Financial Services Framework Agreement, (1) deposits to be placed by the Group through the Deposit Services will generate interest income for the Company; (2) loans to be obtained by the Group through the loan services will result in an increase in the scale of assets and liabilities of the Company; and (3) the Foreign Exchange Services to be used by the Group will not have any significant effect on the earnings, assets and liabilities of the Group.

In respect of the Material and Services Framework Agreement, there has been no, and the Group does not expect there will be any, significant effect on the earnings and assets and liabilities of the Group.

1. RESPONSIBILITY STATEMENT

This circular, for which the 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 CS Development Group. 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 respects 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. INTERESTS OR SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, none of the Directors, supervisors or chief executive(s) of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors, Supervisors or chief executive(s) is taken or deemed to have under such provisions of the SFO) or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code adopted by the Company.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had any existing or proposed service contract with any member of the Group which would not expire or was not determinable by the Group within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' AND SUPERVISORS' INTERESTS

As at the Latest Practicable Date:

- (a) none of the Directors or supervisors of the Company had any direct or indirect interest in any assets which had been, since 31 December 2015 (the date to which the latest published audited accounts of the Company were made up) acquired, disposed of by or leased to any member of the Group, or were proposed to be acquired, disposed of by or leased to any member of the Group; and
- (b) none of the Directors or supervisors of the Company was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and any of their associate(s) had interest in a business which competes or may compete with the business of the Group, or may have any conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

6. EXPERT'S QUALIFICATIONS AND CONSENT

The following is the qualification of the expert whose name/advice is contained in this circular:

Name	Qualification
TC Capital International Limited	a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on Corporate Finance) regulated activities under the SFO

As at the Latest Practicable Date, the Independent Financial Adviser (i) had no shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group; (ii) had no direct or indirect interest in any assets which had been, since 31 December 2015 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group; and (iii) has given and has not withdrawn its written consent to the issue of this circular the inclusion of its letter and the reference to its name included herein in the form and context in which it appears.

7. LITIGATION

As at the Latest Practicable Date, no litigation or claims of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group.

8. MATERIAL CONTRACTS

Save for the following material contracts, the Enlarged Group has not entered into any material contract (not being contracts entered into in the ordinary course of business of the Enlarged Group) within the two years immediately preceding the Latest Practicable Date:

- (a) the asset transfer agreement dated 29 March 2016 entered between the Company, COSCO Company and COSCO Bulk in relation to the Proposed Transactions, pursuant to which the Dalian Ocean Consideration is RMB6,628,455,200, and the CS Bulk Consideration is RMB5,392,221,600; and
- (b) the compensation agreement dated 29 March 2016 entered between the Company and COSCO Company regarding that the actual net profit of Dalian Ocean shall not be lower than estimated net profit for the compensation period, the details of which are set out in the circular of Company dated 22 April 2016.

9. MISCELLANEOUS

- (a) The company secretary of the Company is Ms. Yao Qiaohong (“Ms. Yao”). She is an Affiliated Person of The Hong Kong Institute of Chartered Secretaries.
- (b) The registered address in the PRC of CS Development is Room A-1015, No. 188 Yesheng Road, China (Shanghai) Pilot Free Trade Zone, Shanghai, the PRC and the principal place of business in the PRC of CS Development is 7th Floor, 670 Dong Da Ming Road, Shanghai, the PRC. The Hong Kong H Share registrar and transfer office of CS Development is Computershare Hong Kong Investor Services Limited at Suite 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (c) The English text of this circular shall prevail over their respective Chinese text in case of inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 20/F, Alexandra House, Chater Road, Central, Hong Kong from the date of this circular up to 14 May 2016 (both days inclusive):

- (a) the articles of association of CS Development;
- (b) the Letter from the Board, the full text of which is set out in the section headed “Letter from the Board” in this circular;
- (c) the Letter of recommendation from the Independent Board Committee to the Independent Shareholders, the full text of which is set out in the section headed “Letter from the Independent Board Committee” in this circular;
- (d) the Letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the full text of which is set forth in the section headed “Letter from the Independent Financial Adviser” in this circular;
- (e) the annual reports of CS Development for the years ended 31 December 2013, 2014, and 2015;
- (f) copies of all material contracts as referred to the section headed “Material Contracts” in Appendix II to this circular;
- (g) letters of consent issued by the Independent Financial Adviser as referred to in the section headed “Expert’s Qualifications and Consent” in Appendix II to this circular;
- (h) a copy of this circular; and
- (I) a copy of the circular of the Company dated 22 April 2016.



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 ANNUAL GENERAL MEETING

Notice dated 1 April 2016 had been given by the Company to convene the annual general meeting (the “AGM”) of China Shipping Development Company Limited (the “Company”) to be held at 2:00 p.m. on Friday, 20 May 2016 at 3rd Floor, Ocean Hotel, No. 1171 Dong Da Ming Road, Hongkou District, Shanghai, the People’s Republic of China to consider and, if thought fit, pass the resolutions set out therein. This notice is a supplemental notice following the despatch of the Company’s supplemental circular dated 29 April 2016 setting out the additional resolutions to be passed at the AGM:

Ordinary Resolutions

- “20. to approve the Financial Services Framework Agreement entered into between Dalian Ocean and COSCO Finance on 28 April 2016 and the transactions contemplated thereunder (including the relevant annual caps); and to authorise the directors of the Company (“Directors”) 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 thereunder.
21. to approve the Materials and Services Framework Agreement entered into between Dalian Ocean and COSCO Company on 28 April 2016, and the transactions contemplated thereunder (including the relevant annual caps); and to authorize the Directors 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 thereunder.”

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

29 April 2016
Shanghai
The People’s Republic of China

* *for identification purposes only*

APPENDIX III SUPPLEMENTAL NOTICE OF THE ANNUAL GENERAL MEETING

Notes:

- (A) Please refer to the notice of the AGM dated 1 April 2016 for Resolutions 1 to 19.
- (B) 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
- (C) Each holder of H Shares who has the right to attend and vote at the AGM 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 AGM.
- (D) 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.
- (E) For holders of H Shares, the form of proxy, and if the 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 AGM (or any adjournment thereof) in order for such documents to be valid.
- (F) 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 AGM. Note (C) also applies 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 (B) above, not less than 24 hours before the time appointed for holding the AGM (or any adjournment thereof) in order for such documents to be valid.
- (G) If a proxy attends the AGM on behalf of a shareholder, he should produce his identity card and the instrument signed by the proxy or his legal representative, which specifies the date of its issuance. If the legal representative of a shareholder which shareholder is a legal person attends the AGM, 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 AGM, such representative should produce his identity card and an authorization instrument affixed with the seal of that shareholder (which is a legal person) and duly signed by its legal representative.

APPENDIX III SUPPLEMENTAL NOTICE OF THE ANNUAL GENERAL MEETING

- (H) The Company has on this date issued to Shareholders a supplemental proxy form. If you intend to appoint a proxy, you should complete and return the enclosed supplemental proxy form in accordance with the instructions printed thereon and return it at least 24 hours before the time stipulated for convening the AGM or any adjourned meeting (as circumstances require). If you have already validly appointed a proxy to act for you at the AGM but have not completed and returned the supplemental proxy form, your proxy will have the right to vote at his/her discretion. Completion and return of the supplemental proxy form will not preclude you from attending, and voting at, the AGM.
- (I) The AGM is expected to last for an hour. Shareholders attending the AGM are responsible for their own transportation and accommodation expenses.
- (J) As at the date of this notice, the Board comprises Mr. Xu Lirong, Mr. Huang Xiaowen, Mr. Ding Nong, Mr. Yu Zenggang, Mr. Yang Jigui, Mr. Han Jun and Mr. Qiu Guoxuan as executive Directors, Mr. Wang Wusheng, Mr. Ruan Yongping, Mr. Ip Sing Chi, Mr. Rui Meng and Mr. Teo Siong Seng as independent non-executive Directors.