



# Pacific Basin Shipping Limited

## 太平洋航運集團有限公司\*

(incorporated in Bermuda with limited liability)

Stock Code: 2343

### DISCLOSEABLE TRANSACTION: SALE OF FIVE VESSELS AND FURTHER ANNOUNCEMENT OF BAREBOAT CHARTER BACK OF FIVE VESSELS

On 18 August 2005, the Sellers, each being indirect wholly-owned subsidiaries of the Company, entered into the MOA with the Purchasers (each being owned by the same ultimate beneficial owner), to sell to them the Five Vessels as described herein for a consideration of US\$100,000,000 (approximately HK\$780,000,000). Principal disposal terms of the Five Vessels under the MOA are set out below in this announcement.

The disposals contemplated under the MOA, constitute a discloseable transaction of the Company under the Listing Rules and are required to be disclosed by way of this press announcement, and a circular with further details of these transactions will be issued to Shareholders shortly.

Simultaneously, the Company entered into five bareboat charterparties with the Purchasers to charter the Five Vessels back into the Company's chartered fleet at agreed charter rates for a fixed period of ten years. The five bareboat charterparties, either individually or when aggregated with each other, do not constitute discloseable transactions of the Company under the Listing Rules. Under the five bareboat charterparties the Company has the option to individually re-purchase each of the Five Vessels at any time with three months notice during each bareboat charterparty. The purchase option prices will be reduced proportionally for the period of each bareboat charterparty completed. Pacific Basin will comply with the relevant disclosure requirements under the Listing Rules prevailing if it exercises any of the purchase options. Furthermore, the Company shall make an announcement as soon as reasonably practicable, upon the earlier of (1) the expiry of any such purchase option; (2) the Company notifying the relevant Purchaser that a purchase option will not be exercised; or (3) the transfer by the Company of a purchase option to a third party.

#### THE DISCLOSEABLE TRANSACTION:

##### THE MOA

Date: 18 August 2005

Parties: Purchasers: Danad Shipping Company Limited (the "First Purchaser") who shall purchase the First Vessel, Garboard Shipping Limited (the "Second Purchaser") who shall purchase the Second Vessel, Kathmandu Shipping Company Limited (the "Third Purchaser") who shall purchase the Third Vessel, Mullen Shipping Company Limited (the "Fourth Purchaser") who shall purchase the Fourth Vessel and Santa Fe Shipping Company Limited (the "Fifth Purchaser") who shall purchase the Fifth Vessel, each of which, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, together with their ultimate beneficial owner, is a third party independent of the Company and connected persons (as defined in the Listing Rules) of the Company. There is no relationship between the Five Purchasers or their ultimate beneficial owner with the vendors or purchasers of vessels previously acquired or disposed of by the Company.

As far as the Directors are aware, having made all reasonable enquiry, the principal business activity of the Five Purchasers shall be the owning of the Five Vessels and the principal business activity of the ultimate beneficial owner of the Five Purchasers is the owning and financing of shipping vessels.

Sellers: Cape Flattery Limited who shall sell the First Vessel, Good Future International Holdings Limited who shall sell the Second Vessel, Riley Shipping (BVI) Limited who shall sell the Third Vessel, Quincy Shipping (BVI) Limited who shall sell the Fourth Vessel and Kia Shipping (BVI) Limited who shall sell the Fifth Vessel, each an indirect wholly-owned subsidiary of the Company.

Assets to be sold: First Vessel: A 2004 built handysize dry bulk carrier of 28,433dwt, named "Cape Flattery" owned by Cape Flattery Limited. The flag of the Vessel is presently Hong Kong and the place of registration Hong Kong. The Classification Society of the vessel is Nippon Kaiji Kyokai.

Second Vessel: A 2004 built handysize dry bulk carrier of 31,894dwt, named "Cook Strait" owned by Good Future International Holdings Limited. The flag of the Vessel is presently Hong Kong and the place of registration Hong Kong. The Classification Society of the vessel is Nippon Kaiji Kyokai.

Third Vessel: A 2004 built handysize dry bulk carrier of 32,754dwt, named "Sun Ruby" owned by Riley Shipping (BVI) Limited. The flag of the Vessel is presently Hong Kong and the place of registration Hong Kong. The Classification Society of the vessel is Nippon Kaiji Kyokai.

Fourth Vessel: A 2003 built handysize dry bulk carrier of 32,751dwt, named "Black Forest" owned by Quincy Shipping (BVI) Limited. The flag of the Vessel is presently Hong Kong and the place of registration Hong Kong. The Classification Society of the vessel is Nippon Kaiji Kyokai.

Fifth Vessel: A 2002 built handysize dry bulk carrier of 28,483dwt, named "Mount Travers" owned by Kia Shipping (BVI) Limited. The flag of the Vessel is presently Hong Kong and the place of registration Hong Kong. The Classification Society of the vessel is Nippon Kaiji Kyokai.

Net Profits attributable to the Five Vessels: The Five Vessels were all acquired on 31 March 2004. The net profit attributable to the Five Vessels for the year ended 31 December 2004 was US\$14,194,614. There is no taxation on the net profit attributable to the Five Vessels.

Revenue attributable to the Five Vessels: The revenue attributable to the Five Vessels for the year ended 31 December 2004 was US\$22,001,649.

Consideration: US\$100,000,000 (equivalent to HK\$780,000,000), which was determined by reference to other sale and charter back transactions entered into by the Company with different and independent counterparties and after arm's length negotiation between the parties. However, as is commonly the case in the dry bulk carrier market, there have not been any recently published sale and charter backs by third party vendors of vessels of the exact size of the Five Vessels from which to make a direct comparison. In addition, no third party valuation has been performed on any of the Five Vessels.

The estimated net gain that is expected to accrue to the consolidated income statement of the Company in 2005 on the disposal of the Five Vessels is US\$3,363,518 which is calculated as the difference between the sale price (US\$100,000,000) and the carrying value of the Five Vessels (US\$96,636,482) in the Company's accounts as at 31 August 2005.

The intended application of the sale proceeds will include the repayment of bank borrowings secured on the Five Vessels (51%), and the prepayment other bank borrowings (49%).

Simultaneously, the Company has entered into five bareboat charterparties to charter the Five Vessels back into the Company's chartered fleet at agreed charter rates for a fixed period of ten years each. The bareboat charter rates were determined after arms length negotiation and by reference to the consideration paid by the Five Purchasers for the Five Vessels. The bareboat charter rate is equivalent to the payment of principle and interest. The purchase option price represents the sales consideration (as paid by the Five Purchasers under the MOA) less the principle repaid through the bareboat charter up to until the date the purchase option is exercised. The five bareboat charterparties, either individual or when aggregated with each other, do not constitute discloseable transactions of the Company under the Listing Rules. In addition, under the five bareboat charterparties the Company has the option to individually re-purchase each of the Five Vessels at any time with three months notice during each bareboat charterparty. The purchase option prices will be reduced proportionally for the period of each bareboat charterparty completed. Pacific Basin will comply with the relevant disclosure requirements under the Listing Rules prevailing if it exercises any of the purchase options. Furthermore, the Company shall make an announcement as soon as reasonably practicable, upon the earlier of (1) the expiry of any such purchase option; (2) the Company notifying the relevant Purchaser that a purchase option will not be exercised; or (3) the transfer by the Company of a purchase option to a third party.

The Directors believe that the terms of the transaction, which were determined after arm's length negotiation, are fair and reasonable so far as the Company and the Shareholders are concerned

Payment terms: The consideration for the acquisition of the Five Vessels shall be US\$100,000,000, which is payable upon signing of the MOA.

Completion: Pursuant to the MOA, the latest date for completion is 30 September 2005 unless the parties otherwise agree. The Directors currently expect delivery of the Five Vessels will take place during September 2005. Pacific Basin will make a further announcement if completion does not take place by 30 September 2005.

## REASON FOR THE TRANSACTION

The Company is one of the world's leading dry bulk shipping companies operating principally in the Asia Pacific region, currently seeking opportunities to acquire additional handysize vessels to expand its fleet to meet growing customer demand and deliver sustainable growth and long-term shareholder value. With a large fleet of modern, uniformly-sized vessels, Pacific Basin seeks to offer its customers a strong, reliable service with a high degree of scheduling flexibility whilst maintaining the Company's operational efficiency. The transaction outlined above is consistent with this strategy.

Following the delivery of the Vessels, the Group's fixed assets will decrease by the carrying value of the Five Vessels in the Group's accounts at the date of disposal. Long-term liabilities will decrease by the amount of bank borrowings repaid and prepaid less the amount of these bank borrowings falling due within on year, which will decrease current liabilities. The simultaneous transactions to charter the Five Vessels back will be classified as operating leases with the charter-hire payments to be accounted for as operating lease expenses during the charter period, in accordance with Hong Kong Accounting Standard No. 17 "Leases".

Furthermore, the transaction outlined above enables the Company to release equity to fund the Company's operations, and at the same time enables the Company to retain commercial and operational control over the Five Vessels. Immediately prior to the signing of the MOA and as at the date of this announcement, the Company has a fleet of 48 vessels (1,437,874dwt), comprising 33 owned vessels (which included the Five Vessels) (966,216dwt), 11 chartered-in vessels (364,487dwt) and 4 managed vessels (107,171dwt). The Company has five newbuilding vessels on order, one of which is scheduled to deliver August 2005, two in November 2006, one in June 2007 and one in August 2007. Three of these newbuildings (88,200dwt) will enter into the owned fleet and two will enter into the chartered-in fleet (60,100dwt) The Directors believe that the terms of the MOA are fair and reasonable so far as the Company and the Shareholders are concerned.

The disposals contemplated under the MOA constitute a discloseable transaction of the Company under the Listing Rules and are required to be disclosed by way of this press announcement, and a circular containing further details of these transactions will be issued to Shareholders shortly.

## DEFINITIONS

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

|                              |   |
|------------------------------|---|
| "banking days"               | means the days on which banks are open in London, Hong Kong, Tokyo, Singapore, Hamburg and New York;  |
| "Company" or "Pacific Basin" | means Pacific Basin Shipping Limited, a limited company incorporated in Bermuda with limited liability, whose shares are listed on the main board of the Stock Exchange;  |
| "Directors"                  | means the directors of the Company;   |
| "dwt"                        | means dead weight tonnes, the unit of measurement of weight capacity of vessels, which is the total weight the ship can carry, including cargo, bunkers, water, stores, spares, crew etc. at a specified draft;         |
| "Fifth Purchaser"            | Santa Fe Shipping Company Limited   |
| "Fifth Vessel"               | means a handysize dry bulk carrier of approximately 28,483dwt, named "Mount Travers".   |
| "First Purchaser"            | Danad Shipping Company Limited  |
| "First Vessel"               | means a handysize dry bulk carrier of approximately 28,433dwt, named "Cape Flattery".   |
| "Five Vessels"               | means the First Vessel, the Second Vessel, the Third Vessel, the Fourth Vessel and the Fifth Vessel ;   |
| "Fourth Purchaser"           | Mullen Shipping Company Limited   |
| "Fourth Vessel"              | means a handysize dry bulk carrier of approximately 32,751dwt, named "Black Forest".  |
| "Hong Kong"                  | means the Hong Kong Special Administrative Region of the People's Republic of China;  |
| "Listing Rules"              | means The Rules Governing the Listing of Securities on the Stock Exchange;  |
| "MOA"                        | means the legally binding unconditional Memorandum of Agreement dated 18 August 2005 entered into between the Sellers and the Purchasers;   |
| "Purchasers"                 | means The First Purchaser, the Second Purchaser, the Third Purchaser, the Fourth Purchaser and the Fifth Purchaser and "Purchaser" shall mean each and any one of them as the context so requires                       |
| "Second Purchaser"           | Garboard Shipping Limited   |
| "Second Vessel"              | means a handysize dry bulk carrier of approximately 31,894dwt, named "Cook Strait".   |
| "Sellers"                    | Cape Flattery Limited, Good Future International Holdings Limited, Riley Shipping (BVI) Limited, Quincy Shipping (BVI) Limited and Kia Shipping (BVI) Limited, each an indirect wholly-owned subsidiary of the Company; |
| "Shareholders"               | means the shareholders of the Company;  |
| "Stock Exchange"             | means The Stock Exchange of Hong Kong Limited;  |
| "Third Purchaser"            | Kathmandu Shipping Company Limited; and   |
| "Third Vessel"               | means a handysize dry bulk carrier of approximately 32,754dwt, named "Sun Ruby".  |

By Order of the Board  
**Andrew Broomhead**  
*Company Secretary*

Hong Kong, 18 August 2005

\* For identification purposes only

As at the date of this announcement, the executive directors of the Company are Christopher Richard Buttery, Richard Maurice Hext, Mark Malcolm Harris and Paul Charles Over, the non-executive directors of the Company are Lee Kwok Yin, Simon and Brian Paul Friedman, and the independent non-executive directors of the Company are Robert Charles Nicholson, Patrick Blackwell Paul and The Earl of Cromer.

Please also refer to the published version of this announcement in South China Morning Post.