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# **B Pacific Basin Shipping Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 2343)**

## **DISCLOSEABLE TRANSACTIONS: SALE OF TWO VESSELS AND TIME CHARTER BACK OF THOSE TWO VESSELS**

On 14 August 2007, two indirect wholly-owned subsidiaries of the Company entered into the First MOA with K/S Danskib 61 and the Second MOA with K/S Danskib 64 to sell to them two handysize vessels, namely “Castle Peak” (Vessel A) and “Lake Joy” (Vessel B). The consideration for the sale of Vessel A and Vessel B is US\$31,600,000 (approximately HK\$246,480,000) and US\$30,400,000 (approximately HK\$237,120,000) respectively. The total consideration for the Vessels is US\$62,000,000 (approximately HK\$483,600,000).

In addition, subsequent to the signing of the First MOA and the Second MOA, an indirect wholly-owned subsidiary of the Company, being the charterer, will enter into two time charterparties with K/S Danskib 61 and K/S Danskib 64 to respectively charter Vessel A and Vessel B back into the Company’s chartered fleet at agreed charter rates for a fixed period of three years. The charter will commence immediately upon the respective delivery of the Vessels. The Company currently expects that both time charterparties will be finalised and signed within August 2007.

The sale of Vessel A and Vessel B will result in disposal gains estimated to be US\$12,085,000 (approximately HK\$94,263,000) and US\$13,637,000 (approximately HK\$106,368,600) respectively, or US\$25,722,000 (approximately HK\$200,631,600) in total.

Principal terms of the MOAs are set out below in this announcement.

The sale of Vessel A and Vessel B will generate cash which is intended to be used for general working capital and for funding any investment projects that the Company may enter into in the future should suitable opportunities arise. The dividend policy of the Board remains to pay out at least 50% of the Company’s earnings each year, which includes earnings derived from the disposal gains of the Vessels. The simultaneous time charter of the Vessels back into the Company’s chartered fleet will allow the Company to retain commercial control and hence the earnings over the Vessels during the charter period.

The transactions under the First MOA and the Second MOA, both individually and in aggregate, are not discloseable. As the ultimate beneficial owner of K/S Danskib 61 and K/S Danskib 64 is the same as that of K/S Danskib 55, K/S Danskib 54 and K/S Danskib 59 to whom the Company sold “Patagonia”, “Ocean Logger” and “Oak Harbour” respectively (the sale of the first two vessels was previously disclosed in our announcement dated 12 September 2006 whilst the sale of the third vessel was previously disclosed in our announcement dated 13 February 2007), the transactions contemplated under the First MOA and the Second MOA, when aggregated with these previously announced transactions, constitute discloseable transactions of the Company under the Listing Rules and are required to be disclosed by way of this announcement. A circular with further details of the transactions will be issued to Shareholders shortly.

The time charterparties in relation to the Vessels do not constitute discloseable transactions of the Company under the Listing Rules.

## **BACKGROUND FOR THE TRANSACTIONS**

On 14 August 2007, two indirect wholly-owned subsidiaries of the Company entered into the First MOA with the First MOA Purchaser and the Second MOA with the Second MOA Purchaser to sell to them “Castle Peak” (Vessel A) and “Lake Joy” (Vessel B), for a consideration of US\$31,600,000 (approximately HK\$246,480,000) and US\$30,400,000 (approximately HK\$237,120,000) respectively. The total consideration for the Vessels is US\$62,000,000 (approximately HK\$483,600,000). Vessel A is a 1997 built handysize vessel and Vessel B is a 1996 built handysize vessel.

In addition, subsequent to the signing of the First MOA and the Second MOA, an indirect wholly-owned subsidiary of the Company, being the charterer, will enter into two time charterparties with the First MOA Purchaser and the Second MOA Purchaser to respectively charter Vessel A and Vessel B back into the Company’s chartered fleet at agreed charter rates for a fixed period of three years. The charter will commence immediately upon the respective delivery of the Vessels.

Principal terms of the MOAs and the time charterparties are set out below.

## THE MOAs

The First MOA and the Second MOA are legally binding, of broadly similar terms and conditions and are described below:

Date : 14 August 2007

Parties : Purchasers: K/S Danskib 61, for the First MOA (“First MOA Purchaser”); and

K/S Danskib 64, for the Second MOA (“Second MOA Purchaser”),

each of which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, together with their ultimate beneficial owner (which is the same for the First MOA Purchaser and the Second MOA Purchaser), are not connected persons (as defined in the Listing Rules) of the Company and are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company. As far as the Directors are aware, having made all reasonable enquiry, the principal business activity of the First MOA Purchaser and the Second MOA Purchaser will be the owning of Vessel A and Vessel B, respectively. The principal business activity of their ultimate beneficial owner is the owning of shipping vessels.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiry, save for the transactions disclosed in this announcement and the announcements dated 12 September 2006 and 13 February 2007 in relation to the sales of “Patagonia”, “Ocean Logger” and “Oak Harbour”, the Company has not entered into any transaction with the First MOA Purchaser, the Second MOA Purchaser or their ultimate beneficial owner or with parties connected or otherwise associated with one another and there are no other relationships amongst the First MOA Purchaser, the Second MOA Purchaser or their ultimate beneficial owner with whom the Company has entered into transactions to acquire, dispose of, or charter in vessels during the 12 months prior to the date of the MOAs.

Sellers: Widen Holdings Limited, for the First MOA; and  
Lake Joy Limited, for the Second MOA,  
each being an indirect wholly-owned subsidiary of the Company.

Assets to be sold : First MOA: A 1997 built handysize dry bulk carrier of 28,545dwt, named “Castle Peak” (“Vessel A”).  
Second MOA: A 1996 built handysize dry bulk carrier of 28,251dwt, named “Lake Joy” (“Vessel B”).

The flag of both Vessels is presently Hong Kong and the place of registration is Hong Kong. The Classification Society of the Vessels is Nippon Kaiji Kyokai.

Net profits attributable to the Vessels : Vessel A: US\$856,000 (approximately HK\$6,676,800) for the period from 7 June 2005 (being the date of delivery of Vessel A to the Company) to 31 December 2005 and US\$1,997,000 (approximately HK\$15,576,600) for the year ended 31 December 2006.

Vessel B: US\$672,000 (approximately HK\$5,241,600) for the period from 15 September 2005 (being the date of delivery of Vessel B to the Company) to 31 December 2005 and US\$1,486,000 (approximately HK\$11,590,800) for the year ended 31 December 2006.

There is no taxation on the net profits attributable to Vessel A and Vessel B.

Carrying values of the Vessels : The carrying values of Vessel A and Vessel B were approximately US\$19,515,000 (approximately HK\$152,217,000) and approximately US\$16,763,000 (approximately HK\$130,751,400) in the Company’s unaudited accounts as at the date of this announcement.

Consideration : Vessel A: US\$31,600,000 (approximately HK\$246,480,000)  
Vessel B: US\$30,400,000 (approximately HK\$237,120,000)

The total consideration for the Vessels is US\$62,000,000 (approximately HK\$483,600,000). Such consideration was determined by reference to market intelligence the Company has gathered from shipbrokers and its own analysis of recently concluded sale and purchase transactions of vessels of comparable size and year of build in the market, 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 sales by third party vendors of vessels of the exact size and year of build of the Vessels from which to make a direct comparison. In addition, no third party valuation has been performed on the Vessels.

The Directors believe that such consideration, which was determined after arm's length negotiation, on normal commercial terms, is fair and reasonable so far as the Company and the Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

Payment terms : Under the MOAs, the consideration for the sale of Vessel A and Vessel B shall be receivable in the following manner:

- 10% of the consideration (being the deposit) for the sale of the Vessels was received at the time of signing the MOAs; and
- The balance of the consideration shall be received in full upon the respective delivery of the Vessels.

Completion and delivery : Pursuant to the MOAs, the latest date for completion is 31 October 2007 unless the parties otherwise agree. The Directors currently expect that the completion and delivery of the Vessels will take place within October 2007.

Expected disposal gains : Vessel A: US\$12,085,000 (approximately HK\$94,263,000)  
Vessel B: US\$13,637,000 (approximately HK\$106,368,600)

The expected disposal gains of Vessel A and Vessel B are calculated as the difference between the sales consideration of the Vessels and their respective approximate carrying values in the Company's unaudited accounts as at 14 August 2007. Such disposal gains are expected to accrue to the consolidated income statement of the Company in the financial year ending 31 December 2007.

Application of sale proceeds : The Company intends to retain the sale proceeds of the Vessels for general working capital and for funding investment projects that the Company may enter into in the future should suitable opportunities arise. The dividend policy of the Board remains to pay out at least 50% of the Company's earnings each year, which includes earnings derived from the disposal gains of the Vessels.

As of the date of this announcement, the Company has not entered into any negotiations or agreements in relation to the above investment initiatives. In the event that the Company enters into any such agreements, it will comply with the relevant requirements under the Listing Rules.

## **THE TIME CHARTERPARTIES**

Subsequent to the signing of the First MOA and the Second MOA, an indirect wholly-owned subsidiary of the Company, being the charterer, will enter into two time charterparties with K/S Danskib 61 and K/S Danskib 64 to respectively charter Vessel A and Vessel B back into the Company's chartered fleet at agreed charter rates for a fixed period of three years. The charter will commence immediately upon the respective delivery of the Vessels. The Company does not have the option to re-purchase any of the Vessels during or at the end of the charter period. The Company currently expects that both time charterparties will be finalised and signed within August 2007.

The time charter rates of the Vessels were determined after arm's length negotiation, on normal commercial terms and by reference to the type of the Vessels. These time charter rates are considered to be competitive as compared with the current market time charter rates.

The two time charterparties are separate agreements to the MOAs and they are not interconditional. The transactions to time charter the Vessels back will be classified as operating leases in accordance with the Hong Kong Accounting Standard No. 17 "Leases". As the entering into of these operating leases does not represent a 200% or more increase in the scale of the Company's existing operations conducted through lease arrangements of such kind, both time charterparties do not constitute discloseable transactions of the Company under Rule 14.04(1)(d) of the Listing Rules.

## **REASONS FOR THE TRANSACTIONS**

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

The sale of the Vessels will generate cash which is intended to be used for general working capital and for funding any investment projects that the Company may enter into in the future should suitable opportunities arise. The dividend policy of the Board remains to pay out at least 50% of the Company's earnings each year, which includes earnings derived from the disposal gains of the Vessels.

The sale and time charter back of the Vessels will not have any effect upon the number of handysize revenue days nor have a significant effect upon the earnings of the Company during the charter period of the Vessels. In addition, the sale of the Vessels will result in disposal gains of approximately US\$25,722,000 (approximately HK\$200,631,600), which are expected to accrue to the consolidated income statement of the Company in the financial year ending 31 December 2007. The simultaneous

time charter of the Vessels back into the Company's chartered fleet will allow the Company to retain commercial control and hence the earnings over the Vessels during the charter period.

The Directors believe that the terms of the MOAs and the time charterparties, which were determined after arm's length negotiation, on normal commercial terms, are fair and reasonable so far as the Company and the Shareholders are concerned, and the transactions to sell and time charter back the Vessels are in the interests of the Company and the Shareholders as a whole.

## **THE FLEET**

### **Handysize Fleet**

Following the completion and delivery from the owned fleet to the chartered fleet in respect of (i) the Vessels, (ii) the "Port Pirie" pursuant to the sale and time charter back transaction as announced on 21 May 2007, and (iii) the "Matariki Forest" pursuant to the sale and time charter back transaction as announced on 24 July 2007, the Company's core handysize fleet will comprise 58 vessels (1,707,053dwt), including 17 owned vessels (511,937dwt) and 41 chartered-in vessels (1,195,116dwt). All handysize vessels, with the exception of one vessel, are employed in a mixture of voyage charters and time charters through the IHC Pool. Outside the core handysize fleet, the IHC Pool also operates a number of short-term chartered-in vessels, amounting to three vessels as at the date of this announcement.

In addition, the Company has 13 newbuilding vessels on order (approximately 411,000dwt in aggregate), two of which are scheduled to deliver in 2007, five in 2008 and six in 2009. 11 of these newbuilding vessels will enter into the Company's owned fleet and the other two newbuilding vessels will enter into the Company's chartered fleet upon their respective deliveries.

### **Handymax Fleet**

Following the delivery of a vessel within 2007 which we have entered into an agreement to charter-in on a long-term basis, the Company's core handymax fleet will comprise 11 vessels (555,089dwt), including two owned vessels (97,972dwt) and nine long-term chartered-in vessels (457,117dwt). All handymax vessels, with the exception of two vessels which are employed on long-term time charters, are employed in a mixture of time charters and voyage charters through the IHX Pool. Outside the core handymax fleet, the IHX Pool also operates a number of short-term chartered-in vessels, amounting to 27 vessels as at the date of this announcement.

In addition, the Company has a newbuilding vessel on order (approximately 54,000dwt) which will enter into the Company's owned fleet in 2008 upon delivery.

The sale transactions under the First MOA and the Second MOA, both individually and in aggregate, are not discloseable. As the ultimate beneficial owner of the First MOA Purchaser and the Second MOA Purchaser is the same as that of K/S Danskib 55, K/S Danskib 54 and K/S Danskib 59 to whom the Company sold "Patagonia", "Ocean Logger" and "Oak Harbour" respectively (the sale of the first two vessels was previously disclosed in our announcement dated 12 September 2006 whilst the sale of the third vessel was previously disclosed in our announcement dated 13 February 2007), the transactions

contemplated under the First MOA and the Second MOA, when aggregated with these previously announced transactions, constitute discloseable transactions of the Company under the Listing Rules and are required to be disclosed by way of this announcement. A circular containing further details of the transactions will be issued to Shareholders shortly.

## **DEFINITIONS**

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

“Board”	means the board of directors of the Company;
“Classification Society”	means an independent society which certifies that a vessel has been built and maintained in accordance with the rules of such society and complies with the applicable rules and regulations of the flag state of such vessel and the international conventions of which that flag state is a member;
“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 deadweight tonnes, the unit of measurement of weight capacity of vessels, which is the total weight (usually in metric tonnes) the ship can carry, including cargo, bunkers, water, stores, spares, crew etc. at a specified draft;
“First MOA”	means the legally binding unconditional Memorandum of Agreement dated 14 August 2007 entered into between Widen Holdings Limited and the First MOA Purchaser for the sale of Vessel A to the First MOA Purchaser;
“First MOA Purchaser”	K/S Danskib 61;
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China;
“HK Dollars” or “HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;
“IHC Pool”	the International Handybulk Carriers Pool, established in October 2001, which is a contractual arrangement for the sharing of revenue earned by vessels entered into by its members. The IHC Pool is operated by International Handybulk Carriers Limited, a wholly-owned subsidiary of the Company;



“IHX Pool”	the International Handymax Carriers Pool, established in July 2006, which is a contractual arrangement for the sharing of revenue earned by vessels entered into by its members. The IHX Pool is operated by International Handymax Carriers Limited, a wholly-owned subsidiary of the Company;
“Listing Rules”	means The Rules Governing the Listing of Securities on the Stock Exchange;
“MOAs”	means the First MOA and the Second MOA;
“Second MOA”	means the legally binding unconditional Memorandum of Agreement dated 14 August 2007 entered into between Lake Joy Limited and the Second MOA Purchaser for the sale of Vessel B to the Second MOA Purchaser;
“Second MOA Purchaser”	K/S Danskib 64;
“Shareholders”	means the shareholders of the Company;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“US Dollars” or “US\$”	means United States dollars, the lawful currency of the United States;
“Vessel A” or “Castle Peak”	means a 1997 built handysize dry bulk carrier of 28,545dwt named “Castle Peak”. The present flag of the vessel is Hong Kong and the place of registration is Hong Kong. The Classification Society of the vessel is Nippon Kaiji Kyokai;
“Vessel B” or “Lake Joy”	means a 1996 built handysize dry bulk carrier of 28,251dwt named “Lake Joy”. The present flag of the vessel is Hong Kong and the place of registration is Hong Kong. The Classification Society of the vessel is Nippon Kaiji Kyokai; and
“Vessels”	means Vessel A and Vessel B.

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

Hong Kong, 14 August 2007

Note: An exchange rate of US\$1.00 to HK\$7.80 has been used for the conversion of US Dollars into HK Dollars for the purpose of this announcement.

*As at the date of this announcement, the executive Directors of the Company are Christopher Richard Buttery, Richard Maurice Hext, Klaus Nyborg, Wang Chunlin and Jan Rindbo, the non-executive Directors of the Company are Daniel Rochfort Bradshaw and Dr. Lee Kwok Yin, Simon, and the independent non-executive Directors of the Company are Robert Charles Nicholson, Patrick Blackwell Paul, The Earl of Cromer and David Muir Turnbull.*