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## **Pacific Basin Shipping Limited**

**太平洋航運集團有限公司\***

*(a company incorporated in Bermuda with limited liability)*

**(Stock Code: 2343)**

### **DISCLOSEABLE TRANSACTION: ACQUISITION OF NEWBUILDING VESSEL TO BE CONSTRUCTED AND THE FURTHER ANNOUNCEMENT OF ACQUISITION OF M.V. LAUREL ISLAND**

On 14 September 2004, an indirect wholly-owned subsidiary of the Company entered into a Memorandum of Agreement (the “MOA”) with Giant Line Inc., S.A. to acquire from it the Newbuilding Vessel as described herein for a consideration of US\$21,500,000 (approximately HK\$167,700,000). Principal terms of the MOA are set out below in this announcement.

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

The Company also announces the acquisition of a modern secondhand vessel, Laurel Island, which does not constitute a discloseable transaction of the Company under the Listing Rules.

### **The Discloseable Transaction:**

#### **THE MOA**

Date : 14 September 2004

Parties : Purchaser : Port Angeles Limited, a wholly-owned subsidiary of the Company

Seller : Giant Line Inc., S.A., which is, together with its ultimate beneficial owner, a third party independent of the Company and its subsidiaries, any director, chief executive or substantial shareholder of such companies or any of their respective associates (as defined in the Listing Rules). The principal business activity of the Seller is owning the Newbuilding Vessel.

Asset to be acquired : A newbuilding handysize dry bulk carrier of approximately 28,000 dwt, to be named "Port Angeles". The Newbuilding Vessel will be constructed by a shipyard in Japan and is expected to be delivered by or before 30 April 2006. It is currently expected that it will be registered upon its delivery under the laws and flag of Hong Kong and will be operated by the Company.

Consideration : US\$21,500,000 (equivalent to HK\$167,700,000), which 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 newbuildings 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 newbuildings of the exact size of the Newbuilding Vessel from which to make a direct comparison. In addition, no third party valuation has been performed on the Newbuilding Vessel.

The Directors believe that such consideration, which was determined after arm's length negotiation, is fair and reasonable so far as the Company and the Shareholders are concerned.

Payment of the purchase price will be satisfied entirely in cash, 40% of which is expected to be funded from the unused cash proceeds raised by the Company upon listing on the Stock Exchange on 14 July 2004 and 60% from new bank borrowings, which the Company intends to arrange nearer the time of delivery of the Newbuilding Vessel.

Payment terms : Under the MOA, the consideration shall be paid in the following manner:

- 30% of the purchase price to be paid in instalments during the construction phase of the Newbuilding Vessel.
- 70% of the purchase price shall be deposited into the Purchaser's account in the Seller's bank no later than four banking days prior to the scheduled delivery of the Newbuilding Vessel, with such balance to be unconditionally released to the Sellers' account upon delivery of the Newbuilding Vessel.

Completion : Pursuant to the MOA, the latest date for completion is 30 April 2006 unless the parties otherwise agree. The Directors currently expect that completion and delivery of the Newbuilding Vessel will take place between 1 January 2006 and 30 April 2006 when the Newbuilding Vessel will be delivered in Japan.

## **REASON FOR THE TRANSACTION**

As stated in the Company's Prospectus, and in previous announcements of this nature, 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 signing of the MOA, the Company has five owned newbuilding vessels on order, one of which is scheduled to deliver imminently, three are scheduled to deliver in 2005 and one in 2006. Also on order is one newbuilding scheduled to deliver in 2006, which will join the Company's chartered-in fleet.

The Directors believe that the terms of the MOA are fair and reasonable so far as the Company and the Shareholders are concerned, and that the acquisition of the Newbuilding Vessel is in the interests of the Company and the Shareholders.

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

## **THE ACQUISITION OF LAUREL ISLAND**

The Company also wishes to announce the acquisition of Laurel Island although this transaction does not constitute a discloseable transaction of the Company under the Listing Rules.

The Laurel Island is a handysize dry bulk carrier of 26,516 dwt built in 1997 in Japan, and she is expected to join the Company's fleet in November 2004 under the new name "Silver Bay" and will be operated by the Company.

This transaction is consistent with the Company's stated strategy and is in response to the significant customer demand the Company is currently experiencing for its services.

The expected benefit following the successful completion of the acquisition of this vessel is that the Company will have an expanded fleet of more modern vessels. Delivery of the Laurel Island to Pacific Basin will bring the total number of vessels in the Company's owned fleet to 31 ships with an average age of 4.6 years. Of the Company's remaining fleet, eight are chartered in and five are managed on behalf of third parties. In addition, the Company has five owned newbuilding vessels on order, one of which is scheduled to deliver imminently, three are scheduled to deliver in 2005 and one in 2006.

The acquisition of the Laurel Island is estimated to increase the number of Pacific Basin's estimated vessel revenue days by 45 to approximately 9,900 in 2004, and by 360 to approximately 14,100 in the full year 2005.

## 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;
“Classification Society”	means a independent society which certifies that a vessel has been built and maintained in accordance with the rules and regulations of the flag state of such vessel and the international conventions of which that country 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 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;
“Group”	means the Company and its subsidiaries, which are principally engaged in the provision of marine transportation and logistical support services;
“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 14 September 2004 entered into between Port Angeles Limited and Giant Line Inc., S.A. for the acquisition of the Newbuilding Vessel by Port Angeles Limited;
“Newbuilding Vessel”	means a newbuilding handysize dry bulk carrier of approximately 28,000 dwt, to be named “Port Angeles”. The Newbuilding Vessel will be constructed by a shipyard in Japan and is expected to be delivered by or before 30 April 2006. It is currently expected that it will be registered upon its delivery under the laws and flag of Hong Kong.
“Prospectus”	means the Company's prospectus dated 30 June 2004;
“Purchaser”	Port Angeles Limited;
“Seller”	Giant Line Inc., S.A.;

“Shareholders” means the shareholders of the Company; and  
“Stock Exchange” means The Stock Exchange of Hong Kong Limited.

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

Hong Kong, 15 September 2004

\* *For identification purposes only*

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

*Please also refer to the published version of this announcement in the (**South China Morning Post**)*