

# **B Pacific Basin Shipping Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 2343)**

## **ANNOUNCEMENT PURSUANT TO RULE 13.09(1) OF THE LISTING RULES**

### **ADVANCED PAYMENTS OF CHARTER-HIRE ON CHARTERED-IN VESSELS RESULTING IN US\$4.9 MILLION SAVINGS**

This announcement is made pursuant to Rule 13.09(1) of the Listing Rules.

- Between 4 November 2008 and 15 December 2008, an indirect wholly-owned subsidiary of Pacific Basin Shipping Limited (the “Company”) and certain shipowners from whom the Company has chartered-in a number of vessels mutually agreed to the early termination of their existing time charterparties (the “Existing Charterparties”) and simultaneously entered into new time charterparties (the “New Charterparties”) at market rates in respect of those vessels. The early termination of the Existing Charterparties and the entering into of the New Charterparties are together referred to as the “Transactions”.
- Under the Transactions, the Company will make one-off advanced payments to the respective shipowners totalling US\$37.0 million (approximately HK\$286.6 million) in 2008 (the “Consideration”) to lower its future charter-hire payments by US\$41.9 million between 2008 and 2012, with US\$28.0 million of these savings occurring in 2009. This is expected to benefit the Company at a time when the market outlook for the dry bulk market continues to be extraordinarily challenging and it remains difficult to predict when the market will improve.
- The Transactions will (a) provide a cash savings of US\$4.9 million over the remaining charter period of the Existing Charterparties; (b) negatively impact the Company’s consolidated results for the year ending 31 December 2008 by the amount of the Consideration, and (c) positively impact the Company’s consolidated results between 2008 and 2012 by lowering the charter-hire payments associated with these time charterparties.

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

#### **Background**

Between 4 November 2008 and 15 December 2008, an indirect wholly-owned subsidiary of Pacific Basin and a group of shipowners from whom the Company has chartered-in nine handysize vessels and one handymax vessel mutually agreed to the early termination of the Existing Charterparties for a consideration of US\$37.0 million (approximately HK\$286.6 million) in aggregate. Currently the Existing Charterparties have remaining charter periods ranging approximately between 6 months to 3.5 years.

At the same time, the Company entered into the New Charterparties with the same groups of shipowners to charter the same nine handysize vessels and one handymax vessel back at certain discounted charter rates over the remaining charter periods as the Existing Charterparties. The time charter rates under the New Charterparties were determined after arm's length negotiation, on normal commercial terms and reflect (a) the current market time charter rates over the same charter periods and (b) the discount associated with the one-off advanced payments to the respective shipowners of the Existing Charterparties. The New Charterparties will take effect immediately after the early termination of the Existing Charterparties, which is currently expected to occur within 2008.

### **Reason for Transactions**

In view of the unprecedented fall in the dry bulk market and the weakening global economic outlook, the Directors of the Company consider that the Transactions will enable the Company to (a) secure a cash saving of US\$4.9 million representing the discounted value of early payment of the Consideration; and (b) reduce its daily charter-hire payments on these nine handysize vessels and one handymax vessel over their remaining charter periods between 2008 and 2012.

### **Financial Effects of the Transactions**

The Transactions will not have any effect on the number of handysize and handymax revenue days. However, the charter-hire payments that would otherwise be payable under the Existing Charterparties between the early termination dates and 2012, will now be payable as the Consideration upon the early termination of the Existing Charterparties. This is expected to result in a one-off expense to the Company's consolidated income statement for the year ending 31 December 2008. The time charters under the New Charterparties will continue to be classified as operating leases in accordance with the Hong Kong Accounting Standard No. 17 "Leases". The table below shows the additional charter-hire payments made in 2008 and the savings in charter-hire payments from 2008 to 2012 resulting from the Transactions:

| <b>(in US\$' million)</b>                        | <b>Remainder<br/>of 2008</b> | <b>Remainder<br/>of 2008</b> | <b>2009</b> | <b>2010</b> | <b>2011</b> | <b>2012</b> | <b>Total</b> |
|--|------------------------------|------------------------------|-------------|-------------|-------------|-------------|--------------|
| Savings in/(additional)<br>charter-hire payments | <u>(37.0)</u>                | <u>4.0</u>                   | <u>28.0</u> | <u>8.0</u>  | <u>1.5</u>  | <u>0.4</u>  | <u>4.9</u>   |

Further to the Company's announcement of its 2008 interim results on 4 August 2008 and following the conclusion of the Transactions, the average daily charter rates and the total number of vessel days of the Company's handysize and handymax fleet under operating leases and finance leases assuming the purchase options will not be exercised until the expiry of the charter-hire agreements, are revised as below:

| Year  | PB Handysize<br>Operating leases |                | PB Handysize<br>Finance leases  |                | PB Handymax<br>Operating leases |                |
|-------|----------------------------------|----------------|---------------------------------|----------------|---------------------------------|----------------|
|       | Average<br>daily rate<br>(US\$)  | Vessel<br>days | Average<br>daily rate<br>(US\$) | Vessel<br>days | Average<br>daily rate<br>(US\$) | Vessel<br>days |
| 2009  | 13,000                           | 9,390          | 6,000                           | 4,750          | 28,390                          | 3,610          |
| 2010  | 12,500                           | 6,460          | 6,000                           | 4,750          | 32,010                          | 1,090          |
| 2011  | 10,800                           | 3,380          | 5,900                           | 4,750          | 37,520                          | 210            |
| 2012  | 11,500                           | 2,880          | 6,000                           | 4,750          | 8,780                           | 220            |
| 2013  | 12,100                           | 2,200          | 5,900                           | 4,750          | –                               | –              |
| 2014  | 12,500                           | 1,830          | 5,900                           | 4,750          | –                               | –              |
| 2015  | 12,600                           | 1,750          | 5,900                           | 2,590          | –                               | –              |
| 2016  | 12,500                           | 1,080          | 6,000                           | 1,830          | –                               | –              |
| 2017  | 13,300                           | 730            | 5,800                           | 610            | –                               | –              |
| 2018  | 13,200                           | 520            | –                               | –              | –                               | –              |
| 2019  | 13,000                           | 270            | –                               | –              | –                               | –              |
| Total |                                  | <u>30,490</u>  |                                 | <u>33,530</u>  |                                 | <u>5,130</u>   |

### Terms of the Transaction

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, each of the shipowners under the Existing Charterparties and the New Charterparties and their respective ultimate beneficial owners 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.

The early termination of the Existing Charterparties and the entering into of the New Charterparties, whether individually or in aggregate, do not represent a 200% or more increase in the scale of the Company's existing operations conducted through operating lease arrangements. Accordingly, the Transactions do not constitute discloseable transactions of the Company under Rule 14.04(1)(d) of the Listing Rules.

## **Market Outlook**

As stated in the Company's Q3 2008 trading activities update on 30 October 2008, the Company reiterates its view that a volatile and extraordinarily challenging dry bulk market is anticipated to continue through Q4 2008 and beyond. The market has continued to deteriorate since the Company last reported on 30 October 2008 with the Baltic Dry Index ("BDI") falling 14% to 764 points as at 12 December 2008. It remains difficult to predict when the market will improve.

## **General**

This announcement is prepared based on the Company's internal records. Shareholders and investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 15 December 2008

*As at the date of this announcement, the executive Directors of the Company are David Muir Turnbull, 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 and Alastair George Morrison.*