

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



# 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 TRANSACTIONS: ACQUISITION OF VESSELS TO BE CONSTRUCTED**

On 8 December 2005, four indirect wholly-owned subsidiaries of the Company entered into the Shipbuilding Contracts with Guangdong Machinery Imp. & Exp. Co., Ltd. and Jiangmen Nanyang Ship Engineering Co., Ltd. to acquire from them, subject to the satisfaction of certain conditions, a total of four newbuilding vessels for a consideration of US\$21,977,000 (approximately HK\$171,420,600) per vessel. The total consideration for the Newbuilding Vessels shall be US\$87,908,000 (approximately HK\$685,682,400) and is considered by the Directors to be attractive. The Newbuilding Vessels shall be constructed and equipped by the Sellers at the shipyard of Jiangmen Nanyang Ship Engineering Co., Ltd. in Guangdong Province, China and are expected to be delivered in (i) January 2008, (ii) May 2008, (iii) September 2008 and (iv) January 2009. Principal terms of the Shipbuilding Contracts are set out below in this announcement.

The Directors believe that securing these newbuilding contracts is a significant achievement for the Company in view of the contract prices achieved and the early delivery of the vessels which compares favourably with the availability of similar vessels from shipyards elsewhere.

Simultaneously with the signing of the Shipbuilding Contracts, an indirect wholly-owned subsidiary of the Company has entered into the Newbuilding Option Agreement with the Sellers to enter into a further two shipbuilding contracts in respect of constructing and equipping a further two newbuilding vessels for a consideration of US\$21,848,000 (approximately HK\$170,414,400) per vessel to be delivered in May and September 2009.

The Company will comply with the relevant requirements under the Listing Rules prevailing if it exercises the options under the Newbuilding Option Agreement. Furthermore, the Company shall make an announcement as soon as reasonably practicable, upon the earlier of (1) the expiry of the Newbuilding Option Agreement; or (2) the Company notifying the Sellers that the Newbuilding Option Agreement will not be exercised.

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

### **THE SHIPBUILDING CONTRACTS**

The Shipbuilding Contracts are of identical terms and conditions and are described below:

Date : 8 December 2005

Parties	:	<p>Purchasers: Lake Stevens Limited for Shipbuilding Contract A; Good Shape Limited for Shipbuilding Contract B; Bright Cove Limited for Shipbuilding Contract C; and Future Sea Limited for Shipbuilding Contract D; each being an indirect wholly-owned subsidiary of the Company.</p> <p>Sellers: Guangdong Machinery Imp. &amp; Exp. Co., Ltd. (“GMI”) and Jiangmen Nanyang Ship Engineering Co., Ltd. (“JNS”), acting in a joint capacity, each of which, together with their ultimate beneficial owners, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, 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 GMI is the import and export of machineries and the principal business activity of JNS is the construction of shipping vessels.</p> <p>To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiry, save for the transactions disclosed in this announcement, there are no other relationships amongst the Sellers and their ultimate beneficial owners and other vendors, purchasers and ship-owners and their respective ultimate beneficial owners with whom the Company has entered into transactions (including the transactions as disclosed in the announcements made by the Company on 7 December 2005 and separately on 8 December 2005) to acquire, dispose of, or charter in vessels during the 12 months prior to the date of the Shipbuilding Contracts.</p>
Assets to be acquired	:	<p>In respect of Shipbuilding Contract A, a handysize dry bulk carrier of approximately 32,000 dwt (“Vessel A”);</p> <p>in respect of Shipbuilding Contract B, a handysize dry bulk carrier of approximately 32,000 dwt (“Vessel B”);</p> <p>in respect of Shipbuilding Contract C, a handysize dry bulk carrier of approximately 32,000 dwt (“Vessel C”); and</p> <p>in respect of Shipbuilding Contract D, a handysize dry bulk carrier of approximately 32,000 dwt (“Vessel D”).</p>
Consideration	:	<p>Vessel A: US\$21,977,000 (approximately HK\$171,420,600);</p> <p>Vessel B: US\$21,977,000 (approximately HK\$171,420,600);</p> <p>Vessel C: US\$21,977,000 (approximately HK\$171,420,600); and</p> <p>Vessel D: US\$21,977,000 (approximately HK\$171,420,600).</p> <p>The total consideration for the Newbuilding Vessels is US\$87,908,000 (approximately HK\$685,682,400). The consideration is considered by the Directors to be attractive, and 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 Vessels from which to make a direct comparison. In addition, no third party valuation has been performed on the Newbuilding Vessels.</p>

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.

It is intended that payment of the purchase price will be satisfied entirely in cash, 40% of which is expected to be funded from internal resources and 60% from new bank borrowings, which the Company intends to arrange nearer the time for payment of the Newbuilding Vessels. The Company expects that such bank borrowings could be long-term in nature and on similar terms as the Company's existing facilities. Should such financing not be arranged, the entire purchase price of the Newbuilding Vessels will be funded from internal resources.

- Payment terms : The consideration for the acquisition of the Newbuilding Vessels shall be payable as follows:  
20% on or before the date the Shipbuilding Contracts become effective (as described below) with the balance during year 2006 to 2009. It is currently expected that the amount of payment to be made by the Company for the Newbuilding Vessels will be US\$18,212,000 (approximately HK\$142,053,600) in the financial year 2005, US\$11,979,000 (approximately HK\$93,436,200) in the financial year 2006, US\$21,780,000 (approximately HK\$169,884,000) in the financial year 2007, US\$29,403,000 (approximately HK\$229,343,400) in the financial year 2008 and US\$6,534,000 (approximately HK\$50,965,200) in the financial year 2009, being US\$87,908,000 (approximately HK\$685,682,400) in total.
- Conditions Precedent : The Shipbuilding Contracts shall become effective upon fulfilment of all the following conditions:  
(i) Receipt by the Sellers of 20% of the purchase price;  
(ii) Receipt by the Sellers of the Payment Guarantee; and  
(iii) Receipt by the Purchasers of the Refund Guarantee;  
If, due to whatever reason, any of the above conditions fail to be fulfilled within two months after the date of the Shipbuilding Contracts, i.e. by 8 February 2006, then the Shipbuilding Contracts shall be null and void and have no effect whatsoever. The Company will make a further announcement should the Shipbuilding Contracts become null and void due to the non-fulfilment of any of the above conditions precedent.
- Payment Guarantee : Each Purchaser shall provide a bank guarantee (one for each Shipbuilding Contract) to the Sellers to guarantee the Purchasers' obligations for the payment of 50% of the purchase price (the "Payment Guarantee"). The Payment Guarantee can be called upon should the Purchasers fail to effect payment of the relevant consideration when it falls due.
- Further Guarantee : In addition to the Payment Guarantee, in connection with the purchase of the Newbuilding Vessels, PB Vessels Holding Limited, a wholly-owned subsidiary of the Company, has entered into a guarantee with the Sellers to guarantee the performance of each of the Purchasers of all of their obligations, duties and liabilities under the Shipbuilding Contracts.
- Refund Guarantee : The Sellers shall provide a bank guarantee (one for each Shipbuilding Contract) to be issued by the Bank of China Ltd., Guangzhou Branch to each Purchaser to guarantee the repayment of any consideration paid (the "Refund Guarantee"). The Refund Guarantee can be called upon should any Shipbuilding Contract be cancelled and/or rescinded by the Purchaser in accordance with its terms and conditions.

Circumstances that the Purchaser will be entitled to cancel and/or rescind the Shipbuilding Contract include, inter alia, (i) delay in delivery; (ii) deficiency in speed of the Newbuilding Vessels; (iii) excessive fuel consumption and (iv) deficiency in actual deadweight, in excess of the allowed limit.

Completion and Delivery : The Newbuilding Vessels will be constructed and equipped by the Sellers and the Directors currently expect that, subject to any extensions that may be agreed between the Sellers and the Purchasers, completion and delivery of the Newbuilding Vessels will take place in:

Vessel A : January 2008;

Vessel B : May 2008;

Vessel C : September 2008; and

Vessel D : January 2009.

It is currently expected that they will be registered upon their delivery under the laws and flag of Hong Kong and will be operated by the Company.

### **THE NEWBUILDING OPTION AGREEMENT**

Famous Time Group Limited, an indirect wholly-owned subsidiary of the Company, has entered into the Newbuilding Option Agreement, exercisable at the discretion of the Company up to six months after the signing of the Shipbuilding Contracts, to enter into two further shipbuilding contracts with the Sellers in respect of constructing and equipping a further two newbuilding vessels (approximately 32,000 dwt each) for a consideration of US\$21,848,000 (approximately HK\$170,414,400) per vessel (the “Newbuilding Option Agreement”), to be constructed in the shipyard of JNS in Guangdong Province, China and to be delivered in May and September 2009. The Newbuilding Option Agreement is not transferable and no premium is payable by the Group thereunder. In addition, the Newbuilding Option Agreement is subject to the Bank of China Ltd. approving the issue of refund guarantees for such newbuilding vessels, with similar terms as the Refund Guarantee, which shall guarantee the repayment of any consideration paid by the Company.

The Company will comply with the relevant requirements under the Listing Rules prevailing if it exercises the options under the Newbuilding Option Agreement. Furthermore, the Company shall make an announcement as soon as reasonably practicable, upon the earlier of (1) the expiry of the Newbuilding Option Agreement; or (2) the Company notifying the Sellers that the Newbuilding Option Agreement will not be exercised.

### **REASON FOR THE TRANSACTIONS**

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 transactions outlined above are consistent with this strategy.

The expected benefit following the acquisition of the Newbuilding Vessels will be that the Company will have secured an additional four vessels for its fleet, giving an anticipated increase in annual revenue days of approximately 360 days per vessel and is expected to enhance earnings accordingly.

The Directors believe that securing these newbuilding contracts is a significant achievement for the Company in view of the contract prices achieved and the early delivery of the vessels which compares favourably with the availability of similar vessels from shipyards elsewhere. They believe that the terms of the Shipbuilding Contracts are on normal commercial terms and are fair and reasonable so far as the Company and the Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

### **THE FLEET**

Following the signing of the Shipbuilding Contracts, the completion and delivery of a vessel acquisition in a separately announced transaction dated 8 December 2005 and the completion of the transactions dated 7 December 2005, the fleet will comprise 51 vessels (1,526,898 dwt), including 17 owned vessels (497,207 dwt), 30 chartered-in vessels (922,520 dwt) and four managed vessels (107,171 dwt).

In addition, the Company shall have increased the number of newbuilding vessels on order from six to ten, one of which is scheduled to deliver in April 2006, two in November 2006, one in June 2007, one in August 2007, one in December 2007, one in January 2008 (Vessel A), one in May 2008 (Vessel B), one in September 2008 (Vessel C) and one in January 2009 (Vessel D). Six of these newbuildings (188,100 dwt) will enter into the owned fleet (including the Newbuilding Vessels) and four will enter into the chartered-in fleet (116,200 dwt).

There is no distinction between the use of owned, chartered-in and managed vessels, save to the extent that the Company generates freight and charter-hire income for the owned and chartered-in vessels, but generates ship management income for the operations of the managed vessels. All of the vessels, with the exception of the two handymax vessels (107,194 dwt in aggregate), are employed in the IHC Pool. The handymax vessels are employed on long-term time charters.

The transactions contemplated under the Shipbuilding Contracts constitute discloseable transactions of the Company under the Listing Rules and are required to be disclosed by way of this announcement, and 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:

“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;
“GMI”	Guangdong Machinery Imp. & Exp. Co., Ltd.;
“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;
“IHC Pool”	the International Handybulk Carriers Pool established in October 2001 which is a contractual arrangement for the sharing of revenues earned by vessels entered by its members. The IHC Pool is operated by International Handybulk Carriers Management Limited, a wholly-owned subsidiary of the Company;
“JNS”	Jiangmen Nanyang Ship Engineering Co., Ltd.;
“Listing Rules”	means The Rules Governing the Listing of Securities on the Stock Exchange;
“Newbuilding Option Agreement”	means the agreement entered into by Famous Time Group Limited, an indirect wholly-owned subsidiary of the Company, with the Sellers on 8 December 2005 granting to the former the options to enter into two further shipbuilding contracts with the Sellers in respect of constructing and equipping a further two newbuilding vessels for a consideration of US\$21,848,000 (approximately HK\$170,414,400) per vessel to be delivered in May and September 2009, which is exercisable up to six months after the signing of the Shipbuilding Contracts;
“Newbuilding Vessels”	means Vessel A, Vessel B, Vessel C and Vessel D;
“Payment Guarantee”	means the bank guarantee to be provided by each of the Purchasers to the Sellers to guarantee its obligations for the payment of 50% of the purchase price, in a form specified in the Shipbuilding Contract;
“Purchasers”	Lake Stevens Limited, Good Shape Limited, Bright Cove Limited and Future Sea Limited; and a “Purchaser” means each and any one of them;

“Refund Guarantee”	means the guarantee to be issued by the Bank of China Ltd., Guangzhou Branch to each Purchaser to guarantee the repayment of any consideration paid by the Purchaser, which can be called upon should the Shipbuilding Contract be cancelled and/or rescinded by the Purchaser in accordance with its terms and conditions, in a form specified in the Shipbuilding Contract;
“Sellers”	GMI and JNS;
“Shareholders”	means the shareholders of the Company;
“Shipbuilding Contracts”	means Shipbuilding Contract A, Shipbuilding Contract B, Shipbuilding Contract C and Shipbuilding Contract D; and a “Shipbuilding Contract” means each and any one of them;
“Shipbuilding Contract A”	means the legally binding Shipbuilding Contract dated 8 December 2005 entered into between Lake Stevens Limited and the Sellers for the acquisition of Vessel A by Lake Stevens Limited;
“Shipbuilding Contract B”	means the legally binding Shipbuilding Contract dated 8 December 2005 entered into between Good Shape Limited and the Sellers for the acquisition of Vessel B by Good Shape Limited;
“Shipbuilding Contract C”	means the legally binding Shipbuilding Contract dated 8 December 2005 entered into between Bright Cove Limited and the Sellers for the acquisition of Vessel C by Bright Cove Limited;
“Shipbuilding Contract D”	means the legally binding Shipbuilding Contract dated 8 December 2005 entered into between Future Sea Limited and the Sellers for the acquisition of Vessel D by Future Sea Limited;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Vessel A”	means a newbuilding handysize dry bulk carrier of approximately 32,000 dwt to be constructed by JNS and is expected to be delivered in January 2008. It is currently expected that Vessel A will be registered upon its delivery under the laws and flag of Hong Kong;
“Vessel B”	means a newbuilding handysize dry bulk carrier of approximately 32,000 dwt to be constructed by JNS and is expected to be delivered in May 2008. It is currently expected that Vessel B will be registered upon its delivery under the laws and flag of Hong Kong;
“Vessel C”	means a newbuilding handysize dry bulk carrier of approximately 32,000 dwt to be constructed by JNS and is expected to be delivered in September 2008. It is currently expected that Vessel C will be registered upon its delivery under the laws and flag of Hong Kong; and
“Vessel D”	means a newbuilding handysize dry bulk carrier of approximately 32,000 dwt to be constructed by JNS and is expected to be delivered in January 2009. It is currently expected that Vessel D will be registered upon its delivery under the laws and flag of Hong Kong.

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

Hong Kong, 8 December 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.