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# 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: ACQUISITION OF A SHIPPING VESSEL**

On 8 December 2005, an indirect wholly-owned subsidiary of the Company entered into the MOA with Los Halillos Shipping Co., S.A., to acquire from it a 2001 built, 28,492 dwt handysize dry bulk carrier named Ocean Bulker as described herein for a consideration of US\$22,000,000 (approximately HK\$171,600,000). Ocean Bulker is expected to be delivered during the second half of 2006. Principal terms of the MOA are set out below in this announcement.

The ultimate beneficial owner of Los Halillos Shipping Co., S.A. is the same as that of Giant Line Inc. S.A. from whom the Company purchased Juniper Beach as described in our announcement made on 17 June 2005 for a consideration of US\$27,800,000 (approximately HK\$216,840,000). Accordingly, the purchase contemplated under the MOA, only when aggregated with this previously announced discloseable transaction, constitutes a discloseable transaction of the Company under the Listing Rules and is required to be disclosed by way of this announcement, and a circular with further details of this transaction will be issued to Shareholders shortly.

### **THE OCEAN BULKER ACQUISITION**

#### **The Legally Binding MOA**

Date : 8 December 2005

Parties : Purchaser : Willow Point Limited, an indirect wholly-owned subsidiary of the Company.

Seller : Los Halillos Shipping Co., S.A., which, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, together with its ultimate beneficial owner, 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 Seller is the owning of Ocean Bulker and the principal business activity of the ultimate beneficial owner of the Seller is the owning and operating of shipping vessels.

Asset to be acquired : A handysize dry bulk carrier constructed in Japan of approximately 28,492 dwt, named "Ocean Bulker". It was constructed in 2001 and delivered into use in May 2001. The flag of the vessel is currently Panama and the place of registration is currently Panama. The Company intends to change the name of Ocean Bulker to "Willow Point" and to change the flag and place of registration of the vessel to Hong Kong and for the vessel to be operated by the Company from time of delivery.

The Company, having made all reasonable enquiry, does not have access to information regarding the revenue or the profits before and after tax of Ocean Bulker for the years ended 31 December 2003 and 2004.

Consideration : US\$22,000,000 (approximately HK\$171,600,000), 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 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 of Ocean Bulker from which to make a direct comparison. In addition, no third party valuation has been performed on Ocean Bulker.

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 of delivery of Ocean Bulker. 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 Ocean Bulker will be funded from internal resources.

Payment terms: The consideration for the acquisition of the Ocean Bulker shall be payable as follows:

- 10% of the purchase price was paid at the time of the signing of the MOA; and
- the balance of the purchase price shall be paid upon delivery.

Delivery : Pursuant to the MOA, the latest date for delivery is 30 September 2006 unless the parties otherwise agree. The Directors currently expect that delivery of Ocean Bulker will take place during the second half of 2006. The Company will make a further announcement if delivery does not take place by 30 September 2006.

## **REASONS FOR THE OCEAN BULKER ACQUISITION**

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, as the Company has expanded its own fleet, and is in line with current customer requirements.

The expected benefit following the acquisition of Ocean Bulker will be that the Company will have secured an additional vessel for its fleet, giving an anticipated increase in revenue days of 90 days in 2006 and 360 days in 2007 and is expected to enhance earnings accordingly.

The Directors believe that the terms of the MOA, 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 are in the interests of the Company and the Shareholders as a whole.

## **THE FLEET**

Subsequent to the delivery of the Ocean Bulker (28,492 dwt) which will enter into the owned fleet in September 2006 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).

As announced in a separate announcement dated 8 December 2005, the Company also entered into four shipbuilding contracts to acquire four newbuilding vessels. Following the signing of the four shipbuilding contracts, 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, one in May 2008, one in September 2008 and one in January 2009. Six of these newbuildings (188,100 dwt) will enter into the owned fleet (including the above-mentioned additional four 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.

## **AGGREGATION**

The ultimate beneficial owner of Los Halillos Shipping Co., S.A. is the same as that of Giant Line Inc. S.A. from whom the Company purchased Juniper Beach as described in our announcement made on 17 June 2005 for a consideration of US\$27,800,000 (approximately HK\$216,840,000) (the “Juniper Beach Acquisition”). Juniper Beach is a newbuilding handysize bulk carrier of approximately 28,100 dwt, to be constructed in Japan and is expected to be delivered in June 2007.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiry, save for the relationships disclosed in this announcement, there are no other relationships amongst the Seller and its ultimate beneficial owner 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 MOA.

Accordingly, the transaction contemplated under the MOA, only when aggregated with the Juniper Beach Acquisition, constitutes a discloseable transaction of the Company under the Listing Rules and is required to be disclosed by way of this announcement, and a circular containing further details of this transaction 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;
- “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;
- “Juniper Beach Acquisition” means the acquisition of Juniper Beach by Eaglehill Trading Limited, a wholly-owned subsidiary of the Company, from Giant Line Inc. S.A., as further described in our announcement made on 17 June 2005;
- “Listing Rules” means The Rules Governing the Listing of Securities on the Stock Exchange;
- “MOA” means the legally binding unconditional Memorandum of Agreement dated 8 December 2005 entered into between Los Halillos Shipping Co., S.A. and Willow Point Limited, an indirect wholly-owned subsidiary of the Company, for the acquisition of the Ocean Bulker by Willow Point Limited;
- “Purchaser” Willow Point Limited;
- “Seller” Los Halillos Shipping Co., 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, 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.