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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 AND DATE OF BOARD MEETING**

(A) On 28 June 2007, an indirect wholly-owned subsidiary of the Company entered into the First MOA with Iyo Eagle Partnership to sell to it a handysize vessel named “Matariki Forest” (Vessel A) for a consideration of US\$45,000,000 (approximately HK\$351,000,000).

Simultaneously with the signing of the First MOA, an indirect wholly-owned subsidiary of the Company, being the charterer, entered into a time charterparty with Eagle One Shipping S.A. to charter Vessel A back into the Company’s chartered fleet at an agreed charter rate for a fixed period of one year which will commence immediately upon the delivery of Vessel A.

(B) On 24 July 2007, another indirect wholly-owned subsidiary of the Company entered into the Second MOA with Satsuma Eagle Partnership to sell to it a handysize newbuilding vessel named “Crescent Harbour” (Vessel B) for a consideration of US\$45,000,000 (approximately HK\$351,000,000).

Simultaneously with the signing of the Second MOA, an indirect wholly-owned subsidiary of the Company, being the charterer, entered into a time charterparty with Eagle One Shipping S.A. to charter Vessel B back into the Company’s chartered fleet at an agreed charter rate for a fixed period of one year which will commence immediately upon the delivery of Vessel B.

The sale of Vessel A and Vessel B will result in disposal gains estimated to be US\$15,150,000 (approximately HK\$118,170,000) and US\$17,962,000 (approximately HK\$140,103,600) respectively.

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 MOAs are not discloseable individually. As the ultimate beneficial owner of Satsuma Eagle Partnership is the same as that of Iyo Eagle Partnership, the transaction concluded under the First MOA and the transaction contemplated under the Second MOA, when aggregated, 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 do not constitute discloseable transactions of the Company under the Listing Rules.

Pursuant to Rule 13.43 of the Listing Rules, the Company announces that a meeting of the Board will be held on 7 August 2007.

## **BACKGROUND FOR THE TRANSACTIONS**

On 28 June 2007, an indirect wholly-owned subsidiary of the Company entered into the First MOA with the First MOA Purchaser to sell to it a 2007 built handysize vessel named "Matariki Forest" (Vessel A) for a consideration of US\$45,000,000 (approximately HK\$351,000,000).

On 24 July 2007, another indirect wholly-owned subsidiary of the Company entered into the Second MOA with the Second MOA Purchaser to sell to it a handysize newbuilding vessel named "Crescent Harbour" (Vessel B) for a consideration of US\$45,000,000 (approximately HK\$351,000,000). Vessel B is currently expected to be delivered in the fourth quarter of 2007.

In addition, simultaneously with the respective signing of the First MOA and the Second MOA, an indirect wholly-owned subsidiary of the Company, being the charterer, entered into two time charterparties with Eagle One Shipping S.A. to respectively charter Vessel A and Vessel B back into the Company's chartered fleet at agreed charter rates for a fixed period of one year. 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: 28 June 2007, for the First MOA; and  
24 July 2007, for the Second MOA.

Parties:

Purchasers: Iyo Eagle Partnership, for the First MOA (“First MOA Purchaser”); and

Satsuma Eagle Partnership, 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, the Second MOA Purchaser and Eagle One Shipping S.A.), 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, the Second MOA Purchaser and their ultimate beneficial owner is the owning, operating and managing 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, the Company has not entered into any transaction with the First MOA Purchaser, the Second MOA Purchaser, Eagle One Shipping S.A. 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, Eagle One Shipping S.A. 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: Juniper Beach Limited, for the First MOA; and  
Crescent Harbour Limited, for the Second MOA (collectively the “Sellers”),

each being an indirect wholly-owned subsidiary of the Company.

Assets to be sold: First MOA: A June 2007 built handysize dry bulk carrier of 28,709dwt, named “Matariki Forest” (“Vessel A”). The flag of Vessel A is presently Hong Kong and the place of registration is Hong Kong. The Classification Society of the vessel is Nippon Kaiji Kyokai.

Second MOA: A handysize newbuilding dry bulk carrier of approximately 32,000dwt, to be named “Crescent Harbour” (“Vessel B”), which is currently constructed by a shipyard in Japan. It is expected that Vessel B will deliver in the fourth quarter of 2007 and will be registered under the laws and flag of Hong Kong upon its delivery.

Carrying values of the Vessels: The carrying value of Vessel A and Vessel B was respectively approximately US\$29,850,000 (approximately HK\$232,830,000) and US\$5,180,000 (approximately HK\$40,404,000) in the Company’s unaudited accounts as at the date of this announcement.

The Company acquired Vessel B from a party who is unrelated to the First MOA Purchaser, the Second MOA Purchaser and their ultimate beneficial owner, for a consideration of US\$27,038,000 (approximately HK\$210,896,400) in 2005.

Consideration: Vessel A: US\$45,000,000 (approximately HK\$351,000,000); and Vessel B: US\$45,000,000 (approximately HK\$351,000,000).

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 and 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 vessels and newbuildings 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.
- Guarantees: PB Vessels Holding Limited, a direct wholly-owned subsidiary of the Company, has entered into guarantees with the First MOA Purchaser and the Second MOA Purchaser, to guarantee the respective performance of each of the Sellers and the charterer of all of their obligations, duties and liabilities under the MOAs and the time charterparties.
- Completion and delivery: Pursuant to the First MOA, the latest date for completion is 30 September 2007 unless the parties otherwise agree. The Directors currently expect that the completion and delivery of Vessel A will take place within the third quarter of 2007.
- Pursuant to the Second MOA, the latest date for completion is 31 March 2008 unless the parties otherwise agree. The Directors currently expect that the completion and delivery of Vessel B to the second MOA Purchaser will take place within the first quarter of 2008.
- Expected disposal gains: Vessel A: US\$15,150,000 (approximately HK\$118,170,000); and Vessel B: US\$17,962,000 (approximately HK\$140,103,600).
- The expected disposal gain of Vessel A is calculated as the difference between the sales consideration of Vessel A and its approximate carrying value in the Company's unaudited accounts as at 24 July 2007. The disposal gain of Vessel A is expected to accrue to the consolidated income statement of the Company in the financial year ending 31 December 2007.
- The expected disposal gain of Vessel B is calculated as the difference between the sales consideration of Vessel B and its purchase price of US\$27,038,000 (approximately HK\$210,896,400). The disposal gain of Vessel B is expected to accrue to the consolidated income statement of the Company in the financial year ending 31 December 2008.

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**

Simultaneously with the respective signing of the First MOA and the Second MOA, an indirect wholly-owned subsidiary of the Company, being the charterer, entered into two time charterparties with Eagle One Shipping S.A., to respectively charter Vessel A and Vessel B back into the Company's chartered fleet at agreed charter rates for a fixed period of one year. The charter will commence immediately upon the respective delivery of the Vessels. The ultimate beneficial owner of Eagle One Shipping S.A. is the same as that of the First MOA Purchaser and the Second MOA Purchaser. The Company does not have the option to re-purchase any of the Vessels during or at the end of the charter period.

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\$15,150,000 (approximately HK\$118,170,000) for Vessel A and approximately US\$17,962,000 (approximately HK\$140,103,600) for Vessel B. Such disposal gains on Vessel A and Vessel B are expected to accrue to the consolidated income statement of the Company in the financial years ending 31 December 2007 and 31 December 2008, respectively. 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 of Vessel A from the owned fleet to the chartered fleet, and the completion and delivery of "Port Pirie" pursuant to the sale and time charter back transaction as announced on 21 May 2007, the Company's core handysize fleet will comprise 58 vessels (1,707,053dwt), including 19 owned vessels (568,733dwt) and 39 chartered-in vessels (1,138,320dwt). 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 five 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. Following the completion of the sale and time charter back of Vessel B, 10 of these newbuilding vessels will enter into the Company's owned fleet and the other three 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 10 vessels (501,589dwt), including two owned vessels (97,972dwt) and eight long-term chartered-in vessels (403,617dwt). 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 28 vessels as at the date of this announcement.

In addition, the Company has two newbuilding vessels on order (approximately 107,500dwt in aggregate), one of which will enter into the Company's chartered fleet within 2007 and the other will enter into the Company's owned fleet in 2008 upon their deliveries.

The sale transactions under the MOAs are not discloseable individually. As the ultimate beneficial owner of the First MOA Purchaser and the Second MOA Purchaser is the same, the transaction concluded under the First MOA and the transaction contemplated under the Second MOA, when aggregated, 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.

## **DATE OF BOARD MEETING**

Pursuant to Rule 13.43 of the Listing Rules, the Company announces that a meeting of the Board will be held on 7 August 2007 in Hong Kong, at which the declaration, recommendation or payment of a dividend is expected to be decided and the announcement of the profits and losses for the six months ended 30 June 2007 is to be approved for publication.

## **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 28 June 2007 entered into between Juniper Beach Limited and the First MOA Purchaser for the sale of Vessel A to the First MOA Purchaser;
“First MOA Purchaser”	Iyo Eagle Partnership;
“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;
“Sellers”	Juniper Beach Limited and Crescent Harbour Limited;
“Second MOA”	means the legally binding unconditional Memorandum of Agreement dated 24 July 2007 entered into between Crescent Harbour Limited and the Second MOA Purchaser for the sale of Vessel B to the Second MOA Purchaser;
“Second MOA Purchaser”	Satsuma Eagle Partnership;
“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  
“Matariki Forest” means a June 2007 built handysize dry bulk carrier of 28,709dwt named “Matariki Forest”. 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  
“Crescent Harbour” means a handysize newbuilding dry bulk carrier of approximately 32,000dwt to be named “Crescent Harbour”. Vessel B is currently constructed by a shipyard in Japan. It is expected that Vessel B will deliver in the fourth quarter of 2007 and will be registered under the laws and flag of Hong Kong upon its delivery; and
- “Vessels” means Vessel A and Vessel B.

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

Hong Kong, 24 July 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.*