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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 TRANSACTIONS:**

**(1A) ACQUISITION OF SOLAR OCEANIA;**

**(2A) SALE OF CAPE JAFFA**

**AND TIME CHARTER BACK OF CAPE JAFFA;**

**(3A) SALE OF PORT ANGELES**

**AND TIME CHARTER BACK OF PORT ANGELES**

**AND**

**FURTHER DISCLOSABLE TRANSACTIONS AS A RESULT OF  
AGGREGATION WITH THE ABOVE TRANSACTIONS:**

**(1B) ACQUISITION OF PITT ISLAND;**

**(2B) SALE OF PORT ALICE AND TIME CHARTER BACK OF  
PORT ALICE;**

**(3B) SALE OF XIAMEN SKY AND TIME CHARTER BACK OF  
XIAMEN SKY**

- (1) On 24 August 2005, Lake Joy Limited, an indirect wholly-owned subsidiary of the Company entered into the First MOA with Solar Oceania Corp., to acquire from it Solar Oceania as described herein for a consideration of US\$18,500,000 (approximately HK\$144,300,000); and
- (2) On 24 August 2005, Labrador Shipping (BVI) Limited, an indirect wholly-owned subsidiary of the Company, entered into the Third MOA with Monarch Maritime S.A. to sell to it Cape Jaffa for a consideration of US\$17,000,000 (approximately HK\$132,600,000).

Principal terms of the First MOA and the Third MOA are set out below in this announcement.

The ultimate beneficial owner of Solar Oceania Corp. is the same as that of Monarch Maritime S.A.. However, the transactions contemplated under the First MOA and the Third MOA are not discloseable individually. The requirement for the disclosure of the transactions under the First MOA and the Third MOA arises from the aggregation of each of these transactions with earlier transactions of a similar nature outlined as follows:

- (i) The ultimate beneficial owner of Solar Oceania Corp. is the same as that of Dionysus Maritime S.A. from whom the Company purchased Pitt Island on 16 December 2004 for a consideration of US\$18,500,000 (approximately HK\$144,300,000). Accordingly, the purchase contemplated under the First MOA, only when aggregated with this previously non-discloseable transaction, the Second MOA, constitutes a discloseable transaction of the Company under the Listing Rules; and
- (ii) The ultimate beneficial owner of Monarch Maritime S.A. is the same as that of Citrus Island S.A. to whom the Company sold Port Alice on 18 March 2005 for a consideration of US\$22,000,000. Accordingly, the sale contemplated under the Third MOA, only when aggregated with this previously non-discloseable transaction, the Fourth MOA, constitutes a discloseable transaction of the Company under the Listing Rules.

Simultaneously with the signing of the Fourth MOA, the Company entered into a time charterparty agreement with Citrus Maritime S.A. to charter Port Alice back into the Company's chartered fleet at agreed charter rates for a fixed period of five years and, at the Company's election, a further two additional periods of one year each.

The time charterparty does not constitute a discloseable transaction of the Company under the Listing Rules.

Under the time charterparty the Company has the option to purchase Port Alice at any time after the end of the third year of the time charterparty. The purchase option price will be reduced proportionally during each year subsequent to the end of the third year of the time charterparty. Pacific Basin will comply with the relevant requirements under the Listing Rules prevailing if it exercises the purchase option. Furthermore, the Company shall make an announcement as soon as reasonably practicable, upon the earlier of (1) the expiry of the purchase option; (2) the Company notifying Citrus Maritime S.A. that the purchase option will not be exercised; or (3) the transfer by the Company of the purchase option to a third party.

Accordingly, the principal terms of the Second MOA and Fourth MOA are also set out below in this announcement.

There is no relationship between the First MOA and the Third MOA other than that they were signed simultaneously and that the ultimate beneficial owner of both counterparties is the same.

Simultaneously with the signing of the Third MOA, the Company entered into a time charterparty agreement with Monarch Maritime S.A. to charter Cape Jaffa back into the Company's chartered fleet at agreed charter rates for a fixed period of five years and, at the Company's election, a further two additional periods of one year each.

The time charterparty does not constitute a discloseable transaction of the Company under the Listing Rules.

Under the time charterparty the Company has the option to purchase Cape Jaffa at any time after the end of the third year of the time charterparty. The purchase option price will be reduced proportionally during each year subsequent to the end of the third year of the time charterparty. Pacific Basin will comply with the relevant requirements under the Listing Rules prevailing if it exercises the purchase option. Furthermore, the Company shall make an announcement as soon as reasonably practicable, upon the earlier of (1) the expiry of the purchase option; (2) the Company notifying Monarch Maritime S.A. that the purchase option will not be exercised; or (3) the transfer by the Company of the purchase option to a third party.

The overall result of the transactions contemplated under the First MOA and the Third MOA is that for a net cash outflow of US\$1.5 million, being the difference between the consideration payable for Solar Oceania and that receivable for Cape Jaffa, the Company has secured an additional vessel for its fleet, giving an additional 360 revenue days per year.

- (3) On 25 August 2005, an indirect wholly-owned subsidiary of the Company entered into the Fifth MOA with Glory Ocean Shipping S.A. to sell to it Port Angeles as described herein for a consideration of US\$22,500,000 (approximately HK\$175,500,000).

Glory Ocean Shipping S.A. is the same purchaser with whom the Company entered into a previously non-discloseable transaction to sell Xiamen Sky for a consideration of US\$21,750,000 (approximately HK\$169,650,000) on 28 April 2005. Accordingly, the transaction contemplated under the Fifth MOA, only when aggregated with this sale, the Sixth MOA, constitutes a discloseable transaction of the Company under the Listing Rules and is required to be disclosed by way of this press announcement.

Simultaneously with the signing of the Fifth MOA, the Company entered into a time charterparty agreement with Glory Ocean Shipping S.A. to charter Port Angeles back into the Company's chartered fleet at agreed charter rates for a fixed period of five years and at the Company's election, two additional periods of one year each.

The time charterparty does not constitute a discloseable transaction of the Company under the Listing Rules.

Under the time charterparty the Company has the option to purchase Port Angeles at any time after the end of the third year of the time charterparty. The purchase option price will be reduced proportionally during each year subsequent to the end of the third year of the time charterparty. Pacific Basin will comply with the relevant requirements under the Listing Rules prevailing if it exercises the purchase option. Furthermore, the Company shall make an announcement as soon as reasonably practicable, upon the earlier of (1) the expiry of the purchase option; (2) the Company notifying Glory Ocean Shipping S.A that the purchase option will not be exercised; or (3) the transfer by the Company of the purchase option to a third party.

Simultaneously with the signing of the Sixth MOA the Company entered into a time charterparty agreement with Glory Ocean Shipping S.A. to charter Xiamen Sky back into the Company's chartered fleet at agreed charter rates for a fixed period of five years and at the Company's election, two additional periods of one year each.

The time charterparty does not constitute a discloseable transaction of the Company under the Listing Rules.

Under the time charterparty the Company has the option to purchase Xiamen Sky at any time after the end of the third year of the time charterparty. The purchase option price will be reduced proportionally during each year subsequent to the end of the third year of the time charterparty. Pacific Basin will comply with the relevant requirements under the Listing Rules prevailing if it exercises the purchase option. Furthermore, the Company shall make an announcement as soon as reasonably practicable, upon the earlier of (1) the expiry of the purchase option; (2) the Company notifying Glory Ocean Shipping S.A that the purchase option will not be exercised; or (3) the transfer by the Company of the purchase option to a third party.

These six discloseable transactions are required to be disclosed by way of this press announcement, and a circular with further details of these transactions will be issued to Shareholders shortly.

## **THE DISCLOSEABLE TRANSACTIONS:**

### **(1A) SOLAR OCEANIA ACQUISITION**

#### **The First MOA**

Date	:	24 August 2005	
Parties	:	First Purchaser	: Lake Joy Limited, a wholly-owned subsidiary of the Company.
		First Seller	: Solar Oceania Corp., 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 Solar Oceania

Corp. is the owning of Solar Oceania and the principal business activity of the ultimate beneficial owner of Solar Oceania Corp. is the owning and operating of shipping vessels.

Asset to be acquired : A 1996 built handysize dry bulk carrier constructed in Japan of approximately 28,251dwt, named “Solar Oceania”. The flag of Solar Oceania is presently Liberia and the place of registration is Monrovia. The Classification Society of the vessel is Nippon Kaiji Kyokai. The Directors intend to change the name of Solar Oceania to “Lake Joy” 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 Solar Oceania for the years ended 31 December 2002, 2003 and 2004.

Consideration : US\$18,500,000 (equivalent to HK\$144,300,000), which was determined by reference to market intelligence the Company has gathered from shipbrokers, the consideration receivable for Cape Jaffa and also the difference between the consideration payable for Solar Oceania and that receivable for Cape Jaffa. Whilst there is no relationship between the First MOA and the Third MOA, these transactions were assessed by the Company on the basis of the net cash outflow of the US\$1.5 million for these two transactions. No third party valuation has been performed on Solar Oceania.

The Directors believe that such consideration, which was determined after arm’s length negotiation, on normal commercial terms and taking into account the terms of the Third MOA, is fair and reasonable so far as the Company and the Shareholders are concerned.

It is intended that payment of the purchase price will be satisfied in cash funded from internal resources (61%) and from the consideration receivable for Cape Jaffa (39%).

Payment terms : The consideration for the acquisition of Solar Oceania shall be payable as follows:

- no more than 10% of the purchase price shall be paid at the time of the signing of the First MOA; and
- the balance of the purchase price shall be paid in full on delivery of Solar Oceania.

Completion : Pursuant to the First MOA, the latest date for completion is 31 October 2005 unless the parties otherwise agree. The Directors currently expect that completion and delivery of Solar Oceania will take place during the second half of October. The Company will make a further announcement if completion does not take place by 31 October 2005.

Aggregation : The ultimate beneficial owner of Solar Oceania Corp. is the same as that of Dionysus Maritime S.A. from whom the Company purchased Pitt Island on 16 December 2004 (the “Pitt Island Acquisition”). The purchase contemplated under the First MOA, only when aggregated with the Pitt Island Acquisition, constitutes a discloseable transaction of the Company under the Listing Rules. Further disclosure in respect of the Pitt Island Acquisition is set out under the heading “The Pitt Island Acquisition” below.

## **(1B) THE PITT ISLAND ACQUISITION**

### **The Second MOA**

Date : 16 December 2004

Parties : Second Purchaser : Pitt Island Limited, a wholly-owned subsidiary of the Company.

Second Seller : Dionysus Maritime S.A., which at the date of the Second MOA, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, together with its ultimate beneficial owner, were third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company. As far as the Directors were aware, having made all reasonable enquiry, the principal business activity of Dionysus Maritime S.A. was the owning of the Pitt Island and the principal business activity of the ultimate beneficial owner of Dionysus Maritime S.A. was the owning and operating of shipping vessels.

Asset acquired : A 1997 built handysize dry bulk carrier constructed in Japan of approximately 28,611dwt, named “Pitt Island”. The flag of Pitt Island is presently Hong Kong and the place of registration is Hong Kong. The Classification Society is Nippon Kaiji Kyokai.

The Company, having made all reasonable enquiry at the time of acquisition, did not have access to information regarding the revenue or the profits before and after tax of Pitt Island for the years ended 31 December 2002, 2003 and 2004.

Consideration : US\$18,500,000 (equivalent to HK\$144,300,000), which was determined by reference to market intelligence the Company had 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 parties. However, as is commonly the case in the dry bulk carrier market, there had not been any recently published sales by third party vendors of vessels of the exact size of Pitt Island from which to make a direct comparison. No third party valuation was performed on Pitt Island.

At the time of the acquisition the Directors believed that such consideration, which was determined after arm's length negotiation and on normal commercial terms was fair and reasonable so far as the Company and the Shareholders were concerned.

Payment of the purchase price was funded by bank borrowings (60%) and in cash from internal resources (40%).

Payment terms : The consideration for the acquisition of Pitt Island was payable as follows:

- 10% of the purchase price was paid at the time of the signing of the Second MOA; and
- the balance of the purchase price was paid in full on delivery of Pitt Island to the Company in January 2005.

Completion : Pitt Island was delivered to the Company on 11 January 2005.

### **Reasons for the Pitt Island 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 and in line with current customer requirements.

The benefit following the acquisition of Pitt Island was that the Company had secured an additional vessel for its fleet, giving an additional 360 revenue days per year and expanding its fleet of modern vessels in line with the above strategy and in line with the customer requirements.

The Directors believe that the terms of the Pitt Island Acquisition were, at the time when the Second MOA was signed, on normal commercial terms and fair and reasonable so far as the Company and the Shareholders were concerned and were in the interests of the Company and the Shareholders as a whole.

## **(2A) THE CAPE JAFFA DISPOSAL**

### **The Third MOA**

Date : 24 August 2005

Parties : Third Seller : Labrador Shipping (BVI) Limited, a wholly-owned subsidiary of the Company.

Third Purchaser : Monarch Maritime 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 Monarch Maritime S.A. is the owning of Cape Jaffa and

the principal business activity of the ultimate beneficial owner of Monarch Maritime S.A. is the owning and operating of shipping vessels. The ultimate beneficial owner of Monarch Maritime S.A. is the same as that of Solar Oceania Corp.

- Asset to be sold : A 2001 built handysize dry bulk carrier constructed in Japan of approximately 28,470dwt, named “Cape Jaffa”. The flag of Cape Jaffa is presently Hong Kong and the place of registration is Hong Kong. The Classification Society of the vessel is Nippon Kaiji Kyokai. Cape Jaffa was acquired by the Company as a newbuilding vessel from a party unrelated to those referred to in this announcement in September 2001.
- Net Profits attributable to Cape Jaffa : The net profit attributable to Cape Jaffa for the years ended 31 December 2003 and 2004 was US\$1,581,015 and US\$3,696,095 respectively. There is no taxation on the net profit attributable to the Second Vessel.
- Revenue attributable to the Cape Jaffa : The revenue attributable to Cape Jaffa for the years ended 31 December 2003 and 2004 was US\$3,580,395 and US\$6,412,751 respectively.
- Consideration : US\$17,000,000 (equivalent to HK\$132,600,000), which was determined by reference to market intelligence the Company has gathered from ship brokers, other sale and charter back transactions entered into by the Company with different and independent counterparties including the sale and bareboat charter back transaction announced by the Company on 18 August 2005, the consideration paid for Solar Oceania and also the difference between the consideration payable for Solar Oceania and that receivable for Cape Jaffa. Whilst there is no relationship between the First MOA and the Third MOA, these transactions were assessed by the Company on the basis of the net cash outflow of the US\$1.5million for these two transactions. No third party valuation has been performed on Cape Jaffa.
- The Directors believe that such consideration, which was determined after arm’s length negotiation, on normal commercial terms and taking into account the terms of the First MOA, is fair and reasonable so far as the Company and the Shareholders are concerned.
- Payment terms : The consideration for the disposal of Cape Jaffa shall be receivable as follows:
- no more than 10% of the purchase price shall be paid at the time of the signing of the Third MOA; and
  - the balance of the purchase price shall be paid in full on delivery of Cape Jaffa. The delivery date must not be later than 31 October 2005 unless the parties otherwise agree.

- Completion : Pursuant to the Third MOA, the latest date for completion is 31 October 2005 unless the parties otherwise agree. The Directors currently expect that completion and delivery of Cape Jaffa will take place during the second half of October 2005. Pacific Basin will make a further announcement if completion does not take place by 31 October 2005.
- Expected gain and application of sale proceeds : The estimated gain that is expected to accrue to the consolidated income statement of the Company in the financial year ending 31 December 2005 on the disposal of Cape Jaffa is US\$3,045,000 which is calculated as the difference between the sale price (US\$17,000,000) and the approximate carrying value of Cape Jaffa (US\$13,955,000) in the Company's accounts as at 24 August 2005.
- The intended application of the sale proceeds is the repayment of bank borrowings (58%) and to satisfy part of the consideration for the Solar Oceania (42%).
- Aggregation : The ultimate beneficial owner of Monarch Maritime S.A. is the same as that of Citrus Maritime S.A. to whom the Company sold Port Alice on 18 March 2005 (the "Port Alice Disposal"). The sale contemplated under the Third MOA, only when aggregated with the Port Alice Disposal constitutes a discloseable transaction of the Company under the Listing Rules. Further disclosure in respect of the Port Alice Disposal is set out under the heading "The Port Alice Disposal" below.

### **The Time Charter Back of Cape Jaffa**

Simultaneously, a wholly-owned subsidiary of the Company has entered into a time charterparty agreement with Monarch Maritime S.A. to charter Cape Jaffa back into the Company's chartered fleet at fixed charter rates for a fixed period of five years from 31 October 2005, or such earlier time if Cape Jaffa is delivered before this date and in the Company's option, an additional two periods of one year each. The time charterparty agreement is a separate agreement to the Third MOA. The agreements are not interconditional, however, they are signed simultaneously. A time charter is a charter for an agreed period of time where the ship owner is paid on a per day basis and is responsible for operating the vessel and paying the operating costs while the charterer is responsible for paying the voyage costs and bears the risk of any delays at port or during the voyage except where caused by a defect of the ship.

The time charter rates were determined after arm's length negotiation, on normal commercial terms, by reference to other sale and charter back transactions entered into by the Company and by reference to the consideration payable for Solar Oceania and receivable for Cape Jaffa.

In addition, under the time charterparty, the Company has the option (granted without payment of any premium) to purchase Cape Jaffa at any time after the end of the third year of the time charterparty at a pre-determined price. The purchase option may be exercised by the Company at anytime after the end of the third year until the end of the charterparty (which includes the two optional charter periods if they are exercised). The purchase option price was agreed on normal commercial terms by reference to other sale and charter back transactions entered into by the

Company with different and independent counterparties. The purchase option price will be reduced proportionally during each year subsequent to the end of the third year of the time charterparty. The purchase option price and time charter rates are fixed at the time of signing of the time charterparty.

The time charterparty does not constitute a discloseable transaction of the Company under the Listing Rules.

Pacific Basin will comply with the relevant requirements under the Listing Rules prevailing if it exercises the purchase option. Furthermore, the Company shall make an announcement as soon as reasonably practicable, upon the earlier of (1) the expiry of the purchase option; (2) the Company notifying Monarch Maritime S.A. that the purchase option will not be exercised; or (3) the transfer by the Company of the purchase option to a third party.

### **Reasons for the Solar Oceania Acquisition and the Cape Jaffa Disposal and Time Charter Back**

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 acquisition of Solar Oceania and the sale and time charter back of Cape Jaffa outlined above are consistent with this strategy and in line with current customer requirements. The overall result of these transactions is that for a net cash outflow of US\$1.5 million, being the difference between the consideration payable for Solar Oceania and that receivable for Cape Jaffa, the Company has secured an additional vessel for its fleet, giving an additional 360 revenue days per year.

The effect of the sale and time charter back of Cape Jaffa is to retain the operational control and profitability of Cape Jaffa while releasing capital.

Following the delivery of Cape Jaffa, the Group's fixed assets will decrease by the carrying value of Cape Jaffa in the Group's accounts at the date of disposal. Long-term liabilities will decrease by the amount of bank borrowings repaid less the amount of these bank borrowings falling due within on year, which will decrease current liabilities. The simultaneous transaction to charter Cape Jaffa back will be classified as an operating lease with the charter-hire payments to be accounted for as operating lease expenses during the charter period in accordance with the Hong Kong Accounting Standard No. 17 "Leases".

The Directors believe that the terms of the acquisition of Solar Oceania and the sale and time charter back of Cape Jaffa, taken together, are on normal commercial terms and are fair and reasonable so far as the Company and the Shareholders are concerned, and that the acquisition of Solar Oceania and the sale and time charter back of Cape Jaffa are in the interests of the Company and the Shareholders as a whole.

## **(2B) THE PORT ALICE DISPOSAL**

### **The Fourth MOA**

Date	:	18 March 2005
Parties	:	Second Seller : Port Alice Limited, a wholly-owned subsidiary of the Company. Second Purchaser: Citrus Maritime S.A., which at the date of the Fourth MOA, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, together with its ultimate beneficial owner, were third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company. As far as the Directors were aware, having made all reasonable enquiry, the principal business activity of Citrus Maritime S.A. was the owning of Port Alice and the principal business activity of the ultimate beneficial owner of Citrus Maritime S.A. was the owning and operating of shipping vessels.
Asset sold	:	A newbuilding handysize dry bulk carrier of 31,871dwt, named "Port Alice". Port Alice was constructed by a shipyard in Japan and was delivered to Port Alice Limited and immediately thereafter to Citrus Maritime S.A. on 28 June 2005. The flag of Port Alice is currently Hong Kong and the place of registration is currently Hong Kong.  Port Alice was purchased from a party unrelated to those referred to in this announcement. The purchase of Port Alice was disclosed by the Company in its prospectus dated 30 June 2004 at the time of the initial public offering.
Net Profits attributable to Port Alice	:	There is no net profit attributable to a newbuilding vessel.
Revenue attributable to the Port Alice	:	There is no revenue attributable to a newbuilding vessel.
Consideration	:	US\$23,500,000 (approximately HK\$183,300,000), which was determined by reference to market intelligence the Company had gathered from shipbrokers and its own analysis of recently concluded sale and purchase transactions of newbuilding vessels of comparable size and year of build in the market, and after arm's length negotiation between parties. However, as is commonly the case in the dry bulk carrier market, there had not been any recently published sales by third party vendors of newbuilding vessels of the exact size of Port Alice from which to make a direct comparison. No third party valuation was performed on Port Alice.

At the time of the sale the Directors believed that such consideration, which was determined after arm's length negotiation and on normal commercial terms was fair and reasonable so far as the Company and the Shareholders were concerned.

- Payment terms : The consideration for the acquisition of Port Alice was payable as follows:
- 10% of the purchase price was paid at the time of the signing of the Fourth MOA; and
  - the balance of the purchase price was paid in full on delivery of Port Alice in June 2005.
- Gain and application of sale proceeds : The gain that has been accrued to the consolidated income statement of the Company in the financial year ending 31 December 2005 on the disposal of Port Alice is US\$1,270,000 which was calculated as the difference between the sale price (US\$23,500,000) and the carrying value of Port Alice (US\$22,230,000) in the Company's accounts as at the date of disposal.
- The sale proceeds were entirely applied in the repayment and prepayment of bank borrowings.
- Completion : Port Alice was delivered to Citrus Maritime S.A. on 28 June 2005.

#### **The Time Charter Back of Port Alice**

Simultaneously, a wholly-owned subsidiary of the Company entered into a time charterparty agreement with Citrus Maritime S.A. to charter Port Alice back into the Company's chartered fleet at fixed charter rates for a fixed period of five years from 28 June 2005 and in the Company's option, an additional two periods of one year each. The time charterparty agreement is a separate agreement to the Fourth MOA. The agreements are not interconditional, however, they were signed simultaneously. A time charter is a charter for an agreed period of time where the ship owner is paid on a per day basis and is responsible for operating the vessel and paying the operating costs while the charterer is responsible for paying the voyage costs and bears the risk of any delays at port or during the voyage except where caused by a defect of the ship.

The time charter rates were determined after arm's length negotiation, on normal commercial terms, by reference to other sale and charter back transactions entered into by the Company.

In addition, under the time charterparty, the Company has the option (granted without payment of any premium) to purchase Port Alice at any time after the end of the third year of the time charterparty at a pre-determined price. The purchase option may be exercised by the Company at any time after the end of the third year until the end of the charterparty (which includes the two optional charter periods if they are exercised). The purchase option price was agreed on normal commercial terms by reference to other sale and charter back transactions entered into by the Company with different and independent counterparties. The purchase option price will be reduced proportionally during each year subsequent to the end of the third year of the time charterparty. The purchase option price and time charter rates are fixed at the time of signing of the time charterparty.

The time charterparty does not constitute a discloseable transaction of the Company under the Listing Rules.

Pacific Basin will comply with the relevant requirements under the Listing Rules prevailing if it exercises the purchase option. Furthermore, the Company shall make an announcement as soon as reasonably practicable, upon the earlier of (1) the expiry of the purchase option; (2) the Company notifying Citrus Maritime S.A. that the purchase option will not be exercised; or (3) the transfer by the Company of the purchase option to a third party.

### **Reasons for the Port Alice Disposal and Time Charter Back**

The effect of the sale and time charter back of Port Alice is to retain the operational control and profitability of Port Alice while releasing capital.

Following the delivery of Port Alice, the Group's fixed assets decreased by the carrying value of Port Alice in the Group's accounts at the date of disposal, as a vessel under construction is recorded by the Company as a fixed asset. Long-term liabilities decreased by the amount of bank borrowings repaid less the amount of these bank borrowings falling due within an year, which decreased current liabilities. The simultaneous transaction to charter Port Alice back was classified as an operating lease with the charter-hire payments to be accounted for as operating lease expenses during the charter period in accordance with the Hong Kong Accounting Standard No. 17 "Leases".

The Directors believe that the terms of the Port Alice Disposal were, at the time when the Fourth MOA was signed, on normal commercial terms and fair and reasonable so far as the Company and the Shareholders were concerned and were in the interests of the Company and the Shareholders as a whole.

## **(3A) THE PORT ANGELES DISPOSAL**

### **The Fifth MOA**

Date : 25 August 2005

Parties : Purchaser : Glory Ocean Shipping 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 Glory Ocean Shipping S.A. is the owning of Port Angeles, and at the date of signing of the Sixth MOA, the owning of Xiamen Sky, and the principal business activity of the ultimate beneficial owner of Glory Ocean Shipping S.A. is the owning and operating of shipping vessels. There is no relationship between Glory Ocean Shipping S.A. or its ultimate beneficial owner and the counterparties to the First MOA, Second MOA, the Third MOA and Fourth MOA, and their respective ultimate beneficial owners.

	Seller	: Port Angeles Limited, a wholly-owned subsidiary of the Company
Asset to be sold	:	A newbuilding handysize dry bulk carrier of approximately 28,100dwt to be named "Port Angeles". Port Angeles was acquired by the Company, from a party unrelated to those referred to in this announcement, as disclosed in the Company's announcement dated 15 September 2004 for a consideration of US\$21,500,000. Port Angeles will be constructed by a shipyard in Japan and in the Company's announcement dated 15 September 2004, Port Angeles was expected to be delivered on or before 30 April 2006. However, as a result of mutual agreement between the Company and the shipyard so as to maintain our relationships in Japan, it is now expected to be delivered to Port Angeles Limited and immediately thereafter to Glory Ocean Shipping S.A. by or before 31 August 2007. It is currently expected that it will be registered by Glory Ocean Shipping S.A under the laws and flag of Hong Kong.
Consideration	:	US\$22,500,000 (approximately HK\$175,500,000), which was determined by reference to other sale and charter back transactions entered into by the Company with different and independent counterparties and after arm's length negotiation, on normal commercial terms, between the parties. However, as is commonly the case in the dry bulk carrier market, there have not been any recently published sale and charter backs by third party vendors of newbuilding vessels of the exact size of Port Angeles from which to make a comparison. In addition no third party valuation has been performed on Port Angeles.  The Directors believe that the terms of the transaction, which were determined after arms length negotiation, on normal commercial terms, are fair and reasonable so far as the Company and the Shareholders are concerned.
Payment terms	:	The consideration for the sale of Port Angeles shall be receivable as follows: <ul style="list-style-type: none"> <li>• 10% of the purchase price shall be paid at the time of the signing of the Fifth MOA; and</li> <li>• the balance of the purchase price shall be paid in full on delivery of the Port Angeles.</li> </ul>
Expected gain and application of sale	:	The estimated net gain that is expected to accrue to the consolidated income statement of the Company in the financial year ended 31 December 2007 on the delivery of Port Angeles is US\$1,000,000, which is calculated as the difference between the sale price (US\$22,500,000) and the aggregate of the carrying value (US\$1,075,000) in the Company's accounts as at 22 August 2005 and future payment commitments of Port Angeles (US\$20,425,000) which are payable in 2007.

The intended application of the sale proceeds is the funding of yard payment obligations (89%) and the prepayment of bank borrowings (11%).

- Completion : Pursuant to the Fifth MOA, the latest date for completion is 31 August 2007 unless the parties otherwise agree. The Directors currently expect that completion and delivery of Port Angeles will take place on or before 31 August 2007 in Japan. Pacific Basin will make a further announcement if completion does not take place by 31 August 2007.
- Aggregation : Glory Ocean Shipping S.A. is the same purchaser to whom the Company sold the Xiamen Sky on 16 December 2004 (the “Xiamen Sky Disposal”). Accordingly, the sale contemplated under the Fifth MOA, only when aggregated with the Xiamen Sky Disposal, constitutes a discloseable transaction of the Company under the Listing Rules. Further disclosure in respect of the Xiamen Sky Disposal is set out under the heading “The Xiamen Sky Disposal” below.

### **The Time Charter Back of Port Angeles**

Simultaneously, a wholly owned subsidiary of the Company has entered into a time charterparty agreement with Glory Ocean Shipping S.A. to charter Port Angeles back into the Company’s chartered fleet at agreed charter rates for a fixed period of five years from 31 August 2007, or such earlier time if the Port Angeles is delivered before this date and, at the Company’s election, two additional periods of one year each. The time charterparty agreement is a separate agreement to the Fifth MOA. The agreements are not interconditional, however, they are signed simultaneously. A time charter is a charter for an agreed period of time where the ship owner is paid on a per day basis and is responsible for operating the vessel and paying the operating costs while the charterer is responsible for paying the voyage costs and bears the risk of any delays at port or during the voyage except where caused by a defect of the ship.

The time charter rates were determined after arms length negotiation, on normal commercial terms, by reference to other sale and charter back transactions entered into by the Company.

In addition, under the time charterparty, the Company has the option (granted without payment of any premium) to purchase Port Angeles at anytime after the end of the third year of the time charterparty at a pre-determined price. The purchase option may be exercised by the Company at anytime after the end of the third year until the end of the charterparty (which includes the two optional charter periods if they are exercised). The purchase option price was agreed on normal commercial terms by reference to other sale and charter back transactions entered into by the Company with different and independent counterparties and the consideration payable for Port Angeles. This price will be reduced proportionally in the event the exercise of the purchase option subsequent to the end of the third year of the time charterparty. The purchase option price and time charter rates are fixed at the time of signing of the time charterparty.

The time charterparty does not constitute a discloseable transaction of the Company under the Listing Rules.

Pacific Basin will comply with the relevant requirements under the Listing Rules prevailing if it exercises the purchase option. Furthermore, the Company shall make an announcement as soon as reasonably practicable, upon the earlier of (1) the expiry of the purchase option; (2) the Company notifying Glory Ocean Shipping S.A. that the purchase option will not be exercised; or (3) the transfer by the Company of the purchase option to a third party.

### **Reasons for the Port Angeles Disposal and Time Charter Back**

The Company is one of the world's leading dry bulk shipping companies operating principally in the Asia Pacific region, continuously seeking 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 expected benefit following the completion of the sale and time charter back of Port Angeles outlined above enables the Company to release equity to fund yard payment obligations and the prepayment of bank borrowings, and at the same time enables the Company to retain commercial control over Port Angeles upon delivery in 2007.

The Group's fixed assets will decrease by the carrying value of Port Angeles and the Group's liabilities will be reduced by the consideration received from Glory Ocean Shipping S.A. at the time of delivery which is expected to be in August 2007, as a vessel under construction is recorded by the Company as a fixed asset. The simultaneous transaction to charter Port Angeles back will be classified as an operating lease with the charter-hire payments to be accounted for as operating lease expenses during the charter period, in accordance with Hong Kong Accounting Standard 17 "Leases".

The Directors believe that the terms of the Fifth MOA are normal commercial terms and fair and reasonable so far as the Company and the Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole.

### **(3B) THE XIAMEN SKY DISPOSAL**

#### **The Sixth MOA**

Date : 28 April 2005

Parties : Purchaser : Glory Ocean Shipping S.A. which at the date of the Sixth MOA, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, together with its ultimate beneficial owner, were 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 Purchaser was the owning of Xiamen Sky and the principal business activity of the ultimate beneficial owner of the Purchaser was the owning and operating of shipping vessels.

Seller : Great Strength Assets Limited, a wholly-owned subsidiary of the Company.

Asset sold	:	<p>A new building handymax dry bulk carrier of approximately 53,800dwt, named “Xiamen Sky”. Xiamen Sky was constructed by a shipyard in China and was delivered to Glory Ocean Shipping S.A. on 28 May 2005. Xiamen Sky is currently registered under the laws and flag of Hong Kong.</p> <p>Xiamen Sky was purchased by the Company from a party unrelated to those referred to in this announcement. The purchase was disclosed in the Company’s prospectus dated 30 June 2004 at the time of the initial public offering. The vessel delivered to Great Strength Assets Limited on 5 January 2005.</p>
Consideration	:	<p>US\$21,750,000 (approximately HK\$169,650,000), which was determined by reference to market intelligence the Company had gathered from shipbrokers and its own analysis of recently concluded sale and purchase transactions of newbuilding vessels of comparable size and year of build in the market, and after arm’s length negotiation between parties. However, as is commonly the case in the dry bulk carrier market, there had not been any recently published sales by third party vendors of vessels of the exact size of Xiamen Sky from which to make a direct comparison. No third party valuation was performed on Xiamen Sky.</p> <p>At the time of the sale the Directors believed that such consideration, which was determined after arms length negotiation and on normal commercial terms, was fair and reasonable so far as the Company and the Shareholders were concerned.</p>
Payment terms	:	<p>The consideration for the sale of Xiamen Sky was receivable as follows:</p> <ul style="list-style-type: none"> <li>• 10% of the purchase price was paid at the time of the signing of the Sixth MOA; and</li> <li>• 90% of the purchase price was paid upon delivery of Xiamen Sky in May 2005.</li> </ul>
Loss and application of sale proceeds	:	<p>The net loss that has been accrued to the consolidated income statement of the Company for the financial year ending 31 December 2005 is US\$94,000, which is calculated as the difference between the net sale price (US\$21,525,000) and the carrying value of the vessel (US\$21,619,000) at the date of disposal.</p> <p>The sale proceeds have been applied on the repayment of bank borrowings (82%) and the prepayment of bank borrowings (18%).</p>
Completion	:	<p>Xiamen Sky was delivered to Glory Ocean Shipping S.A. on 28 May 2005.</p>

## **The Time Charter Back of Xiamen Sky**

Simultaneously, a wholly owned subsidiary of the Company has entered into a time charterparty agreement with Glory Ocean Shipping S.A. to charter Xiamen Sky back into the Company's chartered fleet at agreed charter rates for a fixed period of five years from 28 May 2005 and, at the Company's election, two additional periods of one year each. The time charterparty is a separate agreement to the Sixth MOA. The agreements are not interconditional, however, they were signed simultaneously. A time charter is a charter for an agreed period of time where the ship owner is paid on a per day basis and is responsible for operating the vessel and paying the operating costs while the charterer is responsible for paying the voyage costs and bears the risk of any delays at port or during the voyage except where caused by a defect of the ship.

The time charter rates were determined after arms length negotiation, on normal commercial terms, by reference to other sale and charter back transactions entered into by the Company.

In addition, under the time charterparty, the Company has the option (granted without payment of any premium) to purchase Xiamen Sky at anytime after the end of the third year of the time charterparty at a pre-determined price. The purchase option may be exercised by the Company at anytime after the end of the third year until the end of the charterparty (which includes the two optional charter periods if they are exercised). The purchase option price was agreed on normal commercial terms by reference to other sale and charter back transactions entered into by the Company with different and independent counterparties and the consideration payable for Xiamen Sky. This price will be reduced proportionally in the event the exercise of the purchase option subsequent to the end of the third year of the time charterparty. The purchase option price and time charter rates are fixed at the time of signing of the time charterparty.

The time charterparty does not constitute a discloseable transaction of the Company under the Listing Rules.

Pacific Basin will comply with the relevant requirements under the Listing Rules prevailing if it exercises the purchase option. Furthermore, the Company shall make an announcement as soon as reasonably practicable, upon the earlier of (1) the expiry of the purchase option; (2) the Company notifying Glory Ocean Shipping S.A. that the purchase option will not be exercised; or (3) the transfer by the Company of the purchase option to a third party.

## **Reason for the Xiamen Sky Disposal**

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 effect of the sale and time charter back of Xiamen Sky was to retain commercial control and profitability of Xiamen Sky while releasing capital.

Following the delivery of Xiamen Sky, the Group's fixed assets decreased by the carrying value of Xiamen Sky in the Group's accounts at the date of disposal, as a vessel under construction is recorded by the Company as a fixed asset. Long-term liabilities decreased by the amount of bank borrowings repaid less the amount of these bank borrowings falling due within on year, which decreased current liabilities. The simultaneous transaction to charter Xiamen Sky back was

classified as an operating lease with the charter-hire payments to be accounted for as operating lease expenses during the charter period in accordance with the Hong Kong Accounting Standard No. 17 “Leases”.

The Directors believe that the terms of the Xiamen Sky Disposal were, at the time of the signing of the Sixth MOA, normal commercial terms and fair and reasonable so far as the Company and the Shareholders were concerned and were in the interest of the Company and the Shareholders as a whole.

### **The Fleet**

All of the vessels in the owned, chartered in and managed fleets are Handysize dry bulk carriers and range between approximately 28,000dwt and 32,000dwt, with the exception of two Handymax dry bulk carriers, Xiamen Sky and Xiamen Sea (both in the chartered in fleet), which are each 53,800dwt.

After the signing of the First MOA, Third MOA and Fifth MOA described above and as at the date of this announcement, the Company has a fleet of 50 vessels (1,497,590dwt), comprising 28 owned vessels (815,211dwt), including Solar Oceania and Pitt Island, 18 chartered-in vessels (575,218dwt), including Cape Jaffa, Port Alice and Xiamen Sky, and 4 managed vessels (107,171dwt). The Company has six newbuilding vessels on order, one of which is scheduled to deliver in April 2006, two in November 2006, one in June 2007, one in August 2007 and one in December 2007. Two of these newbuildings, (56,200dwt) will enter into the owned fleet and four, including Port Angeles, will enter into the chartered-in fleet (116,300dwt).

The revenue earned by vessels in the owned and chartered in fleets is classified as freight and charter hire income and that earned by the managed fleet is classified as commission and management fee income.

Save for the relationships disclosed in this announcement, there are no other relationships between the vendors and purchasers and their ultimate beneficial owners as referred to in this announcement and other vendors, purchasers and shipowners and their respective ultimate beneficial owners from whom the Company has acquired, chartered in or disposed of vessels during the past 12 months.

The transactions contemplated under the MOAs constitute discloseable transactions of the Company and are required to be disclosed by way of this press announcement, and a circular containing further details of these transactions will be issued to Shareholders shortly.

### **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;
“bareboat charter”	charter for an agreed period of time where ship owner is paid on a per day basis and the charterer is responsible for operating the vessel, paying the operating costs, paying the voyage costs and bears the risk of any delays at port or during the voyage except where caused by a defect of the ship;

“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;
“Fifth MOA”	means the legally binding unconditional Memorandum of Agreement dated 25 August 2005 entered into between Glory Ocean Shipping S.A. and Port Angeles Limited for the acquisition of Port Angeles by Glory Ocean Shipping S.A.;
“First MOA”	means the legally binding unconditional Memorandum of Agreement dated 24 August 2005 entered into between Lake Joy Limited and Solar Oceania Corp. for the acquisition of Solar Oceania by Lake Joy Limited;
“Fourth MOA”	means the legally binding unconditional Memorandum of Agreement dated 18 March 2005 entered into between Citrus Maritime S.A. and Port Alice Limited for the acquisition of Port Alice by Citrus Maritime S.A.;
“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;
“Second MOA”	means the legally binding unconditional Memorandum of Agreement dated 24 August 2005 entered into between Monarch Maritime S.A. and Labrador Shipping (BVI) Limited for the acquisition of Pitt Island by Monarch Maritime S.A.;
“Shareholders”	means the shareholders of the Company;
“Sixth MOA”	means the legally binding unconditional Memorandum of Agreement dated 28 April 2005 entered into between Glory Ocean Shipping S.A. and Great Strength Assets Limited for the acquisition of Xiamen Sky by Glory Ocean S.A.;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Third MOA”	means the legally binding unconditional Memorandum of Agreement dated 24 August 2005 entered into between Monarch Maritime S.A. and Labrador Shipping (BVI) Limited for the acquisition of Cape Jaffa by Monarch Maritime S.A.;

“time charter”

charter for an agreed period of time where ship owner is paid on a per day basis and is responsible for operating the vessel and paying the operating costs while the charterer is responsible for paying the voyage costs and bears the risk of any delays at port or during the voyage except where caused by a defect of the ship; and

“time charterparty”

means the agreement containing the terms and conditions of a contract between the charterer and shipowner for the hire of a vessel for a period of time.

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

Hong Kong, 31 August 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.