

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

# **B Pacific Basin Shipping Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 2343)**

## **DISCLOSEABLE TRANSACTIONS: EXERCISE OF OPTIONS TO PURCHASE ROLL ON ROLL OFF CARGO VESSELS**

Reference is made to the Company's announcement dated 10 July 2008 and the Company's circular dated 31 July 2008 regarding the Purchase Options secured by the Group to acquire two roll-on roll-off vessels (the "2008 RoRo Vessels").

On 10 July 2008, the Directors announced that PBVH entered into two Agreements with INARME to secure from it two Purchase Options, each for a deposit of US\$20.0 million (approximately HK\$156.0 million), for the acquisition of the 2008 RoRo Vessels from INARME each at an exercise price of US\$66.8 million (approximately HK\$521.0 million).

On 1 October 2010 and 2 December 2010 respectively, the Group exercised the First Purchase Option and the Second Purchase Option by way of entering into the MOAs with INARME to acquire the 2008 RoRo Vessels.

Principal terms of the MOAs are set out below in this announcement.

The Directors consider that the exercise of the Purchase Options, combined with the deposits already made, will enable the Company to expand its fleet of owned vessels in a shipping sector that is characterised by good long-term demand prospects, an ageing global fleet, a small orderbook and only few yards building such ships.

Unless the context requires otherwise, terms used herein shall have the same meanings as defined in the announcement of the Company dated 10 July 2008.

### **Background of the Agreements**

Reference is made to the Company's announcement dated 10 July 2008 and the Company's circular dated 31 July 2008 regarding the Purchase Options secured by the Group to acquire the 2008 RoRo Vessels.

On 10 July 2008, the Directors announced that PBVH entered into two Agreements with INARME to secure from it two Purchase Options, each for a deposit of US\$20.0 million (approximately HK\$156.0 million). Pursuant to the terms of each Agreement, PBVH secured a discretionary right to exercise the associated Purchase Option within 30 days after delivery from the yard, thereby acquiring the 2008 RoRo Vessels from INARME each at an exercise price of US\$66.8 million (approximately HK\$521.0 million).

### **Background of the MOAs**

On 1 October 2010, PBVH exercised the First Purchase Option by entering into the First MOA with INARME to acquire from it a RoRo vessel (the “First 2008 RoRo Vessel”) at an exercise price of US\$66.8 million (approximately HK\$521.0 million). The First 2008 RoRo Vessel was subsequently delivered into the Company’s ownership in October 2010.

On 2 December 2010, PBVH exercised the Second Purchase Option by entering into the Second MOA with INARME to acquire from it another RoRo vessel (the “Second 2008 RoRo Vessel”) at an exercise price of US\$66.8 million (approximately HK\$521.0 million). It is expected that the Second 2008 RoRo Vessel will be delivered into the Company’s ownership within December 2010.

Principal terms of the MOAs are set out below.

### **The MOAs**

Each of the MOAs is legally binding, of broadly similar terms and conditions which are described below:

- Date : 1 October 2010, for the First MOA; and  
2 December 2010, for the Second MOA.
- Parties : Buyer: PBVH, for both MOAs, which is a direct wholly-owned subsidiary of the Company.
- Seller: INARME, for both MOAs, which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiry, together with its ultimate beneficial owner, 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 INARME and its ultimate beneficial owner are owning and operating 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 INARME or its ultimate beneficial owner or with parties connected or otherwise associated with one another and there are no other relationships amongst INARME or its ultimate beneficial owner with whom the Company has entered into any transactions to acquire, dispose of, or charter in vessels during the 12 months period prior to the date of the MOAs.

Assets to be acquired : In respect of First MOA, the First 2008 RoRo Vessel named "Strait of Dover"; and

In respect of the Second MOA, the Second 2008 RoRo Vessel named "Strait of Gibraltar".

Both 2008 RoRo Vessels are approximately 3,810 lane metre RoRo vessels constructed at a Korean shipyard. The First 2008 RoRo Vessel is currently owned and operated by the Company and it is expected that the Second 2008 RoRo Vessel will also be operated by the Company upon its delivery.

Consideration under : US\$86.8 million (approximately HK\$677.0 million) for each 2008 RoRo the MOAs Vessel, which comprises a deposit of US\$20.0 million (approximately HK\$156.0 million) paid to secure each Purchase Option and an exercise price of US\$66.8 million (approximately HK\$521.0 million). Aggregate of the deposits and the exercise prices of the Purchase Options amount to US\$173.6 million (approximately HK\$1,354.0 million).

The deposits for the Purchase Options were paid using the Company's cash reserves upon signing the Agreements.

It is intended that approximately US\$48.6 million (approximately HK\$379.1 million) of the exercise price of the Purchase Options will be funded by cash reserves of the Company and eventually up to approximately US\$85.0 million (approximately HK\$663.0 million) will be funded from new long-term bank borrowings, which the Company intends to arrange after the delivery of the Second 2008 RoRo Vessel.

The deposits and the exercise prices of the Purchase Options in aggregate were determined at the time of securing the Purchase Options after arm's length negotiation between the parties and by reference to market intelligence the Company had gathered from shipbrokers and its own analysis of recently concluded sale and purchase transactions of RoRo vessels of comparable size and year of delivery in the market. However, as is commonly the case in the RoRo shipping market, there have not been any recently published sales by third party vendors of RoRo newbuildings of the exact specification and year of delivery of the 2008 RoRo Vessels from which to make a direct comparison. In addition, no third party valuation has been performed on the 2008 RoRo Vessels.

The Directors believe that the deposits and the exercise prices of the Purchase Options in aggregate, 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.

Payment terms : The exercise price of the First Purchase Option was paid upon the delivery of the First 2008 RoRo Vessel to the Company under the First MOA.

Pursuant to the Second MOA, the exercise price of the Second Purchase Option shall be payable upon the delivery of the Second 2008 RoRo Vessel to the Company.

Delivery : The First 2008 RoRo Vessel was delivered into the Company's ownership in October 2010 and it is currently expected that the Second 2008 RoRo Vessel will be delivered into the Company's ownership within December 2010.

## **REASONS FOR THE TRANSACTIONS**

The Company is one of the world's leading owners and operators of modern handysize and handymax dry bulk ships with significant interests also in offshore and harbour tugs as well as RoRo vessels. With its 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 Directors consider that the transactions contemplated under the MOAs to exercise the Purchase Options, combined with the deposits already made, will enable the Company to expand its fleet of owned vessels in a shipping sector that is characterised by good long-term demand prospects, an ageing global fleet, a small orderbook and only few yards building such ships.

The Directors believe that the terms of the MOAs, 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 transactions disclosed in this announcement are in the interests of the Company and the Shareholders as a whole.

## FLEET DEVELOPMENT

The Group's core business is its dry bulk carrier operation. The table below summarises the Group's fleet commitments as at 30 November 2010 and after reflecting the exercise of the Purchase Options:

	Delivered		Newbuildings on order		Total
	Owned	Chartered <sup>1</sup>	Owned	Chartered <sup>1</sup>	
<b>Dry Bulk</b>					
Handysize	27	53	7	9	96
Handymax	2	28	5	3	38
Post Panamax	–	–	1	1	2
<b>Total Dry Bulk Vessels</b>	<b>29</b>	<b>81</b>	<b>13</b>	<b>13</b>	<b>136</b>
<b>Towage</b>					
Tugs	31	2	–	–	33
Barges	6	–	–	–	6
Bunker Tanker	1 <sup>2</sup>	–	–	–	1
<b>Total Towage Vessels</b>	<b>38</b>	<b>2</b>	<b>–</b>	<b>–</b>	<b>40</b>
<b>Roll on Roll off</b>	<b>3</b>	<b>–</b>	<b>3</b>	<b>–</b>	<b>6</b>
<b>Grand Total</b>	<b>70</b>	<b>83</b>	<b>16</b>	<b>13</b>	<b>182</b>

### Notes:

1. Dry bulk chartered fleet comprises 13 vessels under finance leases and 81 vessels under operating leases, including non-core vessels chartered in for shorter term periods
2. The Group has a 50% interest in the bunker tanker

## REASONS FOR THE ANNOUNCEMENT

The exercise of the Purchase Options contemplated by entering into the MOAs to acquire the 2008 RoRo Vessels, on an aggregated basis, constitute discloseable transactions of the Company under the Listing Rules and are required to be disclosed by way of this announcement.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“2008 RoRo Vessels” means the First 2008 RoRo Vessel and the Second 2008 RoRo Vessel; and a “2008 RoRo Vessel” shall mean each and any one of them as the context so requires;

“Agreements”	means the two legally binding agreements dated 10 July 2008 entered into between PBVH and INARME, pursuant to which PBVH secure the Purchase Options; and an “Agreement” shall mean each and any one of them as the context so requires;
“Board”	means the board of directors of the Company;
“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;
“First 2008 RoRo Vessel”	means the RoRo vessel named “Strait of Dover” constructed at a Korean shipyard that was acquired under the First MOA and was delivered into the Company’s ownership in October 2010;
“First MOA”	means the legally binding memorandum of agreement dated 1 October 2010 entered into between PBVH and INARME for the exercise of the First Purchase Option to acquire the First 2008 RoRo Vessel by PBVH or its nominee;
“First Purchase Option”	means the option for a deposit of US\$20.0 million (approximately HK\$156.0 million) secured by PBVH under the Agreements for the right to acquire the First 2008 RoRo Vessel for a consideration of US\$66.8 million (approximately HK\$521.0 million);
“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;
“INARME”	Industria Armamento Meridionale SpA, being the seller under each of the Agreements and the MOAs;
“lane metres”	the unit of measurement of capacity of RoRo vessels, which is calculated by multiplying the cargo deck length in metres by the cargo deck width in lanes;
“Listing Rules”	means The Rules Governing the Listing of Securities on the Stock Exchange;
“MOAs”	means the First MOA and the Second MOA; and a “MOA” shall mean each and any one of them as the context so requires;
“PBVH”	PB Vessels Holding Limited, which is a direct wholly-owned subsidiary of the Company and the buyer under each of the Agreements and the MOAs;

- “Purchase Options” means the First Purchase Option and the Second Purchase Option; and a “Purchase Option” shall mean each and any one of them as the context so requires;
- “RoRo” means roll on roll off transportation involving the carriage of wheeled cargoes and freight on wheeled trailers which can be loaded and discharged over a ramp, rather than lifted on and off the vessels using cranes;
- “Second 2008 RoRo Vessel” means the RoRo vessel named “Strait of Gibraltar” constructed at a Korean shipyard that was acquired under the Second MOA and is currently expected to be delivered into the Company’s ownership within December 2010;
- “Second MOA” means the legally binding memorandum of agreement dated 2 December 2010 entered into between PBVH and INARME for the exercise of the Second Purchase Option to acquire the Second 2008 RoRo Vessel by PBVH or its nominee;
- “Second Purchase Options” means the option for a deposit of US\$20.0 million (approximately HK\$156.0 million) secured by PBVH under the Agreements for the right to acquire the Second 2008 RoRo Vessel for a consideration of US\$66.8 million (approximately HK\$521.0 million);
- “Shareholders” means the shareholders of the Company;
- “Stock Exchange” means The Stock Exchange of Hong Kong Limited; and
- “US Dollar” or “US\$” means United States Dollar, the lawful currency of the United States of America.

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

Hong Kong, 2 December 2010

*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 David Muir Turnbull, Klaus Nyborg, Jan Rindbo, Wang Chunlin and Andrew Thomas Broomhead, the non-executive Director of the Company is Richard Maurice Hext, and the independent non-executive Directors of the Company are Robert Charles Nicholson, Patrick Blackwell Paul, Alasdair George Morrison and Daniel Rochfort Bradshaw.*