

# **B Pacific Basin Shipping Limited**

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 2343)**

## **TRADING ACTIVITIES UPDATE**

### **Dry bulk market firm, 68% of handysize revenue days covered for 2007 at about US\$18,000 per day**

- The dry bulk market has been stronger than expected in the first quarter of 2007, mainly as a result of large increases in the volumes of many raw materials imported into China and around the Chinese coast. The average Baltic Dry Index (“BDI”) value in the first quarter of 2007 was 4,669 points, some 91% above the average of the first quarter of 2006. During April the Index has continued to rise and as at 26 April 2007 stood at 6,122 points
- The Baltic Handysize Index daily charter rate now stands at about US\$26,800 per day net, and Clarkson's handysize 12 month time charter rate now stands at about US\$21,400 per day net
- A major increase in port congestion has severely restricted the supply of large dry bulk vessels. This trend has continued into the second quarter 2007 but could ease, leading to some softening of spot rates in the event of reduced demand
- Pacific Basin's net asset value adjusted for the fair market value of our ships, including newbuildings and purchase options on chartered tonnage, has increased in line with the year to date rise in asset prices. A five year-old 28,000 deadweight tonne handysize vessel has increased in value by 19% since January and is now estimated to be worth US\$34 million, according to Clarkson. The average age of our owned, long term chartered, and managed vessels is just over 6 years

- We have taken advantage of private, off-market deals to acquire one second-hand vessel and two additional newbuildings for our handysize fleet. We have also completed the sale of one older vessel with a three year charter-back in order to maintain our fleet scale. At the same time we have taken advantage of record high prices to dispose selectively of two other vessels. Our approach to sale and purchase remains opportunistic: we will buy and sell vessels in order to maintain our modern fleet profile, increase our fleet revenue days, and/or to realise value when we see exceptional price or deal terms. Our fleet now comprises 109 vessels, of which 81 are “core” owned (36), long term chartered (41) and managed (4) vessels, including newbuildings (16). This represents an increase of four vessels, including newbuildings, since our report to the market in early March
- Since we last reported cover levels at the beginning of March, our average handysize daily TCE for 2007 has risen by US\$1,000 and our 2007 handysize cargo cover level has risen by 10%. Cover percentages and related average earnings are now as follows:

#### **Vessel Activity Summary**

	<b>Unit</b>	<b>FY 2007</b>
<i>Handysize</i>		
Cargo as % of ship commitments	%	68%
Revenue days	Days	20,001
Daily TCE	US\$	18,000
<i>Handymax</i>		
Cargo as % of ship commitments	%	98%
Revenue days	Days	4,886
Daily TCE	US\$	21,360

- Our dividend policy remains that we pay out at least 50% of our earnings
- Our market view in respect of the balance of 2007 remains positive

## **Market and Business Review**

Since we reported our 2006 Annual Results some seven weeks ago, the confluence of a number of factors has led to a sharp rise in handysize rates. First, shippers rushed orders into the market prior to the end of the financial year (31 March) in many Asian countries. Second, China's switch from being a net exporter to a net importer of thermal coal has shifted global trade patterns for this commodity, significantly boosting tonne-mile demand for larger vessels. Third, congestion levels have risen to record highs, reducing vessel supply at a time of escalating demand. These are all symptoms of record volumes of bulk shipments into China. Whilst the absorption of larger vessel supply by the major bulk cargoes has had a positive impact on the overall demand/supply balance for dry bulk tonnage, our handysize and handymax sectors have also directly benefited from the continued growth in shipments of 'minor bulks' such as steel, bauxite, alumina, and nickel ore. An increasing amount of dry bulk cargo is also being shipped around the China coast, absorbing tonnage from the international fleet. This cargo growth is not included in the forecasting models of many analysts and has therefore contributed to the outperformance of dry bulk relative to most expectations.

The Baltic Handysize Index rose from US\$20,500 per day net at the end of February to US\$24,800 per day net at the end of March, an increase of over 20% in one month. The market has remained very robust in April with average spot handysize net rates climbing towards the US\$27,000 per day net mark on the back of strong demand, particularly in the grain export regions of the US Gulf and Argentina, and continued tight supply of ships supported by congestion and modest new deliveries.

In the handymax sector, March closed at US\$34,500 per day net on the Baltic Supramax Index ("BSI"), up over 18% on February. The BSI now stands at a record US\$38,000 per day net, beating its previous high in March 2004. Handymax newbuild deliveries in 2007 are at higher levels, but have so far been absorbed by strong operator interest in tonnage.

Our handysize book has grown steadily since last reported at the beginning of March, and we now have 68% of 2007 covered, and have made a good start on cover for 2008 (now about 19% covered) and 2009 at respectable levels.

## Handysize Vessel Activity Summary

	<b>Unit</b>	<b>FY 2007</b>
<i>Cargo Commitments</i>		
Revenue days	days	12,046
Net Paper contracts	days	1,540
Equivalent revenue days	days	13,586
Daily TCE	US\$	18,000
<i>Ship Commitments</i>		
Revenue days	days	20,001
<i>Net Position</i>		
Cargo as % of ship commitments	%	68%

## Handysize FFAs Activity Summary

	<b>Unit</b>	<b>FY 2007</b>
FFAs paper sold	days	1,947
FFAs paper bought	days	–
Realised paper exposure	days	407
Net FFAs paper sold	days	1,540

Our handymax book is almost 100% covered for 2007, although we expect our volume of business to continue to grow this year through the use of chartered-in vessels

## Handymax Vessel Activity Summary

	<b>Unit</b>	<b>FY 2007</b>
<i>Cargo Commitments</i>		
Revenue days	days	4,625
Net paper contracts	days	184
Equivalent revenue days	days	4,809
Daily TCE	US\$	21,360
<i>Ship Commitments</i>		
Revenue days	days	4,886
<i>Net Position</i>		
Cargo as % of ship commitments	%	98%

## Handymax FFAs Activity Summary

	<b>Unit</b>	<b>FY 2007</b>
FFAs paper sold	days	1,369
FFAs paper bought	days	(1,185)
Realised paper exposure	days	–
Net FFAs paper sold	days	184

## **Fleet Development**

Since we last reported to shareholders in early March, “Taihua Star”, a handysize newbuilding, has been delivered and has joined our IHC Pool. We have also entered into agreements to charter in one additional handysize and one additional handymax newbuildings on a long term basis. Both vessels are expected to deliver to our chartered fleet in the third quarter of this year. We have taken delivery of a tug and shall shortly take delivery of a barge, both of which will be chartered to our joint venture in the Middle East, Fujairah Bulk Shipping Limited, to assist their aggregate trading business.

Asset prices have continued to move up through the first quarter and since. In our 2006 year-end report, we said that we would take a conservative approach to new vessel investments with vessel values at record highs. Nevertheless, in view of the attractive price offered we agreed in March to acquire a second-hand handysize vessel in a private, off-market transaction for delivery in July 2007. In addition, since we last reported we have placed orders for two additional handysize newbuildings which are being constructed at Jiangmen Nanyang Shipyard (“JNS”) in Southern China which we announced on 11 April 2007. The industry handysize orderbook is almost full until 2010 and, in the case of some yards, also for 2011. These vessels, which we have contracted to deliver in 2008 and 2009, constitute rare opportunities at attractive prices, especially in the context of the current market. These acquisitions are also consistent with our strategy of steadily expanding our fleet and maintaining our low age profile.

In line with our strategy, in addition to selling four vessels in late 2006 to early 2007, we continue to look for opportunities to sell handysize vessels, preferably with time charter backs in order to retain revenue days. Since we last reported, we have agreed to sell “Mount Baker” and “Flinders Island”, with both transactions expected to be completed in May this year. Immediately upon the sale of “Flinders Island”, we shall charter her back for about nine months to enable us to continue our obligations under an existing charter party.

In summary, since 28 February, we have acquired one second-hand handysize vessel and two handysize newbuildings at JNS shipyard, and we have agreed to sell another two handysize vessels, one of which will be chartered back by us upon its delivery in May for about nine months. We have also entered into agreements to charter in one handysize and one handymax newbuildings on a long term basis, both of which will be delivered to us in the third quarter this year.

The average age of our “core” fleet of owned, long-term chartered and managed vessels is just over six years old.

## Core Fleet Development

### Number of vessels

	Owned	Chartered <sup>1</sup>	Managed	Total
<b>Handysize – in operation</b>				
As at 1 March 2007	21	33	4	58
Newbuilding delivered	1	–	–	1
Second hand purchase <sup>2</sup>	1	–	–	1
Sale and time charter back <sup>3</sup>	(1)	1	–	–
Disposal <sup>4</sup>	(1)	–	–	(1)
<b>As at 26 April 2007</b>	<b>21</b>	<b>34</b>	<b>4</b>	<b>59</b>
<b>Handysize – newbuildings</b>				
As at 1 March 2007	11	1	–	12
New orders	2	1	–	3
Newbuilding delivered	(1)	–	–	(1)
<b>As at 26 April 2007</b>	<b>12</b>	<b>2</b>	<b>–</b>	<b>14</b>
<b>Total handysize fleet as at 26 April 2007</b>	<b>33</b>	<b>36</b>	<b>4</b>	<b>73</b>
<b>Handymax – in operation</b>				
As at 1 March 2007 and 26 April 2007	2	4	–	6
<b>Handymax – newbuildings</b>				
As at 1 March 2007	1	–	–	1
New order	–	1	–	1
<b>As at 26 April 2007</b>	<b>1</b>	<b>1</b>	<b>–</b>	<b>2</b>
<b>Total handymax fleet as at 26 April 2007</b>	<b>3</b>	<b>5</b>	<b>–</b>	<b>8</b>
<b>Total fleet as at 26 April 2007 including newbuildings</b>	<b>36</b>	<b>41</b>	<b>4</b>	<b>81</b>

<sup>1</sup> Includes 27 handysize and 2 handymax vessels with purchase options

<sup>2</sup> The vessel will be delivered to us in July 2007

<sup>3</sup> The sale of the vessel will be completed in May 2007 and we shall then charter the vessel back for a period of about nine months.

<sup>4</sup> The disposal will be completed in May 2007

<sup>5</sup> The above table excludes minibulkers, tugs, or barges

Outside the “core” fleet, the IHC Pool and IHX Pool also operate 7 handysize and 21 handymax vessels respectively on short-term charters (defined as less than 12 months), as of the date of this announcement.

We hold options to purchase 27 out of our 36 chartered handysize vessels and newbuildings, and two out of our four chartered handymax vessels, of which 19 of these options can be exercised in 2007. These options hold significant unrealised value for us, given that their strike prices are well below their respective current market values. They also allow us to preserve our fleet size and scale of operations at the expiry of the charters.

### **Dividend Policy**

Our dividend policy to pay out by way of interim and final dividends not less than 50% of profits available for distribution in each financial year remains unchanged.

By Order of the Board  
**Richard Hext**  
*Chief Executive Officer*

Hong Kong, 26 April 2007

*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 Lee Kwok Yin, Simon and Daniel Rochfort Bradshaw, and the independent non-executive directors of the Company are Robert Charles Nicholson, Patrick Blackwell Paul, The Earl of Cromer, and David Muir Turnbull.*

*Shareholders and investors are reminded that this trading activities update for the period ended 26 April 2007 is based on the Group’s internal records and management accounts and has not been reviewed or audited by the auditors. Shareholders and investors are cautioned not to rely unduly on this trading activities update and are advised to exercise caution when dealing in the shares of the Company.*

Please also refer to the published version of this announcement in South China Morning Post.