

**CIRCULAR DATED 12 AUGUST 2008**

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

The Singapore Exchange Securities Trading Limited (the "SGX-ST") takes no responsibility for the correctness of any statements made or opinions expressed, or reports contained, in this Circular. If you are in any doubt as to the action you should take, you should consult your legal, financial, tax or other professional adviser immediately.

Approval-in-principle granted by the SGX-ST for the admission of the New Units (as defined herein) and the Consideration Units (as defined herein) and the listing and quotation of such New Units and Consideration Units on the SGX-ST is not to be taken as an indication of the merits of Pacific Shipping Trust ("PST"), the Units (as defined herein), the New Units, the Consideration Units, the Preferential Offering (as defined herein) or the Combined Issuance (as defined herein).

If you have sold or transferred all your Units, you should immediately forward this Circular, together with the Notice of Extraordinary General Meeting and the accompanying Proxy Form in this Circular, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.



## **PACIFIC SHIPPING TRUST**

(a business trust constituted on 25 April 2006 under the laws of the Republic of Singapore)

**TRUSTEE-MANAGER**



**PST MANAGEMENT PTE. LTD.**

### **CIRCULAR TO UNITHOLDERS**

**IN RELATION TO:**

- (1) THE PROPOSED NON-RENOUNCEABLE PREFERENTIAL OFFERING (THE "PREFERENTIAL OFFERING") OF NEW UNITS (THE "NEW UNITS") IN PST, AT THE ISSUE PRICE OF US\$0.365 PER NEW UNIT (THE "ISSUE PRICE"), TO SINGAPORE REGISTERED UNITHOLDERS ON THE BASIS OF THREE (3) NEW UNITS FOR EVERY FOUR (4) EXISTING UNITS HELD ON THE BOOKS CLOSURE DATE (FRACTIONS OF A UNIT TO BE DISREGARDED); AND
- (2) THE PROPOSED WHITEWASH RESOLUTION FOR THE WAIVER BY THE INDEPENDENT UNITHOLDERS OF THEIR RIGHT TO RECEIVE A MANDATORY GENERAL OFFER FROM PACIFIC INTERNATIONAL LINES (PRIVATE) LIMITED ("PIL") AND TRANPAC HOLDINGS INC., PANAMA ("TRANPAC") FOR ALL THE ISSUED UNITS OF PST FOLLOWING PIL'S ACCEPTANCE OF ITS PROVISIONAL ALLOCATION OF NEW UNITS AND SUBSCRIPTION OF UNSUBSCRIBED NEW UNITS UNDER THE PREFERENTIAL OFFERING PURSUANT TO THE PIL UNDERTAKING (AS DEFINED HEREIN); AND
- (3) IN THE EVENT THAT RESOLUTION (2) IS NOT APPROVED BY UNITHOLDERS, THE PROPOSED ALLOTMENT AND ISSUE OF NEW UNITS (THE "CONSIDERATION UNITS") AT THE ISSUE PRICE, WHICH AMOUNT SHALL BE EQUIVALENT TO THE AMOUNT NOT SUBSCRIBED FOR UNDER THE PREFERENTIAL OFFERING, TO TRANPAC, AS THE VENDOR OF THE NEW VESSELS (TO PARTIALLY SATISFY THE PURCHASE CONSIDERATION FOR CERTAIN NEW VESSELS), WHICH ISSUE CONSTITUTES AN INTERESTED PERSON TRANSACTION; AND
- (4) THE PROPOSED WHITEWASH RESOLUTION FOR THE WAIVER BY THE INDEPENDENT UNITHOLDERS OF THEIR RIGHT TO RECEIVE A MANDATORY GENERAL OFFER FROM PIL AND TRANPAC, FOR ALL THE ISSUED UNITS OF PST FOLLOWING THE ALLOTMENT AND ISSUE OF THE CONSIDERATION UNITS TO TRANPAC, AS THE VENDOR OF THE NEW VESSELS, AS PART SATISFACTION OF THE PURCHASE CONSIDERATION FOR CERTAIN NEW VESSELS AND PIL'S ACCEPTANCE OF ITS PROVISIONAL ALLOCATION OF NEW UNITS UNDER THE PREFERENTIAL OFFERING.

**Sole Financial Adviser and Issue Manager**



**Independent Financial Adviser**

**PricewaterhouseCoopers Corporate Finance Pte Ltd**

#### **IMPORTANT DATES AND TIMES:**

Last date and time for lodgment of Proxy Form	:	25 August 2008 at 2.30 p.m.
Date and time of Extraordinary General Meeting	:	27 August 2008 at 2.30 p.m.
Place of Extraordinary General Meeting	:	Meritus Mandarin Singapore 333 Orchard Road Singapore 238867 Room: Mandarin Court C and D

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## CORPORATE INFORMATION

<b>Directors of PST Management Pte. Ltd. (the trustee-manager of PST (the “Trustee-Manager”))</b>	Mr Benedict Kwek Gim Song (Chairman and Independent Director) Mr Lee Soo Hoon (Independent Director) Mr David Chin Soon Siong (Independent Director) Mr Eugene Ooi Chin Chai (Independent Director) Mr Christopher Adrian Jones (Independent Director) Mr Kuan Kim Kin (Non-Independent Director) Mr Teo Choo Wee (Non-Independent Director) Mr Alvin Cheng Yu-Dong (Chief Executive Officer and Executive Director)
<b>Registered office of the Trustee-Manager</b>	140 Cecil Street #09-01 PIL Building Singapore 069540
<b>Sole Financial Adviser and Issue Manager for the Preferential Offering and the Combined Issuance (the “Sole Financial Adviser and Issue Manager”)</b>	UBS AG, acting through its business group, UBS Investment Bank One Raffles Quay #50-01 North Tower Singapore 048583
<b>Legal Adviser to the Trustee-Manager</b>	WongPartnership LLP One George Street #20-01 Singapore 049145
<b>Legal Adviser to the Sole Financial Adviser and Issue Manager as to Singapore Law</b>	Venture Law LLC 50 Raffles Place #30-00 Singapore Land Tower Singapore 048623
<b>Unit Registrar and Unit Transfer Office</b>	Boardroom Corporate & Advisory Services Pte. Ltd. 3 Church Street #08-01 Samsung Hub Singapore 049483
<b>Independent Financial Adviser</b>	PricewaterhouseCoopers Corporate Finance Pte Ltd 8 Cross Street #17-00 PWC Building Singapore 048424

## SUMMARY

*The following summary is qualified in its entirety by, and should be read in conjunction with, the full text of this Circular. Meanings of defined terms may be found in the Glossary on pages 35 to 39 of this Circular.*

*Any discrepancies in the tables included herein between the listed amounts and totals thereof are due to rounding.*

### SUMMARY OF APPROVALS SOUGHT

The Trustee-Manager seeks approval from the unitholders of PST (“**Unitholders**”) for the ordinary resolutions stated below:

#### **(1) The proposed issue of New Units under the Preferential Offering**

The proposed issue of such number of new Units (the “**New Units**”) at the issue price of US\$0.365 per New Unit (the “**Issue Price**”) to Singapore Registered Unitholders, on the basis of three (3) New Units for every four (4) existing Units held on the Books Closure Date (fractions of a Unit to be disregarded and subject to the Rounding Mechanism (as described herein)), so as to raise gross proceeds of approximately US\$92.3 million (the “**Preferential Offering**”) to finance and refinance part of the purchase price payable to Tranpac Holdings Inc., Panama (“**Tranpac**”) as the vendor in respect of PST’s acquisition of each of KOTA NABIL, a container vessel (Hull No. CS1800-1) with a capacity of 1,800 TEU (“**KOTA NABIL**”), KOTA NAGA, a container vessel (Hull No. CS1800-2) with a capacity of 1,800 TEU (“**KOTA NAGA**”), CSAV LAJA, a container vessel (Hull No. C4250-24) with a capacity of 4,250 TEU (formerly known as PST VALOUR) (“**CSAV LAJA**”) and CSAV LAUCA, a container vessel (Hull No. C4250-25) with a capacity of 4,250 TEU (formerly known as PST VICTORY) (“**CSAV LAUCA**”, collectively, the “**New Vessels**”) amounting to approximately US\$222.2 million (the “**Total Purchase Consideration**”) and/or for PST’s general corporate purposes and/or working capital purposes and/or refinancing of borrowings; and

#### **(2) The Whitewash Resolution for the Preferential Offering**

Subject to and conditional upon Resolution (1) being approved by Unitholders, the proposed waiver by Unitholders of their rights to receive a general takeover offer by PIL and Tranpac, in accordance with Rule 14 of the Singapore Code on Take-overs and Mergers (the “**Code**”), following PIL’s acceptance of its provisional allocation of New Units under the Preferential Offering in respect of its approximate 34.64% direct interest in PST (the “**PIL Preferential Offering Entitlement**”) and subscription for the New Units which are not subscribed by the other Singapore Registered Unitholders under the Preferential Offering and excluding the New Units provisionally allocated due to the Rounding Mechanism (the “**Unsubscribed New Units**”) (provided that the aggregate number of New Units pursuant to the PIL Preferential Offering Entitlement and the Unsubscribed New Units subscribed by PIL shall not exceed 252,750,000) pursuant to the PIL Undertaking (as defined below).

***In the event that Resolution (1) and Resolution (2) are not approved, Unitholders will not be asked to consider Resolutions (3) and (4) below. In the event that Resolution (2) is not approved, Unitholders are asked to consider Resolutions (3) and (4) below.***

#### **(3) The proposed allotment and issue of the Consideration Units to Tranpac**

Subject to and conditional upon Resolution (1) and Resolution (4) (as set out below) being approved by Unitholders, in the event that there is a shortfall between the target gross proceeds of approximately US\$92.3 million and the actual gross proceeds raised in the Preferential Offering, the proposed allotment and issue of up to approximately 165,192,750 new Units (the “**Consideration Units**”) at the Issue Price to Tranpac to make up such shortfall in order to partially discharge the purchase consideration for CSAV LAJA and/or CSAV LAUCA, Provided the aggregate issue price of the Consideration Units shall not in any event exceed US\$60.3 million.

The issue of the Consideration Units to Tranpac also constitutes an interested person transaction. US\$60.3 million represents approximately 44% of the aggregate purchase price of US\$136.2 million (the “**CSAV Vessels Purchase Consideration**”) for the acquisition of CSAV LAJA and CSAV LAUCA. The actual number of New Units issued under the Preferential Offering and the actual number of Consideration Units shall be referred to as the “**Combined Issuance**”. The aggregate issue size of the Combined Issuance shall be approximately US\$92.3 million; and

**(4) The Whitewash Resolution for the Issue of Consideration Units and the PIL Preferential Offering Entitlement (as defined below)**

The proposed waiver by Unitholders of their rights to receive a general takeover offer by PIL and Tranpac, in accordance with Rule 14 of the Code, following the allotment and issue of the Consideration Units to Tranpac as part satisfaction of the CSAV Vessels Purchase Consideration and the acceptance by PIL of the PIL Preferential Offering Entitlement.

**OVERVIEW OF RESOLUTION (1)**

The Trustee-Manager had entered into the respective memorandum of agreement in relation to the acquisition of each of the New Vessels (collectively, the “**Memoranda of Agreement**”) with Tranpac, a wholly-owned subsidiary of PIL, to acquire the New Vessels pursuant to the right of first refusal granted by PIL (which was the sponsor of PST’s initial public offering) in an agreement dated 25 April 2006 and entered into between the Trustee-Manager and PIL. The acquisitions of the New Vessels (the “**Acquisitions**”) had been approved by Unitholders at a general meeting on 22 February 2008.

It was stated in the circular to Unitholders dated 28 January 2008 that the Trustee-Manager intended to fund, among others, the Acquisitions wholly with debt finance. However, as stated in that circular, the final financing structure would be subject to further evaluation by the Trustee-Manager. In determining the appropriate financing to be taken up by PST in respect of the Acquisitions, the Trustee-Manager had stated that it would take into account, amongst others, prevailing market conditions and the relative costs of financing. Taking into consideration the current credit environment, the Trustee-Manager currently intends to fund the Acquisitions by way of a combination of debt and equity which will allow PST the flexibility to continue expanding its fleet going forward as part of PST’s growth objectives.

The Trustee-Manager intends to issue approximately 252,750,000 New Units, so as to raise gross proceeds of approximately US\$92.3 million. The net proceeds of the Preferential Offering is intended to finance and refinance part of the Total Purchase Consideration, namely, approximately 60% of such net proceeds will be utilised to partially finance the CSAV Vessels Purchase Consideration, approximately 38% of such net proceeds will be utilised for the partial refinancing of borrowings which had been used by PST to complete the acquisitions of KOTA NABIL and KOTA NAGA, and/or the balance of such net proceeds will be utilised for PST’s general corporate purposes and/or working capital purposes and/or refinancing of borrowings.

Should Unitholders approve Resolution (1) and Resolution (2), the gross proceeds of approximately US\$92.3 million will enable PST to reduce its Aggregate Leverage from 68.9%<sup>(1)</sup> to 49.9%, thereby increasing its financial flexibility to pursue medium-term growth opportunities that could possibly be yield accretive. Upon completion of the Preferential Offering (taking into account the Acquisitions as well), PST’s distribution per unit (the “**DPU**”) could also possibly increase.

PIL has irrevocably undertaken (the “**PIL Undertaking**”) that it will (i) subscribe and pay for its provisional allocation of New Units in respect of its direct interest of approximately 34.64% in PST; and (ii) subscribe and pay for the Unsubscribed New Units under the Preferential Offering (provided that the aggregate number of New Units pursuant to the PIL Preferential Offering Entitlement and the Unsubscribed New Units subscribed by PIL shall not exceed 252,750,000), subject to, among others, the receipt of approval of Unitholders under Resolution (2).

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<sup>(1)</sup> Assuming PST had funded the Acquisitions wholly by debt finance.

No excess applications will be allowed under the Preferential Offering and provisional allocations of New Units under the Preferential Offering which are not taken up by Singapore Registered Unitholders for any reason (excluding any New Units that would be provisionally allocated due to the Rounding Mechanism) being the Unsubscribed New Units, will be subscribed by PIL at the Issue Price pursuant to the PIL Undertaking (provided that the aggregate number of New Units pursuant to the PIL Preferential Offering Entitlement and the Unsubscribed New Units subscribed by PIL shall not exceed 252,750,000).

The SGX-ST had granted its in-principle approval for the listing of and quotation for the New Units on the Official List of the SGX-ST in its letter dated 8 August 2008, subject to the conditions stated therein and set out in Section 2 of this Circular.

Unitholders are asked to approve the issue of New Units pursuant to the Preferential Offering, as set out in the notice of the extraordinary general meeting (“EGM”) on pages 63 and 64 of this Circular.

## **OVERVIEW OF RESOLUTION (2)**

As at the Latest Practicable Date, PIL holds direct and deemed interest in 116,963,000 Units, which is equivalent to approximately 34.71% of the total number of the Existing Units. Under Rule 14 of the Code, PIL and Tranpac are obliged to make a mandatory general offer for the remaining Units not already owned or controlled by it if, as a result of PIL's acceptance of the PIL Preferential Offering Entitlement and subscription for the Unsubscribed New Units under the Preferential Offering pursuant to the PIL Undertaking, PIL and Tranpac acquire more than 1% of the voting rights of PST within a six-month period.

PIL was the sponsor of PST's initial public offering in May 2006 and has continued to support PST as its major Unitholder. The PIL Undertaking demonstrates PIL's commitment to PST as its major Unitholder and gives a clear indication of PIL's support and confidence in PST's long term growth and financial prospects. Further, the Trustee-Manager believes that the PIL Undertaking will facilitate a successful Preferential Offering in view of the current volatility and uncertainty in the equity capital markets, and also supports the future growth initiatives of PST.

An application was made to the SIC for a waiver of the obligations of PIL and Tranpac to make a mandatory general offer for the Units under Rule 14 of the Code. The SIC has on 4 August 2008 granted a waiver, subject to the satisfaction of certain conditions, of the requirement for PIL and Tranpac to make a mandatory general offer for all the Units if following PIL's acceptance of the PIL Preferential Offering Entitlement and subscription for the Unsubscribed New Units under the Preferential Offering (provided that the aggregate number of New Units pursuant to the PIL Preferential Offering Entitlement and the Unsubscribed New Units subscribed by PIL will not exceed 252,750,000) pursuant to the PIL Undertaking, PIL and Tranpac, in aggregate, acquire more than 1% of the voting rights of PST (the “**Whitewash Waiver for the Preferential Offering**”), details of which are set out in Section 5 of this Circular.

PricewaterhouseCoopers Corporate Finance Pte Ltd, the Independent Financial Adviser (the “**IFA**”), has been appointed to advise the Independent Directors on the proposed resolution for the waiver of the rights of the Unitholders independent of PIL and Tranpac (the “**Independent Unitholders**”) to receive a mandatory general offer from PIL and Tranpac for all the existing Units in issue (the “**Whitewash Resolution for the Preferential Offering**”) in connection with PIL's acceptance of the PIL Preferential Offering Entitlement and PIL's subscription for the Unsubscribed New Units under the Preferential Offering, and the advice of the IFA is set out in Section 10 and Appendix 2 of this Circular.

The Independent Unitholders are asked to vote, on a poll, on the Whitewash Resolution for the Preferential Offering as set out in the notice of EGM on pages 63 and 64 of this Circular. Unitholders should note that PIL's obligations under the PIL Undertaking to subscribe and pay for the Unsubscribed New Units are conditional upon Resolution (2) being approved.

### OVERVIEW OF RESOLUTION (3)

**In the event that Resolution (2) is not approved, Unitholders are asked to approve the issue of the Consideration Units to Tranpac, as set out in the notice of EGM on pages 63 and 64 of this Circular.**

Under the relevant terms of the Memoranda of Agreement, US\$136.2 million is payable by PST to Tranpac for the acquisitions of CSAV LAJA and CSAV LAUCA. In the event that Resolution (2) is not approved by Unitholders, there is a possibility that the Preferential Offering may not be fully subscribed by Unitholders and thus PST would not be able to raise the target gross proceeds of approximately US\$92.3 million. In relation to the shortfall between the target gross proceeds of approximately US\$92.3 million and the actual gross proceeds raised in the Preferential Offering, subject to and conditional upon Resolution (1) and Resolution (4) being approved by Unitholders, PST proposes to partially discharge the CSAV Vessels Purchase Consideration by way of issue of the Consideration Units at the Issue Price, Provided the aggregate issue price of the Consideration Units shall not in any event exceed US\$60.3 million. US\$60.3 million represents approximately 44% of the CSAV Vessels Purchase Consideration. The aggregate issue size of the Combined Issuance shall be approximately US\$92.3 million.

In relation to the net proceeds raised under the Preferential Offering, at least US\$30 million will be utilised for the partial refinancing of the existing borrowings which had been used by PST to complete the acquisitions of KOTA NABIL and KOTA NAGA, with the balance to be utilised for the partial financing of the CSAV Vessels Purchase Consideration and/or for PST's general corporate purposes and/or working capital purposes and/or refinancing of borrowings.

The Consideration Units shall be allotted and issued to Tranpac upon the delivery of CSAV LAJA and/or CSAV LAUCA (as the case may be) in accordance with the terms and conditions of the Memoranda of Agreement or as may be agreed between the relevant parties.

In the event that Resolution (2) is not approved by Unitholders, there is no certainty that the Preferential Offering can be completed as it is not underwritten by any financial institution. In such event, the Trustee-Manager is proposing that equity, in the form of the Consideration Units, be issued to partially finance the CSAV Vessels Purchase Consideration.

The Trustee-Manager believes that the Combined Issuance will enable PST to reduce its Aggregate Leverage from 68.9%<sup>(2)</sup> to 49.9%, thereby increasing its financial flexibility to pursue medium-term growth opportunities, whilst possibly allowing DPU accretion following the completion of the Combined Issuance (taking into account the Acquisitions as well).

Unitholders are asked to approve the allotment and issue of the Consideration Units to Tranpac, as set out in the notice of EGM on pages 63 and 64 of this Circular. **The proposed allotment and issue of the Consideration Units to Tranpac is conditional, amongst others, upon Resolution (4), namely, the Whitewash Resolution for the Issue of Consideration Units and the PIL Preferential Offering Entitlement, being approved. If such approval is not obtained, PST will not proceed with the proposed issue of the Consideration Units.**

The issue of the Consideration Units to Tranpac, being a wholly-owned subsidiary of PIL and therefore an Associate of PIL, would also constitute an interested person transaction under Chapter 9 of the Listing Manual. If the Consideration Units are issued to Tranpac, there is a possibility (depending on the number of Consideration Units issued) that the value of the Consideration Units issued to Tranpac exceeds 5.0 per cent. of PST's audited NTA for FY2007. In such circumstances, Rule 906 of the Listing Manual also requires Unitholders' approval for the issue of Consideration Units to Tranpac.

The IFA has also been appointed to advise the Independent Directors on Resolution (3) in respect of the issue of the Consideration Units and the advice of the IFA is set out in Section 10 and Appendix 2 of this Circular.

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<sup>(2)</sup> Assuming PST had funded the Acquisitions wholly by debt finance.

#### OVERVIEW OF RESOLUTION (4)

An application was made to the SIC for a waiver of the obligations of PIL and Tranpac to make a mandatory general offer for the Units under Rule 14 of the Code. As described above, PIL has obtained the Whitewash Waiver for the Preferential Offering from the SIC. The SIC has on 4 August 2008 also granted a waiver, subject to the satisfaction of certain conditions, of the requirement for PIL and Tranpac to make a mandatory general offer for all the Units if following the allotment and issue of Consideration Units to Tranpac and PIL's acceptance of the PIL Preferential Offering Entitlement pursuant to the PIL Undertaking, PIL and Tranpac, in aggregate, acquire more than 1% of the voting rights of PST (the **"Whitewash Waiver for the Issue of Consideration Units and the PIL Preferential Offering Entitlement"**) in any six month period. Details of the Whitewash Waiver for the Issue of Consideration Units and the PIL Preferential Offering Entitlement are set out in Section 5 of this Circular.

The IFA has been appointed to advise the Independent Directors on the proposed resolution for the waiver of the rights of the Independent Unitholders to receive a mandatory general offer from PIL and Tranpac for all the existing Units in issue in connection with the issue of the Consideration Units and PIL's acceptance of the PIL Preferential Offering Entitlement (the **"Whitewash Resolution for the Issue of Consideration Units and the PIL Preferential Offering Entitlement"**). The advice of the IFA is set out in Section 10 and Appendix 2 of this Circular.

The Independent Unitholders are asked to vote, on a poll, on the Whitewash Resolution for the Issue of Consideration Units and the PIL Preferential Offering Entitlement as set out in the notice of EGM on pages 63 and 64 of this Circular.

In the event that Resolution (4) is not approved by Unitholders, Consideration Units will not be issued to Tranpac to partially finance the CSAV Vessels Purchase Consideration. As a result, PST's ability to reduce its Aggregate Leverage may be limited and hence its financial flexibility to pursue growth opportunities will be restricted.

## INDICATIVE TIMETABLE FOR THE PREFERENTIAL OFFERING

<b>Event</b>	<b>Date and Time</b>
Last date and time for lodgement of Proxy Forms	: 25 August 2008 at 2.30 p.m.
Date and time of EGM	: 27 August 2008 at 2.30 p.m.
<b>Subject to the approval from Unitholders being obtained at the EGM for the Preferential Offering:</b>	
Last day and time for trading on a “cum” basis in respect of the Preferential Offering	: To be determined (but is expected to be no later than early September 2008)
Commencement of trading on an “ex” basis in respect of the Preferential Offering	: To be determined (but is expected to be no later than early September 2008)
Books Closure Date	: To be determined (but is expected to be no later than early September 2008)
Commencement of the Preferential Offering	: To be determined (but is expected to be no later than mid September 2008)
Close of the Preferential Offering	: To be determined (but is expected to be no later than end September 2008)
Expected date for issuance of the New Units and commencement of trading of the New Units	: To be determined (but is expected to be no later than early October 2008)

The timetable for the events which are scheduled to take place after the EGM is indicative only and is subject to change at the Trustee-Manager’s absolute discretion. The Trustee-Manager intends to announce any changes (including any determination of the relevant dates) to the timetable above once the Trustee-Manager becomes aware of such changes.

# PACIFIC SHIPPING TRUST

(a business trust constituted on 25 April 2006 under the laws of the Republic of Singapore)  
managed by PST Management Pte. Ltd.

## LETTER TO UNITHOLDERS

### Directors of the Trustee-Manager

Mr Benedict Kwek Gim Song (Chairman and Independent Director)  
Mr Lee Soo Hoon (Independent Director)  
Mr David Chin Soon Siong (Independent Director)  
Mr Eugene Ooi Chin Chai (Independent Director)  
Mr Christopher Adrian Jones (Independent Director)  
Mr Kuan Kim Kin (Non-Independent Director)  
Mr Teo Choo Wee (Non-Independent Director)  
Mr Alvin Cheng Yu-Dong (Chief Executive Officer and Executive Director)

### Registered Office

140 Cecil Street  
#09-01 PIL Building  
Singapore 069540

12 August 2008

To : Unitholders of Pacific Shipping Trust

Dear Sir/Madam

- (1) **PROPOSED NON-RENOUNCEABLE PREFERENTIAL OFFERING (THE “PREFERENTIAL OFFERING”) OF NEW UNITS (THE “NEW UNITS”) IN PST, AT THE ISSUE PRICE OF US\$0.365 PER NEW UNIT (THE “ISSUE PRICE”), TO SINGAPORE REGISTERED UNITHOLDERS ON THE BASIS OF THREE (3) NEW UNITS FOR EVERY FOUR (4) EXISTING UNITS HELD ON THE BOOKS CLOSURE DATE (FRACTIONS OF A UNIT TO BE DISREGARDED); AND**
- (2) **THE PROPOSED WHITEWASH RESOLUTION FOR THE WAIVER BY THE INDEPENDENT UNITHOLDERS OF THEIR RIGHT TO RECEIVE A MANDATORY GENERAL OFFER FROM PACIFIC INTERNATIONAL LINES (PRIVATE) LIMITED (“PIL”) AND TRANPAC HOLDINGS INC., PANAMA (“TRANPAC”) FOR ALL THE ISSUED UNITS OF PST FOLLOWING PIL’S ACCEPTANCE OF ITS PROVISIONAL ALLOCATION OF NEW UNITS AND SUBSCRIPTION OF UNSUBSCRIBED NEW UNITS UNDER THE PREFERENTIAL OFFERING PURSUANT TO THE PIL UNDERTAKING (AS DEFINED HEREIN); AND**
- (3) **IN THE EVENT THAT RESOLUTION (2) IS NOT APPROVED BY UNITHOLDERS, THE PROPOSED ALLOTMENT AND ISSUE OF NEW UNITS (THE “CONSIDERATION UNITS”), AT THE ISSUE PRICE, WHICH AMOUNT SHALL BE EQUIVALENT TO THE AMOUNT NOT SUBSCRIBED FOR UNDER THE PREFERENTIAL OFFERING, TO TRANPAC, AS THE VENDOR OF THE NEW VESSELS (TO PARTIALLY SATISFY THE PURCHASE CONSIDERATION FOR CERTAIN NEW VESSELS), WHICH ISSUE CONSTITUTES AN INTERESTED PERSON TRANSACTION; AND**
- (4) **THE PROPOSED WHITEWASH RESOLUTION FOR THE WAIVER BY THE INDEPENDENT UNITHOLDERS OF THEIR RIGHT TO RECEIVE A MANDATORY GENERAL OFFER FROM PIL AND TRANPAC, FOR ALL THE ISSUED UNITS OF PST FOLLOWING THE ALLOTMENT AND ISSUE OF THE CONSIDERATION UNITS TO TRANPAC, AS THE VENDOR OF THE NEW VESSELS, AS PART SATISFACTION OF THE PURCHASE CONSIDERATION FOR CERTAIN NEW VESSELS AND PIL’S ACCEPTANCE OF ITS PROVISIONAL ALLOCATION OF NEW UNITS UNDER THE PREFERENTIAL OFFERING (AS DEFINED HEREIN).**

## 1. INTRODUCTION

- 1.1 **Background.** The portfolio of PST as at 31 December 2007 comprised eight container vessels with a total slot capacity of 13,864 TEU. As disclosed in the circular to Unitholders dated 28 January 2008, pursuant to the respective Memorandum of Agreement in relation to each of the New Vessels, the Trustee-Manager had agreed to, among others, acquire the New Vessels from Tranpac pursuant to the right of first refusal granted by PIL (which was the sponsor of PST's initial public offering) in an agreement dated 25 April 2006 and entered into between the Trustee-Manager and PIL. Selected information on the New Vessels and PST's other chartered vessels are set out in Appendix 1 of this Circular.
- 1.2 **Financing the Total Purchase Consideration.** Under the terms of the Memoranda of Agreement, the Total Purchase Consideration for the New Vessels is US\$222.2 million. The New Vessels are currently valued at US\$236 million based on a valuation obtained from an international ship valuer on 30 June 2008. It was stated in the circular to Unitholders dated 28 January 2008 that the Trustee-Manager intended to fund, among others, the Acquisitions wholly with debt finance. However, as stated in that circular, the final financing structure would be subject to further evaluation by the Trustee-Manager. In determining the appropriate financing for PST in respect of the Acquisitions, the Trustee-Manager stated that it would take into account, amongst others, prevailing market conditions and the relative costs of financing. Taking into consideration the current credit environment, the Trustee-Manager is of the view that it would be prudent to fund the Acquisitions by way of a combination of debt and equity, as this will allow PST the flexibility to continue expanding its fleet going forward as part of PST's growth objectives. Therefore, the Trustee-Manager has decided that it would be more in line with the growth strategy of PST to undertake the Preferential Offering or the Combined Issuance. Given the current volatility in the markets, it was considered that either the PIL Undertaking or the issue of the Consideration Units, would be appropriate as it demonstrates PIL's commitment to PST as its major Unitholder and gives a clear indication of PIL's support and confidence in PST's long term growth and financial prospects.
- 1.3 **Preferential Offering.** In connection therewith, PST is proposing a non-renounceable preferential offering of the New Units to Singapore Registered Unitholders at the Issue Price on the basis of three (3) New Units for every four (4) existing Units held by Singapore Registered Unitholders on the Books Closure Date (fractions of a Unit to be disregarded and subject to the Rounding Mechanism), so as to raise gross proceeds of approximately US\$92.3 million. The Issue Price is US\$0.365, being a discount of approximately 5.2% to the volume weighted average price of trades in the Units done on the SGX-ST for the full Market Day prior to the announcement of the Preferential Offering on 11 August 2008.

**As the Preferential Offering is made on a non-renounceable basis, the provisional allocations of New Units cannot be renounced in favour of a third party or traded on the SGX-ST. No excess applications will be allowed under the Preferential Offering and provisional allocations of New Units under the Preferential Offering which are not taken up by Singapore Registered Unitholders for any reason, and excluding any New Units that would have been provisionally allocated due to the Rounding Mechanism, being the Unsubscribed New Units, will be subscribed by PIL at the Issue Price pursuant to the PIL Undertaking (provided that the aggregate number of New Units pursuant to the PIL Preferential Offering Entitlement and the Unsubscribed New Units subscribed by PIL shall not exceed 252,750,000).**

In the event that Resolution (2), namely, the Whitewash Resolution for the Preferential Offering, is approved by Unitholders at the EGM, PIL will subscribe for the Unsubscribed New Units under the Preferential Offering. PIL has irrevocably undertaken (the "**PIL Undertaking**") that it will (i) subscribe and pay for its provisional allocation of New Units in respect of its direct interest of approximately 34.64% in PST; and (ii) subscribe and pay for the Unsubscribed New Units under the Preferential Offering, provided that the aggregate number of New Units pursuant to the PIL Preferential Offering Entitlement and the Unsubscribed New Units subscribed by PIL shall not exceed 252,750,000. Details of the PIL Undertaking are set out below.

1.4 **Combined Issuance.** If Unitholders approve the Preferential Offering under Resolution (1) but do not approve the Whitewash Resolution for the Preferential Offering under Resolution (2), there is a possibility that the Preferential Offering may not be fully subscribed and thus PST would not be able to raise the target gross proceeds of approximately US\$92.3 million. In relation to the shortfall between the target gross proceeds of approximately US\$92.3 million and the actual gross proceeds raised in the Preferential Offering, PST proposes to partially discharge the CSAV Vessels Purchase Consideration by way of issue of Consideration Units at the Issue Price, Provided the aggregate issue price of the Consideration Units shall not in any event exceed US\$60.3 million. US\$60.3 million represents approximately 44% of the CSAV Vessels Purchase Consideration. The aggregate issue size of the Combined Issuance shall be approximately US\$92.3 million. The Consideration Units shall be allotted and issued to Tranpac upon the delivery of CSAV LAJA and/or CSAV LAUCA (as the case may be) in accordance with the terms and conditions of the Memoranda of Agreement or as may be agreed between the relevant parties. Such allotment and issue of the Consideration Units is conditional, amongst others, upon the Whitewash Resolution for the Issue of Consideration Units and the PIL Preferential Offering Entitlement being approved under Resolution (4). If such approval is not obtained, PST will not proceed with the proposed issue of Consideration Units.

1.5 **Whitewash Waivers.** As at the Latest Practicable Date, PIL holds interest in 116,963,000 Units (direct and deemed), which is equivalent to approximately 34.71% of the total number of Existing Units. Under Rule 14 of the Code, PIL and Tranpac are obliged to make a mandatory general offer for the remaining Units not already owned or controlled by it if, as a result of accepting the PIL Preferential Offering Entitlement and/or subscribing for the Unsubscribed New Units under the Preferential Offering pursuant to the PIL Undertaking, and/or as a result of subscribing for the Consideration Units, PIL and Tranpac acquire more than 1% of the voting rights of PST in any six month period. Accordingly, an application was made to the SIC for a waiver of the obligations of PIL and Tranpac to make a mandatory general offer for the Units under Rule 14 of the Code. The SIC has on 4 August 2008 granted the Whitewash Waivers subject to the satisfaction of the conditions stated in Section 5 of this Circular.

Further details of the interest of PIL are set out in Section 6 of this Circular. Details of the unitholding interests in PST of the Substantial Unitholders are also set out in Section 6 of this Circular.

1.6 **Whitewash Resolutions.** PST is seeking a waiver from Independent Unitholders of their right to receive a general takeover offer by PIL and Tranpac, in accordance with Rule 14 of the Singapore Code on Take-overs and Mergers (the “Code”), as a result of PIL’s acceptance of the PIL Preferential Offering Entitlement and/or subscription for the Unsubscribed New Units under the Preferential Offering pursuant to the PIL Undertaking and/or as a result of the allotment and issue of the Consideration Units to Tranpac.

The Directors have, on behalf of the Trustee-Manager and PST, appointed the IFA to advise the Independent Directors on the Whitewash Resolutions. The recommendations and advice of the IFA is set out in Section 10 and Appendix 2 of this Circular. The Independent Unitholders are therefore asked to vote, on a poll, on the Whitewash Resolutions as set out in the notice of EGM on pages 63 and 64 of this Circular.

1.7 **Circular.** The purpose of this Circular is to provide Unitholders with the relevant information, and to seek Unitholders’ approval for, the resolutions to be tabled at the EGM to be held on 27 August 2008, notice of which is set out on pages 63 and 64 of this Circular.

## **2. IN-PRINCIPLE APPROVAL FROM THE SGX-ST FOR THE PREFERENTIAL OFFERING AND THE ISSUE OF CONSIDERATION UNITS**

2.1 **SGX-ST.** The SGX-ST had granted its in-principle approval for the listing of and quotation for the New Units and the Consideration Units on the Official List of the SGX-ST in its approval in-principle letter dated 8 August 2008, subject to the following conditions:

- (a) compliance with the SGX-ST's listing requirements and guidelines;
- (b) an immediate announcement of the details of the Preferential Offering and the proposed issue of the Consideration Units;
- (c) specific Independent Unitholders' approval for the Preferential Offering and the proposed issue of the Consideration Units to Tranpac; and
- (d) submission of a confirmation from a financial institution that PIL (or its Associates) has sufficient financial resources to irrevocably fulfill its obligations pursuant to the PIL Undertaking, prior to the announcement of the Books Closure Date;
- (e) submission of an undertaking from PST that the Preferential Offering will comply with Rule 820 of the Listing Manual prior to the announcement of the Books Closure Date; and
- (f) submission of the notification referred to in Rule 864(4) of the Listing Manual, if applicable, upon any significant changes affecting the matter in the application.

The in-principle approval of the SGX-ST is not to be taken as an indication of the merits of PST, the Units, the New Units, the Consideration Units, the Preferential Offering or the Combined Issuance. The SGX-ST takes no responsibility for the accuracy of any statements or opinions made in this Circular.

## **3. THE PREFERENTIAL OFFERING**

3.1 **Overview.** PST is proposing a preferential offering of the New Units to Singapore Registered Unitholders at the Issue Price on the basis of three (3) New Units for every four (4) existing Units held by Singapore Registered Unitholders on the Books Closure Date (fractions of a Unit to be disregarded and subject to the Rounding Mechanism), so as to raise gross proceeds of approximately US\$92.3 million. The Issue Price is at a discount of approximately 5.2% to the volume weighted average price of trades in the Units done on the SGX-ST for the full Market Day prior to the announcement of the Preferential Offering on 11 August 2008.

### **3.2 Summary of Additional Information on the Preferential Offering.**

Eligibility to Participate in the Preferential Offering : Singapore Registered Unitholders, who are Singapore Registered Unitholders, can accept their provisional allocations of New Units under the Preferential Offering in full or in part.

Acceptances by Singapore Registered Unitholders of their provisional allocations of New Units under the Preferential Offering may be effected via the application forms or through the ATMs of the Participating Banks.

**As the Preferential Offering is made on a non-renounceable basis, the provisional allocations of New Units cannot be renounced in favour of a third party or traded on the SGX-ST. No excess applications will be allowed for the Preferential Offering and provisional allocations of New Units under the Preferential Offering which are not taken up by Singapore Registered Unitholders for any reason, and excluding any New Units that would have been provisionally allocated due to the Rounding Mechanism, being the Unsubscribed New Units, will be subscribed by PIL at the Issue Price (provided that the aggregate number of New Units pursuant to the PIL Preferential Offering Entitlement and the Unsubscribed New Units subscribed by PIL shall not exceed 252,750,000) pursuant to the PIL Undertaking.**

The Preferential Offering is proposed to be made on a non-renounceable basis, as taking into account the relative size of the Preferential Offering compared with the market capitalisation of PST, allowing excess applications may result in an extreme redistribution of unitholdings in PST.

Foreign Unitholders : The making of the Preferential Offering may be prohibited or restricted in certain jurisdictions under their relevant securities laws. Thus, for practical reasons and in order to avoid any violation of the securities legislation applicable in countries (other than Singapore) where Unitholders may have their addresses registered with CDP, the Preferential Offering will not be extended to Unitholders whose registered addresses with CDP are outside Singapore, and who have not, at least five Market Days (as defined herein) prior to the Books Closure Date, provided CDP with addresses in Singapore for the service of notice and documents (“**Foreign Unitholders**”).

Foreign Unitholders who wish to participate in the Preferential Offering will have to provide CDP with addresses in Singapore for the service of notice and documents at least five Market Days prior to the Books Closure Date.

Rounding Mechanism : Where a Singapore Registered Unitholder’s provisional allocation of New Units under the Preferential Offering is other than an integral multiple of 1,000 Units, the increase in the provisional allocation of New Units to the Unitholder will be by such number which, when added to such Unitholder’s unitholdings as at the Books Closure Date, results in an integral multiple of 1,000 Units (the “**Rounding Mechanism**”). Unitholders may accept their provisional allocations of New Units under the Preferential Offering in full or in part.

In the case of nominee companies, as the Rounding Mechanism will be applied at the level of the aggregate Units held in the securities accounts of such nominee companies with the CDP, investors whose Units are held through such nominee companies may not enjoy the benefit of the Rounding Mechanism on an individual level.

Unitholders are to take note that the maximum dilutive impact arising from the Preferential Offering is not ascertainable as at the date of this Circular due to the Rounding Mechanism.

PIL Undertaking : Pursuant to the PIL Undertaking, PIL will (i) subscribe and pay for its provisional allocation of New Units in respect of its direct interest of approximately 34.64% in PST and (ii) subscribe and pay for the Unsubscribed New Units under the Preferential Offering, provided that the aggregate number of New Units pursuant to the PIL Preferential Offering Entitlement and the Unsubscribed New Units subscribed by PIL shall not exceed 252,750,000. Such New Units will be subscribed by PIL at the Issue Price. Details of the PIL Undertaking are set out below.

Books Closure Date : **Notice is hereby given that, subject to the relevant approvals that will be sought at the EGM being obtained, the Books Closure Date will be announced closer to the date of the commencement of the Preferential Offering.**

Governing Law : Laws of the Republic of Singapore

- 3.3 **Status of the New Units.** In the event that the New Units are not issued at the beginning of, but during the course of, a financial quarter of PST, the New Units will trade under a temporary stock counter, separate from the existing PST counter.

**For the avoidance of doubt, the New Units will not be entitled to participate in the distribution of any distributable income accrued by PST prior to the date of allotment and issue of the New Units. Upon allotment and issue, the New Units will only be entitled to participate in PST's distributable income for the period from the date of their issue to the end of the applicable financial quarter, whereas the existing Units are entitled to participate in PST's distributable income in respect of the entire applicable financial quarter (or such other period as may be determined by the Trustee-Manager).** After the last day of "cum-distribution" trading, both the New Units trading on the temporary stock counter and the existing Units will be aggregated and traded under the existing PST stock counter on the Main Board of the SGX-ST on the next Market Day (as defined herein), *i.e.* the first day of "ex-distribution" trading for both the New Units and the existing Units.

- 3.4 **Undertaking by PIL.** As at the Latest Practicable Date, PIL has a direct interest of 116,743,000 Units, representing approximately 34.64% of the Existing Units. To demonstrate its commitment to PST, PIL has irrevocably undertaken to the Trustee-Manager that:

(a) PIL will subscribe and pay for its provisional allocation of New Units in respect of its direct interest of approximately 34.64% in PST; and

(b) PIL will subscribe and pay for the Unsubscribed New Units under the Preferential Offering,

provided that the aggregate number of New Units pursuant to the PIL Preferential Offering Entitlement and the Unsubscribed New Units subscribed by PIL shall not exceed 252,750,000 (the "**PIL Undertaking**").

The PIL Undertaking shall be subject to, amongst others, the Whitewash Resolution for the Preferential Offering being approved, and shall lapse and cease to have any effect in the event that the Preferential Offering is not completed by 31 March 2009 or such later date as the parties may mutually agree. Details of the unitholding of PIL as at the Latest Practicable Date, and upon completion of the Preferential Offering based on certain assumptions, are set out in Section 6 of this Circular.

The PIL Undertaking will enhance the objective of a successful Preferential Offering as it demonstrates PIL's support and confidence in the long-term growth and financial prospects of PST.

- 3.5 **Rationale for the Preferential Offering and the Combined Issuance.** PST's acquisition growth strategy is underpinned by its key financial objective to provide Unitholders with a competitive rate of return for their investment, by offering regular and stable distributions to Unitholders and long-term growth prospects in the DPU.

The Trustee-Manager believes that Unitholders would enjoy the following benefits from the Preferential Offering and the Combined Issuance:

- (i) a strengthened balance sheet and enhanced financing flexibility to pursue medium-term yield accretive growth opportunities;
- (ii) DPU accretive on a Pro Forma basis - Pro Forma DPU yield could increase to 11.8%<sup>(3)</sup>;
- (iii) in respect of the Preferential Offering, a pro-rata entitlement to the New Units at a discount;
- (iv) possible increase in the trading liquidity of the Units; and
- (v) flexibility to increase the portfolio size, allowing for economies of scale.

- 3.5.1 A strengthened balance sheet and enhanced financing flexibility to pursue medium-term yield accretive growth opportunities.

The completion of the Preferential Offering or the Combined Issuance would improve PST's financial flexibility and reduce its Aggregate Leverage had PST funded the Acquisitions entirely by way of debt finance. PST's Aggregate Leverage is expected to decrease from 68.9% (had PST funded the Acquisitions wholly by debt finance) to 49.9% after adjustment for the Preferential Offering and the acquisitions of the New Vessels. Assuming a steady Aggregate Leverage at 60%<sup>(4)</sup>, PST will have significant Borrowing Capacity, as illustrated in the table below, of US\$120.5 million to finance accretive growth opportunities in the future.

**Enhanced Financial Flexibility Following the Preferential Offering or Combined Issuance**

	<b>Actual FY2007 As at 31 December 2007</b>	<b>Unaudited Pro Forma FY2007 Adjusted for the Preferential Offering or the Combined Issuance and the Acquisitions<sup>(1)</sup></b>
Total Borrowings (US\$ million)	108.8	236.8
Total Assets (US\$ million)	259.7	475.0
EBITDA <sup>(2)</sup> (US\$ million)	32.5	55.3

**Notes:-**

- (1) Assuming the New Vessels are funded partly by way of the issue of the New Units and/or the Consideration Units.
- (2) Excluding fair value losses on interest rate swaps, which have no impact on DPU.

<sup>(3)</sup> Based on the Issue Price and assuming 252,750,000 New Units are allotted and issued under the Preferential Offering or the Combined Issuance and excluding any New Units that would have been provisionally allocated as a result of the Rounding Mechanism.

<sup>(4)</sup> For illustrative purposes, an Aggregate Leverage of 60% is assumed, which is in line with market comparables.

Compared with the acquisitions being financed wholly with debt finance, the reduction in Aggregate Leverage and increase in Borrowing Capacity pursuant to the Preferential Offering or the Combined Issuance and the Acquisitions would be as follows:

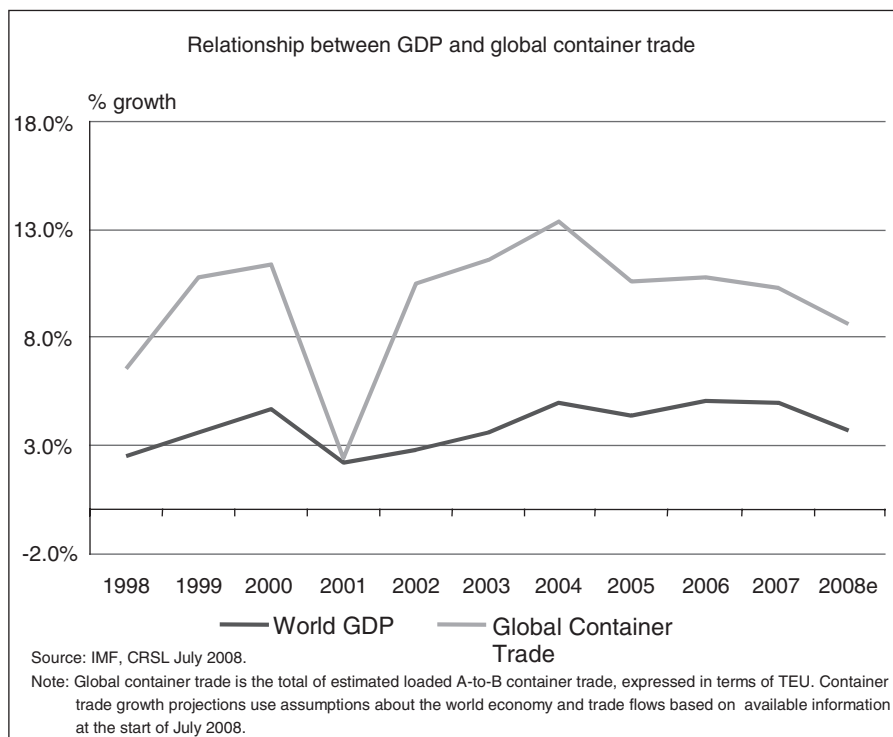
	<b>Unaudited Pro Forma FY2007 Adjusted for the Acquisitions being funded wholly with debt finance</b>	<b>Unaudited Pro Forma FY2007 Adjusted for the Preferential Offering or the Combined Issuance and the Acquisitions<sup>(1)</sup></b>
Aggregate Leverage <sup>(2)</sup>	68.9%	49.9%
Borrowing Capacity (US\$ million) <sup>(3)</sup>	–	120.5

**Notes:-**

- (1) Assuming the New Vessels are funded partly by way of the issue of the New Units and/or Consideration Units.
- (2) Calculated based on the Total Borrowings divided by the Total Assets.
- (3) Assuming a steady Aggregate Leverage of 60%, which is in line with market comparables.

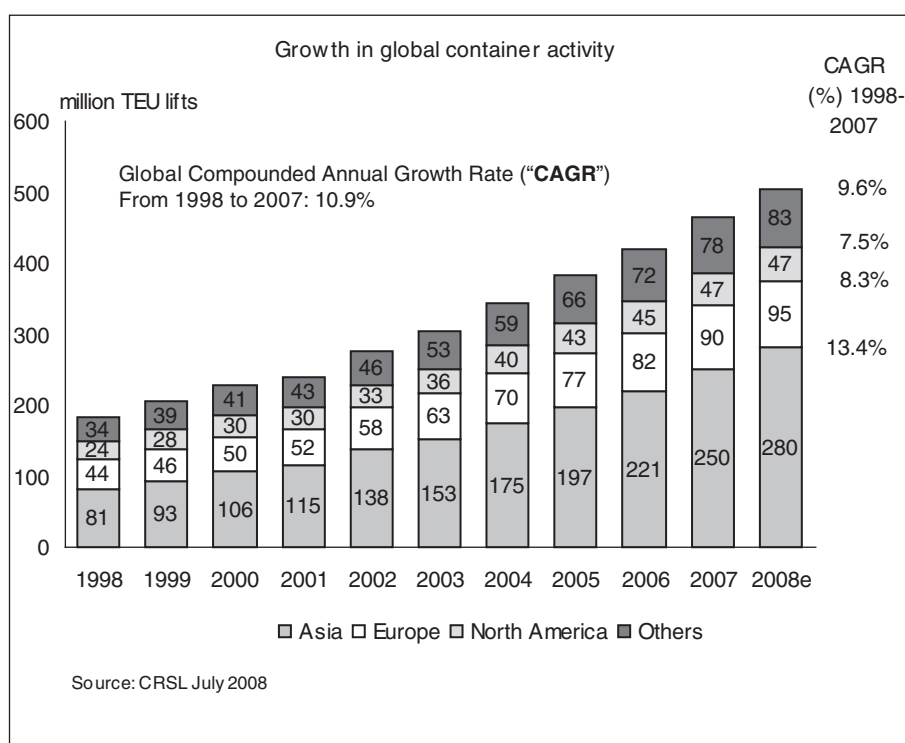
## Industry outlook<sup>(5)</sup> – Container shipping supply and demand dynamics

The long-term growth in global container shipping has been driven by the growth in global gross domestic product (“GDP”), merchandise trade, and proportion of general cargo trade shipped in containers. Since 1998, container shipping volumes have grown twice as fast as exports, which in turn have grown 1.5 times faster than GDP, giving an overall multiplier of a 3% increase in containerised trade volumes for every 1% expansion in GDP.



Container lifts (in TEU millions) have therefore grown at an annual compounded rate of almost 11% from 1998-2007, with Asia registering the highest rate at over 13%, in part driven by China's rapid economic expansion and entry into the World Trade Organisation. As discussed above, this growth is influenced by developments in the world economy, and has ranged from a low of 2.5% in 2001 to a high of 13.4% in 2004.

<sup>(5)</sup> Source: Clarkson Research Services Limited. Clarkson Research Services Limited (“CRSL”) has provided its consent but shall not have any liability for any errors in the information. Unitholders are to note that the statistical and graphical information contained under this heading is drawn from the CRSL's database and other sources. CRSL has advised that (i) some information in CRSL's database is derived from estimates or subjective judgments, (ii) the information in the databases of other maritime data collection agencies may differ from the information in CRSL's database, (iii) whilst CRSL has taken reasonable care in the compilation of the statistical and graphical information and believes it to be accurate and correct, data compilation is subject to limited audit and validation procedures. Container growth trade projections use assumptions about the world economy and trade flows based on available information at the start of July 2008, (iv) CRSL, its agents, officers and employees cannot accept liability for any loss suffered in consequence of reliance on such information or in any other manner, and (v) the provision of such information does not obviate any need to make appropriate further enquiries. While the Trustee-Manager has taken reasonable action to ensure that this information has been reproduced in its proper form and context, and that it has been extracted accurately and fairly, neither the Trustee-Manager, the Sole Financial Adviser and Issue Manager nor any other party has conducted an independent review of, nor verified the accuracy of, such information.



Container vessel construction has also responded to rapidly growing global container trade, to the extent that global container supply is expected to outstrip demand in the near-term. The resultant demand and supply imbalance may have an influence on containership charter rates, which may in turn have an impact on vessel pricing valuations.

Despite any potential downward trend in charter rates or vessel values, the impact on PST's fleet of containerships is expected to be offset by the long-term charters currently locked in for all its vessels (including the new vessels delivering in the second half of 2008). Its charters average eight years in duration and provide PST with long term stable revenue streams. With its relatively young fleet of vessels (weighted average age of 4.3 years) favoured by charterers because of their lower operating costs and greater reliability, PST is expected to continue generating favourable charter rates. Moreover, given the historic and projected growth in container shipping demand, any near-term imbalance between it and capacity should be rectified within the tenor of PST's average charter duration.

Elsewhere, the appreciation in construction input costs, as well as better residual value retention amongst larger vessels (reflecting their better economies of scale) has seen the appraised value of PST's New Vessels rise by over 6% from US\$222.2 million to US\$236 million<sup>(6)</sup> in the last five months. This provides a buffer against any downward value trends that may emerge.

A potential decline in fleet values may also represent an opportunity for PST to further enhance its vessel portfolio at lower acquisition prices. The Preferential Offering or the Combined Issuance provides PST with enhanced financial flexibility, increasing its borrowing capacity to approximately US\$120.5 million to exploit potential medium-term yield accretive acquisition opportunities.

<sup>(6)</sup> Based on the valuation by an international ship valuer on 30 June 2008.

### 3.5.2 DPU accretive on a Pro Forma basis - Pro Forma DPU yield could increase to 11.8%

Based on the Unaudited Pro Forma DPU for 2007 as adjusted for the Preferential Offering or the Combined Issuance and the Acquisitions<sup>(7)</sup>, the DPU could illustrate an increase from 4.29 US cents to 4.31 US cents. Based on the Issue Price, PST's Pro Forma DPU yield could also increase from 11.75% to 11.80%.

	<b>Actual FY2007</b>	<b>Unaudited Pro Forma FY2007 Adjusted for the Preferential Offering or the Combined Issuance and Acquisitions<sup>(1)</sup></b>
DPU (US cents)	4.29	4.31
DPU yield <sup>(1)</sup> (%)	11.75	11.80

**Note:-**

- (1) Based on the Issue Price and assuming 252,750,000 New Units are allotted and issued under the Preferential Offering or the Combined Issuance and excluding any New Units that would have been provisionally allocated as a result of the Rounding Mechanism.

Unitholders are to note that the maximum dilutive impact arising from the Preferential Offering is not ascertainable as at the date of this Circular due to the Rounding Mechanism.

Following the Preferential Offering or the Combined Issuance and the Acquisitions, PST will have a reduction in its Aggregate Leverage and an increase in its Borrowing Capacity which could put PST in a better position to take advantage of business opportunities as and when they arise.

### 3.5.3 In respect of the Preferential Offering, a pro-rata entitlement to the New Units at a discount.

The Preferential Offering would offer Unitholders the opportunity to subscribe for the New Units at a price representing a discount of approximately 5.2% to the volume weighted average price of trades in the Units done on the SGX-ST for the full Market Day prior to the announcement of the Preferential Offering on 11 August 2008.

### 3.5.4 Possible increase in the trading liquidity

The trading liquidity of the Units since PST's initial public offering in May 2006 has been generally thin. The average daily trading volume of the Units had been approximately 404,767 over the 26 month period since PST's initial public offering and prior to the Latest Practicable Date, representing approximately 0.12% of the number of issued Units as at the Latest Practicable Date. Upon the completion of the Preferential Offering, the number of issued Units is expected to increase to approximately 589,750,000 Units, representing an increase by about 75%, and the free-float could possibly increase by up to the value of the relevant Unitholders' provisional allocations under the Preferential Offering, which the Trustee-Manager believes will help improve the valuation and trading liquidity of the Units.

<sup>(7)</sup> Please refer to the assumptions highlighted under Section 7 of this Circular for more details.

### 3.5.5 Flexibility to increase the portfolio size, allowing for economies of scale

The New Vessels would increase the size of PST's portfolio from eight vessels as at 31 December 2007 to twelve vessels, representing a 87.3% increase in slot capacity of PST's portfolio. CSAV LAJA and CSAV LAUCA will be chartered to Compania Sud Americana de Vapores S.A. for a period of five years each on a time charter basis. KOTA NABIL and KOTA NAGA are chartered to PIL for a period of eight years each on a bareboat charter basis. The Trustee-Manager believes that this represents a positive step towards diversification in terms of charterer, charter type and tenure and will continue to seek opportunities to broaden and diversify the income streams of PST by capitalising on its increased Borrowing Capacity following the completion of the Preferential Offering or the Combined Issuance. The Trustee-Manager also believes that as PST acquires additional vessels, it will be able to enjoy increased economies of scale in managing its portfolio of vessels.

## 4. THE ISSUE OF CONSIDERATION UNITS UNDER THE COMBINED ISSUANCE

- 4.1 **The Consideration Units and the Issue Price.** Under the terms of the Memoranda of Agreement, the Total Purchase Consideration for the Acquisitions is approximately US\$222.2 million payable by PST to Tranpac, of which US\$136.2 million is payable by PST to Tranpac for the acquisitions of CSAV LAJA and CSAV LAUCA. As at the date of this Circular, the purchase price for KOTA NABIL and KOTA NAGA amounting to an aggregate of US\$86.0 million has been satisfied by PST by way of debt finance.

If Unitholders approve the Preferential Offering under Resolution (1) but do not approve the Whitewash Resolution for the Preferential Offering under Resolution (2), there is a possibility that the Preferential Offering may not be fully subscribed and thus PST would not be able to raise the target gross proceeds of approximately US\$92.3 million. In relation to the shortfall between the target gross proceeds of approximately US\$92.3 million and the actual gross proceeds raised in the Preferential Offering, PST proposes to partially discharge the CSAV Vessels Purchase Consideration by way of issue of the Consideration Units to Tranpac at the Issue Price, Provided the aggregate issue price of the Consideration Units shall not in any event exceed US\$60.3 million. US\$60.3 million represents approximately 44% of the CSAV Vessels Purchase Consideration. The aggregate issue size of the Combined Issuance shall be approximately US\$92.3 million.

In relation to the net proceeds raised under the Preferential Offering, at least US\$30 million will be utilised for the partial refinancing of the existing borrowings which had been used by PST to complete the acquisitions of KOTA NABIL and KOTA NAGA, with the balance to be utilised for the partial financing of the CSAV Vessels Purchase Consideration and/or for PST's general corporate purposes and/or working capital purposes and/or refinancing of borrowings.

The Consideration Units will be issued to Tranpac at the Issue Price, which represents a discount of approximately 5.2% to the volume weighted average price of trades done on the SGX-ST for the full Market Day prior to the announcement of the Preferential Offering and the Combined Issuance on 11 August 2008.

The Trustee-Manager believes that the Combined Issuance will enable PST to reduce its Aggregate Leverage from 68.9%<sup>(6)</sup> to 49.9%, thereby increasing its financial flexibility to pursue medium-term growth opportunities, whilst possibly allowing DPU accretion following the completion of the Combined Issuance (taking into account the Acquisitions as well). In the event that Resolution (4) is not approved by Unitholders, Consideration Units will not be issued to Tranpac to partially finance or refinance the CSAV Vessels Purchase Consideration. As a result, PST's ability to reduce its Aggregate Leverage may be limited and hence its financial flexibility to pursue medium-term growth opportunities will be restricted.

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<sup>(6)</sup> Assuming PST had funded the Acquisitions wholly by debt finance.

The allotment and issue of the Consideration Units is conditional, amongst others, upon the Whitewash Resolution for the Issue of Consideration Units and the PIL Preferential Offering Entitlement being approved. If such approval is not obtained, PST will not proceed with the proposed issue of Consideration Units.

- 4.2 **Status of the Consideration Units.** Subject to Unitholders' approval, the Consideration Units will be allotted and issued to Tranpac upon the delivery of CSAV LAJA and/or CSAV LAUCA (as the case may be) in accordance with the terms and conditions of the Memoranda of Agreement or as may be agreed between the relevant parties. For the avoidance of doubt, the Consideration Units will not be entitled to participate in the distribution of any distributable income accrued by PST prior to the date of allotment and issue of the Consideration Units. Upon allotment and issue, the Consideration Units will only be entitled to participate in PST's distributable income for the period from the date of their issue to the end of the applicable financial quarter, whereas the existing Units are entitled to participate in PST's distributable income in respect of the entire applicable financial quarter (or such other period as may be determined by the Trustee-Manager).

In the event that the Consideration Units are not issued at the beginning of, but during the course of, a financial quarter of PST, the Consideration Units will, from the date(s) of allotment and issue, trade under a temporary stock counter, separate from the existing PST counter and/or the temporary stock counter in respect of the New Units (if any), as at such date. Where any of the Consideration Units are issued on the same date as the New Units, such Consideration Units and the New Units will trade under the same temporary stock counter.

After the last day of "cum-distribution" trading, both the Consideration Units (and the New Units trading on the temporary stock counter, if any as at such date) and the existing Units will be aggregated and traded under the existing PST stock counter on the Main Board of the SGX-ST on the next Market Day (as defined herein), *i.e.* the first day of "ex-distribution" trading for the Consideration Units, the New Units and the existing Units.

- 4.3 **Interested Person Transaction.** The issue of the Consideration Units to Tranpac, being a wholly-owned subsidiary of PIL and therefore an Associate of PIL, constitutes an "interested person transaction" under Chapter 9 of the Listing Manual. If new Units are issued to Tranpac in the manner described in this section, the value of the Consideration Units issued to Tranpac may exceed 5.0 per cent. of the value of the audited NTA of PST for FY2007. In such circumstances, Rule 906 of the Listing Manual requires Unitholders' approval for the issue of the Consideration Units to Tranpac.
- 4.4 **Opinion of the Independent Financial Adviser.** PricewaterhouseCoopers Corporate Finance Pte Ltd has been appointed as the Independent Financial Adviser to advise the Independent Directors on whether, among others, the issue of the Consideration Units to Tranpac, being an interested person transaction, is on normal commercial terms and is not prejudicial to the interests of PST and its Independent Unitholders. Taking into consideration the factors and having made the assumptions set out in its letter, the IFA is of the view that the issue of the Consideration Units to Tranpac is on normal commercial terms and is not prejudicial to the interests of PST and its Independent Unitholders.

A copy of the IFA's letter to the Independent Directors is set out in Appendix 2 to this Circular.

## 5. THE WHITEWASH WAIVERS

- 5.1 **Rule 14 of the Code.** Under Rule 14 of the Code, any person who together with persons acting in concert with him, holds not less than 30% but not more than 50% of the voting rights in PST and such person, or any person acting in concert with him, acquires in any period of six months additional Units carrying more than 1% of the voting rights in PST, is required to make a mandatory general offer for all Units in PST which he does not already own or control.

- 5.2 **Confirmation from the SIC.** The SIC has waived the obligation for PIL and Tranpac to make a general offer for PST as a result of PIL's subscription for New Units (comprising PIL's provisional allocation of New Units and the Unsubscribed New Units<sup>(9)</sup>) under the Preferential Offering pursuant to the PIL Undertaking, or as a result of the issue of the Consideration Units to Tranpac and the acceptance by PIL of the PIL Preferential Offering Entitlement under the Combined Issuance, subject to the following conditions:
- 5.2.1 a majority of the Independent Unitholders present and voting at a general meeting held before the issue of New Units pursuant to the proposed Preferential Offering and the PIL Undertaking or the issue of Consideration Units, as the case may be, approve by way of a poll, the Whitewash Resolution for the Preferential Offering or the Whitewash Resolution for the Issue of Consideration Units and the PIL Preferential Offering Entitlement (as the case may be);
  - 5.2.2 each of the Whitewash Resolutions is to be separate from other resolutions;
  - 5.2.3 PIL, Tranpac and parties acting in concert with them and parties not independent of them abstain from voting on the Whitewash Resolutions;
  - 5.2.4 PIL, Tranpac and parties acting in concert with them did not purchase and are not to purchase, as the case may be, any Units or instruments convertible into and options in respect of Units (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new Units which have been disclosed in the circular to Unitholders):
    - 5.2.4.1 during the period between the announcement of the Preferential Offering and the issue of the Consideration Units and the date Unitholders' approval is obtained for any of the Whitewash Resolutions; and
    - 5.2.4.2 in the six months prior to the announcement of the Preferential Offering and the issue of the Consideration Units, but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Trustee-Manager in relation to the Preferential Offering and the issue of the Consideration Units;
  - 5.2.5 PST appoints an independent financial adviser to advise the Independent Directors on the Whitewash Resolutions;
  - 5.2.6 PST sets out clearly in its circular to Unitholders:
    - 5.2.6.1 details of the PIL Undertaking in connection with the Preferential Offering and the issue of the Consideration Units;
    - 5.2.6.2 the dilution effect of the Preferential Offering and the Combined Issuance on the unitholding interest of existing Unitholders arising from the issue of the New Units and/or the Consideration Units;
    - 5.2.6.3 the number and percentage of voting rights in PST in respect of Units in PST held by PIL, Tranpac and parties acting in concert with them as at the Latest Practicable Date;
    - 5.2.6.4 the number and percentage of voting rights to be issued to PIL and Tranpac or to be acquired by PIL and Tranpac pursuant to the Preferential Offering or the Combined Issuance;

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<sup>(9)</sup> Provided that the aggregate number of New Units pursuant to the PIL Preferential Offering Entitlement and the Unsubscribed New Units subscribed by PIL shall not exceed 252,750,000.

- 5.2.6.5 specific and prominent reference to the fact that either of the Preferential Offering or the Combined Issuance may result in PIL and Tranpac holding Units carrying over 49% of the voting rights of PST based on its enlarged issued Unitholdings, and PIL and Tranpac will be free to acquire further Units without incurring any obligation under Rule 14 of the Code to make a general offer for PST;
  - 5.2.6.6 a specific and prominent statement that by voting for either of the Whitewash Resolutions, Unitholders are waiving their rights to a general offer from PIL and Tranpac at the highest price paid or agreed to be paid by PIL and Tranpac for voting rights in PST in the six (6) months preceding the commencement of the offer;
  - 5.2.7 the circular by PST to its Unitholders states that the Whitewash Waivers granted by SIC to PIL and Tranpac from the requirement to make a general offer under Rule 14 of the Code is subject to the conditions stated at sub-paragraphs 5.2.1 to 5.2.6 above;
  - 5.2.8 PIL and Tranpac obtain SIC approval in advance for those parts of the circular that refer to the Whitewash Resolutions; and
  - 5.2.9 the Preferential Offering or the Combined Issuance must be completed within three (3) months of the approval of the Whitewash Resolution for the Preferential Offering or the Whitewash Resolution for the Issue of Consideration Units and the PIL Preferential Offering Entitlement (as the case may be).
- 5.3 **SIC Ruling.** As described in paragraph 5.2.4 above, one of the conditions to the SIC waiver is that PIL, Tranpac and parties acting in concert with them did not purchase and are not to purchase, as the case may be, any Units (other than subscriptions for the New Units and the Consideration Units (if any) which have been disclosed in the circular to Unitholders):
- 5.3.1 during the period between the announcement of the Preferential Offering and the issue of the Consideration Units and the date Unitholders' approval is obtained for any of the Whitewash Resolutions; and
  - 5.3.2 in the six months prior to the announcement of the Preferential Offering and the issue of Consideration Units, but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors of the Trustee-Manager in relation to the Preferential Offering and the issue of the Consideration Units.

Between 7 December 2007 and 27 February 2008, PIL purchased a total of 494,000 Units by way of on-market purchases on the SGX-ST. These 494,000 Units purchased by PIL represent approximately 0.148% of the Existing Units.

Save as described above, no other purchases of Units have been made by PIL during the time periods described above. The purchases of the Units on the SGX-ST were made prior to negotiations, discussions and the reaching of understandings or agreements with the Trustee-Manager in relation to the Preferential Offering and the PIL Undertaking, as well as the issue of the Consideration Units.

On 5 June 2008, Mr Khoo Cheng Lock Eric ("**Mr Khoo**"), a director of PIL, and Mr Khoo's wife purchased a total of 200,000 Units by way of on-market purchases on the SGX-ST. These 200,000 Units purchased by Mr Khoo and his wife represent approximately 0.06% of the Existing Units.

Save as described in the above paragraph, PIL is not aware of other purchases of Units made by parties acting in concert with it during the time periods described above. There is no agreement or understanding between PIL and Mr Khoo or Mr Khoo's wife, whether formal or informal, to cooperate in the above purchases. The purchases by Mr Khoo and Mr Khoo's wife of the Units on the SGX-ST were made prior to and without any knowledge of the Preferential Offering or the issue of Consideration Units.

## 6. CHANGES IN PST'S UNITHOLDING STRUCTURE

**Changes in PST's Unitholding Structure.** The following table illustrates the unitholding structure of PST as at the Latest Practicable Date, and assuming (i) the Independent Unitholders do not accept their provisional allocations of New Units and accordingly, the maximum number of 252,750,000 New Units and/or Consideration Units are issued to PIL and/or Tranpac at the Issue Price, under the Preferential Offering or the Combined Issuance, amounting to approximately US\$92.3 million, and (ii) for illustrative purposes, the Independent Unitholders accept, in aggregate, 80.0%<sup>(10)</sup> of their provisional allocations of New Units and accordingly, 120,727,800<sup>(11)</sup> New Units and/or Consideration Units are issued to PIL and/or Tranpac at the Issue Price, under the Preferential Offering or the Combined Issuance, amounting to approximately US\$44.1 million. As at the Latest Practicable Date, Tranpac does not have any interest in the Existing Units.

	As at the Latest Practicable Date	Assuming Independent Unitholders do not accept their provisional allocations of New Units and as a result, 252,750,000 New Units and/or Consideration Units are issued to PIL and/or Tranpac (as the case may be)	Assuming Independent Unitholders accept, in aggregate, 80.0% of their provisional allocations of New Units and as a result 120,727,800 <sup>(11)</sup> New Units and/or Consideration Units are issued to PIL and/or Tranpac (as the case may be)
Number of Units held by PIL <sup>(1)(2)(3)(4)(5)</sup>	116,963,000	369,713,000	237,690,800
Number of Units held by Independent Unitholders	220,037,000	220,037,000	352,059,200
Total Number of Issued Units	337,000,000	589,750,000	589,750,000
Units held by PIL (%)	34.7	62.7	40.3
Units held by Independent Unitholders (%)	65.3	37.3	59.7

### Notes:-

- (1) Y. C. Chang & Sons Private Limited ("YCCS") holds a direct interest of 43.66% in PIL and is deemed to have an interest in the Units held by PIL by virtue of Section 7 of the Companies Act, Chapter 50 of Singapore.
- (2) South Pacific International Holdings Limited ("SPIH") holds a direct interest of 31.66% in PIL and is deemed to have an interest in the Units held by PIL by virtue of Section 7 of the Companies Act, Chapter 50 of Singapore.
- (3) Mr Teo Woon Tiong also known as Mr Chang Yun Chung, together with members of his family, control YCCS and SPIH and is deemed to have an interest in the Units held by PIL which is a substantial shareholder of the Trustee-Manager by virtue of Section 7 of the Companies Act, Chapter 50 of Singapore.
- (4) The number of Units held by PIL includes interest in Units held directly by PIL and deemed interest in Units held by its indirect subsidiary, EML (UK) Limited, and Tranpac, if Consideration Units are issued. As at the Latest Practicable Date, PIL holds direct interest of 116,743,000 Units, which is equivalent to approximately 34.64% unitholding in PST, and deemed interest of 220,000 Units through its indirect subsidiary, EML (UK) Limited by virtue of Section 7 of the Companies Act, Chapter 50 of Singapore, being a 0.07% unitholding in PST.
- (5) As at the Latest Practicable Date, PIL and parties acting in concert with it held an aggregate of 117,706,000 Units representing approximately 34.93% of the Existing Units.

<sup>(10)</sup> Based on recent market comparables, the level of subscription by security holders in an offering of securities to such security holders on a pro-rata basis is estimated to be approximately 80.0%.

<sup>(11)</sup> Excludes any New Units that would have been provisionally allocated as a result of the Rounding Mechanism.

To the best knowledge of the Trustee-Manager, the Substantial Unitholders (other than PIL) and their respective unitholding interest in PST as at the Latest Practicable Date based on the notifications by such Substantial Unitholders and as announced on the SGXNET are:

**Unitholding of Substantial Unitholders as at the Latest Practicable Date**

Name of Substantial Unitholder	Direct Interest (Units)	Deemed Interest (Units)	Unitholding Interest (%)
DBS Bank Ltd.	20,150,000	–	6.0
DBS Group Holdings Ltd.	–	36,751,000 <sup>(1)</sup>	10.9
Temasek Holdings (Private) Limited	–	43,751,000 <sup>(2)</sup>	13.0

**Notes:-**

- (1) Deemed interest of 36,751,000 Units, held by DBS Nominees (Private) Limited.
- (2) Deemed interest of 36,751,000 Units held by DBS Group Holdings Ltd. and 7,000,000 Units held by PSA Corporation Limited.

## 7. FINANCIAL IMPACT OF THE PREFERENTIAL OFFERING, THE COMBINED ISSUANCE AND THE ACQUISITIONS

The unaudited pro forma financial effects of the Preferential Offering, the Combined Issuance and the Acquisitions on the DPU (the “**Unaudited Pro Forma DPU**”) and the unaudited pro forma financial effects of the Preferential Offering, the Combined Issuance and the Acquisitions on the NAV per Unit (the “**Unaudited Pro Forma NAV per Unit**”) presented below are strictly for illustrative purposes only and are prepared based on the Audited Financial Statements as well as the assumptions set out below and assumes the maximum number of New Units and/or Consideration Units being issued under the Preferential Offering or the Combined Issuance.

The following general assumptions have been made in preparing the Unaudited Pro Forma DPU and Unaudited Pro Forma NAV per Unit for FY2007:

- (i) 252,750,000 million New Units and/or Consideration Units are issued at the Issue Price, being US\$0.365 per New Unit or Consideration Unit pursuant to the Preferential Offering or the Combined Issuance; and
- (ii) net proceeds of US\$90.3 million are raised after deducting the estimated costs of the Preferential Offering or the Combined Issuance of US\$2.0 million.

### 7.1 Unaudited Pro Forma DPU

The Unaudited Pro Forma DPU for FY2007, assuming that the Preferential Offering and the Acquisitions or the Combined Issuance and the Acquisitions were completed on 1 January 2007 and that the New Vessels were held by PST for FY2007 are set out below. It is also assumed that the net proceeds of US\$90.3 million from the Preferential Offering or the Combined Issuance was used for the part financing and/or part refinancing of the Total Purchase Consideration.

	FY2007		
	Actual	As adjusted for the Preferential Offering and the Acquisitions	As adjusted for the Combined Issuance and the Acquisitions
Distributable income (US\$'000)	14,457	25,394 <sup>(1)</sup>	25,394 <sup>(1)</sup>
Units in issue ('000)	337,000 <sup>(2)</sup>	589,750 <sup>(3)</sup>	589,750 <sup>(3)</sup>
DPU (US cents)	4.29	4.31 <sup>(4)</sup>	4.31 <sup>(4)</sup>
DPU Yield <sup>(5)</sup> (%)	11.75	11.80	11.80

**Notes:**

- (1) The income from the New Vessels are based on agreements which have been entered into as at the date of this Circular and the expenses attributable to the New Vessels are based on assumptions made by the Trustee-Manager.
- (2) Number of Units in issue as at 31 December 2007.
- (3) Assuming 252,750,000 New Units are allotted and issued under the Preferential Offering or the Combined Issuance and excluding any New Units that would have been provisionally allocated as a result of the Rounding Mechanism.
- (4) Computed based on the adjusted distributable income of PST for FY2007 divided by the total number of Units in issue upon completion of the Preferential Offering or the Combined Issuance, as the case may be.
- (5) Based on the Issue Price.

**Sensitivity Tables**

The impact on the DPU due to the changes in interest costs on the loans for the acquisitions of the vessels CSAV LAJA and CSAV LAUCA prior to swapping to fixed interest rates, and the daily ship management expenses for the vessels CSAV LAJA and CSAV LAUCA (which will both be chartered on a time charter basis), are presented in the following two tables.

*Illustrative DPU (US cents)<sup>(1)</sup>*

	<b>Interest cost on the vessels CSAV LAJA and CSAV LAUCA</b>		
	<b>-25bps</b>	<b>Base<sup>(2)</sup></b>	<b>+25bps</b>
DPU	4.34	4.31	4.27

	<b>Ship Management Expenses (Daily)</b>		
	<b>-5.0%</b>	<b>Base<sup>(3)</sup></b>	<b>+5.0%</b>
DPU	4.33	4.31	4.28

**Notes:**

- (1) Total DPU following the Preferential Offering or the Combined Issuance.
- (2) Based on the weighted average effective interest rate of 5.8% per annum, based on PST's existing loan portfolio for all its twelve vessels following the completion of the Preferential Offering or the Combined Issuance.
- (3) Base case ship management expenses (daily) of US\$4,400 per vessel on time charter.

DPU for FY2007 is based on a 100% payout of distributions. In the first quarter of FY2008, PST paid out 90% of its distributable income.

## Unaudited Pro Forma NAV

The unaudited pro forma financial effects of the Acquisitions on the NAV per Unit as at 31 December 2007, assuming the Acquisitions were completed on 1 January 2007, is as follows:

	As at 31 December 2007		
	Actual US\$'000	As adjusted for the Preferential Offering and the Acquisitions US\$'000	As adjusted for the Combined Issuance and the Acquisitions US\$'000
NAV (US\$'000)	144,842 <sup>(1)</sup>	232,109 <sup>(2)</sup>	232,109 <sup>(2)</sup>
Units in Issue ('000)	337,000 <sup>(3)</sup>	589,750 <sup>(4)</sup>	589,750 <sup>(4)</sup>
NAV per unit (US cents)	43.0	39.4	39.4

### Notes:

- (1) Based on the Audited Financial Statements.
- (2) Based on (i) the Total Purchase Consideration of US\$222.2 million and including the capitalised acquisition fee/costs less depreciation expenses and (ii) long and short term net borrowings of US\$128.0 million (after partial debt repayment and capitalised loan amortisation) as at 31 December 2007.
- (3) Number of Units in issue as at 31 December 2007.
- (4) Includes 252,750,000 New Units and/or Consideration Units to be issued pursuant to the Preferential Offering or the Combined Issuance, as the case may be, and excluding any New Units that would have been provisionally allocated as a result of the Rounding Mechanism.

## 7.2 Unaudited Pro Forma Capitalisation

The unaudited pro forma capitalisation of PST as at 31 December 2007 assuming the Preferential Offering and the Acquisitions were completed on 1 January 2007 is as follows:

	As at 31 December 2007		
	Actual <sup>(1)</sup> US\$'000	As adjusted for the Preferential Offering and the Acquisitions US\$'000	As adjusted for the Combined Issuance and the Acquisitions US\$'000
<b>Short-term debt:</b>			
Secured debt	11,501	17,265 <sup>(2)</sup>	17,265 <sup>(2)</sup>
<b>Total short-term debt</b>	11,501	17,265	17,265
<b>Long-term debt:</b>			
Secured debt	97,289	219,537 <sup>(3)</sup>	219,537 <sup>(3)</sup>
<b>Total long-term debt</b>	97,289	219,537	219,537
<b>Total debt:</b>	108,790	236,802	236,802
<b>Total Unitholders' funds</b>	144,842	232,109 <sup>(4)</sup>	232,109 <sup>(4)</sup>
<b>Total indebtedness and capitalisation</b>	253,632	468,911	468,911

### Notes:

- (1) Based on the Audited Financial Statements.
- (2) Based on net borrowings of US\$5.8 million (after capitalised loan amortisation).

- (3) Based on long term net borrowings of US\$122.2 million (after partial debt repayment and capitalised loan amortisation).
- (4) Assuming that the 252,750,000 New Units and/or Consideration Units are issued at the Issue Price, being US\$0.365 per New Unit and Consideration Unit, after taking into account the costs of the Preferential Offering and/or the Combined Issuance of approximately US\$2.0 million.

## 8. INFORMATION ON PIL

8.1 **PIL Group.** PIL was incorporated in 1967. The PIL Group owns and operates a fleet of over a hundred vessels with a total capacity of over 190,000 TEUs slot capacity as at 31 July 2008. PIL has on order 25 new container vessels with a total capacity of approximately 80,000 TEUs to be delivered by 2011. The PIL Group also owns and operates a fleet of more than 360,000 TEUs of marine containers.

8.2 **Benefits from having PIL as a major Unitholder.** PST is expected to benefit from having PIL as its major Unitholder in the following ways:

- (a) PST will benefit from its relationship with PIL as it is able to tap on the skills and expertise of PIL in respect of the container sector, and established global network of PIL as well as the brand recognition of the PIL name, which will ultimately benefit all Unitholders. PIL has established joint container shipping services with leading liner operators such as Wan Hai Lines, Kawasaki Kisen Kaisha, Mitsui O.S.K. Lines, Orient Overseas Container Lines, Gold Star Line, APL Co. Pte Ltd, Cosco Container Lines, MISC Berhad, The Shipping Corporation of India Ltd and NYK Line. The Trustee-Manager expects that these relationships will enhance the ability of PST to identify and pursue future growth opportunities and allow PST to tap on the network of PIL. For example, as PST seeks to acquire additional vessels in the future, the PIL's relationships with these leading liner operators may allow the Trustee-Manager to expand the customer base of PST.
- (b) As part of PST's growth strategy, PST intends to actively pursue purchases of other containerships with the goal of expanding its containership fleet and increasing distributions to Unitholders. In furtherance of this, PIL has, subject to certain conditions, agreed not to compete with PST and has granted to PST the right of first refusal over 26 of its vessels. Through such right of first refusal granted to PST by PIL, the Trustee-Manager believes that PST has potential acquisition opportunities. The continued support of PIL will therefore support the growth strategy of PST.
- (c) The Preferential Offering or the Combined Issuance would maintain PIL as a major Unitholder. The size of the unitholding of PIL provides a degree of stability to PST, which will ultimately benefit all Unitholders. The PIL Undertaking would also be a positive demonstration of PIL's commitment to PST.

9. **DISCLOSURE OF INTERESTS.** Save as disclosed in this Circular, none of PIL, Tranpac or the parties acting in concert with them own or have agreed to purchase any Units as at the Latest Practicable Date. In addition, none of the Directors own any interest in the Units as at the Latest Practicable Date.

## 10. RECOMMENDATIONS BY THE INDEPENDENT FINANCIAL ADVISER

10.1 **Independent Financial Adviser.** PricewaterhouseCoopers Corporate Finance Pte Ltd has been appointed as the Independent Financial Adviser to advise the Independent Directors in relation to the Whitewash Resolutions and the issue of the Consideration Units which is an interested person transaction.

- 10.2 **Opinion of the Independent Financial Adviser on the Whitewash Resolutions.** Having considered the factors and made the assumptions set out in its letter, and subject to the qualifications set out therein, the Independent Financial Adviser is of the view that the Whitewash Resolutions, when considered in the context of the Preferential Offering, are not prejudicial to the interests of the Independent Unitholders.

The Independent Financial Adviser has therefore advised the Independent Directors to recommend that Unitholders vote in favour of the Whitewash Resolutions.

- 10.3 **Opinion of the Independent Financial Adviser on the issue of the Consideration Units to Tranpac, which is an Interested Person Transaction.** Having considered the factors and made the assumptions set out in its letter, and subject to the qualifications set out therein, the Independent Financial Adviser is of the view that the issue of the Consideration Units to Tranpac is on normal commercial terms and is not prejudicial to the interests of PST and its Independent Unitholders.

The Independent Financial Adviser has therefore advised the Independent Directors to recommend that Unitholders vote in favour of the issue of the Consideration Units to Tranpac.

- 10.4 **Appendix 2.** A copy of the letter from the Independent Financial Adviser (the “**IFA Letter**”), containing its advice in full, is set out in Appendix 2 of this Circular and Unitholders are advised to read the IFA Letter carefully.

## 11. RECOMMENDATIONS BY THE TRUSTEE-MANAGER AND THE DIRECTORS

- 11.1 **Recommendations on the Preferential Offering and the Whitewash Resolution for the Preferential Offering.** Should Unitholders approve Resolution (1) and Resolution (2), the Preferential Offering would raise gross proceeds of approximately US\$92.3 million. The Trustee-Manager believes that the PIL Undertaking will facilitate a successful Preferential Offering in view of the current volatility and uncertainty in the equity capital markets. Taking into consideration that such gross proceeds will enable PST to reduce its Aggregate Leverage from 68.9%<sup>(12)</sup> to 49.9% and thereby increasing its financial flexibility to pursue medium-term growth opportunities that could possibly be yield accretive, as well as the possible increase in PST’s DPU upon completion of the Preferential Offering, the Trustee-Manager recommends that Unitholders vote in favour of Resolution (1).

Based on the aforesaid and the opinion of the Independent Financial Adviser (as set out in the IFA Letter in Appendix 2 of this Circular), the Independent Directors believe that the Whitewash Resolution for the Preferential Offering is not prejudicial to the interests of PST and the Independent Unitholders. Accordingly, they recommend that the Independent Unitholders vote in favour of the Whitewash Resolution for the Preferential Offering under Resolution (2).

**Unitholders should also note that in the event that both the Preferential Offering and the Whitewash Resolution for the Preferential Offering are approved, Unitholders would not be requested to vote on Resolution (3) in relation to the issue of the Consideration Units and Resolution (4), namely the Whitewash Resolution for the Issue of Consideration Units and the PIL Preferential Offering Entitlement.**

- 11.2 **Recommendations on the issue of the Consideration Units and the Whitewash Resolution for the Issue of Consideration Units and the PIL Preferential Offering Entitlement.** The Trustee-Manager believes that with the PIL Undertaking, together with the issue of the Consideration Units to Tranpac to partially discharge the CSAV Vessels Purchase Consideration, PST’s Aggregate Leverage will be reduced from 68.9%<sup>(12)</sup> to 49.9%, thereby increasing its financial flexibility to pursue medium-term growth opportunities whilst possibly allowing DPU accretion following the completion of the Combined Issuance (taking into account the Acquisitions). In view thereof, the Trustee-Manager recommends that Unitholders vote in favour of Resolution (3). Based

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<sup>(12)</sup> Assuming PST had funded the Acquisitions wholly by debt finance.

on the aforesaid considerations and the opinion of the Independent Financial Adviser (as set out in the IFA Letter in Appendix 2 of this Circular), the Independent Directors are of the view that the issue of the Consideration Units is on normal commercial terms and is not prejudicial to the interests of the Independent Unitholders. Accordingly, the Independent Directors recommend that Unitholders vote in favour of Resolution (3).

Based on the opinion of the Independent Financial Adviser (as set out in the IFA Letter in Appendix 2 of this Circular), the Independent Directors believe that the Whitewash Resolution for the Issue of Consideration Units and the PIL Preferential Offering Entitlement is not prejudicial to the interests of PST and the Independent Unitholders. Accordingly, they recommend that the Independent Unitholders vote in favour of the Whitewash Resolution for the Issue of Consideration Units and the PIL Preferential Offering Entitlement under Resolution (4).

**Unitholders should also note that in the event Resolution (2), namely, the Whitewash Resolution for the Preferential Offering is not approved, Unitholders would be requested to vote on Resolution (3) in relation to the issue of the Consideration Units and Resolution (4), namely, the Whitewash Resolution for the Issue of Consideration Units and the PIL Preferential Offering Entitlement.**

11.3 **Discretion of the Trustee-Manager.** Unitholders should also note that in the event that only Resolution (1) in respect of the Preferential Offering is approved by Unitholders at the EGM, and Resolution (2), Resolution (3) and Resolution (4) in respect of the issue of the Consideration Units and the Whitewash Resolutions are not approved, the Trustee-Manager has the absolute discretion, based on its consideration of various factors such as the prevailing market conditions as well as the ability of PST to reduce its Aggregate Leverage, and the interests of PST, to determine whether PST would proceed with the Preferential Offering.

## 12. ADVICE TO UNITHOLDERS IN RESPECT OF THE WHITEWASH RESOLUTIONS

12.1 **UNITHOLDERS ARE TO NOTE THAT EITHER THE PREFERENTIAL OFFERING OR THE COMBINED ISSUANCE MAY RESULT IN PIL AND TRANPAC HOLDING UNITS CARRYING OVER 49% OF THE VOTING RIGHTS OF PST BASED ON PST'S ENLARGED ISSUED UNITHOLDINGS, AND PIL AND TRANPAC WILL BE FREE TO ACQUIRE FURTHER UNITS WITHOUT INCURRING ANY OBLIGATION UNDER RULE 14 OF THE CODE TO MAKE A GENERAL OFFER FOR PST.**

12.2 **UNITHOLDERS ARE TO NOTE THAT BY VOTING FOR THE WHITEWASH RESOLUTION FOR THE PREFERENTIAL OFFERING OR THE WHITEWASH RESOLUTION FOR THE ISSUE OF CONSIDERATION UNITS AND THE PIL PREFERENTIAL OFFERING ENTITLEMENT, THEY ARE WAIVING THEIR RIGHTS TO A MANDATORY GENERAL OFFER FROM PIL AND TRANPAC FOR ALL THE ISSUED UNITS OF PST AT THE HIGHEST PRICE PAID OR AGREED TO BE PAID BY PIL AND TRANPAC FOR VOTING RIGHTS IN PST IN THE SIX MONTHS PRECEDING THE COMMENCEMENT OF THE PREFERENTIAL OFFERING OR THE COMBINED ISSUANCE.**

12.3 **Potential Offers may be discouraged.** Unitholders should note that by voting for either of the Whitewash Resolutions, Unitholders could be forgoing the opportunity to receive a general offer from another person who may be discouraged from making a general offer in view of the potential dilution effect of the Preferential Offering or the Combined Issuance.

12.4 **The issue of the Consideration Units is conditional. Unitholders should also note that in the event that the Whitewash Resolution for the Issue of Consideration Units and the PIL Preferential Offering Entitlement is not approved, PST will not proceed with the issue of the Consideration Units.**

### **13. ACTION TO BE TAKEN BY UNITHOLDERS**

If you are a Unitholder, and wish but are unable to attend the EGM, you may appoint a proxy to attend and vote on your behalf. To appoint a proxy, please complete, sign and return the proxy form issued to Unitholders (the “**Proxy Form**”) in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach one of the places specified in the Proxy Form not less than 48 hours before the time for holding the EGM, namely, by 2.30 p.m. on 25 August 2008. Completing and returning the Proxy Form will not prevent you from attending and voting in person at the EGM if you subsequently wish to do so.

### **14. DIRECTORS’ RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept responsibility for the accuracy of the information given in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and opinions expressed in this Circular are fair and accurate in all material respects as at the date of this Circular and there are no material facts the omission of which would make any statement in this Circular misleading in any material respect. Where information has been extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of the Directors has been to ensure, through reasonable enquiries, that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this Circular.

### **15. RESPONSIBILITY STATEMENT OF THE SOLE FINANCIAL ADVISER AND ISSUE MANAGER**

The Sole Financial Adviser and Issue Manager confirms that, having made all reasonable enquiries and to the best of their knowledge and belief, based on information made available by the Trustee-Manager, the information contained in sections 3.1, 3.2 and 3.4 of this Circular constitutes true disclosure of all material facts about the Preferential Offering and the Combined Issuance as at the date of this Circular and that there are no material facts the omission of which would make any statement about the Preferential Offering and the Combined Issuance contained in the said sections misleading in any material respect as at the date of this Circular.

### **16. CONSENTS**

The Sole Financial Adviser and Issue Manager has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and all references thereto, in the form and context in which they are included in this Circular.

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and the IFA Letter set out in Appendix 2 and all references thereto, in the form and context in which they are included in this Circular.

Clarkson Research Services Limited has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and all references thereto, in the form and context in which they are included in this Circular.

### **17. EXTRAORDINARY GENERAL MEETING**

**Date and Time.** The EGM will be held at 2.30 p.m. on 27 August 2008 at Meritus Mandarin Singapore, 333 Orchard Road, Singapore 238867, Room: Mandarin Court C and D, for the purpose of considering and, if thought fit, passing, with or without amendment, the Ordinary Resolutions set out in the notice of EGM. The notice of EGM is set out on pages 63 and 64 of this Circular.

## 18. ABSTENTION FROM VOTING

**Abstention from Voting.** Save as disclosed in this Circular, none of PIL, Tranpac or the parties acting in concert with them own or have agreed to purchase any Units as at the Latest Practicable Date. In addition, pursuant to the condition imposed by the SIC referred to in Section 5.2.3 above, PIL, Tranpac, parties acting in concert with them and parties not independent of them will abstain from voting on Resolution (2) and Resolution (4) in respect of the Whitewash Resolutions. In accordance with the requirements of the Listing Manual, PIL will, and has undertaken that it will ensure that its Associates will abstain from voting on Resolution (3) in respect of the issue of the Consideration Units. PIL will, and PIL will ensure that its Associates will, also abstain from voting on Resolution (1) in respect of the Preferential Offering. In addition, PIL will not, and will ensure that its Associates will not, act as proxy to attend and vote on behalf of any other Unitholder entitled to attend and vote at the EGM unless such other Unitholder concerned has specific instructions in his Proxy Form as to the manner in which his votes are to be cast.

## 19. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the office of the Trustee-Manager at 140 Cecil Street, #09-01 PIL Building, Singapore 069540 during normal office hours from the date of this Circular up to and including the date of the EGM:

- (1) the Memoranda of Agreement;
- (2) the IFA letter dated 12 August 2008 as set out in Appendix 2;
- (3) the letters of consent referred to in Section 16; and
- (4) the Audited Financial Statements.

Yours faithfully,  
for and on behalf of the Board of Directors  
PST MANAGEMENT PTE. LTD.  
(as Trustee-Manager of Pacific Shipping Trust)

Mr Benedict Kwek Gim Song  
Chairman and Independent Director

Mr Alvin Cheng Yu-Dong  
Chief Executive Officer and Executive Director

12 August 2008

## IMPORTANT NOTICE

The value of Units and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Trustee-Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

Unitholders have no right to request the Trustee-Manager to redeem their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

The past performance of PST is not necessarily indicative of the future performance of PST.

This Circular may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, the corresponding cost of capital, shifts in expected levels of charter income, changes in operating expenses and governmental and public policy changes. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the Trustee-Manager's current view of future events. The Unaudited Pro Forma Financial Information are based on certain assumptions as explained in Section 7 of this Circular. The key assumptions are certain expected levels of charter income and expenses over the relevant periods, which are considered by the Trustee-Manager to be appropriate and reasonable as at the date of this Circular. The Unaudited Pro Forma Financial Information of PST is not guaranteed and there is no certainty that it can be achieved. Unitholders should consider the assumptions used, read the whole of this Circular and make their own assessment of the future performance of PST. In respect of the valuation of the New Vessels obtained from an international ship valuer on 30 June 2008 and as set out in Appendix 1 hereto, whilst the valuer has advised that they believe that their valuation are reasonably accurate, Unitholders are to note that they are not to be taken as representations of fact. Unitholders should satisfy themselves by inspection of the New Vessels or otherwise as to the correctness of the valuation.

If you have sold or transferred all your Units, you should immediately forward this Circular, together with the notice of the EGM and the accompanying Proxy Form, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

## GLOSSARY

In this Circular, the following definitions apply throughout unless otherwise stated:

<b>Acquisitions</b>	:	The acquisitions of the New Vessels as described in the circular to Unitholders dated 28 January 2008
<b>Aggregate Leverage</b>	:	The ratio of PST's aggregate borrowings against the total value of its assets
<b>Associates</b>	:	(a) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:-  (i) his immediate family;  (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and  (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; and  (b) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
<b>ATM</b>	:	Automated teller machine
<b>Audited Financial Statements</b>	:	The audited financial statements of PST for the financial year ended 31 December 2007
<b>Board</b>	:	The board of directors of the Trustee-Manager
<b>Books Closure Date</b>	:	The time and date at and on which the Register of Unitholders and the Transfer Books of PST will be closed for the purposes of determining the provisional allocations of Singapore Registered Unitholders under the Preferential Offering which will be announced closer to the date of commencement of the Preferential Offering
<b>Borrowing Capacity</b>	:	The maximum amount of borrowings PST is able to undertake assuming all additional borrowings are used to purchase new assets, subject to a targeted Aggregate Leverage ratio
<b>CDP</b>	:	The Central Depository (Pte) Limited
<b>Code</b>	:	Singapore Code on Take-overs and Mergers
<b>Combined Issuance</b>	:	The aggregate of the actual number of New Units issued under the Preferential Offering and the actual number of Consideration Units issued
<b>Consideration Units</b>	:	Has the meaning ascribed to it in Section 4 of this Circular

<b>CSAV Vessels Purchase Consideration</b>	:	The purchase price of approximately US\$136.2 million for the acquisitions of CSAV LAJA and CSAV LAUCA
<b>Directors</b>	:	The directors of the Trustee-Manager
<b>DPU</b>	:	Distribution per Unit
<b>EGM</b>	:	The extraordinary general meeting of Unitholders to be held at 2.30 p.m. on 27 August 2008 to approve the resolutions set out in the notice of EGM on pages 63 and 64 of this Circular
<b>Existing Units</b>	:	The total number of Units in issue as at the Latest Practicable Date
<b>Foreign Unitholders</b>	:	Unitholders whose registered addresses with CDP are outside Singapore, and who have not, at least five Market Days (as defined herein) prior to the Books Closure Date, provided CDP with addresses in Singapore for the service of notice and documents
<b>FY</b>	:	Financial year ended or ending 31 December, as the case may be
<b>IFA Letter</b>	:	A letter from the IFA dated 12 August 2008 to the Independent Directors set out in Appendix 2 of this Circular
<b>Independent Directors</b>	:	The independent Directors of the Trustee-Manager, being, Mr Kwek Gim Song (also known as Mr Benedict Kwek), Mr Lee Soo Hoon, Mr Chin Soon Siong (also known as Mr David Chin), Mr Eugene Ooi Chin Chai and Mr Christopher Adrian Jones
<b>Independent Financial Adviser or IFA</b>	:	PricewaterhouseCoopers Corporate Finance Pte Ltd
<b>Independent Unitholders</b>	:	Unitholders who are independent of PIL and Tranpac, and who are deemed independent for the purpose of voting on the Whitewash Resolutions
<b>Issue Price</b>	:	The price per New Unit to be issued under the Preferential Offering and the price per Consideration Unit to be allotted and issued to Tranpac
<b>Latest Practicable Date</b>	:	31 July 2008, being the latest practicable date prior to the printing of this Circular
<b>Listing Manual</b>	:	The Listing Manual of the SGX-ST
<b>Market Day</b>	:	A day on which the SGX-ST is open for trading in securities
<b>MAS</b>	:	The Monetary Authority of Singapore
<b>Memoranda of Agreement</b>	:	The memoranda of agreement entered into by PST with Tranpac (including the respective addendum and any other addendum to be agreed from time to time) in relation to the acquisition of each of the New Vessels, namely: <ul style="list-style-type: none"> <li>(i) the respective memorandum of agreement in relation to the acquisitions of CSAV LAJA (formerly known as PST VALOUR) and CSAV LAUCA (formerly known as PST VICTORY) on 14 September 2007, including the respective addendum entered into on 9 November 2007, 15 November 2007, 30 April 2008 and 6 August 2008; and</li> </ul>

- (ii) the respective memorandum of agreement entered into by PST with Tranpac on 27 November 2007 in relation to the acquisitions of KOTA NABIL and KOTA NAGA, including the respective addendum entered into on 25 February 2008 and 11 April 2008

<b>NAV</b>	:	Net Asset Value
<b>New Units</b>	:	The new Units proposed to be issued under the Preferential Offering (excluding the Consideration Units)
<b>New Vessels</b>	:	Collectively, KOTA NABIL, a container vessel (Hull No. CS1800-1) with a capacity of 1,800 TEU (“ <b>KOTA NABIL</b> ”), KOTA NAGA, a container vessel (Hull No. CS1800-2) with a capacity of 1,800 TEU (“ <b>KOTA NAGA</b> ”), CSAV LAJA, a container vessel (Hull No. C4250-24) with a capacity of 4,250 TEU (formerly known as PST VALOUR) (“ <b>CSAV LAJA</b> ”) and CSAV LAUCA, a container vessel (Hull No. C4250-25) with a capacity of 4,250 TEU (formerly known as PST VICTORY) (“ <b>CSAV LAUCA</b> ”)
<b>NTA</b>	:	Net Tangible Assets
<b>Ordinary Resolution</b>	:	A resolution proposed and passed as such by a majority being more than 50.0% of the total number of votes cast for and against such resolution at a meeting of Unitholders convened in accordance with the provisions of the Trust Deed
<b>Participating Banks</b>	:	Such banks as may be determined in due course and to be set out in the application forms to Unitholders
<b>PIL</b>	:	Pacific International Lines (Private) Limited
<b>PIL Group</b>	:	PIL and its subsidiaries
<b>PIL Preferential Offering Entitlement</b>	:	The provisional allocation of New Units that PIL is entitled to subscribe for under the Preferential Offering, based on its direct unitholding interest in PST as at the Books Closure Date
<b>PIL Undertaking</b>	:	The undertaking given by PIL to the Trustee-Manager, as the trustee-manager of PST, in connection with the Preferential Offering, as set out in Section 3 of this Circular
<b>Preferential Offering</b>	:	The non-renounceable preferential offering of New Units at the Issue Price to Singapore Registered Unitholders on the basis of three (3) New Units for every four (4) existing Units held on the Books Closure Date, fractions of a Unit to be disregarded and subject to the Rounding Mechanism
<b>PST</b>	:	Pacific Shipping Trust, a business trust constituted on 25 April 2006 under the laws of the Republic of Singapore
<b>Rounding Mechanism</b>	:	Where a Singapore Registered Unitholder’s provisional allocation of New Units under the Preferential Offering is other than an integral multiple of 1,000 Units, the increase in the provisional allocation of New Units to the Unitholder by such number which, when added to the Unitholder’s unitholdings as at the Books Closure Date, results in an integral multiple of 1,000 Units

<b>SGX-ST</b>	:	Singapore Exchange Securities Trading Limited
<b>SIC</b>	:	Securities Industry Council of Singapore
<b>Singapore Registered Unitholders</b>	:	Unitholders as at the Books Closure Date other than those whose registered addresses with CDP are outside Singapore, and who have not, at least five Market Days prior to the Books Closure Date, provided CDP with addresses in Singapore for the service of notices and documents
<b>Substantial Unitholder</b>	:	A Unitholder with an interest in one or more Units constituting not less than 5.0% of all the Units in issue
<b>TEU</b>	:	“ <b>twenty-foot equivalent unit</b> ”. This is the container shipping industry’s standard for measuring container size, ship capacity and volume. One 20-foot container would be one TEU
<b>Total Purchase Consideration</b>	:	The amount of approximately US\$222.2 million being the purchase price payable to Tranpac for the Acquisitions
<b>Tranpac</b>	:	Tranpac Holdings Inc., Panama, a wholly-owned subsidiary of PIL
<b>Trust Deed</b>	:	The deed of trust dated 25 April 2006 constituting Pacific Shipping Trust, including the First Supplemental Deed dated 25 February 2008
<b>Trustee-Manager</b>	:	PST Management Pte. Ltd., as trustee-manager of PST
<b>Unaudited Pro Forma Financial Information</b>	:	The unaudited pro forma financial information of PST, as set out in Section 7 of this Circular
<b>Unit</b>	:	A unit representing an undivided interest in PST
<b>Unitholder</b>	:	A Depositor whose securities account with CDP is credited with Unit(s) or the registered holder for the time being of Units
<b>Unsubscribed New Units</b>	:	The balance of the New Units under the Preferential Offering after the satisfaction of the acceptances (if any) by the Singapore Registered Unitholders of their provisional allocations and excluding any New Units that would have been provisionally allocated due to the Rounding Mechanism
<b>US\$ and US cents</b>	:	United States dollars and cents, the lawful currency of the United States of America
<b>Whitewash Resolution for the Issue of Consideration Units and the PIL Preferential Offering Entitlement</b>	:	The waiver of the rights of the Independent Unitholders to receive a mandatory general offer from PIL and Tranpac for all the existing Units in issue following the allotment and issue of the Consideration Units to Tranpac and the acceptance by PIL of the PIL Preferential Offering Entitlement pursuant to the PIL Undertaking
<b>Whitewash Resolution for the Preferential Offering</b>	:	The waiver of the rights of the Independent Unitholders to receive a mandatory general offer from PIL and Tranpac for all the existing Units in issue following PIL’s acceptance of the PIL Preferential Offering Entitlement and subscription for the Unsubscribed New Units under the Preferential Offering (provided that the aggregate number of New Units pursuant to the PIL Preferential Offering Entitlement and the Unsubscribed New Units subscribed by PIL shall not exceed 252,750,000) pursuant to the PIL Undertaking

- Whitewash Resolutions** : The Whitewash Resolution for the Preferential Offering and the Whitewash Resolution for the Issue of Consideration Units and the PIL Preferential Offering Entitlement
- Whitewash Waiver for the Issue of Consideration Units and the PIL Preferential Offering Entitlement** : The waiver granted by the SIC of the requirement for PIL and Tranpac to make a mandatory general offer for PST if, as a result of the allotment and issue of the Consideration Units to Tranpac and the acceptance by PIL of the PIL's Preferential Offering Entitlement (pursuant to the PIL Undertaking), PIL and Tranpac acquire more than 1% of the voting rights of PST, subject to the satisfaction of certain conditions, details of which are set out in Section 5 of this Circular
- Whitewash Waiver for the Preferential Offering** : The waiver granted by the SIC of the requirement for PIL and Tranpac to make a mandatory general offer for PST if, as a result of PIL's acceptance of the PIL Preferential Offering Entitlement and subscription for the Unsubscribed New Units under the Preferential Offering pursuant to the PIL Undertaking, PIL and Tranpac acquire more than 1% of the voting rights of PST, subject to the satisfaction of certain conditions, details of which are set out in Section 5 of this Circular
- Whitewash Waivers** : The Whitewash Waiver for the Preferential Offering and the Whitewash Waiver for the Issue of Consideration Units and PIL's Preferential Offering Entitlement
- % : Per centum. or percentage

**Depositors, etc.** The terms "**Depositor**", "**Depository Agent**" and "**Depository Register**" shall have the meanings ascribed to them, respectively, in Section 130A of the Companies Act, Chapter 50 of Singapore.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders.

References to persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment for the time being amended or re-enacted.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated.

The exchange rates used in this Circular are for reference only. No representation is made that any amounts could have been or could be converted into Singapore or US dollar amounts at any of the exchange rates used in this Circular, at any other rate or at all.

Any discrepancies in the tables, graphs and charts between the listed amounts and totals thereof are due to rounding. Where applicable, figures and percentages are rounded to one decimal place.

## INFORMATION ON THE NEW VESSELS AND PST'S PORTFOLIO AS AT 31 DECEMBER 2007

The following sections set out descriptions and selected information in respect of the New Vessels and PST's portfolio as at 31 December 2007. Any discrepancies in the tables, charts or diagrams between the listed figures and totals thereof are due to rounding.

### SUMMARY OF SELECTED INFORMATION ON THE NEW VESSELS

The table below sets out selected information on the New Vessels:

Name of Vessel	Estimated Gross Tonnage	Estimated Net Tonnage	Registered Dimensions (Length x Breadth x Depth) (metres)	Date of Delivery / Estimated Delivery	Capacity (TEU)
KOTA NABIL	20,850	9,114	179.7 x 27.6 x 15.9	10 March 2008	1,800
KOTA NAGA	20,850	9,114	179.7 x 27.6 x 15.9	28 May 2008	1,800
CSAV LAJA	39,906	24,504	260.0 x 32.25 x 19.3	Mid September 2008	4,250
CSAV LAUCA	39,906	24,504	260.0 x 32.25 x 19.3	Mid November 2008	4,250
<b>Total</b>					<b>12,100</b>

**Note:**

The current appraised value of the New Vessels is US\$236 million, based on a valuation obtained from an international ship valuer on 30 June 2008, against the Total Purchase Consideration being US\$222.2 million.

### SUMMARY OF SELECTED INFORMATION ON PST'S PORTFOLIO AS AT 31 DECEMBER 2007

The table below sets out selected information on PST's portfolio as at 31 December 2007:

Name of Vessel	Estimated Gross Tonnage	Estimated Net Tonnage	Registered Dimensions (Length x Breadth x Depth) (metres)	Year of Delivery	Capacity (TEU)
KOTA KADO	31,070	15,648	220.5 x 32.2 x 17.1	2005	3,081
KOTA KAYA	31,070	15,648	220.5 x 32.2 x 17.1	2005	3,081
KOTA ANGGERIK	17,652	8,156	170.3 x 28.0 x 14.0	1999	1,454
KOTA ANGGUN	17,652	8,156	170.3 x 28.0 x 14.0	1999	1,454
KOTA ARIF	17,652	8,156	170.3 x 28.0 x 14.0	1999	1,454
KOTA AZAM	17,652	8,156	170.3 x 28.0 x 14.0	1999	1,454
KOTA RAJIN	9,678	4,558	135.2 x 22.6 x 10.8	2005	943
KOTA RANCAK	9,678	4,558	135.2 x 22.6 x 10.8	2005	943
<b>Total</b>					<b>13,864</b>

## INDEPENDENT FINANCIAL ADVISER'S LETTER

12 August 2008

The Independent Directors  
 PST Management Pte. Ltd.  
 (as Trustee-Manager of Pacific Shipping Trust)  
 140 Cecil Street  
 #09-01 PIL Building  
 Singapore 069540

Dear Sirs

- I. **THE PROPOSED NON-RENOUNCEABLE PREFERENTIAL OFFERING (THE "PREFERENTIAL OFFERING") OF NEW UNITS (THE "NEW UNITS") IN PST, AT THE ISSUE PRICE OF US\$0.365 PER NEW UNIT (THE "ISSUE PRICE"), TO SINGAPORE REGISTERED UNITHOLDERS ON THE BASIS OF THREE (3) NEW UNITS FOR EVERY FOUR (4) EXISTING UNITS HELD ON THE BOOKS CLOSURE DATE (FRACTIONS OF A UNIT TO BE DISREGARDED); AND**
- II. **THE PROPOSED WHITEWASH RESOLUTION FOR THE WAIVER BY THE INDEPENDENT UNITHOLDERS OF THEIR RIGHT TO RECEIVE A MANDATORY GENERAL OFFER FROM PACIFIC INTERNATIONAL LINES (PRIVATE) LIMITED ("PIL") AND TRANPAC HOLDINGS INC., PANAMA ("TRANPAC") FOR ALL THE ISSUED UNITS OF PST FOLLOWING PIL'S ACCEPTANCE OF ITS PROVISIONAL ALLOCATION OF NEW UNITS AND SUBSCRIPTION OF UNSUBSCRIBED NEW UNITS UNDER THE PREFERENTIAL OFFERING PURSUANT TO THE PIL UNDERTAKING; AND**
- III. **IN THE EVENT THAT RESOLUTION (2) IS NOT APPROVED BY UNITHOLDERS, THE PROPOSED ALLOTMENT AND ISSUE OF NEW UNITS (THE "CONSIDERATION UNITS") AT THE ISSUE PRICE, WHICH AMOUNT SHALL BE EQUIVALENT TO THE AMOUNT NOT SUBSCRIBED FOR UNDER THE PREFERENTIAL OFFERING, TO TRANPAC, AS THE VENDOR OF THE NEW VESSELS (TO PARTIALLY SATISFY THE PURCHASE CONSIDERATION FOR CERTAIN NEW VESSELS), WHICH ISSUE CONSTITUTES AN INTERESTED PERSON TRANSACTION; AND**
- IV. **THE PROPOSED WHITEWASH RESOLUTION FOR THE WAIVER BY THE INDEPENDENT UNITHOLDERS OF THEIR RIGHT TO RECEIVE A MANDATORY GENERAL OFFER FROM PIL AND TRANPAC, FOR ALL THE ISSUED UNITS OF PST FOLLOWING THE ALLOTMENT AND ISSUE OF THE CONSIDERATION UNITS TO TRANPAC, AS THE VENDOR OF THE NEW VESSELS, AS PART SATISFACTION OF THE PURCHASE CONSIDERATION FOR CERTAIN NEW VESSELS AND PIL'S ACCEPTANCE OF ITS PROVISIONAL ALLOCATION OF NEW UNITS UNDER THE PREFERENTIAL OFFERING**

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*For the purpose of this letter, capitalised terms not otherwise defined shall have the meanings given to them in the circular dated 12 August 2008 to the Unitholders of Pacific Shipping Trust (the "Circular").*

### 1. INTRODUCTION

The portfolio of PST as at 31 December 2007 comprised eight container vessels with a total slot capacity of 13,864 TEU. As disclosed in the circular to Unitholders dated 28 January 2008, pursuant to the respective Memorandum of Agreement in relation to each of the New Vessels, the Trustee-Manager had agreed to, among others, acquire the New Vessels from Tranpac pursuant to

the right of first refusal granted by PIL (which was the sponsor of PST's initial public offering) in an agreement dated 25 April 2006 and entered into between the Trustee-Manager and PIL. Selected information on the New Vessels and PST's other chartered vessels are set out in Appendix 1 of the Circular.

Under the terms of the Memoranda of Agreement, the Total Purchase Consideration for the New Vessels is US\$222.2 million. The New Vessels are currently valued at US\$236 million based on a valuation obtained from an international ship valuer dated 30 June 2008. It was stated in the circular to Unitholders dated 28 January 2008 that the Trustee-Manager intended to fund, among others, the Acquisitions wholly with debt finance. However, as stated in that circular, the final financing structure would be subject to further evaluation by the Trustee-Manager. In determining the appropriate financing for PST in respect of the Acquisitions, the Trustee-Manager stated that it would take into account, amongst others, prevailing market conditions and the relative costs of financing. Taking into consideration the current credit environment, the Trustee-Manager is of the view that it would be prudent to fund the Acquisitions by way of a combination of debt and equity, as this will allow PST the flexibility to continue expanding its fleet going forward as part of PST's growth objectives. Therefore, the Trustee-Manager has decided that it would be more in line with the growth strategy of PST to undertake the Preferential Offering or the Combined Issuance.

In connection therewith, PST is proposing a non-renounceable preferential offering of the New Units to Singapore Registered Unitholders at the Issue Price on the basis of three (3) New Units for every four (4) existing Units held by Singapore Registered Unitholders on the Books Closure Date (fractions of a Unit to be disregarded and subject to the Rounding Mechanism), so as to raise gross proceeds of approximately US\$92.3 million.

In the event that Resolution (3), namely, the Whitewash Resolution for the Preferential Offering is approved by Unitholders at the EGM, PIL will subscribe for the Unsubscribed New Units under the Preferential Offering, PIL has irrevocably undertaken (the "**PIL Undertaking**") that it will (i) subscribe and pay for its provisional allocation of New Units in respect of its direct interest of approximately 34.64% in PST, and (ii) subscribe and pay for the Unsubscribed New Units under the Preferential Offering, provided that the aggregate number of New Units pursuant to the PIL Preferential Offering Entitlement and the Unsubscribed New Units subscribed by PIL shall not exceed 252,750,000. Details of the PIL Undertaking are set out below in Section 3.3 of our IFA Letter.

If Unitholders approve the Preferential Offering under Resolution (1) but do not approve the Whitewash Resolution for the Preferential Offering under Resolution (2), there is a possibility that the Preferential Offering may not be fully subscribed and thus PST would not be able to raise the target gross proceeds of approximately US\$92.3 million. In relation to the shortfall between the target gross proceeds of approximately US\$92.3 million and the actual gross proceeds raised in the Preferential Offering, PST proposes to partially discharge the CSAV Vessels Purchase Consideration by way of issue of Consideration Units at the Issue Price, provided the aggregate issue price of the Consideration Units shall not in any event exceed US\$60.3 million. US\$60.3 million represents approximately 44% of the CSAV Vessels Purchase Consideration. The aggregate issue size of the Combined Issuance shall be approximately US\$92.3 million. The Consideration Units shall be allotted and issued to Tranpac upon the delivery of CSAV LAJA and/or CSAV LAUCA (as the case may be) in accordance with the terms and conditions of the Memoranda of Agreement or as may be agreed between the relevant parties. Such allotment and issue of Consideration Units is conditional, amongst others, upon the Whitewash Resolution for the Issue of Consideration Units and the PIL Preferential Offering Entitlement being approved under Resolution (4). If such approval is not obtained, PST will not proceed with the proposed issue of the Consideration Units.

As at the Latest Practicable Date, PIL holds interest in 116,963,000 Units (direct and deemed), which is equivalent to approximately 34.71% of the total number of Existing Units. Under Rule 14 of the Code, PIL and Tranpac are obliged to make a mandatory general offer for the remaining Units not already owned or controlled by it if, as a result of accepting the PIL Preferential Offering Entitlement and/or subscribing for the Unsubscribed New Units under the Preferential Offering pursuant to the PIL Undertaking, and/or as a result of subscribing for the Consideration Units, PIL and Tranpac acquire more than 1% of the voting rights of PST in any six month period.

Accordingly, an application was made to the SIC for a waiver of the obligations of PIL and Tranpac to make a mandatory general offer for the Units under Rule 14 of the Code. The SIC has on 4 August 2008 granted the Whitewash Waivers subject to the satisfaction of the conditions stated in Section 5 of the Circular.

PST is seeking a waiver from Independent Unitholders of their rights to receive a general takeover offer by PIL and Tranpac, in accordance with Rule 14 of the Code, as a result of PIL's acceptance of the PIL Preferential Offering Entitlement and/or subscription for the Unsubscribed New Units (provided that the aggregate number of New Units pursuant to the PIL Preferential Offering Entitlement and the Unsubscribed New Units subscribed by PIL shall not exceed 252,750,000) pursuant to the PIL Undertaking and/or as a result of the allotment and issue of the Consideration Units to Tranpac.

In compliance with the conditions of the Whitewash Waivers set out in Section 5.2 of the Circular, the Directors have, on behalf of the Trustee-Manager and PST, appointed PricewaterhouseCoopers Corporate Finance Pte Ltd ("**PwCCF**") as the Independent Financial Adviser ("**IFA**") to advise the Independent Directors on the Whitewash Resolution for the Preferential Offering and the Whitewash Resolution for the Issue of Consideration Units and the PIL Preferential Offering Entitlement.

Further, the issue of the Consideration Units to Tranpac, being a wholly-owned subsidiary of PIL and therefore an Associate of PIL, constitutes an "interested person transaction" under Chapter 9 of the Listing Manual. If the Consideration Units are issued to Tranpac under the Combined Issuance, the value of the New Units issued to Tranpac may exceed 5.0 per cent. of the value of the audited NTA of PST for FY2007. In such circumstances, Rule 906 of the Listing Manual requires Unitholders' approval for the issue of the Consideration Units to Tranpac.

Based on the foregoing, the Trustee-Manager has also appointed PwCCF as the IFA to advise the Independent Directors on whether, among others, the issue of the Consideration Units to Tranpac, being an interested person transaction, is on normal commercial terms and is not prejudicial to the interests of PST and its Independent Unitholders.

This letter of opinion ("**IFA Letter**") which sets out, *inter-alia* our evaluation on:

- (i) the Whitewash Resolution for the Preferential Offering;
- (ii) the issue of the Consideration Units to Tranpac, being an interested person transaction under Chapter 9 of the Listing Manual; and
- (iii) the Whitewash Resolution for the Issue of Consideration Units and the PIL Preferential Offering Entitlement

and our advice to the Independent Directors in relation to their recommendation to the Independent Unitholders on the above has been prepared to form part of the Circular to be issued by the Trustee-Manager to Unitholders dated 12 August 2008.

## **2. TERMS OF REFERENCE**

PwCCF has been appointed as the IFA to advise the Independent Directors on:

- (i) the Whitewash Resolution for the Preferential Offering;
- (ii) the issue of the Consideration Units, being an interested person transaction under Chapter 9 of the Listing Manual; and
- (iii) the Whitewash Resolution for the Issue of Consideration Units and the PIL Preferential Offering Entitlement.

We do not, by this IFA Letter, make any representation or warranty in relation to the merits of the Preferential Offering and/or the Combined Issuance.

Our terms of reference do not require us to evaluate or comment on the rationale for, strategic or long-term commercial merits or commercial risks of the Preferential Offering or the Combined Issuance or the future performance or prospects of PST. However, we may draw upon the views of the Directors and management of the Trustee-Manager in arriving at our view.

In the course of our evaluation and for the purpose of our opinion in relation to the Whitewash Resolutions and the issue of the Consideration Units, we have held discussions with certain Directors and management of the Trustee-Manager and have examined information provided by the Directors and management of the Trustee-Manager and other publicly available information collated by us, upon which our view is based. We have not independently verified such information, whether written or verbal, and accordingly cannot and do not make any representation or warranty in respect of, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information. We have nevertheless made enquiries and used our judgement on the reasonable use of such information and have found no reason to doubt the accuracy or reliability of the information.

We have relied upon the assurances of the Directors that the Circular has been approved by the Directors who have made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed in the Circular are fair and accurate in all material respects as at the date of the Circular and that there are no material facts the omission of which would make any statement in the Circular misleading in any material respect. Accordingly, the Directors collectively and individually accept responsibility for the accuracy of the information given in the Circular as set out in the "Directors' Responsibility Statement". In addition, the management of the Trustee-Manager has similarly provided us with a responsibility statement in a letter dated 12 August 2008, which we have relied upon.

Accordingly, no representation or warranty, expressed or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of all such information, provided or otherwise made available to us or relied on by us as described above.

We have also not conducted a comprehensive review of the business, operations or financial condition of PST or the Trustee-Manager and accordingly make no representation or warranty, express or implied, in this regard.

Furthermore, our terms of reference do not require us to express, and we do not express, an opinion on the future growth prospects of PST. We have, therefore, not expressed any opinion herein as to the future financial or other performance of PST.

Our opinion is based upon prevailing market, economic, industry, monetary and other conditions (where applicable) and the information made available to us as of the Latest Practicable Date. We assume no responsibility to update, revise or reaffirm our view in light of any subsequent development after 8 August 2008, being the full Market Day prior to the announcement of the Preferential Offering on 11 August 2008 that may affect our opinion contained therein. Unitholders should take note of any announcements relevant to their consideration for the Preferential Offering, the Combined Issuance and the Whitewash Resolutions which may be released by the Trustee-Manager after 8 August 2008. In rendering our advice and giving our recommendation, we have not had regard to the specific investment objectives, financial situation or individual circumstances of any Independent Unitholders.

**Our opinion is for the use and benefit of the Independent Directors in their deliberation that:**

- (i) the Whitewash Resolution for the Preferential Offering is not prejudicial to the interests of the Independent Unitholders;**
- (ii) the issue of the Consideration Units, being an interested person transaction under Chapter 9 of the Listing Manual, is on normal commercial terms and is not prejudicial to the interests of PST and the Independent Unitholders; and**

- (iii) **the Whitewash Resolution for the Issue of Consideration Units and the PIL Preferential Offering Entitlement is not prejudicial to the interests of the Independent Unitholders.**

**The statements and/or recommendations made by the Independent Directors shall remain the responsibility of the Independent Directors.**

**Our opinion should not be relied on as a recommendation to any Unitholder of PST as to how the Unitholders should vote on the resolutions or any matters related thereto. Each Unitholder may have different investment objectives and considerations and should seek their own professional advice.**

**Our opinion in relation to the above should be considered in the context of the entirety of this letter of opinion and the Circular.**

### **3. DETAILS OF THE PREFERENTIAL OFFERING**

The details and information of the Preferential Offering are set out in Section 3 of the Circular. Certain key sections and/or information in relation thereto have been extracted and reproduced below:

#### **3.1 Overview of the Preferential Offering**

PST is proposing a preferential offering of the New Units to Singapore Registered Unitholders at the Issue Price on the basis of three (3) New Units for every four (4) existing Units held by Singapore Registered Unitholders on the Books Closure Date (fractions of a Unit to be disregarded and subject to the Rounding Mechanism), so as to raise gross proceeds of approximately US\$92.3 million. The Issue Price is at a discount of approximately 5.2% to the volume weighted average price of trades in the Units done on the SGX-ST for the full Market Day prior to the announcement of the Preferential Offering on 11 August 2008 ("**Announcement Date**").

**As the Preferential Offering is made on a non-renounceable basis, the provisional allocations of New Units cannot be renounced in favour of a third party or traded on the SGX-ST. No excess applications will be allowed under the Preferential Offering and provisional allocations of New Units under the Preferential Offering which are not taken up by Singapore Registered Unitholders for any reason, and excluding the New Units that would have been provisionally allocated due to the Rounding Mechanism, being the Unsubscribed New Units, will be subscribed by PIL at the Issue Price (provided that the aggregate number of New Units pursuant to the PIL Preferential Offering Entitlement and the Unsubscribed New Units subscribed by PIL shall not exceed 252,750,000) pursuant to the PIL Undertaking.**

The Preferential Offering is proposed to be made on a non-renounceable basis. As taking into account the relative size of the Preferential Offering compared with the market capitalisation of PST, allowing excess applications may result in an extreme redistribution of unitholdings in PST.

Pursuant to the PIL Undertaking, PIL will (i) subscribe and pay for its provisional allocation of New Units in respect of its direct interest of approximately 34.64% in PST and (ii) subscribe and pay for the Unsubscribed New Units under the Preferential Offering, provided that the aggregate number of New Units pursuant to the PIL Preferential Offering Entitlement and the Unsubscribed New Units subscribed by PIL shall not exceed 252,750,000. Such New Units will be subscribed by PIL at the Issue Price.

#### **3.2 Use of Proceeds**

The details of the use of proceeds in relation to the Preferential Offering is set out in the section entitled Overview of Resolution (1) of the Circular. Certain key sections and/or information in relation thereto have been extracted and reproduced below.

The Trustee-Manager intends to issue approximately 252,750,000 New Units, so as to raise gross proceeds of approximately US\$92.3 million. The net proceeds of the Preferential Offering is intended to finance and refinance part of the Total Purchase Consideration, namely, approximately 60% of such net proceeds will be utilised to partially finance the CSAV Vessels Purchase Consideration, approximately 38% of such net proceeds will be utilised for the partial refinancing of borrowings which had been used by PST to complete the acquisitions of KOTA NABIL and KOTA NAGA, and/or the balance of such net proceeds will be utilised for PST's general corporate purposes and/or working capital purposes and/or refinancing of borrowings.

### **3.3 Undertaking by PIL**

As at the Latest Practicable Date, PIL has a direct interest of 116,743,000 Units, representing approximately 34.64% of the Existing Units. To demonstrate its commitment to PST, PIL has pursuant to the PIL Undertaking irrevocably undertaken to the Trustee-Manager that:

- (a) PIL will subscribe and pay for its provisional allocation of New Units in respect of its direct interest of approximately 34.64% in PST; and
- (b) PIL will subscribe and pay for the Unsubscribed New Units under the Preferential Offering;

provided that the aggregate number of New Units pursuant to the PIL Preferential Offering Entitlement and the Unsubscribed New Units subscribed by PIL shall not exceed 252,750,000.

The PIL Undertaking shall be subject to, amongst others, the Whitewash Resolution for the Preferential Offering being approved, and shall lapse and cease to have any effect in the event that the Preferential Offering is not completed by 31 March 2009 or such later date as the parties may mutually agree.

The PIL Undertaking will enhance the objective of a successful Preferential Offering as it demonstrates PIL's support and confidence in the long-term growth and financial prospects of PST.

## **4. THE ISSUE OF CONSIDERATION UNITS UNDER THE COMBINED ISSUANCE**

The details and information on the issue of Consideration Units under the Combined Issuance are set out in Section 4 of the Circular. Certain key details and information have been extracted and reproduced as follows:

### **4.1 The Consideration Units and the Issue Price**

Under the terms of the Memoranda of Agreement, the Total Purchase Consideration for the Acquisitions is approximately US\$222.2 million payable by PST to Tranpac, of which US\$136.2 million is payable by PST to Tranpac for the acquisitions of CSAV LAJA and CSAV LAUCA. As at the date of this Circular, the purchase consideration for KOTA NABIL and KOTA NAGA amounting to an aggregate of US\$86.0 million has been satisfied by PST by way of debt finance.

If the Unitholders approve the Preferential Offering under Resolution (1) but do not approve the Whitewash Resolution for the Preferential Offering under Resolution (2), there is a possibility that the Preferential Offering may not be fully subscribed and thus PST would not be able to raise the target gross proceeds of approximately US\$92.3 million. In relation to the shortfall between the target gross proceeds of approximately US\$92.3 million and the actual gross proceeds raised in the Preferential Offering, PST proposes to partially discharge the CSAV Vessel Purchase Consideration by way of issue of the Consideration Units to Tranpac at the Issue Price, provided the aggregate issue price of the Consideration Units shall not in any event exceed US\$60.3 million. US\$60.3 million represents approximately 44% of the CSAV Vessels Purchase Consideration. The aggregate issue size of the Combined Issuance shall be approximately US\$92.3 million.

In relation to the net proceeds raised under the Preferential Offering, at least US\$30 million will be utilised for the partial refinancing of the existing borrowings which had been used by PST to complete the acquisitions of KOTA NABIL and KOTA NAGA, with the balance to be utilised for the partial financing of the CSAV Vessels Purchase Consideration and/or for PST's general corporate purposes and/or working capital purposes and/or refinancing of borrowings.

The Consideration Units will be issued to Tranpac at the Issue Price, which represents a discount of approximately 5.2% to the volume weighted average price of trades done on the SGX-ST for the full Market Day prior to the announcement of the Preferential Offering on 11 August 2008.

The Trustee-Manager believes that the Combined Issuance will enable PST to reduce its Aggregate Leverage from 68.9%<sup>(1)</sup> to 49.9%, thereby increasing its financial flexibility to pursue growth opportunities, whilst possibly allowing DPU accretion following the completion of the Combined Issuance (taking into account the Acquisitions as well). In the event that Resolution (4) is not approved by Unitholders, the Consideration Units will not be issued to Tranpac to partially finance or refinance the CSAV Vessels Purchase Consideration. As a result, PST's ability to reduce its Aggregate Leverage may be limited and hence its financial flexibility to pursue growth opportunities will be restricted.

The allotment and issue of the Consideration Units is conditional, amongst others, upon the Whitewash Resolution for the Issue of Consideration Units and the PIL Preferential Offering Entitlement being approved. If such approval is not obtained, PST will not proceed with the proposed issue of Consideration Units.

## 5. THE WHITEWASH WAIVERS

The details and information on the Whitewash Waivers are set out in Section 5 of the Circular. Certain key sections and/or information have been extracted and reproduced as follows:

Under Rule 14 of the Code, any person who together with persons acting in concert with him, holds not less than 30% but not more than 50% of the voting rights in PST and such person, or any person acting in concert with him, acquires in any period of six months additional Units carrying more than 1% of the voting rights in PST, is required to make a mandatory general offer for all Units in PST which he does not already own or control.

The SIC has waived the obligation for PIL and Tranpac to make a general offer for PST as a result of PIL's subscription for New Units (comprising PIL's provisional allocation of New Units and the Unsubscribed New Units)<sup>(2)</sup> under the Preferential Offering pursuant to the PIL Undertaking, or as a result of the issue of the Consideration Units to Tranpac and the acceptance by PIL of the PIL Preferential Offering Entitlement under the Combined Issuance, subject to the conditions set out in Sections 5.2 and 5.3 of the Circular. Unitholders are advised to read these sections carefully.

## 6. EVALUATION OF THE WHITEWASH RESOLUTION FOR THE PREFERENTIAL OFFERING

**We highlight that the Whitewash Resolution for the Preferential Offering is subject to the Preferential Offering being approved by Unitholders.**

In our evaluation of the Whitewash Resolution for the Preferential Offering, we have taken into consideration the following key factors:

- (i) the rationale for the Preferential Offering;
- (ii) comparison with similar corporate exercises of other trusts or companies listed on the SGX-ST;

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<sup>(1)</sup> Assuming PST had funded the Acquisitions entirely by debt.

<sup>(2)</sup> Provided that the aggregate number of New Units pursuant to the PIL Preferential Offering Entitlement and the Unsubscribed New Units subscribed by PIL shall not exceed 252,750,000.

- (iii) the financial effects of the Preferential Offering and the Acquisitions; and
- (iv) other relevant considerations.

These factors are discussed in greater detail in the ensuing paragraphs.

## 6.1 The rationale for the Preferential Offering

The rationale for the Preferential Offering is set out in Section 3.5 of the Circular. We recommend that the Independent Directors advise the Independent Unitholders to read these sections carefully. We have set out below the relevant key extracts of the section as follows:

### 6.1.1 A strengthened balance sheet and enhanced financing flexibility to pursue medium-term yield accretive growth opportunities

The completion of the Preferential Offering or the Combined Issuance would improve PST's financial flexibility and reduce its Aggregate Leverage had PST funded the Acquisitions entirely by way of debt. PST's Aggregate Leverage is expected to decrease from 68.9% (had PST funded the Acquisitions wholly by debt finance) to 49.9% after adjustment for the Preferential Offering and the acquisitions of the New Vessels. Assuming a steady Aggregate Leverage at 60% (the Aggregate Leverage of 60% is assumed merely for illustrative purposes and is in line with market comparables), PST will have significant Borrowing Capacity, as illustrated in the table below, of US\$120.5 million to finance accretive growth opportunities in the future as and when they arise.

#### Enhanced Financial Flexibility Following the Preferential Offering or the Combined Issuance

	As at 31 December 2007	Unaudited Pro Forma FY2007  Adjusted for the Acquisitions and assuming that the Acquisitions are fully funded by debt	Unaudited Pro Forma FY2007  Adjusted for the Preferential Offering or Combined Issuance and the Acquisitions <sup>(1)</sup>
Total Borrowings (US\$ million)	108.8	327.1	236.8
Total Assets (US\$ million)	259.7	475.0	475.0
Aggregate Leverage <sup>(2)</sup>	41.9%	68.9%	49.9%
Borrowing Capacity (US\$ million) <sup>(3)</sup>	–	–	120.5

(Source: Section 3.5.1 of the Circular and PwCCF analysis)

Notes:

- (1) Assuming the New Vessels are funded partly by way of the issue of the New Units and/or the Consideration Units.
- (2) Calculated based on the Total Borrowings divided by the Total Assets.
- (3) Assuming a steady Aggregate Leverage of 60%, which is in line with market comparables.

In our evaluation of the Aggregate Leverage of PST under the above unaudited pro forma scenarios, we have compared the Aggregate Leverage of PST against the aggregate leverage of other comparable shipping trusts which are listed on the SGX-ST ("**Comparable Shipping Trusts**").

It should be noted that the Comparable Shipping Trusts may not be directly comparable to PST in terms of business activities, size of operations, asset base, geographical spread of activities, track record, future prospects and other relevant criteria. Any comparison made with respect to the Comparable Shipping Trusts is therefore intended to serve as an illustrative guide only.

#### Aggregate leverage of Comparable Shipping Trusts

	As at 8 August 2008, being the full Market Day prior to the Announcement Date	After adjustments for the relevant proposed / announced acquisitions
First Ship Lease Trust (“FSL”)	49.1% <sup>(1)</sup>	52.8% <sup>(3)</sup>
Rickmers Maritime (“RM”)	39.3% <sup>(2)</sup>	44.8% <sup>(4)</sup>
PST	Not applicable	49.9% <sup>(5)</sup>

Notes:

- (1) Based on the announced results of FSL for the financial period ended 30 June 2008, the total borrowings and total assets are approximately US\$438.9 million and US\$893.3 million respectively.
- (2) Based on the announced results of RM for the financial period ended 30 June 2008, the total borrowings and total assets are approximately US\$378.8 million and US\$864.2 million respectively.
- (3) After adjusting for the proposed acquisition of the third and remaining containership from a subsidiary of Yang Ming Marine Transport Corporation for a consideration of approximately US\$70 million expected to be funded entirely by debt based on the announcements on 12 May 2008 and 22 June 2008 respectively.
- (4) Based on circular dated 17 April 2008, RM proposed to acquire 13 containerships for an aggregate consideration of approximately US\$1.3 billion to be funded by a combination of debt of up to approximately US\$627.5 million, equity of up to approximately US\$650 million and the remaining balance with internally generated funds. RM has taken delivery of the first of its 13 containerships for an aggregate consideration of approximately US\$72 million funded entirely by debt.
- (5) PST’s Aggregate Leverage is after adjusting for the Preferential Offering or the Combined Issuance and the Acquisitions.

Based on the above, PST’s Aggregate Leverage after adjusting for the Preferential Offering or the Combined Issuance of 49.9% is within the range of the aggregate leverage of the Comparable Shipping Trusts after adjustment for the relevant proposed/announced acquisitions.

#### 6.1.2 DPU accretive on a Pro Forma basis

Based on the Unaudited Pro Forma DPU for 2007 as adjusted for the Preferential Offering or the Combined Issuance and the Acquisitions (further details and assumptions are set out under Section 7 of the Circular), the DPU computed represents an increase from 4.29 US cents to 4.31 US cents. Based on the Issue Price, PST’s Pro Forma DPU yield could also increase from 11.75% to 11.80%.

	Actual FY2007	Unaudited Pro Forma FY2007 Adjusted for the Preferential Offering or the Combined Issuance and the Acquisitions <sup>(1)</sup>
DPU (US cents)	4.29	4.31
DPU yield <sup>(2)</sup> (%)	11.75	11.80

(Source: Section 3.5.2 of the Circular)

Notes:

- (1) Please refer to the assumptions highlighted under Section 7 of this Circular for more details.
- (2) Based on the Issue Price and assuming 252,750,000 New Units are allotted and issued under the Preferential Offering or the Combined Issuance and excluding any New Units that would have been provisionally allocated as a result of the Rounding Mechanism.

### 6.1.3 In respect of the Preferential Offering, pro-rata entitlement to the New Units is at a discount of approximately 5.2%

The Preferential Offering would offer Unitholders the opportunity to subscribe for the New Units at a price representing a discount of approximately 5.2% to the volume weighted average price of trades done in the Units done on the SGX-ST for the full Market Day prior to the announcement of the Preferential Offering on 11 August 2008.

## 6.2 Comparison with similar corporate exercises of other trusts or companies listed on the SGX-ST

In assessing the reasonableness of the Issue Price, we have reviewed the announcements, circulars and/or Offer Information Statement lodged by trusts or companies listed on the SGX-ST involving preferential offering (“**Comparable Preferential Offering Transactions**”) which were completed within the last 1-year period prior to the Announcement Date. In our review, we compare the discount of the Comparable Preferential Offering Transactions over the volume weighted average prices (“**VWAP**”) of the units or shares prior to the date of the announcement of the preferential offering.

We highlight that the circumstances surrounding the Preferential Offering may be unique and different from the Comparable Preferential Offering Transactions listed below for reasons such as size of consideration, differing corporate objectives and business activities. Accordingly, each of the Comparable Preferential Offering Transactions must be evaluated on its own commercial and financial merits and any comparison made would merely serves as an illustrative guide only.

The following analysis serves only as a guide to the relevant discount offered in Comparable Preferential Offering Transactions without having regard to their specific industry characteristics or other considerations:

Name of trust / company	Date of issue price being fixed	VWAP prior to the date of issue price being fixed (S\$)	Issue price (S\$)	(Discount) of issue price over VWAP (%)	Take-up rate (%)	Utilisation of proceeds
Ascott Residence Trust (“ <b>ART</b> ”) <sup>(1)</sup>	9 March 2007	2.04	1.88	(8%)	113%	Part finance / refinance acquisitions and working capital purposes
CDL Hospitality Trusts (“ <b>CDLHT</b> ”) <sup>(2)</sup>	5 July 2007	2.66	2.45	(8%)	94%	Repayment of borrowings and working capital purposes
Olam International Ltd (“ <b>Olam</b> ”) <sup>(3)</sup>	28 March 2008	2.01	1.97	(2%)	120%	To finance investments in joint venture, mergers & acquisitions for expansion, reduce borrowings and working capital purposes
<b>High</b>				<b>(8%)</b>	<b>120%</b>	
<b>Low</b>				<b>(2%)</b>	<b>94%</b>	
<b>Average</b>				<b>(6%)</b>	<b>109%</b>	
<b>PST</b>	<b>8 August 2008</b>	<b>US\$0.385<sup>(4)</sup></b>	<b>US\$0.365</b>	<b>(5.2%)</b>		<b>To finance and refinance part of the Total Purchase Consideration</b>

(Source: Announcements and/or offer information statements of the respective trust/company in the Comparable Preferential Offering Transactions, Bloomberg and PwCCF analysis)

Notes:

VWAP denotes volume weighted average price.

- (1) The preferential offering of ART is non-renounceable, underwritten by DBS Bank Ltd and J.P. Morgan (S.E.A) Limited and is subject to an undertaking by its major unitholder to procure the acceptance of its entitlements.
- (2) The preferential offering of CDLHT is non-renounceable, underwritten by DBS Bank Ltd and Citigroup Global Markets Singapore Pte. Ltd. and is subject to an undertaking by its sponsor to procure the acceptance of its respective entitlements.
- (3) The preferential offering of Olam is non-renounceable, non-underwritten and is subject to an undertaking by certain of its major shareholders to subscribe for their entitlements up to a pre-determined number of shares.
- (4) The VWAP of PST is as at 8 August 2008, being the full Market Day prior to the Announcement Date.

Of the three selected Comparable Preferential Offering Transactions, both ART and CDLHT are closer comparable to PST than Olam as like PST, they are also trusts possessing greater similarity in investment characteristics.

Based on the above, the Issue Price which is at a discount of approximately 5.2% to the VWAP of PST on 8 August 2008, being the full Market Day prior to the Announcement Date is within the range of the discount implied by the respective issue price of the Comparable Preferential Offering Transactions.

The analysis above is based on data compiled by publicly available sources and serves only as a guide to the discount in connection with the Comparable Preferential Offering Transactions. Conclusions drawn from the comparisons made herein may not reflect any perceived market valuation of PST.

### **6.3 Financial effects of the Preferential Offering and the Acquisitions**

The details of the unaudited pro forma financial effects of the Preferential Offering, the Combined Issuance and the Acquisitions are set out in Section 7 of the Circular.

We recommend that the Independent Directors advise the Independent Unitholders to read Section 7 of the Circular carefully, in particular the assumptions relating to the preparation thereof. We have set out below the relevant key extracts and information of the section as follows:

The unaudited pro forma financial effects of the Preferential Offering, the Combined Issuance and the Acquisitions on the Unaudited Pro Forma DPU and the unaudited pro forma financial effects of the Preferential Offering, the Combined Issuance and the Acquisitions on the Unaudited Pro Forma NAV per Unit presented below are strictly for illustrative purposes only and are prepared based on the Audited Financial Statements as well as the assumptions set out below and assumes the maximum number of New Units and/or Consideration Units being issued under the Preferential Offering or the Combined Issuance.

The following general assumptions have been made in preparing the Unaudited Pro Forma DPU and Unaudited Pro Forma NAV per Unit for FY2007:

- (i) 252,750,000 New Units and/or Consideration Units are issued at the Issue Price, being US\$0.365 per New Unit or Consideration Unit pursuant to the Preferential Offering or the Combined Issuance; and
- (ii) net proceeds of US\$90.3 million are raised after deducting the estimated costs of the Preferential Offering or the Combined Issuance of US\$2.0 million.

### 6.3.1 Unaudited Pro Forma DPU

The Unaudited Pro Forma DPU for FY2007, assuming that the Preferential Offering and the Acquisitions or the Combined Issuance and the Acquisitions were completed on 1 January 2007 and that the New Vessels were held by PST for FY2007 are set out below. It is also assumed that the net proceeds of US\$90.3 million from the Preferential Offering or the Combined Issuance was used for the part financing and/or part refinancing of the Total Purchase Consideration.

	FY2007	Unaudited Pro Forma <sup>(6)</sup>	
		As adjusted for the Preferential Offering and the Acquisitions	As adjusted for the Combined Issuance and the Acquisitions
Distributable income (US\$'000)	14,457	25,394 <sup>(1)</sup>	25,394 <sup>(1)</sup>
Units in issue ('000)	337,000 <sup>(2)</sup>	589,750 <sup>(3)</sup>	589,750 <sup>(3)</sup>
DPU (US cents)	4.29	4.31 <sup>(4)</sup>	4.31 <sup>(4)</sup>
DPU Yield <sup>(5)</sup> (%)	11.75	11.80	11.80

(Source: Extracted from Section 7.1 of the Circular)

Notes:

- (1) The income from the New Vessels are based on agreements which have been entered into as at the date of this Circular and the expenses attributable to the New Vessels are based on assumptions made by the Trustee-Manager.
- (2) Number of Units in issue as at 31 December 2007.
- (3) Based on the total number of Units in issue upon completion of the Preferential Offering or the Combined Issuance, as the case may be.
- (4) Computed based on the adjusted distributable income of PST for FY2007 divided by the total number of Units in issue upon completion of the Preferential Offering or the Combined Issuance, as the case may be.
- (5) Based on the Issue Price.
- (6) The Unaudited Pro Forma DPU is based on the following assumptions:
  - (a) PST can recognise a full 12-month contribution from the Acquisitions; and
  - (b) the New Units and/or Consideration Units are deemed to have been issued at the beginning of the 12-month pro forma period.

Based on the assumptions above, the Unaudited Pro Forma DPU is expected to improve by 0.02 US cent under the Preferential Offering and the Acquisitions and also under the Combined Issuance and the Acquisitions.

### 6.3.2 Unaudited Pro Forma NAV

The unaudited pro forma financial effects of the Acquisitions on the NAV per Unit as at 31 December 2007, assuming the Acquisitions were completed on 1 January 2007, is as follows:

		Unaudited Pro Forma as at 31 December 2007	
		As adjusted for the Preferential Offering and the Acquisitions	As adjusted for the Combined Issuance and the Acquisitions
	<b>As at 31 December 2007 (US\$'000)</b>		
NAV (US\$'000)	144,842 <sup>(1)</sup>	232,109 <sup>(2)</sup>	232,109 <sup>(2)</sup>
Units in Issue ('000)	337,000 <sup>(3)</sup>	589,750 <sup>(4)</sup>	589,750 <sup>(4)</sup>
NAV per unit (US cents)	43.0	39.4	39.4

(Source: Extracted from Section 7.1 of the Circular)

Notes:

- (1) Based on the Audited Financial Statements.
- (2) Based on (i) the Total Purchase Consideration of US\$222.2 million and including the capitalised acquisition fee/costs less depreciation expenses and (ii) long and short term net borrowings of US\$128 million (after partial debt repayment and capitalised loan amortisation) as at 31 December 2007.
- (3) Number of Units in issue as at 31 December 2007.
- (4) Includes the 252,750,000 New Units and/or Consideration Units issued pursuant to the Preferential Offering or the Combined Issuance, as the case may be.

As illustrated above, we note that there is a decrease in NAV per unit of 3.6 US cents or 8.4% decrease under the Preferential Offering and the Acquisitions or under the Combined Issuance and the Acquisitions. We also note that the Issue Price of US\$0.365 represent a discount of approximately 8.3% to the NAV per Unit as at 31 December 2007.

In assessing the discount of the Issue Price over the NAV per Unit, we have performed the following additional analysis:

- (i) Comparison of the closing price with the NAV per unit of the Comparable Shipping Trusts; and
- (ii) Comparison of the issue price with the NAV per unit issued by Comparable Shipping Trusts issuing consideration units.

### 6.3.2.1 Comparison of the closing price with the NAV per unit of the Comparable Shipping Trusts

We have compared the closing price with the NAV per unit of the Comparable Shipping Trusts to determine the range of premium / discount of the closing price over the NAV per unit of the Comparable Shipping Trusts as follows:

Comparable Shipping Trusts	Closing price <sup>(1)</sup>	NAV per unit	Premium / (discount) of the closing price over the NAV per unit
First Ship Lease Trust	S\$1.22	S\$1.20 <sup>(2)</sup>	1.7%
Rickmers Maritime	S\$1.13	S\$1.35 <sup>(3)</sup>	(16.3%)

Notes:

- (1) Closing price is based on 8 August 2008, being the full Market Day prior to the Announcement Date (source: Bloomberg).
- (2) Based on the announced NAV per unit as at 30 June 2008 of US\$0.88 per unit translated at US\$1:S\$1.36, being the exchange rate as at the 30 June 2008 (source: Bloomberg).
- (3) Based on the announced NAV per unit as at 30 June 2008 of US\$0.99 per unit translated at US\$1:S\$1.36 being the exchange rate as at 30 June 2008 (source: Bloomberg).

Based on the above, the discount of the Issue Price over the NAV per Unit of PST of approximately 8.3% is within the range of the premium / discount of the closing price over the NAV per unit of the Comparable Shipping Trusts.

### 6.3.2.2 Comparison of the issue price with the NAV per unit of the Comparable Shipping Trusts issuing consideration units

Further, we have also compared the issue price with the NAV per unit of the Comparable Shipping Trusts which have issued consideration units as part repayment for their acquisition:

Comparable Shipping Trusts	Issue price	NAV per unit	Discount of the issue price over the NAV per unit
Rickmers Maritime	S\$1.19 <sup>(1)</sup>	S\$1.51 <sup>(2)</sup>	(21.2%)

Notes:

- (1) Based on the Rickmers Maritime circular dated 21 February 2008.
- (2) Computed based on the announced results of Rickmers Maritime as at 30 September 2007, being the latest available announced results prior to the determination of the issue price for the transaction. Hence, the NAV per unit is computed based on NAV of approximately US\$395.96 million divided by 390,237,000 units translated at US\$1:S\$1.49, being the exchange rate as at 30 September 2007 (source: Bloomberg).

Based on the above, the discount of Issue Price over the NAV per Unit of PST of approximately 8.3% is above the discount of the issue price over NAV per Unit of the Comparable Shipping Trusts.

## 6.4 Other considerations

### 6.4.1 Dilution impact analysis of the Preferential Offering

There would be no changes to the current unitholding structure of PST if all Unitholders subscribe for their provisional allocations of New Units in full under the Preferential Offering.

However, the unitholding level of PIL will increase significantly and consequently the Independent Unitholders' collective unitholding interest in PST will be diluted should the Independent Unitholders not take up in full their provisional allocations under the Preferential Offering. The table below sets out the different scenarios illustrating the unitholding structure of PST as at the Latest Practicable Date, assuming different levels of take-up of their provisional allocations for the New Units (details of which are set out under the third and fourth columns of the table shown below).

		<b><u>Scenario A</u></b>	<b><u>Scenario B</u></b>
	<b>As at the Latest Practicable Date</b>	<b>Assuming Independent Unitholders do not accept their provisional allocations of New Units and as a result, 252,750,000 New Units and/or Consideration Units are issued to PIL and/or Tranpac (as the case may be)</b>	<b>Assuming Independent Unitholders accept, in aggregate, 80.0%<sup>(6)</sup> of their provisional allocations of New Units and as a result, 120,727,800<sup>(7)</sup> New Units and/or Consideration Units are issued to PIL and/or Tranpac (as the case may be)</b>
Number of Units held by PIL <sup>(1)(2)(3)(4)(5)</sup>	116,963,000	369,713,000	237,690,800
Number of Units held by Independent Unitholders	220,037,000	220,037,000	352,059,200
Total Number of Issued Units	337,000,000	589,750,000	589,750,000
Units held by PIL (%)	34.7	62.7	40.3
Units held by Independent Unitholders (%)	65.3	37.3	59.7

(Source: Extracted from Section 6 of the Circular)

Notes:

- (1) Y. C. Chang & Sons Private Limited ("YCCS") holds a direct interest of 43.66% in PIL and is deemed to have an interest in the Units held by PIL by virtue of Section 7 of the Companies Act, Chapter 50 of Singapore.
- (2) South Pacific International Holdings Limited ("SPIH") holds a direct interest of 31.66% in PIL and is deemed to have an interest in the Units held by PIL by virtue of Section 7 of the Companies Act, Chapter 50 of Singapore.
- (3) Mr Teo Woon Tiong also known as Mr Chang Yun Chung, together with members of his family, control YCCS and SPIH and is deemed to have an interest in the Units held by PIL which is a substantial shareholder of the Trustee-Manager by virtue of Section 7 of the Companies Act, Chapter 50 of Singapore.
- (4) The number of Units held by PIL includes interest in Units held directly by PIL and deemed interest in Units held by its indirect subsidiary EML (UK) Limited and Tranpac, if Consideration Units are issued. As at the Latest Practicable Date, PIL holds direct interest of 116,743,000 Units, which is equivalent to approximately 34.64% unitholding in PST, and a deemed interest of 220,000 Units through its indirect subsidiary EML (UK) Limited by virtue of Section 7 of the Companies Act, Chapter 50 of Singapore, being a 0.07% unitholding in PST.

- (5) As at the Latest Practicable Date, PIL and parties acting in concert with it held an aggregate of 117,706,000 Units representing approximately 34.93% of the Existing Units.
- (6) Based on recent market comparables, the level of subscription by security holders in an offering of securities to such security holders on pro-rata basis is estimated to be approximately 80.0%.
- (7) Excludes any New Units that would have been provisionally allocated as a result of the Rounding Mechanism.

Based on the above, we note the following:

- (i) Under Scenario A, the Independent Unitholders' holdings in PST would be diluted from a collective majority position in PST of 65.3% to a collective minority position in PST of 37.3%, representing a significant reduction in their collective voting rights in PST; and
- (ii) Under Scenario B, whereby 80.0% of the Independent Unitholders took up their entitlements under the Preferential Offering, the Independent Unitholders holdings in PST would be diluted from 65.3% to approximately 59.7%. Correspondingly their collective voting rights in PST would have been reduced but remain in a majority position collectively.

#### **6.4.2 Support from PIL**

We note that pursuant to the PIL Undertaking set out in Section 3.4 of the Circular, PIL has irrevocably undertaken to the Trustee-Manager through the PIL Undertaking that:

- (i) PIL will subscribe and pay for its provisional allocation of New Units in respect of its direct interest of approximately 34.64% in PST; and
- (ii) PIL will subscribe and pay for the Unsubscribed New Units under the Preferential Offering,

provided that the aggregate number of New Units pursuant to the PIL Preferential Offering Entitlement and the Unsubscribed New Units subscribed by PIL shall not exceed 252,750,000.

The PIL Undertaking shall be subject to, amongst others, the Whitewash Resolution for the Preferential Offering being approved, and shall lapse and cease to have any effect in the event that the Preferential Offering is not completed by 31 March 2009 or such later date as the parties may mutually agree.

We understand that the PIL Undertaking indicates PIL's commitment and support to the Preferential Offering and confidence in the long-term growth and financial prospects of PST.

#### **6.4.3 Benefits from having PIL as a major Unitholder**

We also note the benefits of having PIL as a major Unitholder whereby the details are set out in Section 8.2 of the Circular have been reproduced here.

- (i) PST will benefit from its relationship with PIL as it is able to tap on the skills and expertise of PIL in respect of the container sector, and established global network of PIL as well as the brand recognition of the PIL name, which will ultimately benefit all Unitholders. PIL has established joint container shipping services with leading liner operators such as Wan Hai Lines, Kawasaki Kisen Kaisha, Mitsui O.S.K. Lines, Orient Overseas Container Lines, Gold Star Line, APL Co. Pte Ltd, Cosco Container Lines, MISC Berhad, The Shipping Corporation of India Ltd and NYK Line. The Trustee-Manager expects that these relationships will enhance the ability of PST to identify and pursue future growth opportunities and allow PST to tap on the network of PIL. For example, as PST seeks to acquire additional vessels in the future, the PIL's relationships with these leading liner operators may allow the Trustee-Manager to expand the customer base of PST.

- (ii) As part of PST's growth strategy, PST intends to actively pursue purchases of other containerhips with the goal of expanding its containerhip fleet and increasing distributions to Unitholders. In furtherance of this, PIL has, subject to certain conditions, agreed not to compete with PST and has granted to PST the right of first refusal over 26 of its vessels. Through such right of first refusal granted to PST by PIL, the Trustee-Manager believes that PST has potential acquisition opportunities. The continued support of PIL will therefore support the growth strategy of PST.
- (iii) The Preferential Offering or the Combined Issuance would maintain PIL as a major Unitholder. The size of the unitholding of PIL provides a degree of stability to PST, which will ultimately benefit all Unitholders. The PIL Undertaking would also be a positive demonstration of PIL's commitment to PST.

**WE HIGHLIGHT THAT IN THE EVENT THAT RESOLUTION (1) AND RESOLUTION (2) ARE NOT APPROVED, UNITHOLDERS WILL NOT BE ASKED TO CONSIDER RESOLUTION (3) AND (4). IN THE EVENT THAT RESOLUTION (2) BEING THE WHITEWASH RESOLUTION FOR THE PREFERENTIAL OFFERING IS NOT APPROVED, UNITHOLDERS WILL BE ASKED TO CONSIDER RESOLUTIONS (3) AND (4).**

- 7. **A. EVALUATION OF THE FINANCIAL TERMS OF THE ISSUE OF CONSIDERATION UNITS AS AN INTERESTED PERSON TRANSACTION; AND**
- B. EVALUATION OF THE WHITEWASH RESOLUTION FOR THE ISSUE OF CONSIDERATION UNITS AND THE PIL PREFERENTIAL OFFERING ENTITLEMENT**

**We highlight that Resolution (3), the issue of Consideration Units is subject to and conditional upon the approvals of both Resolution (1), the Preferential Offering and Resolution (4), Whitewash Resolution for the Issue of Consideration Units and the PIL Preferential Offering Entitlement being approved by Unitholders.**

In our evaluation of and the above, we have taken into consideration the following key factors:

- (i) the rationale for the Combined Issuance;
- (ii) the evaluation of the Issue Price;
- (iii) the financial effects of the Combined Issuance and the Acquisitions; and
- (iv) other relevant considerations.

These factors are discussed in greater detail in the ensuing paragraphs.

### **7.1 The rationale for the Combined Issuance**

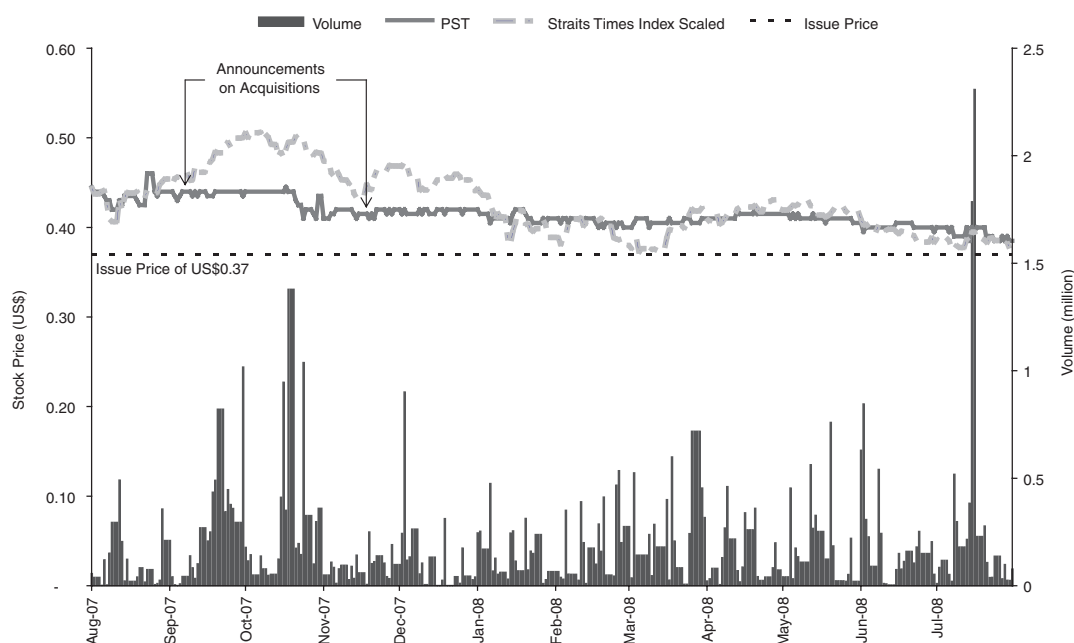
The rationale for the Combined Issuance are similar to the rationale for the Preferential Offering, details of which are set out in Section 3.5 of the Circular and the relevant key extracts and information of the sections have been reproduced in Section 6.1 of our IFA Letter. We recommend that the Independent Directors advise the Independent Unitholders to read these sections carefully.

### **7.2 The evaluation of the Issue Price**

#### **7.2.1 Historical Unit price performance**

We highlight that under ordinary circumstances, the market valuation of Units traded on a recognised stock exchange may be affected by, *inter alia*, its relative liquidity, the size of its free float, the extent of research coverage, the investor interest it attracts and the general market sentiment at a given period in time. Unitholders should also note that the past trading performance of the Units should not be relied upon as a guide of its future trading performance. Therefore, this analysis serves as an illustrative guide only.

We set out below the chart showing the trend of the daily closing prices and trading volume for the 1-year period prior to 8 August 2008, being the full Market Day prior to the Announcement Date.



(Source: Bloomberg)

During the last 1-year period prior to the Announcement Date, the closing price of the Units ranged between a low of US\$0.39 to a high of US\$0.46.

We set out a summary of the trading statistics of the Units for the selected reference periods as follows:

	Average Daily Trading Volume <sup>(1)</sup>	Daily Trading Volume as a Percentage of Free Float <sup>(2)</sup> (%)	VWAP (US\$)	(Discount) of the Issue Price over VWAP (%)
<b>Period prior to Announcement Date</b>				
Last 1-year	200,849	0.1	0.40	(8.8%)
Last 6-month	221,183	0.1	0.40	(8.8%)
Last 3-month	243,905	0.1	0.40	(8.8%)
Last 1-month	306,913	0.1	0.39	(6.4%)
Last Trading Day <sup>(3)</sup>	77,000	0.0	0.39	(6.4%)

(Source: Bloomberg & PwCCF analysis)

Notes:

- (1) The average daily trading volume of the Units is calculated based on the total volume of Units traded during the period under consideration divided by the number of trading days during that period.
- (2) PST has a free float of approximately 63.3% of the issued share capital (the "Free Float") based on the extraction from Bloomberg as at 8 August 2008, being the full Market Day prior to the Announcement Date.
- (3) Refers to 8 August 2008, being the full Market Day prior to the Announcement Date.

Based on the above, we note the following:

- (i) The Issue Price represents a discount of 8.8%, 8.8%, 8.8%, 6.4% and 6.4% over the VWAP of the Units for the 1-year, 6-month, 3-month, 1-month period and on the Last Trading Day on which the Units were traded prior to the Announcement Date respectively;
- (ii) During the last 1-year period prior to the Announcement Date, the average daily trading volume for the Units was 200,849 representing approximately 0.1% of the Free Float.

The past trading performance of the Units should not, in any way, be relied upon as an indication or promise of its future trading performance.

### 7.2.2 Comparison of the Issue Price with acquisition transactions undertaken by companies listed on the SGX-ST issuing new shares as consideration

In assessing the reasonableness of the discount of the Issue Price over the VWAP of the Units for the 1-day and 1-month period prior the Announcement Date, we have sought to benchmark the same with broadly selected comparable acquisition transactions undertaken by companies listed on the SGX-ST issuing new shares/units as consideration (“Comparable Transactions”). In our selection of the Comparable Transactions, we have considered only those acquisition transactions entered into with interested persons.

The details of such Comparable Transactions based on shareholders circulars issued during the 1-year period prior to the Announcement Date are as follows:

Company Name	Date of announcement	Issue Price (\$)	Premium / (Discount) over the VWAP 1-day prior to the date of announcement	Premium / (Discount) over the VWAP 1-month prior to the date of announcement
Ferrochina Ltd	27 April 07	1.67	(2.9%)	(1.2%)
Sunlight Group Holdings Ltd	4 June 07	0.14	15.7%	8.7%
ISDN Holdings Ltd	29 October 07	0.44	(1.8%)	(2.2%)
Suntec Real Estate Investment Trust	31 October 07	1.82	0.1%	(2.2%)
Shanghai Asia Holdings Ltd	6 November 07	0.28	8.1%	9.0%
Yoma Strategic Holdings Ltd	11 December 07	0.38	0.8%	(1.4%)
Rickmers Maritime	27 December 07	1.19	0%	(4.4%)
<b>High</b>			<b>15.7%</b>	<b>9.0%</b>
<b>Low</b>			<b>(2.9%)</b>	<b>(4.4%)</b>
<b>Average</b>			<b>2.9%</b>	<b>0.9%</b>
<b>PST</b>	<b>11 August 2008</b>	<b>US\$0.365</b>	<b>(5.2%)</b>	<b>(5.2%)</b>

(Source: SGX-ST website, Bloomberg and circulars)

Unitholders should note that PST may not be directly comparable to the these companies in terms of size, market capitalisation, business activities, cash flow requirement, track record and prospects. As such, the above comparison is mainly for illustrative purposes only.

Based on the above, we note that the Issue Price which is at a discount of 5.2% to the VWAP 1-day and 1-month prior to the Announcement Date is not within the range of the premium / discount of the Comparable Transactions and below the average premium of the Comparable Transactions.

We wish to highlight that the Resolutions have been ordered such that Unitholders will be asked to consider the issue of Consideration Units only if Resolution (1) is approved but not Resolution (2). As such, the issue of Consideration Units, which will be issued together with the Preferential Offering pursuant to the Combined Issuance, is an alternate to the Preferential Offering in the event that PST is not able to raise the target gross proceeds of US\$92.3 million under the Preferential Offering. Hence, the Issue Price of the Consideration Units is pegged to the issue price of the Preferential Offering which will be made available for subscription by all Unitholders.

### **7.3 The financial effects of the Combined Issuance and the Acquisitions**

The financial effects of the Combined Issuance and the Acquisitions are set out in Section 7 of the Circular and relevant key extract and information of the section have been reproduced in Section 6.3 of our IFA Letter. We recommend that the Independent Directors advise the Independent Unitholders to read the section(s) carefully.

### **7.4 Other considerations**

#### **7.4.1 Dilution impact analysis of the Combined Issuance**

The dilution impact analysis of the Combined Issuance is set out in Section 6 of the Circular and have been reproduced in Section 6.4.1 of our IFA Letter. We recommend that the Independent Directors advise the Independent Unitholders to read the section(s) carefully.

#### **7.4.2 Benefits from having PIL as a major Unitholder**

We have also noted the benefits of having PIL as a major Unitholder, details of which are set out in Section 8.2 of the Circular and have been reproduced in Section 6.4.3 of our IFA Letter. We recommend that the Independent Directors advise the Independent Unitholders to read this section carefully.

## **8. OPINION**

In arriving at our opinion, we have taken into account a range of factors which we consider, subject to the availability of data, to be pertinent and have a significant bearing on our assessment of:

- (i) the Whitewash Resolution for the Preferential Offering;
- (ii) the issue of Consideration Units, being an interested person transaction under Chapter 9 of the Listing Manual; and
- (iii) the Whitewash Resolution for the Issue of Consideration Units and the PIL Preferential Offering Entitlement.

We have carefully considered as many factors as we deemed essential and balanced them before reaching our opinion. Accordingly, it is important that our IFA Letter, in particular, all the considerations and information we have taken into account, be read in its entirety.

Our opinion is based solely on available information as at the date of this letter. The principal factors that we have taken into consideration in forming our opinion are as summarised below.

#### **(A) Resolution (2) - Whitewash Resolution for the Preferential Offering**

- (i) the rationale for the Preferential Offering, details of which are set out in Section 6.1 of our IFA Letter;

- (ii) the Issue Price represents a discount of approximately 5.2% to the VWAP for trades done on the SGX-ST on 8 August 2008, being the full Market Day prior to the Announcement Date, is within the range of the discounts implied by the respective issue prices of the Comparable Preferential Offering Transactions;
- (iii) the financial effects of the Preferential Offering and the Acquisitions; and
- (iv) other considerations as highlighted in Section 6.4 of our IFA Letter.

**We highlight that only in the event that Resolution (2) is not approved, Unitholders will then be asked to consider Resolutions (3) and (4).**

**(B) Resolution (3) - The issue of Consideration Units; and**

**(C) Resolution (4) - Whitewash Resolution for the Issue of Consideration Units and the PIL Preferential Offering Entitlement**

- (i) the rationale for the Combined Issuance, details of which are set out in Section 7.1 of our IFA Letter;
- (ii) the historical Unit price performance of PST compared with the Issue Price over the selected reference periods prior to the Announcement Date;
- (iii) the comparison of the Issue Price to the premium / discount implied by the Comparable Transactions. We highlight that the Issue Price for the issue of Consideration Units is the same as the issue price under the Preferential Offering which has been made available to all Unitholders;
- (iv) the financial effects of the Combined Issuance and the Acquisitions; and
- (v) other matters as highlighted in Section 7.4 of our IFA Letter.

**Accordingly, after taking into account the above factors, PwCCF is of the opinion as of the date hereof that:**

- (i) the Whitewash Resolution for the Preferential Offering is not prejudicial to the interests of its Independent Unitholders;**
- (ii) the issue of Consideration Units to Tranpac, being an interested person transaction under Chapter 9 of the Listing Manual is on normal commercial terms and not prejudicial to the interests of PST and its Independent Unitholders; and**
- (iii) the Whitewash Resolution for the Issue of Consideration Units and the PIL Preferential Offering Entitlement is not prejudicial to the interests of PST and its Independent Unitholders.**

We therefore advise the Independent Directors to recommend that the Independent Unitholders vote in favour of the resolutions to be proposed in respect of the above at the EGM, the notice of which is set out in the Circular. However, we wish to highlight that each Unitholder may have different investment objectives and considerations and hence should seek their own professional advice.

Unitholders should note that trading of the Units is subject to, *inter-alia*, the performance and prospects of PST, prevailing economic conditions, economic outlook and stock market conditions and sentiments. Accordingly, our advice does not and cannot take into account the future trading activities and patterns or price levels that may be established beyond 8 August 2008, being the full Market Day prior to the Announcement Date.

This IFA Letter is addressed to the Independent Directors for their benefit, in connection with and for the purpose of their consideration of Resolutions (2), (3) and (4) and the recommendations made by the Independent Directors to the Independent Unitholders shall remain the responsibility of the Independent Directors.

Whilst a copy of this IFA Letter may be reproduced in the Circular, neither PST nor the Directors may reproduce, disseminate or quote this letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of PwCCF in each specific case.

This IFA Letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter. Nothing herein shall confer or be deemed or is intended to confer any right of benefit to any third party and the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore and any re-enactment thereof shall not apply.

Yours truly  
For and on behalf of  
**PricewaterhouseCoopers Corporate Finance Pte Ltd**

Kan Yut Keong  
Managing Director

# PACIFIC SHIPPING TRUST

(a business trust constituted on 25 April 2006 under the laws of the Republic of Singapore)

## NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Unitholders of Pacific Shipping Trust (“PST”) will be held at Meritus Mandarin Singapore, 333 Orchard Road, Singapore 238867, Room: Mandarin Court C and D on 27 August 2008 at 2.30 p.m. for the purpose of considering and, if thought fit, passing, with or without amendment, the following ordinary resolutions:

### ORDINARY RESOLUTIONS

#### 1. THE PROPOSED NON-RENOUNCEABLE PREFERENTIAL OFFERING OF NEW UNITS

That,

- (a) approval be and is hereby given for PST to offer and issue such number of new Units (the “**New Units**”) at the issue price of US\$0.365 per New Unit (the “**Issue Price**”) to Singapore Registered Unitholders on the basis of three (3) New Units for every four (4) existing Units held on the Books Closure Date (fractions of a Unit to be disregarded), and subject to the rounding mechanism, as described in the circular to Unitholders dated 12 August 2008 (the “**Circular**”), so as to raise gross proceeds of approximately US\$92.3 million (the “**Preferential Offering**”); and
- (b) PST Management Pte. Ltd., as trustee-manager of PST (the “**Trustee-Manager**”) and any director of the Trustee-Manager (the “**Director**”) be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Trustee-Manager or such Director may consider expedient or necessary or in the interests of PST to give effect to the Preferential Offering.

#### 2. THE WHITEWASH RESOLUTION FOR THE PREFERENTIAL OFFERING

That, subject to and conditional upon the passing of Resolution (1), the Unitholders of PST hereby (on a poll taken) waive their rights to receive a general takeover offer from Pacific International Lines (Private) Limited (“**PIL**”) and Tranpac Holdings Inc., Panama (“**Tranpac**”), in accordance with Rule 14 of the Singapore Code on Take-overs and Mergers, as a result of PIL’s acceptance of its provisional allocation of New Units under the Preferential Offering (the “**PIL Preferential Offering Entitlement**”) and subscription for unsubscribed New Units under the Preferential Offering, provided that the aggregate number of New Units pursuant to the PIL Preferential Offering Entitlement and the unsubscribed New Units subscribed by PIL shall not exceed 252,750,000, pursuant to the PIL Undertaking (as defined in the Circular).

### IN THE EVENT THAT RESOLUTION (2) IS NOT APPROVED BY UNITHOLDERS,

#### 3. THE PROPOSED ISSUE OF CONSIDERATION UNITS

That, subject to and conditional upon the passing of Resolution (1) and Resolution (4) (as set out below),

- (a) approval be and is hereby given for PST to allot and issue up to approximately 165,192,750 new Units (the “**Consideration Units**”) at the Issue Price to Tranpac, as the vendor of the New Vessels (as defined in the Circular), to partially discharge the purchase consideration for CSAV LAJA and/or CSAV LAUCA, the aggregate issue price for such Consideration Units being the shortfall between the target gross proceeds of approximately US\$92.3 million and the actual gross proceeds raised in the Preferential Offering, Provided the aggregate issue price of the Consideration Units shall not in any event exceed US\$60.3 million; and

- (b) PST Management Pte. Ltd., as the Trustee-Manager and any Director be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Trustee-Manager or such Director may consider expedient or necessary or in the interests of PST to give effect to the allotment and issue of the Consideration Units.

#### **4. THE WHITEWASH RESOLUTION FOR THE ISSUE OF CONSIDERATION UNITS AND THE PIL PREFERENTIAL OFFERING ENTITLEMENT**

That, subject to and conditional upon the passing of Resolution (1) and Resolution (3), the Unitholders of PST hereby (on a poll taken) waive their rights to receive a general takeover offer by PIL and Tranpac, in accordance with Rule 14 of the Singapore Code on Take-overs and Mergers, as a result of the issue of Consideration Units to Tranpac and PIL's acceptance of the PIL Preferential Offering Entitlement pursuant to the PIL Undertaking (as defined in the Circular).

By Order of the Board of  
**PST Management Pte. Ltd.**  
as trustee-manager of  
**Pacific Shipping Trust**

Lim Ka Bee  
Company Secretary  
Singapore  
12 August 2008

#### **Notes:**

1. A Unitholder of PST entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a Unitholder of PST.
2. The instrument appointing a proxy must be lodged at the registered office of the Trustee-Manager of PST at 140 Cecil Street, #09-01 PIL Building, Singapore 069540 not less than 48 hours before the time appointed for the Extraordinary General Meeting.

# PACIFIC SHIPPING TRUST

(a business trust constituted on 25 April 2006  
under the laws of the Republic of Singapore)

## PROXY FORM EXTRAORDINARY GENERAL MEETING

I/We\* \_\_\_\_\_ (Name)

of \_\_\_\_\_ (Address)

being the holder(s) of Units in Pacific Shipping Trust hereby appoint:

Name	Address	NRIC/ Passport Number	Proportion of Unitholdings	
			No. of Units	%

and/or (delete as appropriate)

Name	Address	NRIC/ Passport Number	Proportion of Unitholdings	
			No. of Units	%

or, both of whom failing, the Chairman of the Extraordinary General Meeting as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Extraordinary General Meeting of Pacific Shipping Trust to be held at Meritus Mandarin Singapore, 333 Orchard Road, Singapore 238867, Room: Mandarin Court C and D on 27 August 2008 at 2.30 p.m. and any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the resolution to be proposed at the Extraordinary General Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the Extraordinary General Meeting.

No.	Resolutions	No. of Votes For*	No. of Votes Against*
1.	To approve the Preferential Offering (Ordinary Resolution)		
2.	Subject to and conditional upon Resolution (1) being approved, to approve the Whitewash Resolution for the Preferential Offering (Ordinary Resolution by poll)		
<b>In the event that Resolution (2) is not approved,</b>			
3.	Subject to and conditional upon Resolution (1) and Resolution (4), to approve the allotment and issue of the Consideration Units (Ordinary Resolution)		
4.	Subject to and conditional upon Resolution (1) and Resolution (3), to approve the Whitewash Resolution for the Issue of Consideration Units and the PIL Preferential Offering Entitlement (Ordinary Resolution by poll)		

\* If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated \_\_\_\_\_.

Total number of Units held

\_\_\_\_\_  
Signature(s) of Unitholder(s) or Common Seal

**IMPORTANT: PLEASE READ THE NOTES TO PROXY FORM ON THE REVERSE PAGE**



## Notes to Proxy Form

1. A Unitholder entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint one or two proxies to attend and vote in his stead.
2. Where a Unitholder appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
3. A proxy need not be a Unitholder.
4. A Unitholder should insert the total number of Units held. If the Unitholder has Units entered against his name in the Depository Register maintained by The Central Depository (Pte) Limited ("**CDP**"), he should insert that number of Units. If the Unitholder has Units registered in his name in the Register of Unitholders of Pacific Shipping Trust, he should insert that number of Units. If the Unitholder has Units entered against his name in the said Depository Register and registered in his name in the Register of Unitholders, he should insert the aggregate number of Units. If no number is inserted, this Proxy Form will be deemed to relate to all the Units held by the Unitholder.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Trustee-Manager of Pacific Shipping Trust at 140 Cecil Street, #09-01 PIL Building, Singapore 069540 not less than 48 hours before the time appointed for the Extraordinary General Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must (unless previously registered with the Trustee-Manager) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. A corporation which is a Unitholder may, by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at the Extraordinary General Meeting. The person so authorised shall, upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
9. The Trustee-Manager shall be entitled to reject a Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of Units entered in the Depository Register, the Trustee-Manager may reject a Proxy Form if the Unitholder, being the appointor, is not shown to have Units entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Extraordinary General Meeting, as certified by CDP to the Trustee-Manager.
10. All Unitholders will be bound by the outcome of the Extraordinary General Meeting regardless of whether they have attended or voted at the Extraordinary General Meeting.
11. At any meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by the Chairman or by five or more Unitholders present in person or by proxy, or holding or representing not less than one-tenth in value of the Units of all Unitholders having the right to vote at the meeting. Unless a poll is so demanded, a declaration by the Chairman that such a resolution has been carried or carried unanimously or by a particular majority or lost shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.
12. On a show of hands, every Unitholder who (being an individual) is present in person or by proxy or (being a corporation) is present by one of its officers as its proxy shall have one vote. On a poll, every Unitholder who is present in person or by proxy shall have one vote for every Unit of which he is the Unitholder. A person entitled to more than one vote need not use all his votes or cast them the same way.

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