



## **SGX-ST Announcement**

### **PST TO ACQUIRE TWO NEW 4250 TEU PANAMAX CONTAINER VESSELS**

#### **1. INTRODUCTION**

Following its earlier announcement on 4 May 2007, PST Management Pte. Ltd. ("**PSTM**"), trustee-manager of Pacific Shipping Trust ("**PST**"), Singapore's first publicly-listed business trust, is pleased to announce its entry into, today, of two memoranda of agreement ("**MOA**") with Tranpac Holdings Inc. ("**Tranpac**"), Panama, a wholly-owned subsidiary of Pacific International Lines (Private) Limited ("**PIL**"), the sponsor of PST, for the acquisition (the "**Acquisition**") of two new 4,250 TEU container vessels (Hull No. C4250-23 and C4250-24 (the "**New Vessels**"), at the price of approximately USD68.1 million each, pursuant to a Right of First Refusal agreement between PIL and PSTM, as trustee-manager of PST, as outlined in PST's IPO prospectus. The New Vessels are currently being built by Dalian Shipbuilding Industry Co., Ltd ("**Dalian Shipbuilding**").

As the Acquisition will, under the Listing Manual (the "**Listing Manual**") of Singapore Exchange Securities Trading Limited ("**SGX-ST**"), constitute an interested person transaction exceeding 5% of the latest audited NTA of PST for the year ended 31 December 2006, the completion of the Acquisition pursuant to the MOA is conditional upon PST obtaining unitholders' approval, pursuant to Chapter 9 of the Listing Manual, at an extraordinary general meeting that will be convened on a later date.

DBS is the financial adviser, underwriter and bookrunner for the Initial Public Offering of PST.
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Assuming that unitholders' approval is obtained, the Acquisition will be completed and the New Vessels delivered in accordance with the following schedule:

<b>Vessel</b>	<b>Capacity</b>	<b>Price (Approximate)</b>	<b>Expected Delivery Date</b>
Hull No. C4250-23	4250 TEU	USD 68.1 Million	End November 2008
Hull No. C4250-24	4250 TEU	USD 68.1 Million	End December 2008

On delivery, the New Vessels will be time chartered to Compania Sudamericana de Vapores of Chile ("**CSAV**") under a time charter agreement entered into on 17 May 2007. As previously announced, the charter has been agreed at rate of USD 26,000 per day for the first two years and USD 25,500 per day for the remaining three years.

Although it was stated in the earlier announcement of 4 May 2007 that the proposed Acquisition will be a major transaction requiring unitholders' approval under Chapter 10 of the Listing Manual, the Board of PSTM is pleased to announce that it has since sought clarification from the SGX-ST, which has advised that acquisitions of container vessels which are consistent with PST's business objectives and strategy, and would not result in any significant adverse change in PST's risk profile, do not require unitholders' approval under Chapter 10 of the Listing Manual. As such, the proposed Acquisition will only be subject to unitholders' approval pursuant to Chapter 9 of the Listing Manual.

## **2. VALUATIONS OF THE NEW VESSELS**

For purposes of the proposed Acquisition, the Trustee-Manager has obtained an independent valuation, carried out by Braemar Seascope Valuations Limited ("**Braemar**"), which has valued each New Vessel at USD70 million, as at 3 April 2007

on a charter-free basis. Braemar has confirmed that, as at 12 September 2007, the valuation has not dropped. The purchase price under the MOA is, accordingly, at a discount to the current valuation.

### **3. PRINCIPAL TERMS**

#### **3.1 Purchase price**

The purchase price of each vessel is approximately USD68.1 million, of which a deposit of 5% will be payable in cash or by way of a bank guarantee issued to Tranpac within 3 days after the approval of unitholders at the EGM to be convened. Where the deposit in respect of any New Vessel is paid in cash, the remaining 95% will be payable in cash upon its delivery. Where the deposit in respect of any New Vessel is by way of a bank guarantee, 100% of the purchase price will be payable in cash to Tranpac upon its delivery and against the full discharge of that bank guarantee.

In this regard, it is noted that payment terms for the purchase of vessels customarily require the payment of a 10-20% deposit and Tranpac's agreement to accept a lower 5% deposit from PST underscores the commitment of its sponsor to assist it in achieving its growth targets.

#### **3.2 Completion date**

Conditional upon, inter alia, unitholders' approval being obtained, the New Vessels are scheduled to be delivered by Dalian Shipbuilding to PST as follows:

Hull No. C4250-23: End November 2008

Hull No. C4250-24: End December 2008

It is provided in each MOA that in the event unitholders' approval is not obtained by PSTM, as trustee-manager of PST, for the acquisition of either of the New Vessels

within 6 months, or such other date as may be mutually agreed by the parties, the relevant MOA shall be null and void and neither party thereto shall have any claims whatsoever against the other.

#### **4. PROVISION OF SHIP MANAGEMENT SERVICES BY PIL**

In connection with the time charter of the New Vessels proposed to be acquired, PST has today entered into a ship management agreement (the “**Ship Management Agreement**”) with PIL for the provision of ship management services by PIL for each New Vessel for approximately 1 year from the date of delivery of each New Vessel at an agreed ship management fee of USD90,000 per annum for each New Vessel. The Trustee-Manager has determined, from a comparison of PIL’s proposed ship management fees against quotations obtained from another third party ship manager, that PIL’s ship management fees are comparable to the fees quoted by that third party ship manager.

Under the Ship Management Agreement, PIL will provide services including, but not limited to, the following:

(i) Crew management services

PIL will select and engage suitably qualified crew as required by PST, to ensure that the laws of the flag of the New Vessels are satisfied in respect of manning levels, rank qualification and certification of the crew, and provide other general administrative services in relation to the crew.

(ii) Technical management services

PIL will provide competent personnel to supervise the maintenance and general efficiency of the New Vessels, arrange and supervise dry dockings, repairs, alterations

and the upkeep of the New Vessels to the standards required by PST, and also develop, implement and maintain a safety management system in accordance with the ISM Code.

(iii) Accounting Services

PIL will establish and maintain an accounting system which meets the requirements of PST, provide regular accounting services, and supply regular reports and records to PST.

As the annual ship management fee, when aggregated with the purchase price payable to PIL for the Acquisition will exceed 5% of the latest audited NTA of PST for the year ended 31 December 2006, the provision of ship management services by PIL and the fees payable to PIL under the Ship Management Agreement will also constitute an interested person transaction under the Listing Manual and is conditional upon the obtaining of the approval of PST's unitholders pursuant to Chapter 9 of the Listing Manual. It is further provided in the Ship Management Agreement that in the event unitholders' approval is not obtained by PSTM, as trustee-manager of PST, for the acquisition of either of the New Vessels within 6 months, or such other date as may be mutually agreed by the parties to the relevant MOA, the Ship Management Agreement shall be null and void in relation to that vessel and neither party thereto shall have any claims whatsoever against the other.

**5. RATIONALE FOR AND BENEFITS OF THE ACQUISITION AND THE PROVISION OF SHIP MANAGEMENT SERVICES BY PIL**

**(A) The Acquisition**

The Trustee-Manager believes the Acquisition offers various key benefits to PST and its unitholders including the following:

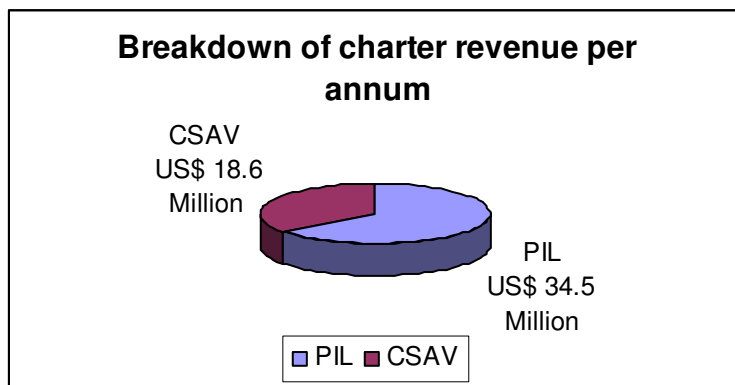
## 5.1 Yield accretion

The New Vessels are expected to be accretive to PST's distributable cashflow once they are delivered and in operation.

## 5.2 Growth Strategy and Diversification Strategy

Subject to unitholders' approval, when the Acquisition is completed and the New Vessels are delivered by end 2008, the Acquisition and the chartering to CSAV are expected to improve the income diversification of PST. The Acquisition and the chartering will increase PST's current aggregate contracted revenue by 54% to approximately USD 53 Million per annum. In this respect, although it is customary in the shipping industry to involve an intermediary in the process, the charter was negotiated and concluded directly between PSTM and CSAV as a result of which no commission is payable by PST, hence representing savings for PST.

The chart below shows the percentage of contracted revenue receivable from each of PST's charterers.



The Acquisition is also in line with PST's overall growth strategy and will allow PST to diversify and grow its portfolio. The Acquisition will increase PST's current fleet from 8

vessels to 10 vessels and more significantly, it will increase PST's current fleet capacity by 61.3% from 13864 TEU to 22364 TEU.

### **5.3 Stable Charter income**

The New Vessels, when delivered, will be chartered to CSAV at USD 26,000 per day for the first two years and USD 25,500 per day for the remaining three years which the Board of PSTM believes will underpin the stability of the charter income for PST. CSAV, a Chilean publicly traded shipping company, was founded in 1872 and is one of the oldest shipping companies in the world. It is presently the largest carrier in Latin America and is among the top 20 carriers in the world (ranked #16) and operates 84 ships with a total slot capacity of about 244,000 TEU which makes up approximately 2.1% of the global market share. \*

**\* Source: CSAV Website, AXS Marine 12 September 2007**

### **5.4 Acquisition Fit the Trustee-Manager's Investment Strategy**

The Trustee-Manager believes that the Acquisition is in line with the Trustee-Manager's principal investment strategy to invest in quality income-producing vessels which will provide overall yield accretion and value creation opportunities so as to deliver stable distributions and sustainable total returns to the unitholders.

### **5.5 Increase in the Number of Vessels Generating Greater Economies of Scale**

The Acquisition will increase the number of vessels under PST's portfolio from 8 to 10 and this could potentially lower trust expenses per vessel.

### **5.6 Competitive Strengths of the New Vessels**

The competitive strengths of the New Vessels are as follows:

(i) The New Vessels are constructed by a reputable shipyard

The New Vessels were engineered and are being constructed by Dalian Shipbuilding, a reputable shipyard in China. The Trustee-Manager believes that investing in quality vessels constructed in reputable shipyards will enhance their durability and support their value in the secondary market for container vessels.

(ii) The New Vessels are newly constructed

As the New Vessels will be newly constructed, this will result in lower maintenance and repair costs which would be relatively higher on an older vessel.

**(B) Provision of Ship Management Services by PIL**

The Trustee-Manager believes the provision of ship management services by PIL and the entry into the Ship Management Agreement by PSTM, as trustee-manager of PST, offers various key benefits to PST and its unitholders including the following:

**5.7 Continuity**

The construction of the New Vessels will be supervised by PIL's technical team. To ensure continuity and smooth vessel operation after construction, it would be beneficial that PIL continues to provide ship management services in relation to the New Vessels when they are delivered. In particular, during the guarantee period in the first year when defects covered under the guarantee agreement for the New Vessels can be rectified without additional cost to PST, PIL would, having supervised the construction of the New Vessels, have the requisite technical background knowledge to identify any technical and operational defects with the New Vessels. In addition, PIL's intimate knowledge of the technical and operational intricacies of the New Vessels' design would facilitate their management of the New Vessels.

## **5.8 PIL Has Relevant Operational Experience**

PIL currently operates 4 container ships which are sister vessels to the New Vessels and the experience from the operation of these ships can be effectively harnessed when operating the New Vessels for PST.

## **5.9 PIL Will Be Able to Generate Economies of Scale Due to Its Large Fleet**

PIL, with its large fleet can obtain favourable terms for insurance, stores, lubricating oils and repair services, all of which when passed on to PST, will generate savings for PST and benefit its unitholders.

## **6. METHOD OF FINANCING**

The Trustee-Manager currently intends to fund the Acquisition, at least initially, wholly with debt finance although the final financing method will be subject to further evaluation by the Trustee-Manager. In determining the appropriate financing for PST in respect of the Acquisition, the Trustee-Manager will take into account prevailing market conditions and the relative costs of financing. Assuming the Acquisition is fully financed by debt, upon completion of the Acquisition in end 2008, the aggregate leverage of PST is expected to be approximately 62% of the existing deposited property of PST.

Upon completion of the Acquisition and delivery of the New Vessels, an acquisition fee of 1% of the purchase price of the New Vessels will be payable to the Trustee-Manager in connection with the Acquisition, either in cash or in the form of PST units, at the option of the Trustee-Manager.

## **7. INTERESTED PERSON TRANSACTIONS**

### **7.1 Disclosure Requirements Under the Listing Manual**

PIL holds an aggregate direct interest in 115,762,000 units in PST (equivalent to approximately 34.35% of the total units in issue in PST) and is the holding company of PSTM. PIL is therefore a controlling unitholder of PST and is considered, for the purpose of the Ship Management Agreement, an “interested person” of PST under the Listing Manual. As Tranpac is a wholly-owned subsidiary of PIL, Tranpac is also considered, for the purpose of the Acquisition, an “interested person” of PST under the Listing Manual. Accordingly, as mentioned above, the Acquisition from Tranpac and the provision of ship management services by PIL for a fee would constitute interested person transactions under Chapter 9 of the Listing Manual. As Tranpac and PIL are regarded as “same interested person” and all transactions between them and PST are aggregated for purposes of Chapter 9 of the Listing Manual, given that the aggregate value of the transactions exceeds 5% of the latest audited NTA of PST for the year ended 31 December 2006, the Acquisition from Tranpac and the provision of ship management services by PIL would require prior unitholders’ approval.

### **7.2 Audit Committee**

The Audit Committee of PSTM is obtaining an opinion from an independent financial adviser, as required under the Listing Manual, before forming its view as to whether or not the Acquisition and the Ship Management Agreement are on normal commercial terms and whether they are prejudicial to the interests of PST and its minority unitholders. The view of the Audit Committee will be announced separately in the circular to be issued to the unitholders of PST in connection with these proposed transactions.

### 7.3 Total of all Interested Person Transactions

The following table sets out the current total for the current financial year of all transactions between PST and PIL and its group and the current total of all interested person transactions in relation to PST for the same financial year:

	<b>Interested Person</b>	<b>Aggregate value of transactions with Interested Person for current financial year</b>
1	PIL and its group	(a) USD 136,199,600 (Purchase Price, please refer to para 3.1 of the announcement) (b) USD 180,000 (Ship Management Fee, please refer to para 4 of the announcement) (c) USD 11,912.22 (Misc)
<b>Sub-Total</b>		USD 136,391,512.22
2	Name of other interested person, if applicable	Nil
<b>Total for all interested person transactions for current financial year</b>		USD 136,391,512.22

14 September 2007

## **About Pacific Shipping Trust**

**Pacific Shipping Trust** is the first business trust listed on the Singapore Exchange. It provides shipping companies with innovative financing and leasing structures that enable them to expand their fleet without straining their capital. By acquiring vessels and leasing them to reputable charterers either on long-term bareboat charters or short-term time charters, PST seeks to generate a steady stream of high-yielding income for its unitholders.

The trustee-manager is PST Management Pte. Ltd., a wholly-owned subsidiary of Pacific International Lines (Private) Limited, one of the biggest container shipping companies in the world.

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## **Important Notice**

The value of PST units (“**Units**”) and the income derived from them may fall as well as rise. The Units are not obligations of, deposits in, or guaranteed by, the Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested. Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that unitholders of PST 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.

This publication is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Units. The past performance of PST is not necessarily indicative of the future performance of PST.

This release 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, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses (including employee wages, benefits and training costs), property expenses and governmental and public policy changes. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager’s view of future events.