



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

PST MANAGEMENT PTE. LTD.
(Registration no. 2006025679M)

**THE PROPOSED ISSUE OF APPROXIMATELY 252,750,000 NEW UNITS
IN PACIFIC SHIPPING TRUST**

**RECEIPT OF IN-PRINCIPLE APPROVAL FROM THE SINGAPORE SECURITIES
EXCHANGE TRADING LIMITED**

1. INTRODUCTION

PST Management Pte. Ltd., as trustee-manager (the "**Trustee-Manager**") of Pacific Shipping Trust ("**PST**"), wishes to announce that it intends to propose a non-renounceable preferential offering for PST (the "**Preferential Offering**"), subject to, among others, the approval of the unitholders of PST (the "**Unitholders**"). PST has appointed UBS AG, acting through its business group, UBS Investment Bank, as the sole financial adviser and issue manager in relation to the Preferential Offering.

2. DETAILS OF THE PREFERENTIAL OFFERING

2.1 Terms of the Preferential Offering

The Trustee-Manager intends to issue approximately 252,750,000 New Units at the issue price of US\$0.365 per New Unit (the "**Issue Price**"), on the basis of three (3) New Units for every four (4) existing units of PST (the "**Units**") held as at 5.00 p.m. on the books closure date for the Preferential Offering, fractions of a Unit to be disregarded and subject to the Rounding Mechanism (as defined below), to be announced at a later date. The Preferential Offering will not be underwritten by any financial institution. The Issue Price represents 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 this announcement.

2.2 Purpose of the Preferential Offering and the Use of Proceeds

The estimated aggregate gross proceeds of the Preferential Offering are expected to be approximately US\$92.3 million and the net proceeds (after taking into account the aggregate expenses of the Preferential Offering) are intended to finance and refinance part of the total purchase consideration for the new vessels, namely, KOTA NABIL, KOTA NAGA, CSAV LAJA and CSAV LAUCA (collectively, the "**New Vessels**"), and/or for PST's general corporate purposes and/or working capital purposes and/or refinancing of borrowings. The acquisitions of the New Vessels by PST from Tranpac Holdings Inc., Panama ("**Tranpac**"), a wholly-owned subsidiary of Pacific International Lines (Private) Limited ("**PIL**"), had been approved by the Unitholders at a general meeting on 22 February 2008.

2.3 Rationale for the Preferential Offering

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

- (i) a strengthened balance sheet and enhanced financing flexibility to pursue medium-term yield accretive growth opportunities;
- (ii) distribution per Unit accretive on a pro forma basis;
- (iii) a pro-rata entitlement to the New Units at a price that is 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.

2.4 Undertaking by PIL

Pursuant to the provisions of a deed of undertaking executed by PIL, PIL has irrevocably undertaken (the "**PIL Undertaking**") to subscribe and pay for its provisional allocation of New Units under the Preferential Offering in respect of its direct interest of approximately 34.64% in PST (the "**PIL Preferential Offering Entitlement**"), and to subscribe and pay for the New Units under the Preferential Offering that remain unsubscribed by the other Singapore Registered Unitholders and excluding any New Units that would have been provisionally allocated due to the Rounding Mechanism as defined herein (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.

The PIL Undertaking is subject to, among others, the approval of the independent Unitholders to waive their rights to receive a mandatory general offer from PIL and Tranpac for all the existing Units in issue as a result of PIL's acceptance of its provisional allocation of New Units under the Preferential Offering and subscription for the Unsubscribed New Units under the Preferential Offering as described above.

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.

2.5 Eligibility of Unitholders to Participate in the Preferential Offering

Singapore Registered Unitholders, being Unitholders as at the books closure date, other than those whose registered addresses with The Central Depository (Pte) Limited ("**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. Foreign Unitholders, being Unitholders whose registered addresses with CDP are outside Singapore, who wish to participate in the Preferential Offering, are 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. The books closure date for the Preferential Offering (the "**Books Closure Date**") will be announced at a later 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.

Where a Singapore Registered Unitholder's provisional allocation of New Units 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**").

2.6 Status of the New Units

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.

3. DETAILS OF THE ISSUE OF THE CONSIDERATION UNITS

3.1 The Consideration Units

If the Unitholders approve the resolution in relation to the Preferential Offering but do not approve the whitewash resolution to waive their rights to receive a mandatory general offer from PIL and Tranpac referred to in paragraph 2.4 above, there is a possibility that there may be a shortfall between the target gross proceeds of US\$92.3 million and the actual gross proceeds raised in the Preferential Offering. In relation to the shortfall, PST proposes to partially discharge the purchase consideration for CSAV LAJA and/or CSAV LAUCA by way of issue of new Units (the "**Consideration Units**") at the Issue Price to Tranpac, Provided the aggregate issue price of the Consideration Units shall not in any event exceed US\$60.3 million. The actual number of New Units issued under the Preferential Offering and the actual number of Consideration Units shall together be referred to as the "**Combined Issuance**".

3.2 Rationale for the Combined Issuance

The Trustee-Manager believes that the Combined Issuance will enable PST to reduce its aggregate leverage⁽¹⁾ from 68.9%⁽²⁾ to 49.9%, thereby increasing its financial flexibility to pursue medium-term yield accretive opportunities, whilst possibly allowing DPU accretion following the completion of the Combined Issuance (taking into account the acquisitions of the New Vessels as well).

3.3 Status of the Consideration Units

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.

3.4 Interested Person Transaction

As the issue of the Consideration Units to Tranpac constitutes an "interested person transaction" under Chapter 9 of the Listing Manual, and the value of the Consideration Units exceeds 5.0 per cent. of the value of the audited net tangible assets of PST for the financial year ended 31 December 2007, Unitholders' approval is required for such issue.

As at 31 July 2008, the total of all transactions that PST had entered into with PIL and its associates for the current financial year is approximately US\$109.5 million (as

⁽¹⁾ Being the ratio of PST's aggregate borrowings against the total value of its assets.

⁽²⁾ Assuming PST had funded the acquisitions of the New Vessels entirely by debt.

approved by the Unitholders)⁽³⁾, and the current total of all interested person transactions is approximately US\$109.5 million⁽³⁾.

The Trustee-Manager has appointed PricewaterhouseCoopers Corporate Finance Pte Ltd as the Independent Financial Adviser ("**IFA**"), to advise the Independent Directors of the Trustee-Manager (the "**Independent Directors**") on whether 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.

4. WHITEWASH WAIVERS

The Securities Industry Council (the "**SIC**") has granted a waiver of the obligation for PIL and Tranpac to make a general mandatory offer under Rule 14 of the Singapore Code on Take-overs and Mergers for PST, should the obligation to do so arise as a result of PIL's acceptance of its provisional allocation of New Units under the Preferential Offering pursuant to the PIL Undertaking, and/or its subscription of the Unsubscribed New Units under the Preferential Offering pursuant to the PIL Undertaking⁽⁴⁾, and/or as a result of the issue of the Consideration Units to Tranpac, its wholly-owned subsidiary. The waivers from SIC are granted subject to the approval from independent Unitholders to waive the obligation for PIL and Tranpac to make a general mandatory offer (the "**Whitewash Resolutions**") and certain other conditions. Further details will be set out in the circular to Unitholders.

The IFA has been appointed to advise the Independent Directors in relation to whether the Whitewash Resolutions when considered in the context of the Preferential Offering, is not prejudicial to the interests of the independent Unitholders.

5. RECEIPT OF IN-PRINCIPLE APPROVAL FROM THE SINGAPORE SECURITIES EXCHANGE TRADING LIMITED (THE "SGX-ST")

The SGX-ST has on 8 August 2008 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, 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/or the proposed issue of the Consideration Units;
- (c) specific independent Unitholders' approval for the Preferential Offering and/or the proposed allotment and issue of the Consideration Units to Tranpac;
- (d) submission of a confirmation from a financial institution that PIL (or its associate) 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

⁽³⁾ Comprises the yearly management fee and trustee fee paid to the Trustee-Manager and the income received from PIL for the charterhire of the eight vessels of PST's portfolio, which had been approved by the Unitholders upon the listing of PST on the SGX-ST in 2006, and the amount paid to Tranpac to complete the purchase consideration for the acquisition of KOTA NABIL and KOTA NAGA and the income received from PIL for the charterhire of KOTA NABIL and KOTA NAGA, which had been approved by the Unitholders on 22 February 2008.

⁽⁴⁾ 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.

- (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, the Combined Issuance and the Whitewash Resolutions.

6. DESPATCH OF THE CIRCULAR TO UNITHOLDERS

The circular in relation to, among others, the Preferential Offering and the Combined Issuance, which will contain, among others, details of the resolutions to be tabled at the extraordinary general meeting and a notice of the extraordinary general meeting, will be despatched to Unitholders in due course.

BY ORDER OF THE BOARD

PST MANAGEMENT PTE. LTD.
(As Trustee-Manager of Pacific Shipping Trust)

Lim Ka Bee
Company Secretary
11 August 2008

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 on medium / long term time or bareboat 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.

For further information, please contact:

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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 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. Investors have no right to request the Trustee-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 charter income, changes in operating expenses (including employee wages, benefits and training costs) and governmental and public policy changes. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Trustee-Manager's view of future events.