

The following is the text of a report, prepared for the purpose of inclusion in this prospectus, from the auditors and reporting accountants of Pacific Basin Shipping Limited, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.



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羅兵咸永道會計師事務所

**PricewaterhouseCoopers**  
22/F, Prince's Building  
Central, Hong Kong

30 June 2004

The Directors  
Pacific Basin Shipping Limited  
Goldman Sachs (Asia) L.L.C.

Dear Sirs,

We set out below our report on the financial information relating to Pacific Basin Shipping Limited (the “Company”) and its subsidiaries for inclusion in the prospectus of the Company dated 30 June 2004 (the “Prospectus”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated in Bermuda on 10 March 2004 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Pursuant to a transfer of the companies as set out in note 23(a) of section II to the Company through an exchange of shares with IDB Carriers (BVI) Limited, Dry Bulk Shipping (BVI) Limited and Plymouth Shipping Investments Limited as detailed under the section headed “Statutory and General Information” in Appendix VI to the Prospectus (“Exchange of Shares”), which was completed on 30 March 2004, the Company became the holding company of those companies.

Subsequent to the Exchange of Shares, the Company entered into further transactions (the “Further Acquisitions”) to complete its reorganisation, the details of which are set out in the section headed “Statutory and General Information” in Appendix VI to the Prospectus. These transactions comprise primarily acquisitions of interests in the subsidiaries as set out in note 23(b). For the purpose of this accountants’ report, these represent acquisitions which do not take effect until 31 March 2004 and therefore the companies acquired are not considered to be subsidiaries of the Company for the years ended 31 December 2001, 2002 and 2003 (the “Relevant Periods”).

For the purpose of this accountants’ report, the “Pacific Basin Group” is defined as the Company and its subsidiaries after the Exchange of Shares but before the Further Acquisitions.

All the companies comprising the Pacific Basin Group have adopted 31 December as their financial year end date.

No audited accounts were prepared by the Company and some of the companies comprising the Pacific Basin Group for the Relevant Periods because these companies are

newly incorporated or there is no statutory audit requirement in the countries/jurisdictions in which these companies are incorporated.

We have examined the audited accounts or, where appropriate, the unaudited management accounts of all companies now comprising the Pacific Basin Group for the Relevant Periods or since their respective dates of incorporation, whichever is the shorter period, and have carried out such additional procedures as are necessary in accordance with the Auditing Guideline “Prospectuses and the Reporting Accountant” issued by the Hong Kong Society of Accountants.

The financial information as set out in sections I to III below (the “Financial Information”) has been prepared based on the audited accounts or, where appropriate, unaudited management accounts of all companies comprising the Pacific Basin Group, on the basis set out in note 1 of section II below, after making such adjustments as are appropriate. The directors of the respective group companies at the Relevant Periods are responsible for preparing these companies’ accounts which give a true and fair view. In preparing these accounts, it is fundamental that appropriate accounting policies are selected and applied consistently.

The directors of the Company are responsible for the Financial Information. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion.

In our opinion, the Financial Information, for the purpose of this report, and prepared on the basis set out in note 1 of section II below, gives a true and fair view of the combined state of affairs of the Pacific Basin Group as at 31 December 2001, 2002 and 2003 and of the combined results and combined cash flows of the Pacific Basin Group for the Relevant Periods.

## I COMBINED FINANCIAL STATEMENTS

## (a) Combined profit and loss accounts

The following is a summary of the combined profit and loss accounts of the Pacific Basin Group for the Relevant Periods, prepared on the basis as set out in note 1 of section II below, after making adjustments as are appropriate:

	Note	For the year ended 31 December		
		2001	2002	2003
		US\$'000	US\$'000	US\$'000
Turnover .....	3	18,257	27,924	54,188
Direct costs				
Charter-hire expenses on vessels .....		—	(423)	(5,235)
Crew expenses .....		(2,776)	(5,012)	(5,560)
Depreciation .....		(4,278)	(7,502)	(7,890)
Spare parts and lubricating oil .....		(1,070)	(2,004)	(2,823)
Others .....		(1,898)	(3,456)	(4,706)
		(10,022)	(18,397)	(26,214)
Other revenue .....	3	75	37	2
General and administrative expenses .....		(348)	(554)	(469)
Other operating income .....		61	484	—
Operating profit .....	4	8,023	9,494	27,507
Finance costs .....	6	(4,767)	(11,521)	(4,821)
Profit/(loss) for the year .....		3,256	(2,027)	22,686
Dividends .....	8	—	—	13,900

**(b) Combined balance sheets**

The following is a summary of the combined balance sheets of the Pacific Basin Group as at 31 December 2001, 2002 and 2003, prepared on the basis as set out in note 1 of section II below, after making adjustments as are appropriate:

	Note	As at 31 December		
		2001 US\$'000	2002 US\$'000	2003 US\$'000
<b>Non-current assets</b>				
Fixed assets .....	11	142,012	181,529	200,777
Deferred loan arrangement fees .....	12	369	550	633
Restricted bank deposits .....	13	1,600	2,200	2,400
		<u>143,981</u>	<u>184,279</u>	<u>203,810</u>
<b>Current assets</b>				
Inventories, at cost .....		286	459	528
Trade and other receivables .....	14	1,755	198	368
Amounts due from related companies....	15	719	1,447	2,252
Bank balances and cash .....		1,501	6,132	5,744
		<u>4,261</u>	<u>8,236</u>	<u>8,892</u>
<b>Current liabilities</b>				
Accruals and other payables .....		4,018	2,301	3,656
Amounts due to related companies .....	15	—	66	69
Current portion of long-term bank loans ..	18	6,833	9,469	10,869
		<u>10,851</u>	<u>11,836</u>	<u>14,594</u>
Net current liabilities .....		<u>(6,590)</u>	<u>(3,600)</u>	<u>(5,702)</u>
Total assets less current liabilities .....		<u>137,391</u>	<u>180,679</u>	<u>198,108</u>
<b>Financed by:</b>				
Combined shareholders' equity .....		<u>25,094</u>	<u>23,068</u>	<u>31,855</u>
<b>Non-current liabilities</b>				
Loans from shareholders .....	17	22,606	30,348	31,259
Long-term bank loans .....	18	89,691	127,263	134,994
		<u>112,297</u>	<u>157,611</u>	<u>166,253</u>
		<u>137,391</u>	<u>180,679</u>	<u>198,108</u>

**(c) Combined statements of changes in equity**

The following is a summary of the combined statements of changes in equity of the Pacific Basin Group for the Relevant Periods, prepared on the basis set out in note 1 of section II below, after making adjustments as are appropriate:

	<b>Combined share capital (note 16)</b>	<b>Capital reserves (note 16)</b>	<b>Retained profits</b>	<b>Total</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
At 1 January 2001 .....	—	15,865	5,973	21,838
Profit for the year .....	<u>—</u>	<u>—</u>	<u>3,256</u>	<u>3,256</u>
At 31 December 2001 .....	—	15,865	9,229	25,094
Loss for the year .....	—	—	(2,027)	(2,027)
Issue of share capital by subsidiaries ...	<u>—</u>	<u>1</u>	<u>—</u>	<u>1</u>
At 31 December 2002 .....	—	15,866	7,202	23,068
Profit for the year .....	—	—	22,686	22,686
Issue of share capital by subsidiaries ...	—	1	—	1
Dividends .....	<u>—</u>	<u>—</u>	<u>(13,900)</u>	<u>(13,900)</u>
At 31 December 2003 .....	<u><u>—</u></u>	<u><u>15,867</u></u>	<u><u>15,988</u></u>	<u><u>31,855</u></u>

**(d) Combined cash flow statements**

The following is a summary of the combined cash flow statements of the Pacific Basin Group for the Relevant Periods, prepared on the basis as set out in note 1 of section II below, after making adjustments as are appropriate:

	Note	For the year ended 31 December		
		2001	2002	2003
		US\$'000	US\$'000	US\$'000
<i>Net cash from operating activities</i> .....	19(a)	<u>23,260</u>	<u>16,582</u>	<u>35,777</u>
<b>Cash flows from investing activities</b>				
Purchase of fixed assets .....		(83,228)	(54,003)	(27,138)
Sale of fixed assets .....		—	7,311	—
Interest received .....		75	37	2
Increase in restricted bank deposits .....		<u>(900)</u>	<u>(600)</u>	<u>(200)</u>
<i>Net cash used in investing activities</i> .....		<u>(84,053)</u>	<u>(47,255)</u>	<u>(27,336)</u>
<b>Cash flows from financing activities</b>				
Repayment of bank loans .....	19(b)	(10,969)	(13,242)	(10,769)
Drawdown of bank loans .....	19(b)	61,125	47,250	19,900
Additional loans from shareholders .....	19(b)	15,435	7,742	911
Issue of share capital by subsidiaries .....		—	1	1
Interest paid .....		(3,611)	(6,189)	(4,824)
Dividends paid .....		—	—	(13,900)
Payment of loan arrangement fees .....	12	<u>(287)</u>	<u>(258)</u>	<u>(148)</u>
<i>Net cash generated from/(used in) financing activities</i> .....		<u>61,693</u>	<u>35,304</u>	<u>(8,829)</u>
Net increase/(decrease) in cash and cash equivalents .....		900	4,631	(388)
Cash and cash equivalents at 1 January .....		<u>601</u>	<u>1,501</u>	<u>6,132</u>
Cash and cash equivalents at 31 December ..	19(c)	<u><u>1,501</u></u>	<u><u>6,132</u></u>	<u><u>5,744</u></u>

**II NOTES TO THE COMBINED FINANCIAL STATEMENTS****1 Basis of combination**

The accompanying combined profit and loss accounts and combined cash flow statements include the results and cash flows of the companies comprising the Pacific Basin Group as if the group structure established upon the Exchange of Shares (but before the Further Acquisitions) had been in existence throughout the Relevant Periods, or since their respective dates of incorporation to 31 December 2003, whichever is the shorter period.

The combined balance sheets of the Pacific Basin Group as at 31 December 2001, 2002 and 2003, have been prepared to present the financial position of the Pacific Basin Group as at these dates as if the group structure established upon the Exchange of Shares (but before the Further Acquisitions) had been in existence since 1 January 2001.

All significant intra-group transactions and balances have been eliminated on combination.

**2 Principal accounting policies**

The Financial Information set out in this report has been prepared based on the policies described below which are in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. It has been prepared under the historical cost convention.

**(a) Subsidiaries**

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove a majority of the members of the board of directors; or to cast a majority of votes at the meetings of the board of directors.

**(b) Translation of foreign currencies**

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the combined profit and loss account.

The balance sheets of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at average rates. Exchange differences are dealt with as movements in reserves.

**(c) Fixed assets*****(i) Vessels under construction***

Vessels under construction are stated at cost and are not depreciated.

***(ii) Vessels***

Vessels are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use.

Depreciation of vessels is calculated to write off their cost less accumulated impairment losses on a straight-line basis over their estimated useful lives of 25 years from the date of first registration, after allowing for their estimated scrap value.

***(iii) Impairment and gain or loss on sale***

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that the carrying values of vessels are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the combined profit and loss account.

The gain or loss on disposal of a vessel is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the combined profit and loss account.

***(iv) Capitalisation of costs***

All direct costs relating to the construction of vessels, including finance costs on related borrowed funds during the construction period, are capitalised as cost of fixed assets.

**(d) Operating leases**

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

**(e) Inventories**

Inventories, including lubricating oil, are stated at the lower of cost and net realisable value. Costs are calculated on first-in first-out basis. Net realisable value is the expected amount to be realised from use of inventories as estimated by the directors.

**(f) Accounts receivable**

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

**(g) Cash and cash equivalents**

For the purposes of the combined cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks.



**(h) Provisions**

Provisions are recognised when the Pacific Basin Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where a provision is expected to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

**(i) Contingent liabilities and contingent assets**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Pacific Basin Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Pacific Basin Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

**(j) Revenue recognition**

Charter-hire income from vessels under pooling arrangement is calculated based on their share of the pool's earnings and recognised on an accrual basis.

The pool charters out vessels by voyage or time charter. Income from voyage charter, which includes freight, is recognised on the percentage of completion basis. Income from time charter is recognised on a time proportion basis.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

**(k) Jointly controlled operation**

A jointly controlled operation is a contractual arrangement whereby the Pacific Basin Group and other parties combine their operations, resources and expertise to undertake an economic activity in which each party takes a share of the revenue and costs in the economic activity, such share being determined in accordance with the contractual arrangement.

In respect of the Pacific Basin Group's interests in jointly controlled operation, the combined profit and loss account includes the Pacific Basin Group's share of expenses that the jointly controlled operation incurred and the Pacific Basin Group's share of income earned by the jointly controlled operation.

**(l) Vessel repairs and surveys**

Vessel repairs, surveys and drydocking costs are charged as operating expenses as they are incurred.

**(m) Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction, or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of that asset.

Loan arrangement fees are deferred and amortised to the combined profit and loss account over the term of the loan.

All other borrowing costs are charged to the combined profit and loss account in the year in which they are incurred.

**(n) Segment reporting**

No business segmental information of the Pacific Basin Group is presented as the Pacific Basin Group's revenues, expenses, assets, liabilities and capital expenditure are primarily attributable to the provision of ship chartering services.

The directors consider that the nature of the provision of ship chartering services, which is carried out internationally, and the way in which costs are allocated precludes a meaningful allocation of operating profit to specific geographical segments. Accordingly, geographical segment results for the provision of ship chartering services are not presented.

**(o) Related parties**

Related parties are those parties which have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or under significant influence by common parties.

**3 Turnover and revenues**

The Pacific Basin Group is principally engaged in the provision of ship chartering services. Turnover represents gross charter-hire income from ship chartering, net of transportation levy. Revenues recognised during the year are as follows:

	For the year ended 31 December		
	2001	2002	2003
	US\$'000	US\$'000	US\$'000
Turnover			
Charter-hire income from			
— vessels under the pooling arrangement .....	2,687	26,791	52,475
— others .....	15,570	1,133	1,713
	<u>18,257</u>	<u>27,924</u>	<u>54,188</u>
Other revenue			
Interest income .....	75	37	2
Total revenues .....	<u>18,332</u>	<u>27,961</u>	<u>54,190</u>

**4 Operating profit**

Operating profit is stated after crediting and charging the following:

	For the year ended 31 December		
	2001	2002	2003
	US\$'000	US\$'000	US\$'000
<i>Crediting</i>			
Gain on disposal of fixed assets .....	—	327	—
<i>Charging</i>			
Auditors' remuneration .....	30	37	65

**5 Jointly controlled operation**

In 2003, the Pacific Basin Group entered into contractual arrangements with Pacific Basin Chartering Limited, a subsidiary of PB Management Holding Limited, for sub-chartering of three vessels. Under the contractual arrangements, charter-hire income and expenses from sub-chartering of these vessels are shared equally among each party.

In respect of the Pacific Basin Group's interests in the jointly controlled operation, the aggregate amounts of profit and loss recognised are as follows:

	For the year ended 31 December		
	2001	2002	2003
	US\$'000	US\$'000	US\$'000
Charter-hire income included in turnover .....	—	—	4,015
Charter-hire expenses included in direct costs .....	—	—	(2,968)
	<u>—</u>	<u>—</u>	<u>1,047</u>

**6 Finance costs**

	<u>For the year ended 31 December</u>		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
	US\$'000	US\$'000	US\$'000
Interest expense on bank loans . . . . .	4,743	5,244	4,756
Amortisation of loan arrangement fees (note 12) . . . .	24	77	65
Exchange loss . . . . .	—	6,200	—
	<u>4,767</u>	<u>11,521</u>	<u>4,821</u>

**7 Taxation**

Hong Kong profits tax has not been provided as the Pacific Basin Group has no estimated assessable profit for the Relevant Periods.

**8 Dividends**

No dividend has been paid or declared by the Company since its incorporation. Dividends paid during the Relevant Periods represented dividends declared by the following subsidiaries of the Company to their then shareholders.

	<u>For the year ended 31 December</u>		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
	US\$'000	US\$'000	US\$'000
Alderran Shipping (BVI) Limited . . . . .	—	—	1,500
Bernard (BVI) Limited . . . . .	—	—	1,000
Caterina (BVI) Limited . . . . .	—	—	1,000
Delphic Shipping (BVI) Limited . . . . .	—	—	2,200
Everclear Shipping (BVI) Limited . . . . .	—	—	2,200
Francesca Shipping (BVI) Limited . . . . .	—	—	1,000
Gwenyth Shipping (BVI) Limited . . . . .	—	—	1,500
Helen Shipping (BVI) Limited . . . . .	—	—	1,500
Judith Shipping (BVI) Limited . . . . .	—	—	1,000
Labrador Shipping (BVI) Limited . . . . .	—	—	1,000
	<u>—</u>	<u>—</u>	<u>13,900</u>

The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this report.

**9 Earnings per share**

No earnings per share information is presented as its inclusion would be hypothetical due to the reorganisation and presentation of the results on a combined basis, as discussed in note 1.

**10 Emoluments for directors and five highest paid individuals**

None of the directors received or will receive any fees or emoluments in respect of their services to the Pacific Basin Group during the Relevant Periods. Apart from the directors, the

Pacific Basin Group has no employee other than crews who are employed under short-term employment contracts and not regarded as full time staff of the Pacific Basin Group during the Relevant Periods.

## 11 Fixed assets

	<u>Vessels</u> <u>(Note a)</u> <u>US\$'000</u>	<u>Vessels under</u> <u>construction</u> <u>(Note b)</u> <u>US\$'000</u>	<u>Total</u> <u>US\$'000</u>
<b>Cost</b>			
At 1 January 2001 .....	54,884	10,252	65,136
Additions .....	—	83,228	83,228
Reclassification .....	<u>80,284</u>	<u>(80,284)</u>	<u>—</u>
At 31 December 2001 .....	135,168	13,196	148,364
Additions .....	—	54,003	54,003
Disposals .....	(8,417)	—	(8,417)
Reclassification .....	<u>65,697</u>	<u>(65,697)</u>	<u>—</u>
At 31 December 2002 .....	192,448	1,502	193,950
Additions .....	10,151	16,987	27,138
Reclassification .....	<u>15,414</u>	<u>(15,414)</u>	<u>—</u>
At 31 December 2003 .....	<u>218,013</u>	<u>3,075</u>	<u>221,088</u>
<b>Accumulated depreciation</b>			
At 1 January 2001 .....	2,074	—	2,074
Charge for the year .....	<u>4,278</u>	<u>—</u>	<u>4,278</u>
At 31 December 2001 .....	6,352	—	6,352
Charge for the year .....	7,502	—	7,502
Disposals .....	<u>(1,433)</u>	<u>—</u>	<u>(1,433)</u>
At 31 December 2002 .....	12,421	—	12,421
Charge for the year .....	<u>7,890</u>	<u>—</u>	<u>7,890</u>
At 31 December 2003 .....	<u>20,311</u>	<u>—</u>	<u>20,311</u>
<b>Net book value</b>			
At 31 December 2001 .....	<u>128,816</u>	<u>13,196</u>	<u>142,012</u>
At 31 December 2002 .....	<u>180,027</u>	<u>1,502</u>	<u>181,529</u>
At 31 December 2003 .....	<u>197,702</u>	<u>3,075</u>	<u>200,777</u>

### Notes:

- (a) All vessels are pledged to banks as securities for bank loans granted to the Pacific Basin Group (note 18).
- (b) At 31 December 2003, the shipbuilding contracts for vessels under construction with total contract sum of US\$31,234,000 (2002: US\$30,547,000, 2001: US\$79,475,000) are jointly guaranteed by shareholders of the Company, IDB Carriers (BVI) Limited, Dry Bulk Shipping (BVI) Limited and Plymouth Shipping Investments Limited, in favour of third parties in relation to the due performance of the contracts.

**12 Deferred loan arrangement fees**

	As at 31 December		
	2001	2002	2003
	US\$'000	US\$'000	US\$'000
At 1 January .....	106	369	550
Additions during the year .....	287	258	148
Amortisation charge (note 6) .....	(24)	(77)	(65)
At 31 December .....	<u>369</u>	<u>550</u>	<u>633</u>

**13 Restricted bank deposits**

Bank balances are pledged to banks as securities for loans granted to the Pacific Basin Group (note 18).

**14 Trade and other receivables**

	As at 31 December		
	2001	2002	2003
	US\$'000	US\$'000	US\$'000
Trade receivables .....	379	—	—
Prepayments, deposits and other receivables .....	1,376	198	368
	<u>1,755</u>	<u>198</u>	<u>368</u>

The Pacific Basin Group grants no credit period to its customers under normal business terms in ship chartering business.

The ageing analysis of the trade receivables is as follows:

	As at 31 December		
	2001	2002	2003
	US\$'000	US\$'000	US\$'000
Within 30 days .....	200	—	—
31-60 days .....	7	—	—
61-90 days .....	2	—	—
Over 90 days .....	170	—	—
	<u>379</u>	<u>—</u>	<u>—</u>

**15 Amounts due from/to related companies**

	As at 31 December		
	2001	2002	2003
	US\$'000	US\$'000	US\$'000
Amounts due from related companies			
— PB Management Holding Limited and its subsidiaries .....	719	1,447	2,252
Amounts due to related companies			
— PB Management Holding Limited and its subsidiaries .....	—	(66)	(69)

The amounts due from/to related companies are unsecured, interest free and have no fixed terms of repayment. The directors consider these balances arise from ordinary and normal course of business of the Pacific Basin Group.

**16 Combined share capital and capital reserves**

At 31 December 2003, the Company was not yet incorporated and had no issued share capital. The combined share capital and capital reserves as at 31 December 2001, 2002 and 2003 represented the share capital and share premium of subsidiaries comprising the Pacific Basin Group. Issue of share capital represented contribution made by the then shareholders of the subsidiaries prior to the Exchange of Shares.

**17 Loans from shareholders**

	As at 31 December		
	2001	2002	2003
	US\$'000	US\$'000	US\$'000
Loans from shareholders			
— IDB Carriers (BVI) Limited .....	10,046	13,487	13,892
— Dry Bulk Shipping (BVI) Limited .....	12,056	16,184	16,670
— Plymouth Shipping Investments Limited .....	504	677	697
	<u>22,606</u>	<u>30,348</u>	<u>31,259</u>

All balances are unsecured and interest free. Subsequent to 31 December 2003, pursuant to the Exchange of Shares, these loans were capitalised as paid up capital of the respective subsidiaries.

## 18 Long-term bank loans

	As at 31 December		
	2001	2002	2003
	US\$'000	US\$'000	US\$'000
Secured bank loans not wholly repayable within five years .....	96,524	136,732	145,863
Current portion of long-term bank loans .....	<u>(6,833)</u>	<u>(9,469)</u>	<u>(10,869)</u>
	<u>89,691</u>	<u>127,263</u>	<u>134,994</u>

The bank loans are secured by the following:

- (i) Mortgages over the vessels (note 11) and bank balances (note 13).
- (ii) Assignment of earnings, insurances and requisition compensations in respect of the vessels.
- (iii) Charge over the shares of individual vessel-owning companies (note 23).

At 31 December 2003, included in bank loans are amounts of US\$5,980,000 (2002: US\$6,620,000, 2001: US\$7,260,000) which are guaranteed by shareholders of the Company: IDB Carriers (BVI) Limited, Dry Bulk Shipping (BVI) Limited and Plymouth Shipping Investments Limited.

At 31 December, the Pacific Basin Group's bank loans are repayable as follows:

	As at 31 December		
	2001	2002	2003
	US\$'000	US\$'000	US\$'000
Within one year .....	6,833	9,469	10,869
In the second year .....	6,833	9,469	10,869
In the third to fifth years .....	20,499	28,404	32,604
After the fifth year .....	<u>62,359</u>	<u>89,390</u>	<u>91,521</u>
	<u>96,524</u>	<u>136,732</u>	<u>145,863</u>



**19 Notes to the combined cash flow statement**

(a) Reconciliation of profit/(loss) for the year to net cash from operating activities:

	<u>For the year ended 31 December</u>		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
Profit/(loss) for the year .....	3,256	(2,027)	22,686
Interest income .....	(75)	(37)	(2)
Interest expense .....	4,743	5,244	4,756
Amortisation of loan arrangement fees .....	24	77	65
Depreciation .....	4,278	7,502	7,890
Exchange loss from loan conversion (note 19(b)) .....	—	6,200	—
Gain on disposal of fixed assets .....	—	(327)	—
Operating profit before working capital changes .....	12,226	16,632	35,395
Decrease/(increase) in trade and other receivables .....	12,353	521	(170)
Increase/(decrease) in accruals and other payables .....	517	(772)	1,423
Increase in inventories .....	(152)	(173)	(69)
(Increase)/decrease in net amounts due from related companies .....	(1,684)	374	(802)
Net cash from operating activities .....	<u>23,260</u>	<u>16,582</u>	<u>35,777</u>

(b) Analysis of changes in financing during the year

	<u>Bank loans</u>	<u>Loans from shareholders</u>	<u>Capital reserves</u>
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
At 1 January 2001 .....	46,368	7,171	15,865
Cash inflows/(outflows)			
Drawdown of bank loans .....	61,125	—	—
Repayment of bank loans .....	(10,969)	—	—
Additional loans from shareholders .....	—	15,435	—
At 31 December 2001 .....	<u>96,524</u>	<u>22,606</u>	<u>15,865</u>
At 1 January 2002 .....	96,524	22,606	15,865
Cash inflows/(outflows)			
Drawdown of bank loans .....	47,250	—	—
Repayment of bank loans .....	(13,242)	—	—
Exchange loss from loan conversion .....	6,200	—	—
Issue of share capital by subsidiaries .....	—	—	1
Additional loans from shareholders .....	—	7,742	—
At 31 December 2002 .....	<u>136,732</u>	<u>30,348</u>	<u>15,866</u>

	<u>Bank loans</u>	<u>Loans from shareholders</u>	<u>Capital reserves</u>
	US\$'000	US\$'000	US\$'000
At 1 January 2003 .....	136,732	30,348	15,866
Cash inflows/(outflows)			
Drawdown of bank loans .....	19,900	—	—
Repayment of bank loans .....	(10,769)	—	—
Issue of share capital by subsidiaries .....	—	—	1
Additional loans from shareholders .....	—	911	—
At 31 December 2003 .....	<u>145,863</u>	<u>31,259</u>	<u>15,867</u>

## (c) Analysis of cash and cash equivalents

	<u>As at 31 December</u>		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
	US\$'000	US\$'000	US\$'000
Bank balances and cash .....	3,101	8,332	8,144
Less: restricted bank deposits .....	<u>(1,600)</u>	<u>(2,200)</u>	<u>(2,400)</u>
	<u>1,501</u>	<u>6,132</u>	<u>5,744</u>

**20 Commitments**

## (a) Capital commitments in respect of vessels under construction

	<u>As at 31 December</u>		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
	US\$'000	US\$'000	US\$'000
Contracted but not provided for .....	<u>68,165</u>	<u>29,066</u>	<u>28,173</u>

## (b) Commitments under operating leases

## (i) Operating lease commitments — where the Pacific Basin Group is the lessee

During the Relevant Periods, the Pacific Basin Group has entered into two charter-hire agreements to charter in two vessels. Under the agreements, options have been granted to the Pacific Basin Group to acquire the relevant vessels at prices stipulated in the relevant agreements. These options are exercisable at the end of third year of lease terms.

The future aggregate minimum time charter payments under non-cancellable operating lease are as follows:

	<u>As at 31 December</u>		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
	US\$'000	US\$'000	US\$'000
Not later than one year .....	—	2,255	5,895
Later than one year but not later than five years .....	—	1,722	20,440
Later than five years .....	—	—	938
	<u>—</u>	<u>3,977</u>	<u>27,273</u>

(ii) Operating lease commitments — where the Pacific Basin Group is the lessor

The Pacific Basin Group's vessels joined International Handybulk Carriers Pool ("the IHC Pool"). Under the pooling arrangement, the Pacific Basin Group received charter-hire income based on their share of the IHC Pool's earnings. The Pacific Basin Group may withdraw any of its vessels at any time by giving not less than 90 days prior written notice.

The future aggregate minimum time charter receivables in respect of chartering of vessels by the IHC Pool have not been included as charter-hire income from the IHC Pool depends on the IHC Pool's earnings.

## 21 Related party transactions

Other than as disclosed elsewhere in the combined financial statements, in the opinion of the Directors, the following significant related party transactions were carried out in the normal course of the Pacific Basin Group's business:

	For the year ended 31 December		
	2001	2002	2003
	US\$'000	US\$'000	US\$'000
Management fee paid to a subsidiary of PB Management Holding Limited (note a) .....	(347)	(1,117)	(1,270)
Net charter-hire income received from the IHC Pool managed by a subsidiary of PB Management Holding Limited (note b) .....	2,687	26,791	53,721
Insurance premium paid to Sun Hing Insurance Brokers Limited (note c) .....	<u>(13)</u>	<u>(72)</u>	<u>(70)</u>

## 22 Balance sheet of the Company

The Company was incorporated in Bermuda on 10 March 2004 and hence no net assets or distributable reserves of the Company were presented for the Relevant Periods.

Notes:

- (a) The Pacific Basin Group entered into technical ship management agreements with IndoChina Ship Management (BVI) Limited, a subsidiary of PB Management Holding Limited, under which management fees were charged at rates agreed between the parties.
- (b) The Pacific Basin Group's individual vessels joined the IHC Pool which is managed by International Handybulk Carriers Management Limited, a subsidiary of PB Management Holding Limited. Under the pooling arrangement, the Pacific Basin Group received charter-hire income in respect of its pooled vessels based on their share of the IHC Pool's earnings, net of agency fee at 1.25% of earnings and a daily management fee of US\$50 per vessel.
- (c) The Pacific Basin Group entered into certain insurance contracts for its vessels through Sun Hing Insurance Brokers Limited, a related company in which 35% of its shareholding was held indirectly by Mr Simon Lee, Chairman of Pembroke Shipping Limited. In the directors' opinion, the terms of insurance broking services were determined and agreed on Sun Hing's ordinary terms and in the ordinary course of business.
- (d) During the Relevant Periods, certain supervisory and management functions were procured by the then shareholders at no charge.

**23 Particulars of subsidiaries**

As at the date of this report, the Company has direct and indirect interests in the following subsidiaries, all of which are private companies, or if incorporated outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

(a) The following are wholly owned subsidiaries of the Company upon the completion of the Exchange of Shares:

<u>Company</u>	<u>Notes</u>	<u>Place and date of incorporation</u>	<u>Issued and fully paid share capital</u>	<u>Principal activities</u>
<i>Shares held directly:</i>				
PB Vessels Holding Limited .....	(1)	The British Virgin Islands 19 March 2004	7,950,170 shares of US\$1 each	Investment holding
<i>Shares held indirectly:</i>				
* Bernard (BVI) Limited ...	(2)	The British Virgin Islands 2 July 1999	2,266,710.86 A Shares of US\$0.01 each 2,720,053.16 B Shares of US\$0.01 each 113,335.95 C Shares of US\$0.01 each	Vessel owning and chartering
* Caterina (BVI) Limited ...	(2)	The British Virgin Islands 2 July 1999	1,111,155.45 A Shares of US\$0.01 each 1,333,386.58 B Shares of US\$0.01 each 55,557.97 C Shares of US\$0.01 each	Vessel owning and chartering
* Delphic Shipping (BVI) Limited .....	(2)	The British Virgin Islands 8 July 1999	44.4445 A Shares of US\$0.01 each 53.3333 B Shares of US\$0.01 each 2.2222 C Shares of US\$0.01 each	Vessel owning and chartering
* Everclear Shipping (BVI) Limited .....	(2)	The British Virgin Islands 8 July 1999	1,377,822.04 A Shares of US\$0.01 each 1,653,386.56 B Shares of US\$0.01 each 68,891.35 C Shares of US\$0.01 each	Vessel owning and chartering

<u>Company</u>	<u>Notes</u>	<u>Place and date of incorporation</u>	<u>Issued and fully paid share capital</u>	<u>Principal activities</u>
<i>Shares held indirectly: (Continued)</i>				
* Francesca Shipping (BVI) Limited .....	(2)	The British Virgin Islands 8 July 1999	1,333,377.65 A Shares of US\$0.01 each 1,600,053.23 B Shares of US\$0.01 each 66,669.12 C Shares of US\$0.01 each	Vessel owning and chartering
* Gwenyth Shipping (BVI) Limited .....	(2)	The British Virgin Islands 8 July 1999	44.4445 A Shares of US\$0.01 each 53.3333 B Shares of US\$0.01 each 2.2222 C Shares of US\$0.01 each	Vessel owning and chartering
Helen Shipping (BVI) Limited .....	(2)	The British Virgin Islands 20 July 1999	44.4445 A Shares of US\$0.01 each 53.3333 B Shares of US\$0.01 each 2.2222 C Shares of US\$0.01 each	Vessel chartering
* Judith Shipping (BVI) Limited .....	(2)	The British Virgin Islands 9 August 1999	1,688,933.17 A Shares of US\$0.01 each 2,026,719.87 B Shares of US\$0.01 each 84,446.96 C Shares of US\$0.01 each	Vessel owning and chartering
* Kia Shipping (BVI) Limited .....	(2)	The British Virgin Islands 8 December 1999	1,155,599.86 A Shares of US\$0.01 each 1,386,719.91 B Shares of US\$0.01 each 57,780.20 C Shares of US\$0.01 each	Vessel owning and chartering

<u>Company</u>	<u>Notes</u>	<u>Place and date of incorporation</u>	<u>Issued and fully paid share capital</u>	<u>Principal activities</u>
<i>Shares held indirectly: (Continued)</i>				
* Labrador Shipping (BVI) Limited .....	(2)	The British Virgin Islands 8 December 1999	1,688,933.17 A Shares of US\$0.01 each 2,026,719.87 B Shares of US\$0.01 each 84,446.96 C Shares of US\$0.01 each	Vessel owning and chartering
* Mirs Shipping (BVI) Limited .....	(2)	The British Virgin Islands 8 December 1999	933,377.68 A Shares of US\$0.01 each 1,120,053.26 B Shares of US\$0.01 each 46,669.05 C Shares of US\$0.01 each	Vessel owning and chartering
* Newman Shipping (BVI) Limited .....	(2)	The British Virgin Islands 8 December 1999	1,155,599.89 A Shares of US\$0.01 each 1,386,719.91 B Shares of US\$0.01 each 57,780.20 C Shares of US\$0.01 each	Vessel owning and chartering
* Othello Shipping (BVI) Limited .....	(2)	The British Virgin Islands 24 November 2000	1,181,903.33 A Shares of US\$0.01 each 1,418,284.04 B Shares of US\$0.01 each 59,095.38 C Shares of US\$0.01 each	Vessel owning and chartering
* Quincy Shipping (BVI) Limited .....	(2)	The British Virgin Islands 30 July 2001	44.4445 A Shares of US\$0.01 each 53.3333 B Shares of US\$0.01 each 2.2222 C Shares of US\$0.01 each	Vessel owning and chartering

<u>Company</u>	<u>Notes</u>	<u>Place and date of incorporation</u>	<u>Issued and fully paid share capital</u>	<u>Principal activities</u>
<i>Shares held indirectly: (Continued)</i>				
Spencer Shipping (BVI) Limited .....	(1)	The British Virgin Islands 31 January 2002	44.4445 A Shares of US\$0.01 each 53.3333 B Shares of US\$0.01 each 2.2222 C Shares of US\$0.01 each	Vessel owning and chartering
Thompson Shipping (BVI) Limited .....	(1)	The British Virgin Islands 7 January 2003	44.4445 A Shares of US\$0.01 each 53.3333 B Shares of US\$0.01 each 2.2222 C Shares of US\$0.01 each	Vessel owning and chartering
Uhland Shipping (BVI) Limited .....	(1)	The British Virgin Islands 30 December 2002	44.4445 A Shares of US\$0.01 each 53.3333 B Shares of US\$0.01 each 2.2222 C Shares of US\$0.01 each	Vessel chartering
Verner Shipping (BVI) Limited .....	(1)	The British Virgin Islands 30 December 2002	44.4445 A Shares of US\$0.01 each 53.3333 B Shares of US\$0.01 each 2.2222 C Shares of US\$0.01 each	Vessel chartering
* Wharton Shipping Limited .....	(2)	The British Virgin Islands 26 March 2003	44.4445 A Shares of US\$0.01 each 53.3333 B Shares of US\$0.01 each 2.2222 C Shares of US\$0.01 each	Vessel owning and chartering

<u>Company</u>	<u>Notes</u>	<u>Place and date of incorporation</u>	<u>Issued and fully paid share capital</u>	<u>Principal activities</u>
<i>Shares held indirectly: (Continued)</i>				
Alderran Shipping (BVI) Limited .....	(1)	The British Virgin Islands 27 May 1999	44.4445 A Shares of US\$0.01 each 53.3333 B Shares of US\$0.01 each 2.2222 C Shares of US\$0.01 each	Dormant
Iliad Shipping (BVI) Limited .....	(1)	The British Virgin Islands 20 July 1999	44.4445 A Shares of US\$0.01 each 53.3333 B Shares of US\$0.01 each 2.2222 C Shares of US\$0.01 each	Dormant

\*Shares of these subsidiaries have been pledged to banks as security for loan facilities granted (note 18).

(b) The following are companies which become subsidiaries of the Company pursuant to the Further Acquisitions. These companies are regarded as subsidiaries of the Company by the Directors as at the date of this report, as the economic interest in these companies had been effectively transferred to the Company on 31 March 2004. The legal completion of these transfers will take place on a later date, upon the Underwriters' rights to terminate the Underwriting Agreements lapsing pursuant to their terms.

<u>Company</u>	<u>Place and date of incorporation</u>	<u>Issued and fully paid share capital</u>	<u>Principal activities</u>
<i>Shares held directly:</i>			
PB Management Holding Limited	The British Virgin Islands 28 November 2003	1 share of US\$1	Investment holding
<i>Shares held indirectly:</i>			
IHC Chartering Limited .....	The British Virgin Islands 22 August 2001	10 shares of US\$1 each	Provision of ship management services
# IndoChina Ship Management Holdings Limited .....	The British Virgin Islands 22 November 2000	378 shares of US\$1 each	Investment holding

Notes:

1. No individual audited accounts were prepared during the Relevant Periods in respect of these subsidiaries.
2. The accounts of these companies were audited by PricewaterhouseCoopers.



<u>Company</u>	<u>Place and date of incorporation</u>	<u>Issued and fully paid share capital</u>	<u>Principal activities</u>
<i>Shares held indirectly: (Continued)</i>			
International Handybulk Carriers Management Limited . . . . .	The British Virgin Islands 4 May 2001	10 shares of US\$1 each	Provision of shipping management services
Pacific Basin (UK) Limited . . . . .	The United Kingdom 2 December 1998	2 shares of GBP1 each	Provision of ship consulting services
Pacific Basin Chartering Limited	The British Virgin Islands 4 July 2003	10 shares of US\$1 each	Vessels chartering
Pacific Basin Shipping & Trading Co. Limited . . . . .	The British Virgin Islands 19 April 2001	10 shares of US\$1 each	Provision of ship management services
PBST Co. Ltd. . . . .	Bermuda 25 September 1998	12,000 shares of US\$1 each	Dormant
Pacific Basin Shipping (HK) Limited (formerly Pacific Basin Agencies Limited) . . . . .	Hong Kong 8 October 1997	2 shares of HK\$10 each	Provision of ship agency services
Pacific Basin (HK) Limited . . . . .	Hong Kong 4 February 2003	2 shares of HK\$1 each	Investment holding
Pacific Basin Agencies Limited (formerly PB (HK) Limited) . . .	Hong Kong 8 April 2004 (transferred to PB Management Holding Limited on 12 May 2004)	1 share of HK\$1	Dormant
PB Supervisory Limited . . . . .	The British Virgin Islands 26 May 1999	1 share of US\$0.01	Provision of ship management services
Taylor Shipping (BVI) Limited . . .	The British Virgin Islands 4 Dec 2002	10 shares of US\$1 each	Vessel chartering
# IndoChina Ship Management (HK) Ltd . . . . .	Hong Kong 11 February 1964	100 shares of HK\$1,000 each	Provision of ship management services
# IndoChina Ship Management, Inc. . . . .	Philippines 13 May 1991	250,000 shares of Peso 10 each	Provision of crew manning services
# Majestic Carriers, Inc. . . . .	Republic of Liberia 26 February 1970	1,000 shares of US\$1 each	Provision of crew manning services
# IndoChina Marine Services Limited . . . . .	Hong Kong 8 August 1980	2 shares of HK\$1 each	Sale of chemical products
# IndoChina Marine Services, Inc.	Philippines 13 June 1995	5,000 shares of Peso 100 each	Sale of chemical products
# IndoChina Ship Management Limited . . . . .	The British Virgin Islands 22 November 2000	10 shares of US\$1 each	Investment holding

<u>Company</u>	<u>Place and date of incorporation</u>	<u>Issued and fully paid share capital</u>	<u>Principal activities</u>
<i>Shares held indirectly: (Continued)</i>			
# Pacific Basin Shipping (USA) Inc. (formerly IndoChina Ship Management (USA) Inc.) . . . . .	The United States of America 22 May 1996	100 shares of US\$10 each	Provision of ship management services
# PacMarine Services (HK) Limited . . . . .	Hong Kong 1 September 2000	2 shares of HK\$1 each	Provision of surveying and consultancy services
# PacMarine Services Pte Ltd (formerly PMS Surveying Services (Pte) Limited) . . . . .	Singapore 10 January 1985	1,000 shares of S\$1 each	Provision of surveying and consultancy services
# PacMarine Services (UK) Limited . . . . .	United Kingdom 3 August 1993	1,000 shares of GBP1 each	Provision of surveying and consultancy services
# PacMarine Services Limited . . . . .	The British Virgin Islands 20 November 2000	10 shares of US\$1 each	Investment holding
Beckley Enterprises Limited . . . . .	The British Virgin Islands 2 January 2003	3,000,000 ordinary shares of US\$1 each	Investment holding
Beckley (HK) Limited . . . . .	Hong Kong 11 September 2003	10 Class 'A' shares of US\$1 each 3,000,000 Class 'B' shares of US\$1 each	Vessel owning and chartering
Keswick Holdings Limited . . . . .	Hong Kong 27 June 2003	2,000,000 ordinary shares of US\$1 each	Investment holding
Keswick Shipping (HK) Limited . . . . .	Hong Kong 27 June 2003	10 Class 'A' shares of US\$1 each 2,000,000 Class 'B' shares of US\$1 each	Vessel owning and chartering
Foreview Holdings Limited . . . . .	Hong Kong 7 February 2003	2,500,000 ordinary shares of US\$1 each	Investment holding
Foreview (HK) Limited . . . . .	Hong Kong 4 February 2003	10 Class 'A' shares of US\$1 each 2,500,000 Class 'B' shares of US\$1 each	Vessel owning and chartering

<u>Company</u>	<u>Place and date of incorporation</u>	<u>Issued and fully paid share capital</u>	<u>Principal activities</u>
<i>Shares held indirectly: (Continued)</i>			
New Majestic International Limited . . . . .	The British Virgin Islands 10 December 2002	10 Class 'A' shares of US\$1 each 430 Class 'B' shares of US\$6,744.19 each	Investment holding
Good Future International Holdings Limited . . . . .	The British Virgin Islands 11 December 2002	1 ordinary share of US\$1 at par value	Vessel owning
Riley Shipping (BVI) Limited . . . . .	The British Virgin Islands 8 March 2002	10 Class 'A' shares of US\$1 each 440 class 'B' shares of US\$10,000 each	Vessel owning and chartering
Investors Choice Limited . . . . .	The British Virgin Islands 18 February 2003	10 Class 'A' shares of US\$1 each 1,060 Class 'B' shares of US\$5,000 each	Investment holding
Everable Assets Limited . . . . .	The British Virgin Islands 28 March 2003	10 ordinary shares of US\$1 each	Vessel owning
Great Strength Assets Limited . . . . .	The British Virgin Islands 28 March 2003	10 ordinary shares of US\$1 each	Vessel owning
Eastern Venture Corporation . . . . .	The Republic of Liberia 6 November 2000	10 class 'A' shares of US\$1 each 58 class 'B' shares of US\$50,000 each	Investment holding

# 33.33% interests of these subsidiaries are held directly by the Company and the remaining 66.67% interests are held by PB Management Holding Limited, a wholly owned subsidiary of the Company

## 24 Subsequent events

The following significant events took place subsequent to 31 December 2003:

The Company underwent the initial stages of the group reorganisation set out in the section headed "Statutory and General Information" of the Prospectus (the "Reorganisation") in preparation for the listing of the shares of the Company on the Stock Exchange. The key steps involved in the Reorganisation are summarised as follows:

(i) On 30 March 2004, IDB Carriers (BVI) Limited, Dry Bulk Shipping (BVI) Limited and Plymouth Shipping Investments Limited exchanged their shares in subsidiaries listed in note 23(a) for the issue of approximately 795,017,000 Shares and payables of US\$24,231,000.

(ii) The Company acquired shares in Beckley Enterprises Limited, Foreview Holdings Limited, Investors Choice Limited, Keswick Holdings Limited, New Majestic

International Limited, Eastern Venture Corporation and Riley Shipping (BVI) Limited, with effect from 31 March 2004, at an aggregate consideration comprising approximately 140,703,000 Shares and cash of approximately US\$11,116,000.

(iii) The Company purchased Pembroke Shipping Limited's shares in PB Management Holding Limited and Jardine Shipping Limited's 33.33% interest in IndoChina Management Holdings Limited, with effect from 31 March 2004, at total considerations of approximately 81,291,000 Shares.

Subsequent to 31 December 2003 and up to the date of this report, interim dividends totalling US\$31,465,000 were declared by certain subsidiaries comprising the Pacific Basin Group to the then shareholders.

In addition, the Group entered into agreements to purchase four vessels and two newbuilding contracts for an aggregate consideration of approximately US\$118.5 million payable in cash, conditional upon the completion of the listing of shares of the Company.

### **III SUBSEQUENT ACCOUNTS**

No audited accounts have been prepared for the Company or its subsidiaries in respect of any period subsequent to 31 December 2003. Except as described in note 24 to the combined accounts in section II, no other dividend or distribution has been declared, made or paid by the Company or its subsidiaries in respect of any period subsequent to 31 December 2003.

Yours faithfully,

**PricewaterhouseCoopers**  
*Certified Public Accountants*  
Hong Kong