

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



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
Beckley Enterprises Limited
Goldman Sachs (Asia) L.L.C.

Dear Sirs,

We set out below our report on the financial information relating to Beckley Enterprises Limited ("Beckley") and its subsidiary (hereinafter collectively referred to as the "Beckley Group") for inclusion in the prospectus of Pacific Basin Shipping Limited (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.

Beckley was incorporated in the British Virgin Islands on 2 January 2003 and its principal activity is investment holding. As at the date of this report, Beckley has direct interest in the following subsidiary which is a Hong Kong incorporated private company.

<u>Name</u>	<u>Place and date of incorporation</u>	<u>Principal activities</u>	<u>Equity interest held</u>	<u>Issued and fully paid share capital</u>
Beckley (HK) Limited	Hong Kong 11 September 2003	Vessel owning and chartering	100%	10 Class 'A' shares ¹ of US\$1 each 3,000,000 Class 'B' shares ¹ of US\$1 each

1. Class 'A' shares are entitled to have one vote per share at any general meeting but not entitled to receive any dividends. Class 'B' shares are entitled to receive dividends but not entitled to vote at any general meeting

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

No audited accounts have been prepared by Beckley and its subsidiary since their respective dates of incorporation as they were newly incorporated in 2003.

We have examined the unaudited management accounts of the Beckley Group for the period from 2 January 2003 (date of incorporation) to 31 December 2003 (the "Relevant 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 in accordance with accounting principles generally accepted in Hong Kong, and based on the unaudited management accounts, after making such adjustments as are appropriate. The directors of respective companies are responsible for preparing these 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 Beckley are also 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, gives a true and fair view of the consolidated state of affairs of Beckley Group as at 31 December 2003 and of the consolidated result and consolidated cash flows of Beckley Group for the Relevant Period.

I FINANCIAL STATEMENTS

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE PERIOD FROM 2 JANUARY 2003
(DATE OF INCORPORATION) TO 31 DECEMBER 2003

	<u>Note</u>	<u>US\$'000</u>
Turnover		
Charter-hire income from pooling arrangement		207
Direct costs		(67)
Other revenue — interest income		2
General and administrative expenses		<u>(12)</u>
Operating profit	4	130
Finance costs	5	<u>(13)</u>
Profit for the period		<u>117</u>
Earnings per share	7	<u>US\$0.039</u>

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2003**

	<u>Note</u>	<u>US\$'000</u>
Non-current assets		
Fixed asset	9	10,737
Deferred loan arrangement fee	10	39
Restricted bank deposit	11	<u>100</u>
		<u>10,876</u>
Current assets		
Inventories, at cost		46
Amounts due from related companies	12	112
Prepayments and other receivables		6
Bank balances and cash		<u>232</u>
		<u>396</u>
Current liabilities		
Amount due to a related company	12	5
Accruals and other payables		150
Current portion of long-term bank loan	13	<u>800</u>
		<u>955</u>
Net current liabilities		<u>(559)</u>
Total assets less current liabilities		<u>10,317</u>
Financed by:		
Share capital	14	3,000
Retained profit		<u>117</u>
Shareholders' funds		3,117
Non-current liability		
Long-term bank loan	13	<u>7,200</u>
		<u>10,317</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 2 JANUARY 2003
(DATE OF INCORPORATION) TO 31 DECEMBER 2003**

	<u>Note</u>	<u>Share capital</u> US\$'000	<u>Retained profit</u> US\$'000	<u>Total</u> US\$'000
Issue of ordinary shares	14	3,000	—	3,000
Profit for the period		—	117	117
At 31 December 2003		<u>3,000</u>	<u>117</u>	<u>3,117</u>

**CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD FROM 2 JANUARY 2003
(DATE OF INCORPORATION) TO 31 DECEMBER 2003**

	<u>US\$'000</u>
Cash flows from operating activities	
Profit for the period	117
Interest income	(2)
Interest expense	12
Depreciation	27
Amortisation of loan arrangement fee	<u>1</u>
Operating profit before working capital changes	155
Increase in inventories	(46)
Increase in accruals and other payables	150
Increase in prepayments and other receivables	(6)
Increase in net amount due from related companies	<u>(107)</u>
<i>Net cash from operating activities</i>	<u>146</u>
Cash flows from investing activities	
Purchase of fixed asset	(10,764)
Interest received	2
Increase in restricted bank deposit	<u>(100)</u>
<i>Net cash used in investing activities</i>	<u>(10,862)</u>
Cash flows from financing activities	
Issue of ordinary shares	3,000
Drawdown of bank loan	8,000
Interest paid	(12)
Payment of loan arrangement fee	<u>(40)</u>
<i>Net cash from financing activities</i>	<u>10,948</u>
Increase in cash and cash equivalents	232
Cash and cash equivalents at 2 January 2003	<u>—</u>
Cash and cash equivalents at 31 December 2003	<u><u>232</u></u>

II NOTES TO THE FINANCIAL STATEMENTS**1 Basis of preparation**

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.

2 Principal activity

The principal activity of Beckley Group is ship owning and chartering.

3 Principal accounting policies**(a) Group accounting*****(i) Consolidation***

The consolidated accounts include the accounts of Beckley and its subsidiary made up to 31 December. The results of the subsidiary acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within Beckley Group are eliminated on consolidation.

(ii) Subsidiary

A subsidiary is an entity in which Beckley, 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 consolidated profit and loss account.

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

(c) Fixed asset

Fixed asset is 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 vessel is calculated to write off its cost less accumulated impairment losses on a straight-line basis over its estimated useful life of 25 years from the date of first registration, after allowing for its estimated scrap value.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that the vessel is 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 consolidated 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 consolidated profit and loss account.

(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. Cost is 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 cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks.

(h) Provisions

Provisions are recognised when Beckley 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) Revenue recognition

Turnover represents gross charter-hire income from ship chartering, net of transportation levy.

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

The pool charters out the vessel 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.

(j) Vessel repairs and surveys

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

(k) 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 fee is deferred and amortised to the consolidated profit and loss account over the term of the loan.

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

(l) Segment reporting

No business segmental information of Beckley Group is presented as Beckley 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.

(m) 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.

4 Operating profit

Operating profit is stated after charging the following:

	2.1.2003 to 31.12.2003 US\$'000
Crew expenses	17
Depreciation	<u>27</u>

5 Finance costs

	2.1.2003 to 31.12.2003 <u>US\$'000</u>
Interest expense on bank loan	12
Amortisation of loan arrangement fee	<u>1</u>
	<u>13</u>

6 Taxation

Hong Kong profits tax has not been provided as Beckley Group has no estimated assessable profit for the Relevant Period.

7 Earnings per share

The calculation of basic earnings per share is based on Beckley Group's profit attributable to shareholders of US\$117,000 and 3,000,000 ordinary shares in issue during the Relevant Period.

There were no potential dilutive shares in existence for the Relevant Period and therefore, no diluted earnings per share was presented.

8 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 Beckley Group during the Relevant Period. Apart from the directors, the Beckley Group has no employee other than crews who are employed under short-term employment contracts and not regarded as full time staff of the Beckley Group during the Relevant Period.

9 Fixed asset

	<u>Vessel "Apollo Bay"</u> <u>US\$'000</u>
Cost	
Additions and at 31 December 2003	<u>10,764</u>
Accumulated depreciation	
Charge for the Relevant Period and at 31 December 2003	<u>(27)</u>
Net book value	
At 31 December 2003	<u>10,737</u>

The vessel is pledged to a bank as security for a bank loan granted to the Beckley Group (note 13).

10 Deferred loan arrangement fee

	<u>US\$'000</u>
Additions	40
Amortisation charge (note 5)	<u>(1)</u>
At 31 December 2003	<u>39</u>

11 Restricted bank deposit

Bank balance is pledged to a bank as security for loan granted to Beckley Group (note 13).

12 Amounts due from/to related companies

	<u>31.12.2003</u> <u>US\$'000</u>
Amounts due from related companies	
— IndoChina Ship Management (HK) Limited, a subsidiary of PB Management Holding Limited	12
— International Handybulk Carriers Management Limited, a subsidiary of PB Management Holding Limited	<u>100</u>
	<u>112</u>
Amount due to a related company	
— Pacific Basin Shipping & Trading Company Limited, a subsidiary of PB Management Holding Limited	<u>(5)</u>

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 Beckley Group.

13 Long-term bank loan

	<u>31.12.2003</u> <u>US\$'000</u>
Secured bank loan not wholly repayable within five years	8,000
Current portion of long-term bank loan	<u>(800)</u>
	<u>7,200</u>

The bank loan is secured by the following:

- (i) Mortgage over the vessel (note 9) and bank balance (note 11).
- (ii) Assignment of earnings, insurance and requisition compensation in respect of the vessel.
- (iii) Charge over the shares of a subsidiary, Beckley (HK) Limited.

At 31 December 2003, Beckley Group's bank loan is repayable as follows:

	<u>US\$'000</u>
Within one year	800
In the second year	1,000
In the third to fifth years	3,150
After the fifth year	<u>3,050</u>
	<u>8,000</u>

14 Share capital

	<u>31.12.2003</u> <u>US\$'000</u>
Authorised, issued and fully paid:	
3,000,000 ordinary shares of US\$1 each.....	<u>3,000</u>

Beckley was incorporated on 2 January 2003 with authorised share capital of US\$50,000 divided into 50,000 ordinary shares of US\$1 each. On 24 September 2003, the authorised share capital of Beckley was increased to US\$3,000,000 divided into 3,000,000 ordinary shares of US\$1 each. On 25 September 2003, 3,000,000 ordinary shares of US\$1 each were issued at par for cash.

15 Related party transactions

In the opinion of the directors, the following significant related party transactions were carried out in the normal course of business:

	<u>US\$'000</u>
Technical management fee paid to a subsidiary of PB Management Holding Limited (note a)	(3)
Commercial management fee paid to a subsidiary of PB Management Holding Limited (note b)	(5)
Net charter-hire income received from the IHC Pool managed by a subsidiary of PB Management Holding Limited (note c)	<u>207</u>

Notes:

- (a) A technical ship management agreement was entered into with IndoChina Ship Management (BVI) Limited, a subsidiary of PB Management Holding Limited, under which management fee of US\$6,000 per month was charged with effect from 16 December 2003.
- (b) A commercial ship management agreement was entered into with Pacific Basin Shipping & Trading Co. Limited, a subsidiary of PB Management Holding Limited, under which management fee of US\$9,000 per month was charged with effect from 16 December 2003.
- (c) On 16 December 2003, a Beckley Group's vessel joined International Handybulk Carriers Pool ("the IHC Pool") which is managed by International Handybulk Carriers Management Limited, a subsidiary of PB Management Holding Limited. Under the pooling arrangement, Beckley Group received charter-hire income in respect of its pooled vessel based on its 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. Beckley Group may withdraw its vessel at any time by giving not less than 90 days prior written notice.

16 Balance sheet of Beckley

Beckley was incorporated in the British Virgin Islands on 2 January 2003 and its principal activity is investment holding. The net asset of Beckley as at 31 December 2003 was US\$3,000,000, which was represented by its investment in a subsidiary.

As at 31 December 2003, there were no reserves available for distribution to the shareholders at that date. The consolidated profit and loss account for the Relevant Period was dealt with in the accounts of Beckley to the extent of US\$nil.

17 Subsequent events

Subsequent to 31 December 2003 and up to the date of this report, an interim dividend of US\$902,000 was declared.

III SUBSEQUENT ACCOUNTS

No audited accounts have been prepared for Beckley Group in respect of any period subsequent to 31 December 2003. Except as disclosed in note 17 under section II, no other dividend or distribution has been declared, made or paid by Beckley Group in respect of any period subsequent to 31 December 2003.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

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



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
Eastern Venture Corporation
Goldman Sachs (Asia) L.L.C.

Dear Sirs,

We set out below our report on the financial information relating to Eastern Venture Corporation ("Eastern") for inclusion in the prospectus of Pacific Basin Shipping Limited (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.

Eastern was incorporated in the Republic of Liberia on 6 November 2000 and its principal activity is investment holding. Eastern has adopted 31 December as its financial year end date.

No audited accounts have been prepared by Eastern since its date of incorporation as it has not been involved in any significant business transactions, other than investment holding.

We have examined the unaudited management accounts of Eastern for the three years ended 31 December 2001, 2002 and 2003 (the "Relevant Periods") 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 unaudited management accounts, after making such adjustments as are appropriate. The directors of Eastern are responsible for preparing these 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 Eastern 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, gives a true and fair view of the state of affairs of Eastern as at 31 December 2001, 2002 and 2003 and of the results of Eastern for the Relevant Periods.

I FINANCIAL STATEMENTS

PROFIT AND LOSS ACCOUNT

	Note	For the year ended 31 December		
		2001	2002	2003
		US\$'000	US\$'000	US\$'000
Dividend income		—	—	635
General and administrative expenses		(16)	(15)	(10)
Profit/(loss) for the year		<u>(16)</u>	<u>(15)</u>	<u>625</u>
Dividend	6	<u>—</u>	<u>—</u>	<u>594</u>
Earnings/(loss) per share	4	<u>US\$(276)</u>	<u>US\$(259)</u>	<u>US\$10,776</u>

BALANCE SHEET

	Note	As at 31 December		
		2001 US\$'000	2002 US\$'000	2003 US\$'000
Non-current asset				
Investment in a jointly controlled entity	7	<u>2,900</u>	<u>2,900</u>	<u>2,900</u>
Current assets				
Prepayments and other receivables		—	—	41
Current liability				
Amount due to a related company	8	<u>(16)</u>	<u>(31)</u>	<u>(41)</u>
Net current liabilities		<u>(16)</u>	<u>(31)</u>	<u>—</u>
Total assets less current liability		<u>2,884</u>	<u>2,869</u>	<u>2,900</u>
Financed by:				
Share capital	9	—	—	—
Share premium	9	2,900	2,900	2,900
Accumulated losses		<u>(16)</u>	<u>(31)</u>	<u>—</u>
Shareholders' funds		<u>2,884</u>	<u>2,869</u>	<u>2,900</u>

STATEMENT OF CHANGES IN EQUITY

	<u>Share capital</u>	<u>Share premium</u>	<u>Accumulated</u> <u>losses</u>	<u>Total</u>
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
At 1 January 2001	—	—	—	—
Issue of ordinary shares	—	2,900	—	2,900
Loss for the year	<u>—</u>	<u>—</u>	<u>(16)</u>	<u>(16)</u>
At 31 December 2001	—	2,900	(16)	2,884
Loss for the year	<u>—</u>	<u>—</u>	<u>(15)</u>	<u>(15)</u>
At 31 December 2002	—	2,900	(31)	2,869
Profit for the year	—	—	625	625
Dividend	<u>—</u>	<u>—</u>	<u>(594)</u>	<u>(594)</u>
At 31 December 2003	<u>—</u>	<u>2,900</u>	<u>—</u>	<u>2,900</u>

II NOTES TO THE FINANCIAL STATEMENTS**1 Basis of preparation**

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.

2 Principal activity

The principal activity of Eastern is investment holding.

3 Principal accounting policies**(a) Jointly controlled entity**

A jointly controlled entity is a contractual arrangement whereby one party and another party undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

In the accounts of Eastern the investment in a jointly controlled entity is stated at cost less provision for impairment losses and the results of a jointly controlled entity are accounted for on the basis of dividends received and receivable.

(b) Revenue recognition

Dividend income is recognised when the right to receive payment is established.

(c) 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.

(d) 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.

4 Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on Eastern's earnings/(loss) attributable to shareholders of US\$625,000 (2001: (US\$16,000), 2002: (US\$15,000)) and 58 class 'B' shares (2001: 58, 2002: 58) in issue during the Relevant Periods.

There were no potential dilutive shares in existence for the Relevant Periods and therefore, no diluted earnings/(loss) per share was presented.

5 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 Eastern during the Relevant Periods. Apart from the directors, Eastern has no full time staff during the Relevant Periods.

6 Dividend

	For the year ended 31 December		
	2001	2002	2003
	US\$'000	US\$'000	US\$'000
Interim, paid, of US\$10,241 (2001: nil, 2002: nil) per ordinary share	—	—	594

7 Investment in a jointly controlled entity

	As at 31 December		
	2001	2002	2003
	US\$'000	US\$'000	US\$'000
Unlisted shares, at cost	2,784	2,784	2,784
Amount due from a jointly controlled entity	116	116	116
	<u>2,900</u>	<u>2,900</u>	<u>2,900</u>

Details of the jointly controlled entity at 31 December 2003:

<u>Name</u>	<u>Country of incorporation</u>	<u>Issued and fully paid up share capital</u>	<u>Percentage of interest in ownership/voting power/profit sharing</u>
Pacific Basin Bulker (No. 103) Corporation	Republic of Liberia	200 class 'B' shares of US\$21,917.81 each	63.5%/50%/63.5%

Pacific Basin Bulker (No. 103) Corporation ("PB Bulker") is principally engaged in investment holding of a wholly owned subsidiary, China Line Shipping Limited, whose principal activity is ship owning and chartering.

A summary of the consolidated financial information of PB Bulker and its subsidiary is as follows:

Summarised results for the year:

	For the year ended 31 December		
	2001	2002	2003
	US\$'000	US\$'000	US\$'000
Turnover — charter-hire income	<u>2,559</u>	<u>2,247</u>	<u>3,508</u>
Profit for the year	<u>255</u>	<u>138</u>	<u>1,605</u>
Eastern's share of profit for the year if the equity method had been applied	<u>162</u>	<u>88</u>	<u>1,019</u>

Summarised balance sheet at year end:

	As at 31 December		
	2001	2002	2003
	US\$'000	US\$'000	US\$'000
Non-current assets	16,120	15,467	14,814
Current assets	818	777	1,318
Current liabilities	(1,199)	(1,167)	(1,250)
Non-current liability	<u>(11,100)</u>	<u>(10,300)</u>	<u>(9,500)</u>
Total assets less total liabilities	<u>4,639</u>	<u>4,777</u>	<u>5,382</u>
Eastern's share of net assets if the equity method had been applied	<u>2,946</u>	<u>3,033</u>	<u>3,418</u>

8 Amount due to a related company

	As at 31 December		
	2001	2002	2003
	US\$'000	US\$'000	US\$'000
Amount due to a related company			
— Pacific Basin Shipping & Trading Co. Limited, a subsidiary of PB Management Holding Limited	<u>16</u>	<u>31</u>	<u>41</u>

The amount due to the related company is unsecured, interest free and has no fixed terms of repayment. The directors consider this balance arises from the ordinary and normal course of business of Eastern.

9 Share capital and share premium

	<u>Share capital</u> US\$'000	<u>Share premium</u> US\$'000
Authorised:		
10 class 'A' shares with no par value	—	—
500 class 'B' shares with no par value	—	—
	<u>—</u>	<u>—</u>
Issued and fully paid:		
10 class 'A' shares of US\$1 each	—	—
58 class 'B' shares of US\$50,000 each	—	2,900
At 31 December 2001, 2002 and 2003	<u>—</u>	<u>2,900</u>

Eastern was incorporated on 6 November 2000 with authorised share capital divided into 10 class 'A' shares and 500 class 'B' shares with no par value. Upon incorporation, 10 class 'A' shares were issued with no par value. On 5 February 2001, 58 class 'B' shares were allotted at US\$50,000 each for cash.

Class 'A' shares are entitled to have one vote per share at any general meeting but not entitled to receive any dividends. Class 'B' shares are entitled to receive dividends but not entitled to vote at any general meeting.

10 Related party transactions

In the opinion of the Directors, the following significant related party transactions were carried out in the normal course of business:

	<u>For the year ended 31 December</u>		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
	US\$'000	US\$'000	US\$'000
Commission fee paid to a subsidiary of PB Management Holding Limited (note)	<u>16</u>	<u>15</u>	<u>8</u>

Note:

A commercial ship management agreement was entered into with Pacific Basin Shipping & Trading Co. Limited, a subsidiary of PB Management Holding Limited, under which commission was charged at 1.25% of the charter-hire income from the vessel owned by China Line Shipping Limited ("CLS"), a wholly owned subsidiary of PB Bulker. It was mutually agreed between Eastern and CLS that CLS would bear 50% of the aforementioned commission.

11 Distributable reserves

As at 31 December 2001, 2002 and 2003, there were no reserves available for distribution to the shareholders at that date.

12 Subsequent events

Subsequent to 31 December 2003 and up to the date of this report, an interim dividend of US\$997,000 was declared.

III SUBSEQUENT ACCOUNTS

No audited accounts have been prepared for Eastern Group in respect of any period subsequent to 31 December 2003. Except as disclosed in note 12 under section II, no other dividend or distribution has been declared, made or paid by Eastern Group in respect of any period subsequent to 31 December 2003.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

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



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
Foreview Holdings Limited
Goldman Sachs (Asia) L.L.C.

Dear Sirs,

We set out below our report on the financial information relating to Foreview Holdings Limited ("Foreview") and its subsidiary (hereinafter collectively referred as the "Foreview Group") for inclusion in the prospectus of Pacific Basin Shipping Limited (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.

Foreview was incorporated in Hong Kong on 7 February 2003 and its principal activity is investment holding. As at the date of this report, Foreview has direct interest in the following subsidiary which is a Hong Kong incorporated private company.

<u>Name</u>	<u>Place and date of incorporation</u>	<u>Principal activities</u>	<u>Equity interest held</u>	<u>Issued and fully paid share capital</u>
Foreview (HK) Limited	Hong Kong 4 February 2003	Vessel owning and chartering	100%	10 Class 'A' shares ¹ of US\$1 each 2,500,000 Class 'B' shares ¹ of US\$1 each

1. Class 'A' shares are entitled to have one vote per share at any general meeting but not entitled to receive any dividends. Class 'B' shares are entitled to receive dividends but not entitled to vote at any general meeting.

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

We have audited the accounts of the Foreview Group for the period from 7 February 2003 (date of incorporation) to 31 December 2003 (the "Relevant Period").

We have examined the audited accounts of the Foreview Group for the Relevant 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 of the Foreview Group, after making such adjustments as are appropriate. The directors of Foreview are responsible for preparing these 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 Foreview are also 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, gives a true and fair view of the consolidated state of affairs of Foreview Group as at 31 December 2003 and of the consolidated result and consolidated cash flows of Foreview Group for the Relevant Period.

I FINANCIAL STATEMENTS

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE PERIOD FROM 7 FEBRUARY 2003
(DATE OF INCORPORATION) TO 31 DECEMBER 2003**

	<u>Note</u>	<u>US\$'000</u>
Turnover		
Charter-hire income from pooling arrangement		2,805
Direct costs		
Crew expenses		(344)
Depreciation		(450)
Spare parts and lubricating oil		(227)
Others		(545)
		<u>(1,566)</u>
General and administrative expenses		(112)
Operating profit	4	1,127
Finance costs	5	(192)
Profit for the period		<u>935</u>
Earnings per share	7	<u>US\$0.374</u>

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2003**

	<u>Note</u>	<u>US\$'000</u>
Non-current assets		
Fixed asset	9	9,664
Deferred loan arrangement fee	10	49
Restricted bank deposit	11	<u>150</u>
		<u>9,863</u>
Current assets		
Inventories, at cost		38
Amount due from a related company	12	112
Prepayments and other receivables		3
Bank balances and cash		<u>1,027</u>
		<u>1,180</u>
Current liabilities		
Amount due to a shareholder	12	5
Amount due to a related company	12	51
Accruals and other payables		202
Current portion of long-term bank loan	13	<u>825</u>
		<u>1,083</u>
Net current assets		<u>97</u>
Total assets less current liabilities		<u>9,960</u>
Financed by:		
Share capital	14	2,500
Retained profit		<u>935</u>
Shareholders' funds		3,435
Non-current liability		
Long-term bank loan	13	<u>6,525</u>
		<u>9,960</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 7 FEBRUARY 2003
(DATE OF INCORPORATION) TO 31 DECEMBER 2003**

	<u>Note</u>	<u>Share capital</u>	<u>Retained profit</u>	<u>Total</u>
		<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
Issue of ordinary shares	14	2,500	—	2,500
Profit for the period		<u>—</u>	<u>935</u>	<u>935</u>
At 31 December 2003		<u>2,500</u>	<u>935</u>	<u>3,435</u>

**CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD FROM 7 FEBRUARY 2003
(DATE OF INCORPORATION) TO 31 DECEMBER 2003**

	<u>US\$'000</u>
Cash flows from operating activities	
Profit for the period	935
Interest expense	186
Depreciation	450
Amortisation of loan arrangement fee	6
Operating profit before working capital changes	1,577
Increase in inventories	(38)
Increase in accruals and other payables	202
Increase in prepayments and other receivables	(3)
Increase in amount due to a shareholder	5
Increase in net amount due from a related company	(61)
<i>Net cash from operating activities</i>	<u>1,682</u>
Cash flows from investing activities	
Purchase of fixed asset	(10,114)
Increase in restricted bank deposit	(150)
<i>Net cash used in investing activities</i>	<u>(10,264)</u>
Cash flows from financing activities	
Issue of ordinary shares	2,500
Drawdown of bank loan	7,800
Repayment of bank loan	(450)
Interest paid	(186)
Payment of loan arrangement fee	(55)
<i>Net cash from financing activities</i>	<u>9,609</u>
Increase in cash and cash equivalents	1,027
Cash and cash equivalents at 7 February 2003	—
Cash and cash equivalents at 31 December 2003	<u><u>1,027</u></u>

II NOTES TO THE FINANCIAL STATEMENTS**1 Basis of preparation**

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.

2 Principal activity

The principal activity of Foreview Group is ship owning and chartering.

3 Principal accounting policies**(a) Group accounting*****(i) Consolidation***

The consolidated accounts include the accounts of Foreview and its subsidiary made up to 31 December. The results of the subsidiary acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within Foreview Group are eliminated on consolidation.

(ii) Subsidiary

A subsidiary is an entity in which Foreview, 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 consolidated profit and loss account.

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

(c) Fixed asset

Fixed asset is 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 vessel is calculated to write off its cost less accumulated impairment losses on a straight-line basis over its estimated useful life of 25 years from the date of first registration, after allowing for its estimated scrap value.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that the vessel is 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 consolidated 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 consolidated profit and loss account.

(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. Cost is 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 cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks.

(h) Provisions

Provisions are recognised when Foreview 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) Revenue recognition

Turnover represents gross charter-hire income from ship chartering, net of transportation levy.

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

The pool charters out the vessel 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.

(j) Vessel repairs and surveys

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

(k) 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 fee is deferred and amortised to the consolidated profit and loss account over the term of the loan.

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

(l) Segment reporting

No business segmental information of Foreview Group is presented as Foreview 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.

(m) 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.

4 Operating profit

Operating profit is stated after charging the following:

	7.2.2003 to 31.12.2003 US\$'000
Auditors' remuneration	<u>3</u>

5 Finance costs

	7.2.2003 to 31.12.2003 <u>US\$'000</u>
Interest expense on bank loan	186
Amortisation of loan arrangement fee	<u>6</u>
	<u>192</u>

6 Taxation

Hong Kong profits tax has not been provided as Foreview Group has no estimated assessable profit for the Relevant Period.

7 Earnings per share

The calculation of basic earnings per share is based on Foreview Group's profit attributable to shareholders of US\$935,000 and 2,500,000 ordinary shares in issue during the Relevant Period.

There were no potential dilutive shares in existence for the Relevant Period and therefore, no diluted earnings per share was presented.

8 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 Foreview Group during the Relevant Period. Apart from the directors, the Foreview Group has no employee other than crews who are employed under short-term employment contracts and not regarded as full time staff of the Foreview Group during the Relevant Period.

9 Fixed asset

	Vessel "Steward Island" <u>US\$'000</u>
Cost	
Additions and at 31 December 2003	<u>10,114</u>
Accumulated depreciation	
Charge for the Relevant Period and at 31 December 2003	<u>(450)</u>
Net book value	
At 31 December 2003	<u>9,664</u>

The vessel is pledged to a bank as security for a bank loan granted to the Foreview Group (note 13).

10 Deferred loan arrangement fee

	<u>US\$'000</u>
Additions	55
Amortisation charge (note 5)	<u>(6)</u>
At 31 December 2003	<u>49</u>

11 Restricted bank deposit

Bank balance is pledged to a bank as security for loan granted to Foreview Group (note 13).

12 Amount due from/to a related company and amount due to a shareholder

	<u>31.12.2003</u> <u>US\$'000</u>
Amount due from a related company	
— International Handybulk Carriers Management Limited, a subsidiary of PB Management Holding Limited	<u>112</u>
Amount due to a shareholder	
— Pembroke Shipping Limited	<u>(5)</u>
Amount due to a related company	
— IndoChina Ship Management (HK) Limited, a subsidiary of PB Management Holding Limited	<u>(51)</u>

The amounts due from/to a related company and amount due to a shareholder 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 Foreview Group.

13 Long-term bank loan

	<u>31.12.2003</u> <u>US\$'000</u>
Secured bank loan not wholly repayable within five years	7,350
Current portion of long-term bank loan	<u>(825)</u>
	<u>6,525</u>

The bank loan is secured by the following:

- (i) Mortgage over the vessel (note 9) and bank balance (note 11).
- (ii) Assignment of earnings, insurance and requisition compensation in respect of the vessel.
- (iii) Charge over the shares of a subsidiary, Foreview (HK) Limited.

At 31 December 2003, Foreview Group's bank loan is repayable as follows:

	<u>US\$'000</u>
Within one year	825
In the second year	900
In the third to fifth years	2,700
After the fifth year	<u>2,925</u>
	<u>7,350</u>

14 Share capital

	<u>31.12.2003</u> <u>US\$'000</u>
Authorised, issued and fully paid: 2,500,000 ordinary shares of US\$1 each.....	<u>2,500</u>

Foreview was incorporated on 7 February 2003 with authorised share capital of US\$2,500,000 divided into 2,500,000 ordinary shares of US\$1 each. Upon incorporation, 2,500,000 ordinary shares of US\$1 each were issued at par for cash.

15 Related party transactions

In the opinion of the directors, the following significant related party transactions were carried out in the normal course of business:

	<u>7.2.2003 to</u> <u>31.12.2003</u> <u>US\$'000</u>
Technical management fee paid to a subsidiary of PB Management Holding Limited (note a)	(62)
Commercial management fee paid to a subsidiary of PB Management Holding Limited (note b)	(93)
Net charter-hire income received from the IHC Pool managed by a subsidiary of PB Management Holding Limited (note c)	<u>2,805</u>

16 Balance sheet of Foreview

Foreview was incorporated in Hong Kong on 7 February 2003 and its principal activity is investment holding. The net asset of Foreview as at 31 December 2003 was US\$2,500,000, which was represented by its investment in a subsidiary.

As at 31 December 2003, there were no reserves available for distribution to the shareholders at that date. The consolidated profit and loss account for the Relevant Period was dealt with in the accounts of Foreview to the extent of US\$nil.

Notes:

- (a) A technical ship management agreement was entered into with IndoChina Ship Management (BVI) Limited, a subsidiary of PB Management Holding Limited, under which management fee of US\$6,000 per month was charged with effect from 22 February 2003.

- (b) A commercial ship management agreement was entered into with Pacific Basin Shipping & Trading Co. Limited, a subsidiary of PB Management Holding Limited, under which management fee of US\$9,000 per month was charged with effect from 22 February 2003.
- (c) On 22 February 2003, a Foreview Group's vessel joined International Handybulk Carriers Pool (the "IHC Pool") which is managed by International Handybulk Carriers Management Limited, a subsidiary of PB Management Holding Limited. Under the pooling arrangement, Foreview Group received charter-hire income in respect of its pooled vessel based on its 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. Foreview Group may withdraw its vessel at any time by giving not less than 90 days prior written notice.

17 Subsequent events

Subsequent to 31 December 2003 and up to the date of this report, an interim dividend of US\$1,513,000 was declared.

III SUBSEQUENT ACCOUNTS

No audited accounts have been prepared for Foreview Group in respect of any period subsequent to 31 December 2003. Except as disclosed in note 17 under section II, no other dividend or distribution has been declared, made or paid by Foreview Group in respect of any period subsequent to 31 December 2003.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

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



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
Investors Choice Limited
Goldman Sachs (Asia) L.L.C.

Dear Sirs,

We set out below our report on the financial information relating to Investors Choice Limited ("Investors Choice") and its subsidiaries (hereinafter collectively referred to as the "Investors Choice Group") for inclusion in the prospectus of Pacific Basin Shipping Limited (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.

Investors Choice was incorporated in the British Virgin Islands on 18 February 2003 and its principal activity is investment holding. As at the date of this report, Investors Choice has direct interest in the following subsidiaries which are incorporated outside Hong Kong and have substantially the same characteristics as a Hong Kong incorporated private company.

<u>Name</u>	<u>Place and date of incorporation</u>	<u>Principal activities</u>	<u>Equity interest held</u>	<u>Issued and fully paid share capital</u>
Everable Assets Limited	The British Virgin Islands 28 March 2003	Vessel owning	100%	10 ordinary shares of US\$1 each
Great Strength Assets Limited	The British Virgin Islands 28 March 2003	Vessel owning	100%	10 ordinary shares of US\$1 each

All the companies now comprising the Investors Choice Group have adopted 31 December as their financial year end date.

No audited accounts have been prepared by Investors Choice and its subsidiaries since their respective dates of incorporation as they were newly incorporated in 2003 and have not yet been involved in any significant business transactions.

We have examined the unaudited management accounts of the Investors Choice Group for the period from 18 February 2003 (date of incorporation) to 31 December 2003 (the "Relevant 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 unaudited management accounts, after making such adjustments as are appropriate. The directors of respective companies are responsible for preparing these 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 Investors Choice are also 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, gives a true and fair view of the consolidated state of affairs of Investors Choice Group as at 31 December 2003 and of the consolidated result and consolidated cash flows of Investors Choice Group for the Relevant Period.

I FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2003

	<u>Note</u>	<u>US\$'000</u>
Non-current assets		
Fixed assets	4	<u>7,467</u>
Current assets		
Amount due from a related company	7	351
Bank balances and cash		<u>11</u>
		<u>362</u>
Current liability		
Amount due to a related company	7	<u>129</u>
Net current assets		<u>233</u>
Total assets less current liability		<u><u>7,700</u></u>
Financed by:		
Share capital	9	5,300
Non-current liability		
Long-term bank loan	8	<u>2,400</u>
		<u><u>7,700</u></u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 18 FEBRUARY 2003
(DATE OF INCORPORATION) TO 31 DECEMBER 2003**

	<u>Note</u>	<u>Share capital</u> US\$'000	<u>Retained profit</u> US\$'000	<u>Total</u> US\$'000
Issue of shares	9	5,300	—	5,300
Profit for the period		—	—	—
At 31 December 2003		<u>5,300</u>	<u>—</u>	<u>5,300</u>

**CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD FROM 18 FEBRUARY 2003
(DATE OF INCORPORATION) TO 31 DECEMBER 2003**

	<u>US\$'000</u>
Cash flows from operating activities	
Increase in net amount due from a related company	<u>(222)</u>
<i>Net cash used in operating activities</i>	<u>(222)</u>
Cash flows from investing activities	
Purchase of fixed assets	<u>(7,467)</u>
<i>Net cash used in investing activities</i>	<u>(7,467)</u>
Cash flows from financing activities	
Issue of ordinary shares	5,300
Drawdown of bank loan	<u>2,400</u>
<i>Net cash from financing activities</i>	<u>7,700</u>
Increase in cash and cash equivalents	11
Cash and cash equivalents at 18 February 2003	<u>—</u>
Cash and cash equivalents at 31 December 2003	<u><u>11</u></u>

II NOTES TO THE FINANCIAL STATEMENTS**1 Basis of preparation**

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 complies with accounting standards issued by the Hong Kong Society of Accountants. It has been prepared under the historical cost convention.

2 Principal activity

The principal activity of Investors Choice Group is ship owning. Ship chartering has not yet been commenced as at 31 December 2003.

3 Principal accounting policies**(a) Group accounting*****(i) Consolidation***

The consolidated accounts include the accounts of Investors Choice and its subsidiaries made up to 31 December. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within Investors Choice Group are eliminated on consolidation.

(ii) Subsidiaries

Subsidiaries are those entities in which Investors Choice, 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) Fixed assets***(i) Vessels under construction***

Vessels under construction are stated at cost and not depreciated.

(ii) 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.

(c) 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.

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

(d) Cash and cash equivalents

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

4 Fixed assets

	<u>Vessels under construction</u> US\$'000
Cost	
Additions and at 31 December 2003	<u>7,467</u>

The shipbuilding contracts for vessels under construction are assigned to a bank as security for a bank loan granted to the Investors Choice Group (note 8).

5 Earnings per share

No earnings per share information is presented as Investors Choice Group has not yet commenced its ship chartering business as at 31 December 2003.

6 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 Investors Choice Group during the Relevant Period. Apart from the directors, the Investors Choice Group has no full time staff during the Relevant Period.

7 Amount due from/to a related company

	<u>31.12.2003</u> US\$'000
Amount due from a related company	
— Pembroke Shipping Limited	<u>351</u>
Amount due to a related company	
— Pembroke Shipping Limited	<u>(129)</u>

The amount due from/to a related company is unsecured, interest free and has no fixed terms of repayment. The directors consider these balances arise from ordinary and normal course of business of the Investors Choice Group.

8 Long-term bank loan

Investors Choice Group has obtained loan facility of approximately US\$33,000,000 for the purchase of vessels as at 31 December 2003. Loan facility of US\$2,400,000 was drawn down as at 31 December 2003. The remaining facility will be utilised upon delivery of vessels.

The loan facility is secured by assignments of shipbuilding contracts (note 4) and charges over the shares of the subsidiaries, Everable Assets Limited and Great Strength Assets Limited.

9 Share capital

	<u>31.12.2003</u> <u>US\$'000</u>
Authorised:	
20 Class 'A' shares of US\$1 each	—
2,000 Class 'B' shares of US\$5,000 each	<u>10,000</u>
	<u>10,000</u>
Issued and fully paid:	
10 Class 'A' shares of US\$1 each	—
1,060 Class 'B' shares of US\$5,000 each	<u>5,300</u>
	<u>5,300</u>

Class 'A' shares are entitled to have one vote per share at any general meeting but not entitled to receive any dividends. Class 'B' shares are entitled to receive dividends but not entitled to vote at any general meeting.

Investors Choice was incorporated on 18 February 2003 with authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. On 10 April 2003, 10 shares of US\$1 each were issued at par for cash.

On 11 April 2003, the authorised share capital was increased to US\$10,000,010 divided into 10 Class 'A' shares of US\$1 each and 2,000 Class 'B' shares of US\$5,000 each. On the same day, the 10 shares previously issued were designated as Class 'A' shares.

On 24 April 2003, the authorised share capital was increased to US\$10,000,020 divided into 20 Class 'A' shares of US\$1 each and 2,000 Class 'B' shares of US\$5,000 each.

On 3 May 2003, 1,060 Class 'B' shares of US\$5,000 each were allotted at par for cash.

10 Capital commitment for Investors Choice Group

	<u>31.12.2003</u> <u>US\$'000</u>
Capital commitment for vessels	
Contracted but not provided for	<u>28,621</u>

11 Balance sheet of Investors Choice

Investors Choice was incorporated in the British Virgin Islands on 18 February 2003 and its principal activity is investment holding. The net asset of Investors Choice as at 31 December 2003 was US\$5,300,000, which was represented by its investment in subsidiaries.

As at 31 December 2003, there were no reserves available for distribution to the shareholders at that date.

12 Subsequent events

No significant events have taken place subsequent to 31 December 2003.

III SUBSEQUENT ACCOUNTS

No audited accounts have been prepared for Investors Choice Group in respect of any period subsequent to 31 December 2003. In addition, no dividend or distribution has been declared, made or paid by Investors Choice Group in respect of any period subsequent to 31 December 2003.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

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



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
Keswick Holdings Limited
Goldman Sachs (Asia) L.L.C.

Dear Sirs,

We set out below our report on the financial information relating to Keswick Holdings Limited ("Keswick") and its subsidiary (hereinafter collectively referred as the "Keswick Group") for inclusion in the prospectus of Pacific Basin Shipping Limited (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.

Keswick was incorporated in Hong Kong on 27 June 2003 and its principal activity was investment holding. As at the date of this report, Keswick has direct interest in the following subsidiary which is a Hong Kong incorporated private company.

<u>Name</u>	<u>Place and date of incorporation</u>	<u>Principal activities</u>	<u>Equity interest held</u>	<u>Issued and fully paid share capital</u>
Keswick Shipping (HK) Limited	Hong Kong 27 June 2003	Vessel owning and chartering	100%	10 Class 'A' shares ¹ of US\$1 each 2,000,000 Class 'B' shares ¹ of US\$1 each

1. Class 'A' shares are entitled to have one vote per share at any general meeting but not entitled to receive any dividends. Class 'B' shares are entitled to receive dividends but not entitled to vote at any general meeting.

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

We have audited the accounts of the Keswick Group for the period from 27 June 2003 (date of incorporation) to 31 December 2003 (the "Relevant Period").

We have examined the audited accounts of the Keswick Group for the Relevant 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 of the Keswick Group, after making such adjustments as are appropriate. The directors of respective companies are responsible for preparing these 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 Keswick are also 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, gives a true and fair view of the consolidated state of affairs of Keswick Group as at 31 December 2003 and of the consolidated result and consolidated cash flows of Keswick Group for the Relevant Period.

I FINANCIAL STATEMENTS

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE PERIOD FROM 27 JUNE 2003
(DATE OF INCORPORATION) TO 31 DECEMBER 2003**

	<u>Note</u>	<u>US\$'000</u>
Turnover		
Charter-hire income from pooling arrangement		992
Other charter-hire income		389
		<u>1,381</u>
Direct costs		
Crew expenses		(160)
Depreciation		(202)
Spare parts and lubricating oil		(119)
Others		(339)
		<u>(820)</u>
Other revenue — interest income		1
General and administrative expenses		(66)
Operating profit	4	496
Finance costs	5	(92)
Profit for the period		<u>404</u>
Earnings per share	7	<u><u>US\$0.202</u></u>

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2003**

	<u>Note</u>	<u>US\$'000</u>
Non-current assets		
Fixed asset	9	7,866
Deferred loan arrangement fee	10	58
Restricted bank deposit	11	150
		<u>8,074</u>
Current assets		
Inventories, at cost		50
Amount due from a shareholder	12	2
Prepayments and other receivables		22
Bank balances and cash		782
		<u>856</u>
Current liabilities		
Amounts due to related companies	12	75
Accruals and other payables		326
Current portion of long-term bank loan	13	1,000
		<u>1,401</u>
Net current liabilities		<u>(545)</u>
Total assets less current liabilities		<u>7,529</u>
Financed by:		
Share capital	14	2,000
Retained profit		404
Shareholders' funds		2,404
Non-current liability		
Long-term bank loan	13	5,125
		<u>7,529</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 27 JUNE 2003
(DATE OF INCORPORATION) TO 31 DECEMBER 2003**

	<u>Note</u>	<u>Share capital</u> US\$'000	<u>Retained profit</u> US\$'000	<u>Total</u> US\$'000
Issue of ordinary shares	14	2,000	—	2,000
Profit for the period		—	404	404
At 31 December 2003		<u>2,000</u>	<u>404</u>	<u>2,404</u>

**CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD FROM 27 JUNE 2003
(DATE OF INCORPORATION) TO 31 DECEMBER 2003**

	<u>US\$'000</u>
Cash flows from operating activities	
Profit for the period	404
Interest income	(1)
Interest expense	87
Depreciation	202
Amortisation of loan arrangement fee	<u>5</u>
Operating profit before working capital changes	697
Increase in inventories	(50)
Increase in accruals and other payables	326
Increase in prepayments and other receivables	(22)
Increase in amount due from a shareholder	(2)
Increase in amounts due to related companies	<u>75</u>
<i>Net cash from operating activities</i>	<u>1,024</u>
Cash flows from investing activities	
Purchase of fixed asset	(8,068)
Interest received	1
Increase in restricted bank deposit	<u>(150)</u>
<i>Net cash used in investing activities</i>	<u>(8,217)</u>
Cash flows from financing activities	
Issue of ordinary shares	2,000
Drawdown of bank loan	6,375
Repayment of bank loan	(250)
Interest paid	(87)
Payment of loan arrangement fee	<u>(63)</u>
<i>Net cash from financing activities</i>	<u>7,975</u>
Increase in cash and cash equivalents	782
Cash and cash equivalents at 27 June 2003	<u>—</u>
Cash and cash equivalents at 31 December 2003	<u><u>782</u></u>

II NOTES TO THE FINANCIAL STATEMENTS**1 Basis of preparation**

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.

2 Principal activity

The principal activity of Keswick Group is ship owning and chartering.

3 Principal accounting policies**(a) Group accounting*****(i) Consolidation***

The consolidated accounts include the accounts of Keswick and its subsidiary made up to 31 December. The results of the subsidiary acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within Keswick Group are eliminated on consolidation.

(ii) Subsidiary

A subsidiary is an entity in which Keswick, 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 consolidated profit and loss account.

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

(c) Fixed asset

Fixed asset is 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 vessel is calculated to write off its cost less accumulated impairment losses on a straight-line basis over its estimated useful life of 25 years from the date of first registration, after allowing for its estimated scrap value.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that the vessel is 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 consolidated 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 consolidated profit and loss account.

(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. Cost is 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 cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks.

(h) Provisions

Provisions are recognised when Keswick 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) Revenue recognition

Turnover represents gross charter-hire income from ship chartering, net of transportation levy.

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

The pool charters out the vessel 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.

(j) Vessel repairs and surveys

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

(k) 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 fee is deferred and amortised to the consolidated profit and loss account over the term of the loan.

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

(l) Segment reporting

No business segmental information of Keswick Group is presented as Keswick 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.

(m) 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.

4 Operating profit

Operating profit is stated after charging the following:

	27.6.2003 to 31.12.2003 US\$'000
Auditors' remuneration	<u>3</u>

5 Finance costs

	27.6.2003 to 31.12.2003 US\$'000
Interest expense on bank loan	77
Amortisation of loan arrangement fee	5
Others	<u>10</u>
	<u>92</u>

6 Taxation

Hong Kong profits tax has not been provided as Keswick Group has no estimated assessable profit for the Relevant Period.

7 Earnings per share

The calculation of basic earnings per share is based on Keswick Group's profit attributable to shareholders of US\$404,000 and 2,000,000 ordinary shares in issue during the Relevant Period.

There were no potential dilutive shares in existence for the Relevant Period and therefore, no diluted earnings per share was presented.

8 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 Keswick Group during the Relevant Period. Apart from the directors, the Keswick Group has no employee other than crews who are employed under short-term employment contracts and not regarded as full time staff of the Keswick Group during the Relevant Period.

9 Fixed asset

	Vessel "Priory Bay" US\$'000
Cost	
Additions and at 31 December 2003	8,068
Accumulated depreciation	
Charge for the Relevant Period and at 31 December 2003	<u>(202)</u>
Net book value	
At 31 December 2003	<u>7,866</u>

The vessel is pledged to a bank as security for a bank loan granted to the Keswick Group (note 13).

10 Deferred loan arrangement fee

	<u>US\$'000</u>
Additions	63
Amortisation charge (note 5)	<u>(5)</u>
At 31 December 2003	<u>58</u>

11 Restricted bank deposit

Bank balance is pledged to a bank as security for loan granted to Keswick Group (note 13).

12 Amount due from a shareholder and amounts due to related companies

	<u>31.12.2003</u> <u>US\$'000</u>
Amount due from a shareholder	
— Pembroke Shipping Limited	<u>2</u>
Amounts due to related companies	
— IndoChina Ship Management (HK) Limited, a subsidiary of PB Management Holding Limited	(53)
— International Handybulk Carriers Management Limited, a subsidiary of PB Management Holding Limited	<u>(22)</u>
	<u>(75)</u>

The amount due from a shareholder and amounts due 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 Keswick Group.

13 Long-term bank loan

	<u>31.12.2003</u> <u>US\$'000</u>
Secured bank loan wholly repayable within five years	6,125
Current portion of long-term bank loan	<u>(1,000)</u>
	<u>5,125</u>

The bank loan is secured by the following:

- (i) Mortgage over the vessel (note 9) and bank balance (note 11).
- (ii) Assignment of earnings, insurance and requisition compensation in respect of the vessel.
- (iii) Charge over the shares of a subsidiary, Keswick Shipping (HK) Limited.

At 31 December 2003, Keswick Group's bank loan is repayable as follows:

	<u>US\$'000</u>
Within one year	1,000
In the second year	1,000
In the third to fifth year	<u>4,125</u>
	<u>6,125</u>

14 Share capital

	<u>31.12.2003</u> <u>US\$'000</u>
Authorised, issued and fully paid:	
2,000,000 ordinary shares of US\$1 each	<u>2,000</u>

Keswick was incorporated on 27 June 2003 with authorised share capital of US\$2,000,000 divided into 2,000,000 ordinary shares of US\$1 each. Upon incorporation, 2,000,000 ordinary shares of US\$1 each were issued at par for cash.

15 Future minimum time charter receivables

At 31 December 2003, Keswick Group had future aggregate minimum time charter receivables under non-cancellable operating lease as follows:

	<u>US\$'000</u>
Not later than one year	<u>3,094</u>

16 Related party transactions

In the opinion of the directors, the following significant related party transactions were carried out in the normal course of business:

	<u>27.6.2003 to</u> <u>31.12.2003</u> <u>US\$'000</u>
Technical management fee paid to a subsidiary of PB Management Holding Limited (note a)	(29)
Commercial management fee paid to a subsidiary of PB Management Holding Limited (note b)	(43)
Net charter-hire income received from the IHC Pool managed by a subsidiary of PB Management Holding Limited (note c)	<u>992</u>

Notes:

- A technical ship management agreement was entered into with IndoChina Ship Management (BVI) Limited, a subsidiary of PB Management Holding Limited, under which management fee of US\$6,000 per month was charged with effect from 8 August 2003.
- A commercial ship management agreement was entered into with Pacific Basin Shipping & Trading Co. Limited, a subsidiary of PB Management Holding Limited, under which management fee of US\$9,000 per month was charged with effect from 8 August 2003.
- On 8 August 2003, a Keswick Group's vessel joined International Handybulk Carriers Pool (the "IHC Pool") which is managed by International Handybulk Carriers Management Limited, a subsidiary of PB Management Holding Limited. Under the pooling arrangement, Keswick Group received charter-hire income in respect of its pooled vessel based on its 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. The vessel was withdrawn from the IHC Pool on 26 November 2003.

17 Balance sheet of Keswick

Keswick was incorporated in Hong Kong on 27 June 2003 and its principal activity is investment holding. The net asset of Keswick as at 31 December 2003 was US\$2,000,000, which was represented by its investment in a subsidiary.

As at 31 December 2003, there were no reserves available for distribution to the shareholders at that date. The consolidated profit and loss account for the Relevant Period was dealt with in the accounts of Keswick to the extent of US\$nil.

18 Subsequent events

Subsequent to 31 December 2003 and up to the date of this report, an interim dividend of US\$844,000 was declared.

III SUBSEQUENT ACCOUNTS

No audited accounts have been prepared for Keswick Group in respect of any period subsequent to 31 December 2003. Except as disclosed in note 18 under section II, no other dividend or distribution has been declared, made or paid by Keswick Group in respect of any period subsequent to 31 December 2003.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

APPENDIX IC — (6) New Majestic International Limited ACCOUNTANTS' REPORT

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



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
New Majestic International Limited
Goldman Sachs (Asia) L.L.C.

Dear Sirs,

We set out below our report on the financial information relating to New Majestic International Limited (“New Majestic”) and its subsidiary (hereinafter collectively referred to as the “New Majestic Group”) for inclusion in the prospectus of Pacific Basin Shipping Limited (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.

New Majestic was incorporated in the British Virgin Islands on 10 December 2002 and its principal activity is investment holding. As at the date of this report, New Majestic has direct interest in the following subsidiary which is incorporated outside Hong Kong and has substantially the same characteristics as a Hong Kong incorporated private company.

<u>Name</u>	<u>Place and date of incorporation</u>	<u>Principal activities</u>	<u>Equity interest held</u>	<u>Issued and fully paid share capital</u>
Good Future International Holdings Limited	The British Virgin Islands 11 December 2002	Vessel owning	100%	1 ordinary share of US\$1 at par value

All the companies now comprising the New Majestic Group have adopted 31 December as their financial year end date.

No audited accounts have been prepared by New Majestic and its subsidiary since their respective dates of incorporation as they were newly incorporated and have not yet been involved in any significant business transactions.

We have examined the unaudited management accounts of the New Majestic Group for the period from 10 December 2002 (date of incorporation) to 31 December 2003 (the “Relevant 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.

APPENDIX IC — (6) New Majestic International Limited ACCOUNTANTS' REPORT

The financial information as set out in sections I to III below (the “Financial Information”) has been prepared based on the unaudited management accounts, after making such adjustments as are appropriate. The directors of respective companies are responsible for preparing these 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 New Majestic are also 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 gives a true and fair view of the consolidated state of affairs of New Majestic Group as at 31 December 2003 and of the consolidated result of New Majestic Group for the Relevant Period.

APPENDIX IC — (6) New Majestic International Limited ACCOUNTANTS' REPORT

I FINANCIAL STATEMENTS**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2003**

	<u>Note</u>	<u>US \$'000</u>
Non-current asset		
Fixed asset	4	772
Current asset		
Amount due from a related company	7	<u>2,128</u>
Total assets		<u><u>2,900</u></u>
Financed by:		
Share capital	9	43
Share premium	9	<u>2,857</u>
Shareholders' funds		<u><u>2,900</u></u>

APPENDIX IC — (6) New Majestic International Limited ACCOUNTANTS' REPORT

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 10 DECEMBER 2002
(DATE OF INCORPORATION) TO 31 DECEMBER 2003**

	<u>Note</u>	<u>Share capital</u> US\$'000	<u>Share premium</u> US\$'000	<u>Retained profit</u> US\$'000	<u>Total</u> US\$'000
Issue of shares	9	43	2,857	—	2,900
Profit for the period		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 31 December 2003		<u>43</u>	<u>2,857</u>	<u>—</u>	<u>2,900</u>

II NOTES TO THE FINANCIAL STATEMENTS**1 Basis of preparation**

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.

2 Principal activity

The principal activity of New Majestic Group is ship owning. Ship chartering has not yet been commenced as at 31 December 2003.

3 Principal accounting policies**(a) Group accounting*****(i) Consolidation***

The consolidated accounts include the accounts of New Majestic and its subsidiary made up to 31 December. The results of the subsidiary acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within New Majestic Group are eliminated on consolidation.

(ii) Subsidiary

A subsidiary is an entity in which New Majestic, 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) Fixed asset***(i) Vessel under construction***

Vessel under construction is stated at cost and not depreciated.

(ii) 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.

(c) 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.

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

APPENDIX IC — (6) New Majestic International Limited ACCOUNTANTS' REPORT

4 Fixed asset

	<u>Vessel under construction</u> US\$'000
Cost	
Additions and at 31 December 2003.....	<u>772</u>

The shipbuilding contract for vessel under construction with total contract sum of US\$15,654,000 is guaranteed by a shareholder of New Majestic, Pembroke Shipping Limited, in favour of third party in relation to the due performance of the contract.

5 Earnings per share

No earnings per share information is presented as New Majestic Group has not yet commenced its ship chartering business as at 31 December 2003.

6 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 New Majestic Group during the Relevant Period. Apart from the directors, the New Majestic Group has no full time staff during the Relevant Period.

7 Amount due from a related company

	<u>31.12.2003</u> <u>US\$'000</u>
Amount due from a related company	
— Pacific Basin Shipping & Trading Co. Limited, a subsidiary of PB Management Holding Limited.....	<u>2,128</u>

The amount due from a related company is unsecured, interest free and has no fixed terms of repayment. The directors consider this balance arises from ordinary and normal course of business of the New Majestic Group.

8 Bank loan facility

New Majestic Group has obtained loan facility of approximately US\$12,500,000 for the purchase of vessel as at 31 December 2003. The loan facility was not yet drawn down as at 31 December 2003.

APPENDIX IC — (6) New Majestic International Limited ACCOUNTANTS' REPORT

9 Share capital and share premium

	As at 31 December 2003	
	Share capital	Share premium
	US\$'000	US\$'000
Authorised:		
10 class 'A' shares of US\$1 each	—	—
500 class 'B' shares of US\$99.98 each	50	—
	<u>50</u>	<u>—</u>
Issued and fully paid:		
10 class 'A' shares of US\$1 each	—	—
430 class 'B' shares of US\$6,744.19 each	43	2,857
	<u>43</u>	<u>2,857</u>

New Majestic was incorporated on 10 December 2002 with authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. On 30 December 2002, 10 class 'A' shares of US\$1 each were issued at par for cash. On 30 December 2002, the authorised share capital of US\$50,000 was redesignated as 10 class 'A' shares of US\$1 each and 500 class 'B' shares of US\$99.98 each. On 30 April 2003, 430 class 'B' shares were allotted at par of US\$99.98 each and at premium of US\$6,644.21 each for cash.

Class 'A' shares are entitled to have one vote per share at any general meeting but not entitled to receive any dividends. Class 'B' shares are entitled to receive dividends but not entitled to vote at any general meeting.

10 Capital commitment for New Majestic Group

	31.12.2003
	US\$'000
Capital commitment for vessel construction	
Contracted but not provided for	<u>14,884</u>

11 Balance sheet of New Majestic

New Majestic was incorporated in the British Virgin Islands on 10 December 2002 and its principal activity is investment holding. The net asset of New Majestic as at 31 December 2003 was US\$2,900,000, which was represented by its investment in a subsidiary.

As at 31 December 2003, there were no reserves available for distribution to the shareholders at that date.

12 Subsequent events

No significant events have taken place subsequent to 31 December 2003.

APPENDIX IC — (6) New Majestic International Limited ACCOUNTANTS' REPORT

III SUBSEQUENT ACCOUNTS

No audited accounts have been prepared for New Majestic Group in respect of any period subsequent to 31 December 2003. In addition, no dividend or distribution has been declared, made or paid by New Majestic Group in respect of any period subsequent to 31 December 2003.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

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



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
Riley Shipping (BVI) Limited
Goldman Sachs (Asia) L.L.C.

Dear Sirs,

We set out below our report on the financial information relating to Riley Shipping (BVI) Limited (“Riley”) for inclusion in the prospectus of Pacific Basin Shipping Limited (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.

Riley was incorporated in the British Virgin Islands on 8 March 2002 and its principal activity is vessel owning. Riley has adopted 31 December as its financial year end date.

No audited accounts have been prepared by Riley since its date of incorporation as Riley has not yet been involved in any significant business transactions.

We have examined the unaudited management accounts of Riley for the period from 8 March 2002 (date of incorporation) to 31 December 2003 (the “Relevant 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 unaudited management accounts, after making such adjustments as are appropriate. The directors of Riley are responsible for preparing these 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 Riley are also 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, gives a true and fair view of the state of affairs of Riley as at 31 December 2002 and 2003 and of the results and cash flow of Riley for the Relevant Periods.

I FINANCIAL STATEMENTS

BALANCE SHEET

AS AT 31 DECEMBER 2003

	Note	As at 31 December	
		2002 US\$'000	2003 US\$'000
Non-current asset			
Fixed asset	4	710	3,728
Current assets			
Prepayment and other receivables		75	285
Amount due from a shareholder	7	1,186	570
Amount due from a related company	7	257	—
Bank balances and cash		—	5
		<u>1,518</u>	<u>860</u>
Current liabilities			
Accruals and other payables		28	—
Amount due to a related company	7	—	188
		<u>28</u>	<u>188</u>
Net current assets		<u>1,490</u>	<u>672</u>
Total assets less current liabilities		<u>2,200</u>	<u>4,400</u>
Financed by:			
Share capital	9	22	44
Share premium	9	2,178	4,356
Shareholders' funds		<u>2,200</u>	<u>4,400</u>

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 8 MARCH 2002
(DATE OF INCORPORATION) TO 31 DECEMBER 2003**

	<u>Note</u>	<u>Share capital</u> US\$'000	<u>Share premium</u> US\$'000	<u>Retained profit</u> US\$'000	<u>Total</u> US\$'000
Issue of shares	9	22	2,178	—	2,200
Profit for the period from 8 March 2002 to 31 December 2002		—	—	—	—
At 31 December 2002		22	2,178	—	2,200
Issue of shares		22	2,178	—	2,200
Profit for the year		—	—	—	—
At 31 December 2003		<u>44</u>	<u>4,356</u>	<u>—</u>	<u>4,400</u>

CASH FLOW STATEMENTS
FOR THE PERIOD FROM 8 MARCH 2002
(DATE OF INCORPORATION) TO 31 DECEMBER 2003

	<u>US\$'000</u>
Cash flows from operating activities	
Decrease in net amount due from a shareholder.....	616
Increase in prepayment and other receivables	(210)
Decrease in accruals and other payables	(28)
Increase in amount due to a related company	<u>445</u>
<i>Net cash used in operating activities</i>	<u>823</u>
Cash flows from investing activities	
Purchase of fixed assets	<u>(3,018)</u>
<i>Net cash used in investing activities</i>	<u>(3,018)</u>
Cash flows from financing activities	
Issue of ordinary shares	<u>2,200</u>
<i>Net cash from financing activities</i>	<u>2,200</u>
Increase in cash and cash equivalents	5
Cash and cash equivalents at 8 March 2002	<u>—</u>
Cash and cash equivalents at 31 December 2003	<u><u>5</u></u>

II NOTES TO THE FINANCIAL STATEMENTS**1 Basis of preparation**

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.

2 Principal activity

The principal activity of Riley is ship owning. Ship chartering has not yet been commenced as at 31 December 2003.

3 Principal accounting policies**(a) Fixed asset****(i) Vessel under construction**

Vessel under construction is stated at cost and not depreciated.

(ii) 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.

(b) Cash and cash equivalents

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

(c) 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.

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

4 Fixed asset

	<u>Vessel under construction</u> US\$'000
Cost	
Additions and at 31 December 2002.....	710
Additions	<u>3,018</u>
At 31 December 2003	<u>3,728</u>

5 Earnings per share

No earnings per share information is presented as Riley has not yet commenced its ship chartering business as at 31 December 2003.

6 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 Riley during the Relevant Periods. Apart from the directors, Riley has no full time staff during the Relevant Periods.

7 Amount due from/to a related company and amount due from a shareholder

	<u>As at 31 December</u>	
	<u>2002</u>	<u>2003</u>
	<u>US\$'000</u>	<u>US\$'000</u>
Amount due from a shareholder		
— Eagle Pacific International Limited	<u>1,186</u>	<u>570</u>
Amount due from a related company		
— Pembroke Shipping Limited	<u>257</u>	<u>—</u>
Amount due to a related company		
— Pembroke Shipping Limited	<u>—</u>	<u>(188)</u>

The amount due from/to a related company and amount due from a shareholder 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 Riley.

8 Bank loan facility

Riley has obtained loan facility of approximately US\$11,500,000 for the purchase of vessel as at 31 December 2003. The loan facility was not yet drawn down as at 31 December 2003.

9 Share capital and share premium

	<u>Share capital</u>	<u>Share premium</u>
	<u>US\$'000</u>	<u>US\$'000</u>
Authorised:		
10 class "A" shares of US\$1 each	—	—
500 class "B" shares of US\$99.98 each	<u>50</u>	<u>—</u>
	<u>50</u>	<u>—</u>
Issued and fully paid:		
10 class "A" shares of US\$1 each	—	—
440 class "B" shares of US\$10,000 each	<u>44</u>	<u>4,356</u>
	<u>44</u>	<u>4,356</u>

Riley was incorporated on 8 March 2002 with authorised share capital of US\$1 divided into 44.4445 class "A" shares of US\$0.01 each, 53.3333 class "B" shares of US\$0.01 each and 2.2222 class "C" shares of US\$0.01 each. Upon incorporation, 44.4445 class "A" shares of US\$0.01 each, 53.3333 class "B" shares of US\$0.01 each and 2.2222 class "C" shares of US\$0.01 each were issued at consideration of US\$450 for cash.

Pursuant to a special resolution passed on 23 September 2002:

- (a) the authorised share capital of Riley was increased from US\$1 to US\$50,000 and redesignated into 10 class "A" shares of US\$1 each and 500 class "B" shares of US\$99.98 each;
- (b) all existing classes of issued shares were redesignated as 1 new class "A" share of US\$1 par value; and
- (c) 9 class "A" shares of US\$1 each were allotted for cash.

Class "A" shares are entitled to have one vote per share at any general meeting but not entitled to receive any dividends. Class "B" shares are entitled to receive dividends but not entitled to vote at any general meeting.

On 4 October 2002, 220 class "B" shares at par value of US\$99.98 each and premium of US\$9,900.02 per share were allotted for cash. In 2003, 220 class "B" shares at par value of US\$99.98 each and premium of US\$9,900.02 per share were allotted for cash.

10 Capital commitment

	<u>As at 31 December</u>	
	<u>2002</u>	<u>2003</u>
	US\$'000	US\$'000
Capital commitment for vessel construction		
Contracted but not provided for	<u>14,514</u>	<u>11,564</u>

11 Distributable reserves

As at 31 December 2002 and 2003, there were no reserves available for distribution to the shareholders at that date.

12 Subsequent events

No significant events have taken place subsequent to 31 December 2003.

III SUBSEQUENT ACCOUNTS

No audited accounts have been prepared for Riley in respect of any period subsequent to 31 December 2003. In addition, no dividend or distribution has been declared, made or paid by Riley in respect of any period subsequent to 31 December 2003.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong