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Pacific Basin Shipping Limited

太平洋航運集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 2343)

DISCLOSEABLE TRANSACTIONS: ACQUISITION OF SHIPPING VESSELS

On 28 June 2006,

- (A) an indirect wholly-owned subsidiary of the Company entered into the First MOA with Seafair Shipping Limited to acquire from it a handymax vessel (Vessel A) for a consideration of US\$31,820,000 (approximately HK\$246,923,200); and
- (B) another indirect wholly-owned subsidiary of the Company entered into the Second MOA with Ratu Shipping Co., S.A. to acquire from it another handymax vessel (Vessel B) for a consideration of US\$27,500,000 (approximately HK\$213,400,000).

The total consideration for the Vessels is US\$59,320,000 (approximately HK\$460,323,200). Principal terms of the MOAs are set out below in this announcement.

The transactions contemplated under the MOAs constitute discloseable transactions of the Company under the Listing Rules and are required to be disclosed by way of this announcement, and a circular with further details of the transactions will be issued to Shareholders shortly.

BACKGROUND FOR THE MOAs

On 28 June 2006, an indirect wholly-owned subsidiary of the Company entered into the First MOA with Seafair Shipping Limited to acquire from it Vessel A for a consideration of US\$31,820,000 (approximately HK\$246,923,200). On the same day, another indirect wholly-owned subsidiary of the Company entered into the Second MOA with Ratu Shipping Co., S.A. to acquire from it Vessel B for a consideration of US\$27,500,000 (approximately HK\$213,400,000). The total consideration for the Vessels is US\$59,320,000 (approximately HK\$460,323,200).

Vessel A is a 2001 built handymax dry bulk carrier of approximately 52,394dwt currently expected to be delivered in the third quarter of 2006 while Vessel B is a 2000 built handymax dry bulk carrier of approximately 45,578dwt currently expected to be delivered by the end of August 2006. Principal terms of the MOAs are set out below.

THE MOAs

The MOAs are legally binding, of broadly similar terms and conditions and are described below:

Date : 28 June 2006

Parties : Purchasers : Caterina (BVI) Limited, for the First MOA; and
Kia Shipping (BVI) Limited, for the Second MOA,

each being an indirect wholly-owned subsidiary of the Company.

Sellers : Seafair Shipping Limited (“Seller A”), for the First MOA; and

Ratu Shipping Co., S.A. (“Seller B”) for the Second MOA,

which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, together with their respective ultimate beneficial owners (the ultimate beneficial owners for Seller A and Seller B are not the same), are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company. As far as the Directors are aware, having made all reasonable enquiry, the principal business activities of the Sellers are the owning and operating of shipping vessels (including the Vessels) and the principal business activities of the ultimate beneficial owners of the Sellers are the owning and operating of shipping vessels.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, there is no relationship between the Sellers together with their respective ultimate beneficial owners, and save for the transactions disclosed in this announcement, there are no other relationships amongst the Sellers and their respective ultimate beneficial owners with whom the Company has entered into transactions to acquire, dispose of, or charter in vessels during the 12 months prior to the date of the MOAs.

- Assets to be acquired : First MOA : A 2001 built handymax dry bulk carrier of approximately 52,394dwt, named "Star Victory" ("Vessel A"). The flag of Vessel A is presently the Philippines and the place of registration is the Philippines. The Classification Society of Vessel A is Det Norske Veritas. The Company intends to change the name of Vessel A to "Pacific Victory" and to change the flag and place of registration of Vessel A to Hong Kong and for Vessel A to be operated by the Company from the time of delivery.
- Second MOA : A 2000 built handymax dry bulk carrier of approximately 45,578dwt, named "Falcon Trader" ("Vessel B"). The flag of Vessel B is presently the Philippines and the place of registration is the Philippines. The Classification Society of Vessel B is Bureau Veritas. The Company intends to change the name of Vessel B to "Pacific Trader" and to change the flag and place of registration of Vessel B to Hong Kong and for Vessel B to be operated by the Company from the time of delivery.

The Company, having made all reasonable enquiry, does not have access to information regarding the profits before and after taxation of the Vessels for the years ended 31 December 2004 and 31 December 2005.

Consideration : Vessel A : US\$31,820,000 (approximately HK\$246,923,200);
and

Vessel B : US\$27,500,000 (approximately HK\$213,400,000).

The consideration for each of the Vessels was respectively determined by reference to market intelligence the Company

has gathered from shipbrokers and its own analysis of recently concluded sale and purchase transactions of vessels of comparable size and year of build in the market, and after arm's length negotiation between the parties. However, as is commonly the case in the dry bulk carrier market, there have not been any recently published sales by third party vendors of vessels of the exact age and size of the Vessels from which to make a direct comparison. In addition, no third party valuation has been performed on the Vessels.

The Directors believe that such consideration, which was determined after arm's length negotiation, on normal commercial terms, is fair and reasonable so far as the Company and the Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

It is intended that payment of the purchase price of the Vessels will be satisfied entirely in cash, approximately 10% of which is expected to be funded from internal resources, approximately 30% by redrawing loans from prepaid existing bank loan facilities of the Company and approximately 60% from new bank borrowings, which the Company intends to arrange nearer the time for payment of the Vessels. The Company expects such bank borrowings could be long-term in nature and on similar terms as the Company's existing facilities. Should such financing not be arranged, approximately 90% of the purchase price of the Vessels in total will be funded by redrawing loans from prepaid existing bank loan facilities of the Company.

Payment terms : Under the MOAs, the consideration shall be payable in the following manner:

- 10% of the purchase price (being the deposit) shall be paid at the time of signing the MOAs; and
- the balance of the purchase price shall be paid upon the respective deliveries of the Vessels. The delivery dates for Vessel A and Vessel B must not be later than 31 October 2006 and 31 August 2006 respectively, unless the parties otherwise agree.

Completion and delivery : Pursuant to the First MOA, the latest date for completion is 31 October 2006 unless the parties otherwise agree. The Directors currently expect that completion and delivery of Vessel A will take place in the third quarter of 2006. The Company will make a further announcement if delivery of Vessel A does not take place by 31 October 2006.

Pursuant to the Second MOA, the latest date for completion is 31 August 2006 unless the parties otherwise agree. The Directors currently expect that completion and delivery of Vessel B will take place by the end of August 2006. The Company will make a further announcement if delivery of Vessel B does not take place by 31 August 2006.

REASONS FOR THE TRANSACTIONS

The Company is one of the world's leading dry bulk shipping companies operating principally in the Asia Pacific region. It has been seeking opportunities to acquire additional handysize and handymax vessels to expand its fleet to meet growing customer demand and to deliver sustainable growth and long-term shareholder value. With a large fleet of modern vessels, Pacific Basin seeks to offer its customers a reliable service with a high degree of scheduling flexibility whilst maintaining the Company's operational efficiency.

The Company entered the handymax segment as an operator in December 2005. The Company has since experienced strong demand for handymax services from several long established customers of its handysize operations, and also from new international handymax customers. The Company has decided to expand its handymax fleet to reinforce its presence in this market segment. The opportunity to purchase the Vessels is consistent with the Company's strategy outlined above.

The expected benefit following the acquisition of the Vessels will be that the Company will have secured two additional vessels for its handymax fleet, giving an anticipated increase in handymax revenue days of approximately 270 days in 2006 and approximately 720 days in 2007 and this is expected to enhance earnings accordingly.

The Directors believe that the terms of the MOAs, which were determined after arm's length negotiation, on normal commercial terms, are fair and reasonable so far as the Company and the Shareholders are concerned, and that the acquisition of the Vessels is in the interests of the Company and the Shareholders as a whole.

THE FLEET

Handymax Fleet

Following the delivery of the Vessels into the owned fleet, the Company's handymax fleet will comprise four vessels (205,166dwt), including two owned vessels (97,972dwt) and two chartered-in vessels (107,194dwt).

The Vessels will be employed in a mixture of time charters and voyage charters through the IHX Pool. The two existing handymax vessels are employed on long-term time charters.

Handysize Fleet

Following (i) the delivery of the East Tender and the Ocean Bulker currently expected to be in the third quarter of 2006, as separately announced on 29 May 2006 and 8 December 2005, respectively; and (ii) the delivery of the Shinyo Challenge, an existing long-term chartered-in vessel, to the owned fleet currently expected to be within July 2006, pursuant to the exercise of the purchase option in March 2006, the Company's handysize fleet will comprise 52 vessels (1,507,936dwt), including 22 owned vessels (640,252dwt), 28 chartered-in vessels (816,142dwt) and two managed vessels (51,542dwt). All of the handysize vessels, with the exception of one handysize vessel (28,730dwt), are employed in a mixture of voyage charters and time charters through the IHC Pool.

In addition, the Company has 13 newbuilding handysize vessels on order, three of which are scheduled to deliver in 2006, four in 2007, three in 2008 and three in 2009. Nine of these newbuilding vessels (approximately 287,700dwt in aggregate) will enter into the owned fleet and four (approximately 116,200dwt in aggregate) will enter into the long-term chartered-in fleet upon their deliveries.

There is no distinction between the use of owned, chartered-in and managed vessels, save to the extent that the Company generates freight and charter-hire income for the owned and chartered-in vessels, but generates ship management income for the operations of the managed vessels.

The transactions contemplated under the MOAs constitute discloseable transactions of the Company under the Listing Rules and are required to be disclosed by way of this announcement, and a circular containing further details of the transactions will be issued to Shareholders shortly.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

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| “Board” | means the board of directors of the Company; |
| “Classification Society” | means an independent society which certifies that a vessel has been built and maintained in accordance with the rules of such society and complies with the applicable rules and regulations of the flag state of such vessel and the international conventions of which that country is a member; |
| “Company” or
“Pacific Basin” | means Pacific Basin Shipping Limited, a limited company incorporated in Bermuda with limited liability, whose shares are listed on the main board of the Stock Exchange; |

“Directors”	means the directors of the Company;
“dwt”	means dead weight tonnes, the unit of measurement of weight capacity of vessels, which is the total weight the ship can carry, including cargo, bunkers, water, stores, spares, crew etc. at a specified draft;
“First MOA”	means the legally binding unconditional Memorandum of Agreement dated 28 June 2006 entered into between Caterina (BVI) Limited and Seller A for the acquisition of Vessel A by Caterina (BVI) Limited;
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China;
“IHC Pool”	the International Handybulk Carriers Pool established in October 2001, which is a contractual arrangement for the sharing of revenue earned by vessels entered into by its members. The IHC Pool is operated by International Handybulk Carriers Limited (formerly International Handybulk Carriers Management Limited), a wholly-owned subsidiary of the Company;
“IHX Pool”	the International Handymax Carriers Pool, which is a contractual arrangement for the sharing of revenue earned by vessels entered into by its members and will be operated by International Handymax Carriers Limited, a wholly-owned subsidiary of the Company;
“Listing Rules”	means The Rules Governing the Listing of Securities on the Stock Exchange;
“MOAs”	means First MOA and Second MOA;
“Seller A”	Seafair Shipping Limited;
“Seller B”	Ratu Shipping Co., S.A.;
“Sellers”	means Seller A and Seller B;
“Second MOA”	means the legally binding unconditional Memorandum of Agreement dated 28 June 2006 entered into between Kia Shipping (BVI) Limited and Seller B for the acquisition of Vessel B by Kia Shipping (BVI) Limited;
“Shareholders”	means the shareholders of the Company;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;

- “Vessel A” A 2001 built handymax dry bulk carrier of approximately 52,394dwt, named “Star Victory”. The present flag of the vessel is the Philippines and the place of registration is the Philippines. The Classification Society of the vessel is Det Norske Veritas;
- “Vessel B” A 2000 built handymax dry bulk carrier of approximately 45,578dwt, named “Falcon Trader”. The present flag of the vessel is the Philippines and the place of registration is the Philippines. The Classification Society of the vessel is Bureau Veritas; and
- “Vessels” means Vessel A and Vessel B.

By Order of the Board
Andrew Broomhead
Company Secretary

Hong Kong, 28 June 2006

Note:

An exchange rate of US\$1.00 to HK\$7.76 has been used for the conversion of US Dollars into HK Dollars for the purpose of this announcement.

** For identification purposes only*

As at the date of this announcement, the executive directors of the Company are Christopher Richard Buttery, Richard Maurice Hext and Paul Charles Over, the non-executive directors of the Company are Daniel Rochfort Bradshaw and Lee Kwok Yin, Simon, and the independent non-executive directors of the Company are Robert Charles Nicholson, Patrick Blackwell Paul, The Earl of Cromer and David Muir Turnbull.

Please also refer to the published version of this announcement in South China Morning Post.