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B Pacific Basin Shipping Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 2343)

DISCLOSEABLE TRANSACTIONS: SALE OF THREE VESSELS AND TIME CHARTER BACK OF THOSE THREE VESSELS

On 21 May 2007, three indirect wholly-owned subsidiaries of the Company entered into the MOAs with the MOA Purchasers to sell to them three handysize vessels, namely “Port Pirie” (Vessel A), “Ocean Falls” (Vessel B) and “Hawk Inlet” (Vessel C) (collectively the “Vessels”), for a consideration of US\$24,000,000 (approximately HK\$187,200,000) each. The total consideration for the Vessels is US\$72,000,000 (approximately HK\$561,600,000). The total disposal gains for the Vessels are estimated to be about US\$22,185,000 (approximately HK\$173,043,000).

Principal terms of the MOAs are set out below in this announcement.

In addition, subsequent to the signing of the MOAs, an indirect wholly-owned subsidiary of the Company, being the charterer, will enter into three time charterparties with respective MOA Purchasers to charter Vessel A, Vessel B and Vessel C respectively, back into the Company’s chartered fleet at agreed charter rates for a fixed period of three years commencing immediately upon the respective delivery of the Vessels. The Company currently expects that all three charterparties will be finalised and signed by June 2007.

None of the three time charterparties constitutes a discloseable transaction of the Company under the Listing Rules.

The sale of the Vessels will enable the Company to release three of the older vessels from its fleet. The simultaneous time charter of the Vessels back into the Company’s chartered fleet for three years allows the Company to retain commercial control and hence the earnings over the Vessels during the charter period. These transactions are also consistent with the Company’s strategy of maintaining a modern handysize fleet.

The sale will generate cash which is intended to be used for general working capital and for funding any investment projects that the Company may enter into in the future should suitable opportunities arise. The dividend policy of the Board remains to pay out at least 50% of the Company’s earnings each year, which includes earnings derived from disposal gains.

The transaction contemplated under each of the MOAs, if not aggregated with each other, does not constitute a discloseable transaction of the Company under the Listing Rules. However, as the ultimate beneficial owner of the MOA Purchasers is the same, the three transactions, when aggregated, constitute discloseable transactions of the Company under the Listing Rules and are required to be disclosed by way of this announcement. A circular with further details of the transactions will be issued to Shareholders shortly.

BACKGROUND

On 21 May 2007, three indirect wholly-owned subsidiaries of the Company entered into the MOAs with three different subsidiaries of Tsangaris Bros. Ltd., to sell to them three 1997 built handysize vessels, namely “Port Pirie” (Vessel A), “Ocean Falls” (Vessel B) and “Hawk Inlet” (Vessel C) (collectively the “Vessels”), for a consideration of US\$24,000,000 (approximately HK\$187,200,000) each. The total consideration for the Vessels is US\$72,000,000 (approximately HK\$561,600,000).

In addition, subsequent to the signing of the MOAs, an indirect wholly-owned subsidiary of the Company, being the charterer, will enter into three time charterparties with respective MOA Purchasers to charter Vessel A, Vessel B and Vessel C respectively, back into the Company's chartered fleet at agreed charter rates for a fixed period of three years commencing immediately upon the respective delivery of the Vessels.

As previously disclosed in our circular dated 23 December 2005, "Port Pirie" (Vessel A) has been in our chartered fleet pursuant to the terms of the bareboat charterparty dated 7 December 2005. Under the bareboat charterparty, our indirect wholly-owned subsidiary, Pacific Basin Chartering (No.16) Limited has been granted an option to re-purchase Vessel A at any time during the 10-year charter period. In order to resume ownership over Vessel A for subsequent sale under the First MOA, Pacific Basin Chartering (No.16) Limited will exercise the option to repurchase Vessel A on or around the date of the First MOA, resulting in a repayment of the associated finance lease liabilities of approximately US\$15,200,000 (approximately HK\$118,560,000). The exercise of the option to repurchase Vessel A will not constitute a discloseable transaction of the Company under the Listing Rules.

Principal terms of the MOAs and the time charterparties are set out below.

THE MOAs

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

Date : 21 May 2007

Parties : Purchasers : Three different subsidiaries of Tsangaris Bros. Ltd., to be nominated as the respective purchaser for the First MOA (as the "First MOA Purchaser"), for the Second MOA (as the "Second MOA Purchaser"), and for the Third MOA (as the "Third MOA Purchaser") (collectively the "MOA Purchasers"),

all of which, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, together with Tsangaris and the ultimate beneficial owner of the MOA Purchasers, are not connected persons (as defined in the Listing Rules) of the Company and 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 activity of the MOA Purchasers will be owning and operating of the Vessels and the principal business activity of Tsangaris is the owning and operating of shipping vessels.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, save for the transactions disclosed in this announcement, the Company has not entered into any transaction with each of the MOA Purchasers or Tsangaris or with parties connected or otherwise associated with one another and there are no other relationships amongst the MOA Purchasers or Tsangaris or their ultimate beneficial owner 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.

Sellers : Pacific Basin Chartering (No.16) Limited, for the First MOA; Ocean Falls Limited, for the Second MOA; and Hawk Inlet Limited, for the Third MOA, each being an indirect wholly-owned subsidiary of the Company.

Assets to be sold : First MOA : A 1997 built handysize dry bulk carrier of 28,585dwt, named "Port Pirie" ("Vessel A").

Second MOA : A 1997 built handysize dry bulk carrier of 27,827dwt, named "Ocean Falls" ("Vessel B").

Third MOA : A 1997 built handysize dry bulk carrier of 27,802dwt, named “Hawk Inlet” (“Vessel C”).

The flag of the Vessels is presently Hong Kong and the place of registration is Hong Kong. The Classification Society of the Vessels is Lloyd’s Register of Shipping.

Net profits attributable to the Vessels : Vessel A : US\$2,501,000 (approximately HK\$19,507,800) and US\$799,000 (approximately HK\$6,232,200) for the years ended 31 December 2005 and 31 December 2006, respectively (audited figures).

Vessel B : US\$1,598,000 (approximately HK\$12,464,400) for the period from 22 May 2006 (being the date of delivery of Vessel B to the Company) to 31 December 2006 (audited figures).

Vessel C : US\$1,444,000 (approximately HK\$11,263,200) for the period from 9 June 2006 (being the date of delivery of Vessel C to the Company) to 31 December 2006 (audited figures).

There is no taxation on the net profits attributable to the Vessels.

Carrying values of the Vessels : In the Company’s unaudited accounts, the carrying values of Vessel A, Vessel B and Vessel C were approximately US\$16,052,000 (approximately HK\$125,205,600), approximately US\$16,843,000 (approximately HK\$131,375,400) and approximately US\$16,920,000 (approximately HK\$131,976,000), respectively, as at the date of this announcement.

Consideration : Vessel A : US\$24,000,000 (approximately HK\$187,200,000);
Vessel B : US\$24,000,000 (approximately HK\$187,200,000); and
Vessel C : US\$24,000,000 (approximately HK\$187,200,000).

The total consideration for the Vessels is US\$72,000,000 (approximately HK\$561,600,000). Such consideration was 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.

Payment terms : Under the MOAs, the consideration for the sale of the Vessels shall be receivable in the following manner:

- 10% of the consideration (being the deposit) shall be received at the time of signing the MOAs; and
- The balance of the consideration shall be received in full upon the respective delivery of the Vessels.

Completion and delivery : Pursuant to the First MOA, the latest date of completion for Vessel A is 15 August 2007 unless the parties otherwise agree. The Directors currently expect that the completion and delivery of Vessel A will take place within the third quarter of 2007 and prior to 15 August 2007.

Pursuant to the Second MOA and the Third MOA, the latest date of completion for Vessel B and Vessel C is 31 July 2007 and 15 July 2007, respectively, unless the parties otherwise agree. The Directors currently expect that the completion and delivery of Vessel B and Vessel C will take place during June and July 2007.

Expected disposal gains : The estimated gains that are expected to accrue to the consolidated income statement of the Company in the financial year ending 31 December 2007 in respect of Vessel A, Vessel B and Vessel C are US\$7,948,000 (approximately HK\$61,994,400), US\$7,157,000 (approximately HK\$55,824,600) and US\$7,080,000 (approximately HK\$55,224,000), respectively. The estimated gains are calculated as the difference between the sale consideration of the Vessels and their respective approximate carrying values in the Company's unaudited accounts as at the date of this announcement.

Application of sale proceeds : The Company intends to retain the sale proceeds of the Vessels for general working capital and for funding investment projects that the Company may enter into in the future should suitable opportunities arise. The dividend policy of the Board remains to pay out at least 50% of the Company's earnings each year, which includes earnings derived from disposal gains.

As of the date of this announcement, the Company has not entered into any negotiations or agreements in relation to the above investment initiatives. In the event that the Company enters into any such agreements, it will comply with the relevant requirements under the Listing Rules.

THE TIME CHARTERPARTIES

In addition, subsequent to the signing of the MOAs, an indirect wholly-owned subsidiary of the Company, being the charterer, will enter into three time charterparties with the First MOA Purchaser, the Second MOA Purchaser and the Third MOA Purchaser to respectively charter Vessel A, Vessel B and Vessel C back into the Company's chartered fleet at agreed charter rates for a fixed period of three years commencing immediately upon the respective delivery of the Vessels. The Company does not have the option to re-purchase the Vessels during or at the end of the charter period. The Company currently expects that the three charterparties will be finalised and signed by June 2007.

The time charter rates of the Vessels were determined after arm's length negotiation, on normal commercial terms and by reference to the type of Vessels. These time charter rates are considered to be competitive as compared with the current market time charter rates.

The time charterparties are separate agreements to the MOAs and they are not interconditional. The transactions to time charter the Vessels back will be classified as operating leases in accordance with the Hong Kong Accounting Standard No. 17 "Leases". As the entering into of these operating leases do not represent a 200% or more increase in the scale of the Company's existing operations conducted through lease arrangements of such kind, the time charterparties do not constitute discloseable transactions of the Company under Rule 14.04(1)(d) of the Listing Rules.

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 sale of the Vessels will enable the Company to release three of the older vessels from its fleet. The simultaneous time charter of the Vessels back into the Company's chartered fleet for three years allows the Company to retain commercial control and hence the earnings over the Vessels during the charter period. The transactions contemplated under the MOAs are also consistent with the Company's strategy of maintaining a modern handysize fleet.

The sale will generate cash which is intended to be used for general working capital and for funding any investment projects that the Company may enter into in the future should suitable opportunities arise. The dividend policy of the Board remains to pay out at least 50% of the Company's earnings each year, which includes earnings derived from disposal gains.

The sale and time charter back of the Vessels will not have any effect upon the number of handysize revenue days nor have a significant effect upon the earnings of the Company during the three-year charter period. In addition, the sale of the Vessels will result in disposal gains estimated to be about US\$22,185,000 (approximately HK\$173,043,000) which will accrue in the consolidated income statement of the Company for the year ending 31 December 2007.

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 the sale and time charter back of the Vessels are in the interests of the Company and the Shareholders as a whole.

THE FLEET

Handysize Fleet

Following the completion and delivery of the Vessels from the owned fleet to the chartered fleet and the completion of the vessel sale and purchase transactions as announced in our trading activities update dated 26 April 2007, the Company's core handysize fleet will comprise 60 vessels (1,746,792dwt), including 19 owned vessels (568,743dwt), 37 chartered-in vessels (1,075,869dwt) and four managed vessels (102,180dwt). All handysize vessels, except one (28,730dwt), are employed in a mixture of voyage charters and time charters through the IHC Pool. Outside the core handysize fleet, the IHC Pool also operates a number of short-term chartered-in vessels, amounting to six vessels as at the date of this announcement.

In addition, the Company has 13 newbuilding vessels on order (approximately 407,100dwt in aggregate), three of which are scheduled to deliver in 2007, four in 2008 and six in 2009. Out of these newbuilding vessels, 12 vessels will enter into the Company's owned fleet and one vessel will enter into the Company's chartered fleet upon their respective deliveries.

Handymax Fleet

Following the delivery of two vessels within 2007 which we have entered into agreements to charter in them on long-term basis, the Company's core handymax fleet will comprise nine vessels (454,409dwt), including two owned vessels (97,972dwt) and seven long-term chartered-in vessels (356,437dwt). All handymax vessels, with the exception of two vessels (107,194dwt) which are employed on long-term time charters, are employed in a mixture of time charters and voyage charters through the IHX Pool. Outside the core handymax fleet, the IHX Pool also operates a number of short-term chartered-in vessels, amounting to 19 vessels as at the date of this announcement.

In addition, the Company has two newbuilding vessels on order (approximately 107,500dwt in aggregate), one of which will enter into the Company's chartered fleet within 2007 and the other will enter into the Company's owned fleet in 2008 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.

As the ultimate beneficial owner of the MOA Purchasers is the same, the transactions contemplated under the MOAs, only when aggregated, constitute discloseable transactions of the Company under the Listing Rules and are required to be disclosed by way of this announcement. 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 flag state 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 deadweight tonnes, the unit of measurement of weight capacity of vessels, which is the total weight (usually in metric tonnes) 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 21 May 2007 entered into between Pacific Basin Chartering (No.16) Limited and the First MOA Purchaser for the sale of Vessel A to the First MOA Purchaser;
“First MOA Purchaser”	means a subsidiary of Tsangaris to be nominated as the purchaser of Vessel A;
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China;
“HK Dollars” or “HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;
“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, a wholly-owned subsidiary of the Company;
“IHX Pool”	the International Handymax Carriers Pool, established in July 2006, which is a contractual arrangement for the sharing of revenue earned by vessels entered into by its members. The IHX Pool is 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 the First MOA, the Second MOA and the Third MOA;
“MOA Purchasers”	means the First MOA Purchaser, the Second MOA Purchaser and the Third MOA Purchaser;
“Second MOA”	means the legally binding unconditional Memorandum of Agreement dated 21 May 2007 entered into between Ocean Falls Limited and the Second MOA Purchaser for the sale of Vessel B to the Second MOA Purchaser;
“Second MOA Purchaser”	means a subsidiary of Tsangaris to be nominated as the purchaser of Vessel B;
“Shareholders”	means the shareholders of the Company;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Third MOA”	means the legally binding unconditional Memorandum of Agreement dated 21 May 2007 entered into between Hawk Inlet Limited and the Third MOA Purchaser for the sale of Vessel C to the Third MOA Purchaser;
“Third MOA Purchaser”	means a subsidiary of Tsangaris to be nominated as the purchaser of Vessel C;
“Tsangaris”	Tsangaris Bros. Ltd., a company with a principal place of business in Greece;
“US Dollars” or “US\$”	means United States dollars, the lawful currency of the United States;
“Vessel A” or “Port Pirie”	means a handysize dry bulk carrier of 28,585 dwt built in 1997 named “Port Pirie”. The present flag of the vessel is Hong Kong and the place of registration is Hong Kong. The Classification Society of the vessel is Lloyd’s Register of Shipping;
“Vessel B” or “Ocean Falls”	means a handysize dry bulk carrier of 27,827dwt built in 1997 named “Ocean Falls”. The present flag of the vessel is Hong Kong and the place of registration is Hong Kong. The Classification Society of the vessel is Lloyd’s Register of Shipping;

“Vessel C” or “Hawk Inlet” means a handysize dry bulk carrier of 27,802dwt built in 1997 named “Hawk Inlet”. The present flag of the vessel is Hong Kong and the place of registration is Hong Kong. The Classification Society of the vessel is Lloyd’s Register of Shipping; and

“Vessels” means Vessel A, Vessel B and Vessel C.

By Order of the Board
Andrew T. Broomhead
Company Secretary

Hong Kong, 21 May 2007

Note: An exchange rate of US\$1.00 to HK\$7.80 has been used for the conversion of US Dollars into HK Dollars for the purpose of this announcement.

As at the date of this announcement, the executive Directors of the Company are Christopher Richard Buttery, Richard Maurice Hext, Klaus Nyborg, Wang Chunlin and Jan Rindbo, the non-executive Directors of the Company are Daniel Rochfort Bradshaw and Dr. 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.