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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 TRANSACTION: ACQUISITION OF SHIPPING VESSELS

On 7 October 2004, indirect wholly-owned subsidiaries of the Company entered into (i) the First MOA with Second Wave Inc. to acquire from it the First Vessel for a consideration of US\$18,000,000 (approximately HK\$140,400,000); and (ii) the Second MOA with OLT Maritime Inc. to acquire from it the Second Vessel for a consideration of US\$17,500,000 (approximately HK\$136,500,000). The ultimate beneficial owner of the First Seller and the Second Seller is the same as that of three vessels acquired previously by the Company as announced on 5 August 2004. 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 press announcement, and a circular with further details of these transactions will be issued to Shareholders shortly.

THE MOAS

1. The First MOA

Date	:	7 October 2004
Parties	:	Purchaser : Columbia River Limited, a wholly-owned subsidiary of the Company
	:	First Seller : Second Wave Inc., which is, together with its ultimate beneficial owner, a third party independent of the Company and its subsidiaries, any director, chief executive or substantial shareholder of such companies or any of their respective associates (as defined in the Listing Rules). The principal business activity of the First Seller is owning the First Vessel.

Asset to be acquired	: A 1998 built handysize dry bulk carrier of 28,527 dwt, named “Ansac Harmony”. : The flag of the First Vessel is presently Hong Kong and the place of registration is Hong Kong. The Classification Society of the vessel is Nippon Kaiji Kyokai. The Directors intend to change the name of the vessel to “Columbia River”, to retain the flag and place of registration of the vessel in Hong Kong, and for the vessel to be operated by the Company after completing current charter arrangements which are expected to expire in the second quarter of 2005.
Consideration	: US\$18,000,000 (equivalent to HK\$140,400,000), which 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 First Vessel from which to make a direct comparison. In addition, no third party valuation has been performed on the First Vessel. The Directors believe that such consideration is fair and reasonable so far as the Company and the Shareholders are concerned. Payment of the purchase price will be satisfied entirely in cash, approximately 40% of which is expected to be funded from internal resources and approximately 60% from new bank borrowings which the Company is in the process of arranging.
Payment terms	: Under the First MOA, the consideration shall be paid in the following manner: <ul style="list-style-type: none"> ● 10% of the purchase price (being the deposit) by no later than three banking days from the date of signing the First MOA; and ● the balance of the purchase price in full three banking days before the expected date of readiness for delivery of the First Vessel. The delivery date must not be later than 20 November 2004 unless the parties otherwise agree.
Completion	: Pursuant to the First MOA, the latest date for completion is 20 November 2004 unless the parties otherwise agree. The Directors currently expect that completion and delivery of the First Vessel will take place not later than 20 November 2004 in Japan.

2. The Second MOA

Date	: 7 October 2004
Parties	: Purchaser : Cape Scott Limited, a wholly-owned subsidiary of the Company Second Seller : OLT Maritime Inc., which is, together with its ultimate beneficial owner, a third party independent of the Company and its subsidiaries, any director, chief executive or substantial shareholder of such companies or any of their respective associates (as defined in the Listing Rules). The principal business activity of the Second Seller is owning the Second Vessel.

- Asset to be acquired : A 1997 built handysize dry bulk carrier of 28,747 dwt, named “Aqua Venus”. The flag of the Second Vessel is presently Hong Kong and the place of registration is Hong Kong. The Classification Society of the vessel is Nippon Kaiji Kyokai. The Directors intend to change the name of the vessel to “Cape Scott”, to retain the flag and place of registration of the vessel in Hong Kong, and for the vessel to be operated by the Company after completing current charter arrangements which are expected to expire in the first quarter of 2005.
- Consideration : US\$17,500,000 (equivalent to HK\$136,500,000), which 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 Second Vessel from which to make a direct comparison. In addition, no third party valuation has been performed on the Second Vessel.
- The Directors believe that such consideration is fair and reasonable so far as the Company and the Shareholders are concerned.
- Payment of the purchase price will be satisfied entirely in cash, approximately 40% of which is expected to be funded from internal resources and approximately 60% from new bank borrowings which the Company is in the process of arranging.
- Payment terms : Under the Second MOA, the consideration shall be paid in the following manner:
- 10% of the purchase price (being the deposit) by no later than three banking days from the date of signing the Second MOA; and
 - the balance of the purchase price in full three banking days before the expected date of readiness for delivery of the Second Vessel. The delivery date must not be later than 15 December 2004 unless the parties otherwise agree.
- Completion : Pursuant to the Second MOA, the latest date for completion is 15 December 2004 unless the parties otherwise agree. The Directors currently expect that completion and delivery of the Second Vessel will take place not later than 15 December 2004 in Japan.

REASONS FOR THE TRANSACTIONS

As stated in the Company’s Prospectus, and in previous announcements of this nature, the Company is one the world’s leading dry bulk shipping companies operating principally in the Asia Pacific region, and currently seeking opportunities to acquire additional handysize vessels to expand its fleet to meet growing customer demand and deliver sustainable growth and long-term shareholder value. The transactions outlined above are consistent with this strategy.

The expected benefit following the successful acquisition of the Vessels is that the Company will have an expanded fleet of modern vessels in line with the above strategy. Delivery of the Vessels to Pacific Basin will bring the total number of vessels in the Company's owned fleet to 34 ships with an average age of 4.7 years. Of the Company's remaining fleet, eight are chartered in and five are managed on behalf of third parties.

The Vessels will be operated by Pacific Basin on expiry of their current charter arrangements at which point they are estimated to increase the number of the Company's vessel revenue days by 450. Total vessel revenue days are expected to be approximately 14,500 in the full year 2005.

The Directors believe that the terms of the MOAs 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.

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 press announcement, and a circular on further details of these transactions will be issued to Shareholders shortly.

DEFINITIONS

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

- “banking days” means the days on which banks are open in London, Hong Kong, Tokyo, Singapore, Hamburg and New York;
- “Classification Society” means a independent society which certifies that a vessel has been built and maintained in accordance with the 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 7 October 2004 entered into between Second Wave Inc and Columbia River Limited for the acquisition of the First Vessel by Columbia River Limited;
- “First Seller” Second Wave Inc.;
- “First Vessel” means a handysize dry bulk carrier of 28,527 dwt built in 1998 named “Anzac Harmony”. The present flag of the First Vessel is Hong Kong and the place of registration is Hong Kong. The Classification Society of the vessel is Nippon Kaiji Kyokai;

“Group”	means the Company and its subsidiaries, which are principally engaged in the provision of marine transportation and logistical support services;
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	means The Rules Governing the Listing of Securities on the Stock Exchange;
“MOAs”	means the First MOA and Second MOA;
“Prospectus”	means the Company’s prospectus dated 30 June 2004;
“Second MOA”	means the legally binding unconditional Memorandum of Agreement dated 7 October 2004 entered into between OLT Maritime Inc. and Cape Scott Limited, for the acquisition of the Second Vessel by Cape Scott Limited;
“Second Seller”	OLT Maritime Inc.;
“Second Vessel”	means a handysize dry bulk carrier of 28,747 dwt built in 1997 named “Aqua Venus”. The present flag of the Second Vessel is Hong Kong and the place of registration is Hong Kong. The Classification Society of the vessel is Nippon Kaiji Kyokai;
“Shareholders”	means the shareholders of the Company;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited; and
“Vessels”	means the First Vessel and the Second Vessel.

By Order of the Board
Andrew Broomhead
Company Secretary

Hong Kong, 7 October 2004

As at the date of this announcement, the executive directors of the Company are Christopher Richard Buttery, Mark Malcolm Harris and Paul Charles Over, the non-executive directors of the Company are Lee Kwok Yin, Simon, James John Dowling and Brian Paul Friedman, and the independent non-executive directors of the Company are Robert Charles Nicholson, Patrick Blackwell Paul and Rt. Hon. The Earl of Cromer.

* *For identification purposes only*

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