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Pacific Basin Shipping Limited

太平洋航運集團有限公司*

(a company incorporated in Bermuda with limited liability)

Stock Code: 2343

**DISCLOSEABLE TRANSACTIONS:
ACQUISITION OF SHIPPING VESSELS**

On 2 August 2004, indirect wholly-owned subsidiaries of the Company entered into (i) the First MOA with Potomac Enterprises Limited to acquire from it the First Vessel for a consideration of US\$16,900,000 (approximately HK\$131,820,000); (ii) the Second MOA with First Wave Inc. to acquire from it the Second Vessel for a consideration of US\$16,900,000 (approximately HK\$131,820,000); and (iii) the Third MOA with Third Wave Inc. to acquire from it the Third Vessel for a consideration of US\$19,500,000 (approximately HK\$152,100,000). The ultimate beneficial owner of the First Seller, the Second Seller and the Third Seller is identical. 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 on further details of this transaction will be issued to Shareholders shortly.

* *For identification purposes only*

THE MOAs

1. The First MOA

Date : 2 August 2004

Parties : Purchaser : Cape Spencer Shipping Limited

First Seller : Potomac Enterprises Limited, 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 1997 built handysize dry bulk carrier of 28,799 dwt, named “Aries 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. Upon completion of the acquisition, the Directors intend to change the name of the vessel to “Cape Spencer”, and to retain the flag and place of registration of the vessel in Hong Kong.

Consideration : US\$16,900,000 (equivalent to HK\$131,820,000), which was determined by reference to market intelligence the Company has gathered from ship brokers and its own analysis of recently concluded sale and purchase transactions of vessels of comparable age and size 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 First Vessel.

The Directors believe that such consideration, which was determined after arm’s length negotiation, 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, 40% of which will be funded from internal resources, which include the cash proceeds raised by the Company upon listing on the Stock Exchange on 14 July 2004, and 60% from new bank borrowings which have already been arranged with one of the Company's principal bankers which is independent of the Company and the Sellers and relates to the acquisition of all three Vessels (the "New Bank Loan"). The terms of the New Bank Loan are eight years from the date of the draw-down, with an interest rate based on a fixed margin above LIBOR and repayable pursuant to an agreed quarterly repayment schedule commencing after the first quarter from drawdown. The New Bank Loan will be secured by first property mortgages on the Vessels and a pledge of shares of the relevant subsidiaries of the Company which will own the Vessels.

Payment terms : Under the First 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 First MOA; and
- the balance of the purchase price in full three banking days prior to the expected date of readiness for delivery of the First Vessel. The delivery date shall not be later than three banking days following the date, at the First Seller's option, on which the First Seller has confirmed that the First Vessel is in every respect physically ready for delivery, which date must not be later than 1 October 2004 unless the parties otherwise agree.

Completion : Pursuant to the First MOA, the latest date for completion is 1 October 2004 unless the parties otherwise agree. The Directors currently expect that completion will take place between 1 September 2004 and 1 October 2004 when the First Vessel will be delivered in Japan.

2. Second MOA

Date : 2 August 2004

Parties : Purchaser : Castle Island Shipping Limited

Second Seller : First 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 Second Seller is owning the Second Vessel

Asset to be acquired : A 1997 built handysize dry bulk carrier of 28,759 dwt, named “Atlantic Trader”. The 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. Upon completion of the acquisition, the Directors intend to change the name of the vessel to “Castle Island”, and to retain the flag and place of registration of the vessel in Hong Kong.

Consideration : US\$16,900,000 (equivalent to HK\$131,820,000), which was determined by reference to market intelligence the Company has gathered from ship brokers and its own analysis of recently concluded sale and purchase transactions of vessels of comparable age and size 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 Second Vessel.

The Directors believe that such consideration, which was determined after arm’s length negotiation, 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, 40% of which will be funded from internal resources, which include the cash proceeds raised by the Company upon listing on the Stock Exchange on 14 July 2004 and 60% from the New Bank Loan, the terms of which are described in the section “The First MOA – Consideration” above.

- Payment terms : Under the Second MOA, the consideration shall be paid in the following manner:
- the purchase price in full three banking days prior to the expected date of readiness for delivery of the Second Vessel. The delivery date shall not be later than three banking days following the date, at the Second Seller’s option, on which the Second Seller has confirmed that the Second Vessel is in every respect physically ready for delivery, which date must not be later than 30 September 2004 unless the parties otherwise agree.
- Completion : Pursuant to the Second MOA, the latest date for completion is 30 September 2004 unless the parties otherwise agree. The Directors currently expect that completion will take place between 5 August 2004 and 30 September 2004 when the Second Vessel will be delivered in South Korea.

3. Third MOA

Date : 2 August 2004

Parties : Purchaser : Gold River Shipping Limited

Third Seller : Third 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 Third Seller is owning the Third Vessel

Asset to be acquired : A 1999 built handysize dry bulk carrier of 32,973 dwt, named “Atlantic Harmony”. The flag of the Third Vessel is Hong Kong and the place of registration is Hong Kong. The Classification Society of the vessel is Nippon Kaiji Kyokai. Upon completion of the acquisition, the Directors intend to change the name of the vessel to “Gold River”, and to retain the flag and place of registration of the vessel in Hong Kong.

Consideration : US\$19,500,000 (equivalent to HK\$152,100,000), which was determined by reference to market intelligence the Company has gathered from ship brokers and its own analysis of recently concluded sale and purchase transactions of vessels of comparable age and size 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 Third Vessel.

The Directors believe that such consideration, which was determined after arm's length negotiation, 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, 40% of which will be funded from internal resources, which include the cash proceeds raised by the Company upon listing on the Stock Exchange on 14 July 2004 and 60% from the New Bank Loan, the terms of which are described in the section "The First MOA – Consideration" above.

Payment terms : Under the Third 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 MOA; and
- the balance of the purchase price in full three banking days prior to the expected date of readiness for delivery of the Third Vessel. The delivery date shall not be later than three banking days following the date, at the Third Seller's option, on which the Third Seller has confirmed that the Third Vessel is in every respect physically ready for delivery, which date must not be later than 30 September 2004 unless the parties otherwise agree.

Completion : Pursuant to the Third MOA, the latest date for completion is 30 September 2004 unless the parties otherwise agree. The Directors currently expect that completion will take place between 15 August 2004 and 30 September 2004 when the Third Vessel will be delivered in the Far East.

REASON FOR THE TRANSACTIONS

As stated in the Company's prospectus dated 30 June 2004 (the "Prospectus"), the Company is one of the world's leading dry bulk shipping companies operating principally in the Asia Pacific region, constantly 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 and the use of internal cash resources, which include the partial use of the cash proceeds raised by the Company upon listing are consistent with this strategy, are in line with the use of proceeds section set out in the Prospectus and are in response to the significant customer demand the Company is currently experiencing for its services.

The delivery status of the six vessels which were acquired conditional upon the completion of the listing of the Company's shares on the Stock Exchange is as follows:

Vessel	Status
Cape Flattery (previously Pamukkale)	Delivered on 29 July 2004
Flinders Island (previously Happy Venture)	Delivered on 30 July 2004
Abbot Point (previously Forest Venture)	Delivered on 2 August 2004
Carina Venture	Expected to be delivered end August 2004
Hakodate Hull No. 801	To be delivered in June 2005
Kanda Hull No. 476	To be delivered in August 2005

The expected benefits following the successful completion of the acquisition of the Vessels are that the Company will have an expanded fleet of more modern vessels. The Company's fleet will comprise 45 vessels with an average age of 6.6 years and a total tonnage of approximately 1.3 million dwt (the "Fleet"). The Fleet comprises (i) 30 owned vessels with an average age of four years and a total tonnage of approximately 905,000 dwt, (ii) eight chartered in vessels with an average age of seven years and a total tonnage of approximately 223,000 dwt and (iii) seven managed vessels with an average age of nine years and a total tonnage of approximately 188,000 dwt. In addition, the

acquisition of the Vessels will enable the Company to increase revenues and provide its customers with more comprehensive and flexible coverage in the Asia Pacific region.

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 acquisitions of the Vessels are in the interests of the Company.

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;
- “Company” 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;
- “Classification Society” means an 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;
- “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;
- “Directors” means the directors of the Company;
- “First MOA” means the legally binding unconditional Memorandum of Agreement dated 2 August 2004 entered into between Cape Spencer Shipping Limited and Potomac Enterprises Limited for the acquisition of the First Vessel by Cape Spencer Shipping Limited;

“First Seller”	Potomac Enterprises Limited;
“First Vessel”	means a handysize dry bulk carrier of 28,799 dwt built in 1997 named “Aries 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;
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China;
“LIBOR”	means London Inter-Bank Offer Rate;
“Listing Rules”	means The Rules Governing the Listing of Securities on the Stock Exchange;
“MOAs”	means the First MOA, Second MOA and the Third MOA;
“New Bank Loan”	means the new bank borrowings relating to the acquisition of all three Vessels which have already been arranged with one of the Company’s principal bankers which is independent of the Company and the Sellers;
“Second MOA”	means the legally binding unconditional Memorandum of Agreement dated 2 August 2004 entered into between Castle Island Shipping Limited and First Wave Inc., for the acquisition of the Second Vessel by Castle Island Shipping Limited;
“Second Seller”	First Wave Inc.;
“Second Vessel”	means a handysize dry bulk carrier of 28,759 dwt built in 1997 named “Atlantic Trader”. 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;
“Sellers”	means the First Seller, the Second Seller, the Third Seller and their additional identical ultimate beneficial owner;
“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 2 August 2004 entered into between Gold River Shipping Limited and Third Wave Inc., for the acquisition of the Third Vessel by Gold River Shipping Limited;
- “Third Seller” Third Wave Inc.;
- “Third Vessel” means a handysize dry bulk carrier of 32,973 dwt built in 1999 named “Atlantic Harmony”. The present flag of the Third Vessel is Hong Kong and the place of registration is Hong Kong. The Classification Society of the vessel is Nippon Kaiji Kyokai; and
- “Vessels” means the First Vessel, the Second Vessel and the Third Vessel.

By Order of the Board
Andrew Broomhead
Company Secretary

Hong Kong, 5 August 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.

Please also refer to the published version of this announcement in the South China Morning Post (English) and Hong Kong Economic Times (Chinese).