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If you have sold or otherwise transferred all your shares in Pacific Basin Shipping Limited, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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Pacific Basin Shipping Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 2343)

**DISCLOSEABLE TRANSACTION:
ACQUISITIONS OF SHIPPING VESSELS**

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“banking days”	means the days on which banks are open in London, Hong Kong, Tokyo, Singapore, Hamburg and New York;
“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;
“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;
“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 Columbia River Limited and Second Wave Inc. 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 “Ansac 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;
“Latest Practicable Date”	means 21 October 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	means The Rules Governing the Listing of Securities on the Stock Exchange;
“MOAs”	means the First MOA and the Second MOA;
“Prospectus”	means the Company’s prospectus dated 30 June 2004;

DEFINITIONS

“Second MOA”	means the legally binding unconditional Memorandum of Agreement dated 7 October 2004 entered into between Cape Scott Limited and OLT Maritime Inc., 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 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;
“SFO”	means Securities and Futures Ordinance (Chapter 572 of the Laws of Hong Kong);
“Shareholders”	means the shareholders of the Company;
“Shares”	means the ordinary shares issued by the Company, with a nominal value of US\$0.10 each, traded in HK dollars and which are listed on the Stock Exchange;
“Share Option Scheme”	means the share option scheme adopted by the Company pursuant to a resolution passed by the Shareholders at an extraordinary general meeting on 10 June 2004;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited; and
“Vessels”	means the First Vessel and the Second Vessel.



Pacific Basin Shipping Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 2343)

Executive Directors:

Christopher Richard Buttery
Mark Malcolm Harris
Paul Charles Over

Registered Office:

Clarendon House
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Hamilton HM11
Bermuda

Non-Executive Directors:

Lee Kwok Yin, Simon
James John Dowling
Brian Paul Friedman

Hong Kong Principal Office:

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181 Johnston Road
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Independent Non-Executive Directors:

Robert Charles Nicholson
Patrick Blackwell Paul
The Rt. Hon. The Earl of Cromer

27 October 2004

To the Shareholders

Dear Sir or Madam

DISCLOSEABLE TRANSACTION ACQUISITIONS OF SHIPPING VESSELS

INTRODUCTION

On 7 October 2004 the Directors announced that certain indirect wholly-owned subsidiaries of the Company entered into (i) the First MOA with Second Wave Inc. to acquire from it the First Vessel as described herein for a consideration of US\$18,000,000 (approximately HK\$140,400,000); (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 Second Seller is the same as that of the three vessels acquired previously by the Company as announced on 5 August 2004. Principal terms of the MOAs are set out below in this circular.

The transactions contemplated under the MOAs constitute discloseable transactions of the Company under the Listing Rules. This document constitutes the circular which the Company is required to send to you pursuant to the Listing Rules in relation to the acquisition of the Vessels.

LETTER FROM THE BOARD OF DIRECTORS

THE MOAs

1. The First MOA

Date : 7 October 2004

Parties : Purchaser: Columbia River Limited

First Seller: Second Wave Inc., which is, together with its ultimate beneficial owner, to the best of the directors' knowledge, information and belief having made all reasonable enquiry, 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, 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, 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.

LETTER FROM THE BOARD OF DIRECTORS

- 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 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, to the best of the directors' knowledge, information and belief having made all reasonable enquiry, 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.

LETTER FROM THE BOARD OF DIRECTORS

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 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, 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, 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 of 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.

LETTER FROM THE BOARD OF DIRECTORS

Following the delivery of the Vessels, the Group's fixed assets will increase by the amount of the consideration. Current assets will decrease by the amount of the purchase price funded from internal resources. Long-term liabilities will increase by the amount of the purchase price funded from new bank borrowings less the amount of the bank borrowings falling due within one year, which will increase current liabilities.

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. This document constitutes the circular which the Company is required to send to you pursuant to the Listing Rules in relation to the acquisition of the Vessels.

FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the Appendix to this circular.

Yours faithfully,
By order of the Board
Christopher R. Buttery
Chairman

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

Authorised and issued share capital

The authorised and issued share capital of the Company as at the Latest Practicable Date:

Authorised: US\$

3,600,000,000 shares (Shares of US\$0.10 each) 360,000,000

Issued:

1,267,010,609 shares (Shares of US\$0.10 each) 126,701,060

All the existing issued Shares rank *pari passu* in all respects including all rights as to dividends, voting and interests in capital.

No part of the share capital or debt securities of the Company are listed on or dealt in any stock exchange other than the Stock Exchange and no application is being made or is currently proposed to be sought for the Shares or debt securities of the Company to be listed or dealt in on any other stock exchange.

3. DISCLOSURE OF INTERESTS

(i) Interests of Directors and chief executive

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which: (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, or (b) were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, were as follows:

Long positions in the Shares and underlying Shares and debentures of the Company

<u>Name of Director</u>	<u>Corporate interests</u>	<u>Personal interests</u>	<u>Family interests</u>	<u>Trust & similar interests</u>	<u>Number of underlying Shares under equity derivatives (share options)</u>	<u>Total Share interests</u>	<u>Approximate percentage of issued share capital of the Company</u>
Christopher R Buttery	—	100,000	—	12,059,623 ²	4,800,000 ¹	16,959,623	1.34%
Mark M Harris	—	—	—	—	4,800,000 ¹	4,800,000	0.38%
Paul C Over	—	—	—	12,059,623 ³	4,800,000 ¹	16,859,623	1.33%
Brian P Friedman	241,195,194 ⁴	—	—	—	—	241,195,194	19.04%
Simon K Y Lee	—	—	—	36,536,997 ⁵	—	36,536,997	2.88%

Notes:

- (1) On 14 July 2004, each of the executive Directors was granted options to subscribe for 4,800,000 Shares pursuant to the Share Option Scheme of the Company. The subscription price is HK\$2.50 per Share. In relation to each grant of 4,800,000 Share options, 1,600,000 Share options are exercisable from 14 July 2005 to 14 July 2014, another 1,600,000 Share options are exercisable from 14 July 2006 to 14 July 2014 and the remaining 1,600,000 Share options are exercisable from 14 July 2007 to 14 July 2014.
- (2) 12,059,623 Shares are beneficially owned by Plymouth Shipping Investments Limited, which is wholly owned by Turnwell Limited and Ansleigh Limited in equal shares. Mr Buttery is deemed to be interested in the entire share capital of Turnwell Limited under the SFO as its shares are held by a discretionary trust set up by him and the discretionary objects of which include himself and his family members.
- (3) 12,059,623 Shares are beneficially owned by Plymouth Shipping Investments Limited, which is wholly owned by Turnwell Limited and Ansleigh Limited in equal shares. Mr Over is deemed to be interested in the entire share capital of Ansleigh Limited under the SFO as its shares are held by a discretionary trust set up by him and the discretionary objects of which include himself and his family members.
- (4) Mr Friedman is a managing member of FS Private Investments LLC, which is the manager of each of Furman Selz Investors II L.P., FS Employee Investors LLC and FS Parallel Fund LP, being the members of IDB Carriers (BVI) Limited. Under these arrangements, Mr Friedman is entitled, as a managing member of FS Private Investments LLC, to exercise or control the exercise of rights conferred by the holding of all the shares in IDB Carriers (BVI) Limited. Accordingly, Mr Friedman is taken to be interested in the 241,195,194 Shares held by IDB Carriers (BVI) Limited.

- (5) 1,059,725 Shares, 22,335,373 Shares and 13,141,899 Shares are beneficially owned by Firelight Investments Limited, Eagle Pacific International Limited and Eagle Sky Investments Limited respectively. These companies are controlled by discretionary trusts established by Mr Lee, the discretionary objects of which include his family members.

(ii) Interests of Shareholders discloseable pursuant to the SFO

As at the Latest Practicable Date, so far as is known to the Directors, the following parties have an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

<u>Name</u>	<u>Capacity/Nature of Interest</u>	<u>Number of Shares</u>	<u>Approximate percentage of issued share capital of the Company (%)</u>
Dry Bulk Shipping (BVI) Limited	Beneficial owner	289,433,689	22.84
IDB Carriers (BVI) Limited	Beneficial owner	241,195,194	19.04
Nassau Capital Real Estate Partners III L.P. ¹	Interest of a controlled corporation	289,433,689	22.84
Furman Selz Investors II L.P. ²	Interest of a controlled corporation	241,195,194	19.04
FS Private Investments LLC ²	Interest of a controlled corporation	241,195,194	19.04
James L Luikart ³	Interest of a controlled corporation	241,195,194	19.04
Pembroke	Beneficial owner	179,589,622	14.17

Note:

- (1) Nassau Capital Real Estate Partners III L.P. is interested in approximately 40% of the registered capital of Dry Bulk Shipping (BVI) Limited and is deemed or taken to be interested in these Shares and to hold this short position (which are beneficially owned by and attributable to Dry Bulk Shipping (BVI) Limited respectively) for the purposes of the Securities and Futures Ordinance.
- (2) Furman Selz Investors II L.P. is interested in approximately 88.2% of the registered capital of IDB Carriers (BVI) Limited, and FS Private Investments LLC is the manager of Furman Selz Investors II L.P. with power to control the exercise of voting rights attached to these Shares. Therefore Furman Selz Investors II L.P. and FS Private Investments LLC are deemed or taken to be interested in these Shares and to hold this short position (which are beneficially owned by and attributable to IDB Carriers (BVI) Limited respectively) for the purposes of the Securities and Futures Ordinance. FS Private Investments LLC does business under the name of Jefferies Capital Partners.
- (3) Mr Luikart is a managing member of FS Private Investments LLC, which is the manager of each of Furman Selz Investors II L.P., FS Employee Investors LLC and FS Parallel Fund LP, being the members of IDB Carriers (BVI) Limited. Under these arrangements, Mr Luikart is entitled, as a managing member of FS Private Investments LLC, to exercise or control the exercise of rights conferred by the holding of all the shares in IDB Carriers (BVI) Limited. Accordingly, Mr Luikart is taken to be interested in these Shares and to hold this short position (which are beneficially owned by and attributable to IDB Carriers (BVI) Limited respectively) for the purposes of the Securities and Futures Ordinance.

Save as disclosed above, the Directors are not aware that there is any party who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part

XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any service contract with the Company or any of its subsidiaries which is not expiring or determinable by the Group within one year without payment of compensation, other than statutory compensation.

5. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

6. COMPETING INTERESTS

None of the Directors or their respective associates have a controlling interest in a business which competes either directly or indirectly with the business of the Company.

7. MISCELLANEOUS

- (i) The company secretary and the qualified accountant of the Company is Andrew Thomas Broomhead. He is a Fellow of both the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales.
- (ii) The registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The head office and principal place of business of the Company is at 6th Floor, Tai Yau Building, 181 Johnston Road, Wanchai, Hong Kong.
- (iii) The principal share registrar and transfer office is Butterfield Fund Services (Bermuda) Limited, Rosebank Centre, 11 Bermudiana Road, Pembroke, HM08, Bermuda.
- (iv) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.