

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

B Pacific Basin Shipping Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 2343)

DISCLOSEABLE TRANSACTIONS: ACQUISITION OF TWO VESSELS TO BE CONSTRUCTED

On 11 April 2007, two indirect wholly-owned subsidiaries of the Company (as transferees) entered into two Novation Agreements with Guangdong Machinery Imp. & Exp. Co., Ltd. and Jiangmen Nanyang Ship Engineering Co. Ltd. (the "Sellers") and Flexi-Fit Investments Pte. Ltd. (as original buyer and transferor) pursuant to which the rights and obligations of Flexi-Fit Investments Pte. Ltd. under the Contracts in relation to the acquisition of two handysize newbuilding vessels for a consideration of US\$26,850,000 (approximately HK\$209,430,000) per vessel, were sold and transferred to the transferees for a transfer fee of US\$30,000 (approximately HK\$234,000) under each of the Novation Agreements. As a result, the total consideration for the transactions is US\$53,760,000 (approximately HK\$419,328,000). The Newbuilding Vessels shall be constructed and equipped at the shipyard of Jiangmen Nanyang Ship Engineering Co., Ltd. in Guangdong Province, China and they are currently expected to be delivered in the third quarter of 2009.

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

The Directors consider the transactions to be attractive taking into account the contract prices achieved and the early delivery of the Newbuilding Vessels, which compare favourably with the availability of similar newbuildings from shipyards elsewhere.

As the Sellers are the same as whom we purchased two handysize newbuilding vessels from in the prior 12 months period (as previously disclosed in our announcement dated 29 May 2006 and our circular dated 9 June 2006), the transactions contemplated under the Novation Agreements and the Contracts, whether considered separately or when aggregated with these previously announced discloseable transactions, 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 TRANSACTIONS

Flexi-Fit Investments Pte. Ltd. ("Flexi-Fit") as buyer has entered into the Contracts with Guangdong Machinery Imp. & Exp. Co., Ltd. ("GMI") and Jiangmen Nanyang Ship Engineering Co., Ltd. ("JNS") as sellers in a joint capacity, to acquire from them two handysize newbuilding vessels for a consideration of US\$26,850,000 (approximately HK\$209,430,000) per vessel.

On 11 April 2007, two indirect wholly-owned subsidiaries of the Company (as transferees) entered into two Novation Agreements with GMI and JNS (as sellers) and Flexi-Fit (as original buyer and transferor) pursuant to which the rights and obligations of Flexi-Fit under the Contracts, were sold and transferred to the Purchasers for a transfer fee of US\$30,000 (approximately HK\$234,000) under each of the Novation Agreements. Upon signing of the Novation Agreements, Flexi-Fit has been released from its obligations under the Contracts.

When the transfer fee of US\$30,000 (approximately HK\$234,000) under each of the Novation Agreements is taken into account, the total consideration for the transactions is US\$53,760,000 (approximately HK\$419,328,000). The Newbuilding Vessels shall be constructed and equipped at the shipyard of JNS in Guangdong Province, China and they are currently expected to be delivered in the third quarter of 2009.

Principal terms of the Contracts are set out below.

As the Sellers are the same as whom we purchased two handysize newbuilding vessels from in the prior 12 months period (as previously disclosed in our announcement dated 29 May 2006 and our circular dated 9 June 2006), the transactions contemplated under the Novation Agreements and the Contracts, whether considered separately or when aggregated with these previously announced discloseable transactions, constitute discloseable transactions of the Company under the Listing Rules and are required to be disclosed by way of this announcement.

THE CONTRACTS

The Contracts are of identical terms and conditions and are described below:

Date : 11 April 2007 (being the date of the Novation Agreements)

Parties : Purchasers: Francesca Shipping (BVI) Limited (taken together with Novation Agreement A) , for Contract A; and

Othello Shipping (BVI) Limited (taken together with Novation Agreement B), for Contract B,

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

Sellers: Guangdong Machinery Imp. & Exp. Co., Ltd. (“GMI”) and Jiangmen Nanyang Ship Engineering Co., Ltd. (“JNS”), acting in a joint capacity, each of which, together with their ultimate beneficial owners, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiry, 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 GMI is the import and export of machineries and the principal business activity of JNS is the construction of shipping vessels. The principal business activity of Flexi-Fit 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 and the announcement dated 29 May 2006 and the circular dated 9 June 2006 in relation to the purchase of two handysize newbuilding vessels, the Company has not entered into any transaction with the Sellers, Flexi-Fit or with parties connected or otherwise associated with one another and there are no other relationships amongst the Sellers, Flexi-Fit or their ultimate beneficial owners with whom the Company has entered into any transactions to acquire, dispose of, or charter in vessels during the 12 months period prior to the date of the Novation Agreements.

Assets to be acquired : In respect of Contract A, a handysize newbuilding dry bulk carrier of approximately 32,000dwt (“Vessel A”); and
in respect of Contract B, a handysize newbuilding dry bulk carrier of approximately 32,000dwt (“Vessel B”).

Both Newbuilding Vessels will be constructed and equipped at the shipyard of JNS in Guangdong Province, China. It is currently expected that the Newbuilding Vessels will be registered under the laws and flag of Hong Kong and will be operated by the Company upon their respective deliveries.

Consideration : Vessel A: US\$26,850,000 (approximately HK\$209,430,000); and
Vessel B: US\$26,850,000 (approximately HK\$209,430,000).

The total consideration for the Newbuilding Vessels under the Contracts is US\$53,700,000 (approximately HK\$418,860,000). When the transfer fee of US\$30,000 (approximately HK\$234,000) under each of the Novation Agreements is taken into account, the total consideration is US\$53,760,000 (approximately HK\$419,328,000). Such consideration is considered by the Directors to be attractive, and was determined by reference to market intelligence the Company had gathered from shipbrokers and its own analysis of recently concluded sale and purchase transactions of newbuildings of comparable size and year of delivery 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 newbuildings of the exact size and year of scheduled delivery of the Newbuilding Vessels from which to make a direct comparison. In addition, no third party valuation has been performed on the Newbuilding Vessels.

The Directors believe that such consideration (including the transfer fee), 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 consideration of the Newbuilding Vessels (including the transfer fee under the Novation Agreements) will be satisfied entirely in cash, approximately 40% of which is expected to be funded 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 Newbuilding Vessels. The Company expects such bank borrowings could be long-term in nature and on similar terms as the Company’s existing facilities.

Payment terms : Pursuant to the Contracts, the consideration shall be payable as follows:

40% of the consideration, being US\$21,480,000 (approximately HK\$167,544,000) in aggregate, will be payable around the date of the Novation Agreements. The balance payments will be made according to the stages of construction of the Newbuilding Vessels and it is currently expected that the amount payable by the Company to be approximately US\$16,110,000 (approximately HK\$125,658,000) in each of the financial years 2008 and 2009.

The total transfer fee of US\$60,000 (approximately HK\$468,000) under the Novation Agreements shall be payable upon signing of the Novation Agreements.

- Payment Guarantee : Each Purchaser shall provide a bank guarantee (one for each Contract) to the Sellers to guarantee the Purchasers' obligations for the payment of 45% of the consideration under the Contracts (the "Payment Guarantee"). The Payment Guarantee can be called upon should any of the Purchasers fail to effect payment of the relevant consideration when it falls due.
- Further guarantee : In addition to the Payment Guarantee, in connection with the purchase of the Newbuilding Vessels, PB Vessels Holding Limited, a direct wholly-owned subsidiary of the Company, has entered into a guarantee with the Sellers to guarantee the performance of each of the Purchasers of all of their obligations, duties and liabilities under each Contract.
- Refund Guarantee : The Sellers shall provide a bank guarantee (one for each Contract) to be issued by the Bank of China Ltd., Guangzhou Branch to each Purchaser to guarantee the repayment of any consideration paid by the Purchasers (the "Refund Guarantee"). The Refund Guarantee can be called upon should any Contract be cancelled and/or rescinded by any of the Purchasers in accordance with its terms and conditions.
- Circumstances that the Purchaser will be entitled to cancel and/or rescind the Contract include, inter alia, (i) delay in delivery; (ii) deficiency in speed of the Newbuilding Vessels; (iii) excessive fuel consumption; and (iv) deficiency in actual deadweight, in excess of the allowed limit.
- Completion and delivery : The Directors currently expect that, subject to any extensions that may be agreed between the Sellers and the Purchasers under the Contracts, the completion and delivery of the Newbuilding Vessels will take place in or around the third quarter of 2009.

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 acquisition of the Newbuilding Vessels will enable the Company to secure two additional newbuilding vessels for its handysize fleet. The transactions contemplated under the Novation Agreements and the Contracts are consistent with the Company's strategy of continuing its steady fleet expansion and maintaining a modern handysize fleet.

The expected benefit following the acquisition of the Newbuilding Vessels will be an anticipated increase in handysize revenue days of approximately 275 days in 2009 and approximately 720 days in 2010 and thereafter. Such increase in handysize revenue days is expected to enhance earnings accordingly.

In addition, the Directors consider the transactions to be attractive taking into account the contract prices achieved and the early delivery of the Newbuilding Vessels, which compare favourably with the availability of similar newbuildings from shipyards elsewhere. They believe that the terms of the Novation Agreements and the Contracts, 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 acquisition of the Newbuilding Vessels is in the interests of the Company and the Shareholders as a whole.

THE FLEET

Handysize Fleet

As at the date of this announcement, the Company's core handysize fleet comprised 59 vessels (1,718,877dwt), including 22 owned vessels (653,492dwt), 33 long-term chartered-in vessels (963,205dwt) 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 5 vessels as at the date of this announcement.

In addition, following the signing of the Novation Agreements and the Contracts, the Company shall have increased the number of newbuilding vessels on order to 14 (approximately 435,200dwt in aggregate), four of which are scheduled to be delivered 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 two vessels will enter into the Company's chartered fleet upon their respective deliveries.

Handymax Fleet

As at the date of this announcement, the Company's core handymax fleet comprised six vessels (309,082dwt), including two owned vessels (97,972dwt) and four long-term chartered-in vessels (211,110dwt). 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 newbuildings on order (approximately 107,500dwt in aggregate), one of which will enter into the Company's chartered fleet in 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.

The transactions contemplated under the Novation Agreements and the Contracts, whether considered separately or when aggregated with the acquisition of two handysize newbuilding vessels as previously disclosed in our announcement dated 29 May 2006 and our circular dated 9 June 2006, 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:

“Board”	means the board of directors of the Company;
“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;
“Contracts”	means Contract A and Contract B; and a “Contract” means each and any one of them as the context so requires;
“Contract A”	means the legally binding contract entered into between Flexi-Fit and the Sellers for the acquisition of Vessel A by Flexi-Fit whereas the rights and obligations of Flexi-Fit under Contract A were sold and transferred to Francesca Shipping (BVI) Limited pursuant to Novation Agreement A;

“Contract B”	means the legally binding contract entered into between Flexi-Fit and the Sellers for the acquisition of Vessel B by Flexi-Fit whereas the rights and obligations of Flexi-Fit under Contract B were sold and transferred to Othello Shipping (BVI) Limited pursuant to Novation Agreement B;
“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;
“Flexi-Fit”	Flexi-Fit Investments Pte. Ltd.;
“GMI”	Guangdong Machinery Imp. & Exp. Co., Ltd.;
“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;
“JNS”	Jiangmen Nanyang Ship Engineering Co., Ltd.;
“Listing Rules”	means The Rules Governing the Listing of Securities on the Stock Exchange;
“Newbuilding Vessels”	means Vessel A and Vessel B;
“Novation Agreement A”	means the legally binding novation agreement dated 11 April 2007 entered into between Francesca Shipping (BVI) Limited, GMI, JNS and Flexi-Fit pursuant to which the rights and obligations of Flexi-Fit under Contract A were sold and transferred to Francesca Shipping (BVI) Limited;
“Novation Agreement B”	means the legally binding novation agreement dated 11 April 2007 entered into between Othello Shipping (BVI) Limited, GMI, JNS and Flexi-Fit pursuant to which the rights and obligations of Flexi-Fit under Contract B were sold and transferred to Othello Shipping (BVI) Limited;
“Novation Agreements”	means Novation Agreement A and Novation Agreement B;
“Payment Guarantee”	means the bank guarantee to be provided by each of the Purchasers to the Sellers to guarantee the Purchasers’ obligations for the payment of 45% of the consideration under the Contracts, which can be called upon should any of the Purchasers fail to effect payment of the relevant consideration when it falls due, in a form specified in the Contracts;
“Purchasers”	Francesca Shipping (BVI) Limited and Othello Shipping (BVI) Limited; and a “Purchaser” means each and any one of them as the context so requires;

“Refund Guarantee”	means the bank guarantee to be issued by the Bank of China Ltd., Guangzhou Branch to each Purchaser to guarantee the repayment of any consideration paid by the Purchasers, which can be called upon should any Contract be cancelled and/or rescinded by any of the Purchasers in accordance with its terms and conditions, in a form specified in the Contracts;
“Sellers”	GMI and JNS;
“Shareholders”	means the shareholders of the Company;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“US Dollars” or “US\$”	means United States Dollars, the lawful currency of the United States;
“Vessel A”	means a handysize newbuilding dry bulk carrier of approximately 32,000dwt to be constructed and equipped at the shipyard of JNS in Guangdong Province, China. It is currently expected that Vessel A will be delivered in the third quarter of 2009 and will be registered under the laws and flag of Hong Kong upon its delivery; and
“Vessel B”	means a handysize newbuilding dry bulk carrier of approximately 32,000dwt to be constructed and equipped at the shipyard of JNS in Guangdong Province, China. It is currently expected that Vessel B will be delivered in the third quarter of 2009 and will be registered under the laws and flag of Hong Kong upon its delivery.

By Order of the Board
Andrew T. Broomhead
Company Secretary

Hong Kong, 11 April 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.