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B Pacific Basin Shipping Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 2343)

DISCLOSEABLE TRANSACTION: ACQUISITION OF A VESSEL TO BE CONSTRUCTED

On 17 September 2007, an indirect wholly-owned subsidiary of the Company (as transferee) entered into the Novation Agreement with China Shipbuilding Trading Company Limited and Shanghai Jiangnan Changxing Heavy Industry Company Limited (collectively the “Sellers”) and Head Streams Investment Company Limited (as original buyer and transferor) pursuant to which the rights and obligations of Head Streams Investment Company Limited under the Contract in relation to the acquisition of the Newbuilding Vessel were sold and transferred to the transferee, for a consideration of US\$54,680,000 (approximately HK\$426,504,000). The Newbuilding Vessel, which is a post panamax bulk carrier of approximately 115,000dwt, shall be constructed and equipped at the shipyard of Shanghai Jiangnan Changxing Heavy Industry Company Limited in China and it is currently expected to be delivered in the third quarter of 2011.

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

The Directors consider the transaction will enable the Company to carry coal into China, which the Company sees as an expanding segment of the dry bulk market. In addition, the transaction is considered to be attractive taking into account the contract price achieved for the Newbuilding Vessel, which compares favourably with the availability of similar newbuildings from shipyards elsewhere.

The transaction contemplated under the Novation Agreement and the Contract taken together constitutes a discloseable transaction of the Company under the Listing Rules and is required to be disclosed by way of this announcement, and a circular with further details of the transaction will be issued to Shareholders shortly.

BACKGROUND

Head Streams Investment Company Limited (“Head Streams”) as buyer has entered into the Contract with China Shipbuilding Trading Company Limited (“CSTC”) and Shanghai Jiangnan Changxing Heavy Industry Company Limited (the “Builder”) as sellers in a joint capacity, to acquire from them a newbuilding vessel of approximately 115,000dwt for a consideration of US\$54,680,000 (approximately HK\$426,504,000).

On 17 September 2007, an indirect wholly-owned subsidiary of the Company (as transferee) entered into the Novation Agreement with CSTC and the Builder (collectively the “Sellers”) and Head Streams (as original buyer and transferor) pursuant to which the rights and obligations of Head Streams under the Contract were sold and transferred to the Purchaser. Upon signing of the Novation Agreement, Head Streams has been released from its rights and obligations under the Contract.

The Newbuilding Vessel shall be constructed and equipped at the shipyard of the Builder in China and it is currently expected to be delivered in the third quarter of 2011.

Principal terms of the Contract are set out below.

THE CONTRACT

Date : 17 September 2007 (being the date of the Novation Agreement)

Parties : Purchaser: Mega Fame Limited (taken together with the Novation Agreement), which is an indirect wholly-owned subsidiary of the Company.

Sellers: CSTC and the Builder, acting in a joint capacity, and Head Streams as the transferor in the Novation Agreement, each of which, together with their respective 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 CSTC is the import and export of shipping vessels and related products and the principal business activity of the Builder is the construction of shipping vessels. The principal business activity of Head Streams includes the owning of shipping vessels.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiry, save for the transaction disclosed in this announcement, the Company has not entered into any transaction with the Sellers, Head Streams or their respective ultimate beneficial owners or with parties connected or otherwise associated with one another and there are no other relationships amongst the Sellers, Head Streams or their respective 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 Agreement.

Asset to be acquired : A newbuilding bulk carrier of approximately 115,000dwt, which will be constructed and equipped at the shipyard of the Builder in China, with an expected delivery in the third quarter of 2011.

Consideration : US\$54,680,000 (approximately HK\$426,504,000). The 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 Vessel from which to make a direct comparison. In addition, no third party valuation has been performed on the Newbuilding Vessel.

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.

It is intended that payment of the consideration of the Newbuilding Vessel 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 Vessel. 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 Contract, the consideration shall be payable as follows:

About 20% of the consideration, being US\$10,860,000 (approximately HK\$84,708,000), will be payable within October 2007. The balance payments will be made according to the stages of construction of the Newbuilding Vessel and it is currently expected that the amount payable by the Company will be approximately US\$21,720,000 (approximately HK\$169,416,000) in year 2010 and US\$22,100,000 (approximately HK\$172,380,000) in year 2011.

- Payment Guarantee : The Purchaser shall provide a bank guarantee to the Sellers to guarantee the Purchaser's obligations for the payment of 60% of the consideration (the "Payment Guarantee"). The Payment Guarantee can be called upon should the Purchaser fails 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 Vessel, 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 the Purchaser of all its obligations, duties and liabilities under the Contract.
- Refund Guarantee : The Sellers shall provide a bank guarantee to the Purchaser to guarantee the repayment of any consideration paid by the Purchaser (the "Refund Guarantee"). The Refund Guarantee can be called upon should the Contract is cancelled and/or rescinded by the Purchaser 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 Vessel; (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 Purchaser under the Contract, the completion and delivery of the Newbuilding Vessel will take place in or around the third quarter of 2011.

REASONS FOR THE TRANSACTION

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 Directors consider the acquisition of this Newbuilding Vessel will enable the Company to carry coal into China, which the Company sees as an expanding segment of the dry bulk market. In addition, the Directors consider the transaction to be attractive taking into account the contract price achieved, which compares favourably with the availability of similar newbuildings from shipyards elsewhere. They believe that the terms of the Novation Agreement and the Contract, 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 Vessel is in the interests of the Company and the Shareholders as a whole.

THE FLEET

Post Panamax Vessels on Order

Following the signing of the Novation Agreement and the Contract, the Company shall own the Newbuilding Vessel which is a post panamax newbuilding bulk carrier of approximately 115,000dwt. The Newbuilding Vessel is expected to be delivered in the third quarter of 2011. In addition, the Company has a 50% interest in another post panamax newbuilding bulk carrier of approximately 115,000dwt with an expected delivery in the first quarter of 2011 through a joint venture.

Handysize Fleet

Following the completion and delivery from the owned fleet to the chartered fleet in respect of (i) the “Lake Joy” as announced on 14 August 2007, (ii) the “Matariki Forest” as announced on 24 July 2007, and (iii) the delivery of three vessels in the fourth quarter of 2007 which we have agreed to charter-in on a long-term basis, the Company’s core handysize fleet will comprise 61 vessels (1,792,324dwt), including 17 owned vessels (511,937dwt) and 44 chartered-in vessels (1,280,387dwt). All handysize vessels, with the exception of one vessel, 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 4 vessels as at the date of this announcement.

In addition, the Company has 14 newbuilding vessels on order (approximately 439,050dwt in aggregate), two of which are scheduled to be delivered in 2007, six in 2008 and six in 2009. 11 of these vessels will enter into the Company’s owned fleet and the other three vessels will enter into the Company’s chartered fleet upon their respective deliveries.

Handymax Fleet

Following the delivery of a vessel within 2007 which we have entered into an agreement to charter-in on a long-term basis, the Company’s core handymax fleet will comprise 12 vessels (601,581dwt), including two owned vessels (97,972dwt) and 10 long-term chartered-in vessels (503,609dwt). All handymax vessels, with the exception of two vessels 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 21 vessels as at the date of this announcement.

In addition, the Company has a newbuilding vessel on order (approximately 54,000dwt) which will enter into the Company’s owned fleet in 2008 upon delivery.

The transaction contemplated under the Novation Agreement and the Contract taken together constitutes a discloseable transaction of the Company under the Listing Rules and is required to be disclosed by way of this announcement, and a circular containing further details of the transaction 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;
- “Builder” Shanghai Jiangnan Changxing Heavy Industry Company Limited;
- “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;
- “Contract” means the legally binding contract entered into between Head Streams and the Sellers for the acquisition of the Newbuilding Vessel by Head Streams whereas the rights and obligations of Head Streams under the Contract were sold and transferred to the Purchaser pursuant to the Novation Agreement;
- “CSTC” China Shipbuilding Trading Company Limited;
- “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;
- “Head Streams” Head Streams Investment Company Limited;
- “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;
“Newbuilding Vessel”	means a newbuilding dry bulk carrier of approximately 115,000dwt to be constructed and equipped at the shipyard of the Builder in China. It is currently expected that the Newbuilding Vessel will be delivered in the third quarter of 2011;
“Novation Agreement”	means the legally binding novation agreement dated 17 September 2007 entered into between the Purchaser, the Sellers and Head Streams pursuant to which the rights and obligations of Head Streams under the Contract were sold and transferred to the Purchaser;
“Payment Guarantee”	means the bank guarantee to be provided by the Purchaser to the Sellers to guarantee the Purchaser’s obligations for the payment of 60% of the consideration, which can be called upon should the Purchaser fails to effect payment of the relevant consideration when it falls due, in a form specified in the Contract;
“Purchaser”	Mega Fame Limited;
“Refund Guarantee”	means the bank guarantee to be provided by the Sellers to the Purchaser to guarantee the repayment of any consideration paid by the Purchaser, which can be called upon should the Contract is cancelled and/or rescinded by the Purchaser in accordance with its terms and conditions, in a form specified in the Contract;
“Sellers”	CSTC and the Builder;
“Shareholders”	means the shareholders of the Company;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited; and
“US Dollars” or “US\$”	means United States Dollars, the lawful currency of the United States.

By Order of the Board
Andrew T. Broomhead
Company Secretary

Hong Kong, 17 September 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.