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B Pacific Basin Shipping Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 2343)

DISCLOSEABLE TRANSACTIONS: ACQUISITION OF OPTIONS TO PURCHASE TWO ROLL ON ROLL OFF NEWBUILDING CARGO VESSELS

On 10 July 2008, a wholly-owned subsidiary of the Company entered into two Agreements with Industria Armamento Meridionale SpA (“INARME”) to secure from it two respective Purchase Options, each for a deposit of US\$20.0 million (approximately HK\$156.0 million). Pursuant to the terms of each Agreement, the Company will have the discretion to exercise the associated Purchase Option within 30 days after delivery from the yard at an exercise price of US\$66.8 million (approximately HK\$521.0 million) to acquire from INARME a roll on roll off (“RoRo”) vessel. The Vessels are currently under construction at a Korean shipyard and are expected to be delivered between the second quarter and the fourth quarter of 2010.

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

The Directors consider that the acquisition of these two RoRo Vessels (upon exercise of the Purchase Options) will enable the Company to significantly expand its presence in what Pacific Basin believes to be a promising shipping sector characterised by good demand prospects, an ageing existing fleet, a small orderbook and few yards building these vessels.

Acquisitions of the two Purchase Options contemplated under the Agreements, on an aggregated basis, constitute discloseable transactions of the Company under the Listing Rules and are required to be disclosed by way of this announcement. A circular with further details of these transactions will be issued to Shareholders shortly.

DESCRIPTION OF RORO VESSELS

RoRo vessels involve the carriage of wheeled cargoes and freight on wheeled trailers which can be loaded and discharged over a ramp, rather than lifted on and off the vessels using cranes.

BACKGROUND OF THE AGREEMENTS

On 10 July 2008, a wholly-owned subsidiary of the Company entered into two separate Agreements with INARME to secure from it two respective Purchase Options, each for a deposit of US\$20.0 million (approximately HK\$156.0 million). Pursuant to the terms of each Agreement, the Company will have the discretion to exercise the associated Purchase Option within 30 days after delivery from the yard at an exercise price of US\$66.8 million (approximately HK\$521.0 million) to acquire from INARME a RoRo vessel. The Vessels are currently under construction at a Korean shipyard and are expected to be delivered between the second quarter and the fourth quarter of 2010.

The Company will comply with Rule 14.75(2) of the Listing Rules if it exercises any of the Purchase Options, and will also comply with Rule 14.77 of the Listing Rules to announce upon the earlier of (1) the expiry of any of the Purchase Options; or (2) PBVH notifying INARME that any of the Purchase Options will not be exercised; or (3) the transfer by PBVH of the Purchase Options to a third party.

Principal terms of the Agreements are set out below.

THE AGREEMENTS

Each of the Agreements is legally binding, of broadly similar terms and conditions which are described below:

Date : 10 July 2008

Parties : Buyer: PB Vessels Holding Limited (“PBVH”) for both Agreements, which is a direct wholly-owned subsidiary of the Company.

Seller: INARME, which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiry, together with its ultimate beneficial owner, 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 INARME and its ultimate beneficial owner are 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, during the 12 months period prior to the date of the Agreements, the Company has not entered into any transaction with INARME or its ultimate beneficial owner or with parties connected or otherwise associated with one another and there are no other

relationships amongst INARME or its ultimate beneficial owner with whom the Company has entered into any transactions to acquire, dispose of, or charter in vessels.

Assets to be acquired under the Purchase Options : Two 3,810 lane metre RoRo vessels to be constructed at a Korean shipyard. The Vessels are currently expected to be delivered between the second quarter and the fourth quarter of 2010.

When the Company exercises any of the Purchase Options, the associated Vessel will be operated by the Company upon its delivery to the Company's RoRo fleet.

Deposits for the Purchase Options : US\$20.0 million (approximately HK\$156.0 million) for each Purchase Option, entirely in cash.

It is intended that payment for the deposits of the Purchase Options will be funded using the cash reserves of the Company.

Exercise price of the Purchase Options : US\$66.8 million (approximately HK\$521.0 million) for each Purchase Option, entirely in cash. The Company intends to exercise both Purchase Options.

Aggregate of the deposit and the exercise price of the Purchase Option payable by the Company to acquire each Vessel amounts to US\$86.8 million (approximately HK\$677.0 million), or US\$173.6 million (approximately HK\$1,354.0 million) to acquire both Vessels.

For each Purchase Option, it is intended that approximately US\$14.8 million (approximately HK\$115.4 million) of the exercise price of the Purchase Option will be funded by the cash reserves of the Company and approximately US\$52.0 million (approximately HK\$405.6 million) will be from new bank borrowings, which the Company intends to arrange nearer the time for payment of such exercise price. The Company expects that such bank borrowings could be long-term in nature and on similar terms as the Company's existing facilities.

The deposits and the exercise price of the Purchase Options in aggregate, were determined after arm's length negotiation between the parties and by reference to market intelligence the Company had gathered from shipbrokers and its own analysis of recently concluded sale and purchase transactions of RoRo vessels of comparable size and year of delivery in the market. However, as is commonly the case in the RoRo shipping market, there have not been any recently published sales by third party vendors of RoRo newbuildings of the exact specification and year of scheduled delivery of the Vessels from which to make

a direct comparison. In addition, no third party valuation has been performed on the Vessels.

The Directors believe that the deposits and the exercise price of the Purchase Options in aggregate, 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 are in the interests of the Company and the Shareholders as a whole.

Payment terms : The deposits for the Purchase Options shall be payable in full upon signing of the Agreements.

When PBVH or its nominee declares to exercise any of the Purchase Options in accordance with the Agreements, the exercise price of such Purchase Option shall be payable upon delivery of the Vessel to the Company.

Refund guarantee : A company within the INARME Group has provided a guarantee to PBVH to guarantee the refund of the deposits paid for the Purchase Options in the event of the non-delivery of any of the Vessels from the shipbuilder or otherwise the rejection of the Vessels by the Company as a result of delay in delivery, deficiency in speed, excessive fuel consumption or other deficiencies in excess of the agreed limits.

Delivery : The Company currently expects that, subject to any extensions that may be agreed between PBVH and INARME, the delivery of the Vessels will take place between the second quarter and the fourth quarter of 2010.

Expiry of the Purchase Options : Pursuant to the Agreements, if the Purchase Options are not exercised within 30 days after the respective delivery of the Vessels, the Purchase Options shall expire and the deposits paid shall be forfeited to INARME.

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 expand its ownership of RoRo vessels so as 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 that the acquisition of these two RoRo Vessels (upon exercise of the Purchase Options) will enable the Company to significantly expand its presence in what Pacific Basin believes to be a promising shipping sector characterised by good demand prospects, an ageing existing fleet, a small orderbook and few yards building these vessels.

The Directors believe that the terms of the Agreements, 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 transactions contemplated under the Agreements are in the interests of the Company and the Shareholders as a whole.

THE FLEET

RoRo Vessels on Order

As announced by the Company on 13 February 2008, the Company has placed orders for four RoRo newbuilding vessels with deliveries currently scheduled between the third quarter of 2009 and the first quarter of 2011. Following the delivery of the Vessels under the Agreements and the existing four newbuildings on order, the RoRo fleet will consist of six vessels of between 3,600 and 3,900 lane metres.

The Pacific Basin Fleet

The Company's core business is its dry bulk carrier operation. The tables below summarise the Company's fleet size as at the date of this announcement, taking into account the transactions announced in this announcement and other announcements:

(A) Dry Bulk Vessels

	Handysize	Handymax	Newbuildings on order			Total dry bulk fleet
			Handysize	Handymax	Post panamax	
Owned fleet	18	3	7	1	2	31
Chartered fleet ¹	46	13	1	–	1	61
Managed fleet	2	–	–	–	–	2
Total	66	16	8	1	3	94
Short-term chartered-in vessels ²	6	15	–	–	–	21
Grand total	72	31	8	1	3	115

Notes:

1 Chartered fleet comprises 13 vessels under finance leases and 48 vessels under operating leases.

2 Short-term charters are generally those with charter periods not exceeding six months.

(B) Other Vessel Types

	RoRo newbuildings	Tugs	Barge	Newbuildings on order		Total other vessel types
				Tugs	Barges	
Owned fleet	<u>6</u>	<u>9</u>	<u>1</u>	<u>6</u>	<u>2</u>	<u>24</u>

REASONS FOR THE ANNOUNCEMENT

Acquisitions of the two Purchase Options contemplated under the Agreements, on an aggregated basis, constitute discloseable transactions of the Company under the Listing Rules and are required to be disclosed by way of this announcement. A circular with further details of these transactions will be issued to Shareholders shortly.

The Company will comply with Rule 14.75(2) of the Listing Rules if it exercises any of the Purchase Options, and will also comply with Rule 14.77 of the Listing Rules to announce upon the earlier of (1) the expiry of any of the Purchase Options; or (2) PBVH notifying INARME that any of the Purchase Options will not be exercised; or (3) the transfer by PBVH of the Purchase Options to a third party.

DEFINITIONS

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

- “Agreements” means two legally binding agreements dated 10 July 2008 entered into between PBVH and INARME, pursuant to which PBVH secured the Purchase Options, and an “Agreement” shall mean each and any one of them as the context so requires;
- “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;
- “Directors” means the directors of the Company;
- “dwt” means deadweight tonnes, the unit of measurement of weight capacity of dry bulk 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;
- “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;
“INARME”	Industria Armamento Meridionale SpA, a company within the Grimaldi Group, being the seller under each of the Agreements;
“lane metres”	means the unit of measurement of capacity of RoRo vessels, which is calculated by multiplying the cargo deck length in metres by the cargo deck width in lanes;
“Listing Rules”	means The Rules Governing the Listing of Securities on the Stock Exchange;
“Pacific Basin-IHC Pool”	formerly known as 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 Pacific Basin-IHC Pool is operated by Pacific Basin IHC Limited, a wholly-owned subsidiary of the Company;
“Pacific Basin-IHX Pool”	formerly known as 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 Pacific Basin-IHX Pool is operated by Pacific Basin IHX Limited, a wholly-owned subsidiary of the Company;
“PBVH”	PB Vessels Holding Limited, which is a direct wholly-owned subsidiary of the Company and the buyer under each of the Agreements;
“Purchase Options”	means two options each for a deposit of US\$20.0 million (approximately HK\$156.0 million), secured by PBVH under the Agreements for the rights to acquire the Vessels each for a consideration of US\$66.8 million (approximately HK\$521.0 million), both of which are exercisable within 30 days after the respective delivery of the Vessels, and a “Purchase Option” shall mean each and any one of them as the context so requires;
“RoRo”	means roll on roll off transportation which involves the carriage of wheeled cargoes and freight on wheeled trailers which can be loaded and discharged over a ramp, rather than lifted on and off the vessels using cranes;
“Shareholders”	means the shareholders of the Company;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;

“US Dollar” or “US\$” means United States Dollar, the lawful currency of the United States of America; and

“Vessels” means two 3,810 lane metre RoRo vessels to be constructed at a Korean shipyard, which are currently expected to be delivered between the second quarter and the fourth quarter of 2010, and a “Vessel” shall mean each and any one of them as the context so requires.

By Order of the Board
Andrew T. Broomhead
Company Secretary

Hong Kong, 10 July 2008

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 David Muir Turnbull, 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 and Alasdair George Morrison.