Pacific Basin Shipping Limited
太平洋航運集團有限公司 *

(incorporated in Bermuda with limited liability)

(Stock Code: 2343)

Trading Activities Update

- Handysize vessel revenue days for the full year 2005 remain at 14,200
- 94% of those days have been completed or covered at an average rate of approximately US$17,200[1] per day (full year 2004: 10,000 days at an average of US$17,900 per day)
- Cover for 2006 now stands at 48% of the 14,600[2] revenue days at an average rate of US$13,700[1] per day
- Cover for 2007 now stands at approximately 20% of the 14,900[2] revenue days for that year
- Sale and charter back programme continues, with a further US$100 million five vessel transaction completed, bringing the total for the year to 17 vessels generating aggregate proceeds of US$340 million

This announcement is made pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Directors of Pacific Basin Shipping Limited ("Pacific Basin" or the "Company") hereby provide a summary update on trading activities of the Company up to 31st October 2005, the outlook for the balance of 2005 and a preliminary outlook for 2006.

As expected when we issued our Interim Report on 5th September 2005, market sentiment has improved moving into the seasonally stronger fourth quarter. The Baltic Dry Index ("BDI")[3] has nearly doubled to 3,140 from its low point of 1,747 on 3rd August, having been above the

---

[1] *Before rate improvement benefit from reducing ballast time on voyages yet to commence*
[2] *Estimated, based on existing fleet only and before any future fleet developments*
[3] *The Baltic Dry Index tracks average spot freight rates across larger dry bulk carriers including Panamax and Capesize vessels. It does not include Handysize vessels and usually demonstrates greater volatility than is seen in Handysize freight rates.*

3,000 level since mid-September. With the Chinese holidays in October now behind us, we look forward to a strong finish to the year, as northern hemisphere grain shipments and the build-up of winter season inventory levels for other commodities add to an on-going robust demand picture. In the Handysize market, spot rates are now back to a healthy level of approximately US$14,000 per day.

These market conditions, combined with our book of long-term cargo cover, mean that we have achieved an average rate for our Handysize vessels of US$17,200 per day for 94% of the 14,200 trading days for the year as a whole. Given the volatility in the market so far this year and the impact of deliveries of new vessels in the larger dry bulk categories, this result compares very favourably with the average rate of US$17,900 per day achieved in 2004 (on the much lower level of 10,000 revenue days).

Our IHC pool continues to experience strong demand for its services from the leading industrial and commodities companies around the world. Over the course of this year we have continued to work closely with our existing customers and, at the same time, develop a number of significant new customer relationships, which are making important contributions to our forward cargo book, with several long-term contracts signed in recent weeks. As we approach the half way point in the key period for these cargo contract negotiations and renewals, we are making good progress towards achieving our target of having 50-60% contract cover in place for 2006 by the end of this year. At present, we have contracts that cover 48% of the 14,600 expected Handysize vessel revenue days at an average rate of US$13,700 per day. This average rate is net of all commissions and does not reflect the benefits that we expect to achieve from our ability to eliminate a substantial portion of the ballast time included in the voyage estimates. Once completed, we would expect this average rate to exceed US$15,000 per day once front haul and back haul cargo-carrying voyages have been combined. A number of these contracts extend beyond 2006 so we also have approximately 20% cover in place for the estimated 14,900 revenue days in 2007 and the start of our cargo book for 2008. Revenue days for 2006 and 2007 only reflect the capacity provided by the fleet as it stands today (including newbuildings) and do not take into account any potential expansion from vessel purchases or inward charters that might be concluded in the future.

Whilst we are beginning to see initial signs that newbuilding prices may have peaked, little has changed in the second-hand sale and purchase market in the last two months, where asset prices have stayed high and kept activity levels very low. We have therefore maintained our patient approach towards buying additional assets and so our fleet remains unchanged at 56 vessels (including newbuildings), with an average age of five years. As we expect the freight market to show a strong finish to the year and for this to carry through into 2006, it is unlikely that asset prices will reduce significantly in the short term but we remain hopeful that opportunities to acquire tonnage at more modest price levels will become available later next year.

Whilst our fleet size remains unchanged since the date of publication of our 2005 Interim Report, we have extended our programme of selling and chartering back vessels and, as announced on 27th October 2005, have recently entered into such agreements for a further five vessels. This brings the total for the year to 17 vessels, generating aggregate gross proceeds of US$340 million. Accordingly, we still have over US$350 million available for asset purchases (based on our normal 60% borrowing policy), having paid for the recently delivered Mount

Rainier and the Solar Oceania, and without utilising any of our operating cashflows from the second half of this year or from next year.

As at 31st October 2005 our total fleet of 56 vessels was comprised as follows:

	Handysize	Handymax	Delivered Fleet	Handysize Newbuildings	Total Fleet
Owned:	23	0	23	2	25
Chartered *:	21	2	23	4	27
Managed:	4	0	4	0	4
Total:	48	2	50	6	56

** The Company holds purchase options to acquire 19 of the 23 chartered vessels and all four of the chartered newbuildings*

In response to an increasing number of enquiries from our existing handysize customers, we have started to offer handymax freight services as an extension of our handysize business. Whilst we will take a cautious and balanced approach to developing this activity, it is one that we believe can be developed over time into a significant business in its own right. Initially, though, this will involve chartering ships in from the market to meet our cargo commitments and asset purchases will only be considered once there is sufficient cargo volume to justify investment in this larger asset class. We expect to conclude our first 2006 handymax cargo contract with one of our largest handysize customers in the very near future. Unlike the handysize sector, there is an established freight futures market for handymax vessels and use of such paper is an essential tool in building a business in this area. In anticipation of our first cargo contract and a belief that the market will continue to firm leading into the first quarter of 2006, we have recently taken a freight futures agreement with another of our handysize customers equivalent to one vessel for the first quarter of 2006 and intend to make on-going use of this market as an integral part of our handymax business strategy. As our activities for this market segment are very much in their initial start-up phase they are not expected to have a material impact on our results for 2005 and are only likely to have a modest impact in 2006.

We have also recently entered into an agreement with a Chinese shipping company, backed by one of the largest power producers in China, to charter one of our older handysize vessels, the Stewart Island, to them for use in the carriage of domestic coal. The vessel is ten years old and has been bareboat chartered out for almost eight years. We believe that this is the first time a foreign owned bulk carrier has been chartered into a Chinese flag, coastal trade and this marks the beginning of what we anticipate will be greater access for us as an international company into Chinese domestic commodity trades. Given that this vessel is now deployed on a long-term bareboat charter, rather than in our IHC pool activities, this vessel is now excluded from the statistics quoted on handysize fleet revenue days and average rates.

Our dividend policy to pay out by way of interim and final dividends not less than 50% of profits available for distribution in each financial year remains unchanged. We stated in our recent Interim Results announcement that “the Board currently expects to be able to propose a final dividend for the year of at least an additional 30 HK cents per share, bringing the total for the year to at least 60 HK cents". Trading results since then plus the cargo cover for the balance of the year mean that this statement remains intact.

We continue to believe that the demand outlook for dry bulk commodities remains encouraging, supported by positive economic indicators in our main delivery destinations of China, Japan, Australia and South Korea. Whilst deliveries of larger dry bulk vessels are likely to continue to put some downward pressure on spot market rates for all dry cargo vessel classes, demand growth has been sufficiently robust and continues to grow, maintaining rates at a higher base than has been the case historically. We remain confident that for the handysize market, this downward pressure will be less pronounced as there will be only modest newbuilding deliveries and a supply picture that cannot deteriorate in the short-term. Unless a fundamental change in supply factors becomes evident, we believe that rates for our sector will remain well supported.

These market characteristics combined with our fleet profile, market position and levels of cargo cover at attractive rates for 2005 and 2006 should allow us to continue to generate healthy profits and cashflows. Accordingly, we remain optimistic about the prospects for our business for the remainder of the year and for 2006. Furthermore, our strong balance sheet and liquidity position should enable us to capitalise on any market opportunities that may arise.

By Order of the Board

Richard M. Hext	**Mark M. Harris**
Deputy Chairman	*Chief Executive Officer*

Hong Kong, 1st November 2005

As at the date of this announcement, the executive directors of the Company are Christopher Richard Buttery, Richard Maurice Hext, Mark Malcolm Harris and Paul Charles Over, the non-executive directors of the Company are Lee Kwok Yin, Simon and Brian Paul Friedman, and the independent non-executive directors of the Company are Robert Charles Nicholson, Patrick Blackwell Paul and The Earl of Cromer.

Shareholders and investors are reminded that this trading activities update for the period ended 31st October 2005 is based on the Group's internal records and management accounts and has not been reviewed or audited by the auditors. Shareholders and investors are cautioned not to rely unduly on this trading activities update and are advised to exercise caution when dealing in the shares of the Company.

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