THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect about this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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).

Pacific Basin Shipping Limited

太平洋航運集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 2343)

DISCLOSEABLE TRANSACTIONS:
ACQUISITION OF SHIPPING VESSEL
AND VESSELS TO BE CONSTRUCTED
AND
BOOK CLOSURE FOR 2006 INTERIM DIVIDEND PAYMENT

* *For identification purposes only*

9 June 2006

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

"Board"	means the board of directors of the Company;
"Classification Society"	means an independent society which certifies that a vessel has been built and maintained in accordance with the rules of such society and complies with the applicable rules and regulations of the flag state of such vessel and the international conventions of which that country is a member;
"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 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 29 May 2006 entered into between Mount Adams Limited and the MOA Seller A for the acquisition of the MOA Vessel A by Mount Adams Limited;
"GMI"	Guangdong Machinery Imp. & Exp. Co., Ltd.;
"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;
"IHC Pool"	the International Handybulk Carriers Pool established in October 2001, which is a contractual arrangement for the sharing of revenues earned by vessels entered by its members. The IHC Pool is operated by International Handybulk Carriers Management Limited, a wholly-owned subsidiary of the Company;
"JNS"	Jiangmen Nanyang Ship Engineering Co., Ltd.;

"Latest Practicable Date"	means 6 June 2006, 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;
"Long Term Incentive Scheme"	means the share option scheme adopted by the Company on 17 June 2004 and amended and re-named the long term incentive scheme pursuant to a resolution passed by Shareholders at a special general meeting on 8 June 2005;
"MOAs"	means the First MOA and the Second MOA; and a "MOA" means each and any one of them;
"MOA Purchasers"	Mount Adams Limited and Mount Baker Limited;
"MOA Seller A"	Sesoda Steamship Corporation;
"MOA Seller B"	Colbert International Ltd.;
"MOA Sellers"	means MOA Seller A and MOA Seller B;
"MOA Vessel A"	means a handysize dry bulk carrier of approximately 28,442dwt built in 2002 named "East Tender". The present flag of the MOA Vessel A is Panama and the place of registration is Panama. The Classification Society of the vessel is Nippon Kaiji Kyokai;
"MOA Vessel B"	means a newbuilding handysize dry bulk carrier of approximately 32,600dwt to be constructed and equipped by a shipyard in Japan;
"MOA Vessels"	means the MOA Vessel A and the MOA Vessel B;
"New Shipbuilding Contract A"	means the legally binding shipbuilding contract dated 29 May 2006 entered into between Labrador Shipping (BVI) Limited and the Newbuilding Sellers for the acquisition of Newbuilding Vessel A by Labrador Shipping (BVI) Limited;
"New Shipbuilding Contract B"	means the legally binding shipbuilding contract dated 29 May 2006 entered into between Newman Shipping (BVI) Limited and the Newbuilding Sellers for the acquisition of Newbuilding Vessel B by Newman Shipping (BVI) Limited;

"New Shipbuilding Contracts"	means New Shipbuilding Contract A and New Shipbuilding Contract B; and a "New Shipbuilding Contract" means each and any one of them;
"Newbuilding Option Agreement"	means the agreement entered into by Famous Time Group Limited, an indirect wholly-owned subsidiary of the Company, with the Newbuilding Sellers on 8 December 2005 granting to the former the options to enter into two shipbuilding contracts with the Newbuilding Sellers in respect of constructing and equipping two newbuilding vessels for a consideration of US$21,848,000 (approximately HK$170,414,400) per vessel to be delivered in May and September 2009, and which are exercisable at the Company's discretion up to six months after signing of the Shipbuilding Contracts. The New Shipbuilding Contracts were entered into pursuant to this Newbuilding Option Agreement;
"Newbuilding Purchasers"	Labrador Shipping (BVI) Limited and Newman Shipping (BVI) Limited; and a "Newbuilding Purchaser" means each and any one of them;
"Newbuilding Sellers"	GMI and JNS;
"Newbuilding Vessel A"	means a newbuilding handysize dry bulk carrier of approximately 32,000dwt to be constructed and equipped by the Newbuilding Sellers and is expected to be delivered in May 2009. It is currently expected that Newbuilding Vessel A will be registered upon its delivery under the laws and flag of Hong Kong;
"Newbuilding Vessel B"	means a newbuilding handysize dry bulk carrier of approximately 32,000dwt to be constructed and equipped by the Newbuilding Sellers and is expected to be delivered in September 2009. It is currently expected that Newbuilding Vessel B will be registered upon its delivery under the laws and flag of Hong Kong;
"Newbuilding Vessels"	means Newbuilding Vessel A and Newbuilding Vessel B;
"Payment Guarantee"	means the bank guarantee to be provided by each of the Newbuilding Purchasers to the Newbuilding Sellers to guarantee its obligations for the payment of 50% of the purchase price, in a form specified in the New Shipbuilding Contracts;

"Refund Guarantee"	means the guarantee to be issued by the Bank of China Ltd., Guangzhou Branch to each Newbuilding Purchaser to guarantee the repayment of any consideration paid by the Newbuilding Purchaser, which can be called upon should any New Shipbuilding Contract be cancelled and/or rescinded by the Newbuilding Purchaser in accordance with its terms and conditions, in a form specified in the New Shipbuilding Contracts;
"Second MOA"	means the legally binding unconditional Memorandum of Agreement dated 29 May 2006 entered into between Mount Baker Limited and the MOA Seller B for the acquisition of the MOA Vessel B by Mount Baker Limited;
"Shareholders"	means the shareholders of the Company;
"Shipbuilding Contracts"	means the shipbuilding contracts entered into by four indirect wholly-owned subsidiaries of the Company with the Newbuilding Sellers on 8 December 2005, pursuant to which the Company acquired from the Newbuilding Sellers four newbuilding vessels to be constructed and equipped by the Newbuilding Sellers at the shipyard of JNS in Guangdong Province, China and are expected to be delivered in (i) January 2008, (ii) May 2008, (iii) September 2008 and (iv) January 2009 as further described in our announcement dated 8 December 2005 and our circular dated 23 December 2005; and
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited.

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

(incorporated in Bermuda with limited liability)
(Stock Code: 2343)

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9 June 2006

To the Shareholders

Dear Sir or Madam

DISCLOSEABLE TRANSACTIONS: ACQUISITION OF SHIPPING VESSEL AND VESSELS TO BE CONSTRUCTED AND BOOK CLOSURE FOR 2006 INTERIM DIVIDEND PAYMENT

INTRODUCTION

On 29 May 2006, the Directors announced that,

(A) two indirect wholly-owned subsidiaries of the Company entered into the First MOA and the Second MOA with Sesoda Steamship Corporation and Colbert International Ltd. to acquire from them the MOA Vessel A for a consideration of US$23,500,000 (approximately HK$183,300,000) and the MOA Vessel B, which is

* *For identification purposes only*

a newbuilding vessel, for a consideration of US$26,500,000 (approximately HK$206,700,000), respectively. The total consideration for both vessels is US$50,000,000 (approximately HK$390,000,000); and

(B) another two indirect wholly-owned subsidiaries of the Company entered into the New Shipbuilding Contracts with Guangdong Machinery Imp. & Exp. Co., Ltd. and Jiangmen Nanyang Ship Engineering Co., Ltd. to acquire from them, two newbuilding vessels for a consideration of US$21,947,000 (approximately HK$171,186,600) per vessel. The total consideration for the Newbuilding Vessels is US$43,894,000 (approximately HK$342,373,200).

Principal terms of the MOAs and the New Shipbuilding Contracts are set out below in this circular.

The transactions contemplated under the MOAs and the New Shipbuilding Contracts 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 transactions.

I. THE MOAs

Background for the MOAs

On 29 May 2006, two indirect wholly-owned subsidiaries of the Company entered into the First MOA and the Second MOA with the MOA Sellers to acquire from them respectively the MOA Vessel A for a consideration of US$23,500,000 (approximately HK$183,300,000) and the MOA Vessel B for a consideration of US$26,500,000 (approximately HK$206,700,000), being US$50,000,000 (approximately HK$390,000,000) in aggregate. The MOA Vessel A is a 2002 built handysize vessel expected to be delivered by the end of September 2006 while the MOA Vessel B is a handysize newbuilding to be constructed and equipped by a shipyard in Japan and is expected to be delivered by the end of March 2007. Principal terms of the MOAs are set out below.

The MOAs

The MOAs are legally binding, of broadly similar terms and conditions and are described below:

Date	:	29 May 2006		
Parties	:	MOA Purchasers	:	Mount Adams Limited, for the First MOA; and Mount Baker Limited, for the Second MOA,

		each being an indirect wholly-owned subsidiary of the Company.
MOA Sellers	:	Sesoda Steamship Corporation ("MOA Seller A"), for the First MOA; and Colbert International Ltd. ("MOA Seller B"), for the Second MOA, which, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, together with their ultimate beneficial owner (which is the same for both MOA Seller A and MOA Seller B), 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 the MOA Sellers is owning and operating of shipping vessels (including the MOA Vessels) and the principal business activity of the ultimate beneficial owner of the MOA Sellers is chemical manufacturing and 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 circular, there are no other relationships amongst the MOA Sellers and their ultimate beneficial owner with whom the Company has entered into transactions (including the Newbuilding Sellers) to acquire, dispose of, or charter in vessels during the 12 months prior to the date of the MOAs.

Assets to be acquired	:	First MOA	:	A 2002 built handysize dry bulk carrier of approximately 28,442dwt, named “East Tender” (the “MOA Vessel A”). The flag of the MOA Vessel A is presently Panama and the place of registration is Panama. The Classification Society of the vessel is Nippon Kaiji Kyokai. The Company intends to change the name of the vessel to “Mount Adams” and to change the flag and place of registration of the vessel to Hong Kong and for the vessel to be operated by the Company from the time of delivery.
		Second MOA	:	A newbuilding handysize dry bulk carrier of approximately 32,600dwt (the “MOA Vessel B”) to be constructed and equipped by a shipyard in Japan. It is currently expected that it will be named “Mount Baker” and registered under the laws and flag of Hong Kong upon its delivery and will be operated by the Company.

The Company, having made all reasonable enquiry, does not have access to information regarding the revenue or profits before and after taxation of the MOA Vessel A for the years ended 31 December 2004 and 31 December 2005.

Consideration : The MOA Vessel A: US$23,500,000 (approximately HK$183,300,000); and

The MOA Vessel B: US$26,500,000 (approximately HK$206,700,000).

The total consideration for the MOA Vessels is US$50,000,000 (approximately HK$390,000,000), 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 MOA Vessels from which to make a direct comparison. In addition, no third party valuation has been performed on the MOA Vessels.

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 purchase price of the MOA Vessel A will be satisfied entirely in cash, approximately 10% of which is expected to be funded from internal resources and approximately 90% by redrawing loans from prepaid existing bank loan facilities of the Company.

It is intended that payment of the purchase price of the MOA Vessel B will be satisfied entirely in cash, approximately 10% of which is expected to be funded from internal resources, approximately 30% 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 MOA Vessel B. The Company expects such bank borrowings could be long-term in nature and on similar terms as the Company's existing facilities. Should such financing not be arranged, the entire purchase price of the MOA Vessel B will be funded from internal resources.

Payment terms	:	Under the MOAs, the consideration shall be payable in the following manner: ● 10% of the purchase price (being the deposit) was paid at the time of signing the MOAs; and ● the balance of the purchase price shall be paid upon the respective deliveries of the MOA Vessel A and the MOA Vessel B. The delivery dates of the MOA Vessel A and the MOA Vessel B must not be later than 30 September 2006 and 31 March 2007, respectively, unless the parties otherwise agree.
Guarantee	:	In connection with the purchase of the MOA Vessels, PB Vessels Holding Limited, a wholly-owned subsidiary of the Company, has entered into a guarantee with the MOA Sellers to guarantee the performance of each of the MOA Purchasers of all of their obligations, duties and liabilities under each MOA.
Completion and delivery	:	Pursuant to the First MOA, the latest date for completion is 30 September 2006 unless the parties otherwise agree. The Directors currently expect that completion and delivery of the MOA Vessel A will take place not later than 30 September 2006. The Company will make a further announcement if delivery of the MOA Vessel A does not take place by 30 September 2006. Pursuant to the Second MOA, the MOA Vessel B will be constructed and equipped by a shipyard in Japan and the Directors currently expect that, subject to any extensions that may be agreed between Mount Baker Limited and the MOA Seller B, completion and delivery of the MOA Vessel B will take place not later than the end of March 2007. The Company will make a further announcement if delivery of the MOA Vessel B does not take place by 31 March 2007.

Financial effects of the acquisition of the MOA Vessels

Following the delivery of the MOA Vessels, the Group's fixed assets (owned vessels) will increase by the amount of the consideration of US$50,000,000 (approximately HK$390,000,000). Current assets are expected to decrease by US$5,000,000 (approximately HK$39,000,000), being 10% of the purchase price of the MOA Vessels funded from internal cash. It is intended that the remaining 90% of the purchase price of the MOA Vessel A and 30% of the purchase price of the MOA Vessel B will be satisfied by redrawing loans from prepaid existing bank loan facilities of the Company, whilst the remaining 60% of the purchase price of the MOA Vessel B will be satisfied from new bank borrowings. Hence, if the Company successfully obtains such new bank borrowings in respect of the MOA Vessel B, the Group's long-term liabilities are expected to increase by US$40,150,000 (approximately HK$313,170,000) and current liabilities are expected to increase by US$4,850,000 (approximately HK$37,830,000).

II. THE NEW SHIPBUILDING CONTRACTS

Background for the New Shipbuilding Contracts

As previously announced by the Company on 8 December 2005, four indirect wholly-owned subsidiaries of the Company entered into the Shipbuilding Contracts with the Newbuilding Sellers to acquire from them four newbuilding vessels for a total consideration of US$87,908,000 (approximately HK$685,682,400). Simultaneously with the signing of the Shipbuilding Contracts, Famous Time Group Limited, an indirect wholly-owned subsidiary of the Company, entered into the Newbuilding Option Agreement with the Newbuilding Sellers. Pursuant to the Newbuilding Option Agreement, the Company has the discretion to contract with the Newbuilding Sellers in respect of constructing and equipping two further newbuilding vessels for a consideration of US$21,848,000 (approximately HK$170,414,400) per vessel. Please refer to the Company's announcement dated 8 December 2005 and the Company's circular dated 23 December 2005 for details of the Shipbuilding Contracts and the Newbuilding Option Agreement.

In exercising the options under and pursuant to the terms of the Newbuilding Option Agreement, two indirect wholly-owned subsidiaries of the Company, entered into the New Shipbuilding Contracts on 29 May 2006 to acquire from the Newbuilding Sellers two further newbuilding vessels for a consideration of US$21,947,000 (approximately HK$171,186,600) per vessel. The difference in consideration of US$99,000 (approximately HK$772,200) per vessel between the Newbuilding Option Agreement and the New Shipbuilding Contracts was the agreed price adjustment on specification changes. The total consideration for the Newbuilding Vessels is US$43,894,000 (approximately HK$342,373,200). The Newbuilding Vessels shall be constructed and equipped by the Newbuilding Sellers at the shipyard of JNS in Guangdong Province, China and are expected to be delivered in (i) May 2009 and (ii) September 2009. Principal terms of the New Shipbuilding Contracts are set out below.

The New Shipbuilding Contracts

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

Date	:	29 May 2006		
Parties	:	Newbuilding Purchasers	:	Labrador Shipping (BVI) Limited, for New Shipbuilding Contract A; and Newman Shipping (BVI) Limited, for New Shipbuilding Contract B, each being an indirect wholly-owned subsidiary of the Company.
		Newbuilding 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 respective ultimate beneficial owners, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, 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.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, save for the transactions disclosed in this circular and the announcement dated 8 December 2005 in relation to the Shipbuilding Contracts and the Newbuilding Option Agreement, there are no other relationships amongst the Newbuilding Sellers and their respective ultimate beneficial owners and other vendors, purchasers and ship-owners and their respective ultimate beneficial owners with whom the Company has entered into transactions (including the MOA Sellers) to acquire, dispose of, or charter in vessels during the 12 months prior to the date of the New Shipbuilding Contracts.

Assets to be acquired : In respect of New Shipbuilding Contract A, a handysize dry bulk carrier of approximately 32,000dwt ("Newbuilding Vessel A"); and

in respect of New Shipbuilding Contract B, a handysize dry bulk carrier of approximately 32,000dwt ("Newbuilding Vessel B").

It is currently expected that they will be registered upon their deliveries under the laws and flag of Hong Kong and will be operated by the Company.

Consideration : Newbuilding Vessel A: US$21,947,000 (approximately HK$171,186,600); and

Newbuilding Vessel B: US$21,947,000 (approximately HK$171,186,600).

The total consideration for the Newbuilding Vessels is US$43,894,000 (approximately HK$342,373,200). The consideration was set in the Newbuilding Option Agreement, 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 build in the market, and after arm's length negotiation between the parties. In addition, no third party valuation has been performed on the Newbuilding Vessels.

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 purchase price will be satisfied entirely in cash, approximately 40% of which is expected to be funded from 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 that such bank borrowings could be long-term in nature and on similar terms as the Company's existing facilities. Should such financing not be arranged, the entire purchase price of the Newbuilding Vessels will be funded from internal resources.

Payment terms : The consideration for the acquisition of the Newbuilding Vessels shall be payable as follows:

20% on or before the date the New Shipbuilding Contracts become effective (as described below) with the balance during year 2007 to 2009.

Conditions precedent : The New Shipbuilding Contracts shall become effective upon fulfilment of all the following conditions:

(i) Receipt by the Newbuilding Sellers of 20% of the purchase price;

(ii) Receipt by the Newbuilding Sellers of the Payment Guarantee; and

(iii) Receipt by the Newbuilding Purchasers of the Refund Guarantee.

If, due to whatever reason, any of the above conditions fail to be fulfilled within two months after the date of the New Shipbuilding Contracts, i.e. 29 July 2006, then the New Shipbuilding Contracts shall be null and void and have no effect whatsoever. The Company will make a further announcement should the New Shipbuilding Contracts become null and void due to the non-fulfilment of any of the above conditions precedent.

Payment Guarantee : Each Newbuilding Purchaser shall provide a bank guarantee (one for each New Shipbuilding Contract) to the Newbuilding Sellers to guarantee the Newbuilding Purchasers' obligations for the payment of 50% of the purchase price (the "Payment Guarantee"). The Payment Guarantee can be called upon should the Newbuilding 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 wholly-owned subsidiary of the Company, has entered into a guarantee with the Newbuilding Sellers to guarantee the performance of each of the Newbuilding Purchasers of all of their obligations, duties and liabilities under each New Shipbuilding Contract.

Refund Guarantee : The Newbuilding Sellers shall provide a bank guarantee (one for each New Shipbuilding Contract) to be issued by the Bank of China Ltd., Guangzhou Branch to each Newbuilding Purchaser to guarantee the repayment of any consideration paid by the Newbuilding Purchasers (the "Refund Guarantee"). The Refund Guarantee can be called upon should any New Shipbuilding Contract be cancelled and/or rescinded by the Newbuilding Purchaser in accordance with its terms and conditions.

Circumstances that the Newbuilding Purchaser will be entitled to cancel and/or rescind the New Shipbuilding 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 Newbuilding Vessels will be constructed and equipped by the Newbuilding Sellers and the Directors currently expect that, subject to any extensions that may be agreed between the Newbuilding Sellers and the Newbuilding Purchasers, completion and delivery of the Newbuilding Vessels will take place in or around: Newbuilding Vessel A: May 2009; and Newbuilding Vessel B: September 2009.

Financial effects of the acquisitions of the Newbuilding Vessels

Following the delivery of the Newbuilding Vessels, the Group's fixed assets (owned vessels) will increase by the amount of the consideration of US$43,894,000 (approximately HK$342,373,200). It is intended that approximately 40% of the purchase price will be satisfied from redrawing loans from prepaid existing bank loan facilities of the Company and approximately 60% of the purchase price will be satisfied from new bank borrowings. Hence, if the Company successfully obtains such new bank borrowings, the Group's long-term liabilities are expected to increase by US$39,923,000 (approximately HK$311,399,400) and current liabilities are expected to increase by US$3,971,000 (approximately HK$30,973,800).

REASONS FOR THE TRANSACTIONS

The Company is one of the world's leading dry bulk shipping companies operating principally in the Asia Pacific region, 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. With a large fleet of modern, uniformly-sized vessels, Pacific Basin seeks to offer its customers a strong, reliable service with a high degree of scheduling flexibility whilst maintaining the Company's operational efficiency. The transactions outlined above are consistent with this strategy.

The expected benefit following the acquisition of the MOA Vessels and the Newbuilding Vessels will be that the Company will have secured an additional four vessels for its fleet, giving an anticipated increase in annual revenue days of approximately 360 days per vessel upon their deliveries and is expected to enhance earnings accordingly.

The Directors believe that the terms of the MOAs and the New Shipbuilding 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 are in the interests of the Company and the Shareholders as a whole.

OVERALL IMPACT ON THE GROUP'S ASSETS AND LIABILITIES AND EARNINGS

Following the completion of the transactions under the MOAs and the New Shipbuilding Contracts, the Group's fixed assets (owned vessels) will increase by US$93,894,000 (approximately HK$732,373,200). Current assets are expected to decrease by US$5,000,000 (approximately HK$39,000,000), being the consideration on the acquisition of the MOA Vessels settled out of our internal cash resources. It is intended that the remaining consideration of the MOA Vessels and the consideration of the Newbuilding Vessels will be satisfied by redrawing loans from prepaid existing bank loan facilities of the Company and by drawing down new bank borrowings. Hence, if the Company successfully obtains such new bank borrowings, the Group's long-term liabilities are expected to increase by US$80,073,000 (approximately HK$624,569,400) and current liabilities are expected to increase by US$8,821,000 (approximately HK$68,803,800).

Following the completion of these transactions, the Company expects to have approximately 15,700 revenue days in 2006 and approximately 17,400 revenue days in 2007.

THE FLEET

Following (i) the delivery of the MOA Vessel A; (ii) the delivery of the Prince Rupert, a second-hand handysize vessel acquired in April 2006; (iii) the delivery of the Shinyo Challenge, an existing long-term chartered-in vessel, to the owned fleet currently expected to be within June 2006, pursuant to the exercise of the purchase option in March 2006; (iv) the delivery of the Torm Arawa and the Torm Pacific which transfer from the Company's managed fleet to its owned fleet as separately announced on 27 April 2006; and (v) the delivery of the Ocean Bulker which was separately announced on 8 December 2005, the Company's handysize fleet will comprise 50 vessels (1,448,491dwt), including 22 owned vessels (637,903dwt), 26 chartered-in vessels (759,046dwt) and two managed vessels (51,542dwt). The Company's handymax fleet comprises two long-term chartered-in vessels (107,194dwt). The sellers of the vessels in (ii) to (v), to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, together with their respective ultimate beneficial owners, are third parties independent of the MOA Sellers, the Newbuilding Sellers and their respective ultimate beneficial owners, the Company and connected persons (as defined in the Listing Rules) of the Company.

In addition, following the signing of the MOAs and the New Shipbuilding Contracts, the Company shall have increased the number of newbuilding vessels on order from nine to 12, two of which are scheduled to deliver in 2006, four (including the MOA Vessel B) in 2007, three in 2008 and three (including Newbuilding Vessel A and Newbuilding Vessel B) in 2009. Nine of these newbuilding vessels (including the MOA Vessel B and the Newbuilding Vessels) (approximately 286,700dwt in aggregate) will enter into the owned fleet and three (approximately 88,100dwt in aggregate) will enter into the long-term chartered-in fleet 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. All of the vessels, with the exception of the two handymax vessels (107,194dwt in aggregate) and one handysize vessel (28,730dwt), are employed in the IHC Pool. The handymax vessels are employed on long-term time charters whilst the handysize vessel is long-term leased out.

The transactions contemplated under the MOAs and the New Shipbuilding Contracts 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 transactions.

OUTSTANDING HANDYSIZE PURCHASE OPTIONS

As at the date of this circular, the Company holds options to purchase 24 out of our 26 long-term chartered-in handysize vessels and all three of the long-term chartered-in newbuildings.

Several of the options are denominated in Japanese Yen and therefore their prices in United States Dollars will only be determinable by the Company at the time of exercising the options. For the purpose of the table below, these options are converted to United States Dollars at the forward exchange rates as at 26 May 2006 (the latest practicable date in the announcement dated 29 May 2006).

The average exercise price of the existing purchase options in the earliest year in which these options may be exercised, the number of vessels and the average age of such vessels in that year, are as follows:

Earliest year in which options may be exercised	**Number of vessels**			
	Finance lease	**Operating lease**	**Average age of such vessels**	**Average option exercise price** *(in US$)*
2006	17	–	5	18,900,000
2007	–	2	3	15,800,000
2008	–	4	6	21,100,000
2009	–	3	3	23,400,000
2010	–	1	3	22,500,000

The average daily charter rates and total number of vessel days of our handysize vessels under operating leases and finance leases in each year, assuming the purchase options will not be exercised until the expiry of the charterparties, are as follows:

	Handysize operating leases		**Handysize finance leases**	
Year	**Average daily time charter rates** *(in US$)*	**Total number of vessel days**	**Average daily bareboat charter rates** *(in US$)*	**Total number of vessel days**
2006	8,900	3,410	5,800	6,210
2007	8,600	3,470	5,800	6,210
2008	8,500	3,660	5,800	6,220
2009	8,800	3,050	5,800	6,210
2010	8,900	2,680	5,800	6,210
2011	8,800	1,850	5,800	6,210
2012	8,800	1,340	5,800	6,220
2013	8,800	800	5,800	6,210
2014	8,400	370	5,800	6,210
2015	8,400	280	5,800	5,410
2016	–	–	5,900	1,830
2017	–	–	6,000	1,520

OUTSTANDING HANDYMAX PURCHASE OPTIONS

As at the date of this circular, the Company holds options to purchase the two long-term chartered-in handymax vessels. Under the charterparties, these options will be exercisable at the end of their respective charter periods which will be in September 2009 and January 2010, at the price of US$17,700,000 (approximately HK$138,060,000) each. The vessels at that time will be five years old.

The purchase options for these vessels will continue to be exercisable if the charter period is further extended in accordance with the charterparties.

BOOK CLOSURE FOR 2006 INTERIM DIVIDEND PAYMENT

The Company's stated dividend policy is to distribute not less than 50% of the available profits, with the potential to distribute more than this when the strength of the Group's results, business and prospects indicates that this is appropriate. In accordance with this policy, the Board will declare the 2006 interim dividend on 22 August 2006 which will be paid on or around 7 September 2006. The register of members will be closed from 29 August 2006 to 30 August 2006 (both days inclusive) during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 28 August 2006.

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
Andrew T. Broomhead
Company Secretary

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:	
1,287,615,609 shares (Shares of US$0.10 each)	128,761,560

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 on or dealt in 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 (b) were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or (c) were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

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

Name of Director	Corporate interests	Personal interests	Family interests	Trust & similar interests	Number of underlying Shares under equity derivatives (share options)	Total Share interests	Approximate percentage of issued share capital of the Company
Christopher R Buttery	–	5,626,612	–	18,386,905[3]	3,200,000[1]	27,213,517	2.11%
Richard M Hext	–	4,353,741[2]	–	–	–	4,353,741	0.34%
Paul C Over	–	–	–	23,535,041[4]	3,200,000[1]	26,735,041	2.08%
Simon K Y Lee	–	–	–	71,682,220[5]	–	71,682,220	5.57%
Patrick B Paul	–	20,000	–	–	–	20,000	0.002%
Daniel R Bradshaw	869,417[6]	–	–	–	–	869,417	0.068%

Notes:

(1) On 14 July 2004, each of Christopher Buttery and Paul Over were granted options to subscribe for 4,800,000 Shares pursuant to the Long Term Incentive Scheme. 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.

Each of Christopher Buttery and Paul Over has exercised their options to subscribe for 1,600,000 Shares in September 2005 at the price of HK$2.50 per Share.

(2) On 8 June 2005, 3,333,333 Shares in the form of restricted share awards were granted to Mr Hext pursuant to the Long Term Incentive Scheme. In relation to the 3,333,333 restricted share awards, 666,667 Shares have vested on 5 April 2006, 666,667 Shares will vest on 5 April 2007, 666,667 Shares will vest on 5 April 2008, 666,666 Shares will vest on 5 April 2009 and 666,666 Shares will vest on 5 April 2010.

On 28 March 2006, the 5 million Share options granted to Mr Hext when he joined the Company as an executive Director on 5 April 2005 were cancelled and in their place he was granted 1,020,408 Shares in the form of restricted share awards, of which 204,080 Shares have vested on 5 April 2006, 204,080 Shares will vest on 5 April 2007, 204,080 Shares will vest on 5 April 2008, 204,080 Shares will vest on 5 April 2009 and 204,088 Shares will vest on 5 April 2010.

(3) 18,386,905 Shares are owned by Turnwell Limited. 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.

(4) 23,535,041 Shares are owned by Ansleigh Limited. 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.

(5) 19,935,122 Shares, 1,059,725 Shares, 22,335,373 Shares, 12,752,000 Shares and 15,600,000 Shares are beneficially owned by Asia Distribution Limited, Firelight Investments Limited, Eagle Pacific International Limited, Wellex Investment Limited and Fortress Eagle Investment Limited, respectively. These companies are controlled by discretionary trusts established by Mr Lee, the discretionary objects of which include his family members.

(6) Mr Bradshaw is a shareholder in Cormorant Shipping Limited and Goldeneye Shipping Limited. He beneficially owns 353,241 Shares via Cormorant Shipping Limited and is taken to be interested in the 516,176 Shares held by Goldeneye Shipping Limited.

(ii) Interests of Shareholders discloseable pursuant to the SFO

As at the Latest Practicable Date, the Directors or the chief executive of the Company are not aware that there is any party who 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 meetings of the Company and 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 HM11, Bermuda. The head office and principal place of business of the Company is at 7th Floor, Hutchison House, 10 Harcourt Road, Central, 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.