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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

On 29 May 2006,

- (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 a newbuilding vessel, for a consideration of US\$26,500,000 (approximately HK\$206,700,000), respectively. The total consideration for the MOA Vessels shall be 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 shall be 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 announcement.

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

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.

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 announcement, 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) shall be 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.

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 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 is the agreed price adjustment on specification changes. The total consideration for the Newbuilding Vessels shall be 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 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 announcement 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 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.

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.

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.

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 transactions contemplated under the MOAs and the New Shipbuilding Contracts 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.

OUTSTANDING HANDYSIZE PURCHASE OPTIONS

As at the date of this announcement, 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 the Latest Practicable Date.

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

Earliest year in which options may be exercised	Number of vessels		Average age of such vessels	Average option exercise price (in US\$)
	Finance lease	Operating lease		
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:

Year	Handysize operating leases		Handysize finance leases	
	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 announcement, 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.

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;
“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;
“Group”	means the Company and its subsidiaries, which are principally engaged in the provision of marine transportation and logistical support services;
“GMI”	Guangdong Machinery Imp. & Exp. Co., Ltd.;
“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 26 May 2006, being the latest practicable date prior to the printing of this announcement for ascertaining certain information contained therein;
“Listing Rules”	means The Rules Governing the Listing of Securities on the Stock Exchange;
“MOAs”	means the First MOA and the Second MOA; and a “MOA” means each and any one of them;
“MOA Purchasers”	means 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 Contracts”	means New Shipbuilding Contract A and New Shipbuilding Contract B; and a “New Shipbuilding Contract” means each and any one of them;

“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;
“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 made on 8 December 2005; and
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited.

By Order of the Board
Andrew Broomhead
Company Secretary

Hong Kong, 29 May 2006

* *For identification purposes only*

As at the date of this announcement, the executive directors of the Company are Christopher Richard Buttery, Richard Maurice Hext and Paul Charles Over, the non-executive directors of the Company are Daniel Rochfort Bradshaw and 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.