



Pacific Basin Shipping Limited

太平洋航運集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 2343)

CONTINUING CONNECTED TRANSACTION RENEWAL OF SERVICE AGREEMENT

On 12 September 2006, the Company entered into a supplemental agreement with Sun Hing Insurance Brokers Limited to renew the existing service agreement for the provision of insurance broking services by the latter to the Group.

Sun Hing Insurance Brokers Limited is a connected person of the Company by virtue of it being an associate of Dr. Lee Kwok Yin, Simon, a non-executive director of the Company. Accordingly, the provision of insurance broking services by Sun Hing Insurance Brokers Limited constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Given the annual considerations payable by the Company for the services under the supplemental agreement are estimated to be less than 2.5% of the applicable percentage ratios as defined in the Listing Rules, the related continuing connected transaction is only subject to the reporting, announcement and annual review requirements under the Listing Rules and is exempted from the independent shareholders' approval requirement.

BACKGROUND OF THE CONTINUING CONNECTED TRANSACTION

On 4 June 2004, the Company entered into the Service Agreement with Sun Hing, pursuant to which Sun Hing has been providing certain insurance broking services to the Group. The provision of services by Sun Hing under the Service Agreement constitutes a continuing connected transaction under Rule 14A.31(1) of the Listing Rules which is normally subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules. In this connection, a waiver from strict compliance with the reporting and announcement requirements under Rule 14A.34(1) of the Listing Rules has been obtained from the Stock Exchange at the time of the initial public offering of the shares in the Company.

The Service Agreement in respect of these ongoing connected transactions will expire on 31 December 2006. On 12 September 2006, the Company renewed the Service Agreement with Sun Hing by way of the Supplemental Agreement, pursuant to which the Company agreed to extend the appointment of Sun Hing for the provision of non-exclusive insurance broking services to the Group for a further term of three years until 31 December 2009.

PRINCIPAL TERMS OF THE SUPPLEMENTAL AGREEMENT

Date: 12 September 2006

Parties: The Company and Sun Hing, a company incorporated in Hong Kong with limited liability whose principal activities are insurance agency and the provision of insurance broking services.

Terms: Three years from 1 January 2007 to 31 December 2009 (both dates inclusive)

Premium Payable: The Company shall pay to Sun Hing insurance premiums of insurance policies taken out via Sun Hing as agent during the term of the Supplemental Agreement. The premiums will be received by Sun Hing on behalf of the relevant insurers, and Sun Hing will earn brokerage thereon from the insurers. The premiums will be payable on a cash-on-delivery basis upon receipt of debit notes from Sun Hing.

MAXIMUM AGGREGATE ANNUAL CONSIDERATIONS FOR THE SERVICES UNDER THE SUPPLEMENTAL AGREEMENT

The Directors expect that the premiums payable by the Company to Sun Hing as agent on behalf of the relevant insurers under the Supplemental Agreement for the three financial years ending 31 December 2007, 31 December 2008 and 31 December 2009 shall not exceed US\$530,000, US\$750,000 and US\$1,100,000 respectively (the "Annual Caps"). Such Annual Caps are estimated by the Company based on the relevant historical premiums paid by the Group (being US\$199,000, US\$245,000 and US\$300,000 (actual figure up to the date of this announcement and estimated figure for the whole year is US\$372,000) for the financial years ended 31 December 2004, 2005 and 2006, respectively, estimated future increases of such premiums, the estimated future number of employees and the estimated general insurance needs of the Group for each of the financial years ending 31 December 2007, 2008 and 2009.

REASONS FOR THE TRANSACTION

Sun Hing is appointed by the Company to provide insurance broking services to the Group in respect principally of medical, staff life, car and other general insurances on a non-exclusive basis.

The ability to secure the services of Sun Hing on a non-exclusive basis allows the Group to have readily available insurance broking services for its expanding fleet and workforce whilst maintaining the ability to seek competitive insurance covers from other insurance providers.

The Board (including the independent non-executive directors) considers that the terms of the Supplemental Agreement are normal commercial terms, fair and reasonable and the transaction contemplated thereunder is in the interest of the Company and its Shareholders as a whole. The Board (including the independent non-executive directors) is also of the opinion that the Supplemental Agreement is in the ordinary and usual course of business of the Company.

CONTINUING CONNECTED TRANSACTION

Sun Hing is a connected person of the Company by virtue of it being an associate of Dr. Lee Kwok Yin, Simon, a non-executive director of the Company who owns approximately 35% of Sun Hing indirectly. The Supplemental Agreement therefore constitutes a continuing connected transaction of the Company under the Listing Rules.

Given the annual considerations payable by the Company on an annual basis are less than 2.5% of the applicable percentage ratios as defined in the Listing Rules, the related Supplemental Agreement is only subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules and is exempted from the independent shareholders' approval requirement. Details of the Supplemental Agreement and the continuing connected transaction contemplated thereunder will be included in the Company's next published annual report and accounts in compliance with Rules 14A.45 and 14A.46 of the Listing Rules.

THE COMPANY

The Company is one of the world's leading dry bulk shipping companies operating principally in the Asia Pacific region.

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;

"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;

"Group" means the Company and its subsidiaries;

"Hong Kong" means the Hong Kong Special Administrative Region of the People's Republic of China;

"Listing Rules" means The Rules Governing the Listing of Securities on the Stock Exchange;

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| “Service Agreement” | means the service agreement entered into between the Company and Sun Hing dated 4 June 2004 for the provision of insurance broking services by Sun Hing to the Group; |
| “Shareholders” | means the shareholders of the Company; |
| “Stock Exchange” | means The Stock Exchange of Hong Kong Limited; |
| “Sun Hing” | Sun Hing Insurance Brokers Limited; and |
| “Supplemental Agreement” | the supplemental agreement entered into by the Company and Sun Hing on 12 September 2006 for the extension of the Service Agreement in relation to the provision of insurance broking services by Sun Hing to the Group. |

By Order of the Board
Andrew Broomhead
Company Secretary

Hong Kong, 12 September 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, Klaus Nyborg, Paul Charles Over and Wang Chunlin, 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.