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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**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).

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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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 VESSELS**

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\* For identification purposes only

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## DEFINITIONS

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

“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 26 April 2006 entered into between Ocean Falls Limited and the Seller for the acquisition of the First Vessel by Ocean Falls Limited;
“First Vessel”	means a handysize dry bulk carrier of approximately 27,827dwt built in 1997 named “Torm Arawa”. The present flag of the First Vessel is Singapore and the place of registration is Singapore. The Classification Society of the vessel is Lloyd’s Register of Shipping;
“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;

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## DEFINITIONS

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“Latest Practicable Date”	means 11 May 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;
“Second MOA”	means the legally binding unconditional Memorandum of Agreement dated 26 April 2006 entered into between Hawk Inlet Limited and the Seller for the acquisition of the Second Vessel by Hawk Inlet Limited;
“Second Vessel”	means a handysize dry bulk carrier of approximately 27,802dwt built in 1997 named “Torm Pacific”. The present flag of the Second Vessel is Singapore and the place of registration is Singapore. The Classification Society of the vessel is Lloyd’s Register of Shipping;
“Seller”	Torm Singapore Pte. Ltd.;
“Shareholders”	means the shareholders of the Company;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited; and
“Vessels”	means the First Vessel and the Second Vessel.

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LETTER FROM THE BOARD OF DIRECTORS

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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)**

*Executive Directors:*

Christopher Richard Buttery  
Richard Maurice Hext  
Paul Charles Over

*Non-Executive Directors:*

Daniel Rochfort Bradshaw  
Brian Paul Friedman  
Lee Kwok Yin, Simon

*Independent Non-Executive Directors:*

Robert Charles Nicholson  
Patrick Blackwell Paul  
The Earl of Cromer

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

*Hong Kong Principal Office:*

7th Floor, Hutchison House  
10 Harcourt Road  
Central  
Hong Kong

16 May 2006

*To the Shareholders*

Dear Sir or Madam

**DISCLOSEABLE TRANSACTIONS:  
ACQUISITION OF SHIPPING VESSELS**

**INTRODUCTION**

On 27 April 2006, the Directors announced that, two indirect wholly-owned subsidiaries of the Company entered into the MOAs with Torm Singapore Pte. Ltd. on 26 April 2006 to acquire from it the First Vessel and the Second Vessel as described herein each for a consideration of US\$17,550,000 (approximately HK\$136,890,000), being US\$35,100,000 (approximately HK\$273,780,000) in aggregate. Principal terms of the MOAs are set out below in this circular.

The transactions contemplated under the MOAs 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.

\* For identification purposes only

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## LETTER FROM THE BOARD OF DIRECTORS

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### THE MOAs

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

Date : 26 April 2006

Parties : Purchasers : Ocean Falls Limited, for the First MOA;  
and

Hawk Inlet Limited, for the Second MOA,

each being an indirect wholly-owned subsidiary of the Company.

Seller : Torm Singapore Pte. Ltd., which, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, together with its ultimate beneficial owner, 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 Seller is owning of the Vessels and the principal business activity of the ultimate beneficial owner of the Seller is 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 Seller and its ultimate beneficial owner with whom the Company has entered into transactions to acquire, dispose of, or charter in vessels during the 12 months prior to the date of the MOAs.

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## LETTER FROM THE BOARD OF DIRECTORS

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Assets to be acquired: First MOA : A 1997 built handysize dry bulk carrier of approximately 27,827dwt, named “Torm Arawa” (the “First Vessel”). The flag of the First Vessel is presently Singapore and the place of registration is Singapore. The Classification Society of the vessel is Lloyd’s Register of Shipping. The Company intends to change the name of the vessel to “Ocean Falls” 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 1997 built handysize dry bulk carrier of approximately 27,802dwt, named “Torm Pacific” (the “Second Vessel”). The flag of the Second Vessel is presently Singapore and the place of registration is Singapore. The Classification Society of the vessel is Lloyd’s Register of Shipping. The Company intends to change the name of the vessel to “Hawk Inlet”, 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.

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

Consideration : The First Vessel: US\$17,550,000 (approximately HK\$136,890,000);  
The Second Vessel: US\$17,550,000 (approximately HK\$136,890,000)

The total consideration for the Vessels is US\$35,100,000 (approximately HK\$273,780,000), 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 Vessels from which to make a direct comparison. In addition, no third party valuation has been performed on the Vessels.

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## LETTER FROM THE BOARD OF DIRECTORS

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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 internal resources and approximately 60% by redrawing loans from prepaid existing bank loan facilities of the Company.

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 delivery. The delivery date must not be later than June 2006 unless the parties otherwise agree.

Completion : Pursuant to the MOAs, the latest date for completion is 30 June 2006 unless the parties otherwise agree. The Directors currently expect that completion and delivery of the Vessels will take place not later than June 2006. The Company will make a further announcement if delivery does not take place by 30 June 2006.

### 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.

### Financial effects of the acquisitions

Following the delivery of the Vessels, the Group's fixed assets (owned vessels) will increase by the amount of the consideration (US\$35,100,000 (approximately HK\$273,780,000)). Current assets is expected to decrease by US\$14,040,000 (approximately HK\$109,512,000), being 40% of the purchase price funded from internal cash. It is intended that the remaining 60% of the purchase price will be satisfied by redrawing loans from prepaid existing bank loan facilities. Hence, long-term liabilities will increase by US\$19,147,000 (approximately HK\$149,346,600) and current liabilities will increase by US\$1,913,000 (approximately HK\$14,921,400).



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## LETTER FROM THE BOARD OF DIRECTORS

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The Vessels have been operating in the Company's managed fleet for over four years and the Company is familiar with their condition, operation and trade. The managed fleet of the Company refers to those vessels which, from time to time, are operated by the Company through the IHC Pool or are commercially managed by it on behalf of third party owners. The expected benefit following the successful acquisition of the Vessels will be that the Company will have secured additional two vessels for its fleet which is in line with the above strategy.

The Vessels will be operated by Pacific Basin on expiry of their current charter arrangements at which point they in aggregate are estimated to increase the number of the Company's vessel revenue days by approximately 420 days in 2006 and approximately 720 days in 2007 and is expected to enhance earnings accordingly.

The Directors believe that the terms of the MOAs, 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 that the acquisition of the Vessels is in the interests of the Company and the Shareholders as a whole.

### **THE FLEET**

The Company acquired an additional second-hand handysize vessel in April 2006, the delivery of which is expected by the end of May 2006. The Company has also exercised a purchase option in March 2006 over an existing long-term chartered-in vessel ("Shinyo Challenge") which is expected to deliver into the Company's owned fleet within June 2006. These transactions were not discloseable under the Listing Rules. The sellers of these vessels, 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 Seller and its ultimate beneficial owner, the Company and connected persons (as defined in the Listing Rules) of the Company. Further, these sellers have not entered into similar transactions with the Company during the last 12 months.

Following (i) the delivery of the Vessels which transfer from the Company's managed fleet to its owned fleet; (ii) the delivery of the above second-hand vessel; (iii) the delivery of the Shinyo Challenge to the owned fleet; and (iv) the delivery of the Ocean Bulker which was separately announced on 7 December 2005, the handysize fleet will comprise 50 vessels (1,448,548dwt), including 21 owned vessels (609,461dwt), 27 chartered-in vessels (787,545dwt) and two managed vessels (51,542dwt). The Company's handymax fleet comprises two long-term chartered-in vessels (107,194dwt).

The Company also has on order nine newbuilding vessels, two of which are scheduled to deliver in 2006, three in 2007, three in 2008 and one in 2009. Six of these newbuildings (approximately 190,100dwt) will enter into the owned fleet and three (approximately 88,100dwt) 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

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## LETTER FROM THE BOARD OF DIRECTORS

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managed vessels. All of the vessels, with the exception of the two handymax vessels 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 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.

### **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:*

1,287,415,609 shares (Shares of US\$0.10 each) 128,741,560

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 Issuers were as follows:

**Long positions in the Shares, 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 <sup>3</sup>	3,200,000 <sup>1</sup>	27,213,517	2.11%
Richard M Hext	-	4,353,741 <sup>2</sup>	-	-	-	4,353,741	0.34%
Paul C Over	-	-	-	23,535,041 <sup>4</sup>	3,200,000 <sup>1</sup>	26,735,041	2.08%
Simon K Y Lee	-	-	-	71,682,220 <sup>5</sup>	-	71,682,220	5.57%
Patrick B Paul	-	20,000	-	-	-	20,000	0.002%
Daniel R Bradshaw	869,417 <sup>6</sup>	-	-	-	-	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.