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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).

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Pacific Basin Shipping Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 2343)

**DISCLOSEABLE TRANSACTION:
ACQUISITION OF NEWBUILDING VESSEL
TO BE CONSTRUCTED**

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD OF DIRECTORS	
Introduction	3
The MOA	4
Reason for the transaction	5
Further information	6
APPENDIX — GENERAL INFORMATION	7

DEFINITIONS

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

“banking days”	means the days on which banks are open in London, Hong Kong, Tokyo, Singapore, Hamburg and New York;
“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;
“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;
“Latest Practicable Date”	means 29 June 2005, 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 2005 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;
“MOA”	means the legally binding unconditional Memorandum of Agreement dated 17 June 2005 entered into between Eaglehill Trading Limited and Giant Line Inc., S.A. for the acquisition of the Newbuilding Vessel by Eaglehill Trading Limited;
“Newbuilding Vessel”	means a newbuilding handysize dry bulk carrier of approximately 28,100 dwt, to be named “Juniper Beach”. The Newbuilding Vessel will be constructed by a shipyard in Japan and is expected to be delivered during the first half of 2007. It is currently expected that it will be registered upon its delivery under the laws and flag of Hong Kong;
“Purchaser”	Eaglehill Trading Limited;
“Seller”	Giant Line Inc., S.A.;

DEFINITIONS

“SFO”	means Securities and Futures Ordinance (Chapter 572 of the Laws of Hong Kong);
“Shareholders”	means the shareholders of the Company;
“Shares”	means the ordinary shares issued by the Company, with a nominal value of US\$0.10 each, traded in HK dollars and which are listed on the Stock Exchange; and
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited.



Pacific Basin Shipping Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 2343)

Executive Directors:

Christopher Richard Buttery
Mark Malcolm Harris
Paul Charles Over
Richard Maurice Hext

Registered Office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Non-Executive Directors:

Lee Kwok Yin, Simon
Brian Paul Friedman

Hong Kong Principal Office:

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

Independent Non-Executive Directors:

Robert Charles Nicholson
Patrick Blackwell Paul
The Earl of Cromer

2 July 2005

To the Shareholders

Dear Sir or Madam

DISCLOSEABLE TRANSACTION ACQUISITION OF NEWBUILDING VESSEL TO BE CONSTRUCTED

INTRODUCTION

On 17 June 2005 the Directors announced that an indirect wholly-owned subsidiary of the Company entered into a Memorandum of Agreement (the “MOA”) with Giant Line Inc., S.A. to acquire from it the Newbuilding Vessel as described herein for a consideration of US\$27,800,000 (approximately HK\$216,840,000). Principal terms of the MOA are set out below in this circular.

The transaction contemplated under the MOA, only when aggregated with the discloseable transactions announced by the Company on 15 September 2004 and 24 November 2004, constitutes a discloseable transaction 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 acquisition of the Newbuilding Vessel.

LETTER FROM THE BOARD OF DIRECTORS

THE MOA

- Date : 17 June 2005
- Parties : Purchaser : Eaglehill Trading Limited, a wholly-owned subsidiary of the Company
- Seller : Giant Line Inc., S.A., 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, the principal business activity of the Seller is the owning of the Newbuilding Vessel and the principal business activity of the ultimate beneficial owner of the Seller is owning and operating of shipping vessels.
- Asset to be acquired : A newbuilding handysize dry bulk carrier of approximately 28,100 dwt, to be named "Juniper Beach". The Newbuilding Vessel will be constructed by a shipyard in Japan and is expected to be delivered during the first half of 2007. It is currently expected that it will be registered upon its delivery under the laws and flag of Hong Kong and will be operated by the Company.
- Consideration : US\$27,800,000 (equivalent to HK\$216,804,000), 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 newbuildings 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 newbuildings of the exact size of the Newbuilding Vessel from which to make a direct comparison with the exception of the Company's purchase of a newbuilding contract for a sister vessel, to be named "Port Angeles", a newbuilding handysize dry bulk carrier of approximately 28,000 dwt, to be constructed in Japan, with an expected delivery by or before 31 August 2006 for a purchase consideration of US\$21,500,000, as announced by the Company on 15 September 2004. The higher price for the Newbuilding Vessel compared with that of the "Port Angeles" is in line with the increase in market prices for handysize newbuilding contracts over the last nine months. In addition, no third party valuation has been performed on the Newbuilding Vessel.
- The Directors believe that such consideration, which was determined after arm's length negotiation, is fair and reasonable so far as the Company and the Shareholders are concerned.

LETTER FROM THE BOARD OF DIRECTORS

It is intended that payment of the purchase price will be satisfied entirely in cash, 40% of which is expected to be funded from internal resources and 60% from new bank borrowings, which the Company intends to arrange nearer the time of delivery of the Newbuilding Vessel. 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 Vessel will be funded from internal resources.

- Payment terms : Under the MOA, the consideration shall be paid in the following manner:
- no more than 10% of the purchase price shall be paid at the time of the signing of the MOA; and
 - the balance of the purchase price shall be shall be paid in 2007.
- Completion : Pursuant to the MOA, the latest date for completion is 30 June 2007 unless the parties otherwise agree. The Directors currently expect that completion and delivery of the Newbuilding Vessel will take place during the first half of 2007 in Japan.

REASON FOR THE TRANSACTION

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 transaction outlined above is consistent with this strategy.

The expected benefit following the successful acquisition of the Newbuilding Vessel is that the Company will have an expanded fleet of modern vessels in line with the above strategy and in line with the current customer requirements. As at the Latest Practicable Date, the Company has a fleet of 47 vessels (1,405,874 dwt), comprising 33 owned vessels (966,216 dwt), 10 chartered-in vessels (332,487 dwt) and 4 managed vessels (107,171 dwt). Following the signing of the MOA, the Company shall have increased the number of newbuilding vessels on order from five to six, two of which are scheduled to deliver in June and August 2005, three in August and November 2006 and one during the first half of 2007. Four of these newbuildings (116,100 dwt) will enter into the owned fleet and two will enter into the chartered-in fleet (64,000 dwt). Following the delivery of the Newbuilding Vessel, the Group's fixed assets will increase whilst current assets will decrease in proportion to the amount of the purchase price funded from internal resources and long-term liabilities will increase in proportion to the amount of the purchase price funded from new bank borrowings. Upon delivery of the Newbuilding Vessel, the Group's vessel revenue days will increase by an expected 180 days in 2007 and is expected to enhance earnings accordingly.

The Directors believe that the terms of the MOA are fair and reasonable so far as the Company and the Shareholders are concerned, and that the acquisition of the Newbuilding Vessel is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD OF DIRECTORS

The ultimate beneficial owner of the Seller is the same as that of the Newbuilding Vessels acquired previously by the Company as announced on 15 September 2004 (in respect of the Company's purchase of a newbuilding contract for a vessel, to be named "Port Angeles", a newbuilding handysize dry bulk carrier of approximately 28,000 dwt, to be constructed in Japan, with an expected delivery by or before 31 August 2006 for a purchase consideration of US\$21,500,000) and 24 November 2004 (in respect of the Company's purchase of a newbuilding contract for a vessel, to be named "Cape Knox", a newbuilding handysize dry bulk carrier of approximately 28,000 dwt, to be constructed in Japan, with an expected delivery by or before 30 November 2006 for a purchase consideration of US\$21,500,000).

Accordingly, the transaction contemplated under the MOA, only when aggregated with these other discloseable transactions, constitutes a discloseable transaction 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 acquisition of the Newbuilding Vessel.

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:

1,267,010,609 shares (Shares of US\$0.10 each) 126,701,060

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 or dealt in on 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, or (b) were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, 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	—	—	—	4,782,623 ³	4,800,000 ¹	9,582,623	0.76%
Richard M Hext	—	3,333,333 ²	—	—	5,000,000 ²	8,333,333	0.66%
Mark M Harris	—	—	—	—	4,800,000 ¹	4,800,000	0.38%
Paul C Over	—	—	—	4,782,623 ⁴	4,800,000 ¹	9,582,623	0.76%
Brian P Friedman	95,645,757 ⁵	—	—	—	—	95,645,757	7.55%
Simon K Y Lee	—	—	—	53,208,927 ⁶	—	53,208,927	4.20%

Notes:

- (1) On 14 July 2004, each of Christopher Buttery, Mark Harris 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.
 - (2) On 5 April 2005, Mr Hext joined the Company as an executive Director and he was entitled to a grant of 5 million Share options, granted pursuant to the Long Term Incentive Scheme on this date. The subscription price is HK\$3.875 per Share. In relation to the grant of 5,000,000 Share options, 1,000,000 Share options are exercisable for each of the following period (i) from 5 April 2006 to 14 July 2014, (ii) from 5 April 2007 to 14 July 2014, (iii) from 5 April 2008 to 14 July 2014, (iv) from 5 April 2009 to 14 July 2014, and (v) from 5 April 2010 to 14 July 2014.
- On 16 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 will vest on 5 April 2006, 666,667 Shares will vest on 5 April 2007, 666,667 Shares will be vest on 5 April 2008, 666,666 Shares will vest on 5 April 2009 and 666,666 Shares will vest on 5 April 2010.
- (3) 4,782,623 Shares are beneficially owned by Plymouth Shipping Investments Limited, which is wholly owned by Turnwell Limited and Ansleigh Limited in equal shares. 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) 4,782,623 Shares are beneficially owned by Plymouth Shipping Investments Limited, which is wholly owned by Turnwell Limited and Ansleigh Limited in equal shares. 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) Mr Friedman is a managing member of FS Private Investments LLC, which is the manager of each of Furman Selz Investors II L.P., FS Employee Investors LLC and FS Parallel Fund LP, being the members of IDB Carriers (BVI) Limited. Under these arrangements, Mr Friedman is entitled, as a managing member of FS Private Investments LLC, to exercise or control the exercise of rights conferred by the holding of all the shares in IDB Carriers (BVI) Limited. Accordingly, Mr Friedman is taken to be interested in the 95,645,757 Shares held by IDB Carriers (BVI) Limited.
- (6) 9,394,930 Shares, 1,059,725 Shares, 22,335,373 Shares, 13,141,899 Shares, 2,277,000 Shares and 5,000,000 Shares are beneficially owned by Asia Distribution Limited, Firelight Investments Limited, Eagle Pacific International Limited, Eagle Sky Investments 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.

(ii) Interests of Shareholders discloseable pursuant to the SFO

As at the Latest Practicable Date, so far as is known to the Directors, the following parties have an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of 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:

Name	Capacity/Nature of Interest	Number of Shares	Approximate percentage of issued share capital of the Company (%)
Pembroke	Beneficial owner	149,219,597	11.78

Save as disclosed above, the Directors are not aware that there is any party who, as at the Latest Practicable Date, 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 meeting 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 HM 11, 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.