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B Pacific Basin Shipping Limited
(incorporated in Bermuda with limited liability)
(Stock Code: 2343)

**DISCLOSEABLE TRANSACTIONS:
ACQUISITION OF VESSELS TO BE CONSTRUCTED
AND
SALE OF A VESSEL AND
TIME CHARTER BACK OF THAT VESSEL**

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DEFINITIONS

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 vessel’s flag state and the international conventions of which that flag state 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 22 December 2006 entered into between the First MOA Purchaser and Giant Line for the acquisition of Vessel A by the First MOA Purchaser;
“First MOA Purchaser”	Helen Shipping (BVI) Limited;
“Forward Contracts”	means the forward foreign exchange contracts the Company entered into with a bank with the objective to mitigate the risks arising from the fluctuation of exchange rates between US Dollars and Japanese Yen during the construction of the Newbuilding Vessels, under which the Company will, in aggregate, buy JPY6,100,000,000 and simultaneously sell approximately US\$55,693,000. The settlement dates are set according to the payment terms of the First MOA and the Second MOA;
“Giant Line”	Giant Line Inc., S.A., being the seller of the Newbuilding Vessels;

DEFINITIONS

“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;
“HK Dollars” or “HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;
“IHC Pool”	the International Handybulk Carriers Pool, established in October 2001, which is a contractual arrangement for the sharing of revenue earned by vessels entered into by its members. The IHC Pool is operated by International Handybulk Carriers Limited, a wholly-owned subsidiary of the Company;
“IHX Pool”	the International Handymax Carriers Pool, which is a contractual arrangement for the sharing of revenue earned by vessels entered into by its members and is operated by International Handymax Carriers Limited, a wholly-owned subsidiary of the Company;
“Japanese Yen” or “JPY”	means Japanese yen, the lawful currency of Japan;
“Latest Practicable Date”	means 1 March 2007, 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, the Second MOA and the Third MOA;
“Newbuilding Vessels”	means Vessel A and Vessel B, and a “Newbuilding Vessel” shall mean each and any one of them as the context so requires;

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“Second MOA”	means the legally binding unconditional Memorandum of Agreement dated 13 February 2007 entered into between the Second MOA Purchaser and Giant Line for the acquisition of Vessel B by the Second MOA Purchaser;
“Second MOA Purchaser”	Investors Choice Limited;
“Shareholders”	means the shareholders of the Company;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Third MOA”	means the legally binding unconditional Memorandum of Agreement dated 12 February 2007 (European Time) entered into between the Third MOA Purchaser and Oak Harbour Limited for the sale of Vessel C to the Third MOA Purchaser;
“Third MOA Purchaser”	K/S Danskib 59;
“US Dollars” or “US\$”	means United States dollars, the lawful currency of the United States;
“Vessel A”	means a newbuilding handysize dry bulk carrier of approximately 28,000dwt. The newbuilding vessel, with hull no. S-650, will be constructed by a shipyard in Japan and is expected to be delivered during the first half of 2008. It is currently expected that it will be registered upon its delivery under the laws and flag of Hong Kong;
“Vessel B”	means a newbuilding handysize dry bulk carrier of approximately 28,000dwt. The newbuilding vessel, with hull no. S-H539, will be constructed by the same shipyard in Japan as Vessel A and is expected to be delivered during the third quarter of 2009. It is currently expected that it will be registered upon its delivery under the laws and flag of Hong Kong; and
“Vessel C” or “Oak Harbour”	means a 1995 built handysize dry bulk carrier of 28,760dwt, named “Oak Harbour”. The present flag of the vessel is Hong Kong and its place of registration is Hong Kong. The Classification Society of the vessel is Nippon Kaiji Kyokai.

LETTER FROM THE BOARD OF DIRECTORS

B Pacific Basin Shipping Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 2343)

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Robert Charles Nicholson
Patrick Blackwell Paul
The Earl of Cromer
David Muir Turnbull

6 March 2007

To the Shareholders

Dear Sir or Madam

**DISCLOSEABLE TRANSACTIONS:
ACQUISITION OF VESSELS TO BE CONSTRUCTED
AND
SALE OF A VESSEL AND
TIME CHARTER BACK OF THAT VESSEL**

INTRODUCTION

On 13 February 2007, the Directors announced that,

(A) Acquisition of Vessels to be Constructed

On 22 December 2006, an indirect wholly-owned subsidiary of the Company entered into the First MOA with Giant Line Inc., S.A. to acquire from it a newbuilding handysize vessel (Vessel A) for a consideration of approximately US\$27,900,000 (approximately HK\$217,620,000).

On 13 February 2007, another indirect wholly-owned subsidiary of the Company entered into the Second MOA also with Giant Line Inc., S.A. to acquire from it another newbuilding handysize vessel (Vessel B) for a consideration of approximately US\$27,793,000 (approximately HK\$216,785,400).

LETTER FROM THE BOARD OF DIRECTORS

Pursuant to the First MOA and the Second MOA, the consideration for both vessels is denominated in Japanese Yen with each vessel being priced at JPY3,050,000,000 and at an aggregate of JPY6,100,000,000 or approximately US\$55,693,000 (approximately HK\$434,405,400). The above consideration in US Dollars is converted according to the forward exchange rates stipulated under certain forward foreign exchange contracts that were entered into with a bank in relation to the acquisitions.

(B) Sale of a Vessel and Time Charter Back of that Vessel

On 12 February 2007 (European Time), another indirect wholly-owned subsidiary of the Company entered into the Third MOA with K/S Danskib 59 to sell to it a handysize vessel, named Oak Harbour (Vessel C), for a consideration of US\$24,000,000 (approximately HK\$187,200,000).

Simultaneously with the signing of the Third MOA, an indirect wholly-owned subsidiary of the Company, being the charterer, entered into a time charterparty with K/S Danskib 59 to charter Vessel C back into the Company's chartered fleet at an agreed charter rate for a fixed period of 3 years commencing immediately upon the delivery of Vessel C.

The time charterparty does not constitute a discloseable transaction of the Company under the Listing Rules.

There is no relationship between (A) the acquisition of vessels to be constructed under the First MOA and the Second MOA and (B) the sale of the vessel contemplated under the Third MOA, other than that the Second MOA and the Third MOA were signed at around the same time.

Principal terms of the MOAs are set out below in this circular.

The acquisition of Vessel A and Vessel B will enable the Company to secure two additional newbuilding vessels for its handysize fleet. On the other hand, the sale of Vessel C will enable the Company to release one of the oldest vessels from its own fleet and generate cash with the intention to be used for general working capital and for funding any investment projects that the Company may enter into in the future should suitable opportunities arise. The simultaneous time charter of Vessel C back to the Company's chartered fleet for 3 years allows the Company to retain commercial control over Vessel C until the deliveries of Vessel A and Vessel B. These transactions are consistent with the Company's strategy in maintaining a modern handysize fleet.

The transactions contemplated under the MOAs are not discloseable individually.

With regard to the First MOA and the Second MOA, as the seller of Vessel A and Vessel B is the same, the transactions contemplated under the First MOA and the Second MOA, when aggregated, constitute discloseable transactions of the Company under the Listing Rules.

LETTER FROM THE BOARD OF DIRECTORS

With regard to the Third MOA, as the ultimate beneficial owner of K/S Danskib 59 is the same as that of K/S Danskib 55 and K/S Danskib 54 to whom the Company sold “Patagonia” and “Ocean Logger” respectively (as previously disclosed in our announcement dated 12 September 2006 and our circular dated 3 October 2006), the transaction contemplated under the Third MOA, when aggregated with the previously announced 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 transactions contemplated under the MOAs.

THE ACQUISITION OF VESSELS TO BE CONSTRUCTED

Background

On 22 December 2006, an indirect wholly-owned subsidiary of the Company entered into the First MOA with Giant Line Inc., S.A. to acquire from it Vessel A for a consideration of approximately US\$27,900,000 (approximately HK\$217,620,000). Vessel A is a newbuilding handysize vessel to be constructed and equipped by a shipyard in Japan and is currently expected to be delivered in the first half of 2008.

On 13 February 2007, another indirect wholly-owned subsidiary of the Company entered into the Second MOA also with Giant Line Inc., S.A. to acquire from it Vessel B for a consideration of approximately US\$27,793,000 (approximately HK\$216,785,400). Vessel B is a newbuilding handysize vessel to be constructed and equipped by the same shipyard in Japan as Vessel A, and is currently expected to be delivered in the third quarter of 2009.

Principal terms of the First MOA and the Second MOA are set out below.

The First MOA and the Second MOA

The First MOA and the Second MOA are legally binding, of broadly similar terms and conditions and are described below:

Date : 22 December 2006, for the First MOA; and
13 February 2007, for the Second MOA.

Parties : Purchasers : Helen Shipping (BVI) Limited, for the First MOA (“First MOA Purchaser”); and
Investors Choice Limited, for the Second MOA (“Second MOA Purchaser”),
each being an indirect wholly-owned subsidiary of the Company.

LETTER FROM THE BOARD OF DIRECTORS

Seller : Giant Line Inc., S.A. (“Giant Line”), which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, together with its ultimate beneficial owner, are not connected persons (as defined in the Listing Rules) of the Company and 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 Giant Line is the owning of shipping vessels (including the Newbuilding Vessels) and the principal business activity of the ultimate beneficial owner of Giant Line 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, the Company has not entered into any transaction with Giant Line or with parties connected or otherwise associated with one another and there are no other relationships amongst Giant Line or its ultimate beneficial owner with whom the Company has entered into transactions (including the Third MOA Purchaser and its ultimate beneficial owner) to acquire, dispose of, or charter in vessels during the 12 months prior to the date of the First MOA and the Second MOA.

Assets to be acquired : In respect of the First MOA, a newbuilding handysize dry bulk carrier of approximately 28,000dwt (“Vessel A”); and

in respect of the Second MOA, a newbuilding handysize dry bulk carrier of approximately 28,000dwt (“Vessel B”).

Both Newbuilding Vessels will be constructed and equipped by the same shipyard in Japan. It is currently expected that the Newbuilding Vessels will be registered under the laws and flag of Hong Kong and will be operated by the Company upon their respective deliveries.

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Consideration : Vessel A : JPY3,050,000,000, or approximately US\$27,900,000 (approximately HK\$217,620,000); and

Vessel B : JPY3,050,000,000, or approximately US\$27,793,000 (approximately HK\$216,785,400).

Pursuant to the First MOA and the Second MOA, the consideration for both Newbuilding Vessels is denominated in Japanese Yen with each Newbuilding Vessel being priced at JPY3,050,000,000. The total consideration for the Newbuilding Vessels is JPY6,100,000,000, or approximately US\$55,693,000 (approximately HK\$434,405,400) in aggregate. The above consideration in US Dollars is converted according to the forward exchange rates stipulated in the Forward Contracts.

With the objective to mitigate the risks arising from the fluctuation of exchange rates between US Dollars and Japanese Yen during the construction of the Newbuilding Vessels, the Company has entered into certain forward foreign exchange contracts with a bank (the "Forward Contracts") to buy a total of JPY6,100,000,000 and simultaneously sell approximately US\$55,693,000 (approximately HK\$434,405,400).

Such consideration 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 newbuildings of the exact size and year of scheduled delivery of the Newbuilding Vessels from which to make a direct comparison. 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 consideration of the Newbuilding Vessels will be satisfied entirely in cash, approximately 40% of which is expected to be funded 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 Newbuilding Vessels. The Company expects such bank borrowings could be long-term in nature and on similar terms as the Company's existing facilities.

LETTER FROM THE BOARD OF DIRECTORS

Payment terms : Under the First MOA, 10% of the consideration, being JPY305,000,000, or approximately US\$2,647,000 (approximately HK\$20,646,600) converted pursuant to the Forward Contracts, was paid at the time of signing the First MOA, with the balance payable during 2008.

Under the Second MOA, 10% of the consideration, being JPY305,000,000, or approximately US\$2,538,000 (approximately HK\$19,796,400) converted pursuant to the Forward Contracts, was paid at the time of signing the Second MOA, with the balance payable during 2008 and 2009.

The outstanding payments will be made according to the stages of construction of the Newbuilding Vessels and the amount to be made by the Company for the Newbuilding Vessels is currently expected to be approximately US\$28,000,000 (approximately HK\$218,400,000) in the financial year 2008 and approximately US\$22,508,000 (approximately HK\$175,562,400) in the financial year 2009, being US\$50,508,000 (approximately HK\$393,962,400) in total.

Guarantees : In connection with the purchase of the Newbuilding Vessels, PB Vessels Holding Limited, a direct wholly-owned subsidiary of the Company, has entered into guarantees with Giant Line to guarantee the performance of each of the First MOA Purchaser and the Second MOA Purchaser of all their obligations, duties and liabilities under the First MOA and the Second MOA, respectively.

Completion and delivery : Pursuant to the First MOA, the latest date for completion is 30 June 2008 unless the parties otherwise agree. The Directors currently expect that the completion and delivery of Vessel A will take place in the first half of 2008. The Company will make a further announcement if the delivery of Vessel A does not take place by 30 June 2008.

Pursuant to the Second MOA, the latest date for completion is 30 September 2009 unless the parties otherwise agree. The Directors currently expect that the completion and delivery of Vessel B will take place in the third quarter of 2009. The Company will make a further announcement if the delivery of Vessel B does not take place by 30 September 2009.

LETTER FROM THE BOARD OF DIRECTORS

Financial Effects of the Acquisition 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 aggregate consideration of approximately US\$55,693,000 (approximately HK\$434,405,400). It is intended that approximately 40% of the consideration of the Newbuilding Vessels will be satisfied by redrawing loans from prepaid existing bank loan facilities of the Company and approximately 60% of the consideration of the Newbuilding Vessels 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\$50,401,000 (approximately HK\$393,127,800) and current liabilities are expected to increase by US\$5,292,000 (approximately HK\$41,277,600).

The acquisition of the Newbuilding Vessels will enable the Company to secure two additional newbuilding vessels for its handysize fleet. Accordingly, the expected benefit following the acquisition of the Newbuilding Vessels will be an anticipated increase in handysize revenue days of approximately 210 days in 2008 and approximately 510 days in 2009. Such increase in handysize revenue days is expected to enhance earnings accordingly.

THE SALE AND TIME CHARTER BACK OF "OAK HARBOUR"

Background

On 12 February 2007 (European Time), another indirect wholly-owned subsidiary of the Company entered into the Third MOA with K/S Danskib 59 to sell to it Oak Harbour (Vessel C), a 1995 built handysize vessel, for a consideration of US\$24,000,000 (approximately HK\$187,200,000).

In addition, simultaneously with the signing of the Third MOA, an indirect wholly-owned subsidiary of the Company, being the charterer, entered into a time charterparty with K/S Danskib 59 to charter Vessel C back into the Company's chartered fleet at an agreed charter rate for a fixed period of 3 years commencing immediately upon the delivery of Vessel C.

Principal terms of the Third MOA and the time charterparty are set out below.

LETTER FROM THE BOARD OF DIRECTORS

The Third MOA

The terms and conditions in the legally binding Third MOA are described below:

Date : 12 February 2007 (European Time)

Parties : Purchaser : K/S Danskib 59 (“Third MOA Purchaser”), which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, together with its ultimate beneficial owner, are not connected persons (as defined in the Listing Rules) of the Company and 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 Third MOA Purchaser will be the owning of Vessel C. The principal business activity of the ultimate beneficial owner of the Third MOA Purchaser is the owning of shipping vessels.

The ultimate beneficial owner of the Third MOA Purchaser is also the same as that of (i) the purchasers of “Patagonia” and “Ocean Logger” and (ii) the seller of “Shinyo Challenge” (now renamed “Mount Cook”), which were previously disclosed in our announcement dated 12 September 2006 and our circular dated 3 October 2006. As previously disclosed, the Company acquired “Shinyo Challenge” by exercising a purchase option granted to it under a charterparty agreement in March 2006 (“Shinyo Challenge Acquisition”). The Shinyo Challenge Acquisition itself did not constitute a discloseable transaction under the Listing Rules and is not related to the present transaction involving the sale of Vessel C, nor is it related to the sale of “Patagonia” and “Ocean Logger”. Hence, the sale of Vessel C under the Third MOA and the sale of “Patagonia” and “Ocean Logger” are not required to be aggregated with the Shinyo Challenge Acquisition under the Listing Rules.

LETTER FROM THE BOARD OF DIRECTORS

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 12 September 2006 and the circular dated 3 October 2006 in relation to the sales of "Patagonia" and "Ocean Logger" and the Shinyo Challenge Acquisition, the Company has not entered into any transaction with the Third MOA Purchaser or with parties connected or otherwise associated with one another and there are no other relationships amongst the Third MOA Purchaser or its ultimate beneficial owner with whom the Company has entered into transactions (including Giant Line and its ultimate beneficial owner) to acquire, dispose of, or charter in vessels during the 12 months prior to the date of the Third MOA.

Seller : Oak Harbour Limited, being an indirect wholly-owned subsidiary of the Company.

Asset to be sold : A 1995 built handysize dry bulk carrier of 28,760dwt, named "Oak Harbour" ("Vessel C"). The flag of Vessel C is presently Hong Kong and the place of registration is Hong Kong. The Classification Society of the vessel is Nippon Kaiji Kyokai.

Net profits attributable to Vessel C : US\$595,000 (approximately HK\$4,641,000) for the period from 16 August 2004 (being the date of incorporation of Oak Harbour Limited) to 31 December 2004 and US\$2,622,000 (approximately HK\$20,451,600) for the year ended 31 December 2005.

There is no taxation on the net profits attributable to Vessel C.

Carrying value of Vessel C : The carrying value of Vessel C in the Company's accounts was approximately US\$14,472,000 (approximately HK\$112,881,600) as at 12 February 2007.

LETTER FROM THE BOARD OF DIRECTORS

Consideration : US\$24,000,000 (approximately HK\$187,200,000), which includes a commission payable by the Company to a third party in relation to the completion of the Third MOA, representing 2% on the underlying consideration, i.e. US\$480,000 (approximately HK\$3,744,000). Such consideration (including the commission payable) 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 Vessel C from which to make a direct comparison. In addition, no third party valuation has been performed on Vessel C.

The Directors believe that such consideration (including the commission payable), 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.

Payment terms : Under the Third MOA, the consideration for the sale of Vessel C shall be receivable in the following manner:

- 10% of the consideration (being the deposit) was received at the time of signing the Third MOA; and
- The balance of the consideration shall be received in full upon the delivery of Vessel C.

Completion and delivery : Pursuant to the Third MOA, the latest date for completion is 31 May 2007 unless the parties otherwise agree. The Directors currently expect that the completion and delivery of Vessel C will take place in the second quarter of 2007. The Company will make a further announcement if the delivery of Vessel C does not take place by 31 May 2007.

Expected disposal gain : The estimated gain that is expected to accrue to the consolidated income statement of the Company in the financial year ending 31 December 2007 in respect of Vessel C is US\$9,048,000 (approximately HK\$70,574,400). The estimated gain is calculated as the difference between the sale price of Vessel C, net of the commission payable to a third party, and its approximate carrying value in the Company's accounts at 12 February 2007.

LETTER FROM THE BOARD OF DIRECTORS

Application of sale proceeds : The Company intends to retain the sale proceeds of Vessel C, after paying the commission of US\$480,000 (approximately HK\$3,744,000) to a third party in relation to the completion of the Third MOA, for general working capital and for funding investment projects that may be entered into by the Company in the future should suitable opportunities arise. As of the Latest Practicable Date, the Company has not entered into any negotiations or agreements in relation to such initiatives. In the event that the Company enters into any such agreements, it will comply with the relevant requirements under the Listing Rules.

The Time Charterparty

In addition, simultaneously with the signing of the Third MOA, an indirect wholly-owned subsidiary of the Company, being the charterer, entered into a time charterparty with the Third MOA Purchaser to charter Vessel C back into the Company's chartered fleet at an agreed charter rate for a fixed period of 3 years from 31 May 2007, or such earlier time if Vessel C is to be delivered before this date. The Company does not have the option to re-purchase Vessel C during or at the end of the charter period.

The time charter rate of Vessel C was determined after arm's length negotiation, on normal commercial terms and by reference to the consideration receivable for Vessel C. The time charter rate is considered to be competitive as compared with the current market time charter rates.

The time charterparty is a separate agreement to the Third MOA and they are not interconditional. The transaction to time charter Vessel C back will be classified as an operating lease in accordance with the Hong Kong Accounting Standard No. 17 "Leases". As the entering into of this operating lease, when calculated alone or aggregated with the operating leases under the time charters of "Patagonia" and "Ocean Logger" as previously disclosed in the announcement dated 12 September 2006 and the circular dated 3 October 2006, do not represent a 200% or more increase in the scale of the Company's existing operations conducted through lease arrangements of such kind, the time charterparty in respect of Vessel C does not constitute a discloseable transaction of the Company under Rule 14.04(1)(d) of the Listing Rules.

Financial Effects of the Sale and Time Charter Back of "Oak Harbour"

Following the disposal and delivery of Vessel C, the Group's fixed assets (owned vessels) will decrease by the carrying value of Vessel C of approximately US\$14,472,000 (approximately HK\$112,881,600). Current assets are expected to increase by US\$23,520,000 (approximately HK\$183,456,000), representing the net sale proceeds receivable by the Company after paying the commission of US\$480,000 (approximately HK\$3,744,000) to a third party in relation to the completion of the Third MOA. The sale of Vessel C will also result in a disposal gain of approximately US\$9,048,000 (approximately HK\$70,574,400) in the consolidated income statement of the Company for the financial year ending 31

LETTER FROM THE BOARD OF DIRECTORS

December 2007. The transaction to charter Vessel C back will be classified as an operating lease with the charter-hire payments to be accounted for as operating lease expenses during the charter period in accordance with the Hong Kong Accounting Standard No. 17 “Leases”.

The sale and time charter back of Vessel C will not have any effect upon the number of handysize revenue days nor have a significant effect upon the earnings of the Group during the 3-year charter period.

REASONS FOR THE TRANSACTIONS

The Company is one of the world’s leading dry bulk shipping companies operating principally in the Asia Pacific region. It has been seeking opportunities to acquire additional handysize and handymax vessels to expand its fleet to meet growing customer demand and to deliver sustainable growth and long-term shareholder value. With a large fleet of modern vessels, Pacific Basin seeks to offer its customers a reliable service with a high degree of scheduling flexibility whilst maintaining the Company’s operational efficiency.

The acquisition of the Newbuilding Vessels will enable the Company to secure two additional newbuilding vessels for its handysize fleet. On the other hand, the sale of Vessel C will enable the Company to release one of the oldest vessels from its own fleet and generate cash with the intention to be used for general working capital and for funding investment projects that the Company may enter into in the future should suitable opportunities arise. The simultaneous time charter of Vessel C back to the Company’s chartered fleet for 3 years allows the Company to retain commercial control over Vessel C until the deliveries of the Newbuilding Vessels. Accordingly, the transactions contemplated under the MOAs are consistent with the strategy of maintaining a modern handysize fleet.

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 the acquisition of the Newbuilding Vessels and the sale and time charter back of Vessel C 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, the Group’s fixed assets (owned vessels) will increase by approximately US\$41,221,000 (approximately HK\$321,523,800). Current assets are expected to increase by US\$23,520,000 (approximately HK\$183,456,000), being the net sale proceeds of Vessel C after paying the commission to a third party in relation to the completion of the Third MOA. The sale of Vessel C will also result in a disposal gain in the financial year ending 31 December 2007 of approximately US\$9,048,000 (approximately HK\$70,574,400). It is intended that the consideration of the Newbuilding Vessels will be satisfied by redrawing loans from prepaid existing bank loan facilities of the Company and 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\$50,401,000 (approximately HK\$393,127,800) and current liabilities are expected to increase by US\$5,292,000 (approximately HK\$41,277,600).

LETTER FROM THE BOARD OF DIRECTORS

The completion of the transactions under the MOAs will have no effect to the number of handysize revenue days in 2007 whilst the Company currently expects an increase in handysize revenue days by approximately 210 days in 2008 and approximately 510 days in 2009 after the respective deliveries of the Newbuilding Vessels. Such increase in handysize revenue days is expected to enhance earnings accordingly.

THE FLEET

Handysize Fleet

Following the completion and delivery of Vessel C from the owned fleet to the chartered fleet, the Company's core handysize fleet will comprise 58 vessels (1,690,421dwt), including 21 owned vessels (625,036dwt), 33 long-term chartered-in vessels (963,205dwt) and four managed vessels (102,180dwt). All handysize vessels, except one (28,730dwt), are employed in a mixture of voyage charters and time charters through the IHC Pool. Outside the core handysize fleet, the IHC Pool also operates a number of short-term chartered-in vessels, amounting to four vessels as at the Latest Practicable Date.

In addition, following the signing of the First MOA and the Second MOA, the Company shall have increased the number of newbuilding vessels on order to 12 (approximately 367,000dwt in aggregate), four of which are scheduled to deliver in 2007, four in 2008 and four in 2009. All these newbuilding vessels, except one (approximately 28,100dwt) which will be employed on long-term time charter, will enter into the Company's owned fleet upon their deliveries.

Handymax Fleet

As at the Latest Practicable Date, the Company's core handymax fleet comprises six vessels (309,082dwt), including two owned vessels (97,972dwt) and four long-term chartered-in vessels (211,110dwt). All handymax vessels, with the exception of two vessels (107,194dwt) which are employed on long-term time charters, are employed in a mixture of time charters and voyage charters through the IHX Pool. Outside the core handymax fleet, the IHX Pool also operates a number of short-term chartered-in vessels, amounting to 18 vessels as at the Latest Practicable Date.

In addition, the Company has entered into a construction and sale contract with a Japanese shipbuilding company to acquire from it a newbuilding handymax vessel of approximately 54,000dwt. The delivery of the vessel is currently scheduled to be in the second half of 2008. Such acquisition did not constitute a discloseable transaction under the Listing Rules.

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.

LETTER FROM THE BOARD OF DIRECTORS

The transactions contemplated under the First MOA and the Second MOA, when aggregated, constitute discloseable transactions of the Company under the Listing Rules. The transaction contemplated under the Third MOA, when aggregated with the sale of “Patagonia” and “Ocean Logger” as previously disclosed in our announcement dated 12 September 2006 and our circular dated 3 October 2006, 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 transactions contemplated under the MOAs.

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

Note: An exchange rate of US\$1.00 to HK\$7.80 has been used for the conversion of US Dollars into HK Dollars for the purpose of this circular.

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:

<i>Authorised:</i>	<i>US\$</i>
3,600,000,000 shares (Shares of US\$0.10 each)	360,000,000

<i>Issued:</i>	
1,558,182,609 shares (Shares of US\$0.10 each)	155,818,260

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 each Director and the Chief Executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“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 to be notified to the Company and the Stock Exchange, 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	–	2,813,308	–	10,786,905 ³	1,600,000 ¹	15,200,213	0.98%
Richard M. Hext	–	3,653,741 ²	–	–	–	3,653,741	0.23%
Paul C. Over	–	–	–	11,767,521 ⁴	1,600,000 ¹	13,367,521	0.86%
Dr. Lee Kwok Yin, Simon	–	–	–	131,106,220 ⁵	–	131,106,220	8.41%
Patrick B. Paul	–	20,000	–	–	–	20,000	0.001%
Daniel R. Bradshaw	869,417 ⁶	–	–	–	–	869,417	0.056%
Wang Chunlin	–	550,000 ⁷	–	–	–	550,000	0.035%
Klaus Nyborg	–	2,900,000 ⁸	–	–	–	2,900,000	0.19%

Notes:

- (1) On 14 July 2004, each of Mr. Buttery and Mr. 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, (i) 1,600,000 share options are exercisable from 14 July 2005 to 14 July 2014, (ii) another 1,600,000 share options are exercisable from 14 July 2006 to 14 July 2014 and (iii) the remaining 1,600,000 share options are exercisable from 14 July 2007 to 14 July 2014.

Each of Mr. Buttery and Mr. Over has exercised their options to subscribe for 1,600,000 Shares in September 2005 and 1,600,000 Shares in August 2006 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, (i) 666,667 Shares have vested on 5 April 2006, (ii) 666,667 Shares will vest on 5 April 2007, (iii) 666,667 Shares will vest on 5 April 2008, (iv) 666,666 Shares will vest on 5 April 2009 and (v) 666,666 Shares will vest on 5 April 2010.

By a Restricted Share Award Agreement dated 20 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 on 28 March 2006 in the form of restricted share

awards, of which (i) 204,080 Shares have vested on 5 April 2006, (ii) 204,080 Shares will vest on 5 April 2007, (iii) 204,080 Shares will vest on 5 April 2008, (iv) 204,080 Shares will vest on 5 April 2009 and (v) 204,088 Shares will vest on 5 April 2010.

- (3) 10,786,905 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) 11,767,521 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, 36,370,000 Shares, 46,906,000 Shares and 4,500,000 Shares are beneficially owned by Asia Distribution Limited, Firelight Investments Limited, Eagle Pacific International Limited, Wellex Investment Limited, Fortress Eagle Investment Limited and Invest Paradise International Limited respectively. These companies are controlled by discretionary trusts established by Dr. Lee, the discretionary objects of which include his family members.
- (6) Mr. Bradshaw is a shareholder holding 100% and 50% of the issued share capital, respectively, 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.
- (7) By a Restricted Share Award Agreement dated 9 March 2006, 550,000 Shares in the form of restricted share awards were granted to Mr. Wang on 24 March 2006 pursuant to the Long Term Incentive Scheme, of which 110,000 Shares have vested on 1 March 2007, and an equal amount of 110,000 Shares will vest on each of 1 March 2008, 2009, 2010 and 2011 respectively.
- (8) Out of the 2,900,000 Shares held by Mr. Nyborg as personal interests, 2,500,000 Shares are in the form of restricted shares granted to him on 19 September 2006 pursuant to the Long Term Incentive Scheme, of which 500,000 Shares have vested on 19 September 2006, and an equal amount of 500,000 Shares will vest on each of 4 September 2008, 2009, 2010 and 2011 respectively.

(ii) Interests of Shareholders discloseable pursuant to the SFO

As at the Latest Practicable Date, so far as is known to the Directors, each of the following parties 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:

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of issued share capital of the Company
Dr. Lee Kwok Yin, Simon	Founder of a discretionary trust	131,106,220	8.41%
BNP Paribas Jersey Trust Corporation Limited ¹	Trustee	131,106,220	8.41%
JP Morgan Chase & Co.	Beneficial owner, investment manager and approved lending agent	92,680,200	5.95%

Note:

- (1) The shares held by BNP Paribas Jersey Trust Corporation Limited are held in the capacity of a trustee for discretionary trusts established by Dr. Lee Kwok Yin, Simon.

Saved as disclosed, 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 meetings 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.