
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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.

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

DISCLOSEABLE TRANSACTIONS:
ACQUISITION OF TWO VESSELS TO BE CONSTRUCTED

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD OF DIRECTORS	
INTRODUCTION	4
BACKGROUND FOR THE TRANSACTIONS.....	5
THE CONTRACTS	6
REASONS FOR THE TRANSACTIONS	10
THE FLEET	10
FURTHER INFORMATION.....	11
APPENDIX – GENERAL INFORMATION	12

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;
“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;
“Contracts”	means Contract A and Contract B; and a “Contract” means each and any one of them as the context so requires;
“Contract A”	means the legally binding contract entered into between Flexi-Fit and the Sellers for the acquisition of Vessel A by Flexi-Fit whereas the rights and obligations of Flexi-Fit under Contract A were sold and transferred to Francesca Shipping (BVI) Limited pursuant to Novation Agreement A;
“Contract B”	means the legally binding contract entered into between Flexi-Fit and the Sellers for the acquisition of Vessel B by Flexi-Fit whereas the rights and obligations of Flexi-Fit under Contract B were sold and transferred to Othello Shipping (BVI) Limited pursuant to Novation Agreement B;
“Directors”	means the directors of the Company;
“dwt”	means deadweight 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;
“Flexi-Fit”	Flexi-Fit Investments Pte. Ltd.;
“GMI”	Guangdong Machinery Imp. & Exp. Co., Ltd.;
“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;

DEFINITIONS

“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, established in July 2006, which is a contractual arrangement for the sharing of revenue earned by vessels entered into by its members. The IHX Pool is operated by International Handymax Carriers Limited, a wholly-owned subsidiary of the Company;
“Latest Practicable Date”	means 27 April 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“JNS”	Jiangmen Nanyang Ship Engineering Co., Ltd.;
“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;
“Newbuilding Vessels”	means Vessel A and Vessel B;
“Novation Agreement A”	means the legally binding novation agreement dated 11 April 2007 entered into between Francesca Shipping (BVI) Limited, GMI, JNS and Flexi-Fit pursuant to which the rights and obligations of Flexi-Fit under Contract A were sold and transferred to Francesca Shipping (BVI) Limited;
“Novation Agreement B”	means the legally binding novation agreement dated 11 April 2007 entered into between Othello Shipping (BVI) Limited, GMI, JNS and Flexi-Fit pursuant to which the rights and obligations of Flexi-Fit under Contract B were sold and transferred to Othello Shipping (BVI) Limited;
“Novation Agreements”	means Novation Agreement A and Novation Agreement B;

DEFINITIONS

“Payment Guarantee”	means the bank guarantee to be provided by each of the Purchasers to the Sellers to guarantee the Purchasers’ obligations for the payment of 45% of the consideration under the Contracts, which can be called upon should any of the Purchasers fail to effect payment of the relevant consideration when it falls due, in a form specified in the Contracts;
“Purchasers”	Francesca Shipping (BVI) Limited and Othello Shipping (BVI) Limited; and a “Purchaser” means each and any one of them as the context so requires;
“Refund Guarantee”	means the bank guarantee to be issued by the Bank of China Ltd., Guangzhou Branch to each Purchaser to guarantee the repayment of any consideration paid by the Purchasers, which can be called upon should any Contract be cancelled and/or rescinded by any of the Purchasers in accordance with its terms and conditions, in a form specified in the Contracts;
“Sellers”	GMI and JNS;
“Shareholders”	means the shareholders of the Company;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“US Dollars” or “US\$”	means United States dollars, the lawful currency of the United States;
“Vessel A”	means a handysize newbuilding dry bulk carrier of approximately 32,000dwt to be constructed and equipped at the shipyard of JNS in Guangdong Province, China. It is currently expected that Vessel A will be delivered in the third quarter of 2009 and will be registered under the laws and flag of Hong Kong upon its delivery; and
“Vessel B”	means a handysize newbuilding dry bulk carrier of approximately 32,000dwt to be constructed and equipped at the shipyard of JNS in Guangdong Province, China. It is currently expected that Vessel B will be delivered in the third quarter of 2009 and will be registered under the laws and flag of Hong Kong upon its delivery.

LETTER FROM THE BOARD OF DIRECTORS

B Pacific Basin Shipping Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 2343)

Executive Directors:

Christopher Richard Buttery
Richard Maurice Hext
Klaus Nyborg
Wang Chunlin
Jan Rindbo

Registered Office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Non-executive Directors:

Daniel Rochfort Bradshaw
Dr. Lee Kwok Yin, Simon

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
David Muir Turnbull

3 May 2007

To the Shareholders

Dear Sir or Madam

DISCLOSEABLE TRANSACTIONS: ACQUISITION OF TWO VESSELS TO BE CONSTRUCTED

INTRODUCTION

On 11 April 2007, the Directors announced that two indirect wholly-owned subsidiaries of the Company (as transferees) entered into two Novation Agreements with Guangdong Machinery Imp. & Exp. Co., Ltd. and Jiangmen Nanyang Ship Engineering Co., Ltd. (the "Sellers") and Flexi-Fit Investments Pte. Ltd. (as original buyer and transferor) pursuant to which the rights and obligations of Flexi-Fit Investments Pte. Ltd. under the Contracts in relation to the acquisition of two handysize newbuilding vessels for a consideration of US\$26,850,000 (approximately HK\$209,430,000) per vessel, were sold and transferred to the transferees for a transfer fee of US\$30,000 (approximately HK\$234,000) under each of the Novation Agreements. As a result, the total consideration for the transactions is US\$53,760,000 (approximately HK\$419,328,000). The Newbuilding Vessels shall be constructed and equipped at the shipyard of Jiangmen Nanyang Ship Engineering Co., Ltd. in Guangdong Province, China and they are currently expected to be delivered in the third quarter of 2009.

LETTER FROM THE BOARD OF DIRECTORS

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

The Directors consider the transactions to be attractive taking into account the contract prices achieved and the early delivery of the Newbuilding Vessels, which compare favourably with the availability of similar newbuildings from shipyards elsewhere.

As the Sellers are the same as whom we purchased two handysize newbuilding vessels from in the prior 12 months period (as previously disclosed in our announcement dated 29 May 2006 and our circular dated 9 June 2006), the transactions contemplated under the Novation Agreements and the Contracts, whether considered separately or when aggregated with these previously announced discloseable transactions, 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.

BACKGROUND FOR THE TRANSACTIONS

Flexi-Fit Investments Pte. Ltd. (“Flexi-Fit”) as buyer has entered into the Contracts with Guangdong Machinery Imp. & Exp. Co., Ltd. (“GMI”) and Jiangmen Nanyang Ship Engineering Co., Ltd. (“JNS”) as sellers in a joint capacity, to acquire from them two handysize newbuilding vessels for a consideration of US\$26,850,000 (approximately HK\$209,430,000) per vessel.

On 11 April 2007, two indirect wholly-owned subsidiaries of the Company (as transferees) entered into two Novation Agreements with GMI and JNS (as sellers) and Flexi-Fit (as original buyer and transferor) pursuant to which the rights and obligations of Flexi-Fit under the Contracts, were sold and transferred to the Purchasers for a transfer fee of US\$30,000 (approximately HK\$234,000) under each of the Novation Agreements. Upon signing of the Novation Agreements, Flexi-Fit has been released from its obligations under the Contracts.

When the transfer fee of US\$30,000 (approximately HK\$234,000) under each of the Novation Agreements is taken into account, the total consideration for the transactions is US\$53,760,000 (approximately HK\$419,328,000). The Newbuilding Vessels shall be constructed and equipped at the shipyard of JNS in Guangdong Province, China and they are currently expected to be delivered in the third quarter of 2009.

Principal terms of the Contracts are set out below.

LETTER FROM THE BOARD OF DIRECTORS

THE CONTRACTS

The Contracts are of identical terms and conditions and are described below:

Date : 11 April 2007 (being the date of the Novation Agreements)

Parties : Purchasers : Francesca Shipping (BVI) Limited (taken together with Novation Agreement A), for Contract A; and

Othello Shipping (BVI) Limited (taken together with Novation Agreement B), for Contract B,

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

Sellers : GMI and JNS, acting in joint capacity, and Flexi-Fit as transferor of the Novation Agreements, each of which, together with their ultimate beneficial owners, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, are 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 GMI is the import and export of machineries and the principal business activity of JNS is the construction of shipping vessels. The principal business activity of Flexi-Fit is the owning and operating of shipping vessels.

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 29 May 2006 and the circular dated 9 June 2006 in relation to the purchase of two handysize newbuilding vessels, the Company has not entered into any transaction with the Sellers, Flexi-Fit or with parties connected or otherwise associated with one another and there are no other relationships amongst the Sellers, Flexi-Fit or their ultimate beneficial owners with whom the Company has entered into transactions to acquire, dispose of, or charter in vessels during the 12 months period prior to the date of the Novation Agreements.

Assets to be acquired: In respect of Contract A, a handysize newbuilding dry bulk carrier of approximately 32,000dwt ("Vessel A"); and

in respect of Contract B, a handysize newbuilding dry bulk carrier of approximately 32,000dwt ("Vessel B").

Both Newbuilding Vessels will be constructed and equipped at the shipyard of JNS in Guangdong Province, China. 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.

Consideration : Vessel A: US\$26,850,000 (approximately HK\$209,430,000); and

Vessel B: US\$26,850,000 (approximately HK\$209,430,000).

LETTER FROM THE BOARD OF DIRECTORS

The total consideration for the Newbuilding Vessels under the Contracts is US\$53,700,000 (approximately HK\$418,860,000). When the transfer fee of US\$30,000 (approximately HK\$234,000) under each of the Novation Agreements is taken into account, the total consideration is US\$53,760,000 (approximately HK\$419,328,000). Such consideration is considered by the Directors to be attractive, and was determined by reference to market intelligence the Company had gathered from shipbrokers and its own analysis of recently concluded sale and purchase transactions of newbuildings of comparable size and year of delivery 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 (including the transfer fee), 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 (including the transfer fee under the Novation Agreements) will be satisfied entirely in cash, approximately 40% of which has been funded by redrawing loans from prepaid existing bank loan facilities of the Company and approximately 60% is expected to be funded 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.

Payment terms : Pursuant to the Contracts, the consideration shall be payable as follows:

40% of the consideration, being US\$21,480,000 (approximately HK\$167,544,000) in aggregate, was paid after the date of the Novation Agreements. The balance payments will be made according to the stages of construction of the Newbuilding Vessels and it is currently expected that the amount payable by the Company to be approximately US\$16,110,000 (approximately HK\$125,658,000) in each of the financial years 2008 and 2009.

LETTER FROM THE BOARD OF DIRECTORS

The total transfer fee of US\$60,000 (approximately HK\$468,000) under the Novation Agreements was paid upon signing of the Novation Agreements.

Payment Guarantee : Each Purchaser shall provide a bank guarantee (one for each Contract) to the Sellers to guarantee the Purchasers' obligations for the payment of 45% of the consideration under the Contracts (the "Payment Guarantee"). The Payment Guarantee can be called upon should any of the Purchasers fail to effect payment of the relevant consideration when it falls due.

Further guarantee : In addition to the Payment Guarantee, in connection with the purchase of the Newbuilding Vessels, PB Vessels Holding Limited, a direct wholly-owned subsidiary of the Company, has entered into a guarantee with the Sellers to guarantee the performance of each of the Purchasers of all of their obligations, duties and liabilities under each Contract.

Refund Guarantee : The Sellers shall provide a bank guarantee (one for each Contract) to be issued by the Bank of China Ltd., Guangzhou Branch to each Purchaser to guarantee the repayment of any consideration paid by the Purchasers (the "Refund Guarantee"). The Refund Guarantee can be called upon should any Contract be cancelled and/or rescinded by any of the Purchasers in accordance with its terms and conditions.

Circumstances that the Purchaser will be entitled to cancel and/or rescind the Contract include, inter alia, (i) delay in delivery; (ii) deficiency in speed of the Newbuilding Vessels; (iii) excessive fuel consumption; and (iv) deficiency in actual deadweight, in excess of the allowed limit.

Completion and delivery : The Directors currently expect that, subject to any extensions that may be agreed between the Sellers and the Purchasers under the Contracts, the completion and delivery of the Newbuilding Vessels will take place in or around the third quarter of 2009.

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 US\$53,760,000 (approximately HK\$419,328,000). Approximately 40% of the consideration of the Newbuilding Vessels has been satisfied by redrawing loans from prepaid existing bank loan facilities of the Company and it is intended that approximately 60% of the consideration 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\$48,922,000 (approximately HK\$381,591,600) and current liabilities are expected to increase by US\$4,838,000 (approximately HK\$37,736,400).

LETTER FROM THE BOARD OF DIRECTORS

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 275 days in 2009 and approximately 720 days in 2010 and thereafter. Such increase in handysize revenue days is expected to enhance earnings accordingly.

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. The transactions contemplated under the Novation Agreements and the Contracts are consistent with the Company's strategy of continuing its steady fleet expansion and maintaining a modern handysize fleet.

The Directors consider the transactions to be attractive taking into account the contract prices achieved and the early delivery of the Newbuilding Vessels, which compare favourably with the availability of similar newbuildings from shipyards elsewhere. They believe that the terms of the Novation Agreements and the Contracts, which were determined after arm's length negotiation, on normal commercial terms, are fair and reasonable so far as the Company and the Shareholders are concerned, and the acquisition of the Newbuilding Vessels is in the interests of the Company and the Shareholders as a whole.

THE FLEET

Handysize Fleet

Following the completion of the vessel sale and purchase transactions as announced in our trading activities update dated 26 April 2007, the Company's core handysize fleet will comprise 59 vessels (1,718,344dwt), including 21 owned vessels (624,372dwt), 34 chartered-in vessels (991,792dwt) 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 seven vessels as at the Latest Practicable Date.

In addition, following the signing of the Novation Agreements and the Contracts, the Company shall have increased the number of newbuilding vessels on order to 14 (approximately 435,200dwt in aggregate), four of which are scheduled to be delivered in 2007, four in 2008 and six in 2009. Out of these newbuilding vessels, 12 vessels will enter into the Company's owned fleet and two vessels will enter into the Company's chartered fleet upon their respective deliveries.

LETTER FROM THE BOARD OF DIRECTORS

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 21 vessels as at the Latest Practicable Date.

In addition, the Company has two newbuildings on order (approximately 107,500dwt in aggregate), one of which will enter into the Company's chartered fleet in 2007 and the other will enter into the Company's owned fleet in 2008 upon their deliveries.

There is no distinction between the use of owned, chartered-in and managed vessels, save to the extent that the Company generates freight and charter-hire income for the owned and chartered-in vessels, but generates ship management income for the operations of the managed vessels.

The transactions contemplated under the Novation Agreements and the Contracts, whether considered separately or when aggregated with the acquisition of two handysize newbuilding vessels as previously disclosed in our announcement dated 29 May 2006 and our circular dated 9 June 2006, 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

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>	
1,560,382,609 shares (Shares of US\$0.10 each)	156,038,260

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	–	9,193,453 ³	1,600,000 ¹	13,606,761	0.87%
Richard M. Hext	–	3,483,741 ²	–	–	–	3,483,741	0.22%
Dr. Lee Kwok Yin, Simon	–	–	–	108,770,847 ⁴	5,876,874 ⁴	114,647,721	7.35%
Patrick B. Paul	–	20,000	–	–	–	20,000	0.001%
Daniel R. Bradshaw	869,417 ⁵	–	–	–	–	869,417	0.056%
Wang Chunlin	–	550,000 ⁶	–	–	–	550,000	0.035%
Klaus Nyborg	–	2,900,000 ⁷	–	–	–	2,900,000	0.19%
Jan Rindbo	–	3,026,370	–	–	1,200,000 ⁸	4,226,370	0.27%

Notes:

- (1) On 14 July 2004, Mr. Buttery was 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 the 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.

Mr. Buttery has exercised his 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 have vested 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 have vested 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) 9,193,453 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) Out of the 108,770,847 Shares, 19,935,122 Shares, 1,059,725 Shares, 36,370,000 Shares, 46,906,000 Shares and 4,500,000 Shares are beneficially owned by Asia Distribution Limited, Firelight Investments 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.

For the 5,876,874 underlying Shares under equity derivatives, they are being held equally by Fortress Eagle Investment Limited and Invest Paradise International Limited (each holding 2,938,437 underlying Shares under equity derivatives) which, as disclosed above, are companies controlled by discretionary trusts established by Dr. Lee, the discretionary objects of which include his family members.

- (5) 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.
- (6) 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.
- (7) 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. 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.
- (8) Mr. Rindbo was granted options to subscribe for 1,200,000 Shares pursuant to the Long Term Incentive Scheme which are exercisable from 14 July 2007 to 14 July 2014. The subscription price is HK\$2.50 per Share.

(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	114,647,721	7.35%
BNP Paribas Jersey Trust Corporation Limited ¹	Trustee	114,647,721	7.35%
JP Morgan Chase & Co.	Beneficial owner, Investment manager and approved lending agent	110,583,655	7.09%

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 has 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.