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If you are in any doubt as to any aspect about this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your shares in Pacific Basin Shipping Limited, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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

**DISCLOSEABLE TRANSACTIONS:
ACQUISITION OF VESSELS TO BE CONSTRUCTED**

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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;
“Bonds”	means the US\$390,000,000 3.3% Guaranteed Convertible Bonds due 2013 issued by PB Issuer Limited on 20 December 2007, which are unconditionally and irrevocably guaranteed by the Company and convertible into Shares at an initial conversion price of HK\$19.28 per Share and are listed on the Stock Exchange under Stock Code 1606;
“Charterparty”	means the time charterparty dated 18 October 2007 that was entered into between Prospect 59 and the charterer for the time charter of the First NPIL vessel that will commence upon its delivery;
“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;
“Completion”	means the completion of the SPA pursuant to its terms and conditions therein;
“Completion Date”	means the date on which the Completion takes place;
“Directors”	means the directors of the Company;
“dwt”	means deadweight tonnes, the unit of measurement of weight capacity of dry bulk vessels, which is the total weight (usually in metric tonnes) the ship can carry, including cargo, bunkers, water, stores, spares, crew etc. at a specified draft;
“Euro” or “EUR”	means Euro, the lawful currency of the European Union’s Euro zone;
“First NPIL Vessel”	means a 3,663 lane metre RoRo newbuilding vessel of hull no. L218 which will be constructed and equipped at the shipyard of Odense A/S in Denmark. It is currently expected to be delivered in the third quarter of 2009;

DEFINITIONS

“First Odense Vessel”	means a 3,663 lane metre RoRo newbuilding vessel of hull no. L233 which will be constructed and equipped at the shipyard of Odense A/S in Denmark. It is currently expected to be delivered in the third quarter of 2010;
“GBP”	means British Pound, the lawful currency of the United Kingdom;
“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;
“Pacific Basin-IHC Pool”	the Pacific Basin-IHC Pool, established in October 2001, which is a contractual arrangement for the sharing of revenue earned by vessels entered into by its members. The Pacific Basin-IHC Pool is operated by Pacific Basin IHC Limited (formerly known as International Handybulk Carriers Limited), a wholly-owned subsidiary of the Company;
“Pacific Basin-IHX Pool”	the Pacific Basin-IHX Pool, established in July 2006, which is a contractual arrangement for the sharing of revenue earned by vessels entered into by its members. The Pacific Basin-IHX Pool is operated by Pacific Basin IHX Limited (formerly known as International Handymax Carriers Limited), a wholly-owned subsidiary of the Company;
“lane metre”	means the unit of measurement of capacity of RoRo vessels, which is calculated by multiplying the cargo deck length in metres by the cargo deck width in lanes;
“Latest Practicable Date”	means 28 February 2008, 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;

DEFINITIONS

“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;
“NPIL”	New Paragon Investments Limited, being the seller under the SPA, is a company incorporated in Hong Kong;
“NPIL Vessels”	means the First NPIL Vessel and the Second NPIL Vessel;
“Odense A/S”	Odense Staalskibsvaerft A/S, being the builder of the NPIL Vessels and the Odense Vessels and the seller under the Odense Contracts;
“Odense Contracts”	means the two legally binding shipbuilding contracts respectively entered into between Illuminous Limited and Kumberstar Limited with Odense A/S for the acquisition of the First Odense Vessel and the Second Odense Vessel by Illuminous Limited and Kumberstar Limited;
“Odense Vessels”	means the First Odense Vessel and the Second Odense Vessel;
“PBVH”	PB Vessels Holding Limited, a direct wholly-owned subsidiary of the Company, being the buyer under the SPA;
“Prospect 59”	Prospect Number 59 Limited, being the wholly-owned subsidiary of Prospect 62, is a company incorporated under the laws of England and Wales;
“Prospect 60”	Prospect Number 60 Limited, being the wholly-owned subsidiary of Prospect 62, is a company incorporated under the laws of England and Wales;
“Prospect 62”	Prospect Number 62 Limited, being the wholly-owned subsidiary of NPIL, is a company incorporated under the laws of England and Wales;
“RoRo”	means roll on roll off transportation which involves the carriage of wheeled cargoes and freight on wheeled trailers which can be loaded and discharged over a ramp, rather than lifted on and off the vessels using cranes;

DEFINITIONS

“Sale Shares”	100 issued shares of par value of GBP1.00 each, being the entire share capital of Prospect 62;
“Second NPIL Vessel”	means a 3,663 lane metre RoRo newbuilding vessel of hull no. L220 which will be constructed and equipped at the shipyard of Odense A/S in Denmark. It is currently expected to be delivered in the first quarter of 2010;
“Second Odense Vessel”	means a 3,663 lane metre RoRo newbuilding vessel of hull no. L234 which will be constructed and equipped at the shipyard of Odense A/S in Denmark. It is currently expected to be delivered in the first quarter of 2011;
“Shareholders”	means the shareholders of the Company;
“SPA”	means the conditional Sale and Purchase Agreement dated 13 February 2008 entered into between NPIL and PBVH under which NPIL sells and PBVH purchases the Sale Shares on the Completion Date;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited; and
“US Dollars” or “US\$”	means United States dollars, the lawful currency of the United States of America.

LETTER FROM THE BOARD OF DIRECTORS

B Pacific Basin Shipping Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 2343)

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

Registered Office:

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Daniel Rochfort Bradshaw
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Independent Non-Executive Directors:

David Muir Turnbull
Robert Charles Nicholson
Patrick Blackwell Paul
Alasdair George Morrison

3 March 2008

To the Shareholders

Dear Sir or Madam

**DISCLOSEABLE TRANSACTIONS:
ACQUISITION OF VESSELS TO BE CONSTRUCTED**

INTRODUCTION

On 13 February 2008, the Directors announced that:

- (A) A wholly-owned subsidiary of the Company entered into the SPA with New Paragon Investments Limited (“NPIL”) to purchase the entire share capital of Prospect Number 62 Limited (“Prospect 62”) from NPIL, for a consideration of EUR25,788,600, or approximately US\$37.6 million (approximately HK\$293.3 million). As a result of the transaction, the Company shall assume all the rights and obligations in relation to the construction and delivery of two roll on roll off (“RoRo”) newbuilding vessels (“NPIL Vessels”), and a time charterparty in relation to the first of these RoRo newbuilding vessels. The NPIL Vessels are expected to be delivered between the third quarter of 2009 and the first quarter of 2010.

LETTER FROM THE BOARD OF DIRECTORS

(B) Separately and on the same day, another two wholly-owned subsidiaries of the Company entered into the Odense Contracts with Odense Staalskibsvaerft A/S (“Odense A/S”) to acquire from it two RoRo newbuilding vessels (“Odense Vessels”) each for a consideration of EUR63,400,000, or approximately US\$92.4 million (or approximately HK\$720.7 million). The Odense Vessels are expected to be delivered between the third quarter of 2010 and the first quarter of 2011.

RoRo vessels involve the carriage of wheeled cargoes and freight on wheeled trailers which can be loaded and discharged over a ramp, rather than lifted on and off the vessels using cranes.

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

The Directors consider that the transactions will enable the Company to establish a foothold in what Pacific Basin believes to be a promising shipping sector characterised by good demand prospects, an ageing existing fleet, a small orderbook and few yards building these vessels.

The purchase of the Sale Shares contemplated under the SPA and the acquisition of two RoRo newbuilding vessels contemplated under the Odense Contracts respectively 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 these transactions.

BACKGROUND OF THE SPA

On 13 February 2008, PBVH, a wholly-owned subsidiary of the Company, entered into the SPA with NPIL. Under the SPA, NPIL has agreed to sell and PBVH has agreed to acquire the entire share capital of Prospect 62, which is a wholly-owned subsidiary of NPIL, for a consideration of EUR25,788,600, or approximately US\$37.6 million (approximately HK\$293.3 million).

Prospect 62 is the sole shareholder of Prospect 59 and Prospect 60, which are respectively parties to the contracts for the construction and delivery of two 3,663 lane metre RoRo newbuilding vessels, namely the First NPIL Vessel and the Second NPIL Vessel. In addition, Prospect 59 has entered into the Charterparty with a third party ship operator in respect of the First NPIL Vessel.

Upon completion of the acquisition of the Sale Shares, Prospect 62 shall become a wholly-owned subsidiary of the Company and the Company shall assume all the rights and obligations in respect of the NPIL Vessels and the Charterparty after the Completion Date of the SPA. The NPIL Vessels are expected to be delivered between the third quarter of 2009 and the first quarter of 2010 and will be operated by the Company upon their respective deliveries.

Principal terms of the SPA are set out below.

LETTER FROM THE BOARD OF DIRECTORS

THE SPA

The SPA is legally binding and its terms and conditions are described below:

Date : 13 February 2008

Parties : Buyer : PBVH, a direct wholly-owned subsidiary of the Company;

Seller : NPIL, which, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, together with its ultimate beneficial owners who comprise a diverse group of individuals, trusts and institutional investors, 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 NPIL is investment holding in the shipping sector and the principal business activity of the ultimate beneficial owners of NPIL involves investment in the shipping sector.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, save for the transactions disclosed in this circular, during the 12 months period prior to the date of the SPA, the Company has not entered into any transaction with NPIL or its ultimate beneficial owners or with parties connected or otherwise associated with one another and there are no other relationships amongst NPIL or its ultimate beneficial owners with whom the Company has entered into any transactions (including Odense A/S and its ultimate beneficial owner) to acquire, dispose of, or charter in vessels.

Assets to be acquired : Sales Shares, comprising all of the 100 issued and outstanding shares of Prospect 62 of GBP1.00 par value each.

LETTER FROM THE BOARD OF DIRECTORS

As at 31 December 2007, Prospect 62 has a net liability of approximately EUR98,000 (unaudited figures). It has no material assets or liabilities other than its ownership of the entire share capital of Prospect 59 and Prospect 60 and the advances to Prospect 59 and Prospect 60 in relation to the payment of the first instalments on the First NPIL Vessel and the Second NPIL Vessel, respectively. Prospect 62 incurred a net loss of approximately EUR11,000 (unaudited figures) during the period from its date of incorporation (6 July 2007) to 31 December 2007.

As at 31 December 2007, Prospect 59 and Prospect 60 each has a net liability of approximately EUR11,000 (unaudited figures), which mainly comprised capitalised vessel costs in relation to the first instalments respectively paid on the First NPIL Vessel and the Second NPIL Vessel, offset by related bank borrowings (which shall be fully prepaid by NPIL on or before Completion) and the advances from Prospect 62. Each of Prospect 59 and Prospect 60 incurred a net loss of approximately EUR12,000 (unaudited figures) during the period from their date of incorporation (13 June 2007) to 31 December 2007.

Consideration : EUR25,788,600, or approximately US\$37.6 million (approximately HK\$293.3 million).

Pursuant to the SPA, the consideration for the Sale Shares is denominated in Euro. The above consideration in US Dollars and HK Dollars is converted according to an exchange rate of US\$1.457 per Euro and HK\$7.80 per US Dollar, respectively.

Such consideration represents the aggregate purchase price of the NPIL Vessels of EUR130,500,000, or approximately US\$190.1 million (approximately HK\$1,482.8 million), net of the unpaid future commitments of both vessels of EUR104,711,400, or approximately US\$152.5 million (approximately HK\$1,189.5 million).

LETTER FROM THE BOARD OF DIRECTORS

The above aggregate purchase price of the NPIL Vessels was determined after arm's length negotiation between the parties and by reference to market intelligence the Company had gathered from shipbrokers, taking into account the indicative valuation by Maersk Broker K/S as at 6 February 2008 stating the range of EUR64 million to EUR66 million for a RoRo newbuilding vessel of this type. However, as is commonly the case in the RoRo shipping market, there have not been any recently published sales by third party vendors of newbuildings of the exact specification and year of scheduled delivery of the NPIL Vessels from which to make a direct comparison.

Upon completion of the acquisition of the Sale Shares, Prospect 62 shall become a wholly-owned subsidiary of the Company and the Company shall assume all the rights and obligations in respect of the NPIL Vessels and the Charterparty, including the future instalments due in respect of the NPIL Vessels which amount to EUR104,711,400, or approximately US\$152.5 million (approximately HK\$1,189.5 million) in aggregate.

The Directors believe that the consideration of the Sale Shares, 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 Sale Shares and the future instalments on the NPIL Vessels will be satisfied entirely in cash. The Company intends to fund approximately EUR35,000,000, or approximately US\$51.0 million (approximately HK\$397.8 million) of the aggregate purchase price of the NPIL Vessels (including the consideration of the Sale Shares) using its cash reserves, and approximately EUR95,500,000, or approximately US\$139.1 million (approximately HK\$1,085.0 million) from new bank borrowings, which the Company intends to arrange nearer the time for payment of such instalments. The Company expects such bank borrowings could be long-term in nature and on similar terms as the Company's existing facilities.

Payment terms : The consideration for the Sale Shares shall be payable in full upon Completion in accordance with the SPA.

LETTER FROM THE BOARD OF DIRECTORS

With regard to the future instalments on the NPIL Vessels which will be payable according to the stages of construction, the Company currently expects to pay EUR17,451,900, or approximately US\$25.4 million (approximately HK\$198.1 million) in 2008, EUR69,807,600, or approximately US\$101.7 million (approximately HK\$793.3 million) in 2009 and EUR17,451,900, or approximately US\$25.4 million (approximately HK\$198.1 million) in 2010.

- Conditions : The Completion of the SPA is subject to the satisfaction of the following conditions, inter alia:
- NPIL represents, warrants and undertakes to PBVH that the warranties and representations contained in the SPA are true, accurate and complete in all respects as of the date of the SPA and will continue to be so on each day up to and including the Completion Date; and
 - NPIL has delivered or caused to deliver to PBVH all documents to approve and effect the transfer of the Sale Shares as set out in the SPA.

The above conditions must be satisfied by NPIL on or before the Completion Date. If any of the above conditions fail to be fulfilled on or before the Completion Date due to whatever reason, the Company shall make a further announcement.

- Completion : Subject to the conditions in the SPA being fulfilled, completion of the transfer of the Sale Shares is expected to take place on or before 15 March 2008.
- Payment guarantees : PBVH shall provide bank guarantees to the builder of the NPIL Vessels to guarantee the respective payment obligations of Prospect 59 and Prospect 60 for part of the future instalments on the NPIL Vessels. Such payment guarantees can be called upon should Prospect 59 or Prospect 60 fail to effect payment of the relevant amounts when they fall due.

LETTER FROM THE BOARD OF DIRECTORS

BACKGROUND OF THE ODENSE CONTRACTS

Separately and on the same day, another two wholly-owned subsidiaries of the Company entered into the Odense Contracts with Odense A/S to acquire from it two 3,663 lane metre RoRo newbuilding vessels, namely the First Odense Vessel and the Second Odense Vessel, each for a consideration of EUR63,400,000, or approximately US\$92.4 million (approximately HK\$720.7 million). The Odense Vessels are expected to be delivered between the third quarter of 2010 and the first quarter of 2011 and will be operated by the Company upon their respective deliveries.

Principal terms of the Odense Contracts are set out below.

THE ODENSE CONTRACTS

Each of the Odense Contracts is legally binding, of broadly similar terms and conditions which are described below:

Date : 13 February 2008

Parties : Buyers : Illuminous Limited and Kumberstar Limited, respectively for each of the Odense Contracts, each being an indirect wholly-owned subsidiary of the Company.

Seller : Odense A/S, 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 Odense A/S is the construction of shipping vessels and the principal business activity of the ultimate beneficial owner of Odense A/S is the construction, ownership and operation of a diverse group 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, during the 12 months period prior to the date of the Odense Contracts, the Company has not entered into any transaction with Odense A/S or its ultimate beneficial owner or with parties connected or otherwise associated with one another and there are no other relationships amongst Odense A/S or its ultimate beneficial owner with whom the Company has entered into any transactions (including NPIL and its ultimate beneficial owners) to acquire, dispose of, or charter in vessels.

Assets to be acquired : The First Odense Vessel and the Second Odense Vessel, both being 3,663 lane metre RoRo newbuilding vessels, which are currently expected to be delivered between the third quarter of 2010 and the first quarter of 2011.

The Odense Vessels will be constructed and equipped at the shipyard of Odense A/S in Denmark. It is currently expected that the Odense Vessels will be operated by the Company upon their respective deliveries.

Consideration : Each vessel of EUR63,400,000 or approximately US\$92.4 million (approximately HK\$720.7 million), or EUR126,800,000, or approximately US\$184.8 million (approximately HK\$1,441.4 million) for the two vessels in aggregate.

Pursuant to the Odense Contracts, the consideration for the Odense Vessels is denominated in Euro. The above consideration in US Dollars and HK Dollars is converted according to an exchange rate of US\$1.457 per Euro and HK\$7.80 per US Dollar, respectively.

LETTER FROM THE BOARD OF DIRECTORS

Such consideration was determined after arm's length negotiation between the parties and by reference to market intelligence the Company had gathered from shipbrokers, taking into account the indicative valuation by Maersk Broker K/S as at 6 February 2008 stating the range of EUR64 million to EUR66 million for a RoRo newbuilding vessel of this type. However, as is commonly the case in the RoRo shipping market, there have not been any recently published sales by third party vendors of newbuildings of the exact specification and year of scheduled delivery of the Odense Vessels from which to make a direct comparison.

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 Odense Vessels will be satisfied entirely in cash, approximately EUR33,600,000, or approximately US\$49.0 million (approximately HK\$382.2 million) of which is expected to be funded by the cash reserves of the Company and approximately EUR93,200,000, or approximately US\$135.8 million (approximately HK\$1,059.2 million) from new bank borrowings, which the Company intends to arrange nearer the time for payment of the Odense 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 Odense Contracts, the consideration shall be payable as follows:

About 16% of the consideration, being EUR20,060,000, or approximately US\$29.2 million (approximately HK\$227.8 million) in aggregate, was paid after the date of the Odense Contracts. The balance payments will be made according to the stages of construction of the Odense Vessels and the Company currently expects to pay EUR11,860,000, or approximately US\$17.3 million (approximately HK\$134.9 million) in 2009, EUR77,090,000, or approximately US\$112.4 million (approximately HK\$876.7 million) in 2010 and EUR17,790,000, or approximately US\$25.9 million (approximately HK\$202.0 million) in 2011.

LETTER FROM THE BOARD OF DIRECTORS

Payment guarantees : PBVH has provided bank guarantees to Odense A/S to guarantee the respective payment obligations of Illuminous Limited and Kumberstar Limited for part of the future instalments on the Odense Vessels. Such payment guarantees can be called upon should Illuminous Limited or Kumberstar Limited fail to effect payment of the relevant amounts when they fall due.

Refund guarantees : Odense A/S has provided bank guarantees to the respective buyers under the Odense Contracts to guarantee the repayment of certain consideration paid to Odense A/S. Such guarantees can be called upon should any of the Odense Contracts be cancelled and/or rescinded by the relevant buyers in accordance with the terms and conditions therein.

Circumstances that the respective buyers will be entitled to cancel and/or rescind the Odense Contracts include, inter alia, (i) delay in delivery; (ii) deficiency in speed; (iii) excessive fuel consumption; (iv) deficiency in actual deadweight; and (v) deficiency in trailer loading capacity, in excess of the allowed limit.

Delivery : The Directors currently expect that, subject to any extensions that may be agreed between the respective buyers and Odense A/S under the Odense Contracts, the delivery of the First Odense Vessel and the Second Odense Vessel will take place on or before the third quarter of 2010 and the first quarter of 2011, respectively.

Financial effects of the acquisition of the NPIL Vessels and the Odense Vessels

Following the delivery of the NPIL Vessels and the Odense Vessels, the Group's fixed assets (owned vessels) will increase by approximately US\$374.9 million (approximately HK\$2,924.2 million), representing the sum of the aggregate purchase price of the NPIL Vessels and the consideration of the Odense Vessels. The Company expects to fund approximately US\$100.0 million (approximately HK\$780.0 million) of such consideration using its cash reserves and approximately US\$274.9 million (approximately HK\$2,144.2 million) from new bank borrowings. Hence, if the Company successfully obtains such new bank borrowings, the Group's current assets are expected to decrease by US\$100.0 million (approximately HK\$780.0 million), long-term liabilities are expected to increase by US\$250.8 million (approximately HK\$1,956.2 million), and current liabilities are expected to increase by US\$24.1 million (approximately HK\$188.0 million).

The transactions will enable the Company to secure four RoRo newbuilding vessels, which the Directors consider will enhance the earnings of the Group following their deliveries.

LETTER FROM THE BOARD OF DIRECTORS

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 Directors consider that the transactions will enable the Company to establish a foothold in what Pacific Basin believes to be a promising shipping sector characterised by good demand prospects, an ageing existing fleet, a small orderbook and few yards building these vessels.

The Directors believe that the terms of the SPA and the Odense Contracts, which were respectively 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 transactions contemplated under such contracts are in the interests of the Company and the Shareholders as a whole.

THE FLEET

RoRo Vessels on Order

Following (i) the signing and Completion of the SPA and (ii) the signing of the Odense Contracts, the Company shall own four RoRo newbuilding vessels, with respective deliveries currently scheduled between the third quarter of 2009 and the first quarter of 2011.

Handysize Fleet

Following the delivery of a vessel in 2008 which the Company has agreed to charter-in on a long-term basis, the Company's core handysize fleet will comprise 64 vessels (approximately 1.89 million dwt), including 17 owned vessels and 47 chartered-in vessels. All handysize vessels, with the exception of one vessel, are employed in a mixture of voyage charters and time charters through the Pacific Basin-IHC Pool. Outside the core handysize fleet, the Pacific Basin-IHC Pool also operates a number of short-term chartered-in vessels, amounting to 6 vessels as at the Latest Practicable Date.

In addition, the Company has 11 newbuilding vessels on order (approximately 0.34 million dwt in aggregate), 5 of which are scheduled to be delivered in 2008 and 6 in 2009. 10 of these newbuilding vessels will enter into the Company's owned fleet and the other vessel will enter into the Company's chartered fleet upon their respective deliveries.

LETTER FROM THE BOARD OF DIRECTORS

Handymax Fleet

Following the delivery of a vessel in 2008 which the Company has agreed to charter-in on a long-term basis, the Company's core handymax fleet will comprise 16 vessels (approximately 0.80 million dwt), including 3 owned vessels and 13 chartered-in vessels. All handymax vessels, with the exception of 2 vessels which are employed on long-term time charters, are employed in a mixture of voyage charters and time charters through the Pacific Basin-IHX Pool. Outside the core handymax fleet, the Pacific Basin-IHX Pool also operates a number of short-term chartered-in vessels, amounting to 19 vessels as at the Latest Practicable Date.

In addition, the Company has a newbuilding vessel on order (approximately 54,000dwt) which will enter into the Company's owned fleet in 2008 upon delivery.

Post Panamax Vessels on Order

The Company has placed an order for a 115,000dwt newbuilding bulk carrier with an expected delivery in the third quarter of 2011. In addition, the Company has a 50% interest in another 115,000dwt newbuilding bulk carrier and in a long-term charter of a 95,000dwt newbuilding bulk carrier, both with an expected delivery in the first quarter of 2011 through a joint venture.

Tugs and Barge Fleet

The Company currently owns 2 tugs and one barge and charters in 6 tugs on a long-term basis. 7 of such tugs are operated by the Company's 90% owned subsidiary for the provision of harbour towage services in Australia. The remaining tug and the barge are long-term chartered to the Company's joint venture in the Middle East for transporting aggregates and rock.

In addition, the Company has placed orders for 6 newbuilding tugs, which are expected to enter into the Company's owned tug fleet upon their deliveries between 2008 and 2010.

REASONS FOR THE CIRCULAR

The purchase of the Sale Shares contemplated under the SPA and the acquisition of two RoRo newbuilding vessels contemplated under the Odense Contracts, respectively constitute discloseable transactions of the Company under the Listing Rules. This circular constitutes the circular which the Company is required to send to you pursuant to the Listing Rules in relation to these transactions.

LETTER FROM THE BOARD OF DIRECTORS

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\$1.457 to EUR1.00 has been used for the conversion of Euro into US Dollars for the purpose of this circular.

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>	
1,584,180,109 shares (Shares of US\$0.10 each)	158,418,010

All the existing issued Shares rank pari passu in all respects including all rights as to dividends, voting and interests in capital.

As at the Latest Practicable Date, save as the existing issued Shares and the Bonds, 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 Issuers 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	Total Share interests	Approximate percentage of issued share capital of the Company
Christopher R. Buttery	–	–	–	2,150,000 ¹	–	2,150,000	0.14%
Richard M. Hext	–	2,612,994 ²	–	–	–	2,612,994	0.16%
Dr. Lee Kwok Yin, Simon	–	–	–	100,860,847 ³	–	100,860,847	6.37%
Daniel R. Bradshaw	386,417 ⁴	–	–	–	–	386,417	0.02%
Wang Chunlin	–	1,170,000 ⁵	–	–	–	1,170,000	0.07%
Klaus Nyborg	–	2,000,000 ⁶	–	–	–	2,000,000	0.13%
Jan Rindbo	–	3,821,370 ⁷	–	–	–	3,821,370	0.24%

Notes:

- (1) 2,150,000 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.
- (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.

As at the Latest Practicable Date, the balance of Shares held by Mr. Hext was 2,612,994 Shares.

- (3) Out of the 100,860,847 Shares, 4,430,311 Shares, 21,973,536 Shares, 58,431,500 Shares and 16,025,500 Shares are beneficially owned by Asia Distribution 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.
- (4) 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 33,176 Shares held by Goldeneye Shipping Limited.
- (5) 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. 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.

A further 730,000 Shares in the form of restricted share awards were granted to Mr. Wang under a Restricted Share Award Agreement dated 11 May 2007, of which (i) 240,000 Shares will vest on 14 July 2008, (ii) 240,000 Shares will vest on 14 July 2009, and (iii) 250,000 Shares will vest on 14 July 2010.

As at the Latest Practicable Date, the balance of Shares held by Mr. Wang was 1,170,000 Shares.

- (6) Pursuant to the Long Term Incentive Scheme, 2,500,000 Shares in the form of restricted share awards were granted to Mr. Nyborg on 19 September 2006. 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.

As at the Latest Practicable Date, the balance of Shares held by Mr. Nyborg was 2,000,000 Shares.

- (7) The personal interests of Mr. Rindbo constitute 2,791,370 Shares and 1,030,000 Shares in the form of restricted share awards granted to him pursuant to the Long Term Incentive Scheme under a Restricted Share Award Agreement dated 11 May 2007, of which (i) 340,000 Shares will vest on 14 July 2008, (ii) 340,000 Shares will vest on 14 July 2009, and (iii) 350,000 Shares will vest on 14 July 2010.

Saved as disclosed, none of the Directors or the Chief Executive of the Company, as at the Latest Practicable Date, had an interest and short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which: (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or (b) were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO, or (c) were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

(ii) **Interests of Shareholders discloseable pursuant to the SFO**

As at the Latest Practicable Date, so far as is known to the Directors or the Chief Executive of the Company, each of the following parties, other than a Director or Chief Executive of the Company, 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 member of the Group:

Name	Capacity/ Nature of interest	Number of Shares	Approximate percentage of issued share capital of the Company
BNP Paribas Jersey Trust Corporation Limited ¹	Trustee	100,860,847	6.37%
Dr. Lee Kwok Yin, Simon	Founder of a discretionary trust	100,860,847 ²	6.37% ²
JP Morgan Chase & Co.	Beneficial owner, investment manager and approved lending agent	154,141,641 ³ 3,000,000 ⁴	9.73% ³ 0.19% ⁴
Morgan Stanley	Interest of corporations controlled	90,767,722 ³ 40,422,294 ⁴	5.73% ³ 2.55% ⁴

Notes:

- (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, a Director of the Company.
- (2) The interests stated represent long positions; no short positions were recorded in the register maintained under Section 336 of the SFO as at the Latest Practicable Date.
- (3) The interests stated represent long positions.
- (4) The interests stated represent short positions.

Saved as disclosed, the Directors and the Chief Executive of the Company 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 an interest in a business which competes either directly or indirectly with the business of the Group.

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.