Pacific Basin Shipping Limited

太平洋航運集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 2343)

TRADING ACTIVITIES UPDATE

Summary:

- Demand for drybulk tonnage continues to be strong. Chinese iron ore imports increased by 28% in the first quarter of 2006 year on year. In the same period, although the overall dry bulk fleet grew at an annualised rate of 7%, the ageing handysize fleet shrank slightly as a result of accelerated scrapping.
- We have agreed to acquire three additional secondhand handysize vessels for delivery within June 2006 in private, off-market transactions. Our owned and long term chartered fleet (including newbuildings) of handysize and handymax vessels will increase from 56 at the end of 2005 to 59 vessels by the end of June 2006.
- Our handysize fleet will generate 15,500 vessel revenue days in the full year 2006 and 16,700 revenue days in 2007. These figures reflect today's fleet and committed additional secondhand and newbuilding vessels: any future fleet expansion will augment these totals further.
- We have completed or have cargo cover in place for 72% of our 15,500 handysize revenue days in 2006 at an average rate of about US$14,000 per day. We have cargo cover for 19% of our 16,700 revenue days in 2007.
- Spot round voyage rate for handysize ships in the Pacific, where over 85% of the IHC fleet operates, commenced the year at US$12,500 per day and remained below US$13,000 per day for much of the quarter. In recent weeks, however, Pacific rates have moved over US$16,000 per day, although rates for long term cover do not reflect this upsurge.
- We continue to develop our business where we can leverage our skills and business relationships. Our key new areas of focus are in handymax operating, in China and in the Middle East.
- Our dividend policy is to pay out at least 50% of our earnings (2005 actual : 73%). Further, we expect to pay at least HK 40 cents per share in 2006 as detailed below.

The overall dry bulk market:

The overall dry bulk market has been resilient in the face of fleet growth in the first quarter of 2006 at an annualised rate of about 7%: the Baltic Dry Index opened the year at 2438 points and stood at 2496 points on 31st March 2006. The main reason is that Chinese steel production and iron ore imports have continued to soar – up in the first quarter of 2006 by 19% and 28% respectively against the same period last year. At the same time, China's coal imports are starting to grow strongly with 2006 volumes expected to reach almost 25 million tonnes, more than twice the 2004 figure. Whilst China's official GDP growth rate in the first quarter was 10.2%, there are indications that the true figure was considerably higher. At the same time vessel scrapping rates, whilst still very low in historic terms, are starting to increase : Clarksons report that a total of 0.9 million deadweight tonnes of drybulk tonnage was scrapped in the period from January up to 21st April 2006 whereas 1 million deadweight tonnes were scrapped in the whole of 2005. The solid level of demand for dry bulk cargoes and increased scrapping levels have generated rather more optimism in the market than was the case seven weeks ago when we reported our full year 2005 results although the customarily slacker summer season is still to come. In historical terms, the dry bulk market is strong but, of course, well off the peak levels achieved in late 2004 / early 2005.

Pacific Basin's handysize market:

In the Pacific, where over 85% of the IHC fleet operates, spot rates for a benchmark 28,000 deadweight tonne handysize vessel started the year at US$12,500 per day and moved up to US$13,000 per day by late February. Since then Pacific spot rates have moved over US$16,000 per day, although rates for long term cover do not reflect this upsurge. This rate level reflects the strength of cargo demand in the Pacific. For example, log volumes out of New Zealand to the Far East and India (important trades for Pacific Basin) rose significantly mainly as a result of the significant weakening of the NZ Dollar.

Meanwhile in the Atlantic market, where the balance of our fleet operates, spot rates opened the year at US$11,750 per day, then fell to a low point of US$9,000 per day in February and have since recovered to US$11,250 per day. The Atlantic market is characterized by an older fleet than in the Pacific and was affected by a much weaker US Gulf export market following Hurricane Katrina.

The increase in scrapping rates, which was a minor but encouraging feature of the overall dry bulk market, was more pronounced in the handysize segment where the average age of the fleet is 18 years. Clarksons report that during the period from January up to 21st April 2006, a total of 0.5 million deadweight tonnes of handysize ships were scrapped compared to 0.4 million deadweight tonnes in the full year 2005. At the same time, the very limited orderbook for handysize ships meant that fewer vessels were delivered from the yards than were scrapped. Consequently, the global handysize fleet shrank by about 0.3% in this period. This was a contributor to the recent strong rate performance of the handysize segment.

However, whilst spot rates in the Pacific are presently very encouraging, it is possible that seasonal summer weakness, combined with anticipated continuing fleet growth in the larger bulk sectors, may result in an overall weakening of the freight market in the second half of the year. This may impact handysize rates as well.

Pacific Basin cargo commitments and cargo cover:

We continue to focus on developing IHC's relationships with major industrial producers and end-users of bulk cargoes. These relationships have allowed us to increase our book of forward cargo cover and we have now achieved cover totalling 72% of our expected 15,500 handysize revenue days in 2006 at an average rate of US$13,300 per day. This rate reflects our actual revenues up to the end of April and the averaging of basic revenue rates in the underlying contracts between May and December. We expect to improve our earnings on revenue days between May and December by at least US$1,000 per day by linking contracts with each other or with spot market cargoes to reduce the ballast content in these rates. As a result, we expect to achieve about $14,000 per day on the 72% of our 2006 revenue days already covered. This compares with 61% of 14,800 days at a minimum of US$14,400 per day as at 24th February 2006. At the same time we now have cover in place for 19% of our anticipated 16,700 handysize revenue days in 2007.

New business development:

We are continuing to receive strong interest from shippers in our new handymax operating business. We also have considerable interest from shipowners to participate in the IHX pool that we are in the process of establishing. This is a new area of potential for the Company and is not expected to have a significant impact on our results for 2006.

As reported to shareholders in March, we see great potential to grow our business in China by developing the relationships that we have gained from operating IHC. We continue to develop our relationship with one of China's largest domestic power producers with a longer-term view to co-operating in their future international coal trades. As noted above, China's coal imports are increasing strongly but, even at 25 million tonnes, the volumes are insignificant relative to total demand which is expected to exceed 2.2 billion tonnes this year. In our view, China's economic growth will generate a very significant coal import trade in future and we are keen to participate in this. On another front, we have been introduced to an opportunity to acquire up to six mini-bulk carriers of 6,600 deadweight tonnes at attractive prices from a shipyard in Northern China. We have therefore, through a jointly controlled entity with one of our Chinese partners, signed a contract for two firm vessels with options for four more. The two firm vessels (not included in our fleet list) will deliver to the joint venture in November 2006 and May 2007 whilst the four optional vessels (if the options are confirmed, in September 2006 for the second pair of vessels and in February 2007 for the third pair) will deliver to the joint venture between October 2007 and January 2009. These ships carry the same types of cargoes as Pacific Basin's handysize vessels and should improve our chances of participation in the Chinese short sea trades, providing us with a profitable extension of our core business. At the same time we are actively exploring a number of other new initiatives and projects where we can apply our skills to help our customers cope with burgeoning demand for bulk transport in the Chinese trades.

We are also developing our business in the Middle East where economic activity continues to be fuelled by record high energy prices. Our joint venture with the Government of Fujairah, which we initiated in January 2006 with one of our handysize vessels, now additionally employs a handymax vessel sourced from the market by our new handymax operating unit. This will enable the joint venture, Fujairah Bulk Shipping Limited, to further increase its carriage of aggregates between Fujairah and ports in the northern Gulf. This development well illustrates the advantage to our customers and business partners of our having access to both handysize and handymax tonnage.

Fleet Development:

In our end 2005 year end report, we reported that we considered ship prices in 2005 to have been too high and that we had consequently decided to be patient, conserving our shareholders' funds until asset values became cheaper. Our patience has been rewarded, and we have now been able to deploy some of the capital we released in our 2005 sale and charter-back programme. We have agreed to acquire three second-hand handysize vessels for delivery within June 2006 in private, off-market transactions at attractive prices. We have been operating two of the three vessels concerned as "Managed Vessels" in our IHC handysize pool since its inception in 2001 and we know the vessels well. Consistent with the weaker market environment, we were able to acquire these vessels at prices over 20% below those we would have paid in the first half of 2005.

In addition to these three vessels, on 14th February 2006 we took delivery of one newbuilding handysize vessel into our chartered fleet.

We have also taken the opportunity to exercise a purchase option in March 2006 over an existing long term chartered vessel ("Shinyo Challenge") which we expect will deliver into the owned fleet within June 2006.

By 30th June 2006 we expect that the composition of Pacific Basin's fleet (including one vessel purchased which will not have delivered by June) will be as follows:

	Handysize	Handymax	Handysize Newbuildings	Total Fleet H'Size/H'max
Owned	21	0	6	27
Chartered*	27	2	3	32
Sub Total	48	2	9	59
Managed	2	0	0	2
Total	50	2	9	61

* Note that Pacific Basin holds options to purchase 24 out of our 27 chartered handysize vessels, both of the chartered handymax vessels and all three of the chartered newbuildings. These options should hold significant unrealized value for the Group by allowing us to preserve our fleet size and scale of operations at the expiry of the charters.

Pacific Basin also holds options (declarable within June 2006) on two 32,000 deadweight tonne newbuilding handysize bulk carriers at Jiangmen Nanyang Shipyard for delivery in 2009.

Dividend Policy:

Our dividend policy to pay out by way of interim and final dividends not less than 50% of profits available for distribution in each financial year remains unchanged. We stated in our 2005 Final Results announcement that "the Board currently expects to be able to propose to pay in aggregate at least 40 HK cents per share by way of interim and final dividends for 2006". Trading results since then plus the cargo cover for the balance of the year mean that this statement remains intact.

By Order of the Board
Richard Hext
Chief Executive Officer

Hong Kong, 27th April 2006

As at the date of this announcement, the executive directors of the Company are Christopher Richard Buttery, Richard Maurice Hext, and Paul Charles Over, the non-executive directors of the Company are Lee Kwok Yin, Simon, Brian Paul Friedman and Daniel Rochfort Bradshaw, and the independent non-executive directors of the Company are Robert Charles Nicholson, Patrick Blackwell Paul and The Earl of Cromer.

Shareholders and investors are reminded that this trading activities update for the period ended 31st March 2006 is based on the Group's internal records and management accounts and has not been reviewed or audited by the auditors. Shareholders and investors are cautioned not to rely unduly on this trading activities update and are advised to exercise caution when dealing in the shares of the Company.

* *For identification purpose only*