THIS CIRCULAR 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).

Pacific Basin Shipping Limited

太平洋航運集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 2343)

DISCLOSEABLE TRANSACTIONS:
ACQUISITION OF TWO SHIPPING VESSELS
AND
SALE OF TWO VESSELS AND
TIME CHARTER BACK OF THOSE TWO VESSELS

* *For identification purposes only*

3 October 2006

CONTENTS

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 flag state of such vessel and the international conventions of which that country 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 12 September 2006 entered into between Elizabay Limited and First MOA Seller for the acquisition of Vessel A by Elizabay Limited;
"First MOA Seller"	Forever Forest Limited;
"Four MOAs"	means the First MOA, the Second MOA, the Third MOA and the Fourth MOA;
"Fourth MOA"	means the legally binding unconditional Memorandum of Agreement dated 12 September 2006 entered into between the Fourth MOA Purchaser and Gwenyth Shipping (BVI) Limited for the acquisition of Vessel D by the Fourth MOA Purchaser;
"Fourth MOA Purchaser"	K/S Danskib 54;
"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;

"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 (formerly International Handybulk Carriers Management 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;
"Latest Practicable Date"	means 28 September 2006, 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;
"Second MOA"	means the legally binding unconditional Memorandum of Agreement dated 12 September 2006 entered into between Champion Bay Limited and Second MOA Seller for the acquisition of Vessel B by Champion Bay Limited;
"Second MOA Seller"	Lead Dynasty 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 September 2006 entered into between the Third MOA Purchaser and Wharton Shipping Limited for the acquisition of Vessel C by the Third MOA Purchaser;
"Third MOA Purchaser"	K/S Danskib 55;

"Vessel A" or "Aries Forest"	means a 2000 built handysize dry bulk carrier of approximately 32,834dwt, named "Aries Forest". The present flag of the vessel is Hong Kong and the place of registration is Hong Kong. The Classification Society of the vessel is Nippon Kaiji Kyokai;
"Vessel B" or "Ocean Melody"	means a 2000 built handysize dry bulk carrier of approximately 32,835dwt, named "Ocean Melody". The present flag of the vessel is Hong Kong and the place of registration is Hong Kong. The Classification Society of the vessel is Nippon Kaiji Kyokai;
"Vessel C" or "Patagonia"	means a 1995 built handysize dry bulk carrier of 27,860dwt, named "Patagonia". The present flag of the vessel is Hong Kong and the place of registration is Hong Kong. The Classification Society of the vessel is Nippon Kaiji Kyokai; and
"Vessel D" or "Ocean Logger"	means a 1994 built handysize dry bulk carrier of 28,429dwt, named "Ocean Logger". The present flag of the vessel is Hong Kong and the place of registration is Hong Kong. The Classification Society of the vessel is Nippon Kaiji Kyokai.

Pacific Basin Shipping Limited
太平洋航運集團有限公司*

(incorporated in Bermuda with limited liability)
(Stock Code: 2343)

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3 October 2006

To the Shareholders

Dear Sir or Madam

DISCLOSEABLE TRANSACTIONS:
ACQUISITION OF TWO SHIPPING VESSELS
AND
SALE OF TWO VESSELS AND
TIME CHARTER BACK OF THOSE TWO VESSELS

INTRODUCTION

On 12 September 2006, the Directors announced that,

(A) two indirect wholly-owned subsidiaries of the Company entered into the First MOA with the First MOA Seller and the Second MOA with the Second MOA Seller, to acquire from them two handysize vessels, namely "Aries Forest" (Vessel A) and "Ocean Melody" (Vessel B) respectively, for a consideration of

* *For identification purposes only*

US$27,700,000 (approximately HK$215,506,000) each. The total purchase consideration for Vessel A and Vessel B is US$55,400,000 (approximately HK$431,012,000); and

(B) another two indirect wholly-owned subsidiaries of the Company entered into the Third MOA with the Third MOA Purchaser and the Fourth MOA with the Fourth MOA Purchaser, to sell to them two handysize vessels, namely "Patagonia" (Vessel C) and "Ocean Logger" (Vessel D), for a consideration of US$21,000,000 (approximately HK$163,380,000) and US$19,800,000 (approximately HK$154,044,000) respectively. The total sales consideration for Vessel C and Vessel D is US$40,800,000 (approximately HK$317,424,000).

The estimated disposal gains in respect of Vessel C and Vessel D that are expected to accrue to the consolidated income statement of the Company in the financial year ending 31 December 2006 are US$23,712,000 (approximately HK$184,479,360) in aggregate.

In addition, subsequent to the signing of the Third MOA and the Fourth MOA, an indirect wholly-owned subsidiary of the Company, being the charterer, will enter into two time charterparties with the Third MOA Purchaser and the Fourth MOA Purchaser to charter Vessel C and Vessel D, respectively, back into the Company's chartered fleet at agreed charter rates for a fixed period of 3.5 years. The terms of both charterparties have been finalised and the Company currently expects that both charterparties will be signed in early October 2006.

Both time charterparties do not constitute discloseable transactions of the Company under the Listing Rules.

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

The expected benefit following the acquisition of Vessel A and Vessel B will be an anticipated increase in the estimated handysize revenue days from that announced on 22 August 2006 to approximately 16,310 days in 2006 and approximately 19,270 days in 2007. Such increase in handysize revenue days is expected to enhance earnings accordingly. The sale and time charter back of Vessel C and Vessel D will not have any effect upon the number of handysize revenue days nor have a significant effect upon the earnings of the Company.

(A) The acquisition of the vessels contemplated under the First MOA and the Second MOA and (B) the sale of the vessels contemplated under the Third MOA and the Fourth MOA, 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.

THE ACQUISITION OF "ARIES FOREST" AND "OCEAN MELODY"

Background

On 12 September 2006, two indirect wholly-owned subsidiaries of the Company entered into the First MOA with the First MOA Seller and the Second MOA with the Second MOA Seller (each being owned by the same ultimate beneficial owner), to acquire from them "Aries Forest" (Vessel A) and "Ocean Melody" (Vessel B) respectively for a consideration of US$27,700,000 (approximately HK$215,506,000) each. The total consideration for the vessels is US$55,400,000 (approximately HK$431,012,000). Both vessels are 2000 built handysize vessels currently expected to be delivered to the Company's owned fleet in the fourth quarter of 2006. 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	:	12 September 2006		
Parties	:	Purchasers	:	Elizabay Limited, for the First MOA; and Champion Bay Limited, for the Second MOA, each being an indirect wholly-owned subsidiary of the Company.
		Sellers	:	Forever Forest Limited, for the First MOA ("First MOA Seller"); and Lead Dynasty Limited, for the Second MOA ("Second MOA Seller"), each of which, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, together with their ultimate beneficial owner (which is the same for the First MOA Seller and the Second MOA Seller), 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 First MOA Seller and the Second MOA Seller is the owning and operating of shipping vessels (including Vessel A and Vessel B) and the principal

business activity of the ultimate beneficial owner of the sellers 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, there are no other relationships amongst the First MOA Seller or the Second MOA Seller or their ultimate beneficial owner with the parties that the Company has entered into transactions (including the Third MOA Purchaser and the Fourth MOA Purchaser) 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	:	First MOA	:	A 2000 built handysize dry bulk carrier of approximately 32,834dwt, named "Aries Forest" ("Vessel A"). The flag of Vessel A is presently Hong Kong and the place of registration is Hong Kong. The Classification Society of the vessel is Nippon Kaiji Kyokai. The Company intends to change the name of the vessel to "English Bay" from the time of its delivery to the Company.
		Second MOA	:	A 2000 built handysize dry bulk carrier of approximately 32,835dwt, named "Ocean Melody" ("Vessel B"). The flag of Vessel B is presently Hong Kong and the place of registration is Hong Kong. The Classification Society of the vessel is Nippon Kaiji Kyokai. The Company intends to change the name of the vessel to "Champion Bay" from the time of its delivery to the Company.

The Company, having made all reasonable enquiries, does not have access to information regarding the profits before and after taxation of each of Vessel A and Vessel B for the years ended 31 December 2004 and 31 December 2005.

Consideration : Vessel A: US$27,700,000 (approximately HK$215,506,000); and

Vessel B: US$27,700,000 (approximately HK$215,506,000).

The total consideration for Vessel A and Vessel B is US$55,400,000 (approximately HK$431,012,000), which was determined by reference to market intelligence the Company has gathered from shipbrokers and its own analysis of recently concluded sale and purchase transactions of 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 A and Vessel B from which to make a direct comparison. In addition, no third party valuation has been performed on Vessel A and Vessel B.

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 purchase price of Vessel A and Vessel B will be satisfied entirely in cash, approximately 40% or US$22,160,000 (approximately HK$172,404,800) of which is expected to be funded from the sale consideration receivable for Vessel C and Vessel D, and approximately 60% or US$33,240,000 (approximately HK$258,607,200) from new bank borrowings, which the Company intends to arrange nearer the time for payment of Vessel A and Vessel B. The Company expects such bank borrowings could be long-term in nature and on similar terms as the Company's existing facilities.

Payment terms : Under the First MOA and the Second MOA, the consideration for both vessels shall be payable in the following manner:

- 10% of the purchase price (being the deposit) was paid at the time of signing the First MOA and the Second MOA; and
- The balance of the purchase price shall be paid upon the respective deliveries of Vessel A and Vessel B. The delivery dates of Vessel A and Vessel B must not be later than 20 November 2006 and 31 December 2006, respectively, unless the parties otherwise agree.

Completion and delivery : Pursuant to the First MOA, the latest date for completion is 20 November 2006 unless the parties otherwise agree. The Directors currently expect that the completion and delivery of Vessel A will take place in the fourth quarter of 2006. The Company will make a further announcement if the delivery of Vessel A does not take place by 20 November 2006.

Pursuant to the Second MOA, the latest date for completion is 31 December 2006 unless the parties otherwise agree. The Directors currently expect that the completion and delivery of Vessel B will take place in the fourth quarter of 2006. The Company will make a further announcement if the delivery of Vessel B does not take place by 31 December 2006.

Financial effects of the acquisition of "Aries Forest" and "Ocean Melody"

Following the delivery of Vessel A and Vessel B, the Group's fixed assets (owned vessels) will increase by the amount of the aggregate consideration of US$55,400,000 (approximately HK$431,012,000). It is intended that approximately 40% or US$22,160,000 (approximately HK$172,404,800) of the purchase price of both vessels will be satisfied from the sale consideration receivable for Vessel C and Vessel D, and approximately 60% or US$33,240,000 (approximately HK$258,607,200) of the purchase price of both 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$30,124,000 (approximately HK$234,364,720) and current liabilities are expected to increase by US$3,116,000 (approximately HK$24,242,480).

The acquisition of Vessel A and Vessel B will increase the estimated handysize revenue days from that announced on 22 August 2006 to approximately 16,310 days in 2006 and approximately 19,270 days in 2007. Such increase in handysize revenue days is expected to enhance earnings accordingly.

THE SALE OF "PATAGONIA" AND "OCEAN LOGGER" AND THE TIME CHARTER BACK OF THOSE TWO VESSELS

Background

On the same day as the First MOA and the Second MOA, another two indirect wholly-owned subsidiaries of the Company entered into the Third MOA with the Third MOA Purchaser and the Fourth MOA with the Fourth MOA Purchaser (each being owned by the same ultimate beneficial owner), to sell to them "Patagonia" (Vessel C) and "Ocean Logger" (Vessel D), for a consideration of US$21,000,000 (approximately HK$163,380,000) and US$19,800,000 (approximately HK$154,044,000) respectively. The total consideration for the vessels is US$40,800,000 (approximately HK$317,424,000). Vessel C is a 1995 built handysize vessel and Vessel D is a 1994 built handysize vessel.

The Company intends to use the net proceeds from the sale of Vessel C and Vessel D to repay bank debt on both of these vessels, to satisfy part of the purchase consideration of Vessel A and Vessel B and to provide the general working capital of the Company.

In addition, subsequent to the signing of the Third MOA and the Fourth MOA, an indirect wholly-owned subsidiary of the Company, being the charterer, will enter into two time charterparties with the Third MOA Purchaser and the Fourth MOA Purchaser to charter Vessel C and Vessel D, respectively, back into the Company's chartered fleet at agreed charter rates for a fixed period of 3.5 years. The terms of both charterparties have been finalised and the Company currently expects that both charterparties will be signed in early October 2006.

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

The Third MOA and the Fourth MOA

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

Date	:	12 September 2006		
Parties	:	Purchasers	:	K/S Danskib 55, for the Third MOA ("Third MOA Purchaser"); and K/S Danskib 54, for the Fourth MOA ("Fourth MOA Purchaser"), each of which, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, together with their ultimate beneficial owner (which is the same for the Third MOA Purchaser and the Fourth MOA Purchaser), 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 and the Fourth MOA Purchaser will be the owning of Vessel C and Vessel D respectively. The principal business activity of the ultimate beneficial owner of the Third MOA Purchaser and the Fourth MOA Purchaser is the owning of shipping vessels. By exercising a purchase option granted to it under a charterparty agreement entered into in 2002, the Company acquired a second-hand vessel, namely "Shinyo Challenge" (now renamed "Mount Cook") in March 2006, the ultimate beneficial owner of which is the same as that of the Third MOA Purchaser and the Fourth MOA Purchaser ("Shinyo Challenge Acquisition"). The Shinyo Challenge Acquisition was not a

				discloseable transaction under the Listing Rules and not related to the present transactions involving the sale of Vessel C and Vessel D which are not required to be aggregated with the Shinyo Challenge Acquisition under the Listing Rules. 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 Shinyo Challenge Acquisition, there are no other relationships amongst the Third MOA Purchaser or the Fourth MOA Purchaser or their ultimate beneficial owner with the parties that the Company has entered into transactions (including the First MOA Seller and the Second MOA Seller) to acquire, dispose of, or charter in vessels during the 12 months prior to the date of the Third MOA and the Fourth MOA.
		Sellers	:	Wharton Shipping Limited, for the Third MOA; and Gwenyth Shipping (BVI) Limited, for the Fourth MOA, each being an indirect wholly-owned subsidiary of the Company.
Assets to be sold	:	Third MOA	:	A 1995 built handysize dry bulk carrier of 27,860dwt, named "Patagonia" ("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.
		Fourth MOA	:	A 1994 built handysize dry bulk carrier of 28,429dwt, named "Ocean Logger" ("Vessel D"). The flag of Vessel D 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 and Vessel D	:	Vessel C	:	US$3,184,000 (approximately HK$24,771,520) and US$3,394,000 (approximately HK$26,405,320) for the years ended 31 December 2004 and 2005 respectively.

Vessel D	:	US$2,834,000 (approximately HK$22,048,520) and US$2,832,000 (approximately HK$22,032,960) for the years ended 31 December 2004 and 2005 respectively.

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

Carrying values of Vessel C and Vessel D	:	The carrying values of Vessel C and Vessel D in the Company's accounts were approximately US$8,285,000 (approximately HK$64,457,300) and approximately US$8,003,000 (approximately HK$62,263,340) respectively as at 12 September 2006.
Consideration	:	Vessel C: US$21,000,000 (approximately HK$163,380,000); and

Vessel D: US$19,800,000 (approximately HK$154,044,000).

The total consideration for Vessel C and Vessel D is US$40,800,000 (approximately HK$317,424,000), which includes a commission payable by the Company to a third party in relation to the completion of the Third MOA and the Fourth MOA of a 2% on the underlying consideration, i.e. US$800,000 (approximately HK$6,224,000). 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 and Vessel D from which to make a direct comparison. In addition, no third party valuation has been performed on Vessel C and Vessel D.

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 and the Fourth MOA, the consideration for the sale of Vessel C and Vessel D shall be receivable in the following manner: ● 10% of the purchase price (being the deposit) was received at the time of signing the Third MOA and the Fourth MOA; and ● The balance of the purchase price shall be received in full upon the respective deliveries of Vessel C and Vessel D. The delivery dates of both Vessel C and Vessel D must not be later than 15 December 2006 unless the parties otherwise agree.
Completion and delivery	:	Pursuant to the Third MOA, the latest date for completion is 15 December 2006 unless the parties otherwise agree. The Directors currently expect that the completion and delivery of Vessel C will take place in the fourth quarter of 2006. The Company will make a further announcement if the delivery of Vessel C does not take place by 15 December 2006. Pursuant to the Fourth MOA, the latest date for completion is 15 December 2006 unless the parties otherwise agree. The Directors currently expect that the completion and delivery of Vessel D will take place in the fourth quarter of 2006. The Company will make a further announcement if the delivery of Vessel D does not take place by 15 December 2006.
Expected disposal gains	:	The estimated gains that are expected to accrue to the consolidated income statement of the Company in the financial year ending 31 December 2006 in respect of Vessel C and Vessel D is US$12,315,000 (approximately HK$95,810,700) and US$11,397,000 (approximately HK$88,668,660) respectively. The estimated gains are calculated as the difference between the sale consideration of Vessel C and Vessel D, net of the commission payable to a third party, and their respective approximate carrying values in the Company's accounts as at 12 September 2006.
Application of sale proceeds	:	The intended application of the sale proceeds of Vessel C and Vessel D is (i) to repay bank borrowings in respect of these two vessels of approximately US$8,177,000 (approximately HK$63,617,060), of which US$675,000 (approximately HK$5,251,500) is current liabilities and US$7,502,000 (approximately HK$58,365,560) is non-current liabilities, (ii) to satisfy approximately 40% of the purchase consideration of Vessel A and Vessel B amounting to US$22,160,000 (approximately HK$172,404,800), (iii) to pay the commission of US$800,000 (approximately HK$6,224,000) to a third party in relation to the completion of the Third MOA and the Fourth MOA, and (iv) to provide the general working capital of the Company of approximately US$9,663,000 (approximately HK$75,178,140).

The time charterparties

In addition, subsequent to the signing of the Third MOA and the Forth MOA, an indirect wholly-owned subsidiary of the Company, being the charterer, will enter into two time charterparties with the Third MOA Purchaser and the Fourth MOA Purchaser, to charter Vessel C and Vessel D, respectively, back into the Company's chartered fleet at agreed charter rates for a fixed period of 3.5 years from 15 December 2006, or such earlier time if Vessel C and Vessel D are to be delivered before this date. The Company does not have the option to re-purchase any of these vessels during and at the end of the charter periods. The terms of both charterparties have been finalised and the Company currently expects that both charterparties will be signed in early October 2006.

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

The time charterparties are separate agreements to the Third MOA and the Fourth MOA and they are not interconditional. The transactions to time charter Vessel C and Vessel D back will be classified as operating leases in accordance with the Hong Kong Accounting Standard No. 17 "Leases". As the entering into of the operating leases does 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 charterparties do not constitute discloseable transactions of the Company under Rule 14.04(1)(d) of the Listing Rules.

Financial effects of the sale of "Patagonia" and "Ocean Logger" and time charter back of those two vessels

Following the disposal and delivery of Vessel C and Vessel D, the Group's fixed assets (owned vessels) will decrease by the aggregate carrying values of these two vessels of approximately US$16,288,000 (approximately HK$126,720,640). Current liabilities and long-term liabilities will decrease by the amount of bank borrowings in respect of both vessels to be repaid of approximately US$675,000 (approximately HK$5,251,500) and approximately US$7,502,000 (approximately HK$58,365,560) respectively. Current assets will increase by the additional general working capital of the Company of approximately US$9,663,000 (approximately HK$75,178,140). The transactions to time charter Vessel C and Vessel D back will be classified as operating leases with the charter-hire payments to be accounted for as operating lease expenses during the charter periods in accordance with the Hong Kong Accounting Standard No. 17 "Leases".

The sale and time charter back of Vessel C and Vessel D will not have any effect upon the number of handysize revenue days nor have a significant effect upon the earnings of the Company.

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 sale and time charter back of Vessel C and Vessel D will generate cash to be used to satisfy part of the purchase consideration of Vessel A and Vessel B. As a result of these transactions, the Company will release two of the oldest vessels from its owned fleet and replace them with two younger vessels. This will enable the Company to enhance the age profile of its owned fleet whilst at the same time retain commercial control over Vessel C and Vessel D through time chartering them back for 3.5 years. These transactions are therefore consistent with the strategy outlined above.

The Directors believe that the terms of the Four 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 Vessel A and Vessel B and the sale and time charter back of Vessel C and Vessel D are in the interests of the Company and the Shareholders as a whole.

OVERALL IMPACT ON THE GROUP'S ASSETS, LIABILITIES AND EARNINGS

Following the completion of the transactions under the Four MOAs, the Group's fixed assets (owned vessels) will increase by approximately US$39,112,000 (approximately HK$304,291,360). Long-term liabilities is expected to increase by US$22,622,000 (approximately HK$175,999,160), which is attributable to the long-term portion of new bank borrowings to be drawn down on Vessel A and Vessel B, partly netted off by the repayment of the long-term portion of the bank borrowings secured on Vessel C and Vessel D. Current liabilities is expected to increase by US$2,441,000 (approximately HK$18,990,980), representing the current portion of the new long-term bank borrowings to be drawn down on Vessel A and Vessel B, partly netted off by the repayment of the current portion of the bank borrowings in respect of Vessel C and Vessel D. Current assets is expected to increase by the additional general working capital of the Company of approximately US$9,663,000 (approximately HK$75,178,140). Such general working capital will come from the cash generated from the sale of Vessel C and Vessel D after the repayment of bank borrowings secured on these two vessels, and partly offset by the payment of commission to a third party and approximately 40% of the purchase consideration of Vessel A and Vessel B.

The expected benefit following the transactions under the Four MOAs will be an anticipated increase in the estimated handysize revenue days from that announced on 22 August 2006 to approximately 16,310 days in 2006 and approximately 19,270 days in 2007. Such increase in handysize revenue days is expected to enhance earnings accordingly.

THE FLEET

Handysize Fleet

Following (i) the completion and delivery of Vessel A and Vessel B into the owned fleet; and (ii) the completion and delivery of Vessel C and Vessel D from the owned fleet to the chartered fleet, the Company's handysize fleet will comprise 55 vessels (1,602,041dwt), including 22 owned vessels (649,632dwt), 31 chartered-in vessels (900,867dwt) and two managed vessels (51,542dwt). All handysize vessels, except one (28,730dwt), are employed in a mixture of voyage charters and time charters through the IHC Pool.

In addition, the Company has 12 newbuilding handysize vessels on order, two of which are scheduled to deliver in 2006, four in 2007, three in 2008 and three in 2009. Nine of these newbuilding vessels (approximately 287,700dwt in aggregate) will enter into the owned fleet and three (approximately 88,100dwt in aggregate) will enter into the long-term chartered-in fleet upon their deliveries.

Handymax Fleet

Following the delivery of "Star Victory" (to be renamed "Pacific Victory") currently expected to be by the end of October 2006, as separately announced on 28 June 2006, the Company's handymax fleet will comprise 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.

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 Four MOAs 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$7.78 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:

Authorised:		*US$*
3,600,000,000	shares (Shares of US$0.10 each)	360,000,000
Issued:		
1,299,680,609	shares (Shares of US$0.10 each)	129,968,060

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

No part of the share capital or debt securities of the Company are listed on or dealt in any stock exchange other than the Stock Exchange and no application is being made or is currently proposed to be sought for the Shares or debt securities of the Company to be listed 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	–	5,626,612	–	12,786,905[3]	1,600,000[1]	20,013,517	1.54%
Richard M. Hext	–	4,353,741[2]	–	–	–	4,353,741	0.33%
Paul C. Over	–	–	–	11,767,521[4]	1,600,000[1]	13,367,521	1.03%
Lee Kwok Yin, Simon	–	–	–	107,443,220[5]	–	107,443,220	8.27%
Patrick B. Paul	–	20,000	–	–	–	20,000	0.002%
Daniel R. Bradshaw	869,417[6]	–	–	–	–	869,417	0.067%
Wang Chunlin	–	550,000[7]	–	–	–	550,000	0.042%
Klaus Nyborg	–	2,500,000[8]	–	–	–	2,500,000	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 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) 12,786,905 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, 27,802,000 Shares, 34,311,000 Shares and 2,000,000 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 and an equal amount of 110,000 Shares will vest on each of 1 March 2007, 2008, 2009, 2010 and 2011 respectively.

(8) By a Restricted Share Award Agreement dated 14 September 2006, 2,500,000 Shares in the form of restricted shares were granted to Mr. Nyborg 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
Lee Kwok Yin, Simon	Founder of a discretionary trust	107,443,220	8.27%

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of issued share capital of the Company
JP Morgan Chase & Co.	Investment manager and approved lending agent	103,502,200	7.96%
Lazard Asset Management LLC	Investment manager	90,421,200	6.96%

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.