
SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. Because this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in our Shares. There are risks associated with any investment. Some of the particular risks in investing in our Shares are set out in the section headed "Risk Factors". You should read that section carefully before you decide to invest in our Shares.

OUR BUSINESS

We are one of the world's leading dry bulk shipping companies, operating principally in the Asia Pacific region. We provide marine transportation services and logistical support to our customers through the commercial operation of a large, modern and uniformly-sized fleet of shallow-draft Handysize dry bulk carriers. We specialise in transporting minor bulk commodities, including forest products, iron and steel products, fertiliser, agricultural products, cement and other products, generally out of commodities rich regions such as Australia, New Zealand and the west coast of North America into the high consumption areas of China and elsewhere in Asia.

We earn our revenues primarily by carrying a wide variety of cargoes from many load ports to many discharge ports as designated by our customers. Our costs comprise operating, depreciation and financing costs for the vessels we own, charter-hire payments for vessels we charter in and general and administrative expenses. We are headquartered in the Hong Kong Special Administrative Region of China, with operations in Shanghai, Tokyo, Melbourne and London.

Most of our team of senior managers have more than 20 years of industry experience in various aspects of dry bulk shipping, including market analysis, chartering, vessel operations, technical management and crewing, vessel sale and purchase, shipbuilding and repair, finance and insurance.

We commercially operate the world's largest fleet of modern Handysize dry bulk carriers between 25,000 and 35,000 dwt, comprising 42 vessels, of which we own 19, we charter in seven and we commercially manage 16 on behalf of third party owners. We have the option to purchase three of the seven vessels we charter in. The average age of our Fleet is only six years, which is substantially younger than the world Handysize fleet average age of 19 years. We believe our modern Fleet enables us to provide customers with a safer, more reliable service that has a high degree of operational flexibility and also improves our results through stronger revenues, reduced operating expenses and lower insurance and financing costs.

We operate 39 of the 42 vessels in our Fleet through the International Handybulk Carrier revenue sharing pool that we established in 2001. This pool has nine members, including Sinotrans Shipping Limited ("**Sinotrans**"), one of the largest Chinese shipping companies, BHP Billiton Limited ("**BHP**"), a large industrial commodities group, and A/S Dampskibsselskabet TORM ("**TORM**"), a leading international shipping company listed on the Nasdaq National Market and the Copenhagen Stock Exchange. The scheduling flexibility afforded by the uniformity of our Fleet, together with certain back-haul and intra-regional cargoes, enables us to deliver the commodities we carry with fewer ballast days than by traditional round voyage transportation, thereby enhancing capacity utilisation.

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We seek to continue to grow our business by leveraging our operating platform and the attractive demand and supply fundamentals that we see in our industry sector. Through our specialised operational skills, our management's long-standing industry relationships, the increasing scale and sophistication of our operation, our strategic concentration on the Asia Pacific region and our modern, uniform asset base, we aim to execute the premium business of our customers and to provide them with a compelling value proposition.

Since 1994, the Chinese economy has achieved an average annual real GDP growth rate of nearly 9%, driving total imports into China from US\$115 billion in 1994 to US\$413 billion in 2003. We believe our substantial presence in this regional shipping market will enable us to capitalise on further economic expansion in China and Asia Pacific. We also expect our market position to be enhanced by a supply constraint stemming from the advanced age profile of the world's fleet of Handysize vessels and the limited shipyard capacity available to construct additional tonnage, at least in the near term. Tonnage procurement in this environment will be particularly important as will be the balance we seek to achieve between our Owned Fleet, Chartered Fleet and Managed Fleet, which will be dependent upon our view of the market going forward. Through our industry relationships we have placed orders for three new Handysize vessels being constructed for delivery in 2004 and have agreed to purchase four secondhand Handysize vessels and two Handysize newbuilding resales, conditional upon the completion of, and using part of the proceeds of, the Global Offering. We also have one Handysize newbuilding (with a purchase option) which will commence a long-term Time Charter once it is delivered to us upon completion of its construction in mid-2006.

OUR COMPETITIVE STRENGTHS

We believe that our potential for continued success and further growth is due primarily to the following competitive strengths:

- Experienced management team with established track record and reputation.
- Strong customer relationships and a reputation for high quality service.
- Large, modern and uniformly-sized Fleet designed to meet customers' needs.
- Significant market presence in the Asia Pacific region.
- Strong relationships with service providers and suppliers.

OUR STRATEGIES

We aim to deliver sustainable growth and long-term shareholder value by leveraging our competitive strengths through the following strategies:

- Enhancing our comprehensive customer service offering.
- Developing and broadening our customer base.
- Expanding our Fleet to meet growing customer demand.
- Increasing primary trades and back-haul cargoes.
- Potential expansion in Handymax segment.

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RISK FACTORS

There are certain risks involved in our operations which could adversely affect our financial position or results of operations. These risks can be categorised into (i) risks relating to our business and (ii) risks relating to the Global Offering.

Risks relating to our business

- We operate in an industry which is highly cyclical and subject to seasonal fluctuations.
- We operate in a highly competitive industry.
- We operate in a highly regulated industry.
- We may experience fluctuations in our operating results.
- An economic slowdown in the Asia Pacific region may have a material adverse effect on our business, financial position and results of operations.
- We may not be able to grow or to manage our growth effectively.
- Our customers may default on their obligations under our contracts with them.
- There are risks associated with the construction of new vessels and the purchase of secondhand vessels.
- We may not be able to maintain the size of our Owned Fleet, Chartered Fleet or Managed Fleet.
- There are risks associated with debt finance which could adversely affect our business, financial position or results of operations.
- We are exposed to currency and interest rate fluctuations.
- We may not be able to attract and retain key management personnel, employees and crews, which could adversely affect the results of our operations.
- Acts of God, acts of war, terrorist attacks, epidemics and other events could adversely affect our business.
- We may not have sufficient insurance and may be unable to maintain existing insurance coverage.
- Maritime claimants could arrest our vessels, which could interrupt our cash flow.
- Governments could requisition one or more of our vessels during a period of war or emergency, resulting in loss of earnings.
- We may not be able to make dividend payments in accordance with our current dividend policy.

Risks relating to the Global Offering

- An active trading market for our Shares may not develop and their trading price may fluctuate significantly.

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- Sales of substantial amounts of Shares in the public market, or the perception that these sales may occur, could materially and adversely affect the prevailing market price of the Shares.
- The Controlling Group may take actions that are not in public shareholders' best interests.
- Because the Offer Price of our Shares is higher than our pro forma net tangible book value per Share, purchasers of our Shares in the Global Offering will experience immediate and substantial dilution. Purchasers of our Shares may experience further dilution if we issue additional Shares in the future.
- Shareholders may face difficulties in protecting their interests because we are incorporated under Bermuda law, which may provide less protection to minority shareholders than the laws of Hong Kong.
- Significant assumptions were made in the preparation of our unaudited pro forma combined financial information. These assumptions could prove to have been incorrect, and different assumptions may produce materially different results.

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SUMMARY HISTORICAL FINANCIAL INFORMATION

In connection with the Reorganisation, our Company was incorporated on 10 March 2004 and the shares of the Initial Companies were transferred to us from the Initial Investors on 30 March 2004. Our Company will complete the transfers of the Management Companies and the Vessel Companies from their respective shareholders to us on the Listing Date, upon the Underwriters' rights to terminate the Underwriting Agreements lapsing pursuant to their terms. Further details in respect of the Reorganisation are set out in the section headed "Statutory and General Information — Corporate Reorganisation" in Appendix VI.

Summary of Financial Data

The following discussion should be read in conjunction with the combined financial statements and related notes thereto for:

- Pacific Basin Shipping Limited (the holding company of the Initial Companies) in Appendix IA;
- PB Management Holding Limited (the holding company for the Management Companies) in Appendix IB; and
- The separate financial statements and related notes thereto for each of the Vessel Companies (referred to as and comprising Beckley Enterprises Limited, Eastern Venture Corporation, Foreview Holdings Limited, Investors Choice Limited, Keswick Holdings Limited, New Majestic International Limited and Riley Shipping (BVI) Limited) in Appendix IC.

The following summarises the relationship of the above three groups of companies.

Prior to the Reorganisation, the Management Companies were subsidiaries of Pembroke which was engaged in the ship-owning, ship-operating and ship management business. The Management Companies were directly involved in the provision of such ship-operating and ship management services to ship owners including the Initial Companies and Vessel Companies, under commercial and technical management contracts.

The Initial Investors had direct ownership of the Initial Companies which will be owned by the Company. The Vessel Companies were owned by separate groups of investors who are typically investors in more than one vessel owning company, and were majority owned by Pembroke and its shareholders.

All of the Initial Companies and each of the Vessel Companies were established by Pembroke to own vessels for and on behalf of their respective investors. Each of these companies and the vessel owned by them have been managed by Pembroke since inception pursuant to long-term management contracts. Each vessel is owned by one special purpose company and through the board composition or management contracts, Pembroke controls the operation of the vessels.

The transfers of the Management Companies and the Vessel Companies to our Company do not meet the strict criteria for merger accounting under Hong Kong Statements of Standard Accounting Practice (SSAP) 2.127 "Accounting for Group Reconstructions" ("SSAP 27"). Accordingly, and in accordance with the Listing Rules, separate accountants' reports have been prepared in respect of PB Management Holding Limited and each of the Vessel

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Companies. We set out below summary unaudited pro forma combined financial information of the Group. This is based on combining information from the audited accounts of the Company, PB Management Holding Limited and each of the Vessel Companies. Selected financial information for each of these from their respective accountants' reports is provided after the summary pro forma combined financial information.

Except as otherwise indicated, all financial information set forth herein has been presented in US dollars in conformity with HK GAAP. All financial information as at and for the years ended 31 December 2001, 2002 and 2003 set out in Appendices IA, IB and IC has been audited. References below to "2001," "2002," and "2003," unless otherwise noted, are references to the years ended, and as at, 31 December 2001, 2002 and 2003.

We believe the unaudited pro forma combined financial information as at and for the year ended 31 December 2003 reflects all significant adjustments necessary to give effect to the Reorganisation, as if it had occurred at the start of the year ended 31 December 2003, for the purposes of the pro forma combined profit and loss data, and on 31 December 2003, for the purposes of the pro forma combined balance sheet data. Further information regarding certain considerations with respect to the financial statements for the Company is set forth in the section headed "Risk Factors — Significant assumptions were made in the preparation of our unaudited pro forma combined financial information. Different assumptions may produce materially different results". The summary information is provided for illustrative purposes only and does not necessarily represent what our combined financial results actually would have been if the transactions had in fact occurred on those dates. The notes to the pro forma combined financial information contain a more detailed discussion concerning the adjustments described above. For an explanation of the pro forma information set forth below, see the section headed "Unaudited Pro Forma Combined Financial Information" in Appendix IIA.

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	Unaudited Pro Forma Combined 2003
	US\$'000
Combined Profit and Loss Account Data	
Turnover	80,668
Other revenues	431
Direct costs	
Charter-hire expenses on vessels	(11,575)
Depreciation and amortisation	(10,650)
Vessel operating expenses	(13,221)
Cost of inventories sold and distribution costs	(2,032)
Total direct costs	(37,478)
General and administrative expenses	(15,208)
Other operating income	1,028
Operating profit	29,441
Finance costs	(5,118)
Operating profit after finance costs	24,323
Share of profits less losses of interests in jointly controlled entities	871
Profit before taxation	25,194
Taxation	(658)
Profit attributable to shareholders	24,536
Combined Balance Sheet Data	
Current assets	
Bank balances and cash	19,317
Trade, other receivables and prepayments	10,897
Inventories	4,133
Other current assets	7,162
Total current assets	41,509
Fixed assets	276,442
Goodwill	25,794
Interests in jointly controlled entities and an associated company	7,169
Other long-term assets	3,895
Total assets	354,809
Current liabilities	
Current portion of long-term bank loans	13,494
Trade, other payables and accruals	26,011
Taxation payables	1,597
Other current liabilities	39,420
Total current liabilities	80,522
Long-term liabilities (including long-term bank loans)	156,263
Total liabilities	236,785
Shareholders' funds	118,024
Total liabilities and equity	354,809

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Selected Historical Audited Financial Information — Initial Companies, Management Companies and Vessel Companies

	Vessel Companies								
	Pacific Basin Shipping Limited	PB Management Holding Limited	Beckley Enterprises Limited	Eastern Venture Corporation	Foreview Holdings Limited	Investors Choice Limited	Keswick Holdings Limited	New Majestic International Limited	Riley Shipping (BVI) Limited
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2003									
Profit and loss account									
Turnover	54,188	30,983	207	—	2,805	—	1,381	—	—
Operating profit	27,507	6,453	130	625	1,127	—	496	—	—
Profit attributable to shareholders	<u>22,686</u>	<u>4,382</u>	<u>117</u>	<u>625</u>	<u>935</u>	<u>—</u>	<u>404</u>	<u>—</u>	<u>—</u>
Balance sheet									
Non-current assets	203,810	3,324	10,876	2,900	9,863	7,467	8,074	772	3,728
Current assets	8,892	32,099	396	41	1,180	362	856	2,128	860
Total assets	<u>212,702</u>	<u>35,423</u>	<u>11,272</u>	<u>2,941</u>	<u>11,043</u>	<u>7,829</u>	<u>8,930</u>	<u>2,900</u>	<u>4,588</u>
Current liabilities	14,594	27,901	955	41	1,083	129	1,401	—	188
Non-current liabilities and minority interests	166,253	1,753	7,200	—	6,525	2,400	5,125	—	—
Shareholders' funds	<u>31,855</u>	<u>5,769</u>	<u>3,117</u>	<u>2,900</u>	<u>3,435</u>	<u>5,300</u>	<u>2,404</u>	<u>2,900</u>	<u>4,400</u>
Total liabilities, equity and minority interest	<u>212,702</u>	<u>35,423</u>	<u>11,272</u>	<u>2,941</u>	<u>11,043</u>	<u>7,829</u>	<u>8,930</u>	<u>2,900</u>	<u>4,588</u>
2002									
Profit and loss account									
Turnover	27,924	18,142	—	—	—	—	—	—	—
Operating profit	9,494	4,486	—	(15)	—	—	—	—	—
(Loss)/profit attributable to shareholders	<u>(2,027)</u>	<u>2,890</u>	<u>—</u>	<u>(15)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Balance sheet									
Non-current assets	184,279	3,285	—	2,900	—	—	—	—	710
Current assets	8,236	15,664	—	—	—	—	—	—	1,518
Total assets	<u>192,515</u>	<u>18,949</u>	<u>—</u>	<u>2,900</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,228</u>
Current liabilities	11,836	14,689	—	31	—	—	—	—	28
Non-current liabilities and minority interests	157,611	1,558	—	—	—	—	—	—	—
Shareholders' funds	<u>23,068</u>	<u>2,702</u>	<u>—</u>	<u>2,869</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,200</u>
Total liabilities, equity and minority interest	<u>192,515</u>	<u>18,949</u>	<u>—</u>	<u>2,900</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,228</u>
2001									
Profit and loss account									
Turnover	18,257	15,019	—	—	—	—	—	—	—
Operating profit	8,023	3,640	—	(16)	—	—	—	—	—
Profit/(loss) attributable to shareholders	<u>3,256</u>	<u>2,971</u>	<u>—</u>	<u>(16)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Balance sheet									
Non-current assets	143,981	548	—	2,900	—	—	—	—	—
Current assets	4,261	11,557	—	—	—	—	—	—	—
Total assets	<u>148,242</u>	<u>12,105</u>	<u>—</u>	<u>2,900</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Current liabilities	10,851	8,716	—	16	—	—	—	—	—
Non-current liabilities and minority interests	112,297	390	—	—	—	—	—	—	—
Shareholders' funds	<u>25,094</u>	<u>2,999</u>	<u>—</u>	<u>2,884</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total liabilities, equity and minority interest	<u>148,242</u>	<u>12,105</u>	<u>—</u>	<u>2,900</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

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PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2004

As described in detail in the Accountants' Report in Appendix IA, the acquisitions of the economic interests of the Management Companies and the Vessel Companies by the Company took effect from 31 March 2004. The Group's results for the year ending 31 December 2004 will include the results of the Initial Companies for the full year ending 31 December 2004 and the results of both the Management Companies and the Vessel Companies for the period from 1 April 2004 to 31 December 2004. The profit forecast of the Group for the year ending 31 December 2004 is prepared on the same bases and the assumptions set out in Appendix III.

The Directors believe that on the basis and the assumptions set out in Appendix III and in the absence of unforeseen circumstances, the profit after taxation and minority interests but before extraordinary items for the year ending 31 December 2004 will be not less than US\$65 million.

	<u>US\$</u>
Forecast profit after taxation and minority interests but before extraordinary items for the year ending 31 December 2004 ¹	65 million
Forecast earnings per Share	
Weighted average ²	0.060

Notes:

1. The bases and assumptions on which the above profit forecast has been prepared are set out in Appendix III.
2. The calculation of the forecast earnings per Share on a weighted average basis is based on the forecast profit after taxation and minority interests but before extraordinary items for the year ending 31 December 2004 and a weighted average number of 1,079,225,270 Shares issued and outstanding during the year. The calculation assumes that the Over-allotment Option will not be exercised.

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OFFERING STATISTICS

	<u>Based on an Offer Price of HK\$2.55¹</u>
Market capitalisation of the Shares ²	HK\$3,230.9 million
Prospective price/earnings multiple weighted average ³	5.5 times
Adjusted pro forma combined net tangible asset value per Share ⁴	HK\$ 1.03

USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Global Offering of New Shares (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering and assuming an Offer Price of HK\$2.55 per Share, being the mid-point of the proposed Offer Price range of HK\$2.20 and HK\$2.90 per Share) will be approximately US\$74.5 million (HK\$581.0 million). We currently intend to use these net proceeds for our current and future development and for general corporate purposes. For further information, please refer to the sections headed “Business — Our Strategies” and “Future Plans and Use of Proceeds”.

We intend to apply a portion of these net proceeds in the following manner (although these amounts may change for business reasons or otherwise):

We have entered into agreements to purchase six vessels for an aggregate consideration of approximately US\$118.5 million payable in cash, conditional upon the completion of the listing of our Shares. The consideration will be satisfied partly from proceeds of the Global Offering and partly from new bank borrowings.

We will continue to seek opportunities to acquire additional Handysize (and if appropriate Handymax) vessels and newbuilding contracts consistent with the sections headed “Business — Our Strategies” and “Future Plans” below.

We currently believe that the net proceeds from the Global Offering, when combined with new bank borrowings, are sufficient for the uses set forth above. Proceeds not used to acquire vessels may be used for general corporate purposes, working capital and capital expenditure.

We will not receive any proceeds from the sale of the Sale Shares by the Selling Shareholders in the Global Offering. All of the net proceeds from the sale of the Sale Shares by the Selling Shareholders in the Global Offering will be for the account of the Selling Shareholders.

Notes:

1. The Offer Price of HK\$2.55 (being the mid-point of the proposed Offer Price range of HK\$2.20 and HK\$2.90 per Share), does not include brokerage of 1%, SFC transaction levy of 0.005%, investor compensation levy of 0.002% and Stock Exchange trading fee of 0.005%.
2. The calculation of market capitalisation is based on 1,267,010,609 Shares expected to be in issue following the Global Offering.
3. The calculation of the prospective price/earnings multiple on a weighted average basis is based on the forecast earnings per Share on a weighted average basis for the year ending 31 December 2004 of about US\$0.060 (HK\$0.468) and an Offer Price of HK\$2.55 (being the mid-point of the proposed Offer Price range of HK\$2.20 and HK\$2.90 per Share).
4. The adjusted pro forma combined net tangible asset value per Share is calculated based on the unaudited adjusted pro forma combined net tangible assets (for details, please refer to the section headed “Financial Information — Unaudited Adjusted Pro Forma Combined Net Tangible Assets” to this prospectus) of US\$166,716,000 (HK\$1,300,384,800), and on the basis of 1,267,010,609 Shares in issue immediately following completion of the Global Offering.

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FUTURE PLANS

Our primary aim is to create shareholder value by leveraging our operating platform and our competitive strengths and maintaining profitable growth through the implementation of the following initiatives described in the section headed “Business — Our Strategies”:

- Expand our managerial and operational capabilities to broaden our comprehensive customer service offering. In particular, we are expanding our Shanghai and Melbourne operations and are evaluating the possibility of opening an office on the west coast of North America.
- Work with existing and new customers to develop and broaden further our customer base. Our increased presence in Shanghai, Melbourne and potentially the west coast of North America will enable us to undertake more extensive marketing efforts.
- Implement active tonnage procurement programmes to acquire newbuildings and secondhand vessels, and charter in vessels to meet any increased demand for our services from our customers. A portion of the proceeds from the Global Offering has already been committed towards this initiative.
- Focus our chartering operations on securing premium trades and back-haul cargoes.
- Consider building a presence in the Handymax segment. If we believe that there will be sufficient demand from our customers, we may decide to acquire additional newbuildings and secondhand vessels in this segment.

For further information, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

DIVIDEND POLICY

Our Board of Directors may declare dividends after taking into account our operations, earnings, financial condition, cash requirements, cash availability and other factors as they may deem relevant at such time. The payment and the amount of any dividends declared will be subject to the Bye-laws and the Companies Act. We currently expect to maintain a general policy that not less than 50% of our profits available for distribution in each financial year commencing from the completion of the Reorganisation will be distributed to our shareholders by way of interim and final dividends. As we will not have been listed for the whole of the year ending 31 December 2004, our final dividend payment for year 2004 will be based on the results for the period from 1 June 2004 to 31 December 2004.

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In connection with the Reorganisation, we have agreed to distribute to our shareholders the full amount of retained earnings attributable to the period from 1 April 2004 to 31 May 2004. These interim dividends will be paid out of our internal resources and/or cash generated from our operating activities but will not be paid until after the Listing Date. These dividends relate to earnings during a period prior to the Listing Date and were therefore not determined in accordance with our dividend policy as described above. Purchasers of the Shares in the Global Offering will not be entitled to participate in these dividends. In addition, certain dividends are also expected to be paid to the shareholders of the companies that will comprise the Group pursuant to the Reorganisation for the period up to 31 March 2004. Please see the section headed "Corporate Reorganisation" in Appendix VI.