Unless the context otherwise indicates, all information (including financial and statistical data) provided in this section relates to the Group on a combined basis.

OVERVIEW

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, vessel finance and insurance.

We commercially operate the world's largest fleet of modern Handysize dry bulk carriers in the 25,000 dwt to 35,000 dwt segment. Our Fleet currently comprises 42 vessels aggregating approximately 1.2 million dwt comprising 19 vessels in our Owned Fleet, seven vessels in our Chartered Fleet (on three of which we have purchase options) and 16 vessels in our Managed Fleet. The average age of our Fleet is six years, which is significantly younger than the world Handysize fleet average 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 IHC Pool that we established in 2001. This pool has nine members, including Sinotrans, one of the largest Chinese shipping companies, BHP, a large industrial commodities group, and 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. Our vessels are shallow-drafted and equipped with cranes, which make them particularly well-suited to many ports in China and other parts of Asia, which are draft restricted or do not have shore facilities for discharging cargo.

We seek 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.

In addition, we believe the increasing scale and sophistication of our operations enables us to (i) execute an increasing amount of back-haul cargo and intra-regional trade shipments such as shipping fertiliser from Malaysia to Australia and cement from Taiwan to North America, (ii) win business against smaller operators, (iii) provide customers with greater flexibility and certainty of delivery, (iv) provide outsourced freight management services, effectively replacing the traditional functions of an in-house chartering department, and (v) offer our principal customers the ability to manage their transportation and distribution costs. As a result, we have been successful in building a high quality customer base, which includes BHP, Weyerhaeuser Company, Carter Holt Harvey Limited and Toepfer International G.m.b.H. ("**Toepfer**"), since they are assured that we are able to meet substantially all of their desired transportation requirements in our focused segment. We are now seeking to expand our business by broadening and achieving further penetration of that customer base.

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 further 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 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 secured agreements to purchase four secondhand Handysize vessels and two Handysize newbuilding resales, conditional upon the completion 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.

By offering a first-class service backed by a large, modern and uniformly-sized fleet of Handysize vessels, we believe we are well placed to execute our customers' cargo business and can be responsive and adaptable in meeting their requirements. Our market concentration in the Asia Pacific region, combined with our large and uniformly-sized Fleet, facilitates scheduling flexibility due to vessel interchangeability, permitting greater responsiveness to customer demands and enhanced capacity utilisation. We also believe that we are able to achieve lower operating costs in comparison with smaller operators.

We believe that our success competing in the market and our potential for further growth are 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

HISTORY AND DEVELOPMENT

Several of our key directors and executives previously operated a company also bearing the name ''Pacific Basin''. It commenced trading in 1987 in Hong Kong to engage in ship-owning, ship-operating and ship management with a strong focus on the Handysize dry bulk sector in Asia. That company was listed on the Nasdaq National Market in New York in September 1994 with Christopher Buttery as chief executive officer, Paul Over as chief operating officer and Mark Harris as chief financial officer, all three of whom are senior executives of our Company. That company was subsequently acquired in 1996 and privatised by an independent third party.

From 1987 to 1996 the management of that company concentrated on the business of operating Handysize vessels and successfully grew the company to having a fleet of more than 30 vessels. Over this period, the management developed strong commercial and ship-operating experience, and established the ''Pacific Basin'' name and reputation in the market. Important connections and relationships were established across the whole spectrum of the industry, including charterers, cargo owners, trading houses, shipyards, ship financing institutions and other industry participants throughout the Asia Pacific region.

In 1998, Christopher Buttery and Paul Over, as well as other senior executives and employees, formed a new company, again bearing the ''Pacific Basin'' name, to re-establish a business in the shipping industry. Shortly thereafter, they approached the private equity investment group associated with Furman Selz Inc. with a proposal for them to establish a significant business and market presence in the Handysize sector of dry bulk shipping. In 1999, Furman Selz LLC private equity investment group (which more recently has been associated with Jefferies & Company Inc. and operates as Jefferies Capital Partners) along with other financial investors, agreed to join with Pacific Basin to pursue this business opportunity by providing a substantial amount of capital which was principally used to purchase Handysize vessels to be managed and operated by Pacific Basin. As a result, Pacific Basin and these other investors came together on the basis that Pacific Basin would contribute its ship owning, operating and management expertise and these other investors would contribute the required funding, as well as an appropriate level of oversight and strategic support. Since this business began in 1998 it has expanded rapidly and the following table sets forth the development of our Fleet:

Our Fleet

As at 31 December	Owned Fleet	Chartered Fleet	Managed Fleet	Total Fleet
1998	1	0	7	8
1999	5	0	8	13
2000	7	0	6	13
2001	13	0	12	25
2002	14	2	17	33
2003	19	5	17	41
2004 (at 30 April 2004)	19	7	16	42

By the second half of 2001, our Owned Fleet, supplemented by the imminent delivery of several newbuildings, had grown to a sufficient size to give critical mass for the launch of a revenue sharing pool for Handysize vessels. Accordingly, in October 2001 we established the IHC Pool, which enabled us to provide a more comprehensive service to our customers whilst enhancing the revenues earned by our Owned Fleet and our Chartered Fleet. Since then, the IHC Pool has expanded rapidly as we have successfully attracted nine new members. The following table illustrates the expansion of the IHC Pool:

IHC Pool

		No. of Vessels		
	No. of Members	Owned and Chartered Fleet	Managed Fleet	Total
2001	3	7	10	17
2002	6	15	10	25
2003	11	22	16	38
2004 (at 30 April 2004)	9	26	13	39

As at the Latest Practicable Date, the nine members of the IHC Pool, with the number of vessels entered into the IHC Pool in parentheses, are

The Company (26)	BHP Billiton (1)
Frenchay Shipping Limited* (1)	Sinotrans Shipping Limited (2)
A/S Dampskibsselskabet Torm (3)	Intermare Transport G.M.B.H. (1)
Wah Kwong Shipping Holdings Limited (3)	Funada Kaiun Co. Ltd. (1)
Runciman Investments Limited* (2)	

Each member signs an accession agreement (“Accession Agreement”) with the pool manager, IHCM, a wholly owned subsidiary of the Company, in respect of each vessel that is entered into the IHC Pool by that member. The major terms of the Accession Agreement are as follows: (i) that the member agrees to be bound by the International Handybulk Carrier Management Limited Terms and Conditions (the “**Rules**”); (ii) that no vessel entered by a member is subject to any lien or encumbrance or claim other than any ship mortgage in favour of its financiers and liens arising in the normal course of business which are not in dispute;

* These members have given notice of withdrawal of their vessels from the pool, pending completion of their sale.

(iii) that IHCM shall have full power to enter into, and execute, all Charterparty Agreements concluded by IHCM in respect of the Vessel for, and on behalf of, the member; (iv) that the member ratifies and confirms and agrees to ratify and confirm whatsoever IHCM shall do or purport to do under or pursuant to the Accession Agreement and the Rules; and (v) that IHCM, except in the case of gross negligence or wilful misconduct, shall be under no liability whatsoever to the member for any loss, damage, delay or expense of whatsoever nature, whether direct or indirect (including but not limited to loss of hire and/or profit) and howsoever arising in the performance of the services referred to in the Rules.

IHCM is responsible for arranging the employment of all vessels entered in the IHC Pool, whether from the Owned, Chartered or Managed Fleet. Employment is arranged by way of Voyage or Time Charter and performing COAs and IHCM is responsible for the overall management and execution of such voyages. The third party owners of the vessels entered into the IHC Pool are responsible for all other aspects of their vessels' commercial and technical operations such as insurance, providing crew, conducting repairs and maintenance and ensuring compliance with all international regulations. However, certain of the members of the IHC Pool have also entered into commercial management and technical management contracts with certain of the Management Companies for the provision of such additional services. For further information please refer to "Fleet List as at 30 April 2004" below. From time to time, IHCM charters vessels in for short periods to meet the IHC Pool's cargo commitments if this is more advantageous than using one of the pool vessels. The pool members approve the entry of new members, the chartering-in of vessels for periods longer than six months and set limits for the amount of cargo cover to be taken by IHCM on the pool's behalf. All decisions are taken on a majority basis. The members (other than the Company) play no role in the day-to-day operations of the IHC Pool or in the management of IHCM.

In addition to the development of our Fleet and the launch and expansion of the IHC Pool, we have also expanded our commercial and technical management operations through strategic acquisitions. In late 2000, we acquired a controlling interest in a well-established, reputable, Hong Kong-based vessel technical management business. This acquisition provided us with our own technical management capability, bringing in-house the critical functions of safety, quality, regulatory compliance, security and environmental protection. It also provided us with further expertise which strengthened our own commercial operations. As part of this acquisition, our Group also acquired two small companies, a marine surveying and consultancy business and a supplier of marine consumables.

THE STRUCTURE OF OUR BUSINESS PRIOR TO THE REORGANISATION

In May 1999, the Initial Investors joined with Pembroke (formerly named Pacific Basin Shipping Limited) to build a dry bulk shipping business focused on the Handysize dry bulk shipping sector. The parties came together as an integrated shipping enterprise on the basis that Pembroke would contribute its ship operating and ship management expertise and the Initial Investors would contribute the required funding for the shipping business to acquire vessels. From the outset there was a high degree of integration, cooperation and strategic planning between Pembroke and the Initial Investors, with the Initial Investors exerting substantial influence over the business which was also reflected in the terms of the management contracts described below.

During 1999 Pembroke arranged the purchase of a number of vessels and placed orders for several newbuildings. These vessels were financed partly by debt finance arranged by Pembroke and partly by equity provided by the Initial Investors. Over the next three years, Pembroke and the Initial Investors sought opportunities to expand their operations by increasing the number of vessels in our Fleet. Such expansion required additional capital, provided by the Initial Investors, or by Pembroke and Pembroke's existing shareholders and, to the extent necessary, from other independent financial investors identified by Pembroke. Consistent with industry practice, each vessel is owned by a separate company. The vessels owned by the Initial Investors are held through the Initial Companies. Pembroke and Pembroke's shareholders together own interests of between 38% and 83% in the seven Vessel Companies. However, Pembroke holds 100% of the Class A voting shares in each of the Vessel Companies or its vessel owning subsidiaries (except in the case of Riley Shipping (BVI) Limited whose A shares are 20% held by Pembroke and 80% controlled by a member of the Controlling Group, and in the case of a subsidiary of Eastern Venture Corporation named Pacific Basin Bulker (No. 103) Corporation, which is a joint venture company whose A shares are held as to 50% each by Pembroke (indirectly) and the joint venture partner). The other financial investors had economic interests in the Vessel Companies but no voting rights and their role in our shipping business was limited solely to funding part of the acquisition cost of these new vessel purchases. The Initial Companies and Vessel Companies were managed and operated by Pembroke pursuant to long-term management contracts and formed part of our pre-Reorganisation shipping business. Through the board composition or the management contracts, Pembroke was able to control the operation of the vessels owned by the Initial Companies and the Vessel Companies, in cooperation with the Initial Investors. Pembroke and the Initial Investors developed the structure outlined in this section because of the high level of capital that is required to operate in the shipping industry.

The operation and management of the vessels owned by the Initial Companies and the Vessel Companies were delegated to the Management Companies, subsidiaries of Pembroke, through long-term management contracts. With the exception of two Management Companies, each of the Management Companies will become a wholly owned subsidiary of the Company following the Reorganisation. The long-term management contracts were on-going with no fixed contractual period and could only be terminated by the Initial Companies or the Vessel Companies in very limited circumstances.

The management contracts for the vessels owned by the Initial Companies and the Vessel Companies all contain success fee provisions to give Pembroke an effective equity participation in such vessels but the basis of calculation of this fee differs between the two groups.

Under the management contracts all relevant management of the vessels was executed exclusively by Pembroke (or its controlled entities) which was responsible for: (i) seeking and negotiating employment for the vessels, (ii) negotiating the sale or disposal of the vessels, (iii) negotiating the financing of the vessels, (iv) arranging all insurance relating to the vessels and (v) otherwise managing any other commercial aspects in respect of the vessels.

Whilst Pembroke had the day-to-day management of all aspects of the Initial Companies and the vessels owned by such companies, including discretion over the employment and operation of such vessels, the management contracts for such vessels contained certain additional rights for the Initial Investors to reflect the founding nature of the relationship between the Initial Investors and Pembroke and to take into account the substantial amount of capital provided by the Initial Investors. Pembroke could not, except with the prior approval of the Initial Investors:

- sell any of the Initial Companies or any vessel held by the Initial Companies;
- enter into or modify any agreement for the borrowing or lending of funds by the Initial Companies;
- amend, modify or terminate any of the contractual arrangements in place between the Initial Investors and Pembroke;
- issue or sell any debt or equity security of the Initial Companies or Pembroke;
- adopt or change any significant accounting policy of the Initial Companies;
- amend, modify, renew or terminate any material agreement to which the Initial Companies were party;
- cause the Initial Companies to make any distribution; or
- liquidate, dissolve or reorganise the Initial Companies or Pembroke.

In addition, Pembroke agreed that it would not, without the consent of the Initial Investors, invest independently in any shipping business which might compete with our shipping business. Furthermore, the relationship between the Initial Investors and Pembroke was cemented by various other contractual arrangements in addition to the management contracts described above. These included (i) an agreement whereby the Initial Companies and certain of the Management Companies would be brought together had the parties wished to effect a trade sale of the business and (ii) the Previous Incentive Scheme described in the section headed "Business — Relationship with the Controlling Group".

The management contracts for the vessels owned by the Vessel Companies do not contain such additional rights for the financial investors as their role was limited solely to funding part of the acquisition costs of these vessels. These investors invested on the basis that they would not be involved in the operation and management of such vessels and accordingly the terms of the management contracts entered into at the time of the acquisition of the relevant vessel do not provide for the prior approval from the financial investors in respect of any aspect of the vessels' operations.

Subsidiaries of Pembroke also provided commercial management services to vessels in the Owned Fleet, Chartered Fleet and Managed Fleet and technical management services to the Owned Fleet, certain vessels in the Managed Fleet and to certain third party owners. The owners of the vessels in the Managed Fleet and these third party owners acquired their vessels without any assistance from Pembroke and only subsequent to their acquisition did the owners of such vessels contact Pembroke for the provision of commercial and technical management services. As Pembroke is acting as a pure service provider to these owners, the terms of such contracts do not provide for any success-based fee (instead there are fixed fees and commission-based fees only) and these contracts can be terminated by the relevant owner on three months' written notice unlike the contractual arrangements in place with the Initial Companies and the Vessel Companies which can only be terminated in very limited circumstances. For further information please refer to "Our Business — The Management Companies" below.

As described in further detail in the section ''Our Business — Tonnage Procurement'' below, the size and composition of a fleet of vessels is affected by, amongst other things, the acquisition and disposal of secondhand vessels. During the three financial years ended 31 December 2003, four Handysize vessels owned by the Initial Investors and certain shareholders of the Vessel Companies were sold. The original acquisition of each of these vessels had been arranged by Pembroke and each vessel had been commercially and technically managed by Pembroke from its date of purchase or delivery, as the case may be.

The vessel New Forest was bought by the Initial Investors in 1999 and sold in July 2002. The operating results of this vessel have been included in the Accountants' Report in Appendix IA up to the date of sale and the commercial management and technical management fees paid to subsidiaries of Pembroke are also included in the Accountants' Report in Appendix IB. There was no success fee payable in relation to the sale of this vessel.

The vessel Island Explorer was bought by Pembroke and its shareholders in 1998 and was sold to Runciman Investments Limited in August 2003, a member of the IHC Pool, who then entered the vessel into the IHC Pool. Subsidiaries of Pembroke continued to provide commercial management and commenced the provision of technical management services in respect of this vessel. The vessel Eastern Forest was bought by Pembroke and its shareholders in 1999 and was sold in July 2002. The commercial management and technical management fees and the success fees paid to subsidiaries of Pembroke in relation to these vessels have been included in the Accountants' Report in Appendix IB.

Agreement for the sale of the vessel Sun Emerald, which was 80% owned by Eagle Pacific International Limited (a shareholder in a Vessel Company and a member of the Controlling Group), was reached in December 2003 but completion and delivery of the vessel only occurred in February 2004. Accordingly, it is not necessary to reflect this sale (including the amount of the success fee) in the financial information set out in the Accountants' Reports as it falls outside the period covered by such reports. However, the commercial management and technical management fees paid to subsidiaries of Pembroke have been included in the Accountants' Report in Appendix IB.

Subsidiaries of Pembroke also carried out certain activities such as (i) part ownership of oil product tankers, operated from Singapore, (ii) a 50% interest in UK-based IndoChina Ship Management (UK) Limited, which provides technical management services principally to European third party owners of chemical carriers and oil tankers and (iii) 100% ownership of special purpose companies that have contracted to build two small newbuilding bulk carriers. As these businesses are not compatible with our business, they are not required by us and accordingly have been excluded from the Management Companies being transferred to us by Pembroke. Please see the section headed ''Business — Relationship with the Controlling Group — Epic'' for further details.

The directors and senior management of Pembroke (and the Management Companies) responsible for the management of the vessels owned by the Initial Companies and the Vessel Companies and the directors of the Initial Companies remained substantially the same during the three financial years ended 31 December 2003. The entire Board, other than the independent directors, of Mr. Buttery, Mr. Harris, Mr. Over, Mr. Lee, Mr. Friedman and Mr. Dowling has been drawn from these directors and senior managers. During this period, the shareholders which were beneficially interested in Pembroke and the Initial Investors have also remained substantially the same.

As described above, Pembroke and the Initial Investors operated together with a high degree of integration and cooperation. Our pre-Reorganisation ''Pacific Basin'' business was operated as a single common enterprise for at least the three financial years ended 31 December 2003. Pembroke and the Initial Investors, being members of the Controlling Group, therefore controlled the management of the business prior to the Reorganisation. However, as the Initial Companies, Vessel Companies and Management Companies are separate legal entities, it is necessary to consolidate our business under a new holding company for the purposes of the Listing (see ''Reorganisation'' below).

Furthermore, as described in the section ''Business — Reorganisation'' below, the Controlling Group will continue to comprise the group of controlling shareholders (as defined in the Listing Rules) of the Company before and after the Reorganisation and the Global Offering. There have also been no changes in the shareholdings of the Initial Investors and no material changes in the shareholdings of Pembroke for the year ended 31 December 2003 and accordingly the Company has had ownership continuity and control for at least the most recent audited financial year, being the year ended 31 December 2003.

In addition, the Company has a trading record of not less than three years, shall have a market capitalisation of at least HK$2 billion at the time of the listing, has aggregate pro forma revenues of at least HK$500 million for the year ended 31 December 2003 and has positive cash flow from operating activities of more than HK$100 million for the three years ended 31 December 2003. Accordingly, the Company satisfies the criteria set out in Listing Rule 8.05(2).

REORGANISATION

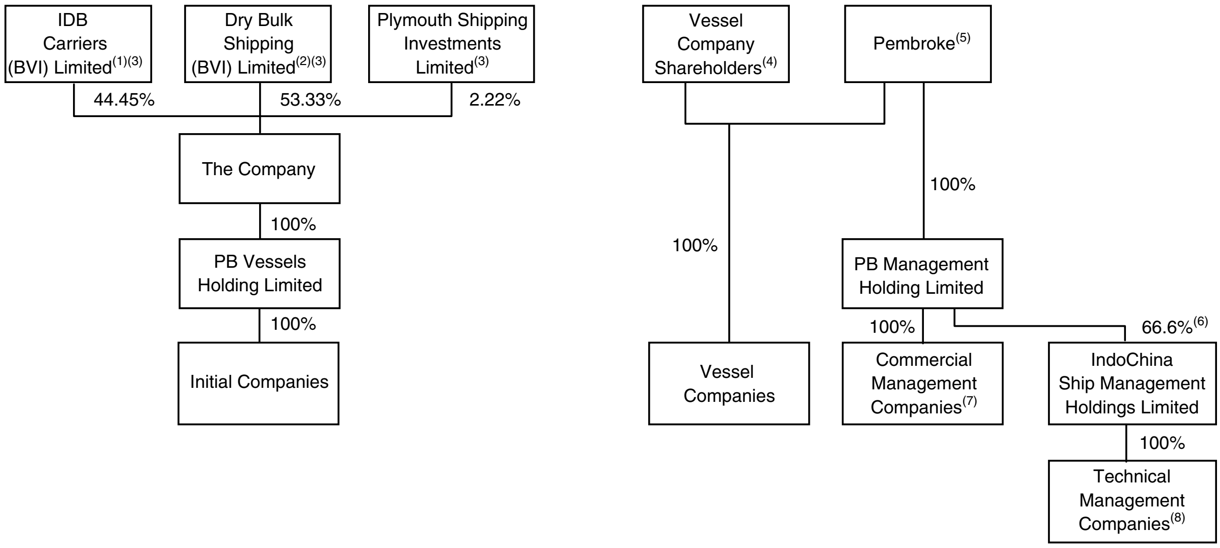
As described in the sections ''History and Development'' and ''The Structure of our Business prior to the Reorganisation'' above, Pembroke's and the Initial Investors' business interests have grown to include the Initial Companies, the Management Companies and each of the Vessel Companies.

Initial Company reorganisation

On 30 March 2004, shareholders' loans made by the Initial Investors to certain of the Initial Companies in an aggregate amount of approximately US$31 million were capitalised by the issue of new shares to the Initial Investors, as further described in the section headed ''Corporate Reorganisation'' in Appendix VI to this prospectus.

On 30 March 2004 but following the capitalisation and issue of new shares, the Initial Companies were transferred to our Group in exchange for the issue of certain Shares and the payment of certain cash payments (to be made following the Listing Date, but from cash resources other than the proceeds of the Global Offering) to the Initial Investors.

Following the completion of the transfer of the Initial Companies to the Company and the internal reorganisation conducted by Pembroke (as referred to below), the relevant parts of the Company and Pembroke's group structures were as follows:



Notes:

(1) Furman Selz Investors II L.P. is interested in approximately 88.2% of the registered capital of IDB Carriers (BVI) Limited, and FS Private Investments LLC is the manager of Furman Selz Investors II L.P. (and the other two shareholders of IDB Carriers (BVI) Limited), with power to control the exercise of voting rights attached to the Shares held by IDB Carriers (BVI) Limited.

(2) Nassau Capital Real Estate Partners III L.P. is interested in 41% of the registered capital of Dry Bulk Shipping (BVI) Limited.

(3) There is no change in the shareholdings of IDB Carriers (BVI) Limited, Dry Bulk Shipping (BVI) Limited and Plymouth Shipping Investments Limited at this stage of the Reorganisation.

(4) The Vessel Company shareholders (other than Pembroke) comprise certain shareholders of Pembroke and other financial investors identified by Pembroke.

The voting rights and economic interests in the Vessel Companies and their assets are held through an A share and B share structure. Four of the Vessel Companies, namely Eastern Venture Corporation, New Majestic International Limited, Riley Shipping (BVI) Limited and Investors Choice Limited, have A shares and B shares in issue. The A shares are voting shares but carry no right to participate in any dividend or other distribution apart from the return of the subscription amount, being the par value per A share. The B shares in such Vessel Companies carry no voting rights but participate equally in all distributions of profit and (except for the A shares' par value) of capital.

Pembroke and its subsidiaries hold all the A shares in such Vessel Companies with the exception of Riley Shipping (BVI) Limited, in which the A shares are held 20% by Pembroke and 80% by Eagle Pacific International Limited (see below for further details). Also, whilst Pembroke and its subsidiaries hold all the A shares in Eastern Venture Corporation (see further details below), Pembroke indirectly holds 50% of the A shares in Pacific Basin Bulker (No. 103) Corporation, a company in which Eastern Venture Corporation holds 63.5% of the B shares.

The other three Vessel Companies, namely Beckley Enterprises Limited, Keswick Holdings Limited and Foreview Holdings Limited, only have ordinary shares in issue. However, their vessel owning subsidiaries have a similar A share and B share structure, and Pembroke or its subsidiaries hold all the A shares while the three Vessel Companies hold all the B shares.

Notes (Continued):

The holders of the shares in the Vessel Companies (or their B shares where applicable) immediately before the completion of the Reorganisation are as follows:

Eastern Venture Corporation**

Cormorant Shipping Limited (C)	3.45%
Firelight Investments Limited (C)	10.34%
Metro Pacific Investments Ltd.	20.69%
Petercam S.A.	20.69%
Sinolight Enterprises Corp.	3.45%
International Tool & Machine Company Ltd.	8.62%
Pembroke Shipping Limited (C)	32.76%
	100%

Beckley Enterprises Limited

Jacques Saverys (C)	6.67%
Tritium Partners LLC	33.33%
Petercam S.A.	16.67%
Eagle Pacific International Limited (C)	16.67%
Pembroke Shipping Limited (C)	26.67%
	100%

New Majestic International Limited

Jacques Saverys (C)	4.70%
Tritium Partners LLC	40.70%
Petercam S.A.	11.63%
Eagle Sky Investments Limited (C)	23.26%
Hans Kremmel	9.30%
Pembroke Shipping Limited (C)	10.47%
	100%

Keswick Holdings Limited

Jacques Saverys (C)	3.70%
Petercam S.A.	5.17%
Eagle Pacific International Limited (C)	28.98%
Anthony J. Hardy (C)	1.03%
Hans Kremmel	9.26%
Timoco Invest & Trade	1.85%
Pembroke Shipping Limited (C)	50.00%
	100%

Foreview Holdings Limited

Jacques Saverys (C)	9.38%
Tritium Partners LLC	46.88%
Petercam S.A.	6.25%
Eagle Pacific International Limited (C)	16.88%
Pembroke Shipping Limited (C)	20.63%
	100%

Riley Shipping (BVI) Limited

Eagle Pacific International Limited (C)	80.00%
Forecastle Inc.	5.00%
Tritium Partners LLC	10.00%
Petercam S.A.	5.00%
	100%

Investors Choice Limited

Bocimar Far East Holdings Limited (C)	30.00%
Tritium Partners LLC	30.00%
Eagle Sky Investments Limited (C)	40.00%
	100%

Legend:

** Eastern Venture Corporation holds 63.5% of the B shares of Pacific Basin Bulker (No. 103) Corporation and Pembroke indirectly holds 50% of the A shares of Pacific Basin Bulker (No. 103) Corporation.

C = Members of the Controlling Group.

There were no material changes during the year ended 31 December 2003 in the shareholdings of the previously activated Vessel Companies, save in one case where Pembroke enlarged its interest by acquiring shares from another investor. Where a Vessel Company was incorporated during 2003, after the initial issue of shares (and the transfer of subscriber shares) to the participating investors there were no further changes in the proportions of their shareholdings in such Vessel Company from the initial issue to 31 December 2003, save in one case where Pembroke enlarged its interest by acquiring shares from another investor. Following the Reorganisation, the Vessel Companies will be wholly owned by the Company.

Notes (Continued):

(5) The shareholders in Pembroke Shipping Limited before and after the Reorganisation are as follows:

Shareholders	Before the Reorganisation		After the Reorganisation*	
	Shares	Percentage	Shares	Percentage
Substantial Shareholders	**1,611**	**51.97%**	**1,783**	**48.19%**
*Asia Distribution Limited***	*707*	*22.81%*	*707*	*19.11%*
Ansleigh Limited	*452*	*14.58%*	*538*	*14.54%*
Turnwell Limited	*452*	*14.58%*	*538*	*14.54%*
Shareholders who are also shareholders of Vessel Companies (or in common control with such shareholders)	**550**	**17.74%**	**550**	**14.86%**
Bocimar Far East Holdings Limited	*300*	*9.68%*	*300*	*8.11%*
Jacques Saverys	*100*	*3.23%*	*100*	*2.70%*
*Goldeneye Shipping Limited****	*100*	*3.23%*	*100*	*2.70%*
Anthony J. Hardy	*50*	*1.61%*	*50*	*1.35%*
Others	**939**	**30.29%**	**1,367**	**36.95%**
Total	**3,100**	**100.00%**	**3,700**	**100.00%**

* On the assumption that options in respect of 600 Pembroke shares under the Pembroke Share Option Scheme dated 26 May 2003 are exercised. Under the terms of the share option scheme these options may be exercised after the Reorganisation.

** Asia Distribution Limited is in common control with Firelight Investments Limited, Eagle Sky Investments Limited and Eagle Pacific International Limited, which hold shares in certain Vessel Companies and are accordingly members of the Controlling Group.

*** Goldeneye Shipping Limited is in common control with Cormorant Shipping Limited, which holds shares in one of the Vessel Companies and is accordingly a member of the Controlling Group.

(6) Jardine Shipping Limited holds a 33% shareholding in IndoChina Ship Management Holdings Limited, the holding company of the technical Management Companies.

(7) The following Management Companies provided commercial management services and are wholly owned by Pembroke. Following the completion of the Reorganisation, these companies will be wholly owned by the Company:

(i) Pacific Basin Shipping (HK) Limited (previously known as Pacific Basin Agencies Limited), (ii) Pacific Basin (HK) Limited, (iii) PB Supervisory Limited, (iv) Pacific Basin (UK) Limited, (v) Pacific Basin Chartering Limited, (vi) Pacific Basin Shipping & Trading Company Limited, (vii) International Handybulk Carriers Management Limited, (viii) IHC Chartering Limited, (ix) PBST Co. Ltd, (x) Taylor Shipping (BVI) Limited.

In addition, Pacific Basin Agencies Limited (formerly known as PB (HK) Limited) will also be wholly owned by the Company following the completion of the Reorganisation, as this dormant company was transferred to PB Management Holding Limited on 12 May 2004.

PBST Co. Ltd also holds 5 ''A'' shares in Pacific Basin Bulker No. 103 Corporation (equal to 50% of the issued ''A'' shares capital), which is the owner of the vessel Captain Corelli.

The following Management Companies are companies which provide the services described below and in which Pembroke has the following interests:

(xi) 50% interest in Pacific Basin Logistics Limited — sources log parcels and arranges their transportation through the IHC Pool from West Africa; and

(xii) 49% interest in The London Shipping Consultancy Limited — provides marine due diligence services in the United Kingdom.

Pembroke's holding in both these companies will be transferred to the Company on the completion of the Reorganisation.

Notes (Continued):

(8) The following Management Companies provided technical management services and Pembroke has 66.67% direct or indirect interests in such companies. Following the completion of the Reorganisation, these companies will be wholly owned by the Company:

(i) IndoChina Ship Management Limited, (ii) IndoChina Marine Services Limited, (iii) IndoChina Ship Management (HK) Limited, (iv) Majestic Carriers, Inc., (v) Pacific Basin Shipping (USA) Inc. (previously known as IndoChina Ship Management (USA) Inc.), (vi) IndoChina Ship Management Inc., (vii) IndoChina Marine Services Inc., (viii) PacMarine Services Limited, (ix) PacMarine Surveying Services Pte. Ltd (previously known as PMS Surveying Services (Pte) Ltd), (x) PacMarine Services (UK) Ltd, (xi) PacMarine Services (HK) Ltd.

Pembroke and other reorganisations

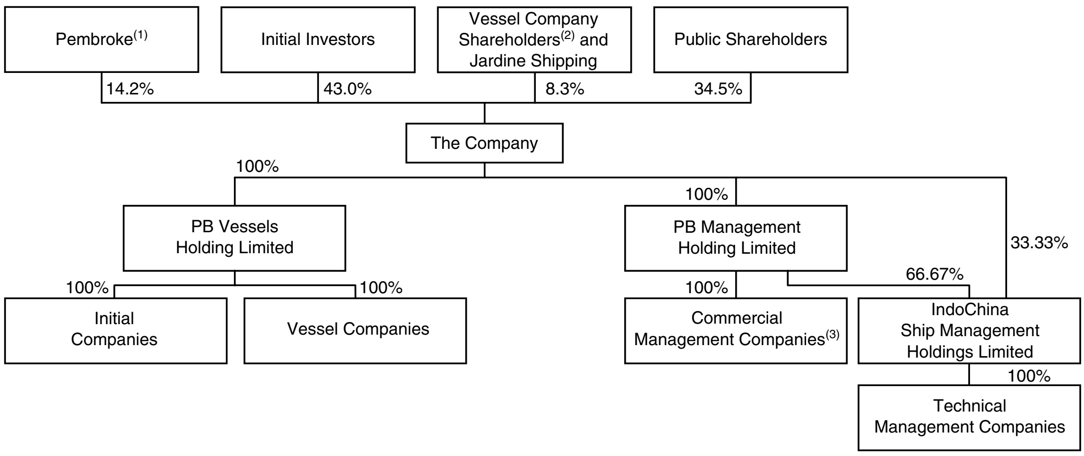
On 18 March 2004, Pembroke irrevocably agreed to transfer its effective shareholding in PB Management Holding Limited, the ultimate holding company of the Management Companies, and its interests in certain of the Vessel Companies, namely, Keswick Holdings Limited, Beckley Enterprises Limited, Foreview Holdings Limited, Eastern Venture Corporation and New Majestic International Limited and agreed to procure the transfer of the shares held by Pacific Basin Shipping and Trading Company Limited (its subsidiary) in Investors Choice Limited and Riley Shipping (BVI) Limited to our Group, in exchange for the issue of certain Shares and/or a cash payment to be made following the Listing Date (but not from the proceeds of the Global Offering) with the economic interest in those companies being deemed to transfer with effect from 31 March 2004. The Management Companies and the Vessel Companies have declared dividends in respect of their retained earnings as at 31 March 2004, as further described in the section headed ''Corporate Reorganisation'' in Appendix VI to this prospectus. Pembroke completed an internal reorganisation in preparation for these transfers on 31 March 2004. Pursuant to the Reorganisation, supervisory, agency and management agreements which were entered into between the Management Companies and Pembroke have been or will by the Listing Date be terminated. The transfers of PB Management Holding Limited and the Vessel Companies referred to above will be completed at 6:02 a.m. on the Listing Date.

On or before 18 March 2004, each of the shareholders in the Vessel Companies (except Pembroke) had irrevocably agreed to transfer their shares in such Vessel Companies to our Company in exchange for the issue of certain Shares and a cash payment (to be made following the Listing Date, but not from the proceeds of the Global Offering) with the economic interest in those companies being deemed to transfer with effect from 31 March 2004 (and dividends being declared in respect of retained earnings as at that date, as described above). The transfers will be completed at 6:02 a.m. on the Listing Date.

On 16 March 2004, Jardine Shipping Limited (''Jardine Shipping'') irrevocably agreed to transfer its 33.3% shareholding in IndoChina Ship Management Holdings Limited (''IndoChina Holdings'') to our Company, in exchange for the issue of certain Shares and a cash payment (to be made following the Listing Date, but not from the proceeds of the Global Offering) with the economic interest in IndoChina Holdings being deemed to transfer with effect from 31 March 2004. The transfer will be completed at 6:02 a.m. on the Listing Date. Following that transfer (and the transfer by Pembroke of PB Management Holding Limited to our Group as referred to above), IndoChina Holdings will be wholly owned by our Group. As described in the section headed ''Business — Relationship with the Controlling Group — Epic'', a 50% interest in IndoChina Ship Management (UK) Limited held by Epic Shipping (BVI) Limited will remain outside the Group since that entity's activities are not compatible with those of the Group.

The rationale for transferring each of the Initial Companies and Pembroke's interests in PB Management Holding Limited (the holding company of the Management Companies) and the Vessel Companies to the Group is to consolidate these companies under one company, in order to form a traditional holding company structure for the Group's various activities in preparation for the Global Offering. The transfer to the Group of third party interests in the Initial Companies and in IndoChina Holdings as described above will ensure that such entities will be wholly owned members of the Group.

Following the completion of the Reorganisation and the Global Offering, a simplified version of our Group's structure will be as follows:



The economic interests in the Management Companies and the Vessel Companies are being deemed to transfer as at 31 March 2004 so as to enable the Company (i) to be able to fix a date on which to decide the value of the Management Companies and Vessel Companies (and the vessels owned by them), (ii) to decide on which companies should be transferred to the Group and (iii) to decide the amount of consideration to be paid by the Company for the acquisition of the Management Companies, Vessel Companies and Initial Companies and thus to be able to determine the ownership of the Company prior to the Global Offering.

The rationale for the Reorganisation completing on the Listing Date is that the Reorganisation was designed to bring together the Initial Companies, Vessel Companies and Management Companies for the purposes of the Global Offering. The Reorganisation is scheduled to be completed at 6:04 a.m. on the Listing Date.

Notes:

(1) There is no change in the shareholdings in Pembroke as a result of the Global Offering.

(2) The Vessel Company shareholders (other than Pembroke) comprise certain shareholders of Pembroke and other financial investors identified by Pembroke.

(3) Following the Reorganisation, PBST Co. Ltd will continue to hold 5 "A" shares in Pacific Basin Bulker (No. 103) Corporation (equal to 50% of the issued "A" shares), with the remaining 50% held by a joint venture partner. Eastern Venture Corporation (one of the Vessel Companies) owns all the issued "B" shares in the capital of Pacific Basin Bulker (No. 103) Corporation, which is the owner of the vessel Captain Corelli.

The Controlling Group's shareholdings in the Company before and after the Global Offering (assuming the Over-allotment Option is not exercised) are as follows:

Shareholders	Shareholding before Global Offering		Shareholding after Global Offering	
	Shares	Percentage of issued Shares	Shares	Percentage of issued Shares
Pembroke Shipping Limited*	**200,817,582**	**19.75%**	**180,180,883**	**14.22%**
Initial Investors	**700,016,897**	**68.83%**	**544,971,160**	**43.01%**
Plymouth Shipping Investments Limited	*15,555,775*	*1.53%*	*12,110,348*	*0.96%*
IDB Carriers BVI Limited	*311,119,010*	*30.59%*	*242,209,708*	*19.12%*
Dry Bulk Shipping (BVI) Limited	*373,342,112*	*36.71%*	*290,651,104*	*22.93%*
Pembroke Shareholders of Vessel Companies	**58,032,008**	**5.70%**	**46,714,494**	**3.69%**
Firelight Investments Limited	*1,321,703*	*0.13%*	*1,063,942*	*0.08%*
Eagle Pacific International Limited	*27,856,961*	*2.74%*	*22,424,243*	*1.77%*
Eagle Sky Investments Limited	*16,390,743*	*1.61%*	*13,194,189*	*1.04%*
Bocimar Far East Holdings Limited	*8,139,060*	*0.80%*	*6,551,765*	*0.52%*
Jacques Saverys	*3,767,181*	*0.37%*	*3,032,498*	*0.24%*
Anthony J. Hardy	*115,792*	*0.01%*	*93,210*	*0.01%*
Cormorant Shipping Limited	*440,568*	*0.04%*	*354,647*	*0.03%*
Non-Controlling Shareholders	**58,144,122**	**5.72%**	**58,144,122**	**4.59%**
New Public Shareholders	**0**	**0.00%**	**437,000,000**	**34.49%**
Total	**1,017,010,609**	**100.00%**	**1,267,010,609**	**100.00%**

For further details of the Reorganisation, including the number of Shares to be issued and cash payments made pursuant to the Reorganisation, see Appendix VI ''Statutory and General Information''.

The vessels owned by the Initial Companies and the Vessel Companies were each identified for purchase by Pembroke, and funded by the Initial Investors or by Pembroke, certain of Pembroke's shareholders and other financial investors. Accordingly, these vessels are being brought into the Company pursuant to the Reorganisation. The Managed Fleet comprises vessels owned by independent third parties which were not identified by Pembroke and therefore do not form part of the Reorganisation. The shareholding interests in each of the Initial Investors and Pembroke remained substantially the same during the three years ended 31 December 2003.

OUR COMPETITIVE STRENGTHS

Experienced Management Team with Established Track Record and Reputation

We are led by a team of senior managers and industry professionals with extensive experience in Handysize dry bulk shipping in the Asia Pacific and Atlantic markets. Our management team is experienced in all aspects of the business, including market analysis, chartering, vessel operations, technical management and crewing, safety and quality management, vessel sale and purchase, shipbuilding and repair, vessel finance and insurance. Chairman Christopher Buttery has over 30 years of experience in the shipping

* The shareholders in Pembroke are disclosed in footnote 5 above.

industry and in Asia. Chief Executive Officer Mark Harris has over 15 years of experience in Asia, including nine years in the shipping industry with Pacific Basin. Chief Financial Officer Andrew Broomhead has had over 10 years of experience in Asia and Paul Over, Managing Director, UK, has over 25 years of experience in the shipping business. Our executive directors and senior managers have on average more than 20 years of shipping industry experience.

We believe that we have developed a reputation among charterers of Handysize dry bulk carriers as a reliable provider of modern ships and comprehensive service throughout the term of a charter. We believe our successful track record in the PB Handysize Segment places us in a favourable position to (i) secure high quality customers and execute an increasing proportion of their business, (ii) obtain information about attractive chartering and acquisition opportunities for secondhand vessels and newbuildings, (iii) attract and retain high calibre, experienced staff, (iv) obtain debt finance and insurance on favourable terms, and (v) develop new relationships based on our name and reputation.

Strong Customer Relationships and a Reputation for High Quality Service

We believe that one of our key competitive strengths is our ability to deliver a high quality of integrated services to our customers. Our professionals work directly with shippers of dry bulk commodity products to develop tailored solutions for their transportation needs. For example, exporters of forest products from Australia and New Zealand have multiple options for sourcing and loading cargoes out of Australasia for a wide range of customers and discharge ports throughout Asia. By proactively working with our customers we seek to provide them with an optimal freight solution, accommodating a wide range of factors including flexible timing, sailing distances, draft and other port restrictions, load and discharge times and port congestion. It is our aim to enable our customers to be able to make their sales decisions with a certainty that their transportation requirements can be serviced rapidly and reliably. We believe that our on-going commitment to providing this level of service and availability is an important factor in developing and maintaining strong relationships with many customers, including major charterers of Handysize vessels (see table below). These relationships place us in a favourable position to obtain high levels of repeat business and the best available charter rates as well as early access to information concerning our customers' future vessel requirements. We have been successful in executing an increasing amount of business for our major customers. The table below shows revenues from our top customers for the year ended 31 December 2003 and the amount of revenues from those customers in the two years prior:

Our Top Customers by Revenue

Revenue	2001 US$	2002 US$	2003 US$
Stratus Shipping Pty. Ltd., Melbourne	14,866	1,110,366	3,811,191
Carter Holt Harvey Ltd., Auckland	639,212	2,279,113	3,800,348
Fletcher Challenge Forests Ltd., Auckland[1]	553,389	1,755,881	3,739,288

1. This company has since sold its forestry assets and the management of these assets has passed to a number of small business units of the purchasers with whom we will endeavour to continue doing business, although this cannot be assured.

We believe that the effort we make to understand the requirements of our customers and our professional execution of cargo shipments are important to the success of our business. Our coordination of the activities and roles of our in-house chartering, commercial and technical operations functions, and their interaction with port agents and other service providers, enables us to handle shipments more efficiently, for example by reducing the time spent in port loading and discharging cargoes and dealing with related regulatory matters. This strengthens our customer relationships and also improves our own financial results. We are constantly monitoring and tracking our performance to make sure we are meeting or exceeding our customers' and our own expectations.

Large, Modern and Uniformly-sized Fleet Designed to Meet Customers' Needs

We operate a large, modern and uniformly-sized Fleet, which assists us to meet our customers' cargo requirements for reliable and flexible freight services. As at 30 April 2004, the average age of our Fleet was six years, while the average age of vessels in the world PB Handysize Segment was approximately 17 years. We believe that our customers prefer modern vessels and will on many occasions pay higher charter rates for such vessels. This is in part due to the imposition of increasingly stringent environmental, safety and maintenance standards worldwide generally, and in the load ports for our trades in particular, as well as the lower fuel costs, improved design features and greater reliability associated with modern vessels. The use of modern vessels enhances our reputation as a high quality operator and, furthermore, enables us to control our vessel maintenance and repair costs, minimise off-hire days, obtain lower insurance rates and reduce the cost of debt finance.

We believe our focus on operating a large fleet of modern, well-equipped Handysize vessels in the 25,000 dwt to 35,000 dwt range gives us scale, flexibility and market presence in our specialised market. This allows us to concentrate on cargoes that command a premium for Handysize vessels due to port restrictions, requirements on age and vessel specification for reasons of safety and cargo protection, such as log shipments originating from New Zealand. Our uniformly-sized Fleet also enables us to maximise our operational flexibility through interchangeability and more quickly respond to our customers' transportation requirements. These advantages increasingly allow us to work directly with our chartering customers and have access to long-term contracts not available to smaller operators, since customers can be assured of the consistent availability of vessels of the right age and design and of our ability to provide the level of service they need.

Significant Market Presence in the Asia Pacific Region

We believe that we have developed a significant market presence in the Asia Pacific region which enables us to respond to our charterers' requirements and provides the platform for efficient operations and a high level of capacity utilisation. Since 2001, more than two-thirds of the port calls made by our vessels have involved the loading or discharging of cargo in ports in the Asia Pacific region (principally in Japan, China and other Asian countries), the western coast of North America and Australasia.

Our longstanding focus on the Asia Pacific region has better enabled us to take advantage of the economic expansion which in recent years has been largely responsible for increased demand for minor bulk cargoes. We believe that such demand is likely to continue to grow. Further information is set out in the section headed ''Information on the Maritime

Transportation Industry'' in this prospectus. Our focus on the deployment of our Fleet in this region and our expertise therein, means we are well placed to meet any increases in our existing and potential new customers' transportation requirements in this region.

Strong Relationships with Service Providers and Suppliers

We have strong relationships with most of our major suppliers, including crewing companies, insurance providers and shipbuilders. We work with crew manning companies to obtain officers and crew who are experienced in the operation and maintenance of Handysize vessels in international trades. Many of the officers and crew used by us have worked on our vessels for a number of years. This is particularly important to us and our customers as we each depend on the efficient operation of our vessels and the effective management of the broad spectrum of diverse requirements in the numerous load and discharge ports, such as hold cleaning, inspections and crane surveys.

In the last five years we have ordered, constructed and taken delivery of 15 new Handysize vessels from Japanese shipyards, with four more vessels still under construction. We have also developed relationships with a number of Chinese shipyards. We work with all parties concerned during the construction phase of a newbuilding contract to ensure that the process is smooth and efficient and that we receive on-time deliveries of vessels built to our design specifications. We have also built up strong relationships with major shipping finance institutions, which we believe will continue to assist us to obtain debt finance and other financial services, such as foreign exchange and hedging instruments, on attractive terms.

OUR STRATEGIES

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

Enhance Our Comprehensive Customer Service Offering

We intend to develop further the breadth and flexibility of our services to meet our customers' transport requirements. By working closely with our major customers, we will seek to become an increasingly important component in their overall freight and logistics activities. Our objective is to have suitable tonnage readily available to execute their cargo business whenever our major customers require such tonnage. To achieve this we need to maintain a significant fleet of modern vessels that provide the service and operational flexibility that our customers and we require. We will also aim to offer our customers increasing ability to manage their overall freight requirements and their exposure to changes in freight rates. This will be achieved by remaining flexible over the size and duration of cargo contracts that we are willing to take, the periods for which we are willing to charter ships in and out, and the ability for our customers to place vessels in the IHC Pool thereby enabling them to earn freight income at the prevailing market rate as a hedge against the freight cost they incur on their commodities shipments.

Develop and Broaden Our Customer Base

As our business has grown we have been successful in attracting high quality customers. We are executing an increasing amount of these customers' cargo business and we aim to achieve further penetration of this customer base. Furthermore, we expect our customers' cargo transportation needs to grow as demand for bulk commodities expands. We aim to benefit from that and to become an increasingly important part of our customers' shipping solutions.

Additionally, we believe that our on-going commitment to providing high quality services should allow us to expand our customer base. This should help to improve the quality of our own revenues and give us greater access to premium cargo trades, back-haul cargoes, COAs and repeat business.

Expand Our Fleet to Meet Growing Customer Demand

We are strategically committed to the expansion of our Fleet to meet the growing needs of our existing and potential new customers. The PB Handysize Segment has attractive demand and supply characteristics as the transportation of cargoes is expected to continue growing at a time when the supply of vessels is expected to remain static or to decline. We are taking advantage of these market characteristics by increasing the size of our Fleet.

We will seek to maintain an appropriate balance between (a) the expected demand for our services, opportunities in the market, managing seasonal fluctuations in charter rates as well as the industry's inherent cyclicality and (b) the size and profile of our Fleet. This will be achieved through active tonnage procurement programmes, including newbuilding purchases, secondhand acquisitions and disposals, chartering in and out vessels, and selectively adding new members to the IHC Pool. We will continue to focus on maintaining a fleet of modern, shallow-draft, well-designed vessels as we believe that such vessels are best suited to our customers' requirements, provide operational efficiencies and should place us in a favourable position to obtain competitive charter rates for a high percentage of our vessels as well as to benefit from increases in vessel resale values, consistent with our Fleet requirements.

Increase Primary Trades and Back-haul Cargoes

We intend to continue to expand our activity in, and market share of, front-haul trades that pay premium rates. We also aim to secure a growing volume of back-haul cargoes which should enable us to improve capacity utilisation.

Our primary trades involve shipping raw materials from commodities rich nations of the Asia Pacific region, such as Australia, New Zealand and the western coast of North America into the high consumption areas of China and elsewhere in Asia. Successful execution of such trades requires a high degree of managerial and operational competence and expertise, modern vessels capable of handling the cargoes and meeting the increasingly stringent regulatory requirements of port state authorities and the ability to provide demanding customers with the quality of service and on-time delivery that they require. We believe that we have successfully integrated these elements to be able to offer a comprehensive and cost-effective service which should enable us to attract high quality charterers and generate a high degree of repeat business and long-term cargo contracts as a result.

Given the operational flexibility that our Fleet size confers and the confidence we have in obtaining cargoes from the primary trades as outlined above, we are always seeking to increase our volume of back-haul cargoes (which typically are moved from Asia back to the key load port areas), such as fertiliser from Malaysia to Australia and cement from Taiwan to North America. Whilst such cargoes tend to be lower paying, they increase the utilisation of our vessels when successfully combined with front-haul cargoes and intra-regional trade shipments, by reducing the number of ballast days compared to traditional round voyage transportation, thus enhancing the overall returns that we achieve.

Potential Expansion in Handymax Segment

We have contracted to buy two Handymax newbuildings in China, with delivery scheduled for later this year and early 2005. Both vessels have been chartered for five years to China Ocean Shipping (Group) Company ("**COSCO**"), China's largest shipping company. A third Handymax vessel in the series is under construction and will join our Managed Fleet on delivery in the second quarter of 2005. We intend to evaluate the potential expansion of our Fleet to include more Handymax vessels if we are confident that they can be successfully deployed in meeting the shipping needs of our customers.

OUR BUSINESS

Marine Transportation Service Provider

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 ship a wide variety of cargoes from many load ports to many discharge ports as designated by our customers. 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.

Since many countries in the Asia Pacific region, including China, have shallow ports and/or inadequate infrastructure, the use of larger vessels or vessels lacking the necessary design features is frequently limited. In addition, despite the availability of deep water ports in countries such as Japan, Taiwan and Korea, the high cost of inland transport and mountainous terrain often favour the use of Handysize ships which are able to make direct calls to smaller draft-restricted ports. Our Handysize vessels are designed with stanchions for the stowage of logs on deck, have cranes fitted on deck for the loading and discharging of cargo in ports which do not have suitable shore facilities and are shallow-drafted to allow them access to draft restricted ports which may be closed to other vessels. These features enhance their cargo carrying abilities and allow them to call at all relevant ports throughout the Asia Pacific region, thereby enhancing our service offering and operational flexibility.

Chartering and Operations

Our principal chartering desk is located in our Hong Kong office and is responsible for arranging employment for all Fleet vessels operating in the Pacific and for coordinating the activities of the London-based chartering desk which covers the Atlantic and Mediterranean activities. Dedicated teams of chartering and commercial operations personnel are stationed in each location.

Our revenues are substantially earned from the charter-hire we receive from the employment of our Owned Fleet and our Chartered Fleet. Charter-hire earned by vessels in the Managed Fleet belongs to the relevant owners of those vessels, net of a management fee payable to us. In 2003, pro forma combined revenue from the employment of our Owned Fleet was US$51.3 million and pro forma combined revenue from the employment of our Owned Fleet and Chartered Fleet was US$66.4 million, which accounted for 82.4% of our total pro forma combined revenue. These transportation services are generally provided under the following three basic types of contractual relationships:

- Voyage Charters, which are charters under which a ship owner is paid freight on the basis of moving cargo from a load port to a discharge port and is responsible for paying both operating costs and voyage costs;
- Contracts of Affreightment, which are the same as Voyage Charters but are for two or more shipments over an agreed period of time. This could be over a number of months or years; and
- Time Charters, which are charters for an agreed period of time where the ship owner is paid on a per day basis and is responsible for operating the vessel and paying the operating costs while the charterer is responsible for paying the voyage costs and bears the risk of any delays at port or during the voyages except where caused by a defect of the ship.

Our vessels are employed under Voyage Charters (including transporting cargoes under COAs) and Time Charters of varying durations. As the scale and complexity of our business has grown and the size of our Fleet expanded, the proportion of vessel fixtures in the IHC Pool on Voyage Charter basis has increased sharply, from approximately 20% in the fourth quarter of 2001 to 70% in the first quarter of 2004. This shift has occurred as we have strategically and proactively sought to provide a direct service to shippers rather than re-letting our ships to other operators. As a result, we have now developed strong relationships with several major customers around the region, broadened the scope of services that we are able to offer, increased the size of our Fleet to meet the growing demand for those services and increased our revenues.

This strategic shift occurred in October 2001, when we established the IHC Pool, a revenue sharing pool for Handysize dry bulk carriers, to provide major charterers in the Asia Pacific region with access to a large, modern and flexible fleet backed by a team of experienced industry professionals. From an initial three members and 17 ships in 2001 the IHC Pool has today grown to nine members contributing a total of 39 ships of which 26 are from our Owned Fleet and Chartered Fleet, making it one of the largest Handysize pools in the world. Our success in developing the IHC Pool is underscored by the high quality of the members that we have been able to attract, including BHP (a large industrial commodities group), Sinotrans (one of the largest shipping companies in China), TORM (a leading shipping company listed on the Nasdaq National Market and the Copenhagen Stock Exchange), and Toepfer. Through the IHC Pool, which is now an established brand name in the Handysize bulk shipping sector, we have built a significant market position in the PB Handysize Segment, particularly in the Asia Pacific region.

Our vessels trade worldwide with about three-quarters of our Fleet generally deployed in the Asia Pacific region, which is our main trading area. The main load ports for our ships are New Zealand, Australia and the western coast of North America for cargoes destined for Asian countries, with China, Korea, and Japan as the most common discharge destinations. China is our fastest growing discharge destination, accounting for 13% of all port calls in 2003, compared with 7% in 2001. The balance of our Fleet trades in the Atlantic and Mediterranean Sea or is transiting to or from the Pacific.

Due to an imbalance of cargo movements, ships will typically ballast from Asia back to the main load zones to pick up the next cargo. Through the combination of our Voyage Charter-based operating strategy, the scale and flexibility offered by our Fleet and the customer relationships that we enjoy, we have been successful in achieving a reduction in ballast days for our vessels by taking on an increasing amount of back-haul cargoes.

Our ships carry a wide range of minor bulk cargoes and major bulk cargoes, with logs and forest products, fertilisers, grains, cement and steel being the most significant. This information is set forth in the table below:

Cargoes Transported by IHC Pool Vessels during 2003

Cargoes	Metric Tonnes (thousands)	% of Total
Log & Forest Products	1,752	23
Fertilisers	1,112	15
Grains	1,019	13
Cement	892	12
Steel	721	10
Minerals	583	8
Concentrates	406	5
Coal & Coke	397	5
Agricultural Products	312	4
Other Bulks	401	5
Total — All Cargoes	7,596	100

Cargo Contract Cover and Charter Cover

As an integral part of our operating strategy, we take cargo contract cover by way of COAs in order to meet the requirements of our customers, to secure back-haul cargoes and to provide us with a level of certainty over our future revenue streams. The amount of COAs that we hold at any one time and the periods that they cover reflect (a) those actions considered necessary to meet customers' requirements and (b) policy decisions we take from time to time based on the level of certainty we want to have on forward revenue streams, taking into consideration the market rates available for such contracts, our view of the forward market and the size and mix of the fleet available to us. As at 31 March 2004, the IHC Pool had cargo contract cover for the next 12 months for approximately 28% of available trading days at an average Time Charter equivalent rate of approximately US$14,000 per day. Cargo contract cover represents the number of days for which we have contracted to carry cargo against the aggregate number of available vessel trading days in the Owned, Chartered and Managed Fleets. The Company currently has COAs for the carriage of logs from Australia and New Zealand to Asia and the Persian Gulf, for the carriage of urea from the Middle East to New Zealand, Alaska to the Far East and from South East Asia to Australia and for the carriage of coal, cement, petcoke and other minor bulk cargoes. The COAs are for varying sizes and durations expiring in 2004 and 2005.

Our operating results are affected by movements in the price of bunkers when vessels are fixed under COAs. When a vessel is fixed on a time charter the bunkers are paid for by the charterer, and when a vessel is fixed on a voyage charter, the price of bunkers is taken into the voyage calculations. To cover the potential increase of bunker prices during the performance of a COA, we hedge the price forward to match the requirements. We are party to fixed price agreements in respect of 100% of our COA bunker requirements for the remainder of 2004.

Additionally, we also Time Charter ships out for longer periods as a further way of obtaining revenue cover or meeting our customers' requirements. As at 30 April 2004, only three of our vessels were employed on period charter in excess of 60 days. All three vessels had remaining durations of approximately six months.

Our Fleet

Our Fleet consists of 42 modern, Handysize dry bulk carriers, with total tonnage of approximately 1.2 million dwt and an average age of six years. As detailed below our Fleet is divided into 19 vessels in our Owned Fleet, all but one of which are wholly owned, with an average age of four years, seven vessels in the Chartered Fleet, with an average age of seven years and 16 vessels in the Managed Fleet, with an average age of eight years. In addition to the 42 vessels in the Fleet, we have ordered three Handysize newbuildings for delivery into our Owned Fleet later this year. We have conditionally purchased four secondhand Handysize vessels which are, as at the Latest Practicable Date, in the Managed Fleet and one Handysize newbuilding resale which delivers in mid-2005. These vessels are being purchased with part of the proceeds of the Global Offering (see Fleet List below and the section headed "Use of Proceeds"). The acquisitions of these vessels will strengthen the Group's position in the IHC Pool, give us greater control over the Fleet and increase our revenues as we capture all of the charter-hire earned instead of earning a fee as the manager of the vessel. Furthermore, we have the right (but not the obligation) to purchase three vessels in the Chartered Fleet, one of which can be acquired at any time and the other two at any time after February 2007 and May 2007 respectively. We also have on order three Handymax newbuildings for delivery later this year and in 2005, two of which will enter our Owned Fleet and one which will enter our Managed Fleet.

Subsequent to the Latest Practicable Date (and hence not reflected in the Fleet List as at 30 April 2004), we have agreed to charter in, for a period of one year plus or minus one month, a year 2000 built, 24,602 dwt Handysize vessel at a rate equivalent to the vessel's net earnings in the IHC Pool. This vessel is expected to enter the Chartered Fleet in May 2004.[1]

In addition, we have reached agreement to charter in one 32,000 dwt Handysize bulk carrier at a fixed rate for seven years, with the option for us to extend the charter for two further periods of one year each at slightly higher rates. The vessel is expected to enter the Chartered Fleet before the end of November 2006. We have the right to acquire this vessel at any time after the completion of the third year of the charter. This transaction is subject to the successful completion of the Global Offering.

We have also reached agreement to purchase one 32,000 dwt Handysize bulk carrier that is expected to enter the Owned Fleet upon completion of its construction, expected before the

1. This vessel has entered the Chartered Fleet on 12 May 2004.

end of August 2005. This vessel is being purchased with part of the proceeds of the Global Offering (see the section headed "Use Of Proceeds"), and is subject to the successful completion of the Global Offering.

If this expansion proceeds as planned, (but not assuming the exercise of the purchase options), the size of our Fleet will increase to 52 vessels, with 30 vessels in the Owned Fleet, nine vessels in the Chartered Fleet and 13 vessels in the Managed Fleet.

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Fleet List as at 30 April 2004

		% ownership by Company	dwt	Year Built	Age	Builder	Management Services Provided		
							IHC	CM	TM
Owned Fleet — 19 vessels									
1	Sun Ruby[1]	100	32,754	2004	0	Kanda, Japan	✓	✓	✓
2	Black Forest[1]	100	32,751	2003	1	Kanda, Japan	✓	✓	✓
3	Mount Travers[1]	100	28,483	2002	2	Imabari, Japan	✓	✓	✓
4	Mount Fisher[1]	100	28,473	2002	2	Imabari, Japan	✓	✓	✓
5	Ocean Exporter[1]	100	28,461	2002	2	Imabari, Japan	✓	✓	✓
6	Albany Sound[1]	100	28,379	2002	2	Imabari, Japan	✓	✓	✓
7	Tasman Sea[1]	100	28,456	2001	3	Kanda, Japan	✓	✓	✓
8	Hawke Bay[1]	100	28,460	2001	3	Kanda, Japan	✓	✓	✓
9	Cape Nelson[1]	100	28,438	2001	3	Kanda, Japan	✓	✓	✓
10	Cape York[1]	100	28,471	2001	3	Kanda, Japan	✓	✓	✓
11	Cape Jaffa[1]	100	28,470	2001	3	Imabari, Japan	✓	✓	✓
12	Captain Corelli[2]	63.5	28,379	2001	3	Imabari, Japan	✓	✓	
13	Kiwi Trader[1]	100	31,879	2000	4	Hakodate, Japan	✓	✓	✓
14	Pacific Logger[1]	100	31,877	2000	4	Hakodate, Japan	✓	✓	✓
15	Tauroa Point	100	27,860	1995	9	Kanasashi, Japan	✓	✓	✓
16	Stewart Island	100	28,730	1995	9	Kanasashi, Japan	✓	✓	✓
17	Ocean Logger	100	28,429	1994	10	Imabari, Japan	✓	✓	✓
18	Apollo Bay	100	28,475	1994	10	Kanda, Japan	✓	✓	✓
19	Priory Bay	100	26,388	1992	12	Hakodate, Japan		✓	✓
			553,613	Av. Age:	4		18	19	18

		Charter Expiry	dwt	Year Built	Age	Builder	Management Services Provided		
							IHC	CM	TM
Chartered Fleet — 7 vessels									
20	Port Kenny[3]	May-09	28,449	2004	0	Imabari, Japan	✓		
21	Portland Bay[3]	Jan-09	28,446	2004	0	Imabari, Japan	✓		
22	Eastern Star	Jul-05	28,437	1997	7	Imabari, Japan	✓		
23	Shinyo Challenge[3]	Dec-05	27,940	1996	8	Naikai Zosen, Japan		✓	
24	Emerald Bulker[4]	Oct-05	28,255	1995	9	NKK, Japan	✓		
25	Ocean Star	Feb-05	28,499	1993	11	Kanda, Japan	✓		
26	Milena L	Sept-04	28,457	1990	14	Imabari, Japan	✓		
			198,483	Av. Age:	7		6	1	0

		dwt	Year Built	Age	Builder	Management Services Provided		
						IHC	CM	TM
Managed Fleet — 16 vessels								
27	Pamukkale[5]	28,433	2004	0	Imabari, Japan	✓	✓	✓
28	Misola Shine[1]	32,700	2003	1	Kanda, Japan	✓		
29	Great Concord	24,159	1999	5	Shanghai, China	✓		
30	Great Creation	27,383	1998	6	Hudong, China	✓		
31	Torm Arawa	27,827	1997	7	Hudong, China	✓		
32	Torm Pacific	27,802	1997	7	Hudong, China	✓		
33	Carina Venture[5]	27,408	1997	7	Hudong, China	✓		
34	Sea Maestro	24,111	1997	7	Shanghai, China	✓		
35	Happy Venture[1, 5]	27,414	1996	8	Hudong, China	✓		
36	Forest Venture[5]	27,411	1996	8	Hudong, China	✓		
37	Tulum[6]	27,079	1996	8	MHI Shimonoseki Japan	✓	✓	✓
38	Althea[1]	26,517	1995	9	Guangzhou, China	✓	✓	✓
39	Island Explorer[7]	27,000	1990	14	Minami Nippon, Japan	✓	✓	✓
40	Severn[6]	27,934	1989	15	Kurushima, Japan	✓	✓	✓
41	Derwent	28,835	1989	15	Kurushima, Japan		✓	✓
42	Navision Logger	27,652	1986	18	Mitsubishi, Japan	✓		
		439,665	Av. Age:	8		15	6	6
TOTAL — 42 vessels		1,191,761	Av. Age:	6		39	26	24

Newbuildings — 7 vessels	dwt	Scheduled Delivery	Builder	Management Services Provided IHC	CM	TM
Owned Fleet						
43 Port Pegasus[1, 8]	32,774	May-04	Kanda, Japan	✓	✓	✓
44 Timaru Star[1, 8]	31,893	May-04	Hakodate, Japan	✓	✓	✓
45 Cook Strait[1]	32,000	Aug-04	Hakodate, Japan	✓	✓	✓
46 Xiamen Sea[1]	53,800	Sep-04	Xiamen, China		✓	✓
47 Xiamen Hull XSI-401B[1]	53,800	Jan-05	Xiamen, China		✓	✓
Managed Fleet	**dwt**	**Scheduled Delivery**	**Builder**	**Management Services Provided IHC**	**CM**	**TM**
48 Xiamen Hull XSI-401C[1]	53,800	Apr-05	Xiamen, China		✓	✓
49 Hakodate Hull 801[1, 5]	32,000	Jul-05	Hakodate, Japan	✓	✓	✓
	290,067			4	7	7

Legend:

IHC – Vessels operated in the IHC Pool, with the Company responsible for arranging Voyage Charters or Time Charters and managing each voyage.

CM – Company provides commercial management services.

TM – Company provides technical management services.

Notes:

1. These 23 vessels have been or are being constructed for us.
2. Technically managed by an independent shipping company that owns 36.5% of the vessel.
3. The Company has the option but is not committed to purchase these vessels under the terms of their charter.
4. One-third of the economic interest in this charter is held by us and two thirds is held by third parties.
5. To be acquired by us partly from the proceeds of the Global Offering — see the section headed "Use of Proceeds".
6. These vessels have been sold and exited the IHC Pool and the Managed Fleet after the Latest Practicable Date.
7. As at the Latest Practicable Date, this vessel has been placed on the market for sale by its owner.
8. These vessels delivered into the Owned Fleet on 28 May 2004.

Tonnage Procurement

The size and composition of our Fleet at any time and the balance that we achieve through tonnage procurement between our Owned Fleet, Chartered Fleet and Managed Fleet are very important. They will depend upon a number of factors, including the expected demand for our vessels, the availability of suitable tonnage in the sale and purchase, newbuilding or chartering markets, their respective prices and rates and our overall view of the market going forward. There are four main ways in which we procure tonnage for our Fleet:

(i) Newbuilding Contracts

Our management team has accumulated considerable knowledge and experience with respect to the construction of ships with the right design specifications in Japan and China. We have also developed strong relationships with the key shipyards for Handysize vessels in Japan through the numerous orders we have placed for newbuildings. We believe our management team was the first to build modern Handysize vessels in China. Our team has been visiting shipyards in Japan and China for over 20 years and have been involved in ordering and supervising the construction of 19 newbuildings at three shipyards in Japan and three at a shipyard in China since 2000. We have a dedicated team of in-house professionals, including naval architects and ship-building superintendents, who ensure that our vessels have the right specifications and build quality. We believe that the experience and relationships that we now hold will provide us with opportunities to acquire high quality new ships at attractive prices.

(ii) Secondhand Vessel Acquisitions and Disposals

Liquidity in the Handysize market for secondhand vessels is variable and is based upon prevailing market expectations, general industry cyclicality and other market conditions. Additionally, there are relatively few transactions for modern Handysize vessels due to the limited number of such vessels in operation or under construction. Accordingly, the successful timing and pricing of vessel acquisition and disposal decisions require solid experience, good market knowledge and sound judgement. Our senior management is experienced in analysing the market as well as the value, condition and earnings potential of vessels we consider for acquisition or disposal. We monitor the world fleet of Handysize vessels to ensure that we have a strong knowledge base and can react promptly to changing market conditions and opportunities as they arise. Our management team has participated in the buying and selling of over 100 Handysize vessels since 1987, which we believe makes our management team one of the most active participants in this market. We believe that our reputation and our experience in this sector will continue to give us prompt access to information about attractive sale and purchase opportunities from ship owners and shipbrokers worldwide. As the market for vessel sale and purchase transactions is largely driven by London based shipbrokers, we conduct this activity from our London office.

(iii) Chartering In Vessels

We charter ships in for varying periods from other ship owners, some of whom do not have direct access to cargoes or have different operating strategies. We do this to expand the size of our Fleet and hence our ability to meet the demand for our services from our customers. We also do this as an alternative to buying more vessels or to provide us with operational flexibility to react to changes in market demand. We also charter in vessels to take advantage of perceived market opportunities.

(iv) Pool Membership/Managed Fleet

From time to time we invite other ship owners to join the IHC Pool. Historically, there have been a number of advantages of admitting pool members, including the ability to expand or maintain the overall size of our Fleet without necessarily employing our own funds and the ability to develop relationships with major shippers, such as Sinotrans, BHP and Toepfer. This has been a significant part of our expansion strategy to date but in future is likely to be restricted to existing members and significant customers.

Technical Management

We have taken the strategic decision to perform important operational activities such as technical management and crewing services ''in-house'' since they are key to providing a high level of service to our customers and because we view certain of these functions, such as safety and quality management, as critical to our business. In 2000 we acquired a well established, reputable technical management business which, in addition, to obviating the need to out-source this activity, strengthened our own commercial operations by adding additional experience and expertise. All but one of our Owned Fleet is managed in-house by our own team of specialised technical managers. They have extensive experience in operating and managing Handysize vessels, in overseeing the specifications for newbuilding contracts and the supervision of the construction process, in undertaking drydockings and repair work, particularly in China, and in hiring and supervising competent crew.

All of the vessels in our Owned Fleet and the majority of our other vessels are manned by mainland Chinese seafarers which, we believe, makes us one of the largest foreign employers of such crew. Our location in Hong Kong affords us the opportunity to benefit from the support offered by the Hong Kong registry and to employ an effective crew configuration. Having employed Chinese crews for a number of years, we have considerable experience in operating vessels in this configuration and we now have a pool of seafarers with good knowledge and practical experience of our vessels and trades. It is a requirement of our employment that all officers on our vessels have the requisite English language skills but we nevertheless supplement this by having Mandarin-speaking superintendents (including several Chinese nationals) based in Hong Kong, Shanghai and London.

Our technical managers are committed to the highest levels of safety, environmental protection and crew welfare. We operate under a safety and quality management system certified under the ISM Code (refer to the further information set out in the section headed ''Regulatory Overview — Regulatory Compliance'' below) and we are currently pursuing voluntary certification for compliance with the quality assurance standard ISO 9002, the environmental management standard ISO 14000 and the occupational health and safety standard OHSAS 18000. We are aiming to achieve formal certification by the end of the third quarter of 2004.

Other Business Activities

All but one of the vessels in our Managed Fleet are operated by us through the IHC Pool with the relevant owners for 10 of these vessels responsible for all other aspects of the commercial and technical management of their vessels. For the remaining six vessels we provide these services. The other vessel is not operated through the IHC Pool because it is a general cargo vessel rather than a handysize bulk carrier.

We own a business which provides marine surveying and consultancy services, principally to the major oil companies for the routine inspection of oil tankers. We also own a business which is a supplier of marine consumables and holds the exclusive distribution rights in Hong Kong for BP Plc marine lubricating oils and chemicals for Nalfeet Marine Chemicals. These two businesses employ approximately 30 people and make a small contribution to Group profits.

The Management Companies

The Management Companies which, following the completion of the Reorganisation will be owned by the Group, can be split into three categories:

A. Commercial Management Companies

Certain Management Companies provide commercial management services to vessels in the Owned Fleet, Chartered Fleet and Managed Fleet, including chartering, the sale and purchase of vessels, arranging finance, accounting and managing and chartering vessels directly and through the IHC Pool.

These companies are wholly owned by Pembroke and, following the completion of the Reorganisation, will be wholly owned by PB Management Holding Limited, a wholly owned subsidiary of the Company.

B. Technical Management Companies

Certain Management Companies supply technical and crew management services to the Owned Fleet and certain vessels in the Managed Fleet, as well as to certain third party ship owners. These companies are held by IndoChina Holdings, which was incorporated in the British Virgin Islands on 22 November 2000. Its shareholders are Pembroke, which holds 252 ordinary shares of US$1 each (representing 66.67% of its issued share capital), and Jardine Shipping, which holds 126 ordinary shares of US$1 each and therefore does not control IndoChina Holdings. IndoChina Holdings also owns two small businesses, one of which operates a marine consultancy providing services predominantly to oil companies from bases in Hong Kong, Singapore, UK, India and Korea and the other provides marine supplies and consumables in Hong Kong and the Philippines. The two businesses comprised approximately 0.2% each of the pro forma combined total assets of the Group as at 31 December 2003 and approximately 1.6% and 0.8% respectively of the pro forma combined total net profit of the Group for the year ended 31 December 2003.

Following the completion of the Reorganisation, these technical Management Companies will be wholly owned by PB Management Holding Limited, a wholly owned subsidiary of the Company. Jardine Shipping will receive 7,500,000 Shares representing approximately 0.60% of the issued share capital of the Company in consideration for the transfer of its 33.33% shareholding in IndoChina Holdings. Due to Jardine Shipping's immaterial shareholding, its shares will not be subject to any lock-up arrangements.

C. Joint Venture Companies

Finally, the following two Management Companies are joint venture companies in which, prior to the completion of the Reorganisation, Pembroke (via PB Management Holding Limited) has an interest in:

- 50% of the issued share capital of Pacific Basin Logistics Limited, with Bay Bridge Enterprises Limited holding the remaining 50%. Pacific Basin Logistics Limited sources log parcels and arranges their transportation through the IHC Pool from West Africa to China.
- 49% of the issued share capital of The London Shipping Consultancy Limited (''LSC'') with Mr. Peter Rowat holding the remaining 51%. LSC provides marine due diligence services in the United Kingdom.

Pembroke's holdings in both ventures will be transferred to the Company on the completion of the Reorganisation.

Certain Management Companies owned by Pembroke will not be transferred to us as part of the Reorganisation. These companies provide commercial and technical management services to vessels which are not part of our Fleet and are therefore not required by our Business (see section headed ''Business — Relationship with the Controlling Group — Epic'').

Customers

The percentage of sales attributable to our five largest customers for the year ended 31 December 2003 was less than 30%. None of the Directors, their respective associates or any shareholder of the Company (which to the knowledge of our Directors beneficially own more than 5% of the issued share capital of the Company) had any interest in any of our top five customers for the year ended 31 December 2003.

Our largest customers are primarily log and grain trading companies. In the year 2003 our five largest customers were:

(i) Stratus Shipping Pty. Ltd., a log exporter based in Melbourne, Australia. This company was our largest customer in 2003.

(ii) Carter Holt Harvey, one of the leading wood fibre products companies in Australasia, listed on the New Zealand and Australian stock exchanges.

(iii) Fletcher Challenge Forests, our third largest customer in 2003. This company was, until early 2004, a publicly listed forest products company based in New Zealand.

(iv) Weyerhaeuser, an international forest products company, was our fourth largest customer in 2003.

(v) Pan Ocean Shipping Co. Limited, a ship owner and ship operator headquartered in South Korea, with a chartered-in fleet of around 200 vessels at any given time. Pan Ocean was our fifth largest customer in 2003.

Most of our customers make payments in advance.

Please also refer to ''Business — Our Top Customers by Revenue'' above.

Our Suppliers

The percentage of purchases attributable to our five largest suppliers for the year ended 31 December 2003 was less than 30%. None of the Directors, their respective associates or any shareholder of the Company (which to the knowledge of our Directors beneficially own more than 5% of the issued share capital of the Company) had any interest in any of our top five suppliers for the year ended 31 December 2003. They were:

(i) Caltex — Caltex was our largest supplier in 2003.

(ii) BP Marine Lubricants — This is the division of British Petroleum that specialises in the supply of marine lubricants and was our second largest supplier in 2003.

(iii) Hyundai Oil — Hyundai sells marine fuels and is also involved in the motor car and ship building industries. Hyundai Oil was the Company's third largest supplier in 2003.

(iv) Griffin Marine Travel — Griffin is a UK headquartered travel agency that concentrates on catering to the travel requirements of shipping companies. Our company utilises Griffin to purchase airline tickets for crew members of our vessels. Griffin was our fourth largest supplier in 2003.

(v) HSBC Insurance Services — This is an insurance brokerage that provides, among others, insurance brokerage services to the marine industry. We generally procure P&I cover through HSBC Insurance Services.

The top five suppliers outlined above require payments to be made upon presentation of invoices, except HSBC Insurance Services which requires payments to be made quarterly as invoiced by P&I clubs.

REGULATORY OVERVIEW

IMO Regulations

The ship owning and managing industry is highly regulated and our vessels have to operate within the rules, international conventions and regulations adopted by the IMO, such as:

- the International Convention for the Safety of Life at Sea (**"SOLAS"**);
- the International Convention for the Prevention of Pollution from Ships (**"MARPOL"**);
- the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (**"STCW Convention"**);
- the International Safety Management Code (**"ISM Code"**); and
- the International Ship and Port Facility Security Code (**"ISPS Code"**).

These conventions have been ratified by the majority of maritime nations, including Hong Kong, and apply to all vessels registered in these countries or calling in the waters of these countries. Compliance with such regulations requires managers who are highly professional, as well as a competent crew to man the vessels.

In addition, all of our vessels have to meet the safety standards set out in SOLAS, which prescribes a series of regulations which are essential for the safety of a vessel and/or its crew.

The STCW Convention prescribes a series of regulations according to which seafarers of all ranks must be trained and certificated in order to be able to carry out their respective duties on board vessels. We ensure that all seafarers employed on board our vessels are trained and certificated in accordance with this Convention.

In 1998, the IMO introduced the ISM Code, which was designed to place greater responsibility on shore-based management teams for safe operation of ships and the prevention of environmental pollution. All vessels owned, operated and managed by us must comply with the ISM Code.

The IMO has recently adopted new regulations that are designed to reduce the threat of ships being used to perpetrate international terrorism. New security measures set out in the ISPS Code will need to be adopted by all our vessels. Part A of the ISPS Code is expected to be made mandatory on 1 July 2004 through amendments to SOLAS. We have developed plans to ensure that all vessels owned, operated and managed by us comply with the ISPS Code prior to 1 July 2004.

Our vessels are also subject to the laws, regulations and rules of each country and port they visit. We have developed policies and procedures intended to ensure our compliance with these laws, regulations and rules.

Regulatory Compliance

We have developed procedures and plans that govern various aspects of shipboard operations. These procedures are established, maintained and followed ashore as well as on board all vessels in our Owned Fleet. We have no right or obligation to develop and implement procedures and plans on vessels not under our technical management. Such procedures and plans are established by each owner under its Document of Compliance or the Document of Compliance of its appointed manager. If there is a dispute as to the violation of IMO regulations on the Chartered and/or Managed Fleet, then the company under whose Document of Compliance the errant vessel is operated is held responsible. Our technical management subsidiary (IndoChina Ship Management (HK) Ltd) possesses a Document of Compliance certifying that it operates in accordance with the provisions of the ISM Code and all vessels in the Fleet possess a Safety Management Certificate certifying the same. In order to ensure continuing compliance with the ISM Code and other international regulations, IndoChina Ship Management (HK) Limited is compulsorily audited annually by Det Norske Veritas. Additionally, each vessel in the Fleet is audited every two and a half years. The scope of such audits is the safety management system of IndoChina Ship Management (HK) Limited that was established to comply with the provisions of the ISM Code. The audit may result in the issuance of non-conformities and major non-conformities. A company can fail an audit if one or more major non-conformities are issued and the company fails to rectify those non-conformities immediately. If a company fails an audit (commonly referred to as a breakdown of the safety management system), the company's Document of Compliance is withdrawn and the company is disallowed from managing those types of vessels for which the Document of Compliance has been issued. Similarly, the scope of an audit on board a vessel is the safety management system implemented on board that vessel. A vessel may fail an audit in the same manner as a company. If this happens, the vessel's safety management certificate (the equivalent of the Document of Compliance) is withdrawn and the vessel is rendered unable to trade. Neither IndoChina Ship Management (HK) Limited nor any of the vessels managed by it have failed an audit. Each vessel's compliance with statutory and class regulations is also verified during the periodical surveys that are undertaken by classification societies. (See ''Inspection by Classification Societies'' below.)

Inspection by Classification Societies

Every seagoing merchant vessel must be ''classed'' by a classification society. The classification society certifies that the vessel is ''in class,'' signifying that the vessel has been built and is being maintained in accordance with the rules of the classification society and complies with applicable rules and regulations of the vessel's country of registry and the international conventions of which that country is a member. In addition, where surveys are required by international conventions and corresponding laws and ordinances of a flag state, the classification society will undertake them on application or by official order, acting on behalf of the authorities concerned.

The classification society may also undertake on request such other surveys that are required by regulations and requirements of the flag state. These surveys are subject to agreements made between the vessels' classification society and the flag state concerned.

For maintenance of the class, regular surveys of hull and machinery, including the electrical plant, safety equipment, communication equipment and any special equipment classed, are required to be performed as follows:

Annual Surveys: For seagoing ships, annual surveys are conducted for the hull and the machinery, including the electrical plant, safety equipment, communication equipment and, where applicable, for special equipment classed, at intervals of 12 months plus or minus three months from the date of commencement of the class period indicated in the certificate.

Intermediate Surveys: Intermediate Surveys, being more extensive surveys than annual surveys of the vessels' structure and equipment, are conducted in conjunction with the second or third annual survey.

Class Renewal Surveys: Class renewal surveys, also known as special surveys, are carried out for the ship's hull and the machinery, including the electrical plant, safety equipment, communications equipment and for any special equipment classed, at five yearly intervals from the vessel's certification. At the special survey, the vessel is thoroughly examined, including ultrasonic gauging to determine the thickness of the steel structures. Should the thickness be found to be less than class requirements, the classification society will prescribe steel renewals. Substantial amounts of money may have to be spent for steel renewals to pass a special survey if the vessel has suffered excessive wear and tear.

Continuous Surveys: At an owner's application, the surveys required for class renewal may be split according to an agreed schedule to be carried out over the entire period of the class certificate. It is common for this process to be applied to the vessel's machinery, known as a continuous machinery survey, and is adopted on all of the vessels within our Owned Fleet. All areas subject to survey as defined by the classification society are required to be surveyed at least once per five year class period, unless shorter intervals between surveys are prescribed.

Docking Surveys: Vessels are also required to be drydocked twice within the five year survey cycle, with a maximum of 36 months between inspections, for survey of the underwater parts and for repairs related to inspections. An in-water survey may be permitted in lieu of a drydocking for the intermediate survey, although the vessel must carry out a drydocking in conjunction with a class renewal survey.

Conditions of Class: If any defects are found by the classification surveyor during any survey of the ship, he may require an immediate repair to be carried out. If, however, the surveyor considers it safe for the vessel to continue in service without an immediate repair, the surveyor will issue a condition of class which will require the defect to be rectified by the ship owner within prescribed time limits. Any conditions of class must be repaired at the time of the class renewal survey.

Most insurance underwriters make it a condition for insurance coverage that a vessel be certified as ''in class'' by a classification society, which is a member of the International Association of Classification Societies (''**IACS**''). All our vessels are certified as being ''in class'' by Nippon Kaiji Kyokai, Lloyd's Register of Shipping or Det Norske Veritas, who are all members of IACS. All new and secondhand vessels that we purchase must be certified prior to their delivery under our standard purchase contracts and memoranda of agreement. If the vessel is not certified on the date of closing, we have no obligation to take delivery of the vessel.

INSURANCE

Risk of Loss and Liability Insurance

The operation of any cargo vessel includes risks such as mechanical failure, collision, property loss, cargo loss or damage and business interruption due to political circumstances in foreign countries, hostilities and labour strikes. In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade.

We believe that we have arranged for insurance coverage which is adequate to protect against the accident-related risks involved in the conduct of our business and that we have arranged for appropriate levels of environmental damage and pollution insurance coverage, consistent with industry practice. See ''Risk Factors — We may not have sufficient insurance and may be unable to maintain existing insurance coverage''.

Insurance Cover for the Company's Owned and Commercially Managed Vessels

Hull and Machinery and War Risk Insurance

We have obtained marine hull and machinery and war risk insurance, which include cover of a vessel's hull and machinery, maritime perils and the risk of actual or constructive total loss, for all of our vessels within normal trading areas and war and warlike zones. The vessels are each covered up to at least fair market value, which is regularly reviewed. Under some circumstances, salvage and towing expenses may be covered.

Loss of Hire Insurance

We carry insurance against loss of hire, which protects against a loss of earnings following a breakdown preventing a vessel's normal operation provided such breakdown is covered by our hull and machinery policy. This policy does not protect us from business interruptions caused by any other losses.

P&I Insurance

P&I insurance covers legal and statutory liability arising from our shipping activities. The liabilities include expenses related to injury or death of crew, passengers and claims from third parties, loss or damage to cargo, pollution arising from oil or other substances, overspill claims on liability from the war risk insurance, and salvage, towing and other related costs, including wreck removal. Our current coverage for oil pollution liabilities and terrorism are US$1 billion and US$400 million respectively, per vessel per incident.

Freight, Demurrage and Defence Insurance

We maintain freight, demurrage and defence insurance to cover legal proceedings in relation to our shipping activities. The coverage includes disputes in relation to freight, demurrage, detention, salvage, insurance monies, damage to vessel, mortgage, and contracts in relation to our vessels, with different insurers providing different limits on cover.

The protection and indemnity and freight, demurrage and defence insurance coverage are provided by P&I Associations. Each of the vessels is entered in a P&I Association. P&I Associations are mutual insurance associations which are members of the International Group of P&I Associations. As a member of a mutual association, we are subject to calls payable to the association based on our claims record as well as the claims record of all other members of the association.

We will endeavour to obtain similar freight, demurrage and defence insurance coverage as described above for the Contracted Newbuildings following their delivery and for other vessels that we buy from time to time.

Purchaser's Interest Insurance

We also maintain purchaser's interest insurance to cover the loss of profit in the event of non-delivery of our newbuildings due to actual or constructive total loss, the sum insured being the difference between the purchase price of the vessel and the market price of the vessel as on the day on which the insurance is procured.

Insurance Cover for the Company's Chartered Vessels

Charterer's Liability Insurance; Freight, Demurrage and Defence Insurance; Charterer's Profit Insurance

We maintain charterer's liability insurance in respect of vessels chartered by us. The cover includes damage caused by us to hull and cargo, legal liability arising from our shipping business except for war risks, and related expenses. We also maintain freight, demurrage and defence insurance to cover costs of legal proceedings in the event of any dispute arising in relation to freight, demurrage, detention, salvage, insurance monies, damage to vessel, mortgage, and contracts in relation to our vessels, and charterer's profit insurance to cover loss of profit in the event of actual or constructive total loss, limited to the sum insured per vessel.

Other Insurance

In addition to the types of insurance described above, we also maintain cash onboard insurance to cover loss of cash brought onboard for use in transit, for example to pay crew members, and bunker insurance to cover damages suffered by reason of the supply of defective or contaminated bunkers.

INTELLECTUAL PROPERTY

We do not have any patents, licences or trademarks on which our business is substantially dependent. Instead, we rely on our trade secrets, industry expertise and long-term relationships with our customers and suppliers. We have applied for trademark registrations relating to the Pacific Basin logo, the IHC Pool logo and the PacMarine Services logo in countries where we have significant operations. For further details, please refer to the section headed "Statutory and General Information — Intellectual Property" in Appendix VI to this prospectus.

PROPERTIES

We lease and occupy the 6th Floor and Rooms 901 to 906 on the 9th Floor of Tai Yau Building, 181 Johnston Road, Wanchai, Hong Kong as our head office, which has a total gross floor area of approximately 14,166 sq. ft.

We also lease and occupy the 16th floor, Ramon Magasaysay Centre, Pres. Roxas Ave., Manila City, The Philippines, which has a gross floor area of approximately 9,020 sq. ft., as our office in The Philippines.

In addition, we lease and occupy 17 Phillip Street, #09-00, Grand Building, Singapore 048695, which has a strata floor area of approximately 2,099 sq. ft., as our office in Singapore.

We have recently leased and will shortly occupy the fourth floor, 2 Brook Street, London W1S B1Q, which has a floor area of 1,787 sq. ft., as our office in London.

We have paid a deposit in respect of a lease of Unit A and Unit F3, 19th Floor, Jun Yao Plaza International, 789 Zhaojiabang Road, Shanghai, which has a floor area of 5,435 sq. ft., as our proposed office in Shanghai, PRC. However, the lease has not yet been executed.

LEGAL PROCEEDINGS

No member of the Group is engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

RELATIONSHIP WITH THE CONTROLLING GROUP

Previous Incentive Scheme

In 1999 the Initial Investors and Pembroke's then direct wholly owned subsidiary, PB Supervisory Limited (a BVI incorporated company), entered into various management contracts to provide commercial management services to the vessels held by the Initial Companies. These agreements contained provisions for the Initial Investors to pay certain success fees to PB Supervisory Limited based upon the total cash realised by the Initial Investors from the Initial Companies. PB Supervisory Limited agreed to pay those fees on receipt to Pembroke. These success fees were a means of aligning the interests of Pembroke and the Initial Investors by incentivising and rewarding Pembroke for its performance as manager and supervisor of the vessels owned by the Initial Companies.

Under these agreements the success fees were to be calculated according to the internal rate of return realised by the Initial Investors on their investment in the Initial Companies, in aggregate. This return was to be achieved by (i) dividends paid by the Initial Companies based on income generated from the operation of vessels; and (ii) proceeds realised upon the sale of vessels in the market. No payment has arisen under those agreements.

The parties have agreed that the completion of the Global Offering should be used as the effective measurement date for the success fees, in place of vessel sales. Accordingly, as more fully described in the section headed ''Summary of Material Contracts'' in Appendix VI to this prospectus, those agreements are being terminated upon completion of the Global Offering and an agreed fee will be paid by the Initial Investors to Pembroke.

The fee will comprise (a) a cash payment of US$7.5 million to be made by the Initial Investors to Pembroke 10 Business Days after the Listing Date and (b) the transfer of 95,000,000 Shares from the Initial Investors to Pembroke on the Listing Date as part of the Reorganisation.

Pursuant to the terms of its memorandum and articles of association, and subject to the lifting of the restrictions that Pembroke has agreed with the Company, described in the section headed ''Underwriting — Undertakings'', the following shareholders of Pembroke are entitled (subject to availability of funds and declaration of dividends) to preferential dividends equivalent to 70% of these Shares, together with dividends or other proceeds arising therefrom:

(i) 19,950,000 Shares to Ansleigh Limited, a company controlled by the family trust of Mr. Over;

(ii) 13,300,000 Shares to Turnwell Limited, a company controlled by the family trust of Mr. Buttery; and

(iii) 33,250,000 Shares to a discretionary trust.

Accordingly, Pembroke will ultimately retain direct ownership of 28,500,000 of these Shares. As disclosed in the section headed ''Business — Reorganisation'', certain Directors have interests in Pembroke and/or the Initial Investors.

Pembroke

Immediately following completion of the Reorganisation and Global Offering (but without taking into account any Shares which may be sold by Pembroke pursuant to the Over-allotment Option), Pembroke will have an interest in approximately 14.2% of the issued share capital of the Company. This includes the 95,000,000 Shares to be transferred to Pembroke referred to in the previous section. Mr. Buttery, Mr. Harris, Mr. Over and Mr. Lee are directors of Pembroke. As noted above in the section headed ''Business — Reorganisation'', Mr. Buttery, Mr. Over and Mr. Lee are connected with substantial shareholders of Pembroke and Mr. Harris has a beneficial interest in 8% of its ordinary shares.

Pembroke has agreed to pay a bonus to certain members of its management team upon successful completion of the Listing. The amount payable by Pembroke will depend upon the final Offer Price and will be settled 50% in cash from Pembroke's own resources and hence not drawn from the Global Offering proceeds and 50% in Shares held by Pembroke. Allocations to individuals will be made by Pembroke's remuneration committee after the Listing is completed but such allocations are likely to include the executive Directors of the Company. Based on an estimated Offer Price of HK$2.55, being the mid-point of the proposed Offer Price range of HK$2.20 to HK$2.90, the bonus is estimated to be approximately HK$47.2 million (US$6.1 million).

Currently, we are principally engaged in the operation, employment, management, acquisition and sale of vessels in the Handysize dry bulk carrier segment of the market, and we intend to expand into the Handymax dry bulk carrier segment of the market.

Our management has a clear business strategy that is focused on the dry bulk shipping sector of the Asia Pacific region. These services are currently concentrated in the Handysize and, upon the delivery of certain of the Contracted Newbuildings, the Handymax dry bulk carrier segments of the maritime shipping market. This clear business focus means that certain activities of Pembroke do not fit with the Group's business strategy and accordingly will be excluded from the Group (the **"Excluded Activities"**).

Epic

The Excluded Activities retained by Pembroke will not be transferred to the Group as part of the Reorganisation, but concurrent with the Reorganisation will be transferred to Epic Shipping (BVI) Limited (**"Epic"**). Epic does not and will not hold any Shares immediately following the Global Offering, but is owned by the same persons as Pembroke (though not controlled by any of them). The Excluded Activities comprise:

(i) a Singapore based business with 50% ownership interests in two oil product tankers (currently being restructured to 100% ownership of one vessel to facilitate its sale) and two chartered-in product tankers and one product tanker newbuilding (which are owned by third parties). Epic commercially manages these vessels plus five further single-hulled product tankers and one product tanker newbuilding. The delivered vessels were all built in Romania and the newbuildings have been ordered in China, although construction has yet to commence. It also provides technical management services in respect of five of these vessels plus other product and chemical tankers owned by third parties. The exclusion of this business line will result in the exclusion of the following companies: (i) Eastern Product Carriers Pte Limited — performing the commercial management of tankers; and (ii) ICSM Pte Limited — performing technical and crew management of tankers;

(ii) a 50% interest in UK-based IndoChina Ship Management (UK) Limited ("ICSM (UK)"), which provides technical management services principally to European-based third party owners of chemical carriers, oil tankers, other oil industry related vessels, passenger ferries, six Handysize bulk carriers and one general cargo ship (of which two Handysize bulk carriers and the general cargo ship operate under the rules of the UK tonnage tax scheme), a vehicle carrier and floating accommodation units. Pursuant to the Reorganisation, we purchased Jardine Shipping's 16.67% interest in ICSM (UK) for an immaterial amount. This, together with our existing 33.3% interest, resulted in us having a 50% interest in ICSM (UK). In addition to the exclusion of ICSM (UK), Lothian Shipping Services Limited, also based in the UK, holding an office (not used by the Company), with crew contracts/liabilities for third party owned ships managed by ICSM (UK), will also be excluded;

(iii) 100% ownership interests in Mayo (HK) Limited and Curtiss (HK) Limited, special purpose companies which have contracted to build two small newbuilding bulk carriers delivering in November 2004 and within 2005 respectively. The contracts have been sold on under a sale agreement to buyers who are third parties and are not connected persons of the Group. Any responsibilities and liabilities of the contracting party incurred under its performance guarantee toward the shipbuilder have been assumed by the buyers' parent company through the signing of a back-to-back counter indemnity agreement. The buyers will be responsible for the management of these vessels from delivery and therefore these vessels will cease to be a part of the Excluded Activities from that date.

The following holding and/or dormant companies which are not compatible with our Business will also be excluded: (i) Pembroke Shipping Limited — holding company; (ii) FullSmart Holdings Limited — dormant; (iii) PB Holding Limited (to be renamed Epic Holding Limited) — dormant; (iv) Oxfordshire International — dormant; (v) Inveresk Shipping Limited — dormant; (vi) Noble Dragon Limited — holding company; (vii) World Dragon Limited — dormant; (viii) Eternity Marine Corp. — dormant; and (ix) IndoChina Enterprises (UK) Limited (renamed ICSM Enterprises (UK) Limited) — dormant.

The directors of Epic prior to the Reorganisation were Jeremy Hayley-Bell, Donald Phillips (resigned 31 March 2004) and Andrew Broomhead (resigned 31 March 2004). Following the Reorganisation, the directors of Epic shall be Jeremy Hayley-Bell and John Davis (appointed on 31 March 2004). Neither Mr. Davis nor Mr. Hayley-Bell have any employment relationship with the Group after the Reorganisation.

John Davis was a director of both Epic and Pembroke during the period of 31 March to 28 April 2004, until he resigned as a director of Pembroke.

Donald Phillips was also a director of the following Management Companies: Pacific Basin Logistics Limited, IndoChina Marine Services Limited, IndoChina Ship Management (HK) Limited, Pacific Basin Shipping (USA) Inc. (previously known as IndoChina Ship Management (USA) Inc.), IndoChina Ship Management Limited, Majestic Carriers, Inc., PacMarine Services (HK) Limited, PacMarine Services (UK) Limited, PacMarine Services Limited and PacMarine Services Pte Ltd. (previously known as PMS Surveying Services (Pte) Ltd.), whilst he was a director of Epic.

Andrew Broomhead was also a director of the following Management Companies: IndoChina Ship Management Limited, Majestic Carriers Inc., PacMarine Services (UK) Limited, PacMarine Services Limited, IndoChina Marine Services Limited, Pacific Basin Chartering Limited, Pacific Basin Shipping & Trading Company Limited, The London Shipping Consultancy Limited, Pacific Basin Logistics Limited and Beckley Enterprises Limited (a Vessel Company), whilst he was a director of Epic.

Neither Mr. Phillips nor Mr. Broomhead will have any employment relationship with Epic or any of the Excluded Activities after the Reorganisation.

Our Group has agreed to provide Epic with certain administrative, accounting and computer support services during its start-up phase as an independent entity. These services, for which Epic will pay fees based on arm's length commercial terms to our Group, are not expected to run beyond 31 December 2004 and the fees are not expected to exceed US$500,000. Epic has undertaken with our Company that it will not engage in the ownership, operation or commercial management of dry bulk carriers anywhere in the world for a period of two years or in the UK, the USA or Asia Pacific for an additional year. The vessels in which Epic has an ownership interest operate in totally separate markets from ours, are substantially different in design, carry different cargoes and could not be used in the trades in which we operate. Epic's commercial management activities are also restricted to the same class of vessel. As regards technical management activities, our Company only provides technical management services to vessels in our Owned Fleet, certain vessels in our Managed Fleet, as well as to a limited number of third party ship owners, whereas the technical management activities which Epic (through ICSM (UK)) performs are provided principally to European-based third party owners of chemical carriers, oil tankers, other oil industry related vessels, floating accommodation units, passenger ferries, a vehicle carrier, six Handysize bulk carriers and a general cargo vessel.

Under the rules of the UK tonnage tax scheme, two Handysize vessels and the general cargo vessel technically managed by ICSM (UK) (which are owned by third parties) must be managed from the UK, and Epic (through ICSM (UK)) provides technical management services while our UK subsidiary provides commercial management services. Both Handysize vessels are also entered into the IHC Pool. The Group does not regard the provision of technical management services to third party owners as a part of the Group's main business strategy. Accordingly, our Directors believe that there is no direct competition between Epic and our Group.

The nature of the businesses comprising the Excluded Activities and the types of vessels managed such as tankers, floating accommodation units and passenger ferries, are significantly different from those owned or operated by the Group. Except for the two Handysize vessels and the general cargo vessel operated under the UK tonnage tax rules, which are commercially managed by us in any event, none of these vessels are designed to or are able to carry logs and therefore they cannot be operated in the IHC Pool. Accordingly, these businesses have been managed and operated by separate teams of employees with the relevant experience and knowledge of the types of vessels under management. As such, they have not been involved in or responsible for the management of any vessels in our Fleet. Furthermore, none of our employees has any involvement in the management or running of Epic's activities and the Group does not require Epic to provide it with any services or functions. The Excluded Activities are not covered by the Previous Incentive Scheme which is being terminated, as referred to above.

Based on the above, our Directors are of the view that our Group does and will continue to function independently of Epic.

We have no intention of acquiring Epic or any of Epic's businesses and will not do so for three years. In the unlikely event that any such acquisitions become contemplated thereafter, they would be subject to compliance with all relevant provisions of the Listing Rules, including appropriate announcements.

CONNECTED TRANSACTIONS

Following the completion of the Reorganisation and the Global Offering, there will be continuing transactions between the Company and each of the entities referred to in paragraphs (i) to (v) below. These transactions will constitute connected transactions of the Company, details of which are set out below.

According to the Listing Rules, the following entities will be regarded as connected persons of the Company:

(i) Sun Hing Insurance Brokers Limited, which is approximately 35% owned indirectly by, and therefore an associate (as defined under the Listing Rules) of, Mr. Lee, one of the Directors;

(ii) A.M. Nomikos Transworld Maritime Agencies S.A., on the basis of our understanding (which, however, it has not confirmed in response to our enquiries) that it is connected with Myrtos Inc., a substantial shareholder in a company which pursuant to the Reorganisation will become an entity jointly controlled by us (albeit treated by the Listing Rules as one of our subsidiaries), namely Pacific Basin Bulker (No. 103) Corporation, which in turn wholly owns China Line Shipping Limited;

(iii) Redcliffe Shipping Limited, owned indirectly as to one-third by each of, and therefore an associate (as defined under the Listing Rules) of, John Davis and Anthony Foster, both being ex-directors (who resigned within the last 12 months) of Pacific Basin (UK) Limited, which will be a subsidiary of the Company immediately following completion of the Reorganisation;

(iv) Clear Future Technologies Limited, which is controlled indirectly as to approximately 70% by, and therefore an associate (as defined under the Listing Rules) of, Mr. Lee, one of the Directors; and

(v) Epic, which is treated by the Stock Exchange for these purposes as a connected person since its shareholders are substantially the same as those of Pembroke (a substantial shareholder of the Company) and the same shareholders are members of the Controlling Group.

(i) Insurance services from Sun Hing Insurance Brokers Limited (''Sun Hing'')

Sun Hing has been appointed as a provider of insurance services to members of the Group, on a non-exclusive basis, pursuant to an Agreement dated 4 June 2004 and which expires on 31 December 2006. Sun Hing has provided such services in connection with arranging insurance policies in respect of vessels owned, chartered or managed by the Group. Sun Hing has also provided insurance services in respect of the general affairs of various members of the Group. Such services were provided to the Group on commercial terms and in the ordinary course of Sun Hing's business.

For the three years ended 31 December 2003, the aggregate amount of premiums paid by the Group on its own account to Sun Hing for such services (excluding those for vessels managed by the Group, in respect of which it acts only as agent) amounted to approximately US$0.05 million, US$0.1 million and US$0.2 million, respectively. Such premiums were received by Sun Hing on behalf of the relevant insurers, and Sun Hing earned brokerage thereon from the insurers.

It is expected that the premiums payable by the Group on its own account to Sun Hing in respect of insurance services for the three financial years ending 31 December 2004, 2005 and 2006 will not exceed US$0.4 million, US$0.7 million and US$1.0 million, respectively, and such amounts have accordingly been set as the proposed caps for this continuing connected transaction.

The above proposed caps were estimated by the Group primarily based on the relevant historical premiums paid by the Group, estimated future increases of such premiums, the estimated number and value of vessels owned, chartered or managed by the Group, and the estimated general insurance needs of the Group, for each of the financial years ending 31 December 2004, 2005 and 2006.

(ii) Technical Management Agreement with A.M. Nomikos Transworld Maritime Agencies S.A. (''Nomikos'')

A company which pursuant to the Reorganisation will become an entity jointly controlled by us (but be treated under the Listing Rules as one of our subsidiaries), China Line Shipping Limited (''China Line''), entered into a technical management agreement dated 11 January 2001 with Nomikos for the provision by Nomikos, as agents for and on behalf of China Line, of crew management, technical management, insurance arrangements, accounting services and supply of provisions in respect of a vessel of China Line named m.v. Captain Corelli. Such agreement (as amended, the ''Technical Management Agreement'') was amended by a supplemental agreement dated 18 June 2004, pursuant to which it will terminate on 31 December 2006.

The management fee payable under the Technical Management Agreement is subject to annual review on 11 January. The fees charged by Nomikos are on Nomikos' ordinary trading terms. All expenses incurred by Nomikos thereunder on behalf of China Line are payable by China Line to Nomikos.

For the three years ended 31 December 2003, the aggregate amount of management fees paid by China Line to Nomikos under the Technical Management Agreement amounted to approximately US$114,000, US$117,000 and US$117,000, respectively.

Based on continuation of this arrangement in respect of the same vessel, and anticipated minor cost inflation, it is expected that the fees payable by China Line to Nomikos in respect of the Technical Management Agreement for the three financial years ending 31 December 2004, 2005 and 2006 will not exceed US$128,000 in any such year, and such amounts have accordingly been set as the proposed caps for the above continuing connected transaction.

The above proposed caps were estimated by the Group primarily based on the agreed fees for the year ending 31 December 2004 and estimated fee revisions for each of the financial years ending 31 December 2005 and 2006.

(iii) Commercial management agreement with Redcliffe Shipping Limited (''Redcliffe'')

Redcliffe owns m.v. Derwent, and entered into a commercial management agreement with Pacific Basin (UK) Limited (**''PBUK''**) effective as of 23 June 2003 (replacing a similar arrangement dating from 1 January 2002 with another member of the Group), for the provision by PBUK of commercial management services in respect of that vessel. PBUK is one of the

Management Companies that provides commercial management services particularly in relation to those vessels that need to be operated under the UK tonnage tax scheme and those vessels that trade in the Atlantic. PBUK will be a wholly owned subsidiary of the Company following the Reorganisation. Such agreement (as supplemented) expires on 31 December 2006, may be terminated on one month's notice by Redcliffe to PBUK or following sale of m.v. Derwent, and provides for a monthly management fee and a commission on such a sale payable to PBUK. Such management fees and commissions are on PBUK's ordinary trading terms and in the ordinary course of its business.

The aggregate amount of fees and commissions paid by Redcliffe to PBUK under the commercial management agreement (and, in respect of the period before 23 June 2003, to the counterparty under the earlier arrangement then in place as described above) in respect of m.v. Derwent in the three years ended 31 December 2003, and the expected maximum amounts for the three financial years ending 31 December 2004, 2005 and 2006, are set out below. The maximum expected amounts for the last three such years have accordingly been set as the respective caps for this continuing connected transaction. Such caps were estimated by the Group primarily based on the relevant historical fees paid to the Group and anticipated charter-hire rates and vessel sales for each of the financial years ending 31 December 2004, 2005 and 2006. It has been assumed that a sale commission payable to PBUK on disposal of the vessel could arise in any one of the three years and it has therefore been included in each year.

(US$'000) Year ended 31 December					
2001	**2002**	**2003**	**2004**	**2005**	**2006**
—	63	60	228	250	262

(iv) Information technology services and equipment from Clear Future Technologies Limited ("CFT")

CFT has been appointed as a provider of information technology services and equipment to Pacific Basin Shipping (HK) Limited (which on completion of the Reorganisation will be a member of the Group), on a non-exclusive basis and on normal commercial terms pursuant to a Master Consulting Services Agreement dated 10 June 2004 and which expires on 31 December 2006.

For the three years ended 31 December 2003, the aggregate amount of fees and commissions paid by the Group to CFT for such services and equipment amounted to nil, nil and approximately US$64,000 respectively.

It is expected that the amounts payable by the Group to CFT in respect of such services and equipment for the three financial years ending 31 December 2004, 2005 and 2006 will not exceed US$100,000 in each such year, and such amounts have accordingly been set as the proposed caps for this continuing connected transaction.

These proposed caps were estimated by the Group primarily based on the historical amounts paid by the Group and the Group's expected future usage of the relevant services and equipment.

(v) Administrative services to Epic

The Company has agreed that the Group will continue to provide accounting and treasury, systems support and other administrative services to Epic and its subsidiaries (the "Epic Companies") after the Listing Date until 31 December 2004, pursuant to a Services Agreement dated 17 June 2004 and having effect from 1 April 2004. The services comprise the following:

Accounting and treasury — Full accounting and treasury functions are carried out for the Epic Companies by the central accounting unit of our Group. Epic is expected to take over such functions as soon as suitable accountants are recruited by it and pass their probation periods.

Systems support — The Group's database for operations and finance functions, and the Group's electronic communication system, are centrally maintained and licensed by PB Management Holding Limited and its subsidiaries. The Epic Companies will continue to enjoy access to the database and system, and certain management information systems, together with related technical support, until their own database and systems are fully set up and operational (or, if sooner, the end of 2004).

Administration — General administrative functions have been centrally provided by the Group to the Epic Companies, including human resources, payroll, company secretarial and other related services. The Group has agreed to continue to provide such services until Epic has identified suitable candidates to take over such functions (or, if sooner, the end of 2004).

The Epic Companies will pay the Group on an arm's length basis for such services. The cost of work done by the Group's staff members will be invoiced on the basis of the time spent and hourly rates (including a margin for overheads), except that systems support services will be charged at US$1,500 per month. The Group's incidental expenses are also recoverable from the Epic Companies. The cost of such services provided to the Epic Companies in the three years ended 31 December 2003 was nil, approximately US$600,000 and approximately US$477,000, respectively, and is not expected to exceed US$500,000 during the year ending 31 December 2004. Accordingly, the latter amount has been set as the proposed cap for this connected transaction, having been estimated primarily on the basis of the historical amounts and the expected future usage.

In the opinion of the Directors and the Sponsor, the continuing connected transactions referred to in paragraphs (i) to (v) above have been entered into in the ordinary and usual course of business of the Group on normal commercial terms or, where there are insufficient comparable transactions to judge this, on terms no less favourable to the Group than those available to or from (as appropriate) independent third parties, and which are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Exemption and waiver

Following completion of the Hong Kong Public Offering, the Company will continue the transactions described above. The transactions will, upon listing of the Shares on the Stock Exchange, constitute continuing connected transactions under the Listing Rules.

It is expected that for the transactions under paragraphs (ii) and (iv), the highest of the percentage ratios (other than the profits ratio) calculated by reference to Rule 14.07 of the

Listing Rules, where applicable, is equal to or more than 0.1% but less than 2.5% and the total annual consideration is less than HK$1,000,000. Accordingly, these transactions will fall within the de minimis provision under Rule 14A.33(3) of the Listing Rules and are exempt from the announcement or shareholders' approval requirements applicable to connected transactions. The Directors anticipate that these arrangements will continue in the future in the Group's ordinary and usual course of business and will be on an arm's length basis and on normal commercial terms. If the de minimis provision under Rule 14A.33(3) of the Listing Rules no longer applies to any of these arrangements, the Company will comply with the applicable requirements of the Listing Rules.

It is expected that, for each of the transactions under paragraphs (i), (iii) and (v), the highest of the percentage ratios (other than the profits ratio) calculated by reference to Rule 14.07 of the Listing Rules, where applicable, on the basis of projections for the years 2004 to 2006 measured against benchmarks as of 31 December 2003, will be less than 2.5% and accordingly, pursuant to Rule 14A.34(1) of the Listing Rules, such transactions will be exempt from independent shareholder approval requirements under the Listing Rules, but such transactions will be subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules. The Company has applied to the Stock Exchange for a waiver of such announcement requirements in respect of these transactions.