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# **B Pacific Basin Shipping Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 2343)**

## **PROPOSED ISSUE OF GUARANTEED CONVERTIBLE BONDS DUE 2013 CONVERTIBLE INTO ORDINARY SHARES OF PACIFIC BASIN SHIPPING LIMITED**

The Company announces that on 3 December 2007 the Company as guarantor and the Issuer (a wholly-owned subsidiary of the Company) have entered into the Subscription Agreement with the Lead Manager in connection with the issue by the Issuer of the Firm Bonds with an initial aggregate principal amount of US\$350,000,000 (approximately HK\$2,725 million) and subject to the exercise of the Upsize Option by the Lead Manager, the Optional Bonds with an aggregate principal amount of US\$40,000,000 (approximately HK\$311 million). The Bonds are convertible in the circumstances set out therein into ordinary shares of US\$0.10 each in the share capital of the Company at an initial conversion price of HK\$19.28 (subject to adjustment). The payment obligations of the Issuer and the due performance by the Issuer of its obligations under the Bonds and the Trust Deed will be guaranteed by the Company.

The initial Conversion Price is HK\$19.28 per Share, representing a premium of 27.0% over the closing price of the Shares quoted on the Stock Exchange on 3 December 2007 being the date on which the Subscription Agreement was signed. Assuming full conversion of the Bonds (including the Optional Bonds) at the initial Conversion Price of HK\$19.28 per Share, the Bonds (including the Optional Bonds) will be convertible into approximately 157,511,047 Shares (subject to adjustment), representing approximately 9.90% of the issued share capital of the Company as at the date of this announcement and approximately 9.00% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The Lead Manager has been granted an Upsize Option which can be exercised, in whole or in part, on one or more occasions, at any time up to and including the 30th day following the Closing Date, to require the Issuer to issue up to a further US\$40,000,000 (approximately HK\$311 million) in aggregate principal amount of the Optional Bonds.

The Bondholders will have the right to convert all or some of their Bonds in the circumstances set out therein into Shares at any time from nine months after the Closing Date up to the close of business on 25 January 2013. In certain limited circumstances, the Bonds may be converted prior to the date which is nine months after the closing Date. Unless previously purchased and cancelled, redeemed or converted, the Bonds will be redeemed at 100% of their principal amount on the Maturity Date.

The estimated net proceeds from the issue of the Bonds (including the Optional Bonds), after deduction of commission and concession, amount to approximately HK\$2,994 million. The proceeds are currently intended to be used by the Company for general corporate and working capital purposes including funding its existing capital commitments and financing possible acquisitions.

**Completion of the Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein. In addition, the Subscription Agreement may be terminated in certain circumstances. Please refer to the paragraph headed “THE SUBSCRIPTION AGREEMENT” below for further information.**

**As the Subscription Agreement may or may not complete, the Bonds may or may not be issued and/or the Conversion Shares may or may not be listed on the Stock Exchange, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

The Conversion Shares will be issued and allotted by the Company pursuant to the general mandate granted to the Directors at the special general meeting of the Company held on 29 November 2007. As at the date of this announcement, no Share have been issued under such general mandate.

Applications will be made to the Stock Exchange for (i) the listing of and permission to deal the Conversion Shares and (ii) the listing of the Bonds on the Stock Exchange as selectively marketed securities.

## THE SUBSCRIPTION AGREEMENT

Date: 3 December 2007

Parties:

1. The Company;
2. The Issuer, being PB Issuer Limited, a wholly-owned subsidiary of the Company; and
3. The Lead Manager, being Goldman Sachs (Asia) L.L.C., which to the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, is not a connected person of the Company and is a third party independent of the Company and connected persons of the Company.

Subscription:

1. Subject to the fulfillment of the conditions set out below in the section headed "Conditions Precedent", the Lead Manager has agreed to subscribe or to procure subscribers to subscribe the Firm Bonds with an initial aggregate principal amount of US\$350,000,000 (approximately HK\$2,725 million) and if the Upsize Option is exercised to subscribe or to procure subscribers to subscribe the Optional Bonds with an aggregate principal amount of up to US\$40,000,000 (approximately HK\$311 million). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the more than six subscribers who are private individuals or institutional investors, and their ultimate beneficial owners are, or will be, third parties independent of and not connected with the Company or any connected persons of the Company.
2. The Bonds will be offered and sold to persons outside the United States in reliance upon Regulation S of the US Securities Act and to professional investors in Hong Kong and elsewhere (other than the United States).

Conditions precedent:

The obligations of the Lead Manager to subscribe and pay for the Bonds are subject to, among others, the following conditions precedent:

1. the Lead Manager shall have been satisfied with the results of its due diligence investigations on the Issuer, the Company and its subsidiaries for the purposes of the preparation of the Offering Circular, and the Offering Circular shall have been prepared in form and content satisfactory to the Lead Manager;
2. execution of documents including Trust Deed by relevant parties on or prior to the Closing Date;
3. obtaining of the approval from the Stock Exchange subject to any conditions reasonably satisfactory to the Lead Manager, to list the Bonds and the Conversion Shares (or, in each case, the Lead Manager being satisfied that such listing will be granted);
4. delivery on the date of the Subscription Agreement, the publication date of the Offering Circular and on the Closing Date and the Option Closing Date (if any) to the Lead Manager of comfort letters from the Company's auditor;
5. delivery on or prior to the Closing Date and the Option Closing Date (if any) to the Lead Manager of legal opinions, each in a form reasonably satisfactory to the Lead Manager, from the legal advisers to the Issuer as to the British Virgin Islands law, the legal advisers to the Company as to Bermudan law; and the legal advisers to the Company as to English and Hong Kong law and the legal advisers to the Lead Manager as to English law;
6. the representations and warranties of the Issuer and the Company set out in Subscription Agreement shall be true, accurate and correct in all respects at the Closing Date and the Option Closing Date (if any), and as if they were made on such dates; and
7. non-occurrence at the Closing Date and the Option Closing Date (if any) of any change, or any development or event reasonably likely to involve a change, in the condition (financial or other), operations, business or properties of the Issuer, the Company or the Group, which, in the opinion of the Lead Manager, is material and adverse and which makes it, in the opinion of the Lead Manager, impracticable to market the Bonds on the terms and in the manner contemplated herein.

If any of the foregoing conditions is not satisfied, the Subscription Agreement shall be terminated and the parties thereto shall (subject to the certain provisions of the Subscription Agreement) be released and discharged from their respective obligations thereunder, provided that the Lead Manager, may at its discretion and upon such terms as it thinks fit, waive compliance with the whole or any part of the conditions precedent.

**Upsize Option:** The Lead Manager has been granted an Upsize Option which can be exercised, in whole or in part and, on one or more occasions, at any time up to and including the 30th day following the Closing Date, to require the Issuer to issue up to a further US\$40,000,000 (approximately HK\$311 million) in aggregate principal amount of the Optional Bonds.

**Termination:** The Lead Manager may at any time prior to payment of the net subscription monies for the Bonds to the Issuer, terminate the Subscription Agreement upon the occurrence of certain circumstances which include, amongst other things, in the opinion of the Lead Manager there shall have occurred any of the following: (i) a suspension or material limitation in trading in securities generally on the New York Stock Exchange, the Nasdaq Stock Market, Inc., the London Stock Exchange plc and/or the Stock Exchange; (ii) a suspension or material limitation in trading in the Company's securities or the Shares on the Hong Kong Stock Exchange; (iii) a general moratorium on commercial banking activities in New York, London or Hong Kong declared by the relevant authorities, or a material disruption in commercial banking or securities settlement or clearance services in the United States, the United Kingdom or Hong Kong; (iv) a change or development involving a prospective change in taxation in the British Virgin Islands, Bermuda or Hong Kong affecting the Issuer, the Company, the Shares or the Bonds or the transfer thereof; (v) the outbreak or escalation of hostilities involving the United States, the United Kingdom or Hong Kong or the declaration by the United States, the United Kingdom or Hong Kong of a national emergency or war; or (vi) the occurrence of any other calamity or crisis or any change in financial, political or economic conditions or currency exchange rates or controls, if the effect of any such event specified in clause (v) or (vi) in the judgment of the Lead Manager makes it impracticable or inadvisable to proceed with the public offering or the delivery of the Bonds being delivered at such time on the terms and in the manner to be contemplated in the Offering Circular.

## **PRINCIPAL TERMS OF THE BONDS**

The principal terms of the Bonds, which will be constituted by a trust deed to be entered into between the Issuer, the Company and the Trustee, are summarised as follows:

**Issuer:** PB Issuer Limited, a company incorporated with limited liability in the British Virgin Islands, which is a wholly-owned subsidiary of the Company.

**Guarantor:** The Company.

**Principal amount:** The aggregate principal amount of the Bonds (excluding Optional Bonds) will be US\$350,000,000 (approximately HK\$2,725 million) or US\$390,000,000 (approximately HK\$3,037 million) if all the Optional Bonds are issued.

Issue and Redemption Price: 100% of the principal amount of the Bonds.

Interest: The Bonds bear interest from the Closing Date at the rate of 3.3% per annum of the principal amount of the Bonds. Interest is payable semi-annually in equal instalments in arrear on 1 February and 1 August in each year, except that the first payment of interest, to be made on 1 August 2008, will be in respect of the period from the Closing Date to 1 August 2008.

Conversion period: Subject to the relevant Bondholder complying with the procedures relating to conversion, Bondholder(s) may exercise conversion rights at any time from nine months after the Closing Date up to 25 January 2013 (the "Conversion Period"), provided that:

- (I) during the period commencing from the Closing Date and ending on the date which is nine months after the Closing Date, the Conversion Period shall be modified and the conversion rights may be exercised if:
  - (a) a Change of Control occurs, in which case the Conversion Period shall commence on the date on, and the conversion rights may be exercisable from, which such Change of Control becomes effective;
  - (b) a Delisting (as defined in the terms and conditions of the Bonds) occurs or the Issuer gives notice to the Bondholders in respect of a Delisting in accordance with the terms and conditions of the Bonds, in which case the Conversion Period shall commence on, and the conversion rights may be exercised from the earlier of (i) the date on which notice is given in respect of the Delisting and (ii) the date of occurrence of such Delisting;
  - (c) an Event of Default (as defined in the terms and conditions of the Bonds) occurs (regardless of whether any notice has been given or if such event is continuing), in which case the Conversion Period shall commence on the date of occurrence of such Event of Default;
  - (d) the Bonds are called for redemption by the Issuer, in which case the Conversion Period shall commence on, and the conversion rights may be exercisable from, the date the relevant notice is given by the Issuer to the Bondholders; and
  - (e) any person, or persons acting together, announces a general offer to acquire the shares of the Company, in which case the Conversion Period shall commence on the date of such announcement; and

- (f) subject to sub-paragraph (iii) below, during any two consecutive Trading Day period, the trading price per US\$10,000 principal amount of the Bonds for each Trading Day in such period was equal to or less than 99% of the Parity Value (as defined in the terms and conditions of the Bonds) in respect of such Trading Day, in which case the Conversion Period shall commence on, and the conversion rights may be exercised from, the date following such Trading Day period; the trading price of the Bonds on any Trading Day shall be:
  - (i) the bid price of the Bonds available on Bloomberg under page “ALLQ” as of 4:00 p.m. Hong Kong time as quoted by the Listing Manager or any of its affiliates;
  - (ii) if there is no quotation by the Listing Manager or any of its affiliates available on Bloomberg under page “ALLQ” as of 4:00 p.m. Hong Kong time, the trading price of the Bonds shall be the average of the bid price quotes of the Bonds available on Bloomberg under page “ALLQ” as of 4:00 p.m. Hong Kong time without regard to (i) any quotes that are not updated as of the relevant Trading Day and (ii) the two quotes with the highest values; and
  - (iii) in determining the trading price of the Bonds under sub-paragraph (ii) above, if less than three quotations are available on Bloomberg under page “ALLQ” as of 4:00 p.m. Hong Kong time, the Conversion Period shall commence on, and the conversion rights may be exercised from, such Trading Day; and
- (II) during the period commencing nine months after the Closing Date and ending on 3 November 2010, the conversion rights may only be exercised if one of the following events shall have occurred since the Closing Date:
  - (a) one of the events set out in sub-paragraph (I)(a) to (f) above having occurred; or
  - (b) if during any five consecutive Trading Day period, the Closing Price of the Shares for each Trading Day in such period was at least 120% of the Conversion Price then in effect, provided that if there shall occur an event giving rise to a change in the Conversion Price during any such five consecutive Trading Day period, appropriate adjustments for the relevant days approved by an independent investment bank shall be made for the purpose of calculating the closing price for such days.

**Conversion Price:** The Bonds will be convertible into Shares at an initial Conversion Price of HK\$19.28 per Share. The initial Conversion Price at HK\$19.28 per Share represents (i) a premium of 27.0% to the closing price of HK\$15.18 per Share as quoted on the Stock Exchange on 3 December 2007, being the date of the Subscription Agreement; (ii) a premium of 30.1% to the 5-day average closing price of the Shares as quoted on the Stock Exchange for the five Trading Days ended 3 December 2007 of HK\$14.82; and (iii) a premium of 31.4% to the 10-day average closing price of the Shares as quoted on the Stock Exchange for the 10 Trading Days ended 3 December 2007 of HK\$14.68.

The Conversion Price will be subject to adjustment for, amongst other things, subdivision, reclassification or consolidation of Shares, capitalisation of profits or reserves, capital distribution, rights issues of Shares or options over Shares, rights issues of other securities, issues at less than current market price, modification of rights of conversion and other offers to Shareholders.

**Ranking of Conversion Shares:** Conversion Shares will rank *pari passu* in all respects with the Shares in issue on the relevant date of registration of holders of such Shares on the register of members of the Company.

**Redemption at the option of the Bondholder:** On 1 February 2011, each Bondholder will have the right, at such Bondholder's option, to require the Issuer to redeem all or some of the Bonds at 100% of the principal amount, together with accrued but unpaid interest.

**Redemption at the option of the Issuer:** The Issuer may redeem the Bonds in whole, but not in part, at a redemption price equal to 100% of their principal amount together with accrued but unpaid interest:

- (i) on or at any time after 1 February 2011, if the closing price of the Shares (as quoted on the Stock Exchange) for the 30 consecutive Trading Days immediately prior to the date upon which notice of such redemption is given, was at least 130% of the Conversion Price then in effect; or
- (ii) at any time prior to maturity if at least 90% of the principal amount of the Bonds have already been converted, redeemed or purchased and cancelled.



|                                   |   |
|-----------------------------------|---|
| Redemption for taxation reasons:  | <p>The Issuer may redeem all, but not some only, of the Bonds at 100% of their principal together with accrued but unpaid interest at the date fixed for redemption in the event of changes in or amendment to the laws and regulations regarding taxation in the British Virgin Islands, Bermuda or Hong Kong.</p> <p>If the Issuer exercises its tax redemption right, each Bondholder shall have the right to elect that all or a portion of its Bonds shall not be redeemed. Upon the exercise of the no-redemption right with respect to such Bonds, any payments due after the relevant date shall be made subject to any deduction or withholding required under the laws of the British Virgin Islands, Bermuda or Hong Kong (as applicable).</p>   |
| Redemption for Delisting:         | <p>Each Bondholder shall have the right, at such Bondholder's option, to require the Company to redeem in whole, but not in part, of such Bondholder's Bonds at 100% of their principal amount together with accrued but unpaid interest upon the Shares ceasing to be listed or admitted to trading on the Stock Exchange or an Alternative Stock Exchange (as defined in the terms and conditions of the Bonds).</p>  |
| Redemption for Change of Control: | <p>Following the occurrence of a Change of Control and subject to the relevant Bondholder complying with the procedures relating to such redemption, each Bondholder shall have the right, at such Bondholder's option, to require the Issuer to redeem in whole, but not in part, of such Bondholder's Bonds at 100% of their principal amount, together with accrued but unpaid interest.</p>   |
| Maturity                          | <p>Unless previously redeemed, converted or purchased and cancelled in the circumstances referred to in the conditions of the Bonds, the Company will redeem each Bond at 100% of its principal amount on the Maturity Date.</p>  |
| Voting Rights:                    | <p>Bondholders will not have any right to attend or vote in any meeting of the Company by virtue of them being Bondholders, and until and unless they have converted their Bonds into Shares.</p>   |
| Negative Pledge:                  | <p>So long as any Bond remains outstanding, neither the Issuer nor the Company will, and will ensure that none of its subsidiaries will, create or have outstanding, any form of encumbrance, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Bonds and the coupons the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as either (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Bondholders or (ii) shall be approved by the Bondholders.</p> |

Listing: Application will be made for the listing of the Bonds on the Stock Exchange as selectively marketed securities. The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

## ISSUE UNDER GENERAL MANDATE

The Conversion Shares will be issued and allotted by the Company pursuant to the general mandate granted to the Directors at the special general meeting of the Company held on 29 November 2007. As at the date of this announcement, no Shares have been issued under such general mandate.

## EFFECT ON THE SHARE CAPITAL OF THE COMPANY AS A RESULT OF CONVERSION

Based on the initial Conversion Price of HK\$19.28 per Share and assuming full conversion of the Bonds (including the Optional Bonds), the Bonds (including the Optional Bonds) will be convertible into 157,511,047 Shares (subject to adjustment), representing approximately 9.9% of the issued share capital of the Company as at the date of this announcement and approximately 9.0% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The following table summarises the potential effects on the shareholding structure of the Company as a result of the Bonds Issue (by reference to current shareholdings):

| Shareholder   | Existing (as at the date of this announcement) |  | Assuming the Bonds (including the Optional Bonds) are fully converted into Shares at the initial Conversion Price of HK\$19.28 each |  |
|---|--|--|---|--|
|   | No. of Shares                                  | % of issued share capital of the Company | No. of Shares   | % of enlarged share capital of the Company |
| JP Morgan Chase & Co.<br><i>(Note 1)</i>                        | 142,489,728                                    | 9.00%                                    | 142,489,728   | 8.18%                                      |
| BNP Paribas Jersey Trust Corporation Limited<br><i>(Note 2)</i> | 88,360,847                                     | 5.58%                                    | 88,360,847  | 5.07%                                      |
| Public Shareholders   | 1,353,029,534                                  | 85.42%                                   | 1,353,029,534   | 77.70%                                     |
| Bondholders   | —  | —  | 157,511,047   | 9.05%                                      |
| Total   | <u>1,583,880,109</u>                           | <u>100%</u>                              | <u>1,741,391,156</u>  | <u>100%</u>                                |

*Notes:*

1. The Shares held by J.P. Morgan Chase & Co. are held in the capacities as beneficial owner (relating to 827,000 Shares), investment manager (relating to 97,596,000 Shares) and custodian corporation/approved lending agent (relating to 44,066,728 Shares).

All the interests stated above represent long positions, no short positions were recorded in the register maintained under Section 336 of the Securities and Future Ordinance as at 30 November 2007.

2. The Shares held by BNP Paribas Jersey Trust Corporation Limited are held in the capacity of a trustee for discretionary trusts established by Dr. Lee Kwok Yin, Simon, a director of the Company.

## **USE OF PROCEEDS**

The net proceeds from the issue of the Bonds (including the Optional Bonds), after deduction of commission and expenses, are estimated to be approximately HK\$2,994 million and are presently intended to be used by the Company for general corporate and working capital purposes including funding its existing capital commitments and for financing possible acquisitions should suitable opportunities arise in the future.

## **REASONS FOR AND BENEFITS OF THE BONDS ISSUE**

The Bonds Issue will raise immediate funds for the Company which can be used for general corporate and working capital purposes including funding its existing capital commitments and financing possible acquisitions. The conversion of the Bonds into the Conversion Shares will enlarge the shareholder capital base of the Company and the Directors consider that this will facilitate the development and expansion of the Company. Taking into account that the Conversion Price represents a significant premium to the closing price of the Shares as quoted on the Stock Exchange on 3 December 2007, the Directors are of the view that the terms and conditions of the Bonds are fair and reasonable and are in the interest of the Group as a whole.

## **INFORMATION ON THE GROUP**

The Group is one of the world's leading dry bulk shipping companies, operating principally in the Asia Pacific region. It provides marine transportation services and logistical support to its customers through the commercial operation of a large, modern and uniformly-sized fleet of Handymax and Handysize dry bulk carriers. The Group specialises in transporting minor bulk commodities, including forest products, iron and steel products, fertilizer, 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.

**Completion of the Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein. In addition, the Subscription Agreement may be terminated under certain circumstances. Please refer to the paragraph headed "THE SUBSCRIPTION AGREEMENT" above for further information.**

**As the Subscription Agreement may or may not complete, the Bonds may or may not be issued and/or the Conversion Shares may or may not be listed on the Stock Exchange, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **FUND RAISING IN THE LAST 12 MONTHS**

The Company has not issued any equity securities or convertible notes to raise funds in the past 12 months preceding the date of this announcement.

## **APPLICATION FOR LISTING**

Applications will be made to the Stock Exchange for (i) the listing of, and permission to deal in, the Conversion Shares and (ii) the listing of the Bonds on the Stock Exchange as selectively marketed securities.

## **DEFINITIONS**

|                     |   |
|---------------------|---|
| “associate”         | has the meaning ascribed to it under the Listing Rules  |
| “Board”             | the board of directors of the Company   |
| “Bond(s)”           | the Firm Bonds and the Optional Bonds (if any)  |
| “Bondholder(s)”     | holder(s) of the Bonds from time to time  |
| “Bonds Issue”       | the subscription and issue of the Firm Bonds with an initial aggregate principal amount of US\$350,000,000 and the Optional Bonds with an aggregate principal amount of US\$40,000,000 under the Subscription Agreement   |
| “Change of Control” | means (i) when any person or persons, acting together, acquires control of at least 50% of the voting rights of the issued share capital of the Company or the right to appoint and/or remove all or the majority of the members of the Board or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise; or (ii) the Company consolidates with or merges into or sells or transfers all or substantially all of the Company’s assets to any other person, unless the consolidation, merger, sale or transfer will not result in the other person or persons acquiring control over the Company or the successor entity |
| “Closing Date”      | the date (expected to be on 20 December 2007 or such other date as the Issuer, the Company and the Lead Manager may agree) on which the Firm Bonds are issued   |

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|---------------------|--|
| “Company”           | Pacific Basin Shipping Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange   |
| “connected person”  | has the meaning ascribed to that term in the Listing Rules and “connected persons” shall be constructed accordingly.   |
| “control”           | the acquisition or control at least 50% of the voting rights of the issued share capital of the Company or the right to appoint and/or remove all or the majority of the members of the Board or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise |
| “Conversion Date”   | the conversion date in respect of a Bond   |
| “Conversion Price”  | the price per Share at which the Bonds may be converted into Shares and the initial conversion price being HK\$19.28 per Share (subject to adjustment)   |
| “Conversion Shares” | Shares to be allotted and issued by the Company upon conversion of the Bonds   |
| “Directors”         | directors of the Company   |
| “Firm Bonds”        | the 3.3% Guaranteed Convertible Bonds due 2013 of an initial aggregate principal amount of US\$350,000,000   |
| “Group”             | the Company and its subsidiaries   |
| “HK\$”              | Hong Kong dollars, the lawful currency of Hong Kong  |
| “Hong Kong”         | the Hong Kong Special Administrative Region of the People’s Republic of China  |
| “Issuer”            | PB Issuer Limited, a company incorporated in the British Virgin Islands, which is a wholly-owned subsidiary of the Company   |
| “Lead Manager”      | Goldman Sachs (Asia) L.L.C   |
| “Listing Rules”     | the Rules Governing the Listing of Securities on the Stock Exchange  |
| “Maturity Date”     | the date on which the Bonds mature, namely, 1 February 2013  |
| “Offering Circular” | the circular which the Issuer is required to provide to prospective Bondholder(s) or investors in relation to Bonds Issue  |

|                           |  |
|---------------------------|--|
| “Optional Bonds”          | the additional 3.3% Guaranteed Convertible Bonds due 2013 Bonds with an aggregate principal amount up to US\$40,000,000 to be subscribed by the Lead Manager or investors procured by the Lead Manager at the election of the Lead Manager   |
| “Option Closing Date”     | the date on which the Optional Bonds are to be issued  |
| “Publication Date”        | the date of the Offering Circular, which is expected to be three business days prior to the Closing Date or such other date as may be agreed between the Issuer, the Company and the Lead Manager  |
| “Relevant Indebtedness”   | means any future and present indebtedness in the form of or represented by debentures, loan stock, bonds, notes, bearer participation certificates, depositary receipts, certificates of deposit or other similar securities or instruments or by bills of exchange drawn or accepted for the purpose of raising money which are, or are capable of being, quoted, listed, ordinarily dealt in or traded on any stock exchange or over the counter or on any other securities market (which for the avoidance of doubt does not include bi-lateral loans, syndicated loans or club deal loans) |
| “Share(s)”                | ordinary share(s) of US\$0.10 each in the share capital of the Company   |
| “Shareholder(s)”          | holder(s) of Shares  |
| “Stock Exchange”          | The Stock Exchange of Hong Kong Limited  |
| “Subscription Agreement”  | the conditional subscription agreement entered into between the Issuer, the Company and the Lead Manager on 3 December 2007 in relation to the Bonds Issue   |
| “substantial shareholder” | has the meaning ascribed to such term as in the Listing Rules  |
| “Trading Day”             | a day on which the Stock Exchange is open for dealing business   |
| “Trust Deed”              | the deed constituting the Bonds  |
| “Trustee”                 | The Hongkong and Shanghai Banking Corporation Limited  |
| “United States or US”     | the United States of America, its territories and possessions, any State of the United States  |
| “Upsize Option”           | an option granted by the Issuer to the Lead Manager to subscribe for all or some of the Optional Bonds commencing from 3 December 2007 and ending on the 30th day following the Closing Date   |

“US\$” US dollars, the lawful currency of the US

“%” per cent

By order of the Board of  
**Pacific Basin Shipping Limited**  
**Andrew T. Broomhead**  
*Company Secretary*

Hong Kong, 3 December 2007

*Notes:*

*An exchange rate of US\$1.00 to HK\$7.7867 has been used for the conversion of US dollars into HK dollars for the purpose of this announcement.*

*As at the date of this announcement, the executive Directors of the Company are Mr. Christopher Richard Buttery, Mr. Richard Maurice Hext, Mr. Klaus Nyborg, Mr. Wang Chunlin and Mr. Jan Rindbo, the non-executive Directors of the Company are Mr. Daniel Rochfort Bradshaw and Dr. Lee Kwok Yin, Simon, and the independent non-executive Directors of the Company are Mr. Robert Charles Nicholson, Mr. Patrick Blackwell Paul, The Earl of Cromer and Mr. David Muir Turnbull.*