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Pacific Basin Shipping Limited

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

ADOPTION OF 2013 SHARE AWARD SCHEME

The Board has today resolved to adopt the Scheme on the Adoption Date. The principal purposes of the Scheme is to permit the Company to grant Awards to selected Eligible Participants as incentives for their contribution to the Group and to attract and retain suitable personnel to enhance the development of the Group.

The Scheme shall replace the Long Term Incentive Scheme which is due to terminate on 14 July 2014 and the Board has further resolved not to make any further grants of share options or share awards under the Long Term Incentive Scheme.

A summary of the Scheme Rules is set out below:

Purposes of the Scheme

The principal purposes of the Scheme is to permit the Company to grant Awards to selected Eligible Participants as incentives for their contribution to the Group and to attract and retain suitable personnel to enhance the development of the Group.

Duration

Subject to any early termination of the Scheme as may be determined by the Board, the Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date.

Administration

The Scheme shall be administered by the Board in accordance with the rules of the Scheme. The Trustee shall hold the Shares and deal with the income derived therefrom in accordance with the terms of the Trust Deed.

Scheme limit

The Board shall not make any Awards that would result in the number of Shares awarded by the Board in aggregate under the Scheme and the existing Long Term Incentive Scheme, representing in excess of 10% of the issued share capital of the Company as at the first date of each financial year during the term of the Scheme.

The maximum number of Shares which may be subject to an Award or Awards to a Grantee who is an independent non-executive director of the Company at any one time shall not in aggregate exceed 0.1% of the issued share capital of the Company as at the first date of the relevant financial year of the Company and the aggregate value of which shall not exceed HK\$5,000,000 as at the date of Award (based on the closing price of the Shares on the Business Day (as defined in the Listing Rules) immediately preceding the date of Award).

The maximum number of Shares which may be subject to an Award or Awards to any specific Eligible Participant (other than an independent non-executive director of the Company) at any one time shall not in aggregate exceed 1% of the issued share capital of the Company as at the first date of the relevant financial year of the Company.

The number of Shares to satisfy Awards granted (if comprising of new Shares) shall be allotted and issued by the Board by obtaining a separate Shareholders' approval in a general meeting of the Company or utilising the general mandate granted by Shareholders. The Board has resolved that it is in the best interests of the Company and the Shareholders as a whole to seek a specific mandate from its shareholders in a general meeting for the issue of new Shares to satisfy Awards. Accordingly, an ordinary resolution whereby an annual cap of no more than 2% of the total issued share capital of the Company as at the first date of each financial year during the term of the Scheme (being 38,731,542 Shares as at 1 January 2013) for the issue of new Shares to satisfy Awards, renewable by the shareholders in general meeting, will be proposed in the Company's annual general meetings. The Company will apply to the Stock Exchange for the grant of listing of, and permission to deal in, such new Shares to be issued as soon as practicable after any grant of Awards.

Awards to connected persons

Any proposed Award to a Grantee who is also a connected person (as defined in the Listing Rules) of the Company or any of his associates (as defined in the Listing Rules), must be:

- (i) approved by the Remuneration Committee of the Board (excluding any member of the Remuneration Committee who is a Grantee); and
- (ii) if required under Chapter 14A of the Listing Rules, be separately approved by shareholders of the Company in a general meeting, with such connected person and his associates abstaining from voting, and shall comply with all other requirements of Chapter 14A of the Listing Rules applicable to such Award from time to time.

Operation

Subject to the rules of the Scheme, the Board may, from time to time, at its absolute discretion select any Eligible Participant for participation in the Scheme. The Board shall select Eligible Participant(s) and determine, amongst other things, (i) whether the Award is a Restricted Unit Award, a Restricted Share Award or a combination of these, (ii) the date of the grant of the Award, (iii) the number of Shares to be subject to the Award, and (iv) the terms and conditions applicable to the Award and inform the Trustee and the Grantee(s) accordingly.

The Board will also instruct and inform the Trustee of the amount of funds (either by way of contribution or loan, subject to compliance with the Listing Rules, the Bye-laws and the laws and regulations in Bermuda) to be made available by the Group to the Trustee to subscribe for or purchase the specified number of Shares and whether the Shares should be acquired by subscription from the Company or purchased from the market by the Trustee or by a licensed securities dealer instructed by the Company and subsequently delivered to the Trustee.

Vesting

The Board will determine the minimum period, if any, for which an Award must be held before it vests and any other conditions in relation to dealing with Shares on vesting.

During the vesting period, the Shares will be held by the Trustee for the benefit of the Eligible Participants. The two types of Awards that can be offered by the Board are:

- (i) Restricted Share Awards – Shares held in the name of or for the benefit of an Eligible Participant subject to the Eligible Participant executing an agreement with the Company that, to the extent that the Restricted Share Award lapses, the Restricted Share Award is forfeited and must be immediately transferred for no, or nominal, consideration to any person specified by the Board. Recipients of such awards shall not be entitled to vote, to receive dividends (although recipients may receive from the Trustee an amount equivalent in value to any dividends paid on Shares subject to a Restricted Share Award) or to have any other rights of a shareholder in respect of Shares subject to a Restricted Share Award until vesting. Furthermore, the Eligible Participant must not transfer, assign, pledge, dispose of or otherwise deal in any Restricted Share Award or any rights in respect of it and must sign any documentation, including a power of attorney or blank stock transfer form, as requested by the Board. If lapsed or forfeited Shares are transferred to the Trustee and can be made subject to new Share Awards;
- (ii) Restricted Unit Awards – a conditional right to acquire Shares subject to vesting and meeting any other conditions imposed by the Board. Recipients of such awards shall not be entitled to vote, to receive dividends (although recipients may receive from the Trustee an amount equivalent in value to any dividends paid on Shares subject to a Restricted Unit Award) or to have any other rights of a shareholder in respect of Shares subject to a Restricted Unit Award until the Shares are issued or transferred to the Grantee. On the lapse or cancellation of Restricted Unit Awards, the underlying Shares remain in the Trust and can be made subject to new Share Awards.

The reason for having the ability to grant Restricted Unit Awards in addition to Restricted Share Awards is to allow the Company additional flexibility in jurisdictions outside of Hong Kong where Eligible Participants may not be permitted to hold Shares in the Company directly as a result of tax, exchange control and securities laws in such jurisdictions and accordingly cannot be granted Restricted Share Awards.

Lapse of Awards

Unless the Board otherwise determines and save for a Grantee who dies, retires in accordance with his service contract or earlier by agreement with the relevant member of the Group or as a result of ill health, injury or disability, an Award shall automatically lapse on the earliest occurrence of a number of events, including the following:

- (i) in the case of an Employee, the date on which the Grantee ceases to be an Employee by reason of the termination of his employment on grounds entitling the employer to effect such termination without notice (including, but not limited to, if he has been guilty of serious misconduct, or has committed any act of bankruptcy or has made any composition with his creditors

generally or has been convicted of any criminal offence involving his integrity or honesty) whether pursuant to the terms of the contract of employment of the Grantee or otherwise, or if earlier the date on which a notice terminating the employment of such Employee for such reason is in fact given, whichever is the earlier;

- (ii) in the case of any Eligible Participant, other than an Employee, the occurrence of any event which, if he had been an employee of the Company, would have entitled the Company to terminate his employment without notice (including, but not limited to, if he has been guilty of serious misconduct or has committed any act of bankruptcy or has made any composition with his creditors generally or has been convicted of any criminal offence involving his integrity or honesty);
- (iii) subject to a compromise or arrangement between the Company and its members or creditors for the purposes of the amalgamation of the Company with any other company or companies becoming effective, the expiry of the relevant notice period set out in the Scheme;
- (iv) subject to the terms of the Scheme, the date of the commencement of the winding-up of the Company; or
- (v) the date on which the Grantee sells, transfers, assigns, charges, mortgages, encumbers or creates any interest in favour of any third party over or in relation to any Award, except for the transmission of an Award on the death of the Grantee to his personal representative.

Appointment of Trustee

The Board has entered into the Trust Deed (as amended on the Adoption Date) to appoint the Trustee to administer Share Awards under the Scheme and to constitute the Trust to hold property transferred by the Group to the Trustee (which shall include cash or Shares) in order to satisfy grants of Share Awards. At the direction of the Board, the Trustee shall either subscribe for new Shares from the Company at the relevant benchmarked price as stipulated in the Listing Rules or acquire existing Shares in the market. In respect of Restricted Share Awards such Shares shall be transferred or issued to, or held by the Trustee for the benefit of, an Eligible Participant in accordance with the Scheme Rules or the instructions provided by the Company or the Remuneration Committee of the Board from time to time. In respect of Restricted Unit Awards such Shares shall be held by the Trustee for the benefit of an Eligible Participant until the Board informs the Trustee the Restricted Unit Award has vested and any other conditions have been satisfied (if applicable) upon which the Trustee shall transfer or issue such Shares to the holder of the Restricted Unit Award.

Black-out period

No payment shall be made to the Trustee and no instructions to acquire Shares shall be given to the Trustee under the Scheme where any Director is in possession of unpublished price sensitive or inside information in relation to the Company or where dealings by Directors are prohibited under any code or requirement of the Listing Rules or any other relevant law or regulation, which includes as at the Adoption Date, any day on which the Company's financial results are published and:

- (i) during the period of 60 days immediately preceding the publication date of its annual results of, or if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (ii) during the period of 30 days immediately preceding the publication date of its half-year results or, if shorter, the period from the end of the relevant half-year period up to the publication date of the results.

Alteration of the Scheme

The Scheme may be altered in any respect by a resolution of the Board provided that no such alteration shall operate to affect adversely any subsisting rights of any Grantee, except if the consent in writing of Grantees is obtained amounting to three-fourths in nominal value of all Shares so held by the Trustee on the date of such resolution of the Board.

Termination

The Scheme shall terminate on the earlier of the 10th anniversary of the Adoption Date and such earlier date of termination as the Board may determine and in such event no further Awards shall be offered after the Scheme is terminated but in all other respects the provisions of the Scheme shall remain in full force and effect. All Awards granted prior to such termination and not exercised at the date of termination shall remain valid.

Listing Rules implications and other information

The Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules and is a discretionary scheme of the Company. Nevertheless, the Company will make voluntary disclosures in respect of the Scheme and the Awards so as to allow the Shareholders to continue to receive relevant and appropriate information on matters that would affect the share structure of the Company. The Scheme shall replace the Long Term Incentive Scheme which is due to terminate on 14 July 2014 and the Board has further resolved not to make any further grants of share options or share awards under the Long Term Incentive Scheme. All unvested Awards granted under the Long Term Incentive Scheme prior to the Adoption Date shall remain valid until they are fully vested or lapsed in accordance with the rules of the Long Term Incentive Scheme.

Definitions

In this announcement, unless the context requires otherwise, the following expressions have the following meanings:

“Adoption Date”	28 February 2013, the date on which this Scheme is approved and adopted by the Board;
“Award(s)”	means a Restricted Share Award or a Restricted Unit Award, or a combination of these;
“Board”	the board of directors of the Company or a duly authorised committee thereof;
“Company”	Pacific Basin Shipping Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange;
“Eligible Participant”	means any Eligible Person and any Related Trust and Company of any Eligible Person;
“Eligible Person”	means any: <ul style="list-style-type: none">(a) Employee;(b) non-executive director and independent non-executive director or officer of any member of the Group;(c) Seconded;(d) shareholder of any member of the Group or any holder of any securities issued by any member of the Group who, in the opinion of the Directors, has contributed to the development of the business of any member of the Group;(e) business partner, agent, consultant or representative of any member of the Group;(f) a person who was once a person under any of the above paragraphs (a) to (e);
“Employee”	means any executive director or employee of or any person who has accepted an employment offer (whether full time or part time) by any member of the Group;
“Grantee”	means any Eligible Participant who accepts an Offer in accordance with the terms of the Scheme or (where the context so permits) the Personal Representatives of such Eligible Participant;
“Group”	the Company and its Subsidiaries and “member of the Group” shall be construed accordingly;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time;
“Long Term Incentive Scheme”	the share option scheme adopted by the Company on 17 June 2004 and amended and re-named the long term incentive scheme pursuant to a resolution passed by Shareholders at a special general meeting on 8 June 2005;
“Personal Representative(s)”	means the person or persons who, in accordance with the laws of succession applicable in respect of the death of a Grantee, shall represent, manage or administer the estate of the deceased Grantee;
“Related Trust and Company”	means a trust for the benefit of an Eligible Person or his immediate family members and/or a company controlled by an Eligible Person and/or by his immediate family members;
“Restricted Share Award”	means Shares held in the name of or for the benefit of a Grantee in accordance with the Restricted Share Award Agreement;
“Restricted Unit Award”	means a conditional right to acquire Shares granted under the Scheme;

“Seconded”	means a person who is seconded to work for any member of the Group, where at least 40% of his time is devoted to the business of a member of the Group;
“Scheme”	means this 2013 Share Award Scheme in its present form or as amended, modified or supplemented from time to time in accordance with the provisions hereof;
“Scheme Rules”	the rules relating to the Scheme adopted by the Board;
“Shares”	means ordinary shares of US\$0.10 each of the Company, or, if there has been a sub-division, consolidation, re-classification or re-construction of the share capital of the Company, shares forming part of the ordinary share capital of the Company of such other nominal amount as shall result from any such sub-division, consolidation, re-classification or re-construction;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Trust”	the trust constituted by the Trust Deed;
“Trust Deed”	the Trust Deed in relation to the administration of the Scheme executed by the Company and the Trustee on 23 May 2005 (as amended by way of a Deed of Amendment executed by the Company and the Trustee on the Adoption Date and as further restated, supplemented and amended from time to time);
“Trustee”	HSBC Institutional Trust Services (Asia) Limited or such other person as may be appointed by the Company as the trustee of the Trust; and
“vesting”	in relation to a Restricted Unit Award, means a Grantee becoming entitled to have the Shares transferred to him subject to the Scheme Rules and in relation to a Restricted Share Award, means any restrictions imposed on the Grantee pursuant to the terms of the Scheme Rules in respect of the grant of the relevant Restricted Share Awards ceasing to have effect, and “vest” and “vested” shall be construed accordingly.

By order of the Board
Pacific Basin Shipping Limited
Mok Kit Ting, Kitty
Company Secretary

Hong Kong, 28 February 2013

As at the date of this announcement, the Directors of the Company are:

Executive Directors:

David Muir Turnbull, Mats Henrik Berglund, Jan Rindbo, Andrew Thomas Broomhead, Wang Chunlin and Chanakya Kocherla

Independent non-executive Directors:

Patrick Blackwell Paul, Robert Charles Nicholson, Alasdair George Morrison and Daniel Rochfort Bradshaw