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If you are in any doubt as to any aspect about this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your shares in Pacific Basin Shipping Limited, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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Pacific Basin Shipping Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 2343)

**PROPOSED AMENDMENTS TO THE SHARE OPTION SCHEME TO
INCORPORATE PROVISIONS TO ALLOW FOR SHARE AWARDS**

AND

NOTICE OF SPECIAL GENERAL MEETING

A notice convening the special general meeting of Pacific Basin Shipping Limited to be held at 7/F, Hutchison House, 10 Harcourt Road, Central on Wednesday, 8 June 2005 at 11:00 a.m. is set out on page 39 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting should you so wish.

23 May 2005

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DEFINITIONS

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

- “Associated Company” those companies in the equity share capital of which the Company, directly or indirectly, has a 20% or greater beneficial interest but excluding the Company’s subsidiaries;
- “Board” the board of Directors;
- “Bye-laws” the bye-laws of the Company;
- “Company” or “Pacific Basin” Pacific Basin Shipping Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange;
- “Controlling Shareholder” any person who has the power, directly or indirectly, to secure:
- (a) by means of the holding of shares entitling him to exercise or control the exercise of 30% (or such other percentage as may from time to time be specified in the Code on Takeovers and Mergers as being the level for triggering a mandatory general offer) or more of the voting power at general meetings of the Company, or
 - (b) by means of controlling the composition of a majority of the Board,
- that the affairs of the Company are conducted in accordance with the wishes of such person;
- “Directors” the directors of the Company;
- “Group” the Company and its subsidiaries;
- “Eligible Participants”
- (i) Any Eligible Person, being:
 - (a) an executive director or employee or a person who has accepted an employment offer by a member of the Group, an Associated Company or any Controlling Shareholder;
 - (b) a non executive director and any independent non executive director or officer of any member of the Group, of an Associated Company or of any Controlling Shareholder;
 - (c) a shareholder or holder of securities of any member of the Group, of an Associated Company or of any Controlling Shareholder, who in the opinion of the Directors has contributed to the development of the business of the Group or any Associated Company or Controlling Shareholder;

DEFINITIONS

- (d) a business partner, agent, consultant or representative of any member of the Group, of an Associated Company or of any Controlling Shareholder;
- (e) a supplier of goods or services to any member of the Group, to an Associated Company or to any Controlling Shareholder, or any of its directors or employees;
- (f) a customer of any member of the Group, of an Associated Company or of any Controlling Shareholder, or any of its directors or employees;
- (g) a person or entity that provides research, development or other technological support or any advisory, consultancy or professional services to any member of the Group, to an Associated Company or to any Controlling Shareholder, or any of its directors or employees;
- (h) a person who is seconded to work and has devoted at least 40% of his time to the business of the Group or an Associated Company; and
- (ii) a trust for the benefit of any Eligible Person mentioned above or his immediate family members and/or a company controlled by such person and/or by his immediate family members;

“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China;
“Latest Practicable Date”	means 19 May 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing”	the listing of the Shares on 14 July 2004 on the Main Board of the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Term Incentive Scheme”	in order to reflect that both Options and Share Awards may be granted under the amended Share Option Scheme, the Share Option Scheme shall be re-named the Long Term Incentive Scheme;
“LTIS Issue Mandate”	the mandate enabling the Company to allot, issue and deal with with up to 88,690,742 new Shares that may be issued by the Company to satisfy Options and Share Awards granted or to be granted under the Long Term Incentive Scheme, subject to an annual cap, renewable by shareholders in general meeting, of no more than 2% of the total issued share capital of the Company as at the beginning of each such financial year that may be issued by the Company to satisfy Share Awards;

DEFINITIONS

“Option(s)”	Option(s) to subscribe for newly issued Shares pursuant to the Share Option Scheme;
“Optionholders”	holders of Options;
“Remuneration Committee”	the Remuneration Committee of the Company comprising the independent non-executive Directors, being Mr Robert C. Nicholson, Mr Patrick B. Paul, The Earl of Cromer and the following two non-executive Directors, Mr Lee Kwok Yin, Simon and Mr Brian P. Friedman;
“Shares”	ordinary shares of US\$0.10 each in the share capital of the Company;
“Share Awards”	include Restricted Share Awards and Restricted Share Units as described in paragraph 4 of the circular, which are awards of Shares to be made by the Board under the Long Term Incentive Scheme, the features of which are set out in section headed “Overview of the Share Awards” in this circular and are also highlighted by underlining the relevant amendments in the section “Amendments to Share Option Scheme” in Appendix I;
“Share Award Date”	the date on which a Share Award is made;
“Share Option Scheme”	the share option scheme approved and adopted by the Company on 17 June 2004 and which complies with the provisions of Chapter 17 of the Listing Rules;
“Special General Meeting” or “SGM”	a special general meeting of the Company to be held at 7/F, Hutchison House, 10 Harcourt Road, Central, Hong Kong on 8 June 2005 at 11:00 a.m.;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription Price”	the price per Share at which an Eligible Participant may subscribe for Shares on the exercise of an Option in accordance with the Share Option Scheme;
“Trust Deed”	the trust deed to be signed by the Company and the HSBC Institutional Trust Services (Asia) Limited to appoint the Trustee and to constitute a trust to hold (i) property transferred by the Group to the Trustee (which shall include cash or Shares), (ii) new Shares subscribed for from the Company or existing Shares purchased in the market in order to satisfy grants of Share Awards and (iii) any property representing the foregoing from time to time and its respective income;
“Trustee”	HSBC Institutional Trust Services (Asia) Limited, the trustee to be appointed by the Company to administer Share Awards in accordance with the Trust Deed and the Long Term Incentive Scheme.



Pacific Basin Shipping Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 2343)

Executive Directors:

Christopher Richard Buttery
Richard Maurice Hext
Mark Malcolm Harris
Paul Charles Over

Registered Office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Non-Executive Directors:

Lee Kwok Yin, Simon
Brian Paul Friedman

Hong Kong Principal Office:

7/F Hutchison House
10 Harcourt Road
Central
Hong Kong

Independent Non-Executive Directors:

Robert Charles Nicholson
Patrick Blackwell Paul
The Earl of Cromer

23 May 2005

To the Shareholders

Dear Sir or Madam

PROPOSED AMENDMENTS TO THE SHARE OPTION SCHEME TO INCORPORATE PROVISIONS TO ALLOW FOR SHARE AWARDS

AND

NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

The purpose of this circular is to provide the shareholders with details of the proposed amendments to the Share Option Scheme to incorporate provisions to implement Share Awards and the notice of Special General Meeting at which an ordinary resolution will be proposed to consider and, if thought fit, to approve the amendments to the Share Option Scheme (which shall be renamed the Long Term Incentive Scheme) and the grant of a mandate enabling the Directors to allot, issue and deal with up to 88,690,742 new Shares that may be issued by the Company to satisfy Options and Share Awards granted or to be granted under the Long Term Incentive Scheme, subject to an annual cap, renewable by shareholders in general meeting, of no more than 2% of the total issued share capital of the Company as at the beginning of each such financial year that may be issued by

LETTER FROM THE BOARD OF DIRECTORS

the Company to satisfy Share Awards. The LTIS Issue Mandate if approved by shareholders at the SGM shall replace the existing mandate granted by shareholders on 17 June 2004 to allot, issue and deal with up to 126,701,060 new Shares under the Share Option Scheme.

As Share Awards are not Options and will form part of Eligible Participants' remuneration package as a form of deferred compensation, the provisions of Chapter 17 of the Listing Rules dealing with share option schemes do not apply to the amendments to the Share Option Scheme which seek to implement the Share Awards.

Set out below is a description of all material changes to the Share Option Scheme. Shareholders should also review all the amended provisions which have been underlined for ease of reference in the section "Amendments to Share Option Scheme" in Appendix I.

BACKGROUND AND REASONS FOR AMENDING THE SHARE OPTION SCHEME

The Company adopted its current Share Option Plan in accordance with the provisions of Chapter 17 of the Listing Rules on 17 June 2004. The Share Option Scheme is intended to enable the Company to grant Options to Eligible Participants as an incentive or reward for their on-going contribution to the Group and Associated Companies.

Hong Kong Financial Reporting Standard 2 — Stock Based Payments became effective on 1 January 2005, resulting in a charge to the profit and loss account for Options granted by the Company based on the fair value of the Options as determined by an independent third party valuer. Accordingly, the Board wishes to amend the current Share Option Scheme to incorporate provisions to allow for Share Awards to enable the Board to use additional methods of providing long-term incentives to Eligible Participants. The relevant amended provisions are underlined in the section "Amendments to Share Option Scheme" in Appendix I.

The Board believes that amending the Share Option Scheme will provide the Company with greater flexibility in structuring long-term incentives for Eligible Participants in ways that are more cost effective. In particular, the Board believes that Share Awards will be positively regarded by Eligible Participants as they will, when granted Restricted Share Awards, be entitled to vote and to receive dividends on the underlying Shares, thereby creating a greater sense of ownership and strengthening long-term employee retention.

An Option may only be exercised by Eligible Participants once the vesting and any other conditions (if applicable) have been satisfied by paying the relevant exercise price of the Option. The exercise price is determined at the date of grant of the Option and is based on the Company's share price at that time. However, Share Awards do not require Eligible Participants to make a payment for the Shares once the vesting and any other conditions (if applicable) have been satisfied as there is no exercise price or any form of payment by the Eligible Participants.

In proposing the addition of Share Awards, the Board recognises that fewer Share Awards than Options are necessary to give appropriate financial incentives to Eligible Participants. While Share Awards granted by the Company will result in a charge to the profit and loss account based on the fair value of the Share Award (being either the then market price in respect of the Shares issued by the Company or the purchase price in respect of the Shares acquired in the market), this charge (which shall be amortised over the vesting period of the relevant Share Award) should nevertheless be lower than the corresponding charge to the Company's profit and loss account if Options were granted. The value of an Option to an Eligible Participant assumes that by the date it is exercised, the Company's share price increases over the share price at the date the Option is granted. The cost

LETTER FROM THE BOARD OF DIRECTORS

to the Company is based on the independently assessed fair value of the Option at the time of grant. The expected financial incentive to an Eligible Participant, based on the estimated future share price, can be equated to a number of Share Awards and these have a cost to the Company equal to the then market price in respect of the Shares issued by the Company or the purchase price in respect of the Shares acquired in the market. The Board believes that the reduced number of Share Awards, as compared with a grant of Options, should result in lower dilution for shareholders and a reduced charge to the profit and loss account.

Accordingly, the Board proposes that although the overall limit on the number of Shares (including existing Shares that may be purchased on the market) that may be used to satisfy Options and Share Awards shall still remain at 126,701,060 Shares (which shall represent no more than 10% of total issued share capital of the Company at the date of the SGM), the maximum number of new Shares that may be issued by the Company to satisfy Options and Share Awards shall be reduced from 126,701,060 Shares to 88,690,742 Shares (which shall represent no more than 7% of the total issued share capital of the Company at the date of the SGM), subject to an annual cap, renewable by shareholders in general meeting, of no more than 2% of the total issued share capital of the Company as at the beginning of each such financial year that may be issued by the Company to satisfy Share Awards.

The amendments to the Share Option Scheme are set out in Appendix 1 and have been underlined. Save for the reduction in the maximum number of new Shares that may be issued by the Company to satisfy Options and Share Awards described above, the proposed provisions to allow for the Share Awards would not affect the operation of the Share Option Scheme; and no provisions relating to the Share Option Scheme as previously approved by the Company on 17 June 2004 would be the subject of amendment. Hence, the existing provisions relating to the Share Option Scheme which are already in compliance with all the requirements in Chapter 17 of the Listing Rules would remain unchanged if shareholders were to approve the inclusion of Share Awards.

OVERVIEW OF THE SHARE AWARDS

The following is a summary of the key features of the Share Awards, and subject to shareholders' approval in general meeting, how it is intended to operate:

1. How the Share Awards will be made

The Board (or a duly authorised committee including the Remuneration Committee) will manage the Share Awards. The senior management will, from time to time, make proposals to the Board on the Eligible Participants who should be the subject of a Share Award, the number of Shares to be awarded to such Eligible Participants and any conditions attaching thereto. The Board will then decide whether to accept any such proposal.

If the Board accepts such proposal (with or without any amendments at its discretion), it will then determine as to when the Share Awards will be made and then instruct the Trustee accordingly. Under such situation, the Board will give instructions to and inform the Trustee on the following:

- (a) the name of the Eligible Participant and stating whether such Eligible Participant is a connected person;
- (b) the number of Shares awarded and any conditions attaching thereto; and

LETTER FROM THE BOARD OF DIRECTORS

- (c) the amount of cash payments (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
- (d) whether and when the Shares should be acquired by subscription from the Company or purchased from the market.

The Company seeks to have the flexibility to fund the Trustee either by way of direct cash contribution or by way of loan in order to minimise any tax the Company may be liable to pay if any assets are returned by the Trustee to the Company on, for example, the winding up of the Trust as any assets returned to the Company in the form of a repayment of a loan should not be subject to tax. Share Awards granted by the Company will result in a charge to the profit and loss account based on the fair value of Share Awards, irrespective of whether the initial contribution to the Trustee is by way of direct cash contribution or by way of loan. Loans made to the Trustee are interest-free and without security and the Company does not have any recourse to the Trustee if such loans are not repaid. This is consistent with the fact that Share Awards will form part of Eligible Participants' remuneration package as a form of deferred compensation.

Share Awards made to Eligible Participants will be at no cost to the Eligible Participants. Further details regarding the appointment of the Trustee are set out in paragraph 6 below.

2. Who is eligible for Share Awards

The class of persons eligible for Share Awards will be the same class of persons eligible for the grant of share options under the Share Option Scheme, i.e. the Eligible Participants.

3. Special procedures to apply to Share Awards made to connected persons

With respect to Share Awards to be made to any Eligible Participant who is a connected person (as defined in the Listing Rules), it is a term of the Trust Deed that the Trustee shall not subscribe for new Shares from the Company but shall use funds provided by the Company to purchase Shares from the market. Consequently, such Share Awards will not constitute a connected transaction of the Company. In addition, if any Share Award is proposed to be made to any Eligible Participant who is a Director (excluding the independent non-executive Directors), a chief executive or a director of any member (other than the Company) of the Group or an associate (as defined in the Listing Rules) of any of them:

- (i) the relevant Share Award must be approved by the independent non-executive Directors; and
- (ii) in the event that such proposed Share Award, if made, would result in the Shares issued and to be issued as Share Awards to any such director in the 12-month period up to and including the date of such proposed Share Award representing in aggregate over 1% of the Shares in issue as at such date, such Share Award must be approved by the shareholders of the Company at general meeting with the recipient (or their associates (as such term is defined in the Listing Rules)) of such a potential Share Award abstaining from voting on the relevant resolution.

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Any Share Awards made to Eligible Participants will form part of the remuneration (being discretionary bonus in the form of a Share award or discretionary cash bonus satisfied in the form of Shares) of the Eligible Participants and accordingly no payment is made by Eligible Participants upon the granting of a Share Award.

4. Vesting of Share Awards

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

During the vesting period, the Shares will either be held by the Trustee or the Eligible Participant depending on the type of Share Award offered by the Board. The two types of Shares Awards that can be offered by the Board are:

- Restricted Unit Award — a conditional right to acquire Shares subject to vesting and meeting any other conditions imposed by the Board. The Trustee will hold Shares for the benefit of the Eligible Participants. Recipients of such awards shall not be entitled to vote, to receive dividends (although recipients will 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;
- Restricted Share Award — 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. Furthermore, the Eligible Participant must not, transfer, assign, pledge or dispose of 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 they 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.

Further details regarding the vesting of Share Awards are set out in paragraph 8 of the Long Term Incentive Scheme in Appendix I.

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5. Sources of Shares for the making of Share Awards

The Shares available to satisfy Share Awards will come from the following sources:

- (i) the Company may, from time to time, provide money (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 the Trustee for the purpose of subscribing for new Shares from the Company at par and make award of such Shares to Eligible Participants who are not connected persons of the Company; and
- (ii) the Trustee may also, from time to time, receive money (either by way of contribution or loan subject to compliance with the Listing Rules, the Bye-laws and the laws and regulations in Bermuda) from the Company for the purpose of purchasing Shares from the open market and making awards of such Shares pursuant to Share Awards to Eligible Participants, regardless of whether they are connected persons of the Company or not.

For the purpose of paragraph 5(ii) above, the Trustee will not purchase Shares in the open market for such purpose during the period commencing one month immediately preceding the earlier of the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, or quarterly or any other interim period, and the deadline for the Company to publish an announcement of the results for any year, half-year, quarterly or any other interim period, and ending on the date of the relevant results announcement.

For the purpose of paragraphs 5(i) and (ii) above, the Board, when it considers appropriate and in accordance with the terms of the Trust Deed, may direct the Company to give such amount of cash (either by way of contribution or loan subject to compliance with the Bye-laws and the laws and regulations in Bermuda) to the Trustee for the purposes of subscribing for or purchasing Shares (as the case may be), with the relevant timing and amount of such subscription or purchase also to be determined by the Board.

After the Shares have been issued to or purchased by (as the case may be), the Trustee will maintain two separate accounting records for the Shares held by the Trustee in respect of Share Awards, one for Shares subscribed for the benefit of Eligible Participants who are connected persons of the Company, and one for the Shares purchased for the benefit of the Eligible Participants who are not connected persons of the Company.

6. Appointment of Trustee

The Board will enter into the Trust Deed to appoint the Trustee to administer Share Awards under the Long Term Incentive Scheme and to constitute a 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 at par from the Company or acquire existing Shares in the market. In respect of Restricted Share Awards such Shares shall then be transferred to, or held by the Trustee for the benefit of, an Eligible Participant. 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 such Shares to the holder of the Restricted Unit Award.

LETTER FROM THE BOARD OF DIRECTORS

As noted in paragraph 1 above, it is the Board (or a duly authorised committee including the Remuneration Committee) who will determine the recipient of a Share Award and the vesting and any other conditions that will apply to the Share Award.

7. Maximum limit of Shares to be awarded under the Long Term Incentive Scheme

As at the Latest Practicable Date, (i) the issued share capital of the Company amounts to US\$126,701,060, comprising of 1,267,010,609 shares of US\$0.10 each and (ii) none of the 60,500,000 Options that have been granted by the Company have been exercised by Optionholders or have lapsed.

The number of Shares which may be issued by the Company or transferred to (i) the Trustee in satisfaction of Share Awards and (ii) in respect of Options that have been granted or to be granted (which for the avoidance of doubt include Options which have been exercised or remain outstanding but excluding Options or Share Awards that have lapsed), under the Long Term Incentive Scheme will not exceed 126,701,060 Shares, which shall represent no more than 10% of the total issued share capital of the Company at the date of the SGM, of which no more than 88,690,742 Shares (which shall represent no more than 7% of the total issued share capital of the Company at the date of the SGM) can be newly issued Shares, subject to an annual cap, renewable by shareholders in general meeting, of no more than 2% of the total issued share capital of the Company as at the beginning of each such financial year that may be issued by the Company to satisfy Share Awards.

The Board will seek from shareholders at any general meeting of the Company a separate mandate to allot and issue Shares pursuant to this annual cap. The separate mandate will (a) specify the maximum number of Shares which may be allotted and issued to satisfy Share Awards under the Long Term Incentive Scheme until the conclusion of the Company's next annual general meeting; and (b) only remain in effect until (i) the conclusion of the Company's next annual general meeting, (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Companies Act 1981 of Bermuda or the Bye-laws to be held and (iii) the revocation by ordinary resolution of shareholders in general meeting, whichever is the earliest.

Funds may be contributed or lent to the Trustee to subscribe or purchase for up to such number of Shares rather than by imposing a monetary limit. If Share Awards are made, the number of Options that may be granted will correspondingly decrease.

Accordingly, the limit of 88,690,742 newly issued Shares includes such number of new Shares that may be issued in order to satisfy (i) Share Awards and (ii) Options, that have been or may be granted.

8. Continuous disclosure of dilution effect arising from the making of Share Awards involving the subscription for newly issued Shares

In its annual and interim reports, the Company will make disclosures in respect of Share Awards as if the provisions of Rule 17.07 of the Listing Rules could be applied to Share Awards, as relevant and appropriate in the circumstances. In addition, in its annual reports, the Company will also set out the relevant information regarding the impact of the allotment and issue of Shares pursuant to Share Awards for the following financial year, including analysis of

LETTER FROM THE BOARD OF DIRECTORS

or reference to the fair value of Shares issued or to be issued, the dilution effect on the shareholders and the likely impact on the employee costs incurred by the Company when Share Awards have been granted by the Board.

INFORMATION ON THE GROUP

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

SPECIAL GENERAL MEETING

Set out in Appendix II of this circular is a notice of the Special General Meeting of the Company to be convened on 8 June 2005 at 7/F, Hutchison House, 10 Harcourt Road, Central, Hong Kong at 11:00 a.m. at which an ordinary resolution will be proposed to rename the Share Option Scheme as the Long Term Incentive Scheme, to approve the amendments to the Share Option Scheme to incorporate provisions to implement Share Awards and the grant of a mandate enabling the Directors to allot, issue and deal with up to 88,690,742 new Shares that may be issued and credited as fully paid by the Company to satisfy Options and Share Awards granted and to be granted under the Long Term Incentive Scheme, subject to an annual cap, renewable by shareholders in general meeting, of no more than 2% of the total issued share capital of the Company as at the beginning of each such financial year (being 25,340,212 Shares in the financial year commencing on 1 January 2005) that may be issued by the Company to satisfy Share Awards. This annual cap shall lapse at (i) the conclusion of the Company's next annual general meeting, (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Companies Act 1981 of Bermuda or the Bye-laws to be held and (iii) the revocation by ordinary resolution of shareholders in general meeting, whichever is the earliest. If the Company were to issue all 25,340,212 new Shares subject to this annual cap to satisfy Share Awards, the estimated fair value of such new Shares issued would be approximately HK\$86.2 million, based on a closing price of HK\$3.40 per Share on the Latest Practicable Date.

The full text of the ordinary resolution to be proposed at the SGM is set out in the Notice of Special General Meeting set out in Appendix II of this circular.

There is enclosed a form of proxy for use at the SGM. A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company. Whether or not you intend to be present at the SGM, you are requested to complete the form of proxy and return it to Computershare Hong Kong Investor Services Limited, 46th Floor Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, in accordance with the instructions printed thereon not less than 48 hours before the time fixed for holding the SGM. The completion and return of the form of proxy will not prevent you from attending and voting in person at the SGM should you so wish. Eligible Participants and their respective associates (as such term is defined in the Listing Rules) who are shareholders shall be required to abstain from voting at the SGM. As at the Latest Practicable Date, as far as the Company

LETTER FROM THE BOARD OF DIRECTORS

is aware, having made all reasonable enquiries, such persons in aggregate hold 157,531,882 Shares (approximately 12.43% of the total issued share capital of the Company) and in aggregate control or are entitled to exercise control over the voting rights of all such Shares.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the 88,690,742 new Shares that may be issued by the Company to satisfy Options and Share Awards granted and to be granted under the Long Term Incentive Scheme.

RECOMMENDATION

The Directors believe that the proposals mentioned above are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends shareholders to vote in favour of the resolution to be proposed at SGM.

Yours faithfully,
By order of the Board
Andrew T. Broomhead
Company Secretary

This appendix sets out the purposed amendments to the Share Option Scheme. The Share Option Scheme is set out in full, with the proposed amendments underlined.

| **PACIFIC BASIN SHIPPING LIMITED**

| **SHARE OPTIONLONG TERM INCENTIVE SCHEME**

| *(Adopted conditionally on ~~17~~ June 2004)*

| *(Amended on 8 June 2005)*

LINKLATERS

10th Floor, Alexandra House
Chater Road
Hong Kong

Facsimile (852) 2810 8133/2810 1695

Ref Nicholas Turner/ L-078188

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Pacific Basin Shipping Limited
~~Share Option~~ Long Term Incentive Scheme

1. DEFINITIONS AND INTERPRETATION

1.1 In this Scheme the following expressions have the following meanings:

“Adoption Date”	means 14 July 2004 (the date on which the listing of the Shares on the Stock Exchange commences);
“Allotment Date”	means the date on which Shares are allotted to a Grantee pursuant to an Award granted and Vested hereunder;
“Associate”	has the meaning ascribed to it in the Listing Rules;
“Associated Companies”	means those companies in the equity share capital of which the Company, directly or indirectly, has a 20 per cent or greater beneficial interest but excluding the Subsidiaries;
“Award”	means an option or a Restricted Share Award or a Restricted Unit Award, or a combination of these;
“Award Agreement”	means the offer and acceptance letter between the Company and the Grantee evidencing the terms and conditions of an Award;
“Auditors”	means the auditors for the time being of the Company;
“Board”	means the board of Directors of the Company or a duly authorised committee thereof;
“Business Day”	means any day on which the Stock Exchange is open for the business of dealing in securities;
“Chief Executive”	has the meaning ascribed to it in the Listing Rules;
“Company”	means Pacific Basin Shipping Limited;
“Connected Person”	has the meaning ascribed to it in the Listing Rules;
“Controlling Shareholder”	means any person who has the power, directly or indirectly, to secure: (a) by means of the holding of shares entitling him to exercise or control the exercise of 30 per cent (or such other percentage as may from time to time be specified in the Code on Takeovers and Mergers as being the level for triggering a mandatory general offer) or more of the voting power at general meetings of the Company, or

- (b) by means of controlling the composition of a majority of the Board, that the affairs of the Company are conducted in accordance with the wishes of such person;
- “Directors”** means the executive and non-executive directors of the Company;
- “Eligible Participant”** means any Eligible Person and any Related Trust and company of any Eligible Person;
- “Eligible Person”** means any:
- (a) Employee;
 - (b) non-executive director and any independent non-executive director or officer of any member of the Group and of any Controlling Shareholder;
 - (c) Seconded;
 - (d) shareholder of any member of the Group or Controlling Shareholder or any holder of any securities issued by any member of the Group or by any Controlling Shareholder who, in the opinion of the Directors, has contributed to the development of the business of any member of the Group or Controlling Shareholder;
 - (e) business partner, agent, consultant or representative of any member of the Group or of any Controlling Shareholder;
 - (f) supplier of goods or services to any member of the Group or to any Controlling Shareholder or any director or employee of any such supplier;
 - (g) customer of any member of the Group or of any Controlling Shareholder or any director or employee of any such customer;
 - (h) person or entity that provides research, development or other technological support or any advisory, consultancy or professional services to any member of the Group or to any Controlling Shareholder or any director or employee of any such entity;
- “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 or any Controlling Shareholder;

“Grant Date”	means in respect of an Option, the date on which it is deemed to have been granted in accordance with paragraphs 4.8, 12.5 or 12.6, as appropriate;
“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”	means the Company and its Subsidiaries and Associated Companies;
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China;
“HK\$”	means Hong Kong dollars;
“immediate family members”	means the spouse or person co-habiting as the spouse of an Eligible Person, and any child or step-child, parent or step-parent, brother, sister, step-brother, step-sister, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of an Eligible Person, his spouse or person co-habiting as his spouse;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;
“Mandate Limit”	means the maximum number of Shares which may be issued under the Scheme from time to time in accordance with paragraph 12.2, as amended by resolution of Shareholders from time to time in accordance with paragraph 12.3;
“Offer”	means an offer for the grant of an Award made in accordance with paragraph 4;
“Option”	means an option to subscribe for Shares granted pursuant to the Scheme;
“Option Agreement”	means the offer and acceptance letter between the Company and the Grantee evidencing the terms and conditions of an Option;
“Option Period”	means the period during which an Option is expressed to be exercisable;

“Other Scheme”	means any share option scheme, other than the Scheme, involving the grant by the Company or any other member of the Group of options over Shares in accordance with Chapter 17 of the Listing Rules or any other share option scheme which is determined by the Stock Exchange to be analogous to a share option scheme as described in Chapter 17 of the Listing Rules;
“Overriding Limit”	means the maximum number of Shares which may be under option from time to time whether under the Scheme or any Other Scheme calculated in accordance with paragraph 12.1;
“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, is or are entitled to exercise an Option granted to such Grantee (to the extent not already exercised);
“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 Share Award Agreement”	means the agreed referred to in Clause 7.1 of the Scheme;
“Restricted Unit Award”	means a conditional right to acquire Shares granted under the Scheme;
“Scheme”	means this Long Term Incentive Scheme in its present or any amended form;
“Seconded”	means a person who is seconded to work for any member of the Group, where at least 40 per cent of his time is devoted to the business of a member of the Group;
“Shareholder”	means a holder of Shares;
“Shares”	means ordinary shares of U.S.\$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;

“SGM”	a special general meeting of the Company to be held at 7/F, Hutchison House, 10 Harcourt Road, Central, Hong Kong on 8 June 2005 at 11:00 a.m. at which shareholders shall vote on whether to amend this Scheme;
“Stock Exchange”	means the Stock Exchange of Hong Kong Limited or other principal stock exchange in Hong Kong for the time being;
“Subscription Price”	means the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option pursuant to paragraph 5 of the Scheme;
“Subsidiary”	means a body corporate which is for the time being a subsidiary within the meaning of the Companies Ordinance (Cap.32 of the Laws of Hong Kong) of the Company;
“Substantial Shareholder”	has the meaning ascribed to it under the Listing Rules;
“Trustee”	means such persons as the Company may from time to time appoint as the trustee of any employee trust;
“Vesting”	in relation to an Option, means an Option becoming exercisable; in relation to a Restricted Unit Award, means a Grantee becoming entitled to have the Shares transferred to him subject to these rules and in relation to a Restricted Share Award, means the restrictions in the Restricted Share Agreement ceasing to have effect as described in paragraph 9.4 (Restricted Share Awards). “Vest” and “Vested” shall be constructed accordingly.

1.2 Construction of References

In this Scheme:

1.2.1 ~~(a)~~ any reference to a paragraph is a reference to a paragraph of this Scheme; and

1.2.2 ~~(b)~~ any reference to a person includes an individual, a body corporate, a partnership, any other unincorporated body or association of persons and any state or state agency.

1.3 Interpretation

In this Scheme:

1.3.1 ~~(a)~~ words importing the plural include the singular and vice versa; and

1.3.2 words importing a gender include every gender.

1.4 Headings and Contents

The headings and contents in this Scheme do not affect its interpretation.

2. PURPOSE OF THE SCHEME

The purpose of the Scheme is to enable the Company to grant ~~Options~~ Awards to selected participants as incentives or rewards for their contributions to the Group.

3. ADMINISTRATION

3.1 The Scheme shall be subject to the administration of the Board whose decision shall (save as otherwise provided herein) be final and binding. Subject to the provisions of the Listing Rules and applicable law and other regulations from time to time in force, the Board shall be empowered, at its discretion and based on such factors as it shall consider relevant to:

3.1.1 ~~decide whether the Award is:~~

- (i) ~~an Option;~~
- (ii) ~~a Restricted Unit Award;~~
- (iii) ~~a Restricted Share Award; or~~
- (iv) ~~a combination of these;~~

3.1.2 ~~(a) grant Options Awards to those Eligible Participants whom it shall select from time to time;~~

3.1.3 ~~(b) determine the time date of the grant of Options Award;~~

3.1.4 ~~(c) determine the number of Shares to be subject to each Option the Award;~~

3.1.5 ~~(d) determine the terms and conditions of each Option the Award, including:~~

- (i) the Subscription Price (if relevant);
- (ii) the Option Period, which shall be not greater than the period (if any) prescribed by the Listing Rules from time to time (which is, at the date of adoption of this Scheme, not more than 10 years from the Grant Date);
- (iii) the minimum period, if any, for which the ~~Option Award~~ must be held before it Vests;
- (iv) performance, operating and financial targets and other criteria, if any, to be satisfied before the ~~Option Award~~ can ~~be exercised~~ Vest;
- (v) the amount, if any, payable on application or acceptance of the ~~Option Award~~ and the period within which payments or calls must or may be made or loans for such purposes must be repaid;

(vi) the period, if any, during which Shares allotted and issued or transferred upon ~~exercise~~Vesting of the ~~Option Award~~ shall be subject to restrictions on dealings, and the terms of such restrictions;

(vii) the notification period, if any, to be given to the Company of any intended sale of Shares allotted and issued or transferred upon ~~exercise~~Vesting of the ~~Option Award~~;

(viii) the right, if any, to receive an amount equal in value to the dividends which were payable on the number of Vested Shares prior to the time at which they Vested (“dividend equivalents”) under rule 9.8.

3.1.6 ~~(e)~~ approve the form of ~~Option Award~~ Agreements;

3.1.7 ~~(f)~~ construe and interpret the terms and conditions of the Scheme and ~~Options Awards made under it~~;

3.1.8 ~~(g)~~ prescribe, amend and rescind rules and regulations relating to the Scheme; and

3.1.9 ~~(h)~~ subject to the other provisions of this Scheme, vary the terms and conditions of any ~~Option Award~~ Agreement, including extending the Option Period (subject to paragraph ~~3.1(d)~~3.1.5(ii)), and waiving or amending (in whole or in part) any conditions to which ~~Options Awards~~ are subject.

3.2 The Company has already applied to the Stock Exchange for:

3.2.1 ~~(a)~~ the approval of this Scheme;

3.2.2 ~~(b)~~ the approval of the subsequent grant of Awards by the Company pursuant to the terms and conditions of this Scheme; and

3.2.3 ~~(c)~~ the grant of listing of and permission to deal in the Shares to be issued by the Company to any Grantee pursuant to the terms and conditions of this Scheme up to the amount of the Mandate Limit.

4. GRANT OF ~~OPTIONS~~ AWARDS — GENERAL

4.1 ~~Options Awards~~ to be Offered within 10 Years

On and subject to the terms of the Scheme, the Listing Rules and all applicable laws and other regulations, the Board may at any time within 10 years commencing on the Adoption Date make Offers to such Eligible Participants as the Board may in its absolute discretion select.

4.2 The Offer

An ~~Option Award~~ Agreement shall be in such form as the Board may from time to time determine and shall specify:

4.2.1 whether the Award is:

(i) an Option;

(ii) a Restricted Unit Award;

(iii) a Restricted Share Award; or

(iv) a combination of these;

4.2.2 ~~(a)~~ the number of Shares in respect of which the Offer is made;

4.2.3 ~~(b)~~ the Subscription Price (if relevant);

4.2.4 ~~(c)~~ the Option Period;

4.2.5 the date of Vesting;

4.2.6 ~~(d)~~ such other terms and conditions to which the Option Award shall be subject, including any further matters referred to in paragraph ~~3.1(d)~~ 3.1.5,

and further shall be on terms that the Grantee undertakes to hold the Option Award on the terms on which it is to be granted and to be bound by the provisions of the Scheme.

4.3 An Offer may only be made on a Business Day.

4.4 ~~4.3~~ **Terms and Conditions**

The Board may grant Options Awards on such terms and subject to such conditions as it thinks fit and may specify those circumstances, if any, in which such terms and conditions shall be waived or treated as waived. ~~Unless the Board otherwise determines, there shall be no~~ The Board may, in its absolute discretion, determine that Awards will be subject to performance targets that must be achieved before Options can be exercised Vesting.

4.5 ~~4.4~~ **Acceptance**

An Offer shall remain open for acceptance by the Eligible ~~Participant~~ Person concerned (and by no other person, including his Personal Representatives) for a period of 14 days from the date on which the Offer is made or such other period as the Board may specify in writing. An Offer may not be accepted by a person who has ceased to be an Eligible ~~Participant~~ Person after the Offer has been made and prior to acceptance of the Offer.

An Offer shall be deemed to have been accepted when the counterpart of the Option Agreement duly signed by the Grantee together with a remittance in favour of the Company of the amount specified in the Offer as being the consideration for the grant of the Option Award is received by the Company at the place specified in the Option Award Agreement. Such consideration shall not be refundable. To the extent that the Offer is not accepted within the period and in the manner indicated in the Option Award Agreement it shall be deemed to have been irrevocably declined.

4.6 ~~4.5~~ **Acceptance for Fewer Shares**

An Offer may be accepted in respect of less than the number of Shares which are offered provided that it is accepted in respect of a number of Shares (which is clearly stated in the acceptance of the Offer) equal to a board lot for the purposes of trading Shares on the Stock Exchange from time to time or an integral multiple thereof.

4.7 ~~4.6~~ Timing of Offer

An Offer may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has ceased to be unpublished price sensitive information, whether as a result of being disseminated in accordance with the Listing Rules or otherwise.

In particular, but only insofar as the Listing Rules require, no ~~Option~~Award may be granted within the period commencing one month immediately preceding the earlier of:

- (i) ~~(a)~~ the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year or half-year, quarterly or other interim period; and
- (ii) ~~(b)~~ the deadline for the Company to publish an announcement of its results for any year or half-year, quarterly or other interim period,

and ending on the date of the results announcement.

4.8 ~~4.7~~ Grant Date

Subject to paragraphs ~~9.5~~12.5 and ~~9.6~~12.6, upon an Offer being accepted by an Eligible Participant in whole or in part in accordance with paragraphs ~~4.4~~4.5 and ~~4.5~~4.6 an ~~Option~~Award in respect of the number of Shares in respect of which the Offer was so accepted will be deemed to have been granted by the Company to such Eligible Participant on the date of the Offer.

4.9 ~~4.8~~ Offers made to Directors, Chief Executives and Substantial Shareholders and their respective Associates

Insofar as the Listing Rules require and subject to paragraph ~~9.6~~12.6, where any offer of an Award is to be made to a Director, a Chief Executive or a Substantial Shareholder of the Company or any of their respective Associates, such offer must first be approved by the independent non-executive directors of the Company (excluding any independent non-executive director who is the Grantee).

4.10 Employee trust

4.10.1 The Company and any Group Company may provide money (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 the Trustee or any other person to enable them or him to acquire shares either by subscription at par, or by purchase from the market or otherwise to be held for the purposes of the Plan, or enter into any guarantee or indemnity for those purposes, to the extent permitted by the Companies Ordinance (Cap. 32 of the Laws of Hong Kong) and the Listing Rules.

4.10.2 The Board will, when an Offer is made to and accepted by an Eligible Participant, inform the Trustee of:

- (i) the name of the Eligible Participant and whether that person is a connected person (as defined in the Listing Rules);

- (ii) the number of Shares awarded;
- (iii) 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 to subscribe for or purchase the specified number of Shares; and
- (iv) whether the Shares should be acquired by subscription at par or purchase from the market.

5. GRANT OF OPTIONS

5.1 ~~5-~~Subscription Price

The Subscription Price payable on exercise of an Option shall be such price as the Board may in its absolute discretion determine at the time of its grant and may be fixed at different prices for different periods during the Option Period, provided that it shall not be less than the higher of:

- 5.1.1 ~~(a)~~ the closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the Grant Date, which must be a Business Day;
- 5.1.2 ~~(b)~~ the average of the closing prices of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the Grant Date; and
- 5.1.3 ~~(c)~~ the nominal value of the Shares.

If the Shares have been listed for less than five Business Days immediately preceding the Grant Date, the new issue price shall be deemed to be the closing price for any Business Day falling within the period before listing.

6. EXERCISE OF OPTIONS AND RESTRICTED UNIT AWARDS

6.1 ~~Satisfaction of conditions~~

~~An Option may not be exercised unless all relevant conditions to which it is subject have been satisfied, waived or, by the terms of grant, treated as having been waived.~~

6.2 ~~Exercise notice~~

~~An Option shall be exercised in whole or in part by the Grantee or, where applicable, his Personal Representatives, to the extent it is exercisable, by giving notice to the Company in such form as the Company may prescribe from time to time stating that the Option is thereby exercised and the number of Shares in respect of which it is so exercised. Any partial exercise of an Option shall be in respect of such number of Shares as from time to time constitutes a board lot for the purposes of trading Shares on the Stock Exchange or an integral multiple thereof. Each such notice shall be accompanied by a remittance for the full amount of the Subscription Price for the Shares in respect of which the notice is given.~~

~~6.3 No allotment and issue of Shares in breach of law~~

~~The Directors shall not be obliged to allot and issue any Shares on exercise of an Option if to do so would breach any applicable law or regulation or otherwise would require the Directors and/or the Company to comply with additional requirements which are, in the reasonable opinion of the Directors, unduly onerous or burdensome.~~

~~6.4 Allotment and issue of Shares~~

~~Within 40 days after receipt of an exercise notice and, where appropriate, receipt of the Auditors' certificate pursuant to paragraph 9.7, and subject to the accompanying remittance having been honoured in full, the Company shall allot and issue the relevant number of Shares to the Grantee (or, in the event of an exercise of an Option by a Personal Representative pursuant to paragraph 6.6(a), to the estate of the Grantee) credited as fully paid and issue to the Grantee (or his estate, as aforesaid) a share certificate in respect of the Shares so allotted and issued.~~

~~6.5 Ranking of Shares~~

~~Shares shall be allotted and issued upon the exercise of an Option subject to all the provisions of the Bye laws of the Company from time to time in force and shall rank pari passu in all respects with the existing fully paid Shares in issue on the Allotment Date or, if that date falls on a day when the register of members of the Company is closed, the first day of the reopening of the register of members.~~

~~6.6 Option Period~~**6.1 Rights**

A Grantee shall not be entitled to vote, to receive dividends (subject to clause 3.1.5(viii)) or to have any other rights of a shareholder in respect of Shares subject to an Option or a Restricted Unit Award until the Shares are issued or transferred to the Grantee.

6.2 Transfer

A Grantee may not transfer, assign or otherwise dispose of an Option or Restricted Unit Award or any rights in respect of it. If he does, whether voluntarily or involuntarily, then it will immediately lapse. This rule 6.2 does not apply:

- (i) to the transmission of an Option or Restricted Unit Award on the death of a Grantee to his personal representatives; or
- (ii) to the assignment of an Option or Restricted Unit Award, with the prior consent of the Directors, subject to any terms and conditions the Board may impose.

7. RESTRICTED SHARE AWARDS

7.1 Restricted Share Award Agreement

The Grantee of a Restricted Share Award must enter into an agreement with the Company that:

- (i) to the extent that the Restricted Share Award lapses under the Scheme, the Restricted Share Award is forfeited and he will immediately transfer his interest in the Restricted Share Award or the Shares subject to it, for no consideration or nominal consideration, to any person (which may include the Company, where permitted) specified by the Board; and
- (ii) he will not transfer, assign, pledge or dispose of any Restricted Share Award or any rights in respect of it before Vesting and if he does his Restricted Share Award will lapse except in the case of:
 - (a) the transmission of his Restricted Share Award on his death to his personal representatives; or
 - (b) the assignment of his Restricted Share Award, with the prior consent of the Board, subject to any terms and conditions the Board imposes.

7.2 Documents

The Grantee must sign any documentation, including a power of attorney or blank stock transfer form, requested by the Board. If he does not do so within a period specified by the Board, the Restricted Share Award will lapse at the end of that period. The Board may retain the share certificates relating to any Restricted Share Awards.

7.3 Transfer or issue of Shares

On or after the grant of a Restricted Share Award the Board will procure that the relevant number of Shares is transferred or issued to the Grantee or to another person to be held for the benefit of the Grantee under the terms of the Scheme.

7.4 Rights

Except to the extent specified in the Restricted Share Award Agreement, a Grantee will have all rights of a shareholder in respect of a Restricted Share Award until the Award lapses.

8. VESTING OF AWARDS

Subject as hereinafter provided and to due compliance with the Listing Rules and all applicable laws and other regulations and with its terms and conditions, ~~an Option may be exercised at any time during the Option Period~~ Award will Vest on the date or dates specified in the Award Agreement, provided that:

- 8.1 an Award will not Vest unless all relevant conditions to which it is subject have been satisfied, waived or, by the terms of grant, treated as having been waived.

8.2 ~~(a)~~ if the Grantee (being a person who at the time of grant to him qualified as an Eligible Person because he fell within paragraph (a), (b), (c) or (d) of the definition of “Eligible Person”) or, in the case of a Grantee which is a Related Trust and Company of such an Eligible Person, that Eligible Person, ceases to be an Eligible Person by reason of:

8.2.1 ~~(i)~~ his death;

8.2.2 ~~(ii)~~ in the case of an Employee or Seconded, retirement in accordance with his contract of employment or service with a member of the Group or, in the case of a Seconded, the person who is his employer or early retirement with the approval of the member of the Group which employs the Grantee or redundancy; or

8.2.3 ~~(iii)~~ ill health, injury or disability (all evidenced to the satisfaction of the Board);

8.2.4 ~~(iv)~~ his office or employment being in a company which ceases to be a member of the Group, or relating to a business or part of a business which is transferred to a person who is not a member of the Group,

his Awards will Vest to the extent not already Vested and, in the case of an Option, he or his Personal Representatives, as the case may be, may exercise the Option (aa) in the case of sub-paragraphs ~~(i), (ii) and (iii)~~ 8.2.1, 8.2.2 and 8.2.3, to the extent not already exercised and within the period of 12 months after the relevant person ceasing to be an Eligible Person; and (bb) in the case of sub-paragraph ~~(iv)~~ 8.2.4, to the extent exercisable but not already exercised and within the period of ~~3~~ three months after the relevant person ceasing to be an Eligible Person, failing which the Option will lapse;

8.3 ~~(b)~~ if the Grantee or, in the case of a Grantee which is a Related Trust and Company of an Eligible Person, that Eligible Person, ceases to be an Eligible Person for any reason other than:

(i) in circumstances in which paragraph ~~6.6(a) or 6.6(c)~~ 8.2 or 8.4 applies;

(ii) upon expiration of his term as a director of a member of the Group (save where immediately renewed on expiration);

(iii) in the case of an Employee, the termination of his employment in circumstances in which paragraph ~~7(d)~~ 10.1.4 applies; or

(iv) in the case of any Eligible Person who at the time of grant to him qualified as an Eligible Person because he fell within paragraphs (b) to (h) of the definition of “Eligible Person”, the circumstances in which paragraph ~~7(e)~~ 10.1.5 applies,

the Option Award (to the extent not already exercised Vested) shall lapse forthwith and shall not be exercisable Vest unless the Board otherwise determines, in which event the Option Award (or such remaining part thereof) shall Vest and, in the case of an Option, shall be exercisable within such period as the Board may prescribe.

For the purpose of sub-paragraph ~~6.6(b)~~ 8.3(iii), the Option Award shall lapse on the last day on which the Grantee works in the member of the Group, whether or not salary is paid in lieu of notice.

8.4 ~~(e)~~ if a Grantee who at the time of grant to him qualified as an Eligible Person because he fell within paragraph (e), (f), (g) or (h) of the definition of “Eligible Person” or, in the case of a Related Trust and Company of such an Eligible Person, the Eligible Person, or entity of which such Eligible Person is a director or employee has, after the grant of such ~~Option~~ Award:

- (i) in the absolute determination of the Directors, committed any breach of contract entered into between such Eligible Person and the relevant member of the Group or Controlling Shareholder; or
- (ii) committed any act of bankruptcy or become insolvent or made any arrangements or composition with his creditors generally or committed any serious misconduct or been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the Grantee or the Group or the Controlling Shareholder into disrepute),

then ~~all~~ his outstanding ~~Options~~ Award shall lapse (whether Vested or not) automatically on, and will not in any event ~~be exercisable~~ Vest on or after, the date of the Directors’ determination referred to in (i) or, as the case may be, the occurrence of the relevant event referred to in (ii).

8.5 ~~(d)~~ if the Board considers that, due to the separate listing or sale of a member of the Group or disposal of the business of a member of the Group, a Grantee should cease to be treated as an Eligible Participant, or if the Company or another member of the Group is reorganised or merged or consolidated with another entity (and sub-paragraphs ~~(e)~~ 8.7 and ~~(f)~~ 8.8 below do not apply), the Board may at its sole discretion:

- (i) make such arrangements as it considers appropriate for the grant of substitute ~~options or share purchase rights~~ Awards of equivalent fair value to an ~~Option~~ Award in the purchasing, surviving or newly-listed company;
- (ii) reach such accommodation with the Grantee as it considers appropriate, including the payment of cash compensation to the Grantee (or his Personal Representatives) equivalent to the fair value of an ~~Option~~ Award to the extent not Vested and, in the case of an Option, exercised;
- (iii) waive any conditions to ~~vesting~~ Vesting of an ~~Option~~ Award to the extent not already ~~exercised~~ Vested and, in the case of an Option, exercised; or
- (iv) permit the continuation of an ~~Option~~ Award in accordance with its original terms;

8.6 ~~(e)~~ if a general offer by way of takeover is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror), and the offer becomes or is declared unconditional in all respects, the Award shall Vest and, in the case of an Option, the Grantee (or his Personal Representatives) may by notice in writing to the Company within 28 days of such date (or such longer time as the Board may determine is appropriate to enable the Grantee to participate in the offer on a similar basis to the holders of Shares) exercise the Option (to the extent not already exercised) to its full extent or to the extent specified in such notice provided that if the Option has not been exercised by such time it shall lapse;

8.7 ~~(f)~~ if a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of the amalgamation of the Company with any other company or companies, the Company shall give notice to the Grantee on the same date as it despatches the notice to each member or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon the Award shall Vest and, in the case of an Option, the Grantee (or his Personal Representatives) may until the expiry of the period commencing with such date and ending with the earlier of the date ~~two~~ calendar months thereafter and the date on which such compromise or arrangement is sanctioned by the court exercise any of his Options (to the extent not already exercised) whether in full or in part, but the Vesting of an Award and, as the case may be, the exercise of an Option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective, and upon such compromise or arrangement becoming effective all ~~Options~~ Awards shall lapse except insofar as previously Vested and, in the case of an Option, previously exercised under the Scheme. The Company may require the Grantee (or his Personal Representatives) to transfer or otherwise deal with the Shares issued or transferred as a result of the Vesting of an Award or exercise of ~~Options~~ an Option in these circumstances so as to place the Grantee in the same position, as nearly as possible, as would have been the case had such Shares been subject to such compromise or arrangement;

8.8 ~~(g)~~ in the event of an effective resolution being passed for a members' voluntary winding-up of the Company, the ~~Option~~ Award will immediately Vest and the Grantee may by notice in writing to the Company within 21 days after the date of such resolution elect to be treated as if the Award had Vested and, in the case of an Option, as if the Option had been exercised immediately before the passing of such resolution (to the extent not already exercised) either to its full extent or to the extent specified in such notice and shall accordingly be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of Shares such sum (if any) as would have been received in respect of the Shares the subject of such election, reduced by an amount equal to the Subscription Price which would otherwise have been payable in respect thereof.

9. CONSEQUENCES OF VESTING

9.1 Options

On Vesting, an Option becomes exercisable to the extent that it Vests. An Option shall be exercised in whole or in part by the Grantee or, where applicable, his Personal Representatives, to the extent it has Vested, by giving notice to the Company in such form as the Company may prescribe from time to time stating that the Option is thereby exercised and the number of Shares in respect of which it is so exercised. Any partial exercise of an Option shall be in respect of such number of Shares as from time to time constitutes a board lot for the purposes of trading Shares on the Stock Exchange or an integral multiple thereof. Each such notice shall be accompanied by a remittance for the full amount of the Subscription Price for the Shares in respect of which the notice is given.

9.2 Allotment and Issue or Transfer of Shares

Within 30 days after receipt of an exercise notice and, where appropriate, receipt of the Auditors' certificate pursuant to paragraph 12.7, and subject to the accompanying remittance having been honoured in full, the Company shall allot and issue, or the Directors shall procure the transfer of, the relevant number of Shares to the Grantee (or, in the event of an exercise of

an Option by a Personal Representative pursuant to paragraph 8.2, to the estate of the Grantee) credited as fully paid and issue to the Grantee (or his estate, as aforesaid) a share certificate in respect of the Shares so allotted and issued or transferred.

9.3 Restricted Unit Awards

Within 30 days of Vesting of a Restricted Unit Award, the Directors shall arrange for the transfer or issue to the Grantee of the number of Shares in respect of which the Restricted Unit Award has Vested.

9.4 Restricted Share Awards

To the extent that it has Vested, a Restricted Share Award cannot lapse under the Scheme. In addition, the restrictions referred to in rule 7.1 (Restricted Share Award Agreement) and contained in the Restricted Share Agreement between the Grantee and the Company cease to have effect.

9.5 No Allotment and Issue or Transfer of Shares in Breach of Law

The Directors shall not be obliged to allot and issue, or arrange the transfer of, any Shares on Vesting of an Award or, in the case of an Option, exercise of the Option, if to do so would breach any applicable law or regulation or otherwise would require the Directors and/or the Company to comply with additional requirements which are, in the reasonable opinion of the Directors, unduly onerous or burdensome.

9.6 Ranking of Shares

Shares shall be allotted and issued upon the Vesting of an Award or the exercise of an Option subject to all the provisions of the Bye-laws of the Company from time to time in force and shall rank *pari passu* in all respects with the existing fully paid Shares in issue on the Allotment Date or, if that date falls on a day when the register of members of the Company is closed, the first day of the reopening of the register of members.

9.7 Dividend Equivalent

An Award may include the right to receive an amount equal in value to the dividends which were payable on the number of Vested Shares prior to the time at which they Vested (“dividend equivalents”). This amount may be paid in cash or Shares (as determined from time to time by Board). Dividend equivalents will be paid to an Eligible Participant as soon as practicable after Vesting.

10. ~~7-~~LAPSE OF ~~OPTION~~AWARDS

10.1 Subject to the discretion of the Board to extend the Option Period in accordance with paragraph ~~3.13.1.9~~, an ~~Option~~Award shall lapse automatically and, in the case of an Option, shall not be exercisable (to the extent not already exercised) on the earliest of:

10.1.1 ~~(a)~~ in the case of an Option, the expiry of the Option Period;

10.1.2 ~~(b)~~ the expiry of any of the periods referred to in paragraph ~~6.6(a), (b), (c)~~8.2, 8.3, 8.4, or ~~(e)~~8.5;

10.1.3 ~~(e)~~ subject to the compromise or arrangement becoming effective, the expiry of the period referred to in paragraph ~~6.6(f)~~8.7;

10.1.4 ~~(d)~~ 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;

10.1.5 ~~(e)~~ 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);

10.1.6 ~~(f)~~ subject as provided in paragraph ~~6.6(g)~~8.9, the date of the commencement of the winding-up of the Company; and

10.1.7 ~~(g)~~ 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 Option, except for the transmission of an ~~Option Award~~ on the death of the Grantee to his personal representative.

11. ~~8.~~ CANCELLATION OF ~~OPTIONS AWARDS~~

11.1 ~~8.1~~ ~~Options Awards~~ granted but not exercised ~~Vested~~ or lapsed or, in the case of an Option, exercised in accordance with the terms of the Scheme may be cancelled by the Company with the approval of the Eligible Participant.

11.2 ~~8.2~~ Where the Company cancels ~~Options Awards~~ and issues ~~grants~~ new ~~Options Awards~~ to the same Grantee, the issue of such new ~~Options Awards~~ may only be made under the Scheme with available unissued ~~Options Awards~~ (excluding the cancelled ~~Options Awards~~) within the limits set out in ~~paragraphs 9.1, 9.2, 9.3, 9.4 and 9.5~~ paragraph 12.

12. ~~9.~~ MAXIMUM NUMBER OF SHARES AVAILABLE FOR SUBSCRIPTION

12.1 ~~9.1~~ Overriding Limit

Subject to the Listing Rules, the maximum number of Shares ~~under options~~ subject to Awards from time to time under the Scheme and any Other Schemes shall not, in aggregate, exceed a number equal to ~~30%~~ per cent of the Shares in issue from time to time. No ~~options Awards~~ may be granted under the Scheme or any Other Schemes if this will result in this Overriding Limit being exceeded.

12.2 ~~9.2~~ Mandate Limit

Subject to the Overriding Limit and to paragraphs ~~9.3~~12.3 and ~~9.4~~12.4, the number of Shares which may be or have been issued ~~on exercise~~ or transferred in satisfaction of all options Awards to be granted under the Scheme and any Other Schemes (excluding, for this purpose, options Awards which have lapsed in accordance with the terms of the Scheme and any Other Scheme) shall not, in aggregate, exceed 126,701,060 Shares, being no more than 10% per cent of the Shares in issue at the ~~time when dealings in the Shares commence on the Stock Exchange~~date of the SGM, of which no more than 88,690,742 (being no more than 7% of the total issued share capital of the Company at ~~listing~~date of the SGM) can be newly issued Shares, subject to an annual cap, renewable by shareholders in general meeting, of no more than 2% of the total issued share capital of the Company as at the beginning of each such financial year that may be issued by the Company to satisfy Restricted Share Awards or Restricted Unit Awards.

12.3 ~~9.3~~ Refreshing of Mandate Limit

Subject to the Overriding Limit and to paragraph ~~9.4~~12.4, the Mandate Limit may be amended from time to time by ordinary resolution of Shareholders in general meeting, provided that the number of Shares which may be or have been issued ~~on exercise~~ or transferred in satisfaction of all options Awards to be granted under the Scheme and all Other Schemes (excluding for this purpose options previously granted under the Scheme and Other Schemes (including those outstanding, cancelled, exercised or lapsed in accordance with the Scheme and Other Scheme)) shall not exceed 10% per cent of the Shares in issue at the date of such resolution.

12.4 ~~9.4~~ Grant of ~~Options to specifically identified~~ Awards to Specifically Identified Eligible Participants

Subject to approval by ordinary resolution of Shareholders in general meeting, Options Awards may be granted to subscribe for Shares in excess of the Mandate Limit provided that such Options Awards are granted only to Eligible Participants specifically identified by the Company before the approval is sought. The Grant Date shall be deemed to be the date of the board meeting for the purpose of approving such further grant.

12.5 ~~9.5~~ Limit for each Eligible Participant

Unless approved by ordinary resolution of Shareholders in general meeting in accordance with the Listing Rules, the aggregate number of Shares issued and to be issued upon exercise of Options or Vesting of Awards granted in any 12-month period to an Eligible Participant (including both exercised and outstanding Options and Vested of outstanding Awards) shall not exceed 1% per cent of the Shares in issue as at the date of grant. If Shareholders approve by ordinary resolution in general meeting the grant of Options Awards to an Eligible Participant in excess of such limit, the Grant Date shall be deemed to be the date of the board meeting for approving such further grant.

12.6 ~~9.6~~ Grant to Substantial Shareholders and Independent Non-executive Directors

No Option Award may be granted to any Substantial Shareholder or independent non-executive Director or any of their respective Associates if such grant will result in the Shares issued and to be issued upon Vesting of all Awards exercise of all Options already granted or

to be granted (including Options exercised, cancelled and outstanding) to such person under the Scheme and any Other Scheme in the 12-month period up to and including the date of the board meeting for proposing such further grant:

12.6.1 ~~(a)~~ representing in aggregate over 0.1% per cent of the issued share capital of the Company; and

12.6.2 ~~(b)~~ having an aggregate value, based on the closing price of the Shares at the date of the board meeting for proposing such further grant, in excess of HK\$5 million,

unless such grant is approved in accordance with the Listing Rules, including by ordinary resolution of the Shareholders in general meeting, if so required. All Connected Persons must abstain from voting in favour of such grant at such general meeting and the vote taken at such meeting to approve such grant must be taken on a poll in accordance with the Listing Rules.

Insofar as the Listing Rules require, any variation of the terms of an Option Award granted to a Grantee who is a Substantial Shareholder or an independent non-executive Director or any of their respective Associates must first be approved by ordinary resolution of Shareholders in general meeting.

12.7 ~~9.7~~ Adjustment to Maximum Number

The maximum number of Shares referred to in this paragraph 12 shall be adjusted in such manner as the Auditors shall certify in writing to be appropriate in accordance with paragraph 13 in the event of any alteration in the capital structure of the Company, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, sub-division or reduction of the share capital of the Company.

13. ~~10.~~ REORGANISATION OF CAPITAL STRUCTURE

13.1 ~~10.1~~ In the event of any alteration in the capital structure of the Company while any Option Award remains ~~exercisable~~ outstanding, whether by way of a capitalisation issue, rights issue, open offer, consolidation or sub-division of Shares or reduction of capital or otherwise howsoever:

13.1.1 ~~(a)~~ the number and/or nominal amount of Shares subject to the ~~unexercised~~ Options Award; and/or

13.1.2 ~~(b)~~ in the case of Options, the Subscription Price in respect of unexercised Options; and/or

13.1.3 ~~(c)~~ the Overriding Limit and the Mandate Limit,

shall be adjusted on such basis as the Auditors shall certify in writing to the Board either generally or as regards any particular Option Award to be in their opinion fair and reasonable (except in the case of a capitalisation of profits or reserve where no such certification shall be required), provided that:

- (i) any such alteration shall give a Grantee on Vesting of his Awards exercise of his Options the same proportion of the issued Shares to which he would have been entitled if such Award were to have Vested or he were to have exercised such Options immediately prior to the event giving rise to the adjustment; and
- (ii) no such alteration shall be made if the effect of it would be to require a Share to be issued at less than its nominal value.

Unless the Directors and the auditors otherwise agree, the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment. No adjustment shall be made unless the Auditors certify to the Board the matters in (i) and (ii) above and upon such certification the relevant adjustment shall be deemed to have taken effect at the time certified by the Auditors as being the time of the occurrence of the matter giving rise to the adjustment.

13.2 ~~10.2~~ If there has been any alteration in the capital structure of the Company as referred to in paragraph ~~10.1~~13.1, the Company shall, upon receipt of a notice from a Grantee in accordance with sub-paragraph ~~6.29.1~~, inform the Grantee of such alteration and shall either inform the Grantee of the adjustment to be made in accordance with the certificate of the Auditors obtained by the Company for such purpose or, if no such certificate has yet been obtained, inform the Grantee of such fact and instruct the Auditors as soon as practicable thereafter to issue a certificate in that regard in accordance with paragraph ~~10.1~~13.1.

13.3 ~~10.3~~ In giving any certificate under paragraph ~~10.1~~13.1 the Auditors shall be deemed to be acting as experts and not as arbitrators and their certificate shall, in the absence of manifest error, be final and binding.

14. ~~11.~~ SHARE CAPITAL

The Company shall ensure that there is sufficient authorised but unissued share capital to satisfy the exercise/Vesting of all unexercised Options/Awards from time to time outstanding (except to the extent such Awards are to be satisfied by the transfer of existing Shares) and the Board shall make available sufficient of such authorised but unissued share capital of the Company for such purpose.

15. ~~12.~~ DISPUTES

Any dispute arising in connection with the Scheme (whether as to the number of Shares the subject of an Option Award, in the case of Options the amount of the Subscription Price or otherwise) shall be referred to the decision of the Auditors who shall act as experts and not as arbitrators and whose decision shall be final and binding.

16. WITHHOLDING

The Company, any employing company or the trustee of any employee benefit trust may withhold such amount and make such arrangements as it considers necessary to meet any liability to taxation or social security contributions in respect of Awards. These arrangements may include the sale or reduction in number of any Shares unless the Grantee discharges the liability himself.

17. ~~13.~~ ALTERATION OF THE SCHEME

17.1 ~~13.1~~ The Board may amend any of the provisions of the Scheme or withdraw or otherwise terminate the Scheme at any time but no amendments shall be made to the advantage of any Grantee unless approved by ordinary resolution of Shareholders in general meeting. No alteration shall operate to affect adversely any rights which have accrued to any Grantee at that date.

17.2 ~~13.2~~ Any change to the authority of the Board pursuant to the alteration of the terms of the Scheme must be approved by shareholders of the Company in general meeting.

17.3 ~~13.3~~ No alteration shall be made to the Scheme which is to the advantage of Grantees or future ~~option holders~~ Grantees which relates to:

17.3.1 ~~(a)~~ the purposes of the Scheme, as set out in paragraph 2;

17.3.2 ~~(b)~~ the persons to or for whom ~~Options~~ Awards may be granted under the Scheme and the basis for determining their eligibility;

17.3.3 ~~(c)~~ the limits on the number of Shares which may be issued under the Scheme as calculated in accordance with paragraphs ~~9.1, 9.2, 9.3~~ 12.1, 12.2, 12.3 and ~~9.4~~ 12.4;

17.3.4 ~~(d)~~ the individual limit for each Eligible Participant under the Scheme as calculated in accordance with paragraph ~~9.5~~ 12.5;

17.3.5 ~~(e)~~ any amendments to the terms of paragraphs ~~3.1(d)~~ 3.1.5(ii), 4.1, 5, 7, 8, 9.1, 9.2, 9.3, 9.4, 9.5, 10.1, 10.2, 14, 15.1 10, 11, 12.1, 12.2, 12.3, 12.4, 12.5, 13.1, 13.2, 18, 19.1 and this paragraph ~~13.3~~ 17.3; or

17.3.6 ~~(f)~~ any other alterations to the Scheme which are of a material nature,

except where approved in advance by ordinary resolution of Shareholders in general meeting or such alterations take effect automatically under the terms of the Scheme.

17.4 ~~13.4~~ Except as described in paragraphs ~~13.2~~ 17.2 and ~~13.3~~ 17.3, the Board need not obtain the approval of the Shareholders for any minor changes:

17.4.1 ~~(a)~~ to benefit the administration of the Scheme;

17.4.2 ~~(b)~~ to comply with or take account of the provisions of any proposed or existing legislation or regulation;

17.4.3 ~~(c)~~ to take account of any changes to any legislation or regulation; or

17.4.4 ~~(d)~~ to obtain or maintain favourable tax, exchange control or regulatory treatment of any member of the Group or any Grantee or future ~~option holder~~ Grantee,

or for alterations which take effect under the terms of the Scheme.

17.5 ~~13.5~~ Subject to the Listing Rules and the provisions of this paragraph ~~13~~17, the Board may, at any time and in its absolute discretion, remove, waive or vary the conditions, restrictions or limitations imposed in an Option Award Agreement on compassionate or any other grounds.

17.6 ~~13.6~~ Notwithstanding the other provisions of this paragraph ~~13~~17, no amendment shall be made to the terms of the Scheme or Options Awards granted or to be granted under it if such terms or Options Awards would be inconsistent with the relevant requirements of the Listing Rules in force from time to time.

18. ~~14.~~ TERMINATION

The Company by resolution in general meeting or the Board may at any time terminate the operation of the Scheme and in such event no further Options 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 Options Awards granted prior to such termination and not exercised at the date of termination shall remain valid.

19. ~~15.~~ MISCELLANEOUS

19.1 ~~15.1~~ Options Awards granted under the Scheme shall be personal to the Grantee and shall not be sold, transferred, assigned, charged, mortgaged or encumbered by the Grantee nor shall the Grantee create any interest in favour of any third party over or in relation to any Option Award (except for the transmission of an Option Award on the death of the Grantee to his personal representative), and in default, such Options Awards shall lapse in accordance with paragraph ~~7(g)~~10.1.7.

19.2 ~~15.2~~ The Company shall bear the costs of establishing and administering the Scheme, including any costs of the Auditors in relation to the preparation of any certificate by them or providing any other service in relation to this Scheme.

19.3 ~~15.3~~ This Scheme shall not form part of any contract of employment or for services between any member of the Group and any Eligible Participant, and the rights and obligations of any Eligible Participant under the terms of his office or employment or provision of service shall not be affected by his participation in this Scheme or any right he may have to participate in it and the Scheme shall afford such Eligible Participant no additional rights to compensation or damages in consequence of the termination of such office or employment or provision of service for any reason.

19.4 The grants of an Award on a particular basis in any year does not create any right to or expectation of the grant of Awards on the same basis, or at all, in any future year. Participation in the Scheme does not imply any right to participate, or to be considered for participation in any later operation of the Scheme. Subject to any applicable legislative requirement, any Award will not be regarded as remuneration for pensions purposes or for the purposes of calculating payments on termination of employment.

By accepting an Offer a Grantee shall be deemed irrevocably to have waived any entitlement, by way of compensation for loss of office or otherwise howsoever, to any sum or other benefit to compensate him for or in respect of any loss of any rights or benefits under any ~~Option Award~~ then held by him or otherwise in connection with the Scheme.

19.5 ~~15.4~~ The Scheme shall not confer on any person any legal or equitable rights (other than those constituting the ~~Options Awards~~ themselves) against the Company directly or indirectly or give rise to any cause of action at law or in equity against the Company.

19.6 ~~15.5~~ The Company will provide a summary of the terms of the Scheme to all Eligible Participants on joining the Scheme (and a copy of this document to any Eligible Participant who requests such a copy). The Company will provide to all Eligible Participants all details relating to changes in the terms of the Scheme during the life of the Scheme immediately upon such changes taking effect.

19.7 By participating in the Scheme the Grantee consents to the holding and processing of personal data provided by the Grantee to the Company for all purposes relating to the operation of the Scheme. These include, but are not limited to:

19.7.1 administering and maintaining Grantee records;

19.7.2 providing information to trustees of any employee benefit trust, registrars, brokers or third party administrators of the Scheme;

19.7.3 providing information to future purchasers of the Company or the business in which the Grantee works;

19.7.4 transferring information about the Grantee to a country or territory outside Hong Kong.

19.8 ~~15.6~~ A Grantee shall be entitled to receive copies of all notices and other documents sent by the Company to holders of Shares at the same time or within a reasonable time of any such notices or documents being sent to holders of Shares.

19.9 ~~15.7~~ Any notice or other communication between the Company and a Grantee may be given by sending the same by prepaid post or by personal delivery to, in the case of the Company, its principal place of business in Hong Kong and, in the case of the Grantee, his address in Hong Kong as notified to the Company from time to time.

Any notice or other communication served by post:

19.9.1 ~~(a)~~ by the Company shall be deemed to have been served 24 hours after the same was put in the post; and

19.9.2 ~~(b)~~ by the Grantee shall not be deemed to have been received until the same shall have been received by the Company.

19.10 ~~15.8~~ A Grantee shall be responsible for obtaining any governmental or other official consent that may be required by any country or jurisdiction in order to permit the Vesting of his Awards or, in the case of an Option, grant or exercise of his Option. By accepting

an Offer or exercising his Option, the Grantee thereof is deemed to have represented to the Company that he has obtained all such consents. The Company shall not be responsible for any failure by a Grantee to obtain any such consent or for any tax or other liability to which a Grantee may become subject as a result of his participation in the Scheme or the exercise or Vesting of any ~~Option~~Award.

19.11 ~~15.9~~ This Scheme and all ~~Options~~Awards granted hereunder shall be governed by and construed in accordance with the laws of Hong Kong.



Pacific Basin Shipping Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 2343)

NOTICE IS HEREBY GIVEN that a Special General Meeting of Pacific Basin Shipping Limited (the “Company”) will be held at 7/F, Hutchison House, 10 Harcourt Road, Central, Hong Kong on 8 June 2005 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an ordinary resolution:

ORDINARY RESOLUTION

“THAT:

- (a) the proposed amendments to the Share Option Scheme (as defined in the circular (the “Circular”) to shareholders of the Company dated 23 May 2005, a copy of which has been produced to this meeting marked “A” and signed by the Chairman of this meeting for the purpose of identification) as set out in Appendix I to the Circular, be and is hereby approved;
- (b) subject to paragraph (c) of this resolution, the exercise by the directors of the Company of all the powers of the Company to allot, issue and deal with up to 88,690,742 new shares of US\$0.10 each in the capital of the Company (“Shares”) to satisfy Options and Share Awards granted and to be granted under the Long Term Incentive Scheme (as such terms are defined in the Circular), be and is hereby approved;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to paragraph (b) of this resolution to satisfy Share Awards, shall during the Relevant Period not exceed 2% of the aggregate nominal amount of the share capital of the Company in issue as at the beginning of each such financial year (being 25,340,212 Shares in the financial year commencing on 1 January 2005); and
- (d) for the purposes of this resolution, “Relevant Period” means the period from the passing of this resolution until the earlier of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Companies Act 1981 of Bermuda or the Company’s Bye-laws to be held; and

- (iii) the date on which the authority set out in this resolution is revoked or varied by ordinary resolution of the shareholders of the Company in general meeting.”

By the Order of the Board
Andrew T. Broomhead
Company Secretary

23 May 2005

Notes:

1. Every member entitled to attend and vote at the Special General Meeting is entitled to appoint one or more persons as their proxy to attend and vote on behalf of themselves. A proxy need not be a member of the Company.
2. To be valid, a form of proxy, together with the power of attorney or other document of authority, if any, under which the form is signed, or a certified copy thereof, must be deposited with the Company's Hong Kong branch registrar in Hong Kong at Computershare Hong Kong Investor Services Limited, 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Special General Meeting or any adjournment thereof (as the case may be).
3. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the meeting or any adjourned meeting or upon the poll concerned if Shareholders so wish. In such event, the instrument appointing the proxy shall be deemed to be revoked.

As at the date of this document, the executive directors of the Company are Christopher Richard Buttery, Richard Maurice Hext, Mark Malcolm Harris and Paul Charles Over, the non-executive directors of the Company are Lee Kwok Yin, Simon and Brian Paul Friedman, and the independent non-executive directors of the Company are Robert Charles Nicholson, Patrick Blackwell Paul and The Earl of Cromer.



Pacific Basin Shipping Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 2343)

FORM OF PROXY FOR SPECIAL GENERAL MEETING TO BE HELD ON WEDNESDAY, 8 JUNE 2005

No. of shares to which this proxy relates (Note 1)	
--	--

I/We (Note 2) _____
of _____

Shareholder(s) of **PACIFIC BASIN SHIPPING LIMITED** (the "Company") hereby appoint (Note 3) the Chairman of the Meeting or _____ of _____ as my/our proxy to attend, act and vote for me/us and on my/our behalf at the Special General Meeting of the Company (the "Meeting") to be held at 7/F., Hutchison House, 10 Harcourt Road, Central, Hong Kong on Wednesday, 8 June 2005 at 11:00 a.m. and at any adjournment thereof as hereunder indicated in respect of the Resolution set out in the Notice of Special General Meeting (the "SGM Notice"), and, if no such indication is given, as my/our proxy thinks fit.

RESOLUTION	For (Note 4)	Against (Note 4)
To amend the Share Option Scheme and to grant a mandate to the Directors to allot and issue shares to satisfy Options and Share Awards as set out in the SGM Notice.		

Dated this _____ day of _____, 2005.

Signature(s) (Note 5) _____

Notes:

- Please insert the number of shares registered in your name(s) to which the proxy relates. If no number is inserted, this form of proxy will be deemed to relate to all the shares in the capital of the Company registered in your name(s).
- Please insert the full name(s) and address(es) in **BLOCK CAPITALS**.
- If a proxy other than the Chairman of the Meeting is preferred, delete the words "the Chairman of the Meeting or" and insert the name and address of the proxy desired in the space provided. A member may appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company. **ANY ALTERATION MADE TO THIS FORM OF PROXY MUST BE DULY INITIALLED BY THE PERSON WHO SIGNS IT.**
- IMPORTANT: IF YOU WISH TO VOTE FOR ANY RESOLUTION, PLEASE TICK IN THE BOX MARKED "FOR". IF YOU WISH TO VOTE AGAINST ANY RESOLUTION, TICK IN THE BOX MARKED "AGAINST".** If you do not indicate how you wish your proxy to vote, your proxy will be entitled to exercise his discretion. Your proxy will also be entitled to vote at his discretion on any resolutions properly put to the Meeting other than those referred to in the Notice convening the Meeting.
- This form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must either be executed under its common seal or under the hand of an officer, attorney or other person duly authorised to sign the same.
- Where there are joint registered holders of any share, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders is present at the Meeting, personally or by proxy, then one of the said persons so present whose name appears first on the register in respect of such share shall alone be entitled to vote in respect thereof.
- To be valid, this form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited at the Company's Hong Kong branch registrar in Hong Kong at Computershare Hong Kong Investor Services Limited, 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for the Meeting or at any adjournment thereof.