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

If you have sold all your shares in Pacific Basin Shipping Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser.

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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of Pacific Basin Shipping Limited.

 **Pacific Basin Shipping Limited**

(incorporated in Bermuda with limited liability)

(Stock Code: 2343)

**PROPOSED ISSUE OF GUARANTEED CONVERTIBLE BONDS DUE 2016
CONVERTIBLE INTO ORDINARY SHARES OF PACIFIC BASIN SHIPPING LIMITED
AND
NOTICE OF SPECIAL GENERAL MEETING**

A notice convening the special general meeting of Pacific Basin Shipping Limited to be held at 7th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong on Monday, 29 March 2010 at 10:00 a.m. is set out in the Appendix to 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.

12 March 2010

CONTENTS

	<i>Page</i>
DEFINITIONS	1
EXPECTED TIMETABLE	5
LETTER FROM THE BOARD OF DIRECTORS	6
INTRODUCTION	7
THE SUBSCRIPTION AGREEMENT	7
PRINCIPAL TERMS OF THE CONVERTIBLE BONDS	12
EFFECT ON THE SHARE CAPITAL OF THE COMPANY AS A RESULT OF CONVERSION	18
USE OF PROCEEDS	19
REASON FOR THE BOND ISSUE	19
SPECIFIC MANDATE FOR THE BOND ISSUE	19
FUND RAISING ACTIVITY BY THE COMPANY IN THE LAST 12 MONTHS	20
PRINCIPAL BUSINESS OF THE GROUP	20
VOTING BY POLL	20
NOTICE OF SPECIAL GENERAL MEETING	21
RECOMMENDATION	21
APPENDIX – NOTICE OF SPECIAL GENERAL MEETING	22

DEFINITIONS

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

“Board”	means the board of directors of the Company;
“Bondholder(s)”	means holders of the Convertible Bonds from time to time;
“Bond Announcement”	means the announcement of the Company dated 4 March 2009 relating to, among other things, the Subscription Agreement, the Bond Issue and the grant of the Specific Mandate;
“Bond Issue”	means the subscription and issue of the Convertible Bonds;
“business day”	means any day on which the banks are open for business in Hong Kong;
“Bye-laws”	means the bye-laws of the Company;
“Change of Control”	means (i) when any person or persons, acting together, acquires control; or (ii) the Company consolidates with or merges into or sells or transfers all or substantially all of the Company’s assets to any other person, unless the consolidation, merger, sale or transfer will not result in the other person or persons acquiring control over the Company or the successor entity;
“Closing Date”	means the date (expected to be on 12 April 2010 or such other date as the Issuer, the Company and the Lead Managers may agree) on which the Convertible Bonds are issued;
“Company” or “Pacific Basin”	means Pacific Basin Shipping Limited, an exempted company incorporated in Bermuda with limited liability, whose shares are listed on the main board of the Stock Exchange;
“connected person”	has the meaning ascribed to that term in the Listing Rules and “connected persons” shall be construed accordingly;

DEFINITIONS

“control”	means the acquisition or control of at least 50% of the voting rights of the issued share capital of the Company or the right to appoint and/or remove all or the majority of the members of the Board or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise;
“Conversion Date”	means the conversion date in respect of the Convertible Bonds;
“Conversion Price”	means the price per Share at which the Convertible Bonds may be converted into Shares and the initial conversion price being HK\$7.98 per Share (subject to adjustment);
“Conversion Shares”	means Shares to be allotted and issued by the Company upon conversion of the Convertible Bonds;
“Convertible Bonds”	means the 1.75% Guaranteed Convertible Bonds due 2016 in an aggregate principal amount of US\$230 million;
“Directors”	means the directors of the Company;
“Existing Convertible Bonds”	means the 3.3% Guaranteed Convertible Bonds due 2013 issued by PB Issuer Limited on 20 December 2007, which are unconditionally and irrevocably guaranteed by the Company and convertible into Shares at the prevailing conversion price of HK\$19.21 per Share and are listed on the Stock Exchange under Stock Code 1606;
“Goldman Sachs”	means Goldman Sachs (Asia) L. L. C.;
“Group”	means the Company and its subsidiaries;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China;
“Issuer”	means PB Issuer (No. 2) Limited, a company incorporated in the British Virgin Islands, which is a wholly-owned subsidiary of the Company;

DEFINITIONS

“Lead Managers”	means Goldman Sachs and The Hongkong and Shanghai Banking Corporation Limited;
“Latest Practicable Date”	means 8 March 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange;
“Maturity Date”	means the date on which the Convertible Bonds mature, namely 12 April 2016;
“Offering Circular”	means the circular which the Issuer is required to provide to prospective Bondholder(s) or investors in relation to the Bond Issue;
“Publication Date”	means the date of the Offering Circular, which is expected to be three business days prior to the Closing Date or such other date as may be agreed between the Issuer, the Company and the Lead Managers;
“Relevant Indebtedness”	means any future and present indebtedness in the form of or represented by debentures, loan stock, bonds, notes, bearer participation certificates, depositary receipts, certificates of deposit or other similar securities or instruments or by bills of exchange drawn or accepted for the purpose of raising money which are, or are capable of being, quoted, listed, ordinarily dealt in or traded on any stock exchange or over the counter or on any other securities market (which for the avoidance of doubt does not include bi-lateral loans, syndicated loans or club deal loans);
“SGM”	means the special general meeting of the Company to be held at 7th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong on Monday, 29 March 2010 at 10:00 a.m., notice of which is set out in the Appendix to this circular;
“Shares”	means ordinary share(s) of US\$0.10 each in the share capital of the Company;
“Shareholders”	means the holders of Shares;

DEFINITIONS

“Specific Mandate”	means the proposed specific mandate enabling the Company to allot, issue and deal with the Conversion Shares which will fall to be allotted and issued upon conversion of the Convertible Bonds;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Subscription Agreement”	means the conditional subscription agreement entered into between the Issuer, the Company and the Lead Managers on 4 March 2010 in relation to the Bond Issue;
“Trading Days”	means a day on which the Stock Exchange is open for dealing business;
“Trust Deed”	means the deed constituting the Convertible Bonds;
“Trustee”	The Hongkong and Shanghai Banking Corporation Limited;
“United States” or “US”	means the United States of America, its territories and possessions, any State of the United States;
“US Dollars” or “US\$”	means United States dollars, the lawful currency of the United States; and
“%”	means per cent.

EXPECTED TIMETABLE

Event	Date
Announcement of the Bond Issue	Thursday, 4 March 2010
Despatch of the SGM circular	Friday, 12 March 2010
Latest time for depositing the form of proxy for use at the SGM ..	10:00 a.m. on Saturday, 27 March 2010
Time and date of the SGM	10:00 a.m. on Monday, 29 March 2010
Announcement of the poll results at the SGM	No later than 9:00 a.m. on Tuesday, 30 March 2010
Application to the Stock Exchange for listing approval of the Convertible Bonds and the Conversion Shares	Tuesday, 30 March 2010
Issue of the Convertible Bonds, subject to satisfaction of relevant conditions precedent including listing approvals being granted by the Stock Exchange	Monday, 12 April 2010

All references to times and dates contained above are to Hong Kong time unless otherwise stated.

LETTER FROM THE BOARD OF DIRECTORS

B Pacific Basin Shipping Limited

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

Executive Directors:

David Muir Turnbull
Klaus Nyborg
Jan Rindbo
Wang Chunlin

Registered Office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Non-Executive Directors:

Daniel Rochfort Bradshaw
Richard Maurice Hext

Hong Kong Principal Office:

7th Floor, Hutchison House
10 Harcourt Road
Central
Hong Kong

Independent Non-Executive Directors:

Robert Charles Nicholson
Patrick Blackwell Paul
Alasdair George Morrison

12 March 2010

To Shareholders,

**PROPOSED ISSUE OF GUARANTEED CONVERTIBLE BONDS DUE 2016
CONVERTIBLE INTO ORDINARY SHARES OF PACIFIC BASIN SHIPPING LIMITED
AND
NOTICE OF SPECIAL GENERAL MEETING**

- Shareholders approval will be sought at the SGM to approve the issue of 1.75% Convertible Bonds due 2016 in an aggregate principal amount of US\$230 million (approximately HK\$1,785 million) and the issue of the Conversion Shares, representing 11.6% of the issued share capital of the Company as at the Latest Practicable Date, pursuant to the Specific Mandate as announced by the Company on 4 March 2010;
- The Specific Mandate, if it is obtained from the Shareholders at the SGM, will be utilised solely to cover the allotment and issue of the Conversion Shares upon exercise of the conversion rights attached to the Convertible Bonds;
- The net proceeds from the Bond Issue are expected to be used by the Company to purchase part of the Existing Convertible Bonds in the market and then to redeem the remaining Existing Convertible Bonds upon the bondholders' request on 1 February 2011 or at maturity; and
- If the Specific Mandate is approved by the Shareholders at the SGM, no resolution would be considered in respect of the granting of a general mandate to the Directors to allot, issue and deal with the Shares in the Company's forthcoming annual general meeting and, as a result, the Company will continue to not have a general share issue mandate.

LETTER FROM THE BOARD OF DIRECTORS

INTRODUCTION

Reference is made to the Bond Announcement.

The purpose of this circular is to provide the Shareholders with (i) information regarding the Subscription Agreement, the Bond Issue and the Specific Mandate which are the subject matters to be put forward to the Shareholders for the purpose of considering, and, if thought fit, passing the ordinary resolution at the SGM relating to the approval of the Subscription Agreement, the Bond Issue and the Specific Mandate; and (ii) the notice of the SGM.

THE SUBSCRIPTION AGREEMENT

Date: 4 March 2010

Parties:

1. The Company, being the Guarantor;
2. The Issuer, being PB Issuer (No. 2) Limited, a wholly-owned subsidiary of the Company; and
3. The Lead Managers, being Goldman Sachs and The Hongkong and Shanghai Banking Corporation Limited, together with their respective listed parent company, which to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, is each an independent third party and independent of the Company and any director, chief executive or substantial shareholder of any member of the Group or any associate of any of them or any connected person (as defined by the Listing Rules) of the Company.

LETTER FROM THE BOARD OF DIRECTORS

Subscription:

1. Subject to the fulfillment of the conditions set out below in the section headed “Conditions Precedent”, each Lead Manager has agreed to severally, not jointly, subscribe or to procure subscribers to subscribe the Convertible Bonds in an aggregate principal amount of US\$230 million (approximately HK\$1,785 million). To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the subscribers and their ultimate beneficial owners are third parties independent of and not connected with the Company or any connected persons of the Company.
2. The Convertible Bonds will be offered and sold to persons outside the United States in reliance upon Regulation S of the US Securities Act and to “professional investors” as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong and any rules made under that Ordinance in Hong Kong and elsewhere (other than the United States).

Stabilisation activities:

Goldman Sachs may, to the extent permitted by applicable laws, over-allot and effect transactions with a view to supporting the market price of the Convertible Bonds at levels which might otherwise prevail. However, there is no obligation on Goldman Sachs to do this. Such stabilizing activities, if commenced, may be discontinued at any time. Goldman Sachs will conduct any such stabilisation activities in accordance with applicable laws and regulations.

Conditions precedent:

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

1. each of the Lead Managers shall have been satisfied with the results of its due diligence investigations on the Issuer, the Company and its subsidiaries for the purposes of the preparation of the Offering Circular, and the Offering Circular shall have been prepared in form and content satisfactory to the Lead Managers;

LETTER FROM THE BOARD OF DIRECTORS

2. execution of documents including the Trust Deed by relevant parties on or prior to the Closing Date;
3. the passing of the ordinary resolution by the Shareholders at the SGM approving, among other things, the Bond Issue and authorising the Board to allot and issue new Shares upon the exercise of the conversion rights attaching to the Convertible Bonds in compliance with the applicable requirements under the Listing Rules;
4. obtaining approval from the Stock Exchange, subject to any conditions reasonably satisfactory to the Lead Managers, to list the Convertible Bonds and the Conversion Shares (or, in each case, the Lead Managers being satisfied that such listing will be granted);
5. delivery on the Publication Date and on the Closing Date to the Lead Managers comfort letters from the Company's auditor;
6. delivery on or prior to the Closing Date to the Lead Managers of legal opinions, each in a form reasonably satisfactory to the Lead Managers, from the legal advisers to the Issuer as to the British Virgin Islands law, the legal advisers to the Company as to Bermuda law; and the legal advisers to the Company as to English and Hong Kong laws and the legal advisers to the Lead Managers as to English law;
7. the representations and warranties of the Issuer and the Company set out in the Subscription Agreement shall be true, accurate and correct in all respects at the Publication Date and the Closing Date as if they were made on such dates; and

LETTER FROM THE BOARD OF DIRECTORS

8. non-occurrence at the Closing Date of any change, or any development or event reasonably likely to involve a change, in the condition (financial or other), operations, business or properties of the Issuer, the Company or the Group, which, in the opinion of the Lead Managers, is material and adverse and which makes it, in the opinion of the Lead Managers, impracticable to market the Convertible Bonds on the terms and in the manner contemplated herein.

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

As at the Latest Practicable Date, all the above conditions precedent to completion of the Subscription Agreement were yet to be satisfied and/or (as the case may) waived.

It is the intention of the Issuer and the Company to satisfy or procure the satisfaction of the above conditions precedent to completion of the Subscription Agreement as soon as practicable.

LETTER FROM THE BOARD OF DIRECTORS

Termination:

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

Completion of the Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein. In addition, the Subscription Agreement may be terminated in certain circumstances.

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

LETTER FROM THE BOARD OF DIRECTORS

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

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

- Issuer: PB Issuer (No. 2) Limited, a company incorporated with limited liability in the British Virgin Islands, which is a wholly-owned subsidiary of the Company.
- Guarantor: The Company.
- Principal amount: The aggregate principal amount of the Convertible Bonds will be US\$230 million (approximately HK\$1,785 million).
- Issue and Redemption Price: 100% of the principal amount of the Convertible Bonds.
- Interest: The Convertible Bonds bear interest from the Closing Date at the rate of 1.75% per annum of the principal amount of the Convertible Bonds. Interest is payable semi-annually in equal instalments in arrear on 12 April and 12 October in each year.
- Conversion period: Subject to the relevant Bondholder complying with the procedures relating to conversion, Bondholder(s) may exercise conversion rights at any time on or after 12 January 2014 up to the close of business on 5 April 2016 (the “**Conversion Period**”), provided that in the event that:
- (I) during the period commencing on 12 April 2010 to but excluding 12 January 2011 the Conversion Period shall be modified and the conversion rights may be exercised if:
 - (a) a Change of Control occurs, in which case the Conversion Period shall commence on the date on, and the conversion rights may be exercisable from, which such Change of Control becomes effective;

LETTER FROM THE BOARD OF DIRECTORS

- (b) a Delisting (as defined in the terms and conditions of the Convertible Bonds) occurs or the Issuer gives notice to the Bondholders in respect of a Delisting in accordance with the terms and conditions of the Convertible Bonds, in which case the Conversion Period shall commence on, and the conversion rights may be exercised from the earlier of (i) the date on which notice is given in respect of the Delisting and (ii) the date of occurrence of such Delisting;
- (c) an Event of Default (as defined in the terms and conditions of the Convertible Bonds) occurs (regardless of whether any notice has been given or if such event is continuing), in which case the Conversion Period shall commence on the date of occurrence of such Event of Default;
- (d) the Convertible Bonds are called for redemption by the Issuer, in which case the Conversion Period shall commence on, and the conversion rights may be exercisable from, the date the relevant notice is given by the Issuer to the Bondholders;
- (e) any person, or persons acting together, announces a general offer to acquire the Shares, in which case the Conversion Period shall commence on the date of such announcement; and
- (f) subject to sub-paragraph (iii) below, during any two consecutive Trading Day period, the trading price per US\$10,000 principal amount of the Convertible Bonds for each Trading Day in such period was equal to or less than 99% of the Parity Value (as defined in the terms and conditions of the Convertible Bonds) in respect of such Trading Day, in which case the Conversion Period shall commence on, and the conversion rights may be exercised from, the date following such Trading Day period; the trading price of the Convertible Bonds on any Trading Day shall be:
 - (i) the bid price of the Convertible Bonds available on Bloomberg under page “ALLQ” as of 4:00 p.m. Hong Kong time as quoted by Goldman Sachs or any of its affiliates;

LETTER FROM THE BOARD OF DIRECTORS

- (ii) if there is no quotation by Goldman Sachs or any of its affiliates available on Bloomberg under page “ALLQ” as of 4:00 p.m. Hong Kong time, the trading price of the Convertible Bonds shall be the average of the bid price quotes of the Convertible Bonds available on Bloomberg under page “ALLQ” as of 4:00 p.m. Hong Kong time without regard to (i) any quotes that are not updated as of the relevant Trading Day and (ii) the two quotes with the highest values; and
 - (iii) in determining the trading price of the Convertible Bonds under sub-paragraph (ii) above, if less than three quotations are available on Bloomberg under page “ALLQ” as of 4:00 p.m. Hong Kong time, the Conversion Period shall commence on, and the conversion rights may be exercised from, such Trading Day; and
- (II) during the period commencing from 12 January 2011 to but excluding 12 January 2014, the conversion rights may only be exercised if one of the following events shall have occurred since the Closing Date:
 - (a) one of the events set out in sub-paragraph (I)(a) to (f) above having occurred; or
 - (b) if during any five consecutive Trading Day period, the Closing Price of the Shares for each Trading Day in such period was at least 120% of the Conversion Price then in effect, provided that if there shall occur an event giving rise to a change in the Conversion Price during any such five consecutive Trading Day period, appropriate adjustments for the relevant days approved by an independent investment bank shall be made for the purpose of calculating the closing price for such days.

LETTER FROM THE BOARD OF DIRECTORS

Conversion Price: The Convertible Bonds will be convertible into Shares at an initial Conversion Price of HK\$7.98 per Share. The initial Conversion Price at HK\$7.98 per Share represents (i) a premium of 27.0% to the closing price of HK\$6.28 per Share as quoted on the Stock Exchange on 4 March 2010, being the date of the Subscription Agreement; (ii) a premium of 27.4% to the 5-day average closing price of the Shares as quoted on the Stock Exchange for the five Trading Days ended on 4 March 2010 of HK\$6.26; (iii) a premium of 30.3% to the 10-day average closing price of the Shares as quoted on the Stock Exchange for the ten Trading Days ended on 4 March 2010 of HK\$6.13; and (iv) a premium of 21.5% to the closing price of HK\$6.57 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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

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

Redemption at the option of the Bondholder: On 12 April 2014, each Bondholder will have the right, at such Bondholder's option, to require the Issuer to redeem all or some of the Convertible Bonds at 100% of the principal amount.

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

- (i) at any time after 12 April 2014, if the closing price of the Shares (as quoted on the Stock Exchange) for the 30 consecutive Trading Days immediately prior to the date upon which notice of such redemption is given, was at least 130% of the Conversion Price then in effect; or

LETTER FROM THE BOARD OF DIRECTORS

- (ii) if at any time the aggregate principal amount of the Convertible Bonds outstanding is less than 10% of the aggregate principal amount issued.

Redemption for taxation reasons: The Issuer may redeem all, but not some only, of the Convertible Bonds at 100% of their principal amount together with accrued but unpaid interest at the date fixed for redemption in the event of changes in or amendment to the laws and regulations regarding taxation in the British Virgin Islands, Bermuda or Hong Kong.

If the Issuer exercises its tax redemption right, each Bondholder shall have the right to elect that all or a portion of its Convertible Bonds shall not be redeemed. Upon a Bondholder electing not to have its Convertible Bonds redeemed in such circumstances, any payments due after the relevant date shall be made subject to any deduction or withholding required under the laws of the British Virgin Islands, Bermuda or Hong Kong (as applicable).

Redemption for Delisting: Each Bondholder shall have the right, at such Bondholder's option, to require the Company to redeem in whole, but not in part, of such Bondholder's Convertible Bonds at 100% of their principal amount together with accrued but unpaid interest upon the Shares ceasing to be listed or admitted to trading on the Stock Exchange or an Alternative Stock Exchange (as defined in the terms and conditions of the Convertible Bonds).

Redemption for Change of Control Following the occurrence of a Change of Control and subject to the relevant Bondholder complying with the procedures relating to such redemption, each Bondholder shall have the right, at such Bondholder's option, to require the Issuer to redeem in whole, but not in part, of such Bondholder's Convertible Bonds at 100% of their principal amount, together with accrued but unpaid interest.

Maturity: Unless previously redeemed, converted or purchased and cancelled in the circumstances referred to in the conditions of the Convertible Bonds, the Company will redeem each Convertible Bond at 100% of its principal amount on the Maturity Date.

LETTER FROM THE BOARD OF DIRECTORS

- Voting Rights:** Bondholders will not have any right to attend or vote at any meeting of the Company by virtue of them being Bondholders, and until and unless they have converted their Convertible Bonds into Shares.
- Negative Pledge:** So long as any Convertible Bond remains outstanding, neither the Issuer nor the Company will, and will ensure that none of its subsidiaries will, create or have outstanding, any form of encumbrance, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Convertible Bonds the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as either (i) the Trustee shall at its absolute discretion deem not materially less beneficial to the interests of the Bondholders or (ii) shall be approved by the Bondholders by an Extraordinary Resolution (as defined in the Trust Deed).
- Listing:** Application will be made for the listing of the Convertible Bonds on the Stock Exchange as selectively marketed securities. The Convertible Bonds will be traded over-the-counter through Euroclear and Clearstream and will not be traded on the Stock Exchange.
- The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.
- Offering Circular:** The Convertible Bonds will be offered to professional investors (as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the Securities and Futures (Professional Investor) Rules) or otherwise pursuant to another exemption set out in Schedule 17 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) and is therefore exempt from the prospectus requirements under the Companies Ordinance.

Pursuant to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt

LETTER FROM THE BOARD OF DIRECTORS

securities. Accordingly, the Company will apply for the Stock Exchange's approval if there is any proposed amendments to the terms of the Convertible Bonds, which do not take effect automatically in accordance with the terms thereof.

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

Based on the initial Conversion Price of HK\$7.98 per Share and assuming full conversion of the Convertible Bonds, the Convertible Bonds will be convertible into 223,736,967 Shares (subject to adjustment), representing approximately 11.6% of the issued share capital of the Company as at the Latest Practicable Date and approximately 10.4% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The following table summarises the potential effects on the shareholding structure of the Company as a result of the Bond Issue (by reference to the shareholdings as at Latest Practicable Date and assuming full conversion of the Convertible Bonds):

Shareholder	Existing (as at the Latest Practicable Date)		Assuming the Convertible Bonds are fully converted into Shares at the initial Conversion Price of HK\$7.98 each	
	No. of Shares	% of issued share capital of the Company	No. of Shares	% of enlarged share capital of the Company
UBS AG (Note 1)	290,483,970	15.1%	290,483,970	13.5%
JP Morgan Chase & Co. (Note 2)	214,017,950	11.1%	214,017,950	9.9%
Compagnie de Navigation Canadian Forest Ltee. Canadian Forest Navigation Co. Ltd.	212,354,000	11.0%	212,354,000	9.9%
Public Shareholders	1,211,990,199	62.8%	1,211,990,199	56.3%
Bondholders	–	–	223,736,967	10.4%
Total	1,928,846,119	100%	2,152,583,086	100%

Notes:

- (1) The Shares held by UBS AG are held in the capacities of beneficial owner (relating to 112,893,320 Shares), person having a security interest in Shares (relating to 10,248,000 Shares) and interest in corporation controlled (relating to 167,342,650 Shares).
- (2) The Shares held by JP Morgan Chase & Co. are held in the capacities of beneficial owner (relating to 15,815,390 Shares), investment manager (relating to 134,442,347 Shares) and custodian corporation/approved lending agent (relating to 63,760,213 Shares).

LETTER FROM THE BOARD OF DIRECTORS

USE OF PROCEEDS

The net proceeds from the Bond Issue, after deduction of commission and expenses, are estimated to be approximately HK\$1,765 million and are expected to be used by the Company to purchase part of the Existing Convertible Bonds in the market depending on, among other things, the Company's assessment of the attractiveness of the market price of the Existing Convertible Bonds, the global economy and the performance of the equity markets subsequent to the Bond Issue, and then to redeem the remaining Existing Convertible Bonds upon the bondholders' request on 1 February 2011 or at maturity. As at the Latest Practicable Date, the outstanding aggregate principal amount of the Existing Convertible Bonds was US\$314.0 million (approximately HK\$2,437 million). Any purchases of the Existing Convertible Bonds (including the cost of such purchase and the aggregate principal amount purchased) shall be made in compliance with, and disclosed in accordance with, the Listing Rules prevailing at that time. The net proceeds from the Bond Issue will be less than the outstanding amount of the Existing Convertible Bonds and any necessary balance to redeem or purchase the Existing Convertible Bonds will be provided from the Company's own cash resources.

REASONS FOR THE BOND ISSUE

The Bond Issue will raise immediate funds for the Company, which is expected to be used by the Company to purchase part of the Existing Convertible Bonds in the market and then to redeem the remaining Existing Convertible Bonds upon the bondholders' request on 1 February 2011 or at maturity. The Bond Issue will also maintain the Company's flexibility to utilise its cash balances to invest predominately in dry bulk vessels in due course.

SPECIFIC MANDATE FOR THE BOND ISSUE

At the annual general meeting of the Company held on 21 April 2009, an ordinary resolution was passed to grant a general and unconditional mandate to the Directors to allot, issue and deal with additional Shares up to a limit of 10% of the aggregate nominal amount of the issued share capital of the Company as at 21 April 2009, which amounted to 174,731,010 Shares.

On 20 May 2009, the Company issued 174,731,010 new Shares at a price of HK\$4.36 per Share pursuant to a placing agreement dated 12 May 2009, representing approximately 10.0% of the then issued share capital of the Company and 9.1% of the then enlarged share capital of the Company, for the purpose of providing equity financing for the Company's expansion initiatives including purchasing assets, mainly dry bulk vessels, at attractive prices at the right time.

Accordingly, as at the Latest Practicable Date, the Company has fully utilised its annual general issue mandate for the Directors to allot, issue and deal with additional Shares of the Company. The Directors therefore propose to seek the approval of the Shareholders to grant the Specific Mandate at the SGM to cover the allotment and issue of the Conversion Shares upon exercise of the conversion rights. The Bond Issue and the allotment and issue of the Conversion Shares upon exercise of the conversion rights are also subject to approval of the Shareholders at the SGM.

LETTER FROM THE BOARD OF DIRECTORS

The new general mandate to allot, issue and deal with Shares at the forthcoming annual general meeting will only be considered conditional upon approval of the Specific Mandate not being obtained from the Shareholders at the SGM. Accordingly, investors should note that if the Specific Mandate is approved by the Shareholders at the SGM, no resolution would be considered to give the Directors a general mandate to allot, issue or deal with Shares at the forthcoming annual general meeting of the Company, and, as a result, the Company will continue to not have a general share issue mandate.

FUND RAISING ACTIVITY BY THE COMPANY IN THE LAST 12 MONTHS

Date of announcement	Date of closing	Fund-raising activity	Net proceeds raised	Intended use of proceeds
12 May 2009	20 May 2009	Placing of new Shares	HK\$751.9 million	Providing equity financing for the Company's expansion initiatives

Since the above placing of new Shares, the Company has incurred capital expenditure of approximately US\$250 million (approximately HK\$1,940 million) on nine dry bulk vessels, 12 tugs and four Roll-on Roll-off vessels and accordingly the net proceeds of HK\$751.9 million have been fully utilised to satisfy such capital commitments, with the remaining balance having been or will be satisfied from the Company's internal resources.

Save as disclosed above, the Company has not undertaken any fund raising activities within the 12 months immediately prior to the Latest Practicable Date.

PRINCIPAL BUSINESS OF THE GROUP

The Group is one of the world's leading owners and operators of modern handysize and handymax dry bulk vessels and a global provider of diversified shipping services. The Company is listed and headquartered in Hong Kong, and operates in three main maritime segments under the banners of Pacific Basin Dry Bulk, PB Energy & Infrastructure Services, and PB RoRo.

VOTING BY POLL

Pursuant to Rule 13.39 of the Listing Rules, any votes of the Shareholders at a general meeting must be taken by poll. Therefore, the chairman of the SGM will demand a poll for each and every resolution put forward at the SGM pursuant to Bye-law 66. The Company will appoint scrutineers to handle vote-taking procedures at the SGM. The results of the poll will be published on the HKExnews website at www.hkexnews.hk and the Company's website at www.pacificbasin.com no later than the business day following the SGM.

LETTER FROM THE BOARD OF DIRECTORS

NOTICE OF SPECIAL GENERAL MEETING

The notice of the SGM is set out in the Appendix to 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 himself. 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, 17M 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 or any adjournment thereof (as the case may be). 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.

RECOMMENDATION

The Directors believe that that Subscription Agreement, the Bond Issue and the Specific Mandate are in the best interest of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolution to be proposed at the SGM.

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

Note: An exchange rate of US\$1.00 to HK\$7.7627 has been used for the conversion of US dollars into HK dollars for the purpose of this circular.

B Pacific Basin Shipping Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 2343)

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of Pacific Basin Shipping Limited (the “**Company**”) will be held at 7th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong on Monday, 29 March 2010 at 10:00 a.m. for the purposes of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT

- (a) the conditional subscription agreement (the “**Subscription Agreement**”) (a copy of which has been produced to the SGM marked “A” and signed by the chairman of the SGM for the purpose of identification) dated 4 March 2010 and entered into among the Company, PB Issuer (No. 2) Limited (the “**Issuer**”) and Goldman Sachs (Asia) L.L.C. and The Hongkong and Shanghai Banking Corporation Limited (each a “**Lead Manager**”, and together the “**Lead Managers**”) pursuant to which the Lead Managers have agreed to subscribe or to procure subscribers to subscribe the 1.75% coupon Guaranteed Convertible Bonds due 2016 (the “**Convertible Bonds**”) in an aggregate principal amount of US\$230 million (approximately HK\$1,785 million), convertible into new shares with a par value of US\$0.10 each in the capital of the Company (each, a “**Share**”) on the terms and conditions of the Convertible Bonds (the “**Bond Conditions**”) contained therein and the performance of all the transactions contemplated thereunder and all other matters of and incidental thereto or in connection therewith be and are hereby generally and unconditionally approved, ratified and confirmed;
- (b) any one or more of the directors of the Company (the “**Directors**”) be and is/are hereby authorised to do all such acts and things and execute all such other or further documents which he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the terms of, or the transactions contemplated by, the Subscription Agreement and all documents in connection therewith and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of the Bond Conditions) as are, in the opinion of the Directors, in the interest of the Company and its shareholders as a whole;
- (c) the Convertible Bonds to be issued pursuant to the Subscription Agreement and the transactions contemplated thereunder be and are hereby approved; and

- (d) any one or more of the Directors be and is/are hereby authorised to allot and issue such number of Shares as may fall to be allotted and issued;
- (i) on and subject to the terms and conditions of the Subscription Agreement; and
- (ii) upon exercise of the conversion rights attached to the Convertible Bonds on and subject to the terms and conditions of the Subscription Agreement and the Bond Conditions.”

By Order of the Board
Andrew T. Broomhead
Company Secretary

Hong Kong, 12 March 2010

Notes:

1. Every member entitled to attend and vote at the SGM convened by the above notice 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, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be).
3. Completion and return of the form of proxy will not preclude shareholders of the Company from attending and voting in person at the meeting or any adjourned meeting or upon the poll concerned if the shareholders so wish. In such event, the instrument appointing the proxy shall be deemed to be revoked.