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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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 or transferred** 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.

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# **Pacific Basin Shipping Limited**

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 2343)**

**PROPOSED ISSUE OF 3% GUARANTEED CONVERTIBLE BONDS DUE 2025  
CONVERTIBLE INTO ORDINARY SHARES OF PACIFIC BASIN SHIPPING LIMITED  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

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A notice convening the special general meeting of Pacific Basin Shipping Limited to be held at 31/F One Island South, 2 Heung Yip Road, Wong Chuk Hang, Hong Kong on Monday, 2 December 2019 at 9:00 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.

13 November 2019

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## DEFINITIONS

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

“Agreed Purchases”	means the transactions entered into by the Group and the four sellers in respect of the sale and purchase of four second-hand vessels with the consideration payable partly in cash and the issue of new Shares as announced by the Company on 17 September 2019;
“Alternative Stock Exchange”	means at any time, in the case of the Shares, if they are not at that time listed and traded on the Stock Exchange, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in;
“BNP Paribas”	means BNP Paribas Securities (Asia) Limited, a global coordinator and a joint lead manager and joint bookrunner;
“Board”	means the board of directors of the Company;
“Bondholder(s)”	means the holder(s) of the Convertible Bonds from time to time;
“Bond Announcement”	means the announcement of the Company dated 31 October 2019 relating to, among other things, the Subscription Agreement, the Bond Issue and the proposed 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 Tuesday, 10 December 2019 or such other date as the Issuer, the Company and the Joint Lead Managers may agree) on which the Convertible Bonds are issued;

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## DEFINITIONS

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“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;
“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\$2.40 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 3% Guaranteed Convertible Bonds due 2025 in an aggregate principal amount of US\$175 million;
“Directors”	means the directors of the Company;
“DNB”	means DNB Markets, a part of DNB Bank ASA, a joint lead manager and joint bookrunner;
“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;
“HSBC”	means The Hongkong and Shanghai Banking Corporation Limited, a global coordinator and a joint lead manager and joint bookrunner;

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## DEFINITIONS

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“Issuer”	means PB Issuer (No. 5) Limited, a company incorporated in the British Virgin Islands, which is a wholly-owned subsidiary of the Company;
“Joint Lead Managers”	means collectively BNP Paribas, HSBC and DNB;
“Latest Practicable Date”	means Monday, 11 November 2019, 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 10 December 2025;
“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 Joint 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 31/F One Island South, 2 Heung Yip Road, Wong Chuk Hang, Hong Kong on Monday, 2 December 2019 at 9:00 a.m., notice of which is set out in the Appendix to this circular;
“Shares”	means ordinary share(s) of US\$0.01 each in the share capital of the Company;
“Shareholders”	means the holders of Shares;

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## DEFINITIONS

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“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 Joint Lead Managers on 31 October 2019 (after trading hours of the Stock Exchange) 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”	means 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;
“Vessel A”	means the Handysize vessel of 35,947 dwt Shikoku built 2015 to be delivered to the Group pursuant to the terms of the Agreed Purchases;
“Vessel B”	means the Supramax vessel of 57,631 dwt Tsuneishi built 2015 to be delivered to the Group pursuant to the terms of the Agreed Purchases;
“Vessel C”	means the Handysize vessel of 35,947 dwt Shikoku built 2015 delivered to the Group on 5 November 2019 pursuant to the terms of the Agreed Purchases;
“Vessel D”	means the Supramax vessel of 61,442 dwt Imabari built 2012 delivered to the Group on 6 November 2019 pursuant to the terms of the Agreed Purchases; and
“%”	means per cent.

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## EXPECTED TIMETABLE

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Event	Date
Announcement of the Bond Issue .....	Thursday, 31 October 2019
Despatch of the SGM circular .....	Wednesday, 13 November 2019
Last share registration date to determine shareholders' voting rights .....	Tuesday, 26 November 2019 registration not later than 4:30 p.m.
Book closure period during which the registration of Shares will be suspended in order to determine the entitlement to attend and vote at the meeting .....	Wednesday, 27 November 2019 to Monday, 2 December 2019, both days inclusive
Latest time for depositing the form of proxy for use at the SGM .....	9:00 a.m. on Saturday, 30 November 2019
Time and date of the SGM .....	9:00 a.m. on Monday, 2 December 2019
Announcement of the poll results at the SGM. ....	No later than 11:00 p.m. on Monday, 2 December 2019
Application to the Stock Exchange for listing approval of the Convertible Bonds and the Conversion Shares .....	On or around Monday, 2 December 2019
Issue of the Convertible Bonds, subject to satisfaction of relevant conditions precedent including listing approvals being granted by the Stock Exchange .....	On or around Tuesday, 10 December 2019

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

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## LETTER FROM THE BOARD OF DIRECTORS

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# Pacific Basin Shipping Limited

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

*Executive Directors:*

David Muir Turnbull  
Mats Henrik Berglund  
Peter Schulz

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

*Independent Non-Executive Directors:*

Patrick Blackwell Paul  
Robert Charles Nicholson  
Alasdair George Morrison  
Daniel Rochfort Bradshaw  
Irene Waage Basili  
Stanley Hutter Ryan  
Kirsi Kyllikki Tikka

*Hong Kong Principal Office:*

31/F, One Island South  
2 Heung Yip Road  
Wong Chuk Hang  
Hong Kong

13 November 2019

To Shareholders,

**PROPOSED ISSUE OF 3% GUARANTEED CONVERTIBLE BONDS DUE 2025  
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 3% Convertible Bonds due 2025 in an aggregate principal amount of US\$175 million (approximately HK\$1,371 million) and the issue of the Conversion Shares, representing approximately 12.12% 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 31 October 2019;
- The Specific Mandate, if 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 Bond Issue provides an attractive and alternative source of longer term financing for the Group, in addition to the Group's operating cash flows and the utilisation of bank borrowings secured on the Group's vessels; and
- The Company intends to use the proceeds primarily to fund the expansion and renewal of its fleet of Handysize and Supramax vessels (including the Agreed Purchases) as well as for general corporate purposes (the pace of fleet expansion and renewal will be governed by prevailing market conditions).



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## LETTER FROM THE BOARD OF DIRECTORS

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### 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 deemed 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 Board also wishes to highlight that it believes that the Bond Issue provides an attractive and alternative source of longer term financing for the Group, in addition to the Group's operating cash flows and the utilisation of bank borrowings secured on the Group's vessels. The Company intends to use the proceeds primarily to further enhance the Group's balance sheet and liquidity position to support the organic expansion and renewal of its fleet (including via the Agreed Purchases) as well as for general corporate purposes. Shareholders may refer to the section titled "Use of Proceeds and Reasons for the Bond Issue" below for further information.

### THE SUBSCRIPTION AGREEMENT

Date: 31 October 2019 (after trading hours of the Stock Exchange)

Parties:

1. The Company, being the Guarantor;
2. The Issuer, being PB Issuer (No. 5) Limited, a wholly-owned subsidiary of the Company; and
3. The Joint Lead Managers, being BNP Paribas, HSBC and DNB. The Joint Lead Managers, together with their respective listed parent companies, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, is each not a connected person (as defined by the Listing Rules) of the Company and is each a third party independent of the Company and connected persons (as defined by the Listing Rules) of the Company.

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## LETTER FROM THE BOARD OF DIRECTORS

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Subscription:

1. Subject to the fulfillment of the conditions set out below in the section headed “Conditions Precedent”, the Joint Lead Managers have agreed to severally, not jointly, subscribe or to procure subscribers to subscribe the Convertible Bonds in an aggregate principal amount of US\$175 million (approximately HK\$1,371 million). The underwriting commitments of the Joint Lead Managers are BNP Paribas as to US\$70 million (approximately HK\$548.5 million), HSBC as to US\$70 million (approximately HK\$548.5 million) and DNB as to US\$35 million (approximately HK\$274.0 million). To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the subscribers and their ultimate beneficial owners are not connected persons of the Company and are third parties independent of the Company and its connected persons (as defined by the Listing Rules), and none of the subscribers of the Convertible Bonds would become the Company’s substantial shareholder (as defined under the Listing Rules) upon the issuance of the Convertible Bonds.
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 thereunder in Hong Kong and elsewhere (other than the United States).

Stabilisation activities:

The Joint Lead Managers may, to the extent permitted by applicable laws, (i) over-allot the Convertible Bonds to themselves or the subscribers and (ii) effect transactions with the subscribers, both with a view to supporting the market price of the Convertible Bonds at a level higher than that which might otherwise prevail. However, there is no obligation on the Joint Lead Managers to do this. Such stabilising activities, if commenced, will not require the Issuer to issue in excess of the US\$175 million aggregate principal amount of the Convertible Bonds and may be discontinued by the Joint Lead Managers at any time. The Joint Lead Managers will conduct any such stabilisation activities in accordance with applicable laws and regulations.

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## LETTER FROM THE BOARD OF DIRECTORS

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

1. each of the Joint 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 Joint Lead Managers;
2. execution of documents as may be reasonably required by the Joint Lead Managers including the Trust Deed by relevant parties on or prior to the Closing Date;
3. obtaining approval from the Stock Exchange, subject to any conditions reasonably satisfactory to the Joint Lead Managers, to list the Convertible Bonds and the Conversion Shares (or, in each case, the Joint Lead Managers being satisfied that such listing will be granted);
4. delivery on or prior to the Closing Date to the Joint Lead Managers of a copy 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 pursuant to the Specific Mandate in compliance with the applicable requirements under the Listing Rules;
5. delivery on the Publication Date and on the Closing Date to the Joint Lead Managers comfort letters from the Company's auditor;
6. delivery on or prior to the Closing Date to the Joint Lead Managers of legal opinions, each in a form reasonably satisfactory to the Joint Lead Managers, from the legal advisers to the Issuer as to the British Virgin Islands law, the legal advisers to the Company as to Bermudan law; the legal advisers to the Issuer and the Company as to English and Hong Kong law and the legal advisers to the Joint Lead Managers as to English law;

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## LETTER FROM THE BOARD OF DIRECTORS

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7. the (i) 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 (ii) performance by the Issuer and the Guarantor of their respective obligations set out in the Subscription Agreement on or before the Publication Date and the Closing Date and (iii) delivery on the Publication Date and on the Closing Date to the Joint Lead Managers a certificate of a duly authorised officer of each of the Issuer and the Company to such effect; and
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 reasonable opinion of the Joint Lead Managers after good faith consultation with the Group, is material and adverse and which makes it, in the opinion of the Joint 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 Joint 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. However, for the avoidance of doubt, obtaining approval from the Stock Exchange to list the Convertible Bonds and the Conversion Shares would be required prior to the issue of the Convertible Bonds.

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.

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## LETTER FROM THE BOARD OF DIRECTORS

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Termination:

The Joint 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 Joint 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, Hong Kong, Singapore, the European Union or the People's Republic of China 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, Hong Kong, Singapore, the European Union or the People's Republic of China; (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, Hong Kong, Singapore, the European Union or the People's Republic of China or the declaration by the United States, the United Kingdom, Hong Kong, Singapore, the European Union or the People's Republic of China 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 opinion of the Joint Lead Managers after good faith consultation with the Group, makes it impracticable or inadvisable to proceed with the 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.**

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## LETTER FROM THE BOARD OF DIRECTORS

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### 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. 5) 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\$175 million (approximately HK\$1,371 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 3% per annum of the principal amount of the Convertible Bonds. Interest is payable semi-annually in equal instalments in arrears on 10 June and 10 December 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 20 January 2020 up to 30 November 2025 (the “ <b>Conversion Period</b> ”).
Conversion Price:	The Convertible Bonds will be convertible into Shares at an initial Conversion Price of HK\$2.40 per Share. The initial Conversion Price at HK\$2.40 per Share represents (i) a premium of 31.87% to the closing price of HK\$1.82 per Share as quoted on the Stock Exchange on 31 October 2019, being the date of the Subscription Agreement; (ii) a premium of 36.36% to the 5-day average closing price of the Shares as quoted on the Stock Exchange for the five Trading Days immediately prior to the date of the Subscription Agreement of HK\$1.76; (iii) a premium of 39.53% to the 10-day average closing price of the Shares as quoted on the Stock Exchange for the ten Trading Days immediately prior to the date of the Subscription Agreement of HK\$1.72; and (iv) a premium of 47.24% to the closing price of HK\$1.63 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The initial Conversion Price at HK\$2.40 per Share was determined after arm’s length negotiations between the Issuer, the Company and the Joint Lead Managers after taking into account of the historical performance of the market price of the Shares, including the 5-day average closing price of HK\$1.76 per Share as quoted on the Stock Exchange for the five Trading Days immediately prior to the date of the Subscription Agreement.

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## LETTER FROM THE BOARD OF DIRECTORS

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Adjustment to the  
Conversion Price:

The Conversion Price will be adjusted in accordance with relevant provisions under the terms of the Convertible Bonds upon occurrence of the following events:

- (i) alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification;
- (ii) issue of Shares by the Company by way of capitalisation of profits or reserves (including Shares paid up out of distributable profits or reserves and/or share premium account issued), other than Shares issued in lieu of a cash dividend;
- (iii) payment or making of any capital distribution (including dividend payment) to the Shareholders by the Company;
- (iv) issue of Shares by the Company to the Shareholders by way of rights, or issue or grant by the Company to the Shareholders any options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 95% of the current market price per Share on the date of the announcement of the terms of such issue or grant;
- (v) issue of other securities by the Company to the Shareholders by way of rights, or issue or grant by the Company to the Shareholders any options, warrants or other rights to subscribe for, purchase or acquire such securities;
- (vi) issue of Shares by the Company (wholly for cash or for no consideration), or issue or grant by the Company (wholly for cash or for no consideration) any options, warrants or other rights to subscribe for, purchase or acquire any Shares, in each case at less than 95% of the current market price per Share on the date of announcement of the terms of such issue;
- (vii) issue of other securities by any member of the Group or (at the direction or request of or pursuant to any arrangements with any member of the Group) any other company which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares upon conversion, exchange or subscription at less than 95% of the current market price per Share on the date of announcement of the terms of such securities;

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## LETTER FROM THE BOARD OF DIRECTORS

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- (viii) modification of rights of conversion, exchange or subscription attaching to any such securities as mentioned in subparagraph (vii) above (other than in accordance with the terms thereof) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following such modification) is less than 95% of the current market price on the date of announcement of the proposals for such modification;
- (ix) sale or distribution of any securities by any member of the Group or (at the direction or request of or pursuant to any arrangements with any member of the Group) any other company in connection with which an offer pursuant to which the Shareholders are generally are entitled to participate in arrangements whereby such securities may be acquired by them; and
- (x) any other events or circumstances not referred to above as determined by the Guarantor, provided that the Guarantor shall at its own expense request an independent investment bank to determine as soon as practicable what adjustment (if any) is fair and reasonable to take account thereof, if such adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment should take effect.

The Board is of the view that the inclusion of the abovementioned customary Conversion Price adjustments in the terms of the Convertible Bonds is able to provide an anti-dilution mechanism to sufficiently and reasonably protect the legitimate interest of the Bondholders.

No adjustment shall cause the Conversion Price to fall below the par value of the Shares.

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 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 interest accrued up to the date fixed for redemption but unpaid if at any time the aggregate principal amount of the Convertible Bonds outstanding is less than 10% of the aggregate principal amount issued.



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## LETTER FROM THE BOARD OF DIRECTORS

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Redemption for taxation reasons:	<p>The Issuer may redeem all, but not some only, of the Convertible Bonds at 100% of their principal amount together with interest accrued up to the date fixed for redemption but unpaid in the event of changes in or amendment to the laws and regulations regarding taxation in the British Virgin Islands, Bermuda or Hong Kong.</p> <p>If the Issuer exercises such tax redemption right, each Bondholder shall have the right to elect that 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).</p>
Redemption at the option of the Bondholders:	<p>On 10 December 2023, 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, together with interest accrued up to the date fixed for redemption but unpaid.</p>
Redemption for Change of Control:	<p>Following the occurrence of a Change of Control and subject to the relevant Bondholder complying with the procedures relating to such redemption, each Bondholder shall have the right, at such Bondholder's option, to require the Issuer to redeem in whole, but not in part, of such Bondholder's Convertible Bonds at 100% of their principal amount, together with interest accrued up to the date fixed for redemption but unpaid.</p>
Redemption for Delisting or Suspension:	<p>Each Bondholder shall have the right, at such Bondholder's option, to require the Company to redeem in whole, but not in part, of such Bondholder's 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 or trading of the Shares is suspended for a period equal to or exceeding 30 consecutive Trading Days on the Stock Exchange or an Alternative Stock Exchange.</p>
Maturity:	<p>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, together with accrued and unpaid interest thereon, if any.</p>
Transferability:	<p>Subject to the restricted period described below, the Convertible Bonds are freely transferable at any time during the period from the date on which the Bondholder is registered as the holder of the Convertible Bonds.</p>

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## LETTER FROM THE BOARD OF DIRECTORS

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- Restricted Transfer Period:** No transfer of the Convertible Bonds will be registered (i) during the period of seven days ending on (and including) the date for redemption at the option of the Issuer or for redemption for taxation reasons; (ii) after a notice of conversion has been delivered in respect of such Convertible Bonds; (iii) during the period of seven days ending on (and including) the date of payment of interest on such Convertible Bonds; (iv) after a notice of redemption at the option of the Bondholders has been deposited in respect of such Convertible Bonds; (v) after a notice of redemption of change of control has been deposited in respect of such Convertible Bonds; or (vi) after a notice of redemption of delisting or suspension (as the case may be) has been deposited in respect of such Convertible Bonds.
- Voting Rights:** Bondholders will not have any right to attend or vote at any meeting of the Company by virtue of them being Bondholders, 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 (i) the listing of the Convertible Bonds on the Stock Exchange as selectively marketed securities; and (ii) the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange. The Convertible Bonds will be traded over-the-counter through Euroclear and Clearstream and will not be traded on the Stock Exchange.
- 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 (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) and is therefore exempted from the prospectus requirements thereunder.

## LETTER FROM THE BOARD OF DIRECTORS

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

Based on the initial Conversion Price of HK\$2.40 per Share and assuming full conversion of the Convertible Bonds, the Convertible Bonds will be convertible into 571,382,291 Shares (subject to adjustment), representing approximately 12.12% of the issued share capital of the Company as at the Latest Practicable Date and approximately 10.81% 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 (i) full conversion of the Convertible Bonds); and (ii) the relevant Shares have been issued to the sellers of Vessel A and Vessel B upon delivery of the vessels to the Group under the terms of the Agreed Purchases):

Shareholder	Existing (as at the Latest Practicable Date)		Assuming the Convertible Bonds are fully converted into Shares at the initial Conversion Price of HK\$2.40 each and the issue of Shares to the sellers of Vessel A and Vessel B of the Agreed Purchases			
	No. of Shares	% of issued share capital of the Company	No. of Shares assuming full conversion of the Convertible Bonds	% of enlarged share capital of the Company	No. of Shares (assuming the Shares have been issued to sellers of Vessel A and Vessel B of the Agreed Purchases)	% of enlarged share capital of the Company (assuming the Shares have been issued to the sellers of Vessel A and Vessel B of the Agreed Purchases)
JP Morgan Chase & Co.	280,482,267	5.95%	280,482,267	5.31%	280,482,267	5.26%
Sellers of Vessel A	-	-	-	-	26,721,847	0.50%
Sellers of Vessel B	-	-	-	-	25,071,915	0.47%
Sellers of Vessel C	33,363,734	0.71%	33,363,734	0.63%	33,363,734	0.63%
Sellers of Vessel D	20,754,537	0.44%	20,754,537	0.39%	20,754,537	0.39%
Public Shareholders	4,379,290,972	92.90%	4,379,290,972	82.86%	4,379,290,972	82.04%
Bondholders	-	-	571,382,291	10.81%	571,382,291	10.71%
<b>Total</b>	<b>4,713,891,510</b>	<b>100%</b>	<b>5,285,273,801</b>	<b>100%</b>	<b>5,337,067,563</b>	<b>100%</b>

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## LETTER FROM THE BOARD OF DIRECTORS

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### USE OF PROCEEDS AND REASONS FOR THE BOND ISSUE

The Convertible Bonds are expected to further enhance the Group's balance sheet and liquidity position to support the organic fleet expansion and renewal of its fleet. The Convertible Bonds are unsecured and non-amortising, representing an attractive and alternative source of longer term financing for the Group.

The initial Conversion Price at HK\$2.40 per Share represents a premium of 31.87% to the closing price of HK\$1.82 per Share as quoted on the Stock Exchange on 31 October 2019, being the date of the Subscription Agreement. As such the Convertible Bonds will not have an immediate dilution effect on the shareholding of the existing Shareholders. In addition, the Company understands that the 3% cash coupon of the Convertible Bonds is considered competitive in the current market.

Taking into account the above, the Board considers that the issue of the Convertible Bonds is an appropriate means of raising additional capital for the Company.

The gross proceeds from the Bond Issue are estimated to be approximately US\$175 million (approximately HK\$1,371 million). The net proceeds from the Bond Issue, after deduction of approximately US\$1.6 million (approximately HK\$13 million) for management and underwriting commission and selling concession payable to the Joint Lead Managers, professional fees and all related expenses, are estimated to be approximately US\$173.4 million (approximately HK\$1,358 million).

The Company intends to use the proceeds (i) primarily to fund the expansion and renewal of its fleet of Handysize and Supramax vessels (including the Agreed Purchases) in the medium to longer term by investing in ships of excellent build quality and the best designs for its trades, which is in line with the Company's stated strategic plan of acquiring quality second-hand ships and growing its fleet for the benefit of the Group's business and shareholders; and (ii) for general corporate purposes. Approximately US\$27.2 million of the proceeds (representing approximately 15.7% of the net proceeds) is intended to be used as the cash consideration for the purchase of Vessel A and Vessel B pursuant to the terms of the Agreed Purchases, and approximately US\$22.2 million (representing approximately 12.8% of the net proceeds) is intended to be used to replenish the Group's cash reserves that were used as the cash consideration for the purchase of Vessel C and Vessel D pursuant to the terms of the Agreed Purchases. Additionally, it is expected that approximately US\$100 million (representing approximately 57.7% of the net proceeds) will be used for further potential vessel acquisitions and the balance (representing approximately 13.8% of the net proceeds) for general corporate purposes including but not limited to vessel operating expenses, vessel charter hire, the service of the Group's financial obligations (including the coupon liability of this convertible bonds), office administrative expenses and vessel and non-vessel equipment expenditures.

As disclosed previously, the Company has been aiming to gradually grow and renew its Handysize and Supramax fleets, including by trading up its smaller, older ships to larger, modern vessels with longer lifespans at attractive prices. In the year to date, the Group has committed to purchase seven second-hand vessels (including the four ships of the Agreed Purchases), and sell two of its smaller, older Handysize ships. These acquisitions will grow and improve the proportion of the Group's owned versus chartered ships (especially in Supramaxes) and help to maintain its competitive vessel daily break-even levels.

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## LETTER FROM THE BOARD OF DIRECTORS

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The Group will continue to proactively identify and carefully consider from time to time second-hand ship acquisition opportunities, provided that such vessels meet the high specifications and quality standards required by the Group. It is important for shareholders to understand that the pace and quantity of the Group's fleet expansion and renewal is uncertain since it will be governed by the prevailing market conditions and the availability of suitable ships for sale, and the Group may adjust its strategy in the interest of its shareholders if necessary.

### **SPECIFIC MANDATE FOR THE BOND ISSUE**

The Board proposes 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 attached to the Convertible Bonds. The Bond Issue and the allotment and issue of the Conversion Shares upon conversion of the Bonds are also subject to approval of the Shareholders at the SGM.

### **EQUITY FUND RAISING ACTIVITY BY THE COMPANY IN THE LAST 12 MONTHS**

<b>Date of announcement</b>	<b>Fund-raising activity</b>	<b>Consideration involved</b>	<b>Intended use</b>
17 September 2019	Issue of Shares as partial consideration for the Agreed Purchases	Approximately US\$24.4 million	To finance part of the consideration for the Agreed Purchases.  The Shares will be allotted and issued to the sellers on the estimated delivery dates of the respective vessels.

Save as disclosed above, there was no equity fund raising activity by the Company through the issue of equity securities in the 12 months immediately preceding this announcement.

### **PRINCIPAL BUSINESS OF THE GROUP**

The Group is one of the world's leading owners and operators of modern Handysize and Supramax dry bulk vessels. The Company currently owns 117 dry bulk ships on the water. Including chartered ships, it operated an average of 230 Handysize and Supramax ships overall during the first half of 2019. The Company is listed and headquartered in Hong Kong, and provides a quality service to over 500 customers, with approximately 3,800 seafarers and over 330 shore-based staff in 12 offices in key locations around the world.

### **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 the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, as the scrutineer to handle vote-taking procedures at the SGM. The results of the poll will be published on the HKExnews website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.pacificbasin.com](http://www.pacificbasin.com) no later than 11:00 p.m. on Monday, 2 December 2019.

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## LETTER FROM THE BOARD OF DIRECTORS

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### 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.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders has any direct or indirect material interest in the Subscription Agreement, the Bond Issue and the allotment and issue of the Conversion Shares and accordingly, no Shareholder is required to abstain from voting on the resolution to be proposed at the SGM.

### RECOMMENDATION

The Directors believe that the 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.

### RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

Yours faithfully,  
By Order of the Board  
**Mok Kit Ting Kitty**  
*Company Secretary*

*Note:*

*An exchange rate of US\$1.00 to HK\$7.8361 has been used for the conversion of US Dollars into HK Dollars for the purpose of this circular.*

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## NOTICE OF SPECIAL GENERAL MEETING

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# Pacific Basin Shipping Limited

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

### NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “**SGM**”) of Pacific Basin Shipping Limited (the “**Company**”) will be held at 31/F One Island South, 2 Heung Yip Road, Wong Chuk Hang, Hong Kong on Monday, 2 December 2019 at 9:00 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 31 October 2019 (after trading hours of The Stock Exchange of Hong Kong Limited) and entered into among the Company, PB Issuer (No. 5) Limited (the “**Issuer**”) and BNP Paribas Securities (Asia) Limited, The Hongkong and Shanghai Banking Corporation Limited and DNB Markets, a part of DNB Bank ASA (each a “**Joint Lead Manager**”, and together the “**Joint Lead Managers**”) pursuant to which the Joint Lead Managers have agreed to subscribe or to procure subscribers to subscribe the 3% coupon Guaranteed Convertible Bonds due 2025 (the “**Convertible Bonds**”) in an aggregate principal amount of US\$175 million, convertible into new shares with a par value of US\$0.01 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 and deeds 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;

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## NOTICE OF SPECIAL GENERAL MEETING

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- (c) the Convertible Bonds to be issued pursuant to the Subscription Agreement and the performance of all the transactions contemplated thereunder (including, without limitation, the issue and allotment of Shares upon exercise of the conversion rights attached thereto) and all other matters of and incidental thereto or in connection therewith be and are hereby generally and unconditionally 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 upon exercise of the conversion rights attached to the Convertible Bonds at an initial conversion price of HK\$2.40 per Share (subject to adjustment provided in the Bond Conditions) on and subject to the Bond Conditions.”

By Order of the Board  
**Mok Kit Ting Kitty**  
*Company Secretary*

Hong Kong, 13 November 2019

*Notes:*

1. Every member entitled to attend and vote at the SGM 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. In order to determine the entitlement to attend and vote at the meeting, the register of members of the Company will be closed from Wednesday, 27 November 2019 to Monday, 2 December 2019, both days inclusive, during which period the registration of Shares will be suspended. All completed transfer forms accompanied by the relevant share certificates, must be lodged with the Company’s Hong Kong branch registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17<sup>th</sup> Floor, Hopewell Centre, 182 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 26 November 2019.
  
4. 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.
  
5. Please note that only tea, coffee and water will be served as refreshments at the SGM.