
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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 3.25% GUARANTEED CONVERTIBLE BONDS
DUE 2021 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 Cliftons, Room 508-520, Hutchison House, 10 Harcourt Road, Central, Hong Kong on Friday, 22 May 2015 at 11:00 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.

4 May 2015

CONTENTS

	<i>Page</i>
DEFINITIONS	1
EXPECTED TIMETABLE	5
LETTER FROM THE BOARD OF DIRECTORS	
INTRODUCTION	7
THE SUBSCRIPTION AGREEMENT	7
PRINCIPAL TERMS OF THE CONVERTIBLE BONDS	11
EFFECT ON THE SHARE CAPITAL OF THE COMPANY AS A RESULT OF CONVERSION	17
USE OF PROCEEDS AND REASON FOR THE BOND ISSUE	18
SPECIFIC MANDATE FOR THE BOND ISSUE	19
EQUITY FUND RAISING ACTIVITY BY THE COMPANY IN THE LAST 12 MONTHS	19
EFFECT ON THE CONVERSION PRICE OF THE EXISTING CONVERTIBLE BONDS	19
PRINCIPAL BUSINESS OF THE GROUP	19
VOTING BY POLL	19
NOTICE OF SPECIAL GENERAL MEETING	20
RECOMMENDATION	20
RESPONSIBILITY STATEMENT	20
APPENDIX I – NOTICE OF SPECIAL GENERAL MEETING	21

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 8 April 2015 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 8 June 2015 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;
“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;

DEFINITIONS

“Conversion Price”	means the price per Share at which the Convertible Bonds may be converted into Shares and the initial conversion price being HK\$4.08 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 3.25 % Guaranteed Convertible Bonds due 2021 in an aggregate principal amount of US\$125 million;
“Convertible Bonds due 2013”	means the 3.3% Guaranteed Convertible Bonds due 2013 issued by PB Issuer Limited on 20 December 2007, which was unconditionally and irrevocably guaranteed by the Company and convertible into Shares, and was listed on the Stock Exchange under Stock Code 1606, and was fully redeemed and cancelled in March 2011;
“Convertible Bonds due 2016”	means the 1.75% Guaranteed Convertible Bonds due 2016 issued by PB Issuer (No. 2) Limited on 12 April 2010, which is unconditionally and irrevocably guaranteed by the Company and convertible into Shares at the prevailing conversion price of HK\$6.97 per Share, and is listed on the Stock Exchange under Stock Code 4319;
“Convertible Bonds due 2018”	means the 1.875% Guaranteed Convertible Bonds due 2018 issued by PB Issuer (No. 3) Limited on 22 October 2012, which is unconditionally and irrevocably guaranteed by the Company and convertible into Shares at the prevailing conversion price of HK\$4.75 per Share, and is listed on the Stock Exchange under Stock Code 4573;
“Directors”	means the directors of the Company;
“Existing Convertible Bonds”	means collectively the Convertible Bonds due 2016 and the Convertible Bonds due 2018;
“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;

DEFINITIONS

“HSBC”	means The Hongkong and Shanghai Banking Corporation Limited;
“Issuer”	means PB Issuer (No. 4) Limited, a company incorporated in the British Virgin Islands, which is a wholly-owned subsidiary of the Company;
“Lead Managers”	means collectively Goldman Sachs and HSBC;
“Latest Practicable Date”	means 29 April 2015, 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 3 July 2021;
“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 Cliftons, Room 508-520, Hutchison House, 10 Harcourt Road, Central, Hong Kong on Friday, 22 May 2015 at 11:00 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;

DEFINITIONS

“Shareholders”	means the holders of Shares;
“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 8 April 2015 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; and
“%”	means per cent.

EXPECTED TIMETABLE

Event	Date
Announcement of the Bond Issue	Wednesday, 8 April 2015
Despatch of the SGM circular	Monday, 4 May 2015
Latest time for depositing the form of proxy for use at the SGM	11:00 a.m. on Wednesday, 20 May 2015
Time and date of the SGM	11:00 a.m. on Friday, 22 May 2015
Announcement of the poll results at the SGM	No later than 11:00 p.m. on Friday, 22 May 2015
Application to the Stock Exchange for listing approval of the Convertible Bonds and the Conversion Shares	No later than Tuesday, 26 May 2015
Issue of the Convertible Bonds, subject to satisfaction of relevant conditions precedent including listing approvals being granted by the Stock Exchange	Monday, 8 June 2015

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

LETTER FROM THE BOARD OF DIRECTORS

 **Pacific Basin Shipping Limited**

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

Executive Directors:

David Muir Turnbull
Mats Henrik Berglund
Andrew Thomas Broomhead
Chanakya Kocherla

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

Hong Kong Principal Office:

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

4 May 2015

To Shareholders,

**PROPOSED ISSUE OF 3.25% GUARANTEED CONVERTIBLE BONDS DUE 2021
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 3.25% Convertible Bonds due 2021 in an aggregate principal amount of US\$125 million (approximately HK\$969 million) and the issue of the Conversion Shares, representing approximately 12.20% 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 8 April 2015;
- 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; and
- The Bond Issue provides an attractive layer of funding 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 tenure and terms of the Bond Issue also represents attractive funding for the Company with a minimum maturity beyond its Existing Convertible Bonds.
- The Company intends to use the proceeds primarily to maintain the Group's balance sheet strength and liquidity and to continue to proactively manage its upcoming liabilities, including its Existing Convertible Bonds, as well as for general working capital purposes.

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 Board also wishes to highlight that it believes that the Bond Issue provides an attractive layer of funding 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 tenure and terms of the Bond Issue also represents attractive funding for the Company with a minimum maturity beyond its Existing Convertible Bonds. The Company intends to use the proceeds primarily to maintain the Group's balance sheet strength and liquidity and to continue to proactively manage its upcoming liabilities, including its Existing Convertible Bonds, as well as for general working capital 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: 8 April 2015

Parties:

1. The Company, being the Guarantor;
2. The Issuer, being PB Issuer (No. 4) Limited, a wholly-owned subsidiary of the Company; and
3. The Lead Managers, being Goldman Sachs (Asia) L.L.C. and The Hongkong and Shanghai Banking Corporation Limited, together with their respective listed parent companies, which to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, is each not a connected person of the Company and is each a third party independent of the Company and connected persons 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”, the 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\$125 million (approximately HK\$969 million). The underwriting commitments of the Lead Managers are Goldman Sachs as to US\$75 million (approximately HK\$581 million) and HSBC as to US\$50 million (approximately HK\$388 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.
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:

The 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 Lead Managers to do this. Such stabilising activities, if commenced, will not require the Issuer to issue in excess of US\$125,000,000 aggregate principal amount of the Convertible Bonds and may be discontinued by the Lead Managers at any time. The Lead Managers will conduct any such stabilisation activities in accordance with applicable laws and regulations.

Conditions precedent:

The obligations 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;
2. execution of documents including the Trust Deed by relevant parties on or prior to the Closing Date;

LETTER FROM THE BOARD OF DIRECTORS

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 pursuant to the Specific Mandate 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 Bermudan law; the legal advisers to the Issuer and the Company as to English and Hong Kong law 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
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.

LETTER FROM THE BOARD OF DIRECTORS

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.

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 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. 4) 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\$125 million (approximately HK\$969 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 3.25% per annum of the principal amount of the Convertible Bonds. Interest is payable semi-annually in equal instalments in arrear on 3 July and 3 January 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 from 19 July 2015 to 23 June 2021 (the "Conversion Period").

Conversion Price: The Convertible Bonds will be convertible into Shares at an initial Conversion Price of HK\$4.08 per Share. The initial Conversion Price at HK\$4.08 per Share represents (i) a premium of 37.5% to the closing price of HK\$2.97 per Share as quoted on the Stock Exchange on 8 April 2015, being the date of the Subscription Agreement; (ii) a premium of 48.4% to the 5-day average closing price of the Shares as quoted on the Stock Exchange for the five Trading Days ended on 8 April 2015 of HK\$2.75; (iii) a premium of 55.1% to the 10-day average closing price of the Shares as quoted on the Stock Exchange for the ten Trading Days ended on 8 April 2015 of HK\$2.63; and (iv) a premium of 37.84% to the closing price of HK\$2.96 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The initial Conversion Price at HK\$4.08 per Share was determined after arm's length negotiations between the Issuer, the Company and the Lead Managers after taking into account of the historical performance of the market price of the Shares, including the average closing price of HK\$4.14 per Share for the period from 1 Jan 2014 to 8 April 2015, being the date of the Subscription Agreement.

LETTER FROM THE BOARD OF DIRECTORS

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;

LETTER FROM THE BOARD OF DIRECTORS

- (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;
- (xi) 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 inclusion of the abovementioned customary Conversion Price adjustments in the terms of the Convertible Bonds provides an anti-dilution mechanism to protect the legitimate interest of the Bondholders.

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 3 July 2019, 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.

LETTER FROM THE BOARD OF DIRECTORS

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 3 July 2019, if the closing price of the Shares (as quoted on the Stock Exchange) for the 30 consecutive Trading Days immediately prior to the date upon which notice of such redemption is given, was at least 130% of the Conversion Price then in effect; or
- (ii) 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 such 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.

LETTER FROM THE BOARD OF DIRECTORS

- 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.
- Transferability:** 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.
- 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 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, 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).

LETTER FROM THE BOARD OF DIRECTORS

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\$4.08 per Share and assuming full conversion of the Convertible Bonds, the Convertible Bonds will be convertible into 237,484,681 Shares (subject to adjustment), representing approximately 12.20% of the issued share capital of the Company as at the Latest Practicable Date and approximately 10.87% 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\$4.08 each	
	No. of Shares	% of issued share capital of the Company	No. of Shares	% of enlarged share capital of the Company
Aberdeen Asset Management plc and its associates (together "The Group") on behalf of accounts managed by The Group	336,981,000	17.31%	336,981,000	15.43%
Michael HAGN	252,703,500	12.98%	252,703,500	11.57%
Mondrian Investment Partners Limited	116,171,000	5.97%	116,171,000	5.32%
Wellington Management Group LLP	115,558,461	5.94%	115,558,461	5.29%
UBS Group AG	111,146,669	5.71%	111,146,669	5.09%
Royal Bank of Canada	104,239,141	5.35%	104,239,141	4.77%
Public Shareholders	910,023,348	46.74%	910,023,348	41.66%
Bondholders	–	–	237,484,681	10.87%
Total	<u>1,946,823,119</u>	<u>100%</u>	<u>2,184,307,800</u>	<u>100%</u>

LETTER FROM THE BOARD OF DIRECTORS

USE OF PROCEEDS AND REASONS FOR THE BOND ISSUE

The gross proceeds from the Bond Issue are estimated to be approximately US\$125 million (approximately HK\$969 million). The net proceeds from the Bond Issue, after deduction of approximately US\$1.3 million (approximately HK\$10 million) for management and underwriting commission and selling concession payable to the Lead Managers, professional fees and all related expenses, are estimated to be approximately US\$123.7 million (approximately HK\$959 million).

The Convertible Bonds will mature on 3 July 2021 with a right of redemption at the option of the Bondholder on 3 July 2019. This 4-year minimum maturity period extends the Group's convertible debts beyond its Existing Convertible Bonds. The Convertible Bonds due 2016 are expected to be repaid on maturity at the prevailing conversion price of HK\$6.97 per Share, payment of which would amount to approximately US\$191.4 million, whilst the prevailing conversion price of the Convertible Bonds due 2018 with an outstanding principal amount of US\$123.8 million (which carries a right of redemption at the option of its holders on 22 October 2016) is at HK\$4.75 per Share.

Accordingly, the Board considers the Bond Issue as an effective means of extending the maturity of the Existing Convertible Bonds so as to maintain the Group's debt maturities and liabilities, to continue to proactively manage its upcoming liabilities, and to consider to buy back part of its Existing Convertible Bonds, such as the repurchase of an aggregate principal amount of US\$18.2 million of the Convertible Bonds due 2016 at a price of US\$9,743.68 per unit, which took advantage of the then favourable market price of the Convertible Bonds due 2016.

Due to the cyclical nature of the dry bulk industry, it is uncertain at present whether the holders of the Convertible Bonds due 2018 would exercise their right of redemption in part or in whole in October 2016. Nevertheless, the Board believes that it is prudent to ensure that there is perceived liquidity available in the Group to be able to fund such future potential repayment obligation. The Hong Kong stock market in early April 2015 and the Share price in particular, also provided a suitable opportunity to pursue the Bond Issue.

The initial Conversion Price at HK\$4.08 per Share represents a premium of 37.5% to the closing price of HK\$2.97 per Share as quoted on the Stock Exchange on 8 April 2015, being the date of the Subscription Agreement. The level of such premium is higher than the Convertible Bonds due 2013 and the Existing Convertible Bonds (which ranges from 27.0% to 27.5%), the Board believes that the Conversion Price is appropriate as the current global dry bulk shipping market still remains in the lower part of the industry cycle. The higher conversion premium of the new Convertible Bonds necessitates a higher cash coupon of 3.25% per annum, as compared to the 1.75% coupon and 1.875% coupon of the Convertible Bonds due 2016 and the Convertible Bonds due 2018 respectively, but is below the 3.3% coupon of the Convertible Bonds due 2013.

LETTER FROM THE BOARD OF DIRECTORS

After taking into account of the above analysis, the Board is of the view that the Bond Issue provides an attractive layer of funding 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 tenure and terms of the Bond Issue also represents attractive funding for the Company with a minimum maturity beyond its Existing Convertible Bonds. As disclosed in the Bond Announcement, the Company intends to use the proceeds primarily to maintain the Group's balance sheet strength and liquidity and to continue to proactively manage its upcoming liabilities, including its Existing Convertible Bonds, as well as for general working capital purposes.

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

There was no equity fund raising activity by the Company through the issue of equity securities in the 12 months immediately prior to the Latest Practicable Date.

EFFECT ON THE CONVERSION PRICE OF THE EXISTING CONVERTIBLE BONDS

The Bond Issue will not lead to any adjustment to the conversion price of the Existing Convertible Bonds.

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. The Company is listed and headquartered in Hong Kong, and currently operates in two main maritime sectors under the banners of Pacific Basin Dry Bulk and PB Towage. Its dry bulk fleet (including newbuildings on order) comprises about 240 vessels directly servicing blue chip industrial customers globally. Its towage fleet comprises 22 ocean towing and offshore vessels.

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 and the Company's website at www.pacificbasin.com no later than 11:00 p.m. on 22 May 2015.

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.

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 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.

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\$7.7515 has been used for the conversion of US dollars into HK dollars for the purpose of this circular.

 **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 Cliftons, Room 508-520, Hutchison House, 10 Harcourt Road, Central, Hong Kong on Friday, 22 May 2015 at 11:00 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 8 April 2015 and entered into among the Company, PB Issuer (No. 4) 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 3.25% coupon Guaranteed Convertible Bonds due 2021 (the “**Convertible Bonds**”) in an aggregate principal amount of US\$125 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 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;
- (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\$4.08 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, 4 May 2015

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. 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.