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.

Neither this circular nor any copy thereof may be released into or distributed directly or indirectly in the United States, the Netherlands or any other jurisdiction where such release or distribution might be unlawful.

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.

Distribution of this circular into jurisdictions other than Hong Kong may be restricted by law. Persons into whose possession this circular comes should inform themselves of and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction for which the Company will not accept any liability.

This circular does not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in the United States or Canada. The securities mentioned herein have not been, and will not be, registered under the United States Securities Act of 1933 (the "**US Securities Act**") or qualified in Canada by prospectus under applicable Canadian securities laws, and may not be offered or sold in the United States unless registered under the US Securities Act or Canada unless qualified under applicable Canadian securities laws, or pursuant to an exemption from, or in a transaction not subject to, registration under the US Securities Act and may not be offered or sold in Canada unless an exemption from the requirement to prepare a prospectus is available to the Company. The Company has no intention to register under the US Securities Act or qualify under applicable Canadian securities laws any portion of the Rights Issue or any of the securities referred to herein or to conduct a public offering of securities in the United States or Canada.

This Circular does not constitute making available, an offer for subscription or purchase, or an invitation to subscribe for or purchase, securities in Malaysia. The prospectus for the Rights Issue has not been and will not be registered as a prospectus with the Securities Commission Malaysia and the approval of the Securities Commission Malaysia has not been and will not be sought under the Malaysian Capital Markets and Services Act 2007.

The Nil-paid Rights and Rights Shares will only be offered in the Netherlands to, and the rights may only be exercised in the Netherlands by, persons or entities that are qualified investors within the meaning of Section 1:1 of the Dutch Financial Supervision Act (Wet op het financieel toezicht).

This Circular does not constitute a public offer of the Nil-paid Rights or the Rights Shares, whether by way of sale or subscription, in the PRC. According to relevant PRC laws and regulations, the Nil-paid Rights and the Rights Shares will not be offered and may not be offered or sold, directly or indirectly, in the PRC to, or for the benefit of, legal or natural persons in the PRC other than qualified domestic institutional investors and persons who are entitled to hold the Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authority. In each case, the Company reserves the absolute discretion in determining whether to allow such participation as well as the identities of the persons who may be allowed to do so. If a Shareholder resident in the PRC and/or any other PRC resident (including both individuals and companies) wishes to invest in Nil-paid Rights or Rights Shares, he/she/it shall be responsible for complying with relevant laws of the PRC. The Company will not be responsible for verifying the PRC legal qualification of such Shareholder and/or resident.

A copy of this Circular is being sent to the Non-Qualifying Shareholder in South Africa for such Non-Qualifying Shareholder's information purposes only. No action has been taken to authorise the Rights Issue in South Africa. Accordingly, the Nil-paid Rights and/or the Rights Shares may not be offered or sold, or re-offered or resold to the public in South Africa. This Circular and/or the issuing of Nil-paid Rights or Rights Shares as envisaged in the terms of the Prospectus Documents neither constitute an "offer to the public" (as that term is defined in the South African Companies Act, 71 of 2008 (as amended or re-enacted) (the "**South African Companies Act**")) in South Africa, nor an advertisement or solicitation in relation to, or in connection with, an "offer to the public" in South Africa. This Circular does not, nor is it intended to, constitute a "registered prospectus" (as that term is defined in the South African Companies Act) prepared and registered under the South African Companies Act. Accordingly, this Circular does not comply with the substance and form requirements for prospectuses set out in the South African Companies Act and the South African Companies Regulations of 2011 and has not been approved by, and/or registered with, the South African Companies and Intellectual Property Commission, or any other South African authority.

The securities described herein will be sold in accordance with all applicable laws and regulations.

Pacific Basin Shipping Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 2343)

PROPOSED RIGHTS ISSUE, PROPOSED CAPITAL REORGANISATION, PROPOSED SPECIFIC MANDATE TO ISSUE SHARES UPON CONVERSION OF BONDS AND NOTICE OF SPECIAL GENERAL MEETING

Underwriters to the Rights Issue

HSBC 滙豐 BNP PARIBAS

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

SOMERLEY CAPITAL LIMITED

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 10 to 43 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 44 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 45 to 70 of this circular.

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 Monday, 23 May 2016 at 10:00 a.m. is set out on pages 94 to 97 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting should you so wish.

Shareholders and potential investors should note that the Rights Issue is conditional upon the Capital Reorganisation having become effective, approval of the Rights Issue by the Shareholders at the SGM, the Underwriting Agreement having become unconditional and the Underwriters not terminating the Underwriting Agreement in accordance with the terms set out under the section headed "Termination of the Underwriting Agreement". Accordingly, the Rights Issue may or may not proceed.

Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Shareholders should note that the Shares will be dealt in on an ex-rights basis commencing from 9:00 a.m. on Wednesday, 25 May 2016 and that dealing in the Nil-paid Rights will take place from 9:00 a.m. on Friday, 3 June 2016 to 4:00 p.m. on Monday, 13 June 2016 (both days inclusive) while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Rights Issue is subject are fulfilled (which is expected to be at 5:00 p.m. on Wednesday 22 June 2016), will accordingly bear the risk that the Rights Issue cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.

29 April 2016

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

"Announcement"	means the announcement of the Company dated 18 April 2016 in relation to the Rights Issue, the Capital Reorganisation and the Specific Mandate;
"Beneficial Owners"	means beneficial owners of Shares whose Shares are registered in the name of a registered shareholder as shown in the register of members of the Company (including, without limitation, any such Shareholder who is a nominee, trustee, depository or an authorised custodian);
"Bermuda Companies Act"	means the Companies Act 1981 of Bermuda, as amended from time to time;
"BNP Paribas"	means BNP Paribas Securities (Asia) Limited, a licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO;
"Board"	means the board of directors of the Company;
"Business Day"	means any day (other than a Saturday or Sunday, or a day on which a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.) on which licensed banks in Hong Kong are open for business;
"Capital Reorganisation"	means (i) the cancellation of paid-up capital in the amount of US$0.09 on each of the issued Existing Shares in the issued share capital of the Company and applying the credit arising from such reduction (approximately US$175.2 million) to the contributed surplus account of the Company or other account of the Company which may be utilised by the Directors as a distributable reserve in accordance with the bye-laws of the Company and applicable laws in Bermuda; (ii) sub-dividing each of the unissued Existing Shares of US$0.10 in the authorised share capital of the Company into 10 New Shares of US$0.01 each; and (iii) reduction of the entire amount of approximately US$604.8 million standing to the credit of the Company's share premium account and applying the credit arising from such reduction to the contributed surplus account of the Company or other account of the Company which may be utilised by the Directors as a distributable reserve in accordance with the bye-laws of the Company and applicable laws in Bermuda;

"CCASS"	means the Central Clearing and Settlement System established and operated by HKSCC;
"Companies Ordinance"	means the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended from time to time;
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	means the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended from time to time;
"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;
"consent"	means any licence, consent, approval, authorisation, permission, waiver, order or exemption;
"connected person"	has the meaning ascribed to that term in the Listing Rules and "connected persons" shall be construed accordingly;
"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 were unconditionally and irrevocably guaranteed by the Company and convertible into Shares at the prevailing conversion price of HK$6.97 per Share, and were 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 are unconditionally and irrevocably guaranteed by the Company and convertible into Shares at the prevailing conversion price of HK$4.75 per Share, and are listed on the Stock Exchange under Stock Code 4573;
"Convertible Bonds due 2021"	means the 3.25% Guaranteed Convertible Bonds due 2021 issued by PB Issuer (No. 4) Limited on 8 June 2015, which are unconditionally and irrevocably guaranteed by the Company and convertible into Shares at the prevailing conversion price of HK$4.08 per Share, and are listed on the Stock Exchange under Stock Code 5525;
"Director(s)"	means the director(s) of the Company;

"EAF(s)"	means the form(s) of application for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, being in such usual form as may be agreed between the Company and the Underwriters;
"Excluded Jurisdictions"	means Canada, Malaysia, the Netherlands, the PRC, South Africa, the US, and any jurisdiction outside Hong Kong in respect of which the Directors determine, in accordance with Rule 13.36(2)(a) of the Listing Rules, that it is necessary or expedient not to offer Rights Shares to Shareholders in such jurisdiction on account either of the legal restrictions under the laws of that jurisdiction or the requirements of a relevant regulatory body or stock exchange in that jurisdiction;
"Existing Convertible Bonds"	means the Convertible Bonds due 2018 and the Convertible Bonds due 2021;
"Existing Shares"	means ordinary share(s) of US$0.10 each in the share capital of the Company;
"Group"	means the Company and its subsidiaries;
"HKSCC"	means Hong Kong Securities Clearing Company Limited;
"HK Dollars" or "HK$"	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 registered institution under the SFO and registered to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities, and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong);
"Independent Board Committee"	means the independent board committee of the Board, comprising all independent non-executive Directors, established to advise the Independent Shareholders of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder as well as the Specific Mandate;

"Independent Financial Advisor" or "Somerley"	means Somerley Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO, and being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder as well as the Specific Mandate;
"Independent Shareholders"	means any Shareholder(s) other than the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates and those who are otherwise required to abstain from voting in respect of the Rights Issue at the SGM pursuant to the Listing Rules;
"Independent Third Parties"	means third parties independent of and not connected (as defined under the Listing Rules) with the Company and connected person(s) of the Company;
"Last Trading Day"	means Friday, 15 April 2016, being the last trading day of the Shares on the Stock Exchange before the publication of the Announcement;
"Latest Lodging Time"	means 4:30 p.m. on Thursday, 26 May 2016, being the latest time for lodging transfer documents of the Shares in order to qualify for the Rights Issue;
"Latest Practicable Date"	means Monday, 25 April 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular;
"Latest Time for Acceptance"	means 4:00 p.m. on Thursday, 16 June 2016, or such other time as may be agreed between the Company and the Underwriters, being the latest time for acceptance of the offer of and payment for the Rights Shares save as extended or rescheduled pursuant to the section headed "Effect of bad weather on the Latest Time for Acceptance" below;
"Latest Time for Termination"	means 5:00 p.m. on Wednesday, 22 June 2016, or such other time as may be agreed between the Company and the Underwriters;
"Listing Approval"	means the grant of permission for the listing of the Rights Shares (nil paid and fully paid) and permission to deal in the Rights Shares (nil paid and fully paid) on the Main Board of the Stock Exchange;

"Listing Date"	means Monday, 27 June 2016, or such other date that the Rights Shares are listed on the Main Board of the Stock Exchange and dealing in the fully paid Rights Shares on the Stock Exchange begins;
"Listing Rules"	means the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time;
"Material Adverse Change"	means a material adverse change on the condition (financial, trading or otherwise), prospects, results of operations, management, business, general affairs, properties or shareholders' equity of the Company or any other member of the Group, or on the ability of the Company to perform its obligations under the Underwriting Agreement, or any change which, in the sole opinion of the Underwriters, is or may be materially adverse in the context of the Rights Issue;
"New Shares"	means the ordinary shares of the Company with a nominal value of US$0.01 each immediately after the Capital Reorganisation becomes effective;
"Nil-paid Rights"	means the Right Shares in nil-paid form to be provisionally allotted to Qualifying Shareholders in connection with the Rights Issue;
"Non-Qualifying Shareholders"	means those Shareholder(s) whose registered address(es) as shown on the register of members of the Company at 5:00 p.m. on the Record Date is/are in any of the Excluded Jurisdictions and Shareholder(s) and Beneficial Owner(s) of Shares who is/are otherwise known to the Company to be resident in any of the Excluded Jurisdictions, subject to certain limited exceptions;
"Notice of SGM"	means the notice convening the SGM set out on pages 94 to 97 of this circular;
"Overseas Shareholder(s)"	means those Shareholder(s) whose registered address(es) as shown on the register of members of the Company at 5:00 p.m. on the Record Date is/are an address registered outside of Hong Kong and Shareholder(s) and Beneficial Owner(s) of Shares who is/are otherwise known to the Company whose registered address(es) is/are situated outside of Hong Kong;
"PAL(s)"	means the renounceable provisional allotment letter(s) in respect of the Rights Shares proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue;

"Posting Date"	means Wednesday, 1 June 2016, or such other date as the Underwriters may agree in writing with the Company, being the date of despatch of the Prospectus Documents;
"PRC"	means the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau and Taiwan;
"Prospectus"	means the prospectus to be despatched to the Shareholders containing details of the Rights Issue;
"Prospectus Documents"	means the Prospectus, PAL and EAF;
"Qualifying Shareholders"	means the Shareholders whose names appear on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholders;
"Record Date"	means Monday, 30 May 2016, being the date by reference to which the entitlements of the Shareholders to participate in the Rights Issue will be determined (or such other date as the Underwriters may agree in writing with the Company);
"Registrar"	means Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong;
"Rights Issue"	means the proposed issue by way of rights of one Rights Share for every one existing Share in issue and held on the Record Date at the Rights Share Subscription Price subject to the terms and conditions as set out in the Underwriting Agreement and the Prospectus Documents;
"Rights Shares"	means a minimum total of 1,946,823,119 new Shares and a maximum total of 2,386,367,644 new Shares to be issued and allotted under the Rights Issue;
"Rights Share Subscription Price"	means HK$0.60 per Rights Share;
"SFC"	means the Securities and Futures Commission;
"SFO"	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time;
"SGM"	means the special general meeting of the Company to be convened at Cliftons, Room 508-520, Hutchison House, 10 Harcourt Road, Central, Hong Kong on Monday, 23 May 2016 at 10:00 a.m. for the Shareholders to consider and, if thought fit, approve the Rights Issue and the transactions contemplated thereunder, the Capital Reorganisation and the Specific Mandate;

"Shares"	means the ordinary share(s) of the Company;
"Share Award"	means the restricted share awards granted under the Share Award Scheme;
"Share Award Scheme"	means the share award scheme of the Company adopted on 28 February 2013, as supplemented as set out in the Company's announcement dated 28 March 2013;
"Shareholders"	means the holders of Shares;
"Specific Mandate"	means the proposed specific mandate enabling the Company to allot, issue and deal with the Shares which will fall to be allotted and issued upon conversion of the Convertible Bonds due 2018;
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited;
"Takeovers Code"	means the Hong Kong Code on Takeovers and Mergers as amended from time to time;
"UK"	means the United Kingdom of Great Britain and Northern Ireland;
"Underwriters"	means HSBC and BNP Paribas, and an "Underwriter" means any one of them;
"Underwriting Agreement"	means the underwriting agreement dated 18 April 2016 which is entered into between the Underwriters and the Company in relation to the underwriting arrangement in respect of the Rights Issue;
"Underwritten Shares"	means a minimum total of 1,946,823,119 Rights Shares and a maximum total of 2,386,367,644 Rights Shares underwritten by the Underwriters subject to the terms and conditions as set out in the Underwriting Agreement;
"United States" or "US"	means the United States of America, its territories and possessions, any State of the United States and all areas subject to its jurisdiction;
"US Dollars" or "US$"	means United States dollars, the lawful currency of the United States; and
"%"	means per cent.

Event	Date (2016)
Latest time for lodging proxy forms for the SGM	10:00 a.m. on Saturday, 21 May
Date and time of the SGM	10:00 a.m. on Monday, 23 May
Announcement of the poll result of the SGM	No later than 11:00 p.m. on Monday, 23 May
Expected effective date of the Capital Reorganisation	9:00 a.m. on Tuesday, 24 May
First day for free exchange of existing certificates of Existing Shares for new certificates for New Shares	9:00 a.m. on Tuesday, 24 May
Commencement of dealing in New Shares	9:00 a.m. on Tuesday, 24 May
Last day of dealing in the New Shares on cum-rights basis	Tuesday, 24 May
First day of dealing in the New Shares on ex-rights basis	9:00 a.m. on Wednesday, 25 May
Latest Lodging Time	4:30 p.m. on Thursday, 26 May
Closure of register of members to determine the eligibility of the Rights Issue (both dates inclusive)	Friday, 27 May to Monday, 30 May
Reference time on the Record Date for the Rights Issue	5:00 p.m. on Monday, 30 May
Prospectus Documents expected to be despatched	Wednesday, 1 June
First day of dealing in Nil-paid Rights	9:00 a.m. on Friday, 3 June
Latest time for splitting in Nil-paid Rights	4:30 p.m. on Tuesday, 7 June
Latest day of dealings in Nil-paid Rights	4:00 p.m. on Monday, 13 June
Latest time for acceptance of, and payment for, the Rights Shares and application and payment for excess Rights Shares	4:00 p.m. on Thursday, 16 June
Latest time for termination of the Underwriting Agreement	5:00 p.m. on Wednesday, 22 June
Announcement of allotment result of the Rights Issue	Thursday, 23 June

Event	Date (2016)
Refund cheques for wholly and partially unsuccessful applications for excess Rights Shares expected to be posted	on or before Friday, 24 June
Certificates for the Rights Shares expected to be despatched	on or before Friday, 24 June
Dealings in fully-paid Rights Shares commence	9:00 a.m. on Monday, 27 June
Last day for free exchange of existing certificates of Existing Shares for new certificate for New Shares	4:30 p.m. on Monday, 27 June

All times and dates in this circular refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

Effect of bad weather on the Latest Time for Acceptance

The Latest Time for Acceptance will not take place as shown if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning:

(1) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Thursday, 16 June 2016. Instead the Latest Time for Acceptance will be postponed to 5:00 p.m. on the same day; or

(2) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Thursday, 16 June 2016. Instead the Latest Time for Acceptance will be postponed to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place on Thursday, 16 June 2016, the subsequent dates mentioned in the section headed "Expected Timetable" in this circular above may be affected. An announcement will be made by the Company as soon as practicable in such event.

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

Independent Non-Executive Directors:
Patrick Blackwell Paul
Robert Charles Nicholson
Alasdair George Morrison
Daniel Rochfort Bradshaw
Irene Waage Basili

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

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

29 April 2016

To Shareholders,

(1) PROPOSED RIGHTS ISSUE,
(2) PROPOSED CAPITAL REORGANISATION,
(3) PROPOSED SPECIFIC MANDATE TO ISSUE SHARES UPON CONVERSION OF BONDS
AND
(4) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement where the Company announced its proposal to (i) raise not less than approximately US$150.6 million before expenses (approximately HK$1,168.1 million) and not more than approximately US$184.6 million before expenses (approximately HK$1,431.8 million) by way of the Rights Issue; (ii) re-organise the share capital of the Company by way of the Capital Reorganisation; and (iii) seek approval of the Specific Mandate from the Shareholders.

As set out in the Announcement, the Company is expected to raise approximately US$150.6 million before expenses (approximately HK$1,168.1 million) and approximately US$142.9 million after expenses (approximately HK$1,108.6 million) by way of the Rights Issue of 1,946,823,119 Rights Shares at the subscription price of HK$0.60 per Rights Share on the basis of one Rights Share for every one existing Share held at 5:00 p.m. on the Record Date.

If new Shares are issued on or before the Record Date pursuant to the full exercise of all the conversion rights attaching to the Existing Convertible Bonds by no later than the Latest Lodging Time, the Company is expected to raise approximately US$184.6 million before expenses (approximately HK$1,431.8 million) and approximately US$175.6 million after expenses (approximately HK$1,361.7 million) by way of the Rights Issue of 2,386,367,644 Rights Share at the subscription price of HK$0.60 per Rights Share on the basis of one Rights Share for every one existing Share held at 5:00 p.m. on the Record Date.

The Rights Issue is fully underwritten by the Underwriters. Pursuant to the Underwriting Agreement, the Underwriters have severally in their respective proportions, and not jointly or jointly and severally, conditionally agreed to subscribe for all Underwritten Shares that are not taken up, subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfillment of the conditions precedent contained therein. Details of the major terms and conditions of the Underwriting Agreement are set out in the section headed "THE UNDERWRITING AGREEMENT" in this circular.

The Rights Issue will be conditional upon the Capital Reorganisation having become effective, approval of the Rights Issue by the Shareholders at the SGM, the Underwriting Agreement having become unconditional and the Underwriters not terminating the Underwriting Agreement in accordance with the terms set out under the section headed "Termination of the Underwriting Agreement".

As stated in the Announcement, the Capital Reorganisation involves the following:

(1) cancelling paid-up capital in the amount of US$0.09 on each of the issued Existing Shares in the issued share capital of the Company and applying the credit arising from such reduction (approximately US$175.2 million) to the contributed surplus account of the Company or other account of the Company which may be utilised by the Directors as a distributable reserve in accordance with the bye-laws of the Company and applicable laws in Bermuda;

(2) sub-dividing each of the unissued Existing Shares of US$0.10 each in the authorised share capital of the Company into 10 New Shares of US$0.01 each; and

(3) reducing the entire amount of approximately US$604.8 million standing to the credit of the Company's share premium account and applying the credit arising from such reduction to the contributed surplus account of the Company or other account of the Company which may be utilised by the Directors as a distributable reserve in accordance with the bye-laws of the Company and applicable laws in Bermuda.

The Capital Reorganisation is subject to the following conditions:

(1) the passing of a special resolution approving the Capital Reorganisation by the Shareholders at the SGM;

(2) compliance by the Company with the applicable statutory requirements under the Bermuda Companies Act; and

(3) the Stock Exchange granting the listing of, and permission to deal in, the New Shares.

As set out in the Announcement, in order to accommodate the potential adjustment(s) to the conversion price of the Convertible Bonds due 2018 and/or the maximum number of Shares to be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds due 2018 in accordance with the terms and conditions thereof, the Board proposes to seek the approval of the Shareholders to grant the Specific Mandate at the SGM by way of an ordinary resolution.

The purpose of this circular is to provide the Shareholders with, among other things, (i) further details about the Rights Issue, the Underwriting Agreement, the Capital Reorganisation and the Specific Mandate; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder as well as the Specific Mandate; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder as well as the Specific Mandate; and (iv) the notice of the SGM, for the purpose of considering, and, if thought fit, approving the Rights Issue and the transactions contemplated thereunder, the Capital Reorganisation and the Specific Mandate.

(1) PROPOSED RIGHTS ISSUE

Basis of the Rights Issue:	One Rights Share for every one existing Share held on the Record Date
Rights Issue Subscription Price:	HK$0.60 per Rights Share
Number of Shares in issue as at the Latest Practicable Date:	1,946,823,119 Shares
Outstanding Existing Convertible Bonds as at the Latest Practicable Date:	An aggregate nominal value of US$123.8 million of the Convertible Bonds due 2018 and an aggregate nominal value of US$125.0 million of the Convertible Bonds due 2021, all of which may be converted into Shares before or after the Record Date The Convertible Bonds due 2016 matured and were fully redeemed on 12 April 2016
Minimum number of Rights Shares:	1,946,823,119 Rights Shares (assuming no further Shares are allotted and issued or bought back on or before the Record Date) with an aggregate nominal value of US$19,468,231 (after the Capital Reorganisation has become effective)

Maximum number of Rights Shares:	2,386,367,644 Rights Shares (assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of all the conversion rights attaching to the Existing Convertible Bonds by no later than the Latest Lodging Time, but otherwise no further Shares are allotted and issued or bought back on or before the Record Date) with an aggregate nominal value of US$23,863,676 (after the Capital Reorganisation has become effective)
Minimum number of enlarged issued Shares upon completion of the Rights Issue:	3,893,646,238 Shares (based on the number of Shares in issue as at the Latest Practicable Date and assuming no further Shares (other than the Rights Shares) are allotted and issued or bought back on or before the completion of the Rights Issue)
Maximum number of enlarged issued Shares upon completion of the Rights Issue:	4,772,735,288 Shares (based on the number of Shares in issue as at the Latest Practicable Date and assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of all the conversion rights attaching to the Existing Convertible Bonds, but otherwise no further Shares (other than the Rights Shares) are allotted and issued or bought back on or before the completion of the Rights Issue)
Underwriters:	HSBC and BNP Paribas
Amount to be raised:	Approximately US$150.6 million before expenses (approximately HK$1,168.1 million) and approximately US$142.9 million after expenses (approximately HK$1,108.6 million) If new Shares are issued on or before the Record Date pursuant to the full exercise of all the conversion rights attaching to the Existing Convertible Bonds by no later than the Latest Lodging Time, then approximately US$184.6 million before expenses (approximately HK$1,431.8 million) and approximately US$175.6 million after expenses (approximately HK$1,361.7 million)
Right of excess application:	Qualifying Shareholders will be able to apply for Rights Shares in excess of their provisional allotment

General

As at the Latest Practicable Date, the Company has in issue: (i) the Convertible Bonds due 2018 with the outstanding principal amount of US$123.8 million which is convertible into 202,059,844 Shares at the conversion price of HK$4.75 per Share; and (ii) the Convertible Bonds due 2021 with the outstanding principal amount of US$125.0 million which is convertible into 237,484,681 Shares at the conversion price of HK$4.08 per Share. On the Last Trading Day, the closing price of the Shares as quoted on the Stock Exchange was HK$1.44 per Share.

Save for the Existing Convertible Bonds, as at the Latest Practicable Date, the Company has no other outstanding convertible securities, warrants, options, derivative or other securities convertible into or exchangeable for any Shares. The Company has no intention to issue or grant any warrants, options and/or convertible securities (including any Share Awards to be granted under the Share Award Scheme) on or before the Record Date.

Assuming there is no further issue of Shares pursuant to the Existing Convertible Bonds, the Share Award Scheme or otherwise and no buy-backs of Shares by the Company before 5:00 p.m. on the Record Date, 1,946,823,119 Rights Shares would be allotted and issued representing (i) 100% of the Company's issued share capital as at the Latest Practicable Date; and (ii) 50% of the Company's enlarged issued share capital after the Rights Issue.

Assuming new Shares are issued on or before the Record Date pursuant to the full exercise of all the conversion rights attaching to the Existing Convertible Bonds by no later than the Latest Lodging Time, but otherwise no further Shares are issued and there is no buy-backs of Shares on or before the Record Date, 439,544,525 Shares would be allotted and issued on or before the Record Date and as a result 439,544,525 additional Rights Shares would be allotted and issued. The total of 2,386,367,644 Rights Shares would represent 122.6% of the Company's issued share capital as at the Latest Practicable Date and would represent 50% of the Company's enlarged issued share capital after the full exercise of all the conversion rights attaching to the Existing Convertible Bonds and the Rights Issue.

Qualifying Shareholder

To qualify for the Rights Issue, a Shareholder must:

(1) be registered as a member of the Company at 5:00 p.m. on the Record Date; and

(2) not be a Non-Qualifying Shareholder.

In order to be registered as a member of the Company at 5:00 p.m. on the Record Date, any relevant transfer documents (together with the relevant share certificate(s)) must be lodged with the Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on Thursday, 26 May 2016.

Holders of the Existing Convertible Bonds who wish to participate in the Rights Issue should exercise their conversion rights attaching to the Existing Convertible Bonds in accordance with their respective terms and conditions so as to enable them to be registered as members of the Company on or before 4:30 p.m. on Thursday, 26 May 2016.

Basis of provisional allotment

The basis of the provisional allotment will be one Nil-paid Right for every one existing Share held by the Qualifying Shareholders as at 5:00 p.m. on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing a PAL and lodging the same with a remittance for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance. If a Qualifying Shareholder wishes to accept part only of, or to renounce or transfer a part of, the Rights Shares provisionally allotted to him/her/it under the PAL, such Qualifying Shareholders will be required to split his/her/its PAL into the denominations required, details of which will be set out in the Prospectus.

Non-Qualifying Shareholders

This Circular and the Prospectus Documents are not intended to be registered or filed with the relevant authorities in any jurisdiction other than Hong Kong and, if necessary, Bermuda.

According to the register of members of the Company as at the Latest Practicable Date, as well to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, there were 277 Overseas Shareholders holding a total of 1,231,825,329 Shares with registered addresses located in the following jurisdictions: Argentina, Australia, Austria, Belgium, Bermuda, British Virgin Islands, Canada, Cayman Islands, Chile, Denmark, France, Germany, Greece, Guernsey, India, Ireland, Isle of Man, Italy, Japan, Jersey, Luxembourg, Macau, Malaysia, Monaco, the Netherlands, Norway, New Zealand, the Philippines, the PRC, Singapore, South Africa, South Korea, Sweden, Switzerland, Taiwan, Thailand, the UK and the US.

In compliance with Rule 13.36(2)(a) of the Listing Rules, the Company has been advised by legal advisers on the applicable securities laws in relation to extending the Rights Issue to the Overseas Shareholders in the relevant jurisdictions. Based on their legal advice, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders in Canada, Malaysia, the Netherlands, PRC, South Africa and the US on account of either the legal restrictions under the laws of such countries or the requirements of the relevant regulatory bodies or stock exchanges in such jurisdictions. Accordingly, if there shall be any Overseas Shareholder whose registered addresses are in any of these Excluded Jurisdictions on the Record Date, such Overseas Shareholder will become a Non-Qualifying Shareholder and therefore will not be entitled to participate in the Rights Issue, subject to limited exceptions.

The Company will continue to ascertain whether there are any other Overseas Shareholders in any other jurisdiction(s) on the Record Date and will, if necessary, make further enquiries regarding the feasibility of extending the Rights Issue to such other Overseas Shareholders on the Record Date. Further information in this connection will be set out in the Prospectus containing, among other things, details of the Rights Issue, to be despatched to the Shareholders on the Posting Date.

Notwithstanding the foregoing, the Prospectus is expected to include provisions permitting certain categories of sophisticated and/or qualified investors in certain overseas jurisdictions to take up their rights under the Rights Issue, subject to complying with certain certification and other requirements (to be described in the Prospectus) which the Directors consider necessary or desirable in order to enable those investors to take part in the Rights Issue in compliance with their applicable local laws and regulations. The Company reserves the absolute discretion to determine whether to allow such participation as well as the identity of any person(s) who may be allowed to do so.

The Company reserves the right to treat as invalid any acceptance of or application for Rights Shares where it believes that such acceptance or application would violate the applicable securities laws or other laws or regulations of any territory or jurisdiction.

It is the responsibility of any person (including, without limitation, a nominee, agent and trustee) receiving the Prospectus Documents outside Hong Kong and wishing to take up the Rights Shares to satisfy themselves as to the full and relevant compliance of the laws of the relevant jurisdictions including the obtaining of any governmental or other consents and observing other formalities which may be required in such jurisdictions, and to pay any taxes, duties and other amounts required to be paid in such jurisdictions in connection therewith. Any acceptance of the Rights Shares by any person will be deemed to constitute a representation and warranty from such person to the Company that such local laws, regulations and requirements of the relevant territory or jurisdiction have been fully complied with. If you are in any doubt as to your position, you should consult a professional adviser.

In respect of Non-Qualifying Shareholders whose addresses as shown in the register of members of the Company at 5:00 p.m. on the Record Date are in an Excluded Jurisdiction, arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to those Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the Nil-paid Rights commence and before dealings in the Nil-paid Rights end, if positive proceeds (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK$100 will be paid on a pro-rata basis to the relevant Non-Qualifying Shareholders. In light of administrative costs, the Company will retain individual amounts of HK$100 or less for its own benefit. Any unsold entitlement of Non-Qualifying Shareholders to the Rights Shares, and any Rights Shares provisionally allotted but not validly accepted by the Qualifying Shareholders, will be made available for excess applications by Qualifying Shareholders under the EAF(s).

In respect of any Non-Qualifying Shareholder resident in an Excluded Jurisdiction but holding his/her/its interest through a registered owner having an address shown in the register of members of the Company at 5:00 p.m. on the Record Date which is not in an Excluded Jurisdiction (including where such Non-Qualifying Shareholder holds interests in Shares through CCASS), the Nil-paid Rights which would otherwise have been available to be taken up by such Non-Qualifying Shareholder will not be sold in the market and the relevant Non-Qualifying Shareholder will not receive the proceeds of any such sale. The reason for the different arrangement in respect of such Non-Qualifying Shareholders is that the Company will not have the necessary information in relation to such Non-Qualifying Shareholders who are Beneficial Owners but not registered holders of Shares to know who those Beneficial Owners are or to make a unilateral determination as to whether those Beneficial Owners are Qualifying Shareholders or Non-Qualifying Shareholders for the purposes of the Rights Issue.

The Company will, to the extent reasonably practicable and legally permitted and subject to the advice of legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, send the Prospectus (which will include an explanation for their exclusion) to Non-Qualifying Shareholders for their information purposes only but will not send PAL(s) or EAF(s) to Non-Qualifying Shareholders. The Company will send the Prospectus (without the PAL(s) and EAF(s)), for information only, to the respective trustee and agent of the holders of the Existing Convertible Bonds for their information purposes only. The Rights Issue is only available to the Qualifying Shareholders and will not be available to the Non-Qualifying Shareholders.

Trustee of the Share Award Scheme

The Company will instruct the trustee of the Share Award Scheme (i) to abstain from voting on the resolution relating to the Rights Issue and the transactions contemplated thereunder or incidental thereto (including the Specific Mandate) at the SGM; (ii) not to participate in the Rights Issue and instead sell all Nil-paid Rights provisionally allotted to it in connection with the Shares held in trust for the Share Award Scheme; and (iii) to accumulate the sale proceeds to meet expenses of the trust in respect of the Share Award Scheme.

Subscription Price

The Rights Share Subscription Price is HK$0.60 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue.

The Rights Share Subscription Price represents:

(1) a discount of approximately 58.3% to the closing price of HK$1.44 per Share as quoted on the Stock Exchange on the Last Trading Day;

(2) a discount of approximately 41.2% to the theoretical ex-rights price of approximately HK$1.02 per Share based on the closing price of HK$1.44 per Share as quoted on the Stock Exchange on the Last Trading Day;

(3) a discount of approximately 55.6% to the average closing price of approximately HK$1.35 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;

(4) a discount of approximately 49.2% to the average closing price of approximately HK$1.18 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day; and

(5) a discount of approximately 84.5% to the consolidated net asset value per Share as at 31 December 2015 of HK$3.87 (which is calculated based on the consolidated net asset value of the Group as at 31 December 2015 of approximately US$970.9 million and 1,946,823,119 Shares in issue as at the Latest Practicable Date).

The Rights Share Subscription Price was determined after arm's length negotiations between the Company and the Underwriters, taking into account the following factors:

(1) the current challenging industry environment in which the Group operates;

(2) the capital needs and financial position of the Group;

(3) the size and scale of the Rights Issue in relation to the Company's market capitalisation;

(4) in view of the recent volatility in the Hong Kong and worldwide stock markets, the need for an attractive discount to encourage the Qualifying Shareholders to invest further in the Company;

(5) the lack of any controlling shareholder (as defined under the Listing Rules) who could provide an irrevocable undertaking to take up its entitlement and therefore demonstrate public support for the Rights Issue;

(6) the relatively long underwriting period due to the need of the SGM to approve the Rights Issue and the Capital Reorganisation; and

(7) the terms of recent rights issues of a similar basis in Hong Kong.

Based on the above, the Directors (including the independent non-executive Directors) consider that the terms of the Rights Issue, including the Rights Share Subscription Price which has been set at an appropriate discount to the recent closing prices of the Shares with an objective of encouraging existing Shareholders to take up their entitlements so as to participate in the potential growth of the Company in the future, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Pursuant to the Rights Issue the Company will allot and issue a minimum of 1,946,823,119 Rights Shares and a maximum of 2,386,367,644 Rights Shares. The net price per Rights Share will be approximately HK$0.57.

Status of Rights Shares

The Rights Shares, when allotted and fully paid, will rank pari passu in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares in their fully-paid form.

Share certificates and refund cheques for the Rights Issue

Subject to the fulfillment of the conditions to the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted on or about Friday, 24 June 2016 by ordinary post to the allottees, at their own risk, to their registered addresses. Refund cheques in respect of wholly or partially unsuccessful applications for the excess Rights Shares (if any) are also expected to be posted on or about Friday, 24 June 2016 by ordinary post to the applicants, at their own risk, to their registered addresses.

Fractions of Rights Shares

The Company will not provisionally allot fractions of Nil-paid Rights to the Qualifying Shareholders. No odd-lot matching services in respect of the Shares will be provided as a result of the Rights Issue. All fractions of Rights Shares will be aggregated (and rounded down to the nearest whole number) and all Nil-paid Rights arising from such aggregation will be provisionally allotted to HSBC or its nominee or agent, who will sell all such aggregated Nil-paid Rights in the market for the benefit of the Company if positive proceeds (net of expenses) can be achieved. Any unsold fractions of Rights Shares will be made available for excess application by the Qualifying Shareholders under the EAF(s).

Application for excess Rights Shares

Qualifying Shareholders will be able to apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders, for any Rights Shares provisionally allotted but not validly accepted by Qualifying Shareholders and for any unsold Rights Shares arising out of the aggregation of fractional entitlements.

Application for excess Rights Shares will only be able to be made by Qualifying Shareholders and only by duly completing and signing an EAF (in accordance with the instructions printed therein) and lodging the same with a separate remittance for the excess Rights Shares being applied for with the Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:00 p.m. on Thursday, 16 June 2016.

The Directors will, upon consultation with the Underwriters, allocate the excess Rights Shares (if any) at their discretion on a pro rata basis in proportion to the number of excess Rights Shares being applied for under each application with flexibility to round up to whole board lots at the discretion of the Directors. No reference will be made to Rights Shares comprised in applications under a PAL or the existing number of Shares held by such Qualifying Shareholders. If the aggregate number of Rights Shares not taken up by the Qualifying Shareholders under PALs is greater than the aggregate number of excess Rights Shares applied for through EAFs, the Directors will allocate in full to each Qualifying Shareholder the number of excess Rights Shares applied for under the EAFs. No preference will be given to topping up odd lots to whole board lots.

Beneficial Owners whose Shares are held by a nominee (or held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company. Accordingly, such Beneficial Owners should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to them individually.

Beneficial Owners whose Shares are held by a nominee (or held in CCASS) are advised to consider whether they would like to arrange for the registration of their relevant Shares under their names prior to the Record Date for the purpose of the Rights Issue. Beneficial Owners whose Shares are held by nominee(s) (or which are held in CCASS and who would like to have their names registered on the registers of members of the Company) must lodge all necessary documents with the Registrar for completion of the relevant registration by 4:30 p.m. on Thursday, 26 May 2016. Shareholders and Beneficial Owners should consult their professional advisers if they are in doubt as to their status.

Application for listing and dealing arrangements

The Company will apply to the Listing Committee of the Stock Exchange for Listing Approval for the Rights Shares in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue.

Subject to Listing Approval, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from their respective commencement dates of dealings on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders and Beneficial Owners should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

The Nil-paid Rights are expected to be traded in board lots of 1,000 (as the Shares are currently, and the New Shares are expected to be, traded on the Stock Exchange in board lots of 1,000). Dealings in the Rights Shares in both their nil-paid and fully-paid forms, which are registered in the register of members of the Company in Hong Kong, will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy or any other applicable fees and charges in Hong Kong.

THE UNDERWRITING AGREEMENT

On 18 April 2016 (before trading hours) the Underwriters and the Company entered into the Underwriting Agreement, pursuant to which the Underwriters have severally in their respective proportions, and not jointly or jointly and severally, conditionally agreed to fully underwrite all the Rights Shares.

Date:	18 April 2016 (before trading hours)
Issuer:	The Company
Underwriters:	(1) HSBC (2) BNP Paribas To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Underwriters and their ultimate beneficial owners are Independent Third Parties.
Total number of Rights Shares being underwritten by the Underwriters:	The Rights Issue will be fully underwritten by the Underwriters as follows: (1) 60% of the Rights Shares by HSBC; and (2) 40% of the Rights Shares by BNP Paribas

Payments to the Underwriters:	Payable by the Company to each of the Underwriters are an underwriting commission and a management fee in an amount equal to 3.6% and 0.4% respectively of the aggregate Rights Share Subscription Price of their respective Underwritten Shares as determined on the Record Date. Save for such payments and such reasonably incurred legal fees and other out-of-pocket expenses of the Underwriters in respect of the Rights Issue, no other fees or expenses are payable by the Company to the Underwriters in connection with the Rights Issue.

The terms of the Underwriting Agreement (including the payments to the Underwriters) were determined after arm's length negotiations between the Company and the Underwriters with reference to the existing financial position of the Group, the size of the Rights Issue, and the current and expected market conditions.

The Company approached the Underwriters and one other financial institution in relation to the potential underwriting arrangements of the Rights Issue. In selecting HSBC and BNP Paribas as the Underwriters, the Board believes that they:

(1) are international financial institutions which are familiar with the Group's business and operations as well as the global shipping industry; and

(2) possess the necessary experience to underwrite a rights issue of the size and basis currently being proposed in the Rights Issue.

The Board considers that the terms of the Underwriting Agreement, including the payments to the Underwriters, are on normal commercial terms and fair and reasonable so far as the Company and the Shareholders are concerned.

Conditions to the Rights Issue and the Underwriting Agreement

The Rights Issue will be conditional upon the Capital Reorganisation having become effective, approval of the Rights Issue by the Shareholders at the SGM, the Underwriting Agreement having become unconditional and the Underwriters not terminating the Underwriting Agreement in accordance with its terms set out under the section headed "Termination of the Underwriting Agreement". The obligations of the Underwriters to underwrite the Rights Issue are conditional upon fulfillment of, among others, the following conditions:

(1) Listing Approval (subject only to allotment and despatch of the appropriate documents of title) having been obtained by no later than: (i) (in the case of the Nil-paid Rights) the Business Day before the commencement of trading of the Nil-paid Rights on the Stock Exchange; and (ii) (in the case of the Rights Shares in their fully-paid form) the Latest Time for Termination, and, in each case, such permission not being withdrawn or amended before the Latest Time for Termination;

(2) the Stock Exchange issuing a certificate authorising registration of the Prospectus with the Hong Kong Companies Registry under section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Business Day before the date of issue of the Prospectus (or such later time and/or date as the Company and the Underwriters may agree in writing) and, following registration of the Prospectus as referred to in paragraph (3) below, a copy of the Prospectus having been submitted to the Stock Exchange for publication on its website not later than the date of issue of the Prospectus (or such later time and/or date as the Company and the Underwriters may agree in writing);

(3) a duly certified copy of the Prospectus (and other required documents) having been lodged with the Hong Kong Companies Registry not later than the Business Day before the date of issue of the Prospectus (or such later time and/or date as the Company and the Underwriters may agree in writing), and the Hong Kong Companies Registry issuing a confirmation of registration letter not later than the Business Day before the date of issue of the Prospectus (or such later time and/or date as the Company and the Underwriters may agree in writing);

(4) each condition to enable the Nil-paid Rights to be admitted as eligible securities for deposit, clearance and settlement in CCASS being satisfied on or before the Business Day before the commencement of trading of the Nil-paid Rights and no notification having been received by the Company from HKSCC by such time that such admission or facility for holding and settlement has been or is to be refused;

(5) the passing of a special resolution approving the Capital Reorganisation by the Shareholders at the SGM;

(6) the passing of an ordinary resolution approving the Rights Issue by the Independent Shareholders at the SGM;

(7) the Capital Reorganisation having become effective;

(8) if necessary, the filing with the Registrar of Companies in Bermuda of one copy of the Prospectus duly signed in accordance with the requirements of the Bermuda Companies Act on or before or as soon as reasonably practicable after the publication of the Prospectus in compliance with the Bermuda Companies Act;

(9) if necessary, the obtaining of the consent or permission from the Bermuda Monetary Authority in respect of the issue of the Rights Shares;

(10) in respect of the representations and warranties and the undertakings referred to in the Underwriting Agreement:

    (A) such representations and warranties being true and accurate and not misleading in any respect and no such undertakings being breached on and as of the date of the Underwriting Agreement and at any time before the Latest Time for Termination, as though they had been given and made at such time by reference to the facts and circumstances then subsisting;

(B) none of the Underwriters having any cause to believe that any breach of such representations or warranties or undertakings has occurred or may occur on and as of the date of the Underwriting Agreement or at any time before the Latest Time for Termination; and

(C) no matter having arisen which would reasonably be expected to give rise to any breach or claim or action on and as of the date of the Underwriting Agreement or at any time before the Latest Time for Termination;

(11) compliance by the Company with its obligations under the Underwriting Agreement, including, without limitation:

(A) to provisionally allot the Rights Shares in accordance with the terms of the Underwriting Agreement;

(B) to despatch the Prospectus Documents to the Qualifying Shareholders in accordance with the terms of the Underwriting Agreement;

(C) to deliver to the Underwriters the relevant documents specified in the Underwriting Agreement in accordance with the timing set out therein, provided that, where any such document is specified to be delivered in draft or agreed form, no changes shall be made to it without the prior consent of the Underwriters; and

(D) to deliver to the Underwriters the relevant certificate specified in the Underwriting Agreement duly signed by an authorised representative of the Company in accordance with the timing set out therein; and

(12) the Shares remaining listed on the Stock Exchange at all times up to and including the Latest Time for Termination and the current listing of the Shares not having been withdrawn or the trading of the Shares not having been halted, suspended or limited (other than pending publication of the Announcement or any other announcements relating to the Rights Issue) and no indication having been received before the Latest Time for Termination from the Stock Exchange to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of the Rights Issue or in connection with the terms of the Underwriting Agreement or for any other reason.

The Company shall use its best endeavours to procure the fulfillment of the conditions to be fulfilled by it under the Underwriting Agreement by the due time and/or date referred to in each case in the Underwriting Agreement (or if no date is specified, by the Latest Time for Termination), and, in particular, shall furnish such information, supply such documents, pay such fees, give such undertakings and do all such acts and things as are required in compliance with the Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance, the SFO or the Bermuda Companies Act, or as may reasonably be required by the Underwriters, the SFC, the Stock Exchange, the Hong Kong Companies Registry, HKSCC or, if necessary, the Bermuda Monetary Authority in connection with obtaining the listing of the Nil-paid Rights and the Rights Shares.

The Underwriters may at any time in writing waive any of the conditions set out in the Underwriting Agreement (except for conditions 1 to 9 above) or extend the time or date for fulfillment of any of the conditions set out in the Underwriting Agreement and such waiver or extension may be made subject to such terms and conditions as are determined by the Underwriters. If the conditions of the Underwriting Agreement (which has not previously been waived by the Underwriters if capable of being waived under the Underwriting Agreement) is not fulfilled, on or before the relevant time and date specified in each case, or if no time or date is specified then on or before the Latest Time for Termination, or if the Underwriting Agreement shall be terminated as described below, the Underwriting Agreement shall terminate (save in respect of the provisions in relation to indemnity, notices and governing law and any rights or obligations which have accrue under the Underwriting Agreement prior to such termination) and no party will have any claim against another for costs, damages, compensation or otherwise, provided that such termination shall be without prejudice to the rights of the parties to the Underwriting Agreement in respect of any breach of the Underwriting Agreement occurring before such termination.

Termination of the Underwriting Agreement

The Underwriters reserve the right to terminate the arrangements set out in the Underwriting Agreement if at any time before the Latest Time for Termination:

(1) any matter or circumstance arises as a result of which any of the conditions of the Underwriting Agreement has become incapable of satisfaction as at the required time;

(2) the fact that any of the representations, warranties or undertakings contained in the Underwriting Agreement is untrue, inaccurate or misleading or has been breached in any respect comes to the knowledge of the Underwriters, or there has been a breach on the part of the Company of any other provision of the Underwriting Agreement, or the Underwriters have cause to believe that any of the representations, warranties or undertakings contained in the Underwriting Agreement is untrue, inaccurate or misleading or has been breached in any respect or that any such breach has occurred;

(3) any event occurs or matter arises or is discovered, which, if it had occurred before the date of the Underwriting Agreement or before any of the dates or before any time on which the representations, warranties and undertakings are deemed to be given pursuant to the Underwriting Agreement would have rendered any of those representations, warranties or undertakings untrue, inaccurate, incomplete or misleading in any respect;

(4) any statement contained in the Announcement or a Prospectus Document has become or been discovered to be untrue, inaccurate, incomplete or misleading in any respect, or any matter arises or is discovered which would, if the Announcement or the relevant Prospectus Document was to be issued at the time, constitute an omission therefrom;

(5) the Company's application to the Main Board of the Stock Exchange for Listing Approval is withdrawn by the Company and/or refused by the Stock Exchange;

(6) any condition to enable the Nil-paid Rights to be admitted as eligible securities for deposit, clearance and settlement in CCASS is not satisfied or notification is received by the Company from HKSCC that such admission or facility for holding and settlement has been or is to be refused;

(7) there is a Material Adverse Change;

(8) any event, act or omission occurs which gives or is likely to give rise to any liability of the Company pursuant to the indemnities referred to in the Underwriting Agreement; or

(9) any of the following occurs:

(A) there shall have occurred, happened, come into effect or become public knowledge any event, series of events or circumstances concerning or relating to (whether or not foreseeable): (i) a moratorium, trading halt, suspension, restriction or limitation in trading in securities generally, or the establishment of minimum prices, on the New York Stock Exchange, the London Stock Exchange plc, the Stock Exchange and/or any other stock exchange on which the Company's securities are traded; (ii) a trading halt, suspension or limitation in dealings in the Company's securities on the Stock Exchange and/or any other stock exchange on which the Company's securities are traded (other than pending publication of the Announcement or any other announcement relating to the Rights Issue); (iii) a declaration of a general moratorium or a disruption in commercial banking activities in the United States, Hong Kong, the PRC, the European Union (or any member thereof) or a disruption in commercial banking or securities settlement or clearance services in the United States, Hong Kong, the PRC or the European Union (or any member thereof); or (iv) a change or development involving a prospective change in or affecting taxation or exchange or currency control (or the implementation of any exchange or currency control) or currency exchange rates in the PRC, Hong Kong or any other place in which any member of the Group conducts or carries on business;

(B) there shall have occurred any event or circumstance or series of events or circumstances (including without limitation the occurrence of any local, national or international outbreak or escalation of disaster or hostilities (whether or not war is or has been declared), riot, earthquake, public disorder, civil commotion, fire, flood, explosion, outbreak of an infectious disease, calamity, crisis, strike, lock-out, insurrection, armed conflict, act of terrorism (whether or not responsibility has been claimed), act of God or epidemic);

(C) there shall have occurred any change in, or any event or series of events likely to result in any change in (whether or not permanent) local, national or international financial, political, economic, military, industrial, legal, fiscal, regulatory or securities market matters or conditions or currency exchange rates or exchange controls (including without limitation, any change in the system under which the value of the Hong Kong currency is linked to that of the United States) in or affecting Hong Kong, the United States, the European Union (or any member thereof) or the PRC;

(D) any new laws, rules, statutes, ordinances, regulations, guidelines or circulars (in each case, to the extent mandatory or, if not complied with, the basis for legal or regulatory consequences), orders, judgements, decrees or rulings of any governmental authority (the "**Laws**") are implemented or there are any changes or developments involving prospective changes in existing Laws or in the interpretation or application thereof by any court or other competent authority in Hong Kong or the PRC or any other place in which any member of the Group conducts or carries on business;

(E) the Company is required to publish a supplementary prospectus in accordance with Rule 11.13 of the Listing Rules, as a result of a significant change affecting any matter contained in the Prospectus Documents or a significant new matter having arisen the inclusion of information in respect of which would have been required in the Prospectus Documents if it had arisen before the date thereof, or otherwise; or

(F) an authority or a political body or organisation in any relevant jurisdiction commences any investigation or other action, or announces an intention to investigate or take other action, against any Director,

which, as regards matters referred to in this paragraph (9), individually or in the aggregate, in the sole opinion of the Underwriters: (i) is or will be, or is likely to be, materially adverse to, or prejudicially affects or would prejudicially affect, the results of operation, general affairs, management, business, properties, financial, trading or other condition or prospects of the Group or to any present or prospective Shareholder in its capacity as such; (ii) has or will have or is likely to have a material adverse impact on, or prejudicially affects or would prejudicially affect, the success of the Rights Issue or dealings in the Rights Shares in the secondary market; or (iii) makes or may make it impracticable, inadvisable or inexpedient to proceed with the Rights Issue on the terms and in the manner contemplated in the Announcement and the Prospectus Documents.

In the event that the Underwriters exercise their right to terminate the Underwriting Agreement, the obligations of the Underwriters under the Underwriting Agreement will cease and the Rights Issue will not proceed, in which case, a further announcement will be made by the Company at the relevant time.

Lock-up Undertakings

Pursuant to the Underwriting Agreement, the Company has undertaken to the Underwriters that for the period from the date of the Underwriting Agreement and ending on the date which is 90 days after the Listing Date, it shall not (except for the Rights Shares):

(1) undertake any consolidation or subdivision of its share capital, allot, issue, sell, accept subscription for, or offer to allot, issue or sell, or contract or agree to allot, issue or sell, or grant or sell any option, right or warrant to subscribe for or purchase (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares, save (i) in connection with the Capital Reorganisation; or (ii) for any Shares issued pursuant to and in accordance with the terms and conditions of the Existing Convertible Bonds or the Share Awards granted pursuant to and in accordance with the rules of the Share Award Scheme;

(2) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in paragraph (1) above; or

(3) announce any intention to enter into or effect any such transaction described in paragraphs (1) or (2) above,

unless with the prior written consent of the Underwriters; provided that the above restrictions shall cease to apply if the Underwriting Agreement (i) does not become unconditional and is terminated in accordance with the terms therein; or (ii) is terminated by the Underwriters pursuant to any of the termination events set out in in the Underwriting Agreement.

(2) PROPOSED CAPITAL REORGANISATION

The Rights Share Subscription Price is below the par value of the Existing Shares which would not be permissible under Bermudan law. In order to allow the Company to set the Rights Share Subscription Price at an appropriate discount to the current trading price of the Shares, the Directors propose to re-organise the share capital of the Company by way of the Capital Reorganisation, which involves the following:

(1) cancelling paid-up capital in the amount of US$0.09 on each of the issued Existing Shares in the issued share capital of the Company and applying the credit arising from such reduction (approximately US$175.2 million) to the contributed surplus account of the Company or other account of the Company which may be utilised by the Directors as a distributable reserve in accordance with the bye-laws of the Company and applicable laws in Bermuda;

(2) sub-dividing each of the unissued Existing Shares of US$0.10 each in the authorised share capital of the Company into 10 New Shares of US$0.01 each; and

(3) reducing the entire amount of approximately US$604.8 million standing to the credit of the Company's share premium account and applying the credit arising from such reduction to the contributed surplus account of the Company or other account of the Company which may be utilised by the Directors as a distributable reserve in accordance with the bye-laws of the Company and applicable laws in Bermuda.

Save for the relevant expenses to be incurred, the implementation of the Capital Reorganisation will not, by itself, alter the underlying assets, business, operation, management or financial position of the Company and the Capital Reorganisation is not expected to have any material adverse effect on the financial position of the Company.

The Capital Reorganisation is subject to the following conditions:

(1) the passing of a special resolution approving the Capital Reorganisation by the Shareholders at the SGM;

(2) compliance by the Company with the applicable statutory requirements under the Bermuda Companies Act; and

(3) the Stock Exchange granting the listing of, and permission to deal in, the New Shares.

The Company is an exempted company incorporated in Bermuda. As such, the Capital Reorganisation is a process governed by Bermuda law. This does not involve any court procedure in Bermuda (or Hong Kong). The Capital Reorganisation must be approved by a special resolution of the Shareholders, which will be proposed at the SGM. Moreover, the Directors must be satisfied that the Group will, after the Capital Reorganisation, continue to be able to pay its liabilities as they become due. Based upon information presently available to the Directors, and having made all reasonable enquiries, the Directors are satisfied with the Group's financial position, and expect to continue to be satisfied at the time of effecting the Capital Reorganisation.

The Board proposes to seek approval from the Shareholders for the Capital Reorganisation at the SGM. To the best information, knowledge and belief of the Directors having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholder has an interest in the Capital Reorganisation that is materially different from the other Shareholders. Therefore, no Shareholder is required to abstain from voting on the resolution to be proposed at the SGM to approve the Capital Reorganisation. Subject to the above conditions being fulfilled, it is expected that the Capital Reorganisation will become effective on the Business Day immediately following the date of the SGM.

Upon the Capital Reorganisation becoming effective, the authorised share capital of the Company will be changed from US$360,000,000 divided into 3,600,000,000 shares of US$0.10 each to US$360,000,000 divided into 36,000,000,000 shares of US$0.01 each; and the issued share capital of the Company would be reduced from approximately US$194,682,312 divided into 1,946,823,119 shares of US$0.10 each to approximately US$19,468,231 divided into 1,946,823,119 shares of US$0.01 each. It would also have the effect of creating a contributed surplus account of approximately US$175.2 million which may be applied by the Company in any such manner as permitted by the applicable laws of Bermuda and the bye-laws of the Company, such as distribution out of contributed surplus to the Shareholders and/or the application of such credit balance to set off accumulated losses of the Company.

Listing application and other trading arrangements

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the New Shares arising from the Capital Reorganisation. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Existing Shares, the New Shares, the Existing Convertible Bonds or any other securities of the Company to be listed or dealt in on any other stock exchange.

The New Shares will be identical in all respects and rank pari passu in all respects with each other as to all future dividends and distributions which are declared, made or paid. Subject to the granting of the listing of, and permission to deal in, the New Shares on the Stock Exchange, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement of dealings in the New Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operation Procedures in effect from time to time.

Subject to the Capital Reorganisation becoming effective, Shareholders may submit existing certificates for the Existing Shares to the Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for exchange, at the expense of the Company, for certificates for the New Shares from 9:00 a.m. on Tuesday, 24 May 2016 until 4:30 p.m. on Monday, 27 June 2016. Thereafter, certificates for the Existing Shares will be accepted for exchange only on payment of a fee of HK$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) by the Shareholders to the Registrar for each certificate issued or cancelled, whichever is higher.

The certificates for the New Shares will be yellow in order to distinguish them from the certificates for the Existing Shares which are blue.

All existing certificates of the Existing Shares will continue to be evidence of title in the Existing Shares and be valid for delivery, transfer and settlement purposes.

(3) PROPOSED SPECIFIC MANDATE

In order to accommodate the adjustment(s) to the conversion price of the Convertible Bonds due 2018 and/or the maximum number of Shares to be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds due 2018 as a result of the occurrence of certain prescribed events (including, without limitation, the Rights Issue) in accordance with the terms and conditions thereof (which are also set out in the Company's announcement dated 20 September 2012), the Board proposes to seek the approval of the Shareholders to grant the Specific Mandate at the SGM.

Pursuant to the terms and conditions of the Convertible Bonds due 2018 dated 18 October 2012 (the "**CB Terms**"), the conversion price will be adjusted upon the occurrence of the following events:

(1) alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification;

(2) 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;

(3) payment or making of any capital distribution (including dividend payment) to the Shareholders by the Company;

(4) issue of Shares by the Company to all or substantially all Shareholders by way of rights, or issue or grant by the Company to all or substantially all 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;

(5) issue of other securities by the Company to all or substantially all Shareholders by way of rights, or issue or grant by the Company to all or substantially all Shareholders any options, warrants or other rights to subscribe for, purchase or acquire such securities;

(6) 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;

(7) 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 issue of securities;

(8) modification of rights of conversion, exchange or subscription attaching to any such securities as mentioned in subparagraph (7) 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;

(9) 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

(10) any other events or circumstances not referred to above as determined by the guarantor of the Convertible Bonds due 2018 (i.e., the Company), provided that it 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 abovementioned customary conversion price adjustments provide an anti-dilution mechanism to protect the interest of the holders of the Convertible Bonds due 2018.

Approvals for the Rights Issue and the Specific Mandate are contained in a single ordinary resolution to be proposed at the SGM. Accordingly, the Rights Issue and the Specific Mandate will either be approved or voted down together.

(4) CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 27 May 2016 to Monday, 30 May 2016 (both dates inclusive) for determining the entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Capital Reorganisation; (iii) immediately after completion of the Capital Reorganisation and the Rights Issue; and in Scenarios 2 and 3, and (iv) immediately after completion of the Capital Reorganisation and the conversion rights attaching to all outstanding Existing Convertible Bonds having been fully exercised immediately before completion of the Rights Issue.

As at the Latest Practicable Date, a total of 26,406,000 Shares were granted but unvested pursuant to the Share Award Scheme. The Board confirms that (i) no Share Awards will vest prior to the Record Date; and (ii) no new Share Awards will be granted by the Company under the Share Award Scheme prior to the Record Date.

Notes:

(1) The scenarios below are for illustration purposes only and shall not be seen as an indication as to whether any Shareholder listed below is able to or intends to take up any or all of their entitled Rights Shares.

(2) The number of Shares and underlying Shares in which each relevant Shareholder is interested in as at the Latest Practicable Date as set out below is extracted from the register of interests in Shares and underlying Shares as required to be kept by the Company under Part XV of the SFO.

Scenario 1 – All Shareholders having taken up their entitled Rights Shares and no conversion rights attaching to all outstanding Existing Convertible Bonds having been exercised prior to the Latest Lodging Time

	As at the Latest Practicable Date		**Immediately after completion of the Capital Reorganisation**		**Immediately after completion of (i) the Capital Reorganisation; and (ii) the Rights Issue**	
	No. of Shares and underlying Shares	*Approximate %*	*No. of Shares and underlying Shares*	*Approximate %*	*No. of Shares and underlying Shares*	*Approximate %*
Aberdeen Asset Management Plc and its Associates	271,873,000	13.97	271,873,000	13.97	543,746,000	13.97
Hagn Michael	252,703,500	12.98	252,703,500	12.98	505,407,000	12.98
Directors	14,778,667	0.76	14,778,667	0.76	29,557,334	0.76
HSBC Holdings plc and its controlled corporations other than its underwriting obligations#	32,900,200	1.69	32,900,200	1.69	65,800,400	1.69
BNP Paribas S.A. and its controlled corporations	5,404,370	0.28	5,404,370	0.28	10,808,740	0.28
HSBC*	–	0	–	0	–	0
BNP Paribas*	–	0	–	0	–	0
Other public shareholders	1,369,163,382	70.32	1,369,163,382	70.32	2,738,326,764	70.32
Total:	**1,946,823,119**	**100%**	**1,946,823,119**	**100%**	**3,893,646,238**	**100%**

Notes: * Pursuant to its underwriting obligations only.

Including HSBC's interests in 17,000 Shares and underlying Shares.

Scenario 2 – All Shareholders having taken up their entitled Rights Shares and the conversion rights attaching to all outstanding Existing Convertible Bonds having been fully exercised prior to the Latest Lodging Time

	As at the Latest Practicable Date		Immediately after completion of the Capital Reorganisation		Immediately after completion of the Capital Reorganisation and the conversion rights attaching to all outstanding Existing Convertible Bonds having been fully exercised immediately before completion of the Rights Issue		Immediately after completion of (i) the Capital Reorganisation; and (ii) the Rights Issue	
	No. of Shares and underlying Shares	*Approximate %*	*No. of Shares and underlying Shares*	*Approximate %*	*No. of Shares and underlying Shares*	*Approximate %*	*No. of Shares and underlying Shares*	*Approximate %*
Aberdeen Asset Management Plc and its Associates	271,873,000	13.97	271,873,000	13.97	271,873,000	11.39	543,746,000	11.39
Hagn Michael	252,703,500	12.98	252,703,500	12.98	252,703,500	10.59	505,407,000	10.59
Directors	14,778,667	0.76	14,778,667	0.76	14,778,667	0.62	29,557,334	0.62
HSBC Holdings plc and its controlled corporations other than its underwriting obligations#	32,900,200	1.69	32,900,200	1.69	32,900,200	1.38	65,800,400	1.38
BNP Paribas S.A. and its controlled corporations	5,404,370	0.28	5,404,370	0.28	5,404,370	0.23	10,808,740	0.23
HSBC*	–	0	–	0	–	0	–	0
BNP Paribas*	–	0	–	0	–	0	–	0
Holders of the Convertible Bonds due 2021	–	0	–	0	237,484,681	9.95	474,969,362	9.95
Holders of the Convertible Bonds due 2018	–	0	–	0	202,059,844	8.47	404,119,688	8.47
Other public shareholders	1,369,163,382	70.32	1,369,163,382	70.32	1,369,163,382	57.37	2,738,326,764	57.37
Total:	**1,946,823,119**	**100%**	**1,946,823,119**	**100%**	**2,386,367,644**	**100%**	**4,772,735,288**	**100%**

Notes: * Pursuant to its underwriting obligations only.

Including HSBC's interests in 17,000 Shares and underlying Shares.

Scenario 3 – No Shareholders having taken up their entitled Rights Shares and the conversion rights attaching to all outstanding Existing Convertible Bonds having been fully exercised prior to the Latest Lodging Time

	As at the Latest Practicable Date		Immediately after completion of the Capital Reorganisation		Immediately after completion of the Capital Reorganisation and the conversion rights attaching to all outstanding Existing Convertible Bonds having been fully exercised before the completion of the Rights Issue		Immediately after completion of (i) the Capital Reorganisation; and (ii) the Rights Issue	
	No. of Shares and underlying Shares	*Approximate %*	*No. of Shares and underlying Shares*	*Approximate %*	*No. of Shares and underlying Shares*	*Approximate %*	*No. of Shares and underlying Shares*	*Approximate %*
Aberdeen Asset Management Plc and its Associates	271,873,000	13.97	271,873,000	13.97	271,873,000	11.39	271,873,000	5.70
Hagn Michael	252,703,500	12.98	252,703,500	12.98	252,703,500	10.59	252,703,500	5.29
Directors	14,778,667	0.76	14,778,667	0.76	14,778,667	0.62	14,778,667	0.31
HSBC Holdings plc and its controlled corporations other than its underwriting obligations#	32,900,200	1.69	32,900,200	1.69	32,900,200	1.38	32,900,200	0.69
BNP Paribas S.A. and its controlled corporations	5,404,370	0.28	5,404,370	0.28	5,404,370	0.23	5,404,370	0.11
HSBC*	–	0	–	0	–	0	1,431,820,587	30.00
BNP Paribas*	–	0	–	0	–	0	954,547,057	20.00
Holders of the Convertible Bonds due 2021	–	0	–	0	237,484,681	9.95	237,484,681	4.98
Holders of the Convertible Bonds due 2018	–	0	–	0	202,059,844	8.47	202,059,844	4.23
Other public shareholders	1,369,163,382	70.32	1,369,163,382	70.32	1,369,163,382	57.37	1,369,163,382	28.69
Total:	**1,946,823,119**	**100%**	**1,946,823,119**	**100%**	**2,386,367,644**	**100%**	**4,772,735,288**	**100%**

Notes: * Pursuant to its underwriting obligations only.

Including HSBC's interests in 17,000 Shares and underlying Shares.

Scenario 4 – No Shareholders having taken up their entitled Rights Shares and no conversion rights attaching to all outstanding Existing Convertible Bonds having been exercised prior to the Latest Lodging Time

	As at the Latest Practicable Date		Immediately after completion of the Capital Reorganisation		Immediately after completion of (i) the Capital Reorganisation; and (ii) the Rights Issue	
	No. of Shares and underlying Shares	*Approximate %*	*No. of Shares and underlying Shares*	*Approximate %*	*No. of Shares and underlying Shares*	*Approximate %*
Aberdeen Asset Management Plc and its Associates	271,873,000	13.97	271,873,000	13.97	271,873,000	6.98
Hagn Michael	252,703,500	12.98	252,703,500	12.98	252,703,500	6.49
Directors	14,778,667	0.76	14,778,667	0.76	14,778,667	0.38
HSBC Holdings plc and its controlled corporations other than its underwriting obligations#	32,900,200	1.69	32,900,200	1.69	32,900,200	0.85
BNP Paribas S.A. and its controlled corporations	5,404,370	0.28	5,404,370	0.28	5,404,370	0.14
HSBC*	–	0	–	0	1,168,093,872	30.00
BNP Paribas*	–	0	–	0	778,729,247	20.00
Other public shareholders	1,369,163,382	70.32	1,369,163,382	70.32	1,369,163,382	35.16
Total:	**1,946,823,119**	**100%**	**1,946,823,119**	**100%**	**3,893,646,238**	**100%**

Notes: * Pursuant to its underwriting obligations only.

Including HSBC's interests in 17,000 Shares and underlying Shares.

It is not the intention of any of the Underwriters to subscribe, for its own account, for such number of Rights Shares which will result in it and parties acting in concert with it (within the meaning of the Takeovers Code) owning 30% or more of the voting rights of the Company upon completion of the Rights Issue.

REASONS FOR THE RIGHTS ISSUE

The net proceeds of the Rights Issue will add long term equity capital which will be primarily used to:

(1) strengthen the Company's balance sheet and liquidity position at a time when a number of companies in the industry are experiencing financial distress; and

(2) allow the Group to reserve cash for potentially attractive acquisitions of second hand Handysize and Supramax vessels at historically depressed prices. Leveraging the Group's business model, the potential acquisitions would be able to generate an earnings premium compared to market indices.

The Board believes that the Rights Issue enhances the Group's position as a strong and reliable counterparty, and partner of choice for its customers and other stakeholders as the market eventually recovers from one of the weakest and most challenging periods in the dry bulk shipping market in over 30 years.

In addition, the Rights Issue is taking place in the year in which the Company has repaid or expects to repay a total of US$229.4 million of its convertible bonds, namely: (i) US$105.6 million of the Convertible Bonds due 2016, which matured and were fully redeemed on 12 April 2016 by utilising part of the net proceeds of the Convertible Bonds due 2021 as well as the Group's cash reserves; and (ii) up to US$123.8 million of the Convertible Bonds due 2018 expected to be put back by the relevant bondholders to the Group and repaid in October 2016 by exercising of their right under the CB Terms to require the issuer to redeem all or some of the Convertible Bonds due 2018 at 100% of the principal amount thereof, together with accrued but unpaid interest (the "**Put Option**").

Pursuant to the CB Terms, the relevant bondholder must complete, sign and deposit a notice of exercise of the Put Option at the specified office of the paying agent not earlier than 60 days and no later than 30 days prior to 22 October 2016, being the date on which the Put Option will be exercised. Accordingly, as at the Latest Practicable Date, the Group is not aware of any intention of the exercise of the Put Option by the relevant bondholders.

The Board has considered various different financing alternatives, such as placing new Shares, entering into new loans or issuing bonds. The Board is of the opinion that (i) bank borrowings, convertible bonds and other debt financing would incur additional interest, and given the state of the dry bulk market currently, the terms of such borrowings or bonds may not be satisfactory and acceptable to the Group; (ii) bank borrowings of the Group are usually secured against the Group's dry bulk vessels, the valuation of which has recently been depressed and thus reducing the potential amount of borrowings, and there are a limited number of un-mortgaged dry bulk vessels available as collateral; (iii) a share placement, unlike the Rights Issue which offers an opportunity for the Qualifying Shareholders to participate in the enlargement of the capital base of the Company, would result in immediate dilution to the shareholding interests of the existing Shareholders; and (iv) a fully underwritten rights issue removes a degree of uncertainty as compared to other equity fund raising exercises. Based on the foregoing, the Board considers that the Rights Issue is the most appropriate means to raise funds for the Group.

USE OF PROCEEDS

The Company intends to use the proceeds of the Rights Issue as follows:

(1) up to US$123.8 million (approximately HK$960.2 million) to be used for full repayment of the Convertible Bonds due 2018 that are expected to be put back by the bondholders to the Group in October 2016 by exercising their Put Options; and

(2) out of the remaining proceeds (i) approximately 25% to 50% will be used as general working capital (such as operating expenses); and (ii) approximately 50% to 75% will be used for the potential acquisition of second hand Handysize and Supramax vessels that may emerge at depressed prices which the Company may proactively identify and carefully consider from time to time provided that such vessel(s) can meet the higher specification standards required by the Group. According to the latest information from Clarksons Platou, (i) a benchmark five-year old 32,000 dwt Handysize bulk carrier is valued at approximately US$9,500,000; and (ii) a benchmark five-year old 56,000 dwt Supramax vessel is valued at approximately US$12,000,000.

As the prevailing conversion price (i.e. HK$4.75 per Share) is significantly higher than the recent trading prices of the Shares, it is currently expected that the holders of the Convertible Bonds due 2018 will exercise their Put Options. In the event that not all holders of the Convertible Bonds due 2018 would exercise their Put Options, the net proceeds which are initially allocated for the full repayment of the Convertible Bonds due 2018 will instead be re-allocated towards repayment of long term bank borrowings and/or buy-back of the Existing, Convertible Bonds in the secondary market.

Based on the Board's latest assessment, (i) the net proceeds from the Rights Issue will satisfy the Company's corporate and general working capital needs for the next 12 months; and (ii) save for the funding required for the expected repayment of the Convertible Bonds due 2018 in October 2016 as described above, the Group currently does not expect any other significant funding needs for the next 12 months.

CONSIDERATIONS FOR SHAREHOLDERS

The Rights Issue allows Qualifying Shareholders to maintain their respective existing shareholding in the Company. However, the Board is aware of the potential dilutive effect of the Rights Issue on the Shareholders' interests in the Company if the Qualifying Shareholders do not take up their respective entitlements under the Rights Issue as more particularly described below:

(1) assuming the conversion rights attaching to all outstanding Existing Convertible Bonds having been fully exercised prior to the Latest Lodging Time, their respective shareholding interests in the Company will be diluted by 59.2%;

(2) assuming no conversion rights attaching to all outstanding Existing Convertible Bonds having been exercised prior to the Latest Lodging Time, their respective shareholding interests in the Company will be diluted by 50.0%.

Nonetheless, the Board considers that such potential dilutive effect should be balanced against the following factors:

(1) the Independent Shareholders are entitled to vote on the Rights Issue at the SGM;

(2) Qualifying Shareholders are entitled to subscribe for their pro-rata Rights Shares in full thus allowing them to maintain their respective existing shareholding interests in the Company after the Rights Issue;

(3) Qualifying Shareholders are entitled to subscribe for their pro-rata Rights Shares at a relatively low price as compared to the historical and prevailing market price of the Shares; and

(4) Qualifying Shareholders have the opportunity to sell their Nil-paid Rights in the market during the Nil-paid Rights trading period for cash.

Accordingly, the Board considers as acceptable the potential dilutive effect on the shareholding interests of the Qualifying Shareholders, which may only happen if the Qualifying Shareholders do not subscribe for their pro-rata Rights Shares.

Having considered the foregoing, the Board considers that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

REASONS FOR THE CAPITAL REORGANISATION

As at the Last Trading Day, the closing price of the Shares as quoted on the Stock Exchange was HK$1.44 per Share. Under Bermudan law, a company is not permitted to issue and allot shares at a price per share below the par value of such shares. Accordingly, this potentially restricts the Company's ability to set the Rights Share Subscription Price at an appropriate discount to the current trading price of the Shares and to raise the necessary funds. The Capital Reorganisation, if approved by the Shareholders, will result in the New Shares having a nominal value of US$0.01 each, which will allow the Company to set the Rights Share Subscription Price at an appropriate discount to the current trading price of the Shares.

Having considered the foregoing, the Board considers that the Capital Reorganisation is in the interests of the Company and the Shareholders as a whole.

REASONS FOR THE SPECIFIC MANDATE

The Board believes that the Specific Mandate, if granted by the Shareholders at the SGM, would enable the Company to streamline and facilitate the conversion process and administrative matters in respect of the Convertible Bonds due 2018.

The Board considers that the Specific Mandate is in the interests of the Company and the Shareholders as a whole.

ADJUSTMENT TO CONVERTIBLE BONDS

In accordance with the respective terms of the Existing Convertible Bonds, the Rights Issue will lead to adjustments to the conversion prices and the number of Shares to be allotted and issued upon exercise of the conversion rights attached to each of the Existing Convertible Bonds with effect from 31 May 2016 (being the first date on which the Shares are traded ex-rights) in the following manner:

(1) the conversion price of the Convertible Bonds due 2018 will be adjusted from HK$4.75 per Share to HK$3.58 per Share;

(2) the number of Shares to be allotted and issued upon conversion of the Convertible Bonds due 2018 will be increased from 202,059,844 Shares to 268,096,162 Shares;

(3) the conversion price of the Convertible Bonds due 2021 will be adjusted from HK$4.08 per Share to HK$3.07 per Share;

(4) the number of Shares to be allotted and issued upon conversion of the Convertible Bonds due 2021 will be increased from 237,484,681 Shares to 315,614,820 Shares.

The Company will ascertain the required adjustments, and inform the holders of the Existing Convertible Bonds of the required adjustments as soon as practicable. A further announcement will be made by the Company in relation to any adjustments to the Existing Convertible Bonds and the date such adjustments are expected to take effect once determined by the Company.

The Convertible Bonds due 2016 matured and were fully redeemed on 12 April 2016.

ADJUSTMENT TO SHARE AWARDS

Pursuant to the rules of the Share Award Scheme, in the event of any alteration in the capital structure of the Company while any Share Award remains outstanding, whether by way of, inter alia, a rights issue or a reduction of capital, (i) the number and/or nominal amount of Shares subject to the Share Award and/or (ii) the limit of the Share Award Scheme shall be adjusted on a fair and reasonable basis, provided that, inter alia, any such alteration shall give a grantee on vesting of his/her Share Awards the same proportion of the issued Shares to which he/she would have been entitled if such Share Award were to have vested immediately prior to the event giving rise to the adjustment. The calculation of the adjustment will be reported on by the Company's auditors in writing to the Board either generally or as regards any particular Share Award (the "**Auditors' Report**"), which will report its findings on (i) the arithmetic accuracy of the computation of such adjustment after discussion with the Board; (ii) the impact of the Rights Issue from the perspective of the grantees; and (iii) whether such adjustment will result in the issue of Shares at less than its nominal value.

Accordingly, subject to the findings set out in the Auditors' Report and assuming the adjustment will (i) have a neutral impact from the perspective of the grantees by being made on the same basis as the Rights Issue (i.e. on a one-for-one basis); and (ii) be based on a scrip factor similar to the one used in accounting standards in adjusting the earnings per share figures, to account for the price-dilutive element embedded in a rights issue, a total of 26,406,000 Shares, which is equivalent to the total outstanding Share Awards as at the Latest Practicable Date, will be subject to the additional Share Awards that will be granted as a result of such adjustment, of which (i) 7,723,000 Shares for those grantees who are connected persons of the Company will be purchased from the market; and (ii) 18,683,000 Shares for the other grantees will be purchased from the market and/or allotted and issued by the Company. Assuming all such 18,683,000 Shares will be allotted and issued by the Company, (i) such new Shares will represent approximately 0.48% of the enlarged total issued share capital of the Company following completion of the Rights Issue; and (ii) the general mandate granted to the Directors at the annual general meeting of the Company held on 19 April 2016, under which up to a total of 194,682,311 Shares can be allotted and issued by the Company, will be sufficient to cover such allotment and issue of new Shares.

The Board will ascertain the required adjustment(s), if any, and inform the holders of the Share Awards of the required adjustment(s) as soon as practicable.

EQUITY FUND-RAISING ACTIVITIES IN THE PAST 12 MONTHS

Date of announcement	Date of closing	Fund-raising activity	Net proceeds raised	Intended use of proceeds
8 April 2015	8 June 2015	Issue of the Convertible Bonds due 2021	Approximately US$123.7 million	To maintain the Group's balance sheet strength and liquidity and to continue to proactively manage its upcoming liabilities, including the Convertible Bonds due 2016 and the Convertible Bonds due 2018, as well as for general working capital purposes

Since the issue of the Convertible Bonds due 2021, the Company has used the proceeds to purchase and cancel the Convertible Bonds due 2016 with an aggregate face value of US$85.8 million by paying US$85.1 million in aggregate during the year ended 31 December 2015, with the remainder of the proceeds being used to repay part of the remaining outstanding Convertible Bonds due 2016 with an aggregate face value of US$105.6 million that matured and were fully redeemed on 12 April 2016.

Save as disclosed above, there was no equity fund raising activity by the Group through the issue of equity securities in the 12 months immediately preceding the Latest Practicable Date.

IMPLICATIONS UNDER THE LISTING RULES

In accordance with Rule 7.19(6) of the Listing Rules, as the Rights Issue will increase the number of issued shares of the Company by more than 50%, the Rights Issue is subject to the approval of the Shareholders at the SGM by way of poll. Pursuant to Rule 7.19(6)(a) of the Listing Rules, the Rights Issue must be made conditional on approval by the Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue.

As at the Latest Practicable Date, the Company has no controlling Shareholder. Mr. David Muir Turnbull, the chairman and an executive Director, together with his associates are interested in 2,527,000 existing Shares, representing approximately 0.13% of the existing issued share capital of the Company, Mr. Mats Henrik Berglund, an executive Director, is interested in 5,613,000 existing Shares, representing approximately 0.29% of the existing issued share capital of the Company, Mr. Andrew Thomas Broomhead, an executive Director, together with his associates are interested in 3,354,704 existing Shares, representing approximately 0.17% of the existing issued share capital of the Company, and Mr. Chanakya

Kocherla, an executive Director, is interested in 3,489,667 existing Shares, representing approximately 0.18% of the existing issued share capital of the Company. Save as disclosed above, none of the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates hold any existing Shares. Mr. David Muir Turnbull, Mr. Mats Henrik Berglund, Mr. Andrew Thomas Broomhead, Mr. Chanakya Kocherla, and their respective associates, together with parties acting in concert with any of them (if any), will abstain from voting in favour of the resolution relating to the Rights Issue and the transactions contemplated thereunder or incidental thereto (including the Specific Mandate) in compliance with Rule 7.19(6)(a) of the Listing Rules.

In addition, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, apart from the relevant interests in the Shares pursuant to the respective underwriting obligations of HSBC and BNP Paribas as set out in page 31 of this circular, (i) HSBC Holdings plc and its controlled corporations are interested in 32,900,200 Shares and underlying Shares (representing approximately 1.69% of the existing issued share capital of the Company, including interest in 17,000 Shares and underlying of Shares held by HSBC); and (ii) BNP Paribas S.A. and its controlled corporations are interested in 5,404,370 and underlying Shares (representing approximately 0.28% of the existing issued share capital of the Company). Accordingly, they will also abstain from voting on the relevant resolution at the SGM unless otherwise permitted under the Listing Rules, provided that, for the avoidance of doubt, Independent Shareholders who may vote on the resolution relating to the Rights Issue and the transactions contemplated thereunder or incidental thereto (including the Specific Mandate) include any member of the HSBC Group and the BNP Paribas Group, respectively, in each case in respect of Shares of its non-discretionary investment clients where such client (i) has control the voting rights attaching to those Shares; (ii) if those Shares are voted, gives instructions as to how those Shares are to be voted and provided the Shares are voted in accordance with the instructions given; and (iii) is otherwise not restricted from voting.

An Independent Board Committee comprising all the independent non-executive Directors has been formed to make recommendations to the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder as well as the Specific Mandate. Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on whether the terms of the Rights Issue and the Specific Mandate are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole.

The Rights Issue, the Capital Reorganisation and the Specific Mandate will be subject to Shareholders' approval. Resolution(s) will be proposed in the SGM for the Shareholders to consider and, if thought fit, approve the Rights Issue and the transactions contemplated thereunder or incidental thereto (including the Specific Mandate), as well as the Capital Reorganisation. Approvals for the Rights Issue and the Specific Mandate are contained in a single ordinary resolution to be proposed at the SGM. Accordingly, the Rights Issue and the Specific Mandate will either be approved or voted down together.

To the best knowledge of the Directors, no Shareholder is required to abstain from voting at the SGM in respect of the resolution(s) relating to the Capital Reorganisation.

INFORMATION ON THE GROUP

Pacific Basin Shipping Limited is one of the world's leading owners and operators of modern Handysize and Supramax dry bulk vessels. The Company currently operates over 200 dry bulk ships of which 86 are owned and about 120 are chartered. A further 13 owned newbuildings are scheduled to join the Company's core fleet over the next 12 months. The Company is listed and headquartered in Hong Kong, and provides a quality service to over 400 customers, with approximately 3,000 seafarers and 330 shore-based staff in 12 offices in key locations around the world.

WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Rights Issue will be conditional upon the Capital Reorganisation having become effective, approval of the Rights Issue by the Shareholders at the SGM, the Underwriting Agreement having become unconditional and the Underwriters not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the sub-paragraph headed "Termination of the Underwriting Agreement" above). Accordingly, the Rights Issue may or may not proceed.

The Shares are expected to be dealt in on an ex-rights basis from 9:00 a.m. on Wednesday, 25 May 2016. Dealings in the Nil-paid Rights are expected to take place from Friday, 3 June 2016 to Monday, 13 June 2016 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Nil-paid Rights is advised to exercise caution when dealing in the Shares and/or Nil-paid Rights.

Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the Nil-paid Rights up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the Latest Time for Termination) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

(4) NOTICE OF SPECIAL GENERAL MEETING

The Rights Issue and the transactions contemplated thereunder or incidental thereto (including the Specific Mandate), including the issue of the Rights Shares, are subject to the approval by the Independent Shareholders at the SGM. The Capital Reorganisation is subject to the approval by the Shareholders at the SGM.

A notice convening the SGM to be held at Cliftons, Room 508-520, Hutchison House, 10 Harcourt Road, Central, Hong Kong on Monday, 23 May 2016 at 10:00 a.m. is set out on pages 94 to 97 of this circular, for (i) Independent Shareholders to consider, and if thought fit, to approve the Rights Issue and the transactions contemplated thereunder or incidental thereto (including the Specific Mandate); and (ii) Shareholders to consider and, if thought fit, to approve the Capital Reorganisation.

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 the Registrar at 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.

Subject to the approval of the Rights Issue and the transactions contemplated thereunder or incidental thereto (including the Specific Mandate) by the Independent Shareholders and the approval of the Capital Reorganisation by the Shareholders at the SGM, the Prospectus Documents will be despatched to the Qualifying Shareholders on or before Wednesday, 1 June 2016 whereas the Prospectus will be despatched to the Non-Qualifying Shareholders, to the extent legally permitted, for their information only.

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 of the bye-laws of the Company. The Company will appoint the Registrar 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 Monday, 23 May 2016.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the Capital Reorganisation is in the interests of the Company and the Shareholders as a whole, therefore, the Directors (including the independent non-executive Directors) recommend the Shareholders to vote in favour of the resolutions to approve the Capital Reorganisation and the Specific Mandate at the SGM.

An Independent Board Committee comprising all the independent non-executive Directors has been formed to make recommendations to the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder as well as Specific Mandate. Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on whether the terms of the Rights Issue and the Specific Mandate are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole.

You are advised to read carefully the letter of recommendation from the Independent Board Committee and the letter of advice from the Independent Financial Adviser set out on page 44 and pages 45 to 70 respectively of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Rights Issue and the Specific Mandate are fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue and the Specific Mandate are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the proposed resolution approving the Rights Issue and the Specific Mandate at the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in Appendices I to III to this circular.

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

Note: An exchange rate of US$1.00 to HK$7.7564 has been used for the conversion of US dollars into HK dollars for the purpose of this circular.

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in this circular, from the Independent Board Committee to the Independent Shareholders regarding the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder as well as the Specific Mandate.

Pacific Basin Shipping Limited

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

29 April 2016

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE RIGHT SHARE FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE

We refer to the circular dated 29 April 2016 (the "**Circular**") of the Company of which this letter forms part. Unless otherwise defined, terms defined in the Circular shall have the same meanings where used herein.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder as well as the Specific Mandate are fair and reasonable insofar as the Independent Shareholders are concerned and whether the Rights Issue is in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote. Somerley has been appointed as the Independent Financial Adviser to advise you and us in respect of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder as well as the Specific Mandate.

Having taking into account the advice and recommendation of Somerley as set out in its letter of advice to you and us on pages 45 to 70 of the Circular, we consider that the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder as well as the Specific Mandate are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Furthermore, the Rights Issue and the Specific Mandate are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder as well as the Specific Mandate.

Yours faithfully,
Independent Board Committee

Mr. Patrick Blackwell Paul **Mr. Robert Charles Nicholson** **Mr. Alasdair George Morrison**

Mr. Daniel Rochfort Bradshaw **Mrs. Irene Waage Basili**

Independent Non-executive Directors

The following is the letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

29 April 2016

To: The Independent Board Committee and the Independent Shareholders of Pacific Basin Shipping Limited

Dear Sirs,

**PROPOSED RIGHTS ISSUE
ON THE BASIS OF ONE RIGHTS SHARE FOR
EVERY ONE EXISTING SHARE HELD ON RECORD DATE**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and Independent Shareholders in connection with the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder as well as the Specific Mandate, details of which are contained in the circular to the Shareholders dated 29 April 2016 (the "**Circular**"), of which this letter forms a part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

As set out in the Announcement, the Company proposed to raise approximately US$150.6 million before expenses and approximately US$142.9 million after expenses by way of the Rights Issue of 1,946,823,119 Rights Shares, assuming no further Shares are allotted and issued or bought back on or before the Record Date, at the subscription price of HK$0.60 per Rights Share on the basis of one Rights Share for every one existing Share held at 5:00 p.m. on the Record Date. The Rights Issue is fully underwritten by the Underwriters, who are financial institutions.

In accordance with Rule 7.19(6) of the Listing Rules, as the Rights Issue will increase the number of issued shares of the Company by more than 50.0%, the Rights Issue is subject to the approval of the Shareholders at the SGM by way of poll. Pursuant to Rule 7.19(6)(a) of the Listing Rules, the Rights Issue must be made conditional on approval by the Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder as well as the Specific Mandate.

In addition, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, HSBC Holdings plc and its controlled corporations are interested in 32,900,200 Shares and underlying Shares (including interests in 17,000 Shares and underlying Shares held by HSBC), and BNP Paribas S.A. and its controlled corporations are interested in 5,404,370 Shares and underlying Shares. Accordingly, they will also abstain from voting on the relevant resolution at the SGM to approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder as well as the Specific Mandate.

An Independent Board Committee comprising all the independent non-executive Directors, namely Patrick Blackwell Paul, Robert Charles Nicholson, Alasdair George Morrison, Daniel Rochfort Bradshaw and Irene Waage Basili, has been formed to make recommendations to the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder as well as the Specific Mandate. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

We are not associated or connected with the Company or any of its substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and accordingly, we are considered eligible to give independent advice to the Independent Board Committee and the Independent Shareholders. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or any of its substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion and recommendation, we have reviewed, among other things, the annual reports of the Company for the years ended 31 December 2015 (the "**2015 Annual Report**") and 2014, the Announcement and the information as set out in the Circular, and we have discussed the Company's first quarter trading update announcement published on 6 April 2016, the working capital sufficiency statement as set out in the Circular and certain financing arrangements with the management of the Company. We have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Company and have assumed that such information, facts and opinions were true, accurate and complete in all material aspects and will remain so up to the time of the SGM. We have also sought and received confirmation from the Directors that, to the best of their knowledge and belief, no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information has been withheld, or to doubt the truth, accuracy or completeness of the information provided. We have not conducted any independent investigation into the business, affairs and financial position of the Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion, we have taken into consideration the following principal factors and reasons:

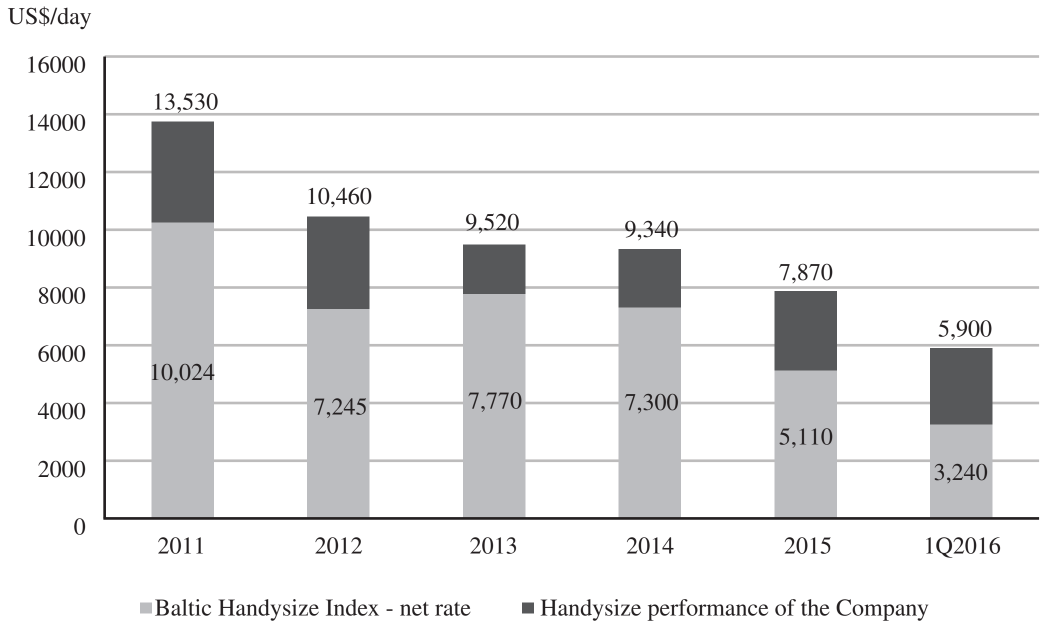
1. Business of the Group

The Group is principally engaged in the provision of dry bulk shipping services internationally, and towage services to the offshore sectors in the Middle East. It owns and operates a fleet of Handysize and Supramax dry bulk ships, with approximately 3,000 seafarers and 330 shore-based staff in 12 key locations around the world. The Company is the world's largest Handysize vessel owner and operator (with a significant presence also in Supramax) in a highly fragmented market, with a global dry bulk shipping market share of approximately 6% for Handysize (25-40,000 dwt) ships and 2% for Supramax (50-65,000 dwt) ships (for vessels which are less than 20 years old).

The Group focuses on dry bulk commodity shipping, with its cargo volumes consisting of construction materials such as logs and forest products, steel and scrap, grain and other agricultural products, metals, energy and minerals. It does not operate any tankers or container vessels, and participates only to a limited extent in coal and iron ore trading.

With an operational fleet of over 200 vessels, of which it currently owns 86, the Group is fully focused on the dry bulk business. The Baltic Handysize Index ("**BHSI**") and the Baltic Supramax Index ("**BSI**") set out the time charter equivalent ("**TCE**") earnings of Handysize and Supramax vessels in the market, a measure of the strength of smaller dry bulk vessel spot freight earnings. The Company considers that it is able to generate a premium over market rates due to minimum ballast legs, i.e. it maximises the period for which its ships carry revenue generating cargo during their voyages. The Company can achieve this as a result of experienced staff and a global office network, a large fleet of high-quality substitutable ships, the Group's cargo contracts and relationships with end users, an increasing proportion of owned vessels which facilitate greater control and minimise trading constraints, and a versatile fleet of Handysize vessels and diverse trades.

The chart below shows the premium that the Group has historically been able to generate over market rates, being the average TCE earnings in each respective year on a daily basis:



Source: Company filings

Dry bulk market indices fell to record lows in February and December 2015, framing one of the worst years overall for dry bulk shipping. Both the BHSI and the BSI declined to a historical low in February 2016, and 2015 average market spot rates down approximately 30.0% year on year for both Handysize and Supramax vessels. However, current market rates are below industry operating cash costs, which is unsustainable and is leading to increased scrapping, a reduction in scheduled newbuilding deliveries, and very little new ship ordering, which is expected to contribute to a healthier market in time. Rates have recently seen a sharp recovery, which is partly, but not wholly, seasonable.

2. Reasons for and benefits of the Rights Issue and the use of proceeds

The Board believes, among others, that the Rights Issue will enhance the Group's position as a strong and reliable counterparty, and partner of choice for its customers and other stakeholders, as the market eventually recovers. In addition, the Company has and expects to repay a total of US$229.4 million of its convertible bonds, being (i) approximately US$105.6 million of the Convertible Bonds due 2016, which have matured and were fully redeemed for cash, and (ii) US$123.8 million of the Convertible Bonds due 2018, which are expected to be put back to the Group in October 2016 as the bonds are substantially "out of the money". The net proceeds of the Rights Issue will add long term equity capital which will be primarily used to (1) strengthen the Company's balance sheet and liquidity position; and (2) allow the Group to reserve cash for potentially attractive acquisitions of second hand Handysize and Supramax vessels at historically depressed prices.

The Rights Issue provides the Qualifying Shareholders who exercise their rights with an opportunity to maintain their respective existing proportionate shareholdings in the Company. The Board is aware of the potential dilutive effect of the Rights Issue on the Shareholders' interests in the Company if they choose not to exercise their rights, but considers that such potential dilutive effect should be balanced against (i) the Independent Shareholders being entitled to vote on the Rights Issue at the SGM; (ii) Qualifying Shareholders being entitled to subscribe for their pro-rata Rights Shares; (iii) the price of the Rights Shares is attractive compared to the historical and prevailing market price of the Shares; and (iv) Qualifying Shareholders having the opportunity to sell their Nil-paid Rights in the market during the Nil-paid Rights trading period. Having considered the foregoing, the Board considers that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

The expenses in connection with the Rights Issue, including the payments to the Underwriters, financial advisory fees, printing, registration, translation, legal and accounting fees are estimated to be in the range of approximately US$7.7 million to US$9.0 million and are payable by the Company.

The estimated proceeds of the Rights Issue will be approximately US$150.6 million before expenses and approximately US$142.9 million based on expenses of approximately US$7.7 million. The Company intends to use the proceeds of the Rights Issue as follows:

- Up to US$123.8 million to be used for full repayment the Convertible Bonds due 2018 expected to be put back by the relevant bondholders to the Group in October 2016 by exercising their Put Options; and

- Out of the remaining proceeds, (i) approximately 25% to 50% will be used as general working capital (such as operating expenses); and (ii) approximately 50% to 75% will be used for the potential acquisition of second hand Handysize and Supramax vessels that may emerge at depressed prices which the Company may proactively identify and carefully consider from time to time provided that such vessel(s) can meet the higher specification standards required by the Group.

In the event that not all of the holders of the Convertible Bonds due 2018 have exercised their Put Options, the net proceeds which are initially allocated for the full repayment of the Convertible Bonds due 2018 will instead be re-allocated towards repayment of long term bank borrowings and/or buy-back of the Existing Convertible Bonds in the secondary market.

We consider that the above use of proceeds is reasonable, as (i) it gives the Group the opportunity to repay the Put Option, which we consider likely as the Convertible Bonds due 2018 are "out of the money", while keeping the Group's balance of cash and deposits stable, and (ii) the Group may have the opportunity to acquire second hand Handysize and Supramax vessels at historically depressed prices. We have reviewed the terms of the Convertible Bonds due 2018, noted that the price for second hand vessels has declined to a multi-year low, according to an industry report, and discussed with management of the Group the use of proceeds as described above.

Although the Board has considered various different financing alternatives to the Rights Issue, such as placing new Shares, entering into new loans or issuing bonds, the Board concluded that the Rights Issue is the most appropriate means to raise funds for the Group, as:

(1) bank borrowings, convertible bonds and other debt financing would incur additional interest, and given the state of the dry bulk market currently, the terms of such borrowings or bonds may not be satisfactory and acceptable to the Group;

(2) bank borrowings of the Group are usually secured against the Group's dry bulk vessels, the valuation of which has recently been depressed thus reducing the potential amount of borrowings, and there are a limited number of un-mortgaged dry bulk vessels available as collateral;

(3) a share placement, unlike the Rights Issue which offers an opportunity for the Qualifying Shareholders to participate in the enlargement of the capital base of the Company, would result in immediate dilution to the shareholding interests of the existing Shareholders; and

(4) a fully underwritten rights issue removes a degree of uncertainty as compared to other equity fund raising exercises.

We have discussed with the management of the Group the above considerations as regards other financing alternatives, while considering the current industry environment, the existing financing arrangements of the Group and details of un-mortgaged dry bulk vessels available as collateral. Based on the foregoing, we concur with the Directors' view that in the present circumstances the Rights Issue is the most appropriate means to raise funds for the purposes outlined by the Board.

3. Financial information of the Group

Financial performance of the Group

The following table sets out a summary of the consolidated income statement of the Group for the years ended 31 December 2013, 2014 and 2015, as extracted from the 2014 and 2015 annual reports of the Company:

	For the year ended 31 December		
	2015	**2014**	**2013**
	US$'000	*US$'000*	*US$'000*
	(audited)	(audited)	(audited)
Continuing operations			
Revenue	1,260,291	1,718,454	1,708,792
Cost of services	(1,264,402)	(1,758,078)	(1,653,695)
Gross (loss)/profit	**(4,111)**	**(39,624)**	**55,097**
General and administrative expenses	(5,954)	(9,353)	(17,558)
Vessel impairment and provision	–	(161,301)	(656)
Other income and gains	31,576	6,209	8,735
Other expenses	(3,724)	(32,000)	(3,719)
Finance income	4,469	10,789	14,679
Finance cost	(39,795)	(43,552)	(52,122)
Share of profits less losses/impairment of investments accounted for using the equity method	178	(9,693)	6,570
(Loss)/profit before taxation	**(17,361)**	**(278,525)**	**11,026**
Taxation	(1,179)	(1,217)	(1,168)
(Loss)/profit for the year	**(18,540)**	**(279,742)**	**9,858**
Loss from discontinued operations	–	(5,222)	(8,335)
(Loss)/profit attributable to shareholders	**(18,540)**	**(284,964)**	**1,523**
Basic and diluted (loss)/earnings per Share (US cents)	**(0.97)**	**(14.93)**	**0.08**
Dividend per Share (US cents)	**Nil**	**0.6**	**0.6**

Year 2014 versus year 2013

The Group recorded revenue of approximately US$1,718.5 million in 2014, similar to the level of revenue recorded in 2013. Increases in Handysize and Supramax revenue days were offset by the lowest dry bulk market rates since early 2009. The Group operated an average of 155 Handysize and 62 Supramax ships, resulting in an approximately 7.0% and 8.5% increase in its Handysize and Supramax revenue days, respectively. The Group's average daily TCE earnings were approximately US$9,340 per day net for Handysize ships and approximately US$10,460 per day net for Supramax ships, representing a premium to BHSI and BSI spot market rates of approximately 27.9% and 12.1%, respectively. As mentioned in the section headed "Business of the Group", the Group has been able to generate a premium over market rates due to minimum ballast legs. Despite the relatively stable revenue across two years, the higher cost of services, mainly due to the Group's larger dry bulk fleet and therefore higher vessel operating costs, led to the Group recording a gross loss of approximately US$39.6 million in 2014, versus a gross profit of approximately US$55.1 million in 2013.

The Group recorded a loss attributable to the Shareholders of approximately US$285.0 million in 2014, in contrast to a profit attributable to the Shareholders of approximately US$1.5 million in 2013. The significant loss in 2014 was primarily due to (i) the higher cost of services leading to a gross loss as mentioned above, (ii) a non-cash provision for onerous contracts of approximately US$100.9 million relating to inward chartered vessel contracts, as the average inward charter rates were higher than the likely average rate for the TCE earnings during the relevant charter periods, and (iii) non-cash towage vessel impairments and provisions of approximately US$70.5 million. As explained in the 2014 annual report of the Company, the above provision for onerous contracts of approximately US$100.9 million will be released back to the income statement in the coming five years in which the charter payments for these vessels fall due.

A dividend of US0.6 cents per Share was paid in respect of the financial year 2014.

Year 2015 versus year 2014

In 2015 the Group recorded revenue of approximately US$1,260.3 million, representing a decrease of approximately 26.7% as compared to 2014, primarily due to the overall underperformance of the dry bulk market. The year 2015 in particular was one of the weakest years for dry bulk shipping with average market spot rates declining significantly, demonstrated by approximately 30.0% and 29.0% declines in the BHSI and BSI, to approximately US$5,110 per day net and US$6,620 per day net, respectively. Notwithstanding this, the Group's average daily TCE earnings were approximately US$7,870 per day net for Handysize ships and approximately US$9,170 per day net for Supramax ships, representing an outperformance of approximately 54.0% and 38.5% relative to the BHSI and BSI spot market rates, respectively. In 2015, the Group operated an average of 143 Handysize and 64 Supramax ships, resulting in an approximately 8.2% reduction and an approximately 4.0% increase in its Handysize and Supramax revenue days, respectively. The gross loss of the Group in 2015 was reduced to approximately US$4.1 million, from approximately US$39.6 million in 2014. In 2015, redelivery of expensive chartered-in vessels and the use of lower cost short-term chartered-in vessels reduced the Group's cost of services.

The loss attributable to Shareholders in 2015 was approximately US$18.5 million, which represented a significant improvement over the loss in 2014 of approximately US$285.0 million. The reduced loss was mainly attributable to (i) a reduction in gross loss as mentioned above, (ii) the non-occurrence of the provision for onerous contracts of approximately US$100.9 million in 2014, together with the utilisation of such previous provisions in 2015 of approximately US$21.3 million, and (iii) the non-occurrence of the towage vessel impairments and provisions of approximately US$70.5 million in 2014.

The Board did not recommend any dividend for the financial year 2015.

Financial position of the Group

The following table sets out a summary of the consolidated balance sheet of the Group as at 31 December 2013, 2014 and 2015, as extracted from the 2014 and 2015 annual reports of the Company:

	As at 31 December		
	2015	**2014**	**2013**
	US$'000	*US$'000*	*US$'000*
	(audited)	(audited)	(audited)
Non-current assets			
Property, plant and equipment	1,611,000	1,584,924	1,622,297
Goodwill	25,256	25,256	25,256
Investments accounted for using the equity method	–	682	27,982
Trade and other receivables	5,559	8,936	65,975
Other non-current assets	7,279	9,760	30,901
	1,649,094	**1,629,558**	**1,772,411**
Current assets			
Inventories	50,785	79,524	104,006
Trade and other receivables	87,486	225,679	142,374
Cash and deposits	358,370	361,731	483,200
Other current assets	–	11,024	3,831
	496,641	**677,958**	**733,411**
Assets of discontinued operations classified as held for sale	–	–	31,624
	496,641	**677,958**	**765,035**

	As at 31 December		
	2015	**2014**	**2013**
	US$'000	*US$'000*	*US$'000*
	(audited)	(audited)	(audited)
Non-current liabilities			
Derivative liabilities	33,797	22,326	18,779
Long-term borrowings	633,226	820,645	708,660
Provision for onerous contracts	51,918	79,582	–
	718,941	**922,553**	**727,439**
Current liabilities			
Derivative liabilities	16,655	23,524	4,580
Trade and other payables	117,364	157,698	166,475
Current portion of long-term borrowings	292,739	179,099	328,565
Taxation payable	1,434	1,572	1,985
Provision for onerous contracts	27,664	21,324	656
	455,856	**383,217**	**502,261**
Liabilities of discontinued operations classified as held for sale	–	–	3,452
	455,856	**383,217**	**505,713**
Equity			
Share capital	194,480	191,781	193,237
Retained profits	213,233	231,086	526,582
Other reserves	563,225	578,879	584,475
Net assets	**970,938**	**1,001,746**	**1,304,294**
Per Share net assets attributable to Shareholders (US$)	**0.50**	**0.52**	**0.67**

As at 31 December 2015, major components of the Group's total assets comprised (i) property, plant and equipment of approximately US$1,611.0 million, mainly representing the Group's vessels and vessel component costs, and vessels under construction, and (ii) cash and deposits of approximately US$358.4 million. Certain owned vessels with a net book value of approximately US$1,470.2 million (or approximately 91.3% of the total property, plant and equipment) as at 31 December 2015 were pledged to banks as security for bank loans of the Group. Un-mortgaged vessels comprised towage assets and two dry bulk vessels.

Liabilities of the Group as at 31 December 2015 mainly included long-term borrowings (including non-current and current portion of long-term borrowings) of approximately US$926.0 million, representing approximately 78.8% of the total liabilities of the Group. Net gearing (being net borrowings, which is calculated by deducting cash and deposits from long-term borrowings, divided by the net book value of property, plant and equipment) (the "**Net Gearing**") of the Group as at 31 December 2015 was approximately 35.2%.

As at 31 December 2015, borrowings repayable within one year included (i) secured bank loans of approximately US$73.7 million, (ii) the Convertible Bonds due 2016, with a face value of US$105.6 million, which matured and were fully redeemed on 12 April 2016 upon maturity, and (iii) the Convertible Bonds due 2018, with a carrying value of approximately US$113.9 million and a conversion price of HK$4.75 per Share, carrying rights for bondholders to put the bonds back to the Group in October 2016. As the conversion price is HK$4.75 compared with the closing price of the Shares as at the Latest Practicable Date of HK$1.34, it is expected that this right will be exercised.

According to the indebtedness statement set out in Appendix I of the Circular, the Group had, as at 31 March 2016 (i) secured bank loans of approximately US$510.0 million and (ii) convertible bonds with an aggregate face value of approximately US$354.4 million (out of which the Convertible Bonds due 2016 matured and were fully redeemed on 12 April 2016 as mentioned above).

We consider that the Rights Issue will strengthen the Group's financial position by reducing its Net Gearing and finance costs so as to enhance the Group's liquidity.

4. Principal terms of the Rights Issue

The table below summarises the principal terms of the Rights Issue:

Basis of the Rights Issue	:	One Rights Share for every one existing Share held on the Record Date
Subscription Price	:	HK$0.60 per Rights Share, which was determined after arm's length negotiations between the Company and the Underwriters, taking into account, amongst others, the current challenging industry environment in which the Group operates, the capital needs and financial position of the Group, the size and scale of the Rights Issue in relation to the Company's market capitalisation, the lack of any controlling shareholder (as defined under the Listing Rules) who could provide an irrevocable undertaking to take up its entitlement and therefore demonstrate public support for the Rights Issue, the relatively long underwriting period due to the need of the SGM to approve the Rights Issue and the Capital Reorganisation, and the terms of recent rights issues of a similar basis in Hong Kong.

		Based on the above, the Directors (including the independent non-executive Directors) consider that the terms of the Rights Issue, including the Rights Share Subscription Price which has been set at an appropriate discount to the recent closing prices of the Shares with an objective of encouraging existing Shareholders to take up their entitlements so as to participate in the potential growth of the Company in the future, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.
Number of Shares in issue as at the Latest Practicable Date	:	1,946,823,119 Shares
Minimum number of Rights Shares *(and, in our view, most likely number of Rights Shares – see note at the foot of this table)*	:	1,946,823,119 Rights Shares (assuming no further Shares are allotted and issued or bought back on or before the Record Date) with an aggregate nominal value of US$19,468,231 (after the Capital Reorganisation has become effective)
Maximum number of Rights Shares *(See note)*	:	2,386,367,644 Rights Shares (assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of all the conversion rights attaching to the Existing Convertible Bonds by no later than the Latest Lodging Time, but otherwise no further Shares are allotted and issued or bought back on or before the Record Date) with an aggregate nominal value of US$23,863,676 (after the Capital Reorganisation has become effective)
Minimum number of enlarged issued Shares upon completion of the Rights Issue *(See note)*	:	3,893,646,238 Shares (based on the number of Shares in issue as at the Latest Practicable Date and assuming no further Shares (other than the Rights Shares) are allotted and issued or bought back on or before the completion of the Rights Issue)
Maximum number of enlarged issued Shares upon completion of the Rights Issue *(See note)*	:	4,772,735,288 Shares (based on the number of Shares in issue as at the Latest Practicable Date and assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of all the conversion rights attaching to the Existing Convertible Bonds, but otherwise no further Shares (other than the Rights Shares) are allotted and issued or bought back on or before the completion of the Rights Issue)

Amount to be raised *(See note)*	:	Approximately US$150.6 million before expenses and approximately US$142.9 million after expenses If new Shares are issued on or before the Record Date pursuant to the full exercise of all the conversion rights attaching to the Existing Convertible Bonds by no later than the Latest Lodging Time, then approximately US$184.6 million before expenses and approximately US$175.6 million after expenses
Qualifying Shareholders	:	Means the Shareholders whose names appear on the register of members of the Company at 5:00 p.m. on the Record Date, other than the Non-Qualifying Shareholders, which are those Shareholder(s) whose registered address(es) as shown on the register of members of the Company at 5:00 p.m. on the Record Date is/are in any of the Excluded Jurisdictions and Shareholder(s) and Beneficial Owner(s) of Shares who is/are otherwise known to the Company to be resident in any of the Excluded Jurisdictions, subject to certain limited exceptions
Transferability	:	Qualifying Shareholders are expected to be able to deal in the Nil-paid Rights on the Stock Exchange from 3 June 2016 to 13 June 2016 (both days inclusive), based on the expected timetable
Right of excess application	:	Available to Qualifying Shareholders
Status of the Rights Shares	:	The Rights Shares, when allotted and fully paid, will rank pari passu in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares in their fully-paid form

Note:

If new Shares are issued on or before the Record Date pursuant to the full exercise of all the conversion rights attaching to the Existing Convertible Bonds by no later than the Latest Lodging Time, 439,544,525 Shares would be allotted and issued and as a result the same number of additional Rights Shares would be allotted and issued, resulting in the number of Rights Shares being increased to a maximum of 2,386,367,644. The Company has no intention to issue or grant any warrants, options and/or convertible securities (including any Share Awards to be granted under the Share Award Scheme) on or before the Record Date. The figures on maximum rights shares above are shown for the sake of completeness because it is theoretically possible for the holders of the Existing Convertible Bonds to convert the Existing Convertible Bonds before the Record Date for the Rights Issue. However, as such bonds are substantially "out of the money", we do not consider any such conversion at all likely. Indeed, the main expected use of proceeds is to redeem the Convertible Bonds due 2018, as explained in the section headed "Reasons for and benefits of the Rights Issue and the use of proceeds". Consequently, we recommend Independent Shareholders to assume that there will be 1,946,823,119 Rights Shares and that the enlarged share capital upon the completion of the Rights Issue will be 3,893,646,238 Shares, and our analysis in this letter is based on these figures.

Assuming there is no further issue of Shares pursuant to the Existing Convertible Bonds, the Share Award Scheme or otherwise and no buy-backs of Shares by the Company before 5:00 p.m. on the Record Date, 1,946,823,119 Rights Shares would be allotted and issued representing (i) 100.0% of the Company's issued share capital as at the Latest Practicable Date; and (ii) 50.0% of the Company's enlarged issued share capital after the Rights Issue. We consider that the most realistic size of the Rights Issue is approximately 1.95 billion Rights Shares and recommend Independent Shareholders concentrate on this figure in considering these matters.

The Rights Issue will be conditional upon certain customary approvals, including the Capital Reorganisation having become effective, the approval of the Rights Issue by the Shareholders at the SGM, the Underwriting Agreement having become unconditional and the Underwriters not terminating the Underwriting Agreement in accordance with its terms.

5. The Underwriting Agreement

On 18 April 2016 (before trading hours), the Underwriters and the Company entered into the Underwriting Agreement, pursuant to which the Underwriters have severally in their respective proportions, and not jointly or jointly and severally, conditionally agreed to fully underwrite all the Rights Shares. Set out below are the major terms of the Underwriting Agreement:

Date:	18 April 2016 (before trading hours)
Issuer:	The Company
Underwriters:	(1) HSBC (2) BNP Paribas To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Underwriters and their ultimate beneficial owners are Independent Third Parties.
Total number of Rights Shares being underwritten by the Underwriters:	The Rights Issue will be fully underwritten by the Underwriters as follows: (1) 60% of the Rights Shares by HSBC; and (2) 40% of the Rights Shares by BNP Paribas

Payments to the Underwriters:	Payable by the Company to each of the Underwriters are an underwriting commission and a management fee in an amount equal to 3.6% and 0.4% respectively of the aggregate Rights Share Subscription Price of their respective Underwritten Shares as determined on the Record Date. Save for such payments and such reasonably incurred legal fees and other out-of-pocket expenses of the Underwriters in respect of the Rights Issue, no other fees or expenses are payable by the Company to the Underwriters in connection with the Rights Issue.

The Board considers that the terms of the Underwriting Agreement (including the payments to the Underwriters), which were determined after arm's length negotiations between the Company and the Underwriters with reference to the existing financial position of the Group, the size of the Rights Issue, and the current and expected market conditions, are on normal commercial terms and fair and reasonable so far as the Company and the Shareholders are concerned. We consider that the Underwriters are arms-length financial institutions. They are also principal bankers of the Group.

The obligations of the Underwriters to underwrite the Rights Issue are conditional upon, among others, the passing of a special resolution approving the Capital Reorganisation by the Shareholders at the SGM, the passing of an ordinary resolution approving the Rights Issue by the Independent Shareholders at the SGM, and the Capital Reorganisation having become effective.

The Underwriters reserve the right to terminate the arrangements set out in the Underwriting Agreement if at any time before the Latest Time for Termination, amongst others, there is a Material Adverse Change. In the event that the Underwriters exercise their right to terminate the Underwriting Agreement, the obligations of the Underwriters under the Underwriting Agreement will cease and the Rights Issue will not proceed, in which case a further announcement will be made by the Company at the relevant time.

The Company has undertaken generally not to allot or issue any securities of the Company for a period commencing from the date of the Underwriting Agreement and ending on the date which is 90 days after the Listing Date.

Further details of the Underwriting Agreement are set out in the section headed "The Underwriting Agreement" in the Circular.

6. The Capital Reorganisation

The Rights Share Subscription Price of HK$0.60 per Rights Share is below the par value of the Existing Shares of US$0.10 (i.e. equivalent to approximately HK$0.78) which would not be permissible for an issue of new Shares under Bermudan law. Accordingly, the Directors propose the Capital Reorganisation, which involves (i) cancelling paid-up capital in the amount of US$0.09 on each of the issued Existing Shares in the issued share capital of the Company and applying the credit arising from such reduction (approximately US$175.2 million) to the contributed surplus account of the Company or other account of the Company; (ii) sub-dividing each of the unissued Existing Shares of US$0.10 each in the authorised share capital of the Company into 10 New Shares of US$0.01 each; and (iii) reducing the entire share premium account of approximately US$604.8 million (as at 31 December 2015) and applying the credit arising from such reduction to the contributed surplus account of the Company or other account of the Company which may be utilised by the Directors as a distributable reserve.

As set out in the section headed "Proposed Capital Reorganisation" in the letter from the Board of Directors in the Circular, save for the relevant expenses to be incurred, the implementation of the Capital Reorganisation will not, by itself, alter the underlying assets, business, operation, management or financial position of the Company and the Capital Reorganisation is not expected to have any material adverse effect on the financial position of the Company.

The Capital Reorganisation must be approved by a special resolution of the Shareholders, which will be proposed at the SGM, at which no Shareholder is required to abstain from voting on the relevant resolution. Independent Shareholders should note that approval of the Capital Reorganisation by the Shareholders at the SGM, and the Capital Reorganisation having become effective, are conditions to the Rights Issue. It follows that the Rights Issue would not proceed without the Capital Reorganisation becoming effective. Consequently, we consider the Capital Reorganisation is fair and reasonable and a necessary step to implement the Rights issue. It does not, in our view, imply the Company is under any immediate financial pressure. Further information on the Capital Reorganisation is set out in the section headed "Proposed Capital Reorganisation" in the letter from the Board of Directors in the Circular.

7. The Specific Mandate

In order to accommodate the adjustment(s) to the conversion price of the Convertible Bonds due 2018 and/or the maximum number of Shares to be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds due 2018 as a result of the occurrence of certain prescribed events (including, without limitation, the Rights Issue) in accordance with the terms and conditions thereof (which are also set out in the Company's announcement dated 20 September 2012), the Board proposes to seek the approval of the Shareholders to grant the Specific Mandate at the SGM.

Pursuant to the terms and conditions of the Convertible Bonds due 2018, the conversion price will be adjusted, amongst others, in the event of an issue of Shares by the Company to all or substantially all Shareholders by way of rights, at less than 95% of the current market price per Share on the date of the announcement of the terms of such issue. Such a customary conversion price adjustment provides an anti-dilution mechanism to protect the legitimate interest of the holders of the Convertible Bonds due 2018. Further information on the Specific Mandate, and other events that would lead to an adjustment of the conversion price, are set out in the section headed "Proposed Specific Mandate" in the letter from the Board of Directors in the Circular.

The Board believes that the Specific Mandate, if granted by the Shareholders at the SGM, would enable the Company to streamline and facilitate the conversion process and administrative matters in respect of the Convertible Bonds due 2018, and it considers that the Specific Mandate is in the interests of the Company and the Shareholders as a whole. Independent Shareholders should note that the approvals for the Rights Issue and the Specific Mandate are contained in a single ordinary resolution to be proposed at the SGM. If follows that the Rights Issue and the Specific Mandate will either be approved or voted down together. We consider the Specific Mandate to be a logical step resulting from the Rights issue, in order to ensure sufficient availability of Shares to be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds due 2018, should this be the case.

8. Review of historical share price performance

The chart below sets out the historical share price performance of the Shares during the period commencing 1 April 2015 (approximately one year prior to the Latest Practicable Date) up to and including the Latest Practicable Date (the "**Review Period**"). It provides a comparison of the trading performance against the Rights Share Subscription Price:

Source: Stock Exchange

During the Review Period, the closing prices of the Shares exhibited in general a decreasing trend, with the highest and lowest closing prices of the Shares being HK$3.19 on 13 April 2015 and HK$1.02 on 29 February 2016 respectively. The Rights Share Subscription Price of HK$0.60 represents a discount of approximately 81.2% to the highest closing price and a discount of approximately 41.2% to the lowest closing price of the Shares during the Review Period. As shown in the above chart, there was a significant surge in the Share price during the days before the publication of the Announcement on 18 April 2016, after a mild fluctuation between HK$1.10 to HK$1.22 in early April, to a high of HK$1.53 on 13 April 2016, closing at HK$1.44 on 15 April 2016, before the Announcement. During the above period, we did not note any other significant news published by the Company. The Share price dropped following the publication of the Announcement, to close at HK$1.16 on 18 April 2016. It recovered to HK$1.35 on 21 April 2016, before closing at HK$1.34 on the Latest Practicable Date.

9. Trading volume

The following table sets out the total and average daily trading volumes of the Shares per month, and the respective percentages of the Shares' monthly trading volumes as compared to the total number of issued Shares as at the Latest Practicable Date and to the total number of Shares held in public hands respectively, during the Review Period:

	Total monthly trading volume of the Shares	**Average daily trading volume of the Shares during the month**	**% of average daily trading volume of the Shares to the total issued Shares** *(Note 1)*	**% of average daily trading volume of the Shares to the total public float** *(Note 2)*
2015				
April	309,141,820	16,270,622	0.8	1.2
May	145,572,936	7,661,733	0.4	0.6
June	154,904,652	7,041,121	0.4	0.5
July	242,304,933	11,013,861	0.6	0.8
August	202,205,728	9,628,844	0.5	0.7
September	88,462,206	4,423,110	0.2	0.3
October	86,893,354	4,344,668	0.2	0.3
November	118,842,992	5,659,190	0.3	0.4
December	112,431,573	5,110,526	0.3	0.4
2016				
January	149,666,347	7,483,317	0.4	0.5
February	118,911,881	6,606,216	0.3	0.5
March	277,641,788	13,221,038	0.7	1.0
April (up to and including the Latest Practicable Date)	409,320,292	25,582,518	1.3	1.8

Source: Stock Exchange, the Company

Notes:

(1) Based on the number of Shares in issue in each respective month and as at the Latest Practicable Date

(2) Based on the number of Shares as held in public hands (as defined under the Listing Rules) as at the end of each respective month and as at the Latest Practicable Date

We note from the above table that the trading volume of the Shares was generally thin during the Review Period, with the percentages of average daily trading volume of both the Shares to the total issued Shares and the total public float during the Review Period being at or below approximately 1.8% during each month of the Review Period. However, the level of trading picked up in March and April of 2016.

10. Comparison with recent rights issues

We have identified, on a best efforts basis, all the rights issue precedents involving companies listed on the Stock Exchange that were announced during the Review Period, with the number of rights shares to be issued by the companies representing over 50.0% (the level over which independent shareholders' consent is required) up to and including 200.0% of the total number of shares in issue as at the date of the relevant announcements (the "**Comparable Rights Issues**"). We are of the view that the Comparable Rights Issues are suitable comparables to the Rights Issue as the Review Period in which they fall allows us to capture the recent market trend and company information for the purpose of comparing the terms of the Rights Issue with the Comparable Rights Issues.

It should be noted that the companies making up the Comparable Rights Issues may have different principal activities, scales of operation and trading prospects as compared to those of the Company. Circumstances leading to the companies in making the Comparable Rights Issues may also be different from those of the Company. However, as the Comparable Rights Issues fulfill the aforementioned criteria, we consider that the Comparable Rights Issues serve as a general reference, and are fair and reprentative comparables in the Hong Kong market. Details of the Comparable Rights Issues are set out as follows:

Date of initial announcement	Company name (stock code)	Business activities	Basis of entitlement	Discount of subscription price to the closing price on the last trading day (%)	Discount of subscription price to the theoretical ex-rights price on the last trading day (%)	Underwriting commission (%)	Partly or fully underwritten by connected person(s) (Yes/No)	Excess applications (Yes/No)
21 April 2015	Capital Environment Holdings Limited (3989)	Provision of waste treatment technology & services	1 for 1	(25.0)	(15.1)	Nil	Yes	Yes
15 May 2015	Eternity Investment Limited (764)	Distribution of films and sub-licensing of film rights, leasing of rental properties, sale of financial assets, money lending, sale of beauty products and provision of therapy services, design and sale of jewelry products	1 for 1	(4.1)	(2.1)	2.5	No	Yes

Date of initial announcement	Company name (stock code)	Business activities	Basis of entitlement	Discount of subscription price to the closing price on the last trading day (%)	Discount of subscription price to the theoretical ex-rights price on the last trading day (%)	Underwriting commission (%)	Partly or fully underwritten by connected person(s) (Yes/No)	Excess applications (Yes/No)
26 May 2015	Universe International Holdings Limited (1046)	Film distribution & exhibition, licensing & sub-licensing of film rights, properties & securities investment, money lending, trade, wholesale & retail of optical products, watch & jewellery products, securities brokerage & margin financing	2 for 1	(74.8)	(49.7)	3.5	No	Yes
30 August 2015	HNA International Investment Holdings Limited (521)	Provision of recreational and tourism services, the development and provision of system integration solutions, system design and sale of hardware	9 for 5	(20.0)	(8.3)	Nil	Yes	Yes
8 October 2015	Global Mastermind Holdings Limited (formerly known as Well Way Group Limited) (8063) ("**Global Mastermind**") *(Note 1)*	Provision and operation of a travel business, treasury management and money lending	2 for 1	(28.6)	(16.7)	3.5 *(Note 2)*	Yes	Yes
28 October 2015	China Sandi Holdings Limited (910)	Tree plantation and management, manufacture and distribution of forestry products, holding of property for investment and rental purpose and property development	2 for 1	(65.5)	(38.8)	1.5	Yes	No
29 January 2016	CMMB Vision Holdings Limited ("**CMMB**") (471) *(Note 3)*	Provision of China mobile multimedia broadcasting and agency services	1 for 1	(45.1)	(21.9)	Nil	Yes	No
1 March 2016	DX.com Holdings Limited (8086)	E-commerce business and the provision of an online sales platform	1 for 1	(49.8)	(33.3)	3.0	No	Yes
20 April 2016	South China Financial Holdings Limited (619)	Securities, commodities, bullion and forex broking and trading; margin financing and money lending; provision of corporate advisory and underwriting services; wealth management; property investment; investment holding	1 for 1	(58.2)	(41.1)	2.0	Yes	Yes

Date of initial announcement	Company name (stock code)	Business activities	Basis of entitlement	Discount of subscription price to the closing price on the last trading day (%)	Discount of subscription price to the theoretical ex-rights price on the last trading day (%)	Underwriting commission (%)	Partly or fully underwritten by connected person(s) (Yes/No)	Excess applications (Yes/No)
21 April 2016	Huge China Holdings Limited (428)	Investments in listed securities and unlisted investments	1 for 1	(15.3)	(8.3)	2.0	No	Yes
		Minimum		(4.1)	(2.1)	Nil		
		Maximum		(74.8)	(49.7)	3.5		
		Mean		(38.6)	(23.5)	1.8		
		Median		(36.8)	(19.3)	2.0		
	The Rights Issue		**1 for 1**	**(58.3)**	**(41.2)**	**4.0** *(Note 4)*	**No**	**Yes**

Source: Stock Exchange

Notes:

(1) On 13 November 2015, Global Mastermind revised the basis of entitlement in respect of the rights issue from one rights share to two rights shares for every one existing share held on the record date

(2) One of the underwriters is a connected person, and pursuant to the underwriting agreement entered into between Global Mastermind and the two joint underwriters, the underwriting commission is due only to the independent third party underwriter

(3) CMMB proposed to (i) allot and issue one rights share for every one existing share held on the record date and (ii) allot and issue bonus shares on the basis of one bonus share for every rights share taken up under the rights issue. Therefore, in substance, a shareholder will acquire two new shares for each existing share held. Accordingly, the relevant discounts have been calculated based on an adjusted subscription price of HK$0.05 per share, being 50.0% of the subscription price of HK$0.1 per share

(4) Representing the aggregate amount payable to the Underwriters in respect of an underwriting commission and a management fee equal to 3.6% and 0.4% respectively of the aggregate Rights Share Subscription Price of their respective Underwritten Shares as determined on the Record Date

A total of 10 Comparable Rights Issues have been identified. 6 out of the 10 Comparable Rights Issues are on the basis of one-for-one, as is the case with the Rights Issue. As illustrated in the above table, the discount of the Rights Share Subscription Price is higher than the mean and median discount of the Comparable Rights Issues both in relation to the closing price and the theoretical ex-rights price, but it is within the range of the discounts found in Comparable Rights Issues. As set out in the section headed "Review of historical share price performance", we note that there was a significant surge in the Share price during the days leading to the Announcement, which results in a relatively higher discount being recorded on the last trading day prior to the Announcement. Independent Shareholders should note that the discount of the Rights Share Subscription Price to the recent closing prices of the Shares has, in our view, the effect of encouraging Shareholders to take up their entitlements and of facilitating trading in the Nil-paid Rights.

The total aggregate amount payable to the Underwriters is 4.0%, which is somewhat higher than the underwriting commissions of the Comparable Rights Issues. The terms of the Underwriting Agreement were determined after arm's length negotiations between the Company and the Underwriters, who are Independent Third Parties, with reference to the existing financial position of the Group, the size of the Rights Issue, and the current and expected market conditions. We note that the Comparable Rights Issues are either (partially) underwritten by a connected person, or involve a substantial shareholder giving an undertaking to take up their entitlement pursuant to the rights issue, thereby demonstrating support for the Comparable Rights Issue, whereas the Company has no substantial shareholder who participates in the underwriting of the Rights Issue or undertakes to take up their entitlement pursuant to the Rights Issue. We also note that the Company has a large public float. As such, the Underwriters are required to underwrite the whole amount to be raised under the Rights Issue. Further, the Comparable Rights Issues operate in industries other than shipping and logistics. As such, the Comparable Rights Issues may not take into account the current difficult market conditions faced by the Group. Given the above, we consider the underwriting commission payable to the Underwriters is justified.

Having taken into account that (i) the Rights Issue is a fair and appropriate method of equity fund raising which provides Qualifying Shareholders with a means of ensuring that their percentage holding in the Company is not diluted; (ii) discounts for rights issues vary across these listed companies which are engaged in different businesses with different financial performances and trading prospects; (iii) the terms of the Rights Issue have been set after arm's length negotiations between the Company and the Underwriters, who are Independent Third Parties, with reference to the market price of the Shares under the prevailing market conditions; (iv) the discount of the Rights Share Subscription Price is within the range of the discounts of the rights issue price to the theoretical ex-rights price of the shares of the Comparable Rights Issues; and (v) the underwriting commission for the Rights Issue is justified, we consider that the Rights Issue is on normal commercial terms which are fair and reasonable to the Independent Shareholders.

11. Potential dilution effect on the existing Shareholders

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. The proportionate shareholdings of Qualifying Shareholders who take up their entitlements in full under the Rights Issue will remain unchanged upon completion of the Rights Issue. For those Qualifying Shareholders who opt not to take up their entitlements in full under the Rights Issue, depending on the extent to which they take up their entitlements, their shareholding interests will be diluted upon completion of the Rights Issue by a maximum of 50.0%.

Set out below is the shareholding structure of the Company as at the Latest Practicable Date and immediately after the completion of the Rights Issue under two scenarios:

	As at the Latest Practicable Date		Scenario 1 – Immediately after completion of the Rights Issue as set out in Note 1		Scenario 2 – Immediately after completion of the Rights Issue as set out in Note 2	
	Number of Shares and underlying Shares	*Approximate %*	*Number of Shares and underlying Shares*	*Approximate %*	*Number of Shares and underlying Shares*	*Approximate %*
Aberdeen Asset Management Plc and its associates	271,873,000	14.0	543,746,000	14.0	271,873,000	7.0
Hagn Michael	252,703,500	13.0	505,407,000	13.0	252,703,500	6.5
Directors	14,778,667	0.8	29,557,334	0.8	14,778,667	0.4
HSBC Holdings plc and its controlled corporations other than its underwriting obligations *(Note 3)*	32,900,200	1.7	65,800,400	1.7	32,900,200	0.8
BNP Paribas S.A. and its controlled corporations	5,404,370	0.3	10,808,740	0.3	5,404,370	0.1
HSBC *(Note 4)*	–	–	–	–	1,168,093,872	30.0
BNP Paribas *(Note 4)*	–	–	–	–	778,729,247	20.0
Other public shareholders	1,369,163,382	70.2	2,738,326,764	70.2	1,369,163,382	35.2
Total	1,946,823,119	100.0%	3,893,646,238	100.0%	3,893,646,238	100.0%

Notes:

(1) Assuming all Shareholders have taken up their entitled Rights Shares and no conversion rights attaching to all outstanding Existing Convertible Bonds have been exercised prior to the Latest Lodging Time, and no further Shares are allotted and issued or bought back on or before the Record Date

(2) Assuming no Shareholders have taken up their entitled Rights Shares and no conversion rights attaching to all outstanding Existing Convertible Bonds have been exercised prior to the Latest Lodging Time, and no further Shares are allotted and issued or bought back on or before the Record Date

(3) Including HSBC's interests in 17,000 Shares and underlying Shares

(4) Pursuant to its underwriting obligations only

Other scenarios showing the possible conversion of the Existing Convertible Bonds are set out in the section headed "Shareholding structure of the Company" in the letter from the Board of Directors in the Circular. As explained in the section headed "Principal terms of the Rights Issue", we do not consider such scenarios at all likely and for clarity's sake have only shown the dilution on the bases set out in the table above.

Despite the potential maximum dilution effect shown in scenario 2 above, having taken into account that (i) the proceeds from the Rights Issue are intended to be used to repay the Convertible Bonds due 2018 and allow the Group to reserve cash for potential acquisitions of second hand Handysize and Supramax vessels; (ii) the Rights Issue is on the basis that all Qualifying Shareholders have been offered the same opportunity to maintain their proportional interests in the Company; and (iii) the discount of the Subscription Price to prevailing market price of the Shares is designed to encourage the Qualifying Shareholders to participate in the Rights Issue, we consider the possible dilution effect on the existing Shareholders can be avoided or mitigated and is acceptable.

12. Financial effects of the Rights Issue

(a) Net tangible assets

According to the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as set out in Appendix II to the Circular, assuming the Rights Issue had taken place on 31 December 2015, and based on the minimum number of Rights Shares assuming no conversion rights attaching to Existing Convertible Bonds having been exercised prior to the Latest Lodging Time, the Group's consolidated net tangible assets per Share would have decreased by approximately 41.7% from approximately US$0.48 to approximately US$0.28. Such decrease is due to the Rights Share Subscription Price of HK$0.60 (approximately US$0.08) being lower than the Group's consolidated net tangible assets per Share as at 31 December 2015.

(b) Gearing and liquidity

As at 31 December 2015, the Group had net assets of approximately US$970.9 million, net borrowings of approximately US$567.6 million and Net Gearing of approximately 35.2%. As confirmed by the Directors, the net borrowings of the Group will be reduced upon completion of the Rights Issue, as the Rights Issue will enable the Directors to (i) repay the Convertible Bonds due 2018 that are expected to be put back by the relevant bondholders to the Group in October 2016 in an amount of up to US$123.8 million and (ii) use the remaining proceeds as general working capital and the potential acquisition of secondhand Handysize and Supramax vessels. Consequently the gearing level of the Group will be lowered due to the Rights Issue, as a result of the decrease in net borrowings and/or increase in property, plant and equipment following receipt of cash proceeds from the Rights Issue.

Independent Shareholders should note that the aforementioned analyses are for illustrative purpose only and do not purport to represent what the financial position of the Group will be upon completion of the Rights Issue.

DISCUSSION

The Company expects to raise approximately US$142.9 million (after expenses) by way of the Rights Issue of 1,946,823,119 Rights Share at the subscription price of HK$0.60 per Rights Share on the basis of one Rights Share for every one existing Share held on the Record Date.

Despite the challenging industry environment, the Group achieved higher Handysize and Supramax TCE rates than the spot market. Whilst the management of the Group has a positive outlook for the longer term and intends to maintain and enhance its position as one of the world's leading owners and operators of dry bulk ships, the recent period has been one of the weakest dry bulk markets in over 30 years. US$105.6 million of the Convertible Bonds due 2016 matured in April 2016 and were repaid in cash as the conversion price was substantially "out of the money". The conversion price of the US$123.8 million Convertible Bonds due 2018 is also substantially "out of the money". These bonds are therefore expected to be put back to the Group and repaid at par in October 2016, as such bondholders have a "put" to the Company at that time. The combined redemptions would represent a total cash outflow of approximately US$229.4 million in 2016.

We consider the principle of raising new equity capital by way of rights in these circumstances is a fair one. Qualifying Shareholders will have the opportunity to take up their pro-rata proportion of Shares or, if they choose not to do so, to sell their Nil-paid Rights in the market. A one-for-one ratio minimises odd lots. Qualifying Shareholders will also have the opportunity to apply for additional Rights Shares (if available) through excess applications before the arms-length Underwriters are called on.

We concur with the Board's view that adding long term equity capital in the current challenging environment in dry bulk shipping will increase the Company's balance sheet strength and reduce the perception of financial risk to the Group. We also believe that the proceeds raised may assist the Group to make timely acquisitions of Handysize and Supramax vessels at historically depressed prices.

The Rights Issue may be regarded as a "heavy" call on Shareholders, but this reflects the Directors' view of a need for substantial new equity capital. The extent of Independent Shareholders' dilution if they do not take up their rights and/or sell their Nil-paid Rights is up to a maximum of 50.0%. Assuming net proceeds of approximately US$142.9 million and on the basis set out in the section headed "Gearing and liquidity", Net Gearing would improve.

The Rights Share Subscription Price of HK$0.60 reflects a discount of approximately 41.2% to the theoretical ex-rights price of approximately HK$1.02 before the Announcement, within the range of discounts in the Comparable Rights Issues. A discount of approximately 41.2% should in due course provide an opportunity for trading in the Nil-paid Rights, so that those Shareholders who may not wish to subscribe for more Shares can sell their rights in the market. Those wishing to do so should note that on the basis of the expected timetable, trading in Nil-paid Rights will take place from 3 June 2016 to 13 June 2016 (both days inclusive).

OPINION AND RECOMMENDATION

Based on the above principal factors and reasons, we consider that each of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder as well as the Specific Mandate are on normal commercial terms which are fair and reasonable to the Independent Shareholders and that the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder as well as the Specific Mandate are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder as well as the Specific Mandate.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED

M. N. Sabine	**John Wong**
Chairman	*Director*

Mr. M. N. Sabine is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over thirty years of experience in the corporate finance industry.

Mr. John Wong is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited. He has over seven years of experience in the corporate finance industry.

1. THREE-YEAR FINANCIAL INFORMATION

The published audited consolidated financial statements of the Group for the three years ended 31 December 2013, 2014 and 2015 are disclosed in the annual reports of the Company for the three years ended 31 December 2013, 2014 and 2015. The said annual reports of the Company are available on both the website of the Stock Exchange (http://www.hkex.com.hk) and the website of the Company (http://www.pacificbasin.com/en/global/home.php).

Please see below links to the annual reports of the Company:

For the year ended 31 December 2015 (pages 61 to 109):
http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0315/LTN20160315135.pdf

For the year ended 31 December 2014 (pages 70 to 122):
http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0317/LTN20150317197.pdf

For the year ended 31 December 2013 (pages 82 to 132):
http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0314/LTN20140314478.pdf

2. INDEBTEDNESS

As at the close of business on 31 March 2016, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this circular, the Group had (i) secured bank loans guaranteed by the Company of US$510.0 million and (ii) outstanding convertible bonds guaranteed by the Company with an aggregate face value of US$354.4 million, comprising US$105.6 million for Convertible Bonds due 2016, US$123.8 million for Convertible Bonds due 2018 and US$125.0 million for Convertible Bonds due 2021.

The Convertible Bonds due 2016 matured and were fully redeemed on 12 April 2016.

Save as aforesaid or as otherwise disclosed herein, as at the close of business on 31 March 2016, and apart from any intra-group liabilities, the Group did not have any loan capital issued and outstanding or agreed to be issued, or any outstanding bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

3. CAPITAL COMMITMENTS

As at the close of business on 31 March 2016, the Group had capital commitments of approximately US$270.4 million.

4. WORKING CAPITAL SUFFICIENCY

The Directors are of the opinion that, after due and careful enquiry and taking into account the present available resources to the Group including the estimated net proceeds from the Rights Issue, the available banking facilities and the Group's internally generated funds, the Group will have sufficient working capital to satisfy its present requirements for at least 12 months following the date of this circular.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. RESTRICTIONS AFFECTING THE REMITTANCE OF PROFITS OR REPATRIATION OF CAPITAL

As at the Latest Practicable Date, the Directors were not aware of any restrictions affecting the remittance of profits or repatriation of capital into Hong Kong from outside Hong Kong affecting the Group.

7. BUSINESS AND FINANCIAL REVIEW

(i) Set out below is the review of the business and financial review of the Group for the year ended 31 December 2015 as extracted from the 2015 Annual Report of the Company:

The general dry bulk shipping sector suffered its weakest year in 2015 since 1985 and the Company intensified its efforts to reduce costs and generate daily earnings that outperform the market. The Company made good progress on both and generated cash from operations throughout the year.

The Group halved its underlying loss to US$28 million (2014: US$56 million loss) and improved its EBITDA to a positive US$88 million (2014: US$82 million). The Group made a net loss of US$19 million (2014: US$285 million loss) and basic EPS on continuing operations was a negative HK7.5 cents.

Dry bulk spot market indices in 2015 fell to record lows in February and December, framing one of the worst years overall for dry bulk shipping. Spot rates were undermined by the significant reduction in Chinese imports of coal. However, solid growth was recorded in Chinese grain imports, and the minor bulk trades in which Pacific Basin is focused grew overall. Deliveries of new vessels were largely offset by increased scrapping, resulting in reduced net growth in the global fleet. However, low fuel prices drove increased ship operating speeds in the third quarter, thus increasing effective shipping capacity.

The Group continued to leverage its business model to outperform the market indices. It does this by optimal matching of its fleet and cargoes to maximise vessel utilisation. The Group's core dry bulk business generated a reduced net loss of US$33.8 million (2014: net loss US$39.4 million) despite one of the weakest years ever for dry bulk market rates. Its positive dry bulk EBITDA of US$80.3 million in this challenging environment was again driven by the Group's ability to generate daily earnings that outperformed the market and its continued good control of its owned vessel operating costs. The Group generated average Handysize and Supramax daily TCE earnings of US$7,870 and US$9,170 per day net, outperforming the BHSI and BSI indices by 54% and 39% respectively. Its Handysize TCE premium of US$2,760 per day in 2015 exceeded the Group's average premium achieved over the past five years.

The Group reduced its owned Handysize and Supramax vessel operating costs to a competitive US$4,210 and US$4,060 per day respectively through scale benefits and good cost control, while not compromising safety and maintenance.

At 31 December 2015, the Group had cash and deposits of US$358 million and net borrowings of US$568 million. It also has US$375 million of committed but undrawn loan facilities which exceeds the US$274 million of remaining payments due on our 13 Japanese newbuildings still to deliver.

(ii) Please also refer to the First Quarter 2016 Trading Update published by the Company on 6 April 2016.

See below a link to the First Quarter 2016 Trading Update published by the Company:
http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0406/LTN20160406457.pdf

8. TRADING PROSPECTS OF THE GROUP

(i) Please also refer to the First Quarter 2016 Trading Update published by the Company on 6 April 2016 as mentioned above.

(ii) As disclosed in the 2015 Annual Report, the Group's objective is to manage its business for a continued weak market in the medium term and prioritise safety and staying power. However, the Group will also carefully consider further acquisition opportunities that may emerge at depressed prices and with which the Group could generate positive cash contributions even in the prevailing weak market conditions.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group (the "**Unaudited Pro Forma Financial Information**") has been prepared by the Directors in accordance with Rule 4.29 of the Listing Rules to illustrate the effects of the Rights Issue on the consolidated net tangible assets of the Group attributable to owners of the Company as if the Rights Issue had taken place on 31 December 2015.

The Unaudited Pro Forma Financial Information is prepared based on the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2015, as extracted from the published annual report of the Company for the year ended 31 December 2015, with adjustments described below.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not reflect a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company immediately after completion of the Rights Issue.

Scenario 1 – Based on the minimum number of Rights Shares assuming no conversion rights attaching to all outstanding Existing Convertible Bonds having been exercised prior to the Latest Lodging Time

	Consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2015	Consolidated net tangible assets of the Group attributable to owners of the Company per Share as at 31 December 2015	Estimated net proceeds from the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as adjusted for the effects of the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as at 31 December 2015
	US$'000	*US$*	*US$'000*	*US$'000*	*US$*
	(Note 1)	*(Note 2)*	*(Note 3)*		*(Note 4)*
Based on 1,946,823,119 Rights Shares to be issued	942,996	0.48	142,923	1,085,919	0.28

Notes:

1. The consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2015 is based on the consolidated net assets of the Group attributable to owners of the Company as at 31 December 2015 of approximately US$970.9 million, less goodwill and land use rights of approximately US$25.3 million and US$2.7 million respectively, as extracted from the published annual report of the Company for the year ended 31 December 2015.

2. The calculation of the consolidated net tangible assets of the Group attributable to owners of the Company per Share is based on the 1,946,823,119 Shares in issue as at 31 December 2015.

3. The estimated net proceeds from the Rights Issue of approximately US$142.9 million (approximately HK$1,108.6 million) is calculated based on 1,946,823,119 Rights Shares to be issued on the basis of one Rights Share for every one existing Share as at 31 December 2015 at the Rights Share Subscription Price of HK$0.60 per Rights Share, after deduction of the estimated related expenses including payments to the Underwriters, financial advisory fees and other professional fees, which are directly attributable to the Rights Issue of approximately US$7.7 million (approximately HK$59.5 million).

4. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as adjusted for the Rights Issue is based on 3,893,646,238 Shares which comprises 1,946,823,119 Shares in issue as at 31 December 2015, and assuming 1,946,823,119 Rights Shares are issued.

Scenario 2 – Based on the maximum number of Rights Shares assuming the conversion rights attaching to all outstanding Existing Convertible Bonds having been fully exercised prior to the Latest Lodging Time

	Consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2015	Consolidated net tangible assets of the Group attributable to owners of the Company per Share as at 31 December 2015	Impact on consolidated net tangible assets of the Group from full conversion of the Existing Convertible Bonds	Estimated net proceeds from the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as adjusted for the effects of the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as at 31 December 2015
	US$'000	*US$*	*US$'000*	*US$'000*	*US$'000*	*US$*
			(Note 5)	*(Note 6)*		*(Note 7)*
Based on 2,386,367,644 Rights Shares to be issued	942,996	0.48	227,358	175,565	1,345,919	0.28

Notes:

5. The impact of the conversion of the Existing Convertible Bonds is based on the liability component of the Existing Convertible Bonds as at 31 December 2015 of US$227.4 million which will be reclassified to equity upon conversion.

6. The estimated net proceeds from the Rights Issue of approximately US$175.6 million (approximately HK$1,361.7 million) is calculated based on 2,386,367,644 Rights Shares to be issued pursuant to the full exercise of all the conversion rights attaching to the Existing Convertible Bonds (based on 1,946,823,119 Shares in issue as at 31 December 2015 plus an additional 439,544,525 Shares to be allotted and issued) on the basis of one Rights Share for every one existing Share at the Rights Share Subscription Price of HK$0.60 per Rights Share, after deduction of the estimated related expenses including payments to the Underwriters, financial advisory fees and other professional fees, which are directly attributable to the Rights Issue of approximately US$9.0 million (approximately HK$70.1 million).

7. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as adjusted for the effects of the Rights Issue assuming full exercise of the conversion rights attaching to the Existing Convertible Bonds is based on 4,772,735,288 Shares which comprises 1,946,823,119 Shares in issue as at 31 December 2015, an additional 439,544,525 Shares to be allotted and issued pursuant to the full exercise of all the conversion rights attaching to the Existing Convertible Bonds, and assuming 2,386,367,644 Rights Shares are issued.

8. In both Scenario 1 and Scenario 2, no adjustment has been made to reflect any trading results or other transactions of the Group subsequent to 31 December 2015.

The following is the text of the independent reporting accountant's assurance report dated 29 April 2016, prepared for the sole purpose of inclusion in this circular, received from independent reporting accountants, PricewaterhouseCoopers, in respect of the unaudited pro forma financial information of the Group.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Pacific Basin Shipping Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Pacific Basin Shipping Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 31 December 2015, and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages 74 and 75 of the Company's circular dated 29 April 2016, in connection with the proposed rights issue of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages 74 and 75.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed rights issue on the Group's financial position as at 31 December 2015 as if the proposed rights issue had taken place at 31 December 2015. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial statements for the year ended 31 December 2015, on which an audit report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed rights issue at 31 December 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

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The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 29 April 2016

1. 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.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (A) as at the Latest Practicable Date; (B) immediately following the Capital Reorganisation becoming effective (assuming there is no change in the issued share capital of the Company other than the Capital Reorganisation from the Latest Practicable Date up to the Record Date); (C) immediately following completion of the Rights Issue (assuming there is no change in the issued share capital of the Company other than the Capital Reorganisation from the Latest Practicable Date up to the Record Date); and (D) immediately following completion of the Rights Issue (assuming that there is no change in the issued share capital of the Company other than the Capital Reorganisation and the full exercise of all the conversion rights attaching to the Existing Convertible Bonds from the Latest Practicable Date up to the Record Date.

(A) As at the Latest Practicable Date

Authorised:		*US$*
3,600,000,000	Shares of US$0.10 each	360,000,000.00
Issued and fully paid or credited as fully paid:		
1,946,823,119	Shares of US$0.10 each	194,682,311.90

(B) Immediately following the Capital Reorganisation becoming effective (assuming there is no change in the issued share capital of the Company other than the Capital Reorganisation from the Latest Practicable Date up to the Record Date)

Authorised:		*US$*
36,000,000,000	Shares of US$0.01 each	360,000,000.00
Issued and fully paid or credited as fully paid:		
1,946,823,119	Shares of US$0.01 each	19,468,231.19

(C) Immediately following the completion of the Rights Issue (assuming there is no change in the issued share capital of the Company other than the Capital Reorganisation from the Latest Practicable Date up to the Record Date)

Authorised:		*US$*
36,000,000,000	Shares of US$0.01 each	360,000,000.00

Issued and fully paid or credited as fully paid:		
1,946,823,119	Shares in issue immediately after the Capital Reorganisation becoming effective	19,468,231.19
1,946,823,119	Rights Shares to be issued	19,468,231.19
3,893,646,238	**Total**	**38,936,462.38**

(D) Immediately following the completion of the Rights Issue (assuming that there is no change in the issued share capital of the Company other than the Capital Reorganisation and the full exercise of all the conversion rights attaching to the Existing Convertible Bonds from the Latest Practicable Date up to the Record Date)

Authorised:		*US$*
36,000,000,000	Shares of US$0.01 each	360,000,000.00

Issued and fully paid or credited as fully paid:		
1,946,823,119	Shares in issue immediately after the Capital Reorganisation becoming effective	19,468,231.19
202,059,844	Shares to be allotted and issued upon the full exercise of all the conversion rights attaching to the Convertible Bonds due 2018	2,020,598.44
237,484,681	Shares to be allotted and issued upon the full exercise of all the conversion rights attaching to the Convertible Bonds due 2021	2,374,846.81
2,386,367,644	Rights Shares to be issued	23,863,676.44
4,772,735,288	**Total**	**47,727,352.88**

Existing Convertible Bonds

In accordance with the respective terms of the Convertible Bonds due 2018 and the Convertible Bonds due 2021, the Rights Issue may lead to adjustment(s) to the conversion price and/or the number of Shares to be allotted and issued upon exercise of the conversion rights attached to the Existing Convertible Bonds following completion of the Rights Issue.

Details of the outstanding Existing Convertible Bonds are as follows:

Convertible bond	Prevailing conversion price	Conversion period	Number of Shares issuable upon full conversion
Convertible Bonds due 2018	HK$4.75	2 December 2012 to 12 October 2018	202,059,844
Convertible Bonds due 2021	HK$4.08	19 July 2015 to 23 June 2021	237,484,681
		Total	439,544,525

Share Awards

In accordance with the Company's Share Award Scheme, the Capital Reorganisation and the Rights Issue may lead to adjustment(s) to the number or nominal amount of Shares and/or the method of exercise of the Share Awards after the Capital Reorganisation having become effective and/or following completion of the Rights Issue.

As at the Latest Practicable Date, a total of 26,406,000 Shares were granted but unvested pursuant to the Share Award Scheme. The Board confirms that (i) no Share Awards will vest prior to the Record Date; and (ii) no new Share Awards will be granted by the Company under the Share Award Scheme prior to the Record Date.

The Rights Shares, when allotted and fully paid, will rank pari passu in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares in their fully-paid form.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue. Save as disclosed in this circular, no part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the company to be listed or dealt in on any other stock exchange. At the Latest Practicable Date, there were no arrangements under which future dividends are waived or agreed to be waived. Save as disclosed in this circular, as at the Latest Practicable Date, the Company had no other outstanding convertible securities, warrants, options, derivative or other securities convertible into or exchangeable for any Shares.

As at the Latest Practicable Date, no share or loan capital of the Company or any members of the Group has been put under option or agreed conditionally or unconditionally to be put under option and no warrant or conversion right affecting the Shares has been issued or granted or agreed conditionally, or unconditionally to be issued or granted, except for the Rights Shares.

3. INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

(A) Interests in the Shares, underlying Shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of each Director and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the SFO, which: (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or (b) were required to be entered in the register maintained by the Company under Section 352 of the SFO, or (c) were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Name of Director	Personal interest	Corporate or Family interests/ Trust & similar interests	Long/Short position	Total Share interests	Approximate percentage of the issued share capital of the Company
David M. Turnbull *(Note 1)*	2,527,000	–	Long	2,527,000	0.13%
Mats H. Berglund *(Note 1)*	5,613,000	–	Long	5,613,000	0.29%
Andrew T. Broomhead *(Note 1)*	2,959,000	395,704 *(Note 2)*	Long	3,354,704	0.17%
Chanakya Kocherla *(Note 1)*	3,489,667	–	Long	3,489,667	0.18%
Patrick B. Paul	190,000	–	Long	190,000	less than 0.01%
Daniel R. Bradshaw	–	386,417 *(Note 3)*	Long	386,417	0.02%

Notes:

1. Restricted share awards were granted under the Share Award Scheme which were disclosed in the Company's annual report for the year ended 31 December 2015.

2. 395,704 shares are held via Paulatim Investments Limited which is jointly owned by Mr. Broomhead and his wife.

3. Mr. Bradshaw is a shareholder holding 100% and 50% of the issued share capital, respectively, of Cormorant Shipping Limited and Goldeneye Shipping Limited. He beneficially owns 353,241 shares via Cormorant Shipping Limited and is taken to be interested in the 33,176 shares held by Goldeneye Shipping Limited.

All the interests stated above represent long positions. No short positions and shares under equity derivatives held by Directors or the chief executive of the Company were recorded in the register maintained by the Company under section 352 of the SFO as at the Latest Practicable Date.

Save as disclosed, at no time during the year was the Company, its subsidiaries, or its associated companies a party to any arrangement to enable the Directors and chief executive of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations.

(B) Interests in assets

As at the Latest Practicable Date, none of the Directors nor the chief executive of the Company nor any experts (as named in this circular) had any interest, direct or indirect, in any assets which had been, since 31 December 2015, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of or leased to any member of the Group.

(C) Interests in contracts

As at the Latest Practicable Date, there was no contract or arrangement entered into by any member of the Group subsisting, in which any of the Directors or the chief executive of the Company was materially interested and which was significant in relation to the business of the Group as a whole.

(D) Interests in competing business

As at the Latest Practicable Date, so far as the Directors were aware of, none of the Directors nor the chief executive of the Company and their respective close associates had an interest in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group that needs to be disclosed pursuant to Rule 8.10 of the Listing Rules.

(E) Directors' service contracts

As at the Latest Practicable Date, there were no existing or proposed service contracts between the Directors and the Company or any member of the Group (excluding contracts expiring or determinable by the Company within one year without payment of compensation other than statutory compensation).

4. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, the persons (other than a Director and the chief executive of the Company) who had an interest or short positions in the Shares and underlying Shares as recorded in the register of interests in Shares and short positions as required to be kept under section 336 of the SFO were as follows:

Name	Capacity	Number of Shares interested in	Approximate percentage of the issued share capital of the Company
HSBC Holdings plc and its controlled corporations	Interest in corporation controlled (Long)	1,464,720,787 *(Note 1)*	75.24%
BNP Paribas S.A. and its controlled corporations	Interest in corporation controlled (Long)	959,951,427 *(Note 2)*	49.31%
Aberdeen Asset Management Plc and its Associates	Investment manager (Long)	271,873,000	13.97%
Hagn Michael	Interest in corporation controlled (Long)	252,703,500	12.98%
Credit Suisse Group AG *(Note 3)*	Interest in corporation controlled (Long)	174,905,329	8.98%
	Interest in corporation controlled (Short)	162,292,864	8.34%
Citigroup Inc. *(Note 4)*	Interest in corporation controlled/ Custodian corporation/ approved lending agent/ Person having a security interest (Long)	162,023,922	8.32%
	Interest in corporation controlled (Short)	85,000,000	4.36%
	Custodian corporation/ approved lending agent (Lending Pool)	66,301,766	3.40%

Name	Capacity	Number of Shares interested in	Approximate percentage of the issued share capital of the Company
Bank of America Corporation *(Note 5)*	Interest in corporation controlled (Long)	115,239,053	5.92%
	Interest in corporation controlled (Short)	108,742,763	5.59%
UBS Group AG *(Note 6)*	Beneficial owner/ Interest in corporation controlled (Long)	115,937,798	5.96%
	Interest in corporation controlled (Short)	54,038,763	2.78%

Notes:

1. Including 1,431,820,587 Shares, being the maximum number of Rights Shares underwritten pursuant to the Underwriting Agreement.

2. Including 954,547,057 Shares, being the maximum number of Rights Shares underwritten pursuant to the Underwriting Agreement.

3. Part of Credit Suisse Group AG's interest in the Shares are derived from equity derivatives that are Physically settled Derivatives listed or traded on a Stock Exchange or traded on a Futures Exchange (relating to 8,004,835 long position in Shares and 2,937,864 short position in Shares), Physically settled Unlisted derivatives (relating to 14,500 long position in Shares) and Cash settled Unlisted derivatives (relating to 6,182,000 long position in Shares and 1,480,000 short position in Shares).

4. The position in Shares held by Citigroup Inc. is held in the capacities of Interest in corporation controlled (relating to 89,071,957 long position in Shares and 85,000,000 short position in Shares), Custodian corporation/approved lending agent (relating to 66,301,766 long position in Shares) and Person having a security interest (relating to 6,650,199 long position in Shares).

5. Part of Bank of America Corporation's interest in the Shares are derived from equity derivatives that are Cash settled Unlisted derivatives (relating to 42,511,000 long position in Shares and 38,642,000 short position in Shares).

6. The position in Shares held by UBS Group AG is held in the capacities of Beneficial owner (relating to 47,449,009 long position in Shares) and Interest in corporation controlled (relating to 68,488,789 long position in Shares and 54,038,763 short position in Shares). Part of UBS Group AG's interest in the Shares are derived from equity derivatives that are Physically settled Derivatives listed or traded on a Stock Exchange or traded on a Futures Exchange (relating to 56,672,260 long position in Shares) and Cash settled Unlisted derivatives (relating to 16,505,000 long position in Shares).

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company are not aware of any other persons (not being a Director or chief executive of the Company) who had, or was deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital.

5. LITIGATION

As at the Latest Practicable Date, there is no litigation or claim of material importance, known to the Directors, pending or threatened against any member of the Group.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group within two years immediately preceding up to and including the Latest Practicable Date and were or might be material:

(a) the subscription agreement dated 8 April 2015 entered into between PB Issuer (No. 4) Limited, the Company, Goldman Sachs (Asia) L.L.C. ("**Goldman Sachs**") and The Hongkong and Shanghai Banking Corporation Limited ("**HSBC**") pursuant to which Goldman Sachs and HSBC agreed to severally subscribe and pay for, or to procure subscribers to subscribe and pay for, the Convertible Bonds due 2021; and

(b) the Underwriting Agreement.

7. EXPERTS AND CONSENTS

(A) The following are the qualifications of the experts who have given opinions, letters or advice which are contained in this circular:

Name	Qualification
Somerley Capital Limited	A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants

(B) Each of the above experts has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion of the references to its name and/or opinion in the form and context in which they are included.

(C) As at the Latest Practicable Date, none of the above experts had any interest, direct or indirect, in any assets which had been, since 31 December 2015, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

(D) As at the Latest Practicable Date, none of the above experts had any shareholding in any member of the Group and any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

8. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Registered Address	Clarendon House 2 Church Street Hamilton HM11 Bermuda
Principal place of business in Hong Kong	7th Floor, Hutchison House 10 Harcourt Road Central, Hong Kong
Company Secretary	Ms. Mok Kit Ting, Kitty (a member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants of England and Wales)
Authorised Representatives	Mr. Mats Henrik Berglund 7th Floor, Hutchison House 10 Harcourt Road Central, Hong Kong Mr. Andrew Thomas Broomhead 7th Floor, Hutchison House 10 Harcourt Road Central, Hong Kong
Auditor/Reporting accountants	PricewaterhouseCoopers 22/F, Prince's Building Central, Hong Kong
Share registrar and transfer office in Hong Kong	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
Principal bankers	BNP Paribas 59-63/F, Two International Finance Centre 8 Finance Street Central, Hong Kong Danish Ship Finance A/S (Danmarks Skibskredit A/S) Sankt Annae Plads 3 DK-1250. Copenhagen K Denmark The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong Nordea Bank Finland Plc, Singapore Branch 138 Market Street #09-01 CapitaGreen Singapore 048946

Legal advisers to the Company in relation to the Rights Issue	*As to Hong Kong law* Vincent T.K. Cheung, Yap & Co. 11/F, Central Building 1-3 Pedder Street Central, Hong Kong
	As to Bermudan law Conyers Dill & Pearman 29/F, One Exchange Square 8 Connaught Place Central, Hong Kong
Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders	Somerley Capital Limited 20/F, China Building 29 Queen's Road Central Hong Kong
Underwriters	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
	BNP Paribas Securities (Asia) Limited 59/F – 63/F, Two International Finance Centre 8 Finance Street Central, Hong Kong

9. PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. David Muir Turnbull, aged 60, joined Company as an independent non-executive Director in 2006 and was appointed Chairman and an executive Director of the Company in 2008. He previously spent 30 years with the Swire Group where he held various senior management positions. He was chairman of Swire's Hong Kong-listed companies Swire Pacific, Cathay Pacific Airways and Hong Kong Aircraft Engineering Company. Mr. Turnbull graduated from the University of Cambridge with a Master of Arts honours degree in Economics. Mr. Turnbull is currently also a non-executive director of Green Dragon Gas and Greka Drilling Limited (both listed on the London Alternative Investment Market), and an independent non-executive director of The Wharf (Holdings) Limited (which is listed in Hong Kong). Mr. Turnbull is a member of the Executive Committee of the Company.

Mr. Mats Henrik Berglund, aged 53, joined the Company as Chief Executive Officer in 2012. He previously served with Swedish family-owned conglomerate Stena from 1986 to 2005, occupying managerial and leadership positions in various Stena group shipping businesses in Sweden and the USA including group controller of Stena Line, vice president and chief financial officer of both Concordia Maritime and StenTex (a Stena-Texaco joint venture), president of StenTex, and vice president and president of Stena Rederi AB (Stena's parent company for all shipping activities). From 2005 to 2011, he was senior vice president and head of Crude Transportation for New York-listed Overseas Shipholding Group. Between March 2011 and May 2012, he served as chief financial officer and chief operating officer at Chemoil Energy, a Singapore-listed global trader of marine fuel products. Mr. Berglund graduated from the Gothenburg University Business School with a "Civilekonom" degree (equivalent of a MBA in Business and Finance) and from the Advanced Management Program at the Harvard Business School. Mr. Berglund is the chairman of the Executive Committee of the Company.

Mr. Andrew Thomas Broomhead, aged 54, joined the Company in 2003 as the Group's Chief Financial Officer and Company Secretary. He was appointed as an executive Director in September 2010 responsible for group finance and accounting, investor relations, and corporate governance and compliance. He stepped down from Company Secretary in 2012. Mr. Broomhead has previously worked with Deloitte, Haskins & Sells, Samuel Montagu, International Finance Corporation, Bakrie Investindo and Sanwa International Finance. He has been based in the UK, USA, Singapore, Indonesia and Hong Kong, working in Asia for over 20 years. Mr. Broomhead graduated from the University of Cambridge with a Master of Arts degree in Natural Sciences and from the Breakthrough Programme for Senior Executives at the IMD Business School. He is also a fellow of both the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. Mr. Broomhead is currently a non-executive director of The Standard Club Limited. Mr. Broomhead is a member of the Executive Committee of the Company.

Mr. Chanakya Kocherla, aged 58, joined the Company in December 2000 as part of the Company's acquisition of Jardine Ship Management and, since 2010, is Group Managing Director of the Company's PB Towage division. He was previously Managing Director of PB Maritime Services and Director, Fleet – responsible for operations of Pacific Basin's owned and technically managed fleet (including technical operations, manning and training, quality, health, safety and the environment, and newbuildings). He has also served as a director of several wholly owned subsidiaries and jointly owned entities of the Company. Mr. Kocherla has over 30 years' experience in the shipping industry, including 14 years at sea and experience with several ship types both at sea and ashore. Mr. Kocherla graduated from the Directorate of Marine Engineering Training India: Marine Engineer, and holds a Certificate of Competency (Motor) from the College of Maritime Studies, Southampton. Mr. Kocherla has also studied various executive development programmes in Hong Kong, Singapore and the IMD Business School. Mr. Kocherla is a member of the Executive Committee of the Company.

Independent Non-executive Directors

Patrick Blackwell Paul, aged 68, was appointed as an independent non-executive Director in March 2004. Mr. Paul served with PricewaterhouseCoopers for 33 years, during which time he held a number of senior management positions in Hong Kong, including chairman and senior partner of the firm for seven years. Mr. Paul graduated from the University of Oxford with a Master of Arts degree and is a fellow of the Institute of Chartered Accountant in England and Wales. He is currently an independent non-executive director of Johnson Electric Holdings Limited and an independent non-executive director of The Hongkong and Shanghai Hotels, Limited, both of which are listed in Hong Kong. Mr. Paul is the Chairman of the Audit Committee of the Company and a member of the Remuneration and Nomination Committees of the Company.

Robert Charles Nicholson, aged 60, was appointed as an independent non-executive Director in March 2004. Mr. Nicholson was a senior partner of Reed Smith Richards Butler where he established the corporate and commercial department. He then served as a senior advisor to the board of directors of PCCW Limited. He joined First Pacific Company Limited's board in June 2003 and was appointed as an executive director in November 2003. Mr. Nicholson graduated from the University of Kent and is a qualified solicitor in England and Wales and in Hong Kong. Mr. Nicholson is currently an executive director of First Pacific Company Limited (which is listed in Hong Kong) and holds non-primary directorships in its subsidiaries or associates, including Metro Pacific Investments Corporation, Philex Mining Corporation and Philex Petroleum Corporation (all of which are listed in the Philippines) and serves as a commissioner of PT Indofood Sukses Makmur Tbk (which is listed in Indonesia). He is also an independent non-executive director of Lifestyle Properties Development Limited (which is listed in Hong Kong). Mr. Nicholson is the chairman of the Remuneration and Nomination Committees of the Company and a member of the Audit Committee of the Company.

Alasdair George Morrison, aged 67, was appointed as an independent non-executive Director in January 2008. Mr. Morrison served with the Jardine Matheson Group for 28 years holding various senior positions including that of group managing director. He then moved to Morgan Stanley where he was a managing director and then chairman of Morgan Stanley Dean Witter Asia, and chairman and chief executive officer of Morgan Stanley Asia. He spent five years as Senior Advisor to Citigroup Asia Pacific until January 2015. Mr. Morrison graduated from the University of Cambridge with a Master of Arts degree and from the Program for Management Development at the Harvard Business School. Mr. Morrison is currently an independent non-executive director of the MTR Corporation Limited which is listed in Hong Kong. Mr. Morrison is a member of the Audit, Remuneration and Nomination Committees of the Company.

Daniel Rochfort Bradshaw, aged 69, was appointed as a non-executive Director and Deputy Chairman of the Company in April 2006. Mr. Bradshaw stood down as the Deputy Chairman of the Company in January 2008 and was redesignated as an independent non-executive Director in September 2010. Mr. Bradshaw has served for 35 years with Johnson, Stokes and Master (now Mayer Brown JSM) as a solicitor, partner, head of the firm's shipping practice and now as a consultant. He was vice chairman of the Hong Kong Shipowners Association, a member of the Hong Kong Port and Maritime Board and the Hong Kong Maritime Industry Council. Mr. Bradshaw graduated from the Victoria University of Wellington with a Bachelor of Laws and a Master of Laws, and is admitted as a solicitor in England and in Hong Kong. Mr. Bradshaw is a non-executive director of Euronav (which is listed on Euronext in Brussels and New York), an independent non-executive director of IRC Limited (which is listed in Hong Kong) and Gaslog Partners LP (which is listed in New York). He is also a director of Greenship Offshore Manager Pte. Ltd., Kadoorie Farm & Botanic Garden Corporation and WWF Hong Kong. Mr. Bradshaw is a member of the Audit, Remuneration and Nomination Committees of the Company.

Mrs. Irene Waage Basili, aged 48, was appointed as an independent non-executive Director in May 2014. Mrs. Basili held various managerial positions in the shipping industry, including Western Bulk Carriers Holding ASA and Van Ommeren Shipping Holdings BV. From 1999 to 2007 she held positions in Wallenius Wilhelmsen Logistics, first as a manager of contracting and strategy and later as Vice President, Global Commercial in 2004. From 2007 to 2011, Mrs. Basili served as vice president, Marine of Petroleum Geo Services with responsibility for fleet and marine strategy following its acquisition of Arrow Seismic ASA where she was the chief executive officer. She also served as a director of Odfjell SE from 2008 to 2014. Mrs. Basili graduated from Boston University with a Bachelor of Business Administration degree. Mrs. Basili is the chief executive officer of GC Rieber Shipping and a director of Kongsberg Gruppen ASA (both of which are listed on the Oslo Stock Exchange). Mrs. Basili is a member of the Audit, Remuneration and Nomination Committees of the Company.

Senior Management

Other than the executive Directors, the Board does not consider any other individual or individuals employed by the Group to constitute senior management of the Group.

Business address of the Directors

The business address of the Directors is the same as the Company's principal place of business in Hong Kong located at 7th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong.

10. GENERAL

This circular, the Notice of SGM and the accompanying proxy form are prepared in both English and Chinese. In the event of inconsistency, the English texts shall prevail.

11. EXPENSES

The expenses in connection with the Rights Issue, including the payments to the Underwriters, financial advisory fees, printing, registration, translation, legal and accounting fees are estimated to be in the range of approximately US$7.7 million (approximately HK$59.5 million) to US$9.0 million (approximately HK$70.1 million) and are payable by the Company.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong located at 7th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong, from the date of this circular up to and including the date of the SGM:

(A) the bye-laws of the Company;

(B) the annual reports of the Company for the three financial years ended 31 December 2013, 31 December 2014 and 31 December 2015;

(C) the "Letter from the Board" as set out in this circular;

(D) the "Letter from the Independent Board Committee" as set out in this circular;

(E) the "Letter from the Independent Financial Adviser" as set out in this circular;

(F) the independent reporting accountant's assurance report on the compilation of unaudited pro forma financial information of the Group issued by PricewaterhouseCoopers set out in Appendix II to this circular;

(G) the written consents referred to in the paragraph headed "EXPERTS AND CONSENTS" to this Appendix;

(H) the material contracts referred to in the paragraph headed "MATERIAL CONTRACTS" to this Appendix; and

(I) 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 Monday, 23 May 2016 at 10:00 a.m. for the purposes of considering and, if thought fit, passing the following resolutions of the Company:

ORDINARY RESOLUTION

1. "**THAT** conditional upon (i) resolution 2 as set out in this notice being passed by the shareholders of the Company (the "**Shareholders**"); (ii) the Listing Committee of The Stock Exchange of Hong Kong Limited granting or agreeing to grant the listing of and permission to deal in the Rights Shares (as defined below) (in their nil-paid and fully-paid forms); (iii) the fulfillment or waiver of the conditions set out in the Underwriting Agreement (as defined below); and (iv) the filing and registration of all documents relating to the Rights Issue (as defined below) required to be filed or registered with the Registrar of Companies in Hong Kong in accordance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong):

   (a) the issue by way of rights (the "**Rights Issue**") of a minimum of 1,946,823,119 new shares and a maximum of 2,386,367,644 new shares (the "**Rights Shares**") at a subscription price of HK$0.60 per Rights Share to the Shareholders whose names shall appear on the register of members of the Company at 5:00 p.m. on Monday, 30 May 2016 (the "**Qualifying Shareholders**"), or such other date as the Company and the Underwriters (as defined below) may agree to be the record date for determination of the entitlements of the Shareholders to the Rights Issue (the "**Record Date**") (excluding those Shareholders (the "**Non-Qualifying Shareholders**") whose addresses on the register of members of the Company are outside Hong Kong on the Record Date in respect of whom the director(s) of the Company (the "**Director(s)**"), after making relevant enquiries, consider it necessary or expedient to exclude from the Rights Issue on account either of the legal restrictions under the laws of the relevant place(s) or the requirements of the relevant statutory body or stock exchange in that (those) place(s)), on the basis of one Rights Share for every one existing share held on the Record Date pursuant to the terms and conditions as set out in the underwriting agreement (the "**Underwriting Agreement**") dated 18 April 2016 entered into between the Company and the underwriters in respect of the Rights Issue (the "**Underwriters**") (a copy of which marked "A" has been produced to the meeting and signed by the chairman of the meeting for the purpose of identification), and all the transactions contemplated thereunder (including but not limited to the underwriting of the Rights Shares by the Underwriters), be and are hereby approved, confirmed and ratified;

(b) the execution, delivery and performance by the Company of the Underwriting Agreement and the transactions contemplated thereunder and all actions taken or to be taken by the Company pursuant to or incidental to the Underwriting Agreement be and are hereby approved, confirmed and ratified;

(c) any Director be and is hereby authorised to issue and allot the Rights Shares pursuant to and in connection with the Rights Issue notwithstanding that (i) the Rights Shares may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors be and are hereby authorised to make such exclusions or other arrangements in relation to fractional entitlements and/or Non-Qualifying Shareholders as they deem necessary, desirable or expedient having regard to any restrictions or obligations under the bye-laws of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; (ii) the Rights Shares which would otherwise have been made available for application by the Qualifying Shareholders or the Non-Qualifying Shareholders (as the case may be) will be made available for subscription under forms of application for excess Rights Shares;

(d) the issue and allotment of Shares upon exercise of the conversion rights attached to the 1.875% Guaranteed Convertible Bonds due 2018 (the "**Convertible Bonds due 2018**") issued in accordance with the subscription agreement dated 20 September 2012 and entered into among the Company, PB Issuer (No. 3) Limited and Goldman Sachs (Asia) L.L.C., and all other matters of and incidental thereto or in connection therewith be and are hereby generally and unconditionally approved;

(e) any Director be and is/are hereby authorised to issue and allot such number of Shares as may fall to be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds due 2018 at the prevailing conversion price of HK$4.75 per share (subject to adjustment provided in the terms and conditions of the Convertible Bonds due 2018) on and subject to such terms and conditions; and

(f) any one or more of the Directors be and is/are hereby authorised to all such acts and things, to sign and execute all such further documents and to take such steps as the Director(s) in his/their absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Rights Issue, the Underwriting Agreement and all the transactions contemplated thereunder or incidental thereto."

SPECIAL RESOLUTION

2. "**THAT** conditional upon (i) compliance with the requirements of Section 46(2) of the Companies Act 1981 of Bermuda (as amended from time to time), and (ii) The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the ordinary shares of the Company with a nominal value of US$0.01 each, with effect from 9:00 a.m. on Tuesday, 24 May 2016 (the "**Effective Date**"):

   (a) the paid up capital of each issued share of the Company of par value of US$0.10 each be reduced from US$0.10 to US$0.01 by cancelling US$0.09 on each issued Share (the "**Capital Reduction**") so as to form new Shares of par value of US$0.01 each;

   (b) each of the unissued shares of US$0.10 each in the authorised share capital of the Company be sub-divided into 10 new Shares of US$0.01 each (the "**Sub-Division**");

   (c) the entire amount standing to the credit of the share premium account of approximately US$604.8 million of the Company be as at the Effective Date be cancelled (the "**Share Premium Cancellation**");

   (d) the credit arising from the Capital Reduction (approximately US$175.2 million) and the Share Premium Cancellation (approximately US$604.8 million) be transferred to the contributed surplus account of the Company or other account of the Company and Directors be and are hereby authorised to apply the amount standing to the credit of the contributed surplus account or such other account of the Company in any manner permitted by the laws of Bermuda and the bye-laws of the Company; and

   (e) any one or more of the Directors be and is/are hereby authorised to all such acts and things, to sign and execute all such further documents and to take such steps as the Director(s) in his/their absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Capital Reduction, the Sub-Division and the Share Premium Cancellation (collectively, the "**Capital Reorganisation**").

By Order of the Board
Mok Kit Ting Kitty
Company Secretary

Hong Kong, 29 April 2016

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.