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# Pacific Basin Shipping Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 2343)

## **PROPOSED ISSUE OF GUARANTEED 1.875% CONVERTIBLE BONDS DUE IN 2018 CONVERTIBLE INTO ORDINARY SHARES OF PACIFIC BASIN SHIPPING LIMITED**

The Company announces that it, as guarantor, and the Issuer (a wholly-owned subsidiary of the Company) have today entered into the Subscription Agreement with the Lead Manager in connection with the issue of the Convertible Bonds by the Issuer in an aggregate principal amount of US\$123.8 million (approximately HK\$959.8 million).

The initial Conversion Price is HK\$4.96 per Share (subject to adjustment), representing a premium of 27.5% over the closing price of the Shares quoted on the Stock Exchange on 20 September 2012. The Convertible Bonds will be convertible (based on full conversion at the initial Conversion Price) into approximately 193,504,891 Shares, representing approximately 9.99% of the issued share capital of the Company as at the date of this announcement and approximately 9.08% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The Bondholders will have the right to convert all or some of their Convertible Bonds into Shares at any time on or after 2 December 2012 up to 12 October 2018. Outstanding Convertible Bonds that have not previously been purchased and cancelled, redeemed or converted will be redeemed at 100% of their principal amount on the Maturity Date.

The estimated net proceeds from the Bond Issue, after deduction of commission and expenses, amount to approximately US\$122.7 million (approximately HK\$951.3 million). The Company intends to use the proceeds primarily for the acquisition of additional Handysize and Handymax vessels, as well as for general working capital purposes.

**Completion of the Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein. In addition, the Subscription Agreement may be terminated in certain circumstances. Please refer to the paragraph headed “THE SUBSCRIPTION AGREEMENT” below for further information.**

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

Applications will be made for (i) the listing of the Convertible Bonds on the Stock Exchange as selectively marketed securities (or on an appropriate alternative stock exchange) and (ii) the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange.

## **THE SUBSCRIPTION AGREEMENT**

Date: 20 September 2012

Parties:

1. The Company (as guarantor);
2. The Issuer, being PB Issuer (No.3) Limited, a wholly-owned subsidiary of the Company; and
3. The Lead Manager, being Goldman Sachs (Asia) L.L.C., which to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiry, is not a connected person of the Company and is a third party independent of the Company and connected persons of the Company.

Subscription:

1. Subject to the fulfillment of the conditions set out below in the section headed “Conditions Precedent”, the Lead Manager has agreed to or to procure subscribers to subscribe the Convertible Bonds in an aggregate principal amount of US\$123.8 million (approximately HK\$959.8 million). To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the subscribers (of which there are more than six individual, corporate, institutional or other professional investors) and their ultimate beneficial owners are third parties independent of and not connected with the Company or any connected persons of the Company.
2. The Convertible Bonds will be offered and sold to persons outside the United States in reliance upon Regulation S of the US Securities Act and to “professional investors” as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong and any rules made under that Ordinance in Hong Kong and elsewhere (other than the United States).

Stabilisation activities:

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

Conditions precedent:

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

1. the Lead Manager shall have been satisfied with the results of its due diligence investigations on the Issuer, the Company and its subsidiaries for the purposes of the preparation of the Offering Circular, and the Offering Circular shall have been prepared in form and content satisfactory to the Lead Manager;
2. execution of documents including the Trust Deed by relevant parties on or prior to the Closing Date;
3. obtaining approval from the Stock Exchange, subject to any conditions reasonably satisfactory to the Lead Manager, to list the Convertible Bonds and the Conversion Shares (or, in each case, the Lead Manager being satisfied that such listing will be granted);
4. delivery on the Publication Date and on the Closing Date to the Lead Manager comfort letters from the Company's auditor;
5. delivery on or prior to the Closing Date to the Lead Manager of legal opinions, each in a form reasonably satisfactory to the Lead Manager, from the legal advisers to the Issuer as to the British Virgin Islands law, the legal advisers to the Company as to Bermudan law; and the legal advisers to the Company as to English and Hong Kong law and the legal advisers to the Lead Manager as to English law;
6. the representations and warranties of the Issuer and the Company set out in the Subscription Agreement shall be true, accurate and correct in all respects at the Publication Date and the Closing Date as if they were made on such dates; and
7. non-occurrence at the Closing Date of any change, or any development or event reasonably likely to involve a change, in the condition (financial or other), operations, business or properties of the Issuer, the Company or the Group, which, in the opinion of the Lead Manager, is material and adverse and which makes it, in the opinion of the Lead Manager, impracticable to market the Convertible Bonds on the terms and in the manner contemplated herein.

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

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

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

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

## **PRINCIPAL TERMS OF THE CONVERTIBLE BONDS**

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

Issuer: PB Issuer (No.3) Limited, a company incorporated with limited liability in the British Virgin Islands, which is a wholly-owned subsidiary of the Company.

Guarantor: The Company.

Principal amount: The aggregate principal amount of the Convertible Bonds will be US\$123.8 million (approximately HK\$959.8 million).

Issue and Redemption Price: 100% of the principal amount of the Convertible Bonds.

Interest: The Convertible Bonds bear interest from the Closing Date at the rate of 1.875% per annum of the principal amount of the Convertible Bonds. Interest is payable semi-annually in equal instalments in arrear on 22 October and 22 April in each year.

Conversion period: Subject to the relevant Bondholder complying with the procedures relating to conversion, Bondholder(s) may exercise conversion rights at any time on or after 2 December 2012 up to the close of business on 12 October 2018 (the "**Conversion Period**").

Conversion Price:	<p>The Convertible Bonds will be convertible into Shares at an initial Conversion Price of HK\$4.96 per Share. The initial Conversion Price at HK\$4.96 per Share represents (i) a premium of 27.5% to the closing price of HK\$3.89 per Share as quoted on the Stock Exchange on 20 September 2012, being the date of the Subscription Agreement; (ii) a premium of 24.6% to the 5-day average closing price of the Shares as quoted on the Stock Exchange for the five Trading Days ended 20 September 2012 of HK\$3.98; and (iii) a premium of 31.2% to the 10-day average closing price of the Shares as quoted on the Stock Exchange for the ten Trading Days ended 20 September 2012 of HK\$3.78.</p> <p>The Conversion Price will be subject to adjustment for, amongst other things, subdivision, reclassification or consolidation of Shares, capitalisation of profits or reserves, distributions, rights issues of Shares or options over Shares, rights issues of other securities, issues at less than current market price, modification of rights of conversion and other offers to Shareholders.</p>
Ranking of Conversion Shares:	<p>Conversion Shares will rank <i>pari passu</i> in all respects with the Shares in issue on the relevant date of registration of holders of such Shares on the register of members of the Company.</p>
Redemption at the option of the Bondholder:	<p>On 22 October 2016, each Bondholder will have the right, at such Bondholder's option, to require the Issuer to redeem all or some of the Convertible Bonds at 100% of the principal amount.</p>
Redemption at the option of the Issuer:	<p>The Issuer may redeem the Convertible Bonds in whole, but not in part, at a redemption price equal to 100% of their principal amount together with accrued but unpaid interest:</p> <ol style="list-style-type: none"> <li>1. at any time after 22 October 2016, if the closing price of the Shares (as quoted on the Stock Exchange) for the 30 consecutive Trading Days immediately prior to the date upon which notice of such redemption is given, was at least 130% of the Conversion Price then in effect; or</li> <li>2. if at any time the aggregate principal amount of the Convertible Bonds outstanding is less than 10% of the aggregate principal amount originally issued.</li> </ol>
Redemption for taxation reasons:	<p>The Issuer may redeem all, but not some only, of the Convertible Bonds at 100% of their principal amount together with accrued but unpaid interest at the date fixed for redemption in the event of changes in or amendment to the laws and regulations regarding taxation in the British Virgin Islands, Bermuda or Hong Kong.</p> <p>If the Issuer exercises its tax redemption right, each Bondholder shall have the right to elect that all or a portion of its Convertible Bonds shall not be redeemed. Upon a Bondholder electing not to have its Convertible Bonds redeemed in such circumstances, any payments due after the relevant date shall be made subject to any deduction or withholding required under the laws of the British Virgin Islands, Bermuda or Hong Kong (as applicable).</p>

Redemption for Delisting:	Each Bondholder shall have the right, at such Bondholder's option, to require the Company to redeem in whole, but not in part, of such Bondholder's Convertible Bonds at 100% of their principal amount together with accrued but unpaid interest upon the Shares ceasing to be listed or admitted to trading on the Stock Exchange or an Alternative Stock Exchange (as defined in the terms and conditions of the Bonds).
Redemption for Change of Control	Following the occurrence of a Change of Control and subject to the relevant Bondholder complying with the procedures relating to such redemption, each Bondholder shall have the right, at such Bondholder's option, to require the Issuer to redeem in whole, but not in part, of such Bondholder's Convertible Bonds at 100% of their principal amount, together with accrued but unpaid interest.
Maturity:	Unless previously redeemed, converted or purchased and cancelled in the circumstances referred to in the conditions of the Convertible Bonds, the Company will redeem each Convertible Bond at 100% of its principal amount on the Maturity Date.
Voting Rights:	Bondholders will not have any right to attend or vote in any meeting of the Company by virtue of them being Bondholders, and until and unless they have converted their Convertible Bonds into Shares.
Negative Pledge:	So long as any Convertible Bond remains outstanding, neither the Issuer nor the Company will, and will ensure that none of its subsidiaries will, create or have outstanding, any form of encumbrance, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Convertible Bonds the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as either (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Bondholders or (ii) shall be approved by the Bondholders by an Extraordinary Resolution (as defined in the Trust Deed).
Listing:	Application will be made for (i) the listing of the Convertible Bonds on the Stock Exchange as selectively marketed securities (or on an appropriate alternative stock exchange) and (ii) for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange.

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

Based on the initial Conversion Price of HK\$4.96 per Share and assuming full conversion of the Convertible Bonds, the Convertible Bonds will be convertible into 193,504,891 Shares (subject to adjustment), representing approximately 9.99% of the issued share capital of the Company as at the date of this announcement and approximately 9.08% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

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

Shareholder	Existing (as at the date of this Announcement)		Assuming the Convertible Bonds are fully converted into Shares at the initial Conversion Price of HK\$4.96 each	
	No. of Shares	% of issued share capital of the Company	No. of Shares	% of enlarged share capital of the Company
Canadian Forest Navigation Co. Ltd./Compagnie De Navigation Canadian Forest Ltee <sup>1</sup>	252,703,500	13.05%	252,703,500	11.86%
Aberdeen Asset Management Plc and its Associates (together “The Group”) on behalf of Accounts managed by the Group	252,434,536	13.04%	252,434,536	11.85%
JP Morgan Chase & Co. <sup>2</sup>	134,825,394	6.96%	134,825,394	6.33%
Mondrian Investment Partners Limited	116,026,000	5.99%	116,026,000	5.45%
Public Shareholders	1,180,587,689	60.96%	1,180,587,689	55.43%
Bondholders	—	—	193,504,891	9.08%
<b>Total</b>	<b>1,936,577,119</b>	<b>100%</b>	<b>2,130,082,010</b>	<b>100%</b>

*Notes:*

1. The Shares held by Canadian Forest Navigation Co. Ltd./Compagnie De Navigation Canadian Forest Ltee are held in the capacities of Beneficial owner (relating to 149,446,846 Shares) and Interest in corporation controlled (relating to 103,256,654 Shares).
2. The Shares held by JP Morgan Chase & Co. are held in the capacities of beneficial owner (relating to 10,925,540 Shares), investment manager (relating to 22,976,000 Shares) and custodian corporation/approved lending agent (relating to 100,923,854 Shares).

The Conversion Shares will be allotted and issued by the Company pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 19 April 2012, under which up to a total of 193,657,711 Shares can be allotted and issued by the Company. As at the date of this announcement, no Shares have been issued under such general mandate. As such, the current general mandate is sufficient for the issue of the Conversion Shares and therefore no separate Shareholders’ approval is required for the issue of the Convertible Bonds and the Conversion Shares.



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

The net proceeds from the Bond Issue, after deduction of commission and expenses, are estimated to be approximately HK\$951.3 million. The Bond Issue will raise immediate funds, which the Company intends to use primarily for the acquisition of additional Handysize and Handymax vessels, as well as for general working capital purposes.

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

The Company has not raised any funds through the issue of equity securities in the 12 months immediately preceding the date of this announcement.

## **PRINCIPAL BUSINESS OF THE GROUP**

Pacific Basin Shipping Limited is one of the world's leading owners and operators of modern Handysize and Handymax dry bulk vessels. The Company is listed and headquartered in Hong Kong, and currently operates in three maritime sectors under the banners of Pacific Basin Dry Bulk, PB Towage, and PB RoRo. The Company's fleet (including newbuildings on order) comprises over 230 vessels directly servicing blue chip international customers. With 2,000 seafarers and 300 shore-based staff in 19 offices in key locations around the world, Pacific Basin provides a comprehensive quality service to a wide range of customers.

**Completion of the Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein. In addition, the Subscription Agreement may be terminated in certain circumstances. Please refer to the paragraph headed "THE SUBSCRIPTION AGREEMENT" above for further information.**

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

## **APPLICATION FOR LISTING**

Applications will be made for (i) the listing of the Convertible Bonds on the Stock Exchange as selectively marketed securities (or on an appropriate alternative stock exchange) and (ii) the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange.

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

"Board"	means the board of directors of the Company;
"Bondholder(s)"	means holders of the Convertible Bonds from time to time;
"Bond Issue"	means the subscription and issue of the Convertible Bonds;
"business day"	means any day on which banks are open for business in Hong Kong;



“Change of Control”	means (i) when any person or persons, acting together, acquires control; or (ii) the Company consolidates with or merges into or sells or transfers all or substantially all of the Company’s assets to any other person, unless the consolidation, merger, sale or transfer will not result in the other person or persons acquiring control over the Company or the successor entity;
“Closing Date”	means the date (expected to be on 22 October 2012 or such other date as the Issuer, the Company and the Lead Manager may agree) on which the Convertible Bonds are issued;
“Company” or “Pacific Basin”	means Pacific Basin Shipping Limited, a limited company incorporated in Bermuda with limited liability, whose shares are listed on the main board of the Stock Exchange;
“connected person”	has the meaning ascribed to that term in the Listing Rules and “connected persons” shall be construed accordingly;
“control”	means the acquisition or control of at least 50% of the voting rights of the issued share capital of the Company or the right to appoint and/or remove all or the majority of the members of the Board or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise;
“Conversion Date”	means the conversion date in respect of the Convertible Bonds;
“Conversion Price”	means the price per Share at which the Convertible Bonds may be converted into Shares and the initial conversion price being HK\$4.96 per Share (subject to adjustment);
“Conversion Shares”	means Shares to be allotted and issued by the Company upon conversion of the Convertible Bonds;
“Convertible Bonds”	means the Guaranteed 1.875% Convertible Bonds due in 2018 in an aggregate principal amount of US\$123.8 million;
“Directors”	means the directors of the Company;
“Group”	means the Company and its subsidiaries;
“Issuer”	means PB Issuer (No.3) Limited, a company incorporated in the British Virgin Islands, which is a wholly-owned subsidiary of the Company;
“Lead Manager”	means Goldman Sachs (Asia) L.L.C.;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange;
“Maturity Date”	means the date on which the Convertible Bonds mature, namely 22 October 2018;

“Offering Circular”	means the circular which the Issuer is required to provide to prospective Bondholder(s) or investors in relation to the Bond Issue;
“Publication Date”	means the date of the Offering Circular, which is expected to be 18 October 2012 or such other date as may be agreed between the Issuer, the Company and the Lead Manager;
“Relevant Indebtedness”	means any future and present indebtedness in the form of or represented by debentures, loan stock, bonds, notes, bearer participation certificates, depositary receipts, certificates of deposit or other similar securities or instruments or by bills of exchange drawn or accepted for the purpose of raising money which are, or are capable of being, quoted, listed, ordinarily dealt in or traded on any stock exchange or over the counter or on any other securities market (which for the avoidance of doubt does not include bi-lateral loans, syndicated loans or club deal loans);
“Shares”	means ordinary share(s) of US\$0.10 each in the share capital of the Company;
“Shareholders”	means the holders of Shares;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Subscription Agreement”	means the conditional subscription agreement entered into between the Issuer, the Company and the Lead Manager on 20 September 2012 in relation to the Bond Issue;
“Trading Days”	means a day on which the Stock Exchange is open for dealing business;
“Trust Deed”	means the deed constituting the Convertible Bonds; and
“Trustee”	means The Hongkong and Shanghai Banking Corporation Limited.

By order of the Board of  
**Pacific Basin Shipping Limited**  
**Mok Kit Ting, Kitty**  
*Company Secretary*

Hong Kong, 20 September 2012

*Notes:*

*An exchange rate of US\$1.00 to HK\$7.7527 has been used for the conversion of US dollars into HK dollars for the purpose of this announcement.*

*As at the date of this announcement, the executive Directors of the Company are David Muir Turnbull, Mats Henrik Berglund, Jan Rindbo, Andrew Thomas Broomhead, Wang Chunlin and Chanakya Kocherla, and the independent non-executive Directors of the Company are Patrick Blackwell Paul, Robert Charles Nicholson, Alasdair George Morrison and Daniel Rochfort Bradshaw.*