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Pacific Basin Shipping Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 2343)

DISCLOSEABLE TRANSACTION DISPOSAL OF SHARES IN THE HARBOUR TOWAGE BUSINESS AND DISPOSAL OF TWO TOWAGE VESSELS

On 11 December 2014, the Group entered into agreements relating to:

(i) the disposal of its entire equity interest in PB Towage (Australia) Holdings Pty Ltd, (“**PBTA**”) representing the Company’s interest in its harbour towage operations including 16 harbour tugs;

(ii) the disposal of two additional harbour towage vessels owned by other PB group companies;

for a combined cash consideration of AUD 74 million (subject to adjustment) (collectively the “**Transactions**”).

PRINCIPAL TERMS OF THE TRANSACTIONS

1. DISPOSAL OF THE ENTIRE EQUITY INTEREST IN PBTA (THE “**SHARE DISPOSAL**”).

Date

11 December 2014 (after trading hours)

Parties

- (i) PB Towage Limited (the “**Seller**”), an indirect wholly-owned subsidiary of the Company;
- (ii) Smit Lamnalco (Australia) Pty Ltd (the “**Purchaser**”), a subsidiary of the Smit Lamnalco Group; and
- (iii) PB Vessels Holding Limited (the “**Guarantor**”), a direct wholly-owned subsidiary of the Company.

The Guarantor has agreed to guarantee the Seller’s obligations under the agreement relating to the Share Disposal.

Assets to be sold

The Seller will sell 57,589,338 ordinary shares (the “**Sale Shares**”) in PBTA, a harbour towage business operating in Australia, to the Purchaser. The Sale Shares represent the entire issued share capital of PBTA.

Consideration

The cash consideration of AUD 67 million for the Sale Shares and shareholder loan outstanding to the Seller, subject to a working capital adjustment, shall be payable by the Purchaser upon Completion. In addition, the Purchaser shall pay the Seller for any cash in the PBTA Group as at the Effective Date.

Such consideration was determined by the Seller and the Purchaser at arm’s length and is on normal commercial terms making reference to the value of the net tangible assets of PBTA as shown in its latest management accounts as at 31 October 2014.

The above consideration shall be subject to an upward or downward adjustment reflecting the Working Capital of the PBTA Group at the Effective Date against a pre-determined threshold. On the basis of information currently available and to the best of the Directors' knowledge, information and belief, it is estimated that the consideration ratio (as defined in Rule 14.07 of the Listing Rules) will not exceed 25% after taking such adjustment into account.

Completion

Completion of the Share Disposal (the "**Completion**") is conditional upon the approval from the Federal Treasurer of Australia being obtained under the Australian Government's foreign investment policy or under the Foreign Acquisitions and Takeovers Act 1975 (Cth) to the Share Disposal and a number of consents from counterparties of certain existing contracts. Completion is also conditional on the simultaneous completion of the sale of the barge (which comprises part of the Vessels Disposal).

Completion shall take place within 3 business days of all conditions precedent having been satisfied or waived by the relevant parties. It is currently expected that Completion shall take place in January 2015. PBTA will cease to be a subsidiary of the Company following Completion of the Share Disposal.

Information about PBTA

The principal business activity of PBTA is the provision of harbour towage services in Australia.

Based on the audited accounts of PBTA prepared in accordance with Australian Accounting Standards and Interpretations the net losses or profits before taxation and after taxation for the years ended 31 December 2013 and 31 December 2012 are AUD 2.3 million losses and AUD 7.0 million profits respectively. The carrying value of PBTA excluding cash as at 31 October 2014 is AUD 75.4 million.

2. DISPOSAL OF TWO TOWAGE VESSELS (COLLECTIVELY THE "VESSELS") (THE "VESSELS DISPOSAL")

On 11 December 2014, two agreements were entered into by two indirect wholly-owned subsidiaries of the Group to sell a tug involved in harbour towage in Australia and a barge used as a berth for the harbour tugs in Australia to the Vessel Purchaser for an aggregate cash consideration of AUD 7 million payable by the Vessel Purchaser upon Completion. Completion of the Vessels Disposal is conditional on completion of the Share Disposal.

The aggregate net profits or losses before and after taxation attributable to the Vessels for the years ended 31 December 2013 and 31 December 2012 are AUD 0.4 million profits and AUD 0.4 million losses respectively. The aggregate carrying value of the Vessels as at 31 October 2014 is AUD 6.4 million.

The consideration for the Vessels was determined by the Group and the Vessel Purchaser at arm's length and is on normal commercial terms and was determined by reference to market intelligence the Company has gathered from shipbrokers and its own analysis of recently concluded sale and purchase transactions of vessels in the market.

RELATIONSHIP WITH THE PURCHASER AND THE VESSEL PURCHASER

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries:

- (i) The Purchaser and the Vessel Purchaser, together with their ultimate beneficial owner, are not connected persons (as defined in the Listing Rules) of the Company and are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company; and
- (ii) The principal business activity of the Purchaser and the Vessel Purchaser, together with their ultimate beneficial owner, is the provision of safe and efficient towage and associated marine services.

REASONS FOR AND FINANCIAL EFFECTS OF THE TRANSACTIONS

The Company is one of the world's leading owners and operators of modern Handysize and Handymax dry bulk vessels. The Company's primary reason for entering into the Transaction is consistent with its stated strategy to further focus its activities on its dry bulk business. The Directors consider that the terms of the Transactions are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The Sale Shares will be treated as sold on 31 December 2014 in accordance with the Hong Kong Financial Reporting Standards. The Company expects to record a net loss from the Share Disposal of approximately USD 9.0 million (including estimated transaction costs) in the consolidated income statement of the Company for the year ending 31 December 2014.

In addition, the Group maintains a foreign exchange reserve for the translation to US Dollars of PBTA's Australian Dollar-denominated net asset value. The Share Disposal will result in the cumulative foreign exchange reserve relating to PBTA being released to the consolidated income statement of the Company (the "Exchange Loss") on 31 December 2014. The Exchange Loss to be released is estimated at USD 8.8 million. The Exchange Loss is non-cash and will continue to reflect foreign exchange translation movements of the net asset values of PBTA until 31 December 2014.

The Vessels Disposal will result in the Vessels' carrying value being adjusted to their expected cash proceeds and hence there will be a net reversal of impairment charge made in June 2014 of approximately USD 0.4 million. The adjusted carrying value of the Vessels will then be reclassified as assets held for sale on the consolidated balance sheet of the Group as at 31 December 2014. On Completion, the value of assets held for sale will be de-recognised from the balance sheet.

Based on the latest consolidated management accounts of the Company as at 31 October 2014, following completion of the Transactions, the net assets of the Company's towage segment will reduce to approximately USD 48.5 million representing 13 tugs and 6 barges which continue to provide vessel towage support in the Middle East area and Australia and New Zealand. The related cumulative foreign exchange reserve relating to the remaining net assets of towage segment is estimated at USD 2.0 million loss. This will continue to reflect foreign exchange translation movements in the future.

For the purpose of this announcement, an exchange rate of USD1.00 to AUD1.2071 has been used.

USE OF PROCEEDS

The Board intends to apply the net sale proceeds of approximately USD 60.0 million to working capital including contracted capital expenditure.

PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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 two main maritime sectors under the banners of Pacific Basin Dry Bulk and PB Towage. Our dry bulk fleet (including newbuildings on order) comprises over 250 vessels directly servicing blue chip industrial customers. Our towage fleet will comprise 19 vessels following completion of the Transactions. Pacific Basin provides a quality service to a wide range of customers, with approximately 3,000 seafarers and currently 370 shore-based staff in 16 offices in key locations around the world.

IMPLICATIONS UNDER THE LISTING RULES

The Vessels Disposal on a stand-alone basis is not discloseable under Chapter 14 of the Listing Rules. However, upon aggregation, the Transactions constitute discloseable transactions under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Board”	the board of Directors of the Company;
“Business Day”	a day (other than a Saturday or Sunday) on which banks are open for general business in Hong Kong and Australia;
“Company” or “Pacific Basin”	Pacific Basin Shipping Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the main board of the Stock Exchange;
“Directors”	the directors of the Company;
“Effective Date”	31 December 2014 at 23.59 hours;
“Group”	the Company and its subsidiaries;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited;
“PBTA”	means PB Towage (Australia) Holdings Pty Ltd, a harbour towage business operating in Australia and, as at the date of this announcement, wholly-owned by PB Towage Limited, an indirect wholly-owned subsidiary of the Company (the “Seller”);
“PBTA Group”	PBTA and its subsidiaries;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Vessel Purchaser”	means Smit Lamnalco Singapore Pte Limited, a member of the Smit Lamnalco Group; and
“Working Capital”	the aggregate value of the PBTA Group’s current assets less the aggregate value of its current liabilities as at a specified date.

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

Hong Kong, 11 December 2014

As at the date of this announcement, the Directors of the Company are:

Executive Directors:

David Muir Turnbull, Mats Henrik Berglund, Andrew Thomas Broomhead and Chanakya Kocherla

Independent non-executive Directors:

Patrick Blackwell Paul, Robert Charles Nicholson, Alasdair George Morrison, Daniel Rochfort Bradshaw and Irene Waage Basili