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Pacific Basin Shipping Limited

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

PROPOSED ACQUISITION OF FIVE MODERN DRY BULK VESSELS

AND

PROPOSED ISSUE OF VESSEL CONSIDERATION SHARES UNDER THE GENERAL MANDATE

On 2 August 2017, the Company's wholly-owned subsidiary, PB Vessels Holding Limited, has entered into five separate ship contracts for the acquisition of the following five vessels:

- (i) one secondhand supramax vessel from Seller A for a consideration of US\$17.0 million;
- (ii) one secondhand supramax vessel from Seller B for a consideration of US\$17.0 million;
- (iii) one secondhand handysize vessel from Seller C for a consideration of US\$21.1 million;
- (iv) one secondhand supramax vessel from Seller D for a consideration of US\$23.5 million; and
- (v) one resale newbuilding supramax vessel from Seller E for a consideration of US\$26.0 million.

The aggregate consideration for the five vessels is US\$104.6 million, of which US\$46.1 million will be satisfied by the issue of Vessel Consideration Shares and US\$58.5 million in cash. Estimated delivery of the secondhand vessels is between mid August 2017 and end December 2017, and of the resale newbuilding is in January 2018.

The consideration payable to Sellers A, B, C and D will be satisfied by a combination of (i) a conditional issue to such Sellers (or their nominees) of 216,903,274 Vessel Consideration Shares in aggregate at HK\$1.66 per Share under the General Mandate amounting to HK\$360,059,440 (equivalent to US\$46,100,000) in aggregate; and (ii) cash amounting to US\$32,500,000 in aggregate. The consideration payable to Seller E of US\$26,000,000 will be fully satisfied in cash.

The Vessel Consideration Shares to be allotted and issued represent (i) approximately 5.37% of the existing issued share capital of the Company, and (ii) approximately 5.11% of the enlarged issued share capital of the Company as enlarged by such allotment and issue.

The issue of the Vessel Consideration Shares is to partially satisfy the consideration of the acquisitions from Sellers A, B, C and D, which could enhance the Group's balance sheet strength while acquiring suitable vessels for the Group's business.

While supply and demand factors remain uncertain, the dry bulk market is recovering and the Board considers that these vessels can be purchased at attractive prices and that they will be beneficially employed within the Group's fleet for the long term after they are delivered.

Application will be made by the Company to the Stock Exchange for approval of the listing of and permission to deal in the Vessel Consideration Shares.

Shareholders and potential investors should note that the Issue is conditional upon the Listing Approval having been granted by the Stock Exchange. Accordingly, completion of the Issue may or may not occur and hence Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

The ship contracts, all dated 2 August 2017, are not inter-conditional and the principal terms thereof are set out below.

Vessel type and approximate dead weight tonnes ("dwt")	2014 Tsuneishi -built supramax vessel of 57,964 dwt	2014 Tsuneishi -built supramax vessel of 57,964 dwt	2014 Imabari -built handysize vessel of 37,503 dwt	2016 Imabari -built supramax vessel of 61,244 dwt	2018 Tsuneishi - build resale newbuilding supramax vessel of 63,700 dwt	Aggregate value
Buyer	PBVH or its nominee					
Seller or beneficiary	Seller A	Seller B	Seller C	Seller D	Seller E	
Total consideration	US\$17,000,000	US\$17,000,000	US\$21,100,000	US\$23,500,000	US\$26,000,000	US\$104,600,000
Payment terms						
Cash upon signing of the relevant contract	-	-	US\$2,110,000	US\$2,350,000	US\$5,200,000	US\$9,660,000
Cash upon delivery	US\$5,100,000	US\$5,100,000	US\$8,440,000	US\$9,400,000	US\$20,800,000	US\$48,840,000
Issue of Vessel Consideration Shares of equivalent value upon delivery	US\$11,900,000	US\$11,900,000	US\$10,550,000	US\$11,750,000	-	US\$46,100,000
Number of Vessel Consideration Shares to be issued	55,990,216	55,990,216	49,638,385	55,284,457	-	216,903,274
Issue price per Share	HK\$1.66	HK\$1.66	HK\$1.66	HK\$1.66	-	
Estimated delivery date	mid August 2017 to end September 2017	mid August 2017 to end September 2017	early November 2017 to end December 2017	mid August 2017 to end September 2017	January 2018	
Funding of consideration	The cash consideration of the above vessels will be funded by the cash reserves of the Group and the Board is considering to partially fund such consideration by way of bank borrowings and/or fund raising exercises prior to delivery of the vessels.					
Performance Guarantees	PBVH will enter into a guarantee with each Seller in connection with the respective ship acquisition to guarantee the performance of the respective buyers of its entire obligation, duties and liabilities under the relevant contract.					

BASIS OF CONSIDERATION

The consideration for each of the vessels was determined (i) by reference to market intelligence the Company has gathered from shipbrokers and its own analysis of recently concluded sale and purchase transactions of vessels of comparable size, quality, specifications and year of build in the market; and (ii) after arm's length negotiation between the parties, and is on normal commercial terms.

RELATIONSHIP WITH THE SELLERS AND THEIR ULTIMATE BENEFICIAL OWNERS

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiry,

- (i) the Sellers, together with their respective ultimate beneficial owners, 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;
- (ii) the principal business activity of the Sellers is the owning of shipping vessels; and
- (iii) save for the transactions disclosed in this announcement, during the 12-month period prior to the date of this announcement and the relevant ship contracts, the Company has not entered into any transaction with any of the Sellers or their respective ultimate beneficial owners or with parties connected or otherwise associated with one another which may require aggregation under Rule 14.22 of the Listing Rules.

REASONS FOR THE TRANSACTIONS

The Company looks for opportunities to buy and charter suitable quality ships for its fleet. These vessels are modern, high quality Imabari and Tsuneishi-built ships with designs suitable for the Company's operations. Four of the five vessels are supramaxes allowing the Company to increase its relatively low proportion of owned versus chartered in supramax vessels. While supply and demand factors remain uncertain, the dry bulk market is recovering and the Board considers that these vessels can be purchased at attractive prices and that they will be beneficially employed within the Group's fleet for the long term after they are delivered.

The secondhand handysize vessel to be acquired from Seller C is currently chartered and operated by the Group under a long-term time charter agreed in 2010 and expiring in 2021, which will be terminated upon its delivery, and the vessel will become part of the owned fleet of the Group. As such the purchase of this vessel would eliminate the long-term time charter cost and replace it with significantly lower operating and depreciation costs, hence benefiting the Group's operating cash flow. The Board considers that these transactions will enhance the Group's operating cash flow, EBITDA and balance sheet strength.

NUMBER OF THE VESSEL CONSIDERATION SHARES

The Buyer has agreed to procure the Company to conditionally issue 216,903,274 Vessel Consideration Shares in aggregate at HK\$1.66 per Share to Seller A, Seller B, Seller C and Seller D (or their nominees) as partial consideration for the acquisition of the relevant vessels from them.

The Vessel Consideration Shares to be allotted and issued represent (i) approximately 5.37% of the existing issued share capital of the Company, and (ii) approximately 5.11% of the enlarged issued share capital of the Company as enlarged by such allotment and issue. The aggregate nominal value of the Vessel Consideration Shares is US\$2,169,033 (approximately HK\$16,941,013). The Vessel Consideration Shares, when allotted and issued, shall rank pari passu among themselves and with the fully paid Shares in issue.

The issue of the Vessel Consideration Shares of equivalent value at US\$46,100,000 is to partially satisfy the consideration of the acquisitions from Sellers A, B, C and D, which could enhance the Group's balance sheet strength while acquiring suitable vessels for the Group's business. As the Issue will be regarded as partial consideration for the acquisitions of the vessels, no actual cash consideration will be received by the Group from the allotment and issue of the Vessel Consideration Shares.

ISSUE PRICE OF THE VESSEL CONSIDERATION SHARES

The Issue Price was agreed after arm's length negotiations between the Buyer and the relevant Sellers with reference to (i) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of the ship contracts, and (ii) the liquidity of the Shares and the prevailing market conditions. The net Issue Price, after deduction of relevant expenses (including, without limitation, legal expenses and disbursements) is approximately HK\$1.66 per Vessel Consideration Share.

The Issue Price: (i) represents a discount of approximately 1.78% to the closing price of HK\$1.69 per Share as quoted on the Stock Exchange on the last trading day immediately prior to the date of this announcement; (ii) is equal to the average closing price for the last five trading days immediately prior to the date of this announcement; and (iii) represents a discount of approximately 0.60% to the average closing price of HK\$1.67 for the last 10 trading days immediately prior to the date of this announcement.

CONDITION PRECEDENT TO THE ISSUE AND THE ACQUISITIONS

Completion of the Issue shall be subject to the Listing Approval having been granted by the Stock Exchange.

In the event that the above condition has not been satisfied on or before 10 August 2017 (or such other date as the Buyer and the relevant Sellers may agree in writing), the respective ship contracts with Sellers A, B, C and D shall terminate immediately and at the same time the Buyer can, at its liberty, and in its favour elect to terminate the ship contract with Seller E with immediate effect, whereupon each of the obligations of the Buyer and the Sellers thereunder shall be released and each of them shall not have any claim against or liability or obligation to the other party, except for any earlier breach.

COMPLETION OF THE ISSUE

Completion of the Issue contemplated under each of the ship contracts is not inter-conditional and will take place on the delivery date of the respective vessels (or such other date as agreed by the Buyer and the relevant Sellers), upon which the Vessel Consideration Shares will be allotted and issued to the relevant Sellers (or their nominees). Further announcements shall be made by the Company upon completion of the Issue.

LOCK-UP

Each of Seller A, Seller B, Seller C and Seller D has undertaken to the Buyer that for the following period of time from the date of the allotment and issue of the Vessel Consideration Shares, it shall not, and shall procure their nominees (if applicable) not to, directly or indirectly, transfer or dispose of, or otherwise create any options, rights, interests or encumbrances in respect of any of the Vessel Consideration Shares, to or in favour of any party who is not an affiliate of the relevant Sellers, unless with the prior written consent of the Buyer:

Seller A, Seller B and Seller C: 6 months; and

Seller D: 3 months.

The abovementioned restriction shall cease to have effect if the respective ship contracts do not become unconditional and therefore terminate immediately.

GENERAL MANDATE TO ISSUE THE VESSEL CONSIDERATION SHARES

The Vessel Consideration Shares will be allotted and issued under the General Mandate.

As at the date of this announcement and immediately prior to the date of the ship contracts, up to 403,842,827 Shares can be allotted and issued by the Directors under the General Mandate. Accordingly, all of the Vessel Consideration Shares will be allotted and issued by utilising the General Mandate. Upon completion of the Issue, the remaining portion of the General Mandate will amount to 186,939,553 Shares.

APPLICATION FOR LISTING

Application will be made by the Company to the Stock Exchange for the Listing Approval. Other than the Listing Approval being granted by the Stock Exchange, the allotment and issue of the Vessel Consideration Shares is not subject to any approval of the Shareholders.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) as at the date of this announcement, and (ii) immediately after completion of the Issue (assuming that there will be no change in the issued share capital and the shareholding structure of the Company between the date of this announcement and completion of the Issue) is set out below:

	As at the date of this announcement		Immediately after completion of the Issue	
	Number of shares	%	Number of shares	%
Aberdeen Asset Management Plc and its associates (together "Aberdeen") on behalf of accounts managed by Aberdeen	605,773,000	15.00	605,773,000	14.24
Citigroup Inc.	243,128,790	6.02	243,128,790	5.71
Michael Hagn	237,046,846	5.87	237,046,846	5.57
Seller A	–	–	55,990,216	1.32
Seller B	–	–	55,990,216	1.32
Seller C	–	–	49,638,385	1.17
Seller D	–	–	55,284,457	1.30
Other public Shareholders	2,952,479,639	73.11	2,952,479,639	69.37
Total	<u>4,038,428,275</u>	<u>100</u>	<u>4,255,331,549</u>	<u>100</u>

FUND-RAISING ACTIVITY BY THE COMPANY IN THE PAST 12 MONTHS

As disclosed in the Company's announcements dated 24 October 2016 and 31 October 2016, a total of 79,979,037 new Shares at HK\$1.218 per share were issued to certain shipowners on 31 October 2016 by utilising part of the general mandate obtained at the 2016 Annual General Meeting of the Company held on 19 April 2016. Such new Shares were allotted and issued to the said shipowners in exchange for their agreement to reduce the then existing daily charter-hire rates payable by the Group to those shipowners over a 24-month period commencing 1 November 2016, resulting in cash savings of US\$1,049,200, US\$6,278,000 and US\$5,228,800 in 2016, 2017 and 2018 respectively.

Other than that, there was no equity fund raising activity by the Company through the issue of its equity securities in the 12 months immediately preceding the date of this announcement.

DIRECTORS' VIEW AND LISTING RULES IMPLICATIONS

Save as disclosed in this announcement, the Directors are of the view that, having made all reasonable enquiries, the Issue will not have any material impact on the business, management or operations of the Group. Accordingly, after taking into account of such factors and the commercial reasons set out above, the Directors consider that the terms of the ship contracts (including, the Issue Price), which were determined after arm's length negotiation, are on normal commercial terms, are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

Each of the vessel acquisitions is not discloseable under the Listing Rules on a stand-alone basis. However, due to the common ultimate beneficial ownership of Sellers C and D, the acquisitions from these two sellers in aggregate constitute discloseable transactions under Chapter 14 of the Listing Rules and are therefore subject to this announcement. In addition, since the acquisitions from Sellers A, B, C and D involve the allotment and issue of the Vessel Consideration Shares, the Issue is subject to announcement requirements pursuant to Rule 13.28 of the Listing Rules. The acquisitions from Sellers A, B and E are disclosed on a voluntary basis as these have been concluded at the same time as the other two vessels.

Shareholders and potential investors should note that the Issue is conditional upon the Listing Approval having been granted by the Stock Exchange. Accordingly, the completion of the Issue may or may not occur and hence Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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 approximately 250 dry bulk ships of which 101 are owned and about 150 are chartered. The Company is listed and headquartered in Hong Kong, and provides a quality service to around 500 customers, with approximately 3,000 seafarers and 330 shore-based staff in 12 offices in key locations around the world.

DEFINITIONS

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

“Board”	the board of Directors;
“Buyer”	PBVH or its nominee;
“Company” or “Pacific Basin”	Pacific Basin Shipping Limited, an exempted company incorporated in Bermuda with limited liability, whose Shares are listed on the main board of the Stock Exchange;
“connected person”	has the same meaning ascribed thereto under the Listing Rules;
“dead weight tonnes” or “dwt”	the weight capacity of vessels, which is the total weight (usually in metric tonnes) the ship can carry, including cargo, bunkers, water, stores, spares, crew, etc. at a specified depth of the ship in the water;
“Directors”	the directors of the Company;
“EBITDA”	earnings before interest, taxes, depreciation and amortisation;
“General Mandate”	the general mandate granted by the Shareholders at the annual general meeting of the Company held on 12 April 2017, under which up to a total of 403,842,827 Shares (being up to 10% of the total issued share capital of the Company as at the date of the passing of the relevant resolution, which was 4,038,428,275 Shares) can be allotted, issued and dealt in by the Directors;
“Group”	the Company and its subsidiaries;
“Issue”	the proposed issue of the Vessel Consideration Shares pursuant to the ship contracts;
“Issue Price”	HK\$1.66 per Vessel Consideration Share;
“Listing Approval”	the permission for the listing of and permission to deal in the Vessel Consideration Shares on the Main Board of the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;
“PBVH”	PB Vessels Holding Limited, a direct wholly-owned subsidiary of the Company;
“Seller A”	Kaya Marine Ltd;
“Seller B”	Catherine Marine Ltd;
“Seller C”	San Clemente Shipping S.A.;
“Seller D”	Paraiso Shipping S.A.;
“Seller E”	CPN Mundial Maritimo S.A.;
“Sellers”	collectively Seller A, Seller B, Seller C, Seller D and Seller E;

“Share(s)”	ordinary share(s) of US\$0.01 each in the share capital of the Company;
“Shareholders”	the shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“Vessel Consideration Shares”	216,903,274 Shares in aggregate that will be allotted and issued to Seller A, Seller B, Seller C and Seller D under the General Mandate pursuant to the respective ship contracts.

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

Hong Kong, 2 August 2017

Note: An exchange rate of US\$1.00 to HK\$7.8104 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 Directors of the Company are:

Executive Directors:

David Muir Turnbull, Mats Henrik Berglund and Andrew Thomas Broomhead

Independent non-executive Directors:

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