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# Pacific Basin Shipping Limited

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

## DISCLOSEABLE TRANSACTIONS: ACQUISITION OF FOUR MODERN ULTRAMAX DRY BULK VESSELS

On 27 November 2020, the Buyers entered into ship purchase contracts with the Sellers for the acquisition of four second-hand Ultramax vessels for an aggregate consideration of US\$67.0 million (each for US\$16.75 million). The transactions will be funded by the cash reserves of the Group.

Estimated delivery of these four vessels from the Sellers is expected to be completed by late April 2021.

The purchase of the four vessels is consistent with Pacific Basin's strategic plan to grow and renew the Company's owned fleet with larger, high-quality, modern second-hand acquisitions, focusing especially on adding Supramax and Ultramax ships and trading up its smaller, older Handysize ships to newer vessels with larger carrying capacity and longer asset lives.

The four sister vessels are Kawaki Heavy Industry designs by Nantong COSCO KHI Ship Engineering Co., Ltd. ("NACKS"), which is a joint venture between Kawasaki Shipbuilding Corporation and COSCO. All four ships are fitted with both scrubbers and ballast water treatment systems, and two are equipped to carry logs.

The ship contracts are not inter-conditional and the principal terms thereof are set out below.

Ultramax vessels 2015-built with approximate deadweight capacity (dwt)	61,593 dwt ("Vessel A")	61,587 dwt ("Vessel B")	61,115 dwt ("Vessel C")	61,105 dwt ("Vessel D")
Buyers	Buyer A	Buyer B	Buyer C	Buyer D
Sellers	Seller A	Seller B	Seller C	Seller D
Consideration	US\$67.0 million in aggregate, being US\$16.75 million each			
Payment term	10% payable upon signing of the contracts and the balance upon delivery			
Expected Delivery Date	By late April 2021			
Performance Guarantees	PBVH has guaranteed the performance of the respective buyers of their entire obligations, duties and liabilities under the relevant contracts			
Condition Precedent	The transactions are subject to approval from the existing financiers of the Sellers			

## BASIS OF CONSIDERATION

The consideration for each of the Vessels was determined (i) by reference to the valuation of each of the Vessels as appraised by the Independent Valuer (the "Valuations"); (ii) the appropriate adjustments applied to each of the Valuations by the Company in consideration of various material factors in relation to each of the vessels; and (iii) after arm's length negotiations between the parties on normal commercial terms.

As the Company did not have access to the book value of the Vessels from the Sellers, the Company obtained a valuation for each of the Vessels as appraised by the Independent Valuer to obtain an initial reference point for the determination of the consideration for each of the Vessels on an objective basis. The Valuations as appraised by the Independent Valuer were US\$16,850,000 in respect of each of the Vessels. In appraising the Valuations, the Independent Valuer adopted the market approach and considered the age of the Vessels, the shipyard where each Vessel was originally built and the design of the Vessels, but did not conduct an on-board technical evaluation or physical evaluation of the Vessels to determine the general condition of the Vessels. Accordingly, the Valuations provided by the Independent Valuer primarily provided the initial guidance to assist in the Company's determination of the appropriate consideration that was then subject to further adjustment based on the factors outlined below.

In determining the consideration for each vessel, the Company also considered the following factors to determine the appropriate adjustments to each of the Valuations: (i) the general condition of the vessels (after conducting a detailed physical technical inspection and on-board physical examination); (ii) the design and equipment of the vessels; (iii) the classification records of each vessel; (iv) the types of cargo each vessel can carry; and (v) the date of each vessel's next required dry dock inspection.

## THE VESSELS

As the Company is not able to ascertain the net profits of the Vessels from the Sellers, the Company applied for and the Stock Exchange granted a waiver from strict compliance with Rule 14.58(7) of the Listing Rules provided that the Company disclosed the estimated net profits of the Vessels, as the net profits of the Vessels for the prior two (2) financial years are not a relevant consideration when determining the consideration payable or their valuation.

The net profits of the Vessels in the prior two (2) financial years only indicate the performance of the Vessels as used by the Sellers under the historical market conditions, the Seller's shipping contracts, management and operating practices. As the transactions are asset purchases only and Pacific Basin currently intends to use the Vessels to carry out its own shipping contracts under its own management and operating practices for the transportation of the Company's spot and long-term contracted cargoes in the world-wide dry bulk trade under future market conditions, the previous financial performance of the Vessels would provide no meaningful benchmark or estimate of their value or financial performance under the Company's use.

Using the operating results published by the parent company of the Sellers (the "**Parent Company**") for its Ultramax vessels for the years ended 31 December 2019 and 31 December 2018 (the "**Relevant Periods**"), the Company calculated an estimate of the net profits of each of the Vessels by taking an average of the Seller's operating results for its Ultramax vessels during the Relevant Periods before any loss/write down on assets held for sale which are confirmed to be unrelated to the Vessels, being a net profit of approximately US\$13,789 and US\$1,006,900 for the years ended 31 December 2019 and 31 December 2018 respectively (the "**Estimated Results**").

The Estimated Results are provided for reference purposes only, and do not represent, and should not be taken to represent, under any circumstances a profit forecast of any nature.

## RELATIONSHIP WITH THE SELLERS AND THEIR ULTIMATE BENEFICIAL OWNER

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

- (i) the Sellers, 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;
- (ii) the principal business activities of the Sellers are ownership and operation 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, the Company has not entered into any transaction with any of the Sellers or their ultimate beneficial owner or with parties connected or otherwise associated with one another which may require aggregation under Rule 14.22 of the Listing Rules.

## FUNDING OF THE CONSIDERATIONS

The transactions will be funded by the Group's cash reserves, including the remaining proceeds of the convertible bonds issued by the Group in December 2019, details of which are contained in an announcement issued by the Company dated 31 October 2019 and a circular dated 13 November 2019. Currently, a total of US\$83 million of the proceeds from the issue of the convertible bonds remains available for use in further potential vessel acquisitions, out of which US\$67 million will now be utilised to fund the above transactions.

## REASONS FOR THE TRANSACTIONS

The four ships to be purchased are modern Ultramax vessels of good design that would fit well into Pacific Basin's existing fleet. The four sister vessels are Kawasaki Heavy Industry designs built by NACKS, which is a joint venture between Kawasaki Shipbuilding Corporation and COSCO. All four ships are fitted with both scrubbers and ballast water treatment systems, and two are equipped to carry logs. The Board considers these transactions to be an excellent opportunity for the Group to acquire several larger and high-quality ships to supplement its existing fleet at attractive prices.

The purchase of these Vessels is consistent with the Pacific Basin's strategic plan to grow and renew its owned fleet with larger, high-quality, modern second-hand acquisitions, focusing especially on adding Supramax and Ultramax ships and trading up its smaller, older Handysize ships to newer vessels with larger carrying capacity and longer asset lives.

The Board considers that these transactions will enhance the Group's operating cash flow, EBITDA and competitive strength. Against this background, the Directors consider that the terms of the ship contracts, 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 its shareholders as a whole.

## LISTING RULES IMPLICATIONS

Each of the acquisitions do not constitute as a discloseable transaction on a stand-alone basis. However, when aggregated, the acquisitions constitute discloseable transactions under Chapter 14 of the Listing Rules and are therefore subject to the relevant announcement requirements.

## PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

Pacific Basin is one of the world's leading owners and operators of modern Handysize and Supramax dry bulk vessels. The Company currently operates approximately 235 dry bulk ships of which 116 are owned and the rest chartered. The Company is listed and headquartered in Hong Kong, and provides a quality service to over 500 customers, with over 3,900 seafarers and 345 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;
"Buyers"	collectively Buyer A, Buyer B, Buyer C and Buyer D;
"Buyer A"	Nootka Shipping (BVI) Limited, an indirectly wholly-owned subsidiary of the Company;
"Buyer B"	Nightingale Shipping (BVI) Limited, an indirectly wholly-owned subsidiary of the Company;
"Buyer C"	Noble Shipping (BVI) Limited, an indirectly wholly-owned subsidiary of the Company;

“Buyer D”	North Shipping (BVI) Limited, an indirectly wholly-owned subsidiary of the Company;
“Company” or “Pacific Basin” or “Group”	Pacific Basin Shipping Limited, a 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;
“deadweight 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;
“Group”	the Company and its subsidiaries;
“Independent Valuer”	Braemar ACM, one of the largest chartering and sale and purchase shipbroking companies in the world;
“Listing Rules”	means The Rules Governing the Listing of Securities on the Stock Exchange;
“Parent Company”	the parent company of the Sellers, being Scorpio Bulk Inc. listed on the New York Exchange;
“PBVH”	PB Vessels Holding Limited, a direct wholly-owned subsidiary of the Company;
“Sellers”	collectively Seller A, Seller B, Seller C and Seller D;
“Seller A”	SBI Antares Shipping Company Limited, a subsidiary of the Parent Company;
“Seller B”	SBI Bravo Shipping Company Limited, a subsidiary of the Parent Company;
“Seller C”	SBI Hydra Shipping Company Limited, a subsidiary of the Parent Company;
“Seller D”	SBI Maia Shipping Company Limited, a subsidiary of the Parent Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“Vessels”	collectively Vessel A, Vessel B, Vessel C and Vessel D.

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

Hong Kong, 27 November 2020

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

*Executive Directors: David Muir Turnbull, Mats Henrik Berglund and Peter Schulz*

*Independent non-executive Directors: Patrick Blackwell Paul, Robert Charles Nicholson, Alasdair George Morrison, Irene Waage Basili, Stanley Hutter Ryan, Kirsi Kyllikki Tikka and John Mackay McCulloch Williamson*