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# Pacific Basin Shipping Limited

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

## **DISCLOSEABLE TRANSACTIONS ACQUISITION OF VARIOUS DRY BULK VESSELS**

On 13 January 2023, a wholly-owned subsidiary of Pacific Basin, namely Buyer A, entered into ship purchase contracts with Ultrabulk A/S (as Seller A) and its wholly-owned subsidiary (as Seller B) respectively, for the acquisition of one second-hand Supramax vessel (Vessel A), four second-hand Ultramax vessels (Vessels B to D and Vessel F) and one second-hand Handysize vessel (Vessel E), for an aggregate consideration of US\$124.65 million. The transactions will be funded by the cash reserves of the Group. Estimated delivery of these six vessels from their respective Sellers is expected to be completed between February 2023 and July 2023.

On 27 September 2022, a wholly-owned subsidiary of Pacific Basin, namely Buyer B, entered into a ship purchase contract with Seller C, an associate of Seller A, in relation to the purchase of one second-hand Ultramax vessel (Vessel G), for a consideration of US\$22.5 million, which was delivered to Buyer B in December 2022.

The purchase of the Vessels is consistent with Pacific Basin's strategic plan to grow and renew the Company's owned fleet with larger, high-quality, fuel efficient, 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.

Pursuant to Rule 14.22 of the Listing Rules, the transactions contemplated under the Acquisitions shall be aggregated with the Previous Acquisition since the Acquisitions are conducted within a 12-month period after completion of the Previous Acquisition involving the Sellers within the same group. Although each of the Previous Acquisition and the Acquisitions does not constitute a discloseable transaction on a stand-alone basis, the Acquisitions when aggregated with the Previous Acquisition constitute discloseable transactions under Chapter 14 of the Listing Rules and are therefore subject to the relevant announcement requirements.

## THE ACQUISITIONS

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

	The Acquisitions						Previous Acquisition
Supramax/ Ultramax/ Handysize vessels with approximate deadweight capacity (dwt)	Supramax vessel of 58,032 dwt built 2012 Tsuneishi Cebu ("Vessel A")	Ultramax vessel of 61,470 dwt built 2012 Imabari ("Vessel B")	Ultramax vessel of 61,395 dwt built 2012 Imabari ("Vessel C")	Ultramax vessel of 61,671 dwt built 2012 Oshima ("Vessel D")	Handysize vessel of 37,918 dwt built 2016 Imabari ("Vessel E")	Ultramax vessel of 61,181 dwt built 2016 Imabari ("Vessel F")	Ultramax vessel of 61,412 dwt built 2011 Shin Kasado ("Vessel G")
Buyer	Buyer A	Buyer A	Buyer A	Buyer A	Buyer A	Buyer A	Buyer B
Seller	Seller A	Seller A	Seller A	Seller A	Seller B	Seller A	Seller C
Consideration	US\$17.5 million	US\$20.95 million	US\$20.7 million	US\$20.6 million	US\$20.6 million	US\$24.3 million	US\$22.5 million
Payment term	15% payable upon signing of the contracts and the balance upon delivery						
Expected Delivery Date/ Delivery Date	Between February 2023 and July 2023 in the respective Sellers' option						Delivered in December 2022
Performance Guarantees	PBVH has guaranteed the performance of the respective Buyers of their entire obligations, duties and liabilities under the relevant contracts						None

## 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 relating to each of the Vessels as set out below; 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 a 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 approximately US\$17.5 million, US\$21.0 million, US\$21.0 million, US\$21.0 million, US\$20.8 million, US\$24.3 million and US\$22.5 million for Vessel A, Vessel B, Vessel C, Vessel D, Vessel E, Vessel F and Vessel G, respectively. In appraising the Valuations, the Independent Valuer adopted the market approach and considered the age and useful life of the Vessels, the shipyard where each Vessel was originally built, the design of the Vessels and their respective capacity and specification, as well as taking reference from data of other market intelligence providers and recent prices of sale and purchase activities of similar 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 guidance to assist in the Company's determination of the appropriate consideration.

In determining the consideration for each Vessel, the Company has also considered the following factors to determine the appropriate adjustments applied to each of the Valuations, including but not limited to: (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 obtain the net results attributable to the Vessels from the Sellers, and as the net results of the Vessels for the previous two financial years are not a relevant consideration when determining the consideration payable or their valuation, the Company has applied for and the Stock Exchange has granted a waiver from strict compliance with Rule 14.58(7) of the Listing Rules provided that the Company discloses the estimated net results attributable to the Vessels.

The net results of the Vessels in the previous two financial years only indicate the performance of the Vessels as used by the respective Sellers under the historical market conditions, the respective Seller's shipping contracts, management and operating practices. As the transactions contemplated under the Acquisitions and the Previous Acquisition 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 little meaningful benchmark of how the Vessels will perform in the Company's fleet and under the future market conditions.

It is estimated that the net results attributable to the Vessels for the two financial years ended 31 December 2020 and 2021 were approximately US\$6.2 million (loss) and US\$35.3 million (profit), respectively. The estimated net results of the Vessels are computed by the Company based on (i) the estimated revenue calculated using the Baltic Exchange Supramax Index spot rates and Baltic Exchange Handysize Index spot rates over the relevant periods; and (ii) the costs estimate for each Vessel applying the Company's fleet's average vessel costs (inclusive of operating costs, depreciation, direct overheads and finance costs).

The estimated net results of the Vessels above are provided for reference purposes only, and do not represent, and should not be taken to represent, under any circumstances (i) a profit forecast of any nature; (ii) the intended use of the Vessels by the Group after their acquisition; or (iii) the charter cost of any other vessels of the Group.

## 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 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 Previous Acquisition 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 the Sellers or their respective 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.

## REASONS FOR THE TRANSACTIONS

The seven Vessels purchased comprised one modern Supramax vessel, five modern Ultramax vessels and one modern Handysize vessel of good design that fit perfectly into Pacific Basin's existing fleet. The Company has owned and operated sister vessels of these Vessels, and have all been well recognised and attractive to its customers and trades. The Board considers these transactions to be an excellent opportunity for the Group to acquire several larger, high-quality and more fuel efficient Vessels 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, fuel efficient, 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 seven Vessels are partly replacing the sale of the eight smaller and older Handysize vessels evenly spread over 2022.

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 purchase 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

As (i) the counterparties in the Previous Acquisition and the Acquisitions involve the Sellers within the same group; and (ii) the Acquisitions are conducted within a 12-month period after completion of the Previous Acquisition, the Previous Acquisition and the Acquisitions are therefore connected and related in substance and should be aggregated pursuant to Rule 14.22 of the Listing Rules. Although each of the Previous Acquisition and the Acquisitions does not constitute a discloseable transaction on a stand-alone basis, the Acquisitions when aggregated with the Previous Acquisition 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 260 dry bulk vessels of which 116 are owned and the rest are chartered. The Company is listed and headquartered in Hong Kong, and provides a quality service to approximately 550 customers, with over 3,800 seafarers and 373 shore-based staff in 14 offices in key locations around the world.

## DEFINITIONS

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

"Acquisitions"	the acquisition of Vessels A to F;
"Board"	the board of Directors;
"Buyers"	collectively Buyer A and Buyer B;
"Buyer A"	PBVH or its nominee;
"Buyer B"	Silhouette Shipping (BVI) Limited, a wholly-owned subsidiary of PBVH;

“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;
“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 Valuations Ltd, one of the largest chartering and sale and purchase shipbroking companies in the world;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“PBVH”	PB Vessels Holding Limited, a direct wholly-owned subsidiary of the Company;
“Previous Acquisition”	the acquisition of Vessel G in September 2022, which was completed in December 2022;
“Sellers”	collectively Seller A to Seller C;
“Seller A”	Ultrabulk A/S;
“Seller B”	Ultrabulk (Asia) Pte. Ltd, a wholly-owned subsidiary of Seller A;
“Seller C”	Ultra Summit (Singapore) Pte. Ltd., an associate of Seller A;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“Vessels”	collectively Vessels A to G.

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

Hong Kong, 13 January 2023

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

*Executive Directors: David Muir Turnbull, Martin Fruergaard and Peter Schulz*

*Independent Non-executive Directors: Robert Charles Nicholson, Irene Waage Basili, Stanley Hutter Ryan, Kirsi Kyllikki Tikka and John Mackay McCulloch Williamson*

*Non-executive Director: Alexander Howarth Yat Kay Cheung*