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Pacific Basin Shipping Limited

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

EXPECTED IMPAIRMENT OF ASSETS

This announcement is made by Pacific Basin Shipping Limited (the "**Company**" and, together with its subsidiaries, the "**Group**") pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

The board of directors of Pacific Basin Shipping Limited (the "**Board**") wishes to inform the Company's shareholders and potential investors that, in light of the uncertain market outlook in the dry bulk shipping industry, the Company expects that a one-off non-cash impairment charge of US$198 million on the Group's Handysize core fleet – primarily on its smaller and older Handysize vessels – will be reflected in its unaudited consolidated results for the six months ended 30 June 2020 (the "**Period**").

Including this impairment, the Group is expected to record a net loss attributable to shareholders for the Period in the range of US$212 million to US$227 million as compared to the US$8 million net profit recorded for the six months ended 30 June 2019. However, the Group is expected to record positive EBITDA[1] for the Period in the range of US$75 million to US$90 million as compared to US$101 million for the six months ended 30 June 2019.

The expected impairment will not impact the operations or operating cashflows of the Group, which will continue to benefit from a robust balance sheet. As at 30 June 2020, the Group's estimated cash balances are approximately US$316 million. The Group continues to have access to diverse sources of external funding and has recently secured US$63.6 million in new long-term credit facilities secured against five of its previously unmortgaged vessels, of which US$33.5 million was undrawn as at 30 June 2020. These new facilities provide fresh capital at very competitive interest costs, and further enhance the Group's liquidity and funding flexibility.

Background

Efforts to contain the Covid-19 pandemic in the first half of 2020, initially in China and later across the world, are causing the global economy and international trade to contract this year for the first time since 2009, negatively impacting demand for dry bulk shipping. The Covid-19 lockdown has added to demand challenges that have undermined the dry bulk market since early 2019, including major infrastructure and logistical disruptions in Australia, Brazil and the Mississippi River, and continuing trade tensions between the United States and China. This weakness in demand has coincided with continued dry bulk fleet growth and limited scrapping during 2019 and the first half of 2020. These developments have led to a significant reduction in market freight rates; during the first half of 2020, the average Baltic Handysize Index averaged US$5,590 per day net compared to US$7,520 per day net in the first half of 2019 and US$9,790 per day net in the first half of 2018.

Expected Impairment Charge

The uncertain market outlook has led the Group to review the carrying value of its fleet. This has prompted an impairment of the Group's Handysize core fleet – primarily of its smaller and older Handysize vessels.

As a result of this review, the Board expects that a one-off non-cash impairment charge of approximately US$198 million in total will be reflected in the Company's consolidated results for the six months ended 30 June 2020. Including this impairment, the Group is expected to record a net loss attributable to shareholders for the Period in the range of US$212 million to US$227 million as compared to the US$8 million net profit recorded for the six months ended 30 June 2019. The lower consolidated result is also a reflection of the weaker market freight rates during the first half of 2020 compared to the same period last year. However, the Group is expected to record positive EBITDA[1] for the Period in the range of US$75 million to US$90 million as compared to US$101 million for the six months ended 30 June 2019.

Financial Effects of the Expected Impairment Charge

The expected impairment will be a one-off non-cash charge which will result in an accelerated depreciation of the aforementioned vessels. The expected impairment charge will be disclosed under other expenses in the income statement and the charge will reduce the carrying value of the vessels by the same amount on the balance sheet.

The expected impairment would reduce the overall depreciation charge of the Group's Handysize vessels by approximately US$20 million per year.

Securing Additional Ship Finance

The expected impairment will not impact the operations or operating cashflows of the Group, which will continue to benefit from a robust balance sheet. As at 30 June 2020, the estimated cash balances and borrowings of the Group are approximately US$316 million and US$1,021 million respectively and the net borrowings ratio is approximately 41% against the net book value of owned vessels taking into account the expected impairment. The Group continues to have access to diverse sources of external funding and has recently secured US$63.6 million in new long-term credit facilities secured against five of its previously unmortgaged vessels, of which US$33.5 million was undrawn as at 30 June 2020. These new facilities provide fresh capital at very competitive interest costs, and further enhance the Group's liquidity and funding flexibility.

General

This announcement is only prepared based on the Company's preliminary review of the Group's internal records and management accounts, and has not been reviewed or audited by the Company's external auditors. Therefore, the actual results of the Group for the six months ended 30 June 2020 may differ from the information contained in this announcement. The unaudited consolidated results of the Group for the six months ended 30 June 2020 are scheduled to be announced on or around 30 July 2020.

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 3 July 2020

Note 1: EBITDA (earnings before interest, tax, depreciation and amortisation) is gross profit less indirect general and administrative overheads, excluding: depreciation and amortisation; exchange differences; share-based compensation; and net unrealised derivative income and expenses, as defined in the Company's 2019 Annual Report.