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Pacific Basin Shipping Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 2343)

PROPOSED ACQUISITION OF FOUR MODERN DRY BULK VESSELS

AND

PROPOSED ISSUE OF NEW SHARES UNDER THE GENERAL MANDATE AS PARTIAL CONSIDERATION

On 14 May 2018, the Company's wholly-owned subsidiary, PB Vessels Holding Limited, has entered into four separate ship contracts for the acquisition of the following four vessels:

- (i) one secondhand supramax vessel from Seller A for a consideration of US\$15,500,000;
- (ii) one resale newbuilding supramax vessel from Seller B for a consideration of US\$28,000,000;
- (iii) one secondhand handysize vessel from Seller C for a consideration of US\$20,500,000; and
- (iv) one resale newbuilding handysize vessel from Seller D for a consideration of US\$24,500,000.

The consideration payable to Sellers A, B, C and D will be satisfied in a combination of (i) a conditional issue to such Sellers (or their nominees) of 170,760,137 New Shares in aggregate at HK\$2.036 per Share under the General Mandate amounting to HK\$347,667,640 (equivalent to US\$44,290,000) in aggregate; and (ii) cash amounting to US\$44,210,000 in aggregate. Estimated delivery for the second hand vessels is between Q4 2018 and Q1 2019, and for the resale newbuildings is between mid-2018 and Q4 2018.

The New Shares to be allotted and issued represent (i) approximately 3.83% of the existing issued share capital of the Company, and (ii) approximately 3.68% of the enlarged issued share capital of the Company as enlarged by such allotment and issue.

The issue of the New Shares is to partially satisfy the consideration of the acquisitions from the Sellers, which enhances the Group's balance sheet strength while acquiring suitable vessels for the Group's business.

The Dry Bulk market is recovering and the Board considers that these purchase prices are attractive and the vessels 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 New 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 14 May 2018, are not inter-conditional and the principal terms thereof are set out below.

Vessel type and approximate dead weight tonnes ("dwt")	2010 Tsuneishi-built Supramax vessel of 58,000 dwt	2018 Tsuneishi-built Resale newbuild Supramax vessel of 64,000 dwt	2015 Imabari-built Handysize vessel of 37,000 dwt	2018 Imabari-built Resale newbuild Handysize vessel of 37,000 dwt	Aggregate value
Buyer	PBVH or its nominee				
Seller	Seller A	Seller B	Seller C	Seller D	
Total consideration	US\$15,500,000	US\$28,000,000	US\$20,500,000	US\$24,500,000	US\$88,500,000
Payment terms					
Cash upon signing of the relevant contract	US\$1,550,000	US\$5,600,000	US\$4,100,000	US\$4,900,000	US\$16,150,000
Cash upon ship launching	–	–	–	US\$2,450,000	US\$2,450,000
Cash upon delivery	–	US\$14,560,000	US\$6,150,000	US\$4,900,000	US\$25,610,000
Issue of New Share of equivalent value upon delivery	US\$13,950,000	US\$7,840,000	US\$10,250,000	US\$12,250,000	US\$44,290,000
Numbers of New Shares to be issued	53,784,238	30,227,127	39,518,885	47,229,887	170,760,137
Issue price per Share	HK\$2.036				
Expected delivery date	Q1 2019	Mid-2018	Q4 2018	Q4 2018	
Funding of consideration	The cash consideration of the above vessels will be funded by the cash reserves of the Group.				
Performance Guarantees	PBVH will enter into a guarantee with each Seller in connection with the respective ship acquisitions 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 activities of the Sellers is the owning of shipping vessels; and

- (iii) save for the transactions (a) disclosed in this announcement; and (b) previously disclosed regarding the Previous Acquisition, 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. Two of the four vessels are Supramaxes, allowing the Company to increase its relatively low proportion of owned versus chartered-in Supramax vessels. The Dry Bulk market is recovering and the Board considers that these purchase prices are attractive and that the vessels 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 by the Group under a long-term time charter commencing in 2015 and expiring in 2022. Upon delivery of the vessel from Seller C, such long-term time charter agreement will be terminated 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 and EBITDA whilst strengthening its balance sheet. The transactions will also lower the Group's P&L breakeven levels and are expected to be accretive to the Group's earnings per share.

NUMBER OF THE NEW SHARES

The Buyer has agreed to procure the Company to conditionally issue 170,760,137 New Shares in aggregate at HK\$2.036 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 New Shares to be allotted and issued represent (i) approximately 3.83% of the existing issued share capital of the Company, and (ii) approximately 3.68% of the enlarged issued share capital of the Company as enlarged by such allotment and issue. The aggregate nominal value of the New Shares is US\$1,707,601 (approximately HK\$13,404,329). The New Shares, when allotted and issued, shall rank *pari passu* among themselves and with the fully paid Shares in issue.

The issue of the New Shares of equivalent value at US\$44,290,000 is to partially satisfy the consideration of the acquisitions from the Sellers. 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 New Shares.

ISSUE PRICE OF THE NEW 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\$2.036 per New Share.

The Issue Price: (i) represents a discount of approximately 2.58% to the closing price of HK\$2.09 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 1.12% to the average closing price of HK\$2.059 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 18 May 2018 (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, whereupon each of the obligations of the Buyer and the Sellers shall be released and each of them shall not have any claim against or liability or obligation to the other party, except for any antecedent 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 New 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 the Sellers has undertaken to the Buyer that during the 3 months from the date of the allotment and issue of the New 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 New 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. Such restriction shall cease to have effect if the respective ship contracts do not become unconditional and therefore terminate immediately.

GENERAL MANDATE TO ISSUE THE NEW SHARES

The New Shares will be allotted and issued under the General Mandate, pursuant to which up to 444,227,110 Shares can be allotted and issued by the Directors.

As at the date of this announcement and immediately prior to the date of the ship contracts, 21,150,000 Shares have been allotted and issued under the General Mandate to satisfy Share Awards granted pursuant to the Company's Share Award Scheme on 25 April 2018. Accordingly, upon completion of the Issue, the remaining portion of the General Mandate will amount to 252,316,973 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 New 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	%
Aggregate of Standard Life Aberdeen plc affiliated investment management	531,558,000	11.91	531,558,000	11.47
Citigroup Inc.	321,933,716	7.21	321,933,716	6.95
Seller A*	–	–	53,784,238	1.16
Seller B*	–	–	30,227,127	0.65
Seller C*	–	–	39,518,885	0.85
Seller D*	–	–	47,229,887	1.02
Other public Shareholders	3,609,929,386	80.88	3,609,929,386	77.90
Total	<u>4,463,421,102</u>	<u>100</u>	<u>4,634,181,239</u>	<u>100</u>

* Shareholding is calculated in relation to this transaction only.

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

As disclosed in the Company's announcements dated 2 August 2017, (i) a total of 216,903,274 new Shares at HK\$1.66 per Share were issued to certain shipowners as partial consideration for PBVH's acquisition of four dry bulk vessels and (ii) a total of 186,939,553 new Shares at HK\$1.59 per Share were issued to certain placees of a share placement to raise funds which have been fully utilised to finance the cash portion of the acquisition as disclosed in the said announcement, both utilising part of the general issue mandate obtained at the 2017 Annual General Meeting of the Company held on 12 April 2017.

Other than that, there was no equity fund raising activity by the Group through the issue of 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 respective common ultimate beneficial ownership of (i) Seller A, Seller B and the sellers of two vessels acquired from the Previous Acquisition; and (ii) Seller C, Seller D and the sellers of another two vessels acquired from the Previous Acquisition, the current acquisitions from the Sellers shall be aggregated correspondingly, which constitute discloseable transactions under Chapter 14 of the Listing Rules and are therefore subject to this announcement. In addition, since the acquisitions from the Sellers involve the allotment and issue of the New Shares, the Issue is also subject to announcement requirements pursuant to Rule 13.28 of the Listing Rules.

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

The Group is one of the world's leading owners and operators of modern Handysize and Supramax dry bulk vessels. The Company currently operates around 230 dry bulk ships of which 106 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 approximately 3,400 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” 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;
“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 17 April 2018, under which up to a total of 444,227,110 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 4,442,271,102 Shares) can be allotted, issued and dealt in by the Directors;
“Group”	the Company and its subsidiaries;
“Issue”	the proposed issue of the New Shares pursuant to the ship contracts;
“Issue Price”	HK\$2.036 per New Share;
“Listing Approval”	the permission for the listing of and permission to deal in the New Shares on the Main Board of the Stock Exchange;
“Listing Rules”	means The Rules Governing the Listing of Securities on the Stock Exchange;
“New Shares”	170,760,137 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;

“PBVH”	PB Vessels Holding Limited, a direct wholly-owned subsidiary of the Company;
“Previous Acquisition”	the Company’s announcement dated 2 August 2017 in respect of the acquisitions of certain dry bulk vessels by PBVH;
“Sellers”	collectively Seller A, Seller B, Seller C and Seller D;
“Seller A”	Geraldine Marine Limited;
“Seller B”	Fenella Marine Limited;
“Seller C”	Paraiso Shipping S.A.;
“Seller D”	Giant Line Inc., S.A.;
“Share(s)”	ordinary share(s) of US\$0.01 each in the share capital of the Company;
“Share Award”	the restricted share awards granted under the Share Award Scheme;
“Share Award Scheme”	the Share Awards Scheme of the Company adopted on 28 February 2013, as supplemented as set out in the Company’s announcement dated 28 March 2013;
“Shareholders”	the shareholders of the Company; and
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

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

Hong Kong, 14 May 2018

Note: An exchange rate of US\$1.00 to HK\$7.8498 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 and Mats Henrik Berglund

Independent non-executive Directors:

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