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Pacific Basin Shipping Limited

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

PROPOSED ISSUE OF NEW SHARES UNDER GENERAL MANDATE

The Company's wholly-owned subsidiary, Pacific Basin Chartering Limited, entered into 10 separate addenda, all dated 21 October 2016, to 10 existing long term inward timecharter contracts with 10 Shipowners, pursuant to which the Company has agreed to conditionally issue in aggregate 79,979,037 Shares at HK\$1.218 per Share under the General Mandate to the Shipowners (or their nominees) in exchange for the Shipowners' agreement to reduce the existing daily charter-hire rates payable by the Charterer to the Shipowners representing an aggregate Charter Hire Reduction of US\$12,556,000 over a 24-month period commencing on 1 November 2016.

The New Shares to be allotted and issued represent (i) approximately 2.03% of the existing issued share capital of the Company, and (ii) approximately 1.99% of the enlarged issued share capital of the Company as enlarged by such allotment and issue.

The issue of the New Shares is to compensate the Shipowners for their agreements to reduce the existing daily charter-hire rates payable by the Charterer to the Shipowners. This enhances the Company's cash balances and its ability to maintain the Group's balance sheet strength in the protracted weak dry bulk market.

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 issue of the New Shares is to compensate the Shipowners for their agreement to reduce the existing daily charter-hire rates payable by the Charterer to the Shipowners.

The financial effect of the Issue and the Charter Hire Reduction will be as follows:

- i) to increase the share capital of the Company on its balance sheet; and
- ii) to reduce the charter hire cash payments commencing on 1 November 2016 over a 24 month period, resulting in cash savings of US\$1,049,200, US\$6,278,000 and US\$5,228,800 in 2016, 2017 and 2018 respectively.

The Directors consider that the Issue enhances the Company's cash balances and its ability to maintain the Group's balance sheet strength in the protracted weak dry bulk market.

THE ADDENDA

The Addenda, all dated 21 October 2016, are not inter-conditional and, save for the number of New Shares to be allotted and issued to each Shipowner, their material terms are identical as summarised below.

PARTIES

Pacific Basin Chartering Limited (as Charterer) and the Shipowners.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Shipowners and their respective ultimate beneficial owners are not connected persons of the Company and are third parties independent of the Company and its connected persons.

NUMBER OF THE NEW SHARES

The Charterer has agreed to procure the Company to conditionally issue 79,979,037 New Shares in aggregate at HK\$1.218 per Share to the Shipowners (or their nominees). The number of New Shares to be allotted and issued to each Shipowner pursuant to the Addenda is set out in the section headed "Definitions".

The New Shares to be allotted and issued represent (i) approximately 2.03% of the existing issued share capital of the Company, and (ii) approximately 1.99% 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\$799,790 (approximately HK\$6,205,100).

The New Shares, when allotted and issued, shall rank pari passu among themselves and with the fully paid Shares in issue.

ISSUE PRICE

The Issue Price was agreed after arm's length negotiations between the Charterer and the Shipowners 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 Addenda, 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\$1.218 per New Share.

The Issue Price: (i) represents a discount of approximately 5.58% to the closing price of HK\$1.29 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 of HK\$1.218 for the last five trading days immediately prior to the date of this announcement; and (iii) represents a premium of approximately 1.42% to the average closing price of HK\$1.201 for the last 10 trading days immediately prior to the date of this announcement.

The total Issue Price for the New Shares amounts to HK\$97,414,467, which is equivalent to the aggregate sum of the reduction in the existing daily charter-hire rates payable by the Charterer to the Shipowners of US\$12,556,000 (the "**Charter Hire Reduction**") over a 24-month period commencing on 1 November 2016. As the Issue will be regarded as the consideration for the Shipowners' agreement to the Charter Hire Reduction, no actual cash consideration will be payable by the Shipowners for the New Shares.

CONDITION PRECEDENT

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

In the event that the above conditions have not been satisfied on or before 28 October 2016 (or such other date as the Charterer and the Shipowners may agree in writing), the Addenda shall terminate immediately and each of their obligations 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 antecedent breach.

COMPLETION

Completion of the Issue under each of the Addenda is not inter-conditional and will take place no later than five Business Days following satisfaction of the condition above (or such other date as agreed by the Charterer and the Shipowners), upon which the New Shares will be allotted and issued to the Shipowners (or their nominees).

A further announcement shall be made by the Company upon completion of the Issue.

LOCK-UP

Each of the Shipowners has undertaken to the Charterer that for a period of 90 days from the date of allotment 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 Shipowners, unless with the prior written consent of the Charterer, provided that such restriction shall cease to have effect if the Addenda 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 194,682,311 Shares can be allotted and issued by the Directors.

As at the date of this announcement and immediately prior to the date of the Addenda, a total of 41,688,000 Shares have been allotted and issued under the General Mandate to satisfy new awards granted pursuant to the Company's 2013 Share Award Scheme and to effect the adjustment to all outstanding awards previously granted thereunder to take into account the effect of the Rights Issue (details of which are disclosed in the Company's announcements dated 9 August 2016 and 15 August 2016). Accordingly, the New Shares will be allotted and issued by utilising the remaining portion of the General Mandate, being 152,994,311 Shares in total. Upon completion of the Issue, the remaining portion of the General Mandate will amount to 73,015,274 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	%
Aberdeen Asset Management Plc and its Associates (together the "Aberdeen") on behalf of accounts managed by Aberdeen	702,988,000	17.86	702,988,000	17.51
Michael Hagn	268,842,846	6.83	268,842,846	6.70
Shipowners	–	–	79,979,037	1.99
Other public Shareholders	2,963,503,392	75.31	2,963,503,392	73.80
TOTAL	<u>3,935,334,238</u>	<u>100</u>	<u>4,015,313,275</u>	<u>100</u>

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

Activity:	Rights Issue
Date of announcement:	18 April 2016
Date of closing:	27 June 2016
Net proceeds raised:	Approximately US\$142.9 million (approximately HK\$1,108.6 million)
Intended use of proceeds:	<p>(i) up to US\$123.8 million (approximately HK\$960.2 million) to be used for full repayment of the Group's convertible bonds due 2018 that will be entirely redeemed by the Group on 24 October 2016; and</p> <p>(ii) the remaining proceeds will be used as general working capital (such as operating expenses) and for the potential acquisition of second hand Handysize and Supramax vessels.</p>

As at the publication of this announcement, the entire amount of the net proceeds raised as a result of the Rights Issue (which is kept as bank deposit) remained unutilised and is expected to be used as intended.

Save as disclosed above, there was no equity fund raising activity by the Group through the issue of equity securities in the 12 months immediately before the date of this announcement.

GENERAL INFORMATION

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 over 200 dry bulk ships of which 89 are owned and about 130 are chartered. A further 10 owned newbuildings are scheduled to join the Company's core fleet by mid-2017. The Company is listed and headquartered in Hong Kong, and provides a quality service to over 400 customers, with approximately 3,000 seafarers and 330 shore-based staff in 12 offices in key locations around the world.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the principal business activities of the Shipowners include the owning of shipping vessels and the contracting of newbuilding vessels.

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. In addition, no change in the composition of the Board will occur as a result of the Issue. Accordingly, after taking into account of such factors and the commercial reasons set out above, the Directors consider that the terms of the Addenda (in particular, the Issue Price) are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

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.

DEFINITIONS

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

“Addenda”	collectively Addendum A to Addendum J, all dated 21 October 2016 and entered into between the Charterer and each of the Shipowners:																						
	<table><thead><tr><th><u>Addendum</u></th><th><u>Entered into between the Charterer and the parties below</u></th></tr></thead><tbody><tr><td>Addendum A</td><td>Shipowner A as to Time Charter A</td></tr><tr><td>Addendum B</td><td>Shipowner B as to Time Charter B</td></tr><tr><td>Addendum C</td><td>Shipowner C as to Time Charter C</td></tr><tr><td>Addendum D</td><td>Shipowner D as to Time Charter D</td></tr><tr><td>Addendum E</td><td>Shipowner E as to Time Charter E</td></tr><tr><td>Addendum F</td><td>Shipowner F as to Time Charter F</td></tr><tr><td>Addendum G</td><td>Shipowner G as to Time Charter G</td></tr><tr><td>Addendum H</td><td>Shipowner H as to Time Charter H</td></tr><tr><td>Addendum I</td><td>Shipowner I as to Time Charter I</td></tr><tr><td>Addendum J</td><td>Shipowner J as to Time Charter J</td></tr></tbody></table>	<u>Addendum</u>	<u>Entered into between the Charterer and the parties below</u>	Addendum A	Shipowner A as to Time Charter A	Addendum B	Shipowner B as to Time Charter B	Addendum C	Shipowner C as to Time Charter C	Addendum D	Shipowner D as to Time Charter D	Addendum E	Shipowner E as to Time Charter E	Addendum F	Shipowner F as to Time Charter F	Addendum G	Shipowner G as to Time Charter G	Addendum H	Shipowner H as to Time Charter H	Addendum I	Shipowner I as to Time Charter I	Addendum J	Shipowner J as to Time Charter J
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“Business Day(s)”	any day (other than a Saturday or Sunday, or a day on which a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal is issued in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.) on which licensed banks in Hong Kong are open for business;																						
“Charterer”	Pacific Basin Chartering Limited, a wholly-owned subsidiary of the Company;																						
“Company”	Pacific Basin Shipping Limited, an exempted company incorporated in Bermuda with limited liability, whose Shares are listed on the Stock Exchange;																						
“connected person”	has the same meaning ascribed thereto under the Listing Rules;																						
“Directors”	the directors of the Company;																						
“General Mandate”	the general mandate granted by the Shareholders at the annual general meeting of the Company held on 19 April 2016, under which up to a total of 194,682,311 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 19 April 2016) 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 Addenda;																						
“Issue Price”	HK\$1.218 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”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;																						

“New Shares”	79,979,037 Shares in aggregate that will be allotted and issued to the Shipowners under the General Mandate pursuant to the Addenda, of which Shipowner A as to 9,299,888 Shares, Shipowner B as to 9,299,888 Shares, Shipowner C as to 9,299,888 Shares, Shipowner D as to 6,974,916 Shares, Shipowner E as to 4,649,944 Shares, Shipowner F as to 5,579,933 Shares, Shipowner G as to 9,299,888 Shares, Shipowner H as to 9,299,888 Shares, Shipowner I as to 9,299,888 Shares and Shipowner J as to 6,974,916 Shares respectively;																				
“Rights Issue”	the rights issue (on a one-for-one basis) by the Company as announced on 18 April 2016 and completed on 27 June 2016;																				
“Shipowners”	The Shipowner A to Shipowner J as listed below:																				
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“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;																				
“Time Charters”	collectively the Time Charter A to Time Charter J as listed below and entered into between the Charterer and each of the Shipowners, pursuant to which each of the Shipowners has agreed to let and the Charterer has agreed to hire a Handysize or Supramax vessel:																				

Time charter	Date	Entered into between the Charterer and the parties below
A	8 April 2013	Shipowner A
B	17 June 2014	Shipowner B
C	25 April 2013	Shipowner C
D	19 December 2013	Shipowner D
E	27 August 2012	Shipowner E
F	19 December 2013	Shipowner F
G	27 August 2012	Shipowner G
H	4 September 2009	Shipowner H
I	7 October 2013	Shipowner I
J	11 July 2013	Shipowner J

By Order of the Board
Mok Kit Ting Kitty
Company Secretary

Hong Kong, 24 October 2016

Note: An exchange rate of US\$1.00 to HK\$7.7584 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, Andrew Thomas Broomhead and Chanakya Kocherla

Independent non-executive Directors:

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