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# Pacific Basin Shipping Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 2343)

## PROPOSED ISSUE OF NEW PLACING SHARES UNDER GENERAL MANDATE FOR THE VESSELS' ACQUISITION



Reference is made to the Vessels' Acquisition Announcement published by the Company earlier today.

On 2 August 2017 (after trading hours and subsequent to the publication of the Vessels' Acquisition Announcement), the Company entered into the Placing Agreement with the Placing Agent to procure on a fully underwritten basis, not less than six Placees, who and whose ultimate beneficial owners shall be Independent Third Parties to subscribe for 186,939,553 Placing Shares at the Placing Price of HK\$1.59 per Placing Share.

The Placing Shares represents (i) approximately 4.63% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 4.42% of the issued share capital of the Company as enlarged by the allotment and issue of all the Placing Shares assuming that there will be no change in the issued share capital of the Company between the date of this announcement and Placing Completion.

In the event that all Vessel Consideration Shares are allotted and issued on or before Placing Completion, the Placing Shares represents approximately 4.21% of the issued share capital of the Company as enlarged by the allotment and issue of all the Vessel Consideration Shares and the Placing Shares. The maximum aggregate number of Shares to be issued by utilising the General Mandate for the Placing and the Vessels' Acquisition amount to 403,842,827 Shares.

The gross proceeds from the Placing will be approximately US\$38.0 million assuming the Placing Shares are fully placed. The net proceeds, after deduction of all relevant expenses (including but not limited to placing commission, legal expenses and disbursements) incidental to the Placing of approximately US\$0.4 million, are estimated to be approximately US\$37.6 million. As a result, the net price per Placing Share will be approximately HK\$1.57. The Company intends to apply the entirety of the net proceeds from the Placing to finance a portion of the cash payment of US\$58.5 million as part of the consideration for the Vessels' Acquisition.

The Placing is conditional upon the Listing Committee of the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Placing Shares.

**Shareholders and potential investors of the Company should note that completion of the Placing is subject to the fulfilment of the condition set out in the Placing Agreement. The Placing may or may not proceed. Shareholders and potential investors of the Company are therefore urged to exercise caution when dealing in the Shares and other securities of the Company.**

## **REASONS FOR AND BENEFITS OF THE PLACING AND USE OF PROCEEDS**

The gross proceeds from the Placing will be approximately US\$38.0 million assuming the Placing Shares are fully placed. The net proceeds, after deduction of all relevant expenses (including but not limited to placing commission, legal expenses and disbursements) incidental to the Placing of approximately US\$0.4 million, are estimated to be approximately US\$37.6 million. As a result, the net price per Placing Share will be approximately HK\$1.57. The Company intends to apply the entirety of the net proceeds from the Placing to finance a portion of the cash payment of US\$58.5 million as part of the consideration for the Vessels' Acquisition.

The Directors consider that the Vessels' Acquisition opportunity is attractive and in the best interests of the Company and its shareholders as a whole as outlined in the Vessels' Acquisition Announcement. In view of the number of vessels being acquired, the Directors consider that the Placing represents an opportunity to (i) raise immediate funding to finance a portion of the cash payment of US\$58.5 million as part of the consideration for the Vessels' Acquisition; and (ii) increase the Company's shareholder base. The Directors consider the Placing to be an attractive opportunity since it allows the Group to secure further equity financing alongside the issue of the Vessel Consideration Shares to the sellers of the vessels being acquired.

The Board has considered other alternative fund raising methods such as secured debt financing and convertible bonds. The dry bulk market is recovering and the Board considers that these vessels can be purchased at attractive prices and that they will be beneficially employed within the Group's fleet for the long term after they are delivered. However, supply and demand factors remain uncertain and freight rates are not yet at a level where most ship owners are able to make a profit. Hence, the Board considers that initially financing the Vessels' Acquisition through equity and cash and not adding interest costs or repayment obligation gives the Company greater flexibility in the coming years.

The Directors consider that the Placing Agreement is entered into upon normal commercial terms following arms' length negotiations between the Company and the Placing Agent, and the terms of the Placing Agreement (including the Placing Price) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **THE PLACING AGREEMENT**

### **Date**

2 August 2017

### **Parties**

- (i) the Company (as the issuer); and
- (ii) HSBC (as placing agent).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties.

## **Placees**

The Placing Shares will be placed to not less than six Placees, who shall be professional, institutional or other investors, and who and whose ultimate beneficial owners are Independent Third Parties. Upon Placing Completion, it is expected that none of the Placees will become a substantial Shareholder (as defined under the Listing Rules). If any of the Placees will become a substantial Shareholder (as defined under the Listing Rules) after Placing Completion, further announcements will be made by the Company.

## **Placing Shares**

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and Placing Completion, the Placing Shares represents (i) approximately 4.63% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 4.42% of the issued share capital of the Company as enlarged by the allotment and issue of all the Placing Shares.

In the event that all Vessel Consideration Shares are allotted and issued on or before Placing Completion, the Placing Shares represents approximately 4.21% of the issued share capital of the Company as enlarged by the allotment and issue of all the Vessel Consideration Shares and the Placing Shares.

The aggregate nominal value of the Placing Shares is US\$1,869,396.

## **Ranking of the Placing Shares**

The Placing Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Placing Shares.

## **Placing Price**

The Placing Price of HK\$1.59 per Placing Share:

- (i) represents a discount of approximately 7.56% to the closing price of HK\$1.72 per Share as quoted on the Stock Exchange on 2 August 2017; and
- (ii) represents a discount of approximately 4.22% to the average closing price of HK\$1.66 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Placing Agreement.

The Placing Price was arrived at after arm's length negotiations between the Company and the Placing Agent with reference to (i) the average closing price of HK\$1.66 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Placing Agreement; and (ii) the liquidity of the Shares and the prevailing market conditions. The Directors consider that the Placing Price and the terms of the Placing Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **Condition of the Placing**

The Placing is conditional upon the Listing Committee of the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Placing Shares.

In the event that the above condition is not fulfilled at or prior to 8:00 a.m. (Hong Kong time) on 10 August 2017 (or such later date as may be agreed between the parties to the Placing Agreement in writing), the Placing Agent and the Company shall have no obligations or liabilities to each other under the Placing and neither the Company nor the Placing Agent shall have any claim against the other for costs, damages, compensation or otherwise arising under the Placing Agreement save for antecedent breaches.

## **Completion of the Placing**

Completion of the Placing shall take place on the second Business Day after the day on which the condition set out in the Placing Agreement has been fulfilled (or such later date as may be agreed between the parties to the Placing Agreement).

## **Undertaking by the Company**

The Company has undertaken to the Placing Agent that for a period of 90 days from the date of Placing Completion, it shall not (except for the Placing Shares):

- (1) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares, save for (i) the Vessel Consideration Shares; or (ii) any Shares issued pursuant to and in accordance with the terms and conditions of the Convertible Bonds or for the Share Awards granted pursuant to and in accordance with the rules of the Share Award Scheme;
- (2) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in paragraph (1) above; or
- (3) announce any intention to enter into or effect any such transaction described in paragraphs (1) or (2) above, unless with the prior written consent of the Placing Agent.

The above restrictions shall cease to apply if the Placing Agreement (i) does not become unconditional and is terminated in accordance with the terms therein; or (ii) is terminated by the Placing Agent pursuant to any of the termination events set out in in the Placing Agreement.

## **Application for listing**

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

## **General Mandate to issue the Placing Shares**

The Placing Shares will be allotted and issued under the General Mandate, pursuant to which up to 403,842,827 Shares can be allotted and issued by the Directors. Notwithstanding that no Shares have been issued under the General Mandate as at the date of this announcement and immediately prior to the entering into of the Placing Agreement, a total of 216,903,274 Shares are expected to be allotted and issued under the General Mandate as Vessel Consideration Shares. Accordingly, the Placing Shares of 186,939,553 Shares will be allotted and issued by utilising the entire remaining portion of the General Mandate. As such, the issue of the Placing Shares is not subject to further Shareholders' approval.

The General Mandate will be fully utilised upon the allotment and issue of all the Placing Shares and the Vessel Consideration Shares.

## **Termination**

The Placing Agent may terminate the Placing Agreement without any liability to the Company save for antecedent breach under the Placing Agreement prior to such termination, by notice in writing given to the Company prior to 8:00 a.m. (Hong Kong time) on the date of Placing Completion upon the occurrence of the following events:

- (1) the following events from (A) to (J) below which, individually or in aggregate, in the sole opinion of the Placing Agent: (i) is or will be, or is likely to be, materially adverse to, or prejudicially affects or would prejudicially affect, the results of operation, general affairs, management, business, properties, financial, trading or other condition or prospects of the Group or to any present or prospective Shareholder in its capacity as such; (ii) has or will have or is likely to have a material adverse impact on, or prejudicially affects or would prejudicially affect, the success of the Placing or dealings in the Placing Shares in the secondary market; or (iii) makes or may make it impracticable, inadvisable or inexpedient to proceed with the Placing on the terms and in the manner contemplated in this announcement and the Placing Agreement,
- (A) any matter or circumstance as a result of which the condition of the Placing Agreement has become incapable of satisfaction as at the required time;
  - (B) a moratorium, trading halt, suspension, restriction or limitation in trading in securities generally, or the establishment of minimum prices, on the New York Stock Exchange, the London Stock Exchange plc, the Stock Exchange and/or any other stock exchange on which the Company's securities are traded due to exceptional financial circumstances or otherwise at any time prior to the Placing Completion;
  - (C) a trading halt, suspension or limitation in dealings in the Company's securities on the Stock Exchange and/or any other stock exchange on which the Company's securities are traded;
  - (D) any declaration of a general moratorium or disruption or material change in conditions of commercial banking activities or securities markets in the United States, Hong Kong, the PRC or the European Union (or any member thereof);
  - (E) a change or development occurs involving a prospective change of taxation or exchange or currency control (or the implementation of exchange or currency control) in the PRC, Hong Kong, or elsewhere that is relevant to the Group;
  - (F) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Group;
  - (G) any significant change in (whether or not permanent) local, national or international financial, political, economic, military, industrial, legal, fiscal, regulatory or securities market matters or conditions or currency exchange rates or exchange controls (including without limitation, any change in the system under which the value of the Hong Kong currency is linked to that of the United States) in or affecting Hong Kong, the United States, the European Union (or any member thereof) or the PRC;
  - (H) any force majeure events;
  - (I) any event, act or omission occurs which gives or is likely to give rise to any liability of the Company pursuant to the indemnities in the Placing Agreement;
  - (J) an authority or a political body or organisation in any relevant jurisdiction commences any investigation or other action, or announces an intention to investigate or take other action, against any Director; or
- (2) any of the contracts relating to the Vessel's Acquisition has been rescinded, terminated, or amended or varied to a material extent; or
- (3) the fact that any of the agreements, representations, warranties and undertakings by the Company set out in the Placing Agreement is untrue, inaccurate or misleading or has been breached in any respect comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to Placing Completion which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such agreements, representations, warranties and undertakings untrue, inaccurate or misleading; or

- (4) there is any such adverse change or a development involving a prospective adverse change in the general affairs, results of operations, prospects, management, business, stockholders' equity or in the financial or trading position of the Company and/or the Group as a whole which in the opinion of the Placing Agent is materially adverse to the success of the Placing.

If notice is given pursuant to the above, the Placing Agreement shall terminate and be of no further effect and neither party shall be under any liability to the other party in respect of the Placing Agreement save for (i) any antecedent breach under the Placing Agreement prior to such termination; (ii) any SFC transaction levies, Stock Exchange trading fees or miscellaneous fees already incurred; (iii) any liabilities for the representations, warranties and undertakings given to the Placing Agent under the Placing Agreement.

## CHANGES IN SHAREHOLDING STRUCTURE

The changes in the shareholding structure of the Company as a result of the Placing and the proposed issue of the Vessel Consideration Shares are as follows:

	As at the date of this announcement		Immediately after completion of the Placing (assuming the Placing Shares are fully placed)			
	<i>Number of Shares</i>	<i>Approximate %</i>	Scenario 1 – There is no change in the issued share capital of the Company between the date of this announcement and Placing Completion		Scenario 2 – All Vessel Consideration Shares are allotted and issued on or before Placing Completion	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Aberdeen Asset Management Plc and its associates (together "Aberdeen") on behalf of accounts managed by Aberdeen	605,773,000	15.00	605,773,000	14.34	605,773,000	13.64
Citigroup Inc.	243,128,790	6.02	243,128,790	5.75	243,128,790	5.47
Michael Hagn	237,046,846	5.87	237,046,846	5.61	237,046,846	5.34
The Placees	–	–	186,939,553	4.42	186,939,553	4.21
Shipowners	–	–	–	–	216,903,274	4.88
Other public Shareholders	2,952,479,639	73.11	2,952,479,639	69.88	2,952,479,639	66.46
<b>Total:</b>	<b>4,038,428,275</b>	<b>100.00</b>	<b>4,225,367,828</b>	<b>100.00</b>	<b>4,442,271,102</b>	<b>100.00</b>

## FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

As disclosed in the Company's announcements dated 24 October 2016 and 31 October 2016, a total of 79,979,037 new Shares at HK\$1.218 per share were issued to certain shipowners on 31 October 2016 by utilising part of the general mandate obtained at the 2016 Annual General Meeting of the Company held on 19 April 2016. Such new Shares were allotted and issued to the said shipowners in exchange for their agreement to reduce the then existing daily charter-hire rates payable by the Group to them over a 24-month period commencing 1 November 2016, resulting in cash savings of US\$1,049,200, US\$6,278,000 and US\$5,228,800 in 2016, 2017 and 2018 respectively.

As disclosed in the Vessels' Acquisition Announcement, a total of 216,903,274 Shares are to be allotted and issued at HK\$1.66 per Share by the Company to the Shipowners as the Vessel Consideration Shares, resulting in an aggregate amount of approximately HK\$360,059,440 (approximately US\$46,100,000), the entirety of which is intended to be used by the Company as part of the consideration for the Vessels' Acquisition as detailed in the Vessels' Acquisition Announcement.

Other than the above, the Company had not conducted any fund raising activities involving the issue of its equity securities in the 12 months immediately preceding the date of this announcement.

## INFORMATION ON THE GROUP

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 approximately 250 dry bulk ships of which 101 are owned and about 150 are chartered. The Company is listed and headquartered in Hong Kong, and provides a quality service to around 500 customers, with approximately 3,000 seafarers and 330 shore-based staff in 12 offices in key locations around the world.

**Shareholders and potential investors of the Company should note that completion of the Placing is subject to the fulfilment of the condition set out in the Placing Agreement. The Placing may or may not proceed. Shareholders and potential investors of the Company are therefore urged to exercise caution when dealing in the Shares and other securities of the Company.**

## DEFINITIONS

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

“Board”	the board of Directors;
“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;
“Company”	Pacific Basin Shipping Limited, an exempted 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;
“Convertible Bonds”	the US\$125 million 3.25% Guaranteed Convertible Bonds due 2021 issued by PB Issuer (No. 4) Limited on 8 June 2015, which are unconditionally and irrevocably guaranteed by the Company and convertible into Shares at the prevailing conversion price of HK\$3.07 per Share, and are listed on the Stock Exchange under Stock Code 5525;
“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 12 April 2017, under which up to a total of 403,842,827 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 4,038,428,275 Shares) can be allotted, issued and dealt in by the Directors;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

“HSBC”	The Hongkong and Shanghai Banking Corporation Limited, a registered institution under the SFO and registered to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities, and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong);
“Independent Third Parties”	any person or company and their respective beneficial owner(s) (if applicable) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;
“Placee(s)”	any person or entity procured by the Placing Agent or its agent(s) to subscribe for any Placing Shares pursuant to the Placing Agreement;
“Placing”	the placing, on a fully underwritten basis, of the Placing Shares on and subject to the terms and conditions set out in the Placing Agreement;
“Placing Agent”	HSBC;
“Placing Agreement”	the conditional placing agreement dated 2 August 2017 entered into between the Company and the Placing Agent in relation to the Placing;
“Placing Completion”	the completion of the Placing;
“Placing Price”	HK\$1.59 per Placing Share;
“Placing Shares”	186,939,553 new Shares to be placed by the Company pursuant to the Placing Agreement;
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan;
“SFC”	the Securities and Futures Commission;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time;
“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 award 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;
“Shipowners”	the owners of the vessels proposed to be acquired by the Group, the consideration of which will be partly satisfied by the issue of Vessel Consideration Shares, as detailed in the Vessels’ Acquisition Announcement;

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Vessel Consideration Shares”	a total of 216,903,274 Shares to be allotted and issued by the Company to the Shipowners as part of the consideration for the Vessels’ Acquisition as detailed in the Vessels’ Acquisition Announcement;
“Vessels’ Acquisition”	the proposed acquisition of five vessels by the Group as detailed in the Vessels’ Acquisition Announcement;
“Vessels’ Acquisition Announcement”	the Company’s announcement dated 2 August 2017 in relation to the Vessels’ Acquisition published after trading hours today and prior to the entering into of the Placing Agreement;
“United States” or “US”	the United States of America, its territories and possessions, any State of the United States;
“US\$”	United States dollars, the lawful currency of the United States; and
“%”	per cent.

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

Hong Kong, 2 August 2017

*Note:* An exchange rate of US\$1.00 to HK\$7.8104 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 and Andrew Thomas Broomhead*

*Independent non-executive Directors:*

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