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 17 September 2019, the Company's wholly-owned subsidiary, PB Vessels Holding Limited, entered into four separate ship contracts for the acquisition of the following four vessels:

(i) one secondhand Handysize vessel from Seller A for a consideration of US$18.63 million;
(ii) one secondhand Supramax vessel from Seller B for a consideration of US$20.51 million;
(iii) one secondhand Handysize vessel from Seller C for a consideration of US$17.20 million; and
(iv) one secondhand Supramax vessel from Seller D for a consideration of US$17.50 million.

The consideration payable to Sellers A, B, C and D will be satisfied by a combination of (i) a conditional issue to such Sellers (or their nominees) of 105,912,033 New Shares in aggregate at HK$1.80 per Share under the General Mandate, amounting to HK$190,641,660 (equivalent to US$24,367,200) in aggregate; and (ii) cash amounting to US$49,472,800 in aggregate.

Estimated delivery of the vessels from Seller A and Seller B will be between mid-March 2020 and mid-April 2020, and estimated delivery of the vessels from Seller C and Seller D will be between October 2019 and November 2019.

The New Shares to be allotted and issued represent (i) approximately 2.27% of the existing issued share capital of the Company, and (ii) approximately 2.22% of the enlarged issued share capital of the Company as enlarged by such allotment and issue.

The purchase of these vessels is fully in line with the Company's strategic plan of acquiring quality second-hand Japanese-built ships, and the purchase structure of issuing the New Shares to partially satisfy the consideration payable for the acquisitions will enhance the Group's operating cash flow, EBIDTA and competitive strength while providing immediate funding for the acquisition of suitable vessels and growth of its fleet for the benefit of the Group's business.

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 17 September 2019, are not inter-conditional and the principal terms thereof are set out below.

Vessel type and approximate deadweight capacity ("dwt")	**Handysize vessel of 35,947 dwt built 2015 Shikoku ("Vessel A")**	**Supramax vessel of 57,631 dwt built 2015 Tsuneishi, Japan Tess-Aeroline Design ("Vessel B")**	**Handysize vessel of 35,947 dwt built 2015 Shikoku ("Vessel C")**	**Supramax vessel of 61,442 dwt built 2012 Imabari ("Vessel D")**	**Aggregate**
Buyer	PBVH or its nominee				
Seller	Seller A	Seller B	Seller C	Seller D	
Total consideration	US$18,630,000	US$20,510,000	US$17,200,000	US$17,500,000	US$73,840,000
Payment terms					
Cash upon signing of the relevant contract	US$1,863,000	US$2,051,000	US$1,720,000	US$1,750,000	US$7,384,000
Cash upon delivery	US$10,619,100	US$12,690,700	US$7,804,000	US$10,975,000	US$42,088,800
Issue of New Share of equivalent value upon delivery	US$6,147,900	US$5,768,300	US$7,676,000	US$4,775,000	US$24,367,200
Numbers of New Shares to be issued	26,721,847	25,071,915	33,363,734	20,754,537	105,912,033
Issue price per Share	HK$1.80				
Expected delivery date	Mid-March 2020 to mid-April 2020	Mid-March 2020 to mid-April 2020	October 2019 to November 2019	October 2019 to November 2019	
Funding of consideration	The cash consideration payable for 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 obligations, duties and liabilities under the relevant contract.				

BASIS OF CONSIDERATION

The consideration for each of the vessels was determined (i) by reference to the valuation of each of the relevant vessels as appraised by the Independent Valuer (the "Valuations"); (ii) by applying the appropriate adjustments to each of the Valuations by the Company in consideration of various material factors relating to each of the vessels; 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 any of the relevant Sellers, the Company obtained a valuation for each of the vessels as appraised by the Independent Valuer to obtain an initial reference point for the determination of the consideration for each of the vessels. The Valuations as appraised by the Independent Valuer were US$18,000,000 in respect of Vessel A, US$20,500,000 in respect of Vessel B, US$18,000,000 in respect of Vessel C and US$17,500,000 in respect of Vessel D. In appraising the Valuations, the Independent Valuer adopted the market approach and considered the age of the vessels, the shipyard where each vessel was originally built and the design of the 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 served as an initial guidance for the Company's consideration that was then subject to further adjustment based on the factors outlined below.

In determining the consideration for each vessel, the Company also considered the following factors to determine the appropriate adjustments (upwards or downwards) to each of the Valuations (i) the age and useful life of each vessel; (ii) the general condition of each vessel (after conducting a detailed physical technical inspection and on-board physical examination); (iii) the design of each vessel and the shipyard where each vessel was originally built; (iv) the classification records of each vessel; (v) the types of cargo each vessel can carry; (vi) the date of each vessel's next required dry dock inspection; and (vii) whether the acquisition of the vessel will terminate a long-term time charter of the Group currently in place for the vessel.

Upon consideration of the Valuations, possible relevant adjustments to the Valuations of each of the vessels, and after arm's length negotiations between the parties on normal commercial terms, the Directors consider that the final consideration arrived at in respect of each of the vessels is fair and reasonable and in the interests of the Company and the shareholders as a whole.

THE VESSELS

As the Company is not able to obtain the net profits of the vessels from the Sellers, the Company applied for and the Stock Exchange granted a waiver from strict compliance with Rule 14.58(7) of the Listing Rules provided that the Company disclosed the estimated net profits of the vessels.

Vessel A, Vessel B and Vessel C (the "**Chartered Vessels**") are currently chartered by the Group under three separate long-term time-charter contracts (the "**Time Charters**"). The Time Charters commenced in September 2015, June 2015 and June 2015 and expire in August 2022, May 2022 and October 2019 for Vessel A, Vessel B and Vessel C respectively. Their estimated net profits for the years ended 31 December 2017 and 2018 are: US$580,000 and US$570,000 respectively for Vessel A; US$1,201,000 and US$1,201,000 respectively for Vessel B and US$517,000 and US$506,000 respectively for Vessel C. These estimates are computed by the Company based on (i) the time-charter hire rates paid by the Company to each of the Sellers of these Chartered Vessels; and (ii) the costs estimate for each of the Chartered Vessels applying the Company's fleet's average daily vessel costs (inclusive of finance costs and depreciation).

Vessel D is not currently chartered by the Company. Its estimated net results for the years ended 31 December 2017 and 2018 are US$195,000 loss and US$536,000 profit respectively. These estimates are computed by the Company based on (i) the estimated revenue calculated using the Baltic Exchange Supramax Index time-charter spot rates over the relevant periods; and (ii) the costs estimate for Vessel D applying the Company's fleet's average vessel costs (inclusive of finance costs and depreciation).

The estimated net profits in this section 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.

Upon the completion of the purchase of the vessels, the Company intends to use the vessels for the transportation of the Company's contracted cargo as well as spot cargoes in the world wide dry bulk trade. In particular, as the Chartered Vessels are currently operating under the Time Charters, the Time Charters will terminate automatically upon completion of the purchase of the Chartered Vessels and the Company intends for the Chartered Vessels to continue their current usage by the Company.

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 disclosed in this announcement, 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 and business. These vessels are modern and of high quality with designs suitable for the Company's operations. Two of the four vessels are Supramaxes, allowing the Company to increase its relatively lower proportion of owned versus chartered-in Supramax vessels. The two Handysize vessels are logs-fitted and allow the Company to increase its proportion of larger Handysize ships in accordance with its strategy. The dry bulk market is recovering and the Company sees upsides in second-hand values, 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.

Upon delivery of the Chartered Vessels from their respective Sellers, such long-term time-charter agreements will be terminated and the Chartered Vessels will become part of the Group's owned fleet. As such, the purchase of these Chartered Vessels will eliminate long-term time-charter costs and replace them with significantly lower owned vessel cash 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 and competitive strength. 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.

Against this background, the Board is of the view that the terms of the proposed acquisitions (including the consideration payable in respect of each vessel) are fair and reasonable for the Company and its shareholders as a whole.

NUMBER OF THE NEW SHARES

The Buyer has agreed to procure the Company to conditionally issue 105,912,033 New Shares in aggregate at HK$1.80 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.

The New Shares to be allotted and issued represent (i) approximately 2.27% of the existing issued share capital of the Company, and (ii) approximately 2.22% 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$1,059,120 (approximately HK$8,286,240). 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 value equivalent to US$24,367,200 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$1.80 per New Share.

The Issue Price represents (i) a premium of approximately 1.69% to the closing price of HK$1.77 per Share as quoted on the Stock Exchange on the date of this announcement; (ii) a premium of approximately 3.21% to the average closing price of HK$1.74 for the last five trading days immediately prior to the date of this announcement; and (iii) a premium of approximately 5.94% to the average closing price of HK$1.70 for the last ten 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 30 September 2019 (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 three 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 465,977,323 Shares can be allotted and issued by the Directors.

As at the date of this announcement, no shares have been allotted and issued under the General Mandate. Accordingly, upon completion of the Issue, the remaining portion of the General Mandate will amount to 360,065,290 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*	*%*
Aggregated of Standard Life Aberdeen plc affiliated investment management	277,088,000	5.95	277,088,000	5.81
Invesco Asset Management Limited	233,957,000	5.02	233,957,000	4.91
Seller A*	–	–	26,721,847	0.56
Seller B*	–	–	25,071,915	0.53
Seller C*	–	–	33,363,734	0.70
Seller D*	–	–	20,754,537	0.44
Other public Shareholders	4,148,728,239	89.03	4,148,728,239	87.05
Total	4,659,773,239	100	4,765,685,272	100

* Shareholding is calculated in relation to this transaction only.

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

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, the acquisitions from the Sellers involve the allotment and issue of the New Shares, and therefore the Issue is subject to, among other things, announcement requirements pursuant to Rule 13.28 and Rule 14.34 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 owns 115 dry bulk ships. Including chartered ships, it operated an average of 230 Handysize and Supramax ships overall during the first half of 2019. The Company is listed and headquartered in Hong Kong, and provides a quality service to over 500 customers, with approximately 3,800 seafarers and over 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;
"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;
"General Mandate"	the general mandate granted by the Shareholders at the annual general meeting of the Company held on 17 April 2019, under which up to a total of 465,977,323 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 4,659,773,239 Shares) can be allotted, issued and dealt in by the Directors;
"Group"	the Company and its subsidiaries;
"Independent Valuer"	Braemar ACM, one of the largest chartering and sale and purchase shipbroking companies in the world;
"Issue"	the proposed issue of the New Shares pursuant to the ship contracts;
"Issue Price"	HK$1.80 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"	105,912,033 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;
"Sellers"	collectively Seller A, Seller B, Seller C and Seller D;
"Seller A"	Helmstar Shipping S.A.;
"Seller B"	Ever Bright Shipping S.A. and Keishin Kaiun Co., Ltd.;
"Seller C"	Green Spanker Shipping S.A.;

"Seller D"	Asian Shipping S.A. and Meiho Kaiun Co., Ltd.;
"Share(s)"	ordinary share(s) of US$0.01 each in the share capital of the Company;
"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, 17 September 2019

Note: An exchange rate of US$1.00 to HK$7.8237 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 Peter Schulz

Independent non-executive Directors:
Patrick Blackwell Paul, Robert Charles Nicholson, Alasdair George Morrison, Daniel Rochfort Bradshaw, Irene Waage Basili, Stanley Hutter Ryan and Kirsi Kyllikki Tikka