Pacific Basin

Navigating with resilience

Experienced team

Exceptional fleet

Customers first

Interim Report 2015

Stock Code: 2343

Business Highlights

GROUP

Our results were influenced by:

- one of the weakest ever half-year periods for the dry bulk freight market
- daily TCE earnings that outperformed the Handysize market index by 60%
- a significant turnaround in our Handymax performance
- our intensified efforts to reduce costs

Our core dry bulk business drove the Group's positive US$41.5 million EBITDA, and our significantly reduced towage business was profitable

We issued a new US$125 million convertible bond repayable in 2021

Towage sale proceeds of US$73 million were received in first half 2015

Our cash position increased to US$392 million with net gearing down to 34%

Almost US$500 million of undrawn committed loan facilities exceeds our US$353 million remaining dry bulk newbuilding capital commitments

FLEET

We are now fully focused on dry bulk with substantially all US$2 billion of long-term assets (including newbuilding commitments) invested in our core Handy dry bulk business (compared to US$1.6 billion across four business areas in 2012)

We are operating more owned vessels and redelivering expiring medium and long-term chartered ships to further reduce our daily vessel costs while enabling greater control and service quality

At mid-year we operated 197 dry bulk ships of which 81 were owned

17 owned and 8 chartered newbuildings join our core fleet over next two years

58% of our contracted 19,980 Handysize revenue days in second half 2015 is covered at US$8,740/day net

Our remaining towage assets have a net book value of US$39 million

Our last RoRo vessel will transfer to Grimaldi in August generating cash proceeds of around US$31 million

MARKET

Negative sentiment has driven increased scrapping, newbuilding cancellations/postponements and very little new ordering, but it will take more time for oversupply to be fully absorbed

Bottoming out commodity prices and restocking are positive for trade

The inflection point is difficult to forecast and will likely be triggered by unexpected demand side events

We anticipate weak market rates in the medium term and continue to manage our business accordingly, prioritising safety and staying power over additional long-term charter commitments

All efforts are going into making the most of our strong dry bulk platform, reducing our costs and delivering maximum contributions in the weak market while safeguarding our positive EBITDA generation and cash position

NET PROFIT/(LOSS)
US$5.8m ↑
(1H14: US$(90.7)m)

UNDERLYING (LOSS) KPI
US$(14.6)m ↑
(1H14: US$(21.5)m)

CASH AND DEPOSITS
US$392m ↑
(31 Dec 2014: US$363m)

Financial Summary

	30 June 2015 US$ Million	30 June 2014 US$ Million	31 December 2014 US$ Million
Results			
Revenue[1]	**634.6**	910.0	1,718.5
Gross profit/(loss)[1]	**10.9**	1.8	(39.6)
EBITDA[2]	**41.5**	46.9	82.2
KPI Underlying loss	**(14.6)**	(21.5)	(55.5)
Finance costs, net[1]	**(16.5)**	(15.6)	(32.8)
Discontinued operations – loss for the period	**–**	(5.5)	(5.2)
Profit/(loss) attributable to shareholders	**5.8**	(90.7)	(285.0)
Balance Sheet			
Total assets	**2,194.1**	2,368.5	2,307.5
Net borrowings	**537.8**	654.5	636.3
Shareholders' equity	**994.9**	1,216.1	1,001.7
Total cash and deposits	**392.2**	320.2	363.4
Capital commitments	**352.7**	409.8	384.7
Cash Flows			
Operating	**58.8**	44.4	93.7
Investing	**38.1**	(133.3)	(131.7)
Financing	**(89.3)**	(103.0)	(112.5)
Per Share Data	**HK cents**	HK cents	HK cents
Basic EPS	**2.3**	(36.9)	(115.8)
KPI Dividends	**–**	–	5
Operating cash flows	**24**	18	38
Net book value	**396**	487	401
Share price at period end	**261**	482	313
Market capitalisation at period end	**HK$5.1bn**	HK$9.3bn	HK$6.1bn
Ratios			
Net profit margin	**1%**	(10%)	(17%)
Eligible profit payout ratio	**–**	–	>100%
Return on average equity	**1%**	(14%)	(23%)
Total shareholders' return	**(15%)**	(12%)	(43%)
KPI Net borrowings to net book value of property, plant and equipment	**34%**	39%	40%
Net borrowings to shareholders' equity	**54%**	54%	64%
Interest coverage (excluding impairments)	**2.1X**	1.8X	1.9X

1 relates to continuing operations

2 EBITDA (earnings before interest, tax, depreciation and amortisation) is calculated as gross profit less general and administrative expenses, excluding: depreciation and amortisation, net unrealised bunker swap contract income and expenses and utilisation of provisions for onerous contracts

Contents

Business Review

Financial Statements

Key to navigation symbols

linkage to related details within the Interim Report

linkage to related details on our website www.pacificbasin.com

KPI Key Performance Indicators

+/- In our tabulated figures, positive changes represent an improving result while negative changes represent a worsening result

A glossary covering many of the terms in this document is available on our website

Our Group

Pacific Basin is a leading owner and operator of modern Handysize and Handymax dry bulk ships. Our Company is headquartered and listed in Hong Kong and we operate globally with about 200 ships trading worldwide. We employ 3,000 seafarers and 340 shore-based staff in 12 offices in key locations around the world.

Our dry bulk shipping business is customer focused, providing industrial users and producers of dry bulk commodities with a professional, high-quality, reliable and competitive freight service under spot and long-term cargo contracts. We also maintain a small ocean towage and offshore support business operating mainly in the Middle East.

Our worldwide network and trading areas

12 offices across 6 continents

10 Commercial offices 3 Technical & Crewing offices Front Haul Back Haul

Our Focused Approach – Offering Benefits of Diversification

Handysize and Handymax ships are designed to carry minor bulk commodities. Unlike much larger dry bulk ships and the few major bulk cargoes they carry mostly in only one direction, the minor bulk segment is characterised by the carriage of many cargo types for many customers through many ports around the world.

As the largest player in this segment, we are diversified geographically and in terms of customers and cargoes, allowing us significant scope to triangulate our voyages with minimum ballast legs and thus enhance our fleet utilisation and vessel earnings.

Our Vision

To be a shipping industry leader and the partner of choice for customers, staff, shareholders and other stakeholders

Our Mission

To achieve our vision by continuously improving our standards of service and conduct

Our Strategy

To achieve superior earnings through optimisation of our fleet and through a continuous drive for efficiency, responsibility and professionalism in the way we run our business

Our Fleet

243 SHIPS		Vessels in operation*	Newbuilds on order	Total
Dry Bulk	Handysize	142	19	161
Dry Bulk	Handymax	53	6	59
Dry Bulk	Post-Panamax	2	–	2
Towage	Tugs & Barges	21	–	21

* average number of ships in operation in June 2015, excluding 1 sold RoRo ship with completion in Aug 2015

www.pacificbasin.com
About Us > Fleet
Our full fleet list

COST SAVING

We have chosen to use two-colour printing (necessitating black and white photos) and cheaper paper in the internal pages of this Interim Report. While it may not be as pretty, this initiative is expected to reduce our 2015 report production costs by 25%.

Page 3
Chief Executive's Review
We have intensified our efforts to reduce our costs

Chief Executive's Review

Resilience

Outperforming in a very weak dry bulk market

Mats Berglund

Chief Executive Officer

Hong Kong, 30 July 2015

FINANCIAL RESULTS

The dry bulk shipping market remained depressed in the first half of 2015. We continue to manage our business for weak market rates in the medium term and have intensified our efforts to reduce costs and generate daily earnings that outperform the market. We have made good progress on both.

The Group made a net profit of US$5.8 million (2014: US$90.7 million loss) although the underlying loss was US$14.6 million (2014: US$21.5 million loss) for the six months ended 30 June 2015. Basic EPS on continuing operations was a positive HK2.3 cents, and our EBITDA was positive US$41.5 million (2014: US$46.9 million).

The Board has declared no dividend for the interim period.

PERFORMANCE OVERVIEW

Dry Bulk

Dry bulk spot market index rates during the half year were among the lowest on record, undermined by reduced dry bulk demand (especially into China) and a cumulative oversupplied global fleet despite only minimal net global fleet growth since the end of January.

We generated average Handysize and Handymax daily TCE earnings of US$7,940 and US$9,350 per day net, outperforming the BHSI and BSI indices by 60% and 49% respectively due primarily to our experienced staff and global office network, our fleet scale and our ability to optimise ship and cargo combinations for maximised utilisation.

We maintained good control of our owned vessels' operating costs which averaged US$4,210 per day. We are implementing new ship management and accounting software and other initiatives to better manage our workflows and our vessel operating and administrative expenses – a major focus in these weak market times.

Towage & RoRo

We sold our 50% share in a New Zealand-based bunker tanker in June and, following the sale of most of our towage business, our remaining towage assets are primarily operating in the Middle East in both the oil and gas and construction sectors.

Only two chartered-in assets remain employed in Australasia. Our remaining owned small tugs and barges in Australia (which are unsuitable for repositioning to the Middle East) are idle and being considered for sale.

Our consolidated towage operations generated a profit of US$1.4 million in the first half and our remaining towage assets have a net book value of US$39 million.

Our exit from the RoRo sector remains on schedule following the delivery of our fifth RoRo vessel into Grimaldi's ownership in May. This leaves just one vessel which is due to transfer to Grimaldi in August 2015 generating cash proceeds of around US$31 million and no significant impact on our results.

STRATEGY AND POSITION

Increased focus on Dry Bulk

Since I joined Pacific Basin in 2012, we have transformed the Company from an organisation with four business units to one in which both capital and management are now fully focused on our core, world-leading Handy dry bulk business where our strengths lie.

In 2012, we had long-term assets of about US$1.6 billion of which around US$600 million was invested in three non-dry bulk business areas (RoRo, towage and terminals) in which we were relative newcomers and minor players. Our dry bulk business was already strong at that time, but we relied too much on chartered-in ships. Our owned ships comprised only about 25% of our fleet and represented about US$1 billion of long-term assets.

Today, substantially all our long-term assets (about US$2 billion including newbuilding commitments) are invested where they should be – in our core Handy dry bulk business where we have a strong platform and a competitive edge.

OUR INCREASED FOCUS ON DRY BULK

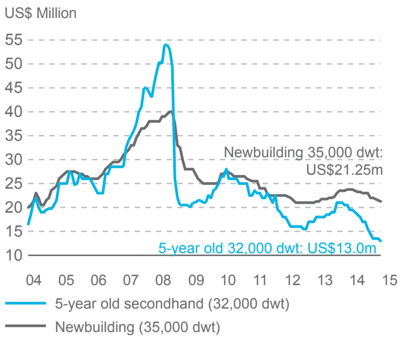
We worked hard to exit our non-core segments. While this crystallised capital losses, it is also generating useful cash for the Company to strengthen our position in our core dry bulk space. It has also contributed to an approximately US$20 million (or 25% annualised) reduction in our G&A despite our increased assets overall.

Expansion of our owned fleet

Dry bulk secondhand vessel values steadily reduced during the three years from 2010 to 2012 and we patiently waited until prices reached historically attractive, 10-year low levels which were below estimated shipbuilders' break-even levels. Starting in the autumn of 2012 and during the first three quarters of 2013, we invested actively in secondhand Japanese-built ships.

In the first half of 2013, we started to sound out shipyards' desire to construct newbuilding vessels given the weak vessel price environment. As secondhand prices increased, we slowed our secondhand acquisitions activity and shifted our investment focus to newbuilding orders.

Handysize Vessel Values



Source: Clarksons Platou, as at 24 July 2015

In all we purchased 33 secondhand ships and 18 newbuildings, and it is important to note a few points about these investments:

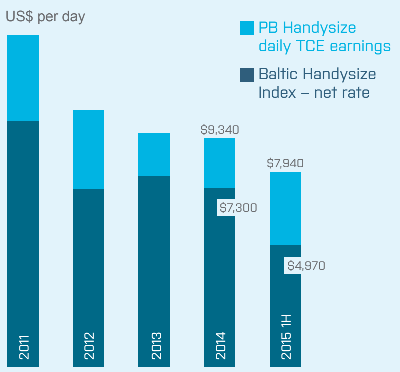
- The delivered ships have all contributed positively to our cash flows even in the weak markets;
- All of the ships are of the highest quality, designed and equipped to fit our trades for the long term; and
- All the ships but one are Japanese built with superior reliability, longevity, value retention and fuel efficiency.

Pacific Basin's greatest value is in our ability to outperform market index rates

Our ability to outperform

As illustrated in the graph below, our average Handysize TCE premium over the last five years is about US$2,400 per day which, multiplied by our over 140 Handysize ships on the water, gives a significant earnings advantage.

Our TCE outperformance compared to market



- Large fleet of high-quality substitutable ships
- High laden percentage (minimum ballast legs)
- Average TCE premium last 5 years = US$2,400/day

This premium is the result of a combination of factors including:

- our experienced staff and global office network;
- our large fleet of high-quality interchangeable ships;
- our cargo contracts, relationships and direct interaction with end users; and in turn
- the high laden ratio (low ballast) and therefore high utilisation we achieve.

This high utilisation is also aided by the onboard cranes and cargo trading diversity that are unique to the Handy dry bulk segments which cannot be replicated in the Capesize or Panamax segments whose trades are characterised by one-way laden transportation.

Operating more owned vessels facilitates greater control and quality of service delivery to our customers. It relieves us of trading, redelivery and slow-steaming constraints and, combined, these factors contribute further to our outperformance of market rates.

To improve our Handymax performance, we have focused our Handymax strategy on key routes and, in spite of a much weaker market, we have turned around a Handymax loss a year ago to a positive contribution in the first half of 2015.

Helped by the above factors, our premium over market rates was particularly strong in the first six months this year at US$2,970 per day for Handysize and US$3,080 for Handymax compared to US$2,040 and US$1,130 respectively in the first half of 2014. This premium differentiates Pacific Basin from many shipping companies and should underpin our market capitalisation.

Smaller, efficient management organisation

Thanks to our refocus on only dry bulk, we have been able to reduce the size and cost of our senior staff overheads while maintaining great depth and strength in our dry bulk management team. The top nine people in our management team have been with the Company for an average of 14 years and in the shipping industry for an average of 26 years. We added even more shipping experience to our Board last year by appointing Irene Waage Basili as an Independent Non-executive Director and we have recently started a process to recruit an additional independent director.

In summary, we are satisfied with the refocus on our strong Handy dry bulk business, the structure and organisation of the Company and our performance relative to the market and our peers. We are of course not satisfied with our absolute financial results and the very weak state of the dry bulk market overall.

Challenging market developments

It is worth reflecting on how the market developed in these past three years to where it is now.

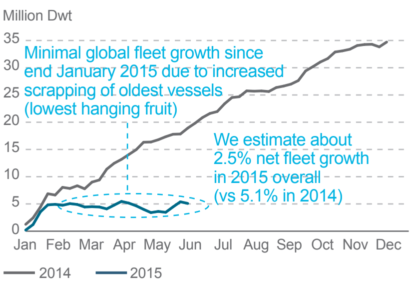
New ship deliveries from shipyards started to slow down in the summer of 2012 while cargo demand remained strong. From spring 2013 to spring 2014, cargo demand growth outstripped net fleet growth to drive slightly higher and more volatile freight rates. The oversupply of dry bulk ships started to be absorbed and optimistic sentiment fuelled by brokers and the influx of private equity into the dry bulk market led to increased secondhand values and newbuilding orders in late 2013 and early 2014.

While global fleet growth has continued to slow down as expected, the market has faced negative surprises on the demand side including reduced bauxite and nickel trades due to the Indonesian ban on the export of unprocessed minerals introduced early 2014 (and still in force) and, of even greater negative influence, the larger than expected reduction in coal imports to China starting in the second half of 2014.

Low bunker prices are also a threat as they support a greater tendency to increase vessel operating speeds – thus increasing dry bulk shipping supply – when stronger freight rates return.

Combined, these factors led to a reversal of sentiment by the end of 2014, from positive to negative with freight rates and secondhand values falling to new lows. The negative sentiment is leading to increased scrapping, cancellations and postponements of newbuildings and very little new ordering.

Net Dry Bulk Fleet Change



Source: Clarksons Platou

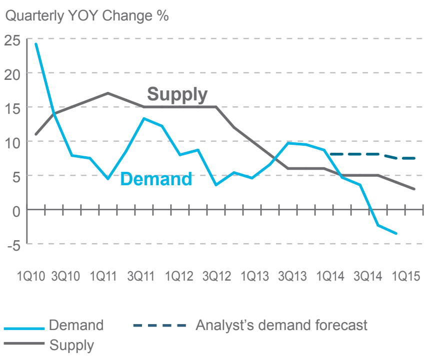
Bottoming out commodity prices are a positive factor for trade by supporting a switch from stock drawing to stock building.

These factors will eventually lead to a stronger supply/demand balance, but the inflection point is very difficult to forecast and will likely be triggered by unexpected demand side events.

Managing for a continued weak market in the medium term

In this uncertain market, and having invested significantly during the previous downturn in 2013, we are managing our business for a continued weak market in the medium term and are prioritising safety and staying power over additional long-term charter commitments. However, the market difficulties may present acquisition opportunities which we would carefully consider.

Total Dry Bulk Supply & Demand



Source: Clarksons Platou

We are gradually lowering our charter-in costs by redelivering expiring medium and long-term chartered ships and are instead using shorter-term and index-linked charters.

All efforts are going into making the most of our strong dry bulk platform, reducing our costs and delivering maximum contributions in the weak market while safeguarding the Company's positive EBITDA generation and cash position.

Planning for known and potential convertible bond repayments coming up next year, we have effectively extended the maturity of our US$124 million convertible bond repayable in 2018 (or 2016 if put options are exercised) by issuing a new US$125 million convertible bond repayable in 2021 (or 2019 if put options are exercised). Our cash position increased from US$363 million at the end of 2014 to US$392 million as at 30 June 2015. We also have almost US$500 million of committed but undrawn loan facilities which exceeds the US$353 million of remaining payments due on our 17 Japanese newbuildings still to deliver.

We continue to enjoy good access to capital due to a combination of factors including our ability to outperform index rates especially in weak markets, our Hong Kong listing, our transparent reporting and our track record. Our net debt to net book value reduced from 40% to 34% during the period, and our TCE earnings, operating costs and G&A per day stand up well in benchmarking against our peers.

We are well positioned to navigate this very weak market and to benefit from a cyclical upturn when it comes. We thank you for your continued support.

Mats Berglund
Chief Executive Officer

PACIFIC BASIN BENEFITS

- Fully focused on our core world-leading Handy dry bulk business – now well structured and out of non-core
- Business model is consistently delivering a vessel earnings premium over market rates
- Large, high-quality fleet of predominantly Japanese-built ships
- Depth and experience of staff and offices around the world
- Large portfolio of customer relationships and contracts
- Hong Kong listing and transparent reporting facilitating access to capital

Well positioned in a cyclical business

Dry Bulk Market Review

FREIGHT MARKET SUMMARY

The downward trend that characterised the weak dry bulk freight market in 2014 continued into 2015 resulting in a record low half year for bulk carrier earnings. In February, the Baltic Dry Index (BDI) fell below the previous all-time low in August 1986.

Handysize and Handymax spot market rates averaged US$4,970 and US$6,270 per day net respectively in the first half of 2015, representing a 40% and 36% decline in average earnings year on year.

The largest bulk carriers suffered the most – averaging earnings well below Handysize ships – although rates improved in mid-June mainly on seasonal strength.

While freight market movements in the year to date have largely reflected seasonal patterns, the overall weakness in the market continues to be driven by a supply surplus and reduced cargo demand led by a slowdown in Chinese raw materials imports, especially coal.

The Pacific market underperformed the Atlantic during the period largely due to slower Chinese imports.

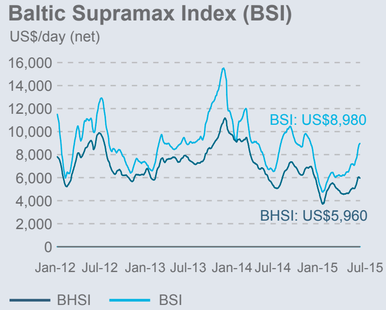
-40% ⬇ US$4,970 net

Handysize 1H15 average market spot rate

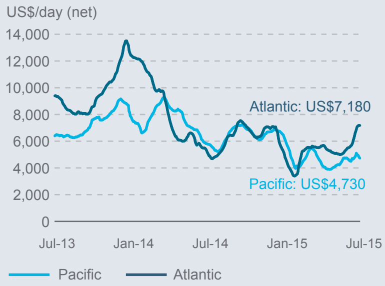
-36% ⬇ US$6,270 net

Handymax 1H15 average market spot rate

Baltic Handysize Index (BHSI) & Baltic Supramax Index (BSI)



Pacific vs Atlantic Handysize Rates



US$ freight rates are net of 5% commission

Source: Baltic Exchange, data as at 27 July 2015

SUPPLY DRIVERS

FREIGHT MARKET & OUTLOOK IMPACT SHIP VALUES

KEY SUPPLY DEVELOPMENTS

The global fleet of 25,000-40,000 dwt Handysize ships grew 0.8% net during the half year and there has been very little net growth in the dry bulk fleet overall since the end of January – a phenomenon not seen since the late 1990s. New ship deliveries representing 3.5% of existing dry bulk capacity (the lowest rate in 15 years) were substantially unchanged from the same period last year. However, scrapping exceeded expectations with ship owners opting to delete 2.5% of overall capacity (the highest scrapping rate since 1986 when annualised) and 4% of Handysize capacity, rather than continue to trade their older ships in such depressed trading conditions.

Dry bulk new ship ordering in the first half of the year fell to about 0.9% of existing capacity – the lowest level since 1997 – which is further increasing pressure on mainly Chinese shipyards to exit an over-crowded shipbuilding sector (the number of Chinese shipyards delivering dry bulk ships having already shrunk from 122 to 69 between 2012 and 2014).

Positive as these developments are, the market continues to be weighed down by the cumulative oversupply of mainly larger dry bulk ships.

Slow steaming has not materially changed during the period.

+0.8% ⬆

Global Handysize capacity

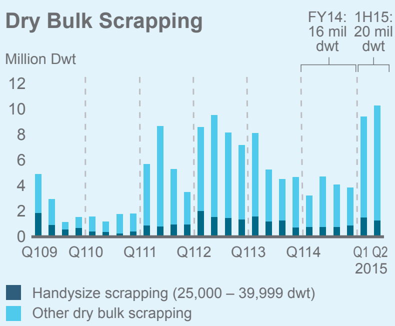
+0.9% ⬆

Overall dry bulk capacity

4% ⬆ (8% annualised)

Handysize scrapping in 1H15

Dry Bulk Scrapping



Source: Clarksons Platou

SHIP VALUES

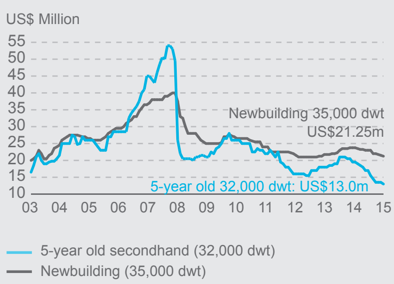
Clarksons Platou value their benchmark five year old Handysize at US$13.0 million (down 33% in 12 months) and Handysize newbuildings at US$21.25 million (down 11%).

The widening gap between secondhand and newbuilding ship values favours buying secondhand ships and discourages new ship ordering. The valuation gap is also widening between high-quality vessel designs from reputable shipyards and poor-quality units for which buying interest is very limited.

-33% ⬇ US$13.0m

Secondhand Handysize

Handysize Vessel Values



Source: Clarksons Platou, as at 24 July 2015

VALUES & OUTLOOK IMPACT NEW SHIP ORDERING

DEMAND DRIVERS

KEY DEMAND DEVELOPMENTS

Dry bulk transportation demand in the first quarter of 2015 is estimated by Clarksons Platou to have reduced by 3.1% year on year (following a 1.1% reduction in the last quarter of 2014), weighed down especially by reduced Chinese imports.

Chinese coal imports in January-June declined by 60 million tonnes or 38% year on year due to slower economic growth, increased use of hydro-electric power and actions to protect China's domestic coal industry. Conversely, Indian thermal coal imports have been growing – at 34% (22 million tonnes) year on year according to Macquarie – but not enough to offset the reductions in other coal trades.

Chinese imports of iron ore in the first six months declined 1%, which was exacerbated by a shift in trade flows away from Brazil in favour of Australian exports to further reduce tonne-mile demand.

Chinese imports of seven key minor bulks reduced by 2.6 million tonnes or 7% year on year reflecting a general reduction in import requirements while drawing on existing inventory at a time of declining commodity prices. Since the Indonesian ban on bauxite and nickel ore exports took effect in early 2014, China has sourced these commodities from other countries, but demand has not returned to pre-2014 levels. However, influential imports of soybean into China continued to grow year on year.

On a positive note, SSY project a gradual 6% increase in cargo volumes in the second half of 2015 compared to the first half.

Overall dry bulk demand

- 3.1% ↓ **1Q15 YOY**

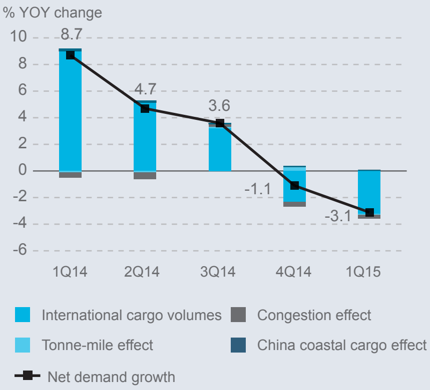
Chinese imports – major bulks

- 1%	↓	Iron Ore
- 38%	↓	Coal

Chinese imports – minor bulks

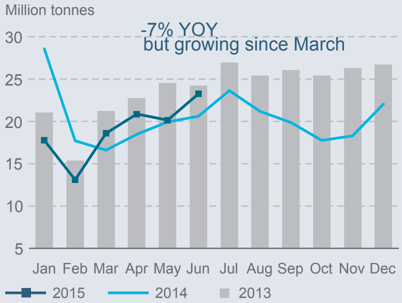
+3%	↑	Soya Bean
+11%	↑	Copper Ore & Concentrate
+15%	↑	Bauxite
- 37%	↓	Nickel Ore

Dry Bulk Effective Demand



Source: Clarksons Platou

2015 Chinese Minor Bulk Imports



Chinese imports of 7 minor bulks including Logs, Soyabean, Fertiliser, Bauxite, Nickel, Copper Concentrates & Manganese Ore

These 7 commodities make up over one third of the cargo volumes we carry

Source: Bloomberg

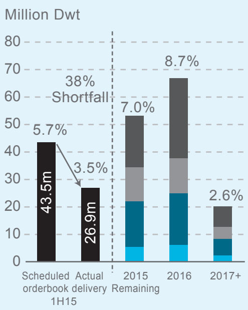
ORDERBOOK

The pro-forma bulk carrier orderbook currently stands at 18% which remains an obstacle to restoring a healthier supply/ demand balance even if actual deliveries are falling short of the scheduled orderbook deliveries at the start of the year.

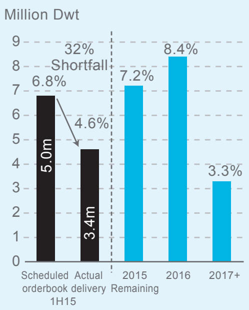
There was very little dry bulk new ship ordering in the period due to the weak freight market and poor outlook at a time when secondhand ships represented better investment value than newbuildings.

The majority of dry bulk capacity on order is from Chinese shipyards, and we expect current market pressures to result in actual deliveries continuing to fall well short of the orderbook schedule.

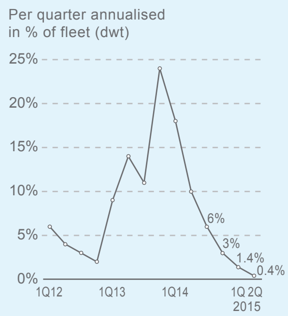
Orderbook by year



Handysize Orderbook



Dry Bulk New Ship Ordering



Source: Clarksons Platou, data as at 1 July 2015

		ORDERBOOK AS % OF EXISTING FLEET	AVERAGE AGE	OVER 25 YEARS OLD	SCRAPPING AS % OF EXISTING FLEET (ANNUALISED)
■	Handysize (25,000 – 39,999 dwt)	19%	9	9%	8%
■	Handymax (40,000 – 64,999 dwt)	24%	8	4%	2%
■	Panamax & Post-Panamax (65,000 – 119,999 dwt)	14%	8	2%	4%
■	Capesize (120,000+ dwt)	19%	8	1%	8%
	Total Dry Bulk (10,000+ dwt)	18%	9	3%	5%

Pacific Basin Dry Bulk Performance

Our Pacific Basin Dry Bulk business generated a net loss of US$15.4 million (2014: net loss US$11.4 million) in what was among the weakest ever half-year periods on record for dry bulk market rates.

Our positive EBITDA of US$39.3 million in this challenging market was again driven by our ability to generate daily earnings that outperformed the market and our continued good control of our owned vessel operating costs.

DRY BULK OPERATING PERFORMANCE

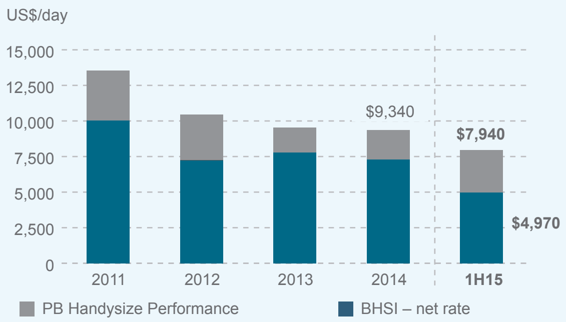
US$ Million	Six months ended 30 June 2015	2014	Change
Handysize Contribution	(0.6)	26.2	-102%
Handymax Contribution	10.4	(10.7)	+197%
Post-Panamax Contribution	2.7	2.7	–
Dry Bulk operating performance before overheads	12.5	18.2	-31%
Direct overheads	(24.6)	(24.7)	+0%
Indirect overheads	(3.3)	(4.9)	+33%
Dry Bulk net loss	(15.4)	(11.4)	-35%
Dry Bulk EBITDA	39.3	49.5	-21%
Dry Bulk vessel net book value	1,535.0	1,545.0	-1%

KEY PERFORMANCE INDICATORS KPI

Performance vs Market

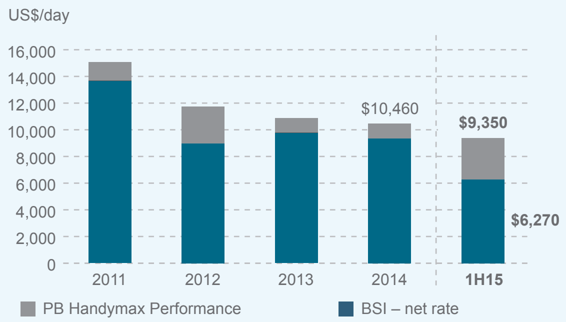
Handysize

60% 1H2015 outperformance compared to market



Handymax

49% 1H2015 outperformance compared to market

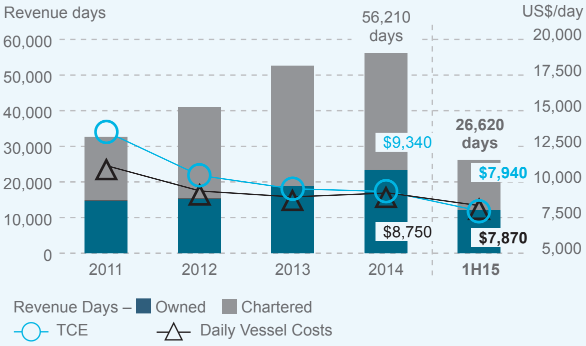


- Our 60% and 49% outperformance in first half 2015 compared to spot market indices reflects the value of our fleet scale and cargo book, and our ability to optimise cargo combinations and match the right ships with the right cargoes

Profitability

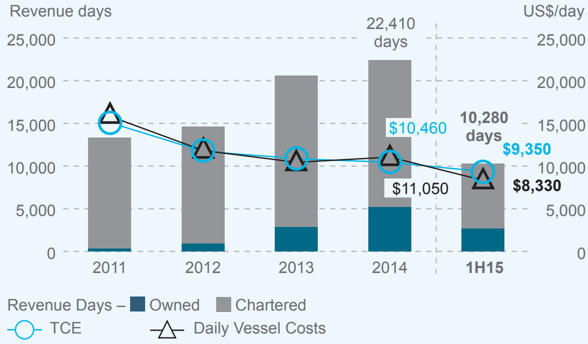
Handysize

US$(0.6)m



Handymax

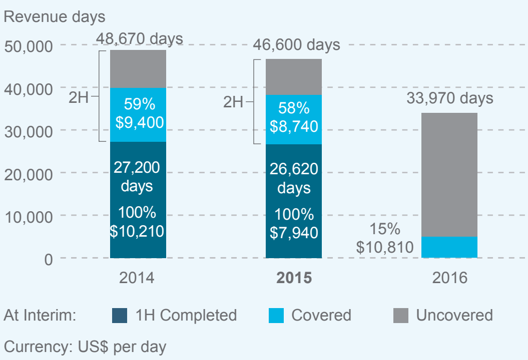
US$10.4m



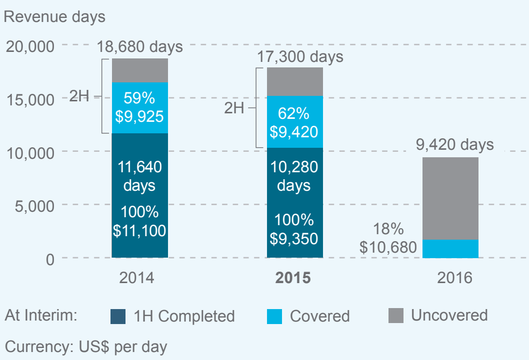
- We generated Handysize daily earnings of US$7,940 with daily costs of US$7,870 on 26,620 revenue days
- We achieved a significant turnaround in our Handymax performance by focusing on key routes to generate a positive US$10.4 million Handymax contribution in the first half of 2015 (despite the much weaker market) from a US$10.7 million loss in the first half of 2014
- Our Handysize results were under pressure in the weak market resulting in a small negative Handysize contribution despite our strong premium
- We operated an average of 149 Handysize and 57 Handymax ships resulting in 2% and 12% year-on-year reductions in our Handysize and Handymax revenue days
- Our capacity has reduced as we are redelivering expiring medium and long-term chartered vessels to gradually lower our charter-in costs, relying instead on our growing fleet of owned ships and low-cost shorter-term and index-linked charters

Future Earnings and Cargo Cover

Handysize



Handymax



- We have covered 58% and 62% of our 19,980 Handysize and 7,020 Handymax revenue days currently contracted for the second half of 2015 at US$8,740 and US$9,420 per day respectively

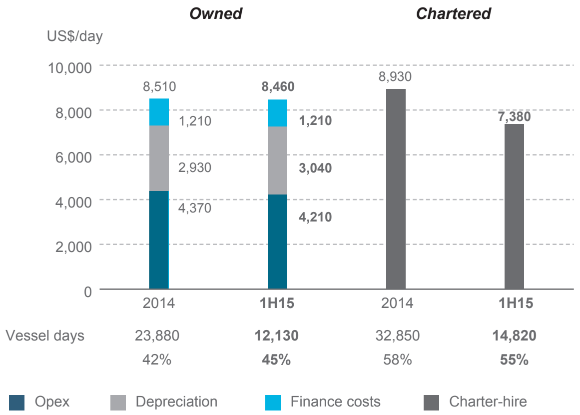
  (cargo cover excludes revenue days related to inward-chartered vessels on variable, index-linked rates)
- While ship operators such as ourselves typically face significant exposure to the spot market, our contract cover provides a degree of earnings visibility

Analysis of Daily Vessel Costs

The cost of owning and operating dry bulk ships is the major component of our Group's total costs, and our ability to maintain good control of these "daily vessel costs" has a significant bearing on our operating margins and our financial performance overall. We provide below a short analysis of our daily vessel costs for a better understanding of their components and development.

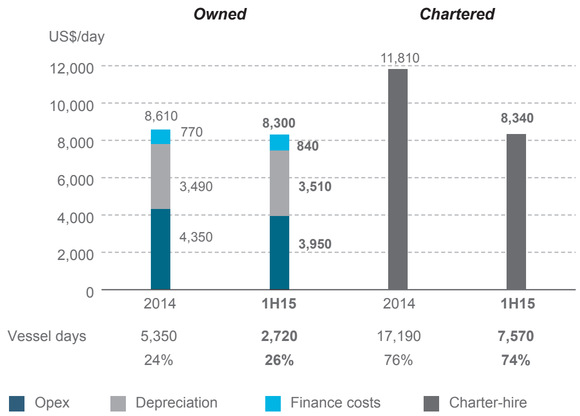
Handysize Daily Vessel Costs

Blended US$7,870 (FY2014: US$8,750)
(excluding direct overheads)



Handymax Daily Vessel Costs

Blended US$8,330 (FY2014: US$11,050)
(excluding direct overheads)



Opex – The daily opex element of our vessel costs decreased 4% for Handysize and 9% for Handymax mainly due to the quality and increased number of our owned ships leading to reduced repair and maintenance costs and increased procurement efficiencies.

Depreciation – Daily depreciation (including capitalisation of dry-docking costs) increased due to the delivery of our newer, larger vessels.

Finance costs – Handysize daily finance costs were substantially unchanged compared to 2014. Handymax daily finance costs increased due to the allocation of higher finance costs to this vessel type.

Charter-hire – Chartered-in days represented 55% and 74% of our total Handysize and Handymax vessel days respectively. Our Handysize chartered-in days decreased 7% to 14,820 days (2014: 16,010 days) while our Handymax chartered-in days decreased 17% to 7,570 days (2014: 9,170 days). We reduced our use of chartered vessels with the delivery of our vessel purchases.

Daily cash cost – Our average owned and chartered daily cash cost excluding direct overheads was US$6,730 (2014: US$7,890) for our Handysize fleet and US$7,880 (2014: US$11,140) for our Handymax fleet. With the delivery of our committed newbuildings, the number of Handysize and Handymax owned vessels days in 2015 are expected to increase to 24,970 and 5,650 respectively.

Direct overheads – Our chartering, operations and technical staff overheads and office costs related to our dry bulk ships amounted to US$24.6 million (2014: US$24.7 million). Spread across our vessel days, the aggregate overhead translated into a 6% increase in daily cost to US$660 per day (1H 2014: US$620 per day). The increased daily cost was due to the higher proportion of owned ships and the subsequent increase in in-house technical staff costs.

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Vessel Operating Lease Commitments
Analysis of our long-term, short-term and index-linked inward charter commitments

During the period, we secured 4,470 Handysize vessel days (2014: 6,090 days) and 750 Handymax vessel days (2014: 1,350 days) via variable-rate, inward charters with rates linked to the Baltic Handysize and Supramax indices. These index-linked vessels represented 30% and 10% of our chartered Handysize and Handymax vessel days respectively.

Our fleet of owned and finance-leased dry bulk vessels experienced an average 0.9 days (FY2014: 0.4 days) unplanned technical off-hire per vessel during the period.

Dry Bulk Business Highlights

A key focus during the period was, as always, for our commercial team around the world to work closely with customers to generate cargo contracts that strengthen our cargo systems. Despite weak forward market pricing, we continued to secure several multi-year cargo contracts at reasonable long-term freight rates for us and our customers alike.

In managing our business for a continued weak market in the medium term, we are redelivering expiring medium and long-term chartered ships which is gradually lowering our charter-in costs. Instead, we are making fullest use of our growing fleet of owned ships (with 17 committed newbuildings still to deliver) which we supplement with shorter-term and index-linked chartered ships. Operating more owned vessels facilitates greater control and quality of service delivery to our customers and it also relieves us of trading, redelivery and slow-steaming constraints that characterise chartered-in ships.

We maintained good control of our operating costs and have intensified our efforts through several initiatives to reduce costs without compromising safety and customer service

We have focused our Handymax strategy on key routes and, in spite of a much weaker market, we have turned around a Handymax loss in the first half of 2014 to a positive contribution in the first half of 2015.

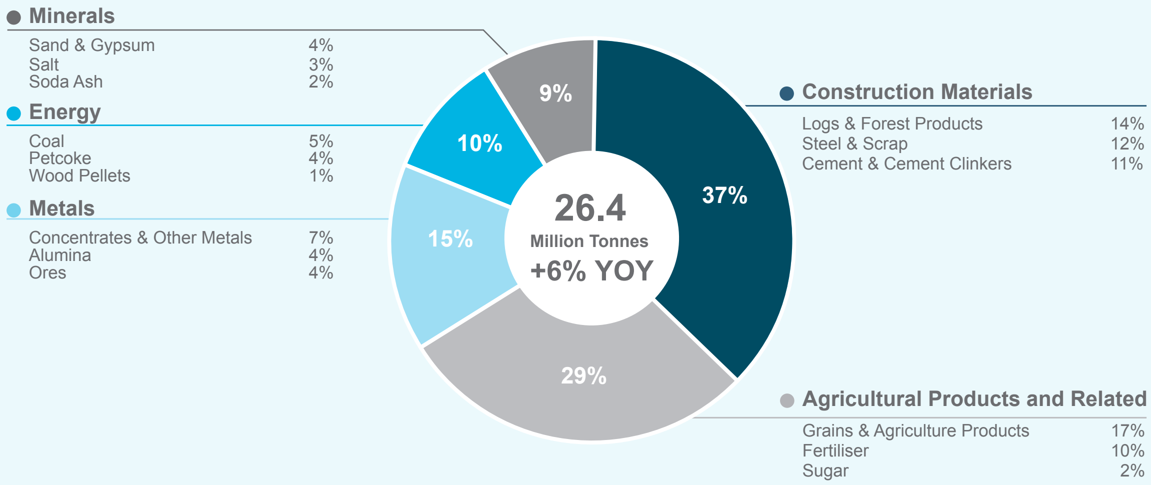
Initiatives include new speed and consumption optimisation matrices, a new lubrications procurement contract and new technical management and accounting software for more efficient routines.

Our commercial dry bulk offices across six continents allow us to develop and nurture strong customer relationships and develop new cargo opportunities providing short, medium and long-term employment cover for our fleet.

In March, we restructured our global commercial ship operations organisation for improved efficiency and effectiveness and implemented a refined framework of values and practices, all of which are already generating tangible results.

Combined, these factors contribute further to our outperformance of market rates.

Our Dry Bulk Cargo Volumes in First Half 2015



Outlook

DRY BULK MARKET OUTLOOK

Opportunities

- Chinese re-stocking of dry bulk commodities
- New Chinese economic stimulus supporting growth in minor bulk imports
- Continued US economic growth providing stimulus to global trade
- Bottoming out commodity prices stimulating greater demand, industrial output and dry bulk exports
- Market pressures driving much reduced new ship ordering and causing newbuilding deliveries to fall significantly short of scheduled deliveries
- Continued high level of ship scrapping

Threats

- Further reduction in Chinese economic growth
- Lower commodity prices shutting out smaller producers often using Handysize or Handymax ships
- Greater national protectionism favouring domestic supplies over foreign imports
- Low fuel prices support a greater tendency to increase vessel operating speeds (thus increasing dry bulk shipping supply) when stronger freight rates return
- Shipyard overcapacity and below-cost newbuilding prices may lead to increased new ship ordering

OUTLOOK & STRATEGY FOR OUR DRY BULK BUSINESS

We anticipate weak market rates in the medium term and we continue to manage our business accordingly.

The health of dry bulk shipping is undermined by an oversupplied global fleet and reduced growth in dry bulk commodity demand – especially coal into China. While traditionally improved seasonal cargo flows in the second half may benefit from China's need for some restocking, we expect it will take longer for a healthier market to be restored.

Low bunker fuel prices are a negative factor as they lower the freight rate level at which ships will speed up and thus increase shipping supply.

We remain focused on the Handy segments of the dry bulk sector which is where our strengths lie and where we are global leaders.

We will continue our efforts to reduce costs and to optimise our teams and our fleet and cargo combinations in order to:

- generate daily earnings that outperform the market;
- deliver positive contributions even in weak market conditions; and
- generate strong EBITDA and safeguard our cash position.

We are redelivering long and medium-term chartered-in ships to further reduce our costs, relying instead on our growing fleet of owned ships which we supplement with low-cost shorter-term and index-linked chartered ships.

We will continue to nurture our customer base and develop deeper relationships with existing and new customers, seeking to optimise our cargo volumes on all our core routes and striving always to provide market-leading service reliability and customer care.

PB Towage Business Highlights

Following the sale of our harbour towage business and our shareholding in OMSA at the end of 2014, our significantly reduced towage activities generated a net profit of US$1.4 million and a positive EBITDA of US$2.2 million in the first half of 2015.

Most of our remaining towage assets are operating in the oil and gas and construction sectors in the Middle East. Charter rates in the oil and gas sector have declined due to the pressures of the low oil price environment, but this has been partly offset by continued demand for tug and barge activity from offshore construction and land reclamation projects in the UAE and Qatar.

In Australasia, we are left with only two chartered-in vessels which we will redeliver later in the year. Our remaining small tugs and barges in Australia (with total net book value of US$5.7 million) are idle, unsuitable for repositioning to the Middle East, and are being marketed for sale in what has become an increasingly oversupplied market. Most of these assets were previously deployed on our barging project for Western Desert Resources (WDR) which entered into voluntary liquidation in September 2014. The administrators' efforts to sell the operation have been unsuccessful and WDR's bankruptcy was announced in April 2015 with no likelihood of returns to unsecured creditors.

We sold our 50% share in a New Zealand-based bunker tanker to our joint venture partner generating a disposal gain of about US$3.7 million benefitting the Group's consolidated results.

Funding

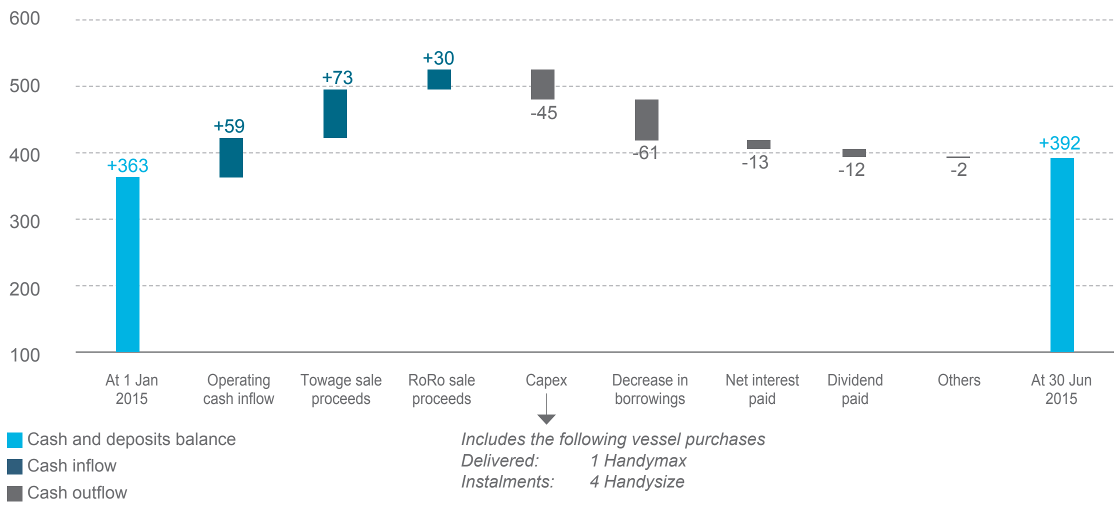
CASH FLOW AND CASH

The Group's four main sources of funds are operating cash flows, bank loans, convertible bonds and equity. The major factors influencing future cash balances are operating cash flows, purchases of dry bulk vessels, sale of assets, and drawdown and repayment of borrowings.

As part of the ordinary activities of the Group, the Treasury function actively manages the cash and borrowings of the Group to ensure sufficient funds are available to meet the Group's commitments and an appropriate level of liquidity is maintained during different stages of the shipping cycle.

Over the long-term, the Group aims to maintain a conservative consolidated net gearing of no greater than 50% – defined as the ratio of net borrowings to net book value of property, plant and equipment – which we believe is sustainable over all stages of the shipping cycle.

Sources and Uses of Group Cash Flow in 1H 2015



Current Position and Outlook

In the first half of 2015:

- Borrowings decreased by US$61 million, reflecting:
  - We repaid US$217 million of bank borrowings.
  - We put in place US$134 million of new bank borrowing facilities secured by our unmortgaged dry bulk vessels, of which US$61 million has been drawn down. Such new bank borrowings included the refinancing of US$89 million of bank loans due in the same period.
  - We issued US$125 million, 3.25% p.a. coupon, guaranteed convertible bonds maturing in July 2021.
  - We bought back and cancelled the 2016 convertible bonds with a face value of US$27.8 million in aggregate for the purpose of saving related coupon payments in the period before maturity.
- Towage sale proceeds of US$73 million were received.
- Proceeds of US$30 million from the sale of the penultimate RoRo vessel were received.

As at 30 June 2015:

- The Group had cash and deposits of US$392 million resulting in a 34% net gearing ratio.
- The Group had undrawn committed bank borrowing facilities of US$498 million including the US$350.2 million of Japanese export credit facilities for our newbuildings.
- We expect to receive sale proceeds in August 2015 amounting to about US$31 million from the sale of the last RoRo vessel.
- The remaining unmortgaged vessels of the Group are towage assets with a net book value of US$39.0 million and one dry bulk vessel.
- The cash and deposits, undrawn committed bank borrowing facilities and operating cash flows will enable us to fund the following payment obligations:
  - US$157 million of our bank borrowings due between the second half of 2015 and 2017.
  - The 2016 convertible bonds principal repayment of US$182 million due in April 2016.
  - The 2018 convertible bonds principal repayment of US$124 million in October 2016 if all bondholders exercise their rights to redeem the bonds at 100% of the principal amount.
  - Our newbuilding commitments of US$352.7 million payable in the second half of 2015 through to the end of 2017 (drawing on our Japanese export credit facilities of US$350.2 million).

Cash and Deposits

The split of current and long-term cash, deposits and borrowings is analysed as follows:

US$ Million	30 June 2015	31 December 2014	Change
Cash and deposits	379.7	361.7	
Restricted bank deposits			
– non-current	0.1	0.1	
– current	12.4	1.6	
Total cash and deposits	392.2	363.4	+8%
Current portion of long-term borrowings	(258.5)	(179.1)	
Long-term borrowings	(671.5)	(820.6)	
Total borrowings	(930.0)	(999.7)	+7%
Net borrowings	(537.8)	(636.3)	+15%
Net borrowings to net book value of property, plant and equipment KPI	34.1%	40.1%	
Net borrowings to shareholders' equity	54.1%	63.5%	
Net working capital	143.5	294.7	-51%

Treasury is permitted to invest in a range of cash and investment products subject to limits specified in the Group Treasury Policy. These include overnight and term deposits, money market funds, liquidity funds, certificates of deposit, structured notes, and currency-linked deposits.

Treasury enhances Group income by investing in a mix of financial products, based on the perceived balance of risk, return and liquidity. Cash, deposits and investment products are placed with a range of leading banks, mainly in Hong Kong.

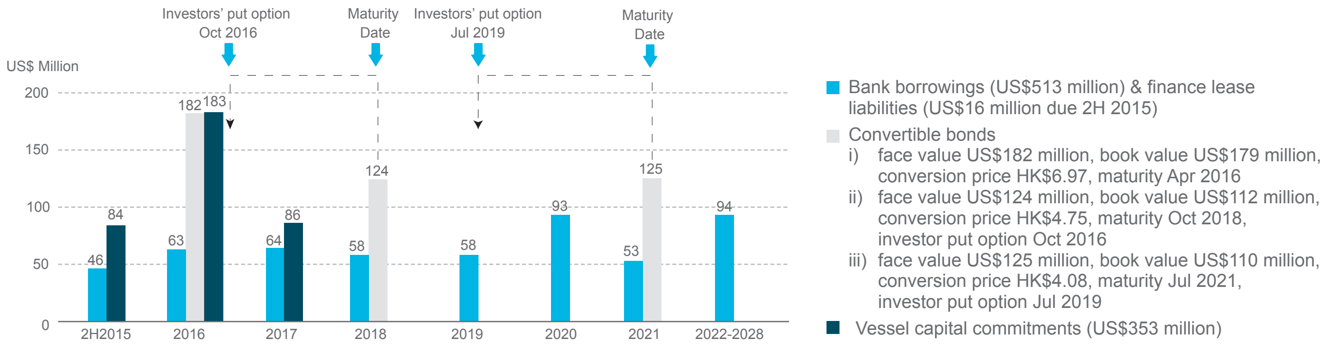
The Group's cash and deposits at 30 June 2015 comprised US$382.8 million in United States Dollars and US$9.4 million in other currencies. They are primarily placed in liquid deposits of three months or less and saving accounts to maintain the liquidity to meet the Group's vessel purchase commitments and working capital needs.

Restricted bank deposits primarily relate to additional collateral for certain bank borrowings.

During the period, Treasury achieved a 1.0% return on Group cash. Interest income is benchmarked against a target yield of 0.8% being 50 basis point above 3-month USD LIBOR.

BORROWINGS

Schedule of Repayments and Vessel Capital Commitments



The Group's Treasury function arranges financing by leveraging the Group's balance sheet to optimise the availability of cash resources of the Group. Borrowings comprise:

- bank borrowings;
- the debt element of convertible bonds; and
- finance lease liabilities.

The aggregate borrowings of the Group amounted to US$930.0 million (31 December 2014: US$999.7 million) and are denominated in United States Dollars.

Bank Borrowings

Bank borrowings (net of deferred loan arrangement fees) at 30 June 2015 were US$513.1 million (31 December 2014: US$668.0 million) and are in the functional currency of the business segment to which they relate. The overall reduction in bank borrowings is mainly due to loan amortisation.

During the period, we put in place total new bank borrowing facilities of US$134.4 million – secured on 22 vessels – which included the refinancing of US$89 million of loans that become due in the first half of 2015. These new bank borrowings have consistent terms with our existing facilities, including the requirement to satisfy the loans-to-asset value requirements and for the Company to remain listed on the Stock Exchange of Hong Kong Limited. In 2014, the Group secured additional Japanese export credit facilities totalling US$350.2 million for 18 newbuildings. The loans under these facilities will be drawn after the delivery of the vessels, starting with US$94.3 million which is expected to be drawn in the second half of 2015.

The Group monitors the loans-to-asset value requirements on its bank borrowings. If the market values of the Group's mortgaged assets fall below the level prescribed by our lenders, the Group pledges additional cash or offers additional unmortgaged vessels as collateral.

As at 30 June 2015:

- The Group's bank borrowings were secured by mortgages over 80 (31 December 2014: 69) vessels with a total net book value of US$1,410.4 million (31 December 2014: US$1,246.1 million) and an assignment of earnings and insurances in respect of these vessels.
- The remaining unmortgaged vessels of the Group are towage assets with a net book value of US$39.0 million and one dry bulk vessel.
- The Group was in compliance with all its loans-to-asset value requirements.
- The Group had undrawn committed bank borrowing facilities of US$497.7 million (31 December 2014: US$350.2 million).

P/L impact:

The decrease in interest (after capitalisation) to US$11.2 million (2014: US$13.8 million) was mainly due to a decrease in average bank borrowings to US$574.2 million (2014: US$679.5 million). Certain bank borrowings are subject to floating interest rates but the Group manages these exposures by using interest rate swap contracts.

Finance Lease Liabilities

Finance lease liabilities at 30 June 2015 were US$15.8 million (31 December 2014: US$18.3 million) relating to three Handysize vessels with a total net book value of US$15.9 million (31 December 2014: US$19.1 million) whose bareboat charters expire in December 2015. The liability amount decreased following scheduled repayments during the period. The fixed, equal, quarterly charter-hire payments are accounted for as a combination of repayments of finance lease liabilities on the balance sheet and finance charges in the income statement. Finance charges can be expressed as interest rates, fixed for the period of the leases.

Upon the expiry of the bareboat charters, the vessels will be returned to the lessors. The vessels will be treated as disposed by the Group at their net book values and the related finance lease liabilities of the same amounts will be extinguished simultaneously.

P/L impact:

Finance charges of US$0.6 million (2014: US$0.7 million) represent interest payments on Handysize vessels under finance leases.

Convertible Bonds

In June 2015, the Group issued US$125 million, 3.25% p.a. coupon, guaranteed convertible bonds maturing in July 2021. The new bonds are convertible into ordinary shares of the Company at a current conversion price of HK$4.08. The issue of the new convertible bonds enabled the Group to pro-actively manage its upcoming liabilities, including the potential exercise by bondholders of the 2018 convertible bonds in October 2016 of their rights to redeem the bonds at 100% of the principal amount.

At 30 June 2015, the debt components of the 1.75% p.a. coupon April 2016 convertible bonds, 1.875% p.a. coupon October 2018 convertible bonds and the 2021 convertible bonds are US$178.5 million, US$112.2 million and US$110.4 million respectively (31 December 2014: US$202.8 million, US$110.6 million and nil). The decrease in the debt component of the 2016 convertible bonds is mainly due to the buyback and cancellation with an aggregate face value of US$27.8 million for the purpose of saving related coupon payments in the period before maturity. At 30 June 2015, the remaining outstanding principal amount of the 2016 convertible bonds was US$181.8 million.

P/L impact:

The US$7.7 million (2014: US$7.6 million) interest expense of the convertible bonds is calculated at an effective interest rate of 4.9% (2014: 4.9%).

FINANCE COSTS

Finance Costs by Nature

US$ Million	Average interest rate P/L	Average interest rate Cash	Balance at 30 June 2015	Finance costs 1H 2015	Finance costs 1H 2014	(Increase)/ decrease in finance costs
Bank borrowings (including realised interest rate swap costs)	3.7%	3.7%	513.1	**11.2**	13.8	18%
Finance lease liabilities	6.6%	6.6%	15.8	**0.6**	0.7	22%
Convertible bonds	4.9%	1.9%	401.1	**7.7**	7.6	(1%)
	4.3%	3.1%	930.0	**19.5**	22.1	12%
Unrealised interest rate swap income				**(0.7)**	(0.8)	
Other finance charges				**0.7**	0.4	
Total finance costs				**19.5**	21.7	10%
Interest coverage				**2.1x**	1.8x	

The KPIs on which management focuses to assess the cost of borrowings are average interest rates for the sources of borrowings and the Group's interest coverage (see table above).

For 2014 onwards, all financing and associated costs for existing vessel commitments and future vessel acquisitions, net of interest income, have been allocated to the business segments. Consequently, the Treasury segment has nil net finance cost.

The Group aims to achieve a balance between floating and fixed interest rates on its long-term borrowings. This is adjusted from time to time, depending on the interest rate cycle, using interest rate swap contracts where appropriate. During the period, US$3.6 million of interest rate swap contract costs were realised and US$0.7 million of unrealised gains arose resulting in a net US$2.9 million swap contract charge. As at 30 June 2015, 7% (31 December 2014: 12%) of the Group's long-term borrowings were subject to floating interest rates. As at 31 December 2015 and 2016, we expect about 20% and 30% of the Group's existing and committed long-term borrowings will be subject to floating interest rates.

DELIVERED VESSELS

As at 30 June 2015, the Group had delivered vessels with a net book value of US$1,513 million as follows:

		Number	Average size (dwt tonnes)	Average age (years)	Average net book value (US$ Million)	Total net book value (US$ Million)
Dry Bulk	Handysize	67	31,500	9.5	15.7	1,053
Dry Bulk	Handymax	16	55,500	6.4	23.3	373
Dry Bulk	Post-Panamax	1	115,500	4.0	48.3	48
Towage	Tugs & Barges	19	N/A	6.8	2.0	39

Precise vessel market values are difficult to determine when buying interest is limited in uncertain shipping markets. Latest estimated fair market values published by Clarksons Platou are US$13.0 million and US$15.0 million for 5-year old 32,000 dwt Handysize and 56,000 dwt Handymax vessels respectively.

Tugs and barges are denominated in their functional currency of the Australian Dollar, and hence their US Dollar carrying values and commitments are subject to exchange rate fluctuations.

VESSEL COMMITMENTS

As at 30 June 2015, the Group had vessel commitments of US$352.7 million. These vessels are scheduled to deliver to the Group between July 2015 and April 2017.

These commitments, along with future potential vessel acquisitions, will be financed by a combination of cash generated by the Group's operations, existing cash and committed long-term borrowings.

US$ Million	Number of vessels	2H15	2016	2017	Total
Contracted and authorised commitments					
Handysize vessels	12	80.6	123.0	34.7	238.3
Handymax vessels	5	2.9	59.9	51.6	114.4
	17	83.5	182.9	86.3	352.7
Funding					
Planned drawdown of committed Japanese export credit facilities		(94.3)	(153.6)	(102.3)	(350.2)

VESSEL PURCHASE OPTIONS

Certain lease agreements provide the Group with options to purchase the related vessels at predetermined times and prices during the lease periods. The average price of the Group's existing purchase options in the earliest years in which these options may be exercised, along with the number of vessels and the average age of such vessels in those years, are as follows:

Earliest year in which options may be exercised	Vessel type	Number of vessels at 30 June 2015	Average age of vessels (years)	Average purchase option exercise price[1] (US$ Million)
2015	Handysize	1	7	13.3
2016	Handysize	2	5	24.9
	Handymax	1	5	30.0
	Post-Panamax	1	5	43.1
2017	Handysize	2	9	17.0
2020	Handysize	4	5	22.8
2021	Handysize	1	7	24.0
	Handymax	1	5	28.4
2022	Handysize	1	5	23.0
	Handymax	1	7	27.0
2025	Handysize	1	7	27.0
Total		16		

Note 1: Includes certain purchase options priced in Japanese Yen.

VESSEL OPERATING LEASE COMMITMENTS

Vessel operating lease commitments stood at US$763.4 million (31 December 2014: US$877.8 million), comprising US$512.0 million for Handysize, US$212.1 million for Handymax, US$39.1 million for Post-Panamax and US$0.2 million for tugs.

Our Handysize operating lease committed days decreased 14.0% to 48,640 days (31 December 2014: 56,560 days) while our Handymax operating lease committed days decreased 10.8% to 17,310 days (31 December 2014: 19,410 days).

The Group wrote back US$6.1 million and US$4.9 million for Handysize and Handymax onerous contract provisions in the first six months of 2015 following the utilisation of this elements of the charters. At 30 June 2015, there remains a provision of US$50.0 million for Handysize and US$39.9 million for Handymax time charter contracts substantially expiring in a five-year period and whose charter rates are higher than the expected earnings for the remaining charter periods. The provisions will be released back to the income statement in the periods in which the charter payments for these vessels are due, as follows:

Onerous Contract Provisions

US$ Million

Year	Handysize	Handymax	Total
2H15	6.2	4.1	10.3
2016	13.0	11.5	24.5
2017	10.6	9.4	20.0
2018	10.6	8.3	18.9
2019	9.6	6.6	16.2
Total	50.0	39.9	89.9

Commitments Excluding Index-linked Vessels

The following table shows the average contracted daily charter rates and the annual total number of vessel days of our chartered-in Handysize and Handymax vessels during their remaining operating lease terms by year, assuming the purchase options will not be exercised until the expiry of the charter-hire agreements.

	Handysize			Handymax		
		Average daily rate			Average daily rate	
Year	Vessel days	Before provision write-back (US$)	After provision write-back (US$)	Vessel days	Before provision write-back (US$)	After provision write-back (US$)
2H15	6,620	9,480	8,540	3,660	9,790	8,670
2016	9,010	10,200	8,760	3,340	12,530	9,070
2017	8,290	10,370	9,100	2,920	12,970	9,760
2018	6,940	10,930	9,400	2,770	13,140	10,130
2019	6,520	11,000	9,530	2,190	13,180	10,170
2020+	11,260	10,990		2,430	12,890	
Total	48,640			17,310		
Aggregate operating lease commitments		US$512.0m			US$212.1m	

Commitments Including Index-linked Vessels

Our fixed, after provision, rate and variable rate index-linked lease commitments showing first six months completed and 2015 and 2016 outstanding lease periods can be analysed as follows:

	1H2015		**2H2015**		**2016**	
Handysize	Vessel Days	Average daily rate (US$)	**Vessel Days**	**Average daily rate (US$)**	**Vessel Days**	**Average daily rate (US$)**
Long-term (> 1 year)	5,420	8,860	5,560	8,730	8,830	8,280
Short-term	4,930	7,110	1,060	7,520	180	8,800
Index-linked	4,470	5,870	2,320	Market rate	2,180	Market rate
Total	14,820	7,380	8,940		11,190	
Handymax						
Long-term (> 1 year)	1,820	10,210	2,030	10,280	3,300	9,090
Short-term	5,000	7,870	1,630	6,660	40	6,930
Index-linked	750	6,940	270	Market rate	–	Market rate
Total	7,570	8,340	3,930		3,340	

Index-linked vessel operating lease commitments refer to leases with market-linked variable charter rates. The variable charter rates are linked to the Baltic Handysize Index or Baltic Supramax Index (as applicable) and adjusted – usually upwards – to reflect differences in the vessels' characteristics compared to Baltic indices reference vessels. Vessels we chartered are typically larger and more fuel efficient than index reference vessels.

Corporate Governance

High standards of corporate governance are central to achieving objective value for our investors. In setting our standards, the Board considers the needs and requirements of the business, its stakeholders and the Corporate Governance Code (the "Code") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Throughout the six months ended 30 June 2015, the Group has complied with all code provisions of the Code as set out in Appendix 14 of the Rules Governing the Listing of the Securities on the Stock Exchange (the "Listing Rules").

DIRECTORS' SECURITIES TRANSACTIONS

The Board of Directors has adopted the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 of the Listing Rules (the "Model Code").

The Board confirms that, having made specific enquiry, the Directors have complied in full with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions during the six months ended 30 June 2015.

SENIOR MANAGERS' AND STAFF'S SECURITIES TRANSACTIONS

The Company has adopted rules for senior managers and those staff who are more likely to be in possession of unpublished inside information or other relevant Group information based on the Model Code for Securities Transactions by Directors of Listed Issuers (the "Dealing Rules"). These senior managers and staff have been individually notified and provided with a copy of the Dealing Rules.

No incidence of non-compliance by these senior managers and staff was noted by or reported to the Company during the six months ended 30 June 2015.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Group bought back a total of 2,776 units of the Group's US$230,000,000 1.75% p.a. coupon guaranteed convertible bonds due 2016 (the "2016 CB") at face value of US$10,000 each during the period at an average price of US$9,780.30 per unit. The purchase involved a total cash outlay of US$27,150,100 excluding accrued interest of US$161,706 and was made to save related coupon payments on the convertible bonds in the period before maturity. The buyback and the subsequent cancellation of the convertible bonds has resulted in a reduction of long-term liabilities and a loss in the income statement. The remaining outstanding principal amount of the 2016 CB was reduced to US$181,840,000, representing 79% of the principal amount of the 2016 CB originally issued.

Save as disclosed above and other than for satisfying restricted awards granted under the Company's 2013 Share Award Scheme, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the share capital or convertible bonds of the Company during the period.

SHAREHOLDERS' RIGHTS

Shareholders are encouraged to maintain direct communication with the Company and if they have any questions for the Board, they may send an e-mail or letter to:

Company Secretary

Pacific Basin Shipping Limited
7th Floor, Hutchison House
10 Harcourt Road
Central, Hong Kong

www.pacificbasin.com
About Us > Corporate Responsibilities > Corporate Governance > Shareholders / Communication > Shareholders' Rights

INTERIM REPORT AND DISCLOSURE OF INFORMATION ON STOCK EXCHANGE'S WEBSITE

The announcement of interim results containing all the information required by paragraphs 46(1) to 46(9) of Appendix 16 of the Listing Rules has been published on the Stock Exchange's website at www.hkexnews.hk and on the Company's website at www.pacificbasin.com.

This Interim Report is printed in English and Chinese languages, and will be available on our website on or around 19 August 2015 when it is sent to those shareholders who have elected to receive a printed copy.

The interim results and this Interim Report have been reviewed by the Audit Committee of the Company.

CLOSURE OF REGISTER OF MEMBERS

As the Board has not declared an interim dividend, the register of members will not be closed for this purpose.

DIRECTORS

As at the date of this report, the executive Directors of the Company are David Muir Turnbull, Mats Henrik Berglund, Andrew Thomas Broomhead and Chanakya Kocherla, and the Independent Non-executive Directors of the Company are Patrick Blackwell Paul, Robert Charles Nicholson, Alasdair George Morrison, Daniel Rochfort Bradshaw and Irene Waage Basili.

Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

At 30 June 2015, the discloseable interests and short positions of each Director and the Chief Executive in shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the SFO, which: (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or (b) were required to be entered in the register maintained by the Company under Section 352 of the SFO, or (c) were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Name of Director	Personal interest	Corporate or Family interests/ Trust & similar interests	Long/Short position	Number of underlying Shares under equity derivatives	Total Share interests	Approximate percentage of the issued share capital of the Company 30-Jun-15	31-Dec-14
David M. Turnbull [1]	2,527,000	3,730,996 [2]	Long	–	6,257,996	0.32%	0.29%
Mats H. Berglund [1]	5,613,000	–	Long	–	5,613,000	0.29%	0.22%
Andrew T. Broomhead [1]	2,959,000	1,732,180 [3]	Long	–	4,691,180	0.24%	0.25%
Chanakya Kocherla [1]	3,489,667	–	Long	–	3,489,667	0.18%	0.14%
Patrick B. Paul	120,000	–	Long	–	120,000	less than 0.01%	less than 0.01%
Daniel R. Bradshaw	–	386,417 [4]	Long	–	386,417	0.02%	0.02%

Notes:

(1) Restricted share awards were granted under the 2013 Share Award Scheme and have been disclosed below.

(2) 3,730,996 shares are in the form of convertible bonds due 2016 at nominal value of US$3,350,000, held by a Trust named Bentley Trust (Malta) Limited, of which Mr. Turnbull is the founder.

(3) 1,732,180 shares are held via Paulatim Investments Limited which is jointly owned by Mr. Broomhead and his wife, of which 1,336,476 shares are in the form of convertible bonds due 2016 at nominal value of US$1,200,000.

(4) Mr. Bradshaw is a shareholder holding 100% and 50% of the issued share capital, respectively, of Cormorant Shipping Limited and Goldeneye Shipping Limited. He beneficially owns 353,241 shares via Cormorant Shipping Limited and is taken to be interested in the 33,176 shares held by Goldeneye Shipping Limited.

All the interests stated above represent long positions. No short positions were recorded in the register maintained by the Company under section 352 of the SFO as at 30 June 2015.

Save as disclosed, at no time during the period was the Company, its subsidiaries, or its associated companies a party to any arrangement to enable the Directors and Chief Executive of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations.

2013 SHARE AWARD SCHEME ("SAS") AND 2004 LONG TERM INCENTIVE SCHEME ("LTIS")

The SAS was adopted by the Board on 28 February 2013 to replace the LTIS that expired in July 2014. It is a single share award scheme under which no share options can be granted. There is no outstanding unexercised share options granted under the LTIS and all unvested awards granted under the LTIS have vested fully in July 2015.

The SAS enables the Company to grant share awards or unit awards ("Awards") to eligible participants, being principally executive Directors and employees, as an incentive and recognition for their contribution to the Group. Since the adoption of the SAS, the Board has not granted, and currently has no intention to grant, any Awards to Independent Non-executive Directors as they have the responsibility to administer the scheme in accordance with the rules of the SAS.

Details of the grant of long-term incentives and the movements of the outstanding incentives during the six months ended 30 June 2015 under both the SAS and the LTIS on a combined basis are as follows:

'000 shares/units	Date of first award	Total awarded	Vested to date	Unvested at 30 June 2015	During the period: Unvested at 1 Jan 2015	Granted	Vested or lapsed [1]	Vesting Schedule: July 2015 [2]	July 2016	July 2017	July 2018
Directors											
David M. Turnbull	5-Aug-08	3,028	(1,315)	1,713	1,092	621	–	300	445	347	621
Mats H. Berglund	1-Jun-12	5,613	(1,752)	3,861	2,446	1,415	–	876	855	715	1,415
Andrew T. Broomhead	11-May-07	4,118	(1,540)	2,578	1,767	811	–	764	550	453	811
Chanakya Kocherla	11-May-07	2,967	(1,028)	1,939	1,171	768	–	428	410	333	768
		15,726	(5,635)	10,091	6,476	3,615	–	2,368	2,260	1,848	3,615
Other Employees				26,514	17,064	10,312	(862)	7,243	6,358	4,558	8,355
				36,605	23,540	13,927	(862)	9,611	8,618	6,406	11,970

Notes:

(1) 710,000 shares vested following termination of employment contract of five employees and 152,000 shares lapsed following resignation of an employee.

(2) 8,903,000 shares vested on 14 July due to the scheduled vesting of Awards. 708,000 shares vested due to termination of contract of two employees.

The closing price of the shares of the Company immediately before the grant of 13,927,000 restricted awards on 17 April 2015 was HK$3.08.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30 June 2015, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

Name	Capacity/ Nature of interest	Long/Short Position	Number of Shares	Approximate percentage of the issued share capital of the Company 30-Jun-15	31-Dec-14
Aberdeen Asset Management Plc and its Associates (together the "Group") on behalf of accounts managed by the Group	Investment manager	Long	336,981,000	17.31%	18.01%
Michael Hagn	Interest in corporation controlled	Long	252,703,500	12.98%	13.05%
UBS Group AS [1]	Interest in corporation controlled/ Person having a security interest in shares	Long Short	126,119,608 49,378,221	6.48% 2.54%	not available
Credit Suisse Group AG	Interest in corporation controlled	Long Short	125,137,618 101,027,354	6.43% 5.19%	not available
Wellington Management Group LLP	Interest in corporation controlled	Long	117,905,875	6.06%	not available
Royal Bank of Canada [2]	Beneficial owner/ Interest in corporation controlled	Long	104,239,141	5.35%	not available
Citigroup Inc. [3]	Person having a security interest/ Interest in corporation controlled/ Custodian corporation & approved lending agent	Long Lending Pool	100,594,194 77,074,558	5.17% 3.96%	not available
JPMorgan Chase & Co. [4]	Beneficial owner/Investment manager/ Custodian corporation & approved lending agent	Long Short Lending Pool	99,160,383 1,142,816 63,739,858	5.09% 0.06% 3.27%	not available

Notes:

(1) The long position in shares held by UBS Group AS is held in the capacities of Interest in corporation controlled (relating to 71,371,071 shares) and Person having a security interest (relating to 54,748,537 shares).

(2) The long position in shares held by Royal Bank of Canada is held in the capacities of Beneficial owner (relating to 9,610,785 shares) and Interest in corporation controlled (relating to 94,628,356 shares).

(3) The long position in shares held by Citigroup Inc. is held in the capacities of Person having a security interest (relating to 20,575,834 shares), Interest in corporation controlled (relating to 2,943,802 shares) and Custodian corporation/approved lending agent (relating to 77,074,558 shares).

(4) The long position in shares held by JPMorgan Chase & Co. is held in the capacities of Beneficial owner (relating to 27,598,874 shares), Investment manager (relating to 7,821,651 shares) and Custodian corporation/approved lending agent (relating to 63,739,858 shares).

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, as at 30 June 2015, no other person (other than a Director or Chief Executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept by the Company under section 336 of the SFO.

Financial Statements

GROUP PERFORMANCE REVIEW

	Six months ended 30 June		
US$ Million	**2015**	**2014**	Change
Revenue	**634.6**	910.0	-30%
Cost of services	**(623.6)**	(908.2)	+31%
Gross profit	**11.0**	1.8	>100%
Pacific Basin Dry Bulk	**(15.4)**	(11.4)	-35%
PB Towage	**1.4**	(9.2)	+115%
Others	**(0.6)**	(0.9)	+33%
Underlying loss	**(14.6)**	(21.5)	+32%
Unrealised derivative income/(expenses)	**16.7**	(0.3)	>100%
Sale of interest in bunker barge joint venture	**3.7**	–	+100%
Towage impairments and provisions	**–**	(63.9)	+100%
RoRo exchange loss	**–**	(5.0)	+100%
Profit/(loss) attributable to shareholders	**5.8**	(90.7)	+106%
EBITDA	**41.5**	46.9	-12%
Net profit margin	**1%**	-10%	+11%
Return on average equity employed	**1%**	-14%	+15%

+/- Note: In our tabulated figures, positive changes represent an improving result; negative changes represent a worsening result.

Management analyses the Group's performance in two reporting segments, Pacific Basin Dry Bulk and the remaining elements of PB Towage. Please refer to Financial Statements note 4 for details.

The main drivers of our results in the first six months of 2015 were as follows:

- Revenue and cost of services decreased by 30% and 31% respectively mainly due to
  - one of the weakest ever half year periods for the dry bulk freight market;
  - a decrease in our dry bulk revenue days, particularly Handymax;
  - redelivery of expensive chartered-in vessels and the use of lower cost short-term chartered-in vessels; and
  - the loss of revenue and costs from the disposal of our Australian towage operation last year.
- Profit attributable to shareholders was impacted by:
  - an unrealised derivative income of US$16.7 million mainly from an increase in average oil price when compared to the end of 2014 which affected our bunker fuel swap contracts; and
  - a gain of US$3.7 million from the disposal of our interest in the bunker tanker joint venture in New Zealand.

EBITDA was US$41.5 million (2014: US$46.9 million) contributing to a positive operating cash flow and cash and deposits at the period end of US$392.2 million (31 December 2014: US$363.4 million).

Unaudited Condensed Consolidated Balance Sheet

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Note 4(b)
Detailed balance sheet segment information

	Note	30 June 2015 US$'000	31 December 2014 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	1,578,046	1,584,924
Investment properties		2,542	2,605
Land use rights		2,829	2,894
Goodwill	5	25,256	25,256
Interests in a joint venture		–	682
Available-for-sale financial assets	6	2,687	4,126
Derivative assets	7	232	46
Trade and other receivables	8	8,993	8,936
Restricted bank deposits	9	59	89
		1,620,644	1,629,558
Current assets			
Inventories		68,265	79,524
Derivative assets	7	5,797	3,670
Assets held for sale		–	5,749
Trade and other receivables	8	107,278	225,679
Restricted bank deposits	9	12,436	1,605
Cash and deposits	9	379,717	361,731
		573,493	677,958
Total assets		2,194,137	2,307,516
EQUITY			
Capital and reserves attributable to shareholders			
Share capital	14	194,599	191,781
Retained profits		227,756	231,086
Other reserves		572,574	578,879
Total equity		994,929	1,001,746
LIABILITIES			
Non-current liabilities			
Derivative liabilities	7	31,272	22,326
Long-term borrowings	12	671,433	820,645
Provision for onerous contracts	13	66,466	79,582
		769,171	922,553
Current liabilities			
Derivative liabilities	7	12,256	23,524
Trade and other payables	10	133,945	157,698
Current portion of long-term borrowings	12	258,549	179,099
Taxation payable		1,860	1,572
Provision for onerous contracts	13	23,427	21,324
		430,037	383,217
Total liabilities		1,199,208	1,305,770
Net current assets		143,456	294,741
Total assets less current liabilities		1,764,100	1,924,299

Unaudited Condensed Consolidated Income Statement

	Note	Six months ended 30 June 2015 US$'000	2014 US$'000
Continuing operations			
Revenue		**634,556**	909,970
Cost of services		**(623,616)**	(908,132)
Gross profit		**10,940**	1,838
General and administrative expenses		**(3,320)**	(4,927)
Vessel impairment and provision		**–**	(53,784)
Other income and gains		**16,153**	3,880
Other expenses		**(1,196)**	(7,848)
Finance income	15	**2,960**	6,081
Finance cost	15	**(19,461)**	(21,684)
Share of profits less losses/impairment of joint ventures		**178**	(8,032)
Profit/(loss) before taxation	16	**6,254**	(84,476)
Taxation	17	**(499)**	(703)
Profit/(loss) for the period		**5,755**	(85,179)
Discontinued operations			
Loss for the period	11(b)	**–**	(5,484)
Profit/(loss) attributable to shareholders		**5,755**	(90,663)
Dividends	18	**–**	–
Basic and diluted earnings per share for profit/(loss) attributable to shareholders (in US cents)	19		
From continuing operations		**0.30**	(4.47)
From discontinued operations		**–**	(0.29)
From profit/(loss) attributable to shareholders		**0.30**	(4.76)

Unaudited Condensed Consolidated Statement of Comprehensive Income

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Note 4(a)
Detailed income statement segment information

	Six months ended 30 June 2015 US$'000	2014 US$'000
Profit/(loss) attributable to shareholders	**5,755**	(90,663)
Other comprehensive income – items that may be reclassified to income statement:		
Cash flow hedges		
– fair value losses	**(15,559)**	(1,471)
– transferred to finance cost in income statement	**3,333**	4,303
Currency translation differences	**(1,864)**	9,584
Fair value losses on available-for-sale financial assets	**(1,102)**	(718)
Release of exchange (gains)/losses from reserves to income statement for foreign operations upon:		
– disposal of a joint venture	**(355)**	–
– disposal of property, plant and equipment	**–**	5,022
Total comprehensive income attributable to shareholders	**(9,792)**	(73,943)

Unaudited Condensed Consolidated Statement of Changes in Equity

US$'000	Capital and reserves attributable to shareholders									
	Share capital	Share premium	Merger reserve	Convertible bonds reserve	Staff benefits reserve	Hedging reserve	Investment valuation reserve	Exchange reserve	Retained profits	Total
At 1 January 2015	**191,781**	**604,104**	**(56,606)**	**48,755**	**(4,373)**	**(12,439)**	**1,102**	**(1,664)**	**231,086**	**1,001,746**
Equity component of CB issued	–	–	–	13,772	–	–	–	–	–	13,772
Dividends paid	–	–	–	–	–	–	–	–	(12,368)	(12,368)
Total comprehensive income attributable to shareholders	–	–	–	–	–	(12,226)	(1,102)	(2,219)	5,755	(9,792)
Share-based compensation	–	–	–	–	2,155	–	–	–	–	2,155
Shares purchased by trustee of the SAS (Note 14)	(530)	–	–	–	–	–	–	–	–	(530)
Derecognition of equity component upon CB buy back	–	–	–	(3,899)	–	–	–	–	3,845	(54)
Share awards granted (Note 14)	3,436	–	–	–	(2,874)	–	–	–	(562)	–
Shares awards lapsed (Note 14)	(88)	–	–	–	88	–	–	–	–	–
At 30 June 2015	**194,599**	**604,104**	**(56,606)**	**58,628**	**(5,004)**	**(24,665)**	**–**	**(3,883)**	**227,756**	**994,929**
At 1 January 2014	193,237	602,050	(56,606)	51,620	(5,728)	2,640	1,870	(11,371)	526,582	1,304,294
Total comprehensive income attributable to shareholders	–	–	–	–	–	2,832	(718)	14,606	(90,663)	(73,943)
Dividends paid	–	–	–	–	–	–	–	–	(12,385)	(12,385)
Shares purchased by trustee of the SAS (Note 14)	(3,483)	–	–	–	–	–	–	–	–	(3,483)
Share-based compensation	–	–	–	–	2,515	–	–	–	–	2,515
Derecognition of equity component upon exercise of CB put options	–	–	–	(2,865)	–	–	–	–	1,851	(1,014)
Shares issued upon exercise of share options (Note 14)	40	126	–	–	(38)	–	–	–	–	128
Share awards granted (Note 14)	3,692	–	–	–	(3,692)	–	–	–	–	–
At 30 June 2014	193,486	602,176	(56,606)	48,755	(6,943)	5,472	1,152	3,235	425,385	1,216,112

Unaudited Condensed Consolidated Cash Flow Statement

	Note	Six months ended 30 June 2015 US$'000	2014 US$'000
Operating activities			
Cash generated from operations	20	**59,002**	44,797
Overseas taxation paid		**(202)**	(431)
Net cash generated from operating activities		**58,800**	44,366
Investing activities			
Disposal of habour towage business		**57,109**	–
Disposal of RoRo vessels and other PP&E		**29,707**	36,979
Disposal of asset held for sale		**5,650**	–
Purchase of property, plant and equipment		**(44,558)**	(149,118)
Payment for other non-current assets		**–**	(2,871)
Increase in term deposits		**(10,500)**	(26,097)
Increase in restricted bank deposits		**(12,431)**	(10)
Decrease in restricted bank deposits		**1,632**	503
Disposal of joint ventures		**9,788**	–
Loan repayment from/(advanced to) joint ventures		**120**	(196)
Dividends received from a joint venture		**–**	4,497
Interest received		**1,605**	2,704
Receipt of finance lease receivables – capital element		**–**	356
Net cash generated from/(used in) investing activities		**38,122**	(133,253)
Financing activities			
Repayment of bank loans		**(216,634)**	(47,171)
Drawdown of bank loans		**61,186**	–
Proceeds from issuance of convertible bond, net of issuing expenses		**123,725**	–
Payment for buyback/redemption of convertible bonds	12(c)	**(27,150)**	(20,400)
Interest and other finance charges paid		**(15,085)**	(17,346)
Dividends paid to shareholders of the Company		**(12,368)**	(12,385)
Repayment of finance lease liabilities – capital element		**(2,462)**	(2,304)
Payment for shares purchased by trustee of the LTIS & SAS		**(530)**	(3,483)
Proceeds from shares issued upon exercise of share options		**–**	129
Net cash used in financing activities		**(89,318)**	(102,960)
Net increase/(decrease) in cash and cash equivalents		**7,604**	(191,847)
Exchange (losses)/gains on cash and cash equivalents		**(118)**	360
Cash and cash equivalents at 1 January		**256,731**	408,200
Cash and cash equivalents at 30 June		**264,217**	216,713
Term deposits at 1 January		**105,000**	75,000
Increase in term deposits		**10,500**	26,097
Cash and deposits at 30 June		**379,717**	317,810

Notes to the Unaudited Condensed Consolidated Financial Statements

1 GENERAL INFORMATION

Pacific Basin Shipping Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the provision of dry bulk shipping services internationally. In addition, the Group is engaged in the management and investment of the Group's cash and deposits through its treasury activities.

The Company was incorporated in Bermuda on 10 March 2004 as an exempted company with limited liability under the Companies Act 1981 of Bermuda.

The Company is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These unaudited condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 30 July 2015.

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Dry Bulk Market Review

2 BASIS OF PREPARATION

(a) Accounting standards

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS").

(b) Accounting Policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2014.

Certain new standards, amendments and improvements to standards are mandatory for the accounting period beginning 1 January 2015. However, the adoption of these new standards, amendments and improvements to standards does not result in any substantial change to the Group's accounting policies.

3 ESTIMATES

The preparation of unaudited condensed consolidated interim financial statement requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this unaudited condensed consolidated interim financial statement, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2014.

4 SEGMENT INFORMATION

The Group manages its businesses by division. Reports are presented to the heads of divisions as well as the Board for the purpose of making strategic decisions, allocation of resources and assessing performance. The reportable operating segments in this note are consistent with how information is presented to the heads of divisions and the Board.

The Group's revenue is primarily derived from the provision of dry bulk shipping services internationally, and towage services to the offshore sectors in Australia and Middle East.

"Treasury" manages the Group's cash and borrowings.

Geographical segment information is not presented as the Directors consider that the nature of the provision of shipping services, which are carried out internationally, precludes a meaningful allocation of operating profit to specific geographical segments.

Notes to the Unaudited Condensed Consolidated Financial Statements continued

4 SEGMENT INFORMATION (CONTINUED)

(a) Income statement segment information

For the period ended 30 June 2015 US$'000	Pacific Basin Dry Bulk	PB Towage	All Other Segments	Total Segments	Unallocated		Total	Reclass-ification	Per Financial Statements
					Treasury	Others			
Continuing operations									
Revenue	623,272	11,513	261	635,046	–	234	635,280	(724)	634,556
Freight and charter-hire	623,272 [1]	9,605	–	632,877	–	234 [1]	633,111	304 [1]	633,415
Maritime management services	–	1,908	261	2,169	–	–	2,169	(1,028) [2]	1,141
Bunker & port disbursements	(309,997) [3]	(448)	–	(310,445)	–	15,740 [3]	(294,705)	294,705 [3]	–
Time charter equivalent earnings	313,275								
Cost of services	(307,962)	(9,936)	–	(317,898)	–	–	(317,898)	(305,718)	(623,616)
Bunker & port disbursements	–	–	–	–	–	–	–	(294,705) [3]	(294,705)
Charter-hire expenses for vessels	(174,116)	(1,637)	–	(175,753)	–	–	(175,753)	(11,013) [4]	(186,766)
Vessel operating costs	(61,859)	(4,452)	–	(66,311)	–	–	(66,311)	–	(66,311)
Depreciation of vessels	(47,385)	(1,308)	–	(48,693)	–	–	(48,693)	–	(48,693)
Direct overheads	(24,602)	(2,539)	–	(27,141)	–	–	(27,141)	–	(27,141)
Gross profit	5,313	1,129	261	6,703	–	15,974	22,677	(11,737)	10,940
General and administrative expenses	–	–	–	–	–	(3,320) [5]	(3,320)	–	(3,320)
Other income and expenses	(146)	27	(338)	(457)	–	3,677 [6]	3,220	11,737 [1,2,4]	14,957
Finance costs, net	(17,207)	22	–	(17,185)	–	684 [7]	(16,501)	–	(16,501)
Share of profits less losses of a joint venture	–	178	–	178	–	–	178	–	178
Profit/(loss) before taxation	(12,040)	1,356	(77)	(10,761)	–	17,015	6,254	–	6,254
Taxation	–	–	(499)	(499)	–	–	(499)	–	(499)
Profit/(loss) for the period	(12,040)	1,356	(576)	(11,260)	–	17,015	5,755	–	5,755
Discontinued operations									
Loss for the period	–	–	–	–	–	–	–	–	–
Profit/(loss) attributable to shareholders	(12,040)	1,356	(576)	(11,260)	–	17,015	5,755	–	5,755

(1) Net unrealised forward freight agreement benefits and expenses are under "Unallocated Others". Net realised benefits and expenses are under "Pacific Basin Dry Bulk". For the presentation of the financial statements, both realised and unrealised benefits and expenses are reclassified to other income and other expenses. The related derivative assets and liabilities are under "Unallocated Others".

(2) Adjustment to the result on the sale of interest in OMSA joint venture is allocated under "PB Towage". For the presentation of the financial statements, the above is reclassified to other income.

(3) Net unrealised bunker swap contract benefits and expenses are under "Unallocated Others". Net realised benefits and expenses are under "Pacific Basin Dry Bulk". For the presentation of the financial statements, bunkers & port disbursements are reclassified to cost of services. The related derivative assets and liabilities are under "Unallocated Others".

(4) Provision for onerous contracts utilised during the period ended 30 June 2015 is allocated under "Pacific Basin Dry Bulk". For the presentation of the financial statements, the above is reclassified to other income.

(5) "Unallocated Others" represents mainly corporate overheads.

For the period ended 30 June 2014 US$'000	Pacific Basin Dry Bulk	PB Towage	All Other Segments	Total Segments	Unallocated Treasury	Unallocated PB RoRo	Unallocated Others	Total	Reclass-ification	Per Financial Statements
Continuing operations										
Revenue	865,513	43,947	183	909,643	–	–	(1,700)	907,943	2,027	909,970
Freight and charter-hire	865,513 [1]	42,508	–	908,021	–	–	(1,700)[1]	906,321	2,027[1]	908,348
Maritime management services	–	1,439	183	1,622	–	–	–	1,622	–	1,622
Bunker & port disbursements	(453,252)[3]	(3,800)	–	(457,052)	–	–	601[3]	(456,451)	456,451[3]	–
Time charter equivalent earnings	412,261									
Cost of services	(402,720)	(48,961)	–	(451,681)	–	–	–	(451,681)	(456,451)	(908,132)
Bunker & port disbursements	–	–	–	–	–	–	–	–	(456,451)[3]	(456,451)
Charter-hire expenses for vessels	(273,028)	(6,395)	–	(279,423)	–	–	–	(279,423)	–	(279,423)
Vessel operating costs	(61,083)	(27,816)	–	(88,899)	–	–	–	(88,899)	–	(88,899)
Depreciation of vessels	(43,890)	(5,710)	–	(49,600)	–	–	–	(49,600)	–	(49,600)
Direct overheads	(24,719)	(9,040)	–	(33,759)	–	–	–	(33,759)	–	(33,759)
Gross profit	9,541	(8,814)	183	910	–	–	(1,099)	(189)	2,027	1,838
General and administrative expenses	–	–	–	–	–	–	(4,927)[5]	(4,927)	–	(4,927)
Vessel impairment and provision	–	–	–	–	–	–	(63,859)[8]	(63,859)	10,075[8]	(53,784)
Other income and expenses	–	(1,941)	–	(1,941)	–	–	–	(1,941)	(2,027)[1]	(3,968)
Finance costs, net	(16,082)	(273)	–	(16,355)	–	–	752[7]	(15,603)	–	(15,603)
Share of profits less losses/ impairment of joint ventures	–	2,043	–	2,043	–	–	–	2,043	(10,075)[8]	(8,032)
(Loss)/profit before taxation	(6,541)	(8,985)	183	(15,343)	–	–	(69,133)	(84,476)	–	(84,476)
Taxation	–	(153)	(550)	(703)	–	–	–	(703)	–	(703)
Loss for the period	(6,541)	(9,138)	(367)	(16,046)	–	–	(69,133)	(85,179)	–	(85,179)
Discontinued operations										
Loss for the period	–	–	–	–	–	(462)	(5,022)[9]	(5,484)	–	(5,484)
Loss attributable to shareholders	(6,541)	(9,138)	(367)	(16,046)	–	(462)	(74,155)	(90,663)	–	(90,663)

(6) "Unallocated Others" mainly represents gain on disposal of our interest in the bunker barge joint venture.

(7) "Unallocated Others" represents net unrealised interest rate swap contract benefits of US$0.7 million (2014: US$0.8 million).

(8) "Unallocated Others" in 2014 represents the non-cash impairment charges for i) PB Towage vessels of US$51.6 million, ii) PB Towage interest in its joint ventures of US$10.1 million and iii) other provisions of US$2.2 million. This impairment was not allocated to the PB Towage segment results as this did not relate to the underlying operations of the segment. For the presentation of the financial statements, the impairment of PB Towage interest in joint ventures was reclassified to share of profits less losses/impairment of joint ventures. The related vessels and interest in joint ventures were under "PB Towage".

(9) "Others" in 2014 represents the release from foreign exchange reserve amounting to US$5.0 million in relation to one RoRo vessel whose bareboat charter to the purchaser commenced during the period ended 30 June 2014.

Notes to the Unaudited Condensed Consolidated Financial Statements continued

4 SEGMENT INFORMATION (CONTINUED)

(b) Balance sheet segment information

- Vessels delivered & under construction
- Goodwill

- Properties

- Group unallocated cash
- RoRo receivables

- Derivative assets

At 30 June 2015 US$'000	Pacific Basin Dry Bulk	PB Towage	All Other Segments	Total Segments	Unallocated Treasury	 Others	Per Financial Statements
Total assets	**1,703,009**	**45,714**	**8,202**	**1,756,925**	**431,183**	**6,029**[1,3]	**2,194,137**
Including:							
Property, plant and equipment	**1,534,950**	**38,987**	**4,109**	**1,578,046**	**–**	**–**	**1,578,046**
– Include additions to PP&E	**43,381**	**476**	**701**	**44,558**	**–**	**–**	**44,558**
Total cash and deposits	**–**	**–**	**–**	**–**	**392,212**	**–**	**392,212**
Total liabilities	**1,143,818**	**9,228**	**2,634**	**1,155,680**	**–**	**43,528**[1,3]	**1,199,208**
Including:							
Long-term borrowings	**929,982**	**–**	**–**	**929,982**	**–**	**–**	**929,982**

- Bank loans
- Convertible bonds
- Finance lease liabilities

- Derivative liabilities

At 31 December 2014 US$'000	Pacific Basin Dry Bulk	PB Towage	All Other Segments	Total Segments	Unallocated Treasury	 Others	Per Financial Statements
Total assets	1,753,952	119,396	8,658	1,882,006	425,461	49[1,3]	2,307,516
Including:							
Property, plant and equipment	1,538,954	41,652	4,318	1,584,924	–	–	1,584,924
– Include additions to PP&E	187,310	4,208	2,954	194,472	–	–	194,472
Interest in a joint venture	–	682	–	682	–	–	682
Total cash and deposits	–	–	94	94	363,331	–	363,425
Total liabilities	1,237,100	12,693	1,145	1,250,938	9,223	45,609[1,3]	1,305,770
Including:							
Long-term borrowings	999,744	–	–	999,744	–	–	999,744

5 PROPERTY, PLANT AND EQUIPMENT ("PP&E") AND GOODWILL

	Property, plant and equipment		Goodwill
US$'000	**2015**	2014	**2015 & 2014**
Net book amounts			
At 1 January	**1,584,924**	1,622,297	**25,256**
Additions	**44,558**	149,118	**–**
Depreciation	**(49,557)**	(50,504)	**–**
Disposals	**–**	(20)	**–**
Impairment	**–**	(51,581)	**–**
Transfer from other non-current assets	**–**	5,917	**–**
Transfer to finance lease receivables	**–**	(7,641)	**–**
Exchange differences	**(1,879)**	8,407	**–**
At 30 June	**1,578,046**	1,675,993	**25,256**

The impairment charge of US$51.6 million in 2014 related to the vessels under PB Towage. The vessels under PB Towage are considered as a single cash-generating unit (CGU) as they are operated on a portfolio basis and are interchangeable. The recoverable amount of the CGU as at 30 June 2014 of US$125.3 million represented the fair value less transaction costs, was estimated by independent valuer. The value was determined by assuming a willing buyer and a willing seller transacting under general market conditions and was considered to be within Level 3 of HKFRS 13 fair value levels.

Fair value levels

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

6 AVAILABLE-FOR-SALE FINANCIAL ASSETS

US$'000	Valuation method	**30 June 2015**	31 December 2014
Listed equity securities (a)	Level 1	**2,158**	3,597
Unlisted equity securities (b)	Level 3	**529**	529
		2,687	4,126

(a) Listed equity securities represent the Group's investment in Greka Drilling Limited, a company listed on the London AIM market.

(b) Unlisted equity securities represent the Group's investment in an unlisted renewable energy equity fund.

Available-for-sale financial assets have been analysed by valuation method. Please refer to Note 5 for the definitions of different levels of fair value.

There has been no movement in Level 3 financial instruments, unlisted equity securities, for the period ended 30 June 2015.

Notes to the Unaudited Condensed Consolidated Financial Statements continued

7 DERIVATIVE ASSETS AND LIABILITIES

The Group is exposed to fluctuations in freight rates, bunker prices, interest rates and currency exchange rates. The Group manages these exposures by way of:

- forward freight agreements;
- bunker swap contracts;
- interest rate swap contracts; and
- forward foreign exchange contracts.

Amongst the derivative assets and liabilities held by the Group, the fair values of forward foreign exchange contracts, interest rate swap contracts and bunker swap contracts are quoted by dealers at the balance sheet date. The forward freight agreements are traded through a clearing house and its fair value is determined using forward freight rates at the balance sheet date.

Derivative assets and liabilities have been analysed by valuation method. Please refer to Note 5 for the definitions of different levels of fair value.

	30 June 2015			31 December 2014		
US$'000	Level 1	Level 2	Total	Level 1	Level 2	Total
Derivative assets						
Cash flow hedges						
Forward foreign exchange contracts (a(i))	–	4,187	4,187	–	3,513	3,513
Derivative assets that do not qualify for hedge accounting						
Forward foreign exchange contracts (a(ii))	–	–	–	–	154	154
Bunker swap contracts (b)	–	1,842	1,842	–	46	46
Forward freight agreements (c)	–	–	–	3	–	3
Total	–	6,029	6,029	3	3,713	3,716
Less: non-current portion of						
Bunker swap contracts (b)	–	(232)	(232)	–	(46)	(46)
Non-current portion	–	(232)	(232)	–	(46)	(46)
Current portion	–	5,797	5,797	3	3,667	3,670
Derivative liabilities						
Cash flow hedges						
Forward foreign exchange contracts (a(i))	–	20,604	20,604	–	6,799	6,799
Interest rate swap contracts (d(i))	–	3,656	3,656	–	4,676	4,676
Derivative liabilities that do not qualify for hedge accounting						
Forward foreign exchange contracts (a(ii))	–	–	–	–	240	240
Bunker swap contracts (b)	–	16,679	16,679	–	30,624	30,624
Forward freight agreements (c)	–	–	–	237	–	237
Interest rate swap contracts (d(ii))	–	2,589	2,589	–	3,274	3,274
Total	–	43,528	43,528	237	45,613	45,850
Less: non-current portion of						
Forward foreign exchange contracts (a(i))	–	(20,604)	(20,604)	–	(6,799)	(6,799)
Interest rate swap contracts (d(i))	–	(3,267)	(3,267)	–	(4,161)	(4,161)
Interest rate swap contracts (d(ii))	–	(2,589)	(2,589)	–	(3,274)	(3,274)
Bunker swap contracts (b)	–	(4,812)	(4,812)	–	(8,092)	(8,092)
Non-current portion	–	(31,272)	(31,272)	–	(22,326)	(22,326)
Current portion	–	12,256	12,256	237	23,287	23,524

(a) Forward foreign exchange contracts

The functional currency of most of the Group's operating companies is United States Dollar ("USD") as the majority of our transactions are denominated in this currency. Historically, a major part of our exchange rate fluctuations risk arose from the purchase of vessels denominated in non-USD currency. However this risk has significantly reduced as most of our vessel purchases are denominated in USD.

(i) Forward foreign exchange contracts that qualify for hedge accounting as cash flow hedges

The Group has long-term bank borrowings denominated in Danish Kroner ("DKK") with maturity in August 2023. To hedge against the potential fluctuations in foreign exchange, the Group entered into forward foreign exchange contracts with terms that match the repayment schedules of such long-term bank borrowings. These forward foreign exchange contracts qualify for hedge accounting as cash flow hedges.

At 30 June 2015, the Group had outstanding forward foreign exchange contracts with banks to buy approximately DKK1,057.7 million (31 December 2014: DKK 1,134.1 million) and simultaneously sell approximately US$190.4 million (31 December 2014: US$204.3 million), which expire through August 2023.

At 30 June 2015, the Group had outstanding forward foreign exchange contracts with banks to buy approximately US$32.3 million (31 December 2014: US$64.5 million) and simultaneously sell approximately EUR 25.0 million (31 December 2014: EUR 50.0 million) for the sale proceeds of our one RoRo vessel (31 December 2014: two) that is denominated in Euros. These contracts expire in December 2015.

(ii) Forward foreign exchange contracts that do not qualify for hedge accounting

At 31 December 2014, the Group had outstanding forward foreign exchange contracts with banks to buy approximately US$46.3 million and simultaneously sell approximately AUD56.9 million for our other receivables that were denominated in Australian Dollars. These contracts expired through February 2015.

(b) Bunker swap contracts

Bunker swap contracts that do not qualify for hedge accounting

The Group enters into bunker swap contracts to manage the fluctuations in bunker prices in connection with the Group's cargo contract commitments.

At 30 June 2015, the Group had outstanding bunker swap contracts to buy approximately 152,510 (31 December 2014: 180,900) metric tonnes of bunkers. These contracts expire through December 2021 (31 December 2014: December 2021).

(c) Forward freight agreements

Forward freight agreements that do not qualify for hedge accounting

The Group enters into forward freight agreements as a method of managing its exposure to both its physical tonnage and cargo with regard to its Handysize and Handymax vessels.

At 30 June 2015, the Group had no outstanding forward freight agreements:

Contract Type	Index[1]	Quantity (days)	Contract Daily Price (US$)	Expiry through
For 2014				
Buy	BHSI	135	8,000	March 2015
Buy	BSI	45	10,500	March 2015
Sell	BSI	15	9,100	January 2015

(1) "BSI" represents "Baltic Supramax Index" and "BHSI" represents "Baltic Handysize Index"

(d) Interest rate swap contracts

Certain bank borrowings are subject to floating rates, which can be volatile, but the Group manages these exposures by way of entering into interest rate swap contracts.

(i) Interest rate swap contracts that qualify for hedge accounting as cash flow hedges

Effective date	Notional amount	Swap details	Expiry
For 2015 & 2014			
30 December 2013 & 21 January 2014	US$178 million on amortising basis	3-month floating rate LIBOR swapped to a fixed rate of approximately 1.9% to 2.1% per annum	Contracts expire through December 2021
2 January 2007	US$20 million	6-month floating rate LIBOR swapped to a fixed rate of approximately 5.6% per annum	Contracts expire through December 2016
31 March 2009	US$20 million	3-month floating rate LIBOR swapped to a fixed rate of approximately 3.0% per annum	Contracts expire through March 2016
For 2014			
31 March 2009	US$80 million	3-month floating rate LIBOR swapped to a fixed rate of approximately 2.9% per annum	Contracts expired in March 2015

Notes to the Unaudited Condensed Consolidated Financial Statements continued

7 DERIVATIVE ASSETS AND LIABILITIES (CONTINUED)

(ii) Interest rate swap contracts that do not qualify for hedge accounting

Starting on 2 January 2007, a notional amount of US$40 million with the 6-month floating rate LIBOR was swapped to a fixed rate of approximately 5.0% per annum so long as the 6-month floating rate LIBOR remains below the agreed cap strike level of 6.0%. This fixed rate switches to a discounted floating rate (discount is approximately 1.0%) for the 6-month fixing period when the prevailing 6-month floating rate LIBOR is above 6.0% and reverts back to the fixed rate should the 6-month floating rate LIBOR subsequently drop below 6.0%. This contract expires in January 2017.

(e) Analysis of derivative income and expense

During the period ended 30 June 2015, the Group recognised net derivative benefits of US$2.7 million, as follows:

			Six months ended 30 June	
US$ Million	Realised	Unrealised	**2015**	2014
Income				
Forward freight agreements	0.2	0.2	**0.4**	3.2
Bunker swap contracts	4.3	17.1	**21.4**	2.0
Interest rate swap contracts	–	0.7	**0.7**	0.8
Forward foreign exchange contracts	–	0.2	**0.2**	–
	4.5	18.2	**22.7**	6.0
Expenses				
Forward freight agreements	(0.7)	–	**(0.7)**	(5.2)
Bunker swap contracts	(14.2)	(1.4)	**(15.6)**	(1.5)
Interest rate swap contracts	(3.6)	–	**(3.6)**	(4.3)
Forward foreign exchange contracts	–	(0.1)	**(0.1)**	–
	(18.5)	(1.5)	**(20.0)**	(11.0)
Net				
Forward freight agreements	(0.5)	0.2	**(0.3)**	(2.0)
Bunker swap contracts	(9.9)	15.7	**5.8**	0.5
Interest rate swap contracts	(3.6)	0.7	**(2.9)**	(3.5)
Forward foreign exchange contracts	–	0.1	**0.1**	–
	(14.0)	16.7	**2.7**	(5.0)

Presentation in the Segment Information:

Revenue
Bunkers & port disbursements
Cost of services
Other income/Other expenses
Finance costs
General and administration
Profit for the period

Presentation in the Financial Statements:

Revenue
Bunkers & port disbursements
Cost of services
Other income/Other expenses
Finance costs
General and administration
Profit for the period

- *Cash settlement of contracts completed in the period*
- *Included in segment results*

- *Contracts to be settled in future periods*
- *Accounting reversal of earlier period contracts now completed*
- *Not part of segment results*

The application of HKAS 39 “Financial Instruments: Recognition and Measurement” has the effect of shifting to this period the estimated results of these derivative contracts that expire in future periods. On 30 June 2015, this created a net unrealised non-cash income of US$16.7 million (2014: expense of US$0.3 million). The cash flows of these contracts will occur in future reporting periods.

8 TRADE AND OTHER RECEIVABLES

US$'000	30 June 2015	31 December 2014
Non-current receivables		
Prepayments	**8,993**	8,936
Total	**8,993**	8,936
Current receivables		
Trade receivables – gross	**33,486**	45,395
Less: provision for impairment	**(2,665)**	(1,935)
Trade receivables – net (a)	**30,821**	43,460
Other receivables	**33,491**	42,395
Other receivables from disposal of RoRos (b)	**26,857**	58,049
Other receivables from disposal of harbour towage business	**–**	57,839
Other receivables from disposal of OMSA JV	**–**	5,670
Prepayments	**16,109**	18,266
Total	**107,278**	225,679

(a) Trade receivables

At 30 June 2015, the ageing of net trade receivables based on invoice date is as follows:

US$'000	30 June 2015	31 December 2014
≤ 30 days	**16,209**	30,446
31-60 days	**6,667**	5,543
61-90 days	**5,172**	3,192
> 90 days	**2,773**	4,279
	30,821	43,460

Trade receivables consist principally of voyage-related trade receivables. It is industry practice that 95% to 100% of freight is paid upon completion of loading, with any balance paid after completion of discharge and the finalisation of port disbursements, demurrage claims or other voyage-related charges. The Group will not normally grant any credit terms to its customers and trade receivables at the balance sheet date are all past due.

(b) Other receivables from disposal of RoRos

The net sale proceeds of US$26.9 million (31 December 2014: 58.0 million) for the last one RoRo vessel (31 December 2014: two) is expected to be settled in the second half of 2015. These balances represent the fair value based on their cash flows discounted at a borrowing rate of 6%. The discount rate represents the Euro borrowing rate at inception including the appropriate credit spread.

The receivables are denominated in Euros which are hedged by forward foreign exchange contracts.

9 CASH AND DEPOSITS

US$'000	30 June 2015	31 December 2014
Cash at bank and on hand	**103,862**	75,397
Bank deposits	**288,350**	288,028
Total cash and deposits	**392,212**	363,425
Cash and cash equivalents	**264,217**	256,731
Term deposits	**115,500**	105,000
Cash and deposits	**379,717**	361,731
Restricted bank deposits included in non-current assets	**59**	89
Restricted bank deposits included in current assets (Note)	**12,436**	1,605
Total cash and deposits	**392,212**	363,425

Note: The balance mainly represented the collaterals held for bank loans.

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Funding

10 TRADE AND OTHER PAYABLES

US$'000	30 June 2015	31 December 2014
Trade payables	**48,645**	54,458
Accruals and other payables	**53,555**	65,683
Receipts in advance	**31,745**	37,557
	133,945	157,698

At 30 June 2015, the ageing of net trade payables based on due date is as follows:

US$'000	30 June 2015	31 December 2014
≤ 30 days	**44,394**	48,247
31-60 days	**290**	987
61-90 days	**1,663**	1,279
> 90 days	**2,298**	3,945
	48,645	54,458

Notes to the Unaudited Condensed Consolidated Financial Statements continued

11 ASSETS AND LIABILITIES OF DISCONTINUED OPERATIONS CLASSIFIED AS HELD FOR SALE

In September 2012, the Group entered into an agreement to sell six RoRo vessels. The assets and liabilities related to the RoRo business were presented as "held for sale". The RoRo fleet was considered fully disposed in April 2014 when the last RoRo vessel commenced its bareboat charter.

(a) Assets and liabilities of discontinued operations

There were no assets and liabilities of discontinued operations as at 30 June 2015 and 31 December 2014.

(b) Analysis of the result of the discontinued operations

	Six months ended 30 June	
US$'000	**2015**	2014
Operating results		
Revenue	–	1,624
Cost of services	–	(1,829)
Gross loss	–	(205)
Other expenses	–	(255)
Tax	–	(2)
	–	(462)
Exchange loss	–	(5,022)
	–	(5,484)

(c) Cumulative expense recognised in other comprehensive income relating to discontinued operations

	Six months ended 30 June	
US$'000	**2015**	2014
Release of exchange reserve	–	(5,022)

(d) The net cash flows attributable to discontinued operations

	Six months ended 30 June	
US$'000	**2015**	2014
Operating cash flows	–	(431)

12 LONG-TERM BORROWINGS

US$'000	30 June 2015	31 December 2014
Non-current		
Secured bank loans (a)	448,865	507,223
Convertible bonds (c)	222,568	313,422
	671,433	820,645
Current		
Secured bank loans (a)	64,228	160,810
Finance lease liabilities (b)	15,827	18,289
Convertible bonds (c)	178,494	–
	258,549	179,099
Total long-term borrowings	929,982	999,744

(a) Secured bank loans

The Group's bank loans are repayable as follows:

US$'000	30 June 2015	31 December 2014
Within one year	64,228	160,810
In the second year	59,029	79,004
In the third to fifth year	179,207	191,048
After the fifth year	210,629	237,171
	513,093	668,033

The bank loans as at 30 June 2015 were secured, inter alia, by the following:

- Mortgages over certain owned vessels with net book values of US$1,410,390,000 (31 December 2014: US$1,246,087,000);
- Assignment of earnings and insurances compensation in respect of the vessels; and
- Cash and deposits of US$12,431,000 (31 December 2014: US$1,600,000).

(b) Finance lease liabilities

At 30 June 2015 and 31 December 2014, the Group leased three vessels under finance leases. Under the terms of the leases, the Group has options to purchase these vessels at any time throughout the charter periods. Lease liabilities are effectively secured as the right to the leased vessels revert to the lessors in the event of default.

The maturities of the Group's finance lease liabilities are as follows:

US$'000	30 June 2015	31 December 2014
Net liabilities under finance lease within one year	15,827	18,289

Notes to the Unaudited Condensed Consolidated Financial Statements continued

12 LONG-TERM BORROWINGS (CONTINUED)

(c) Convertible bonds

	30 June 2015		31 December 2014	
US$'000	**Face value**	**Liability component**	Face value	Liability component
1.75% coupon due 2016 (i)	**181,840**	**178,494**	209,600	202,845
1.875% coupon due 2018	**123,800**	**112,225**	123,800	110,577
3.25% coupon due 2021	**125,000**	**110,343**	–	–
Total	**430,640**	**401,062**	333,400	313,422

(i) During the period, 1.75% coupon convertible bonds with an aggregate nominal value of US$27.8 million were bought back and cancelled at a consideration of US$27.3 million including commission and accrued interest. Losses of US$0.1 million were recognised in the income statement and an equity movement of US$3.8 million credited to retained earnings was recognised upon the derecognition of the respective liability and equity components.

The carrying value of convertible bonds approximate their fair values.

Key items	1.75% coupon due 2016	1.875% coupon due 2018	3.25% coupon due 2021
Issue size	US$181.8 million (US$230.0 million originally)	US$123.8 million	US$125.0 million
Issue date	12 April 2010	22 October 2012	8 June 2015
Maturity date	12 April 2016 (6 years from issue)	22 October 2018 (6 years from issue)	3 July 2021 (approximately 6.1 years from issue)
Coupon – cash cost	1.75% p.a. payable semi-annually in arrears on 12 April and 12 October	1.875% p.a. payable semi-annually in arrears on 22 April and 22 October	3.25% p.a. payable semi-annually in arrears on 3 January and 3 July
Effective interest rate	4.70% charged to income statement	5.17% charged to income statement	5.70% charged to income statement
Redemption price	100%	100%	100%
Conversion price converting bonds into shares (Note)	HK$6.97 (with effect from 27 April 2015)	HK$4.75 (with effect from 27 April 2015)	HK$4.08
Conversion at bondholders' options	After 11 January 2014, conversion can take place at any time at no premium	Any time on or after 2 December 2012	Any time on or after 19 July 2015
Bondholder put date for redemption at 100% of the principal amount	On 12 April 2014 (4 years from issue), certain bondholders exercised their right to require the Group to redeem all or some of their bonds resulting in US$20.4 million bonds being redeemed and cancelled on 14 April 2014. There is no further bondholder put right.	On 22 October 2016 (4 years from issue), each bondholder will have the right to require the Group to redeem all or some of the bonds. As this is an unconditional put option accounting standards require the Group to treat the convertible bonds as falling due on the put date.	On 3 July 2019 (approximately 4.1 years from issue), each bondholder will have the right to require the Group to redeem all or some of the bonds. As this is an unconditional put option accounting standards require the Group to treat the convertible bonds as falling due on the put date.
Issuer call date for redemption at 100% of the principal amount, provided that the closing price of the Company's shares is at least at a 30% premium to the conversion price then in effect for thirty consecutive trading days	After 12 April 2014, the Group may redeem the bonds in whole.	After 22 October 2016, the Group may redeem the bonds in whole.	After 3 July 2019, the Group may redeem the bonds in whole.

Note: The conversion price is subject to an adjustment arising from the cash dividends paid by the Company according to a pre-determined adjustment factor. Such adjustment becomes effective on the first date on which the Shares are traded ex-dividend.

13 PROVISION FOR ONEROUS CONTRACTS

US$'000	2015	2014
At 1 January	**100,906**	656
Utilised during the period	**(11,013)**	(662)
Exchange differences	**–**	6
At 30 June	**89,893**	–
Analysis of provisions		
Current	**23,427**	–
Non-current	**66,466**	–
	89,893	–

14 SHARE CAPITAL

	2015		2014	
	Number of shares	US$'000	Number of shares	US$'000
Authorised	**3,600,000,000**	**360,000**	3,600,000,000	360,000
Issued and fully paid				
At 1 January	**1,933,666,119**	**191,781**	1,934,457,119	193,237
Shares purchased by trustee of the SAS (a)	**(1,452,000)**	**(530)**	(5,486,000)	(3,483)
Shares granted to employees in the form of restricted share awards (a)	**4,081,000**	**2,451**	7,273,000	3,692
Shares issued upon grant of restricted share awards	**9,846,000**	**985**	–	–
Shares transferred back to trustee upon lapse of restricted share awards (a)	**(152,000)**	**(88)**	–	–
Shares issued upon exercise of share options (b)	**–**	**–**	400,000	40
At 30 June	**1,945,989,119**	**194,599**	1,936,644,119	193,486

The issued share capital of the Company as at 30 June 2015 was 1,946,823,119 shares (30 June 2014: 1,936,977,119 shares). The difference from the number of shares in the table above of 834,000 (30 June 2014: 333,000) represent shares held by the trustee in relation to restricted share awards, amounting to US$83,400 (30 June 2014: US$211,400) as a debit to share capital.

(a) Restricted share awards

Restricted share awards under the Company's 2013 Share Award Scheme ("SAS") and previous Long Term Incentive Scheme ("LTIS") were granted to Executive Directors and certain employees. The SAS and LTIS under HKFRS are regarded as special purpose entities of the Company.

On the grant of the restricted share awards, the relevant number of shares is legally transferred or issued to the trustee who holds the shares for the benefit of the grantees. A grantee shall not be entitled to vote, to receive dividends (except where the Board grants dividend rights to the grantee at the Board's discretion) or to have any other rights of a shareholder in respect of the shares until vesting. If the shares lapse or are forfeited, they will be held by the trustee and can be utilised for future awards. Any dividends paid to the grantees in respect of those shares granted to them but prior to vesting are considered to be a cost of employment and charged directly to the income statement.

Notes to the Unaudited Condensed Consolidated Financial Statements continued

14 SHARE CAPITAL (CONTINUED)

Movements of the number of unvested restricted share awards during the period are as follows:

000' shares	2015	2014
At 1 January	**23,540**	27,810
Granted	**13,927**	7,273
Vested	**(710)**	(28)
Lapsed	**(152)**	–
At 30 June	**36,605**	35,055

During the period, a total of 13,927,000 (2014: 7,273,000) restricted share awards were granted to certain employees. The market prices of the restricted share awards on the grant date represented the fair values of those shares.

The sources of the shares granted and the related movements between share capital and staff benefit reserve are as follows:

	Six months ended 30 June			
	2015		2014	
Sources of shares granted	Number of granted shares awards	Related movement US$'000	Number of granted shares awards	Related movement US$'000
Shares issued	**9,012,000**	**901**	–	–
Shares purchased by the trustee of the SAS on the Stock Exchange funded by the Company	**1,452,000**	**530**	5,153,000	3,272
Shares transferred from the trustee	**3,463,000**	**2,005**	2,120,000	420
	13,927,000	**3,436**	7,273,000	3,692

The vesting dates and grant dates of the unvested restricted share awards as at 30 June 2015 are as follows:

		Vesting periods			
Date of grant	Number of unvested share awards	14 July 2015	14 July 2016	14 July 2017	14 July 2018
1 June 2012	7,631,000	7,631,000	–	–	–
28 September 2012	736,000	736,000	–	–	–
15 March 2013	7,883,000	288,000	7,595,000	–	–
5 May 2014	5,561,000	169,000	171,000	5,221,000	–
13 August 2014	867,000	534,000	–	333,000	–
17 April 2015	13,927,000	253,000	852,000	852,000	11,970,000
	36,605,000	9,611,000	8,618,000	6,406,000	11,970,000

(b) Share options

55,500,000 share options under the LTIS were granted to Executive Directors and certain employees on 14 July 2004 at an exercise price of HK$2.5 per share. They were fully vested on 14 July 2007 and expired on 14 July 2014.

15 FINANCE INCOME AND FINANCE COSTS

	Six months ended 30 June	
US$'000	**2015**	2014
Finance income		
Bank interest income	**(1,605)**	(2,337)
Other interest income	**(1,355)**	(3,377)
Finance lease interest income	**–**	(367)
Total finance income	**(2,960)**	(6,081)
Finance costs		
Borrowings wholly repayable within five years		
Interest on convertible bonds	**7,662**	7,578
Interest on bank loans	**554**	2,126
Interest on finance leases	**580**	739
Borrowings not wholly repayable within five years		
Interest on bank loans	**7,628**	7,502
Other finance charges	**671**	354
Net losses on interest rate swap contracts	**2,893**	3,496
	19,988	21,795
Less: amounts capitalised as PP&E	**(527)**	(111)
Total finance costs	**19,461**	21,684
Finance costs, net	**16,501**	15,603

Notes to the Unaudited Condensed Consolidated Financial Statements continued

16 (PROFIT)/LOSS BEFORE TAXATION

(Profit)/loss before taxation is stated after charging/(crediting) the following:

	Six months ended 30 June	
US$'000	2015	2014
Bunkers consumed	149,936	280,756
Operating lease expenses		
– vessels	186,766	279,424
– land and buildings	1,956	2,324
Depreciation		
– owned vessels	45,427	46,285
– finance leased vessels	3,266	3,315
– other owned property, plant and equipment	864	904
– investment properties	34	34
Amortisation of land use rights	37	37
Employee benefit expenses including Directors' emoluments	21,604	28,205
Gains on derivative instruments do not qualify for hedge accounting		
– bunker swap contracts	(21,443)	(1,997)
– forward freight agreements	(409)	(3,212)
Losses on derivative instruments do not qualify for hedge accounting		
– bunker swap contracts	15,585	1,482
– forward freight agreements	713	5,239
Utilisation of provision of onerous contracts	(11,013)	(656)
Gain on disposal of a joint venture	(3,677)	–
Lubricating oil consumed	3,351	4,001
Provision for/(write-back of) impairment losses		
– trade receivables	894	(306)
– available-for-sale financial assets	337	–
– vessels	–	51,581

General and administrative expenses

	Six months ended 30 June	
US$'000	2015	2014
Direct overheads	27,141	33,759
General and administrative expenses	3,320	4,927
Total administrative expenses	30,461	38,686

The saving of US$8.2 million in general and administrative expenses reflected reduction in costs after disposal of our towage operation last year and a range of saving initiatives undertaken during the period.

Operating lease expenses

Contingent lease payments made amounted to US$31.3 million (2014: US$70.1 million). These related to dry bulk vessels chartered in on an index-linked basis.

Other expenses

Movements in the fair value of and payments for forward freight agreements amounted to US$0.7 million (2014: US$5.2 million). Taking into account the movements in fair value and receipts of US$0.4 million (2014: US$3.2 million) included in other income, the net movement in the fair value and payments for forward freight agreements resulted in an expense of US$0.3 million (2014: US$2.0 million).

17 TAXATION

Shipping income from dry bulk international trade is either not subject to or exempt from taxation according to the tax regulations prevailing in the countries in which the Group operates. Shipping income from towage and RoRo and non-shipping income are subject to tax at prevailing rates in the countries in which these businesses operate.

The amount of taxation charged/(credited) to the consolidated income statement represents:

	Six months ended 30 June	
US$'000	**2015**	2014
Current taxation		
Hong Kong profits tax, provided at the rate of 16.5% (2014:16.5%)	**263**	288
Overseas tax, provided at the rates of taxation prevailing in the countries	**236**	456
Adjustments in respect of prior year	**–**	(41)
Tax charges	**499**	703

18 DIVIDENDS

No interim dividends in respect of the periods ended 30 June 2015 and 2014 were declared. The 2014 final dividend of HK 5 cents or US 0.6 cents per share, a total of US$12,368,000 was paid during the period.

19 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the Group's profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period, excluding the shares held by the trustee of the Company's SAS and LTIS and unvested restricted shares (Note 14(a)).

Diluted earnings per share are calculated by dividing the Group's profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period, excluding the shares held by the trustee of the Company's SAS and LTIS (Note 14(a)) but after adjusting for the number of potential dilutive ordinary shares from convertible bonds, share options (Note 14(b)) and unvested restricted shares where dilutive.

		Six months ended 30 June		
		Basic EPS 2015	**Diluted EPS 2015**	Basic & Diluted EPS 2014
Profit/(loss) from continuing operations	(US$'000)	**5,755**	**5,755**	(85,179)
Loss from discontinued operations	(US$'000)	**–**	**–**	(5,484)
Profit/(loss) attributable to shareholders	(US$'000)	**5,755**	**5,755**	(90,663)
Weighted average number of ordinary shares in issue	('000)	**1,909,570**	**1,946,175**	1,903,878
Earnings per share				
– continuing operations	(US cents)	**0.30**	**0.30**	(4.47)
– discontinued operations	(US cents)	**–**	**–**	(0.29)
	(US cents)	**0.30**	**0.30**	(4.76)
Equivalent to				
– continuing operations	(HK cents)	**2.34**	**2.29**	(34.70)
– discontinued operations	(HK cents)	**–**	**–**	(2.23)
	(HK cents)	**2.34**	**2.29**	(36.93)

Diluted earnings per share for the period ended 30 June 2014 is the same as basic earnings per share because the potential ordinary shares from convertible bonds, share options and unvested restricted shares have no dilution effect.

Notes to the Unaudited Condensed Consolidated Financial Statements continued

20 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit/(loss) before taxation to cash generated from operations

	Six months ended 30 June	
US$'000	**2015**	2014
Profit/(loss) before taxation	**6,254**	(89,960)
Adjusted for:		
Assets and liabilities adjustments:		
Depreciation and amortisation	**49,628**	50,575
Net unrealised (gains)/losses on derivative instruments not qualified as hedges, excluding interest rate swap contracts	**(16,060)**	1,100
Utilisation of provision for onerous contracts	**(11,013)**	(656)
Gain on disposal of a joint venture (a)	**(3,677)**	–
Provision for/(write-back of) impairment losses		
– trade receivables	**894**	(306)
– available-for-sale financial assets	**337**	–
– vessels	**–**	51,581
Capital and funding adjustments:		
Share-based compensation	**2,155**	2,515
Results adjustments:		
Finance costs, net	**16,501**	15,603
Share of profits less losses/impairment of joint ventures	**(178)**	8,032
Exchange differences	**1,355**	(786)
RoRo exchange loss	**–**	5,022
Profit before taxation before working capital changes	**46,196**	42,720
Decrease in trade and other receivables	**27,311**	9,965
Decrease in trade and other payables	**(25,742)**	(14,587)
Decrease in inventories	**11,237**	6,699
Cash generated from operations	**59,002**	44,797

(a) The Group disposed all its interest in the joint venture, Seafuels Limited, during the period and resulted in a gain of US$3.7 million.

21 COMMITMENTS

(a) Capital commitments

US$'000	30 June 2015	31 December 2014
Contracted but not provided for		
– vessel acquisitions and shipbuilding contracts	**352,748**	384,716

Capital commitments for the Group that fall due in one year or less amounted to US$155.6 million (31 December 2014: US$108.7 million).

(b) Commitments under operating leases

(i) The Group as the lessee – payments

The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

US$'000	Dry bulk vessels	Tugs	Vessels total	Land and buildings	Total
At 30 June 2015					
Within one year	**176,965**	**201**	**177,166**	**3,693**	**180,859**
In the second to fifth year	**460,183**	**–**	**460,183**	**5,056**	**465,239**
After the fifth year	**126,098**	**–**	**126,098**	**1,140**	**127,238**
	763,246	**201**	**763,447**	**9,889**	**773,336**
At 31 December 2014					
Within one year	201,864	228	202,092	3,497	205,589
In the second to fifth year	504,564	–	504,564	6,392	510,956
After the fifth year	171,164	–	171,164	1,301	172,465
	877,592	228	877,820	11,190	889,010

The Group's operating leases for dry bulk vessels have terms ranging from less than 1 year to 11 years (31 December 2014: less than 1 year to 11 years). Certain of the leases have escalation clauses, renewal rights and purchase options.

Notes to the Unaudited Condensed Consolidated Financial Statements continued

21 COMMITMENTS (CONTINUED)

(ii) The Group as the lessor – receipts

The Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

US$'000	Dry bulk[a] vessels	Tugs	Total
At 30 June 2015			
Within one year	**19,981**	**4,652**	**24,633**
In the second to fifth year	**63,619**	**–**	**63,619**
After the fifth year	**47,582**	**–**	**47,582**
	131,182	**4,652**	**135,834**
At 31 December 2014			
Within one year	24,388	4,311	28,699
In the second to fifth year	63,619	313	63,932
After the fifth year	55,507	–	55,507
	143,514	4,624	148,138

(a) Operating lease commitments of the Group's minimum operating lease receipts for dry bulk vessels mainly include the commitments from two Post-Panamax vessels of US$127.1 million (31 December 2014: US$135.0 million).

The Group's operating leases have terms ranging from less than 1 year to 16 years (31 December 2014: less than 1 year to 16 years).

22 SIGNIFICANT RELATED PARTY TRANSACTIONS

Significant related party transactions (that do not fall under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules) carried out in the normal course of the Group's business and on an arm's length basis, were as follows:

(a) Sales of services

US$'000	Six months ended 30 June 2015	2014
Charter-hire income received from a joint venture (i)	**–**	9,906
Management service fee received from a joint venture (ii)	**–**	1,773

(i) The Group leased out certain vessels to Offshore Marine Services Alliance Pty Ltd ("OMSA"), a joint venture that was disposed in November 2014.

(ii) The Group performed technical and other management services to OMSA.

(b) Key management compensation (including Directors' emoluments)

US$'000	Six months ended 30 June 2015	2014
Directors' fees	**244**	196
Salaries and bonus	**1,811**	2,254
Retirement benefit costs	**4**	24
Share-based compensation	**670**	785
	2,729	3,259

23 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Company had no contingent liabilities and contingent assets at 30 June 2015 and 31 December 2014.

Notes

Notes

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