Pacific Basin

Staying on course

Experienced team

Exceptional fleet

Customers first

Interim Report 2016

Stock Code: 2343

Business Highlights

Extraordinarily weak dry bulk market conditions during first half 2016

Group

Market freight rates fell further to a record low for dry bulk shipping leading to weak results for the Group

We booked a net loss of US$49.8 million and positive operating cash flow of US$7.7 million

Our Handysize daily TCE earnings outperformed the market index by 56%

We completed a rights issue raising new capital of US$143 million net

Towage disposals in first half of 2016 have generated cash proceeds of US$12 million

Our cash position increased to US$406 million with net gearing of 29%

US$272 million of undrawn committed loan facilities exceeds US$237 million of remaining dry bulk newbuilding capital commitments

We achieved further reductions in our daily Handysize vessel operating costs and G&A expenses

Fleet

We are fully focused on dry bulk with substantially all our long-term assets invested in our market leading Handysize and Supramax business

We have further reduced our owned Handysize operating costs to US$4,060 per day through scale benefits and good cost control

We are operating more owned ships enabling greater control and service quality

We are not entering into new long-term charters, relying instead on our growing fleet of owned and low-cost short-term ships

We now operate 212 dry bulk ships including 87 owned – in addition 12 owned newbuildings join our fleet in the next year

We have covered 58% of our 19,420 Handysize revenue days for second half 2016 at US$7,670 per day net

Market/Position

Market rates were undermined by a general seasonal and Chinese New Year slowdown, lingering oversupply and lower Chinese coal imports

Rates have improved on increasing activity since mid-February driven primarily by South American agricultural exports

High levels of scrapping and negligible new ship ordering will contribute to a healthier market in time

Our recent rights issue enhances our ability to safely navigate the protracted challenging environment, attract cargo as a strong partner, and carefully assess and potentially purchase secondhand vessels in the weak market

We continue to manage our business for a weak market in the medium term – we are driving further cost savings and conducting our business efficiently and safely while astutely combining ships and cargoes to maximise our margins

Our Fleet

(as at 30 June 2016)

	Vessels in operation		Newbuildings on order		Total
	Owned	Chartered	Owned	Chartered	
Handysize	70	59	7	5	141
Supramax	16	65	5	–	86
Post-Panamax	1	1	–	–	2
Total	87	125	12	5	229

Financial Summary

	30 June 2016 US$ Million	30 June 2015 US$ Million	31 December 2015 US$ Million
Results			
Revenue	**488.4**	634.6	1,260.3
Gross (loss)/profit	**(41.3)**	10.9	(4.1)
EBITDA[1]	**(8.3)**	41.5	87.7
Underlying loss KPI	**(61.6)**	(14.6)	(27.8)
Finance costs, net	**(17.1)**	(16.5)	(35.3)
(Loss)/profit attributable to shareholders	**(49.8)**	5.8	(18.5)
Balance Sheet			
Total assets	**2,171.1**	2,194.1	2,145.7
Net borrowings	**466.1**	537.8	567.6
Shareholders' equity	**1,067.4**	994.9	970.9
Total cash and deposits	**406.1**	392.2	358.4
Capital commitments	**236.7**	352.7	273.8
Cash Flows			
Operating	**7.7**	58.8	98.6
Investing	**(49.4)**	38.1	(54.9)
Financing	**72.7**	(89.3)	(100.4)
Per Share Data	HK cents	HK cents	HK cents
Basic EPS[2]	**(14.4)**	1.7	(5.4)
Dividends KPI	**–**	–	–
Operating cash flows	**2**	24	40
Net book value	**213**	396	387
Share price at period end[2]	**73**	189.8	123.6
Market capitalisation at period end	**HK$2.8bn**	HK$5.1bn	HK$3.3bn
Ratios			
Net profit margin	**(10%)**	1%	(1%)
Eligible profit payout ratio	**–**	–	–
Return on average equity	**(5%)**	1%	(2%)
Total shareholders' return	**(41%)**	(15%)	(33%)
Net borrowings to net book value of property, plant and equipment KPI	**29%**	34%	35%
Net borrowings to shareholders' equity	**44%**	54%	59%
Interest coverage (excluding impairments)	**N/A**	2.1X	2.2X

1 EBITDA (earnings before interest, tax, depreciation and amortisation) is our gross profit less general and administrative expenses, excluding: depreciation and amortisation and net unrealised bunker swap contract income and expenses

2 Prior year comparatives of basic EPS and share price are adjusted for the 1:1 rights issue completed in June 2016

Contents

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

Chief Executive's Review

Staying on course

Outperforming in a record low dry bulk market

Mats Berglund
Chief Executive Officer

Hong Kong, 29 July 2016

FINANCIAL RESULTS

In a record low half-year period for dry bulk shipping, Pacific Basin made a net loss of US$49.8 million (2015: US$5.8 million net profit) and a positive operating cash flow of US$7.7 million (2015: US$58.8 million). Basic EPS was a negative HK14.4 cents.

Rights Issue strengthens liquidity

We successfully completed a one-for-one rights issue in June raising US$143 million (after expenses) of new capital. Pursuing a rights issue is not easy in this very weak market and it is a reflection of our sector-leading business model and corporate and financial profile that we were able to do it. We consider the rights issue to have been an equitable way to strengthen our balance sheet and liquidity position, further increasing our profile as a preferred carrier for our cargo customers while enhancing the value of our Company overall.

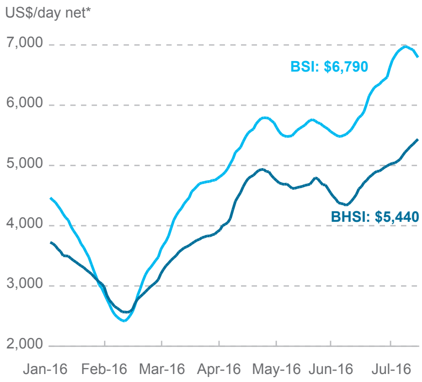
PERFORMANCE OVERVIEW

We generated average Handysize and Supramax daily TCE earnings of US$6,080 and US$5,910 per day net, outperforming the BHSI and BSI indices by 56% and 29% respectively. The TCE premium we generate is due mainly to our ability to draw on our experienced teams, global office network, strong cargo support and large fleet of high-quality substitutable ships in a way that optimises ship and cargo combinations for maximum utilisation.

As stated in our first quarter trading update, dry bulk freight market indices continued in early 2016 to decline to new record lows for all bulk carrier types since Baltic indices began in 1985. Freight earnings conditions are estimated to have been as poor as those of the early 1970s and the Supramax segment was especially hard hit resulting in average Supramax rates falling below Handysize rates. Freight rates were undermined by a general seasonal and Chinese New Year slowdown in demand, lingering oversupply of dry bulk tonnage and lower Chinese imports of coal.

Increased activity since mid-February has supported improved market freight rates with Supramax rates returning to a premium over Handysize rates. Growth was recorded in Chinese grain, bauxite and copper concentrates imports. Chinese steel exports remained at high levels following strong growth in 2015, and Chinese imports of seven key minor bulks grew by 4% year on year.

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



* excludes 5% commission
Source: Baltic Exchange, data as at 27 July 2016

We have been working hard with our customers around the world to further develop our core trades and routes for even greater fleet utilisation. As ship operators and owners with greater control of all processes from crewing and maintenance to dealing with the commodity end users, we are able to fine-tune every activity benefitting our customers and ourselves. We continue to look for ways to improve our systems and processes for better performance and results. For example, as charters expire, we are replacing inward chartered ships with higher quality vessels for an improved fleet efficiency overall. We remain focused on safe and cost-efficient operations and scale benefits, which have contributed to a reduction in both our daily Handysize vessel operating costs and shore-side G&A expenses compared to last year.

FUNDING & BALANCE SHEET

The rights issue reflects our prudent financial planning and represents a valuable shot in the arm for the Company. Raising net proceeds of US$143 million removes any doubt about our ability to safely navigate the protracted challenging environment. Instead, it puts us in an advantageous position: the new shareholder equity raised ahead of the expected October 2016 put of US$124 million of our 2018 convertible bonds leaves our existing cash intact to cover general working capital needs, and it enhances our ability as a strong partner to attract cargo and to carefully assess and potentially purchase secondhand vessels in the weak market.

As at 30 June 2016, we had cash and deposits of US$406 million, net borrowings of US$466 million and net gearing of 29%. We remain in compliance with our loan covenants. We also had US$272 million of committed but undrawn loan facilities – mainly attractive Japanese export credit – which exceeds the US$237 million of remaining payments due on our 12 Japanese newbuildings still to deliver.

Our cash position, the successful rights issue, our robust business model and our solid track record are all attributes that contribute to the strong corporate profile that sets us apart as a preferred, strong, reliable and safe partner for customers and other stakeholders in these weak market conditions.

STRATEGY AND POSITION

Solid strategy with a strong competitive edge

Having divested out of non-core businesses in recent years, we are now fully focused on our world-leading Handysize and Supramax dry bulk business where we have developed a strong competitive edge, underpinned by 99 high-quality owned ships (including newbuildings) which make up the best fleet we have ever had.

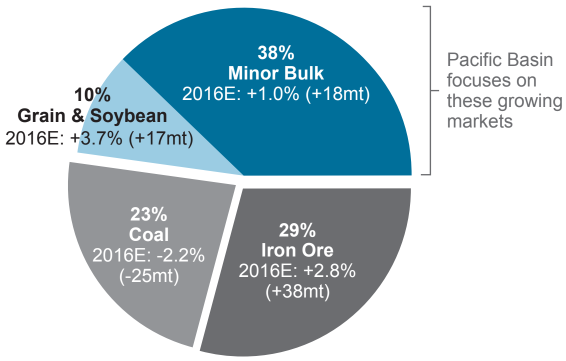
We have a solid strategy – to be the best operator in our space and achieve high laden utilisation and premium TCE earnings by leveraging all the key attributes of our business model – and we remain committed to our minor bulk shipping sphere.

Resilient minor bulk

Analysts often focus on iron ore and coal and the fact that the outlook for those segments is challenging. However, the cargoes we focus on – minor bulks and grain – together represent 48% of global dry bulk volumes and are still expected to grow. Minor bulk demand is less dependent on China and has a more diversified geographical, cargo and customer profile. This allows for the combination of trades to achieve higher laden utilisation, which is exactly our strategy and how we can deliver value over average market earnings.

Minor Bulk is Not So Minor

Global Dry Bulk Trade:
2016E: 4.9 Billion Tonnes (+1% YoY)



Source: Clarksons Platou, Data as at 1 July 2016
mt = million tonne

Shrinking orderbook

The average age of the global Handysize fleet is higher than in other segments which will help drive scrapping. In view of the weak freight environment and outlook, and the significant gap between newbuilding and secondhand prices, there has been negligible Handysize and Supramax new ship ordering this year. While the dry bulk orderbook for 2016 remains relatively large, deliveries in the next few years will be significantly reduced. Combined with current high levels of scrapping, this will lead to a healthier supply/demand balance in due course.

With better demand and supply fundamentals compared to the larger dry bulk ships, we consider ourselves to be in the right dry bulk segments.

Promoting scrapping

Older ships and ships of poor design have typically generated negative cash flows in the recent extremely weak markets and, instead of prolonging the lives of such ships by investing further in repairs, dry-dockings and ballast water treatment systems, our industry should scrap them to shrink the oversupply.

Higher oil prices a positive factor

Higher oil prices are positive for the freight market as increased fuel prices reduce the sensitivity of ship operating speeds to increasing freight rates. This allows freight rates room to recover without being undermined by faster speeds which increase supply.

Limited exposure to Towage

Our limited remaining towage activity is focused in the Middle East where we are operating five tugs and two barges in the oil and gas and construction sectors. Our remaining towage assets have a net book value of approximately US$18 million and we continue to market them for sale.

Our towage disposals in the year to date have generated cash proceeds of US$12 million.

Managing for a continued weak dry bulk market in the medium term

Despite the boost provided by our rights issue and our belief that supply-side corrections are beginning to lay the foundations for an eventual market improvement, we cannot in any way relax. We are continuing to manage for a weak market in the medium term, driving further cost savings and conducting our business efficiently and safely while astutely combining ships and cargoes to maximise our margins.

With our experienced staff, robust business model and strengthened balance sheet and liquidity, we are well positioned to navigate this extremely weak market and to benefit from a cyclical upturn when it comes. We thank you for your continued support.

Mats Berglund
Chief Executive Officer

POSSIBLE MARKET DRIVERS IN THE MEDIUM TERM

Opportunities

- Increased ship scrapping and lay-up encouraged by low freight rates, costly dry-dockings and new ballast water treatment requirements
- Negligible new ship ordering, shrinking orderbook, more shipyard failures and significant deliveries shortfall driven by weak market and reduced lending and investment
- Low commodity prices stimulating re-stocking and demand for dry bulk imports
- Continued strong Asian demand for long-haul South American agricultural exports
- Higher fuel oil prices encouraging continued slower ship operating speeds even when freight rates increase
- Diverse minor bulks and grain (48% of global dry bulk) are still expected to grow while less dependent on China

Threats

- Further reduction in Chinese industrial growth impacting demand for dry bulk shipping
- Slower economic growth in the US and OECD countries
- Increased protectionism favouring domestic supplies over foreign imports, especially Chinese steel
- Increased new ship ordering if subsidies support shipbuilding at loss-making prices
- Insufficient scrapping to offset new ship deliveries and weaker demand
- Continued low fuel prices supporting faster ship operating speeds which increases supply

Market Review

Freight Market Summary

Handysize and Supramax spot market rates averaged US$3,900 and US$4,570 per day net respectively in the first half of 2016, representing a 22% and 27% decline in average earnings year on year.

Baltic dry bulk freight market indices continued to decline in early 2016 to new record lows for all bulk carrier types which, in February, all recorded TCE earnings of less than US$3,000 per day. Such level of earnings is below cash operating expenses and conditions are estimated to have been as poor as those of the early 1970s.

Freight rates were undermined mainly by a general seasonal and Chinese New Year slowdown in demand, lingering oversupply of dry bulk tonnage and lower Chinese imports of coal.

Increased activity after mid-February supported improved market freight rates – more notably in the Atlantic due primarily to increased South American grain exports – albeit from a very low base and resulting in a very weak half-year period overall for dry bulk shipping.

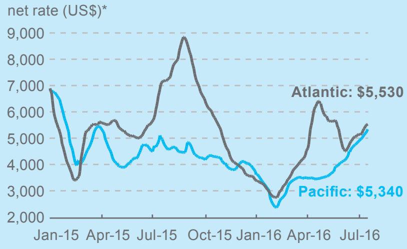
US$3,900 net ⬇ -22%

Handysize 1H16 average market spot rate

US$4,570 net ⬇ -27%

Supramax 1H16 average market spot rate

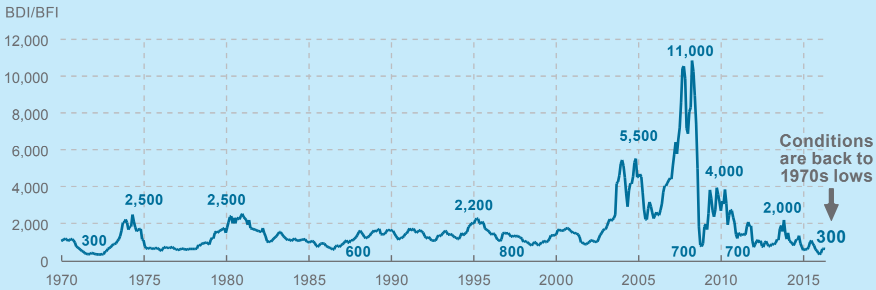
Handysize Spot Rates Atlantic vs Pacific Routes



* excluded 5% commission

Source: Baltic Exchange, data as at 27 July 2016

Dry Bulk Freight Market since 1970



Source: Pacific Basin (pre-1985 estimates), Baltic Exchange (1985 onwards)

SUPPLY DRIVERS

FREIGHT MARKET & OUTLOOK IMPACT SHIP VALUES

Key Supply Developments

The global fleet of 25,000-40,000 dwt Handysize and 50,000-60,000 dwt Supramax ships grew 1.4% net and 2.3% net respectively during the half year, and there has been negligible net growth in the dry bulk fleet overall since the seasonal surge in new ship deliveries in January.

Following a similar pattern to last year, new ship deliveries in the first half represented 3.6% of existing dry bulk capacity and full-year deliveries are projected to fall significantly short of the scheduled orderbook.

All-time low freight earnings encouraged increased scrapping to 1.8% of existing dry bulk capacity in the first quarter – a level not seen in over 30 years. The second quarter saw a reduced pace of scrapping due to improved freight market conditions. In the half year overall, shipowners opted to delete 2.8% of total dry bulk capacity and 2.5% of Handysize capacity rather than continue to operate their older or poorly designed ships in such depressed trading conditions.

For the first time since the 1980s, we observed a meaningful number of vessels withdrawn from the market for short-term idling or longer-term lay-up.

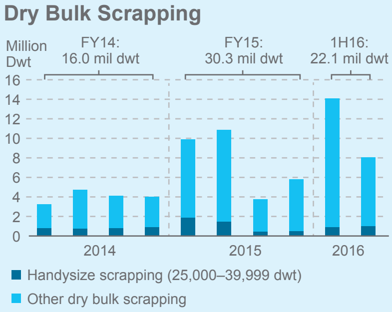
⬆ +1.4%

Global Handysize capacity

⬆ +0.7%

Overall dry bulk capacity

Dry Bulk Scrapping



Source: Clarksons Platou

Ship Values

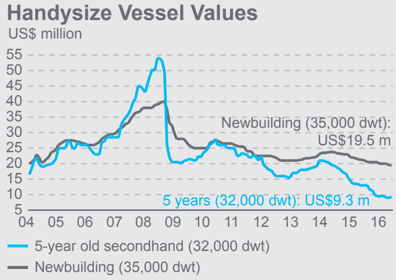
Values of benchmark five year old and newbuilding Handysize bulk carriers have reduced by 2% and 5% since the start of the year to US$9.3 million and US$19.5 million respectively as estimated by Clarksons Platou, and they appear to have stabilised. The significant gap between newbuilding and secondhand prices continues to discourage new ship ordering activity which will benefit freight market fundamentals in the future.

Cancelled or abandoned newbuildings especially from Chinese shipyards are occasionally marketed for sale by shipbuilders at significant discounts.

US$9.3m ⬇ -2%

Secondhand Handysize

Handysize Vessel Values



Source: Clarksons Platou, as at 27 July 2016

VALUES & OUTLOOK IMPACT NEW SHIP ORDERING

DEMAND DRIVERS

Key Demand Developments

Year on year, Clarksons Platou estimate dry bulk shipping demand in the first quarter to have increased by 0.4%. Key drivers through the first half included increased iron ore exports – especially from Brazil – as well as growth in Chinese steel exports and bauxite and copper concentrates imports, and strong exports of long-haul South American agricultural products.

Chinese imports of seven key minor bulks increased by 5 million tonnes or 4% year on year, reflecting slower growth in Chinese industrial output.

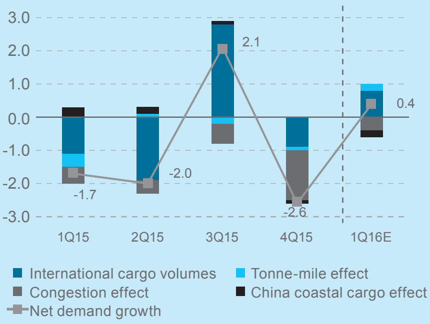
Having declined significantly in early 2015, coal volumes have been steadier since a year ago. Reduced bauxite exports from Malaysia have been largely offset by growth in longer haul volumes from Guinea and other Atlantic exporters. US petcoke exports in January to April increased 6% year on year driven by strong growth in Indian demand which has more than offset a decline in volumes to China.

Despite the marginally positive year-on-year demand data, a typical seasonal fall in dry bulk trade volumes from the last quarter of 2015 to the first quarter of 2016 contributed to record low freight rates in the first quarter. Overall dry bulk demand improved in the second quarter, particularly in the Atlantic due primarily to increased South American grain exports.

Overall dry bulk demand

+0.4% 1Q16 YoY

Dry Bulk Effective Demand



Source: Clarksons Platou

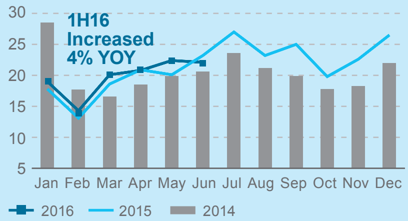
Chinese imports – major bulks

Iron Ore	↑	9%
Coal	↑	8%

Chinese imports – minor bulks

Soybean	↑	10%
Logs	↑	3%
Bauxite	↑	12%
Nickel Ore	↓	23%

2016 Chinese Minor Bulk Imports



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

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

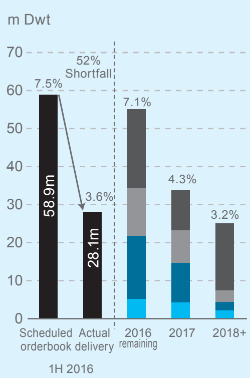
Source: Bloomberg

Orderbook

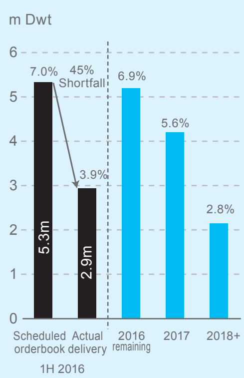
The dry bulk orderbook has reduced to 15% from 18% a year ago. New ordering for most dry bulk ship types was negligible in the first half of the year which is further increasing pressure on underutilised shipyards. New orders were substantially limited to thirty Valemax ore carriers dedicated to Vale's own iron ore export trades and primarily built to replace an ageing Very Large Ore Carrier fleet.

The significant orderbook shortfall and slippage continues, and we expect new ship deliveries in the full year 2016 to be similar to last year's 49 million deadweight tonnes. We expect the absence of new ordering to result in significantly reduced new ship deliveries from next year onwards.

Orderbook by Year



Handysize Orderbook



Dry Bulk New Ship Ordering

Source: Clarksons Platou, as at 1 July 2016

	ORDERBOOK AS % OF EXISTING FLEET	AVERAGE AGE	OVER 20 YEARS OLD	SCRAPPING AS % OF EXISTING FLEET (ANNUALISED)
Handysize (25,000–39,999 dwt)	15%	8	10%	5%
Handymax (incl. Supramax) (40,000–64,999 dwt)	16%	8	7%	3%
Panamax & Post-Panamax (65,000–119,999 dwt)	12%	8	6%	5%
Capesize (incl. VLOC) (120,000+ dwt)	17%	7	8%	8%
Total Dry Bulk > 10,000 dwt	15%	9	8%	6%

Our Performance

Our core dry bulk business generated a net loss of US$60.4 million (2015: net loss US$15.4 million) in what was a record low half-year period for dry bulk market rates.

In the challenging market conditions, we generated daily earnings that outperformed the BHSI and BSI indices by 56% and 29% respectively and continued to maintain good control of our vessel operating costs.

DRY BULK OPERATING PERFORMANCE

US$ Million	Six months ended 30 June 2016	2015	Change
Handysize Contribution	**(30.2)**	(0.6)	>-100%
Supramax Contribution	**(6.8)**	10.4	>-100%
Post-Panamax Contribution	**2.7**	2.7	–
Dry Bulk operating performance before overheads	**(34.3)**	12.5	>-100%
Overheads and tax	**(26.1)**	(27.9)	+6%
Dry Bulk net loss	**(60.4)**	(15.4)	>-100%
Dry Bulk vessel net book value	**1,577.9**	1,535.0	+3%

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

OUR DRY BULK CARGO VOLUMES IN 1H 2016

Minerals

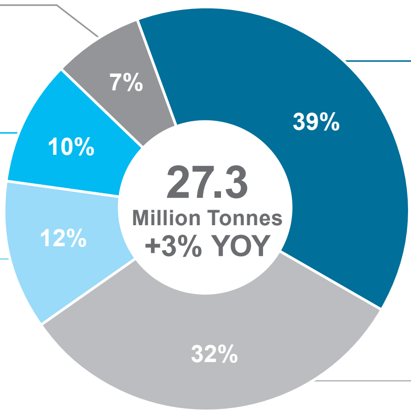
Sand & Gypsum	3%
Salt	3%
Soda Ash	1%

Energy

Petcoke	5%
Coal	4%
Wood Pellets	1%

Metals

Concentrates & Other Metals	7%
Ores	3%
Alumina	2%



Construction Materials

Steel & Scrap	15%
Logs & Forest Products	14%
Cement & Cement Clinkers	10%

Agricultural Products and Related

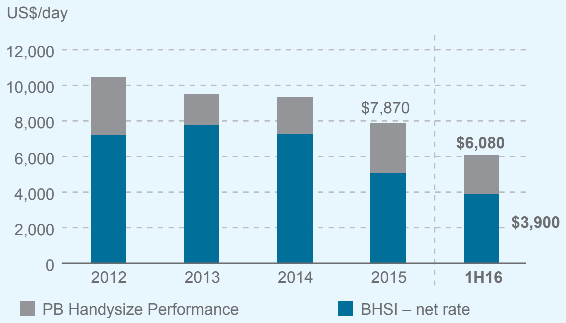
Grains & Agriculture Products	19%
Fertiliser	8%
Sugar	5%

KEY PERFORMANCE INDICATORS KPI

Performance vs Market

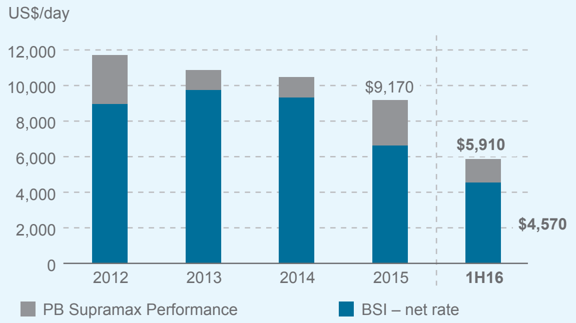
Handysize

56% 1H2016 outperformance compared to market



Supramax

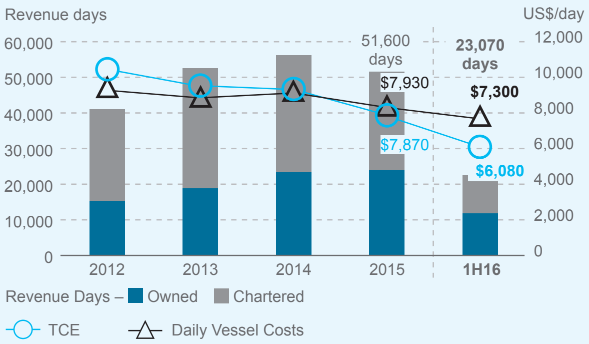
29% 1H2016 outperformance compared to market



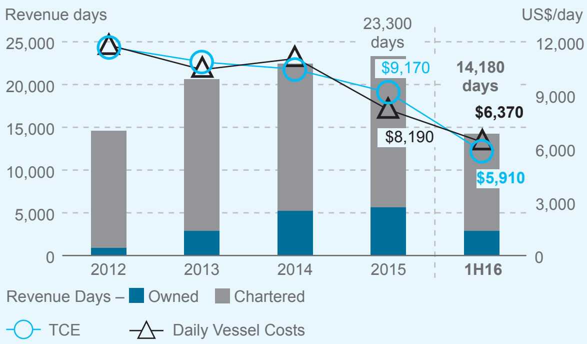
- Our 56% and 29% outperformance in first half 2016 compared to spot market indices reflects the value of our fleet scale and cargo book, and our ability to optimise cargo combinations and match the right ships with the right cargoes.

Profitability

Handysize
US$(30.2)m contribution



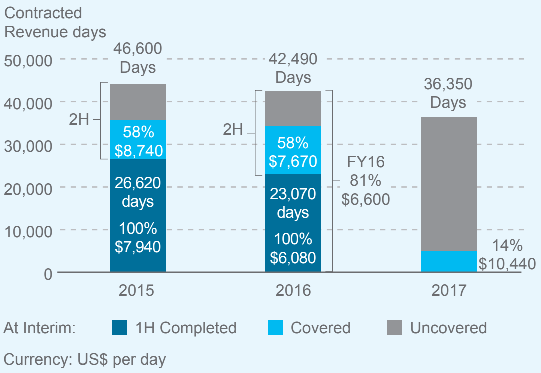
Supramax
US$(6.8)m contribution



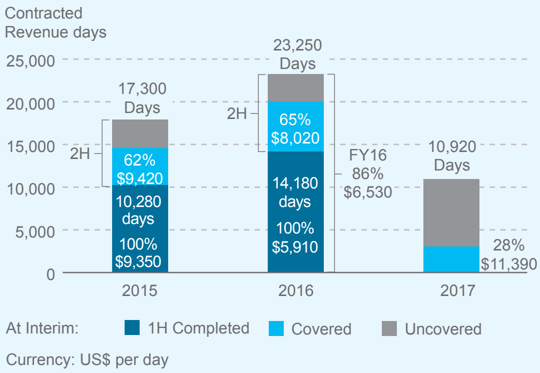
- We generated Handysize daily earnings of US$6,080 with daily costs of US$7,300 on 23,070 revenue days.
- Our Handysize and Supramax results were under pressure in the weak market resulting in negative contributions despite our strong premium.
- We operated an average of 129 Handysize and 79 Supramax ships resulting in a 13% reduction and 39% increase in our Handysize and Supramax revenue days year on year.
- 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



Supramax



- We have covered 58% and 65% of our 19,420 Handysize and 9,070 Supramax revenue days currently contracted for the second half of 2016 at US$7,670 and US$8,020 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.

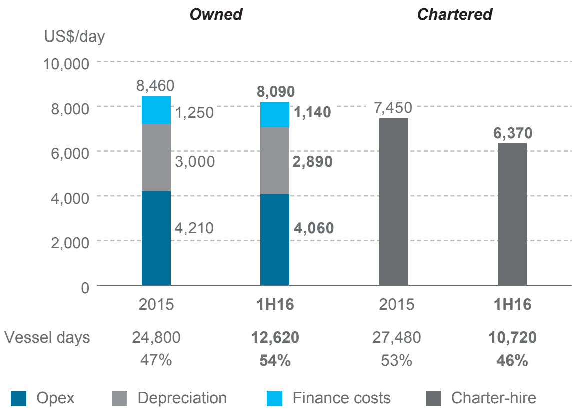
Analysis of Daily Vessel Costs

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 our "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$7,300 (FY2015: US$7,930)

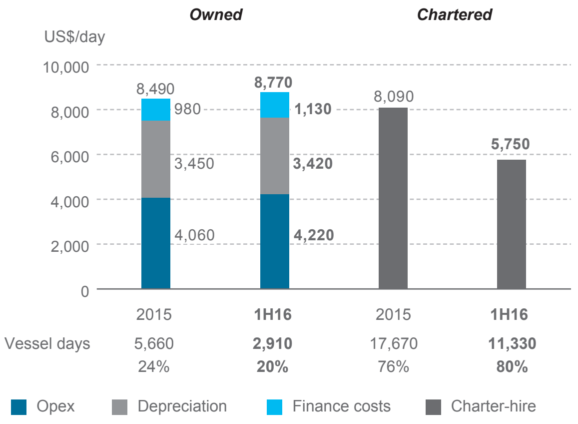
(excluding overheads)



Supramax Daily Vessel Costs

Blended US$6,370 (FY2015: US$8,190)

(excluding overheads)



Opex – The daily opex element of our vessel costs decreased 4% for Handysize mainly due to crewing and procurement cost efficiencies, while increasing 4% for Supramax mainly due to a few one-off repair and maintenance costs.

Depreciation – Daily Handysize depreciation (including capitalisation of dry-docking costs) decreased due to the redelivery on expiry in December 2015 of finance leased vessels with higher depreciation costs.

Finance costs – Our owned Handysize vessels' daily P/L and cash finance costs were US$1,140 and US$870 respectively, and our Supramax daily P/L and cash finance costs were US$1,130 and US$1,040 respectively. The difference between the P/L and cash finance costs reflects the difference in the coupon and effective interest rate of our convertible bonds. Our Handysize daily finance costs reduced compared to 2015 while Supramax daily finance costs increased due to the allocation of more convertible bonds interest to this vessel type as more Supramax owned newbuildings deliver.

Charter-hire – Our chartered Handysize vessels' daily P/L and cash charter-hire costs were US$6,370 and US$7,280 respectively, and our Supramax daily P/L and cash charter-hire costs were US$5,750 and US$6,110 respectively. The difference between the P/L and cash charter-hire costs reflects the write-back of onerous contract provisions made in 2014 relating to the 2016 element of our charter commitments.

Chartered-in days represented 46% and 80% of our total Handysize and Supramax vessel days respectively. Our Handysize chartered-in days decreased 28% to 10,720 days (2015: 14,820 days) while our Supramax chartered-in days increased 50% to 11,330 days (2015: 7,570 days). Our Supramax fleet benefitted in the weak market from its larger proportion of low-cost short-term chartered-in ships and the redelivery of more expensive vessels.

Daily cash cost – Our average owned and chartered daily cash cost excluding overheads was US$6,010 (2015: US$6,730) for our Handysize fleet and US$5,940 (2015: US$7,880) for our Supramax fleet.

Overheads – Our dry bulk direct staff overheads and office costs, along with all overheads categorised as indirect overheads, amounted to US$25.6 million (2015: US$27.9 million). Spread across our vessel days, the aggregate overheads translated into a daily cost of US$680 per ship per day (2015: US$750 per day).

The Group's total administrative expenses amounted to US$27.4 million (2015: US$30.4 million). The year-on-year saving of US$3.0 million reflects the reduction in costs after the disposal of most of our non-dry bulk operations and a range of cost savings initiatives undertaken during the period.

During the period, we secured 1,630 Handysize vessel days (2015: 4,470 days) and 200 Supramax vessel days (2015: 750 days) via variable-rate, inward charters with rates linked to the Baltic Handysize and Supramax indices. These index-linked vessels represented 15% and 2% of our chartered Handysize and Supramax vessel days respectively.

Our fleet of owned dry bulk vessels experienced an average 1.5 days (FY2015: 2.2 days) unplanned technical off-hire per vessel during the period.

Page 12
Vessel Operating Lease Commitments
Analysis of our long-term, short-term and index-linked inward charter commitments

Funding

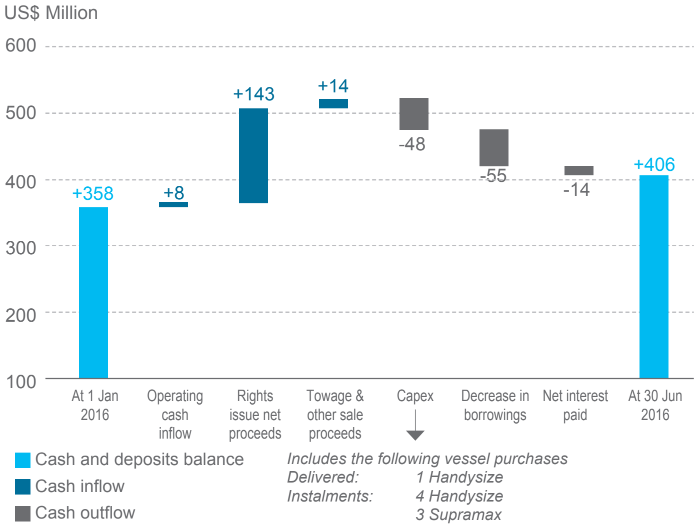
CASH FLOW AND CASH

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 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 appropriate over all stages of the shipping cycle.

Sources and Uses of Group Cash in 1H 2016



Current Position and Outlook

In the first half of 2016:

- We raised US$143 million of cash after expenses through the issue of rights shares at the subscription price of HK$0.60 per rights share on the basis of one rights share for every one existing share.
- Borrowings decreased by US$55 million, after:
  - The 2016 convertible bonds principal repayment of US$106 million upon its maturity in April.
  - Our net repayment of US$22 million of bank borrowings and revolving facilities.
  - We drew down US$73 million under our Japanese export credit facilities in respect of four delivered newbuildings.
- We received sale proceeds of US$14 million for Towage and other non-core assets.

As at 30 June 2016:

- The Group's cash and deposits were US$406 million reflecting a 29% net gearing ratio.
- Our undrawn committed borrowing facilities of US$272 million comprise:
  - US$238 million of Japanese export credit facilities for our newbuilding commitments of US$237 million payable over the next year.
  - US$34 million of other secured borrowing facilities.
- Our unmortgaged vessels comprised towage assets with a net book value of US$18 million and three dry bulk vessels.
- Cash and deposits, undrawn committed borrowing facilities and operating cash flows will enable us to fund the following payment obligations:
  - US$124 million of our bank borrowings due between the second half of 2016 and 2017.
  - 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.

Cash and Deposits

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

US$ Million	30 June 2016	31 December 2015	Change
Cash and deposits	**406.0**	358.3	
Restricted bank deposits – non-current	**0.1**	0.1	
Total cash and deposits	**406.1**	358.4	+13%
Current portion of long-term borrowings	**(198.0)**	(292.7)	
Long-term borrowings	**(674.2)**	(633.3)	
Total borrowings	**(872.2)**	(926.0)	+6%
Net borrowings	**(466.1)**	(567.6)	+18%
Net borrowings to net book value of property, plant and equipment KPI	**29%**	35%	
Net borrowings to shareholders' equity	**44%**	59%	
Net working capital	**182.9**	40.8	>100%

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.

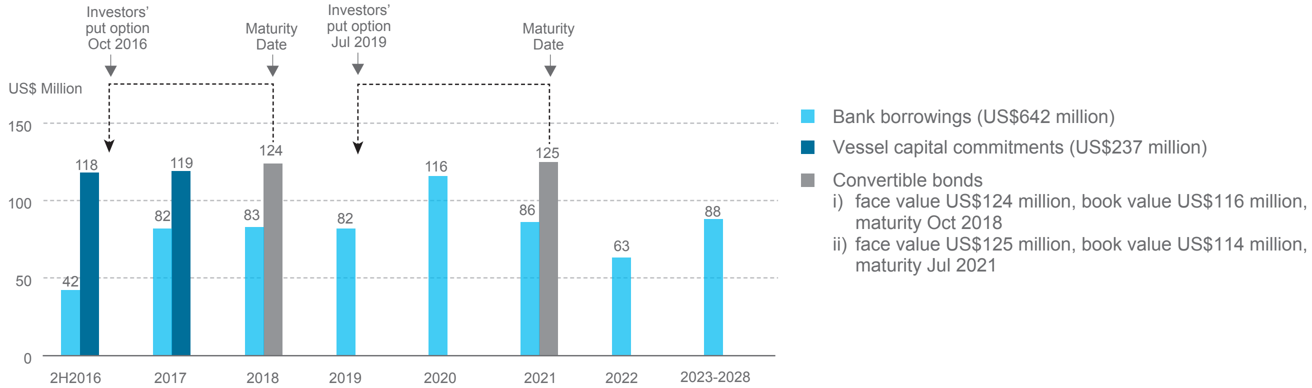
Treasury enhances Group income by investing in a mix of financial products, based on the perceived balance of risk, return and liquidity. Cash, deposits and investment products are placed with a range of leading banks, mainly in Hong Kong.

The Group's cash and deposits at 30 June 2016 comprised US$393.8 million in United States Dollars and US$12.3 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.

During the first half of 2016, Treasury achieved a 0.8% return on the Group's cash.

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. The aggregate borrowings of the Group at 30 June 2016, which comprise bank borrowings and the liability component of convertible bonds, amounted to US$872.2 million (31 December 2015: US$926.0 million) and are denominated in United States Dollars.

Bank Borrowings – US$642.3 million (31 December 2015: US$593.5 million)

Bank borrowings are in the functional currency of the business segment to which they relate. The overall increase in bank borrowings is mainly due to the drawdowns under our Japanese export credit facilities, partially offset by scheduled loan amortisation.

In the first half of 2016, we drew down US$73.1 million secured on four vessels under our committed Japanese export credit facilities, leaving loans of US$98.3 million and US$139.7 million which are expected to be drawn in the second half of 2016 and in 2017 respectively upon the delivery of our 12 newbuildings under construction.

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 may pledge additional cash or offer other additional collateral unless the banks offer waivers for technical breaches.

As at 30 June 2016:

- The Group's bank borrowings were secured by mortgages over 79 vessels with a total net book value of US$1,346.6 million and an assignment of earnings and insurances in respect of these vessels.
- Our unmortgaged vessels comprised towage assets with a net book value of US$18.2 million and three dry bulk vessels.
- The Group was in compliance with all its loans-to-asset value requirements.
- Our undrawn committed borrowing facilities were US$272.3 million, including US$238.0 million of Japanese export credit facilities aforementioned and US$34.3 million of other secured borrowing facilities for drawdown in the second half of 2016.

P/L impact:

The decrease in interest (after capitalisation) to US$10.3 million (1H 2015: US$11.2 million) was mainly due to a decrease in average bank borrowings to US$520.5 million (1H 2015: US$574.2 million). Certain bank borrowings are subject to floating interest rates but the Group manages these exposures by using interest rate swap contracts.

Convertible Bonds – Liability Component is US$229.9 million (31 December 2015: US$332.5 million)

The 1.75% p.a. coupon April 2016 convertible bonds with an outstanding principal of US$105.6 million were fully repaid upon its maturity in April this year. Its liability component at 31 December 2015 was US$105.1 million.

As at 30 June 2016, the liability components of the remaining two convertible bonds, namely the 1.875% p.a. coupon October 2018 convertible bonds and the 3.25% p.a. coupon July 2021 convertible bonds, were US$115.6 million and US$114.3 million respectively (31 December 2015: US$113.9 million and US$113.5 million).

During the period, the Group raised US$142.8 million of cash after expenses through the issue of rights shares at the subscription price of HK$0.60 per rights share on the basis of one rights share for every one existing share. The majority of such proceeds are currently intended to be used for the repayment of the 2018 convertible bonds in October 2016 if bondholders exercise their rights to redeem the bonds at 100% of the principal amount.

P/L impact:

The US$7.4 million (1H 2015: US$7.7 million) interest expense of the convertible bonds is calculated at an effective interest rate of 5.2% (1H 2015: 4.9%).

FINANCE COSTS

Finance Costs by Nature

US$ Million	Average interest rate P/L	Average interest rate Cash	Balance at 30 June 2016	Finance costs 1H 2016	Finance costs 1H 2015	(Increase)/ decrease in finance costs
Bank borrowings (including realised interest rate swap costs)	3.9%	3.9%	642.3	**10.3**	11.2	8%
Convertible bonds (Note)	5.2%	2.4%	229.9	**7.4**	7.7	4%
	4.4%	3.4%	872.2	**17.7**	18.9	6%
Finance lease liabilities				**–**	0.6	
Unrealised interest rate swap income				**(0.8)**	(0.7)	
Other finance charges				**1.1**	0.7	
Total finance costs				**18.0**	19.5	7%
Interest coverage (calculated as EBITDA divided by total gross finance costs) KPI				**N/A**	2.1x	

Note: The convertible bonds have a P/L cost of US$7.4 million and a cash cost of US$3.7 million.

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).

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$2.4 million of interest rate swap contract costs were realised and US$0.8 million of unrealised gains arose resulting in a net US$1.6 million swap contract charge. As at 30 June 2016, 23% (31 December 2015: 16%) of the Group's long-term borrowings were subject to floating interest rates. As at 31 December 2016 and 2017, we expect about 30% of the Group's existing and committed long-term borrowings will be subject to floating interest rates.

DELIVERED VESSELS

As at 30 June 2016, the Group had delivered vessels with a net book value of US$1,529 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	70	32,100	9.4	15.9	1,110
Dry Bulk	Supramax	16	55,400	7.4	22.2	355
Dry Bulk	Post-Panamax	1	115,500	5.0	46.3	46
Towage	Tugs & Barges	7	N/A	8.6	2.6	18

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$9.3 million and US$13.0 million for 5-year old 32,000 dwt Handysize and 56,000 dwt Supramax vessels respectively.

Certain 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 2016, the Group had vessel commitments of US$236.7 million. These vessels are scheduled to deliver to the Group between August 2016 and May 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	2H16	2017	Total
Contracted and authorised commitments				
Handysize	7	68.9	67.4	136.3
Supramax	5	48.8	51.6	100.4
	12	117.7	119.0	236.7
Funding				
Planned drawdown of committed Japanese export credit facilities		(98.3)	(139.7)	(238.0)

At 30 June 2016, the Group had options to purchase 11 Handysize, 3 Supramax and 1 Post-Panamax vessels at predetermined times and prices during the period of their leases. These options are not expected to be exercised under the current market conditions.

VESSEL OPERATING LEASE COMMITMENTS

Vessel operating lease commitments stood at US$616.8 million (31 December 2015: US$675.4 million), comprising US$407.8 million for Handysize, US$176.5 million for Supramax and US$32.5 million for Post-Panamax.

Our Handysize operating lease committed days decreased 11% to 38,330 days (31 December 2015: 42,980 days) while our Supramax operating lease committed days increased 7% to 16,110 days (31 December 2015: 15,010 days).

Onerous Contract Provisions

US$ Million

Year	Handysize	Supramax	Total
2H16	9.8	4.1	13.9
2017	20.4	6.2	26.6
2018	16.7	1.6	18.3
2019	7.0	–	7.0
Total	53.9	11.9	65.8

The Group wrote back US$9.8 million and US$4.1 million for Handysize and Supramax onerous contract provisions in the first six month of 2016 following the utilisation of this elements of the charters. At 30 June 2016, there remains a provision of US$53.9 million for Handysize and US$11.9 million for Supramax time charter contracts substantially expiring during a four-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 (see table above).

Commitments Excluding Index-linked Vessels

The following table shows the average contracted daily charter rates and the total vessel days of our chartered-in Handysize and Supramax 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			Supramax		
		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$)	After provision write-back (US$)
2H16	5,300	9,550	7,710	5,430	7,410	6,660
2017	8,460	10,340	7,930	3,300	12,120	10,210
2018	6,940	10,930	8,530	2,790	13,130	12,560
2019	6,430	11,000	9,910	2,190	13,180	N/A
2020	4,030	11,050	N/A	1,610	13,060	N/A
2021+	7,170	10,960	N/A	790	12,380	N/A
Total	38,330			16,110		
Aggregate operating lease commitments		US$407.8m			US$176.5m	

Commitments Including Index-linked Vessels

Our fixed, after provision, rate and variable rate index-linked lease commitments showing first six months completed and 2016 and 2017 outstanding lease periods can be analysed as follows:

	1H2016		2H2016		2017	
Handysize	Vessel Days	Average daily rate (US$)	Vessel Days	Average daily rate (US$)	Vessel Days	Average daily rate (US$)
Long-term (> 1 year)	4,490	8,110	4,670	7,970	8,460	7,930
Short-term	4,600	5,450	630	5,820	–	–
Index-linked	1,630	4,150	1,250	Market rate	140	Market rate
Total	10,720	6,370	6,550		8,600	
Supramax						
Long-term (> 1 year)	1,650	10,240	1,870	8,950	3,100	10,500
Short-term	9,480	4,990	3,560	5,460	200	5,650
Index-linked	200	4,540	150	Market rate	–	–
Total	11,330	5,750	5,580		3,300	

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 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 2016, the Group has complied with all code provisions of the Code as set out in Appendix 14 of the Rules Governing the Listing of 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 2016.

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.

Having made specific enquiry, the Board confirms that all these senior managers and staff have complied in full with the required standards set out in the Dealing Rules during the six months ended 30 June 2016.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

On 12 April 2016, the Group redeemed at par and cancelled all of the remaining 10,559 units of the Group's US$230,000,000 1.75% p.a. coupon guaranteed convertible bonds due 2016 with a face value of US$10,000 per unit upon maturity. The redemption involved a cash outlay of US$105,590,000 of principal and accrued coupon of US$923,913.

Save as disclosed above, 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
E-mail: companysecretary@pacificbasin.com

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 17 August 2016 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, Irene Waage Basili and Stanley Hutter Ryan.

Mr. Ryan was appointed as an Independent Non-executive Director for a period of three years with effect from 5 July 2016, subject to retirement by rotation at the annual general meeting of the Company in accordance with the Bye-laws of the Company. The Company is pleased to welcome Mr Ryan whose extensive commercial, strategic and operational experience in the commodities business will be beneficial to the Group's business and development.

www.pacificbasin.com
Company > Directors
List and biography of our Directors

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 2016, 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 are as follows:

Name of Director	Personal interest	Corporate or Family interests/ Trust & similar interests	Long/Short position	Total Share interests	Approximate percentage of the issued share capital of the Company [2] 30 Jun 16	31 Dec 15
David M. Turnbull [1]	3,641,000	0	Long	3,641,000	0.09%	0.32%
Mats H. Berglund [1]	8,241,000	0	Long	8,241,000	0.21%	0.29%
Andrew T. Broomhead [1]	1,814,000	3,081,408 [3]	Long	4,895,408	0.13%	0.24%
Chanakya Kocherla [1]	5,468,334	0	Long	5,468,334	0.14%	0.18%
Patrick B. Paul	380,000	0	Long	380,000	less than 0.01%	less than 0.01%
Daniel R. Bradshaw	0	772,834 [4]	Long	772,834	0.02%	0.02%

Notes:

(1) Restricted share awards were granted under the 2013 Share Award Scheme and have been disclosed on page 15 of this Report.

(2) Total issued share capital of the Company was 3,893,646,238 shares as at 30 June 2016 and was 1,946,823,119 shares as at 31 December 2015.

(3) 3,081,408 shares are held via Paulatim Investments Limited which is jointly owned by Mr. Broomhead and his wife.

(4) 772,834 shares are held via Cormorant Shipping Limited and Goldeneye Shipping Limited, both are wholly owned by Mr. Bradshaw.

Pursuant to the rules of the 2013 Share Award Scheme, in the event of a rights issue, the unvested shares will be adjusted upward and such adjustments are expected to be made during the third quarter of 2016.

All the interests stated above represent long positions. No short positions and shares under equity derivatives held by Directors were recorded in the register maintained by the Company under section 352 of the SFO as at 30 June 2016.

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")

The current SAS was adopted by the Board on 28 February 2013 and has an effective term of 10 years. It is a single share award scheme under which no share options can be granted.

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 2016 are as follows:

					During the period		Vesting Schedule		
							Vesting in July of		
'000 shares/units	Date of first award	Total awarded	Vested to date	Unvested at 30 Jun 2016	Unvested at 1 Jan 2016	Vested [1] or lapsed	2016	2017	2018
Directors									
David M. Turnbull	5-Aug-08	3,028	(1,615)	1,413	1,413	0	445	347	621
Mats H. Berglund	1-Jun-12	5,613	(2,628)	2,985	2,985	0	855	715	1,415
Andrew T. Broomhead	11-May-07	4,118	(2,304)	1,814	1,814	0	550	453	811
Chanakya Kocherla	11-May-07	2,967	(1,456)	1,511	1,511	0	410	333	768
		15,726	(8,003)	7,723	7,723	0	2,260	1,848	3,615
Other Employees				18,573	18,686	(113)	6,127	4,471	7,975
				26,296	26,409	(113)	8,387	6,319	11,590

Notes:

(1) 113,000 shares lapsed following resignation of 3 employees during the period. A further 357,000 shares lapsed upon resignation of an employee in July 2016.

(2) Pursuant to rules of the 2013 Share Award Scheme, in the event of a rights issue, the unvested shares will be adjusted upward and such adjustments are expected to be made during the third quarter of 2016.

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 2016, 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.

				Approximate percentage of the issued share capital of the Company [1]	
Name	Capacity/ Nature of interest	Long/Short Position	Number of Shares	30 Jun 16	31 Dec 15
Aberdeen Asset Management Plc and its Associates (together the "Group") on behalf of accounts managed by the Group	Investment manager	Long	631,941,000	16.23%	13.96%
Michael Hagn	Interest in corporation controlled	Long	268,842,846	6.90%	12.98%
Credit Suisse Group AG	Interest in corporation controlled	Long Short	213,897,882 111,110,475	5.49% 2.85%	not applicable

Note:

(1) Total issued share capital of the Company was 3,893,646,238 shares as at 30 June 2016 and was 1,946,823,119 shares as at 31 December 2015.

Financial Statements

GROUP PERFORMANCE REVIEW

	Six months ended 30 June		
US$ Million	**2016**	2015	Change
Revenue	**488.4**	634.6	-23%
Cost of services	**(529.7)**	(623.6)	+15%
Gross (loss)/profit	**(41.3)**	11.0	>-100%
Dry Bulk	**(60.4)**	(15.4)	>-100%
Towage	**(0.1)**	1.4	>-100%
Others	**(1.1)**	(0.6)	-83%
Underlying loss	**(61.6)**	(14.6)	>-100%
Unrealised derivative income	**13.7**	16.7	
Sale of towage assets	**(1.9)**	3.7	
(Loss)/profit attributable to shareholders	**(49.8)**	5.8	>-100%
EBITDA	**(8.3)**	41.5	>-100%
Net profit margin	**(10%)**	1%	-11%
Return on average equity employed	**(5%)**	1%	-6%

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

The main drivers of our results in the first six months of 2016 were as follows:

- Revenue decreased by 23% and cost of services reduced by 15%, mainly due to:
  - a record low half-year period for dry bulk shipping;
  - replacing expiring long-term chartered-in vessels with more lower cost short-term chartered-in vessels; and
  - significantly lower bunker prices.
- Loss attributable to shareholders was affected by:
  - an unrealised derivative accounting gain of US$13.7 million mainly from completed prior year bunker swap contracts; offset by
  - a net loss of US$1.9 million from tug disposals; and
  - release of an exchange loss of US$0.6 million from reserves upon repayment of shareholder loans by subsidiaries after the tug disposals.

EBITDA and underlying earnings were negative due to the extremely weak market conditions.

Our cash and deposits at 30 June 2016 increased to US$406.1 million (31 December 2015: US$358.4 million) with net gearing of 29% (31 December 2015: 35%).

Unaudited Condensed Consolidated Balance Sheet

	Note	30 June 2016 US$'000	31 December 2015 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	**1,595,777**	1,611,000
Investment properties		**1,132**	2,400
Land use rights		**1,472**	2,686
Goodwill	5	**25,256**	25,256
Available-for-sale financial assets	6	**1,401**	2,135
Derivative assets	7	**426**	–
Trade and other receivables	8	**–**	5,559
Restricted bank deposits	9	**58**	58
		1,625,522	1,649,094
Current assets			
Inventories		**53,399**	50,785
Trade and other receivables	8	**85,335**	87,486
Cash and deposits	9	**406,055**	358,370
Derivative assets	7	**751**	–
		545,540	496,641
Total assets		**2,171,062**	2,145,735
EQUITY			
Capital and reserves attributable to shareholders			
Share capital	13	**38,785**	194,480
Retained profits		**178,265**	213,233
Other reserves		**850,394**	563,225
Total equity		**1,067,444**	970,938
LIABILITIES			
Non-current liabilities			
Derivative liabilities	7	**28,132**	33,797
Long-term borrowings	11	**674,221**	633,226
Provision for onerous contracts	12	**38,586**	51,918
		740,939	718,941
Current liabilities			
Derivative liabilities	7	**8,764**	16,655
Trade and other payables	10	**127,086**	117,364
Current portion of long-term borrowings	11	**198,004**	292,739
Taxation payable		**1,661**	1,434
Provision for onerous contracts	12	**27,164**	27,664
		362,679	455,856
Total liabilities		**1,103,618**	1,174,797

Unaudited Condensed Consolidated Income Statement

	Note	Six months ended 30 June 2016 US$'000	2015 US$'000
Revenue	4	**488,377**	634,556
Cost of services		**(529,712)**	(623,616)
Gross (loss)/profit		**(41,335)**	10,940
General and administrative expenses		**(3,157)**	(3,320)
Other income and gains		**14,054**	16,153
Other expenses		**(1,903)**	(1,196)
Finance income	14	**942**	2,960
Finance cost	14	**(18,027)**	(19,461)
Share of profits less losses/impairment of joint ventures		**–**	178
(Loss)/profit before taxation	15	**(49,426)**	6,254
Taxation	16	**(372)**	(499)
(Loss)/profit attributable to shareholders		**(49,798)**	5,755
Earnings per share for (loss)/profit attributable to shareholders (comparative restated)			
Basic	18	**US(1.86) cents**	US0.22 cents
Diluted	18	**US(1.86) cents**	US0.21 cents

Unaudited Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June 2016 US$'000	2015 US$'000
(Loss)/profit attributable to shareholders	**(49,798)**	5,755
Other comprehensive income – items that may be reclassified to income statement:		
Cash flow hedges		
– fair value losses	**(905)**	(15,559)
– transferred to finance cost in income statement	**1,938**	3,333
Currency translation differences	**578**	(1,864)
Fair value losses on available-for-sale financial assets	**(734)**	(1,102)
Release of exchange losses/(gains) from reserves to income statement for foreign operations upon:		
– repayment of shareholder loans by subsidiaries	**608**	–
– disposal of a joint venture	**–**	(355)
Total comprehensive income attributable to shareholders	**(48,313)**	(9,792)

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	Contributed surplus	Retained profits	Total
At 1 January 2016	194,480	604,821	(56,606)	47,920	(2,580)	(25,145)	–	(5,185)	–	213,233	970,938
Capital reduction (Note 13(a))	(175,117)	(604,821)	–	–	–	–	–	–	779,938	–	–
Right issue, net of issuing expenses (Note 13(b))	19,468	123,304	–	–	–	–	–	–	–	–	142,772
Total comprehensive income attributable to shareholders	–	–	–	–	–	1,033	(734)	1,186	–	(49,798)	(48,313)
Share-based compensation	–	–	–	–	2,047	–	–	–	–	–	2,047
Derecognition of equity component upon CB redemption	–	–	–	(14,830)	–	–	–	–	–	14,830	–
Shares awards lapsed (Note 13(c))	(46)	–	–	–	46	–	–	–	–	–	–
At 30 June 2016	38,785	123,304	(56,606)	33,090	(487)	(24,112)	(734)	(3,999)	779,938	178,265	1,067,444
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 13(c))	(530)	–	–	–	–	–	–	–	–	–	(530)
Derecognition of equity component upon CB buy back	–	–	–	(3,899)	–	–	–	–	–	3,845	(54)
Share awards granted (Note 13(c))	3,436	–	–	–	(2,874)	–	–	–	–	(562)	–
Shares awards lapsed (Note 13(c))	(88)	–	–	–	88	–	–	–	–	–	–
At 30 June 2015	194,599	604,104	(56,606)	58,628	(5,004)	(24,665)	–	(3,883)	–	227,756	994,929

Unaudited Condensed Consolidated Cash Flow Statement

	Note	Six months ended 30 June 2016 US$'000	2015 US$'000
Operating activities			
Cash generated from operations	19	**7,949**	59,002
Overseas taxation paid		**(228)**	(202)
Net cash generated from operating activities		**7,721**	58,800
Investing activities			
Purchase of property, plant and equipment		**(48,432)**	(44,558)
Disposal of tugs/RoRo vessels and other PP&E		**11,876**	29,707
Disposal of investment properties		**2,587**	–
Disposal of habour towage business		**–**	57,109
Disposal of asset held for sale		**–**	5,650
Increase in term deposits		**(16,438)**	(10,500)
Increase in restricted bank deposits		**(6,151)**	(12,431)
Decrease in restricted bank deposits		**6,151**	1,632
Interest received		**942**	1,605
Disposal of joint ventures		**–**	9,788
Loan repayment from joint ventures		**–**	120
Net cash (used in)/generated from investing activities		**(49,465)**	38,122
Financing activities			
Drawdown of bank loans		**209,261**	61,186
Repayment of bank loans		**(158,589)**	(216,634)
Proceeds from right issue, net of issuing expenses		**142,772**	–
Payment for redemption/buyback of convertible bonds	11(b)	**(105,590)**	(27,150)
Proceeds from issuance of convertible bond, net of issuing expenses		**–**	123,725
Interest and other finance charges paid		**(15,148)**	(15,085)
Dividends paid to shareholders of the Company		**–**	(12,368)
Repayment of finance lease liabilities – capital element		**–**	(2,462)
Payment for shares purchased by trustee of the SAS		**–**	(530)
Net cash generated from/(used in) financing activities		**72,706**	(89,318)
Net increase in cash and cash equivalents		**30,962**	7,604
Exchange gains/(losses) on cash and cash equivalents		**285**	(118)
Cash and cash equivalents at 1 January		**199,737**	256,731
Cash and cash equivalents at 30 June		**230,984**	264,217
Term deposits at 1 January		**158,633**	105,000
Increase in term deposits		**16,438**	10,500
Cash and deposits at 30 June		**406,055**	379,717

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 29 July 2016.

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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 2015, 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 2015.

Certain new standards, amendments and improvements to standards are mandatory for the accounting period beginning 1 January 2016. 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 2015.

4 REVENUE AND 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 substantially all derived from the provision of dry bulk shipping services internationally and, accordingly, business segment information is not presented. The presentation of comparative figures have been changed to conform with the current period.

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.

	Six months ended 30 June	
US$'000	**2016**	2015
Revenue		
Freight and charter-hire	**488,363**	633,415
Maritime management services	**14**	1,141
	488,377	634,556

		Six months ended 30 June	
US$'000	Note	**2016**	2015
Dry Bulk			
Freight and charter-hire	2	**484,360**	623,272
Bunker & port disbursements	1	**(254,749)**	(309,997)
Time charter equivalent earnings ("TCE")		**229,611**	313,275
Other segments	1	**4,033**	11,560
Reclassification			
Bunker & port disbursements	1	**254,733**	310,445
Freight and charter-hire	2	**–**	304
Maritime management services	3	**–**	(1,028)
		488,377	634,556

(1) Net realised bunker swap contract benefits and expenses are under Dry Bulk TCE. For the presentation of the financial statements, bunkers & port disbursements are reclassified to cost of services.

(2) In 2015, net realised forward freight agreement benefits and expenses were under revenue in "Dry Bulk". For the presentation of the financial statements, both realised benefits and expenses were reclassified to other income and other expenses.

(3) In 2015, adjustment to the result on the sale of interest in OMSA joint venture was allocated under revenue in "other segments". For the presentation of the financial statements, the above was reclassified to other income.

Notes to the Unaudited Condensed Consolidated Financial Statements continued

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

	Property, plant and equipment		Goodwill
US$'000	**2016**	2015	**2016 & 2015**
Net book amounts			
At 1 January	**1,611,000**	1,584,924	**25,256**
Additions	**48,432**	44,558	**–**
Depreciation	**(49,044)**	(49,557)	**–**
Disposals	**(14,919)**	–	**–**
Exchange differences	**308**	(1,879)	**–**
At 30 June	**1,595,777**	1,578,046	**25,256**

6 AVAILABLE-FOR-SALE FINANCIAL ASSETS

US$'000	Valuation method	**30 June 2016**	31 December 2015
Listed equity securities (a)	Level 1	**872**	1,606
Unlisted equity securities (b)	Level 3	**529**	529
		1,401	2,135

(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 see below 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 2016.

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).

7 DERIVATIVE ASSETS AND LIABILITIES

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

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

The fair values of all the derivative assets and liabilities held by the Group are quoted by dealers at the balance sheet date.

All derivative assets and liabilities are within Level 2 of fair value hierarchy. Please refer to Note 6 (Fair value levels) for the definitions of different levels.

US$'000	30 June 2016	31 December 2015
Derivative assets		
Derivative assets that do not qualify for hedge accounting		
Bunker swap contracts (a)	**1,177**	–
Less: non-current portion of		
Bunker swap contracts (a)	**(426)**	–
Non-current portion	**(426)**	–
Current portion	**751**	–
Derivative liabilities		
Cash flow hedges		
Forward foreign exchange contracts (b)	**19,256**	22,314
Interest rate swap contracts (c(i))	**4,856**	2,831
Derivative liabilities that do not qualify for hedge accounting		
Bunker swap contracts (a)	**11,938**	23,674
Interest rate swap contracts (c(ii))	**846**	1,633
Total	**36,896**	50,452
Less: non-current portion of		
Forward foreign exchange contracts (b)	**(19,256)**	(22,314)
Interest rate swap contracts (c(i))	**(4,415)**	(1,811)
Bunker swap contracts (a)	**(4,461)**	(8,039)
Interest rate swap contracts (c(ii))	**–**	(1,633)
Non-current portion	**(28,132)**	(33,797)
Current portion	**8,764**	16,655

Notes to the Unaudited Condensed Consolidated Financial Statements continued

7 DERIVATIVE ASSETS AND LIABILITIES (CONTINUED)

(a) 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 2016, the Group had outstanding bunker swap contracts to buy approximately 110,070 (31 December 2015: 114,950) metric tonnes of bunkers. These contracts expire through December 2021 (31 December 2015: December 2021).

(b) 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.

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 2016, the Group had outstanding forward foreign exchange contracts with banks to buy approximately DKK908.2 million (31 December 2015: DKK982.4 million) and simultaneously sell approximately US$163.1 million (31 December 2015: US$176.7 million), which expire through August 2023.

(c) 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 2016 & 2015			
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
For 2015			
31 March 2009	US$20 million	3-month floating rate LIBOR swapped to a fixed rate of approximately 3.0% per annum	Contracts expired in March 2016

(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.

(d) Analysis of derivative income and expense

During the period ended 30 June 2016, the Group recognised net derivative benefits of US$3.1 million, as follows:

			Six months ended 30 June	
US$ Million	Realised	Unrealised	**2016**	2015
Income				
Forward freight agreements	–	–	**–**	0.4
Bunker swap contracts	4.4	13.0	**17.4**	21.4
Interest rate swap contracts	–	0.8	**0.8**	0.7
Forward foreign exchange contracts	–	–	**–**	0.2
	4.4	13.8	**18.2**	22.7
Expenses				
Forward freight agreements	–	–	**–**	(0.7)
Bunker swap contracts	(12.6)	(0.1)	**(12.7)**	(15.6)
Interest rate swap contracts	(2.4)	–	**(2.4)**	(3.6)
Forward foreign exchange contracts	–	–	**–**	(0.1)
	(15.0)	(0.1)	**(15.1)**	(20.0)
Net				
Forward freight agreements	–	–	**–**	(0.3)
Bunker swap contracts	(8.2)	12.9	**4.7**	5.8
Interest rate swap contracts	(2.4)	0.8	**(1.6)**	(2.9)
Forward foreign exchange contracts	–	–	**–**	0.1
	(10.6)	13.7	**3.1**	2.7

Realised:
- *Cash settlement of contracts completed in the period*

Unrealised:
- *Contracts to be settled in future periods*
- *Accounting reversal of earlier period contracts now completed*

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 2016, this created a net unrealised non-cash income of US$13.7 million (2015: income of US$16.7 million). The cash flows of these contracts will occur in future reporting periods.

Notes to the Unaudited Condensed Consolidated Financial Statements continued

8 TRADE AND OTHER RECEIVABLES

US$'000	30 June 2016	31 December 2015
Non-current receivables		
Prepayments	–	5,559
Total	–	5,559
Current receivables		
Trade receivables – gross	29,493	37,406
Less: provision for impairment	(2,734)	(2,749)
Trade receivables – net (a)	26,759	34,657
Other receivables	33,119	43,117
Prepayments	25,457	9,712
Total	85,335	87,486

(a) Trade receivables

At 30 June 2016, the ageing of net trade receivables based on invoice date is as follows:

US$'000	30 June 2016	31 December 2015
≤ 30 days	16,732	21,824
31-60 days	2,107	3,270
61-90 days	921	2,988
> 90 days	6,999	6,575
	26,759	34,657

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.

9 CASH AND DEPOSITS

US$'000	30 June 2016	31 December 2015
Cash at bank and on hand	105,161	47,186
Bank deposits	300,952	311,242
Total cash and deposits	406,113	358,428
Cash and cash equivalents	230,984	199,737
Term deposits	175,071	158,633
Cash and deposits	406,055	358,370
Restricted bank deposits included in non-current assets	58	58
Total cash and deposits	406,113	358,428

Cash and deposits are mainly denominated in United States Dollars and the carrying values approximate their fair values due to the short-term maturities of these assets.

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Funding

10 TRADE AND OTHER PAYABLES

US$'000	30 June 2016	31 December 2015
Trade payables	37,098	30,566
Accruals and other payables	63,811	56,361
Receipts in advance	26,177	30,437
	127,086	117,364

At 30 June 2016, the ageing of trade payables based on due date is as follows:

US$'000	30 June 2016	31 December 2015
≤ 30 days	33,434	25,338
31-60 days	373	372
61-90 days	87	833
> 90 days	3,204	4,023
	37,098	30,566

11 LONG-TERM BORROWINGS

US$'000	30 June 2016	31 December 2015
Non-current		
Secured bank loans (a)	**559,973**	519,783
Convertible bonds (b)	**114,248**	113,443
	674,221	633,226
Current		
Secured bank loans (a)	**82,355**	73,684
Convertible bonds (b)	**115,649**	219,055
	198,004	292,739
Total long-term borrowings	**872,225**	925,965

(a) Secured bank loans

The Group's bank loans are repayable as follows:

US$'000	30 June 2016	31 December 2015
Within one year	**82,355**	73,684
In the second year	**82,681**	78,899
In the third to fifth year	**277,424**	254,381
After the fifth year	**199,868**	186,503
	642,328	593,467

The bank loans as at 30 June 2016 were secured, inter alia, by the following:

- Mortgages over certain owned vessels with net book values of US$1,346,582,506 (31 December 2015: US$1,470,156,000); and
- Assignment of earnings and insurances compensation in respect of the vessels.

(b) Convertible bonds

	30 June 2016		31 December 2015	
US$'000	Face value	Liability component	Face value	Liability component
1.75% coupon due 2016 (i)	**–**	**–**	105,590	105,140
1.875% coupon due 2018	**123,800**	**115,649**	123,800	113,915
3.25% coupon due 2021	**125,000**	**114,248**	125,000	113,443
Total	**248,800**	**229,897**	354,390	332,498

(i) On 12 April 2016, 1.75% coupon convertible bonds with an aggregate nominal value of US$105.6 million were redeemed upon maturity and cancelled at 100% of the principal amount and an equity movement of US$14.8 million credited to retained earnings was recognised.

The carrying value of convertible bonds approximate their fair values.

Notes to the Unaudited Condensed Consolidated Financial Statements continued

11 LONG-TERM BORROWINGS (CONTINUED)

(b) Convertible bonds (continued)

Key items	1.875% coupon due 2018	3.25% coupon due 2021
Issue size	US$123.8 million	US$125.0 million
Issue date	22 October 2012	8 June 2015
Maturity date	22 October 2018 (6 years from issue)	3 July 2021 (approximately 6.1 years from issue)
Coupon – cash cost	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	5.17% charged to income statement	5.70% charged to income statement
Redemption price	100%	100%
Conversion price converting bonds into shares (Note)	HK$3.58 (with effect from 30 May 2016)	HK$3.07 (with effect from 30 May 2016)
Conversion at bondholders' options	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 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 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 i) the cash dividends paid by the Company according to a pre-determined adjustment factor, and ii) the issue of Shares by way of rights. Please refer to Note 13(b) for the details of right issue. Such adjustments become effective on the first date on which the Shares are traded ex-dividend or ex-right.

12 PROVISION FOR ONEROUS CONTRACTS

US$'000	2016	2015
At 1 January	**79,582**	100,906
Utilised during the period	**(13,832)**	(11,013)
At 30 June	**65,750**	89,893
Analysis of provisions		
Current	**27,164**	23,427
Non-current	**38,586**	66,466
	65,750	89,893

The utilisation of provision for onerous contract was included in other income.

13 SHARE CAPITAL

	2016 Number of shares	2016 US$'000	2015 Number of shares	2015 US$'000
Authorised	**3,600,000,000**	**360,000**	3,600,000,000	360,000
Issued and fully paid				
At 1 January	**1,945,855,119**	**194,480**	1,933,666,119	191,781
Capital reduction (a)	**–**	**(175,117)**	–	–
Right issue (b)	**1,946,823,119**	**19,468**	–	–
Shares transferred back to trustee upon lapse of restricted share awards (c)	**(113,000)**	**(46)**	(152,000)	(88)
Shares purchased by trustee of the SAS (c)	**–**	**–**	(1,452,000)	(530)
Shares granted to employees in the form of restricted share awards (c)	**–**	**–**	4,081,000	2,451
Shares issued upon grant of restricted share awards (c)	**–**	**–**	9,846,000	985
At 30 June	**3,892,565,238**	**38,785**	1,945,989,119	194,599

The issued share capital of the Company as at 30 June 2016 was 3,893,646,238 shares (30 June 2015: 1,946,823,119 shares). The difference from the number of shares in the table above of 1,081,000 (30 June 2015: 834,000) represent shares held by the trustee in relation to restricted share awards, amounting to US$151,000 (30 June 2015: US$83,400) as a debit to share capital.

(a) Capital reduction

Pursuant to a special resolution passed by the shareholders of the Company at a special general meeting held on 27 May 2016, the nominal value of each share was reduced from US$0.10 to US$0.01 by cancelling the paid up capital to the extent of US$0.09 on each share. The capital reduction took effect on 27 May 2016.

The contributed surplus of the Group represents the amount transferred from the capital account due to the capital reduction as a result of the capital reorganisation of the Company that took effect on 27 May 2016.

Under the Company Act 1981 of Bermuda (as amended), the contributed surplus is available for distribution, but the Company cannot make a distribution out of the contributed surplus if: (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of its assets would thereby be less than its liabilities.

(b) Right issue

Pursuant to an ordinary resolution passed by shareholders of the Company at a special general meeting held on 27 May 2016, the shareholders approved a rights issue of 1,946,823,119 rights shares at a price of HK$0.6 each on the basis of one rights share for every existing share. The rights issue was completed on 27 June 2016.

Notes to the Unaudited Condensed Consolidated Financial Statements continued

13 SHARE CAPITAL (CONTINUED)

(c) Restricted share awards

Restricted share awards under the Company's 2013 Share Award Scheme ("SAS") were granted to Executive Directors and certain employees. The SAS 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.

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

000' shares	**2016**	2015
At 1 January	**26,409**	23,540
Lapsed	**(113)**	(152)
Granted	**–**	13,927
Vested	**–**	(710)
At 30 June	**26,296**	36,605

During the period ended 30 June 2015, a total of 13,927,000 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 in 2015 and the related movements between share capital and staff benefit reserve are as follows:

	Six months ended 30 June	
	2015	
Sources of shares granted	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
Shares transferred from the trustee	3,463,000	2,005
	13,927,000	3,436

The vesting dates and grant dates of the unvested restricted share awards as at 30 June 2016 are as follows:

		Vesting periods		
Date of grant	**Number of unvested share awards**	**14 July 2016**	**14 July 2017**	**14 July 2018**
15 March 2013	7,488,000	7,488,000	–	–
5 May 2014	5,181,000	47,000	5,134,000	–
13 August 2014	333,000	–	333,000	–
17 April 2015	13,294,000	852,000	852,000	11,590,000
	26,296,000	8,387,000	6,319,000	11,590,000

14 FINANCE INCOME AND FINANCE COSTS

	Six months ended 30 June	
US$'000	**2016**	2015
Finance income		
Bank interest income	**(942)**	(1,605)
Other interest income	**–**	(1,355)
Total finance income	**(942)**	(2,960)
Finance costs		
Borrowings		
Interest on bank loans	**8,605**	8,182
Interest on convertible bonds	**7,389**	7,662
Interest on finance leases	**–**	580
Other finance charges	**1,103**	671
Net losses on interest rate swap contracts	**1,599**	2,893
	18,696	19,988
Less: amounts capitalised as PP&E	**(669)**	(527)
Total finance costs	**18,027**	19,461
Finance costs, net	**17,085**	16,501

Notes to the Unaudited Condensed Consolidated Financial Statements continued

15 (PROFIT)/LOSS BEFORE TAXATION

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

	Six months ended 30 June	
US$'000	**2016**	2015
Operating lease expenses		
– vessels	**148,888**	186,766
– land and buildings	**2,106**	1,956
Bunkers consumed	**93,589**	149,936
Depreciation		
– owned vessels	**48,214**	45,427
– other owned property, plant and equipment	**830**	864
– investment properties	**26**	34
– finance leased vessels	**–**	3,266
Amortisation of land use rights	**30**	37
Employee benefit expenses including Directors' emoluments	**20,591**	21,604
Gains on derivative instruments which do not qualify for hedge accounting		
– bunker swap contracts	**(17,453)**	(21,443)
– forward freight agreements	**–**	(409)
Losses on derivative instruments which do not qualify for hedge accounting		
– bunker swap contracts	**12,788**	15,585
– forward freight agreements	**–**	713
Utilisation of provision for onerous contracts	**(13,832)**	(11,013)
Lubricating oil consumed	**4,411**	3,351
Losses on disposal of tugs	**1,902**	–
Gains on disposal of investment properties	**(222)**	–
Provision for impairment losses		
– trade receivables	**101**	894
– available-for-sale financial assets	**–**	337
Gain on disposal of a joint venture	**–**	(3,677)

Total administrative expenses

	Six months ended 30 June	
US$'000	**2016**	2015
Direct overheads	**24,265**	27,141
General and administrative expenses	**3,157**	3,320
Total administrative expenses	**27,422**	30,461

The period-on-period saving of US$3.0 million in general and administrative expenses reflected the reduction in costs after a range of saving initiatives undertaken during the period.

Operating lease expenses

Contingent lease payments made amounted to US$7.7 million (2015: US$31.3 million). These related to dry bulk vessels chartered in on an index-linked basis.

16 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. Income from towage and non-shipping activities 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	**2016**	2015
Current taxation		
Hong Kong profits tax, provided at the rate of 16.5% (2015:16.5%)	**330**	263
Overseas tax, provided at the rates of taxation prevailing in the countries	**168**	236
Adjustments in respect of prior year	**(126)**	–
Tax charges	**372**	499

17 DIVIDENDS

No interim dividends were declared for the periods ended 30 June 2016 and 30 June 2015. No final dividend was declared for the year ended 31 December 2015.

18 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 unvested restricted shares (Note 13(c)).

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 but after adjusting for the number of potential dilutive ordinary shares from convertible bonds and unvested restricted shares where dilutive (Note 13(c)).

The weighted average number of shares used in the calculation of earnings per share have been adjusted for the bonus element of the rights issue following the completion of the rights issue in June 2016 (Note 13(b)) and the prior year comparative had also been restated for such effect.

		Six months ended 30 June		
		Basic and diluted EPS 2016	Basic EPS 2015 (restated)	Diluted EPS 2015 (restated)
(Loss)/profit attributable to shareholders	(US$'000)	**(49,798)**	5,755	5,755
Weighted average number of ordinary shares in issue	('000)	**2,681,595**	2,637,446	2,696,926
Earnings per share	(US cents)	**(1.86)**	0.22	0.21
Equivalent to	(HK cents)	**(14.42)**	1.69	1.65

Notes to the Unaudited Condensed Consolidated Financial Statements continued

19 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	**2016**	2015
(Loss)/profit before taxation	**(49,426)**	6,254
Adjusted for:		
Assets and liabilities adjustments:		
Depreciation and amortisation	**49,100**	49,628
Net unrealised gains on derivative instruments not qualified as hedges, excluding interest rate swap contracts	**(12,913)**	(16,060)
Utilisation of provision for onerous contracts	**(13,832)**	(11,013)
Losses on disposal of tugs	**1,902**	–
Gains on disposal of investment properties	**(222)**	–
Gain on disposal of a joint venture (a)	**–**	(3,677)
Provision for impairment losses		
– trade receivables	**101**	894
– available-for-sale financial assets	**–**	337
Capital and funding adjustments:		
Share-based compensation	**2,047**	2,155
Results adjustments:		
Finance costs, net	**17,085**	16,501
Share of profits less losses/impairment of joint ventures	**–**	(178)
Exchange differences	**1,256**	1,355
(Loss)/profit before taxation before working capital changes	**(4,902)**	46,196
Decrease in trade and other receivables	**5,771**	27,311
Increase/(decrease) in trade and other payables	**9,694**	(25,742)
(Increase)/decrease in inventories	**(2,614)**	11,237
Cash generated from operations	**7,949**	59,002

(a) In 2015, the Group sold its interest in the Seafuels Limited joint venture resulting in a gain of US$3.7 million.

20 COMMITMENTS

(a) Capital commitments

US$'000	30 June 2016	31 December 2015
Contracted but not provided for		
– vessel acquisitions and shipbuilding contracts	**236,676**	273,787

Capital commitments for the Group that fall due in one year or less amounted to US$236.7 million (31 December 2015: US$171.4 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	Land and buildings	Total
At 30 June 2016			
Within one year	**162,263**	**3,435**	**165,698**
In the second to fifth year	**389,385**	**1,849**	**391,234**
After the fifth year	**65,103**	**673**	**65,776**
	616,751	**5,957**	**622,708**
At 31 December 2015			
Within one year	154,329	3,517	157,846
In the second to fifth year	428,331	3,458	431,789
After the fifth year	92,733	908	93,641
	675,393	7,883	683,276

The Group's operating leases for dry bulk vessels have terms ranging from less than 1 year to 11 years (31 December 2015: less than 1 year to 10 years). Certain of the leases have escalation clauses, renewal rights and purchase options.

Notes to the Unaudited Condensed Consolidated Financial Statements continued

20 COMMITMENTS (CONTINUED)

(b) Commitments under operating leases (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 2016			
Within one year	**19,126**	**942**	**20,068**
In the second to fifth year	**62,368**	**–**	**62,368**
After the fifth year	**32,940**	**–**	**32,940**
	114,434	**942**	**115,376**
At 31 December 2015			
Within one year	19,133	2,197	21,330
In the second to fifth year	63,619	–	63,619
After the fifth year	39,570	–	39,570
	122,322	2,197	124,519

(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$111.2 million (31 December 2015: US$119.1 million).

The Group's operating leases have terms ranging from less than 1 year to 16 years (31 December 2015: less than 1 year to 16 years).

21 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:

Key management compensation (including Directors' emoluments)

	Six months ended 30 June	
US$'000	**2016**	2015
Directors' fees	**224**	244
Salaries and bonus	**1,799**	1,811
Share-based compensation	**594**	670
Retirement benefit costs	**4**	4
	2,621	2,729

22 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Company had no contingent liabilities and contingent assets at 30 June 2016 and 31 December 2015.


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