Pacific Basin Shipping Limited

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

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The Board of Directors (the "Board") of Pacific Basin Shipping Limited ("Pacific Basin" or the "Company") is pleased to announce the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2016 as follows:

BUSINESS HIGHLIGHTS

GROUP

- Record low dry bulk market conditions significantly undermined our ability to generate satisfactory results in 2016
- We recorded a net loss of US$86.5 million and positive operating cash flows of US$49.5 million
- Our Handysize daily TCE earnings outperformed the market by 34%
- Our rights issue raised new capital of US$143 million net
- We generated cash proceeds of US$22 million from the sale of towage and other non-core assets, and our exit from the towage sector is substantially complete
- Our year-end cash position was US$269 million with net gearing of 34%
- US$158 million of undrawn committed loan facilities exceeds US$119 million of remaining newbuilding capital commitments

US$ million	Year Ended 31 December 2016	2015
Revenue	**1,087.4**	1,260.3
Underlying Loss	**(87.7)**	(27.8)
Operating cash flow	**49.5**	98.6
EBITDA #	**22.8**	93.2
Loss Attributable to Shareholders	**(86.5)**	(18.5)
Basic Earnings per share (HK cents)*	**(20.4)**	(5.4)
Proposed Final and Full Year Dividend per share (HK cents)*	**–**	–

EBITDA (earnings before interest, tax, depreciation and amortisation) is our gross profit less general and administration expenses, excluding: depreciation and amortisation; exchange differences; share-based compensation; net unrealised bunker swap contract income and expenses; utilised onerous contract provisions; and net of Charter Hire Reduction adjustments.

* *Prior year comparatives are adjusted for the June 2016 rights issue.*

FLEET

- Our market leading Handysize and Supramax business is operating more owned ships enabling greater control and service quality
- Our fleet comprises 220 dry bulk ships including 96 owned, with a further 3 owned newbuildings joining our fleet by mid-2017
- We continue to operate a large number of short-term chartered ships with which we can make a margin throughout the market cycle
- We have covered 44% of our Handysize and 71% of our Supramax revenue days for 2017 at US$8,200 and US$8,680 per day net respectively
- We have further reduced our owned Handysize operating costs to US$3,970 per day through scale benefits and careful cost control

Our Fleet – 226 Ships

	Vessels in operation		Newbuildings on order		Total
	Owned	Chartered	Owned	Chartered	
Handysize	75	56	2	3	136
Supramax	20	67	1	–	88
Post-Panamax	1	1	–	–	2
Total	96	124	3	3	226

OUTLOOK & POSITION

- Dry bulk market rates improved in the fourth quarter; indices have followed their typical seasonal decline in early 2017 but are well above levels of one year ago and sentiment in the industry is recovering
- However, the market continues to be oversupplied and freight earnings are still below breakeven for many shipowners
- We expect continued uncertain markets in 2017 and will continue to conduct our business efficiently and safely while astutely combining ships and cargoes to maximise our margins
- Positive actions taken to stay strong and competitive, generate cash, grow our owned fleet and make ourselves a leaner dry bulk company should position us well both for continued challenging market conditions and a market recovery

CHAIRMAN'S STATEMENT

Safeguarding our health and service delivery in testing times

A TOUGHER YEAR IN DRY BULK

2016 was an extremely poor year for dry bulk shipping. Average market rates were even weaker than in 2015, dragged down in the first quarter by rates not seen for 45 years. Conditions improved over the remainder of the year, and sentiment in the industry is recovering.

Pacific Basin again outperformed the market in terms of vessel earnings and we generated positive operating cash flow. However, given the weak market, we produced a significant P&L net loss. Nevertheless, several positive achievements during the year have enhanced our position from which to navigate the challenging environment and capitalise on opportunities and improving market conditions.

EFFECTIVE PLATFORM FOR A SUSTAINABLE BUSINESS

We continue to take delivery of the last of our excellent newbuildings, which contribute to as good a fleet as we have ever had. From 12 offices close to our customers around the world, our teams develop systems of complementary trades through spot and long-term cargo contracts to achieve high utilisation and TCE earnings that outperform the market indices.

We pursued several initiatives including selling most of our remaining towage assets, completing a rights issue, issuing Pacific Basin shares to tonnage providers in return for a reduction in charter hire rates, committing to relocate to a more cost-efficient Hong Kong headquarters, and opening a new regional office in Brazil. Mats Berglund will elaborate on all of these initiatives in his Chief Executive's Review.

Our efforts have helped to maintain a balance sheet with total cash and deposits of US$269 million at 31 December 2016, and net gearing of 34%. They have also helped to further reduced our G&A expenses, improve our efficiencies and enhance our platform for success well beyond the current market depression.

We again received several awards in 2016 recognising the quality of our customer focus and service delivery, technical management, corporate governance and investor relations. I would like to single out the Safety Award we received at the Lloyd's List Global Awards recognising our world-class commitment to safety at sea.

We remain committed to our Handysize and Supramax focus, our effective strategy and to always look for ways to refine and improve what we do and how we do it. Staying true to our corporate values – such as dedication and teamwork, customer attention and solutions focus, responsiveness and reliability, safety and care, and integrity and accountability – is key to the longer term sustainability of our business, irrespective of market conditions.

DIVIDEND

In view of the severe dry bulk market weakness of last year, the Board recommends not to pay out a dividend for 2016.

CHANGES TO OUR BOARD

Stanley Ryan joined our Board as an Independent Non-executive Director on 5 July 2016, bringing valuable commodities-related commercial, strategic and operational experience to our Board.

Chief Financial Officer Andrew Broomhead will leave us by the end of 2017 to return with his family to the UK, and we have started the process of identifying and recruiting a suitable successor. Our Chief Technical Officer Chanyaka Kocherla will be retiring at the end of April, and our technical and ship management organisation will be led by our Fleet Director, Jay K Pillai. We are very grateful to both Andrew and Charlie for their valuable contributions to the Company over many years.

A commitment to strong corporate governance – sound internal controls, transparency and accountability to all stakeholders – continues to underpin all components of our business and seeks to enhance stakeholder confidence in Pacific Basin as a partner and a place to invest. I would like to thank our Board of Directors for their valuable contributions in all aspects of the Company's oversight in the challenging shipping and economic environment.

David Turnbull
Chairman

Hong Kong, 28 February 2017

CHIEF EXECUTIVE'S REVIEW

Outperforming in a record low dry bulk market

FINANCIAL RESULTS

Record low dry bulk market conditions significantly undermined our ability to generate satisfactory results in 2016. Nevertheless, successful cost-reduction initiatives and the high proportion of time that our ships carry cargo helped maximise our daily earnings and margins.

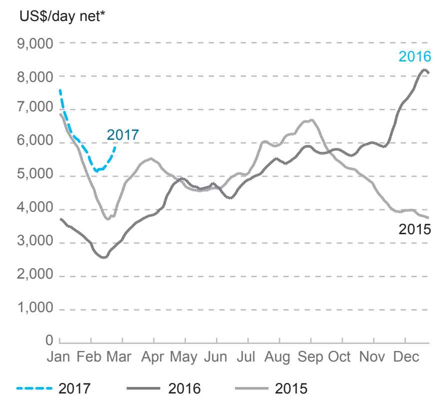
We made a net loss of US$86.5 million in 2016 (2015: US$18.5 million net loss) and positive operating cash flows of US$49.5 million (2015: US$98.6 million). Basic EPS was a negative HK20.4 cents.

PERFORMANCE OVERVIEW

Dry bulk freight market indices weakened at the start of the year and, in mid-February, registered their lowest levels since Baltic indices began in 1985. Market conditions were as poor as those of the early 1970s. The Supramax segment was especially hard hit, with market rates temporarily lower than in the Handysize segment.

Freight rates were undermined at the start of the year by the general seasonal slowdown in demand, lingering oversupply of dry bulk tonnage and reduced movements of coal. Freight earnings then improved over the remainder of the year benefitting from increased South American grain exports in the second quarter and stronger US grain exports in the second half, and growth in trades such as cement into North America. Chinese industrial activity was significantly down at the start of the year, but improvements from March onwards drove a revival in the iron ore and coal trades and minor bulks such as logs, cement and copper concentrates in the remainder of the year. However freight rates remained historically low, and conditions challenging for shipowners overall.

Handysize Market Spot Rates in 2015 – 2017



* excludes 5% commission

Source: Baltic Exchange, data as at 23 Feb 2017

In this difficult environment, we generated average Handysize and Supramax daily TCE earnings of US$6,630 and US$6,740 per day net, outperforming the BHSI and BSI indices by 34% and 14% respectively.

With spot market rates at such depressed levels, we have been using more short-term inward-chartered ships to supplement our owned fleet, rather than adding ships on more expensive long-term charters. Our business model and ability to source cargoes enable us to generate profits on short-term ships irrespective of whether the market is high or low.

Our TCE premium and operating margins are driven by 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.

POSITIVE INITIATIVES

The protracted weakness in the industry has called for actions to stay strong and competitive. Our divestment of non-core businesses in recent years has enabled us to generate cash, streamline ourselves into a leaner company, and fully focus on our world-leading Handysize and Supramax dry bulk business. We have grown our owned fleet approximately threefold over the past five years as part of that refocus on dry bulk, and we are very happy with the quality and composition of the fleet we now have.

We generated sale proceeds of US$22 million for towage and other non-core assets in 2016 and have sold two further towage vessels so far in 2017. Our remaining towage assets have a net book value of approximately US$3 million and we continue to market them for sale. Our exit from the towage sector is substantially complete.

We have used the weak market to purchase a 7-year old Supramax and sell a 12-year old smaller Supramax, thereby trading up to a vessel of better design and longer life at an attractive price. We will continue to look for opportunities to purchase quality vessels and to assess attractive fleet renewal opportunities.

In May 2017, we will be relocating our headquarters from Hong Kong's central business district to Wong Chuk Hang, a newly revitalised part of Hong Kong Island. The move will result in significant cost savings while also allowing us to create a more energetic, collaborative and productive working environment. We have recently established a new commercial office in Rio de Janeiro to help grow our cargo volumes and support our many customers on the east coast of South America while enabling us to more fully cover all regions in the Atlantic.

In June we raised US$143 million (net) through a one-for-one rights issue of new shares. This served to strengthen our balance sheet and liquidity position, negate the impact of the October convertible bonds repayment and give us additional flexibility for vessel purchases.

In October, we reached an innovative agreement with ten shipowners to whom we issued US$13 million of new Pacific Basin shares as payment of existing long-term charter-hire obligations in 2017 and 2018, thereby reducing our cash outlay in these two years. We do not currently foresee doing any further such equity-linked deals.

LIQUIDITY & BALANCE SHEET

As at 31 December 2016, we had cash and deposits of US$269 million, net borrowings of US$570 million and net gearing of 34%. We remain in compliance with our loan covenants. We also had US$158 million of committed but undrawn loan facilities – mainly attractive Japanese export credit – which exceeds the US$119 million of payments due on our remaining seven Japanese newbuildings delivering in the first half of 2017.

Our cash position, the successful rights issue, our robust business model and our solid track record are all attributes that contribute to the solid balance sheet and 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

Our strategy is to be the best operator in our minor bulk shipping sphere, and to achieve premium TCE earnings through the high utilisation of quality vessels by efficiently combining minor bulk cargo trades.

This is an operationally demanding business model for which skilled and experienced staff and efficient ships really makes a difference. Minor bulk demand has more diversified geographical, cargo and customer profiles compared to the larger dry bulk segments (which are heavily dependent on iron ore shipments to China), and we leverage that diversity in our segment to achieve a laden utilisation rate of over 90% of our vessel days at sea. The cargoes we focus on – minor bulks and grain – together represent 48% of global dry bulk volumes and are expected to grow both in the short and longer term.

Many dry bulk shipowners act purely as tonnage providers by chartering out their ships on a longer-term time-charter basis. This business model is struggling as continued weak market rates have practically eliminated the demand for long-term charters and, consequently, we face more competition for cargoes from other shipowners who are trying to become ship operators. Similarly, asset-light ship operator business models are under threat from higher cost long-term inward charters, and recent bankruptcies have resulted in shippers looking increasingly closely at the creditworthiness of ship owners and operators.

We welcome such closer scrutiny and selectivity by customers, as our solid track record, balance sheet strength, cargo focus and passion for service continue to set us apart as the first choice partner for customers looking for freight cover.

WELL POSITIONED FOR FURTHER VOLATILITY

2017 has started stronger than last year, and we believe the worst of the current market cycle is behind us and that supply-side corrections have begun to lay the foundations for an eventual market improvement. We believe 2017 will be better than 2016. Through our cost-savings and fundraising, we have positioned ourselves to capitalise on improving market conditions ahead, but we must remain patient.

A market recovery needs lower net growth in the global dry bulk fleet. Negligible new minor bulk ship ordering and non-delivery of some existing newbuilding orders should mean significantly reduced deliveries which will help cap supply in the next few years.

Scrapping of older vessels also helps, and the enforcement of new ballast water treatment regulations from September 2017 (requiring the costly retrofit of ballast water treatment systems) may encourage ship scrapping at a time when many shipowners still find it difficult to generate breakeven earnings.

We will be complying with the ballast water management convention, and have an installation plan in place that ensures our fleet follows the implementation schedule of the new regulations. We are installing test units on two of our ships in 2017 and 2018.

In a low freight rate environment in which the global fleet is sailing at slower than normal operating speeds, increasing oil prices are a positive factor for the freight market. Higher fuel costs discourage shipowners from increasing vessel speeds when freight rates increase.

Infrastructure investment is back on the agenda in China and the USA which also bodes well for dry bulk shipping.

Positive as these potential developments are, both supply and demand factors remain uncertain – especially in view of recent and ongoing political developments in the US and Europe. We expect continued uncertain markets in 2017 and will continue to conduct our business efficiently and safely while astutely combining ships and cargoes to maximise our margins.

We have a robust business model, experienced staff, a quality fleet and strong balance sheet that position us well to navigate continued challenging market conditions, and to benefit from a market recovery. We thank you for your continued support.

Mats Berglund
Chief Executive Officer

DRY BULK MARKET OUTLOOK

Possible market drivers in the medium term

Opportunities

- Costly new environmental regulations encouraging increased ship scrapping
- Continued negligible new ship ordering and shrinking orderbook driven by the large gap between newbuilding and secondhand prices
- Periods of higher fuel oil prices encouraging continued slower ship operating speeds even when freight rates increase
- Increasing government stimulus driving greater infrastructure investment
- Environmental concerns in China encouraging shift from domestic to imported supply of resources

Threats

- Reduction in Chinese industrial growth impacting demand for dry bulk shipping
- Increased protectionism dampening trade by favouring domestic supplies over foreign imports
- Increased new ship ordering if subsidies support shipbuilding at loss-making prices
- Insufficient scrapping to offset new ship deliveries and weaker demand
- Periods of low fuel prices supporting faster ship operating speeds which increases supply

We're moving!

With effect from 4 May 2017, our headquarters will be relocated to Wong Chuk Hang, approximately 15 minutes from Hong Kong's Central business district. Our new address will be:

Pacific Basin Shipping (HK) Limited
31/F One Island South
2 Heung Yip Street
Wong Chuk Hang
Hong Kong

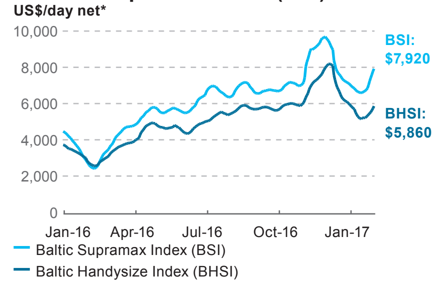
MARKET & BUSINESS REVIEW

FREIGHT MARKET SUMMARY

Handysize and Supramax spot market rates averaged US$4,950 and US$5,920 per day net respectively in 2016, representing a 3% and 10% decline in average earnings year on year.

Baltic dry bulk freight market indices at the start of 2016 continued to decline to 45-year lows in mid-February, undermined by a general seasonal and Chinese New Year slowdown in demand and lingering oversupply of dry bulk tonnage.

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



* excluded 5% commission

Source: Baltic Exchange, data as at 23 Feb 2017

Freight earnings then improved over the remainder of the year benefitting from increased South American grain exports in the second quarter and stronger US grain exports in the second half. Chinese industrial activity was significantly down at the start of the year, but improvements from March onwards drove a revival in Chinese imports of coal, iron ore, logs, copper concentrates and other key minor bulks in the remainder of the year. The Atlantic freight market was markedly stronger than the Pacific in the fourth quarter owing primarily to strong Atlantic grain and coal volumes.

2016 ended with the BDI over 100% up compared to the start of the year. Nevertheless, the market continues to be oversupplied and freight earnings are still below breakeven for many shipowners. Dry bulk indices have followed their typical seasonal decline in early 2017 but remain well above levels of one year ago.

KEY SUPPLY DEVELOPMENTS

The global fleet of 25,000-40,000dwt Handysize and 40,000-65,000dwt Handymax ships grew 2.8% net and 4.7% net respectively in 2016 (2015: +2.7% and +7.1%), and the dry bulk fleet overall grew 2.3%.

New ship deliveries represented 5.9% of existing dry bulk capacity, which was down compared to 2015 and short of the scheduled orderbook for the year by a record 49%. Deliveries of new vessels were partly offset by increased scrapping, resulting in continued net growth in the global fleet.

All-time low freight earnings encouraged record scrapping in the first quarter, but scrapping activity reduced thereafter on improved freight market conditions resulting in the deletion of 3.6% of total dry bulk capacity and 3.1% of Handysize capacity in the year overall.

The larger vessels withdrawn from the market for idling or lay-up in the first half of the year were largely reactivated as the freight market improved.

The general oversupply was partly compounded by an increase in ship operating speeds as the market improved from mid-February, However, higher oil prices were positive for the freight market in the second half of the year as increased fuel prices encouraged slower ship speeds even when freight rates increased.

KEY DEMAND DEVELOPMENTS

Clarksons Platou estimate global dry bulk cargo volumes in 2016 grew by 1.2% year on year, or 2% on a tonne-mile basis – as compared to net fleet growth of 2.3%.

The main positive drivers of this demand growth included a 4% increase in iron ore trade volumes mainly into China which continues to switch away from domestic iron ore sources.

Similarly, cuts in China’s domestic coal output resulted in a 21% increase in Chinese coal imports. This was fully offset by coal import reductions in other markets (principally the EU area), but still contributed to improving freight market conditions in the second half of the year.

Overall minor bulk trade growth was flat in 2016. Soybean and wheat/grain trade volumes both grew 4% during the year. Cement trades grew 6% and forest products (including logs) grew 2%, but these solid improvements were offset by reductions of 1% in steel products, 3% in fertiliser, as well as an 8% reduction in bauxite and nickel ore volumes which remain impacted by Indonesian and Filipino export controls.

Seasonally strong US grain and soybean exports were key contributors to improved market conditions for our mid-sized vessels in the second half, driving Atlantic earnings to their highest levels since early 2014 and significantly outperforming Pacific earnings.

SHIP VALUES

Declining dry bulk ship values stabilised at the end of the first quarter and have since increased on improved freight market conditions. Sale activity has returned.

Clarksons Platou currently value a benchmark five-year old secondhand Handysize at US$13.5 million, which is up 42% since a year ago. Despite the increase, secondhand values remain well below the estimated US$19.5 million benchmark newbuilding price, although no newbuildings have recently been contracted to support this. This gap continues to discourage new ship ordering which will benefit freight market fundamentals in the future.

ORDERBOOK

The dry bulk orderbook continued to decline to 11% from 15% a year ago. New ship ordering in 2016 amounted to a record low 1.7% of existing capacity, or 0.1% excluding 31 Valemax ore carriers dedicated to Vale's own iron ore trades.

The gap between secondhand and newbuilding prices has reduced but continues to discourage new ship ordering. The absence of new ordering and a continued orderbook delivery shortfall should result in reduced new ship deliveries in the coming years. Scheduled new ship deliveries for the year are 37% smaller than a year ago and, as less slippage is likely in 2017, we expect actual deliveries will be around 35 million deadweight tonnes.

OUR PERFORMANCE IN 2016

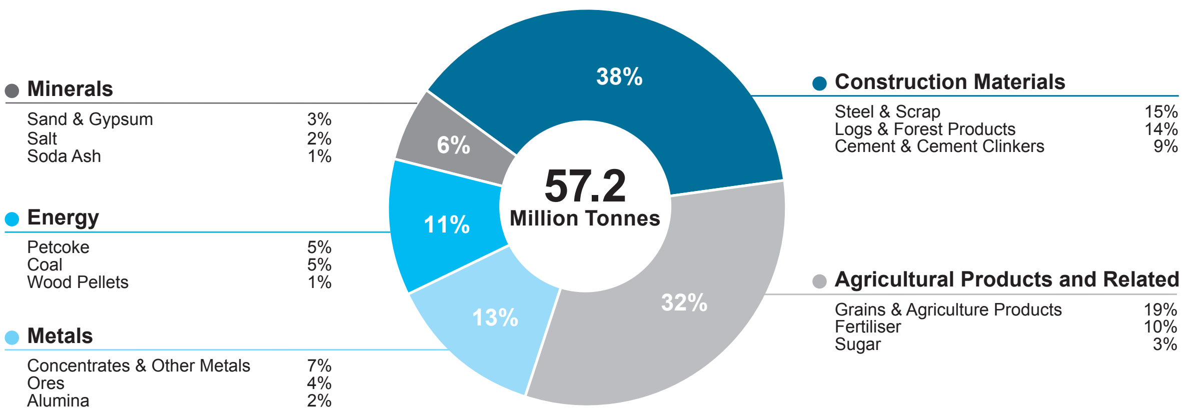
Our core dry bulk business generated a net loss of US$87.6 million (2015: net loss US$34.7 million) in a record weak year for dry bulk shipping. In the challenging market conditions, we generated daily earnings that outperformed the BHSI and BSI indices and continued to maintain good control of our vessel operating costs.

DRY BULK OPERATING PERFORMANCE

US$ Million	1H16	2H16	2016	2015	Change
Handysize Contribution	(30.2)	(6.9)	(37.1)	(8.4)	>-100%
Supramax Contribution	(6.8)	3.5	(3.3)	22.6	>-100%
Post-Panamax Contribution	2.7	2.8	5.5	5.5	–
Dry Bulk operating performance before overheads	(34.3)	(0.6)	(34.9)	19.7	>-100%
Overheads	(25.6)	(26.1)	(51.7)	(53.5)	+3%
Tax	(0.5)	(0.5)	(1.0)	(0.9)	-11%
Dry Bulk net loss	(60.4)	(27.2)	(87.6)	(34.7)	>-100%
Dry Bulk vessel net book value	1,577.9	1,653.4	1,653.4	1,577.8	+5%

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

OUR DRY BULK CARGO VOLUMES IN 2016

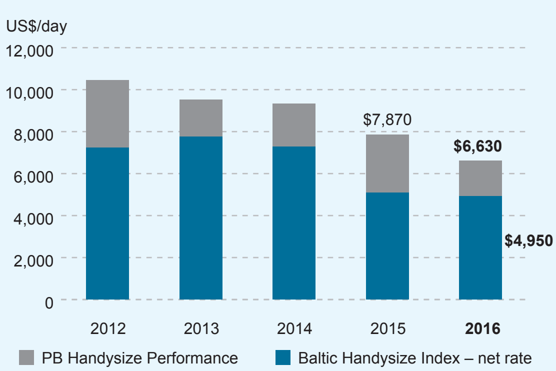


KEY PERFORMANCE INDICATORS

Performance vs Market

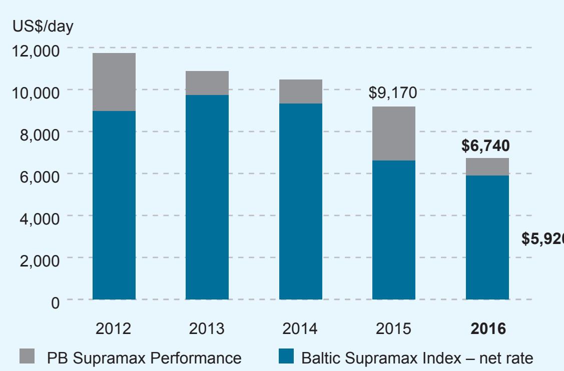
Handysize

34% outperformance compared to market



Supramax

14% outperformance compared to market

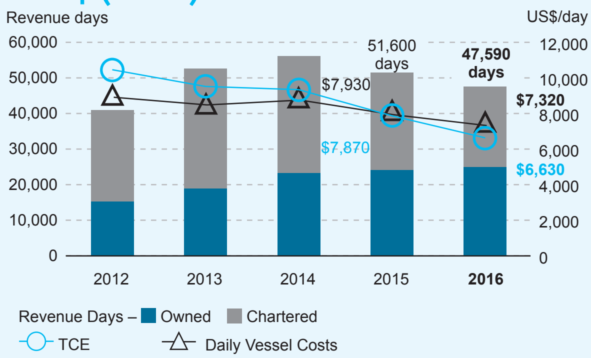


- Our 34% and 14% outperformance in 2016 compared to spot market indices reflects the value of our fleet scale and cargo book, and our ability to optimise cargo combinations and match the right ships with the right cargoes to maximise our utilisation and vessel earnings.

Profitability

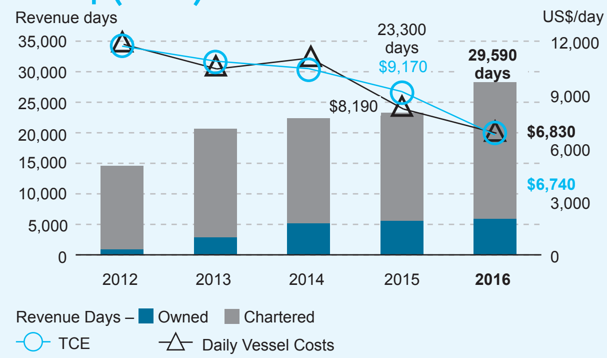
Handysize

US$(37.1)m contribution



Supramax

US$(3.3)m contribution



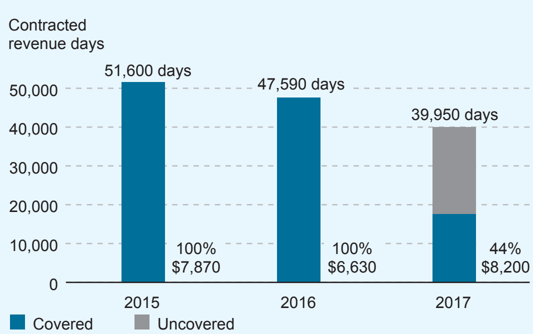
- We generated Handysize daily earnings of US$6,630 with daily costs of US$7,320 on 47,590 revenue days. Our Handysize earnings were under pressure in the historically weak market resulting in a negative Handysize contribution despite our strong premium.
- Our Supramax business generated a smaller loss than Handysize, benefitting in the weak market from its larger proportion of short-term inward chartered ships.

As part of our business model, we charter in vessels for short periods for combination with cargoes with the aim of making a margin irrespective of whether the market is high or low. In low markets as in 2016, these short-term positions generally lower our reported TCE earnings while in fact making a valuable positive contribution. If we exclude the vessel days attributable to these short-term operated ships and factor their positive margin into the TCE results of our core owned and long-term fleet, then our restated 2016 Handysize and Supramax daily earnings would improve to US$6,720 on 41,220 days and US$7,940 on 14,230 days respectively.

- We operated an average of 130 Handysize and 81 Supramax ships resulting in an 8% reduction and 27% increase in our Handysize and Supramax revenue days respectively.
- Our Handysize capacity has reduced as we redelivered 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.

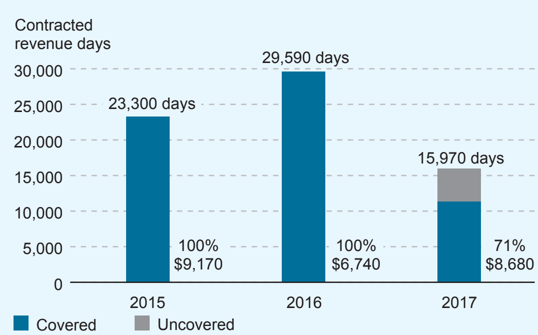
Future Earnings and Cargo Cover

Handysize



Currency: US$ per day

Supramax



Currency: US$ per day

- We have covered 44% and 71% of our 39,950 Handysize and 15,970 Supramax revenue days currently contracted for 2017 at US$8,200 and US$8,680 per day net 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.

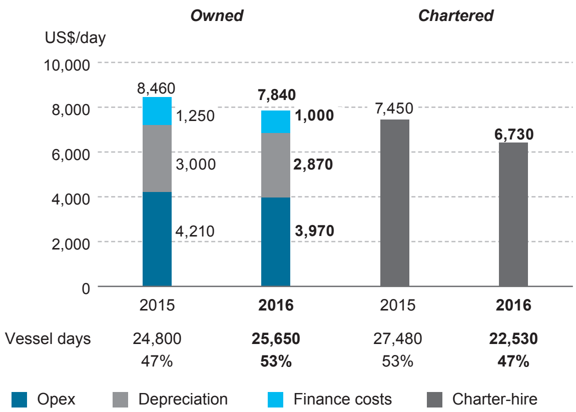
ANALYSIS OF DAILY VESSEL COSTS

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$7,320 (2015: US$7,930)

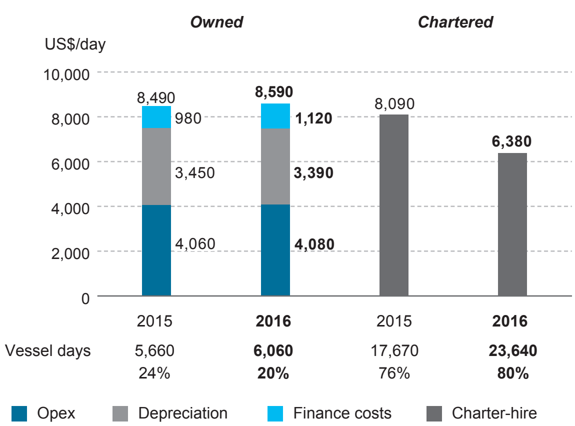
(excluding overheads)



Supramax Daily Vessel Costs

Blended US$6,830 (2015: US$8,190)

(excluding overheads)



Opex – The daily opex element of our vessel costs decreased 6% for Handysize mainly due to crewing and procurement cost efficiencies, while increasing 1% for Supramax.

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$1,000 and US$790 respectively, and our Supramax daily P/L and cash finance costs were US$1,120 and US$1,030 respectively. The difference between the P/L and cash finance costs reflects the difference between 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. This was due to the allocation of more convertible bonds interest to this vessel type as more Supramax owned newbuildings delivered.

Charter-hire – Our chartered Handysize vessels' daily P/L and cash charter-hire costs were US$6,730 and US$7,590 respectively, and our Supramax daily P/L and cash charter-hire costs were US$6,380 and US$6,720 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 47% and 80% of our total Handysize and Supramax vessel days respectively. Our Handysize chartered-in days decreased 18% to 22,530 days (2015: 27,480 days) while our Supramax chartered-in days increased 34% to 23,640 days (2015: 17,670 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 blended owned and chartered daily cash cost excluding overheads was US$6,090 (2015: US$6,570) for our Handysize fleet and US$6,390 (2015: US$7,720) for our Supramax fleet.

Overheads – Our dry bulk direct staff overheads and office costs, along with all overheads categorised as indirect overheads, reduced to US$51.7 million (2015: US$53.5 million) in spite of operating more owned ships. Spread across our vessel days, the aggregate overheads translated into a daily cost of US$660 per ship per day (2015: US$710 per day).

The Group's total administrative expenses including our remaining towage activities amounted to US$52.9 million (2015: US$56.6 million). The year-on-year saving of US$3.7 million reflects a range of cost savings initiatives undertaken during the year.

During the year, we secured 3,050 Handysize vessel days (2015: 7,040 days) and 330 Supramax vessel days (2015: 1,240 days) via variable-rate, inward charters with rates linked to the Baltic Handysize and Supramax indices. These index-linked vessels represented 14% and 1% of our chartered Handysize and Supramax vessel days respectively.

Our fleet of owned dry bulk vessels experienced on average 2.6 days (2015: 2.2 days) per vessel unplanned technical off-hire during the year.

FUNDING

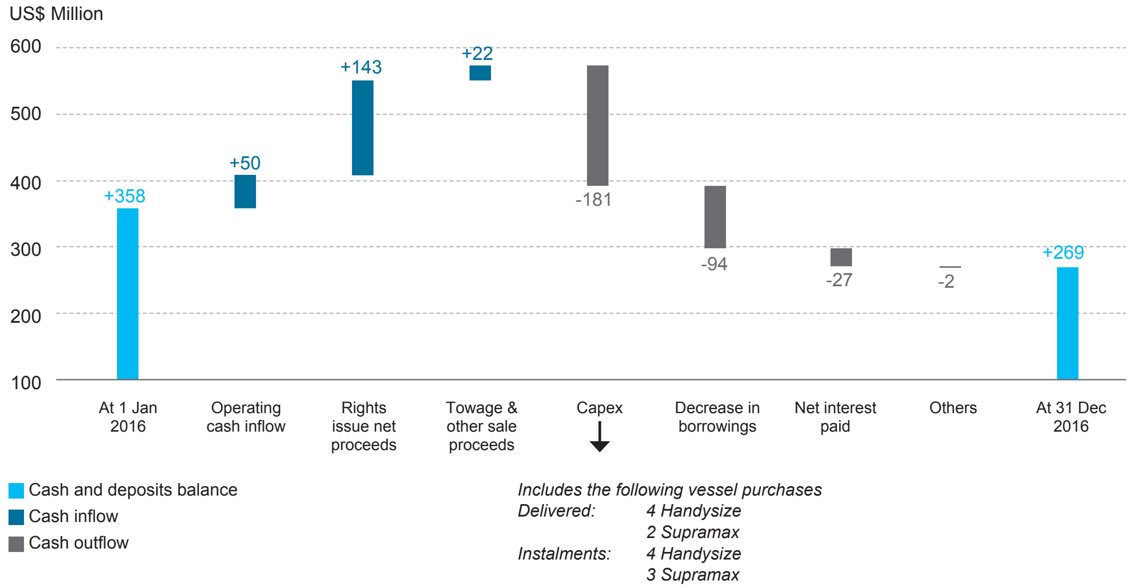
CASH FLOW AND CASH

The Group's four main sources of funds are operating cash flows, secured 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 2016



CURRENT POSITION AND OUTLOOK

During 2016:

- We raised US$143 million of cash, after expenses, through the issue of rights shares at the subscription price of HK$0.60 each on the basis of one rights share for every one existing share. US$124 million of such proceeds were used to repay the 2018 convertible bonds in October following the exercise by all bondholders of their right to redeem the bonds.
- Borrowings decreased by US$94 million, after:
  - The 2016 convertible bonds principal repayment of US$106 million upon its maturity in April;
  - The 2018 convertible bonds principal repayment of US$124 million in October following the exercise by all bondholders of their right to redeem the bonds;
  - Our net repayment of US$70 million of secured borrowings and revolving facilities; and
  - We drew down US$205 million in total, comprising US$171 million under our Japanese export credit facilities in respect of nine delivered newbuildings and US$34 million of borrowings on other owned vessels.
- We received sale proceeds of US$22 million for towage and other non-core assets.

As at 31 December 2016:

- The Group's cash and deposits were US$269 million reflecting a 34% net gearing ratio.
- Our undrawn committed borrowing facilities of US$158 million comprise:
  - US$140 million of Japanese export credit facilities for our newbuilding commitments of US$119 million payable over the next six months; and
  - US$18 million of other secured borrowings which were subsequently drawn down in February 2017.

CASH AND DEPOSITS

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

US$ Million	2016	2015	Change
Cash and deposits	269.1	358.3	
Restricted bank deposits – non-current	0.1	0.1	
Total cash and deposits	269.2	358.4	–25%
Current portion of long-term borrowings	(95.7)	(292.7)	
Long-term borrowings	(743.5)	(633.3)	
Total borrowings	(839.2)	(926.0)	+9%
Net borrowings	(570.0)	(567.6)	0%
Net borrowings to net book value of property, plant and equipment	34%	35%	
Net borrowings to shareholders' equity	55%	59%	
Net working capital	160.6	40.8	>100%

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

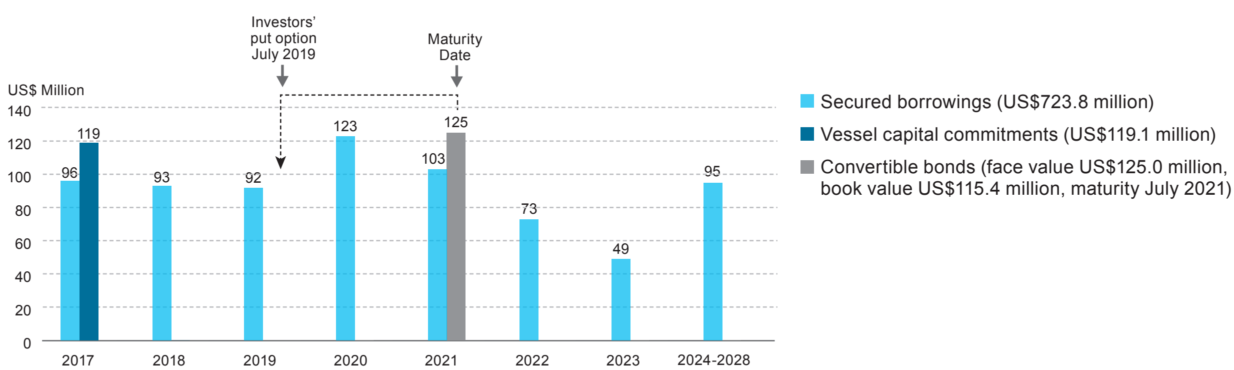
Treasury enhances Group income by investing in a mix of financial products, based on the perceived balance of risk, return and liquidity. Cash, deposits and investment products are placed with a range of leading banks, mainly in Hong Kong.

The Group's cash and deposits at 31 December 2016 comprised US$255.6 million in United States Dollars and US$13.6 million in other currencies. They are primarily placed in liquid deposits of three months or less and saving accounts. This maintains liquidity to meet the Group's vessel purchase commitments and working capital needs.

During the year, Treasury achieved a 1.0% 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 31 December 2016, which comprised secured borrowings and the liability component of convertible bonds, amounted to US$839.2 million (2015: US$926.0 million) and are denominated in United States Dollars.

SECURED BORROWINGS – US$723.8 MILLION (2015: US$593.5 MILLION) Secured borrowings are in the functional currency of the business segment to which they relate. The overall increase in secured borrowings is mainly due to the drawdowns under our Japanese export credit facilities and other borrowings, partially offset by scheduled loan amortisation. During the year, we drew down US$171.4 million secured on nine vessels under our committed Japanese export credit facilities, leaving loans of US$139.7 million which are expected to be drawn in the first half of 2017 upon the delivery of our remaining seven newbuildings. In addition, we drew down other borrowings of US$34.1 million secured on our owned vessels during the second half of 2016 and further drew down US$18.2 million in February 2017 in respect of two owned vessels. 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 31 December 2016: ▪ The Group's secured borrowings were secured by 88 vessels with a total net book value of US$1,498.9 million and an assignment of earnings and insurances in respect of these vessels. ▪ Our unmortgaged vessels included two dry bulk vessels. ▪ The Group was in compliance with all its loans-to-asset value requirements. ▪ Our undrawn committed borrowing facilities were US$157.9 million, comprising US$139.7 million of Japanese export credit facilities expected to be drawn down in the first half of 2017 and US$18.2 million of other secured borrowings which were drawn down in February 2017.	P/L impact: The increase in interest (after capitalisation) to US$22.1 million (2015: US$21.5 million) was mainly due to an increase in average secured borrowings to US$564.2 million (2015: US$525.6 million). Certain secured 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$115.4 MILLION (2015: US$332.5 MILLION) During the year, we fully repaid two convertible bonds, namely the 1.75% p.a. coupon 2016 convertible bonds with an outstanding principal of US$105.6 million in April upon maturity and the 1.875% p.a. coupon 2018 convertible bonds with an outstanding principal of US$123.8 million in October following the exercise by all bondholders of their right to redeem the bonds at 100% of the principal amount. The former was funded by the Group's then cash reserves, whilst the latter was funded by the cash raised through the issue of rights shares in June. As at 31 December 2016, there remained the 3.25% p.a. coupon July 2021 convertible bonds with an outstanding principal of US$125.0 million and a liability component of US$115.4 million. As at 31 December 2015, the liability components of the 2016 convertible bonds, 2018 convertible bonds and 2021 convertible bonds were US$105.1 million, US$113.9 million and US$113.5 million respectively.	P/L impact: The US$12.4 million (2015: US$17.1 million) interest expense of the convertible bonds is calculated at an effective interest rate of 5.2% (2015: 4.9%).

FINANCE COSTS

FINANCE COSTS BY NATURE

US$ Million	Average interest rate P/L	Average interest rate Cash	Balance at 31 December 2016	Finance costs 2016	Finance costs 2015	(Increase)/ decrease
Secured borrowings						
(including realised interest rate swap costs)	3.9%	3.9%	723.8	**22.1**	21.5	(3%)
Convertible bonds (Note)	5.2%	2.5%	115.4	**12.4**	17.1	28%
	4.3%	3.4%	839.2	**34.5**	38.6	11%
Finance lease liabilities				**–**	1.0	
Unrealised interest rate swap income				**(1.6)**	(1.6)	
Other finance charges				**1.0**	1.8	
Total finance costs				**33.9**	39.8	15%
Interest coverage (calculated as EBITDA divided by total gross finance costs)				**0.7x**	2.3x	

Note: The convertible bonds have a P/L cost of US$12.4 million and a cash cost of US$6.5 million.

The KPIs on which management focuses to assess the cost of borrowings are average interest rates for different types 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 year, US$4.4 million of interest rate swap contract costs were realised and US$1.6 million of unrealised gains arose resulting in a net US$2.8 million swap contract charge. As at 31 December 2016, 65% (2015: 84%) of the Group's long-term borrowings were on fixed interest rates. As at 31 December 2017 and 2018, we expect about 65% of the Group's existing and committed long-term borrowings will be on fixed interest rates.

DELIVERED VESSELS

As at 31 December 2016, the Group had delivered dry bulk vessels with a net book value of US$1,593 million as follows:

	Number	Average size (dwt tonnes)	Average age (years)	Average net book value (US$ Million)	Total net book value (US$ Million)
Handysize	73	32,200	9.0	15.8	1,152
Supramax	18	55,500	6.6	22.0	396
Post-Panamax	1	115,500	5.0	45.3	45

Latest estimated fair market values published by Clarksons Platou are US$13.5 million and US$15.0 million for 5-year old 32,000 dwt Handysize and 56,000 dwt Supramax vessels respectively.

VESSEL COMMITMENTS

As at 31 December 2016, the Group had vessel commitments of US$119.1 million. These vessels are scheduled to deliver to the Group between January 2017 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	2017
Contracted and authorised commitments		
Handysize	4	67.5
Supramax	3	51.6
	7	119.1
Funding		
Planned drawdown of committed		
Japanese export credit facilities		139.7

At 31 December 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$549.4 million (2015: US$675.4 million), comprising US$362.3 million for Handysize, US$150.5 million for Supramax and US$36.6 million for Post-Panamax.

Our Handysize operating lease committed days decreased 18% to 35,140 days (2015: 42,980 days) while our Supramax operating lease committed days decreased 11% to 13,370 days (2015: 15,010 days).

ONEROUS CONTRACT PROVISIONS

The Group wrote back US$19.5 million and US$8.2 million for Handysize and Supramax onerous contract provisions made in 2016 following the utilisation of the 2016 elements of the charters. At 31 December 2016, there remains a provision of US$40.1 million for Handysize and US$11.8 million for Supramax time charter contracts substantially expiring during a four-year period as charter rates are higher than the expected earnings during this period. The remaining provisions will be released back to the income statement in the periods in which the charter payments for these vessels are due (see adjacent table).

			US$ Million
Year	Handysize	Supramax	Total
2017	16.5	3.8	20.3
2018	15.4	6.8	22.2
2019	5.3	1.2	6.5
2020	2.9	–	2.9
Total	40.1	11.8	51.9

CHARTER HIRE REDUCTION BY ISSUING NEW SHARES

During the year, new shares were issued to 10 shipowners in return for a US$12.6 million reduction in charter-hire rates over a 24-month period on 10 of our existing long-term chartered ships (“Charter Hire Reduction”). The income statement still reflects the original contracted charter costs, but the cash payments in the 24 months period are reduced by the value of shares issued (see adjacent table).

			US$ Million
Year	Handysize	Supramax	Total
2016	0.7	0.4	1.1
2017	4.3	2.0	6.3
2018	3.6	1.6	5.2
Total	8.6	4.0	12.6

COMMITMENTS EXCLUDING INDEX-LINKED VESSELS

The following table shows the average daily charter rates both on the cash basis and P/L basis for the total vessel days of our chartered-in Handysize and Supramax vessels during their remaining operating lease terms by year. Compared to the contracted charter-hire costs, i) the cash basis reflects the reduced payments following the issue of shares for charter hire payments; and ii) the P/L basis cost reflects the reduction due to the write-back of onerous contract provisions.

	Handysize			Supramax		
		Average daily rate			Average daily rate	
Year	Vessel days	Cash basis (US$)	P/L basis (US$)	Vessel days	Cash basis (US$)	P/L basis (US$)
2017	9,800	9,400	8,150	6,210	9,450	9,150
2018	7,310	10,180	8,560	2,640	12,520	10,610
2019	6,830	10,710	9,930	2,170	13,160	12,680
2020	4,060	10,950	10,230	1,590	13,070	13,070
2021	2,900	10,870	10,870	640	12,300	12,300
2022+	4,240	11,010	11,010	120	12,500	12,500
Total	35,140			13,370		
Aggregate operating lease commitments		US$362.3m			US$150.5m	

COMMITMENTS INCLUDING INDEX-LINKED VESSELS

Our fixed rate and variable rate index-linked lease commitments charged to the income statement for 2016 completed and contracted for 2017 can be analysed as follows:

	2016		**1H2017**		**2H2017**	
Handysize	Vessel Days	Average daily P/L rate (US$)	**Vessel Days**	**Average daily P/L rate (US$)**	**Vessel Days**	**Average daily P/L rate (US$)**
Long-term (> 1 year)	8,790	8,090	**4,490**	**8,210**	**4,410**	**8,300**
Short-term	10,690	6,050	**900**	**7,140**	**–**	**–**
Index-linked	3,050	5,150	**830**	**Market rate**	**550**	**Market rate**
Total	22,530	6,730	**6,220**		**4,960**	
Supramax						
Long-term (> 1 year)	3,130	10,350	**2,110**	**9,870**	**1,540**	**11,530**
Short-term	20,180	5,780	**2,560**	**7,130**	**–**	**–**
Index-linked	330	5,090	**–**	**–**	**–**	**–**
Total	23,640	6,380	**4,670**		**1,540**	

Certain long-term chartered-in vessels may be extended for short-term periods at market rates, but remain categorised as long-term charters.

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 charter are typically larger and more fuel efficient than index reference vessels.

FINANCIAL STATEMENTS

GROUP PERFORMANCE REVIEW

US$ Million	2016	2015	Change
Revenue	**1,087.4**	1,260.3	-14%
Bunker & port disbursement	**(555.1)**	(611.5)	+9%
Time charter equivalent earnings ("TCE")	**532.3**	648.8	-18%
Other direct costs	**(586.6)**	(652.9)	+10%
Gross loss	**(54.3)**	(4.1)	>-100%
Dry Bulk	**(87.6)**	(34.7)	>-100%
Towage	**(0.1)**	6.2	>-100%
Others	**0.0**	0.7	>-100%
Underlying loss	**(87.7)**	(27.8)	>-100%
Unrealised derivative income	**23.6**	8.8	
Sale of properties	**1.7**	–	
Vessel impairments	**(15.2)**	–	
Sale of towage assets	**(4.9)**	2.8	
Towage exchange charge	**(2.8)**	(1.5)	
Other impairments	**(1.2)**	(0.8)	
Loss attributable to shareholders	**(86.5)**	(18.5)	>-100%
EBITDA	**22.8**	93.2	-76%
Net profit margin	**(8%)**	(1%)	-7%
Return on average equity employed	**(9%)**	(2%)	-7%

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

EBITDA (earnings before interest, tax, depreciation and amortisation) is our gross profit less general and administration expenses, excluding: depreciation and amortisation; exchange differences; share-based compensation; net unrealised bunker swap contract income and expenses; utilised onerous contract provisions; and net of Charter Hire Reduction adjustments.

The main drivers of our results in 2016 were as follows:

- Revenue decreased by 14% and cost of services reduced by 9%, mainly due to:
  - one of the weakest ever years for the dry bulk market; and
  - replacing expiring long-term chartered-in vessels with more lower cost short-term chartered-in vessels.
- Loss attributable to shareholders was mainly affected by:
  - an unrealised derivative accounting gain of US$23.6 million mainly from accounting reversal of completed prior year bunker swap contracts;
  - gains of US$1.7 million from disposal of all the China properties; offset by
  - non-cash impairments of US$15.2 million for the remaining towage vessels and one Supramax vessel that was sold after the year end; and
  - losses of US$4.9 million from disposals of towage assets and their related non-cash exchange loss of US$2.8 million. The Group maintains a foreign exchange reserve for the translation of net asset value of the Australian Dollar-denominated subsidiaries to US Dollars. At 31 December 2016, the foreign exchange reserve balance amounted to a charge of US$1.4 million. The release of this reserve to the consolidated income statement will be triggered by the sales of the remaining assets and closing down of the subsidiaries denominated in Australian Dollars.
- EBITDA was US$22.8 million (2015: US$93.2 million) contributing to a positive operating cash flow. Our cash and deposits at the year end stood at US$269.1 million (2015: US$358.4 million) with net gearing of 34% (2015: 35%).

CONSOLIDATED INCOME STATEMENT

	Note	For the year ended 31 December **2016** **US$'000**	2015 US$'000
Revenue		**1,087,371**	1,260,291
Cost of services		**(1,141,696)**	(1,264,402)
Gross loss		**(54,325)**	(4,111)
General and administrative expenses		**(5,749)**	(5,954)
Vessel impairments		**(15,245)**	–
Other income and gains		**29,971**	31,576
Other expenses		**(9,039)**	(3,724)
Finance income		**2,750**	4,469
Finance costs		**(33,925)**	(39,795)
Share of profits of investments accounted for using the equity method		**–**	178
Loss before taxation	4	**(85,562)**	(17,361)
Taxation	5	**(985)**	(1,179)
Loss attributable to shareholders		**(86,547)**	(18,540)
Basic and diluted earnings per share for loss attributable to shareholders (comparative restated) (in US cents)	7	**(2.63)**	(0.70)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December **2016** **US$'000**	2015 US$'000
Loss attributable to shareholders	**(86,547)**	(18,540)
Other comprehensive income – items that may be reclassified to income statement:		
Cash flow hedges:		
– transferred to finance costs in income statement	**3,549**	6,179
– fair value losses	**(699)**	(18,885)
Release of exchange losses/(gains) from reserves to income statement for foreign operations upon:		
– disposal of towage assets	**2,815**	–
– repayment of shareholder loans by subsidiaries	**–**	(669)
– disposal of a joint venture	**–**	(355)
Fair value losses on available-for-sale financial assets	**–**	(1,102)
Currency translation differences	**(16)**	(2,497)
Total comprehensive income attributable to shareholders	**(80,898)**	(35,869)

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2016 US$'000	2015 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		1,653,433	1,611,000
Investment properties		–	2,400
Land use rights		–	2,686
Goodwill		25,256	25,256
Available-for-sale financial assets		875	2,135
Derivative assets		969	–
Trade and other receivables	8	5,405	5,559
Restricted bank deposits		58	58
		1,685,996	1,649,094
Current assets			
Inventories		62,492	50,785
Derivative assets		2,831	–
Assets held for sale		5,820	–
Trade and other receivables	8	80,940	87,486
Cash and deposits		269,146	358,370
		421,229	496,641
Total assets		2,107,225	2,145,735
EQUITY			
Capital and reserves attributable to shareholders			
Share capital		40,046	194,480
Retained profits		150,783	213,233
Other reserves		849,942	563,225
Total equity		1,040,771	970,938
LIABILITIES			
Non-current liabilities			
Derivative liabilities		24,860	33,797
Long-term borrowings		743,507	633,226
Provision for onerous contracts		31,564	51,918
Trade and other payables	9	5,856	–
		805,787	718,941
Current liabilities			
Derivative liabilities		2,899	16,655
Trade and other payables	9	140,625	117,364
Current portion of long-term borrowings		95,735	292,739
Taxation payable		1,054	1,434
Provision for onerous contracts		20,354	27,664
		260,667	455,856
Total liabilities		1,066,454	1,174,797

Notes:

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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").

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

2. ADOPTION OF NEW/REVISED HKFRS

Certain amendments to standard are mandatory for the accounting period beginning 1 January 2016. However, the adoption of these amendments to standard does not result in any substantial change to the Group's accounting policies.

3. REVENUE AND SEGMENT INFORMATION

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 Group manages its businesses by divisions. Reports are presented to the Board for the purpose of making strategic decisions, allocation of resources and assessing performance.

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.

4. LOSS BEFORE TAXATION

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

US$'000	2016	2015
Bunkers consumed	**220,546**	278,279
Depreciation		
– owned vessels	**97,109**	91,931
– other owned property, plant and equipment	**1,658**	1,624
– investment properties	**34**	66
– leased vessels	**–**	6,391
Amortisation of land use rights	**38**	73
Utilisation of provision for onerous contracts	**(27,664)**	(21,324)
Provision for impairment losses		
– vessels	**15,245**	–
– available-for-sale financial assets	**1,260**	889
– trade receivables	**424**	1,934
Interest on borrowings		
– secured bank loans	**19,154**	15,861
– unsecured convertible bonds	**12,353**	17,149
– other secured borrowings	**510**	–
– finance leases liabilities	**–**	1,030
Net losses on interest rate swap contracts	**2,823**	4,893
Other finance charges	**1,080**	1,826
Finance income		
– bank interest income	**(2,748)**	(2,925)
– other interest income	**(2)**	(1,544)
Net (gains)/losses on bunker swap contracts	**(9,895)**	18,879
Net gains on forward foreign exchange contracts	**–**	(87)
Net losses on forward freight agreements	**–**	304
Lubricating oil consumed	**8,924**	7,901
Losses on disposal of property, plant and equipment	**3,776**	307
Gains on disposal of investment properties	**(469)**	–
Gains on disposal of a joint venture	**–**	(3,514)

5. TAXATION

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

US$'000	2016	2015
Current taxation		
Hong Kong profits tax, provided at the rate of 16.5% (2015: 16.5%)	**715**	665
Overseas tax, provided at the rates of taxation prevailing in the countries	**319**	438
Adjustments in respect of prior year	**(49)**	76
Tax charges	**985**	1,179

6. DIVIDENDS

No final dividends were declared in respect of the years ended 31 December 2016 and 2015. The 2014 final dividend of HK5 cents or US0.6 cents per share resulted in a total of US$12,368,000 being paid during 2015.

7. 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 year, excluding the shares held by the trustee of the Company's 2013 Share Award Scheme ("SAS") and unvested restricted shares.

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 year, 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.

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 rights issue completion in June 2016 and the prior year comparative has also been restated to reflect such effect.

		Basic & Diluted 2016	Basic & Diluted 2015 (restated)
Loss attributable to shareholders	(US$'000)	**(86,547)**	(18,540)
Weighted average number of ordinary shares in issue	('000)	**3,285,006**	2,643,000
Earnings per share	(US cents)	**(2.63)**	(0.70)
Equivalent to	(HK cents)	**(20.44)**	(5.44)

Diluted earnings per share for the year ended 31 December 2016 and 2015 is the same as the basic earnings per share since the potential ordinary shares from convertible bonds and unvested restricted shares have anti-dilutive effect.

8. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are net trade receivables and their ageing based on invoice date is as follows:

US$'000	**2016**	2015
< 30 days	**24,872**	21,824
31-60 days	**800**	3,270
61-90 days	**345**	2,988
> 90 days	**5,258**	6,575
	31,275	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.

9. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables and their ageing based on due date is as follows:

US$'000	**2016**	2015
< 30 days	**45,327**	25,338
31-60 days	**670**	372
61-90 days	**402**	833
> 90 days	**5,170**	4,023
	51,569	30,566

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 interest of US$923,913.

On 24 October 2016, the Group redeemed and cancelled the entire principal amount of US$123,800,000 1.875% p.a. coupon guaranteed convertible bonds due 2018 following the exercise of the put option by all holders of the bonds in September 2016. The redemption involved a cash outlay of US$123,800,000 of principal and accrued interest of US$1,160,623.

Save as disclosed above and other than for satisfying restricted share awards granted under the Company's SAS, 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 year.

COMPLIANCE WITH THE CODE OF CONDUCT REGARDING 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 year.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the year, the Group has been fully compliant with all code provisions of the Corporate Governance Code as contained in Appendix 14 of the Listing Rules.

REVIEW BY AUDIT COMMITTEE AND AUDITORS

The Audit Committee of the Company has reviewed this annual results announcement and the Annual Report of the Company for the year ended 31 December 2016.

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

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

This announcement of annual results containing all the information required by paragraphs 45(1) to 45(8) 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.

The Company's 2016 Annual Report will be available on the Company's website at www.pacificbasin.com no later than the date on which it is sent to those shareholders who have elected to receive a printed copy on or around 13 March 2017.

DIRECTORS

As at the date of this announcement, the Directors of the Company are:

Executive Directors:
David Muir Turnbull, Mats Henrik Berglund, Andrew Thomas Broomhead and Chanakya Kocherla.

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

Note: The English text of this announcement shall prevail over the Chinese text in case of any inconsistency.