Pacific Basin

Navigating with resilience

Experienced team

Exceptional fleet

Customers first

Annual Report 2015

Stock Code: 2343

Pacific Basin

What We Do

Pacific Basin has built a strong name as one of the world's leading owners and operators of modern Handysize and Supramax* dry bulk ships

200+ ships

12 offices

450+ customers

Our shipping business is customer focused, providing over 450 industrial users, traders and producers of dry bulk commodities with a high-quality, reliable and competitive freight service under spot and long-term cargo contracts.

We are headquartered and listed in Hong Kong and operate globally with a large fleet of ships trading worldwide and 330 staff in 12 key locations around the world.

Customers First

Our customer-focused business model has driven innovative customer engagement and service at a local level, solid service reliability, enhanced customer satisfaction and an excellent reputation globally.

Exceptional Fleet

Having invested significantly in the previous downturn, we operate the world's largest Handy fleet and the best fleet we have ever had, equipping us for efficient trading and reliable service throughout the market cycle.

Experienced Team

Our staff operate globally with a local presence – our network of customer-facing offices ensures we create strong bonds, collaboration and trust with our customers, driving insight and knowledge back into our business so we can deliver the best service.

* We now refer more accurately to our Handymax ships as "Supramax" ships (50,000-60,000 dwt) which are generally considered to represent the modern, mid-size, standard Handymax. The segment comprises Handymax, Supramax and Ultramax ships spanning 40,000-65,000 dwt.

Key to navigation symbols

Linkage to related details within the Annual Report

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

Audited Information

KPI Key Performance Indicators

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

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

Contents

Business Highlights

Group

EBITDA increased to a positive US$88 million, and we made a net loss of US$18.5 million

Freight rates fell further in 2015 in one of the weakest years for dry bulk shipping

Our Handysize daily TCE earnings outperformed the market index by 54%

We reduced costs and intensified our efforts to maximise our vessel and fleet utilisation

We turned around our Supramax performance to a positive contribution

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

Our exit from RoRo and most of our towage business was completed in 2015 generating cash of US$140 million

Our cash position stood at US$358 million with net gearing at 35%

US$375 million of undrawn loan facilities exceeds US$274 million of remaining newbuilding capital commitments

Fleet

We are now fully focused on dry bulk: substantially all our long-term assets are invested in our market leading "Handy bulk" business

We reduced our owned Handysize and Supramax operating costs to US$4,210 and US$4,060 per day through scale benefits and good cost control

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

We now operate 206 dry bulk ships of which 86 are owned

13 owned newbuildings will join our fleet in the next two years

We have covered 44% of our 37,080 Handysize revenue days for 2016 at US$7,800/day net

Market

The market was undermined by continued oversupply and reduced dry bulk demand

Very low fuel prices drove increased ship operating speeds in the third quarter thus further increasing effective shipping supply

Dry bulk indices have declined further in early 2016, posting several record lows in the year to date

Current market rates are below industry operating cash costs which is unsustainable, leading to increased scrapping which will contribute to a healthier market in time

We are managing our business for a continued weak market in the medium term and are prioritising safety and staying power

Strategic Model

KEY VALUE DELIVERED: Our Ability to Outperform Market TCE Earnings

Market-Leading Customer Focus & Service

Priority to build and sustain long-term customer relationships

Solution-driven approach ensures accessibility, responsiveness and flexibility for customers

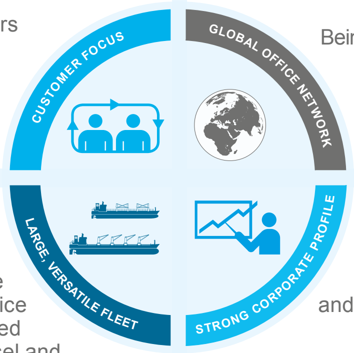
Close partnership with customers generates enhanced access to spot cargoes and long-term cargo contract opportunities of mutual benefit

Comprehensive Global Office Network

Integrated international service enhanced by experienced commercial and technical staff around the world

Being local facilitates clear understanding of and response to customers' needs and first-rate personalised service

Being global facilitates comprehensive market intelligence and cargo opportunities, and optimal trading and positioning of our fleet



Large Fleet & Modern Versatile Ships

Fleet scale and interchangeable high-quality ships facilitate service flexibility for customers, optimised scheduling and maximised vessel and fleet utilisation

In-house technical operations facilitate enhanced health & safety, quality and cost control, and enhanced service reliability and seamless integrated service and support for customers

Strong Corporate & Financial Profile

Striving for best-in-class internal and external reporting, transparency and corporate stewardship

Strong cash position and track record set us apart as a preferred counterparty

Hong Kong listing and location facilitate access to capital

Responsible observance of stakeholder interests and commitment to good corporate governance and CSR

Matters of Key Strategic Focus

What We're Doing to Deliver Our Strategy

- Deepening our customer relationships
- Investing in our people
- Investing in our high-quality fleet
- Safeguarding health, safety & environment
- Increasing efficiencies & reducing costs
- Enhancing corporate & financial profile
- Evolving management & governance practices

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Our Resources In Action

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Strategy Delivery & Risks

Financial Summary

	2015 US$ Million	2014 US$ Million
Results		
Revenue [1]	**1,260.3**	1,718.5
Gross loss [1]	**(4.1)**	(39.6)
EBITDA [2]	**87.7**	82.2
Underlying loss KPI	**(27.8)**	(55.5)
Finance costs, net [1]	**(35.3)**	(32.8)
Discontinued operations – loss for the year	**–**	(5.2)
Loss attributable to shareholders	**(18.5)**	(285.0)
Balance Sheet		
Total assets	**2,145.7**	2,307.5
Net borrowings	**567.6**	636.3
Shareholders' equity	**970.9**	1,001.7
Total cash and deposits	**358.4**	363.4
Capital commitments	**273.8**	384.7
Cash Flows		
Operating	**98.6**	93.7
Investing	**(54.9)**	(131.7)
Financing	**(100.4)**	(112.5)
Per Share Data	**HK cents**	HK cents
Basic EPS	**(7.5)**	(115.8)
Dividends KPI	**–**	5
Operating cash flows	**40**	38
Net book value	**387**	401
Share price at year end	**170**	313
Market capitalisation at year end	**HK$3.3bn**	HK$6.1bn
Ratios		
Net profit margin	**(1%)**	(17%)
Eligible profit payout ratio	**–**	>100%
Return on average equity	**(2%)**	(23%)
Total shareholders' return	**(33%)**	(43%)
Net borrowings to net book value of property, plant and equipment KPI	**35%**	40%
Net borrowings to shareholders' equity	**59%**	64%
Interest coverage (excluding impairments)	**2.2X**	1.9X

[1] relates to continuing operations

[2] EBITDA (earnings before interest, tax, depreciation and amortisation) is our gross profit less general and administration expenses, depreciation and amortisation, net unrealised bunker swap contract income and expenses and utilised onerous contract provisions

Chairman's Statement

Preparedness

Safeguarding our health and service delivery in testing times

Hong Kong, 29 February 2016

Our Chairman David Turnbull reflects on the Company's health and preparedness for the future

A TOUGHER YEAR IN DRY BULK

2015 was a horrid year for dry bulk shipping and sentiment in the industry is very weak. Capacity increased and demand was impacted by slower Chinese growth. However, Pacific Basin has again delivered a respectable performance and cash generation relative to the market and our peers.

The harsh trading environment for shipowners means that the dry bulk industry is likely to have changed significantly by the end of 2016. Pacific Basin intends to find ways to take advantage of the opportunities that will arise from such difficult conditions.

DIVIDEND

In view of the extraordinarily weak dry bulk market, the Board recommends not to pay out a dividend for 2015 (2014: HK 5 cents).

EFFECTIVE PLATFORM FOR A SUSTAINABLE BUSINESS

Even in the protracted weak market, our experienced chartering, operations and technical staff are delivering a reliable, flexible and personalised service that many of our customers say is second to none. Located in 12 offices close to our customers around the world, our teams are working with the best fleet we have ever had, developing systems of complementary trades through spot and long-term cargo contracts, and combining our large fleet of substitutable ships and cargoes to achieve high utilisation and TCE earnings that significantly outperform the market indices.

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Our Resources in Action
Our Capitals and how we deliver on our strategy

We have also maintained a balance sheet with total cash and deposits of US$358 million at 31 December 2015, and net gearing of 35%.

Most of our towage business has been sold and our exit from the RoRo sector is complete, which means we have monetised substantially all our non-core activities and freed management to focus fully on our core Handysize and Supramax dry bulk business.

We are benefitting from a leaner but equally effective team of senior staff, significantly reduced G&A expenses and better efficiencies courtesy of our new ship management and accounting systems.

All this means that we have built the best platform for success well beyond the current market depression.

Pacific Basin is grateful for the industry awards we received at the end of 2015 which recognised our ability to maintain our high standards and customer focus while consolidating our business, growing our fleet and outperforming the market. Lloyd's List Asia presented us with a second consecutive Dry Bulk Operator of the Year Award and we won the Ship Owner/Operator Award at Seatrade Maritime Awards Asia.

We remain committed to our effective strategy. We will not be complacent, and it is our nature 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 the market.

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. In 2015, we started the process of identifying an additional Independent Non-executive Director and I hope to be able to announce an appointment to our Board in the coming few months.

David Turnbull
Chairman

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Corporate Governance
How we control management in the best interests of the Company, including accountability to stakeholders

Chief Executive's Review

Resilience

Outperforming, reducing costs and enhancing service in a very weak market

Hong Kong, 29 February 2016

Our CEO Mats Berglund reports on our performance in 2015 and reflects on the Company's position and strategy

FINANCIAL RESULTS

In 2015, dry bulk shipping suffered its weakest year since 1985 and we at Pacific Basin intensified our efforts to reduce costs and generate daily earnings that outperform the market. We made good progress on both and generated cash from our operations throughout the year.

We halved our underlying loss to US$28 million (2014: US$56 million loss) and improved our EBITDA to a positive US$88 million (2014: US$82 million)

The Group made a net loss of US$19 million (2014: US$285 million loss) and basic EPS on continuing operations was a negative HK7.5 cents.

PERFORMANCE OVERVIEW

Dry Bulk

Dry bulk spot market indices in 2015 fell to record lows in February and December, framing one of the worst years overall for dry bulk shipping. Spot rates were undermined by the significant reduction in Chinese imports of coal. However, solid growth was recorded in Chinese grain imports, and the minor bulk trades in which Pacific Basin is focused grew overall.

Deliveries of new vessels were largely offset by increased scrapping, resulting in reduced net growth in the global fleet. However, low fuel prices drove increased ship operating speeds in the third quarter, thus increasing effective shipping capacity.

We continued to leverage our business model to outperform the market indices. We do this by optimal matching of our fleet and cargoes to maximise vessel utilisation. We generated average Handysize and Supramax daily TCE earnings of US$7,870 and US$9,170 per day net, outperforming the BHSI and BSI indices by 54% and 39% respectively. Our Handysize TCE premium of US$2,760 per day in 2015 exceeded our average premium achieved over the past five years.

We reduced our owned Handysize and Supramax vessel operating costs to a competitive US$4,210 and US$4,060 per day respectively through scale benefits and good cost control, while not compromising safety and maintenance. We implemented new accounting software and started to roll out new ship management software along with other initiatives to better manage our workflows and vessel operating and administrative expenses.

Our Ability to Outperform

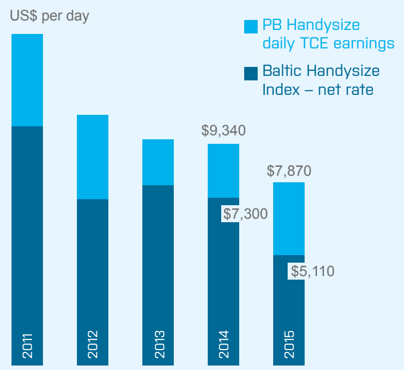
Our average Handysize TCE premium over the past five years was US$2,650 per day per ship – a significant earnings advantage across our large fleet.

This premium is due to our high laden/low ballast ratio and therefore high utilisation, capitalising on:

- our experienced staff and global office network
- our large fleet of high-quality interchangeable ships
- our cargo contracts, relationships and direct interaction with end users
- a higher proportion of owned vessels facilitating greater control and minimising trading constraints
- the Handy segments' versatile ships and diverse trades*

This premium differentiates Pacific Basin from many shipping companies and should underpin our market capitalisation.

Our TCE outperformance compared to market



- Large fleet of high-quality substitutable ships
- High laden percentage (minimum ballast legs)
- Handysize TCE premium past 5 years = US$2,650/day
- Supramax TCE premium past 5 years = US$1,780/day

* Ships' cranes and cargo trading diversity are unique to the Handy dry bulk segments facilitating the ability to carry and combine many different cargo types. This cannot be replicated in the Capesize or Panamax segments whose trades are typically characterised by one-way laden transportation.

Towage & RoRo

We completed the disposal of most of our towage business in 2015. In December, we sold with forward delivery the two tugs and four barges remaining in Australia for US$2.8 million. The last chartered-in towage vessels have been redelivered to their owners. Our limited remaining towage activity is now solely situated in the Middle East where we are operating eight tugs and two barges in the oil and gas and construction sectors.

Our consolidated towage operations generated a profit of US$6.2 million including the effect of post-completion adjustments of previous transactions, and our remaining towage assets at 31 December 2015 had a net book value of US$36 million.

Since the year end, we have agreed to sell two of our Middle East tugs with completion in March at approximately book value and expect to generate cash proceeds of US$11 million.

Our sixth and final RoRo vessel delivered into Grimaldi's ownership in August generating cash proceeds of around US$31 million and, as such, our exit from the RoRo sector is complete.

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Funding
Sale Proceeds and our cash position

STRATEGY AND POSITION

Increased focus on Dry Bulk

Having divested and monetised substantially all our non-core activities, our capital and management are now fully focused on our core, world-leading Handysize and Supramax dry bulk business where we have a strong competitive edge.

In addition to generating cash, this focusing has contributed to a US$19 million reduction in our G&A expenses compared to 2014 despite growing our owned fleet.

Our dry bulk focus has enabled us to reduce the size and cost of our senior staff while maintaining depth and strength in our dry bulk management team. Our top ten people have been with the Company for an average of 14 years and in shipping for an average of 28 years.

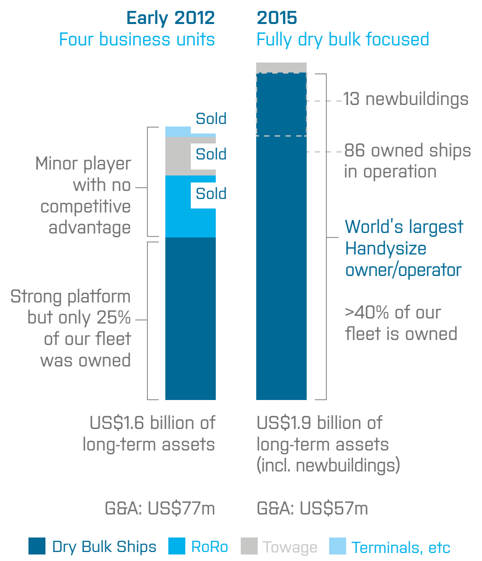
We are increasing customer engagement and through our global office network we can connect and strategise with a larger number of customers at a local level.

We are always looking for smart ways to control and reduce our costs while not compromising on safety, training, care or customer service.

Expansion of our owned fleet

The high quality and well-designed ships that we committed to purchase at historically attractive prices primarily between late 2012 and early 2013 have all contributed positively to our cash flows even in the weak markets. Our high quality predominantly Japanese-built fleet of 99 ships (including newbuildings) is the best fleet we have ever had. Our ships are built with superior reliability, longevity and value retention.

Our increased focus on dry bulk



Market Developments Leading to the Current Challenging Environment

New dry bulk vessel deliveries started to slow in mid-2012 while cargo demand remained firm. From early 2013 to early 2014, demand growth outstripped net fleet growth to support stronger and more volatile freight rates. The oversupply of ships started to be absorbed due to good demand and continued slow ship operating speeds. Optimistic sentiment fuelled by brokers and private equity led to increased ship values and newbuilding orders in late 2013 and first half 2014.

While global fleet growth has continued to slow down as expected, the market saw negative demand side surprises – most notably the larger than expected reduction in China's coal imports starting in mid-2014. This led to a reversal of sentiment by the end of 2014 with freight rates and secondhand values falling.

This market weakness was compounded in late 2014 and through 2015 by significantly lower fuel prices which supported increased ship operating speeds especially in the third quarter of 2015 – thus increasing effective shipping supply – despite historic low freight rates.

The negative sentiment has led to increased scrapping, cancellations and postponements of newbuildings and very little new ordering.

The current six year downturn since Q2 2010 has now lasted longer than the shipping bear markets of the 1970s and 1980s. The inflection point is difficult to forecast and will likely be triggered by a combination of unexpected market factors. However, few companies have the ability to outperform index rates the way we can, and so current market freight rates below industry operating cash costs are not sustainable. In this cyclical world of shipping, we expect scrapping and other self-correcting supply-side dynamics to lead to a healthier supply/demand balance in time.

Attracted by lower secondhand vessel values in late 2015, we returned to the sale and purchase market in October with the purchase (without borrowings) of a Japanese-built Handysize log/bulk carrier at a price that was still able to generate a positive cash contribution in the poor market at the year end.

We now own over 40% of the vessels in our dry bulk fleet, and operating more owned vessels facilitates greater control, quality and reliability of service delivery to our customers. It relieves us of trading, redelivery and speed constraints and, combined, these factors contribute further to our outperformance of market rates.

Fleet deployment developments

We achieved a significant turnaround in our Supramax performance, generating a positive US$23 million contribution compared to a US$15 million loss a year ago. We did this by focusing on key routes, significantly reducing our charter-in costs, and growing our global parcelling activity, which comprises commercially and operationally more demanding trades with which we supplement our traditional bulk-based activity.

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Physical Capital > Our Fleet
Our fleet profiles and comparative compositions of our Handysize and Supramax ships

Managing for continued weakness in the medium term

In this weak and uncertain market, and having invested significantly during the previous downturn in 2013, we are managing our business for a continued weak market in the medium term and are prioritising safety and staying power. However, we will also carefully consider further acquisition opportunities that may emerge at depressed prices and with which we could generate positive cash contributions even in the prevailing weak market conditions.

Historic low freight rates make it difficult for many shipowners to cover their vessels' basic cash operating expenses. Furthermore, routine dry-dockings and the capital investment required to comply with new ballast water treatment regulations anticipated in 2017 (which most owners expect to be within the range of US$450,000 to US$650,000 per ship) represent an additional burden that will be unacceptable for some, thereby encouraging further scrapping. Market conditions are likely to drive some struggling shipowners to sell assets at record low prices, in which case stronger companies with access to capital and business models that generate positive cash flows even in today's market conditions will be the only ones able to justify ship acquisitions.

Last June we issued a new US$125 million convertible bond maturing in 2021 to plan for known and expected convertible bond repayments in 2016.

During the year we bought back in the open market and cancelled US$104 million of convertible bonds due 2016. This retirement of part of the Company's convertible debt at a discount to face value has generated a principal repayment and related coupon savings of US$2.3 million and reduced the outstanding convertible bonds due 2016 to US$105.6 million.

At 31 December 2015, we had cash and deposits of US$358 million and net borrowings of US$568 million. We also have US$375 million of committed but undrawn loan facilities which exceeds the US$274 million of remaining payments due on our 13 Japanese newbuildings still to deliver.

Our interest cover was 2.2X and we were in compliance with our bank covenants.

We have again been able to generate positive cash contributions from our vessels and outperform the weak market. Our net debt to net book value reduced from 40% to 35% during the year, and our TCE earnings, operating costs and G&A per day stand up well in benchmarking against our peers.

With experienced staff and a strong business model, we are well positioned to navigate this very weak market and to benefit from a cyclical upturn when it comes. We thank you for your continued support.

Mats Berglund
Chief Executive Officer

Dry Bulk Market Outlook

POSSIBLE MARKET DRIVERS IN THE MEDIUM TERM

Opportunities

- Low freight rates, costly dry-dockings and new ballast water treatment requirements encouraging increased ship scrapping and lay-up
- Weak market and reduced lending and investment leading to much less new ship ordering, more shipyard failures and significant deliveries shortfall
- Reduced commodity prices stimulating re-stocking and demand for dry bulk imports
- Continued strong Chinese demand for longhaul South American grain exports
- Higher fuel oil prices encouraging slower ship operating speeds which reduces supply
- New Chinese economic stimulus (including "One Belt, One Road") supporting minor bulk trade growth

Threats

- Further reduction in Chinese industrial growth impacting demand for dry bulk shipping
- Slower economic growth and large stockpiles in the US
- Increased protectionism 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
- Continued low fuel prices supporting faster ship operating speeds which increases supply

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General Market Characteristic
Long-term opportunities & challenges

Market Review

Freight Market Summary

Dry bulk market indices fell to record lows in February and December 2015, framing one of the worst years overall for dry bulk shipping. The Baltic Dry Index (BDI) fell 38% over the year and registered its weakest average since 1986.

Average Handysize and Supramax spot market rates were approximately 30% lower year on year at US$5,110 and US$6,620 per day net respectively.

Spot rates were undermined by flat iron ore demand and the significant reduction in Chinese coal imports, leading to reduced dry bulk demand overall. However, solid growth was recorded in Chinese grain imports, and the minor bulk trades in which Pacific Basin is focused grew overall.

Deliveries of new vessels were largely offset by increased scrapping, resulting in reduced net growth in the global fleet.

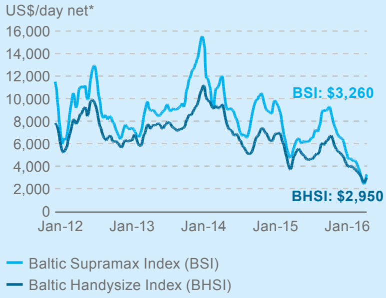
However, the market continued to be oversupplied and low fuel prices drove increased ship operating speeds in the third quarter, thus increasing effective shipping supply.

Dry bulk indices have declined and posted new record lows in early 2016. Sentiment in the industry is very weak and, while the current six-year downturn has lasted longer than the shipping bear markets of the 1970s and 1980s, current market rates are below industry operating cash costs, which is unsustainable and is leading to increased scrapping, a shortfall in scheduled newbuildings, and very little new ship ordering, which will contribute to a healthier market in time.

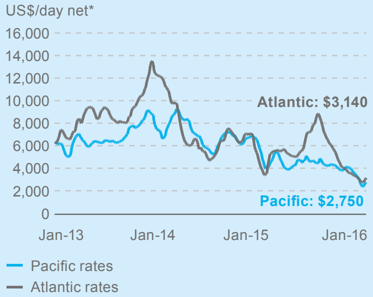
US$5,110 net -30%
Handysize 2015 average market spot rate

US$6,620 net -29%
Supramax 2015 average market spot rate

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



Pacific vs Atlantic Handysize Rates



* excluded 5% commission
Source: Baltic Exchange, data as at 25 Feb 2016

FREIGHT MARKET & OUTLOOK IMPACT SHIP VALUES

SUPPLY DRIVERS

Key Supply Developments

The global fleet of 25,000-40,000 dwt Handysize ships grew 2.6% net during the year (2014: 2.7%).

New Handysize ship deliveries represented 8.5% of existing Handysize capacity reflecting a larger than normal shortfall in scheduled deliveries, and shipowners opted to scrap about 6% of capacity rather than continue to trade their older ships in such depressed conditions.

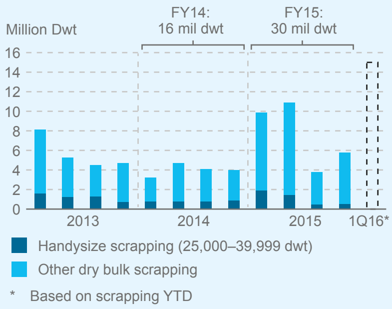
The overall dry bulk fleet grew 2.4% net (2014: 4.4%) representing the smallest growth since 2003 due to increased scrapping at 4% and deliveries falling well short of scheduled deliveries.

However, low fuel prices drove up ship operating speeds in the third quarter thus further increasing effective shipping supply.

+2.6%
Global Handysize capacity

+2.4%
Overall dry bulk capacity

Dry Bulk Scrapping



* Based on scrapping YTD

Source: Clarksons Platou

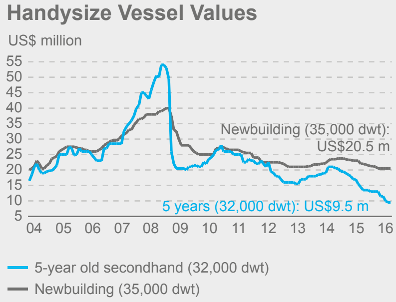
Ship Values

Ship values declined over the year and Clarksons Platou now value a benchmark secondhand Handysize at US$9.5 million (down 34% since a year ago) and a newbuilding at US$20.5 million (down 7%).

While there have been some forced sales, sale activity has been very limited and it is difficult to establish fair market values. The gap between secondhand and newbuilding ship values is at an historic high, discouraging new ship ordering.

US$9.5m -34%
Secondhand Handysize

Handysize Vessel Values



Source: Clarksons Platou, as at 19 Feb 2016

VALUES & OUTLOOK IMPACT NEW SHIP ORDERING

Key Demand Developments

DEMAND DRIVERS

Clarksons Platou estimate dry bulk shipping demand in 2015 to have contracted by 0.8% year on year, representing the first reduction in demand since 2009 and only the second since the start of Clarksons Platou's data records in 1991.

The main driver of this contraction was substantially flat iron ore demand and a 3% reduction in coal. Chinese imports of iron ore grew by a reduced 2% and Chinese coal imports declined 30% or 87 million tonnes due to slower economic growth, increasing use of hydro-electric power and actions to protect China's domestic coal industry.

Conversely, imports of seven key minor bulks grew by 5%, Chinese steel exports grew 33%, and cereals and soybean imports grew 68% and 14% respectively. While these stronger Chinese grain trades support demand for smaller craned ships like ours, global grain trades increased only 1%.

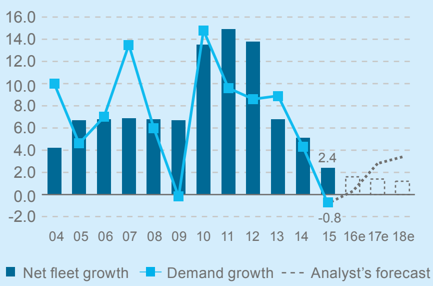
Indian thermal coal imports showed promising growth in the first half of the year, but India has recently reduced its need for foreign coal by increasing its domestic supply.

A stronger US Dollar supported a strong third-quarter South American agricultural exports season thus capturing market share from the US and undermining the US export season that otherwise typically supports a stronger freight market towards the year end.

Overall dry bulk demand

-0.8%

Dry Bulk Supply & Demand



Source: Clarksons Platou

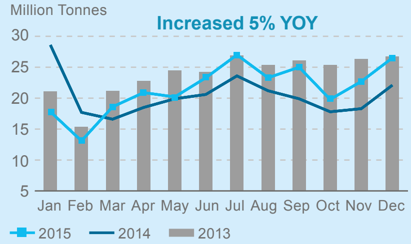
Chinese imports – major bulks

Iron Ore	**+2%**
Coal	**-30%**

Chinese imports – minor bulks

Soybean	**+14%**
Logs	**-13%**
Bauxite	**+54%**
Nickel Ore	**-26%**

2015 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

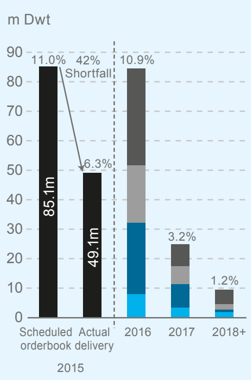
Source: Bloomberg

Orderbook

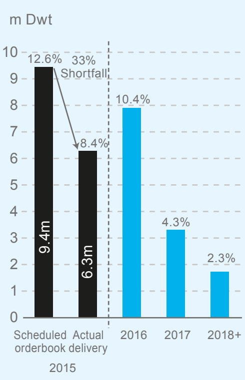
The dry bulk orderbook has reduced to a 13-year low of 15% but remains an obstacle to restoring a healthier supply and demand balance.

New ship ordering in 2015 amounted to 2.3% of existing capacity, its lowest in 18 years as secondhand ships represented better investment value than newbuildings. Shipbuilders face difficulty as they cannot feasibly reduce their prices especially as new environmental regulations require more costly ship equipment. We expect current market pressures to result in actual deliveries continuing to fall well short of the orderbook schedule and this may lead to a reduction in shipbuilding capacity.

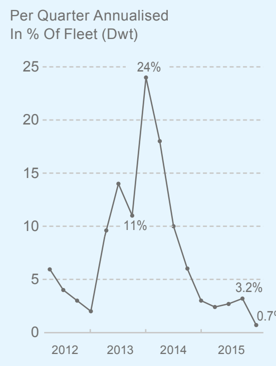
Orderbook by Year



Handysize Orderbook



Dry Bulk New Ship Ordering



Source: Clarksons Platou, as at 1 Feb 2016

	ORDERBOOK AS % OF EXISTING FLEET	AVERAGE AGE	OVER 20 YEARS OLD	SCRAPPING AS % OF EXISTING FLEET ON 1 JANUARY 2016
Handysize (25,000–39,999 dwt)	17%	9	12%	6%
Handymax (incl. Supramax) (40,000–64,999 dwt)	18%	9	8%	2%
Panamax & Post-Panamax (65,000–119,999 dwt)	13%	8	7%	3%
Capesize (120,000+ dwt)	15%	8	10%	5%
Total Dry Bulk (10,000+ dwt)	15%	9	9%	4%

Our Performance in 2015

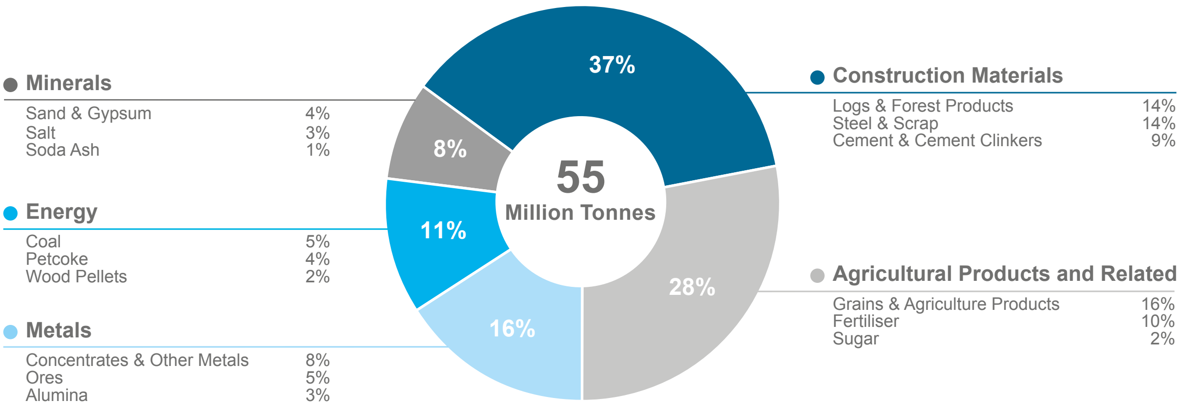
Our core dry bulk business generated a reduced net loss of US$33.8 million (2014: net loss US$39.4 million) despite one of the weakest years ever for dry bulk market rates. Our positive dry bulk EBITDA of US$80.3 million in this challenging environment was again driven by our ability to generate daily earnings that outperformed the market and our continued good control of our owned vessel operating costs.

DRY BULK OPERATING PERFORMANCE

US$ Million	1H15	2H15	2015	2014	Change
Handysize Contribution	(0.6)	(7.8)	**(8.4)**	28.5	>-100%
Supramax Contribution	10.4	12.2	**22.6**	(14.8)	>100%
Post-Panamax Contribution	2.7	2.8	**5.5**	5.5	–
Dry Bulk operating performance before overheads	12.5	7.2	**19.7**	19.2	+3%
Direct overheads	(24.6)	(22.9)	**(47.5)**	(49.2)	+3%
Indirect overheads	(3.3)	(2.7)	**(6.0)**	(9.4)	+36%
Dry Bulk net loss	(15.4)	(18.4)	**(33.8)**	(39.4)	+14%
Dry Bulk EBITDA	39.3	41.0	**80.3**	84.6	-5%
Dry Bulk vessel net book value	1,535.0	1,577.8	**1,577.8**	1,539.0	+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 2015

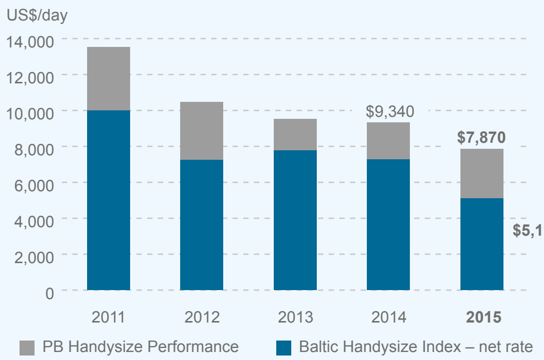


KEY PERFORMANCE INDICATORS KPI

Performance vs Market

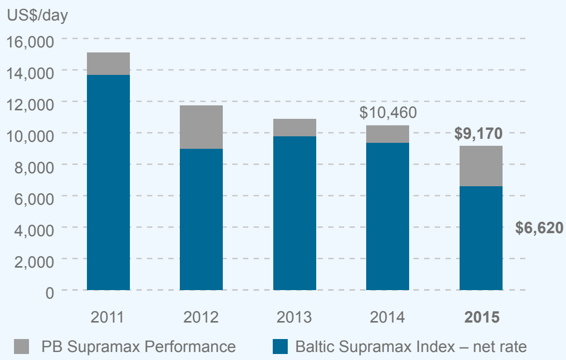
Handysize

54% outperformance compared to market



Supramax

39% outperformance compared to market

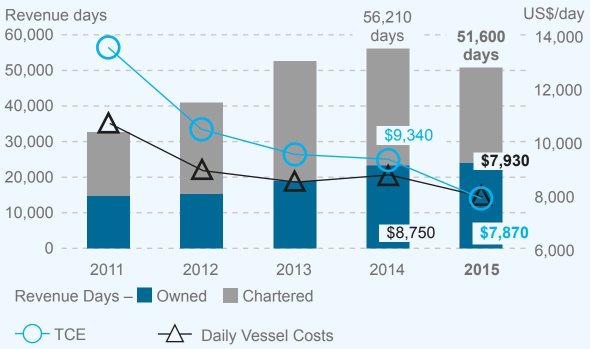


- Our 54% and 39% outperformance in 2015 compared to spot market indices reflects the value of our fleet scale and cargo book, and our ability to optimise cargo combinations and match the right ships with the right cargoes to maximise our utilisation and vessel earnings.

Profitability

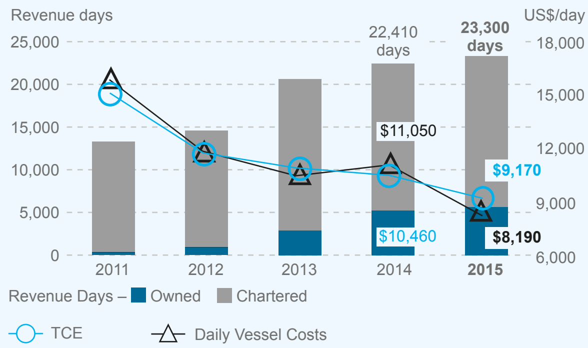
Handysize

US$(8.4)m contribution



Supramax

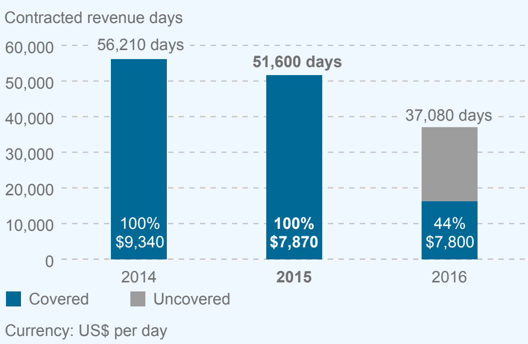
US$22.6m contribution



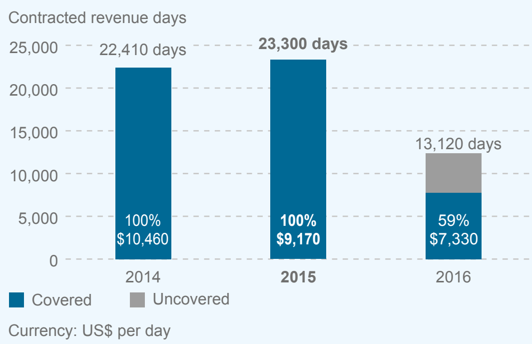
- We generated Handysize daily earnings of US$7,870 with daily costs of US$7,930 on 51,600 revenue days. Our Handysize results were under pressure in the weak market resulting in a negative Handysize contribution despite our strong premium.
- We achieved a significant turnaround in our Supramax performance by focusing on key routes in the Atlantic and on steel exports from China to generate a positive US$22.6 million Supramax contribution in 2015 (despite the much weaker market) from a US$14.8 million loss in 2014. Our Supramax business is benefitting in the weak market from its larger proportion of short-term inward chartered ships.
- We operated an average of 143 Handysize and 64 Supramax ships resulting in an 8% reduction and 4% increase in our Handysize and Supramax revenue days respectively.
- Our Handysize capacity has reduced as we are redelivering expiring medium and long-term chartered vessels to gradually lower our charter-in costs, relying instead on our growing fleet of owned ships and low-cost shorter-term and index-linked charters.

Future Earnings and Cargo Cover

Handysize



Supramax



- We have covered 44% and 59% of our 37,080 Handysize and 13,120 Supramax revenue days currently contracted for 2016 at US$7,800 and US$7,330 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.

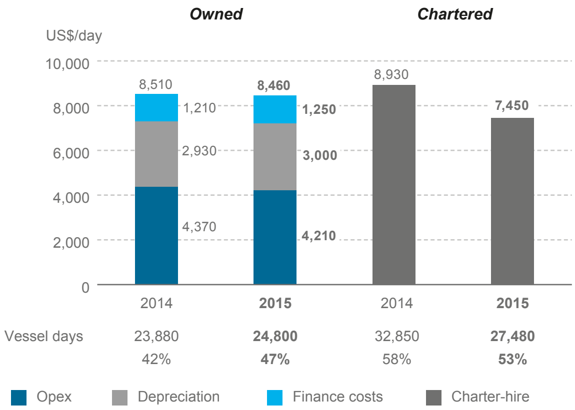
Analysis of Daily Vessel Costs

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$7,930 (2014: US$8,750)

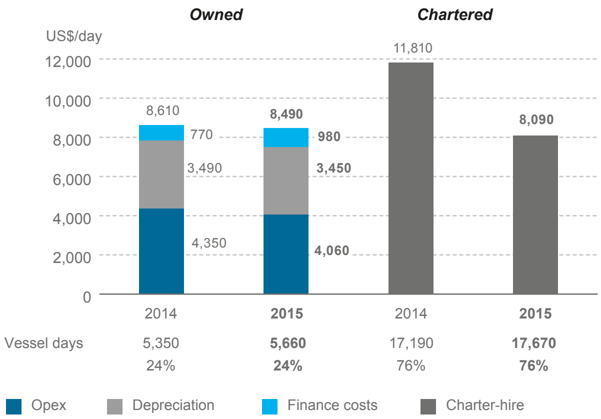
(excluding overheads)



Supramax Daily Vessel Costs

Blended US$8,190 (2014: US$11,050)

(excluding overheads)



Opex – The daily opex element of our vessel costs decreased 4% for Handysize and 7% for Supramax mainly due to the increased number of our owned ships leading to increased procurement and repair and maintenance cost efficiencies.

Depreciation – Daily Handysize depreciation (including capitalisation of dry-docking costs) increased marginally due to the delivery of our new vessels. With the delivery of our committed newbuildings, the number of Handysize and Supramax owned vessel days in 2016 is expected to increase to 25,410 and 6,000 respectively.

Finance costs – Our owned Handysize vessels' daily P/L and cash finance costs were US$1,250 and US$880 respectively, and our Supramax daily P/L and cash finance costs were US$980 and US$930 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 were substantially unchanged compared to 2014 while Supramax daily finance costs increased due to the allocation of higher finance costs to this vessel type.

Charter-hire – Our chartered Handysize vessels' daily P/L and cash charter-hire costs were US$7,450 and US$7,900 respectively, and our Supramax daily P/L and cash charter-hire costs were US$8,090 and US$8,600 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 2015 element of our charter commitments.

Chartered-in days represented 53% and 76% of our total Handysize and Supramax vessel days respectively. Our Handysize chartered-in days decreased 16% to 27,480 days (2014: 32,850 days) while our Supramax chartered-in days increased 3% to 17,670 days (2014: 17,190 days). Our Supramax fleet benefitted in the weak market from its larger proportion of cheap short-term chartered-in ships and the redelivery of more expensive vessels chartered in 2014.

Daily cash cost – Our average owned and chartered daily cash cost excluding overheads was US$6,570 (2014: US$7,360) for our Handysize fleet and US$7,720 (2014: US$10,220) 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$53.5 million (2014: US$58.5 million). Spread across our vessel days, the aggregate overheads translated into a daily cost of US$710 per ship per day (2014: US$740 per day). In previous years, indirect overheads were excluded.

The Group's total administrative expenses amounted to US$56.6 million (2014: US$75.7 million). The year-on-year saving of US$19.1 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 year.

During the year, we secured 7,040 Handysize vessel days (2014: 11,740 days) and 1,240 Supramax vessel days (2014: 2,540 days) via variable-rate, inward charters with rates linked to the Baltic Handysize and Supramax indices. These index-linked vessels represented 26% and 7% of our chartered Handysize and Supramax vessel days respectively.

Our fleet of owned and finance-leased dry bulk vessels experienced an average 2.2 days (2014: 0.4 days) unplanned technical off-hire per vessel during the year, reverting to 2012 and 2013 levels.

Page 28
Vessel Operating Lease Commitments
Analysis of our long-term, short-term and index-linked inward charter commitments

With You for the Long Haul

In these troubled times for dry bulk shipping, we consider it all the more important to highlight:

- our financial strength and staying-power;
- our ability and willingness to stand by our commitments;
- our ability to extend a world-class service and deliver our customers' cargoes safely and reliably – in good times and bad; and
- our staff's shared passion to deliver to the best of their ability and, through thick and thin, to ensure the highest possible degree of customer satisfaction.

The promise of our Pacific Basin brand, and our actions in the current unforgiving market, are summed up in our tagline:

With you for the long haul

Our vision is to be the leading ship owner/operator in the dry bulk shipping space, and the first choice partner for customers and other stakeholders.

www.pacificbasin.com
Company > Our Vision & Values

WHAT OUR CUSTOMERS SAY ABOUT US

"
- *I tell others that Pacific Basin is the best in the business*
- *You understand what it takes to have more than the usual client-shipowner relationship*
- *Pacific Basin makes my life easy*
- *You offer a first-class fleet and reliability, good customer service, cooperation and flexibility*
- *You offer excellent cooperation – the Pacific Basin team does a fantastic job*
- *Your service is always top notch and we enjoy working with you*
- *Your performance is outstanding and you show flexibility when requested*
- *You surpass our expectations. It's going very smoothly and we are very happy with Pacific Basin service and staff who are really focused on our needs*
- *We cannot fault your performance – you set the bar!*

"

WHAT WE STAND FOR

Our business is people driven, and our success hinges on the strength and quality of our relationship with customers, suppliers and other business partners. We blend an effective cargo and customer-focused business model with talented, team-focused people who share sensible values and a passion for delivering excellent service.

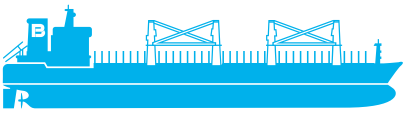
Our Business Principles

The guiding principles that dictate our behaviours and actions

1. We are passionate about our customers, our people, our business and our brand.
2. We honour our commitments and value long-term relationships over short-term gain.
3. We offer a personalised, flexible, responsive and reliable service, and look for ways to make it easier to do business with us.
4. We target excellence and success through dedication and teamwork, and see everyone in Pacific Basin as a corporate ambassador.
5. We take a sustainable business approach and promote high standards of safety and environmental stewardship.
6. We are caring, good humoured and fair, and treat everybody with dignity and respect, encouraging diversity of opinions and cultures.

Understanding Our Core Market

THE DRY BULK SECTOR



Bulk Carriers for dry bulk commodities

OTHER MAINSTREAM SHIPPING SECTORS

Containerships for containerised goods

Tankers for oil, gas & chemicals

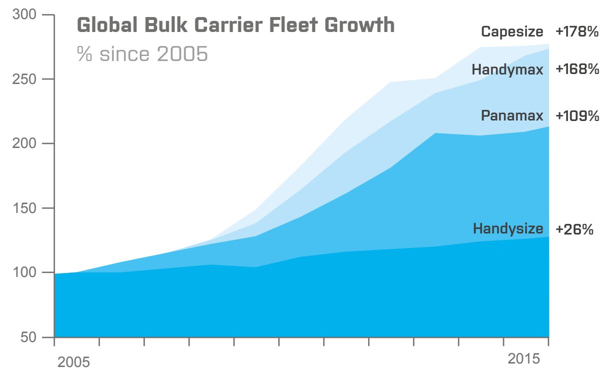
Our Focus

Bulk Carrier Ship Types		Percentage of Global Dry Bulk Capacity	Versatility	Main Commodities Carried
Minor bulks with cranes	Handysize 25,000-40,000 dwt	10%	More Versatile	**Minor Bulks** Metals: • Ores & Concentrates • Alumina • Bauxite Energy: • Coal/Coke • Petcoke Minerals: • Salt • Sand & Gypsum Agricultural Products: • Grains • Fertiliser • Sugar Construction Materials: • Logs & Forest Products • Cement & Clinker • Steel & Scrap Other Bulks
	Supramax & Handymax 40,000-65,000 dwt	23%		
Major bulks without cranes	Panamax & Post-Panamax 65,000-120,000 dwt	27%	Less Versatile	**Major Bulks** • Iron ore • Coal • Grains
	Capesize 120,000+ dwt	40%		

Few ports, few customers, few cargo types, low scope for triangulation

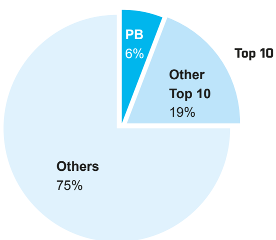
Many ports, many customers, many cargo types, high scope for triangulation

WHY WE FOCUS ON MINOR BULKS



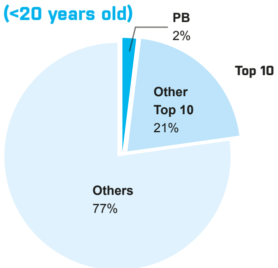
OUR MARKET SHARE

Handysize
(<20 years old)



We operate approximately 7% of global 25-40,000 dwt Handysize ships of less than 20 years old

Supramax
(<20 years old)



We operate approximately 3% of global 50-65,000 dwt Supramax ships of less than 20 years old

Source: Pacific Basin, Clarksons Platou

We are the world's largest Handysize owner and operator (with a significant presence also in Supramax) in a highly fragmented market that revolves around the carriage of minor bulks.

Minor bulk commodities are very varied, controlled by a large number of customers and transported via a large number of ports globally, enabling triangular trading and thus high utilisation. This segment requires highly versatile self-loading and discharging ("geared") ships of "handy" proportions to allow them access to the many ports around the world restricted by shallow water, locks, narrow channels and river bends.

By contrast, cargo demand for large bulk carriers comprises only a few major bulk commodities controlled by a handful of cargo owners and transported through a much smaller number of ports, making them heavily dependent on relatively few trades and their prospects more volatile. Their activity is typically characterised by one-way laden transportation resulting in lower utilisation.

We are focused on a very particular ship segment and size, but are diversified geographically and in terms of customers and cargoes. This allows us scope to triangulate our voyages – such as by combining fronthaul and backhaul trades – and thus enhance our utilisation and vessel earnings. We do not participate in the volatile freight earnings that large bulk carriers can achieve, but we are well positioned to achieve our important aim of generating a steadier and more sustainable earnings stream with better protected earnings in the down-cycle through our business model.

Our earnings reliability is further enhanced by the fact that global Handysize capacity has experienced only 26% growth in the past 10 years relative to the much larger expansion of the major bulk fleets.

OUR WORLDWIDE NETWORK AND TRADING AREAS

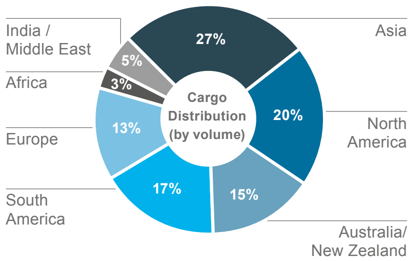
Commercial offices   Technical & Crewing offices   Fronthaul Cargoes   Backhaul Cargoes

Our Worldwide Network

12 office locations including:

- 10 commercial offices
- 3 technical & crewing offices

Our Hong Kong headquarters is home to commercial, technical, crewing and comprehensive other functions



A FOCUSED APPROACH – OFFERING BENEFITS OF DIVERSIFICATION

- Focused on segment and size
- Diversified geographically, customer-wise and cargo-wise

- Over 450 customers globally
- Our largest customer represents only 3% of our volumes

- Our top 25 customers represent less than 40% of our volumes

OPPORTUNITIES AND CHALLENGES

General Market Characteristics

Long-term opportunities & challenges

Fragmented market

The Handysize sector is highly fragmented, but our scale sets us apart as a major freight provider able to offer reliability and flexibility for customers while benefiting from scale economies such as lower bulk purchasing costs and higher ship and fleet utilisation.

Environmental considerations and regulation

Our drive for fuel efficiency ensures that emissions concerns are aligned with our strategy, and our award-winning in-house technical operation ensures we meet all regulatory requirements and industry best practices.

Market cycles and volatility

Our business model, know-how and understanding of shipping cycles enable us to outperform throughout the cycle, manage our balance sheet, and remain a strong and reliable counterparty for our customers even in weak market conditions.

Limited supply of seafarers and shore-based talent

Our industry is challenged by a short supply of seafarers and shipping executives, but the strength of our employer brand, industry network and personnel function allows us to attract and retain the staff we need.

Page 7
Dry Bulk Market Outlook
Possible market drivers in the medium term

Our Resources In Action

We attach great importance to cultivating resources and relationships – our stores of value or "Capitals" – which we employ as optimally as we can to propel us towards our vision and benefit our shareholders and customers.

OUR CAPITALS – THE RESOURCES AND RELATIONSHIPS WE RELY ON

Physical Capital

Our Fleet – 225 Ships*

	Vessels in operation		Newbuildings on order		Total
	Owned	Chartered	Owned	Chartered	
Handysize	69	66	8	5	148
Supramax	16	53	5	1	75
Post-Panamax	1	1	–	–	2
Total	86	120	13	6	225

Financial Capital

The pool of funds that is:

- Generated through operations and obtained through debt, convertible bonds and equity
- Managed as cash, lending facilities and other resources controlled by the Group

Human Capital

- Optimal combination of people, competencies, capabilities, experience

Our Global Office Network

12 offices

10 chartering offices – positioning us close to our customers

Page 15
Understanding Our Core Market
Our worldwide network

Social Capital and Relationship Capital

Relationships within and between our communities, groups of stakeholders and other networks

- Partner-customers
- Suppliers
- Regulators and policy makers
- Local communities

Intellectual Capital

- Accumulation of knowledge and development of processes and procedures, through experience and a culture of education and continuous improvement

Natural Capital

- The environmental resources (such as air, water, minerals and energy) that enable us to conduct our business

* as at 31 January 2016

Our Vision

To be a leading ship owner/operator in the dry bulk shipping space, and the first choice partner for customers and other stakeholders

HOW WE CREATE OR PROTECT VALUE

Scale and Interchangeability

Fleet scale provides network and economic advantages

High-quality Assets

Expansion and renewal of our fleet through investment in ships of the best design and build quality

In-house Technical Operations

Integrated team of technical services and crewing managers

Considered Treasury Activity

Continuous management of financial resources and funding

Being Local

Regional offices across six continents position us near our customers

Being Global

Worldwide network of offices and trade routes

Stakeholder Engagement

Regular multi-level engagement and responsible operating practices to broaden and deepen our relationships with stakeholders

Effective Business Model & Systems

Home-grown value-accretive business model, systems, procedures, know-how and intangibles

Environmental Responsibility

Observing or exceeding regulatory requirements and industry standards on environmental impact

MATTERS OF KEY STRATEGIC FOCUS	OUTCOME
Investing in our fleet Strategic Model p.2 ■ Having invested significantly in the previous downturn, we are now prioritising safety and staying power over fleet growth ■ We already operate the largest Handy fleet, and will carefully consider further acquisition opportunities at depressed prices in the continued weak market ahead ■ Our technical team strives to ensure safety and maximise availability so our ships are always operationally ready	Optimal operational ship design and efficiency Increased economies of scale and vessel utilisation Outperform p.5 Optimal scheduling and flexibility for customers Enhanced technical and service reliability for customers Customers p.2 Enhanced health and safety, quality and cost control Workplace p.32
Enhancing corporate and financial profile ■ We continue to work within our financial gearing targets, maintain the Group's financial health, and strive for best-in-class reporting, transparency and corporate stewardship	Sound financial liquidity to fund investments and meet payment obligations and covenants Optimal balance of financial capital sources benefits shareholders and enhances returns Funding p.24
Investing in our People ■ We strive to develop and motivate our teams to enhance safety, productivity, customer satisfaction and job fulfilment	Safeguarding and enhancing quality, effectiveness and availability of our teams of staff on shore and at sea Workplace p.32
Deepening our relationships ■ We are increasing customer engagement by connecting and strategising with a larger number of customers at a local level to enhance our relationships and access to cargoes	Meaningful customer partnerships and better understanding of and response to customer needs Access to comprehensive market intelligence and cargo opportunities Optimal trading (cargo combinations) and positioning of our fleet Outperform p.5
Safeguarding health & safety ■ Eliminating injury, navigation and pollution incidents through training **Evolving management & governance** ■ Refining management decision-making, risk mitigation and board governance procedures and considerations	Builds understanding, trust and support between Pacific Basin and our staff, customers, tonnage providers, suppliers, investors, financiers, communities and other stakeholders Workplace p.32 Governance p.38
Maximising vessel and fleet utilisation ■ We know how to optimally match our large fleet and cargo systems to maximise utilisation, availability and punctuality	Sector-leading service delivery Maximising vessel earnings and generating consistently respectable financial performance through the cycle Strong brand and reputation Outperform p.5
Safeguarding the environment ■ We minimise our environmental impact through continual training and environmentally efficient practices and technologies	Sector-leading efforts to minimise consumption of natural resources and impact on the environment Environment p.34

Our Mission

To be the best in our field by continuously refining our business model, our service and our conduct in everything we do

Business Review
Strategic Review
Funding
CSR Report
Governance
Financial Statements

Strategy Delivery & Risks

1. INVESTING IN OUR FLEET

2015

Objectives

Focus on good control of our vessel operating expenses, efficient workflows and minimising administrative costs, and implementation of new ship management and accounting software.

Strategy delivery and performance

Having stopped buying ships in early 2014, we continued to supplement our core fleet with low-rate short-term chartered ships which contribute to our service and results even in the depressed market.

We assimilated into our fleet six of the ships we purchased at cyclical low prices before 2014. They have slotted into our cargo systems well, and have made a positive cash contribution even in the weak market.

We reduced our daily vessel costs and administrative costs and implemented new accounting and ship management software.

2016

Objectives

Manage our business for a continued weak market in the medium term and prioritise safety and staying power. However, we will also carefully consider further acquisition opportunities at depressed prices that may emerge in the continued weak market ahead and with which we could generate positive cash contributions even in the prevailing weak market.

RISK/IMPACT	RISK REDUCTION MEASURES
Vessel Investment, Deployment and Operational Risk Inappropriate vessel investment timing, deployment and operations may lead to an uncompetitive cost structure and reduced margins. Vessel values vary significantly through shipping cycles, and we need competitively priced, high-quality vessels to provide our services to customers. **Change from last year:** →	We evaluate potential vessel investments and divestments based on relevant market information, estimated future earnings and residual values. We adopt a flexible ownership/leasing strategy that is aligned with shipping cycles, and we maintain an active fleet renewal programme by: ■ securing newbuilding contracts with leading, reputable and financially viable shipbuilders; ■ transacting secondhand deals with creditworthy counterparties; and ■ securing long-term inward charters of modern vessels. Our technical team and crews operate and maintain our ships under our ISM Code-compliant “Pacific Basin Management System” to assure safety and service reliability.
Market Risk (A) Adverse financial impacts include: ■ earnings volatility ■ cost volatility including fuel prices, interest rates and other operating expenses ■ exchange rate volatility in the currencies we use **Change from last year:** ↑	Earnings volatility is partially managed by securing contracts of affreightment of one year or longer. We remain focused on the Handy segments of the dry bulk sector which is where we have a strong competitive edge. Volatile fuel costs for our long-term cargo contracts are passed through to our customers through bunker price adjustment clauses or hedged with either bunker swap contracts or forward price agreements. Volatile and sharply reducing fuel prices mean we need to constantly reassess our optimal vessel operating speeds to maximise each voyage’s contribution. Page 83 Financial Statements Note 12 See Derivative Assets and Liabilities for our use of derivative financial instruments to manage volatility in freight rates, fuel prices, interest rates and exchange rates.

2. DEEPENING OUR RELATIONSHIPS

2015

Objectives

To improve the customer experience to enhance our access to cargoes, drawing on a global team and office network that is unmatched in the dry bulk sector.

Strategy delivery and performance

We served over 450 customers and carried to 55 million tonnes generating full-time employment for our 74,900 ship revenue days (2014: 78,620). Having divested substantially all our non-core activities in 2015, our management is now fully focused on our core Handysize and Supramax business. We are increasing customer engagement and through our global office network are connecting and strategising with a larger number of customers at a local level.

2016

Objectives

To increase customer engagement and partnership at a local level and further improve the customer experience by streamlining systems and processes, thereby enhancing our access to cargoes, drawing on a global team and office network that is unmatched in the dry bulk sector.

RISK/IMPACT	RISK REDUCTION MEASURES
Customer Satisfaction and Reputation Risk Poor service can lead to loss of customers. Impaired brand value and reputation as a trusted counterparty could restrict our access to customers, cargoes, high-quality vessels, funding and talent. **Change from last year:**	Our global office network positions us close to our customers enabling frequent customer engagement, a clear understanding of their needs and localised customer service. A large, modern, uniform fleet and comprehensive in-house technical operations enhance our ability to deliver a high-quality and reliable service. Customer engagement includes regular customer surveys to see how we can further improve customer satisfaction.
Banking Relationships Risk Poor relationships with banks may limit our funding sources. **Change from last year:**	We have a dedicated treasury function that develops and maintains our relationships with a diverse group of reputable banks worldwide. These relationships are enhanced through regular senior management contact and consistent compliance with our loan obligations.
Credit and Counterparty Risk A Default or failure of counterparties to honour their contractual obligations may cause financial losses. Counterparties include: ▪ our cargo customers ▪ ship builders, sellers and buyers ▪ derivatives counterparties ▪ banks and financial institutions **Change from last year:**	Our global office network enables us to better know our counterparties. We take measures to limit our credit exposure by: ▪ transacting with a diverse range of counterparties with successful track records and sound credit ratings; ▪ actively assessing the creditworthiness of counterparties; and ▪ obtaining refund guarantees from newbuilding shipyards. Page 88 Financial Statements Note 13 Trade and Other Receivables

Business Review
Strategic Review
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3. INVESTING IN OUR PEOPLE

2015

Objectives

Continue to develop and motivate our teams to enhance safety, productivity, customer satisfaction and job fulfilment.

Strategy delivery and performance

Despite the continued challenges of increased global demand for seafarers and ship managers, we successfully managed the delivery of six new ships into our owned fleet. We now have over 3,000 seafarers and 330 shore-based staff.

We recruited 3 dry bulk graduate trainees, hosted four officer training seminars ashore and provided external training to 55% of our shore-based staff in 2015. Investments such as these contribute to enhanced employee engagement and satisfaction.

2016

Objectives

Continue our 2015 objectives to achieve improvements in safety performance, staff retention rates, and enhanced safety, productivity, customer satisfaction and job fulfilment.

RISK/IMPACT

Employee Engagement Risk

We are only as good as our people and so our ability to achieve our vision depends on the effectiveness of our staff both ashore and at sea. Loss of key staff or an inability to attract, train or retain staff could affect our ability to grow our business and achieve our long-term goals.

Change from last year: ↑

RISK REDUCTION MEASURES

Our Group HR and crewing departments are tasked with recruiting, developing and maximising engagement of staff ashore and at sea by:

- maintaining regular contact with talent representing a wide cross-section of the shipping industry, and we use diversified manning sources for seafarers;
- regularly reviewing our salary structure to ensure that it remains adequate to attract and retain the best talent;
- offering regular training for staff ashore and at sea; and
- implementing annual staff performance appraisals, incentives and other initiatives to encourage, retain and otherwise engage staff.

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Workplace & Business Practices
Training & Development

Succession Risk

Inadequate succession planning could lead to prolonged executive searches, disruption to our strategic momentum and the business, and undermine stakeholder confidence in the Group.

Change from last year: →

Our Group has a dedicated HR department which oversees organisational design, talent management, hiring and remuneration. Succession plans for senior management are regularly reviewed.

The Nomination Committee closely monitors the Board succession planning process to ensure Board continuity and diversity. We have a clear vision, mission and business principles with which to equip any potential successors to lead the business forward.

4. SAFEGUARDING HEALTH, SAFETY AND ENVIRONMENT

2015

Objectives

Through a continued focus on training, to substantially eliminate injury, navigation and pollution incidents, minimise our environmental impact and promote a healthy and supportive work environment at sea and ashore.

Strategy delivery and performance

We reduced our total recordable case injury frequency by 4%, and our inspection deficiency rate (related to our Safety Management System) was unchanged at 0.9 in 2015. These statistics are among the best in the industry and represent the value of a specific focus on staff training.

2016

Objectives

Through a continued focus on training, to substantially eliminate injury, navigation and pollution incidents, minimise our environmental impact and promote a healthy and supportive work environment at sea and ashore.

RISK/IMPACT	RISK REDUCTION MEASURES
Safety Risk Inadequate safety and operational standards, piracy and other causes of accidents may lead to loss of life, severe damage to property and our vessels, and impact the Group's reputation among seafarers, customers and other stakeholders. **Change from last year:**	Our commitment to the safe operation of our ships is manifested through a proactive system ashore and at sea – the Pacific Basin Management System – enhanced by well-conceived training and maintenance programmes and innovative initiatives to ensure our vessels are in good condition and in all respects safe to trade. The high quality of our attention to safety is evidenced by an excellent safety record and our several safety-related awards in recent years. Page 33 Workplace & Business Practices Health & Safety
Environment Risk Non-compliance with emissions and other environmental legislation and standards may result in financial loss and significant damage to our brand and the long-term sustainability of our business. **Change from last year:**	We are at the forefront of efforts in our sector to mitigate emissions through initiatives to improve engine performance and hull and propulsion hydrodynamics, and to adopt fuel-efficient operational measures such as our home-grown Right Speed Programme. Commercial pressure to increase vessel speed may increase our emissions. We are assessing measures needed to comply with new Ballast Water Treatment regulations anticipated in 2017. We promote a proactive safety culture across our fleet involving safety risk assessments to mitigate risk in critical tasks on board. Through our safety training, we seek to eradicate the risk of accidents that lead to pollution and related penalties, costs and adverse publicity. We cover our risk of liability for pollution through reputable Protection & Indemnity (P&I) clubs. Page 34 Environment
Insurance Risk Any vessel incident could endanger our crew, adversely affect the strength of our brand and reputation and result in service disruption and significant costs. **Change from last year:**	Despite best efforts to ensure safe operations, incidents do happen. We place insurance cover at competitive rates through marine insurance products, including hull and machinery, war risk, protection and indemnity, freight demurrage and defense cover. Sufficiency of insurance cover is regularly evaluated and adjusted in line with prevailing asset values and in compliance with loan covenants and internal policies.

Business Review
Strategic Review
Funding
CSR Report
Governance
Financial Statements

5. ENHANCING CORPORATE & FINANCIAL PROFILE

2015

Objectives

Continue to work within our financial gearing targets, maintain the financial health of the Group, and strive for best-in-class reporting, transparency and corporate stewardship.

Strategy delivery and performance

Despite significant fleet investment in 2012/13, we still benefitted from conservative gearing and access to funding. This gives comfort to customers and shareholders alike which contributes to the strong corporate profile that makes Pacific Basin a preferred partner for many stakeholders.

In June we issued a new US$125 million convertible bond maturing in 2021 to plan for known and expected convertible bond repayments in 2016. During the year we bought back and cancelled US$104 million of convertible bonds due 2016 at a discount to face value generating a principal repayment savings of US$1.2 million and reducing the outstanding 2016 CB to US$105.6 million.

At year end, our interest cover was 2.2X and we were in compliance with our bank covenants.

2016

Objectives

Continue to work within our financial gearing targets, maintain the financing of the Group, and strive for best-in-class corporate stewardship, transparency and reporting, including fuller adoption of the latest ESG reporting guidelines issued by The Stock Exchange of Hong Kong Limited.

RISK/IMPACT

Liquidity Risk A

Insufficient financial resources (such as bank borrowing facilities) may negatively impact the Group's ability to meet its payment obligations as they fall due.

Change from last year: ↑

RISK REDUCTION MEASURES

Our Group's Treasury function actively manages the cash and borrowings of the Group within the scope of the Treasury policy to ensure:

- sufficient funds are available to meet our existing and future commitments;
- compliance with covenants relating to bank loans, finance leases and convertible bonds;
- an appropriate level of liquid investment is maintained during different stages of the shipping cycle; and
- the Treasury policy is reviewed and in line with business requirements.

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Financial Statements Note 30
Financial Liabilities Summary

Capital Management Risk A

Weakness in our financial management capability and insufficient capital could impact (i) our ability to operate as a going concern, (ii) our ability to provide adequate returns to shareholders, and (iii) other stakeholders' ability and willingness to support the Group.

Change from last year: ↑

We conduct regular reviews to ensure an optimal capital structure taking into account:

- future capital requirements and capital efficiency;
- prevailing and projected profitability;
- projected operating cash flows; and
- projected capital expenditure and expectations for strategic investment opportunities.

Our dividend policy is to distribute regular dividends to shareholders and to pay out a minimum of 50% of eligible profits for the year, with the remainder of the profits retained as capital for future use.

Our Board of Directors monitors closely the ratio of net borrowings to net book value of property, plant and equipment, and the ratio of net borrowings to shareholders' equity.

Page 3
Financial Summary

6. EVOLVING MANAGEMENT & GOVERNANCE PRACTICES

2015

Objectives

Refine management decision-making, risk mitigation and board governance procedures and considerations. Ensure all new recruits are trained to fully observe our risk management and governance procedures. Uphold best-in-class levels of transparency and stakeholder confidence.

Strategy delivery and performance

Our risk management team raised emerging risk and control awareness amongst staff in 2015. In particular, our chartering policy was tightened for added protection in the challenging shipping market.

We were awarded a Best Corporate Governance Disclosure award by the HKICPA. We have started on fuller adoption of the latest ESG reporting guidelines issued by The Stock Exchange of Hong Kong Limited.

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News & Achievements
Our awards in 2015

2016

Objectives

Understanding our emerging risks in the changing shipping market and establish effective mitigating controls to underpin our commitment to sustainable business. We always seek to refine management decision-making, risk mitigation and board governance procedures and considerations. We strive to continue to uphold our best-in-class levels of board governance, business transparency and stakeholder confidence.

RISK/IMPACT	RISK REDUCTION MEASURES
Corporate Governance Risk Inadequate corporate governance measures may adversely impact the diligence, integrity and transparency of our risk assessment, decision-making and reporting processes and undermine stakeholder confidence. **Change from last year:**	Our Group is committed to good corporate governance to meet the requirements of our business and stakeholders. The Audit Committee and Risk Management Committee proactively ensure the overall corporate governance and risk management framework for the Group. We observe all local and international laws and regulations in the places we trade, including the comprehensive regulations enacted by the International Maritime Organization (and enforced by its member countries) and UN, US and EU sanctions legislation. The Board and relevant employees receive regular governance training to ensure a high standard of corporate governance. Page 38 Corporate Governance
Investor Relations Risk An ineffective investor relations function or inadequate transparency in our external communications could undermine stakeholder confidence in our Group. **Change from last year:**	We have a dedicated investor relations function as well as policies and guidelines on information disclosure and communication with the public. We report half-yearly with quarterly trading updates, we keep the public informed of material developments guided by Corporate Governance Code best practices, and our website is updated regularly with company news and financial information. Page 56 Investor Relations
Cyber Security Risk Our business processes rely on IT Systems particularly for daily communications ashore and at sea. Failure of a key IT systems, targeted attacks on our system, or a breach of security could result in communications breakdown and business disruption. **Change from last year:**	Our IT Steering Committee chaired by our CEO oversees the Group's IT policies and procedures and ensures the Group's IT strategies meet our business needs. Our IT team works closely with the business departments to tailor effective IT systems, support, and preventive and contingency measures. We have implemented business continuity arrangements for critical IT systems and activities. Vessel hardware and systems are reviewed periodically to maximise system efficiency and security.

Funding

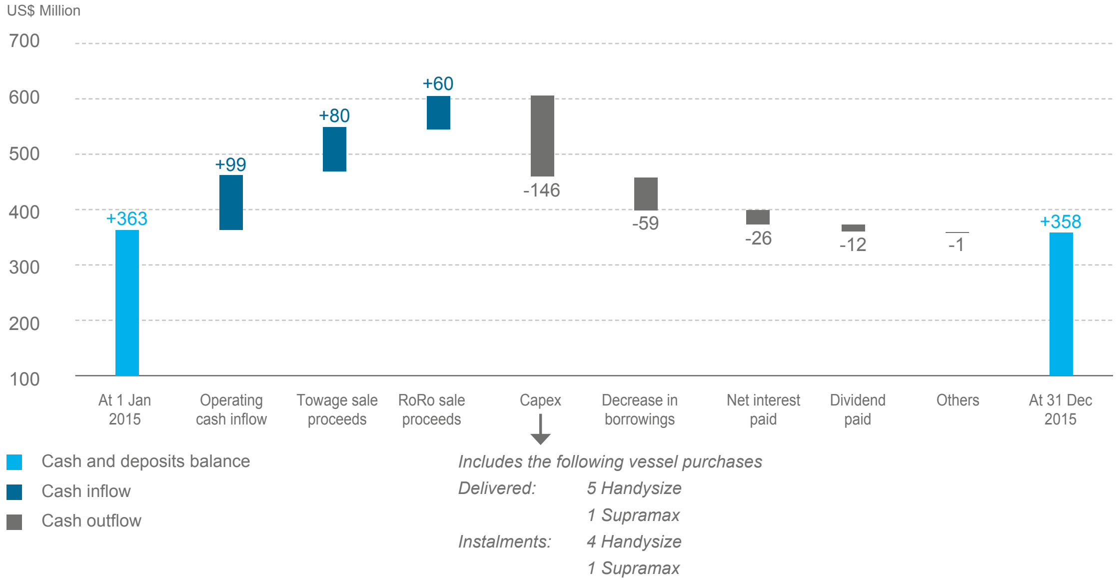
CASH FLOW AND CASH

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 Flow in 2015



Current Position and Outlook

During year 2015:

- Borrowings decreased by US$59 million, after:
  - Our net repayment of US$79 million of bank borrowings and finance lease liabilities.
  - We put in place US$134 million of new bank borrowing facilities secured by our unmortgaged dry bulk vessels. Such new bank borrowings included the refinancing of US$89 million of bank loans due in the first half of 2015.
  - We issued US$125 million, 3.25% p.a. coupon, guaranteed convertible bonds maturing in July 2021.
  - We bought back and cancelled 2016 convertible bonds with a face value of US$104 million in aggregate at a discount to face value saving US$2.3 million of principal repayments and related coupon payments in the period before maturity.
- We received Towage sale proceeds of US$80 million.
- We received sale proceeds of US$60 million for the last two RoRo vessels.

As at 31 December 2015:

- The Group's cash and deposits were US$358 million reflecting a 35% net gearing ratio.
- Our undrawn committed bank borrowing facilities were US$375 million, including US$311 million of Japanese export credit facilities for our newbuilding commitments of US$274 million payable in 2016 to 2017.
- Our unmortgaged vessels comprised towage assets with a net book value of US$33 million and two dry bulk vessels.
- Cash and deposits, undrawn committed bank borrowing facilities and operating cash flows will enable us to fund the following payment obligations:
  - US$74 million of our bank borrowings due in 2016.
  - The 2016 convertible bond principal repayment of US$106 million due in April 2016.
  - The 2018 convertible bond 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	2015	2014	Change
Cash and deposits	358.3	361.7	
Restricted bank deposits			
– non-current	0.1	0.1	
– current	–	1.6	
Total cash and deposits	358.4	363.4	-1%
Current portion of long-term borrowings	(292.7)	(179.1)	
Long-term borrowings	(633.3)	(820.6)	
Total borrowings	(926.0)	(999.7)	+7%
Net borrowings	(567.6)	(636.3)	+11%
Net borrowings to net book value of property, plant and equipment KPI	35%	40%	
Net borrowings to shareholders' equity	59%	64%	
Net working capital	40.8	294.7	-86%

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.

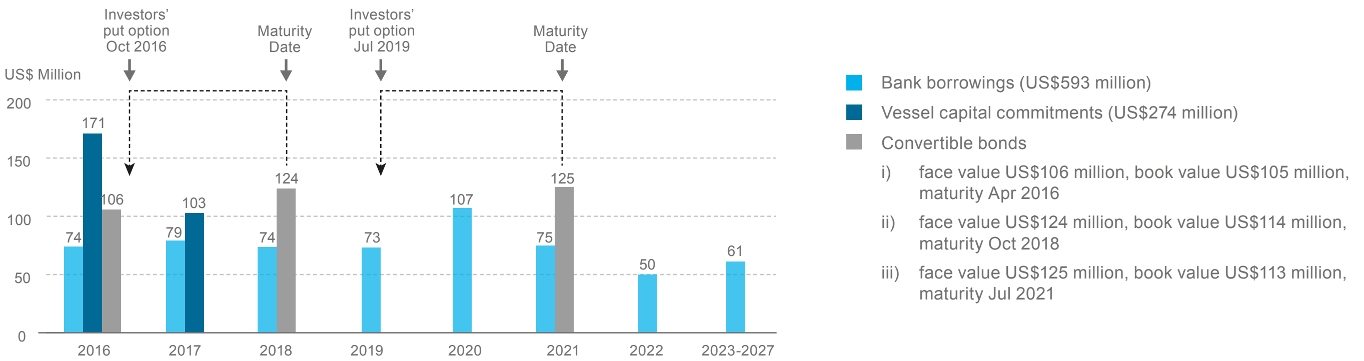
The Group's cash and deposits at 31 December 2015 comprised US$352.5 million in United States Dollars and US$5.9 million in other currencies. They are primarily placed in liquid deposits of three months or less and saving accounts to maintain the liquidity to meet the Group's vessel purchase commitments and working capital needs.

Restricted bank deposits at 31 December 2014 primarily related to additional collateral for certain bank borrowings.

During the year, Treasury achieved a 0.9% return on the Group's cash. Interest income is benchmarked against a target yield of 0.8% being 50 basis point above 3-month USD LIBOR.

BORROWINGS

Schedule of Repayments and Vessel Capital Commitments



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

- bank borrowings;
- the liability component of convertible bonds; and
- finance lease liabilities.

The aggregate borrowings of the Group amounted to US$926.0 million (2014: US$999.7 million) and are denominated in United States Dollars.

Bank Borrowings – US$593.5 million (2014: US$668.0 million)

Bank borrowings are in the functional currency of the business segment to which they relate. The overall reduction in bank borrowings is mainly due to loan amortisation.

In the first half of 2015, we put in place total new bank borrowing facilities of US$134.4 million – secured on 22 vessels – which included the refinancing of US$89 million of loans that became due in the same period. These new bank borrowings have consistent terms with our existing facilities, including the requirement to satisfy the loans-to-asset value requirements and for the Company to remain listed on the Stock Exchange of Hong Kong Limited.

In the second half of 2015, we drew down US$39.1 million secured on two vessels under our committed Japanese export credit facilities, leaving loans of US$171.4 million and US$139.7 million which are expected to be drawn in 2016 and 2017 respectively.

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 2015:

- The Group's bank borrowings were secured by mortgages over 84 (2014: 69) vessels with a total net book value of US$1,470.2 million (2014: US$1,246.1 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$33.2 million and two dry bulk vessels.
- The Group was in compliance with all its loans-to-asset value requirements.
- Our undrawn committed bank borrowing facilities were US$375.1 million (2014: US$350.2 million).

P/L impact:

The decrease in interest (after capitalisation) to US$21.5 million (2014: US$27.8 million) was mainly due to a decrease in average bank borrowings to US$525.6 million (2014: US$647.3 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$332.5 million (2014: US$313.4 million)

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

At 31 December 2015, the liability components of the 1.75% p.a. coupon April 2016 convertible bonds, 1.875% p.a. coupon October 2018 convertible bonds and the 2021 convertible bonds are US$105.1 million, US$113.9 million and US$113.5 million respectively (2014: US$202.8 million, US$110.6 million and nil). The decrease in the liability component of the 2016 convertible bonds is mainly due to the buyback and cancellation with an aggregate face value of US$104.0 million at a discount to face value saving US$2.3 million of principal repayments and related coupon payments in the period before maturity. At 31 December 2015, the remaining outstanding principal amount of the 2016 convertible bonds was US$105.6 million.

P/L impact:

The US$17.1 million (2014: US$15.0 million) interest expense of the convertible bonds is calculated at an effective interest rate of 4.9% (2014: 4.8%).

Finance Lease Liabilities – Nil (2014: US$18.3 million)

Finance lease liabilities in relation to three Handysize vessels were extinguished upon the expiry of the bareboat charters and return of these vessels to the lessors in December 2015. The vessels were treated as disposed of by the Group at their net book values and no disposal gains or losses were recorded.

P/L impact:

Finance charges of US$1.0 million (2014: US$1.4 million) represent interest payments on Handysize vessels under finance leases.

FINANCE COSTS

Finance Costs by Nature

US$ Million	Average interest rate P/L	Average interest rate Cash	Balance at 31 December 2015	Finance costs 2015	Finance costs 2014	(Increase)/ decrease in finance costs
Bank borrowings (including realised interest rate swap costs)	4.0%	4.0%	593.5	**21.5**	27.8	23%
Convertible bonds (Note)	4.9%	2.1%	332.5	**17.1**	15.0	(14%)
Finance lease liabilities	6.6%	6.6%	–	**1.0**	1.4	27%
	4.4%	3.3%	926.0	**39.6**	44.2	10%
Unrealised interest rate swap income				**(1.6)**	(1.7)	
Other finance charges				**1.8**	1.1	
Total finance costs				**39.8**	43.6	9%
Interest coverage (calculated as EBITDA divided by total gross finance costs) KPI				**2.2x**	1.9x	

Note: The convertible bonds have a P/L cost of US$17.1 million and a cash cost of US$7.7 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).

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

The Group aims to achieve a balance between floating and fixed interest rates on its long-term borrowings. This is adjusted from time to time, depending on the interest rate cycle, using interest rate swap contracts where appropriate. During the year, US$6.5 million of interest rate swap contract costs were realised and US$1.6 million of unrealised gains arose resulting in a net US$4.9 million swap contract charge. As at 31 December 2015, 16% (2014: 12%) 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 31 December 2015, the Group had delivered vessels with a net book value of US$1,560 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	69	32,000	8.4	16.2	1,116
Dry Bulk	Supramax	16	55,400	6.4	22.7	364
Dry Bulk	Post-Panamax	1	115,500	4.0	47.3	47
Towage	Tugs & Barges	12	N/A	6.8	2.8	33

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$9.5 million and US$12.0 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 31 December 2015, the Group had vessel commitments of US$273.8 million. These vessels are scheduled to deliver to the Group between April 2016 and April 2017.

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

US$ Million	Number of vessels	2016	2017	Total
Contracted and authorised commitments				
Handysize vessels	8	111.5	50.8	162.3
Supramax vessels	5	59.9	51.6	111.5
	13	171.4	102.4	273.8
Funding				
Planned drawdown of committed Japanese export credit facilities		(171.4)	(139.7)	(311.1)

At 31 December 2015, 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$675.4 million (2014: US$877.8 million), comprising US$455.7 million for Handysize, US$183.9 million for Supramax and US$35.8 million for Post-Panamax.

Our Handysize operating lease committed days decreased 24% to 42,980 days (2014: 56,560 days) while our Supramax operating lease committed days decreased 22.7% to 15,010 days (2014: 19,410 days).

Onerous Contract Provisions

US$ Million

Year	Handysize	Supramax	Total
2016	19.5	8.2	27.7
2017	20.4	6.2	26.6
2018	16.7	1.6	18.3
2019	7.0	–	7.0
Total	63.6	16.0	79.6

The Group wrote back US$12.3 million and US$9.0 million for Handysize and Supramax onerous contract provisions in 2015 following the utilisation of this elements of the charters. At 31 December 2015, there remains a provision of US$63.6 million for Handysize and US$16.0 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 annual total number of 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$)	After provision write-back (US$)
2016	10,030	9,870	7,920	4,630	10,510	8,750
2017	8,290	10,370	7,910	2,920	12,970	10,820
2018	6,940	10,930	8,530	2,770	13,140	12,570
2019	6,430	11,000	9,910	2,190	13,170	N/A
2020	4,000	11,060	N/A	1,650	13,110	N/A
2021+	7,290	10,980	N/A	850	12,130	N/A
Total	42,980			15,010		
Aggregate operating lease commitments		US$455.7m			US$183.9m	

Commitments Including Index-linked Vessels

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

	2015		**1H2016**		**2H2016**	
Handysize	**Vessel Days**	**Average daily rate (US$)**	**Vessel Days**	**Average daily rate (US$)**	**Vessel Days**	**Average daily rate (US$)**
Long-term (> 1 year)	10,790	8,920	**4,940**	**7,990**	**4,400**	**8,090**
Short-term	9,650	6,920	**690**	**6,260**	**–**	**–**
Index-linked	7,040	5,920	**1,680**	**Market rate**	**1,260**	**Market rate**
Total	27,480	7,450	**7,310**		**5,660**	
Supramax						
Long-term (> 1 year)	3,650	10,400	**1,740**	**9,350**	**1,470**	**11,000**
Short-term	12,780	7,510	**1,420**	**5,690**	**–**	**–**
Index-linked	1,240	7,250	**200**	**Market rate**	**180**	**Market rate**
Total	17,670	8,090	**3,360**		**1,650**	

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

Corporate Social Responsibility

A SUSTAINABLE BUSINESS APPROACH

We are a substantial shipping business that draws on and impacts a number of "Capitals" – the resources and relationships we rely on

We recognise our stakeholder, community and environmental responsibilities which have a bearing on the long-term sustainability of our business. We believe that many of the responsible actions we take also make us competitively stronger and enhance the future value of our business.

Our Corporate Social Responsibility ("CSR") efforts are rooted in our culture, integrated into our daily operating and business practices, and driven by the key material matters that we focus on to deliver our strategy.

By integrating CSR information in our Annual Report, we create transparency about our operations so that stakeholders have a clear sense of our non-financial business practices and the linkage across our actions, policies and performance.

The main CSR-related Capitals we draw on are:

- **Human Capital** – the skills, experience and loyalty of our staff that we reward and enhance with fair remuneration and a commitment to health and safety, development and training, equal opportunity and a comfortable and fulfilling workplace
- **Natural Capital** – predominantly our fleet's consumption of fuel and other inputs and the resulting impacts of emissions on the atmosphere and marine environment
- **Social & Relationship Capital** – the mutually beneficial partnership we strive to maintain with our customers, suppliers and other stakeholders in our communities, while recognising their rights and needs and always demonstrating responsible business practice

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Our Resources in Action

Key Material Matters

We assess all the matters that are material to the long-term success of Pacific Basin and the sustainable growth of our business and operations. This exercise – an analysis of opportunities and risks and how to balance them – also assists us in developing and achieving our strategic objectives. Sustainability is a key element of each of these material matters, and this is the driving force behind our long-term progress and success.

Through this process, we have identified the material matters below which are key components of our business model and key drivers of our Group's performance and long-term viability.

What is material is defined as a matter that would impact our senior management, Board and Board Committees' decisions, applying several criteria such as:

- the potential economic impact of a matter on the business and its value over the short, medium and long term;
- our main stakeholders' concern with a matter and its likely effect on them; and
- the extent to which a matter is likely to grow in significance and impact in the future.

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Strategy Delivery & Risks

Deepening our customer relationships

Investing in our people

Investing in our high-quality fleet

Safeguarding health, safety & environment

Increasing efficiencies & reducing costs

Enhancing corporate & financial profile

Evolving management & governance practices

An Integrated Reporting Framework for our Annual Report

In preparing our Annual Report, we follow the International <IR> Framework of the International Integrated Reporting Council which enhances the way we think, plan and report the story of our business.

INTEGRATED REPORTING <IR>

Our integrated report demonstrates how we embed holistic, integrated thinking into our strategy and plans and make informed decisions and manage key risks to build investor and stakeholder confidence and improve future performance. We also show how we rely on and impact our resources and relationships – our Capitals – to protect and create value over the long term.

The main change in our Annual Report this year is that our business highlights and outlook content have been integrated into our Chief Executive's Review – core to our Business Review – to eliminate repetition and unnecessary pages.

Cost saving in a very weak market

You may also note that we are using two-colour printing (necessitating black and white photos) and cheaper paper in the internal pages of this Annual Report. While it may not be as pretty, this initiative is expected to reduce our 2015 report production costs by 25%.

How We Report on CSR

This report serves as a record of our CSR performance highlights in 2015, focusing on areas that are material to our business and stakeholders. It is to be read in conjunction with CSR content on our website, which summarises more permanent aspects of our CSR narrative, such as (a) key inputs and outputs of our business, (b) initiatives we pursue to tackle our responsibilities, and (c) materiality, reporting scope and CSR governance.

Our sustainability initiatives are guided by broad strategic objectives that relate to:

- workplace and business practices (human capital)
- environmental stewardship (natural capital)
- community engagement (social & relationship capital)

They also relate to corporate governance which we address separately in the governance section of this report.

Page 38
Corporate Governance

Our CSR reporting follows the Environmental, Social and Governance (ESG) Reporting Guide of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), and draws on the guidelines and principles of the International Integrated Reporting Council’s International <IR> Framework, the United Nations’ Global Compact and GRI’s sustainability guidelines.

We have measured and tracked key aspects our CSR performance for several years and we are on track to meeting the Guide’s disclosure requirements as they roll out over the next few years.

Where to find our CSR materials and performance data

Workplace & Community

Working Conditions

General Disclosure statement	p.29&32
▪ Total workforce by employment	p.33
▪ Employee turnover	p.33

Health and Safety

General Disclosure statement	p.29&32
▪ Number and rate of work related injuries	p.32
▪ Lost days due to work injury	p.32
▪ Description of occupational health and safety measures adopted	🖱

Development and Training

General Disclosure statement	🖱 p.33
▪ Percentage of employees trained by category	p.33
▪ Average training hours per employee	✅

Labour Standards

General Disclosure statement	🖱
▪ Description of measures to review employment practices	✔
▪ Description of steps taken to eliminate such practices when discovered	✔

Supply Chain Management

General Disclosure statement	🖱
▪ Number of suppliers	✔
▪ Description of practices related to engaging suppliers	🖱

Anti Corruption

General Disclosure statement	🖱
▪ Number of legal cases regarding corrupt practices	A: None
▪ Description of preventative measures and whistle blowing	🖱

Community Investment

General Disclosure statement	p.36
▪ Focus areas of contribution	p.36
▪ Resources contributed	p.36

Environment

Emissions

General Disclosure statement	p.29&34
▪ Type of emissions and data	p.34
▪ GHG emissions in total tonnes	p.35
▪ Hazardous waste produced	p.35
▪ Total non-hazardous waste produced	p.35
▪ Measures to mitigate emissions	🖱
▪ Handling of waste and reduction initiatives	🖱

Use of Resources

General Disclosure statement	🖱
▪ Direct/Indirect energy consumption	p.35
▪ Water consumption	p.35
▪ Energy efficiency measures	🖱

Key to navigation symbols

p.xx disclosure in this report 🖱 disclosure on website ✔ we track but do not yet disclose ✅ we will soon track and disclose

CSR Highlights

WORKPLACE

Human Capital

OUR IMPACT IN 2015

Healthy working conditions, a strong safety culture, opportunities to advance and responsible business practices are the foundations of how Pacific Basin operates.

3,000
seafarers

330
shore-based employees

OUR PERFORMANCE

84%
Seafarer retention

7
ships per Safety and Training Manager

55%
shore staff received external training

OUR STRATEGY

We strive to create a culture of safety, innovation and teamwork across our fleet and business enabling our employees to thrive and make a difference.

See more on page 32

ENVIRONMENT

Natural Capital

OUR IMPACT IN 2015

Propelling vessels across oceans requires a number of resources or inputs, the consumption of which results in outputs that impact the environment.

13,000,000
nautical miles travelled

820,000
tonnes of fuel/gas oil purchased

OUR PERFORMANCE

10.7
grams of CO_2 per tonne-mile

1,043,000
tonnes of CO_2 emitted by our owned ships

13
efficient newbuilding ships still to join our fleet

OUR STRATEGY

Our sustainability initiatives seek to reduce our most material outputs and impacts on the atmosphere and marine environment; we also seek to reduce waste by minimising what we consume both at sea and ashore.

See more on page 34

COMMUNITY

Social & Relationship Capital

OUR IMPACT IN 2015

We are responsible members of the communities where our ships call and where our employees live and work. We are engaged members of our industry.

709
ports across 97 countries

12
office locations worldwide

OUR PERFORMANCE

US$71,000
charitable donations and sponsorship – mainly for seafarer welfare causes

"Your crew are professional, experienced and always willing to lend a hand."

Message of appreciation from one of many ports where our ships trade

OUR STRATEGY

We advocate and engage with organisations and other stakeholders that are involved in or connected with the business of shipping and the places where we operate; we follow applicable laws and responsible business practices.

See more on page 36

Workplace & Business Practices

Drawing on our Human Capital

The health, safety and behaviour of our employees underpins every aspect of how we operate. They are driven by policies, procedures, a team culture and efforts to continually improve how we conduct ourselves in our business at sea and onshore.

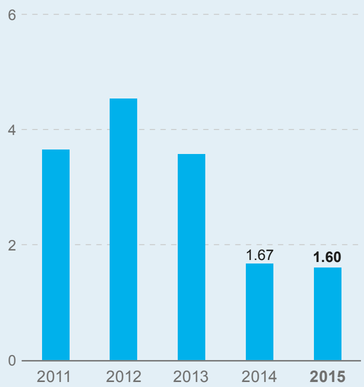
Providing healthy work conditions, a safe and supportive environment and opportunities to advance and develop within the Company are key to the well-being and fulfilment of our staff and the success of Pacific Basin.

KEY PERFORMANCE INDICATORS KPI

Total Recordable Case Frequency (TRCF)*

1.6 ↓4%

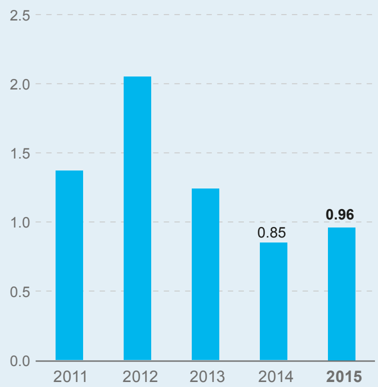
injuries per million man hours*



Lost Time Injury Frequency (LTIF)*

1.0 ↑13%

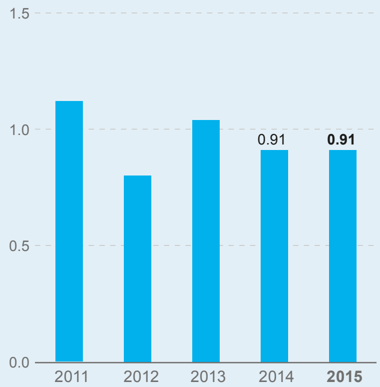
injuries per million man hours*



External Inspection Deficiency Rate

0.9 ➡0%

deficiencies per inspection



Our total recordable case frequency (TRCF) reduced 4% to 1.6 in 2015, and we have steadily reduced our TRCF by an average of 6% per year since 2004.

Our "lost time injuries" frequency (LTIF) increased 13% year on year; such injuries increased from 13 in 2014 to 15 in 2015 – most arising from slips, trips and falls.

Our safety performance is driven by effective policies and procedures in our Pacific Basin Management System and a comprehensive programme of seafarer training and development at sea and ashore.

Target

Our aim is to substantially eliminate our personal injury incidents and to improve on our best LTIF result of 0.85.

* TRCF and LTIF are principal measures of safety performance in the industry.

Our average deficiencies per inspection was unchanged at 0.91.

70% of our Port State Control inspections found zero regulatory deficiencies (2014: 68%).

These results are among the best in the industry, especially considering the scale of our activity in the Far East where defects are typically raised in larger numbers.

Target

Our aim in 2016 is to achieve an inspection deficiency rate of less than 1.0 by maintaining our ships to a high standard, as assessed by external Port State Control (PSC) inspections.

Operating in a highly regulated industry

Our workplace safety, health and engagement metrics follow best practices as defined by the industry and our peers. Shipping is a highly regulated industry and Pacific Basin meets all minimum requirements and in some cases exceeds requirements determined by local, regional and industry mandates and customer expectations.

Quality Assured

Our Pacific Basin Management System ashore and at sea conforms to the mandatory International Safety Management (ISM) Code. It is also certified by Lloyd's Register Quality Assurance (LRQA) to voluntary standards, including:

- ISO 9001:2008 for our quality management system
- ISO 14001:2004 for our environmental management system
- OHSAS 18001:2007 for our occupational health & safety management system

Health & Safety

We put safety first at all times and our Pacific Basin Management System provides clear policies and procedures for our ship and shore staff to follow and mechanisms for us to analyse our performance to facilitate improvement.

We have steadily reduced our Total Recordable Case Frequency by an average of 6% per year since 2004.

We recorded near record low total injuries and injury frequency on our ships in 2015. Most were relatively minor slips, trips and falls.

We have responded by reinforcing our established safety programme with a campaign to target "Zero Lost Time Injuries" which includes enhanced pre-joining and on-board training, and monthly alerts to the fleet with reminders of injuries sustained on our ships. Our "Make Complacency History" campaign now reaches out to our seafarers' families for a more holistic and effective approach.

Regretfully an ill-equipped stevedore died from a ladder fall when accessing a ship's hold late at night without authorisation in an Indian port. The matter was deemed to have been outside of our scope of responsibility, and highlights the difficulty in monitoring the movements of port workers on ships.

We sustained no navigational accidents in 2015. Our navigational performance has benefitted from an extensive engagement exercise which collected wide-ranging feedback from our ships' officers and managers as well as company-specific Bridge Team Management training for all our navigating officers, which we introduced in 2013.

We encourage near-miss reporting which in 2015 accounted for 539 reports (2014: 689) through which officers and crew described safety incidents and near-misses, however minor, which serves as a valuable tool for the prevention of injury and loss.

In June, we won the Hong Kong Marine Department's "Best Performing Ship Management" award for outstanding performance in global port state control inspections – for the seventh time in eight years.

During the year, we cooperated with Videotel in the production of safety videos produced on board our ships, including a film covering Maritime Labour Convention 2006.

Training & Development

Investment in the development and training of our staff at sea and ashore is key to motivating and retaining our people and to maximising their safety and productivity.

We hosted four officer training seminars ashore in 2015 allow us to reinforce our company policies and practices, review regulatory changes and industry developments, share safety and navigation-related experiences, and analyse industry incidents and develop preventive measures.

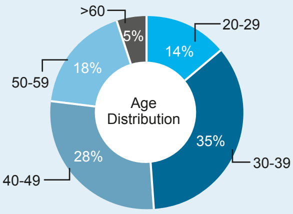
www.pacificbasin.com
Sustainability > CSR > Health, Safety & Workplace
In addition to Health & Safety and Training & Development, you can find information on our website about Working Conditions, Diversity and Responsible Business Practices (covering Labour standards, Anti-Corruption and Supply Chain Management)

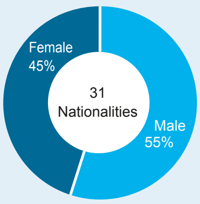
We employ a team of dedicated on-board Fleet Training Superintendents and we train our seafarers to standards exceeding those required by STCW. Some of the extra investments we make in training on-board, in classrooms, via computer or simulator cover: Maritime Resource Management; Bridge Resource Management; Engine Resource Management; and Pre-Joining Briefings.

High-performance teamwork at Pacific Basin is vital to our success. We foster high crew standards and teamwork at sea, and our shore-based technical and operations managers are experienced former ships' Masters and Chief Engineers. This encourages a culture where problems are shared openly and officers can rely on the very best, consistent support from ashore.

Ashore, we continued staff training and leadership development to enhance productivity and succession planning. Our recruitment and training of international graduate and other young recruits in recent years (3 in 2015) has armed our teams with keen, talented executives who are now demonstrating their value in our offices around the world.

300 Shore Staff

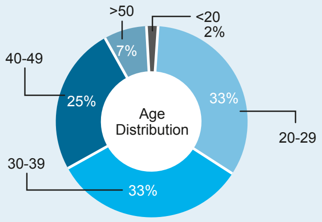




Retention	Training
80% overall (2014: 80%)	55% received external training (2014: 57%)

36% shore staff under equity incentive scheme (2014: 36%)

3,000 Seafarers



Retention	Training
90% officers (2014: 88%) 84% overall (2014: 80%)	4 training seminars (2014: 5) 2.4 officer cadets per ship

7 ships per Safety/Training Manager at sea & ashore

Business Review
Strategic Review
Funding
CSR Report
Governance
Financial Statements

Environment

Drawing on our Natural Capital

We recognise our responsibility to reduce the impact of our operations on air, sea and land. One of the ways we do this is by our efficient operation of modern ships designed and equipped for efficiency. In 2015, we added six modern ships to our fleet on the water, bringing the average age of our owned ships to eight years. 13 further ships remain contracted to deliver into our owned fleet in the next two years – all efficient and of the best design for our trades.

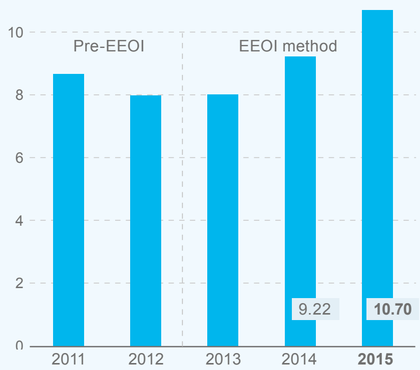
We also make use of a number of technological and operational measures to minimise our ships' fuel consumption and emissions.

KEY PERFORMANCE INDICATORS KPI

CO_2 Emissions

10.7 ⬆ 16%

Grams of CO2 per tonne-mile



Our fleet's carbon emissions in 2015 increased 16% to 10.7 grams of CO_2 per tonne-mile, as calculated using the industry-standard ship Energy Efficiency Operational Indicator (EEOI) method. The increase was primarily due to lower fuel prices triggering a global increase in average ship operating speeds especially in the third quarter.

Our average operating speeds continued to be optimised by our proprietary Right Speed Programme based on prevailing freight rates and fuel prices. We continued to apply technologies and practices that we implemented in earlier years to minimise our fuel consumption and emissions, and benefitted from the delivery into our fleet of six new ships of efficient design.

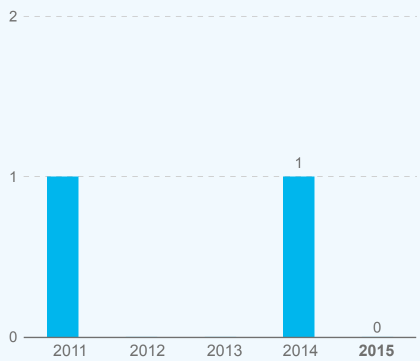
Target

Our aim in 2016 is to achieve an EEOI of less than 10.5, which will essentially seek to maximise cargo carried per tonne of energy consumed.

Environmental Pollution Incidents

0 ⬇ 1

Incidents



In 30,500 ship days in 2015, our owned fleet committed no marine pollution violations. This performance is indicative of the pro-active culture of safety and quality on our ships, our Pacific Basin Management System which prescribes strict system controls and procedural safeguards to prevent fuel spillage, and the high standard of professionalism of our seafarers.

Target

We aim to not have any no pollution incidents.

www.pacificbasin.com
Sustainability > CSR > Environment
See more on how we tackle our environmental responsibilities

We also disclose our carbon footprint data through:

- the Carbon Footprint Repository (CFR) developed by Hong Kong's Environment Bureau for listed companies in Hong Kong; and
- the HKQAA Sustainability Rating and Research for the Hang Seng Corporate Sustainability Index Series in which we achieved an "A" rating on a scale of AAA to D.

Carbon Footprint Repository for Listed Companies in Hong Kong 香港上市公司碳足跡資料庫

Hang Seng Corporate Sustainability Index Series Member 2015-2016

Additional Environmental Performance Indicators

The following environmental metrics quantify other material emissions, discharges and impacts from our operations. We have tracked these for several years and they represent normal, efficient operations.

	Unit	2011	2012	2013	2014	2015	
Emissions (owned fleet)							
At Sea							
Ships in owned fleet (average)	ships	43	46	61	80	84	↑
CO_2 (Scope 1 emissions from our owned dry bulk fleet)	metric tonnes	616,300	528,300	705,100	902,000	1,043,000	↑
Chlorofluorocarbons (“CFCs”)	kg/month	0.91	0.50	0.58	0.45	0.30	↓
On Shore							
CO_2 (Scope 2+3 emissions from headquarter activities*)	metric tonnes	n/a	1,260	1,269	1,293	1,329	↑
Fuel Purchased (owned & chartered fleet)							
Heavy fuel oil	metric tonnes	541,700	583,600	716,000	727,400	749,700	↑
Low sulphur fuel oil	metric tonnes	10,200	33,200	69,500	61,700	0	↓
Low sulphur marine gas oil (& diesel prior to 2015)	metric tonnes	8,860	10,100	11,500	20,600	69,200	↑
Waste							
Garbage landed	m^3/month/ship	1.73	2.61	4.03	3.57	2.63	↓
Garbage discharged to sea (foodwaste + cargo residue)	m^3/month/ship	3.95	3.76	1.64	1.58	1.18	↓
Engine room bilge water discharged to sea	m^3/month/ship	9.42	10.10	8.71	7.97	8.44	↑
Sludge incinerated	m^3/month/ship	3.36	3.21	2.53	2.26	2.14	↓

* Emissions from our headquarter office consumption and activities includes emissions from staff commuting and business air travel, air conditioning, lighting and computer and office equipment, as well as paper and fresh water consumption (audit period: July 2014 to June 2015)

The primary environmental impacts of shipping are emissions and discharges. At sea and in port, these outputs are substantially all regulated and compliance is enforced across international, regional and local jurisdictions. Our Pacific Basin Management System is designed to measure and continually improve every aspect of fleet operations, including these outputs.

In 2015, we purchased significantly more low sulphur marine gas oil (and no low sulphur fuel oil or marine diesel oil) in order to meet new emission regulations limiting fuel sulphur content to no more than 0.1% in designated emission control areas where our ships frequently trade.

The availability of cleaner fuels led to reduced sludge incineration. We have further reduced our total garbage generation by requesting our suppliers deliver goods with less packaging coupled with a long-standing programme of compaction on board prior to landing ashore.

Reduced refrigeration machinery leakage resulted in less release of Chlorofluorocarbons.

www.pacificbasin.com
Sustainability > CSR > Environment
Key inputs and outputs of our ships and our ship-based environmental initiatives

A

Our EEOI and other environmental and safety KPI data in this report has been measured or calculated in accordance with industry standards, and has been audited by Lloyd’s Register Quality Assurance for ISO9001, ISO14001 and OHSAS18001 certification.

Progress Ashore

Across our offices, we do what we reasonably can to minimise our footprint by addressing environmental elements that are within our control.

Pacific Basin was awarded a Gold Label (2014: Silver) in the WWF’s Low-carbon Office Operation Programme that measures and tracks outputs and Energy Consumption from our headquarters in Hong Kong.

LOOP GOLD
WWF LOW CARBON OFFICE OPERATION PROGRAMME
CO_2

An independent audit of our environmental performance determined that our office in Hong Kong (where 60% of our shore-based staff work) produced carbon emissions of 1,329 metric tonnes for the 2014/2015 audit year.

Our Hong Kong headquarters’ carbon intensity in 2015 reduced to 6.6 tonnes CO_2 per employee.

Environmental Awareness Ashore

In September, Pacific Basin funded an educational boat tour for staff called “Plastics in the Ocean: Become Part of the Solution”. Organised by the Hong Kong Maritime Museum and Ocean Recovery Alliance, the tour informed participants about marine litter, how microplastics enter the food chain and the impact on the local and global ecosystem. Hands-on activities included visual surveys, water samplings and an opportunity to learn more about Hong Kong’s aquatic issues and positive trends.

Community

Drawing on our Social & Relationship Capital

We recognise our obligations as a responsible member of the communities in which we operate, and we seek to ensure that the interests of these communities are represented within Pacific Basin and vice versa. Our engagement in and contributions to these communities takes a number of forms, in an effort to support their – and our – longer-term sustainability.

We achieve this by:

- Maintaining regular engagement with stakeholders and organisations connected to the shipping industry and the places and jurisdictions in which we operate;
- Ensuring we comply with the laws and regulations of the jurisdictions in which we operate;
- Being mindful of the implications of our business activities on our communities and stakeholders;
- Supporting through activities and donating financially to the most deserving communities and causes most closely connected to our business – in particular seafarer welfare; and
- Supporting and sponsoring our employees who get involved in the communities in which they and Pacific Basin are active or reside, and who participate in groups and associations related to aspects of the shipping industry

Our Main Communities:

- the seafarer community
- Hong Kong – our headquarters and flag state
- the shipping industry
- the ports where our ships trade
- the marine environment and the communities dependent on it

COMMUNITY HIGHLIGHTS 2015

Pacific Basin continues to donate to and be actively involved in good causes, the majority of which relate to seafarer causes and other staff-driven initiatives.

The Seafarer Community

- Our Human Resources Director is an Asian Ambassador of the Sailors' Society – an organisation we support because of our particular interest in the welfare of seafarers and their dependents globally. Through this role, we promote regionally the need to support the welfare of seafarers whose lives at sea are not easy and who give so much to the business of shipping.
- In 2015, our charitable donations and sponsorship amounted to over US$71,000, including donations to the Sailors' Society and the Mission to Seafarers.
- We were main sponsors of the Sailors' Society Hong Kong dinner, which, despite the downturn in the maritime sector, raised over US$125,000 for seafarers in need around the world.
- Our staff raised funds for seafarer causes through sponsored physical challenges such as (i) climbing Mount Kinabalu, (ii) trekking the Hong Kong Trail, and (iii) solo kite-surfing over 1,000km up the East African coast to raise awareness of the root causes of piracy in the Indian Ocean.
- Funding other good causes, a Pacific Basin team completed the mountainous 100km Oxfam Trailwalker trek for the thirteenth consecutive year in aid of Oxfam's poverty alleviation programmes and one staff member ran the New York Marathon to raise money for autism.

"Our sponsors' long-term support is crucial to sustaining our welfare output. And continuation of these crucial alliances and the industry's recognition of seafarers' need for our welfare work is fundamental to being able to sustain our free provision of services."

The Sailors' Society

The Shipping Industry

- Pacific Basin and its senior management ensure our regular engagement with the shipping industry and relevant governmental and regulatory bodies through membership of appropriate industry organisations such as shipowners' associations. Our senior management assumed one new notable shipping association positions in recent months: our Human Resources Director was elected Vice Chairman of the Maritime Education and Training Sub Committee of the Hong Kong Shipowners Association.

www.pacificbasin.com
Sustainability > CSR > Community
Summary of memberships and committee positions we have with industry organisations through which we take an active role in discussion on legislative, regulatory and operational changes that affect our industry

Our Hong Kong Community

- **Hong Kong Maritime Museum (HKMM)** – We have been supporters of HKMM since its establishment in 2003 and we are inaugural partners under the museum's CSR Partner Programme which matches the museum's programmes and initiatives with our shipping and Hong Kong community-focused social responsibility priorities.

  Public and education programming expanded further in 2015, reaching almost 95,000 visitors (including 23% more students) to the museum's permanent galleries. In addition to showing its permanent collections, the museum arranges special presentations and events, and its most notable special exhibitions in 2015 included "Mapping Ming China's Maritime World – The Selden Map and other Treasures from the University of Oxford" and "Made in Hong Kong: Our City, Our Stories".

  In early 2016, HKMM installed a state-of-the-art bridge simulator. We occasionally turn to the museum and its exhibits for tools that enhance the quality of training of our young staff.

- **Maritime Awareness Week** – Our young staff gave seminars and lectures to school and university students during Hong Kong's "Maritime Awareness Week" to generate enthusiasm amongst young Hongkongers for shipping as a worthwhile career. We also regularly recruit interns from Hong Kong's Vocational Training Centre, some of whom transition into full-time employees.

- **Pacific Basin Soccer Sixes** – In June, we hosted the fourth instalment of the Pacific Basin Soccer Sixes inter-company football tournament in which Hong Kong's shipping and related services companies fielded 16 teams in friendly competition. Pacific Basin was very proud to have been crowned champions for a second year while also facilitating this increasingly popular sporting event for the Hong Kong shipping hub.

- **Student Scholarships** – In 2015, we funded two more scholarships at Hong Kong Polytechnic University where three students are currently pursuing a bachelor's degree in International Shipping and Transport Logistics under our sponsorship. The first two recipients of our scholarship now work at Pacific Basin and the fourth is on track to join Pacific Basin's fleet.

- **Hong Kong Emission Control** – The voluntary Fair Winds Charter which we signed up to in 2013 resulted in new Hong Kong regulation, effective 1 July 2015, requiring ocean-going vessels to switch to clean marine fuel with sulphur content not exceeding 0.5 per cent while at berth in Hong Kong. This is expected to result in reduced air pollution in the city. It is hoped the Hong Kong legislation will lead to uniform standards across the rest of the Pearl River Delta region for the sake of regional air quality and to create an even playing field for Hong Kong and other southern Chinese ports.

Ports Where our Ships Trade

- In 2015 our ships called at 709 ports across 97 countries.
- Our crew and ships are considered ambassadors for Pacific Basin wherever they sail, so we inspire them to:
  - strictly abide by requirements under applicable environmental law so as to minimise our impact on the cities, towns, ports and shorelines we visit;
  - show skillful seamanship and act professionally in the way they conduct their ships' business;
  - be respectful law-abiding visitors, to show warm hospitality towards visitors on board, and to be in every way becoming of Pacific Basin personnel; and
  - establish and maintain good relations with port authorities, agents and other stakeholders in the places we visit.

One measure of our success in this area is the feedback we get from stevedores, port operators and other stakeholders in the ports we call. Here are three examples of messages of appreciation we received in 2015:

> *"Your ship and crew were well prepared"*
>
> International Longshore and Warehouse Union in BC, Canada

> *"The crew you have assembled on the ship is truly one of the best I have had the pleasure to work with. They are professional, experienced and always willing to lend a hand."*
>
> Port staff in Washington State USA

> *"[Your crew's] level of performance makes all our jobs so much easier, smoother and efficient. Our compliments to the crew."*
>
> Port staff in Washington State USA

Corporate Governance

ACCOUNTABILITY

High standards of corporate governance are central to ensuring responsible direction and management of the Group and to achieving sustainable value for our investors

HIGH STANDARDS

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 year ended 31 December 2015, the Group has complied with all code provisions of the Code as set out in Appendix 14 of the Rules Governing the Listing of the Securities on the Stock Exchange (the "Listing Rules"). The Group continues to adopt the recommended best practices under the Code with the exception that the Group provides a quarterly trading update, instead of publishing quarterly financial results, to enable its shareholders to assess its performance, financial position and prospects. The Group believes a trading update is a more appropriate format for providing shareholders with key information to assess the development of the Group's business on a quarterly basis.

THE BOARD OF DIRECTORS

Board Composition and Responsibilities

As at the date of this Annual Report, the Board comprises 9 Directors (8 male, 1 female): the Chairman, three Executive Directors and five Independent Non-executive Directors ("INEDs"), which exceeds the Listing Rules requirement that INEDs shall represent at least one-third of the Board. The Board of Directors is collectively responsible for directing and supervising the affairs of the Group. The roles and responsibilities of each Board member are clearly set out on the Company's website and their biographical details are set out in the "Directors" section of this Annual Report.

During the year ended 31 December 2015, all Directors have provided confirmation to the Company that sufficient time and attention has been given to the Group's affairs.

All Directors have disclosed to the Company the number and nature of offices they hold in Hong Kong or overseas listed public companies or organisations and other significant commitments, as well as the identity of such public companies or organisations.

In accordance with the Company's Bye-laws, at each annual general meeting one-third of the Directors for the time being (rounded up if the number is not a multiple of three) shall retire from office by rotation on the basis that every Director should retire at least once every three years.

An effective Board is key to setting the strategic direction and policies of the Company and is achieved through a combination of fresh perspectives and a long-term understanding of shipping cycles. We lay out below some of the important criteria in achieving an effective Board:

- **Dynamic Board composition**

  Since listing in 2004, there have been a total of 20 Board members, and currently the Board comprises 9 members. During the last five years, the changes in the number of Executive Directors and Non-executive Directors (including INEDs) are:

	At 1 Jan 2011	Movements		At 31 Dec 2015
Executive Directors	5	–3	+2	4
Non-executive Directors	5	–1	+1	5
	10	–4	+3	9

- **Board Diversity**

  The Board believes that diversity of experience, professionally and geographically, enhances its decision making ability. The Board has 9 experts covering the areas of shipping, accounting, corporate finance, financial services and law.

- **Separate formalised roles for the Chairman and CEO**

  The Chairman oversees the executive team and meets regularly with the CEO to discuss the operations of the Group. He has in the past provided continuity of management during unexpected absences, hence safeguarding long-term management leadership. The Chairman is responsible for reviewing proposed plans for the Group prior to presentation to the Board. His review focuses on the long term strategic matters such as capital structure and fleet growth as well as the more immediate operational matters related to debt levels, cash flow, cash balances, risk assessment, other required capital expenditure and shareholder requirements.

  The CEO carries out day to day management and execution of the Group's activities and strategic initiatives. He formulates and proposes Group strategy and policy to the Board. He also ensures appropriate information is provided regularly so that Board members can actively contribute to the Group's development.

- **Executive Directors commitment to the business activities of the Group**

  The Executive Directors are required to devote all of their active or contracted business time to the business and affairs of the Group and are not permitted to engage in any other business which is in competition with that of the Group.

- **Role of the INEDs**

  The INEDs play a key role in protecting shareholders' interests. They bring a broad range of financial, regulatory and commercial experience and skills to the Board, and enhance the effective strategic management of the Group through independent, constructive and informed contributions. The INEDs provide a long-term view of the business development through shipping cycles and offer views that go beyond the short-term market movements.

- **INEDs' period of office**

  The Board selects INEDs based on their ability to contribute to the affairs of the Group, and of overriding importance is that each INED possesses a mind-set that is independent and constructively challenges management's views. Although INEDs do not necessarily have a shipping background, their familiarity with the business over the years has enabled them to contribute to the management of the risks involved. Independence from executive management is particularly important as the Group has no controlling shareholder; continuity of the INEDs provides stability to the Board decision-making process, compensating for any turnover in the executive management team. The Board believes that it is not appropriate to apply an arbitrary period of service beyond which a director is no longer considered independent. However, the Board periodically seeks new INEDs to join the Board so as to sustain its source of independent views.

- **New INED appointment**

  In recognition of the importance in identifying people with relevant experience for the Group, the Chairman and the Nomination Committee engage international search firms to identify suitable candidates when needed. The Nomination Committee acknowledges the importance of diversity within the Board in terms of nationality, industry experience, background and gender.

  Following such a recruitment process, Mrs. Irene Waage Basili, the first female member of the Board, joined us in May 2014 as an Independent Non-executive Director, adding diversity to the Board as well as shipping business and management expertise.

  The Board is currently in the process of recruiting an additional INED.

- **Assessment of INEDs' independence**

  The Board considers all existing INEDs bring strong independent oversight and continue to demonstrate independence. The five INEDs have given written confirmation to the Company about their independence under the Listing Rules, and the Company continues to consider them to be independent. In reaching these conclusions, each INED confirmed that they:

  1. Have demonstrated continued independent judgement which positively contributes to the development of the Company's strategy and policies;
  2. Do not receive any remuneration from the Company apart from director's fees and do not participate in the Group's staff incentive plan or pension scheme;
  3. Have not held an executive position in the Company;
  4. Do not receive remuneration from a third party in relationship to the directorship;
  5. Do not have, and have not had in recent years, any direct financial, business, family or other material relationships with the Group, its management, advisers and business;
  6. Do not hold any cross directorships or other significant links with other directors through involvement with other companies;
  7. Hold less than 1% of the common stock of the Company; and
  8. Do not serve as a director or employee of a significant competitor of the Group.

Directors' Continuous Professional Development

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills as required by the Code. With the assistance of the Company Secretary, all Directors receive updates on legal, compliance and regulatory issues as directors of a Hong Kong-listed company, as well as updates on the industries and the markets in which the Group operates and significant changes in financial accounting standards. Relevant training courses and reading materials were also identified by the Company during the year and records of training of all Directors have been provided to the Company Secretary.

Board Evaluation

The annual board evaluation was conducted by the Chairman of the Board and by the Chairman of the Audit Committee by way of individual interviews with each Director in late 2015. The Board considers that it continues to be well composed from the diversity and structure perspective with desirable combination of skills, experience and perspectives and has operated effectively. Succession planning continues to be a main focus which the Board will continue to monitor with a view to periodically seeking new INEDs to join the Board to enhance its source of independent views.

This process also highlighted the high attendance record of Directors at the Board and its committee meetings in 2015 evidencing satisfactory commitment of the Directors in discharging their duties as directors of the Company.

The Board and its members' responsibilities

Primary Responsibilities	■ Accountable to the shareholders of the Company ■ Development of the Group's long-term corporate strategies and broad policies ■ Approve budgets and business plans ■ Approve acquisition or disposal of investments and assets in particular those that require shareholders' notification or approval under the Listing Rules ■ Oversee the management of the Group ■ Prepare accounts and financial statements of the Group ■ Evaluate the performance of the Group ■ Lead corporate governance best practice ■ Periodically assess the achievement of targets set by the Board ■ Oversee matters that may involve a conflict of interest of a substantial shareholder or a Director
Delegates to	■ Board Committees: detailed evaluation of certain responsibilities (outlined later in this section) ■ Executive Directors: oversight of the Group's business operations; implementation of strategies laid down by the Board; and the making of day-to-day operating decisions

Board Committees

The Board has established Audit, Remuneration and Nomination Committees in accordance with the Code and all members of these three Board Committees are INEDs. The Board also operates through an Executive Committee to streamline the decision-making process of the Company in certain circumstances.

Decisions made by the Board and the Board Committees are based on detailed analyses prepared by the management which include:

(i) monthly operations performance analysis;

(ii) periodic investment and divestment proposals relating to our vessels and equity interests; and

(iii) periodic Board meetings to evaluate management's strategic priorities. The terms of reference of these Board Committees are available on the Company's website.

www.pacificbasin.com
Sustainability > Corporate Governance
Board & Board Committees

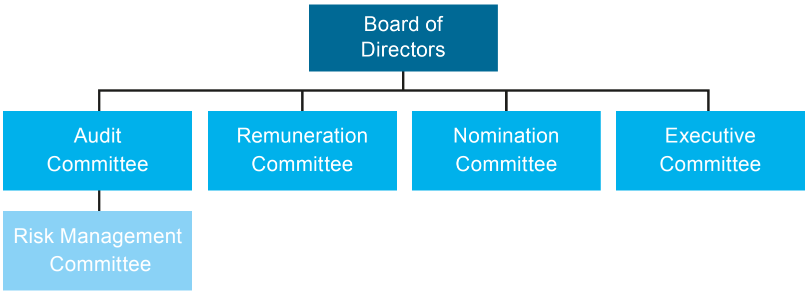
Board, Board Committee and General Meetings in 2015

The meetings schedule of the Directors and Board Committees is planned a year in advance in order to facilitate participation by all members of the Board and Board Committees. The Board has four regular meetings annually to discuss business strategy, operational issues and financial performance and it met in total on five occasions during 2015. The attendance of each Director at Board meetings, Committee meetings and general meetings are set out below.

	Annual General Meeting	Special General Meeting	Board	Audit Committee[1]	Remuneration Committee	Nomination Committee
Executive Directors						
David M. Turnbull (Chairman)	1	1	5/5			
Mats H. Berglund (Chief Executive Officer)	1	0	5/5			
Andrew T. Broomhead (Chief Financial Officer)	1	1	5/5			
Chanakya Kocherla (Chief Technical Officer)	1	0	4/5			
Independent Non-executive Directors						
Patrick B. Paul	0	0	5/5	4/4	2/2	1/1
Robert C. Nicholson	0	0	5/5	4/4	2/2	1/1
Alasdair G. Morrison	1	0	4/5	4/4	1/2	1/1
Daniel R. Bradshaw	1	1	4/5	4/4	2/2	1/1
Irene Waage Basili	0	0	5/5	4/4	1/2	1/1
Total no. of meetings held during the year	**1**	**1**	**5**	**4**	**2**	**1**

[1] *Representatives of the external auditor participated in all four of the Audit Committee meetings held*

The high attendance record at the Board and Board Committee meetings in 2015 demonstrates the Directors' strong commitment to discharging their duties as directors of the Company.



C Chairman
M Member

THE AUDIT COMMITTEE

Membership

C Patrick B. Paul

M All five INEDs

Main Responsibilities

1. Review the financial statements and oversee the financial reporting process to ensure the balance, transparency and integrity of published financial information.
2. Review the effectiveness of the Group's financial controls, internal control and risk management system.
3. Review the work of the Risk Management Committee.
4. Review the Group's process for monitoring compliance with the laws and regulations affecting financial reporting.
5. Develop and review the Company's policies and practices on corporate governance and make recommendations to the Board.
6. Review the independent audit process and the effectiveness of the internal audit functions.

Work Done in 2015

The Audit Committee held four meetings during the year. Its work included:

- review and discussion of the external auditors' Audit Committee Report in respect of the 2014 full year audit and the 2015 interim review;
- review of the 2014 Annual Report and accounts and the 2015 interim report and accounts with a recommendation to the Board for approval;
- review and approval of the Risk Management work plan for 2015;
- review of the Risk Management Committee reports and consideration of the Internal Audit testing results;
- deep dive reviews of the Group's bunker management and procurement management;
- review of the adequacy of the Group's marine related insurance cover;
- review and approval of the revised bunker hedge policy;
- update on new accounting standards for lease contracts;
- noting that there were no continuing connected party transactions for 2015; and
- review and approval of the revised terms of reference of the Audit Committee.

During the year, the Audit Committee met the external auditors once without the presence of management.

THE REMUNERATION COMMITTEE

Membership

C Robert C. Nicholson

M All five INEDs

Main Responsibilities

1. Make recommendation to the Board on the Company's policy and structure for Directors' remuneration and desirability of performance-based remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.
2. Determine, through authority delegated by the Board, the remuneration packages of the Executive Directors and certain higher paid employees.
3. Review and make recommendation to the Board on the terms of appointment for Directors when considered necessary.
4. Make recommendation to the Board relating to Directors to ensure fair (and not excessive) compensation payments and appropriate arrangements after considering contractual entitlements, in the case of any loss or termination of office or appointment and dismissal or removal for misconduct.
5. Administer and oversee the Company's 2013 Share Award Scheme and other equity or cash-based schemes of the Company in place from time to time, and explicit review and approve the granting of share awards to any staff members in the Group.
6. Approve the disclosure statements of the Company's policy and remuneration for Directors.
7. Ensure no Director approves his or her own remuneration. The remuneration of Non-executive Directors is determined by the Chairman and the CEO based on the responsibilities of each individual and international market practice.

Work Done in 2015

The Remuneration Committee met twice during the year and, together with e-mail communication, has carried out the following:

- approval of the early vesting of restricted awards to an employee who suffered from critical illness;
- approval of the housekeeping amendments to the employment contracts of the executive directors;
- approval of the grant of restricted awards to certain staff members; and
- approval of the 2015 bonuses, 2016 pay review and restricted share awards for the executive directors and certain higher paid employees.

THE NOMINATION COMMITTEE

Membership

C Robert C. Nicholson

M All five INEDs

Main Responsibilities

1. Review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board at least annually and make recommendation on any proposed changes to the Board to complement the Group's corporate strategy.
2. Report to the Board on compliance with the Stock Exchange's rules and guidelines on board composition from time to time.
3. Identify individuals suitably qualified to become Board members and select or make recommendation to the Board on the selection of individuals nominated for directorships.
4. Assess the independence of the Company's Independent Non-executive Directors.
5. Make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer based on an evaluation of scope and responsibility of the position and the advice from external recruitment consultants if considered appropriate.

Work Done in 2015

The Nomination Committee held one meeting during the year. Its work included:

- review of the structure, size and composition of the Board as well as the sufficiency of meetings held each year and the quality of information provided by management; and
- approval of the engagement of an external consultant for the recruitment of INEDs.

THE EXECUTIVE COMMITTEE

Membership

C Mats H. Berglund

M All four Executive Directors

Main Responsibilities

1. Identify and execute transactions within the parameters approved by the Board.
2. Identify and execute the sale and purchase of vessels.
3. Identify and execute transactions for long-term inward charters.
4. Set cargo cover levels that fall within the normal course of the business of the Group.
5. Identify and execute transactions for non-vessel marine fixed assets exceeding US$5,000,000.
6. Make decisions over loans and related guarantees.
7. Exercise the Company's general mandate to buy back shares in accordance with the parameters set by the Board and the limits approved by the shareholders.

Work Done in 2015

The Executive Committee considered a range of business matters based on detailed analysis submitted by management including the following approvals:

- effect the 2016 convertible bonds buyback;
- approval of 3 secured loan facilities amounting to US$134.4 million;
- effect the Group's issue of the US$125 million 3.25% coupon convertible bonds due 2021 and execution of the relevant agreements and documentation;
- approval of the circular and notice of the special general meeting relating to the proposed issue of the above convertible bonds;
- Publish the conversion price adjustments in respect of the Group's convertible bonds;
- announcement of the voting results of the annual general meeting; and
- announce the issue of new shares to fulfill the restricted awards approved by the Remuneration Committee.

RISK MANAGEMENT & INTERNAL CONTROLS

Framework

The risk management and internal controls system is to help the Group achieve its long-term vision and mission by identifying and evaluating the Group's risks and by formulating appropriate mitigating controls to protect our business, stakeholders, assets and capital. Risk management and Internal Control Systems are embedded in our business functions and we believe that it enhances long-term shareholder value. The risks the Group is subject to are directly linked to the Group's strategy.

The Board has overall responsibility for the Group's system of internal controls and the assessment and management of risks. The primary responsibility for detailed risk identification and management lies with the respective business heads.

The Risk Management Committee ("RMC"), reporting to the Audit Committee, is responsible for strengthening the Group's risk management culture, ensuring the overall framework of risk management is comprehensive and responsive to changes in the business, and managing the internal audit function. It regularly reviews the completeness and accuracy of risk assessments, risk reporting and the adequacy of risk mitigation efforts.

The Group has in place a risk management and internal control framework that is consistent with the COSO (the Committee of Sponsoring Organisations of the Treadway Commission) framework and has the following five components:

■ Control Environment

Defined organisational structures are established. Authority to operate various business functions is delegated to respective management within limits set by head office management or the Executive Directors. The Board meets on a regular basis to discuss and agree business strategies, plans and budgets prepared by individual business units. The performance of the Group is reported to the Board on a monthly basis.

■ Risk Assessment

The Group identifies, assesses and ranks the risks that are most relevant to the Group's success according to their likelihood and financial consequence.

■ Control Activities

Policies and procedures are set for each business function which includes approvals, authorisation, verification, recommendations, performance reviews, asset security and segregation of duties.

■ Information and Communication

The Group documents operational procedures of all business units. The risks identified and their respective control procedures are documented in risk registers by the RMC and reviewed by the Audit Committee at least annually.

■ Monitoring

The Group adopts a control and risk self-assessment methodology, continuously monitoring its business risks by way of internal review and communication of key control procedures to employees.

Page 18
Strategy Delivery & Risks

THE RISK MANAGEMENT COMMITTEE

Membership

C Mats H. Berglund

M CFO, Company Secretary, Risk and Internal Audit Manager

Main Responsibilities

1. Strengthen the Group's risk management culture.
2. Facilitate the identification of significant risks of the Group.
3. Review significant risks of the Group through an annual review with division heads.
4. Review and recommend appropriate internal controls and policies.
5. Develop an internal audit plan.
6. Manage the annual review and testing of internal controls.

Work Done in 2015

The RMC met three times during the year and reported to the Audit Committee twice on the annual risk assessment and internal control review and testing. Its work in 2015 included:

- review with division heads the Group's significant and emerging risks, particularly in relation to bunker management, procurement management and marine insurance;
- assistance to the Chartering team to tighten guidelines on the customer due diligence process in view of the poor shipping market;
- strengthen Chartering trading areas policy to conform with the market expectation on compliance with the sanctions legislation;
- enhancement of the internal online risk assessment platform for collaboration with division heads on annual risk assessment.

Annual Assessment

Risks identified and their respective mitigating controls are documented in the risk registers and reviewed by the Audit Committee at least annually. The mitigating controls are reviewed and tested periodically by reference to the Group's strategy and risk ranking of each individual risk area.

The RMC, with the assistance of appropriate staff from other departments, conducts regular meetings with division heads and managers from the headquarters and regional offices so as to keep abreast of issues and new risks that are embedded in the business operations. The criteria for assessing the effectiveness of internal controls are based on whether the mitigating controls have operated throughout the period being reviewed. The result of the annual assessment is communicated with division heads and managers to formulate measures to rectify any major control weaknesses.

Internal Control System Effectiveness

The activities of the RMC are reviewed at least twice a year by the Audit Committee which continuously assesses the internal audit requirements as the Group develops. The internal control system is designed for the identification and management of risks that are significant to the fulfillment of the Group's business objectives. The Audit Committee reviews the findings and the opinion of the RMC on the effectiveness of the Group's system of internal control and reports to the Board annually.

In respect of the year ended 31 December 2015, the Board has reviewed the internal control system of the Group and no significant areas of concern were identified.

DISCLOSURE OF INSIDE INFORMATION

With respect to the procedures and internal controls for the handling and dissemination of inside information:

- the Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Future Commission in June 2012;
- the Group's Corporate Communication Policy was revised and adopted;
- the Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and its website;
- the Group has included in its Code of Conduct a strict prohibition on unauthorised use of confidential or inside information; and
- the Group has established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the Executive Directors, Corporate Communications & Investor Relations Manager and Director of Business Analysis are authorised to communicate with parties outside the Group.

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.

DIRECTORS – REMUNERATION AND SHARE OWNERSHIP

Details of the remuneration and share ownership of the Directors are contained in the "Remuneration Report" and "Report of the Directors" sections of this Annual Report.

Page 48
Remuneration Report

Page 51
Report of the Directors

SENIOR MANAGEMENT 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 (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 senior managers and staff who had been notified and provided with the Dealing Rules have complied in full with the required standards set out in the Dealing Rules during the reporting year except that one senior manager traded in the Company's shares without obtaining prior approval from the Company during a trading blackout period. The senior manager was given a letter explaining the gravity of such a breach of the Dealing Rules and warning that consequences of the breach include summary dismissal should a similar event occur again in future. All senior managers and staff members of the Company who are bound by the Model Code were formally reminded that the Dealing Rules stipulate that written approval must be received before such transactions can proceed.

AUDITORS' REMUNERATION

Remuneration paid to the Group's external auditors, for services provided for the year ended 31 December 2015 is as follows:

		US$'000
Audit	Non-audit	Total
1,229	303	1,532

STAKEHOLDER SURVEYS

We conducted annual customer and investor surveys during the year which generated feedback that we are acting on to further enhance the quality of our service and our investor relations and corporate governance practices.

OUR SHAREHOLDERS

As at 31 December 2015, Pacific Basin had 346 registered shareholders of whom 297 or 85.84% have their registered addresses in Hong Kong.

SHAREHOLDER COMMUNICATIONS POLICY

The Company has established a Shareholder Communications Policy with the objectives of enabling shareholders to exercise their rights in an informed manner and to allow shareholders and the investment community to engage actively with the Company. The Board of Directors has the responsibility to review the Policy regularly to ensure its effectiveness. Details of the Policy can be found on the Company's website.

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Sustainability > Corporate Governance

SHAREHOLDERS MEETING

The Company held two general meetings during the reporting year.

The annual general meeting was held on 22 April 2015 with the following resolutions passed and approved:

- receipt and adoption of the audited financial statements and the Reports of the Directors and Auditors for the year ended 31 December 2014;
- declaration of final dividend of HK 5 cents per share for the year ended 31 December 2014;
- re-election of Directors;
- authorising the Board to fix Directors' remuneration;
- re-appointment of Messrs. PricewaterhouseCoopers as auditors for the year ended 31 December 2015 and authorising the Board to fix their remuneration;
- granting a general mandate to issue shares; and
- granting a general mandate to buy back shares.

The special general meeting was held on 22 May 2015 at which an ordinary resolution was passed to approve the entering of the Subscription Agreement in respect of the 3.25% Guaranteed Convertible Bonds due 2021 by the Company and the issue of the Convertible Bonds and the Conversion Shares in accordance with the terms and conditions of the Subscription Agreement.

All resolutions tabled at the two general meetings were voted on by poll.

www.pacificbasin.com
Investors > News & Circulars: Proxy Form
Media > FAQ: AGM and Shareholders' Questions

SHAREHOLDERS' RIGHTS

Should shareholders wish to call a special general meeting, this must be convened according to the Company's Bye-laws, which state in summary:

- Shareholders holding not less than one-tenth of the paid up capital of the Company can, in writing to the Board or the Secretary of the Company, request a special general meeting to be called by the Board so as to carry out any business specified in such request.
- The signed written request, which should specify the purpose of the meeting, should be delivered to the Company's registered office in Hong Kong. The meeting will be held within two months after receiving the request. If the Board fails to start convening such meeting within twenty-one days of receiving the request, the shareholders themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

Shareholders who have any questions for the Board 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

PUBLIC FLOAT

At the date of this Annual Report, based on information that is publicly available to the Company and within the knowledge of the Directors, approximately 98% of the Company's total issued share capital is held by the public.

MARKET CAPITALISATION

Year end	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Closing price (HK$)	3.60	4.90	12.58	3.52	5.63	5.17	3.11	4.35	5.55	3.13	1.70
Market Capitalisation (US$ mil)	591	976	2,550	796	1,400	1,280	772	1,083	1,382	782	423

FINANCIAL CALENDAR FOR 2016

Planned Date

29 February	2015 annual results announcement
15 March	2015 Annual Report
6 April	First quarter trading update
19 April	2016 Annual General Meeting
29 July	2016 interim results announcement
9 August	Last day of dealings in shares with entitlement to 2016 interim dividend
10 August	Ex-dividend date
11 August	4.30pm HK time deadline for lodging transfers for entitlement to 2016 interim dividend
12 August	Book closure date & 2016 interim dividend record date
25 August	2016 interim dividend payment date
6 October	Third quarter trading update

www.pacificbasin.com
Investors > Corporate Calendar

Our Directors

Responsibility

Our Board comprises nine Directors whose complementary expertise and shared commitment to responsible investment and management practices is harnessed in the best interests of our diverse shareholders and other stakeholders

David M. Turnbull

Chairman (age 60)

Mr. Turnbull joined the Pacific Basin Board as an INED in 2006 and was appointed Chairman and an Executive Director in 2008. He previously spent 30 years with the Swire Group where he held various senior management positions. He was chairman of Swire's Hong Kong-listed companies Swire Pacific, Cathay Pacific Airways and Hong Kong Aircraft Engineering Company.

Education & qualifications:

Cambridge University: Master of Arts degree in Economics

Term of office:

Appointed INED in May 2006

Appointed Chairman in January 2008 and Executive Director in July 2008

Current term expires at the 2017 AGM

External appointments:

Non-executive director of London AIM-listed Green Dragon Gas and Greka Drilling

INED of Hong Kong-listed Sands China and The Wharf (Holdings) Limited

Committee membership:

Executive Committee

Mats H. Berglund

Chief Executive Officer (age 53)

Mr. Berglund joined Pacific Basin as Chief Executive Officer in 2012. He previously served with Swedish family-owned conglomerate Stena from 1986 to 2005, occupying managerial and leadership positions in various Stena group shipping businesses in Sweden and the USA including group controller of Stena Line, vice president and chief financial officer of both Concordia Maritime and StenTex (a Stena-Texaco joint venture), president of StenTex, and vice president and president of Stena Rederi AB (Stena's parent company for all shipping activities). From 2005 to 2011, he was senior vice president and head of Crude Transportation for New York-listed Overseas Shipholding Group. Between March 2011 and May 2012, he served as chief financial officer and chief operating officer at Chemoil Energy, a Singapore-listed global trader of marine fuel products.

Education & qualifications:

Gothenburg University Business School: a "Civilekonom" degree (equivalent to MBA in Business and Finance)

Advanced Management Program at Harvard Business School in 2000

Term of office:

Appointed Executive Director in June 2012

Current term expires at the 2018 AGM

External appointments:

None

Committee membership:

Chairman of Executive Committee

Andrew T. Broomhead

Chief Financial Officer (age 54)

Mr. Broomhead joined Pacific Basin in 2003 as the Group's Chief Financial Officer and Company Secretary. He was appointed as an Executive Director in September 2010 responsible for Group finance and accounting, investor relations, and corporate governance and compliance. He stepped down from Company Secretary in 2012. Andrew has previously worked with Deloitte, Haskins & Sells, Samuel Montagu, International Finance Corporation, Bakrie Investindo and Sanwa International Finance. He has been based in the UK, USA, Singapore, Indonesia and Hong Kong, working in Asia for over 20 years.

Education & qualifications:

Cambridge University: Master of Arts degree in Natural Sciences

Fellow of both the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales

Breakthrough Programme for Senior Executives at IMD Business School

Term of office:

Appointed Executive Director in September 2010

Current term expires at the 2016 AGM

External appointments:

Non-executive director of The Standard Club Ltd

Committee membership:

Executive Committee

Chanakya Kocherla

Chief Technical Officer (age 58)

Mr. Kocherla joined Pacific Basin in December 2000 as part of the Company's acquisition of Jardine Ship Management and, since 2010, is Group Managing Director of the Company's PB Towage division. He was previously Managing Director of PB Maritime Services and Director, Fleet – responsible for operations of Pacific Basin's owned and technically managed fleet (including technical operations, manning and training, quality, health, safety and the environment, and newbuildings). He has also served as a director of several wholly owned subsidiaries and jointly owned entities of the Company. Charlie has over 30 years' experience in the shipping industry, including 14 years at sea and experience with several ship types both at sea and ashore.

Education & qualifications:

Directorate of Marine Engineering Training, India: Marine Engineer College of Maritime Studies, Southampton, UK: Certificate of Competency (Motor)

Various executive development programmes in Hong Kong, Singapore and the IMD Business School

Term of office:

Appointed Executive Director in June 2012

Current term expires at the 2018 AGM

External appointments:

None

Committee membership:

Executive Committee

Robert C. Nicholson

Independent non-executive Director
(age 60)

Mr. Nicholson was a senior partner of Reed Smith Richards Butler where he established the corporate and commercial department. He then served as a senior advisor to the board of directors of PCCW Limited. He joined First Pacific Company Limited's board in June 2003 and was appointed as an executive director in November 2003.

Educations & qualifications:

University of Kent

Qualified as a solicitor in England and Wales and in Hong Kong

Term of office:

Appointed INED in March 2004

Current term expires at the 2016 AGM

External appointments:

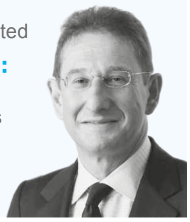
Executive director of HK-listed First Pacific and held non-primary directorships in its subsidiaries or associates including Metro Pacific Investments Corporation, Philex Mining Corporation and Philex Petroleum Corporation (all Philippines-listed) and Commissioner of Indonesia-listed PT Indofood Sukses Makmur Tbk

INED of HK-listed Lifestyle Properties Development limited

Committee membership:

Chairman of Remuneration and Nomination Committees

Audit Committee



Patrick B. Paul

Independent non-executive Director
(age 68)

Mr. Paul served with PricewaterhouseCoopers for 33 years, during which time he held a number of senior management positions in Hong Kong, including chairman and senior partner of the firm for seven years.

Education & qualifications:

Oxford University: Master of Arts degree

Fellow of the Institute of Chartered Accountants in England and Wales

Term of office:

Appointed INED in March 2004

Current term expires at the 2018 AGM

External appointments:

INED of Hong Kong-listed Johnson Electric Holdings and The Hongkong and Shanghai Hotels

Committee membership:

Chairman of Audit Committee

Remuneration and Nomination Committees

Alasdair G. Morrison

Independent non-executive Director
(age 67)

Mr. Morrison served with the Jardine Matheson Group for 28 years holding various senior positions including that of group managing director. He then moved to Morgan Stanley where he was a managing director and then chairman of Morgan Stanley Dean Witter Asia, and chairman and chief executive officer of Morgan Stanley Asia. He spent five years as Senior advisor to Citigroup Asia Pacific until January 2015.

Education & qualifications:

Cambridge University: Master of Arts degree

Program for Management Development at Harvard Business School

Term of office:

Appointed INED in January 2008

Current term expires at the 2018 AGM

External appointments:

INED of Hong Kong-listed MTR Corporation

Committee membership:

Audit, Remuneration and Nomination Committees

Daniel R. Bradshaw

Independent non-executive Director
(age 69)

Mr. Bradshaw has served for 35 years with Johnson, Stokes and Master (now Mayer Brown JSM) as a solicitor, partner, head of the firm's shipping practice and now as a consultant. He was vice chairman of the Hong Kong Shipowners Association, a member of the Hong Kong Port and Maritime Board and the Hong Kong Maritime Industry Council.

Education & qualifications:

Victoria University of Wellington (New Zealand): Bachelor of Laws and a Master of Laws
Admitted as a solicitor in England and in Hong Kong

Term of office:

Appointed Non-executive Director and Deputy Chairman in April 2006

Stood down as Deputy Chairman in January 2008 and was redesignated as INED in September 2010

Current term expires at the 2017 AGM

External appointments:

Non-executive director of Euronav (listed on Euronext in Brussels and NYSE)

INED of HK-listed IRC and NYSE-listed Gaslog Partners LP

Director of Greenship Offshore Manager Pte.Ltd., Kadoorie Farm & Botanic Garden Corporation, and WWF Hong Kong

Committee membership:

Audit, Remuneration and Nomination Committees

Irene Waage Basili

Independent non-executive Director
(age 48)

Mrs. Basili held various managerial positions in the shipping industry, including Western Bulk Carriers Holding ASA and Van Ommeren Shipping Holdings BV. From 1999 to 2007 she held positions in Wallenius Wilhelmsen Logistics, first as a manager of contracting and strategy and later as Vice President, Global Commercial in 2004. From 2007 to 2011, Irene served as vice president, Marine of Petroleum Geo Services with responsibility for fleet and marine strategy following its acquisition of Arrow Seismic ASA where she was the chief executive officer. She also served as a director of Odfjell SE from 2008 to 2014.

Education & qualifications:

Boston University: Bachelor of Business Administration degree

Term of office:

Appointed INED in May 2014

Current term expires at the 2018 AGM

External appointments:

Chief executive officer of GC Rieber Shipping and Director of Kongsberg Gruppen ASA (both listed on the Oslo Stock Exchange)

Committee membership:

Audit, Remuneration and Nomination Committees

Remuneration Report

REMUNERATION REPORT

This Remuneration Report sets out the Group's remuneration policies and amounts for all staff including Executive Directors and Non-executive Directors. Pages 49 to 50 comprise the auditable part of the Remuneration Report and form an integral part of the Group's financial statements. At 31 December 2015, the Group employed a total of 334 full time, shore-based staff (2014: 363).

GROUP'S REMUNERATION POLICY

The Board, through the Remuneration Committee, seeks to attract and retain staff with the skills, experience and qualifications needed to manage and grow the business successfully. We achieve this by providing remuneration packages, including bonuses, that are competitive, consistent with market practice, and reward performance and align employees and shareholders' interests.

When considering remuneration adjustments and annual bonuses, the Board makes reference to the prevailing market conditions, local market practice, the levels of emolument of existing staff of the Company and, very importantly, the performance of individuals and the market demand for their skills. The business of shipping is highly cyclical. It is inappropriate to impose straight financial measures for both salary adjustments and bonus determination as to do so would likely generate meaningless results and potentially damaging consequences. The Board seeks to obtain a balance of all the above mentioned factors.

Equity awards are provided through the Company's Share Award Scheme which is designed to provide Executive Directors and other employees with long-term financial benefits that are aligned to and consistent with the creation of shareholder value as an incentive and recognition for their contribution to the Group. The number of share awards granted each year is based on the value of a predetermined number of months of each awardee's basic salary divided by the prevailing share price at the time of the award. The Board has not granted, and currently has no intention to grant any equity awards to Independent Non-executive Directors as they administer the scheme at their sole discretion.

The Group's principal retirement benefit scheme is the Mandatory Provident Fund Scheme, a defined contribution scheme provided under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those staff employed under the jurisdiction of the Hong Kong Employment Ordinance. Other locations provide pension contributions in line with the local regulations.

Below sets out the key components of remuneration:

Key remuneration components	Executive Directors and All staff	Non-executive Directors
Fixed base salary	Salaries are reviewed annually. Prevailing market conditions and local market practice, as well as the individual's role, duties, experience, responsibilities and performance are taken into account when assessing salaries.	No
Annual discretionary cash bonus	Bonuses are determined based on the overall performance of the individual and the Group. Bonuses for Executive Directors are assessed by the Remuneration Committee and those of all other staff are assessed by the Chief Executive Officer. Bonuses to Directors and employees are expected to be no more than 12 months' salary equivalent.	No
Long-term equity incentives	Awards typically vest annually over a three year period. New Awards for existing awardees are considered each year by the Remuneration Committee to maintain the incentive period, in which case they vest at the end of the third year.	No
Retirement benefit	In line with market practice.	No
Fixed annual director's fee	No	Yes and in line with market practice

REMUNERATION FOR THE YEARS ENDED

31 December 2015	Directors fee US$'000	Salaries US$'000	Bonuses US$'000	Pension US$'000	Total Payable US$'000	Share- based compensation US$'000	Total payable and charged US$'000
Executive Directors							
David M. Turnbull	–	379	32	2	413	195	608
Mats H. Berglund	–	1,153	144	2	1,299	539	1,838
Andrew T. Broomhead	–	514	41	2	557	266	823
Chanakya Kocherla	–	469	39	2	510	263	773
	–	2,515	256	8	2,779	1,263	4,042
Independent Non-executive Directors							
Patrick B. Paul	102	–	–	–	102	–	102
Robert C. Nicholson	95	–	–	–	95	–	95
Alasdair G. Morrison	89	–	–	–	89	–	89
Daniel R. Bradshaw	89	–	–	–	89	–	89
Irene Waage Basili	93	–	–	–	93	–	93
	468	–	–	–	468	–	468
Total Directors' remuneration	468	2,515	256	8	3,247	1,263	4,510
Other Employees	–	28,616	3,725	2,227	34,568	3,486	38,054
Total remuneration	468	31,131	3,981	2,235	37,815	4,749	42,564

31 December 2014	Directors fee US$'000	Salaries US$'000	Bonuses US$'000	Pension US$'000	Total Payable US$'000	Share- based compensation US$'000	Total payable and charged US$'000
Executive Directors							
David M. Turnbull	–	364	30	2	396	214	610
Mats H. Berglund	–	1,046	63	2	1,111	538	1,649
Andrew T. Broomhead	–	495	40	2	537	328	865
Chanakya Kocherla	–	670 [1]	38	22	730	304 [2]	1,034
Jan Rindbo [3]	–	494 [3]	–	–	494	(150)[3]	344
	–	3,069	171	28	3,268	1,234	4,502
Independent Non-executive Directors							
Patrick B. Paul	96	–	–	–	96	–	96
Robert C. Nicholson	90	–	–	–	90	–	90
Alasdair G. Morrison	83	–	–	–	83	–	83
Daniel R. Bradshaw	83	–	–	–	83	–	83
Irene Waage Basili [4]	67	–	–	–	67	–	67
	419	–	–	–	419	–	419
Total Directors' remuneration	419	3,069	171	28	3,687	1,234	4,921
Other Employees	–	38,058	4,486	2,856	45,400	4,077	49,477
Total remuneration	419	41,127	4,657	2,884	49,087	5,311	54,398

Note:

(1) Included in the salary of Mr. Kocherla is a compensation for additional tax incurred of US$178,000 due to the withdrawal of his superannuation fund upon his relocation from Australia to Hong Kong.

(2) Included in share-based compensation of Mr. Kocherla is a reimbursement of the difference between Australian income tax and Hong Kong income tax amounted to US$97,000 in relation to the restricted share awards granted to him.

(3) Mr. Rindbo resigned as an Executive Director on 7 November 2014. As a consequence, 2,163,000 share awards lapsed resulting in a credit to the income statement. His salary for the period included a director's fee of US$80,000.

(4) Mrs. Basili joined the Board as an Independent Non-executive Director on 1 May 2014.

For the year 2015, the five individuals whose emoluments were the highest in the Group were the four Executive Directors and one employee (2014: five Executive Directors). The emoluments of the one employee fell within the band of HK$4,000,001 to HK$4,500,000.

During the year, the Group did not pay the Directors any inducement to join or upon joining the Group. No Directors waived or agreed to waive any emoluments during the year. The median salary of employees excluding the Chief Executive Officer during the year was US$57,902 (2014: US$62,814).

ACCOUNTING POLICIES ON EMPLOYEE BENEFITS

Bonuses

The Group recognises a liability and expense for bonuses when there is a contractual or constructive obligation or where there is a past practice that created a constructive obligation.

Retirement Benefit Obligations

Mandatory Provident Fund Scheme

The Group operates the Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee-administered funds.

Under the MPF scheme, the employer and its employees are each required to make regular mandatory contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$25,000. The Group also makes voluntary contribution in addition. The Group's contributions to the scheme are expensed as incurred. When employees leave the scheme prior to the full vesting of the employer's voluntary contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

Other defined contribution Schemes

The Group also operates a number of defined contribution retirement schemes outside Hong Kong in accordance with local statutory requirements. The assets of these schemes are generally held in separate administered funds and are generally funded by payments from employees and by the relevant group companies. The Group's contributions to the defined contribution retirement schemes are expensed as incurred and are reduced by contributions forfeited by those employees who leave the schemes prior to contributions being fully vested.

Share-Based Compensation

The Group operates an equity-settled, share-based compensation scheme. Restricted share awards are recognised as an expense in the income statement with a corresponding credit to reserves, based on the fair value of the shares.

The total amount to be expensed is calculated by reference to the fair value of the equity instruments granted, excluding the impact of any non-market vesting conditions (for example, requirement of an employee to remain in employment for a specified time period). The number of equity instruments that are expected to vest takes into account non-market assumptions, including expectations of an employee remaining in the Group during the vesting period. The total amount expensed is charged through the vesting period. At each balance sheet date, the Company reviews its estimates of the number of equity instruments that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision of the original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

The grant by the Company of share-based compensation to the employees of subsidiary undertakings in the Group is treated as a capital contribution by the company to the subsidiaries. The fair value of employee services received, measured by reference to fair value of the shares on the grant date is recognised over the vesting period as an increase in investment in subsidiary undertakings, with a corresponding credit to equity in the Company's account. In the accounts of the subsidiaries, such fair value is recognised as an expense in the income statement with corresponding credit to reserve.

Report of the Directors

The Directors have pleasure in submitting their report together with the audited financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES, ANALYSIS OF OPERATIONS, BUSINESS REVIEW AND FINANCIAL SUMMARY

The principal activity of the Company is investment holding. The Company's principal subsidiaries (set out in Note 35 to the financial statements) are engaged in the ownership and international operation of modern Handysize and Supramax dry bulk ships. In addition, the Group is engaged in the management and investment of the Group's cash and deposits through its treasury activities.

The business review of the Group for the year ended 31 December 2015 is set out on pages 1 to 12 of this Annual Report. A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out in the "Group Financial Summary" section of this Annual Report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 63. In view of the extraordinarily weak dry bulk market and taking into consideration the Group's performance, operating cash flow and current financial position, the Board recommends not to pay out a dividend for the year ended 31 December 2015.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31 December 2015, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to US$635.9 million.

DONATIONS

Charitable and other donations made by the Group during the year amounted to US$5,000.

SHARE CAPITAL AND PRE-EMPTIVE RIGHTS

Movements in the share capital of the Company are set out in Note 21 to the financial statements. During the year 9,846,000 shares were issued to fulfill the restricted share awards under the 2013 Share Award Scheme. There is no provision for pre-emptive rights under the Company's Bye-laws and there is no restriction against such rights under Bermuda Law.

CONVERTIBLE BONDS

Details of the convertible bonds issued by the Group are set out in Note 20 to the financial statements. This includes the issue of the new US$125 million 3.25% p.a. coupon guaranteed convertible bonds due 2021 to extend the Group's debt maturities.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Group bought back a total of 10,401 units of the Group's US$230,000,000 1.75% p.a. coupon guaranteed convertible bonds due 2016 (the "2016 CB") at face value of US$10,000 each during the year at an average price of US$9,883.82 per unit. The purchase involved a total cash outlay of US$102,801,600 excluding accrued interest of US$455,750 and was made to save related coupon payments on the convertible bonds in the period before maturity. The buyback and the subsequent cancellation of the convertible bonds resulted in a reduction of long-term liabilities and a loss in the income statement. The remaining outstanding principal amount of the 2016 CB was reduced to US$105,590,000, representing 46% of the principal amount of the 2016 CB originally issued.

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

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.

Maximum Number of Shares

The total number of shares which may be or have been issued by the Company or transferred to the trustee of the SAS in satisfaction of the Awards granted under the SAS must not, in aggregate, exceed 10% of the issued share capital of the Company as at the first date of each financial year during the term of the SAS (equivalent to 1,946,823,119 shares as at 1 January 2016). There were 26,409,000 unvested restricted awards under the SAS which represents 1.4% of the issued share capital of the Company as at 29 February 2016.

Vesting of Awards

Awards typically vest annually over a three year period. New Awards for existing awardees are considered each year by the Remuneration Committee to maintain the incentive period, in which case they vest at the end of the third year.

Limit for Each Eligible Participant

The maximum number of shares which may be subject to an Award or Awards at any one time shall not in aggregate exceed (i) 1% of the issued share capital of the Company as at the first date of the relevant financial year of the Company for any specific eligible participant; and (ii) 0.1% of the issued share capital of the Company as at the first date of the relevant financial year of the Company for any Independent Non-executive Director.

New Shares to be issued

Apart from the Awards which are to be purchased from the market for the connected persons of the Company, the number of shares to satisfy Awards granted (if comprising of new shares) could be allotted and issued by the Board by utilising the general mandate granted to them by shareholders. The Company will apply to the Stock Exchange for permission to list and to deal in those new shares to be issued as soon as practicable after any grant of Awards.

Procedure of Granting Restricted Awards

The Board entered into a trust deed to appoint a trustee to administer Awards under the SAS and to constitute a trust to hold property transferred by the Company to the trustee (which shall include cash or shares) in order to satisfy grants of Awards. At the direction of the Board, the trustee shall either subscribe for new shares at the relevant benchmarked price as stipulated in the Listing Rules from the Company or acquire existing shares in the market in accordance with the rules of the SAS. The Remuneration Committee administers and oversees the SAS. Their review and approval is required prior to the granting of Awards to any staff members of the Group.

Awards Granted

Details of the grant of long-term incentives and the movements of the outstanding incentives during the year ended 31 December 2015 under the SAS are as follows:

History and Movement of Restricted Awards Granted

'000 shares/units	Date of first award	Total awarded	Vested to date	At 31 December 2015	At 1 Jan 2015	Granted during the year	Vested[1] or lapsed	Vesting in July of 2016	2017	2018
Directors										
David M. Turnbull	5-Aug-08	3,028	(1,615)	1,413	1,092	621	(300)	445	347	621
Mats H. Berglund	1-Jun-12	5,613	(2,628)	2,985	2,446	1,415	(876)	855	715	1,415
Andrew T. Broomhead	11-May-07	4,118	(2,304)	1,814	1,767	811	(764)	550	453	811
Chanakya Kocherla	11-May-07	2,967	(1,456)	1,511	1,171	768	(428)	410	333	768
		15,726	(8,003)	7,723	6,476	3,615	(2,368)	2,260	1,848	3,615
Other Employees				18,686	17,064	10,436	(8,814)	6,180	4,485	8,021
				26,409	23,540	14,051	(11,182)	8,440	6,333	11,636

Notes:

(1) 8,903,000 shares vested on 14 July 2015 in accordance with the Award vesting schedule. 1,869,000 shares vested following termination of employment contracts of eight employees and 410,000 shares lapsed following resignation of two employees during the year.

The closing price of the shares of the Company immediately before the grant of

(i) 13,927,000 restricted awards on 17 April 2015 was HK$3.08; and

(ii) 124,000 restricted awards on 20 November 2015 was HK$2.19.

DIRECTORS

The Directors who held office up to the date of this Annual Report are set out below:

	Date of appointment to:					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Executive Committee	Terms of appointment
Executive Directors						
David M. Turnbull	17 May 2006	–	–	–	1 July 2008	3 years until 2017 AGM
Mats H. Berglund	1 June 2012	–	–	–	1 June 2012	3 years until 2018 AGM
Andrew T. Broomhead	1 September 2010	–	–	–	1 January 2010	3 years until 2016 AGM
Chanakya Kocherla	25 June 2012	–	–	–	25 June 2012	3 years until 2018 AGM
Independent Non-executive Directors						
Patrick B. Paul	25 March 2004	18 May 2004	10 June 2004	30 November 2004	–	3 years until 2018 AGM
Robert C. Nicholson	25 March 2004	18 May 2004	10 June 2004	30 November 2004	–	3 years until 2016 AGM
Alasdair G. Morrison	1 January 2008	1 January 2008	1 January 2008	1 January 2008	–	3 years until 2018 AGM
Daniel R. Bradshaw	7 April 2006	7 April 2006	7 April 2006	7 April 2006	–	3 years until 2017 AGM
Irene Waage Basili	1 May 2014	1 May 2014	1 May 2014	1 May 2014	–	3 years until 2018 AGM

Notes:

Pursuant to the Company's Bye-law 87(1), at each annual general meeting one-third of the Directors for the time shall retire from office by rotation, provided that every Director shall be subject to retirement at least once every three years.

Messrs. Andrew T. Broomhead, Robert C. Nicholson and Daniel R. Bradshaw shall retire at the 2016 AGM by rotation pursuant to the Company's Bye-laws 87(1) & (2). All retiring Directors, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming 2016 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTION, ARRANGEMENT AND CONTRACTS

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTOR'S INDEMNITIES

Pursuant to the Company's Bye-laws, every Director shall be entitled to be indemnified out of the assets and profits of the Company against all losses or liabilities (to the fullest extent permitted by the Companies Ordinance (Cap. 622)) which he/she may sustain or incur in or about the execution of the duties of his/her office. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of Directors are set out in the "Our Directors" section of this Annual Report.

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Our Directors

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

At 31 December 2015, the disclosable interests and short positions of each Director and the Chief Executive in shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the SFO, which: (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or (b) were required to be entered in the register maintained by the Company under Section 352 of the SFO, or (c) were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Name of Director	Personal interest	Corporate or Family interests/ Trust & similar interests	Long/ Short position	Total Share interests	Approximate percentage of the issued share capital of the Company 31-Dec-15	31-Dec-14
David M. Turnbull [1]	2,527,000	3,730,996 [2]	Long	6,257,996	0.32%	0.29%
Mats H. Berglund [1]	5,613,000	–	Long	5,613,000	0.29%	0.22%
Andrew T. Broomhead [1]	2,959,000	1,732,180 [3]	Long	4,691,180	0.24%	0.25%
Chanakya Kocherla [1]	3,489,667	–	Long	3,489,667	0.18%	0.14%
Patrick B. Paul	150,000	–	Long	150,000	less than 0.01%	less than 0.01%
Daniel R. Bradshaw	–	386,417 [4]	Long	386,417	0.02%	0.02%

Notes:

(1) Restricted share awards were granted under the 2013 Share Award Scheme and have been disclosed on page 52 of this Report.

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

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

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

All the interests stated above represent long positions. No short positions 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 31 December 2015.

Save as disclosed, at no time during the year 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.

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 31 December 2015, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

Name	Capacity/ Nature of interest	Long/ Short Position	Number of Shares	Approximate percentage of the issued share capital of the Company 31-Dec-15	31-Dec-14
Aberdeen Asset Management Plc and its Associates (together the "Group") on behalf of accounts managed by the Group	Investment manager	Long	271,873,000	13.96%	18.01%
Michael Hagn	Interest in corporation controlled	Long	252,703,500	12.98%	13.05%
Wellington Management Group LLP	Interest in corporation controlled	Long	116,467,875	5.98%	not available
Royal Bank of Canada [1]	Beneficial owner/Interest in corporation controlled	Long	114,922,141	5.90%	not available
UBS Group AS [2]	Person having a security interest in shares/ Interest in corporation controlled	Long	99,564,145	5.11%	not available
		Short	46,026,146	2.36%	

Note:

(1) The long position in shares held by Royal Bank of Canada is held in the capacities of Beneficial owner (relating to 9,792,884 shares) and Interest in corporation controlled (relating to 105,129,257 shares).

(2) The long position in shares held by UBS Group AS is held in the capacities of Person having a security interest (relating to 31,756,406 shares) and Interest in corporation controlled (relating to 67,807,739 shares).

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, as at 31 December 2015, no other person (other than a Director or Chief Executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept by the Company under section 336 of the SFO.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group sold less than 30% of its goods and services to its five largest customers and purchased less than 30% of its goods and services from its five largest suppliers.

CONNECTED TRANSACTIONS

During the year, the Group had no connected transactions that were subject to the Listing Rules' reporting requirements for disclosure in this Annual Report.

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. Please also refer to the Corporate Governance Report of this Annual Report.

AUDIT AND REMUNERATION COMMITTEES

Details of the audit and remuneration committees are set out in the Corporate Governance Report of this Annual Report.

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment at the forthcoming 2016 AGM.

PUBLIC FLOAT

On the basis of information that is publicly available to the Company and within the knowledge of the Directors as at the date of this Annual Report, the Company has complied with the Listing Rules requirement to have at least 25% of the Company's total issued share capital held by the public.

By Order of the Board

Mok Kit Ting, Kitty

Company Secretary

Hong Kong, 29 February 2016

Investor Relations

The Group seeks to provide the investment community and its other stakeholders with relevant and regular news about Pacific Basin so that they have comprehensive information of our business, strategy and performance with which to assess the value of the Group.

In 2015, we received 8 investor relations and corporate governance awards from related publications and organisations. Our 2014 Annual Report was ranked 17th globally, rated "A" by e.com (Report Watch) and received a Gold Award at HKICPA's Best Corporate Governance Awards. Our Online Annual Report also received a Gold Award at the ARC Awards (in the shipping services category) for a second consecutive year.

We launched our WeChat social media corporate account to connect more closely with Mainland Chinese investors and customers, as well as our Chinese crews. This additional channel enhances the stakeholder engagement we already enjoy through our existing Facebook, LinkedIn and Twitter accounts as well as through traditional channels.

www.pacificbasin.com
Sustainability > Policies, Governance & Reporting
Our Shareholder Communication Policy is available on our website and is regularly reviewed to ensure its effectiveness

STAKEHOLDER ENGAGEMENT

We proactively engage with a broad range of institutional and retail investors as well as media and other interest groups.

Communication Channels – We believe that the transparency stimulated by active stakeholder engagement builds recognition of our brand and ultimately enhances shareholder value. We facilitate engagement through the following channels:

Financial Reporting

- Annual and Interim Reports
- Online Annual Report
- Voluntary quarterly trading updates
- Presentations and press releases on business activities

www.pacificbasin.com/ar2015
Interactive online report and feedback form

Shareholder Meetings and Hotlines

- Group and one-on-one meetings
- Shareholder hotline and e-mail
  Tel: +852 2233 7000
  E-mail: ir@pacificbasin.com

Investor Perception Studies

We consulted an annual consultation of investors and analysts for views on our group strategy, executive management, Annual Report and our corporate communications, investor relations and CSR programmes by way of telephone and online surveys

Vessel Tours

Ship visits for analysts, investors, press and guests are organised during vessel port calls or at ship naming ceremonies

Company Website – www.pacificbasin.com

Our corporate website is considered a key marketing medium which comprehensively covers Pacific Basin's activities and competences. English, Chinese (traditional and simplified Chinese) and Japanese versions of the site are available, covering:

- Group profile
- Strategic and business models
- Fleet profile
- Board and senior management biographical data
- Corporate Governance, Risk Management and CSR
- Board Committees' Terms of Reference
- Financial reports and company news
- Financial information excel downloads
- Press kits
- Careers

We have recently restructured the website which includes more detailed information and easier navigation

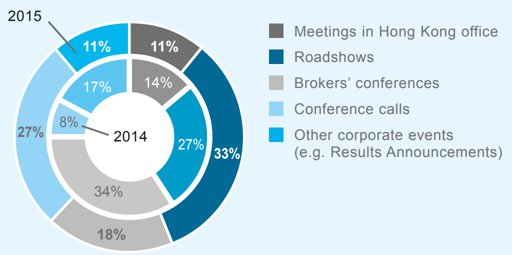
Social Media Communications – Facebook, Twitter, LinkedIn, Youtube and WeChat

Company news, video clips, photos and events are published through our social media sites

Roadshows – Roadshows are conducted every quarter following earnings announcements and trading updates. In 2015, we met investors in 20 cities in North America, Europe and Asia-Pacific.

Investor Meetings – In 2015, we met 594 (2014: 691) shareholders and investors

Type of Investor Meetings



STAKEHOLDER ENGAGEMENT continued

Communications with Sell-Side Analysts – Pacific Basin encourages active analyst coverage to help investors evaluate the Group and its opportunities and challenges. Analysts' briefings, meetings and conference calls are arranged with management from time to time, especially after results announcements. A significant number of key brokers publish reports on the Group.

www.pacificbasin.com
Investors > Financial Disclosures
Analyst Day Presentation
Investors > Share Information > Research Coverage
Contact details of the Analysts

We held our 2015 Analyst Day in October at our Hong Kong headquarters. In an open dialogue between analysts and management, we shared our views on the industry, presented important accounting considerations, and reviewed Group developments described in the 2015 Interim Report and 2015 Third Quarter Trading Update. Divisional managers provided further insight into our daily business operations.

KPIs MEASURING INVESTOR RELATIONS PERFORMANCE KPI

Investor Engagement – Our share capital is held by a diverse range of institutional, private and corporate investors, so we consider it important to make ourselves accessible to a wide spectrum of shareholders and members of the investment community to enhance their understanding of our business. The number of investor contacts during a year is the key measure of our engagement with investors.

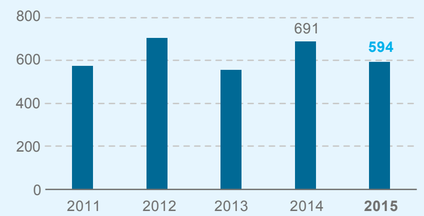
Sell-Side Analyst Engagement – Analyst coverage (as measured by the number of active research reports covering Pacific Basin) in the period is a key measure of our profile in the shipping sector.

Investor Perception Studies – We gauge feedback on our Annual Report, Investor Relations programme, corporate governance and group strategy through annual written, online and verbal investor strategy.

As we found in 2013 and 2014, investors still consider the quality of our management team, valuation of our stock and the investment opportunity in the Handysize and Supramax sectors to be the most compelling reasons to invest in Pacific Basin.

Number of Investors We Met

Number of investors

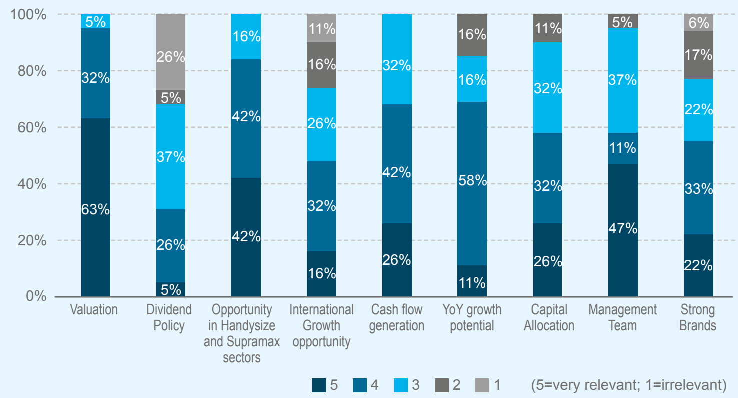


13 analysts
covered Pacific Basin in 2015 (2014: 17)

>84 research reports
on Pacific Basin in 2015 (2014: >125)

13 analysts
attended our 2015 Analyst Day (2014: 22)

2015 Investor Perception Feedback
Compelling Factors for Investing in Pacific Basin



Key Investor Concerns in 2015

- Dry bulk market outlook (especially the demand side)
- Impact of bankruptcies on the market, supply, values and banking
- Impact of El Nino on the demand and supply of agricultural commodities and related shipping
- Group's funding activities and vessel commitments
- Repurchase of Convertible Bonds
- Chartered-in days and margins, breakeven vessel cost
- Potential M&A opportunities

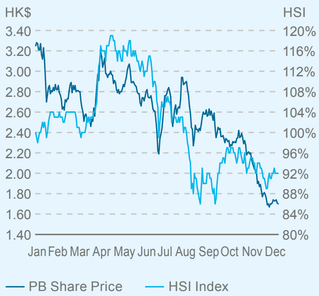
SHARE AND CONVERTIBLE BOND INFORMATION

The Company's Shares and Convertible Bonds at 31 December 2015:

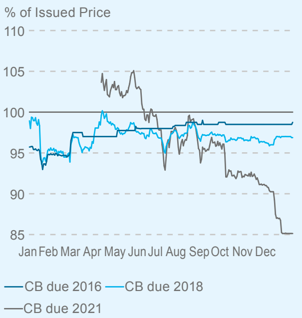
- 1,946,823,119 ordinary shares in issue, each with a par value of US$0.10
- US$106 million of 1.75% coupon Convertible Bonds due 2016
- US$124 million of 1.875% coupon Convertible Bonds due 2018
- US$125 million of 3.25% coupon Convertible Bonds due 2021

The Company's Shares are a constituent member of the Hang Seng sub index series and the MSCI Index series.

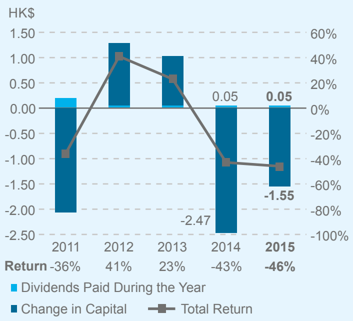
Our Share Price Performance vs Hang Seng Index in 2015



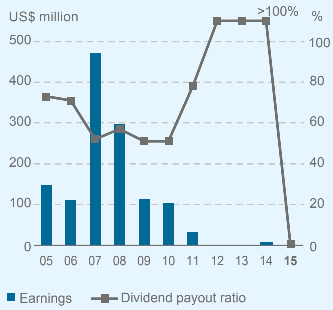
Convertible Bonds Price Performance in 2015



Total Shareholders' Return



Net Profit and Dividend Payout Ratio since 2005



DIVIDEND

Our dividend policy is to pay out at least 50% of our annual attributable profit (excluding disposal gains).

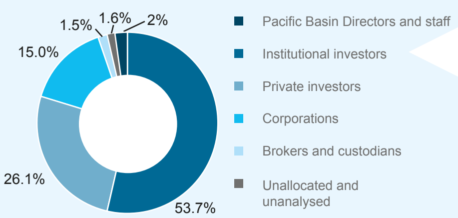
OUR SHAREHOLDERS

As at 31 December 2015, Nasdaq OMX was able to analyse the ownership of about 98.4% of the Company's share capital. Institutional Investors still accounted for the largest portion of the Company's shareholder base, owning nearly 1.1 billion shares or 54% of our share capital.

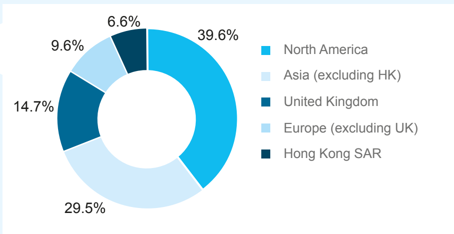
We identified 1,958 shareholders as at 31 December 2015. The actual number of investors interested in our shares is likely to be greater, as some of the shares are held through nominees, investment funds, custodians, etc. Each custodian or nominee or broker is considered as a single shareholder as below.

Shareholding	No. of Shareholders	% of Shareholders	Total Holding	% of ISC
<=500	29	1.48%	1,028	0.00%
501-1000	46	2.35%	46,515	0.00%
1001-100,000	732	37.39%	34,473,813	1.77%
100,001-500,000	763	38.97%	167,237,899	8.59%
>=500,001	388	19.82%	1,745,063,864	89.64%
Total	**1,958**	**100.00%**	**1,946,823,119**	**100.00%**

Ownership by Type



Institutional Investors by Region



OUR BONDHOLDERS

Our bondholders comprise a range of institutional investors including portfolio fund managers, fixed income, mutual and equal fund holders, as well as private investors.

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Financial Statements
Note 20(c)
Terms and details of the Convertible Bond

NO DISTINCTION BETWEEN INSTITUTIONAL INVESTORS AND RETAIL INVESTORS

We listen carefully to the views and feedback we receive from all investors. More than 54% of our shareholders are institutional investors, while 26% are private or retail investors who hold our shares through brokers and custodians. A separate Q&A and dialogue with our Board of Directors is arranged at our Annual General Meeting.

News and Achievements

2015

January

- Implementation of "Ship Manager" electronic ship management and dashboard system to optimise ship management, enable enhanced fleet-wide data collection, integration and analysis, and improved performance

February

- PB team showcases our service at Breakbulk China exhibition in Shanghai
- Pacific Basin Soccer Sixes tournament, Hong Kong

March

- PB customers events in Hong Kong, Shanghai, Melbourne and Perth
- The Filipino Association for Mariners Employment (FAME) recognises PB Manila for its active support and long affiliation (19 years)
- PB Melbourne office 10th anniversary
- Corporate Governance Asia 5th Asian Excellence Awards 2015
  - Best IR Company (HK)
  - Best IR Professional – Emily Lau
  - Best CSR

April

- PB Safety Seminar for officers, Manila
- 2021 Convertible Bond issue raised USD$125 million (stock code: 5525)
- External appreciation for "Jiangmen Trader" exceptional logs loading performance in Canada
- PB team climbs Mount Kinabalu to raise US$26,000 for the Sailors' Society

May

- The Asset Triple A Treasury, Trade and Risk Management Awards 2015
  - Best ECA-backed Facility, Hong Kong
- Three PB ships load logs simultaneously at Tauranga – a first!
- HKIRA 1st IR Awards – Certificate of Achievement
- PB Safety Seminar for officers, Dalian
- PB Seafarers' Family Day, Manila

June

- HK Marine Department Award
  - Outstanding Performance in Port State Control Inspections in 2014
- International Day of the Seafarer
- PB customer event in Geneva

July

- Communicate Magazine
  - Corporate Awards 2015 – Bronze Award in Best Printed Report (International Category)

August

- 2015 International ARC Awards
  - Gold Winner in Interactive Annual Report (Shipping Services)
- 10,000,000 mt milestone reached with one major cargo customer

September

- Report Watch Top 400 Global Annual Reports e.com 2015
  - ranked 14th globally, 2nd in HK, A ranking
- Educational boat trip: "Plastics in the ocean"
- PB participates in 2015 Maritime Awareness Week, Hong Kong

October

- **Lloyd's List Asia Awards 2015**
  - **Dry Bulk Operator of the Year**
- PB Safety Seminar for officers, Manila
- PB's annual Analyst Day

November

- **Seatrade Maritime Awards Asia 2015**
  - **Ship Owner/Operator Award**
- PB customer function in Tokyo
- HKICPA Best Corporate Governance Disclosure Awards 2015
  - Gold Award in the non-Hang Seng Index (mid-to-small market capitalisation) category
- The Asset Corporate Awards 2015
  - Platinum Award
- Corporate WeChat account launched (please search "pacificbasinshipping" or scan this QR code to follow)

December

- PB team hikes 100km raising over HK$70,000 for Oxfam
- Stamford office marks its 1,000th charter fixture since establishment in 2011
- PB teams hike 32km across the Hong Kong Trail raising over HK$100,000 for the Sailors' Society

www.pacificbasin.com
Company > Awards

Business Review
Strategic Review
Funding
CSR Report
Governance
Financial Statements

Financial Statements

GROUP PERFORMANCE REVIEW

US$ Million	2015	2014	Change
Revenue	**1,260.3**	1,718.5	-27%
Cost of services	**(1,264.4)**	(1,758.1)	+28%
Gross loss	**(4.1)**	(39.6)	+90%
Pacific Basin Dry Bulk	**(33.8)**	(39.4)	+14%
PB Towage	**6.2**	(15.1)	>100%
Others	**(0.2)**	(1.0)	+80%
Underlying loss	**(27.8)**	(55.5)	+50%
Unrealised derivative income/(expenses)	**8.8**	(28.9)	
Sale of towage assets	**2.8**	(7.6)	
RoRo and towage exchange loss	**(1.5)**	(17.7)	
Provision for onerous contracts	**–**	(100.9)	
Towage impairments and provisions	**–**	(70.5)	
Other impairments and provisions	**(0.8)**	(3.9)	
Loss attributable to shareholders	**(18.5)**	(285.0)	+94%
EBITDA	**87.7**	82.2	+7%
Net profit margin	**-1%**	-17%	+16%
Return on average equity employed	**-2%**	-23%	+21%

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

Management analyses the Group's performance with reference to Pacific Basin Dry Bulk and the remaining elements of PB Towage.

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Financial Statements Note 4
Segment Information

The main drivers of our results in 2015 were as follows:

- Revenue and cost of services decreased by 27% and 28% respectively mainly due to:
  - one of the weakest ever years for the dry bulk market;
  - an 8% decrease in our Handysize revenue days;
  - redelivery of expensive chartered-in vessels and the use of lower cost short-term chartered-in vessels; and
  - the elimination of revenue and costs through the disposal of our Australian towage operation in 2014.
- Underlying loss reduced mainly due to an improvement in our Supramax dry bulk performance and the sales of our Australian towage operation and OMSA towage joint venture.
- Loss attributable to shareholders was affected by:
  - an unrealised derivative accounting gain of US$8.8 million mainly from completed prior year bunker fuel swap contracts;
  - a net gain of US$2.8 million from the disposal of tugs and our interest in the bunker tanker joint venture in New Zealand; and partly offset by
  - the release of a US$1.5 million foreign exchange reserve charge triggered mainly by the disposal of towage related assets. The Group maintains a foreign exchange reserve for the translation of net asset value of the Australian Dollars-denominated subsidiaries to US Dollars. At 31 December 2015, the foreign exchange reserve balance for PB Towage amounted to a charge of US$4.8 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$87.7 million (2014: US$82.2 million) contributing to a positive operating cash flow and cash and deposits at the year end of US$358.4 million (2014: US$363.4 million).

Consolidated Balance Sheet

	Note	As at 31 December 2015 US$'000	2014 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1,611,000**	1,584,924
Investment properties	7	**2,400**	2,605
Land use rights	8	**2,686**	2,894
Goodwill	9	**25,256**	25,256
Investments accounted for using the equity method	10(a)	**–**	682
Available-for-sale financial assets	11	**2,135**	4,126
Derivative assets	12	**–**	46
Trade and other receivables	13	**5,559**	8,936
Restricted bank deposits	14	**58**	89
		1,649,094	1,629,558
Current assets			
Inventories	15	**50,785**	79,524
Derivative assets	12	**–**	3,670
Assets held for sale	16	**–**	5,749
Trade and other receivables	13	**87,486**	225,679
Restricted bank deposits	14	**–**	1,605
Cash and deposits	14	**358,370**	361,731
		496,641	677,958
Total assets	4(b)	**2,145,735**	2,307,516
EQUITY			
Capital and reserves attributable to shareholders			
Share capital	21	**194,480**	191,781
Retained profits	22	**213,233**	231,086
Other reserves	22	**563,225**	578,879
Total equity		**970,938**	1,001,746

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Financial Statements Note 4(b)
Detailed balance sheet segment information

Consolidated Balance Sheet

	Note	As at 31 December 2015 US$'000	 2014 US$'000
LIABILITIES			
Non-current liabilities			
Derivative liabilities	12	**33,797**	22,326
Long-term borrowings	20	**633,226**	820,645
Provision for onerous contracts	19	**51,918**	79,582
		718,941	922,553
Current liabilities			
Derivative liabilities	12	**16,655**	23,524
Trade and other payables	17	**117,364**	157,698
Current portion of long-term borrowings	20	**292,739**	179,099
Taxation payable		**1,434**	1,572
Provision for onerous contracts	19	**27,664**	21,324
		455,856	383,217
Total liabilities	4(b)	**1,174,797**	1,305,770

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Financial Statements Note 4(b)
Detailed balance sheet segment information

Approved by the Board of Directors on 29 February 2016

Mats H. Berglund
Director

Andrew T. Broomhead
Director

Consolidated Income Statement

	Note	For the year ended 31 December 2015 US$'000	2014 US$'000
Continuing operations			
Revenue	4(a)	**1,260,291**	1,718,454
Cost of services*	4(a)	**(1,264,402)**	(1,758,078)
Gross loss		**(4,111)**	(39,624)
General and administrative expenses*	4(a)	**(5,954)**	(9,353)
Vessel impairment and provision*	4(a)	**–**	(161,301)
Other income and gains	23	**31,576**	6,209
Other expenses*		**(3,724)**	(32,000)
Finance income	24	**4,469**	10,789
Finance cost	24	**(39,795)**	(43,552)
Share of profits less losses/impairment of investments accounted for using the equity method	10(a)	**178**	(9,693)
Loss before taxation		**(17,361)**	(278,525)
Taxation	25	**(1,179)**	(1,217)
Loss for the year		**(18,540)**	(279,742)
Discontinued operations			
Loss for the year	18(b)	**–**	(5,222)
Loss attributable to shareholders		**(18,540)**	(284,964)
Basic and diluted earnings per share for loss attributable to shareholders (in US cents)	27		
From continuing operations		**(0.97)**	(14.66)
From discontinued operations		**–**	(0.27)
From loss attributable to shareholders		**(0.97)**	(14.93)

* The sum of i) cost of services, ii) general and administrative expenses, iii) vessel impairment and provision, and iv) other expenses is analysed in Note 5 "Expenses by Nature".

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Financial Statements Note 4(a)
Detailed income statement segment information

Consolidated Statement of Comprehensive Income

	For the year ended 31 December	
	2015 US$'000	2014 US$'000
Loss attributable to shareholders	**(18,540)**	(284,964)
Other comprehensive income – items that may be reclassified to income statement:		
Cash flow hedges:		
– fair value losses	**(18,885)**	(23,564)
– transferred to finance cost in income statement	**6,179**	8,485
Currency translation differences	**(2,497)**	(7,986)
Fair value losses on available-for-sale financial assets	**(1,102)**	(768)
Release of exchange (gains)/losses from reserves to income statement for foreign operations upon:		
– repayment of shareholder loans by subsidiaries	**(669)**	(1,015)
– disposal of a joint venture	**(355)**	4,374
– disposal of harbour towage business	**–**	9,312
– disposal of a RoRo vessel (Note 18(c))	**–**	5,022
Total comprehensive income attributable to shareholders	**(35,869)**	(291,104)

Consolidated Statement of Changes in Equity

		For the year ended 31 December	
	Note	**2015 US$'000**	2014 US$'000
Balance at 1 January		**1,001,746**	1,304,294
Total comprehensive income attributable to shareholders		**(35,869)**	(291,104)
Equity component of convertible bonds issued		**13,772**	–
Dividends paid	26	**(12,368)**	(12,385)
Share-based compensation		**4,749**	5,311
Derecognition of equity component upon exercise of CB put options		**(562)**	(1,015)
Shares purchased by trustee of the SAS	21	**(530)**	(3,483)
Shares issued upon exercise of share options*	21, 22	**–**	128
Balance at 31 December		**970,938**	1,001,746

* The former long term incentive scheme, under which share options were granted, expired in July 2014.

Consolidated Cash Flow Statement

	Note	For the year ended 31 December 2015 US$'000	2014 US$'000
Operating activities			
Cash generated from operations	28	**99,729**	95,146
Hong Kong profits tax paid		**(647)**	(720)
Overseas taxation paid		**(467)**	(774)
Net cash generated from operating activities		**98,615**	93,652
Investing activities			
Disposal of harbour towage business		**57,109**	–
Disposal of RoRo vessels and other PP&E		**60,382**	70,552
Disposal of asset held for sale		**5,647**	–
Purchase of property, plant and equipment		**(146,408)**	(194,472)
Disposal of property, plant and equipment		**2,970**	2,631
Increase in term deposits		**(53,633)**	(30,000)
Increase in restricted bank deposits		**–**	(1,610)
Decrease in restricted bank deposits		**1,636**	2,778
Disposal of joint ventures		**14,400**	3,295
Loan repayment received from joint ventures		**120**	–
Dividends received from a joint venture		**–**	9,930
Interest received		**2,925**	4,014
Receipt of finance lease receivables – capital element		**–**	1,199
Net cash used in investing activities		**(54,852)**	(131,683)
Financing activities			
Repayment of bank loans		**(265,101)**	(146,820)
Drawdown of bank loans		**190,682**	109,407
Proceeds from issuance of convertible bond, net of issuing expenses		**123,725**	–
Payment for buyback/redemption of convertible bonds	20(c)	**(103,257)**	(20,400)
Interest and other finance charges paid		**(28,568)**	(34,304)
Dividends paid to shareholders of the Company		**(12,368)**	(12,385)
Repayment of finance lease liabilities – capital element		**(5,003)**	(4,680)
Payment for shares purchased by trustee of the SAS	21	**(530)**	(3,483)
Proceeds from shares issued upon exercise of share options		**–**	129
Net cash used in financing activities		**(100,420)**	(112,536)
Net decrease in cash and cash equivalents		**(56,657)**	(150,567)
Exchange losses on cash and cash equivalents		**(337)**	(902)
Cash and cash equivalents at 1 January		**256,731**	408,200
Cash and cash equivalents at 31 December	14	**199,737**	256,731
Term deposits at 1 January	14	**105,000**	75,000
Increase in term deposit		**53,633**	30,000
Cash and deposits at 31 December	14	**358,370**	361,731

Notes to the Financial Statements

1 INTRODUCTION

1.1 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 financial statements have been approved for issue by the Board of Directors on 29 February 2016.

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Business Review & Market Review 2015

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Corporate Information
Registered Office Address

1.2 Presentation of the notes to the financial statements

The notes to the financial statements in this report are placed in order of significance to aid an understanding of the key drivers of the financial position of the Group, whilst maintaining the grouping of notes between income statement and balance sheet where appropriate.

Information relating to a specific financial statement line item has been brought together in one note. Hence:

Principal Accounting Policies

are not shown separately but are included in the note or sections of this Annual Report for that item. They have been highlighted with this grey background. A navigation table is presented in Note 2.3.

Critical Accounting Estimates and Judgements

are not shown separately but are included in the note or sections of this Annual Report for that item. They have been highlighted with this white background with frame. A navigation table is presented in Note 3.

Disclosure of financial risk management has been integrated into the Risk Management Section of the Annual Report. The auditable parts have been clearly marked and are listed below:

- Market Risk – Page 18
- Credit & Counterparty Risk – Page 19
- Liquidity Risk – Page 22
- Capital Management Risk – Page 22

2 BASIS OF PREPARATION

2.1 Objective and accounting standards

The objective of these consolidated financial statements is to present and explain the results of the year ended 31 December 2015 and the financial position of the Group on that date, together with comparative information.

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 ("HKICPA"). 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.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these financial statements are listed under Note 3.

2.2 Impact of new accounting policies

The following amendments to standard are mandatory for the accounting period beginning 1 January 2015 and are relevant to the Group's operation.

Annual improvement 2012 and 2013

The adoption of these amendments to standard does not result in any substantial change to the Group's accounting policies.

Certain new and amended standards, and improvements to HKFRS ("New Standards") are mandatory for accounting period beginning after 1 January 2016. The Group was not required to adopt these New Standards in the financial statements for the year ended 31 December 2015. Such New Standards that are relevant to the Group's operation are as follows:

HKAS 1 (Amendments)	Disclosure initiative
HKAS 16 and 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation
HKAS 27 (Amendments)	Equity method in separate financial statements
HKAS 28, HKFRS 10 and 12 (Amendments)	Investment entities: applying the consolidation exception
HKFRS 9	Financial instruments
HKFRS 11 (Amendments)	Acquisitions of interests in joint operations
HKFRS 15	Revenue from contracts with customers
Annual improvement 2014	

The Group has already commenced an assessment of the impact of these New Standards but is not yet in a position to state whether they would have a significant impact on its operating results and financial position.

2.3 Accounting policies navigator

Accounting policies	Location
Assets held for sale and discontinued operations	Note 16
Available-for-sale financial assets	Note 11
Borrowings	Note 20
Cash and cash equivalents	Note 14
Consolidation	
Associates	Note 10(a)
Joint ventures	Note 10(a)
Joint operation	Note 10(b)
Subsidiaries	Note 2.4
Contingent liabilities and contingent assets	Note 33
Convertible bonds	Note 20(c)
Current and deferred income tax	Note 25
Derivative financial instruments and hedging activities: i) cash flow hedges, and ii) derivatives not qualifying for hedge accounting	Note 12
Dividends	Note 26
Employee benefits	Remuneration Report (P.48)
Financial assets at fair value through profit or loss	Note 12
Financial guarantee contracts	Note 32
Foreign currency translation	Note 2.5
Goodwill	Note 9
Impairment of investments in i) subsidiaries, joint ventures, associates and non-financial assets, ii) available-for-sale financial assets and iii) trade and other receivables	Note 5
Inventories	Note 15
Investment properties	Note 7
Land use rights	Note 8
Loans and receivables	Note 13
Offsetting financial instruments	Note 12
Operating leases where the Group is the lessor or lessee	Note 29(b)
Property, plant and equipment ("PP&E") including: i) vessels and vessel component costs, ii) vessels under construction, iii) borrowing costs, iv) other property, plant and equipment, v) subsequent expenditure, vi) depreciation, vii) residual value and useful lives, and viii) gains or losses on disposal	Note 6
Provisions	Note 2.6
Provision for onerous contracts	Note 19
Revenue recognition for freight and charter-hire, and other revenue	Note 4
Segment reporting	Note 4
Share capital	Note 21
Trade and other receivables	Note 13
Trade payables	Note 17

The Group's principal accounting policies have been consistently applied to each of the years presented in these financial statements.

Notes to the Financial Statements continued

2 BASIS OF PREPARATION (CONTINUED)

2.4 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. In each acquisition case, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The financial information of subsidiaries has been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investments. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Please refer to Note 5 for the accounting policy on impairment.

2.5 Foreign currency translation

(a) Functional and presentation currency

The financial statements are presented in United States Dollars, which is the Company's functional and the Group's presentation currency. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Major business segment with non-US Dollar functional currencies is PB Towage Segment: Australian Dollars and United States Dollars.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in "direct overheads" or "general and administrative expenses" of the income statement, except when deferred in equity as qualifying cash flow hedges.

Translation difference on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities classified as available-for-sale are included in the investment valuation reserve.

(c) Group companies

The results and financial position of each of the Group entities (none of which has the currency of a hyperinflationary economy) whose functional currency is different from the presentation currency is translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing rate on the balance sheet date;

(ii) income and expenses are translated at the average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of other comprehensive income.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

When a foreign operation is partially or totally disposed of, exchange differences that were recorded in equity are reclassified to the consolidated income statement.

2.6 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that carry a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are listed below with references to the locations of these items in the notes to the financial statements.

Critical Accounting Estimates and Judgements		Location
(a)	Residual values of property, plant and equipment	Note 6
(b)	Useful lives of vessels and vessel component costs	Note 6
(c)	Impairment of vessels and vessels under construction	Note 6
(d)	Impairment of goodwill	Note 9
(e)	Provision for onerous contracts	Note 19
(f)	Income taxes	Note 25
(g)	Classification of leases	Note 29(b)

4 SEGMENT INFORMATION

The Group manages its businesses by divisions. 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 has been primarily derived from the provision of dry bulk shipping services internationally, and towage services to the offshore sectors in the Middle East.

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

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

Accounting policy

Segment reporting

Management's approach to internal review and reporting to the heads of divisions and the Board are used as the basis for preparing segment information of the Group's material operating segments.

Revenue recognition

Revenue comprises the fair value of the consideration for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminating sales within the Group.

(i) Freight and charter-hire

The Group generates revenue from shipping activities, the principal sources of which are derived from the pools of Handysize and Supramax vessels.

Revenues from the pools of Handysize and Supramax vessels are derived from a combination of time charters and voyage charters. Revenue from a time charter is recognised on a straight-line basis over the period of the lease. Revenue from a voyage charter is recognised on a percentage-of-completion basis, which is determined on a time proportion method of the voyage.

(ii) Other revenue

Maritime management services income is recognised when the services are rendered.

Interest income is recognised on a time-proportion basis using the effective interest method.

Finance lease interest income is recognised over the term of the lease using the net investment method, based on a constant periodic rate of return.

Dividend income is recognised when the right to receive payment is established.

Notes to the Financial Statements continued

4 SEGMENT INFORMATION (CONTINUED)

(a) Income statement segment information

For the year ended 31 December 2015 US$'000	Pacific Basin Dry Bulk	PB Towage	All Other Segments	Total Segments	Unallocated		Total	Reclass-ification	Per Financial Statements
					Treasury	Others			
Continuing operations									
Revenue	1,242,447	21,654	262	1,264,363	–	234	1,264,597	(4,306)	1,260,291
Freight and charter–hire	1,242,447 [1]	16,216	–	1,258,663	–	234 [1]	1,258,897	304 [1]	1,259,201
Maritime management services	–	5,438 [2]	262	5,700	–	–	5,700	(4,610) [2]	1,090
Bunker & port disbursements	(611,547) [3]	(560)	–	(612,107)	–	6,903 [3]	(605,204)	605,204 [3]	–
Time charter equivalent earnings	630,900								
Cost of services	(621,625)	(16,249)	–	(637,874)	–	–	(637,874)	(626,528)	(1,264,402)
Bunker & port disbursements	–	–	–	–	–	–	–	(605,204) [3]	(605,204)
Charter–hire expenses for vessels	(350,981)	(2,469)	–	(353,450)	–	–	(353,450)	(21,324) [4]	(374,774)
Vessel operating costs	(127,165)	(8,295)	–	(135,460)	–	–	(135,460)	–	(135,460)
Depreciation of vessels	(95,954)	(2,368)	–	(98,322)	–	–	(98,322)	–	(98,322)
Direct overheads	(47,525)	(3,117)	–	(50,642)	–	–	(50,642)	–	(50,642)
Gross (loss)/profit	9,275	4,845	262	14,382	–	7,137	21,519	(25,630)	(4,111)
General and administrative expenses	–	–	–	–	–	(5,954) [5]	(5,954)	–	(5,954)
Other income and expenses	(118)	1,522	358	1,762	–	460 [6]	2,222	25,630 [1,2,4]	27,852
Finance costs, net	(36,967)	–	–	(36,967)	–	1,641 [7]	(35,326)	–	(35,326)
Share of profits less losses of joint ventures	–	178	–	178	–	–	178	–	178
(Loss)/profit before taxation	(27,810)	6,545	620	(20,645)	–	3,284	(17,361)	–	(17,361)
Taxation	–	(306)	(873)	(1,179)	–	–	(1,179)	–	(1,179)
(Loss)/profit attributable to shareholders	(27,810)	6,239	(253)	(21,824)	–	3,284	(18,540)	–	(18,540)

Notes:

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

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

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

(4) Provision for onerous contract utilised during the year ended 31 December 2015 is allocated under "Pacific Basin Dry Bulk". For the presentation of the financial statements, the above is reclassified to other income. The comparative represents the utilisation of the portion of the PB Towage charter contracts provision which lapsed in 2014.

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

(6) "Unallocated Others" mainly represents gain on disposal of our interest in the bunker barge joint venture, partially offset by the loss on disposal of tugs, exchange loss released from reserve arising from the repayment of equity shareholder loan by PB Towage and impairment on the available-for-sale financial assets. 2014 "Unallocated Others" comparative figure mainly represents i) a US$7.6 million loss from the disposal of our harbour towage business and OMSA and ii) their related non-cash exchange loss of US$12.7 million including an exchange gain released from reserve arising from the repayment of equity shareholder loan by PB Towage of US$1.0 million.

(7) "Unallocated Others" represents net unrealised interest rate swap contract benefits.

For the year ended 31 December 2014 US$'000	Pacific Basin Dry Bulk	PB Towage	All Other Segments	Total Segments	Unallocated			Total	Reclass-ification	Per Financial Statements
					Treasury	PB RoRo	Others			
Continuing operations										
Revenue	1,633,293	80,937	331	1,714,561	–	–	219	1,714,780	3,674	1,718,454
Freight and charter-hire	1,633,293 [1]	77,338	–	1,710,631	–	–	219 [1]	1,710,850	3,674 [1]	1,714,524
Maritime management services	–	3,599	331	3,930	–	–	–	3,930	–	3,930
Bunker & port disbursements	(862,865) [3]	(6,046)	–	(868,911)	–	–	(30,687) [3]	(899,598)	899,598 [3]	–
Time charter equivalent earnings	770,428									
Cost of services	(767,023)	(90,795)	–	(857,818)	–	–	–	(857,818)	(900,260)	(1,758,078)
Bunker & port disbursements	–	–	–	–	–	–	–	–	(899,598) [3]	(899,598)
Charter-hire expenses for vessels	(499,592)	(10,077) [4]	–	(509,669)	–	–	–	(509,669)	(662) [4]	(510,331)
Vessel operating costs	(127,618)	(53,672)	–	(181,290)	–	–	–	(181,290)	–	(181,290)
Depreciation of vessels	(90,584)	(9,880)	–	(100,464)	–	–	–	(100,464)	–	(100,464)
Direct overheads	(49,229)	(17,166)	–	(66,395)	–	–	–	(66,395)	–	(66,395)
Gross (loss)/profit	3,405	(15,904)	331	(12,168)	–	–	(30,468)	(42,636)	3,012	(39,624)
General and administrative expenses	–	–	–	–	–	–	(9,353) [5]	(9,353)	–	(9,353)
Vessel impairment and provision	–	–	–	–	–	–	(171,376) [8]	(171,376)	10,075 [8]	(161,301)
Other income and expenses	–	–	–	–	–	–	(22,779) [6]	(22,779)	(3,012) [1,4]	(25,791)
Finance costs, net	(33,441)	(1,004)	–	(34,445)	–	–	1,682 [7]	(32,763)	–	(32,763)
Share of profits less losses/ impairment of joint ventures	–	1,882	–	1,882	–	–	–	1,882	(10,075) [8]	(8,193)
Share of profits less losses/ impairment of associates	–	–	–	–	–	–	(1,500)	(1,500)	–	(1,500)
(Loss)/profit before taxation	(30,036)	(15,026)	331	(44,731)	–	–	(233,794)	(278,525)	–	(278,525)
Taxation	–	(110)	(1,107)	(1,217)	–	–	–	(1,217)	–	(1,217)
Loss for the year	(30,036)	(15,136)	(776)	(45,948)	–	–	(233,794)	(279,742)	–	(279,742)
Discontinued operations										
Loss for the year	–	–	–	–	–	(200)	(5,022) [9]	(5,222)	–	(5,222)
Loss attributable to shareholders	(30,036)	(15,136)	(776)	(45,948)	–	(200)	(238,816)	(284,964)	–	(284,964)

(8) 2014 “Unallocated Others” comparative figure represents the US$100.9 million non-cash provision for onerous contracts and non-cash impairment charges for i) PB Towage vessels of US$58.9 million, ii) PB Towage interest in its joint ventures of US$10.1 million and iii) other provisions of US$1.5 million. These provisions and impairments were not allocated to the Pacific Basin Dry Bulk and PB Towage segment results as these did not relate to the underlying operations of the segments. The related vessels, interest in joint ventures and liabilities were under “Pacific Basin Dry Bulk” and “PB Towage”. For the presentation of the financial statements, the impairment of PB Towage interest in joint ventures was reclassified to share of profits less losses/ impairment of joint ventures.

(9) 2014 “Unallocated Others” comparative figure represents the release from foreign exchange reserve amounting to US$5.0 million in relation to one RoRo vessel whose bareboat charter to the purchaser commenced during 2014.

Notes to the Financial Statements continued

4 SEGMENT INFORMATION (CONTINUED)

(b) Balance sheet segment information

- Vessels delivered & under construction
- Goodwill

- Mainly tugs and barges in ME

- China properties

- Group unallocated cash

At 31 December 2015 US$'000	Pacific Basin Dry Bulk	PB Towage	All Other Segments	Total Segments	Unallocated		Per Financial Statements
					Treasury	Others	
Total assets	**1,739,569**	**40,386**	**7,352**	**1,787,307**	**358,428**	**–**	**2,145,735**
Including:							
Property, plant and equipment	**1,577,809**	**33,191**	**–**	**1,611,000**	**–**	**–**	**1,611,000**
– Include additions to PP&E	**145,501**	**907**	**–**	**146,408**	**–**	**–**	**146,408**
Total cash and deposits	**–**	**–**	**–**	**–**	**358,428**	**–**	**358,428**
Total liabilities	**1,117,856**	**4,194**	**2,171**	**1,124,221**	**124**	**50,452**[3]	**1,174,797**
Including:							
Long-term borrowings	**925,965**	**–**	**–**	**925,965**	**–**	**–**	**925,965**

- Bank loans
- Convertible bonds

- Derivative liabilities

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

Notes: See previous page

5 EXPENSES BY NATURE

US$'000	2015	2014
Operating lease expenses		
– vessels	**374,774**	510,332
– land and buildings	**4,096**	5,041
Port disbursements and other voyage costs	**306,113**	352,442
Bunkers consumed	**278,279**	509,778
Depreciation		
– owned vessels	**91,931**	93,887
– leased vessels	**6,391**	6,577
– other owned property, plant and equipment	**1,624**	1,978
– investment properties	**66**	67
Amortisation of land use rights	**73**	74
Employee benefit expenses including Directors' emoluments (see Remuneration Report P.49)	**42,564**	54,398
Net losses on bunker swap contracts (Note 12(e))	**18,879**	39,488
Lubricating oil consumed	**7,901**	8,646
Net foreign exchange losses	**2,305**	972
Provision for impairment losses		
– trade receivables	**1,934**	1,477
– available-for-sale financial assets	**889**	–
– vessels (Note 6(e))	**–**	58,892
Auditors' remuneration		
– audit	**1,229**	1,096
– non-audit	**303**	594
Loss on disposal of property, plant and equipment	**679**	–
Losses on forward freight agreements (Note 12(e))	**538**	7,843
Net (gains)/losses on forward foreign exchange contracts (Note 12(e))	**(87)**	87
Provision for onerous contracts	**–**	100,906
Loss on disposal of harbour towage business	**–**	19,295
Loss on disposal of OMSA Joint Venture	**–**	1,987
Vessel and other expenses	**133,599**	184,875
The sum of the above reconciles to the following headings in the consolidated income statement. (i) "cost of services", (ii) "general and administrative expenses", (iii) "vessel impairment and provision" and (iv) "other expenses"	**1,274,080**	1,960,732

Total administrative expenses

US$ Million	2015	2014
Direct overheads	**47.5**	49.2
General and administrative expenses	**6.0**	9.3
Pacific Basin Dry Bulk administrative expenses	**53.5**	58.5
PB Towage administrative expenses	**3.1**	17.2
Total administrative expenses	**56.6**	75.7

The year-on-year saving of US$19.1 million in general and administrative expenses reflects the reduction in costs after the disposal of our towage operation and a range of savings initiatives undertaken during the year.

Operating lease expenses

Contingent lease payments made amounted to US$50.2 million (2014: US$120.4 million). These related to dry bulk vessels chartered-in on an index-linked basis.

Other expenses

Movements in the fair value of and payments for forward freight agreements amounted to US$0.5 million (2014: US$7.9 million). Taking into account the movements in fair value and receipts of US$0.2 million (2014: US$4.2 million) included in other income, the net movement in the fair value and payments for forward freight agreements resulted in an expense of US$0.3 million (2014: US$3.7 million).

Notes to the Financial Statements continued

5 EXPENSES BY NATURE (CONTINUED)

Accounting policy – Impairment

(i) Impairment of investments and non-financial assets

Assets that have an indefinite useful life, such as goodwill, are not subject to amortisation but are tested annually for impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In assessing whether there is any indication that an asset may be impaired, internal and external sources of information are considered. If any such indication exists, the recoverable amount of the asset is assessed. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, being the higher of (a) an asset's fair value less costs to sell and (b) the value-in-use.

The fair values of vessels and vessels under construction are determined either by the market valuation or by independent valuers.

The value-in-use of the vessels represents estimated future cash flows from the continuing use of the vessels. For the purposes of assessing impairment, assets are grouped into the lowest levels at which there are separately identifiable cash flows. This level is described as a cash-generating unit ("CGU").

Assets other than goodwill that suffer impairment are reviewed for possible reversal of the impairment at each balance sheet date.

(ii) Impairment of available-for-sale financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset, or a group of financial assets, is impaired. In the case of equity security classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity securities are not reversed through the consolidated income statement.

(iii) Impairment of trade and other receivables

A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect the amount due according to the original terms of that receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within "cost of services". When a trade receivable is uncollectable, it is written off against the provision for impairment.

6 PROPERTY, PLANT AND EQUIPMENT

US$'000	Vessels and vessel component costs	Vessels under construction	Buildings	Leasehold improve-ments	Furniture, fixtures and equipment	Motor vehicles	Total
Cost							
At 1 January 2015	**1,940,704**	**53,259**	**1,172**	**4,627**	**8,774**	**47**	**2,008,583**
Additions	32,372	112,985	–	116	935	–	146,408
Disposals	(69,988)	–	–	(382)	(112)	(13)	(70,495)
Write offs	(15,142)	–	–	–	(196)	–	(15,338)
Exchange differences	(7,048)	–	(76)	(52)	(74)	(2)	(7,252)
Reclassifications	119,323	(119,323)	–	–	–	–	–
At 31 December 2015	**2,000,221**	**46,921**	**1,096**	**4,309**	**9,327**	**32**	**2,061,906**
Accumulated depreciation and impairment							
At 1 January 2015	**413,378**	**–**	**107**	**3,121**	**7,014**	**39**	**423,659**
Charge for the year	98,322	–	13	594	1,015	2	99,946
Disposals	(53,069)	–	–	(382)	(103)	(7)	(53,561)
Write offs	(15,142)	–	–	–	(196)	–	(15,338)
Exchange differences	(3,702)	–	(3)	(40)	(53)	(2)	(3,800)
At 31 December 2015	**439,787**	**–**	**117**	**3,293**	**7,677**	**32**	**450,906**
Net book value							
At 31 December 2015	**1,560,434**	**46,921**	**979**	**1,016**	**1,650**	**–**	**1,611,000**

Estimated useful lives for the year ended 2015 and 2014	Dry bulk vessels: 25 years Towage vessels: 30 years Vessel component costs: estimated period to the next drydocking	Vessels under construction: N/A	50 years	4 to 5 years or the remaining lease period if shorter	3 to 5 years	4 to 5 years

Notes to the Financial Statements continued

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

US$'000	Vessels and vessel component costs	Vessels under construction	Buildings	Leasehold improve-ments	Furniture, fixtures and equipment	Motor vehicles	Total
Cost							
At 1 January 2014	1,930,731	29,104	1,231	4,826	8,487	233	1,974,612
Additions	119,905	71,413	–	1,764	1,390	–	194,472
Disposals	(12,216)	–	–	–	(38)	(93)	(12,347)
Disposals of subsidiaries	(104,777)	–	–	(1,532)	(593)	–	(106,902)
Write offs	(18,858)	–	–	(239)	(351)	(92)	(19,540)
Transfers from other non-current asset	5,917	–	–	–	–	–	5,917
Transfers to assets held for sale (Note 16)	(12,754)	–	–	–	–	–	(12,754)
Transfers to finance lease receivables	(7,800)	–	–	–	–	–	(7,800)
Transfers from finance lease receivables	7,077	–	–	–	–	–	7,077
Exchange differences	(13,779)	–	(59)	(192)	(121)	(1)	(14,152)
Reclassifications	47,258	(47,258)	–	–	–	–	–
At 31 December 2014	1,940,704	53,259	1,172	4,627	8,774	47	2,008,583
Accumulated depreciation and impairment							
At 1 January 2014	341,950	–	90	3,537	6,520	218	352,315
Charge for the year	100,464	–	14	575	1,387	2	102,442
Impairment charge	58,892	–	–	–	–	–	58,892
Disposals	(9,965)	–	–	–	(25)	(88)	(10,078)
Disposals of subsidiaries	(44,295)	–	–	(624)	(434)	–	(45,353)
Write offs	(18,858)	–	–	(239)	(343)	(92)	(19,532)
Transfers to asset held for sale (Note 16)	(7,005)	–	–	–	–	–	(7,005)
Transfers to finance lease receivables	(159)	–	–	–	–	–	(159)
Transfers from finance lease receivables	306	–	–	–	–	–	306
Exchange differences	(7,952)	–	3	(128)	(91)	(1)	(8,169)
At 31 December 2014	413,378	–	107	3,121	7,014	39	423,659
Net book value							
At 31 December 2014	1,527,326	53,259	1,065	1,506	1,760	8	1,584,924

(a) Vessels and vessel component costs include:

US$'000	2015 Aggregate cost	2015 Accumulated depreciation	2014 Aggregate cost	2014 Accumulated depreciation
Vessel component costs	**52,659**	**(25,242)**	52,426	(23,894)
Vessels and vessel component costs under finance leases	**–**	**–**	53,796	(34,651)

(b) Certain owned vessels of net book value of US$1,470,156,000 (2014: US$1,246,087,000) were pledged to banks as securities for bank loans granted to certain subsidiaries of the Group (Note 20(a)(i)).

(c) Vessels under construction includes an amount of US$31,703,000 (2014: US$36,487,000) paid by the Group in relation to vessels whose construction work had not yet commenced.

(d) During the year, the Group had capitalised borrowing costs amounting to US$964,000 (2014: US$158,000) on qualifying assets (Note 24). Borrowing costs were capitalised at the weighted average rate of 4.2% of the Group's general borrowings.

(e) The impairment charge of US$58.9 million in 2014 related to the vessels under PB Towage.

Accounting policies – Property, plant and equipment

Please refer to Note 5 for the accounting policy on impairment.

(i) Vessels and vessel component costs

Vessels are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of vessels.

Vessel component costs include the cost of major components which are usually replaced or renewed at drydockings. The assets are stated at cost less accumulated depreciation and accumulated impairment losses. The Group subsequently capitalises drydocking costs as they are incurred.

(ii) Vessels under construction

Vessels under construction are stated at cost and are not subject to depreciation. All cost of services relating to the construction of vessels, including borrowing costs (see below) during the construction period, are capitalised as cost of vessels. When the assets concerned are brought into use, the costs are transferred to vessels and vessel component costs and depreciated in accordance with the policy on depreciation.

(iii) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

(iv) Other property, plant and equipment

Other property, plant and equipment, comprising buildings, leasehold improvements, furniture, fixtures and equipment and motor vehicles, are stated at cost less accumulated depreciation and accumulated impairment losses.

(v) Subsequent expenditure

Subsequent expenditure is either included in the carrying amount of the assets or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the expenditure will accrue to the Group and such expenditure can be measured reliably. The carrying amount of a replaced part is written off. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Notes to the Financial Statements continued

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Accounting policies – Property, plant and equipment (continued)

(vi) Depreciation

Depreciation of property, plant and equipment is calculated using straight-line method to allocate their cost to their residual values over their remaining estimated useful lives.

(vii) Residual values and useful lives

The residual values of the Group's assets are defined as the estimated amounts that the Group would obtain from disposal of the assets, after deducting the estimated costs of disposals, as if the assets were already of the age and in the conditions expected at the end of their useful lives.

Useful lives of the Group's vessels and vessel component costs are defined as the period over which they are expected to be available for use by the Group.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(viii) Gains or losses on disposal

Gains or losses on disposal are determined by comparing the proceeds with the carrying amounts and are recognised in the income statement.

Critical accounting estimates and judgements

Residual values of property, plant and equipment

The Group estimates residual values of its vessels by reference to the lightweight tonnes of the vessels and the average demolition steel price of similar vessels in the Far East market and Indian Sub-Continent market.

- **Sensitivity analysis:**
  With all other variables held constant, if the residual value increases/decreases by 10% from management estimates, the depreciation expense would decrease/increase by US$1.5 million in the next year.

Useful lives of vessels and vessel component costs

The Group estimates the useful life of its vessels with reference to the average historical useful life of similar vessels, their expected usage, expected repair and maintenance programme, and technical or commercial obsolescence arising from changes or improvements in the shipping market.

The Group estimates the useful life of its vessel component costs by reference to the average historical periods between drydocking cycles of vessels of similar age, and the expected usage of the vessel until its next drydock.

- **Sensitivity analysis:**
  With all other variables held constant, if the useful lives increase/decrease by 3 years from management estimates, the depreciation expense would decrease by US$12.4 million or increase by US$18.9 million in the next year.

Impairment of vessels and vessels under construction

The Group tests whether the carrying values of vessels and vessels under construction have suffered any impairment in accordance with the accounting policy on impairment of investments and non-financial assets (Note 5). In assessing the indicators of potential impairment, internal and external sources of information such as reported sale and purchase prices, market demand and general market conditions are considered. In assessing the fair market value and value-in-use, the information above as well as market valuations from leading, independent and internationally recognised shipbroking companies are considered.

Vessels under Pacific Basin Dry Bulk and PB Towage are considered as separate cash-generating units (CGUs). Vessels under the same CGU are operated on a portfolio basis and are interchangeable.

The value-in-use of the vessels is an assessment of assumptions and estimates of vessel future earnings and appropriate discount rates to derive the present value of those earnings. The discount rates used are based on the industry sector risk premium relevant to the CGU and the applicable gearing ratio of the CGU.

For the 2015 Pacific Basin Dry Bulk and PB Towage value-in-use assessments, the applicable discount rate are 7.9% (2014: Pacific Basin Dry Bulk: 6.4%; PB Towage: n/a).

- **Sensitivity analysis:**
  With all other variables held constant, increasing the discount rates of Pacific Basin Dry Bulk and PB Towage by 100 basis points from the original estimate will not give rise to any impairment.

7 INVESTMENT PROPERTIES

US$'000	2015	2014
At 1 January	**2,605**	2,675
Depreciation	**(66)**	(67)
Exchange difference	**(139)**	(3)
At 31 December	**2,400**	2,605
Estimated useful lives	**45 years**	45 years

The investment properties were valued at 31 December 2015 by an independent qualified valuer on an open market value basis. The fair value of the investment properties, which was derived using the income capitalisation and direct comparison method, was approximately US$4,362,000 (2014: US$4,286,000). The investment properties are within Level 3 of the fair value hierarchy. Please refer to Note 11 (Fair value levels) for the definition of different levels.

Accounting policy

Investment properties, comprising mainly buildings, are held for a combination of rental yields and capital appreciation. Investment properties are stated initially at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line method to allocate their costs to their residual values over their estimated useful lives. The residual values and useful lives of investment properties are reviewed, and adjusted if appropriate, at each balance sheet date.

Please refer to Note 5 for the accounting policy on impairment.

8 LAND USE RIGHTS

The Group's interest in land use rights represents prepaid operating lease payments in the PRC with lease periods between 10 to 50 years. The land use rights relate to "Buildings" in Note 6 and "Investment Properties" in Note 7.

US$'000	2015	2014
At 1 January	**2,894**	2,971
Amortisation	**(73)**	(74)
Exchange difference	**(135)**	(3)
At 31 December	**2,686**	2,894

Accounting policy

The upfront prepayments made for land use rights are expensed in the income statement on a straight line basis over the period of the lease or, when there is impairment, are recognised in the income statement immediately.

Please refer to Note 5 for the accounting policy on impairment.

9 GOODWILL

US$'000	2015	2014
At 1 January/31 December	**25,256**	25,256

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Accounting policy

Goodwill is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity being sold. It is tested annually for impairment in accordance with the accounting policy on impairment in Note 5. Impairment losses on goodwill are not reversible.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value-in-use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Critical accounting and estimates judgements – Impairment of goodwill

The recoverable amount of Pacific Basin Dry Bulk to which the goodwill relates has been determined based on a value-in-use calculation over its useful life. The calculation is based on a one-year budget and a further four-years outlook. Key assumptions were based on past performance, management's expectations on market development and general inflation. Cash flows beyond the fifth year are extrapolated assuming zero growth and no material change in the existing scope of business, business environment and market conditions. The discount rate applied to the cash flow projections is 7.9% (2014: 6.4%) reflecting the Group's cost of capital.

Based on the assessment performed, no impairment provision against the carrying value of goodwill is considered necessary.

With all other variables held constant, increasing the discount rates by 100 basis points from the original estimate will not give rise to any impairment.

Notes to the Financial Statements continued

10 INTERESTS IN JOINT ARRANGEMENTS

(a) Investments accounted for using the equity method

The amounts recognised in the balance sheet are as follows:

US$'000	2015	2014
Associates	–	–
A joint venture	–	682
At 31 December	–	682

The joint venture balance of US$682,000 in 2014 included an equity loan to Seafuels of US$2,873,000 which was unsecured, non-interest bearing, and has no fixed repayment terms.

The amounts recognised in the income statement are as follows:

US$'000	2015	2014
Associates	–	(1,500)
Joint ventures	178	(8,193)
For the year ended 31 December	178	(9,693)

The Group's effective share of assets and liabilities of associates and joint ventures are set out below:

US$'000	Associates	A joint venture	2015	Associates	A joint venture	2014
Assets						
Non-current assets	3,204	–	3,204	3,834	3,160	6,994
Current assets	1,282	–	1,282	1,567	1,004	2,571
	4,486	–	4,486	5,401	4,164	9,565
Liabilities						
Non-current liabilities	–	–	–	(1,935)	(2,916)	(4,851)
Current liabilities	(4,486)	–	(4,486)	(3,466)	(3,439)	(6,905)
	(4,486)	–	(4,486)	(5,401)	(6,355)	(11,756)
Net (liabilities)/assets	–	–	–	–	(2,191)	(2,191)

The Group's effective share of revenue and expenses of associates and a joint venture are set out below:

US$'000	Associates	A joint venture	2015	Associates	Joint ventures	2014
Revenue	–	799	799	–	101,211	101,211
Expenses	–	(621)	(621)	–	(99,329)	(99,329)
Share of results	–	178	178	–	1,882	1,882
Impairment	–	–	–	(1,500)	(10,075)	(11,575)
	–	178	178	(1,500)	(8,193)	(9,693)

Accounting policy

Please refer to Note 5 for the accounting policy on impairment.

Associates

An associate is an entity over which the Group has significant influence but no control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are initially recognised at cost. The Group's investments in associates include goodwill (net of any accumulated impairment losses) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in other comprehensive income based on the relevant profit sharing ratios. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The financial information of the associates has been adjusted where necessary to ensure consistency with the policies adopted by the Group.

Joint ventures

A joint ventures is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Interests in joint ventures are accounted for in the consolidated financial statements using the equity method of accounting and are initially recognised at cost. The Group's interests in joint ventures include goodwill (net of any accumulated impairment losses) identified on acquisition.

The Group's share of its joint ventures' post-acquisition profits or losses is recognised in the consolidated income statement and its share of post-acquisition reserves is recognised in other comprehensive income based on the relevant profit sharing ratios.

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint ventures that it is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that results from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss. The financial information of joint ventures has been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(b) Joint operation

In 2015, the Group had a contractual arrangement with a third party to share equally the operating result associated with the chartering of a vessel (joint operation). The amounts of income and expenses recognised in respect of the Group's interest in the joint operation are as follow:

	Group	
US$'000	**2015**	2014
Charter-hire income included in revenue	**4,598**	4,454
Charter-hire expenses included in cost of services	**(3,390)**	(3,284)
	1,208	1,170

Accounting policy

A joint operation is a contractual arrangement whereby the Group and other parties combine their operations, resources and expertise to undertake an economic activity in which each party takes a share of the revenue and costs in the economic activity, such a share being determined in accordance with the contractual arrangement.

The assets that the Group controls and liabilities that the Group incurs in relation to the joint operation are recognised in the consolidated balance sheet on an accrual basis and classified according to the nature of the item. The expenses that the Group incurs and its share of income that it earns from the joint operations are included in the consolidated income statement.

Notes to the Financial Statements continued

11 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015			2014		
US$'000	Level 1	Level 3	Total	Level 1	Level 3	Total
Listed equity securities (a)	1,606	–	1,606	3,597	–	3,597
Unlisted equity securities (b)	–	529	529	–	529	529
	1,606	529	2,135	3,597	529	4,126

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

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

Available-for-sale financial assets have been analysed by valuation method as above and the levels are defined as follows:

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).

Our unlisted equity securities are Level 3 financial instruments and had no changes during the year. Their fair values are determined with reference to their net asset values.

Accounting policy

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories under financial assets. They are included in non-current assets unless management intends to dispose of them within twelve months from the balance sheet date.

Assets in this category are initially recognised at fair value plus transaction costs and are subsequently carried at fair value. Gains and losses arising from changes in the fair value are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are released to the income statement.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of finance income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using appropriate valuation techniques. These include the use of recent arm's length transactions, reference to other substantially similar instruments, and discounted cash flow analysis.

Please refer to Note 5 for the accounting policy on impairment.

12 DERIVATIVE ASSETS AND LIABILITIES

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

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

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

Derivative assets and liabilities have been analysed by valuation method. Please refer to Note 11 (Fair value levels) for the definitions of different levels.

	2015		2014		
US$'000	**Level 2**	**Total**	Level 1	Level 2	Total
Derivative assets					
Cash flow hedges					
Forward foreign exchange contracts (a(i))	**–**	**–**	–	3,513	3,513
Derivative assets that do not qualify for hedge accounting					
Forward foreign exchange contracts (a(ii))	**–**	**–**	–	154	154
Bunker swap contracts (b)	**–**	**–**	–	46	46
Forward freight agreements (c)	**–**	**–**	3	–	3
Total	**–**	**–**	3	3,713	3,716
Less: non-current portion of					
Bunker swap contracts (b)	**–**	**–**	–	(46)	(46)
Non-current portion	**–**	**–**	–	(46)	(46)
Current portion	**–**	**–**	3	3,667	3,670
Derivative liabilities					
Cash flow hedges					
Forward foreign exchange contracts (a(i))	**22,314**	**22,314**	–	6,799	6,799
Interest rate swap contracts (d(i))	**2,831**	**2,831**	–	4,676	4,676
Derivative liabilities that do not qualify for hedge accounting					
Forward foreign exchange contracts (a(ii))	**–**	**–**	–	240	240
Bunker swap contracts (b)	**23,674**	**23,674**	–	30,624	30,624
Forward freight agreements (c)	**–**	**–**	237	–	237
Interest rate swap contracts (d(ii))	**1,633**	**1,633**	–	3,274	3,274
Total	**50,452**	**50,452**	237	45,613	45,850
Less: non-current portion of					
Forward foreign exchange contracts (a(i))	**(22,314)**	**(22,314)**	–	(6,799)	(6,799)
Interest rate swap contracts (d(i))	**(1,811)**	**(1,811)**	–	(4,161)	(4,161)
Interest rate swap contracts (d(ii))	**(1,633)**	**(1,633)**	–	(3,274)	(3,274)
Bunker swap contracts (b)	**(8,039)**	**(8,039)**	–	(8,092)	(8,092)
Non-current portion	**(33,797)**	**(33,797)**	–	(22,326)	(22,326)
Current portion	**16,655**	**16,655**	237	23,287	23,524

Notes to the Financial Statements continued

12 DERIVATIVE ASSETS AND LIABILITIES (CONTINUED)

(a) Forward foreign exchange contracts

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

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

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

At 31 December 2015, the Group had outstanding forward foreign exchange contracts with banks to buy approximately DKK 982.4 million (2014: DKK 1,134.1 million) and simultaneously sell approximately US$176.7 million (2014: US$204.3 million), which expire through August 2023.

At 31 December 2014, the Group had outstanding forward foreign exchange contracts with banks to buy approximately US$64.5 million and simultaneously sell approximately EUR 50.0 million for the sale proceeds of our two RoRo vessels that were denominated in Euros. These contracts expired through December 2015.

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

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

(b) Bunker swap contracts

Bunker swap contracts that do not qualify for hedge accounting

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

At 31 December 2015, the Group had outstanding bunker swap contracts to buy approximately 114,950 (2014: 180,900) metric tonnes of bunkers. These contracts expire through December 2021 (2014: December 2021).

- *Sensitivity analysis*:

  With all other variables held constant, if the average forward bunker rate on the bunker swap contracts held by the Group at the balance sheet date had been 10% higher/lower, the Group's profit after tax and equity would increase/decrease by approximately US$2.5 million (2014: US$5.9 million). Future movements in bunker price will be reflected in the eventual operating results derived from the vessels, which is expected to offset such increase/decrease of the Group's profit after tax and equity in future periods.

(c) Forward freight agreements

Forward freight agreements that do not qualify for hedge accounting

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

At 31 December 2015, the Group had no outstanding forward freight agreements. At 31 December 2014, the Group had outstanding forward freight agreements as follows:

Contract Type	Index[1]	Quantity (days)	Contract Daily Price (US$)	Expiry through
2015 : None				
2014:				
Buy	BHSI	135	8,000	March 2015
Buy	BSI	45	10,500	March 2015
Sell	BSI	15	9,100	January 2015

[1] "BSI" represents "Baltic Supramax Index" and "BHSI" represents "Baltic Handysize Index".

(d) Interest rate swap contracts

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

- *Sensitivity analysis:*

  With all other variables held constant, if the average interest rate on net cash balance (after excluding borrowings subject to fixed interest rates) subject to floating interest rates, which includes cash and deposits net of unhedged bank loans, held by the Group at the balance sheet date had been 50 basis point higher/lower, the Group's profit after tax and equity would increase/decrease by approximately US$1.1 million (2014: US$1.2 million).

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

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

(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 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.

Notes to the Financial Statements continued

12 DERIVATIVE ASSETS AND LIABILITIES (CONTINUED)

(e) Analysis of derivative income and expense

During the year ended 31 December 2015, the Group recognised net derivative expense of US$24.0 million, as follows:

US$ Million	Realised	Unrealised	2015	2014
Income				
Forward freight agreements	–	0.2	**0.2**	4.2
Bunker swap contracts	7.8	18.2	**26.0**	1.3
Interest rate swap contracts	–	1.6	**1.6**	1.7
Forward foreign exchange contracts	–	0.3	**0.3**	0.1
	7.8	20.3	**28.1**	7.3
Expenses				
Forward freight agreements	(0.5)	–	**(0.5)**	(7.9)
Bunker swap contracts	(33.6)	(11.3)	**(44.9)**	(40.8)
Interest rate swap contracts	(6.5)	–	**(6.5)**	(8.6)
Forward foreign exchange contracts	–	(0.2)	**(0.2)**	(0.2)
	(40.6)	(11.5)	**(52.1)**	(57.5)
Net				
Forward freight agreements	(0.5)	0.2	**(0.3)**	(3.7)
Bunker swap contracts	(25.8)	6.9	**(18.9)**	(39.5)
Interest rate swap contracts	(6.5)	1.6	**(4.9)**	(6.9)
Forward foreign exchange contracts	–	0.1	**0.1**	(0.1)
	(32.8)	8.8	**(24.0)**	(50.2)

Presentation in the Segment Information:

Revenue (Forward freight agreements)

Bunkers & port disbursements
Cost of services
Other income/Other expenses (Bunker swap contracts)

Finance costs (Interest rate swap contracts)

General and administration (Forward foreign exchange contracts)

Profit for the year

Presentation in the Financial Statements:

Revenue
Bunkers & port disbursements
Cost of services
Other income/Other expenses (Forward freight agreements, Bunker swap contracts)

Finance costs (Interest rate swap contracts)

General and administration (Forward foreign exchange contracts)

Profit for the year

Realised:
- *Cash settlement of contracts completed in the year*
- *Included in segment results*

Unrealised:
- *Contracts to be settled in future years*
- *Accounting reversal of earlier year contracts now completed*
- *Not part of segment results*

The application of HKAS 39 "Financial Instruments: Recognition and Measurement" has the effect of shifting to this year the estimated results of these derivative contracts that expire in future periods. On 31 December 2015 this created a net unrealised non-cash income of US$8.8 million (2014: US$28.9 million). The cash flows of these contracts will occur in future reporting years.

Accounting policy

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Derivatives are classified as current and non-current assets according to their respective settlement dates.

Financial assets at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement, and are subsequently remeasured at their fair values. Gains and losses arising from changes in the fair values are included in the other income or other expenses in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

In the cash flow statement, financial assets held for trading are presented within "operating activities" as part of changes in working capital.

Derivative financial instruments and hedging activities

The method of recognising the resulting gain or loss arising from changes in fair value for derivative financial instruments depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as cash flow hedges.

The Group documents at the inception of the transaction the relationship between the hedging instruments and the hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in the hedging transactions are highly effective in offsetting the changes in fair values or cash flows of the hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than twelve months after the balance sheet date. A trading derivative is classified as a current asset or liability.

(i) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other income and expenses.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. The deferred amounts are ultimately recognised in depreciation in the case of property, plant and equipment.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recycled when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recorded in equity is immediately transferred to the income statement.

(ii) Derivatives not qualifying for hedge accounting

Derivative instruments that do not qualify for hedge accounting are accounted for as financial assets and liabilities at fair value through profit or loss. Changes in the fair value of these derivative instruments are recognised immediately in the income statement.

Bunker swap contracts and forward freight agreements do not qualify for hedge accounting mainly because the contract periods, which are in calendar months, do not coincide with the periods of the physical contracts. The terms of one of the interest rate swap contracts also did not qualify for hedge accounting.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Notes to the Financial Statements continued

13 TRADE AND OTHER RECEIVABLES

US$'000	2015	2014
Non-current receivables		
Prepayments	**5,559**	8,936
Total	**5,559**	8,936
Current receivables		
Trade receivables – gross	**37,406**	45,395
Less: provision for impairment	**(2,749)**	(1,935)
Trade receivables – net (a)	**34,657**	43,460
Other receivables	**43,117**	42,395
Prepayments	**9,712**	18,266
Other receivables from disposals of – RoRos (b)	**–**	58,049
– harbour towage business (b)	**–**	57,839
– OMSA Joint Venture (b)	**–**	5,670
Total	**87,486**	225,679

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Strategy Delivery & Risks
Credit & counterparty risk

The carrying values of trade and other receivables approximate their fair values due to their short-term maturities.

Trade and other receivables are mainly denominated in United States Dollars.

Accounting policy – Loan receivables, trade and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. Trade and other receivables in the balance sheet are classified as loans and receivables.

Loans and receivables are recognised initially at fair value, plus transaction costs incurred. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Trade receivables mainly represent freight and charter-hire receivables which are recognised initially at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment.

Please refer to Note 5 for the accounting policy on impairment.

(a) Trade receivables

At 31 December 2015, the ageing of net trade receivables based on invoice date is as follows:

US$'000	2015	2014
< 30 days	**21,824**	30,446
31-60 days	**3,270**	5,543
61-90 days	**2,988**	3,192
> 90 days	**6,575**	4,279
	34,657	43,460

Movements in the provision for impairment of trade receivables are as follows:

US$'000	2015	2014
At 1 January	**1,935**	2,286
Provision for receivable impairment	**2,123**	2,664
Reversal of prior year overprovision	**(189)**	(1,187)
Total charge to income statement	**1,934**	1,477
Amount written off during the year	**(1,120)**	(1,828)
At 31 December	**2,749**	1,935

Credit policy

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.

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of international customers.

As at 31 December 2015 and 2014, net trade receivables are all past due but not impaired as no customer is expected to have significant financial difficulty. All other items within trade and other receivables do not contain past due or impaired assets.

(b) Other receivables from disposals

At 31 December 2014, other receivables include the following receivables from disposals:

(i) US$58.0 million net sale proceeds for the last two RoRo vessels which were settled in August 2015,

(ii) US$57.8 million receivables from the disposal of harbour towage business which was settled in February 2015, and

(iii) US$5.7 million receivables from the disposal of OMSA joint venture which was settled in January 2015.

14 CASH AND DEPOSITS

US$'000	2015	2014
Cash at bank and on hand	**47,186**	75,397
Bank deposits	**311,242**	288,028
Total cash and deposits	**358,428**	363,425
Effective interest rate on bank deposits at year end	**0.84%**	1.24%
Average remaining maturity of bank deposits	**68 days**	83 days
Cash and cash equivalents	**199,737**	256,731
Term deposits	**158,633**	105,000
Cash and deposits	**358,370**	361,731
Restricted bank deposits included in non-current assets	**58**	89
Restricted bank deposits included in current assets (Note)	**–**	1,605
Total cash and deposits	**358,428**	363,425

Note: The balance in 2014 mainly represented the collaterals held for a bank loan (Note 20(a)(iii)).

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.

Accounting policy – Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held with banks and other short-term highly liquid investments with original maturities of three months or less.

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Funding
Cash flow and cash

15 INVENTORIES

US$'000	2015	2014
Bunkers	**41,128**	69,774
Lubricating oil	**9,657**	9,750
	50,785	79,524

Accounting policy

Inventories are stated at the lower of cost and net realisable value, as estimated by the management. Costs are calculated on a first-in first-out basis.

16 ASSETS HELD FOR SALE

The Group entered into agreements with a third party in 2014 to dispose of two harbour towage vessels. The transactions were completed in 2015 producing no material gain or loss. The carrying amounts of the two vessels of US$5,749,000 in 2014 represented the estimated fair value less costs to sell and reclassified from property, plant and equipment (Note 6) accordingly.

Accounting policy – Assets held for sale and discontinued operations

Assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Group's business which represents a separate operations, or it is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale. The operations and cash flows of a discontinued operation should be clearly distinguished from the rest of the Group.

When an operation is classified as discontinued, a single amount is presented in the income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets constituting the discontinued operation.

17 TRADE AND OTHER PAYABLES

US$'000	2015	2014
Trade payables	**30,566**	54,458
Accruals and other payables	**56,361**	65,683
Receipts in advance	**30,437**	37,557
	117,364	157,698

At 31 December 2015, the ageing of trade payables based on due date is as follows:

US$'000	2015	2014
< 30 days	**25,338**	48,247
31-60 days	**372**	987
61-90 days	**833**	1,279
> 90 days	**4,023**	3,945
	30,566	54,458

The carrying values of trade and other payables approximate their fair values due to the short-term maturities of these liabilities.

Trade and other payables are mainly denominated in United States Dollars.

Accounting policy – Trade payables

Trade payables mainly represent freight and charter-hire payables which are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the Financial Statements continued

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

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

(a) Assets and liabilities of discontinued operations

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

(b) Analysis of the result of the discontinued operations

US$'000	2014
Operating results	
Revenue	1,671
Cost of services	(1,867)
Gross loss	(196)
Tax	(4)
	(200)
Exchange loss	(5,022)
	(5,222)

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

US$'000	2014
Release of exchange reserve	(5,022)

(d) The net cash flows attributable to the discontinued operations

US$'000	2014
Operating cash flows	(139)

Please refer to Note 16 for the accounting policy on discontinued operations classified as held for sale.

19 PROVISION FOR ONEROUS CONTRACTS

US$'000	2015	2014
At 1 January	**100,906**	656
Utilised during the year (Note 23)	**(21,324)**	(662)
Charge for the year	**–**	100,906
Exchange differences	**–**	6
At 31 December	**79,582**	100,906
Analysis of provisions		
Current	**27,664**	21,324
Non-current	**51,918**	79,582
	79,582	100,906

Accounting policy

A provision for onerous contracts is recognised where the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be received under them.

Critical accounting estimates and judgements – Provision for onerous contracts

The Group estimates the provision for its non-cancellable operating chartered-in contracts in relation to the Group's chartered-in vessels on a fleet basis for each type of vessel by calculating the difference between the total charter revenue and freight expected to be earned and the total value of future charter payments the Group is obligated to make for the remaining term of the chartered-in contracts.

The expected charter revenue and freight is derived from the aggregate of (a) the amount of revenue cover provided by existing contracts of affreightment, and (b) management estimates on the uncovered period by reference to current physical market rates, current trades of forward freight agreements and other relevant market information at the reporting date.

With all other variables held constant, if the expected freight rates for the uncovered chartered-in contracts increase/decrease by 4% from management estimates over the next 5 years, the provision for onerous contracts would decrease/increase by US$10.0 million.

20 LONG-TERM BORROWINGS

US$'000	2015	2014
Non-current		
Secured bank loans (a)	**519,783**	507,223
Convertible bonds (c)	**113,443**	313,422
	633,226	820,645
Current		
Secured bank loans (a)	**73,684**	160,810
Finance lease liabilities (b)	**–**	18,289
Convertible bonds (c)	**219,055**	–
	292,739	179,099
Total long-term borrowings	**925,965**	999,744

The fair value of long-term borrowings is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments and are within level 2 of the fair value hierarchy. Please refer to Note 11 (Fair value levels) for the definition of different levels.

Long-term borrowings are mainly denominated in United States Dollars.

Accounting policy – Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least twelve months after the balance sheet date.

(a) Secured bank loans

The bank loans as at 31 December 2015 were secured, inter alia, by the following:

(i) Mortgages over certain owned vessels with net book values of US$1,470,156,000 (2014: US$1,246,087,000) (Note 6(b));

(ii) Assignment of earnings and insurances compensation in respect of the vessels; and

(iii) No cash and deposit (2014: US$1,600,000) (Note 14).

The Group's bank loans are repayable as follows:

US$'000	2015	2014
Within one year	**73,684**	160,810
In the second year	**78,899**	79,004
In the third to fifth year	**254,381**	191,048
After the fifth year	**186,503**	237,171
	593,467	668,033
Average effective interest rate of bank loans (before hedging)	**2.8%**	2.5%

(b) Finance lease liabilities

At 31 December 2014, the Group leased three vessels under finance leases. The vessel leases expired in 2015 and the purchase options were not exercised.

The gross liabilities, future finance charges and net liabilities under finance leases as at 31 December 2014 were as follows:

US$'000	2014
Gross liabilities under finance leases Within one year	19,318
Less: future finance charges on finance leases	(1,029)
	18,289
Average effective interest rates on finance lease liabilities	6.6%

US$'000	2014
Net liabilities under finance leases Within one year	18,289
Fair value of the finance lease liabilities	18,735

Notes to the Financial Statements continued

20 LONG-TERM BORROWINGS (CONTINUED)

(c) Convertible bonds

US$'000	2015 Face value	2015 Liability component	2014 Face value	2014 Liability component
1.75% coupon due 2016	**105,590**	**105,140**	209,600	202,845
1.875% coupon due 2018	**123,800**	**113,915**	123,800	110,577
3.25% coupon due 2021	**125,000**	**113,443**	–	–
Total	**354,390**	**332,498**	333,400	313,422

During the period, 1.75% coupon convertible bonds with an aggregate nominal value of US$104.0 million were bought back and cancelled at a consideration of US$103.3 million including accrued interest. Losses of US$0.1 million were recognised in the income statement and an equity movement of US$14.0 million credited to retained earnings was recognised upon the derecognition of the respective liability and equity components.

The carrying value of convertible bonds approximate their fair values.

Key items	1.75% coupon due 2016	1.875% coupon due 2018	3.25% coupon due 2021
Issue size	US$105.6 million (US$230.0 million originally)	US$123.8 million	US$125.0 million
Issue date	12 April 2010	22 October 2012	8 June 2015
Maturity date	12 April 2016 (6 years from issue)	22 October 2018 (6 years from issue)	3 July 2021 (approximately 6.1 years from issue)
Coupon – cash cost	1.75% p.a. payable semi-annually in arrears on 12 April and 12 October	1.875% p.a. payable semi-annually in arrears on 22 April and 22 October	3.25% p.a. payable semi-annually in arrears on 3 January and 3 July
Effective interest rate	4.70% charged to income statement	5.17% charged to income statement	5.70% charged to income statement
Redemption price	100%	100%	100%
Conversion price converting bonds into shares (Note)	HK$6.97 (with effect from 27 April 2015)	HK$4.75 (with effect from 27 April 2015)	HK$4.08
Conversion at bondholders' options	After 11 January 2014, conversion can take place at any time at no premium	Any time on or after 2 December 2012	Any time on or after 19 July 2015
Bondholder put date for redemption at 100% of the principal amount	On 12 April 2014 (4 years from issue), certain bondholders exercised their right to require the Group to redeem all or some of their bonds resulting in US$20.4 million bonds being redeemed and cancelled on 14 April 2014. There is no further bondholder put right.	On 22 October 2016 (4 years from issue), each bondholder will have the right to require the Group to redeem all or some of the bonds. As this is an unconditional put option accounting standards require the Group to treat the convertible bonds as falling due on the put date.	On 3 July 2019 (approximately 4.1 years from issue), each bondholder will have the right to require the Group to redeem all or some of the bonds. As this is an unconditional put option accounting standards require the Group to treat the convertible bonds as falling due on the put date.
Issuer call date for redemption at 100% of the principal amount, provided that the closing price of the Company's shares is at least at a 30% premium to the conversion price then in effect for thirty consecutive trading days	After 12 April 2014, the Group may redeem the bonds in whole.	After 22 October 2016, the Group may redeem the bonds in whole.	After 3 July 2019, the Group may redeem the bonds in whole.

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

Accounting policy – Convertible bonds

Convertible bonds are accounted for as the aggregate of (i) a liability component and (ii) an equity component.

At initial recognition, the fair value of the liability component of the convertible bonds is determined using a market interest rate for an equivalent non-convertible bond. The remainder of the proceeds is allocated to the conversion option as an equity component, recognised in other comprehensive income.

Transaction costs associated with the issuance of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of proceeds. The liability component is subsequently carried at amortised cost, calculated using the effective interest method, until extinguished on conversion or maturity.

21 SHARE CAPITAL

	2015 Number of shares	2015 US$'000	2014 Number of shares	2014 US$'000
Authorised	**3,600,000,000**	**360,000**	3,600,000,000	360,000
Issued and fully paid				
At 1 January	**1,933,666,119**	**191,781**	1,934,457,119	193,237
Shares purchased by trustee of the SAS	**(1,452,000)**	**(530)**	(5,486,000)	(3,483)
Shares granted to employees in the form of restricted share awards	**4,205,000**	**2,463**	8,140,000	4,215
Shares transferred back to trustee upon lapse of restricted share awards	**(410,000)**	**(219)**	(3,845,000)	(2,228)
Shares issued upon grant of restricted share awards	**9,846,000**	**985**	–	–
Shares issued upon exercise of share options	**–**	**–**	400,000	40
At 31 December	**1,945,855,119**	**194,480**	1,933,666,119	191,781

The issued share capital of the Company as at 31 December 2015 was 1,946,823,119 shares (2014: 1,936,977,119 shares). The difference from the number of shares in the table above of 968,000 (2014: 3,311,000) represents shares held by the trustee in relation to restricted share awards, amounting to US$202,700 (2014: US$1,916,400) as a debit to share capital.

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 is regarded as a special purpose entity 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 year are as follows:

000' shares	2015	2014
At 1 January	**23,540**	27,810
Granted	**14,051**	8,140
Vested	**(10,772)**	(8,565)
Lapsed	**(410)**	(3,845)
At 31 December	**26,409**	23,540

During the year, a total of 14,051,000 (2014: 8,140,000) 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.

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Report of the Directors
See History and Movement of Restricted Awards Granted

Notes to the Financial Statements continued

21 SHARE CAPITAL (CONTINUED)

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

	2015		2014	
Sources of shares granted	**Number of granted shares awards**	**Related movement US$'000**	Number of granted shares awards	Related movement US$'000
Shares issued	**9,012,000**	**901**	–	–
Shares purchased by the trustee of the SAS on the Stock Exchange funded by the Company	**1,452,000**	**530**	5,486,000	3,483
Shares transferred from the trustee	**3,587,000**	**2,017**	2,654,000	732
	14,051,000	**3,448**	8,140,000	4,215

The vesting periods and grant dates of the unvested restricted share awards as at 31 December 2015 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	7,541,000	7,541,000	–	–
5 May 2014	5,195,000	47,000	5,148,000	–
13 August 2014	333,000	–	333,000	–
17 April 2015	13,340,000	852,000	852,000	11,636,000
	26,409,000	8,440,000	6,333,000	11,636,000

Accounting policy

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or share options are shown in equity as a deduction from the proceeds.

Where any group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax) is included in equity.

22 RESERVES

US$'000	Share[a] premium	Merger[b] reserve	Convertible bonds reserve	Staff benefits reserve	Hedging reserve	Investment valuation reserve	Exchange reserve	Subtotal	Retained profits	Total
	Other reserves									
At 1 January 2015	**604,104**	**(56,606)**	**48,755**	**(4,373)**	**(12,439)**	**1,102**	**(1,664)**	**578,879**	**231,086**	**809,965**
Loss attributable to shareholders	–	–	–	–	–	–	–	–	(18,540)	(18,540)
Cash flow hedges										
– fair value losses	–	–	–	–	(18,885)	–	–	(18,885)	–	(18,885)
– transferred to finance costs in income statement	–	–	–	–	6,179	–	–	6,179	–	6,179
Release of exchange reserve upon:										
– disposal of Seafuels Joint Venture	–	–	–	–	–	–	(355)	(355)	–	(355)
– repayment of shareholder loans by subsidiaries	–	–	–	–	–	–	(669)	(669)	–	(669)
Dividends paid (Note 26)	–	–	–	–	–	–	–	–	(12,368)	(12,368)
Currency translation differences	–	–	–	–	–	–	(2,497)	(2,497)	–	(2,497)
Share-based compensation (see Remuneration Report)	–	–	–	4,749	–	–	–	4,749	–	4,749
Share awards granted (Note 21)	–	–	–	(2,463)	–	–	–	(2,463)	–	(2,463)
Share awards lapsed (Note 21)	–	–	–	219	–	–	–	219	–	219
Share awards fully vested	717	–	–	273	–	–	–	990	(990)	–
Derecognition of equity component upon exercise of CB put options	–	–	(14,607)	–	–	–	–	(14,607)	14,045	(562)
Shares issued upon grant of restricted share awards (Note 21)	–	–	–	(985)	–	–	–	(985)	–	(985)
Equity component of convertible bond issued	–	–	13,772	–	–	–	–	13,772	–	13,772
Fair value losses on available-for-sale financial assets	–	–	–	–	–	(1,102)	–	(1,102)	–	(1,102)
At 31 December 2015	**604,821**	**(56,606)**	**47,920**	**(2,580)**	**(25,145)**	**–**	**(5,185)**	**563,225**	**213,233**	**776,458**
Representing:										
2015 proposed final dividend									–	
Others									213,233	
Retained profits at 31 December 2015									**213,233**	

(a) Share premium mainly represents the net share issuance proceeds in excess of the nominal value credited to share capital.

(b) Merger reserve represents the difference between the nominal value of the shares of subsidiaries acquired and the nominal value of the Company's shares issued pursuant to the transfer of PB Vessels Holding Limited and its subsidiaries into the Company through an exchange of shares prior to the listing of the shares of the Company on the Stock Exchange in 2004.

Notes to the Financial Statements continued

22 RESERVES (CONTINUED)

	Other reserves									
US$'000	Share[a] premium	Merger[b] reserve	Convertible bonds reserve	Staff benefits reserve	Hedging reserve	Investment valuation reserve	Exchange reserve	Subtotal	Retained profits	Total
At 1 January 2014	602,050	(56,606)	51,620	(5,728)	2,640	1,870	(11,371)	584,475	526,582	1,111,057
Loss attributable to shareholders	–	–	–	–	–	–	–	–	(284 964)	(284,964)
Cash flow hedges										
– fair value losses	–	–	–	–	(23,564)	–	–	(23,564)	–	(23,564)
– transferred to finance costs in income statement	–	–	–	–	8,485	–	–	8,485	–	8,485
Release of exchange reserve upon:										
– disposal of harbour towage business	–	–	–	–	–	–	9,312	9,312	–	9,312
– disposal of a RoRo vessel	–	–	–	–	–	–	5,022	5,022	–	5,022
– disposal of OMSA Joint Venture	–	–	–	–	–	–	4,374	4,374	–	4,374
– repayment of shareholder loans by subsidiaries	–	–	–	–	–	–	(1,015)	(1,015)	–	(1,015)
Dividends paid (Note 26)	–	–	–	–	–	–	–	–	(12,385)	(12,385)
Currency translation differences	–	–	–	–	–	–	(7,986)	(7,986)	–	(7,986)
Share-based compensation (see Remuneration Report)	–	–	–	5,311	–	–	–	5,311	–	5,311
Share awards granted (Note 21)	–	–	–	(4,215)	–	–	–	(4,215)	–	(4,215)
Share awards lapsed (Note 21)	–	–	–	2,228	–	–	–	2,228	–	2,228
Shares issued upon exercise of share options	126	–	–	(38)	–	–	–	88	–	88
Share awards fully vested	1,928	–	–	(1,931)	–	–	–	(3)	3	–
Derecognition of equity component upon exercise of CB put options	–	–	(2,865)	–	–	–	–	(2,865)	1,850	(1,015)
Fair value losses on available-for-sale financial assets	–	–	–	–	–	(768)	–	(768)	–	(768)
At 31 December 2014	604,104	(56,606)	48,755	(4,373)	(12,439)	1,102	(1,664)	578,879	231,086	809,965
Representing:										
2014 final dividend									12,368	
Others									218,718	
Retained profits at 31 December 2014									231,086	

23 OTHER INCOME AND GAINS

US$'000	2015	2014
Utilisation of provision for onerous contracts (Note 19)	**21,324**	662
Adjustment to the result on sale of OMSA joint venture	**4,610**	–
Gains on disposal of bunker barge joint venture	**3,514**	–
Write-back provision for harbour towage business	**1,522**	–
Gains on forward freight agreements (Note 12(e))	**234**	4,170
Gains on disposal of property, plant and equipment	**372**	362
Exchange gains on repayment of shareholder loans by subsidiaries	**–**	1,015
	31,576	6,209

24 FINANCE INCOME AND COSTS

US$'000	2015	2014
Finance income		
Bank interest income	**(2,925)**	(4,014)
Other interest income	**(1,544)**	(6,149)
Finance lease interest income	**–**	(626)
Total finance income	**(4,469)**	(10,789)
Finance costs		
Borrowings		
Interest on bank loans	**15,861**	19,306
Interest on convertible bonds	**17,149**	15,010
Interest on finance leases	**1,030**	1,411
Net losses on interest rate swap contracts	**4,893**	6,881
Other finance charges	**1,826**	1,102
	40,759	43,710
Less: amounts capitalised as PP&E (Note 6(d))	**(964)**	(158)
Total finance costs	**39,795**	43,552
Finance costs, net	**35,326**	32,763

25 TAXATION

Shipping income from dry bulk international trade is either not subject to or exempt from taxation according to the tax regulations prevailing in the countries in which the Group operates. Shipping income from towage and non-shipping income is 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:

US$'000	2015	2014
Current taxation		
Hong Kong profits tax, provided at the rate of 16.5% (2014: 16.5%)	**665**	636
Overseas tax, provided at the rates of taxation prevailing in the countries	**438**	596
Adjustments in respect of prior year	**76**	(15)
Tax charges	**1,179**	1,217

Notes to the Financial Statements continued

25 TAXATION (CONTINUED)

The tax on the Group's profit before taxation differs from the theoretical amount that would arise using the applicable tax rate, being the weighted average of rates prevailing in the countries in which the Group operates, as follows:

US$'000	2015	2014
Loss before taxation	(17,361)	(278,525)
Add: share of profits less losses/impairment of joint ventures	(178)	8,193
Add: share of profits less losses/impairment of associates	–	1,500
	(17,539)	(268,832)
Tax calculated at applicable tax rates	(2,146)	(26,553)
Income not subject to taxation	(118,295)	(143,012)
Expenses not deductible for taxation purposes	121,544	170,797
Tax losses incurred for which no deferred income tax asset was recognised	–	–
Overprovision of prior year	76	(15)
Taxation charge	1,179	1,217
Weighted average applicable tax rate	12.2%	9.9%

Critical accounting estimates and judgements – Income taxes

The Group is subject to income taxes in certain jurisdictions. There are transactions entered into where the ultimate tax determination and tax classification may be uncertain. Significant judgement is required in determining the provision for income taxes. The current provision in the balance sheet for income tax of US$1,434,000 represents management's estimates of the most likely amount of tax expected to be paid to the taxation authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the provision for income tax in the period in which such determination is made.

Accounting policy

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

26 DIVIDENDS

	2015			2014		
	HK cents per share	**US cents per share**	**US$'000**	HK cents per share	US cents per share	US$'000
Proposed final dividend	**–**	**–**	**–**	5.0	0.6	12,368
Dividend paid during the year	**5**	**0.6**	**12,368**	5.0	0.6	12,385

No final dividend was proposed in respect of the year ended 31 December 2015.

Accounting policy

Dividend distributions to the Company's shareholders are recognised as liabilities in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or Directors, where appropriate.

The dividend declared after the year end is not reflected as a dividend payable in the financial statements of that year, but will be reflected as an appropriation of retained profits for the following year.

27 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 SAS and unvested restricted shares (Note 21).

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 (Note 21) but after adjusting for the number of potential dilutive ordinary shares from convertible bonds and unvested restricted shares where dilutive.

		Basic & Diluted EPS 2015	Basic & Diluted EPS 2014
Loss from continuing operations	(US$'000)	**(18,540)**	(279,742)
Loss from discontinued operations	(US$'000)	**–**	(5,222)
Loss attributable to shareholders	(US$'000)	**(18,540)**	(284,964)
Weighted average number of ordinary shares in issue	('000)	**1,914,024**	1,908,712
Earnings per share			
– continuing operations	(US cents)	**(0.97)**	(14.66)
– discontinued operations	(US cents)	**–**	(0.27)
	(US cents)	**(0.97)**	(14.93)
Equivalent to			
– continuing operations	(HK cents)	**(7.51)**	(113.66)
– discontinued operations	(HK cents)	**–**	(2.12)
	(HK cents)	**(7.51)**	(115.78)

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

Notes to the Financial Statements continued

28 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of losses before taxation to cash generated from operations:

US$'000	2015	2014
Losses before taxation	(17,361)	(283,743)
Adjusted for:		
Assets and liabilities adjustments:		
Depreciation	100,012	102,509
Amortisation of land use rights	73	74
(Utilisation of)/provision for onerous contracts, net	(21,324)	100,244
Net unrealised (gain)/loss on derivative instruments not qualified as hedges, excluding interest rate swap contracts	(7,224)	30,555
Adjustment to the result on sale of OMSA joint venture	(4,610)	–
Gain on disposal of a joint venture [(a)]	(3,514)	–
Provision for impairment losses		
– Trade receivables	1,934	1,477
– Available-for-sale financial assets	889	–
– Property, plant and equipment	–	58,892
Write-back provision for harbour towage business	(1,522)	–
Losses/(gains) on disposal of property, plant and equipment	307	(362)
Loss on disposal of harbour towage business	–	19,295
Loss on disposal of OMSA joint venture	–	1,987
Capital and funding adjustments:		
Share-based compensation	4,749	5,311
Results adjustments:		
Finance costs, net	35,326	32,763
Share of profit less losses/impairment of joint ventures	(178)	8,193
Share of profits less losses/impairment of associates	–	1,500
RoRo exchange loss	–	5,022
Exchange gain on repayment of shareholder loans by subsidiaries	–	(1,015)
Exchange differences	2,305	(972)
Profit before taxation before working capital changes	89,862	81,730
Decrease in inventories	28,712	23,961
Decrease/(increase) in trade and other receivables	19,326	(3,323)
Decrease in trade and other payables	(38,171)	(7,222)
Cash generated from operations	99,729	95,146

(a) During the year, the Group disposed of all its interest in the Seafuels Limited joint venture.

29 COMMITMENTS

(a) Capital commitments

US$'000	2015	2014
Contracted but not provided for – vessel acquisitions and shipbuilding contracts	273,787	384,716

Page 27 & 28
Vessel Commitments &
Vessel Operating Lease Commitments

Capital commitments for the Group that fall due in one year or less amounted to US$171.4 million (2014: US$108.7 million).

(b) Commitments under operating leases

Accounting policy – Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Critical accounting estimates and judgements – Classification of leases

The Group classifies its leases into either finance leases or operating leases taking into account of the spirit, intention, and application of HKAS 17 "Leases".

Management assesses the classification of leases by taking into account the market conditions at the inception of the lease, the period of the lease and the probability of exercising purchase options, if any, attached to the lease. For those leases that would not transfer ownership of the assets to the Group at the end of the lease term, and that it is not reasonably certain that the purchase options, if any, attached to the arrangements would be exercised, they are being treated as operating leases.

(i) The Group as the lessee – payments

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

US$'000	Dry bulk vessels	Tugs	Vessels total	Land and buildings	Total
At 31 December 2015					
Within one year	**154,329**	**–**	**154,329**	**3,517**	**157,846**
In the second to fifth year	**428,331**	**–**	**428,331**	**3,458**	**431,789**
After the fifth year	**92,733**	**–**	**92,733**	**908**	**93,641**
	675,393	**–**	**675,393**	**7,883**	**683,276**
At 31 December 2014					
Within one year	201,864	228	202,092	3,497	205,589
In the second to fifth year	504,564	–	504,564	6,392	510,956
After the fifth year	171,164	–	171,164	1,301	172,465
	877,592	228	877,820	11,190	889,010

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

Accounting policy – Operating leases: where the Group is the lessee

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the lease periods.

(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 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**
At 31 December 2014			
Within one year	24,388	4,311	28,699
In the second to fifth year	63,619	313	63,932
After the fifth year	55,507	–	55,507
	143,514	4,624	148,138

(a) Operating lease commitments of the Group's minimum operating lease receipts for dry bulk vessels mainly include the commitments from two Post-Panamax vessels of US$119.1 million (2014: US$135.0 million).

The Group's operating leases have terms ranging from less than 1 year to 16 years.

Notes to the Financial Statements continued

29 COMMITMENTS (CONTINUED)

(b) Commitments under operating leases (Continued)

Accounting policy – Operating leases: where the Group is the lessor

When the Group leases out assets under operating leases, the assets are included in the balance sheet and, where applicable, are depreciated in accordance with the Group's depreciation policies as set out in Note 6 Property, plant and equipment. Revenue arising from assets leased out under operating leases is recognised on a straight-line basis over the lease periods.

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Strategy Delivery & Risks
Enhancing Corporate & Financial Profile

30 FINANCIAL LIABILITIES SUMMARY

This note should be read in conjunction with the Liquidity Risk section on page 22. The maturity profile of the Group's financial liabilities, net-settled derivative financial instruments and gross-settled derivative financial instruments. Based on the remaining period from the balance sheet date to the contractual maturity date are summarised below. These represented contractual cash flows which include principal and interest elements where applicable.

	Within one year		In the second year		In the third to fifth year		After the fifth year		Total	
US$'000	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Long-term borrowings										
– Gross liabilities under finance leases	**–**	19,318	**–**	–	**–**	–	**–**	–	**–**	19,318
– Secured bank loans	**92,812**	179,735	**97,082**	97,537	**296,333**	235,007	**200,511**	256,843	**686,738**	769,122
– Convertible bonds	**236,980**	5,989	**4,062**	213,755	**133,125**	128,443	**–**	–	**374,167**	348,187
Derivative financial instruments										
(i) Net-settled (a)										
– Interest rate swap contracts	**4,136**	6,164	**576**	3,250	**(211)**	36	**(43)**	–	**4,458**	9,450
– Bunker swap contracts	**15,635**	22,532	**5,057**	5,887	**2,798**	2,061	**184**	144	**23,674**	30,624
– Forward freight agreements	**–**	237	**–**	–	**–**	–	**–**	–	**–**	237
(ii) Gross-settled (b)										
Forward foreign exchange contracts										
– Cash flow hedges:										
– outflow	**24,638**	138,535	**25,873**	26,829	**72,116**	74,863	**51,833**	74,959	**174,460**	315,186
– inflow	**(19,636)**	(132,349)	**(20,887)**	(24,390)	**(58,687)**	(71,270)	**(42,711)**	(77,120)	**(141,921)**	(305,129)
Net outflow/(inflow)	**5,002**	6,186	**4,986**	2,439	**13,429**	3,593	**9,122**	(2,161)	**32,539**	10,057
Current liabilities										
Trade and other payables	**86,928**	120,141	**–**	–	**–**	–	**–**	–	**86,928**	120,141

(a) Net-settled derivative financial instruments represent derivative liabilities whose terms result in settlement by a netting mechanism, such as settling the difference between the contract price and the market price of the financial liabilities.

(b) Gross-settled derivative financial instruments represent derivative assets or liabilities which are not settled by the above mentioned netting mechanism.

31 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 was the key management compensation. For the key management compensation (including Directors' emoluments) and the accounting policy on employee benefits, please refer the Remuneration Report on page 48 to 50.

32 FINANCIAL GUARANTEES

At 31 December 2015, the Company has given corporate guarantees with maximum exposures of US$666.1 million (2014: US$675.0 million) for certain subsidiaries of Pacific Basin Dry Bulk in respect of loan facilities granted to the subsidiaries.

Accounting policy

Financial guarantee contracts are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary holder of the guarantee (i.e. the holder) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially recognised at their fair values, and subsequently measured at the higher of (i) the amount initially recognised less accumulated amortisation; and (ii) the amount required to be settled by the guarantor in respect of the financial guarantee contracts at the balance sheet date.

33 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group has no contingent liabilities and contingent assets at 31 December 2015 and 2014.

Accounting policy

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

Contingent liabilities are not recognised but are disclosed in the notes to the financial statements when an outflow of economic resources is probable, a provision is recognised.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When an inflow is virtually certain, an asset is recognised.

34 EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to 31 December 2015, the Group has contracted with a third party to sell two tugs with completion in March 2016 at approximately book value and expects to receive cash proceeds of US$11 million.

Notes to the Financial Statements continued

35 PRINCIPAL SUBSIDIARIES

At 31 December 2015, the Company has direct and indirect interests in the following principal subsidiaries:

Company	Place of incorporation/ operation	Issued and fully paid share capital	Interest held %	Principal activities
Shares held directly:				
Others:				
PB Vessels Holding Limited	BVI	US$1,191,118,775	**100**	Investment holding
PB Management Holding Limited	BVI	US$12,313	**100**	Investment holding
PB Issuer (No.2) Limited	BVI	US$1	**100**	Convertible bond issuer
PB Issuer (No.3) Limited	BVI	US$1	**100**	Convertible bond issuer
PB Issuer (No.4) Limited	BVI	US$1	**100**	Convertible bond issuer
Shares held indirectly:				
Pacific Basin Dry Bulk:				
Astoria Bay Limited	HK/Int'l	HK$1	**100**	Vessel owning and chartering
Baker River Limited	HK/Int'l	HK$1	**100**	Vessel owning and chartering
Baltic Sea Limited	HK/Int'l	HK$1	**100**	Vessel owning and chartering
Barrow Shipping Limited	BVI/Int'l	US$1	**100**	Vessel owning and chartering
Bass Strait Limited	HK/Int'l	HK$1	**100**	Vessel owning and chartering
Bell Bay Shipping Limited	HK/Int'l	HK$1	**100**	Vessel owning and chartering
Bernard (BVI) Limited	BVI/Int'l	US$51,001	**100**	Vessel owning and chartering
Bonny Shipping Limited	BVI/Int'l	US$1	**100**	Vessel owning and chartering
Bright Cove Limited	HK/Int'l	HK$1	**100**	Vessel owning and chartering
Cape York Shipping Limited	BVI/Int'l	US$1	**100**	Vessel owning and chartering
Champion Bay Limited	BVI/Int'l	US$1	**100**	Vessel owning and chartering
Cherry Point Limited	HK/Int'l	HK$1	**100**	Vessel owning and chartering
Chiloe Shipping Limited	BVI/Int'l	US$1	**100**	Vessel owning and chartering
Columbia River Shipping Limited	HK/Int'l	HK$1	**100**	Vessel owning and chartering
Corio Bay Limited	HK/Int'l	HK$1	**100**	Vessel owning and chartering
Cramond Island Limited	HK	HK$1	**100**	Vessel owning
Delphic Shipping (BVI) Limited	BVI/Int'l	US$1	**100**	Vessel owning and chartering
Eaglehill Trading Limited 鷹峯貿易有限公司	HK/Int'l	HK$1	**100**	Vessel owning and chartering
Eastern Cape Limited	BVI/Int'l	US$1	**100**	Vessel owning and chartering
Elizabay Limited	BVI/Int'l	US$1	**100**	Vessel owning and chartering
Elizabeth Castle Limited	BVI/Int'l	US$1	**100**	Vessel chartering
Elizabeth River Limited	HK/Int'l	HK$1	**100**	Vessel owning and chartering
Esperance Bay Limited	HK/Int'l	HK$1	**100**	Vessel owning and chartering
Everclear Shipping (BVI) Limited	BVI/Int'l	US$31,001	**100**	Vessel owning and chartering
Finest Solution Limited	HK/Int'l	HK$1	**100**	Vessel owning and chartering
Francesca Shipping (BVI) Limited	BVI/Int'l	US$30,001	**100**	Vessel owning and chartering
Future Sea Limited	HK/Int'l	HK$1	**100**	Vessel owning and chartering
Gold River Vessel Limited	HK/Int'l	HK$1	**100**	Vessel owning and chartering
Good Shape Limited	HK/Int'l	HK$1	**100**	Vessel owning and chartering
Hainan Island Limited	HK/Int'l	HK$1	**100**	Vessel owning and chartering
Helen Shipping (BVI) Limited	BVI/Int'l	US$1	**100**	Vessel owning and chartering

Company	Place of incorporation/ operation	Issued and fully paid share capital	Interest held %	Principal activities
Honey Island Limited	HK	HK$1	100	Vessel owning
Illovo River Limited	HK	HK$1	100	Vessel owning
Imabari Logger Limited	BVI/Int'l	US$1	100	Vessel owning and chartering
Impression Bay Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Incheon Bay Limited	HK	HK$1	100	Vessel owning
Indian Ocean Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Indigo Lake Limited	HK	HK$1	100	Vessel owning
Isabela Island Limited	HK	HK$1	100	Vessel owning
Jamaica Bay Limited	BVI/Int'l	US$1	100	Vessel owning and chartering
James Bay Limited	BVI/Int'l	US$1	100	Vessel owning and chartering
Jericho Beach Limited	BVI/Int'l	US$1	100	Vessel owning and chartering
Jervis Bay Shipping Limited	BVI/Int'l	US$1	100	Vessel owning and chartering
Jiangmen Trader Limited	BVI/Int'l	US$1	100	Vessel owning and chartering
Judith Shipping (BVI) Limited	BVI/Int'l	US$38,001	100	Vessel owning and chartering
Jules Point Limited	BVI/Int'l	US$1	100	Vessel owning and chartering
Jumeirah Beach Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Kaiti Hill Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Kanda Logger Limited	HK	HK$1	100	Vessel owning
Key West Shipping Limited	HK	HK$1	100	Vessel owning
Kodiak Island Limited	HK	HK$1	100	Vessel owning
Kultus Cove Limited	HK	HK$1	100	Vessel owning
Labrador Shipping (BVI) Limited	BVI/Int'l	US$38,001	100	Vessel owning and chartering
Lake Stevens Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Liberty Vessel Limited	BVI/Int'l	US$1	100	Vessel owning and chartering
Longview Logger Limited (Formerly Chelsea Harbour Limited)	HK/Int'l	HK$1	100	Vessel owning and chartering
Luzon Strait Shipping (BVI) Limited	BVI/Int'l	US$1	100	Vessel owning and chartering
Marsden Point Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Matakana Island Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Mega Fame Limited	BVI/Int'l	US$1	100	Vessel owning and chartering
Mount Adams Limited	BVI/Int'l	US$1	100	Vessel owning and chartering
Mount Aso Limited	HK	HK$1	100	Vessel owning
Mount Baker Shipping Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Mount Hikurangi Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Mount Rainier Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Mount Seymour Limited	HK	HK$1	100	Vessel owning
Newman Shipping (BVI) Limited	BVI/Int'l	US$26,001	100	Vessel owning and chartering
Nobal Sky Limited	BVI/Int'l	US$1	100	Vessel owning and chartering
Oak Bay Shipping Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Olive Bay Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Orange River Shipping Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Osaka Bay Limited	HK	HK$1	100	Vessel owning
Otago Bay Limited	HK	HK$1	100	Vessel owning
Otago Harbour Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Othello Shipping (BVI) Limited	BVI/Int'l	US$26,593	100	Vessel owning and chartering

Notes to the Financial Statements continued

35 PRINCIPAL SUBSIDIARIES (CONTINUED)

Company	Place of incorporation/ operation	Issued and fully paid share capital	Interest held %	Principal activities
Oyster Bay Limited	HK	HK$1	100	Vessel owning
Pacific Basin Chartering Limited	BVI/Int'l	US$10	100	Vessels chartering
Pacific Basin Chartering (No. 1) Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Pacific Basin Chartering (No. 2) Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Pacific Basin Chartering (No. 3) Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Pacific Basin Chartering (No. 4) Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Pacific Basin Chartering (No. 5) Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Pacific Basin Chartering (No. 6) Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Pacific Basin Chartering (No. 7) Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Pacific Basin Chartering (No. 8) Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Pacific Basin Chartering (No. 9) Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Pacific Basin Chartering (No. 10) Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Port Alberni Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Port Alfred Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Port Alice Limited	BVI/Int'l	US$1	100	Vessel owning and chartering
Port Angeles Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Port Botany Limited	BVI/Int'l	US$1	100	Vessel owning and chartering
Puget Sound Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Supreme Effort Group Limited	BVI/Int'l	US$1	100	Vessel owning and chartering
Swan River Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Tampa Bay Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Uhland Shipping (BVI) Limited	BVI/Int'l	US$1	100	Vessel owning and chartering
Verner Shipping (BVI) Limited	BVI/Int'l	US$1	100	Vessel owning and chartering
West Bay Shipping Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
White Bay Limited	HK/Int'l	HK$1	100	Vessel owning and chartering
Zhoushan Shipping Limited	BVI/Int'l	US$1	100	Vessel owning and chartering
PB Towage:				
PB Diamantina Limited	Cook	US$2	100	Tug chartering
PB Offshore (No. 2) Limited	Cook/Int'l	US$10	100	Tug owning and chartering
PB Pearl Limited	Cook/Int'l	US$2	100	Tug & barge owning and chartering
PB Pride Limited	Cook/Int'l	US$2	100	Tug & barge owning and chartering
PB Progress Limited	Cook/Int'l	US$2	100	Tug owning and chartering
PB Sea-Tow Asia Pte. Ltd.	Singapore	US$1	100	Tugs chartering
PB Sea-Tow (Australia) Pty Ltd	Australia	AUD1	100	Tugs owning and Ship management services
PB Sea-Tow Crewing (NZ) Limited	New Zealand	NZD1	100	Crew management services
PB Sea-Tow (NZ) Limited	New Zealand	NZD1	100	Ship management services
PB Sea-Tow Operations (NZ) Limited	New Zealand	NZD1	100	Ship management services
PB Towage (No.2) Limited	Cook/Int'l	US$2	100	Tug owning and chartering
PB Towage (No.3) Limited	Cook/Int'l	US$2	100	Barges owning and chartering
PB Towage (No.4) Limited	Cook/Int'l	US$2	100	Tug owning and chartering

Company	Place of incorporation/ operation	Issued and fully paid share capital	Interest held %	Principal activities
PB Towage (No.5) Limited	Cook/Int'l	US$2	**100**	Tugs owning and chartering
PB Towage Asset (No.2) Limited	Cook/Int'l	US$2	**100**	Tug owning and chartering
PB Towage Middle East Limited	Cook/Int'l	US$2	**100**	Ship management services
Others:				
Asia Pacific Capital Developments Limited 亞太資本發展有限公司	HK	HK$1	**100**	Property holding
Pacific Basin Agencies Limited 太平洋航運代理有限公司	HK/Int'l	HK$10	**100**	Holding company of Japan branch
Pacific Basin Supramax Limited (Formerly Pacific Basin Handymax Limited)	HK	HK$10	**100**	Provision of ship management and ocean shipping services
Pacific Basin Handymax (UK) Limited	England & W	GBP1	**100**	Ship management services
Pacific Basin Handysize Limited	BVI/HK	US$10	**100**	Provision of ship management and ocean shipping services
Pacific Basin Handysize (HK) Limited	HK	HK$10	**100**	Provision of ship management and ocean shipping services
Pacific Basin (UK) Limited (Formerly Pacific Basin Handysize (UK) Limited	England & W	GBP2	**100**	Shipping consulting services
Pacific Basin Shipping (Australia) Pty Ltd	Australia	AUD1	**100**	Shipping consulting services
Pacific Basin Shipping (Canada) Limited	BC, Canada	1 common share without par value	**100**	Shipping consulting services
Pacific Basin Shipping (Chile) Limitada	Chile, Santiago	Chilean pesos equivalent to US$6,000	**100**	Shipping consulting services
Pacific Basin Shipping (HK) Limited 太平洋航運（香港）有限公司	HK	HK$20	**100**	Ship agency services
Pacific Basin Shipping Middle East DMCC	Dubai Multi Commodities Centre (DMCC)	AED500,000	**100**	Shipping consulting services
Pacific Basin Shipping (New Zealand) Limited	New Zealand	100 shares without par value	**100**	Shipping consulting services
Pacific Basin Shipping (South Africa) Pty Ltd	Republic of South Africa	120 shares without par value	**100**	Shipping consulting services
Pacific Basin Shipping (UK) Limited	England & W	GBP2	**100**	Shipping consulting services
Pacific Basin Shipping (USA) Inc.	USA	US$1,000	**100**	Shipping consulting services
PB Commerce Limited	BVI/HK	US$1	**100**	Investment holding
PB Maritime Personnel Inc.	The Philippines	PHP$17,300,000	**100**	Crewing services
PBS Corporate Secretarial Limited	HK	HK$10	**100**	Secretarial services
Taihua Shipping (Beijing) Limited 太華船務（北京）有限公司	PRC	US$4,000,000 (registered capital)	**100**	Agency and ship management services

(1) The financial statements of these subsidiaries have not been audited by PricewaterhouseCoopers. The aggregate net assets and net results for the year attributable to the shareholders of the Group amounted to approximately US$5,951,000 (2014: US$6,492,000 profit) and US$462,000 loss (2014: US$172,000 loss) respectively.

(2) The subsidiary is wholly foreign-owned enterprise established in the PRC, with registered capital fully paid up by the Group.

(3) Under the place of incorporation/operation, "BVI" represents "The British Virgin Islands", "Cook" represents "The Cook Islands", "England & W" represents "England and Wales", "HK" represents "Hong Kong" and "Int'l" represents "International".

Notes to the Financial Statements continued

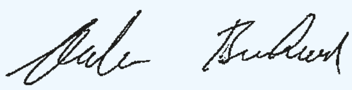
36 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(a) Balance Sheet of the Company

	Note	As at 31 December 2015 US$'000	 2014 US$'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**1,320,620**	1,319,283
Current assets			
Prepayments and other receivables		**72**	73
Amounts due from subsidiaries		**141,155**	138,445
Cash and cash equivalents		**36**	29
		141,263	138,547
Total assets		**1,461,883**	1,457,830
EQUITY			
Capital and reserves attributable to shareholders			
Share capital	21	**194,480**	191,781
Retained profits		**635,938**	651,206
Other reserves		**602,241**	599,731
Total equity		**1,432,659**	1,442,718
LIABILITIES			
Current liabilities			
Accruals and other payables		**666**	343
Amounts due to subsidiaries		**28,558**	14,769
Total liabilities		**29,224**	15,112

Approved by the Board of Directors on 29 February 2016

Mats H. Berglund
Director



Andrew T. Broomhead
Director

(b) Reserve movement of the Company

US$'000	Other reserves: Share premium	Other reserves: Staff benefits reserve	Other reserves: Subtotal	Retained profits	Total
At 1 January 2015	**604,104**	**(4,373)**	**599,731**	**651,206**	**1,250,937**
Dividends paid (Note 26)	–	–	–	(12,368)	(12,368)
Share-based compensation (see Remuneration Report)	–	4,749	4,749	–	4,749
Share awards granted (Note 21)	–	(2,463)	(2,463)	–	(2,463)
Share awards lapsed (Note 21)	–	219	219	–	219
Share awards fully vested	717	273	990	(990)	–
Shares issued upon grant of restricted share awards (Note 21)	–	(985)	(985)	–	(985)
Loss attributable to shareholders	–	–	–	(1,910)	(1,910)
At 31 December 2015	**604,821**	**(2,580)**	**602,241**	**635,938**	**1,238,179**
Representing:					
2015 proposed final dividend				–	
Others				635,938	
Retained profits as at 31 December 2015				**635,938**	
At 1 January 2014	602,050	(5,728)	596,322	666,548	1,262,870
Dividends paid (Note 26)	–	–	–	(12,385)	(12,385)
Share-based compensation (see Remuneration Report)	–	5,311	5,311	–	5,311
Share awards granted (Note 21)	–	(4,215)	(4,215)	–	(4,215)
Share awards lapsed (Note 21)	–	2,228	2,228	–	2,228
Shares issued upon exercise of share options	126	(38)	88	–	88
Share awards fully vested	1,928	(1,931)	(3)	3	–
Loss attributable to shareholders	–	–	–	(2,960)	(2,960)
At 31 December 2014	604,104	(4,373)	599,731	651,206	1,250,937
Representing:					
2014 final dividend				12,368	
Others				638,838	
Retained profits as at 31 December 2014				651,206	

Loss attributable to shareholders of US$1,910,000 (2014: US$2,960,000) is dealt with in the financial statements of the Company.

Independent Auditor's Report

To the shareholders of Pacific Basin Shipping Limited

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Pacific Basin Shipping Limited (the "Company") and its subsidiaries set out on pages 61 to 109, which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 29 February 2016

Group Financial Summary

US$'000		2015	2014	2013	2012	2011
Results						
Continuing operations						
Revenue		**1,260,291**	1,718,454	1,708,792	1,443,086	1,312,789
Gross (loss)/profit		**(4,111)**	(39,624)	55,097	85,315	108,437
(Loss)/profit before taxation		**(17,361)**	(278,525)	11,026	53,845	122,758
Taxation		**(1,179)**	(1,217)	(1,168)	(1,624)	(178)
(Loss)/profit for the year		**(18,540)**	(279,742)	9,858	52,221	122,580
Discontinued operations[1]						
Loss for the year		**–**	(5,222)	(8,335)	(210,693)	(90,598)
Eligible (loss)/profit attributable to shareholders		**(18,540)**	(284,964)	1,523	(158,472)	31,982
Balance Sheet						
Total assets		**2,145,735**	2,307,516	2,537,446	2,470,275	2,431,752
Total liabilities		**(1,174,797)**	(1,305,770)	(1,233,152)	(1,138,254)	(946,837)
Total equity		**970,938**	1,001,746	1,304,294	1,332,021	1,484,915
Net borrowings		**567,537**	636,319	551,163	178,013	160,818
Total cash and deposits		**358,428**	363,425	486,062	753,458	618,221
Cash Flows						
From operating activities		**98,615**	93,652	98,142	148,737	159,361
From investment activities of which		**(54,852)**	(131,683)	(114,186)	(247,600)	(103,443)
gross investment in vessels		**(146,408)**	(194,472)	(456,497)	(188,295)	(167,592)
From financing activities		**(100,420)**	(112,536)	36,773	110,181	(166,322)
Other Data						
Basic EPS	US cents	**(1)**	(15)	0.1	(8)	2
Dividends per share[2]	US cents	**–**	1	1	1	1
Eligible profit payout ratio		**–**	>100%	>100%	>100%	78%
Cash flows from operating activities per share	US cents	**5**	5	5	8	8
Net book value per share	US cents	**50**	52	67	69	77
Dividends	US$'000	**–**	12,368	12,385	12,397	24,895

1 The financial information for the year ended 31 December 2011 was extracted from the Group Financial Summary in the 2011 Annual Report. No retrospective restatement for the discontinued operations was made to such information.

2 No final dividend is proposed for 2015.

www.pacificbasin.com
Investors > Financial Summaries & Downloads
Group financial summaries since listing

Corporate Information

Board of Directors and Principal Board Committees

	Position	Executive Committee	Audit Committee	Remuneration and Nomination Committees
Executive Director				
Mr. David M. Turnbull	Chairman	✓		
Mr. Mats H. Berglund	Chief Executive Officer	C		
Mr. Andrew T. Broomhead	Chief Financial Officer	✓		
Mr. Chanakya Kocherla	Chief Technical Officer	✓		
Independent Non-executive Director				
Mr. Patrick B. Paul			C	✓
Mr. Robert C. Nicholson			✓	C
Mr. Alasdair G. Morrison			✓	✓
Mr. Daniel R. Bradshaw			✓	✓
Mrs. Irene Waage Basili			✓	✓

C Chairman

Page 46 – Our Directors: Directors' Biographies

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Bermuda

Offices Worldwide

Hong Kong, Dalian, Durban, Manila, Tokyo, Auckland, Melbourne, Dubai, London, Stamford, Santiago and Vancouver

Share Registrar

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
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Wanchai, Hong Kong
tel: + 852 2862 8555 fax: + 852 2865 0990
e-mail: hkinfo@computershare.com.hk

Company Secretary

Ms. Mok Kit Ting, Kitty, CPA
e-mail: companysecretary@pacificbasin.com

Listing Venue/Listing Date

The Stock Exchange of Hong Kong Limited
(the "Stock Exchange")/14 July 2004

Public and Investor Relations

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tel: + 852 2233 7000
fax: + 852 2110 0171

Auditors

PricewaterhouseCoopers

Solicitors

Herbert Smith Freehills
Vincent T.K. Cheung, Yap & Co.

Stock Code

Stock Exchange: 2343.HK
Bloomberg: 2343 HK
Reuters: 2343.HK

Total Shares in Issue

1,946,823,119 as at 31 December 2015

Website

http://www.pacificbasin.com

Social Media Channels

Facebook, Twitter, LinkedIn, Youtube and WeChat

Pacific Basin

With you for the long haul

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