Pacific Basin Shipping Limited

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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

The Board of Directors (the "Board") of Pacific Basin Shipping Limited ("Pacific Basin" or the "Company") are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2017 as follows:

BUSINESS HIGHLIGHTS

Better but still challenging dry bulk market conditions in first half 2017

GROUP

- Market conditions have improved since last year and we believe the worst of the current dry bulk market cycle is behind us
- We booked a much reduced underlying loss of US$6.7 million and increased positive EBITDA of US$56.6 million
- Our Handysize and Supramax daily TCE earnings outperformed the market indices by 20% and 11% respectively
- We took delivery of our final newbuildings and recommenced secondhand acquisitions
- Our mid-year cash position was US$248 million with net gearing of 40%
- We opened a new commercial office in Rio and relocated our headquarters in Hong Kong to an improved, lower-cost office

	Six Months Ended 30 June	
US$ Million	**2017**	2016
Revenue	**702.9**	488.4
EBITDA #	**56.6**	(5.0)
Underlying loss	**(6.7)**	(61.6)
Loss attributable to shareholders	**(12.0)**	(49.8)
Basic earnings per share *(HK cents)*	**(2.4)**	(14.4)

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

FLEET

- Our last seven newbuildings delivered in the first half of the year
- We used the still weak asset values to buy a younger, larger Supramax vessel of better design to one we sold, and we purchased two secondhand Handysize vessels
- Our owned fleet expanded to 101 ships on the water by mid-year, and we operated about 250 dry bulk ships overall
- We continued to exercise good control of our operating expenses
- We have covered 57% of our Handysize and 80% of our Supramax revenue days for second half 2017 at US$8,360 and US$9,830 per day net respectively

Our Fleet (as at 30 June 2017)

	Vessels in operation		
	Owned	Chartered	Total
Handysize	79	73	152
Supramax	21	82	103
Post-Panamax	1	1	2
Total	101	156	257

POSITION

- Market freight rates in the first half were significantly above the historic low levels of one year ago, but earnings are still not profitable for most dry bulk shipowners
- The shrinking orderbook bodes well for the long term, but reduced scrapping and continued global fleet growth remain negative factors
- More scrapping and limited ordering are required for a more normal market balance to be sustained
- Our healthy cash and net gearing positions enhance our ability to safely navigate the protracted challenging environment and attract cargo as a strong partner
- We continue to assess attractive ship acquisition opportunities to grow and renew our fleet

CHIEF EXECUTIVE'S REVIEW

FINANCIAL RESULTS

Dry bulk market freight rates in the first half of 2017 were markedly improved compared to the same period last year, albeit from an historically low base. In this better but still challenging trading environment, our underlying loss reduced to US$6.7 million (2016: US$61.6 million loss) and EBITDA improved to US$56.6 million (2016: negative US$5.0 million and positive US$22.8 for the whole of 2016). Basic EPS was a negative HK2.4 cents.

PERFORMANCE OVERVIEW

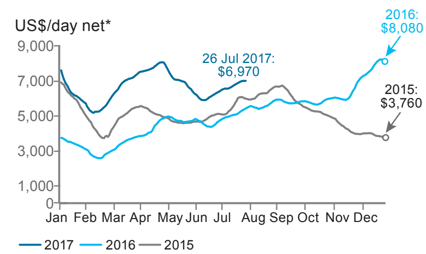
IMPROVED BUT STILL CHALLENGING MARKET CONDITIONS

With progressively fewer new ships delivering from shipyards and demand gradually recovering, the dry bulk freight market is returning to a healthier balance with demand in the first half outpacing supply. By mid-April, rates were at their highest in over two years, with demand improvements driven most notably by strong underlying demand for South American and US grain exports.

The overall improved earnings environment has resulted in much reduced scrapping which, combined with new ship deliveries, has led to a net growth of 2.0% and 1.5% in the global Handysize and Supramax fleets.

Despite the market declines in January and May, Handysize and Supramax average freight market indices for the first half of 2017 were around 70% higher than for the same period in 2016. As significant as this improvement is, market freight earnings are still not at profitable levels for most dry bulk shipowners.

Handysize Market Spot Rates in 2015-2017



* excludes 5% commission
Source: Baltic Exchange, data as at 26 Jul 2017

PACIFIC BASIN OUTPERFORMS

Our average Handysize and Supramax daily TCE earnings of US$7,920 and US$8,920 per day net were up 30% and 51% year on year and outperformed the BHSI and BSI indices by 20% and 11% respectively.

This TCE premium – including the positive margins we generate with short-term operated ships that we charter to supplement our core owned and long-term fleet – is due mainly to our ability to draw on our experienced teams, global office network, strong cargo support and large fleet of high-quality substitutable ships in a way that optimises ship and cargo combinations for maximum utilisation.

POSITIVE INITIATIVES

During the half year, we completed our newbuilding programme with the delivery of seven newbuildings of the latest, efficient designs. The last of these delivered in May 2017.

We used the still weak asset values to purchase a secondhand Supramax and sell an older, smaller Supramax, thereby trading up to a vessel of better design and longer life at an attractive price. We also purchased two secondhand Handysize vessels. By 30 June we had expanded our owned fleet to 101 ships on the water out of about 250 ships that we operate overall.

Our new commercial office in Rio de Janeiro has generated valuable new business since it was established early this year to help grow our cargo volumes and support our many customers on the east coast of South America while enabling us to more fully cover all regions in the Atlantic.

In May, we relocated our headquarters to Wong Chuk Hang, about 15 minutes from Hong Kong's Central business district. We now benefit from a better, more energised, collaborative and productive office with a markedly lower rent which will result in significant cost savings over the coming six years.

We sold one towage vessel in June 2017 and have agreed the sale of our final tug for delivery in the second half of 2017. Together, these disposals will generate sale proceeds of approximately US$2 million and conclude our exit from this non-core activity.

BALANCE SHEET

With our final newbuildings all paid for and delivered, we had cash and deposits of US$248 million as at 30 June 2017. We drew down our remaining Japanese export credit facilities and other committed facilities following the delivery of our newbuildings resulting in net borrowings of US$705 million and net gearing of 40%.

STRATEGY AND POSITION

WELL POSITIONED FOR A RECOVERING MARKET

We believe the worst of the current dry bulk market cycle is behind us. However, the market improvement year on year was from a very low base, and more time, scrapping and limited ordering are required for a more normal market balance to be sustained.

The Handysize and Supramax segments have seen historically low ordering over the past 18 months which bodes well for the long term. However, while the dry bulk orderbook is shrinking, scrapping has reduced and the global fleet is still growing.

We believe that new low sulphur fuel regulations (effective from 2020) will lead to higher fuel costs and hence lower ship operating speeds. Also, ballast water treatment regulations require investment for compliance with effect from special surveys between September 2019 to 2024. Combined, these regulations will over time drive scrapping of older ships and ships of poor design, thus improving the supply-demand balance.

We continued to achieve reductions in our vessel operating costs – without impacting maintenance or safety – through scale benefits as our owned fleet has grown further.

We have healthy cash and net gearing positions which contribute to the strong corporate profile that sets us apart as a preferred, strong, reliable and safe partner for customers and other stakeholders.

We continue to look for and assess attractive ship acquisition opportunities to grow and renew our fleet with modern, high-quality secondhand ships or resales that can generate a reasonable pay-back and cash flow even in today's challenging market, and can reduce our average daily vessel costs.

We will continue to focus on our world-leading Handysize and Supramax dry bulk business where we have developed a strong competitive edge and an exceptional fleet.

Our strategy is to be the best operator in our space and maximise our fleet's utilisation and TCE earnings by leveraging all the key attributes of our business model. Minor bulk shipping demand is characterised by diversified geographical, cargo and customer profiles. This, combined with our large fleet of substitutable ships and worldwide office network, allows for the combination of trades to achieve higher laden utilisation, which is exactly our strategy and how we can deliver value over market earnings.

We thank you as always for your continued support.

Mats Berglund
Chief Executive Officer

Hong Kong, 28 July 2017

DRY BULK OUTLOOK POSSIBLE MARKET DRIVERS IN THE MEDIUM TERM

OPPORTUNITIES

- Increasing government stimulus driving greater infrastructure investment in both China and the US
- Continued strong grain demand for animal feed due to shift towards meat-based diet
- Environmental policy in China encouraging shift from domestic to imported supply of resources
- Continued historically low new ship ordering and shrinking orderbook influenced by:
  - (a) the large gap between newbuilding and secondhand prices;
  - (b) new low sulphur and BWTS rules causing uncertainty about ship designs; and
  - (c) new accounting rules from 2019 discouraging long time charters
- Environmental regulations encouraging increased ship scrapping
- Periods of higher fuel oil prices encouraging slower ship operating speeds which decreases supply

THREATS

- Reduction in Chinese industrial growth and investments impacting demand for dry bulk shipping
- Environmental policy in China encouraging greater shift to renewable energy, possibly impacting coal imports
- Increased protectionism dampening trade by favouring domestic supplies over foreign imports
- Increased new ship ordering if the price gap between newbuilding and secondhand ships closes
- Reduced scrapping due to improved market conditions may be insufficient to offset new ship deliveries
- Periods of low fuel prices supporting faster ship operating speeds which increases supply

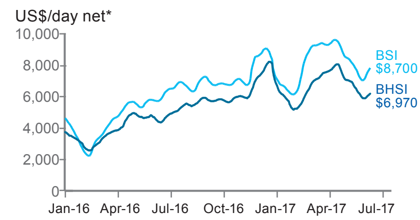
DRY BULK MARKET REVIEW

FREIGHT MARKET SUMMARY

Handysize and Supramax spot market rates averaged US$6,590 and US$8,010 per day net respectively in the first half of 2017, representing a substantial 69% and 76% improvement in average earnings from a very low base in the first half of 2016. As significant as this improvement is, market freight earnings are still not at profitable levels for most dry bulk shipowners.

The dry bulk freight market indices were characterised by a familiar pattern with a short seasonal decline at the start of the year, recovery after Chinese New Year and a stronger second quarter, especially in the Pacific which started the year markedly weaker than the Atlantic. By mid-April, rates were at their highest in over two years, driven by increased Chinese industrial imports of major and minor bulks, record South American grain export volumes and improved US grain exports compared to a year earlier.

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



* excludes 5% commission
\# BSI is now based on a standard 58,000 dwt bulk carrier
Source: Baltic Exchange, data as at 26 Jul 2017

Market rates have softened since end April following the seasonal peaks in the South American agricultural export seasons and, in part, due to reduced Australian coal port congestion and exports in the wake of Cyclone Debbie.

KEY SUPPLY DEVELOPMENTS

The global fleets of 25,000-40,000 dwt Handysize and 50,000-60,000 dwt Supramax ships grew 2.0% and 1.5% net respectively during the half year as much reduced scrapping outweighed a reduction in newbuilding deliveries. Overall dry bulk capacity expanded by 2.3% in the period.

The reduced pace of scrapping to 1.0% of existing dry bulk capacity and 1.0% of Handysize capacity was due to the markedly improved freight market conditions compared to a year before.

A reduction in newbuilding deliveries to 3.2% of existing capacity was expected due to the declining orderbook. Deliveries appear to have been boosted by a number of Chinese-built newbuildings that had essentially been completed some time ago but withheld by their builders until markets improved.

Yard deliveries are typically higher early in the year, so net fleet growth is likely to reduce in the second half – depending on scrapping, more of which is required for a more normal market balance to be sustained.

SHIP VALUES

Improved freight market conditions overall have supported sale and purchase activity and increased vessel values. Clarksons Platou currently values a benchmark five year old Handysize bulk carrier at US$14.0 million – up 4% since the start of 2017 and 47% from one year ago. Newbuilding prices have increased 10% since the beginning of the year to US$21.5 million. The gap between newbuilding and secondhand prices continues to discourage new ship ordering which will benefit freight market fundamentals in the future.

KEY DEMAND DEVELOPMENTS

Clarksons Platou estimate dry bulk shipping demand in the first quarter to have improved by 4.9% from a year earlier. This compares favourably to 0.4% growth in the first quarter of 2016 and a 1.7% decline in the first quarter of 2015. Data for the second quarter is not yet available but will likely show an improved demand/supply balance compared to a year ago.

Key drivers through the first half included improved North and South American grain exports despite increased stock piling by farmers speculating on price and, in Brazil, currency exchange rate changes.

Cyclone Debbie affected Australian coal operations causing a dramatic reduction in metallurgical coal exports in April causing coal importers to look to other exporters to cover the shortfall.

Brazilian fertiliser imports saw a strong upswing, and coal imports to Vietnam, Philippines, Thailand and Malaysia increased due to increased coal-fired power capacity. India registered higher steel and grain imports.

In January to June, Chinese imports of eight minor bulks that we track increased 15%, and Chinese dry bulk imports overall increased 12%. Chinese steel exports reduced 25% in the first six months despite a 4% increase in production, illustrating the strength of domestic demand growth from industrial activity.

ORDERBOOK

The dry bulk orderbook has reduced further to 8% from 15% a year ago. New ship ordering remained very limited at 5.5 million dwt in the first half of the year, representing 1.4% of the fleet (annualised) with most new orders placed for larger Panamax and Kamsarmax ships.

Historically low new ordering and a continued orderbook delivery shortfall should result in further reductions in new ship deliveries in the coming years. Scheduled deliveries for this year are 37% smaller than last year, and we expect actual deliveries will be around 38 to 44 million deadweight tonnes compared to last year's 47 million deadweight tonnes.

OUR PERFORMANCE

Our core dry bulk business generated a much reduced net loss of US$6.3 million (2016: net loss US$60.4 million) in an improved but still challenging dry bulk market.

DRY BULK OPERATING PERFORMANCE

US$ Million	Six months ended 30 June 2017	2016	Change
Handysize Contribution	7.8	(30.2)	>+100%
Supramax Contribution	9.1	(6.8)	>+100%
Post-Panamax Contribution	2.7	2.7	–
Dry Bulk operating performance before overheads	19.6	(34.3)	>+100%
Overheads and tax	(25.9)	(26.1)	+1%
Dry Bulk net loss	(6.3)	(60.4)	+90%
Dry Bulk vessel net book value	1,756.6	1,573.9	+12%

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

OUR DRY BULK CARGO VOLUMES IN 1H 2017

Minerals

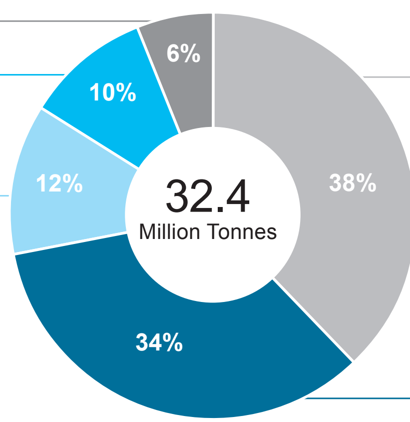
Sand & Gypsum	2%
Salt	2%
Soda Ash	2%

Energy

Coal	5%
Petcoke	4%
Wood Pellets	1%

Metals

Concentrates & Other Metals	7%
Ores	4%
Alumina	1%



Agricultural Products and Related

Grains & Agriculture Products	24%
Fertiliser	10%
Sugar	4%

Construction Materials

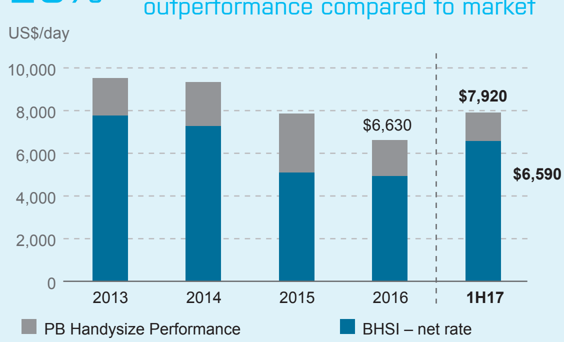
Steel & Scrap	12%
Logs & Forest Products	12%
Cement & Cement Clinkers	10%

KEY PERFORMANCE INDICATORS

Performance vs Market

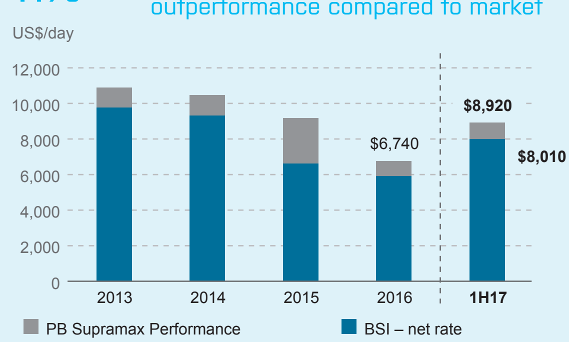
Handysize

20% 1H2017 outperformance compared to market



Supramax

11% 1H2017 outperformance compared to market

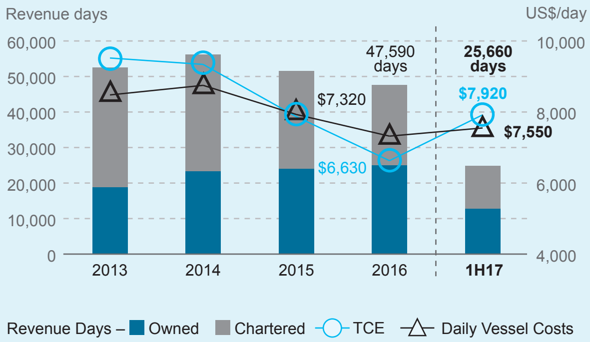


- Our 20% and 11% outperformance in first half 2017 compared to spot market indices reflects the value of our fleet scale and cargo book, and our ability to optimise cargo combinations and match the right ships with the right cargoes.

Profitability

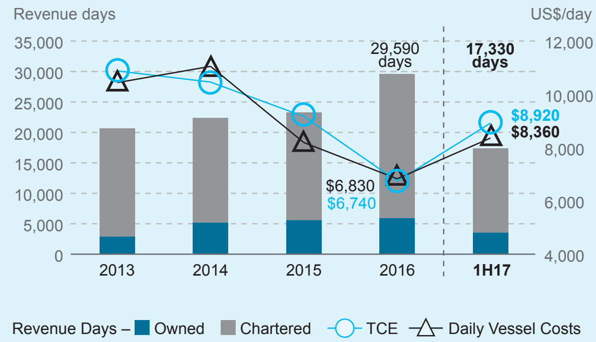
Handysize

US$7.8m contribution



Supramax

US$9.1m contribution



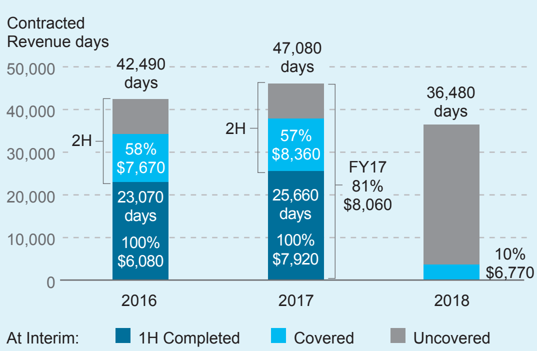
- We generated Handysize daily earnings of US$7,920 with daily costs of US$7,550 on 25,660 revenue days. We generated Supramax daily earnings of US$8,920 with daily costs of US$8,360 on 17,330 revenue days.
- Our Handysize and Supramax contributions returned to positive territory as we leveraged our business model to outperform in the improved but still challenging market.

As part of our business model, we charter in vessels for short periods for combination with cargoes with the aim of making a margin irrespective of whether the market is high or low. In low markets as over the past 18 months, these short-term positions generally lower our reported TCE earnings while in fact making a valuable positive contribution. If we exclude the vessel days attributable to these short-term operated ships and factor their positive margin into the TCE results of our core owned and long-term fleet, then our restated first half 2017 Handysize and Supramax daily earnings would improve to US$8,010 on 21,460 days and US$9,890 on 8,980 days respectively.

- We operated an average of 142 Handysize and 96 Supramax ships resulting in 11% and 22% increases in our Handysize and Supramax revenue days year on year.
- We are redelivering expiring medium- and long-term chartered vessels to gradually lower our charter-in costs, relying instead on our growing fleet of owned ships supplemented by low-cost shorter-term and index-linked charters.

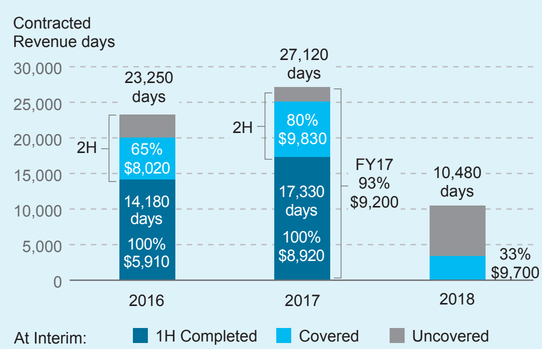
Future Earnings and Cargo Cover

Handysize



Currency: US$ per day
2016 data as announced in Jul 2016

Supramax



Currency: US$ per day

- We have covered 57% and 80% of our 21,420 Handysize and 9,790 Supramax revenue days currently contracted for the second half of 2017 at US$8,360 and US$9,830 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.

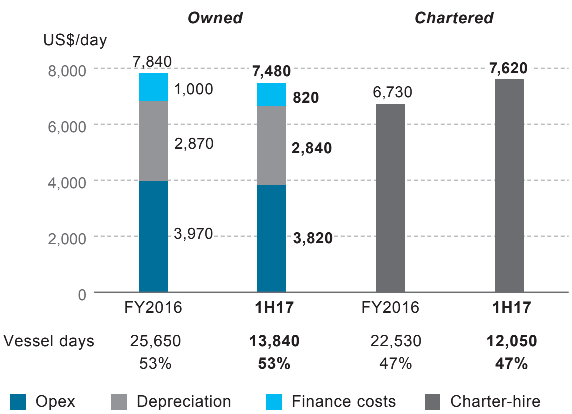
ANALYSIS OF DAILY VESSEL COSTS

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$7,550 (FY2016: US$7,320)

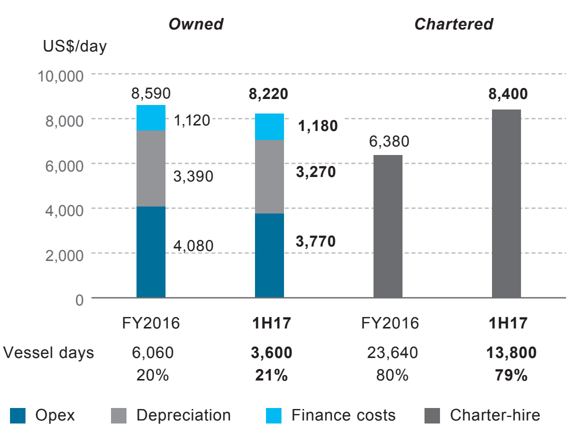
(excluding overheads)



Supramax Daily Vessel Costs

Blended US$8,360 (FY2016: US$6,830)

(excluding overheads)



Opex –The daily opex element of our vessel costs decreased 4% for Handysize and 8% for Supramax mainly due to scale benefits and procurement cost efficiencies.

Depreciation – Our depreciation costs were substantially unchanged.

Finance costs – Our owned Handysize vessels' daily P/L and cash finance costs were US$820 and US$760 respectively, and our Supramax daily P/L and cash finance costs were US$1,180 and US$1,090 respectively. The difference between the P/L and cash finance costs reflects the difference between the coupon and effective interest rate of our convertible bonds. Our Handysize daily finance costs reduced compared to 2016 while Supramax daily finance costs increased. This was due to the allocation of more convertible bonds interest to this vessel type as more Supramax owned newbuildings delivered.

Charter-hire – Our chartered Handysize vessels' daily P/L and cash charter-hire costs were US$7,620 and US$8,310 respectively, and our Supramax daily P/L and cash charter-hire costs were US$8,400 and US$8,630 respectively. The difference between the P/L and cash charter-hire costs mainly reflects the write-back of onerous contract provisions made in 2014 relating to the 2017 element of our charter commitments.

Chartered-in days represented 47% and 79% of our total Handysize and Supramax vessel days respectively. Our Handysize and Supramax chartered-in days increased 12% to 12,050 days (2016: 10,720 days) and 22% to 13,800 days (2016: 11,330 days) respectively. Our Supramax fleet benefitted in the weak market from its larger proportion of low-cost short-term chartered-in ships and the redelivery of more expensive vessels.

Daily cash cost – Our average blended owned and chartered daily cash cost excluding overheads was US$6,310 (2016: US$6,010) for our Handysize fleet and US$7,850 (2016: US$5,940) for our Supramax fleet.

Overheads – Our dry bulk direct staff overheads and office costs, along with all overheads categorised as indirect overheads, was maintained at US$25.6 million (2016: US$25.6 million) despite operating more ships. Spread across our vessel days, the aggregate overheads translated into a daily cost of US$590 (2016: US$680) per ship per day.

The Group's total administrative expenses (including those of our remaining towage activities) amounted to US$26.2 million (2016: US$27.4 million). The year-on-year saving of US$1.2 million reflects a range of cost-saving initiatives undertaken during the period.

During the period, we secured 760 Handysize vessel days (2016: 1,630 days) and 300 Supramax vessel days (2016: 200 days) via variable-rate, inward charters with rates linked to the Baltic Handysize and Supramax indices. These index-linked vessels represented 6% and 2% of our chartered Handysize and Supramax vessel days respectively.

Our fleet of owned dry bulk vessels experienced on average 0.6 days (FY2016: 2.6 days) of unplanned technical off-hire per vessel during the period.

FUNDING

CASH FLOW AND CASH

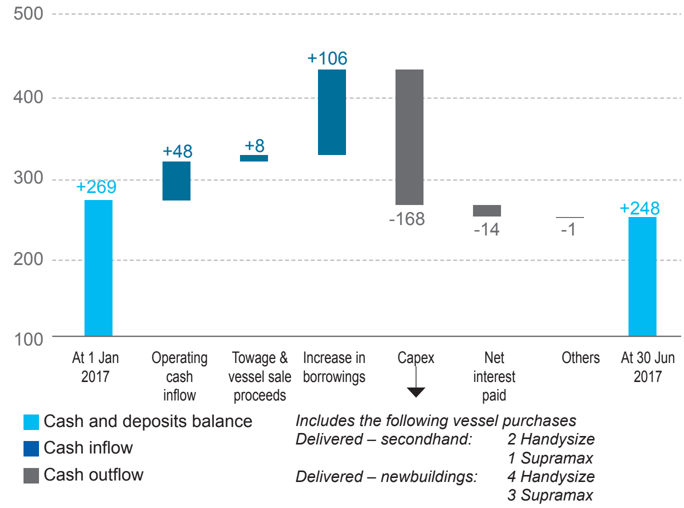
The Group's four main sources of funds are operating cash flows, secured loans, convertible bonds and equity. The major factors influencing future cash balances are operating cash flows, purchases of dry bulk vessels, sale of assets, and drawdown and repayment of borrowings.

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

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

Sources and Uses of Group Cash in 1H 2017

US$ Million



CURRENT POSITION AND OUTLOOK

In the first half of 2017:

- Our operating cash inflow further improved to US$48 million, as compared with US$8 million in the first half of 2016 and US$50 million in full year 2016 on the back of a better dry bulk market conditions.
- Borrowings increased by US$106 million, after:
  - We drew down US$158 million, comprising US$140 million under our Japanese export credit facilities in respect of seven delivered newbuildings to fund the capital commitments of US$119 million during the period, and US$18 million of other borrowings on two existing vessels; and
  - Our net repayment of US$52 million of secured borrowings and revolving facilities.
- In June 2016, we raised US$143 million of cash, after expenses, through the issue of rights shares. US$124 million of such proceeds were used to repay the 2018 convertible bonds in October last year, and during 2017, we deployed the remaining proceeds of US$19 million to fund in part the purchase of two secondhand Handysize and one secondhand Supramax vessels with an aggregate consideration of US$31 million.

As at 30 June 2017:

- The Group's cash and deposits were US$248 million reflecting a 40% net gearing ratio.
- Our unmortgaged vessels comprise five dry bulk vessels with an aggregate net book value of US$90 million.
- Our committed banking facilities were fully drawn.

CASH AND DEPOSITS

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

US$ Million	30 June 2017	31 December 2016	Change
Total cash and deposits	**247.6**	269.2	-8%
Current portion of long-term borrowings	(112.1)	(95.7)	
Long-term borrowings	(840.3)	(743.5)	
Total borrowings	**(952.4)**	(839.2)	-13%
Net borrowings	(704.8)	(570.0)	-24%
Net borrowings to shareholders' equity	68%	55%	
Net borrowings to net book value of property, plant and equipment	40%	34%	
Net working capital	126.2	160.6	-21%

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

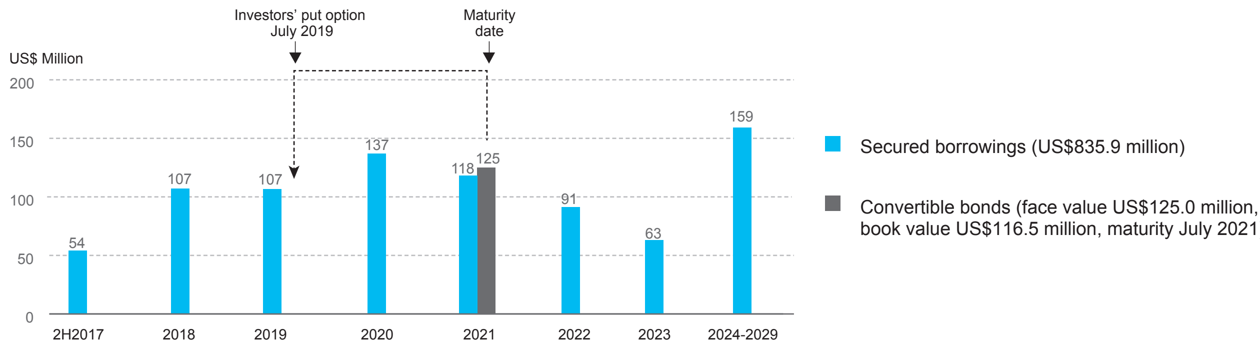
Treasury enhances Group income by investing in a mix of financial products, based on the perceived balance of risk, return and liquidity. Cash, deposits and investment products are placed with a range of leading banks, mainly in Hong Kong.

The Group's cash and deposits at 30 June 2017 comprised US$239.7 million in United States Dollars and US$7.9 million in other currencies. They are primarily placed in liquid deposits of three months or less and saving accounts. This maintains liquidity to meet the Group's vessel purchase commitments and working capital needs.

During the first half of 2017, Treasury achieved a 1.4% return on the Group's cash.

BORROWINGS

Schedule of Repayments of Borrowings



The Group's Treasury function arranges financing by leveraging the Group's balance sheet to optimise the availability of cash resources of the Group. The aggregate borrowings of the Group at 30 June 2017, which comprised secured borrowings and the liability component of convertible bonds, amounted to US$952.4 million (31 December 2016: US$839.2 million) and are mainly denominated in United States Dollars.

SECURED BORROWINGS – US$835.9 MILLION (31 DECEMBER 2016: US$723.8 MILLION)

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

In the first half of 2017, we drew down all our remaining committed loan facilities, which comprise our Japanese export credit facilities of US$139.7 million secured on seven newbuildings which were delivered during the period and other borrowings of US$18.2 million in respect of two existing vessels.

The Group monitors the loans-to-asset value requirements on its bank borrowings. If the market values of the Group's mortgaged assets fall below the level prescribed by our lenders, the Group may pledge additional cash or offer other additional collateral unless the banks offer waivers for technical breaches.

As at 30 June 2017:

- The Group's secured borrowings were secured by 96 dry bulk vessels with a total net book value of US$1,666.3 million and an assignment of earnings and insurances in respect of these vessels.
- Our unmortgaged vessels included five dry bulk vessels with an aggregate net book value of US$90.3 million.
- The Group was in compliance with all its loans-to-asset value requirements.

P/L impact:

The increase in interest (after capitalisation) to US$13.9 million (1H 2016: US$10.3 million) was mainly due to an increase in average secured borrowings to US$798.9 million (1H 2016: US$520.5 million).

Certain secured borrowings are subject to floating interest rates but the Group manages these exposures by using interest rate swap contracts.

CONVERTIBLE BONDS – LIABILITY COMPONENT IS US$116.5 MILLION (31 DECEMBER 2016: US$115.4 MILLION)

As at 30 June 2017 and 31 December 2016, there remained the 3.25% p.a. coupon July 2021 convertible bonds with an outstanding principal of US$125.0 million and the prevailing conversion price of HK$3.07.

P/L impact:

The US$3.2 million (1H 2016: US$7.4 million) interest expense of the convertible bonds is calculated at an effective interest rate of 5.7% (1H 2016: 5.2%).

FINANCE COSTS

FINANCE COSTS BY NATURE

US$ Million	Average interest rate P/L	Average interest rate Cash	Balance at 30 June 2017	Finance costs 1H 2017	Finance costs 1H 2016	(Increase)/ decrease
Secured borrowings (including realised interest rate swap costs)	3.5%	3.5%	835.9	**13.9**	10.3	(35%)
Convertible bonds (Note)	5.7%	3.3%	116.5	**3.2**	7.4	57%
	3.7%	3.4%	952.4	**17.1**	17.7	4%
Unrealised interest rate swap income				**–**	(0.8)	
Other finance charges				**0.3**	1.1	
Total finance costs				**17.4**	18.0	4%
Interest coverage (calculated as EBITDA divided by total gross finance costs)				**3.3x**	N/A	

Note: The convertible bonds have a P/L cost of US$3.2 million and a cash cost of US$2.0 million.

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

The Group aims to achieve a balance between floating and fixed interest rates on its long-term borrowings. This is adjusted from time to time, depending on the interest rate cycle, using interest rate swap contracts where appropriate. In the first half of 2017, all our interest rate swap contracts qualified for hedge accounting as cash flow hedges and US$0.6 million of interest rate swap costs were realised. As at 30 June 2017, 64% (31 December 2016: 65%) of the Group's long-term borrowings were on fixed interest rates. As at 31 December 2017 and 2018, we expect about 65% of the Group's existing long-term borrowings will be on fixed interest rates.

DELIVERED VESSELS

As at 30 June 2017, the Group had in operation owned dry bulk vessels with a net book value of US$1,757 million as follows:

	Number	Average size (dwt tonnes)	Average age (years)	Average net book value (US$ Million)	Total net book value (US$ Million)
Handysize	79	32,500	9.4	15.6	1,235
Supramax	21	55,800	6.3	22.8	478
Post-Panamax	1	115,500	6.0	44.3	44

Latest estimated fair market values published by Clarksons Platou are US$14 million and US$16 million for 5-year old 32,000 dwt Handysize and 56,000 dwt Supramax vessels respectively.

VESSEL COMMITMENTS

As at 30 June 2017, we had no vessel commitments.

As at 30 June 2017, 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 current market conditions.

VESSEL OPERATING LEASE COMMITMENTS

Vessel operating lease commitments stood at US$508.5 million (31 December 2016: US$549.4 million), comprising US$342.0 million for Handysize, US$140.1 million for Supramax and US$26.4 million for Post-Panamax.

Our Handysize operating lease committed days slightly decreased 3% to 33,960 days (31 December 2016: 35,140 days) while our Supramax operating lease committed days decreased 10% to 12,090 days (31 December 2016: 13,370 days).

ONEROUS CONTRACT PROVISIONS

The Group wrote back US$8.3 million and US$1.9 million for Handysize and Supramax onerous contract provisions made in the first six months of 2017 following the utilisation of the first six months of 2017 elements of the charters. At 30 June 2017, there remains a provision of US$31.8 million for Handysize and US$9.9 million for Supramax time charter contracts substantially expiring during a three-year period as charter rates are higher than the expected earnings during this period. The remaining provisions will be released back to the income statement in the periods in which the charter payments for these vessels are due (see adjacent table).

Year	Handysize	Supramax	US$ Million Total
2H17	8.2	1.9	10.1
2018	15.4	6.8	22.2
2019	5.3	1.2	6.5
2020	2.9	–	2.9
Total	31.8	9.9	41.7

CHARTER HIRE REDUCTION BY ISSUING NEW SHARES

In 2016, new shares were issued to 10 shipowners in return for a US$12.6 million reduction in charter-hire rates over a 24-month period on 10 of our existing long-term chartered ships ("Charter Hire Reduction"). The income statement still reflects the original contracted charter costs, but the cash payments in the 24-month period are reduced by the value of shares issued (see adjacent table).

Year	Handysize	Supramax	US$ Million Total
2016	0.7	0.4	1.1
1H17	2.1	1.0	3.1
2H17	2.2	1.0	3.2
2018	3.6	1.6	5.2
Total	8.6	4.0	12.6

COMMITMENTS EXCLUDING INDEX-LINKED VESSELS

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

	Handysize			Supramax		
		Average daily rate			Average daily rate	
Year	Vessel days	Cash basis (US$)	P/L basis (US$)	Vessel days	Cash basis (US$)	P/L basis (US$)
2H17	6,300	8,850	7,880	4,640	9,690	9,490
2018	7,790	9,940	8,430	2,790	12,370	10,560
2019	7,400	10,440	9,720	2,190	13,150	12,670
2020	4,460	10,640	9,990	1,650	13,120	13,120
2021	3,350	10,360	10,360	680	12,260	12,260
2022+	4,680	10,570	10,570	150	12,500	12,500
Total	33,980			12,100		
Aggregate operating lease commitments		US$342.0m			US$140.1m	

COMMITMENTS INCLUDING INDEX-LINKED VESSELS

Our fixed rate and variable rate index-linked lease commitments charged to the income statement for first six months completed and for second half of 2017 and 2018 contracted can be analysed as follows:

	1H2017		**2H2017**		**2018**	
Handysize	Vessel Days	Average daily P/L rate (US$)	**Vessel Days**	**Average daily P/L rate (US$)**	**Vessel Days**	**Average daily P/L rate (US$)**
Long-term (>1 year)	4,570	7,990	**4,620**	**8,170**	**7,750**	**8,440**
Short-term	6,720	7,370	**1,680**	**7,080**	**40**	**6,350**
Index-linked	760	7,670	**520**	**Market rate**	**100**	**Market rate**
Total	12,050	7,620	**6,820**		**7,890**	
Supramax						
Long-term (>1 year)	1,400	11,710	**1,630**	**11,350**	**2,640**	**10,610**
Short-term	12,100	8,020	**3,010**	**8,480**	**150**	**9,520**
Index-linked	300	7,960	**550**	**Market rate**	**610**	**Market rate**
Total	13,800	8,400	**5,190**		**3,400**	

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

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

FINANCIAL STATEMENTS

GROUP PERFORMANCE REVIEW

	Six months ended 30 June		
US$ Million	**2017**	2016	Change
Revenue	**702.9**	488.4	+44%
Bunker & port disbursements	**(339.7)**	(254.7)	-33%
Time charter equivalent earnings ("TCE")	**363.2**	233.7	+55%
Other direct costs	**(363.7)**	(275.0)	-32%
Gross loss	**(0.5)**	(41.3)	+99%
Dry Bulk	**(6.3)**	(60.4)	+90%
Towage	**(0.5)**	(0.1)	>-100%
Others	**0.1**	(1.1)	>+100%
Underlying loss	**(6.7)**	(61.6)	+89%
Unrealised derivative (expenses)/income	**(2.6)**	13.7	
Office relocation costs	**(1.4)**	–	
Impairment of towage vessels	**(0.9)**	–	
Sales of vessels	**(0.4)**	(1.9)	
Loss attributable to shareholders	**(12.0)**	(49.8)	+76%
EBITDA	**56.6**	(5.0)	>+100%
Net profit margin	**(2%)**	(10%)	+8%
Return on average equity employed	**(1%)**	(5%)	+4%

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

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

The main drivers of our results in the first six months of 2017 were as follows:

- Revenue and cost of services increased by 44% and 33% respectively, mainly due to improved market conditions since last year, albeit from an historically low base.
- Loss attributable to shareholders was mainly affected by:
  - an unrealised derivative accounting loss of US$2.6 million mainly from the mark-to-market of existing and new bunker swap contracts to be completed;
  - one-off office relocation costs of US$1.4 million relating to the relocation of our headquarters in Hong Kong to a lower-cost location, which will result in significant cost savings over the coming six years;
  - non-cash impairment of US$0.9 million for the two remaining towage vessels; and
  - the disposal loss of US$0.4 million on the two towage vessels and one Supramax vessel sold.
- EBITDA was US$56.6 million (2016: negative US$5.0 million) contributing to a positive operating cash flow. Our cash and deposits at 30 June 2017 stood at US$247.6 million (31 December 2016: US$269.2 million) with net gearing of 40% (31 December 2016: 34%).

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six months ended 30 June 2017 US$'000	2016 US$'000
Revenue		**702,924**	488,377
Cost of services		**(703,448)**	(529,712)
Gross loss		**(524)**	(41,335)
General and administrative expenses		**(3,690)**	(3,157)
Other income and gains		**10,196**	14,054
Other expenses		**(2,794)**	(1,903)
Finance income		**1,645**	942
Finance cost		**(17,361)**	(18,027)
Loss before taxation	4	**(12,528)**	(49,426)
Taxation	5	**562**	(372)
Loss attributable to shareholders		**(11,966)**	(49,798)
Basic and diluted earnings per share for loss attributable to shareholders (in US cents)	7	**US(0.30) cents**	US(1.86) cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2017 US$'000	2016 US$'000
Loss attributable to shareholders	**(11,966)**	(49,798)
Other comprehensive income – items that may be reclassified to income statement:		
Cash flow hedges		
– fair value gains/(losses)	**6,654**	(905)
– transferred to income statement	**(6,850)**	1,938
Currency translation differences	**459**	578
Fair value losses on available-for-sale financial assets	**(436)**	(734)
Release of exchange losses from reserves to income statement for foreign operations upon repayment of shareholder loans by subsidiaries	**–**	608
Total comprehensive income attributable to shareholders	**(12,139)**	(48,313)

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30 June 2017 US$'000	31 December 2016 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,762,846**	1,653,433
Goodwill		**25,256**	25,256
Available-for-sale financial assets		**439**	875
Derivative assets		**317**	969
Trade and other receivables	8	**2,292**	5,405
Restricted bank deposits		**58**	58
		1,791,208	1,685,996
Current assets			
Inventories		**77,761**	62,492
Derivative assets		**802**	2,831
Assets held for sale		**2,112**	5,820
Trade and other receivables	8	**84,189**	80,940
Cash and deposits		**247,524**	269,146
		412,388	421,229
Total assets		**2,203,596**	2,107,225
EQUITY			
Capital and reserves attributable to shareholders			
Share capital		**39,464**	40,046
Retained profits		**137,754**	150,783
Other reserves		**852,360**	849,942
Total equity		**1,029,578**	1,040,771
LIABILITIES			
Non-current liabilities			
Derivative liabilities		**14,525**	24,860
Long-term borrowings		**840,310**	743,507
Provision for onerous contracts		**20,453**	31,564
Trade and other payables	9	**12,555**	5,856
		887,843	805,787
Current liabilities			
Derivative liabilities		**3,152**	2,899
Trade and other payables	9	**149,292**	140,625
Current portion of long-term borrowings		**112,083**	95,735
Taxation payable		**360**	1,054
Provision for onerous contracts		**21,288**	20,354
		286,175	260,667
Total liabilities		**1,174,018**	1,066,454

Notes:

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

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

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS").

2. ADOPTION OF NEW/REVISED HKAS

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2016.

Certain amendments to standards are mandatory for the accounting period beginning 1 January 2017. The adoption of these amendments to standards does not result in any substantial change to the Group's accounting policies.

3. REVENUE AND SEGMENT INFORMATION

The Group's revenue is substantially all derived from the provision of dry bulk shipping services internationally and, accordingly, information is not presented by business segment.

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

4. LOSS BEFORE TAXATION

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

	Six months ended 30 June	
US$'000	**2017**	2016
Bunkers consumed	**162,958**	93,589
Port disbursement and other voyage costs	**174,511**	152,794
Depreciation		
– owned vessels	**52,178**	48,214
– other property, plant and equipment	**799**	830
Interest on borrowings		
– secured bank loans	**12,680**	8,605
– unsecured convertible bonds	**3,184**	7,389
– other secured borrowings	**1,027**	–
Net losses on interest rate swap contracts	**543**	1,599
Utilisation of provision for onerous contracts	**(10,177)**	(13,832)
Net losses/(gains) on bunker swap contracts	**3,964**	(4,665)
Net gains on forward freight agreements	**(13)**	–
Office relocation costs	**1,391**	–
Provision for impairment losses		
– trade receivables	**894**	101
– assets held for sale	**830**	–
– other receivables	**112**	–
Losses on disposal of vessels	**436**	1,902
Gains on disposal of investment properties	**–**	(222)

5. TAXATION

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

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

	Six months ended 30 June	
US$'000	**2017**	2016
Current taxation		
Hong Kong profits tax, provided at the rate of 16.5% (2016:16.5%)	**202**	330
Overseas tax, provided at the rates of taxation prevailing in the countries	**142**	168
Adjustments in respect of prior year	**(906)**	(126)
Tax (credits)/charges	**(562)**	372

6. DIVIDENDS

No interim dividends were declared for the periods ended 30 June 2017 and 30 June 2016. No final dividend was declared for the year ended 31 December 2016.

7. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the Group's profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period, excluding the shares held by the trustee of the Company's 2013 Share Award Scheme ("SAS") and unvested restricted shares.

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

		Six months ended 30 June	
		Basic and diluted EPS 2017	Basic and diluted EPS 2016
Loss attributable to shareholders	(US$'000)	**(11,966)**	(49,798)
Weighted average number of ordinary shares in issue	('000)	**3,944,296**	2,681,595
Earnings per share	(US cents)	**(0.30)**	(1.86)
Equivalent to	(HK cents)	**(2.36)**	(14.42)

Diluted earnings per share for the period ended 30 June 2017 and 2016 is the same as the basic earnings per share since the potential ordinary shares from convertible bonds and unvested restricted shares have anti-dilutive effect.

8. TRADE AND OTHER RECEIVABLES

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

US$'000	**30 June 2017**	31 December 2016
≤ 30 days	**31,547**	24,872
31-60 days	**885**	800
61-90 days	**589**	345
> 90 days	**3,679**	5,258
	36,700	31,275

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

9. TRADE AND OTHER PAYABLES

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

US$'000	**30 June 2017**	31 December 2016
≤ 30 days	**52,410**	45,327
31-60 days	**48**	670
61-90 days	**108**	402
> 90 days	**1,381**	5,170
	53,947	51,569

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Other than for satisfying restricted awards granted under the Company's SAS, neither the Company nor any of its subsidiaries has during the period purchased, sold or redeemed any of the share capital or convertible bonds of the Company.

COMPLIANCE WITH THE CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

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

The Board confirms that, having made specific enquiry, the Directors have complied in full with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions during the six month ended 30 June 2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2017, the Group has complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

REVIEW OF AUDIT COMMITTEE

The Audit Committee of the Company has reviewed this interim results announcement and the 2017 Interim Report of the Company for the six months ended 30 June 2017.

INTERIM DIVIDEND AND BOOK CLOSURE

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

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

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

The Company's 2017 Interim Report is printed in English and Chinese languages, and will be available on our website on or around 17 August 2017 when it is sent to those shareholders who have elected to receive a printed copy.

DIRECTORS

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

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

Shareholders and investors are reminded that this announcement of interim results for the six months ended 30 June 2017 is based on the Group's internal records and management accounts. Shareholders and investors are cautioned not to rely unduly on this announcement of interim results and are advised to exercise caution when dealing in the shares of the Company.