Pacific Basin Shipping Limited

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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

The Board of Directors (the "Board") of Pacific Basin Shipping Limited ("Pacific Basin" or the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2019 as follows:

BUSINESS HIGHLIGHTS

One-off negative demand factors led to markedly weaker dry bulk market conditions early in the year which adversely affected our results. Market rates have been firming, the outlook for our minor bulk segments is positive and we are well positioned for the future

Group

- We booked an EBITDA of US$101.1 million and a net profit of US$8.2 million
- Our Handysize and Supramax TCE earnings outperformed market indices by 59% and 39%
- We secured a revolving credit facility of US$115 million at a competitive cost of LIBOR+1.35%
- Our mid-year cash position was US$314 million with net gearing of 37%
- We are repaying our US$125 million convertible bonds

Six Months Ended 30 June

US$ Million	2019	2018
Revenue	767.1	795.6
Profit attributable to shareholders	8.2	30.8
Underlying (loss)/profit	(0.6)	28.0
EBITDA #	101.1	99.3
Basic earnings per share *(HK cents)*	1.4	5.5
Dividend per share *(HK cents)*	–	2.5

EBITDA (earnings before interest, tax, depreciation and amortisation) is gross profit less indirect general and administrative overheads, excluding: depreciation and amortisation; exchange differences; share-based compensation; and, net unrealised derivative income and expenses.

Fleet

- We took delivery of four modern vessels (plus two more in July) and completed the sale of one older ship
- We currently own 115 ships and, including chartered ships, we operated an average of 230 Handysize and Supramax ships overall in the period
- We have covered 56% and 76% of our Handysize and Supramax vessel days for second half 2019 at US$9,050 and US$10,790 per day net respectively
- Our blended Handysize and Supramax vessel operating expenses averaged US$3,990 per day and we maintain a competitive cost structure overall

Our Fleet (as at 30 June 2019)

	Vessels in operation: Owned[1]	Vessels in operation: Long-term Chartered[2]	Vessels in operation: Short-term Chartered[2]	Total	Total Capacity (million DWT) Owned[1]	Average Age Owned[1]
Handysize	82	19	33	134	2.70	11.0
Supramax	30	6	74	110	1.71	7.5
Post-Panamax	1	1	0	2	0.12	8.0
Total	113	26	107	246	4.53	10.0

1 An additional 2 Supramax vessels delivered into our fleet in July 2019

2 Average number of chartered-in vessels operated in June 2019

Outlook

- Easing of export disruptions in Brazil, sound minor bulk demand growth and IMO 2020 effects on the global fleet bode well for the freight market in our sectors
- We expect to see stronger freight market conditions in the remainder of 2019, although with continued volatility due to uncertainty about the trade war, slower economic growth than in recent years and the impact of African Swine Fever on soybean imports to China
- We still see upside in secondhand vessel values and will continue to look opportunistically but cautiously at acquiring good quality secondhand ships

CHIEF EXECUTIVE'S REVIEW

Financial Results

Our results for the first half of 2019 were supported by our robust customer-focused business model and competitive cost structure, but adversely affected by markedly weaker dry bulk freight market conditions. We made a net profit of US$8.2 million (2018: US$30.8 million), an underlying loss of US$0.6 million (2018: US$28.0 million profit), and EBITDA of US$101.1 million (2018: US$99.3 million), although EBITDA was positively affected by new lease accounting standards. Basic EPS was HK1.4 cents.

As our underlying result was at the break-even level, the Board has declared no interim dividend for the period, but will consider a dividend of 50% of net profit for the full year in line with our policy.

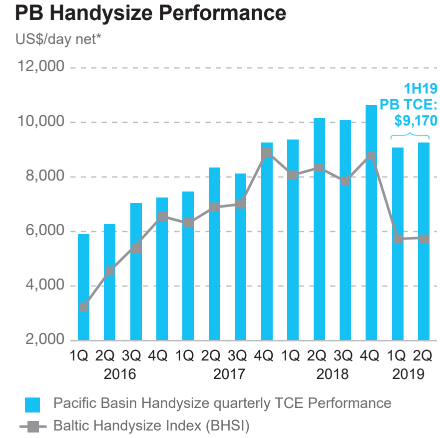
Market Recovering Following a Weak Start

2019 started weaker than the last two years with a more pronounced Chinese New Year dip, followed by a partial recovery. The US-China trade war and African Swine Fever impacted soybean imports to China, flooding in the Mississippi River impeded grain exports from the United States, and damage to mining infrastructure disrupted Brazilian iron ore exports while severe weather disrupted Australian iron ore exports.

Global dry bulk capacity grew by 1.6% net during the half year which is similar to a year ago, but was undermined by faster growth in Panamax capacity and was still not small enough to offset demand side weakness.

On a positive note, some of the key negative demand disruptions are easing, demand for minor bulks continues at a healthy level and dry bulk activity is typically seasonally stronger in the second half of the year.

PB Handysize Performance



* excludes 5% commission
Source: Pacific Basin, Baltic Exchange

Pacific Basin Continues to Outperform

While our average Handysize and Supramax daily TCE earnings of US$9,170 and US$10,860 per day net were down 6% and 7% year on year, our outperformance over the BHSI and BSI indices increased to 59% and 39% respectively.

Our ship operating expenses ("Opex") of US$3,990 per day, general and administrative ("G&A") overheads of US$730 per day and favourable financing costs of US$820 per day are also very competitive by industry standards.

Our TCE premium and competitive costs are driven by our ability to draw on our experienced commercial and technical teams, global office network, strong cargo support and large fleet of high-quality interchangeable ships in ways that optimise ship and cargo combinations for maximum utilisation and by generating scale benefits and other efficiencies from good systems, optimisation and strict cost control.

Positive Growth Initiatives

In the first half of 2019, we took delivery of four modern secondhand vessels (one Handysize and three Supramax), three of which we committed to purchase in 2018, and we completed the sale of an older, small Handysize. Two further modern Supramax acquisitions delivered into our fleet in July, expanding our owned fleet to 115 ships. Including chartered ships, we operated an average of 230 Handysize and Supramax ships overall during the first half of the year.

Strong Balance Sheet

In May we closed a new US$115 million syndicated 7-year reducing revolving credit facility secured against 10 of our previously unmortgaged ships, raising fresh capital at a competitive interest cost of LIBOR plus 1.35%. The new facility further enhances our funding flexibility and reinforces our already competitive vessel break-even levels.

During the period, holders of our convertible bonds due in 2021 exercised their right to redeem US$122.2 million of the convertible bonds on 3 July 2019, and on the same date we exercised our option to redeem all the remaining bonds totalling US$2.8 million on 2 August 2019.

As at 30 June 2019, we had cash and deposits of US$314 million, providing sufficient liquidity to repay the US$125 million convertible bonds in full. We had net borrowings of US$687 million, which is 37% of the net book value of our owned vessels at mid-year.

Environmental Regulations Impacting Vessel Investment Decisions

Pacific Basin continues to assess and plan for three major environmental regulations high on the industry agenda.

To comply with the Ballast Water Management Convention, 30 of our owned ships are now fitted with ballast water treatment systems (BWTS), and we have arranged to retrofit our remaining owned Handysize and Supramax vessels by the end of 2022.

The IMO 2020 global 0.5% sulphur limit takes effect on 1 January 2020, and we expect the majority of the global dry bulk fleet, especially smaller vessels such as our Handysize ships, will comply by using more expensive low-sulphur fuel. We are preparing thoroughly for this, including cleaning our fuel tanks, securing availability of good quality compliant fuel and training our crews to ensure compliance and seamless service delivery to our customers.

Some owners of larger vessels with higher fuel consumption, including some Supramaxes, are planning to comply by continuing to burn cheaper heavy fuel oil in combination with installing exhaust gas cleaning systems or "scrubbers". We have chosen a balanced approach, with scrubbers successfully fitted and operational on ten of our Supramaxes so far, and we have arrangements in place with repair yards and scrubber makers to install scrubbers on a majority of our owned Supramax vessels. However, we are not fitting scrubbers on our larger fleet of 82 owned Handysize ships. Including chartered-in ships, we expect 85%-90% of our combined Handysize and Supramax fleet will comply by burning low-sulphur fuel. The future fuel price differential is uncertain, but having 10%-15% of our overall fleet scrubber fitted provides us some optionality in how we manage our fuel needs to comply with the new rules.

We are also carefully following the developments of IMO's ambitious longer-term strategy to cut CO2 and total greenhouse gas emissions from shipping.

We believe that these environmental regulations will discourage new ship ordering until new, lower-emissions ship designs become available. This will improve the supply-demand balance and benefit larger, stronger companies with high quality fleets that are better positioned to adapt and cope both practically and financially with compliance and new technology.

Market Outlook

The IMF expects the global economy to gradually strengthen in the second half of the year and into 2020, partly as a result of Chinese economic stimulus and continued loose monetary policy in the United States and Europe. As published in July, the IMF forecasts global economic growth of 3.2% in 2019 and 3.5% in 2020.

Uncertainty over new environmental regulations and the gap between newbuilding and secondhand prices continue to discourage new ship ordering, and the small Handysize orderbook continues to be a positive factor for the health of our segments in the medium term.

The dry bulk freight market is expected to benefit in the second half of 2019 and early 2020 from many larger ships being taken out of service for several weeks for scrubber installation. We believe the market for smaller dry bulk ships like ours will benefit also over the longer term, as they will consume more expensive low-sulphur fuel and therefore tend to operate at slower speeds which reduces supply.

Clarksons Research estimates combined Handysize and Supramax net fleet growth of around 2.3% for 2019 and 1.3% for 2020 despite limited scrapping, while minor bulk tonne-mile demand is expected to grow more than 4% in 2019 and 2020.

We expect to see seasonally stronger freight market conditions in the second half of 2019, although with continued volatility influenced by further uncertainty about the US-China trade war, slower economic growth than in recent years and the impact of African Swine Fever on soybean imports to China.

Key catalysts for improvement on the demand side are expected to include the onset of the Black Sea grain export season and a return to normal levels of grain traffic out of the Mississippi River and iron ore exports from Brazil. Market rates have been firming, especially in the Atlantic.

Well Positioned for the Future

We still see upside in secondhand vessel values and will continue to look opportunistically but cautiously at acquiring good quality secondhand ships where prices are attractive.

2019 is a year heavily influenced by preparations for new environmental regulations. At the same time, several one-off market disruptions caused a pause in market momentum during the first half of the year. We have chosen to position many of our owned ships for dry docking this year to install ballast water treatment systems on our Handysize and Supramax vessels and scrubbers on a majority of our Supramaxes to set us up for what we believe will be stronger years ahead. We think the market momentum will return and we are well positioned to benefit.

Thank you for your interest in Pacific Basin and your continued support of our business.

Mats Berglund
Chief Executive Officer

Hong Kong, 31 July 2019

Dry Bulk Outlook **Possible market drivers in the medium term**

OPPORTUNITIES

- Continued strong industrial growth and infrastructure investment in China (boosted by economic stimulus) and other emerging markets, enhancing demand for minor bulk shipping
- Easing of US-China trade tensions resulting in improved sentiment and dry bulk trade activity
- Environmental policy in China encouraging shift from domestic to imported resources
- Limited newbuilding ordering and deliveries in our segments supporting tighter supply in the medium term
- Environmental maritime regulations encouraging increased ship scrapping from current minimal levels and discouraging new ship ordering
- Supply contraction due to scrubber installations ahead of IMO 2020 and slower operating speed of ships burning more expensive low-sulphur fuel
- Easing of recent export disruptions in Brazil and the United States, resulting in stronger exports of iron ore and grain

THREATS

- Slowing global economic growth, especially in China, affecting the trade in dry bulk commodities
- Environmental policy in China encouraging greater shift to renewable energy, possibly impacting coal imports
- Worsening trade disputes impacting global GDP growth, weakening sentiment and undermining dry bulk demand
- Excessive new ship ordering if the price gap between newbuilding and secondhand ships closes
- Periods of low fuel prices supporting faster ship operating speeds which increases supply
- African Swine Fever undermining Chinese demand for imported soybean

MARKET REVIEW

US$5,750 net ⬇ 30%
Handysize 1H19 average market spot rate

US$7,790 net ⬇ 26%
Supramax 1H19 average market spot rate

Freight Market Summary

2019 started weaker than the last two years with a more pronounced Chinese New Year dip, followed by a partial recovery in dry bulk freight rates in the second quarter and stronger improvement in July.

Seasonal weakness was compounded by a number of demand-side factors which outweighed the benefit of slow growth in global dry bulk supply.

Handysize and Supramax spot market rates averaged US$5,750 and US$7,790 per day net respectively in the first half of 2019, representing 30% and 26% reductions in average earnings compared to the first half of last year. In contrast, our own TCE earnings for the period reduced only 6% and 7% respectively.

Minor Bulk Drives Demand

Clarksons Research estimates total dry bulk tonne-mile demand growth in the first quarter to have reduced to 0.6% year on year. Data for the second quarter is not yet available but will show improvement.

Demand weakness was mainly attributable to significantly disrupted iron ore and grain trades which directly affected larger bulk carriers but also impacted sentiment in the market for smaller vessel types.

Brazilian iron ore exports were disrupted by damage to mining infrastructure. The US-China trade war impacted soybean imports to China, as did African Swine Fever which significantly reduced Chinese pig stocks and in turn demand for soybean which is a key feed grain. Flooding in the Mississippi River impeded grain exports from the United States. On a positive note, coal imports into China grew 6% year on year despite shrinking in the first quarter.

Demand for minor bulk commodities remains strong, benefitting from growth particularly in Chinese imports of bauxite, nickel and manganese ores.

The second half of the year is typically stronger than the first and, for full years 2019 and 2020, Clarksons Research estimates 1.3% and 3.1% growth in dry bulk tonne-mile demand respectively. Minor bulk tonne-mile demand is expected to grow at a stronger 4.5% in 2019 and 4.8% in 2020.

Net Fleet Growth is Reducing for Smaller Vessels

Supply growth grew slightly slower in the first half compared to one year ago with the global fleets of 25,000-41,999 dwt Handysize and 42,000-64,999 dwt Supramax ships growing about 1.7% and 1.4% net respectively during the half year, and overall dry bulk capacity growing by about 1.6% net.

Scrapping increased to 0.5% of existing dry bulk capacity in the first half, but is still at a low level and concentrated in the much larger Capesize and ore carrier segments, with smaller vessel segments seeing even less scrapping. Substantially no Handysize or Supramax capacity was scrapped during the period.

Newbuilding deliveries in the first half of the year amounted to 2.1% of the existing fleet, with Panamax deliveries outweighing moderate reductions in deliveries of other vessel types.

Ship Values Remain Stable

Despite weaker freight market conditions, values for modern ships have been relatively stable. Clarksons Research currently values a benchmark five year old Handysize bulk carrier at US$17.0 million – unchanged since the start of 2019. Newbuilding prices have also remained steady at US$24.0 million. The gap between newbuilding and secondhand prices continues to discourage new ship ordering.

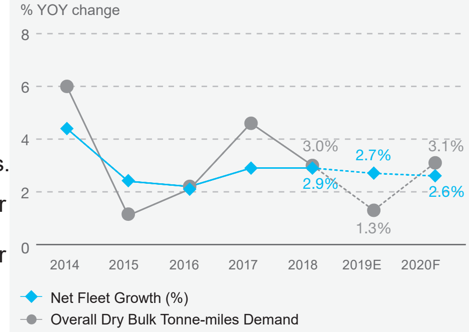
Supply Developments Favour Smaller Vessels

New ship ordering in the first half of 2019 was less than a year ago and remained concentrated in the Panamax and Capesize segments. New orders for Handysize and Supramax vessels remained more limited. The combined Handysize and Supramax orderbook now stands at 7.2%.

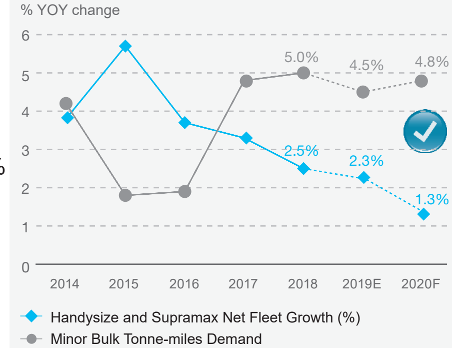
New ship ordering is expected to remain restrained, discouraged by the continued gap between newbuilding and secondhand prices as well as uncertainty over upcoming environmental regulations and their impact on future vessel designs.

Significantly Better Demand and Supply Balance in Our Segments

Dry Bulk Demand & Supply

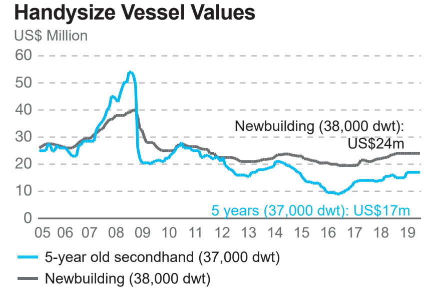


Minor Bulk Demand and Handysize/ Supramax Supply



Source: Clarksons Research, supply data as at July 2019

Handysize Vessel Values



Source: Clarksons Research, data as at 26 July 2019

Source: Clarksons Research, data as at 1 July 2019

	ORDERBOOK AS % OF EXISTING FLEET	AVERAGE AGE	OVER 20 YEARS OLD	1H19 SCRAPPING AS % OF EXISTING FLEET (ANNUALISED)
Handysize (25,000–41,999 dwt)	5.5%	10	11%	0.4%
Supramax (formerly Handymax) (42,000–64,999 dwt)	7.9%	10	8%	0.4%
Panamax & Post-Panamax (65,000–119,999 dwt)	11.0%	10	8%	0.2%
Capesize (incl. VLOC) (120,000+ dwt)	15.3%	9	5%	2.2%
Total Dry Bulk > 10,000 dwt	11.2%	10	7%	1.1%

OUR PERFORMANCE

Our business generated an underlying loss of US$0.6 million (2018: underlying profit of US$28.0 million) in markedly weaker dry bulk market conditions. We generated daily earnings that outperformed the BHSI and BSI indices and continued to maintain good control of our vessel operating costs.

Dry Bulk Operating Performance

US$ Million	Six months ended 30 June 2019	2018	Change
Handysize Contribution	**21.2**	38.4	-45%
Supramax Contribution	**7.4**	15.8	-53%
Post-Panamax Contribution	**2.1**	2.7	-22%
Operating performance before overheads	**30.7**	56.9	-46%
G&A overheads	**(30.5)**	(28.4)	-7%
Tax and other	**(0.8)**	(0.5)	-60%
Underlying (loss)/profit	**(0.6)**	28.0	>-100%
Vessel net book value	**1,842.7**	1,815.1	+2%

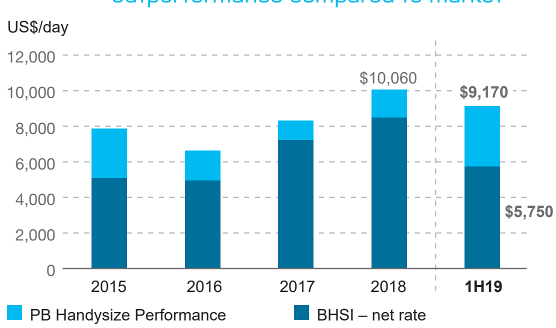
+/- Note: In our tabulated figures, positive changes represent an improving result and negative changes represent a worsening result.

Key Performance Indicators KPI

PERFORMANCE VS MARKET

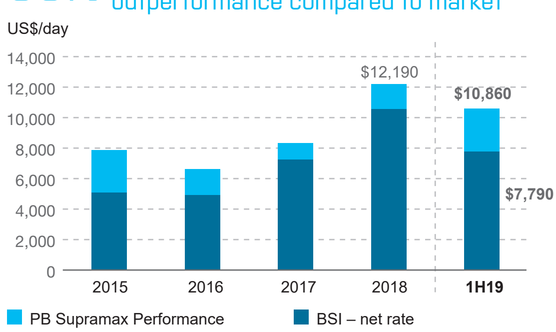
Handysize

59% 1H2019 outperformance compared to market



Supramax

39% 1H2019 outperformance compared to market

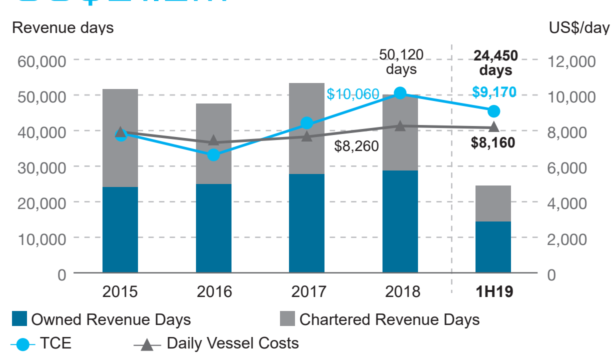


- Our outperformance in first half 2019 compared to spot market indices reflects the value of our fleet scale and cargo book, and our ability to optimise cargo combinations and match the right ships with the right cargoes to maximise our utilisation and vessel earnings.

PROFITABILITY

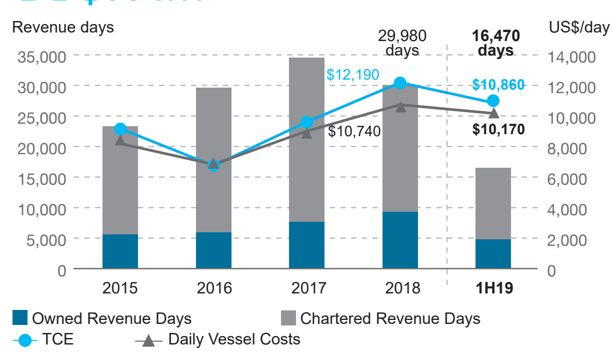
Handysize

US$21.2m contribution



Supramax

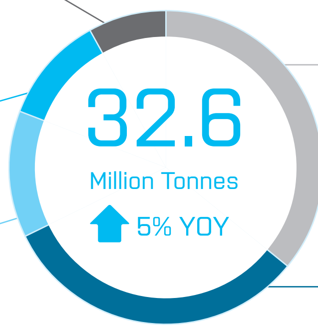
US$7.4m contribution



- We generated Handysize daily earnings of US$9,170 with daily costs of US$8,160 on 24,450 revenue days.
- We generated Supramax daily earnings of US$10,860 with daily costs of US$10,170 on 16,470 revenue days.
- Our Handysize and Supramax contributions reduced significantly due to markedly weaker dry bulk market conditions, despite our strong outperformance compared to spot market indices and our good cost control.

Our Cargo Volumes in 1H 2019

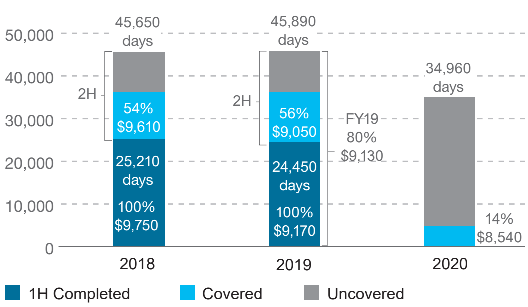
Minerals	**8%**
Salt	4%
Sand & Gypsum	3%
Soda Ash	1%
Energy	**11%**
Coal	5%
Petcoke	4%
Wood Pellets	2%
Metals	**13%**
Concentrates	5%
Ores	5%
Alumina	2%
Others	1%



Construction Materials	**36%**
Cement & Cement Clinkers	13%
Logs & Forest Products	13%
Steel & Scrap	10%
Agricultural Products & Related	**32%**
Grains & Agricultural Products	18%
Fertiliser	10%
Sugar	4%

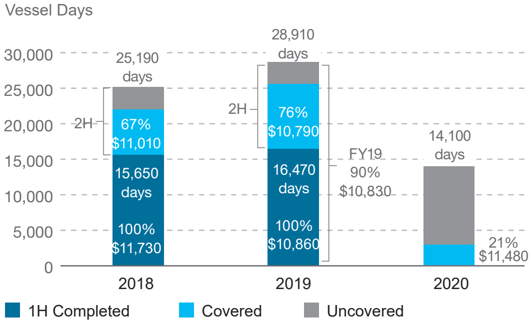
FUTURE EARNINGS AND CARGO COVER

Handysize



US$ per day, as at mid-July

Supramax

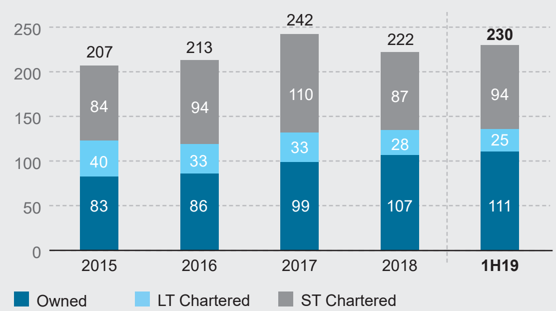


US$ per day, as at mid-July

- We have covered 56% and 76% of our 21,440 Handysize and 12,440 Supramax vessel days currently contracted for the second half of 2019 at US$9,050 and US$10,790 per day net respectively. (Cargo cover excludes vessel 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.

PACIFIC BASIN FLEET DEVELOPMENT

Average No. of Handysize and Supramax Ships Operated During the Period



As at 30 June 2019, we owned 82 Handysize and 30 Supramax ships

- Excluding our two Post-Panamax vessels, we operated an average of 137 Handysize and 93 Supramax ships in the first half of 2019 resulting in a 3% reduction and a 5% increase in our Handysize and Supramax revenue days respectively compared to the same period last year. This mainly reflects redeliveries of long-term chartered Handysize ships and the expansion of our owned and chartered-in Supramax fleet.

DAILY VESSEL COSTS

The cost of owning and operating dry bulk ships is the largest 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.

Owned Vessel Costs

Operating expenses – Our daily operating expenses ("Opex") increased by 4% and 3% for Handysize and Supramax respectively mainly due to increased costs of crewing, repair and maintenance, ballast water treatment systems ("BWTS") operation and IMO 2020 preparation. Our Opex remained at very competitive levels as a result of efficient management, good cost control and scale benefits including operational and procurement cost efficiencies.

In the period, our fleet of owned vessels experienced on average 0.4 days (FY2018: 1.2 days) of unplanned technical off-hire per vessel.

	Handysize		Supramax	
	1H2019	FY2018	1H2019	FY2018
Vessel days	**14,890**	29,470	**5,200**	9,420
Vessel costs (US$)				
Opex	**4,020**	3,880	**3,890**	3,780
Depreciation	**2,830**	2,790	**3,270**	3,220
Finance costs	**740**	740	**1,060**	1,090
Total	**7,590**	7,410	**8,220**	8,090

Depreciation – Our depreciation costs (including capitalisation of dry-docking costs) were slightly increased principally due to installation of BWTS.

Finance costs – Our owned vessels' daily P/L and cash finance costs were US$740 and US$680 respectively for Handysize and US$1,060 and US$970 respectively for Supramax. The difference between the P/L and cash finance costs reflects the difference between the effective interest and coupon rate of our convertible bonds.

Daily cash cost – Our daily cash cost before G&A overheads for owned vessels was US$4,700 and US$4,860 (FY2018: US$4,560 and US$4,780) for Handysize fleet and Supramax fleet respectively.

Chartered Vessel Costs

Adoption of HKFRS 16 "Leases"

Following the adoption of the new accounting standard HKFRS 16 "Leases" on 1 January 2019, all charter-in operating leases with a term over 12 months at the date of the adoption have been accounted for on balance sheet as right-of-use assets and lease liabilities. These operating lease expenses in the income statement have been replaced by a combination of the depreciation of right-of-use assets and interest expenses on lease liabilities (lease portion) and technical management service costs (non-lease portion). Operating leases with a term of up to 12 months are expensed on a straight-line basis over the lease term as before the adoption of HKFRS 16 "Leases".

Daily P/L cost – The daily P/L cost comprises the depreciation of right-of-use assets, interest expenses of lease liabilities, technical management service costs for leases over 12 months and operating lease expenses for leases of up to 12 months. The daily P/L costs in 2018 has not been restated following the adoption of HKFRS 16 "Leases".

Daily cash cost – The daily cash cost before G&A overheads represents the actual charter-hire payments under the terms of charter contracts. Our daily cash cost decreased to US$9,240 and US$11,090 (FY2018: US$9,880 and US$12,050) for our Handysize fleet and Supramax fleet respectively due to weaker market conditions.

	Handysize		Supramax	
	1H2019	FY2018	1H2019	FY2018
Long-term (>1 year)				
Vessel days	**3,380**	7,450	**1,240**	2,820
Average rate (US$)				
P/L basis	**10,380**	8,600	**12,570**	11,530
Cash basis	**11,030**	9,840	**13,070**	12,260
Short-term and index-linked				
Vessel days	**6,600**	13,850	**10,420**	17,860
Average rate (US$)				
P/L basis	**8,320**	9,890	**10,860**	12,010
Cash basis	**8,320**	9,890	**10,860**	12,010
Total chartered				
Vessel days	**9,980**	21,300	**11,660**	20,680
Average rate (US$)				
P/L basis	**9,020**	9,440	**11,040**	11,950
Cash basis	**9,240**	9,880	**11,090**	12,050

Blended Costs

Our average blended owned and chartered daily P/L cost excluding G&A overheads was US$8,160 and US$10,170 (FY2018: US$8,260 and US$10,740) for Handysize fleet and Supramax fleet respectively.

General and Administrative ("G&A") Overheads

While reduced on a per-vessel basis, our total G&A overheads increased to US$30.5 million (1H 2018: US$28.4 million and FY2018: US$59.8 million) due primarily to an increase in our staffing overheads. Spread across all our vessel days, these total G&A overheads translated into an improved daily cost of US$730 (FY2018: US$740) per ship, comprising US$940 and US$540 (FY2018: US$950 and US$540) per day for owned and chartered-in ships respectively.

VESSEL COMMITMENTS

Vessel Capital Commitments

As at 30 June 2019, the Group had committed vessel equipment contracts of US$13.1 million.

As at 30 June 2019, the Group had options to purchase 7 Handysize, 2 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 Lease Commitments

The analysis below considers the future lease commitments for all chartered-in vessels.

As at 30 June 2019, our future vessel lease commitments stood at US$287.7 million (31 December 2018: US$317.1 million), comprising US$200.2 million for Handysize, US$75.6 million for Supramax and US$11.9 million for Post-Panamax.

Our Handysize lease committed days decreased 7% to 18,570 days (31 December 2018: 20,040 days) while our Supramax lease committed days decreased 18% to 6,260 days (31 December 2018: 7,620 days).

The table below shows the average daily charter rates for our chartered-in Handysize and Supramax vessels (excluding Index-linked Vessels) during their remaining operating lease terms by year. The cash costs reflect contracted charter-hire payments while the P/L costs reflect the charter costs as defined in HKFRS 16 "Leases".

	Handysize								Supramax							
	Long-term (>1 year)			Short-term		Total			Long-term (>1 year)			Short-term		Total		
Year	Vessel days	Average rate P/L basis	Average rate Cash basis	Vessel days	Average rate	Vessel days	Average rate P/L basis	Average rate Cash basis	Vessel days	Average rate P/L basis	Average rate Cash basis	Vessel days	Average rate	Vessel days	Average rate P/L basis	Average rate Cash basis
2H2019	3,620	10,080	10,100	740	9,100	4,360	9,910	9,930	1,360	11,770	12,400	1,440	10,680	2,800	11,210	11,520
2020	4,690	10,270	10,460	–	–	4,690	10,270	10,460	1,970	11,780	12,750	60	11,260	2,030	11,760	12,710
2021	3,460	10,160	10,310	–	–	3,460	10,160	10,310	960	11,420	12,220	–	–	960	11,420	12,220
2022	2,720	9,830	10,110	–	–	2,720	9,830	10,110	470	11,150	12,280	–	–	470	11,150	12,280
2023	1,830	10,520	10,780	–	–	1,830	10,520	10,780	–	–	–	–	–	–	–	–
2024+	1,510	10,740	11,320	–	–	1,510	10,740	11,320	–	–	–	–	–	–	–	–
Total	17,830			740		18,570			4,760			1,500		6,260		

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 rates linked to the Baltic Handysize and Supramax indices (as applicable). 80 index-linked Supramax days are currently committed for 2019.

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, the purchase of vessels, 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 our Group's commitments and an appropriate level of liquidity is maintained during different stages of the shipping cycle.

Over the long term, we aim to maintain a consolidated net gearing of no greater than 50% – defined as the ratio of net borrowings to net book value of owned vessels – which we believe is appropriate over all stages of the shipping cycle.

The information in this section as presented is adjusted for the implementation of IFRS 16 "Leases" to give a better understanding of our underlying cash flow.

Key Developments in 1H 2019

- Our operating cash inflow inclusive of all long and short term charter-hire payments was US$72.2 million, as compared with US$72.1 million in the first half of 2018 and US$189.5 million in the full year 2018.
- In May 2019 we closed a new US$115.0 million syndicated 7-year reducing revolving credit facility secured against 10 unmortgaged vessels at an interest cost of LIBOR plus 1.35%.
- Our borrowings increased by US$36.6 million in the period after we drew down net US$91.8 million under our new committed loan facility while making net repayments of US$55.2 million of secured borrowings and revolving facilities.
- During the period we incurred capital expenditure of US$105.6 million in cash, of which:
  - (a) we paid US$66.4 million for one Handysize newbuilding resale and three secondhand Supramaxes which were delivered into our fleet in the first half of 2019 and a further two secondhand Supramaxes which delivered in July 2019; and
  - (b) we paid US$39.2 million for dry dockings, including the installation of ballast water treatment systems and scrubbers.
- In addition to the above cash payments for ships, we issued new shares equivalent to US$26.2 million to the ship sellers for two of the vessels that delivered in the period.

As at 30 June 2019:

- the Group's cash and deposits were US$313.8 million reflecting a 37% net gearing ratio;
- we have only one unmortgaged vessel; and
- our available committed banking facilities were fully drawn.

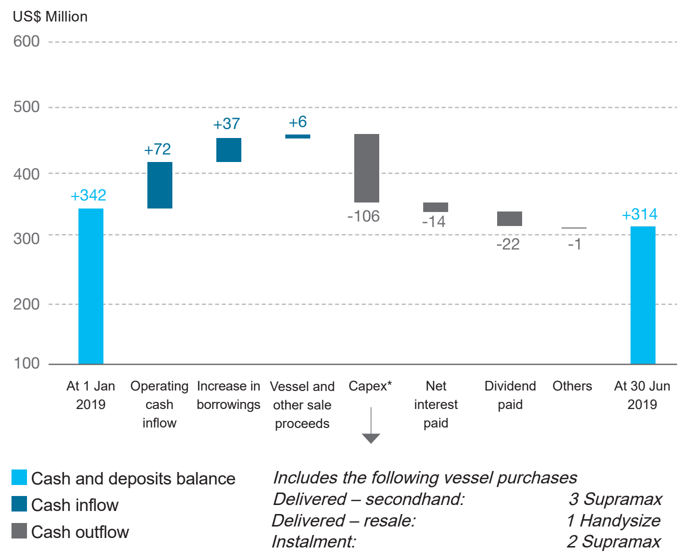
Treasury is permitted to invest in a range of cash and investment products subject to limits specified in the Group Treasury Manual. These include overnight and term deposits, money market funds, liquidity funds, certificates of deposit and structured notes.

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 2019 comprised US$311.4 million in United States Dollars and US$2.4 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 2019, Treasury achieved a 2.9% return on the Group's cash.

Sources and Uses of Group Cash in 1H 2019



* excluding Capex of US$26.2 million funded by equity

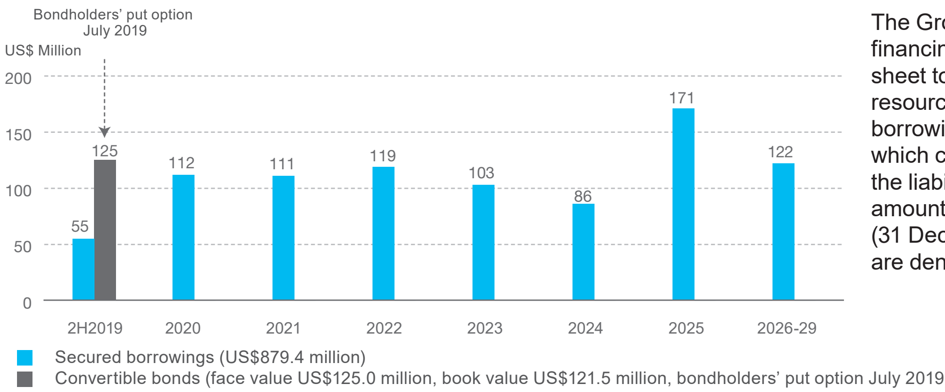
Cash, Deposits and Borrowings

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

US$ Million	30 Jun 2019	31 Dec 2018	Change
Cash and deposits	**313.8**	341.8	-8%
Current portion of long-term borrowings	**(232.0)**	(223.7)	
Long-term borrowings	**(768.9)**	(737.4)	
Total borrowings	**(1,000.9)**	(961.1)	-4%
Net borrowings	**(687.1)**	(619.3)	-11%
Net borrowings to shareholders' equity	**56%**	50%	
Net borrowings to net book value of owned vessels KPI	**37%**	34%	

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 2019, which comprised secured borrowings and the liability component of convertible bonds, amounted to US$1,000.9 million (31 December 2018: US$961.1 million) and are denominated in United States Dollars.

Secured Borrowings – US$879.4 million (31 December 2018: US$840.9 million)

The overall increase in secured borrowings is mainly due to the drawdowns under our committed loan facilities, partially offset by scheduled loan amortisation. In the first half of 2019, we drew down all our remaining available committed loan facilities.

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 2019:

- The Group's secured borrowings were secured by 112 vessels with a total net book value of US$1,802.4 million and an assignment of earnings and insurances in respect of these vessels.
- The Group was in compliance with all its loans-to-asset value requirements.

P/L impact:

An increase in interest to US$15.9 million (1H 2018: US$13.4 million) was mainly due to an increase in average secured borrowings to US$758.9 million (1H 2018: US$680.7 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$121.5 million (31 December 2018: US$120.2 million)

As at 30 June 2019 there remained the 3.25% p.a. coupon July 2021 convertible bonds with an outstanding principal of US$125.0 million and a prevailing conversion price of HK$2.96.

During the period, holders of our convertible bonds due in 2021 exercised their right to require the Group to redeem US$122.2 million of the convertible bonds at 100% of the principal amount on 3 July 2019. On the same day, the Group exercised the option to redeem all the remaining convertible bonds at 100% of the principal amount of US$2.8 million. Redemption and cancellation of the bonds will take place on 2 August 2019. The total redemption will be funded by the Group's cash reserves.

P/L impact:

The US$3.3 million (1H 2018: US$3.3 million) interest expense of the convertible bonds is calculated at an effective interest rate of 5.7% (1H 2018: 5.7%).

Finance Costs

US$ Million	Average interest rate P/L	Average interest rate Cash	Balance at 30 Jun 2019	Finance costs 1H2019	Finance costs 1H2018	(Increase)/ decrease
Secured borrowings (including realised interest rate swap costs)	4.2%	4.2%	879.4	**15.9**	13.4	(18%)
Convertible bonds (Note)	5.7%	3.3%	121.5	**3.3**	3.3	(2%)
	KPI 4.4%	KPI 4.0%	1,000.9	**19.2**	16.7	(15%)
Other finance charges				**0.6**	0.5	
Total finance costs				**19.8**	17.2	(16%)
Interest coverage (calculated as adjusted EBITDA divided by total finance costs)				KPI **4.0X**	5.8X	

Note: The convertible bonds have a P/L cost of US$3.3 million and a cash cost of US$2.0 million.

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

The Group aims to achieve a balance between floating and fixed interest rates on its long-term borrowings. This is adjusted from time to time, depending on the interest rate cycle, using interest rate swap contracts where appropriate. In the first half of 2019, all our interest rate swap contracts qualified for hedge accounting as cash flow hedges and US$0.3 million of interest rate swap contract income was realised. As at 30 June 2019, 62% (31 December 2018: 58%) of the Group's long-term borrowings were on fixed interest rates. As at 31 December 2019 and 2020, we expect about 54% and 48% respectively of the Group's existing long-term borrowings will be on fixed interest rates, assuming all revolving credit facilities are fully drawn.

FINANCIAL STATEMENTS

Group performance review

US$ Million	Note	Six months ended 30 June 2019	2018	Change*
Revenue		**767.1**	795.6	-4%
Bunker, port disbursement & other voyage costs		**(360.5)**	(360.6)	–
Time-charter equivalent ("TCE") earnings	1	**406.6**	435.0	-7%
Owned vessel costs				
Operating expenses	2	**(80.1)**	(72.5)	-10%
Depreciation	3	**(60.1)**	(56.3)	-7%
Net finance costs	4	**(16.5)**	(15.9)	-4%
Charter costs				
Non-capitalised charter costs	5	**(200.1)**	(233.4)	+14%
Capitalised charter costs	5	**(19.1)**	–	-100%
Operating performance before overheads		**30.7**	56.9	-46%
Total G&A overheads	6	**(30.5)**	(28.4)	-7%
Taxation and others		**(0.8)**	(0.5)	-60%
Underlying (loss)/profit		**(0.6)**	28.0	>-100%
Unrealised derivative income	7	**8.6**	4.4	
Net write-back of disposal cost provision		**0.2**	–	
Write-off of loan arrangement fees		**–**	(1.6)	
Profit attributable to shareholders		**8.2**	30.8	-73%
EBITDA	8	**101.1**	99.3	+2%
Net profit margin		**1%**	4%	-3%
Return on average equity employed		**1%**	3%	-2%

* In our tabulated figures, positive changes represent an improving result and negative changes represent a worsening result.

EBITDA (earnings before interest, tax, depreciation and amortisation) is gross profit less indirect general and administrative overheads, excluding: depreciation and amortisation; exchange differences; share-based compensation; and, net unrealised derivative income and expenses.

Notes

1. Total time-charter equivalent ("TCE") earnings decreased by 7% reflecting weaker market conditions during the period.
2. Total operating expenses of our owned vessels increased by 10% as our owned fleet expanded.
3. Depreciation of our owned vessels increased by 7% as our owned fleet expanded and additional costs were incurred for installation of ballast water treatment systems and scrubbers.
4. Net finance costs increased by 4% primarily due to higher average bank borrowings.
5. Non-capitalised charter costs comprise the non-lease portion of long-term charters with a term over 12 months and charters with a term of up to 12 months. Capitalised charter costs comprise depreciation of right-of-use assets and interest expenses on lease liabilities relating to the capitalised portion of long-term charters with a term over 12 months. Overall charter costs reduced due to weaker market conditions during the period. Charter costs in 2018 included the release of onerous contract provisions.
6. The increase in total G&A overheads was attributable primarily to an increase in staff-related costs as our owned fleet expanded.
7. The unrealised derivative income from bunker swap contracts was a result of a significant increase in bunker fuel prices.
8. EBITDA increased despite the weaker dry bulk freight market due to the impact of HKFRS 16 "Leases" under which charter costs originally included in EBITDA were replaced by depreciation and interest expenses.

   Adjusted EBITDA before adoption of HKFRS 16 "Leases" is US$78.9 million, which is comparable to EBITDA of previous years.

Unaudited Condensed Consolidated Income Statement

	Note	Six months ended 30 June 2019 US$'000	 2018 US$'000
Revenue		**767,140**	795,643
Cost of services		**(735,882)**	(751,100)
Gross profit		**31,258**	44,543
Indirect general and administrative overheads		**(3,582)**	(3,621)
Other income and gains		**367**	8,064
Other expenses		**(189)**	(1,739)
Finance income		**3,323**	1,218
Finance costs		**(22,344)**	(17,157)
Profit before taxation	4	**8,833**	31,308
Tax charges	5	**(616)**	(556)
Profit attributable to shareholders		**8,217**	30,752
Earnings per share for profit attributable to shareholders (in US cents)			
Basic earnings per share	7(a)	**0.18**	0.70
Diluted earnings per share	7(b)	**0.18**	0.69

Unaudited Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June 2019 US$'000	 2018 US$'000
Profit attributable to shareholders	**8,217**	30,752
Other comprehensive income		
Items that may be reclassified to income statement		
Cash flow hedges		
– fair value losses	**(4,286)**	(1,089)
– transferred to income statement	**602**	3,057
Currency translation differences	**53**	(338)
Item that will not be reclassified to income statement		
Fair value losses on financial assets at fair value through other comprehensive income	**–**	(208)
Total comprehensive income attributable to shareholders	**4,586**	32,174

Unaudited Condensed Consolidated Balance Sheet

	Note	30 June 2019 US$'000	31 December 2018 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,847,922**	1,807,672
Right-of-use assets		**103,292**	–
Subleasing receivables		**5,314**	–
Goodwill		**25,256**	25,256
Derivative assets		**1,370**	1,745
Trade and other receivables	8	**33,500**	8,900
Restricted bank deposits		**59**	58
		2,016,713	1,843,631
Current assets			
Inventories		**88,682**	85,488
Current portion of subleasing receivables		**6,553**	–
Derivative assets		**1,464**	214
Assets held for sale		**–**	6,450
Trade and other receivables	8	**102,559**	88,679
Cash and deposits		**313,694**	341,744
		512,952	522,575
Total assets		**2,529,665**	2,366,206
EQUITY			
Capital and reserves attributable to shareholders			
Share capital		**46,566**	45,205
Retained profits		**183,697**	202,262
Other reserves		**1,007,251**	983,742
Total equity		**1,237,514**	1,231,209
LIABILITIES			
Non-current liabilities			
Long-term borrowings		**768,864**	737,377
Lease liabilities		**77,818**	–
Derivative liabilities		**11,071**	9,912
Trade and other payables	9	**3,194**	5,537
		860,947	752,826
Current liabilities			
Current portion of long-term borrowings		**232,067**	223,716
Current portion of lease liabilities		**45,170**	–
Derivative liabilities		**1,170**	7,374
Trade and other payables	9	**151,956**	150,559
Taxation payable		**841**	522
		431,204	382,171
Total liabilities		**1,292,151**	1,134,997

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 2018, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS").

2. Adoption of new HKAS and changes in accounting polices

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2018, except for the adoption of new standard as described below.

The following new standard is mandatory for the accounting period beginning on or after 1 January 2019 and is relevant to the Group's operation.

HKFRS 16	Leases

The impact of the adoption of and transition to this standard are disclosed in Note (a) and (b) below. Other new standards that became effective in this accounting period do not have any impact on the Group's accounting policies and do not require any adjustments.

According to HKFRS 16 "Leases", all charter-in operating leases with a term over 12 months at the date of the adoption (i.e. 1 January 2019) have been accounted for on balance sheet as right-of-use assets and lease liabilities. These operating lease expenses in the income statement have been replaced by a combination of the depreciation of right-of-use assets and interest expenses on lease liabilities (lease portion) and technical management service costs (non-lease portion). Operating leases with a term of up to 12 months are expensed on a straight-line basis over the lease term as before the adoption of HKFRS 16 "Leases".

(a) Impact on the Group's financial statement

The impact of the adoption of HKFRS 16 "Leases" to the financial statements for six months ended and as at 30 June 2019 is disclosed below which includes the full income statement and those affected line items on the balance sheet and cash flow statements.

Income statement

US$'000	Before adoption of HKFRS 16 "Leases"	Effects of adopting HKFRS 16 "Leases"	As reported
Revenue	768,852	(1,712)	767,140
Cost of services	(741,973)	6,091	(735,882)
Gross profit	26,879	4,379	31,258
Indirect general and administrative overheads	(3,705)	123	(3,582)
Other income and gains	367	–	367
Other expenses	(189)	–	(189)
Finance income	3,181	142	3,323
Finance costs	(19,852)	(2,492)	(22,344)
Profit before taxation	6,681	2,152	8,833
Tax charges	(616)	–	(616)
Profit attributable to shareholders	6,065	2,152	8,217

Balance Sheet (extract)

US$'000	Before adoption of HKFRS 16 "Leases"	Effects of adopting HKFRS 16 "Leases"	As reported
Non-current assets			
Right-of-use assets	–	103,292	103,292
Subleasing receivables	–	5,314	5,314
Current assets			
Current portion of subleasing receivables	–	6,553	6,553
Trade and other receivables	102,613	(54)	102,559
Equity			
Retained profits	186,121	(2,424)	183,697
Other reserves	1,007,122	129	1,007,251
Non-current liabilities			
Lease liabilities	–	77,818	77,818
Trade and other payables	5,537	(2,343)	3,194
Current liabilities			
Current portion of lease liabilities	–	45,170	45,170
Trade and other payables	155,201	(3,245)	151,956

Cash Flow Statement (extract)

US$'000	Before adoption of HKFRS 16 "Leases"	Effects of adopting HKFRS 16 "Leases"	As reported
Operating activities	72,168	20,577	92,745
Investing activities	(83,678)	3,283	(80,395)
Financing activities	(3,991)	(23,860)	(27,851)
Net change in cash and deposits	(15,501)	–	(15,501)

(b) Transition to HKFRS 16 "Leases"

The Group has adopted HKFRS 16 "Leases" using the modified retrospective approach from 1 January 2019 without restating comparative figures by recognising the cumulative effects as an adjustment to the opening balance of retained profits as at 1 January 2019. The 2019 opening balance restatement effect is disclosed below. Line items that were not affected by the changes have not been included.

Balance Sheet (extract)

US$'000	31 December 2018 (as previously reported)	Effects of adoption HKFRS 16 "Leases"	1 January 2019
Non-current assets			
Right-of-use assets	–	107,313	107,313
Subleasing receivables	–	8,607	8,607
Current assets			
Current portion of subleasing receivables	–	6,401	6,401
Trade and other receivables	88,679	(30)	88,649
Equity			
Retained profits	202,262	(4,575)	197,687
Other reserves	983,742	204	983,946
Non-Current liabilities			
Lease liabilities	–	88,127	88,127
Trade and other payables	5,537	(1,123)	4,414
Current liabilities			
Current portion of lease liabilities	–	42,332	42,332
Trade and other payables	150,559	(2,674)	147,885

3. Revenue and segment information

The Group's revenue is substantially 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 management considers that the nature of our shipping services, which are carried out internationally, precludes a meaningful allocation of operating profits to specific geographical segments.

4. Profit before taxation

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

	Six months ended 30 June	
US$'000	**2019**	2018
Bunkers consumed	**190,443**	191,190
Port disbursement and other voyage costs	**171,671**	174,352
Depreciation		
– owned vessels	**60,133**	56,321
– owned other property, plant and equipment	**924**	930
– right-of-use assets	**17,840**	–
Interest on borrowings		
– secured bank loans	**15,208**	12,366
– unsecured convertible bonds	**3,319**	3,250
– other secured borrowings	**1,006**	1,083
Interest on lease liabilities		
– vessels	**2,269**	–
– other property, plant and equipment	**223**	–
Net gains on bunker swap contracts	**(10,226)**	(9,350)
Losses on disposal of assets held for sale	**174**	–
Utilisation of provision for onerous contracts	**–**	(8,057)
Write-off of loan arrangement fees	**–**	1,623
Losses on disposal of property, plant and equipment	**–**	19

5. Taxation

Shipping income from 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 non-shipping activities are subject to tax at prevailing rates in the countries in which these businesses operate.

The amount of taxation charged to the consolidated income statement represents:

	Six months ended 30 June	
US$'000	**2019**	2018
Current taxation		
Hong Kong profits tax, provided at the rate of 16.5% (2018:16.5%)	**408**	274
Overseas tax, provided at the rates of taxation prevailing in the countries	**188**	171
Adjustments in respect of prior year	**20**	111
Tax charges	**616**	556

6. Dividends

No interim dividend was declared for the period ended 30 June 2019 (2018: HK 2.5 cents or US 0.3 cents per share).

The 2018 final dividend of HK 3.7 cents or US 0.5 cents per share, totalling US$21,825,000 was paid during the period.

7. Earnings per share ("EPS")

(a) Basic 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.

		Six months ended 30 June	
		2019	2018
Profit attributable to shareholders	(US$'000)	**8,217**	30,752
Weighted average number of ordinary shares in issue	('000)	**4,539,977**	4,366,033
Basic earnings per share	(US cents)	**0.18**	0.70
Equivalent to	(HK cents)	**1.42**	5.52

(b) Diluted earnings per share

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	
		2019	2018
Profit attributable to shareholders	(US$'000)	**8,217**	30,752
Weighted average number of ordinary shares in issue	('000)	**4,539,977**	4,366,033
Adjustment for calculation of diluted EPS relating to unvested restricted shares	('000)	**96,695**	89,941
Weighted average number of ordinary share for diluted EPS	('000)	**4,636,672**	4,455,974
Diluted earnings per share	(US cents)	**0.18**	0.69
Equivalent to	(HK cents)	**1.39**	5.41

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 2019**	31 December 2018
≤ 30 days	**43,608**	35,057
31-60 days	**264**	3,609
61-90 days	**80**	1,899
> 90 days	**1,367**	4,000
	45,319	44,565

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 2019**	31 December 2018
≤ 30 days	**49,471**	49,930
31-60 days	**266**	1,125
61-90 days	**41**	157
> 90 days	**2,472**	3,318
	52,250	54,530

Purchase, sale or redemption of securities

During the six months ended 30 June 2019, other than for satisfying restricted awards granted under the Company's 2013 Share Award Scheme, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the share capital or convertible bonds of the Company.

On 3 July 2019, the Group redeemed and cancelled an aggregate principal amount of US$122,216,000 of its US$125 million 3.25% p.a. coupon guaranteed convertible bonds due 2021 (the "Bonds"), together with accrued but unpaid interest of US$2,031,250 following the exercise of the put option right by bondholders. The remaining outstanding aggregate principal amount of the Bonds was reduced to US$2,784,000 (the "Remaining Bonds"), representing 2.23% of the total principal amount of the Bonds originally issued. The Group has exercised its option to redeem the entire Remaining Bonds at 100% of their principal amount, together with accrued but unpaid interest up to 2 August 2019, being the date fixed for such redemption.

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").

Having made specific enquiry, the Board confirms that the Directors have complied in full with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions during the six months ended 30 June 2019.

Senior managers' and staff's securities transactions

The Company has adopted rules for those senior managers and staff who are more likely to be in possession of unpublished inside information of the Group based on the Model Code (the "Dealing Rules"). These senior managers and staff have been individually notified and provided with the Dealing Rules.

The Board confirms that, having made specific enquiry, all those 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 six months ended 30 June 2019.

Compliance with the corporate governance code

Throughout the six months ended 30 June 2019, 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 2019 Interim Report of the Company for the six months ended 30 June 2019.

Closure of register of members

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

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(10) 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 2019 Interim Report is printed in English and Chinese languages, and will be available on our website on or around 16 August 2019 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 Peter Schulz, 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 2019 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.