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Pacific Basin Shipping Limited

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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

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 2014 as follows:

BUSINESS HIGHLIGHTS

GROUP

- Results were mainly influenced by:
  - a US$63.9 million write-off and provision for our PB Towage business
  - losses from low-paying Handymax positioning voyages
  - a second quarter decline in the dry bulk freight market
  - loss of 450 revenue days from routine dry-docking of a large proportion of our owned fleet

  mitigated by:
  - an effective business model enabling our daily earnings to outperform the Handysize market by 23%
  - good control of our owned vessel operating costs
- Balance sheet net gearing of 39% with cash and deposits of US$320 million
- Fully-funded dry bulk vessel capital commitments of US$410 million

	Six Months Ended 30 June	
US$ Million	**2014**	2013
Revenue #	**910.0**	766.8
Underlying (Loss)/Profit	**(21.5)**	13.6
EBITDA (excluding impairments)	**38.9**	59.4
(Loss)/Profit Attributable to Shareholders	**(90.7)**	0.3
Basic Earnings per share *(HK cents)*	**(36.9)**	0.1

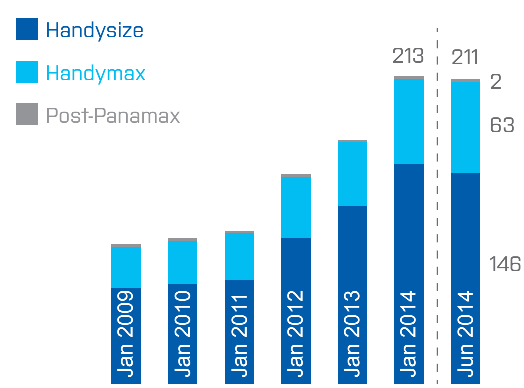
relates to continuing operations

FLEET

- Purchased 4 dry bulk vessels in the year to date for a committed price of US$72.8 million, and long-term chartered another 3 newbuildings
- Owned fleet on the water grew from 73 to 79 dry bulk ships in the period
- Our fleet numbers 298 vessels (including newbuildings) comprising 248 dry bulk ships, 47 towage vessels and 3 RoRos
- Covered 59% of our contracted 21,470 Handysize revenue days in the second half of 2014 at US$9,400 per day net
- Current commitments for a further 37 newbuildings (18 owned and 19 long-term chartered)
- Secondhand Handysize values are down 7% in the year to date, but remain up 26% since the start of 2013

OUR DRY BULK FLEET DEVELOPMENT

Average number of ships operated



OUTLOOK

- Dry bulk market is expected to show improvement in the fourth quarter of 2014, albeit from a low base
- Future supply and demand fundamentals look favourable, but market recovery remains fragile as excessive dry bulk supply is not yet fully absorbed
- Our counter-cyclical owned fleet expansion at historically attractive prices positions us to leverage the expected market recovery ahead
- We expect to acquire further ships at a much slower pace compared to 2013
- Downgraded outlook for PB Towage and its long-term earnings capability
- We remain committed to our towage businesses and to our harbour and offshore towage customers

CHIEF EXECUTIVE'S REVIEW

FINANCIAL RESULTS & DIVIDEND

The Group produced a net loss of US$90.7 million (2013: US$0.3 million profit) from an underlying loss of US$21.5 million (2013: US$13.6 million profit) for the six months ended 30 June 2014.

Basic EPS on continuing operations was a negative HK 34.7 cents, and our EBITDA was US$38.9 million (2013: US$59.4 million).

Our results were mainly influenced by:

- a US$63.9 million non-cash write-off and provision for our PB Towage business;
- losses from low-paying Handymax positioning voyages during the first quarter that could not be fully recovered in the poor second quarter market;
- a second quarter decline in the dry bulk freight market;
- the loss of 450 revenue days from the routine dry-docking of a large proportion of our owned fleet;

mitigated by:

- the value of our business model enabling our daily earnings to outperform the market; and
- good control of our owned vessel operating costs.

The Board has declared no dividend for the interim period but, for the full year, will consider a payout based on the Group's full-year operating performance and its available cash resources and commitments at that time.

PERFORMANCE OVERVIEW

DRY BULK

In our core dry bulk shipping business, our fleet scale and our team's ability to optimise ship and cargo combinations and maximise utilisation again enabled us to outperform the market.

Our average Handysize daily earnings increased 10% year on year to US$10,210 per day and outperformed the market by 23% in a half year that saw spot market rates decline 48% since peaking in December.

Our Handymax daily earnings of US$11,100 outperformed the market by 13%, impacted by low-paying positioning voyages we made in the first quarter.

Eight owned and long-term chartered ships delivered into our fleet in the half year increasing the earning capacity of our core fleet. However, our chartered-in vessel costs and first half performance were impacted by the higher cost of Handymax vessels chartered in during the unexpected stronger spike in the regional US Gulf market at the end of 2013.

Our revenue days were reduced by an unusually busy routine dry-docking programme in the weak market, which will benefit us in the stronger market we anticipate ahead.

TOWAGE

Our towage activities faced increasingly challenging market conditions in the first half of the year.

In the offshore towage sector, the wind-down of the construction phase of Gorgon and other gas projects has resulted in increasing competition for fewer employment opportunities which has impacted the revenue of our fleet.

As detailed in our first quarter trading update, the terms of our barging project in Australia's Northern Territory were restructured due to the physical difficulties of the location. This resulted in unrecoverable project costs of US$3.5 million in the first half of 2014 and means four tugs will redeliver to us in the coming months. We are targeting potential new business, and are redeploying some tugs to the Middle East where a few of our tugs and barges are already benefitting from reasonable utilisation albeit at competitive rates.

Our harbour towage volumes grew 29% year on year with expanding activity of our young Newcastle operation offsetting the impact of reduced volumes in our other bulk ports and static volumes in our liner ports.

As announced on 25 June, our discussion with PSA Marine did not produce an offer for our harbour towage business due primarily to increased competition in recent months. We will therefore maintain our ownership of both our harbour and offshore towage businesses. The change in the competitive landscape led our Board to reassess the prospects for PB Towage and its likely future cash flows, resulting in a downgraded outlook for its long-term earnings capability and, in turn, necessitating a non-cash impairment charge and a provision together amounting to US$63.9 million in our consolidated half-year results.

The impairment will not impact the operating cash flows or operations of the Group, which will continue to benefit from a robust balance sheet. We remain committed to providing a secure and reliable service to both our harbour and offshore towage customers. We are committed to our towage businesses and are fully supporting the new business tenders in which we are engaged.

RORO

The last of our RoRo vessels commenced its bareboat charter to Grimaldi in April which triggered the recognition of a final US$5 million exchange loss as previously projected.

The third of our RoRo vessels delivered into Grimaldi's ownership in June as contracted. The remaining three are all on bareboat charter to Grimaldi until they take ownership of at least one vessel in each six-month period until the end of 2015.

INVESTMENT AND BALANCE SHEET

Following our busiest ever year for dry bulk acquisitions in 2013, we have committed to purchase three secondhand vessels in the year to date. We have also ordered one newbuilding and committed to the long-term charter of three more newbuildings.

At mid-year we operated 211 dry bulk ships of which 79 were owned. A further 37 newbuildings (18 owned and 19 chartered) are due to join our trading fleet over the next three years, with the next of our owned newbuildings scheduled to deliver in mid-2015. We remain very satisfied with the timing and purchase price of our acquisitions.

As at 30 June 2014, we had cash and deposits of US$320 million and net borrowings of US$655 million. We had 16 unmortgaged dry bulk ships on the water with a combined net book value of US$324 million.

Our vessel capital expenditure obligations amounted to US$410 million payable in 2014 to 2017 in respect of our 18 newbuildings on order and one secondhand ship. To finance these newbuildings, we secured attractive funding in the form of a US$350 million, 12-year Japanese export credit agency ("ECA") loan as announced in April.

DRY BULK OUTLOOK & STRATEGY

We expect the dry bulk freight market to show improvement in the fourth quarter of 2014, albeit from a low base given the current weak spot market.

We believe the market recovery remains fragile because growing dry bulk demand has still not fully absorbed the excessive supply of mainly larger ships generated by the newbuilding delivery boom of 2010 to 2012. However, the worst of the influx of new capacity is behind us, having peaked in 2012, and the future fundamentals look favourable, especially for smaller bulk carriers of the type in which we specialise.

Our core business remains firmly focused on the Handysize and Handymax segments and we will continue to work hard on making our already strong dry bulk platform even stronger.

We are very happy with the 51 ships we have acquired in the past two years which more than doubled our owned fleet at historically attractive prices. All are of high quality and well suited to our cargo systems and should serve us well for many years to come. Our counter-cyclical owned fleet expansion is reinforcing the platform on which our dry bulk freight service is based to enhance customer satisfaction. It also positions the Company to leverage the market recovery we expect ahead, generating increased shareholder value, a competitive cost base, sustainable growth and attractive long-term returns.

Our relationships will continue to generate ship acquisition and charter opportunities, but we expect a much slower pace of acquisitions compared to 2013.

We continue to grow our dry bulk customer and cargo portfolio drawing on the recent expansion of our commercial office network into the Middle East which is also enhancing the customer service we offer in the region.

IN CLOSING

We extend a warm welcome to Mrs. Irene Waage Basili who joined our Board as an Independent Non-executive Director on 1 May 2014. Irene brings to Pacific Basin valuable additional commercial, strategic and operational experience in a range of shipping sectors including dry bulk.

Notwithstanding the current weakness in the dry bulk market and the challenges of the towage sector, we remain strong, healthy and well equipped and positioned for the next phase of the dry bulk cycle. Underpinning that strength and good health is the endorsement and support we have earned from our customers and other stakeholders. In April we were awarded the first ever "BIMCO Shipping Company of the Year" award for our innovative customer service, business profitability and solid service reliability. That is high recognition and a great honour coming from our industry's largest association, and supports our view that our staff's dedication to our company and customers, and their passion and ability to deliver excellent service make Pacific Basin one of the very best companies in dry bulk shipping.

Mats Berglund
Chief Executive Officer

Hong Kong, 31 July 2014

MARKET & BUSINESS REVIEW

DRY BULK MARKET & BUSINESS REVIEW

FREIGHT MARKET SUMMARY

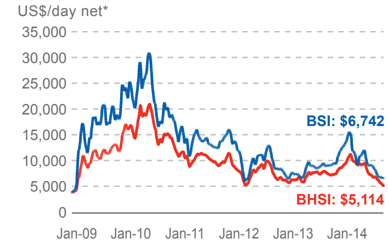
Spot market rates for Handysize and Handymax bulk carriers averaged US$8,289 and US$9,812 per day net in the first half of 2014. While up 17% and 19% on the same period last year, these year-on-year figures mask a weaker second quarter than expected.

By mid-year, Handysize and Handymax rates had fallen 48% and 57% since peaking in December on the back of a strong US Gulf market, eradicating the improvement in rates made over the course of 2013. Rates have since fallen to levels last seen in February 2009 and February 2012.

Fundamentally we believe the market recovery remains fragile because growing demand has not yet fully absorbed the excessive overall dry bulk supply generated by the newbuilding delivery boom of 2010 to 2012.

The decline in second quarter rates was not anticipated by the market and resulted in 7% lower average Handysize rates than in the second quarter of 2013.

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



Baltic Handysize Index (BHSI)
Baltic Supramax Index (BSI)
* US$ freight rates are net of 5% commission
Source: The Baltic Exchange, data as at 25 July 2014

In our view, the second quarter weakness was led by a collapse in Atlantic rates – unusually to below Pacific rates – following the repositioning of more ships than usual into the Atlantic in anticipation of the South American grain export season. This regional increase in supply was compounded by reduced South American port congestion.

KEY SUPPLY DEVELOPMENTS

The global fleet of 25,000-40,000 dwt Handysize ships registered 1.9% net capacity growth during the first half of the year driven by 3.6% newbuilding deliveries and 1.7% scrapping.

The overall dry bulk fleet grew 2.7% net during the period on 3.6% newbuilding deliveries and 0.9% scrapping.

Widespread slow steaming continues to curtail effective dry bulk shipping capacity.

With newbuilding deliveries traditionally greater in the first half of the year, we expect supply growth to remain low for the remainder of the year.

SHIP VALUES

Clarksons currently value their benchmark five year old Handysize at US$19.5 million which represents a US$1.5 million (7%) decline since the start of the year but remains 26% above values at the start of 2013.

KEY DEMAND DEVELOPMENTS

An Indonesian export ban has significantly reduced Chinese imports of bauxite and nickel ore. A surge in such trades at the end of 2013 gave way to zero exports since February. While representing a small part of global demand, the disappearance of these trades was abrupt and the effect therefore more pronounced on the supply/demand dynamics in the first half of 2014.

Chinese imports of other minor bulks not affected by the Indonesian ban showed solid growth of 21% year on year. Chinese iron ore imports in the period also expanded by a healthy 19%, while growth in coal imports slowed to 4%.

In Europe, a mild winter resulted in reduced coal imports.

Our segments were also affected by a hold on Argentinian grain exports partly in Argentina's anticipation of more favourable overseas pricing.

Dry bulk transportation demand is slowing, though, in the first quarter of 2014, is estimated by R.S. Platou to have increased by a still healthy 7.8% year on year.

ORDERBOOK

Due to the disappointing second quarter freight market, the high level of new dry bulk ship ordering activity in late 2013 gradually gave way to reduced orders which currently remain at low levels.

The published orderbook for Handysize vessels now stands at 23% as compared to 16% a year ago. The orderbook for dry bulk vessels overall also stands at 23%.

Dry bulk newbuilding deliveries in the first half fell short of the scheduled orderbook by 40% and we expect a significant shortfall also in the second half of the year.

PACIFIC BASIN DRY BULK

HOW WE PERFORMED IN FIRST HALF 2014

BUSINESS REVIEW

Our Pacific Basin Dry Bulk division generated a net loss of US$6.5 million (2013: net profit US$11.3 million) and a positive EBITDA of US$53.4 million in a weaker first-half market than expected.

The contribution from our Handysize activity was marginally higher year on year benefitting from daily earnings that outperformed the market and good control of our owned vessel operating costs, but our overall dry bulk result was impacted by:

- losses on Handymax vessels chartered in on a short-term basis at higher cost during the unexpected regional US Gulf market spike at the end of 2013 to perform our US Gulf cargo commitments in the first quarter;
- the unexpectedly weak dry bulk market in the second quarter;
- low-paying Handymax positioning voyages generating losses incurred in the first quarter that could not be fully recovered due to the poor second quarter market; and
- the loss of approximately US$5 million of notional TCE earnings (based on average earnings in the first half) from the scheduled dry-docking of a higher than normal proportion of our fleet amounting to 450 revenue days.

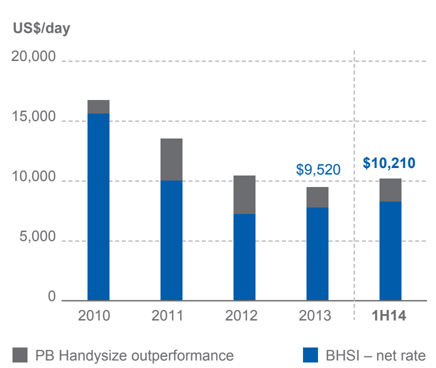
SEGMENT OPERATING PERFORMANCE

	Six months ended 30 June		
US$ Million	2014	2013	Change
Handysize contribution	26.2	22.4	+17%
Handymax contribution	(10.7)	4.3	-349%
Post-Panamax contribution	2.7	2.9	-7%
Segment operating performance before overheads	18.2	29.6	-39%
Direct overheads	(24.7)	(18.3)	-35%
Segment net (loss)/profit	(6.5)	11.3	-158%
Segment EBITDA	53.4	50.7	+5%
Segment vessel net book value	1,545.0	1,250.0	+24%
Segment net assets	663.0	885.1	-25%

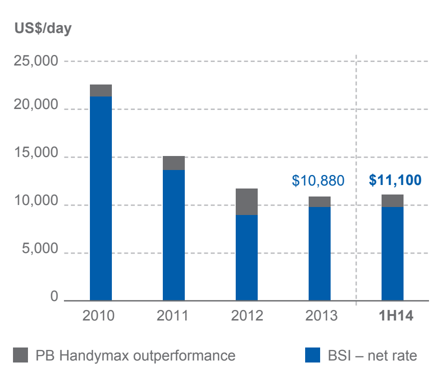
KEY PERFORMANCE INDICATORS

Daily Earnings Performance vs Market

Handysize **23% outperformance compared to market**



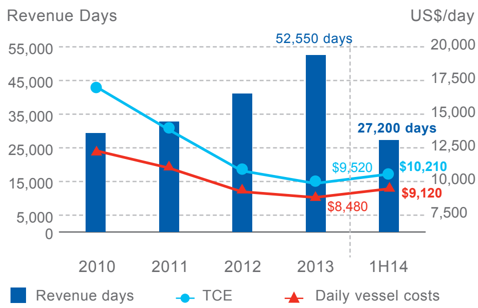
Handymax **13% outperformance compared to market**



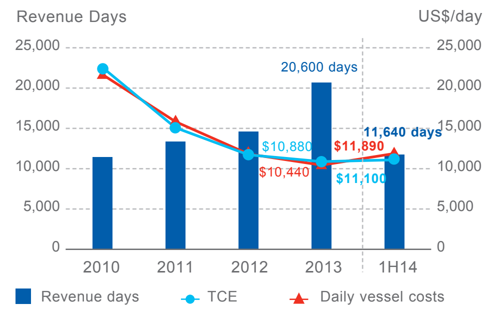
- Our average Handysize and Handymax daily earnings outperformed BHSI and BSI spot market indices by 23% and 13%.
- This outperformance reflects the value of our business model, fleet scale and cargo book, and our team's ability to achieve optimal cargo combinations and match the right ships with the right cargoes.

Profitability

Handysize
US$26.2m **17% YOY**



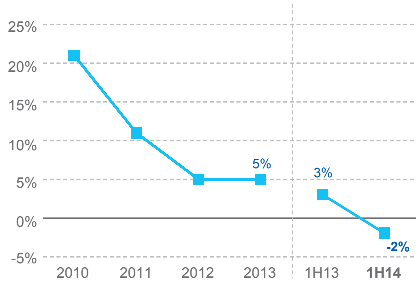
Handymax
US$(10.7)m loss **349% YOY**



- A respectable Handysize result in a difficult market environment on Handysize daily earnings of US$10,210 and daily costs of US$9,120 on 27,200 revenue days.
- We operated an average of 152 Handysize and 65 Handymax ships resulting in 15% and 28% increases in our Handysize and Handymax revenue days.
- Our capacity increased as our purchased vessels continued to deliver and enhance our ability to service our expanding customer base, increasing the proportion of our owned ships compared to chartered ships.
- Handymax vessels chartered in on a short-term basis at higher cost at the end of 2013 resulted in losses for those vessels in the first quarter of 2014. Short-term chartered Handysize and Handymax capacity reduced in the first half of 2014 compared to the second half of 2013.
- Cost of services (previously "direct costs") grew 25% mainly due to increases in (i) charter-hire expenses, (ii) bunkers, (iii) port disbursements and (iv) finance costs (with a full allocation of borrowings and associated interest from treasury to the Pacific Basin Dry Bulk segment).

Return on Net Assets

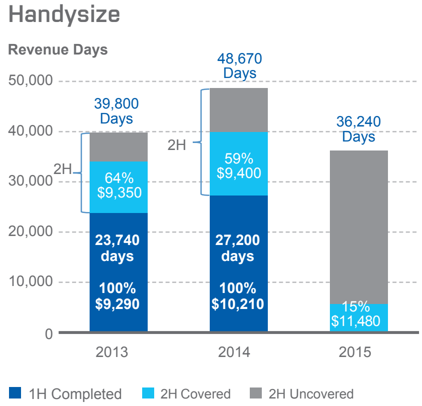
(2%) Annualised **5% points YOY**



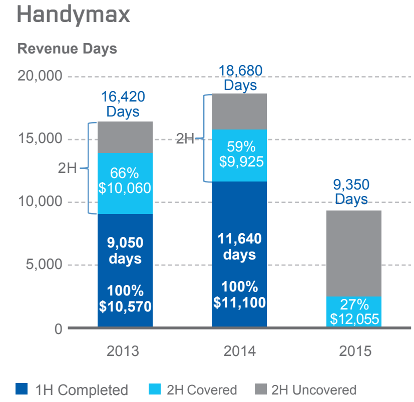
- Our annualised return on dry bulk net assets was negative 2% which we consider unsatisfactory although driven by the weak market.
- We aim to achieve solid long-term returns on assets, so we have invested counter-cyclically for enhanced returns in the stronger market we expect ahead.

Future earnings and cargo cover

Handysize



Handymax



- We have covered 59% of both our 21,470 Handysize and 7,040 Handymax revenue days currently contracted for the second half of 2014 (cargo cover excludes revenue days related to vessels chartered in on variable, index-linked charter rates).
- While our long-term contract cover provides a degree of earnings visibility, our uncovered capacity gives us exposure to the spot market which we expect to strengthen in the fourth quarter.

ANALYSIS OF DAILY VESSEL COSTS

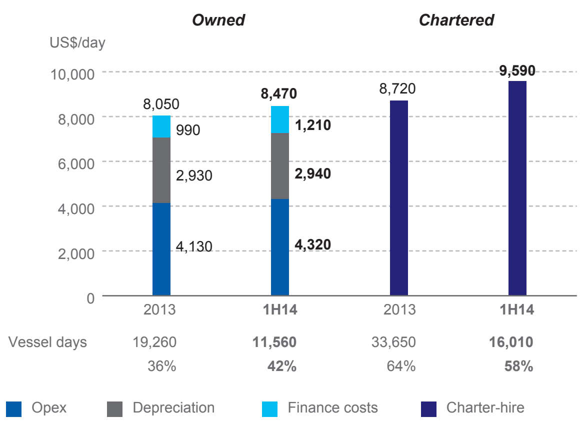
The cost of owning and operating dry bulk ships is the major component of our Group's total costs, and our ability to maintain good control of our "daily vessel costs" has a significant bearing on our operating margins and our financial performance overall. We provide below a short analysis of our daily vessel costs for a better understanding of their components and development.

Our dry bulk fleet incurred cost of services (including bunker fuel costs and port disbursements) of US$856.0 million (2013: US$683.5 million) representing 94% of total Group cost of services (2013: 92%).

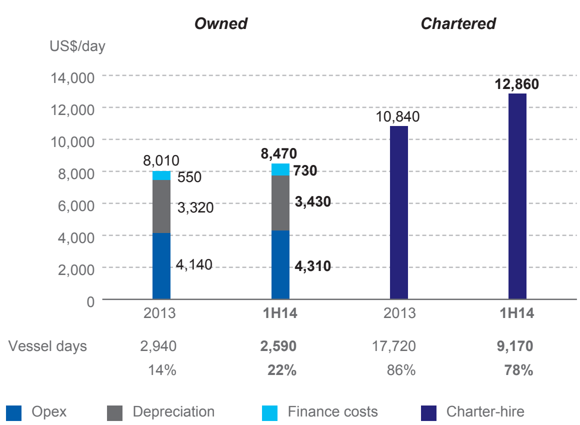
Our Handysize and Handymax blended daily costs increased 8% and 14% respectively compared to full year 2013 mainly due to increased inward charter costs.

Our proportion of lower cost owned Handysize and Handymax vessels increased 6% and 8% to 42% and 22% respectively with delivery of last year's second hand purchases.

Handysize Daily Vessel Costs
Blended US$9,120 (FY2013: US$8,480)



Handymax Daily Vessel Costs
Blended US$11,890 (FY2013: US$10,440)



Opex – The daily opex element of our vessel costs increased 5% for Handysize and 4% for Handymax mainly due to inflation in crew wages.

Depreciation – Daily depreciation (including capitalisation of dry-docking costs) was substantially unchanged compared to 2013.

Finance costs – Daily finance costs increased due to i) the reallocation of all the financing and associated costs for dry bulk vessels from treasury to the Pacific Basin Dry Bulk segment, and ii) the increase in bank borrowings which were drawn down towards the end of last year.

Charter-hire – Chartered-in days represented 58% and 78% of our total Handysize and Handymax vessel days respectively. Our Handysize chartered-in days increased 5% to 16,010 days (2013: 15,230 days) while our Handymax chartered-in days increased 14% to 9,170 days (2013: 8,070 days). However, they decreased 13% and 5% respectively when compared to our Handysize and Handymax chartered-in days in the second half of 2013 due to a reduced level of short-term inward chartered vessels. Despite currently depressed dry bulk spot market rates, longer term charter rates remain strong as dry bulk market conditions are expected to strengthen.

Direct overheads comprising chartering, operations and technical staff and office costs related to our dry bulk ships. Its increase was mainly due to a 22% step increase in dry bulk headcount following our vessel expansion in 2013, and inflation increases in overhead costs. Due to the higher vessel days the aggregate overhead translated into a lower 13% increase in daily cost to US$620 per day (FY2013: US$550 per day), reverting to 2011 and 2012 levels.

During the period, we secured 6,090 Handysize vessel days (2013: 5,040 days) and 1,350 Handymax vessel days (2013: 1,070 days) via variable-rate, inward charters with rates linked to the Baltic Handysize and Supramax indices. These index-linked vessels represented 38% and 15% of our chartered Handysize and Handymax vessel days respectively.

Our fleet of owned and finance-leased dry bulk vessels experienced an average 0.5 days unplanned technical off-hire per vessel during the period – down from 1.3 days in the same period last year.

DRY BULK BUSINESS HIGHLIGHTS

In January 2014, we enhanced our global network with a new Pacific Basin Dry Bulk presence in Dubai to better serve customers in the Middle East and India and to expand our customer relationships and cargo portfolio in the region. Our service delivery is now backed by eleven customer-facing offices providing our customers with localised commercial and operational support. They cover all major continents and oceans so that we can offer a reliable, tailored and flexible freight service anywhere in the world and at any time.

In the first half of 2014, we committed to purchase one newbuilding and three secondhand vessels, and long-term charter three newbuildings. Eight owned and long-term chartered ships delivered into our fleet during the period, including four owned and two chartered Handysize vessels and two owned Handymax vessels. A further four delivered in July. At mid-year we operated 211 dry bulk ships of which 79 were owned, 40 were long-term chartered and 92 were on index-linked or short-term charters. A further 37 newbuildings (18 owned and 19 chartered) are due to join our trading fleet over the next three years.

Pacific Basin is the world's largest owner and operator of Handysize ships supplemented by a growing fleet of Handymax ships. By operating one of the largest "Handy" fleets of owned and long-term chartered 25-60,000 dwt vessels – supported by our award-winning in-house technical management team – we can deliver industry-leading reliability and shipment frequency for our customers without dependence on third-party spot market ships.

The synergies of our fleet scale, global office network and operational expertise enable us to generate respectable vessel earnings in a depressed market, as evidenced by our average daily vessel (or time charter equivalent "TCE") earnings which outperformed the BHSI and BSI spot market indices by 23% and 13% respectively in the first half of 2014.

Underpinning our strengths relative to the market are the endorsement and support we have earned from our over 400 customers last year for whom we carried 24.4 million tonnes of cargo in the first half of 2014. In April we were awarded the first ever "BIMCO Shipping Company of the Year" award for our "innovative customer service, business profitability and solid service reliability" – high recognition and a great honour coming from our industry's largest association.

We have an unusually busy routine dry-docking programme this year with 41 of our owned ships due to dock. By comparison, 18 of our ships docked in 2013. We are taking the opportunity to upgrade our recently acquired ships that were due for docking to the usual high standard that Pacific Basin expects so as to reliably service our customers' needs. The 41 ships scheduled to be docked in 2014 represent over 50% of our owned fleet. Of these, 24 completed docking in the first six months when we incurred 450 docking-related off-hire days on our owned fleet (about two thirds of docking off-hire projected for 2014) with the consequential loss of revenue impacting our half-year results. Dockings were completed efficiently and at competitive cost and, by docking this large number of ships in the weak market, we expect to benefit from less docking off-hire in the stronger market we anticipate ahead. Our scheduled dockings are projected to reduce to 20 in 2015.

DRY BULK OUTLOOK & STRATEGY

MARKET OUTLOOK

Opportunities

- Continued strong Chinese demand for minor bulk commodities
- Increased overseas mining output and lower commodity prices leading to increased Chinese imports replacing higher-cost domestic resources
- Continued OECD economic recovery, revival in North American industrialisation and a stronger than expected recovery in Europe contributing to healthy global dry bulk demand growth
- A smaller scheduled newbuilding orderbook for 2014-2016 leading to moderate global fleet growth
- Continued scrapping and moderate newbuilding deliveries leading to modest Handysize net fleet growth

Threats

- Ship owner optimism may return driving reduced scrapping and increased new ship ordering, which could generate oversupply in the longer term
- Credit squeeze in China and other emerging economies leading to slower economic and industrial growth and slower growth in dry bulk trades
- Lower fuel prices causing the world's dry bulk fleet to speed up resulting in an effective increase in capacity
- Increased national protectionism (such as the Indonesian minerals export ban) impacting key cargo trades, although possibly triggering a beneficial increase in tonne-miles through imports from further afield

OUTLOOK FOR OUR DRY BULK BUSINESS

We expect the dry bulk freight market to show improvement in the fourth quarter of 2014, albeit from a low base given the current weak spot market. The second half of the year typically sees fewer shipyard deliveries and greater dry bulk cargo volumes which combine to support a healthier balance of supply and demand.

The year started with China holding an enlarged stockpile of bauxite and nickel ore in preparation for the Indonesian export ban, and we will have to wait for stocks to be depleted before we see how the trade in these commodities will develop in the longer term. If the Indonesian ban should remain in force for much longer, we would expect future Chinese demand for bauxite and nickel ore in the medium term to be satisfied by new supply sources mostly further afield.

The expanding supply and decreasing price of iron ore will likely lead to increased Chinese imports replacing higher-cost domestic ores, directly benefiting the Capesize segment but indirectly also improving conditions for smaller bulk carriers. Increasing environmental pressure may lead to continued weaker growth in Chinese demand for coal – especially from Indonesia.

Notwithstanding the unexpectedly protracted weakness in the market in the year to date, the outlook for our own business is positive.

Strategy

Our core business remains firmly focused on the Handysize and Handymax segments and we will continue to work hard on making our already strong dry bulk platform even stronger.

We are committed to our cargo focused business model and are proactively working to further strengthen our cargo systems and customer relationships in order to optimise the utilisation of our fleet. We continue to work closely with our customers on both spot and contract cargoes and, during the first six months of the year, we concluded several contracts of affreightment at reasonable long-term freight rates.

We are very happy with our significant counter-cyclical ship acquisition programme and the 51 vessels (33 secondhand and 18 newbuildings) we have purchased in the past two years. All but one are from Japanese yards and all are high-quality vessels very suitable for our cargo systems.

A larger owned fleet acquired at historically attractive prices means a larger EBITDA generating capacity, high operational flexibility and significant upside in the cyclical recovery that we expect ahead.

We remain selectively open to the acquisition of Handysize and Handymax ships at appropriate prices but we expect a much slower pace of acquisitions compared to 2013.

We will continue our use of short-term and index-linked chartered ships which we use in addition to owned and long-term chartered ships (our “core” fleet) to optimise the execution of our cargo systems. This generates synergies from better ship and cargo combinations and enhances the timeliness and flexibility of our service to our customers.

Our exposure to the freight market is influenced by our cargo book which currently provides cover for 59% of our dry bulk revenue days in the second half of 2014.

TOWAGE MARKET & BUSINESS REVIEW

The Australian towage market in the year to date has become increasingly competitive at a time of reduced demand and excess capacity.

In spite of these tough market conditions, we remain committed to our towage businesses and to providing a secure and reliable service to both our harbour and offshore towage customers. We are currently engaged in tenders for potential new business and are committed to supporting these initiatives.

OFFSHORE TOWAGE & INFRASTRUCTURE SUPPORT

The construction of the Gorgon project and other Australian oil and gas developments is nearing completion or has completed, the logistics requirements of other construction projects are of a smaller scale, and a number of new projects remain in the planning stage or are on hold. Towage and support vessels released from expiring contracts are therefore competing for fewer longer term employment opportunities resulting in excess capacity.

HARBOUR TOWAGE

Australian harbour towage activity has generally shown reduced growth, largely driven by fluctuating raw materials demand from China, liner consolidation and some weather-related interruptions. Competitors are adopting increasingly aggressive strategies to capture market share.

PB TOWAGE

HOW WE PERFORMED IN FIRST HALF 2014

BUSINESS REVIEW

Our PB Towage division generated a net loss of US$9.2 million in the first half of 2014 in the face of an increasingly competitive landscape. The wind-down of the construction phase of Gorgon and other gas projects has resulted in increasing competition for fewer employment opportunities which is impacting earnings and the utilisation of our offshore towage fleet. Our harbour towage volumes increased 29% year on year driven by the expanding activity of our young Newcastle operation which offset the reduced volumes in our other bulk ports and static volumes in our liner ports.

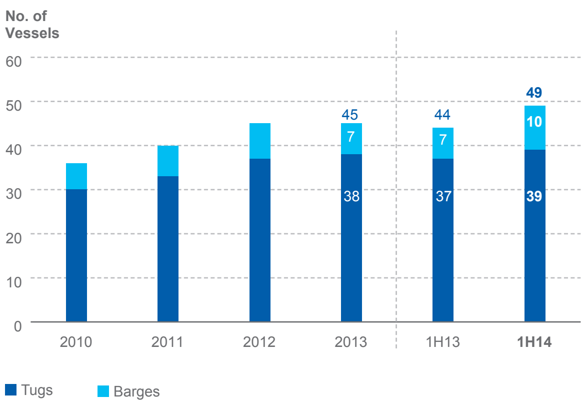
SEGMENT OPERATING PERFORMANCE

	Six months ended 30 June		
US$ Million	2014	2013	Change
Offshore & Infrastructure projects	(2.6)	15.3	-117%
Harbour towage	2.4	7.0	-66%
Segment operating performance before overheads	(0.2)	22.3	-101%
Direct overheads	(9.0)	(9.7)	+7%
Segment net (loss)/profit	(9.2)	12.6	-173%
Segment EBITDA	(3.0)	19.8	-115%
Segment vessel net book value	126.1	179.8	-30%
Segment net assets	136.8	210.6	-35%

KEY PERFORMANCE INDICATORS

Average Number of Vessels Operated

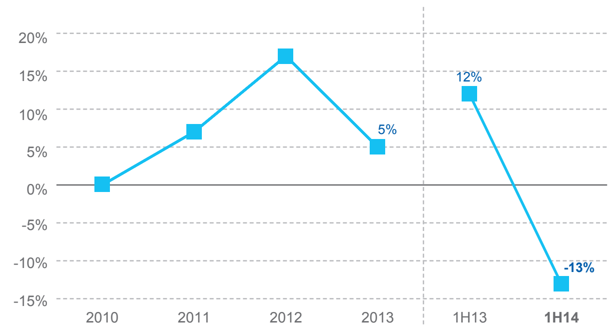
49 vessels **11% YOY**



- We operated an average of 49 towage vessels in the first half of 2014.
- Having expanded our barge fleet in the second half of 2013 for the new project in the Northern Territory, we have recently started to redeliver chartered-in tugs as they become surplus to requirements.
- Our fleet currently comprises 31 owned and 4 chartered tugs, 10 owned barges, 1 chartered passenger/supply vessel and 1 owned bunker tanker.

Return on Net Assets

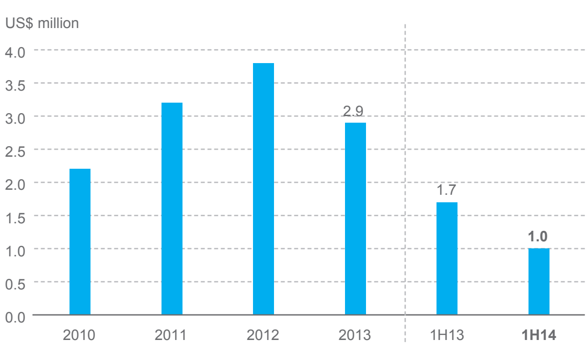
(13%) annualised **25% points YOY**



- Faced with the challenging market conditions, PB Towage made a net loss of US$9.2 million to generate an annualised return on net assets of negative 13%.

Vessel Revenue

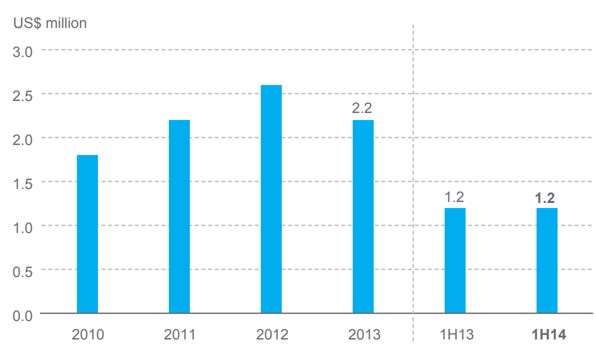
US$1.0m per vessel **41% YOY**



- Our tugs and barges generated reduced average revenue of US$1.0 million per vessel due to lower rate levels, the restructured terms of our trans-shipment project and the redeployment of vessels in a weaker market.
- Deployment rates were supported by moderate growth in harbour activity but are potentially undermined by increasing competition for fewer employment opportunities in the offshore towage sector.
- We carefully manage the deployment of our offshore vessels, working with customers to try to release our chartered tugs before our owned tugs so that we can redeliver our chartered tugs rather than face underutilisation of our owned fleet.

Vessel Costs

US$1.2m per vessel **0% YOY**



- Our vessel costs averaged US$1.2 million in the half year, which is substantially unchanged year on year.

TOWAGE BUSINESS HIGHLIGHTS

HARBOUR TOWAGE

Our activity in Australian bulk ports was impacted by the Indonesian nickel ore export ban (reducing imports into Townsville and affecting our operations there) and by the reduced Australian export of certain commodities due to plant maintenance and the expectation of improving market prices ahead. Our volumes continue to expand steadily and in line with our expectations in the coal port of Newcastle where we commenced operations a year ago.

Volumes at our three liner ports remained static during the period, and competition for market share in these ports is increasing.

OFFSHORE TOWAGE AND INFRASTRUCTURE SUPPORT

Our OMSA joint venture's Gorgon contract was extended last year through December 2015 but volumes under this contract are now rapidly declining and tugs and barges are being redelivered to us and other service providers as the construction phase nears completion. Gorgon's longer term operating phase will require certain transportation services and OMSA has registered its interest in such contract. Details of this requirement which is expected to start in late 2015 have yet to be announced.

As detailed in our first quarter trading update, the terms of our iron ore trans-shipment project in Australia's Northern Territory were restructured due to the physical difficulties of the location. Four barges remain deployed on the project on a bareboat charter basis for five years, and four tugs are on bareboat charter until they redeliver to us within the coming months. As expected, mobilisation and related costs and weather-impacted revenue resulted in unrecoverable project costs of US$3.5 million in the first half of 2014.

We continue to seek new employment for our tugs and barges as part of our wider efforts to develop new projects for our offshore towage business as activity declines on the Gorgon and other projects.

In the Middle East, we maintain good utilisation of our three tugs and three barges despite the competitive environment there. At some cost of repositioning, we are redeploying a number of offshore assets from Australia to the region.

TOWAGE OUTLOOK & STRATEGY

MARKET OUTLOOK

Opportunities

- Exclusive harbour towage licenses in some bulk ports up for tender in 2015 onwards
- New employment opportunities in the Middle East, where we already have a presence and relationships
- Expected tender for Gorgon's operating phase transportation services contract and the longer term possibility of logistics support requirements for potential construction of further Gorgon LNG trains
- Growth in Australian bulk exports and containerised trade supporting growth in harbour towage volumes

Threats

- High costs, labour market inflexibility, environmental concerns and global competition impacting Australian project economics and oil and gas industry outlook
- Further competition from other Australian towage operators
- Credit squeeze in China impacting growth in dry bulk trades and Australian port activity
- Instability in the Middle East a concern for energy and construction projects in the region

OUTLOOK AND STRATEGY FOR OUR TOWAGE BUSINESS

We expect our Australian offshore towage operations to be impacted by reduced demand and increased competition as Gorgon and other key projects complete their construction phase. We are taking extra cost-control measures to better weather the challenging environment.

We expect continued expansion of Australian seaborne trade to support growth in harbour towage demand overall. Our harbour towage performance in the short term partly depends on the growth of our Newcastle operation and, in the longer term, on our success in expanding our market share in our existing and new ports.

As announced on 25 June, the increasingly competitive landscape led our Board to reassess the prospects for our towage businesses with a particular focus on their likely future cash flows. This exercise resulted in a downgraded outlook for the long-term earnings capability of PB Towage necessitating:

- a non-cash vessel impairment charge of US$51.6 million;
- a US$10.1 million impairment against our interest in joint ventures; and
- provisions of US$2.2 million.

These are reflected in our consolidated half-year results.

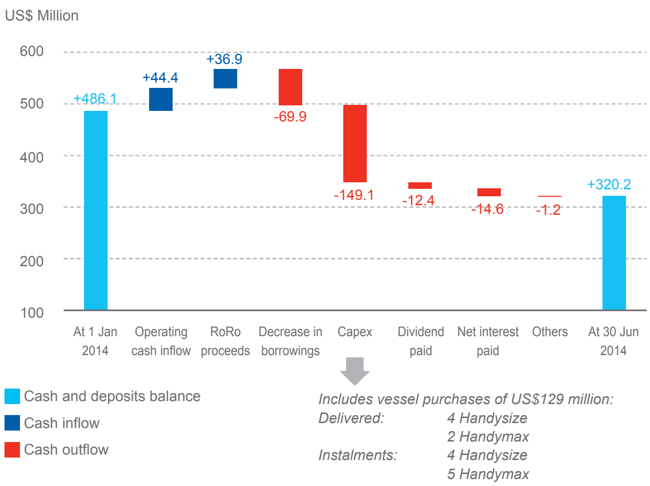
We remain committed to these businesses and to providing a secure and reliable service to both our harbour and offshore towage customers.

In harbour towage, our focus is on tendering for licenses in new ports, continuing to grow our Newcastle business and providing first-class service to all our customers.

In the offshore sector, our focus is on managing and restructuring our business in response to vessel redeliveries from existing contracts and on competing for tenders and repositioning vessels to find replacement employment both in Australia and the Middle East.

CASH FLOW AND CASH

1H 2014 Sources and Uses of Group Cash Flow



The Group's four main sources of funds are operating cash flows, bank loans, convertible bonds and equity.

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 conservative 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 sustainable over all stages of the shipping cycle.

As at 30 June 2014, the Group had cash and deposits of US$320.2 million resulting in a 39% net gearing ratio.

CASH FLOW

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. The Group has sufficient cash resources, undrawn committed bank borrowing facilities and unmortgaged vessels to fund its capital commitments of US$410 million.

Liquidity	US$320.2 million of total cash and deposits (principally denominated in US$) US$371.5 million of undrawn bank borrowing facilities
Net working capital	US$201.0 million

CASH AND DEPOSITS

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

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

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

US$' Million	30 June 2014	31 December 2013	Change
Cash and deposits	317.8	483.2	
Restricted bank deposits			
– non-current	1.3	1.3	
– current	1.1	1.6	
Total cash and deposits	**320.2**	**486.1**	-34%
Current portion of long term borrowings	(218.3)	(328.5)	
Long term borrowings	(756.4)	(708.7)	
Total borrowings	**(974.7)**	**(1,037.2)**	+6%
Net borrowings	(654.5)	(551.1)	-19%
Net borrowings to net book value of property, plant and equipment	38.9%	34.0%	
Net borrowings to shareholders' equity	53.8%	42.3%	

The decrease in cash and deposits mainly represents deployment of US$129 million of cash resources into dry bulk vessel purchases.

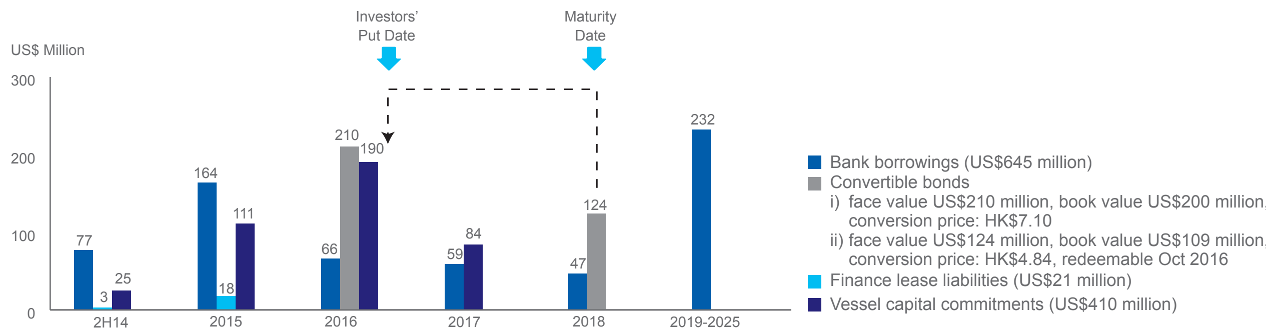
The Group's cash and deposits at 30 June 2014 comprised US$294.2 million in US Dollars, US$11.2 million in Australian Dollars and US$14.8 million in other currencies. They are primarily placed in liquid deposits of 3 months or less and saving accounts, to maintain the liquidity to meet the Group's vessel purchase commitments and working capital needs.

Restricted bank deposits primarily relate to collateral pledged to maintain guarantees issued for offshore and infrastructure projects in the Towage segment.

During the period, Treasury achieved a 1.2% return on Group cash. Interest income is benchmarked against a target yield of 0.7% being 50 basis point above 3-month USD LIBOR.

BORROWINGS

Schedule of Repayments and Vessel Capital Commitments



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

- bank borrowings;
- the debt element of convertible bonds; and
- finance lease liabilities.

The aggregate borrowings of the Group amounted to US$974.7 million (31 December 2013: US$1,037.2 million). They are principally denominated in United States Dollars, except for bank loans equivalent to US$21.6 million (31 December 2013: US$22.2 million) which are denominated in Australian Dollars.

BANK BORROWINGS

Bank borrowings (net of deferred loan arrangement fees) were US$645.1 million (31 December 2013: US$690.4 million) at 30 June 2014 and are in the functional currency of the business segment to which they relate. Bank borrowings reduced in line with loan amortisation. During the period, the Group secured additional Japanese export credit facilities totalling US$350 million for 18 newbuildings. The loans under these facilities will be drawn after the delivery of the vessels scheduled between mid-2015 and mid-2017.

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 pledges additional cash or offers additional unmortgaged vessels as collateral.

As at 30 June 2014:

- The Group's bank borrowings were secured by mortgages over 73 (31 December 2013: 73) vessels with a total net book value of US$1,199.2 million (31 December 2013: US$1,225.4 million) and an assignment of earnings and insurances in respect of these vessels.
- The Group had 43 unmortgaged vessels with a total net book value of US$410.8 million split into 16 dry bulk ships with a net book value of US$323.6 million and 27 Towage tugs and barges with a net book value of US$87.2 million.
- The Group was in compliance with all its loans-to-asset value requirements.
- The Group had undrawn bank borrowing facilities of US$371.5 million (31 December 2013: US$23.8 million).

P/L impact: The increase in interest (after capitalisation) to US$9.5 million (2013: US$4.8 million) was mainly due to an increase in average bank borrowings to US$679.5 million (2013: US$452.7 million) and the decrease in interest capitalised to undelivered newbuild vessels to US$0.1 million (2013: US$2.5 million). Certain bank borrowings are subject to floating interest rates but the Group manages these exposures by using interest rate swap contracts.

FINANCE LEASE LIABILITIES

Finance lease liabilities decreased following scheduled repayments during the period. Finance lease liabilities are allocated to the dry bulk segment in which the assets are owned.

Aggregate current and long term finance lease liabilities at 30 June 2014 were US$20.6 million (31 December 2013: US$23.0 million) relating to three Handysize vessels with a total net book value of US$21.8 million (31 December 2013: three with a total net book value of US$25.0 million) whose bareboat charters expire in 2015. The fixed, equal, quarterly charter-hire payments are accounted for as a combination of repayments of finance lease liabilities on the balance sheet and finance charges in the income statement. Finance charges can be expressed as interest rates, fixed for the period of the leases.

P/L impact: Finance charges of US$0.7 million (2013: US$4.7 million) represent interest payments on Handysize vessels under finance leases.

CONVERTIBLE BONDS

The debt components of the 1.75% p.a. coupon April 2016 convertible bonds and 1.875% p.a. coupon October 2018 convertible bonds decreased to US$309.0 million (31 December 2013: US$323.8 million) at 30 June 2014. The decrease in the debt component amount is mainly due to the partial repayment of the 2016 convertible bonds with a face value of US$20.4 million on 12 April 2014, following the exercise by certain bondholders of their right to redeem the bonds at 100% of the principal amount pursuant to the terms and conditions of the bonds.

P/L impact: The US$7.6 million (2013: US$7.6 million) interest expense of the convertible bonds is calculated at an effective interest rate of 4.9%.

FINANCE COSTS

FINANCE COSTS BY NATURE

(US$ Million)	Average interest rate P/L	Cash	Balance at 30 June 2014	Finance costs 1H2014	1H2013	Change
Bank borrowings including realised interest rate swap contracts	3.8%	3.8%	645.1	**13.8**	7.7	-79%
Finance lease liabilities	6.6%	6.6%	20.6	**0.7**	4.6	+85%
Convertible bonds	4.9%	1.8%	309.0	**7.6**	7.6	0%
	4.3%	3.2%	974.7	**22.1**	19.9	-11%
Finance lease purchase option termination expenses				**–**	6.1	
Unrealised interest rate swap income				**(0.8)**	(1.4)	
Other finance charges				**0.4**	0.3	
Total finance costs				**21.7**	24.9	+13%

The KPIs on which management focuses to assess the cost of borrowings are:

- Average interest rates for the sources of borrowings (see table above)
- Group Interest Coverage

1H2014	1H2013
1.8x	2.4x

Group Interest Coverage is calculated as EBITDA divided by total gross finance costs

Our dry bulk and towage operations incurred finance costs of US$21.7 million (2013: US$24.9 million). Included in the finance costs for the same period last year were US$6.1 million termination costs of the embedded fixed interest rate swap contracts associated with exercising five purchase options on finance leased vessels.

Following the Group's acquisition of dry bulk vessels and securing new loans, additional finance costs and borrowings were allocated from Treasury to the Pacific Basin Dry Bulk segment, thus reducing the segment net assets.

For 2014 onwards, all financing and associated costs for existing vessel commitments and future vessel acquisitions, net of interest income, have been allocated to the appropriate business segment. This results in the Treasury segment having a nil net finance cost.

The Group aims to achieve a balance between floating and fixed interest rates on its long term borrowings. This is adjusted from time to time, depending on the shipping and interest rate cycles, using interest rate swap contracts where appropriate. During the period, US$4.3 million of interest rate swap contract costs were realised and US$0.8 million of unrealised gains arose resulting in a net US$3.5 million swap contract charge. As at 30 June 2014, 9% (31 December 2013: 10%) of the Group's long term borrowings were subject to floating rates.

DELIVERED VESSELS

As at 30 June 2014, the Group had delivered vessels with a net book value of US$1,632 million as follows:

		Number	Average age (years)	Average net book value (US$ Million)	Total net book value (US$ Million)
Dry Bulk	Handysize	66	8.8	16.5	1,093
Dry Bulk	Handymax	15	5.9	24.2	363
Dry Bulk	Post-Panamax	1	3.0	50.3	50
Towage	Tugs & Barges	37	10.1	3.4	126

Tugs and barges are denominated in their functional currency of the Australian Dollar, and hence their US Dollar carrying values and commitments are subject to exchange rate fluctuations.

VESSEL COMMITMENTS

As at 30 June 2014, the Group had vessel commitments of US$409.8 million. These vessels are scheduled to deliver to the Group between July 2014 and April 2017.

(US$ Million)	Number of vessels	2H14	2015	2016	2017	Total
Contracted and authorised commitments						
Handysize vessels	13	17.3	87.6	129.9	32.4	267.2
Handymax vessels	6	7.8	23.3	59.9	51.6	142.6
	19	25.1	110.9	189.8	84.0	409.8

These commitments, along with future potential vessel acquisitions, will be financed by a combination of cash generated by the Group's operations, existing cash and additional long term borrowings to be arranged as required. Where commitments are in currencies other than the functional currencies of the underlying assets, the Group has entered into forward foreign exchange contracts to purchase the currencies at predetermined rates.

Coupled with existing vessels, these commitments are expected to increase the number of 2014 vessel days to around 23,750 for Handysize and around 5,450 for Handymax, depending on actual delivery dates. The current 2014 proforma daily depreciation for owned vessels including these commitments is expected to be around US$3,000 per day for Handysize and around US$3,600 per day for Handymax. However, this will change with future potential vessel acquisitions and the capitalisation of dry-docking costs incurred during the year.

VESSEL PURCHASE OPTIONS

Certain lease agreements provide the Group with options to purchase the related vessels at predetermined times and prices during the lease periods. The average price of the Group's existing purchase options in the earliest years in which these options may be exercised, along with the number of vessels and the average age of such vessels in those years, are as follows:

Earliest year in which options may be exercised	**Vessel type**	**Number of vessels at 30 June 2014**	**Average age of vessels** (years)	**Average purchase option exercise price**[1] (US$ Million)
2014	Handysize	1	7	16.8
	Tug & barge	3	5	4.8
2016	Handysize	2	5	30.4
	Handymax	1	5	30.0
	Post-Panamax	1	5	52.6
2017	Handysize	2	9	19.3
2020	Handysize	3	5	23.0
2021	Handysize	3	6	24.9
	Handymax	1	5	35.0
2022	Handysize	1	7	30.7
	Handymax	1	7	27.0
Total		19		

Note 1: Includes certain purchase options priced in Japanese Yen.
Note 2: In respect of three finance lease vessels with an average age of 17 years, we hold purchase options which are currently exercisable at an average price of US$6.9 million.

Estimated fair market values published by Clarksons are US$19.5 million and US$25.5 million for 5 year old 32,000 dwt Handysize and 56,000 dwt Handymax vessels respectively.

VESSEL OPERATING LEASE COMMITMENTS

Vessel operating lease commitments stood at US$941.7 million (31 December 2013: US$854.1 million), comprising: US$629.7 million for Handysize; US$265.4 million for Handymax; US$45.8 million for Post-Panamax vessels; and US$0.8 million for tugs.

As a result of the increased cargo volumes carried by the Group, our Handysize operating lease committed days increased 5% to 60,400 days (31 December 2013: 57,600 days) and our Handymax operating lease committed days increased 44% to 20,820 days (31 December 2013: 14,470 days).

The following table shows the average contracted daily charter rates and the annual total number of vessel days of our chartered-in Handysize and Handymax vessels during their remaining operating lease terms by year, assuming the purchase options will not be exercised until the expiry of the charter-hire agreements.

COMMITMENTS EXCLUDING INDEX-LINKED VESSELS

	Handysize		Handymax	
Year	Vessel days	Average daily rate (US$)	Vessel days	Average daily rate (US$)
2H14	7,310	9,570	3,340	11,860
2015	11,140	10,220	3,720	12,930
2016	9,170	10,290	3,350	12,920
2017+	32,780	10,720	10,410	12,910
Total	60,400		20,820	
Aggregate operating lease commitments		US$629.7 m		US$265.4 m

2014 COMMITMENTS INCLUDING INDEX-LINKED VESSELS

Our fixed rate and variable rate index-linked lease commitments showing first six months completed and 2014 and 2015 outstanding lease periods can be analysed as follows:

Handysize

	1H14		**2H14**		**2015**	
	Vessel Days	Average daily rate (US$)	Vessel Days	Average daily rate (US$)	Vessel Days	Average daily rate (US$)
Long term	5,270	9,500	5,550	9,820	10,890	10,250
Short term	4,650	10,210	1,760	8,780	250	8,780
Index-linked	6,090	9,210	5,020	Market rate	4,880	Market rate
Total	16,010	9,590	12,330		16,020	

Handymax

	1H14		**2H14**		**2015**	
	Vessel Days	Average daily rate (US$)	Vessel Days	Average daily rate (US$)	Vessel Days	Average daily rate (US$)
Long term	1,780	12,090	1,970	12,790	3,720	12,930
Short term	6,040	13,630	1,370	10,520	–	–
Index-linked	1,350	10,460	1,080	Market rate	210	Market rate
Total	9,170	12,860	4,420		3,930	

Our average contracted daily inward charter rates for long term contracts are rising partly reflecting a shift in our forward commitments towards chartering larger 37,000 dwt Handysize ships as opposed to the traditional 28,000 to 32,000 dwt designs.

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

GROUP FINANCIAL REVIEW

US$ Million	Six months ended 30 June 2014	2013	Change
Revenue	**910.0**	766.8	+19%
Cost of services	**(908.2)**	(741.1)	-23%
Gross profit	**1.8**	25.7	-93%
Segment net (loss)/profit	**(16.1)**	25.8	-162%
Treasury	**–**	(4.3)	+100%
Discontinued operations – RoRo	**(0.5)**	(0.8)	+38%
Indirect general and administrative expenses	**(4.9)**	(7.1)	+31%
Underlying (loss)/profit	**(21.5)**	13.6	-258%
Unrealised derivative expenses	**(0.3)**	(3.5)	+91%
Towage impairment and provision	**(63.9)**	–	-100%
RoRo exchange loss	**(5.0)**	(8.3)	+40%
Expenses relating to exercising five finance lease purchase options	**–**	(6.1)	+100%
Towage exchange gain	**–**	4.6	-100%
(Loss)/profit attributable to shareholders	**(90.7)**	0.3	>-100%
EBITDA (excluding Towage impairment)	**38.9**	59.4	-35%
Net profit margin	**-10%**	0%	-10%
Return on average equity employed	**-14%**	0%	-14%

The main drivers of our results in the first six months of 2014 were as follows:

- Revenue grew 19% mainly due to increases in our Handysize and Handymax revenue days.
- Cost of services grew 23% mainly due to increases in bunkers and port disbursements and charter-hire expenses attributable to the growth of our dry bulk fleet.
- Segment and underlying results turned to net losses mainly due to higher Handymax short term inward charter costs, a weak second quarter dry bulk market and weak towage results.
- Loss attributable to shareholders was impacted by a US$63.9 million Towage impairment and provision to align vessel book values with international market values. The impairment and provision comprised:
  - a US$51.6 million non-cash vessel impairment charge;
  - a US$10.1 million non-cash impairment against our interest in joint ventures; and
  - provision of US$2.2 million.
- EBITDA amounted to US$38.9 million (2013: US$59.4 million) contributing to a positive operating cash flow and cash and deposits at the period end of US$320.2 million (31 December 2013: US$486.1 million).

Segment Net Result

US$ Million	Six months ended 30 June 2014	2013
Pacific Basin Dry Bulk	**(6.5)**	11.3
PB Towage	**(9.2)**	12.6
All other segments	**(0.4)**	1.9
Segment net (loss)/profit	**(16.1)**	25.8

Segments

Management analyses the Group's performance in two shipping-related reporting segments:
- Pacific Basin Dry Bulk
- PB Towage

Non-segment activities mainly comprise:
- Treasury
- PB RoRo, which was reclassified as a discontinued operation following the sale of our RoRo vessels in September 2012 with forward delivery

Underlying Profit

Includes:
- Segment results
- Treasury results
- Discontinued operations
- Indirect general and administrative expenses

Excludes:
- Disposal gains and losses, and impairments
- Unrealised non-cash portion of results from derivative instruments relating to future periods

Note on +/- changes
In our reporting, positive changes represent an improvement in numbers while negative changes represent unfavourable changes in numbers.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six months ended 30 June 2014 US$'000	2013 US$'000
Continuing operations			
Revenue		**909,970**	766,793
Cost of services		**(908,132)**	(741,126)
Gross profit		**1,838**	25,667
General and administrative expenses		**(4,927)**	(9,495)
Vessel impairment and provision		**(53,784)**	–
Other income and gains		**3,880**	5,581
Other expenses		**(7,848)**	(320)
Finance income		**6,081**	8,547
Finance cost		**(21,684)**	(24,869)
Share of profits less losses/impairment of joint ventures		**(8,032)**	2,785
Share of profits less losses of associates		**–**	2,226
(Loss)/profit before taxation	4	**(84,476)**	10,122
Taxation	5	**(703)**	(710)
(Loss)/profit for the period		**(85,179)**	9,412
Discontinued operations			
Loss for the period		**(5,484)**	(9,147)
(Loss)/profit attributable to shareholders		**(90,663)**	265
Dividends	6	**–**	–
Earnings per share for (loss)/profit attributable to shareholders (in US cents)			
Basic earnings per share	7(a)		
From continuing operations		**(4.47)**	0.48
From discontinued operations		**(0.29)**	(0.47)
From (loss)/profit attributable to shareholders		**(4.76)**	0.01
Diluted earnings per share	7(b)		
From continuing operations		**(4.47)**	0.48
From discontinued operations		**(0.29)**	(0.47)
From (loss)/profit attributable to shareholders		**(4.76)**	0.01

See Note 3(a) for detailed income statement segment information.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2014 US$'000	2013 US$'000
(Loss)/profit attributable to shareholders	**(90,663)**	265
Other comprehensive income – items that may be reclassified to profit or loss:		
Currency translation differences	**9,584**	(25,177)
Release of exchange loss from reserve upon disposal of property, plant and equipment	**5,022**	8,331
Release of exchange gain from reserve upon repayment of shareholder loans	**–**	(4,559)
Cash flow hedges:		
– transferred to finance costs in income statement	**4,303**	2,982
– fair value losses	**(1,471)**	(3,147)
Fair value (losses)/gains on available-for-sale financial assets	**(718)**	1,525
Total comprehensive income attributable to shareholders	**(73,943)**	(19,780)

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30 June 2014 US$'000	31 December 2013 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,675,993**	1,622,297
Investment properties		**2,632**	2,675
Land use rights		**2,926**	2,971
Goodwill		**25,256**	25,256
Interests in joint ventures		**15,060**	26,650
Investments in associates		**1,332**	1,332
Available-for-sale financial assets		**4,176**	4,894
Derivative assets		**14,008**	13,175
Trade and other receivables	8	**39,373**	65,975
Restricted bank deposits		**1,317**	1,269
Other non-current assets		**2,871**	5,917
		1,784,944	1,772,411
Current assets			
Inventories		**97,417**	104,006
Derivative assets		**1,370**	2,238
Trade and other receivables	8	**165,866**	142,374
Restricted bank deposits		**1,118**	1,593
Cash and deposits		**317,810**	483,200
		583,581	733,411
Assets of discontinued operations classified as held for sale		**–**	31,624
		583,581	765,035
Total assets		**2,368,525**	2,537,446
EQUITY			
Capital and reserves attributable to shareholders			
Share capital		**193,486**	193,237
Retained profits		**425,385**	526,582
Other reserves		**597,241**	584,475
Total equity		**1,216,112**	1,304,294
LIABILITIES			
Non-current liabilities			
Derivative liabilities		**13,435**	18,779
Long term borrowings		**756,425**	708,660
		769,860	727,439
Current liabilities			
Derivative liabilities		**6,144**	4,580
Trade and other payables	9	**155,748**	166,475
Current portion of long term borrowings		**218,311**	328,565
Taxation payable		**2,350**	1,985
Provision for onerous contracts		**–**	656
		382,553	502,261
Liabilities of discontinued operations classified as held for sale		**–**	3,452
		382,553	505,713
Total liabilities		**1,152,413**	1,233,152
Net current assets		**201,028**	259,322
Total assets less current liabilities		**1,985,972**	2,031,733

See Note 3(b) for detailed balance sheet segment information.

NOTE:

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 2013, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS").

2. ADOPTION OF NEW/REVISED HKAS

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2013.

The following new standards and amendments to standards are mandatory for the accounting period beginning 1 January 2014 and are relevant to the Group's operation.

HKAS 32 (Amendments)	Financial instruments: Presentation
HKAS 36	Impairment of assets

The adoption of these new standards and amendments to standards has not resulted in any substantial change to the Group's accounting policies, although there are additional disclosures in respect of these new standards.

3. SEGMENT INFORMATION

The Group manages its businesses by division. Reports are presented to the heads of divisions as well as the Board for the purpose of making strategic decisions, allocation of resources and assessing performance. The reportable operating segments in this note are consistent with how information is presented to the heads of divisions and the Board.

The Group's revenue is primarily derived from the provision of dry bulk shipping services internationally, and towage services to the harbour and offshore sectors in Australia and New Zealand.

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

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

3. SEGMENT INFORMATION (CONTINUED)

(a) Income Statement Segment Information

For the period ended 30 June 2014 US$'000	Pacific Basin Dry Bulk	PB Towage	All Other Segments	Total Segments	Unallocated Treasury	Unallocated PB RoRo	Unallocated Others	Total	Reclass-ification	Per Financial Statements
Continuing operations										
Revenue	865,513	43,947	183	909,643	–	–	(1,700)	907,943	2,027	909,970
Freight and charter-hire	865,513[1]	42,508	–	908,021	–	–	(1,700)[1]	906,321	2,027[1]	908,348
Maritime management services	–	1,439	183	1,622	–	–	–	1,622	–	1,622
Bunker & port disbursements	(453,252)[2]	(3,800)	–	(457,052)	–	–	601[2]	(456,451)	456,451[2]	–
Time charter equivalent earnings	412,261									
Cost of services	(402,720)	(48,961)	–	(451,681)	–	–	–	(451,681)	(456,451)	(908,132)
Bunker & port disbursements	–	–	–	–	–	–	–	–	(456,451)[2]	(456,451)
Charter-hire expenses for vessels	(273,028)	(6,395)	–	(279,423)	–	–	–	(279,423)	–	(279,423)
Vessel operating costs	(61,083)	(27,816)	–	(88,899)	–	–	–	(88,899)	–	(88,899)
Depreciation of vessels	(43,890)	(5,710)	–	(49,600)	–	–	–	(49,600)	–	(49,600)
Direct overheads	(24,719)	(9,040)	–	(33,759)	–	–	–	(33,759)	–	(33,759)
Gross profit	9,541	(8,814)	183	910	–	–	(1,099)	(189)	2,027	1,838
General and administrative expenses	–	–	–	–	–	–	(4,927)[3]	(4,927)	–	(4,927)
Vessel impairment and provision	–	–	–	–	–	–	(63,859)[4]	(63,859)	10,075[4]	(53,784)
Other income and expenses	–	(1,941)	–	(1,941)	–	–	–	(1,941)	(2,027)[1]	(3,968)
Finance costs, net	(16,082)	(273)	–	(16,355)	–[7]	–	752[5]	(15,603)	–	(15,603)
Share of profits less losses/impairment of joint ventures	–	2,043	–	2,043	–	–	–	2,043	(10,075)[4]	(8,032)
Share of profits less losses of associates	–	–	–	–	–	–	–	–	–	–
(Loss)/profit before taxation	(6,541)	(8,985)	183	(15,343)	–	–	(69,133)	(84,476)	–	(84,476)
Taxation	–	(153)	(550)	(703)	–	–	–	(703)	–	(703)
Loss for the period	(6,541)	(9,138)	(367)	(16,046)	–	–	(69,133)	(85,179)	–	(85,179)
Discontinued operations										
Loss for the period	–	–	–	–	–	(462)	(5,022)[6]	(5,484)	–	(5,484)
Loss attributable to shareholders	(6,541)	(9,138)	(367)	(16,046)	–	(462)	(74,155)	(90,663)	–	(90,663)

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

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

(3) *"Unallocated Others" represents mainly corporate overheads.*

(4) *"Unallocated Others" represents the non-cash impairment charges for i) PB Towage vessels of US$51.6 million, ii) PB Towage interest in its joint ventures of US$10.1 million, and iii) other provisions of US$2.2 million. This impairment is not allocated to the PB Towage segment results as this does not relate to the underlying operations of the segment. For the presentation of the financial statements, the impairment of PB Towage interest in joint ventures is reclassified to share of profits less losses/impairment of joint ventures. The related vessels and interest in joint ventures are under "PB Towage".*

(5) *"Unallocated Others" represents net unrealised interest rate swap contract benefits of US$0.8 million (2013: US$1.4 million). Comparative figures also includes the expenses relating to the repayment of the finance lease liabilities upon the exercise of purchase options under finance leases of five vessels amounting to US$6.1 million.*

(6) *"Others" in 2014 represents the release from foreign exchange reserve amounting to US$5.0 million (2013: US$8.3 million) in relation to one (2013: three) RoRo vessel whose bareboat charter to the purchaser commenced during the period.*

(7) *For 2014 onwards, all financing and associated costs for existing vessel commitments and future vessel acquisitions, net of interest income, have been allocated to the appropriate business segment. This results in the Treasury segment having a nil net finance cost.*

3. SEGMENT INFORMATION (CONTINUED)

(a) Income Statement Segment Information (continued)

For the period ended 30 June 2013 US$'000	Pacific Basin Dry Bulk	PB Towage	All Other Segments	Total Segments	Unallocated Treasury	Unallocated PB RoRo	Unallocated Others	Total	Reclass-ification	Per Financial Statements
Continuing operations										
Revenue	704,099	62,239	261	766,599	–	–	150	766,749	44	766,793
Freight and charter-hire	704,099 [1]	57,795	–	761,894	–	–	150 [1]	762,044	44 [1]	762,088
Maritime management services	–	4,444	261	4,705	–	–	–	4,705	–	4,705
Bunkers & port disbursements	(382,348) [2]	(1,478)	–	(383,826)	–	–	(5,032) [2]	(388,858)	388,858 [2]	–
Time charter equivalent earnings	321,751									
Cost of services	(301,190)	(51,078)	–	(352,268)	–	–	–	(352,268)	(388,858)	(741,126)
Bunkers & port disbursements	–	–	–	–	–	–	–	–	(388,858) [2]	(388,858)
Charter-hire expenses for vessels	(211,389)	(4,443)	–	(215,832)	–	–	–	(215,832)	–	(215,832)
Vessel operating costs	(41,273)	(30,274)	–	(71,547)	–	–	–	(71,547)	–	(71,547)
Depreciation of vessels	(30,186)	(6,667)	–	(36,853)	–	–	–	(36,853)	–	(36,853)
Direct overheads	(18,342)	(9,694)	–	(28,036)	–	–	–	(28,036)	–	(28,036)
Gross profit	20,561	9,683	261	30,505	–	–	(4,882)	25,623	44	25,667
General and administrative expenses	–	–	–	–	(2,406)	–	(7,089) [3]	(9,495)	–	(9,495)
Other income and expenses, net	–	688	–	688	58	–	4,559	5,305	(44) [1]	5,261
Finance costs, net	(9,309)	(350)	–	(9,659)	(1,988)	–	(4,675) [5]	(16,322)	–	(16,322)
Share of profits less losses of joint ventures	–	2,785	–	2,785	–	–	–	2,785	–	2,785
Share of profits less losses of associates	–	–	2,226	2,226	–	–	–	2,226	–	2,226
Profit/(loss) before taxation	11,252	12,806	2,487	26,545	(4,336)	–	(12,087)	10,122	–	10,122
Taxation	–	(168)	(542)	(710)	–	–	–	(710)	–	(710)
Profit/(loss) for the period	11,252	12,638	1,945	25,835	(4,336)	–	(12,087)	9,412	–	9,412
Discontinued operations										
Loss for the period	–	–	–	–	–	(816)	(8,331) [6]	(9,147)	–	(9,147)
Profit/(loss) attributable to shareholders	11,252	12,638	1,945	25,835	(4,336)	(816)	(20,418)	265	–	265

3. SEGMENT INFORMATION (CONTINUED)

(b) Balance Sheet Segment Information

At 30 June 2014 US$'000	Pacific Basin Dry Bulk	PB Towage	All Other Segments	Total Segments	Unallocated Treasury	Unallocated PB RoRo	Unallocated Others	Per Financial Statements
Total assets	1,750,373	171,900[4]	10,169	1,932,442	420,705	–	15,378 [1, 2]	2,368,525
Including:								
Property, plant and equipment	1,544,956	127,433[4]	3,604	1,675,993	–	–	–	1,675,993
– Include additions to PP&E	146,618	1,221	1,279	149,118	–	–	–	149,118
Interests in joint ventures	–	15,060[4]	–	15,060	–	–	–	15,060
Investment in associates	–	–	1,332	1,332	–	–	–	1,332
Total cash and deposits	–	9,367	104	9,471	310,774	–	–	320,245
Total liabilities	1,087,361	35,091	1,091	1,123,543	15,017	–	13,853 [1, 2]	1,152,413
Including:								
Long term borrowings	953,098	21,638	–	974,736	–	–	–	974,736

• Vessels delivered & under construction
• Goodwill

• Properties

• Group cash unallocated
• RoRo receivables

• Derivative assets

• OMSA, Australia
• Bunker tanker, N.Z.

• Gold River Marine Terminal, Canada

• Bank loans
• Finance lease liabilities
• Convertible bonds

• Bank loans

• Derivative liabilities

At 31 December 2013 US$'000	Pacific Basin Dry Bulk	PB Towage	All Other Segments	Total Segments	Unallocated Treasury	Unallocated PB RoRo	Unallocated Others	Per Financial Statements
Total assets	1,654,865	243,693	12,542	1,911,100	579,309	31,624	15,413 [1, 2]	2,537,446
Including:								
Property, plant and equipment	1,436,312	183,035	2,950	1,622,297	–	–	–	1,622,297
– Include additions to PP&E	442,147	14,350	1,863	458,360	–	–	–	458,360
Interests in joint ventures	–	26,650	–	26,650	–	–	–	26,650
– Include additions to interest in a joint venture	–	17,999	–	17,999	–	–	–	17,999
Investments in associates	–	–	1,332	1,332	–	–	–	1,332
Total cash and deposits	–	15,361	120	15,481	470,581	–	–	486,062
Total liabilities	1,160,396	39,788	882	1,201,066	12,065	3,452	16,569 [1, 2]	1,233,152
Including:								
Long term borrowings	1,015,012	22,213	–	1,037,225	–	–	–	1,037,225

4. LOSS/PROFIT BEFORE TAXATION

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

US$'000	Six months ended 30 June 2014	2013
Bunkers consumed	280,756	243,640
Provision for/(write-back of) impairment losses		
– Vessels	51,581	–
– Trade receivables	(306)	88
Depreciation		
– owned vessels	46,285	29,658
– finance leased vessels	3,315	7,195
– other owned property, plant and equipment	904	847
– investment properties	34	33
Amortisation of land use rights	37	58
Lubricating oil consumed	4,001	3,123
Gains on disposal of PP&E	–	688
Fair value gains on structured notes	–	(58)
Interest on borrowings		
– bank loans	9,628	7,262
– finance leases	739	4,662
– convertible bonds	7,578	7,561
Net losses on interest rate swap contracts	3,496	1,540
Net losses on forward freight agreements	2,027	44
Net gains on forward foreign exchange contracts	–	(481)
Net (gains)/losses on bunker swap contracts	(515)	4,519

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. Shipping income from towage and RoRo and non-shipping income is subject to tax at prevailing rates in the countries in which these businesses operate.

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

US$'000	Six months ended 30 June 2014	2013
Current taxation		
Hong Kong profits tax, provided at the rate of 16.5% (2013:16.5%)	288	310
Overseas tax, provided at the rates of taxation prevailing in the countries	456	422
Adjustment in respect of prior year	(41)	(22)
Tax charges	703	710

6. DIVIDENDS

No interim dividends in respect of the periods ended 30 June 2014 and 2013 were declared. The 2013 final dividend of HK 5 cents or US 0.6 cents per share, totaling US$12,385,000 was paid during the period.

7. EARNINGS PER SHARE

(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 Long Term Incentive Scheme "LTIS" and Share Award Scheme "SAS" and unvested restricted shares.

		Six months ended 30 June	
		2014	2013
(Loss)/profit from continuing operations	(US$'000)	**(85,179)**	9,412
Loss from discontinued operations	(US$'000)	**(5,484)**	(9,147)
(Loss)/profit attributable to shareholders	(US$'000)	**(90,663)**	265
Weighted average number of ordinary shares in issue	('000)	**1,903,878**	1,935,722
Basic earnings per share			
– continuing operations	(US cents)	**(4.47)**	0.48
– discontinued operations	(US cents)	**(0.29)**	(0.47)
	(US cents)	**(4.76)**	0.01
Equivalent to			
– continuing operations	(HK cents)	**(34.70)**	3.78
– discontinued operations	(HK cents)	**(2.23)**	(3.67)
	(HK cents)	**(36.93)**	0.11

(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 LTIS and SAS after adjusting for the number of potential dilutive ordinary shares from convertible bonds, share options and unvested restricted shares where dilutive.

		Six months ended 30 June	
		2014	2013
(Loss)/profit from continuing operations used to determine diluted earnings per share	(US$'000)	**(85,179)**	9,412
Loss from discontinued operations	(US$'000)	**(5,484)**	(9,147)
(Loss)/profit attributable to shareholders	(US$'000)	**(90,663)**	265
Adjusted weighted average number of ordinary shares for diluted earnings per share	('000)	**1,903,878**	1,935,901
Diluted earnings per share			
– continuing operations	(US cents)	**(4.47)**	0.48
– discontinued operations	(US cents)	**(0.29)**	(0.47)
	(US cents)	**(4.76)**	0.01
Equivalent to			
– continuing operations	(HK cents)	**(34.70)**	3.78
– discontinued operations	(HK cents)	**(2.23)**	(3.67)
	(HK cents)	**(36.93)**	0.11

Diluted earnings per share for the period ended 30 June 2014 is the same as the basic earnings per share since the potential ordinary shares from convertible bonds and unvested restricted shares have antidilutive effect.

8. TRADE AND OTHER RECEIVABLES

(a) Trade 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 2014	31 December 2013
≤ 30 days	**32,341**	27,500
31-60 days	**5,099**	6,029
61-90 days	**3,057**	3,888
> 90 days	**4,333**	7,246
	44,830	44,663

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

(b) Other Receivables from Disposal of RoRos

Other receivables include US$98,757,000 in relation to the disposal of RoRo vessels and represent the net sale proceeds for the three RoRo vessels that have commenced their bareboat charters to the purchaser. These other receivables are expected to be settled by December 2015. The fair value of the other receivables is based on the cash flows discounted at a borrowing rate of 6%. The discount rate represents the Euro borrowing rate at inception including the appropriate credit spread.

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 2014	31 December 2013
≤ 30 days	**58,168**	70,982
31-60 days	**553**	1,072
61-90 days	**51**	157
> 90 days	**4,511**	3,883
	63,283	76,094

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Following the exercise of the put option right by bondholders of the Group's convertible bonds due 2016, redemption and cancellation of the bonds (having an aggregate full principal amount of US$20,400,000 together with the payment of accrued but unpaid interest thereon) was completed on 14 April 2014. The remaining outstanding aggregate principal amount of the bonds was reduced to US$209,600,000, representing 91.13% of the total principal amount of the bonds originally issued.

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

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 (the "Model Code"), as set out in Appendix 10 of the Rules Governing the Listing of the Securities on the Stock Exchange (the "Listing Rules").

The Board confirms that, having made specific enquiry, the Directors have complied in full with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions during the six months ended 30 June 2014.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2014, 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 2014 Interim Report of the Company for the six months ended 30 June 2014.

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 2014 Interim Report is printed in English and Chinese languages, and will be available on our website on or around 19 August 2014 when it is sent to those shareholders who have elected to receive a printed copy.

DIRECTORS

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

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

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

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 2014 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.