Pacific Basin

Forging a strong bond

Interim Report 2013

Stock Code: 2343

Forging a strong bond

Our business is a people business, and our success hinges on the strength and quality of our relationship with customers, suppliers and other business partners

At the heart of what we stand for is our team's shared passion for consistently delivering the highest possible degree of customer satisfaction and the value of long-term relationships over short-term gain, the promise of which is encompassed in our tagline "With you for the long haul".

Our Vision

To be a shipping industry leader and the partner of choice for customers, staff, shareholders and other stakeholders

Our Mission

To achieve our vision by continuously improving our standards of service and conduct

Our Strategy

To achieve sustainable growth through both optimisation of our fleet and a continuous drive for efficiency, responsibility and professionalism in the way we run our business

Key Strategic Objectives for 2013

- Continue to invest in attractively-priced Handysize and Handymax ships thereby growing further our fleet of high-quality, owned vessels
- Expand our dry bulk customer and cargo portfolio in tandem with our core fleet expansion
- Enhance the customer experience by implementing more decentralised operational support
- Develop our towage business
- Consider opportunities for divestment of our remaining non-core activities

www.pacificbasin.com
Business Principles
and what we stand for

Key to navigation symbols

linkage to related details within the Interim Report

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

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

Business Highlights

Group

Results were affected by:

- valuable cargo book and business model enabling our outperformance of the Handysize market by 32%
- reduction in our daily vessel costs
- solid contribution from PB Towage
- weakest half-year dry bulk market since 1986
- one-off lease break costs and exchange rate losses

Balance sheet retains substantial cash and deposits of US$442 million with net borrowings of US$415 million

Fully-funded vessel capital commitments of US$298 million in dry bulk vessels

Fleet

Purchased 27 dry bulk vessels and long-term chartered another 9 in the year to date

Acquisition commitments to date will expand our owned fleet on the water from 37 dry bulk ships at start of the year to 72 by year end

Fleet now numbers 296 vessels (including newbuildings) comprising 246 dry bulk ships, 45 towage vessels and 5 RoRos

Covered 64% of our contracted Handysize revenue days in the second half of 2013 at US$9,350 per day net

Outlook

Dry bulk market weakness is expected to continue throughout 2013

Freight rates and ship values have bottomed out but no tangible evidence to support a sustained recovery soon

Positive long-term demand fundamentals for dry bulk remain intact despite slower Chinese output growth

We will consider further expansion of our owned and chartered fleet, putting cash to work and positioning ourselves for a stronger market in the longer term

Towage outlook remains positive and we aim to develop our towage business further

Contents

Financial Summary

	30 June 2013 US$ Million	30 June 2012 US$ Million	31 December 2012 US$ Million
Results			
Revenue*	**766.8**	691.0	1,433.1
Gross profit*	**25.7**	17.3	81.9
EBITDA (excluding impairments)	**59.4**	53.7	145.1
Underlying profit*	**13.6**	3.2	47.8
Finance costs, net*	**(16.3)**	(8.3)	(18.5)
Discontinued operations – loss for the period	**(9.1)**	(198.5)	(210.7)
Profit/(loss) attributable to shareholders	**0.3**	(195.9)	(158.5)
Balance Sheet			
Total assets	**2,347.3**	2,305.6	2,470.3
Net borrowings	**414.6**	196.0	178.0
Shareholders' equity	**1,296.2**	1,259.6	1,332.0
Total cash and deposits	**442.3**	656.8	753.5
Capital commitments	**235.8**	273.7	235.9
Cash Flows			
Operating	**34.5**	48.0	148.7
Investing	**(226.1)**	(47.7)	(124.6)
Financing	**(116.5)**	44.2	110.2
Change in total cash and deposits	**(308.1)**	44.5	134.3
Per Share Data	HK cents	HK cents	HK cents
Basic EPS	**0.1**	(79)	(64)
Dividends	**–**	–	5
Operating cash flows	**14**	19	60
Net book value	**519**	505	534
Share price at period end	**442**	330	435
Market capitalisation at period end	**HK$8.5bn**	HK$6.4bn	HK$8.4bn
Ratios			
Net profit %	**0%**	(28%)	(11%)
Eligible profit payout ratio	**–**	–	>100%
Return on average equity	**0%**	(26%)	(11%)
Total shareholders' return	**3%**	8%	40%
Net borrowings to net book value of property, plant and equipment	**29%**	14%	14%
Net borrowings to shareholders' equity	**32%**	16%	13%
Interest coverage (excluding impairments)	**2.4X**	2.8X	3.6X

* relates to continuing operations (2012 figures restated)

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See Financial Review for definitions of underlying profit, EBITDA and interest coverage and further analysis

Our Group & Our Fleet

Pacific Basin is headquartered and listed in Hong Kong, we have 2,500 seafarers and 350 shore-based staff in 16 offices, and we operate globally in our two maritime segments under the banners of:

Pacific Basin Dry Bulk

We own and operate a large fleet of Handysize and Handymax bulk carriers and provide a professional, reliable, customer-focused and competitive freight service to industrial producers and users of raw materials and other dry bulk commodities under long-term cargo contracts and on a spot basis

PB Towage

We own and operate a fleet of modern, high-quality tugs which provide harbour towage services and offshore project towage support for energy and construction projects, operating mainly in Australasia under the PB Towage and PB Sea-Tow brands

Our Worldwide Network

16 offices globally

12 dry bulk offices

10 chartering offices positioning us close to our customers

- ● Pacific Basin global offices
- ○ Dry bulk offices
- ➜ Dry bulk trade route examples
- ○ Towage offices
- ● Towage operations areas

Our Fleet as at 22 July 2013

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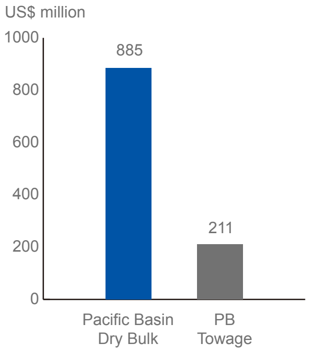
about us > fleet > fleet download
Download our latest fleet list

		Vessels in operation	Newbuildings on order	Total
Dry Bulk[1]	Handysize	157[2]	18	175
	Handymax	65[2]	4	69
	Post-Panamax	2	–	2
Towage	Tugs & Barges	45[3]	–	45
RoRo	Roll-on Roll-off	5[4]	–	5
	Total	**274**	**22**	**296**

Segment Net Assets

As at 30 June 2013



[1] average age of our dry bulk core fleet: 6 years

[2] including recent secondhand acquisitions of 5 Handysize and 1 Handymax vessels not yet delivered

[3] comprising 36 tugs, 7 barges, 1 passenger/supply vessel and 1 bunker tanker

[4] sold with forward delivery

Investing today for cyclical recovery and long-term returns

Our Chief Executive Officer reports on our Group performance for the half year and reflects on the outlook and our strategy for Pacific Basin

Mats Berglund
Chief Executive Officer
Hong Kong, 1 August 2013

FINANCIAL RESULTS & DIVIDEND

The Group produced an underlying profit of US$13.6 million (2012: US$3.2 million) and a net profit of US$0.3 million (2012: US$195.9 million loss) for the six months ended 30 June 2013.

Basic EPS was a positive HK 0.1 cents. Our EBITDA increased to US$59.4 million (2012: US$53.7 million).

Results for the period were affected by:

- the value of our cargo book and business model enabling our out-performance of the Handysize market by 32%;
- a reduction in our daily vessel costs;
- a solid contribution from PB Towage;
- the weakest half-year market for dry bulk shipping since 1986;
- non-cash exchange rate losses; and
- the one-off cost of breaking finance leases on exercising five purchase options.

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

Our core dry bulk shipping business was again profitable and delivered a healthy cash flow despite the weak dry bulk shipping market.

Our average Handysize daily earnings fell 12% year on year to US$9,290 per day but still outperformed the market by 32% in the period, and our Handymax earnings outperformed the market by 28%. This performance reflects the value of our fleet's scale and our global dry bulk team's ability to achieve optimal cargo combinations – combining contract and spot cargoes – and optimal matching of cargoes with the right ships, all of which is driven by our industrial and customer-focused business model.

Our purchase and inward charter of ships at lower prices and rates is resulting in a significantly larger earning capacity and reduced daily vessel costs – down to US$8,280 for our Handysize ships in the first half of 2013 – which have started to benefit our Pacific Basin Dry Bulk results and will make us more competitive over the longer term.

PB Towage has delivered another solid performance in the active Australian market. As announced on 28 February, we increased our stake in the OMSA joint venture to 50% reflecting our confidence in the prospects for the OMSA business in Australia's offshore gas sector. Importantly, we have been steadily growing our harbour towage activity which we plan to expand further, starting with the establishment of our new harbour towage operation in Newcastle which commenced service at the end of July.

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See Business Review and Financial Review for more on our two divisions

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

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See Financial Review (Discontinued Operations) for updated financial effects of the RoRo disposal transaction

INVESTMENT AND BALANCE SHEET

Our fleet expansion has accelerated. In the year to date we have committed to purchase 21 secondhand ships at an average price of US$13.7 million, and we have ordered six newbuildings – with options for another three – from Japanese yards. Additionally, we have leased nine ships on long-term charters of three years or more. This brings to 31 and 16 the number of dry bulk vessels we have purchased and long-term chartered since we returned to the ship acquisitions market in September last year – of which three quarters are secondhand ships and one quarter are newbuildings.

Our acquisition commitments to date will expand our owned fleet on the water from 37 to 72 dry bulk ships by year end

We remain very satisfied with the timing of our acquisitions. In view of the narrowing gap between secondhand and newbuilding ship prices, we gradually shifted our focus from the purchase of secondhand ships to also ordering newbuildings – including larger 37,000 tonne vessels which are not available in the secondhand market – which offer good value at today's historically attractive prices.

Availability of the right ships remains tight, but we are well positioned to access both on-market and off-market opportunities – as our acquisitions of the past several months have shown – to position ourselves optimally for a cyclical recovery and to generate attractive long-term returns.

As announced in April, we secured an US$85 million, 12-year Japanese export credit agency ("ECA") loan as part of our continuous search for funding opportunities which we consider beneficial to our shareholders. We are actively working to secure additional ECA financing with long tenors and associated favourable repayment profiles for the further acquisition of high-quality vessels.

As at 30 June 2013, we had cash and deposits of US$442 million and net borrowings of US$415 million. Our vessel capital expenditure obligations currently amount to US$298 million payable in the next three years in respect of 19 dry bulk ships. We have thus committed to deploy a substantial portion of our cash to expand our owned fleet at attractive prices and we continue to enjoy low gearing which gives us the flexibility to draw on sources of debt over the coming months to fund significant further fleet expansion.

OUTLOOK

We expect the dry bulk market to remain weak overall in the second half of the year with only moderate seasonal variations in the form of weaker markets during the northern hemisphere summer followed by improved rates in the fourth quarter due to reduced newbuilding deliveries and a resumption in demand. We expect the Handysize and Handymax spot markets to remain relatively flat with an eventual recovery being only gradual in the short-to-medium term.

We consider ship values, like freight rates, to have bottomed out, and anticipate more upside than downside from current levels. Stronger secondhand ship values have been driven largely by sentiment which may also buoy freight rates, but we do not currently see tangible evidence to support a sustained recovery soon.

The worst of the influx of new capacity – which peaked in 2012 – is now behind us. As we expected, the global fleet of Handysize vessels registered 1% net capacity growth in the first half of 2013 as scrapping substantially offset deliveries, and the fundamentals look more favourable for these smaller bulk carriers. Even so, while dry cargo demand is likely to remain similarly healthy as in the past year, it will take some time for the market to absorb the over-supply of larger dry bulk ships and for a sustained recovery to take hold. Recent slower growth in Chinese output may delay this turnaround, but we believe the positive long-term demand fundamentals for dry bulk remain intact.

We expect healthy demand for towage activities in Australia to continue in the medium term, as a number of key offshore projects commence construction and as Australian seaborne trade continues to support growing harbour towage job numbers.

STRATEGY

We are on track to achieve the strategic objectives we set ourselves for 2013, supported by a market that has developed largely as anticipated.

As discussed above, we have made significant acquisitions, and our strategic priority remains to purchase Handysize and Handymax ships – provided asset prices remain attractive relative to our market expectations – and expand our chartered fleet. This initiative serves to reinforce the platform on which our dry bulk freight service is anchored, and to position the Company to leverage an expected cyclical upturn ahead.

We continue to grow our dry bulk customer and cargo portfolio in tandem with our core fleet expansion, and we are gradually decentralising our operational support function to enhance the customer experience.

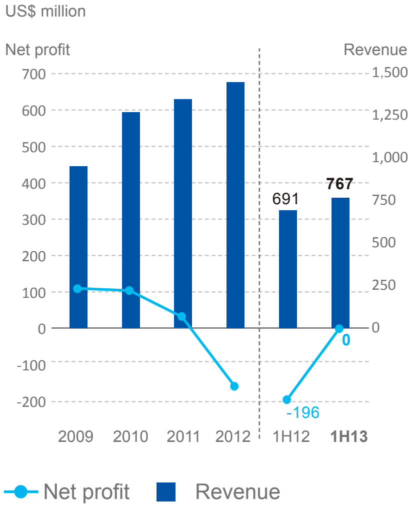
We will continue to pursue growth and contract renewal opportunities for PB Towage in line with our recently increased commitment to OMSA and Australia's offshore gas sector and with our expansion of harbour services into the port of Newcastle. This will target tug and barge transportation projects in the offshore towage and infrastructure support sector, and new ship-assist and harbour support activities in the more stable harbour towage sector.

In closing, we consider the timing to be right for our dry bulk fleet expansion and, consequently, we are actively putting our cash to work and positioning ourselves for a stronger market in the longer term. We are investing today to enhance customer satisfaction and generate increased shareholder value, a competitive cost base, sustainable growth and attractive long-term returns.

Performance Highlights – Group

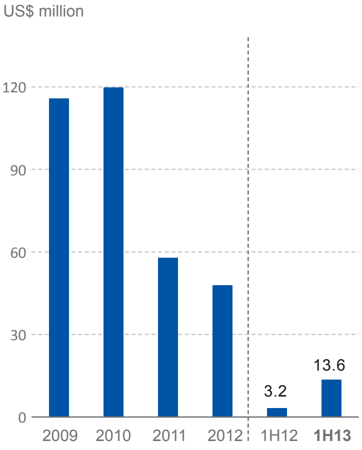
Net Profit

US$0.3m 1H12: 196m loss



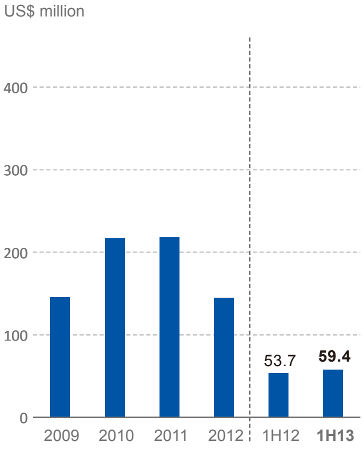
Underlying Profit

US$13.6m ▲ 325%



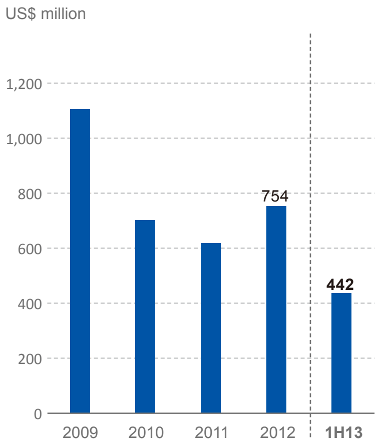
EBITDA

US$59m ▲ 11% YOY



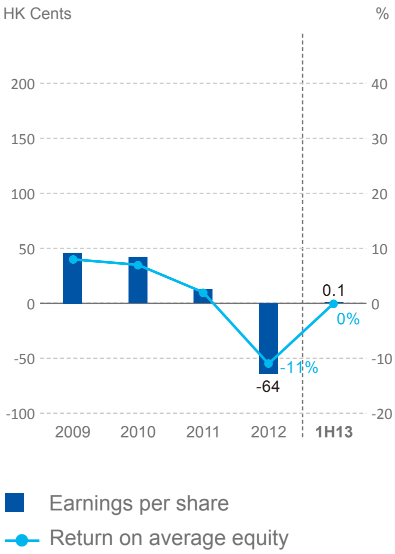
Cash and Deposits

US$442m



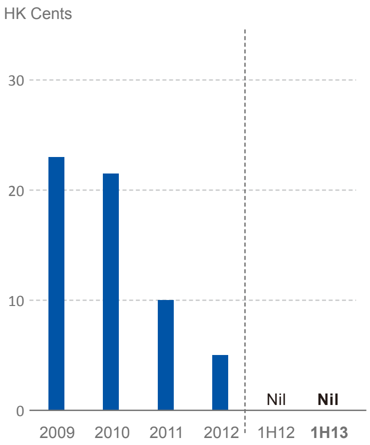
EPS and ROE

HK¢0.1EPS



Dividend Per Share

Interim: Nil 1H12: Nil

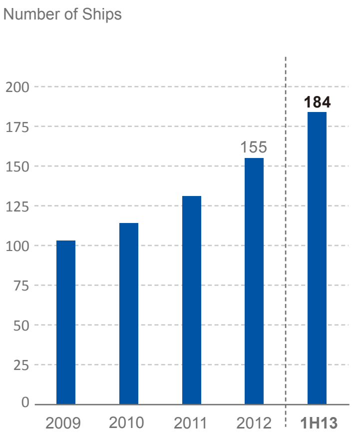


– Dry Bulk

Our Dry Bulk Fleet Size

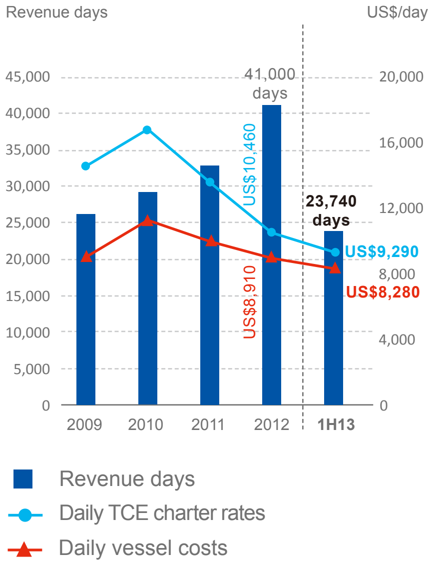
Average number of ships on the water

184ships



Handysize Revenue Days & Daily Rates

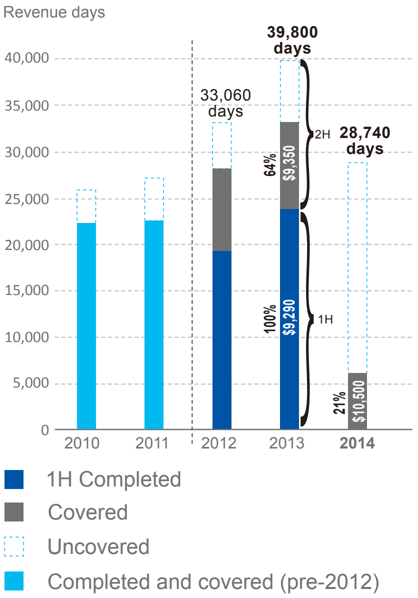
US$9,290per day



Handysize Contract Cover

for second half 2013
as at interim results announcement date

64%



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Group KPIs
Monitoring the health of our Group

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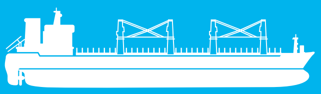
investor relations > presentations
Download our investor relations presentation covering the Group's interim results and performance in 1H2013

Business Review



Our Bulk Carriers

- Our modern Handysize and Handymax ships respectively carry 25,000-40,000 and 40,000-65,000 metric tonnes of cargo
- Their "handy" proportions allow them to access ports restricted by shallow water, locks, narrow channels and tight river bends
- Four cranes with 30-ton lifting capacity enable self-loading and discharging in regions lacking sophisticated cargo-handling infrastructure
- They are versatile workhorses well suited to carrying a broad range of commodities, mainly in bulk but also in bagged or bundled form
- The average age of our dry bulk core fleet (comprising owned ships and ships under our charter of one year or more) is 6 years

Our Tugs

- PB Towage operates a modern fleet of versatile tugs with an average age of 8 years
- Our project vessels are well suited to support the marine logistics requirements of the growing resources sectors in Australia and Oceania
- Harbour activities are supported by our young fleet of powerful harbour tugs of up to 69 tons bollard pull

Dry Bulk Market Review 1H2013

Freight Market Summary

Spot market rates for Handysize and Handymax bulk carriers in which we specialise averaged US$7,060 and US$8,270 per day net in the first half of 2013. While down 7% and 12% year on year, the Handysize and Handymax spot markets have shown gradual improvement since the fourth quarter of 2012, so far following a similar seasonal pattern as last year, albeit at a lower level and demonstrating less volatility that resulted in less severe lows.

An initial sharp decline was attributable to a surge of newbuilding deliveries after the new year, compounded by seasonal weather-related cargo disruptions in key trade areas and an early Lunar New Year holiday in China. Subsequent gains in the Handysize and Handymax sectors during the first quarter were largely sustained during the second quarter.

The overall tone in the dry bulk freight market remained depressed under the weight of continued oversupply primarily in the larger bulk carrier segments.

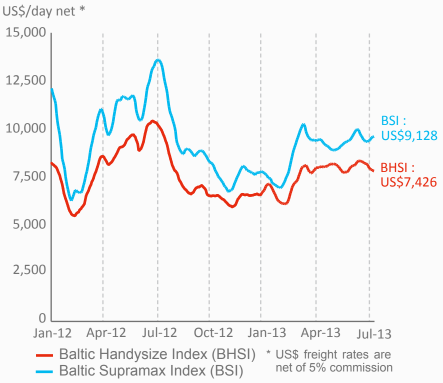
Average Handysize and Handymax freight rates significantly outperformed rates for much larger Capesize vessels which averaged US$5,830 in the period, underscoring the relatively better freight market support for smaller and more versatile ship types that carry more diverse minor bulks and benefit from more favourable supply side fundamentals.

The average Baltic Dry Index (BDI) in the first half declined 11% year on year to 842 – its lowest half-year average since 1986.

-7% ⬇ US$7,060 net
Handysize Average market spot rate

-12% ⬇ US$8,270 net
Handymax Average market spot rate

Baltic Dry Bulk Earnings Indices



Source: The Baltic Exchange, data as at 29 July 2013

SUPPLY DRIVERS

Key Supply Developments

35 million tonnes of new capacity delivered in the first half of 2013 compared to 56 million tonnes in the same period last year. Handysize and Handymax deliveries were down 46% and 40% respectively.

A significant 13 million tonnes or 2% of the overall dry bulk fleet was sold for scrap during the period partly offsetting deliveries.

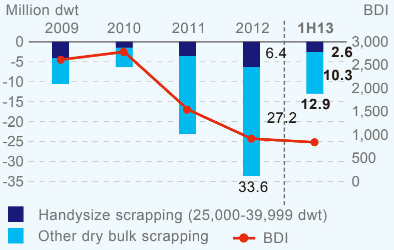
The relatively older global fleet of 25,000-40,000 dwt Handysize vessels in which we specialise registered 1% net capacity growth in the first half of the year. Overall dry bulk fleet capacity expanded by 3% net, which is significantly lower than the pace of capacity expansion of the past few years.

While overall fleet growth has reduced significantly and slow steaming continues to decrease the effective carrying capacity of the global fleet, we believe it will take some time for the market to absorb the over-supply of larger dry bulk ships and for a sustained recovery to take hold.

+1% ⬆
Global Handysize capacity

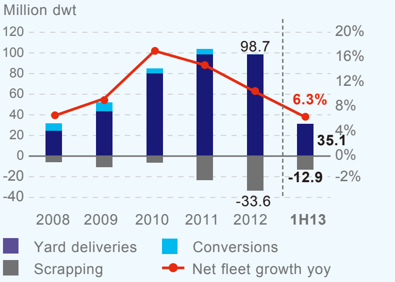
+3% ⬆
Overall dry bulk capacity

Dry Bulk Scrapping versus BDI



Source: Clarksons, Bloomberg, as at 1 July 2013

Global Dry Bulk Fleet Development



Source: Clarksons

IMPACTING SHIP VALUES

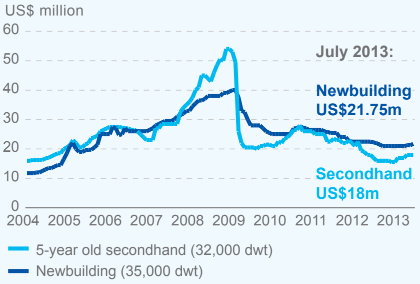
Ship Values

Clarksons currently value their benchmark five year old Handysize at US$18 million. This represents a 13% increase on the value indicated throughout most of the second half of 2012, due to increased buying interest and a tight supply of modern, high-quality ships for sale.

+13% ⬆ US$18m
Secondhand Handysize (∆since 2H 2012)

The tighter secondhand market is causing more buyers to look to shipyards for new capacity. Newbuilding prices appear to have bottomed out at around US$21 million.

Handysize Vessel Values



Source: Clarksons

NEW SHIP ORDERING

Key Demand Developments

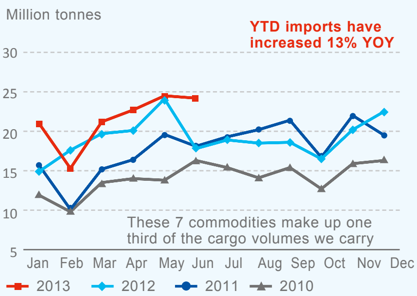
Dry bulk transportation demand in the first quarter of 2013 is estimated by R.S. Platou to have increased by 5% year on year – in a large part supported by Chinese commodity imports despite slower Chinese economic growth.

Major bulk trade volumes expanded by 4% in the first six months driven by growth in high-volume Chinese imports of iron ore and coal.

Demand for minor bulks was also robust. Chinese imports of seven important minor bulks increased 13% year on year in the first six months of 2013 (see "Chinese Minor Bulk Imports" graph) thus lending strong support to global demand for Handysize and Handymax ships.

The above positive demand factors were weighed down by continued oversupply during the period.

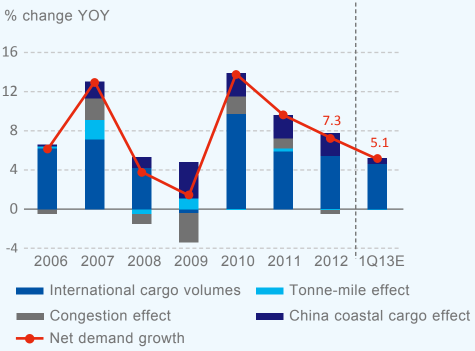
Chinese Minor Bulk Imports



Chinese imports of 7 minor bulks including logs, soyabean, fertiliser, bauxite, nickel, copper concentrates & manganese ore

Source: Bloomberg

Dry Bulk Fleet Demand



Source: R.S. Platou, Clarksons

Overall dry bulk demand

+5% ↑ Q1 YOY

Chinese steel production

+9% ↑

Chinese imports – major bulks

+5% ↑ iron ore

+10% ↑ coal

Chinese imports – minor bulks

+28% ↑ bauxite

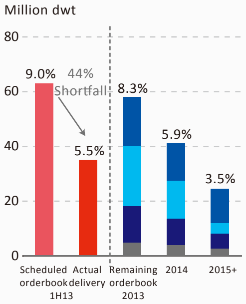
+12% ↑ logs

Orderbook

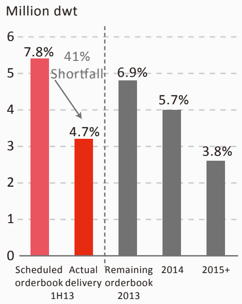
New orders primarily for large dry bulk vessels increased significantly in the year to date driven partly by the lack of availability and the increasing price of high-quality, modern secondhand ships, a growing appetite for larger more fuel-efficient vessel designs and by shipyards' efforts to fill their free yard space for 2015 and 2016.

The current published orderbook for Handysize vessels stands at 16% as compared to 23% a year ago. The orderbook for dry bulk vessels overall has reduced to 18%.

Orderbook by Year

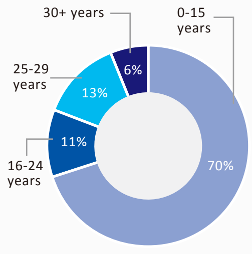


Handysize Orderbook



Handysize Age Profile

2,137 Vessels (68.8 million dwt)



Source: Clarksons, data as at 1 July 2013

			ORDERBOOK AS % OF EXISTING FLEET	AVERAGE AGE	OVER 25 YEARS OLD	SCRAPPING AS % OF EXISTING FLEET (ANNUALISED)
	■	Handysize (25,000 – 39,999 dwt)	16%	11	19%	8%
	■	Handymax (40,000 – 64,999 dwt)	19%	9	7%	4%
	■	Panamax & Post-Panamax (65,000 – 119,999 dwt)	21%	8	3%	2%
	■	Capesize (120,000+ dwt)	16%	8	2%	4%
		Total Dry Bulk (10,000+ dwt)	18%	10	5%	4%

Pacific Basin Dry Bulk
How we performed in 1H2013

Our Pacific Basin Dry Bulk division generated a net profit of US$11.3 million (2012: US$7.5 million), a 3% return on net assets and a positive EBITDA of US$50.7 million.

This improved performance year on year reflects the favourable evolution of our fleet as we increase the number of our lower cost, owned Handymax ships to mirror our Handysize business model. We consider this to be a sound performance in the context of a weak and challenging market, reflecting the value of our customer and cargo focused business model and our high-performance teams globally.

High fleet utilisation, passion for customer service, fuel consumption optimisation and a high-quality fleet are key ingredients to achieving our superior "time charter equivalent" (TCE) vessel daily earnings which beat our relevant Handysize and Handymax market indices by 32% and 28% in the period. Over the past five years we have consistently outperformed the market and met a key objective of remaining profitable in spite of weak market conditions.

Dry Bulk net profit

US$11.3m

EBITDA

US$50.7m

KEY PERFORMANCE INDICATORS

Performance vs Market

32%

outperformance
compared to market

Handysize

28%

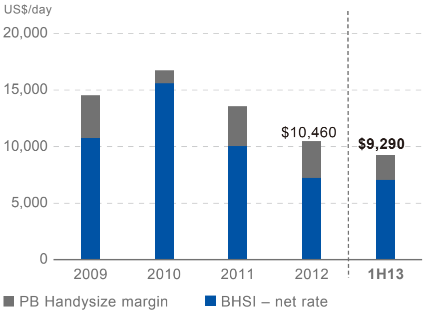
outperformance
compared to market

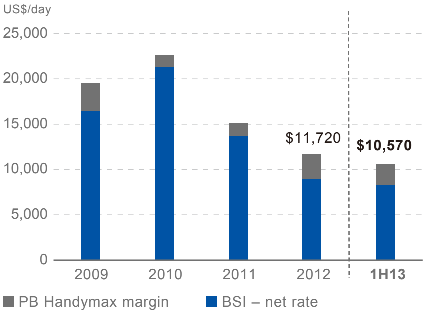
Handymax

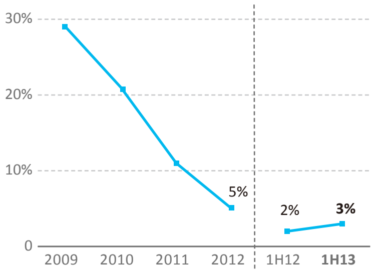
Return on Net Assets

3% annualised

⬆ 1%







PERFORMANCE

Our average Handysize and Handymax daily earnings outperformed the BHSI and BSI spot market indices by US$2,230 (32%) and US$2,300 (28%) per day respectively. This respectable performance reflects the value of our industrial and customer-focused business model and our cargo book. It also reflects the value of our fleet's scale and our global dry bulk team's ability to achieve optimal cargo combinations and match the right ships with the right cargoes.

Return on dry bulk net assets was 3% which is an improvement on the same period last year and a sound result in the current market environment. While we track our divisional return on assets annually, our aim is to achieve solid long-term returns on assets. We are therefore investing in assets in the weak market so as to realise enhanced returns in future years when the dry bulk market is healthier.

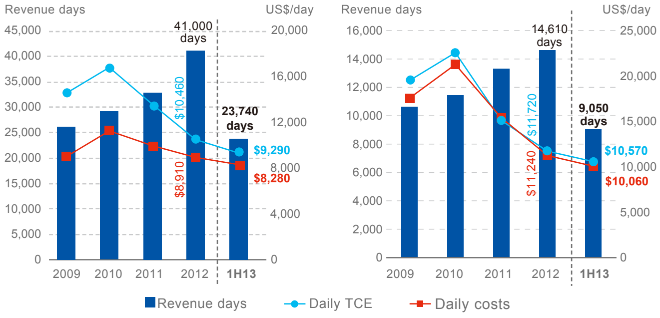
www.pacificbasin.com
about us > strategy
Framework for creating value

Page 20
Further analysis of our performance

Profitability

US$22.4m
contribution
⬇ 2%
Handysize

US$4.3m
contribution
⬆ 407%
Handymax

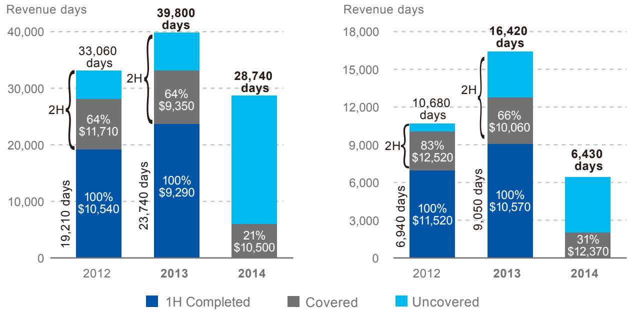


Despite very weak market conditions, our dry bulk business generated a respectable result. Our reduced vessel operating margins were offset by a 24% and 30% increase in our Handysize and Handymax revenue days respectively. In the first half, we achieved daily Handysize TCE earnings of US$9,290 on 23,740 revenue days. We operated an average of 132 Handysize and 50 Handymax ships during the period. Drawing on our resilient dry bulk business model, we strive to be profitable in all market conditions.

Future Earnings and Cargo Cover

64%
cover for second half 2013
at US$9,350 per day
Handysize

66%
cover for second half 2013
at US$10,060 per day
Handymax



Cargo cover secured for the second half of the given year, as at the time of interim results announcement
Cover excludes revenue days chartered in on an index-linked basis

We have covered at profitable rates 64% and 66% of our 16,060 Handysize and 7,370 Handymax revenue days currently contracted for the second half of 2013. For 2014 we have covered 21% and 31% of our 28,740 Handysize and 6,430 Handymax revenue days. This provides us a degree of earnings visibility for the challenging market. Cargo cover excludes chartered-in vessel commitments that are on variable charter rates linked to relevant indices.

Pacific Basin Dry Bulk Business Highlights

Our strategic priority in the period was to continue to expand our core fleet of high-quality owned and long-term chartered Handysize and Handymax ships at prices and rates we consider attractive for the long term. We aim to positioning ourselves optimally for an eventual market recovery to ensure our continued ability to offer customers a sustainable and competitive freight service whilst generating superior returns for our shareholders.

Fleet expansion and deployment

In the year to date we have ordered six newbuildings (with options for three more) and purchased 21 secondhand ships. These include ten acquisitions resulting from our exercise of purchase options on ships previously in our long-term chartered fleet. This brings to 31 the total number of vessels we have purchased since we returned to the ship acquisitions market in September 2012. Additionally, we have this year leased nine ships on long-term charters of three years or more.

We now operate over 200 dry bulk ships on the water – up from an average of 148 in the first half of 2012 – and we now await the delivery of 11 owned and 11 chartered newbuildings in 2013 to 2016. Our recent fleet expansion further cements our position as the world's largest operator of Handysize tonnage with a significant and growing Handymax presence. The scale of our fleet and the global reach of our office network allow us to meet our customers' needs on any route, anywhere and any time.

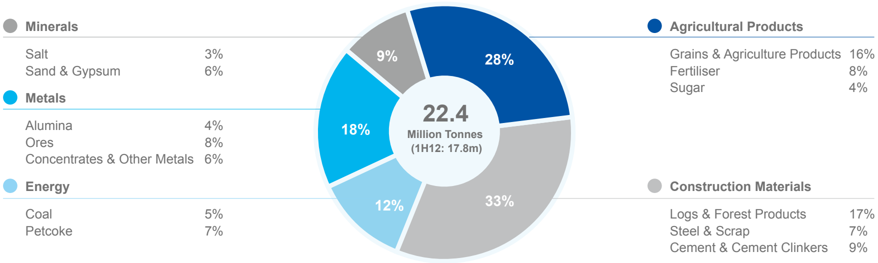
Strong relationships

We welcomed new customers and cargo to our portfolio, including notable long-term cargo contracts of five and seven years. Development of existing and new customer relationships and multi-year cargo contracts remains key to managing our market exposure, and our close cooperation with customers on such cargo contracts also enables them to secure long-term freight cover in the current weak market with a strong, reliable counterparty.

Robust corporate & financial profile

Several high profile dry bulk company casualties have further heightened the importance of counterparty vetting and, in this unforgiving environment, Pacific Basin stands out as a strong, transparent, long-term counterparty for cargo customers and tonnage providers alike. We offer a solid, visible balance sheet and a performance track record to match. We are committed to responsible business practices and a high standard of corporate social responsibility which we consider a necessary obligation to our counterparties and stakeholders.

Our Dry Bulk Cargo Volumes in 1H13



MARKET OUTLOOK – DRY BULK

OPPORTUNITIES

- China's continued strong demand for minor bulk commodities despite slower economic and industrial growth
- Continued US economic recovery and reviving industrialisation in North America
- High level of scrapping and decreasing newbuilding deliveries leading to zero or negative Handysize net fleet growth
- Bank lending remains selective, limiting funding for ship acquisitions to those shipowners with established track records and healthy balance sheets

THREATS

- Excessive newbuilding capacity, especially in China, and competition from shipyards to win new orders
- Credit squeeze in China leading to slower economic and industrial growth and slower growth in dry bulk imports
- Shipowner optimism resulting in less scrapping and increased vessel ordering

OUTLOOK FOR OUR DRY BULK BUSINESS

We expect the Handysize and Handymax spot market to remain weak overall in the rest of the year. There is scope for moderate seasonal strengthening around the start of the fourth quarter when a reduction in newbuilding deliveries is expected to combine favourably with a resumption in demand following the northern hemisphere summer.

While dry cargo demand is likely to remain relatively healthy and the worst of the influx of new capacity is now behind us, it will take some time for the market to absorb the over-supply of larger dry bulk ships and for a cyclical upturn and sustained recovery to take hold. However, we remain optimistic about the medium-to-longer term.

STRATEGY

Our strategic priority remains to expand our fleet of owned and long-term chartered Handysize and Handymax ships at attractive prices and rates. Despite recent increases in vessel prices and long-term charter rates and the continued tight supply of the right ships, we continue to be well positioned to access both on-market and off-market opportunities albeit at higher but still attractive prices and rates.

In tandem with our fleet expansion strategy, we aim also to expand our customer and cargo portfolio. We will continue to work closely with our customers to develop long-term cargo contracts that will allow both parties to manage their respective market exposures at reasonable, long-term rates.

Our exposure to the freight market is partly limited by our cargo book which currently provides cover for 64% of our Handysize revenue days in the second half of 2013.

Page 11
Future earnings and cargo cover

Towage Market Review 1H2013

Demand for marine logistics, offshore construction support and harbour towage solutions remained strong in PB Towage's core market in Australia in the first half of 2013 despite seasonal, weather-related factors impacting activity levels in the first quarter.

Offshore Towage and Infrastructure Support

Major oil and gas projects under construction in Western Australia, the Northern Territories and Queensland are generating continued demand for marine logistics and offshore construction support. The construction phases of these projects are expected to continue through 2017, and additional LNG and other mining and resources projects under consideration may add further demand in the medium term.

Harbour Towage

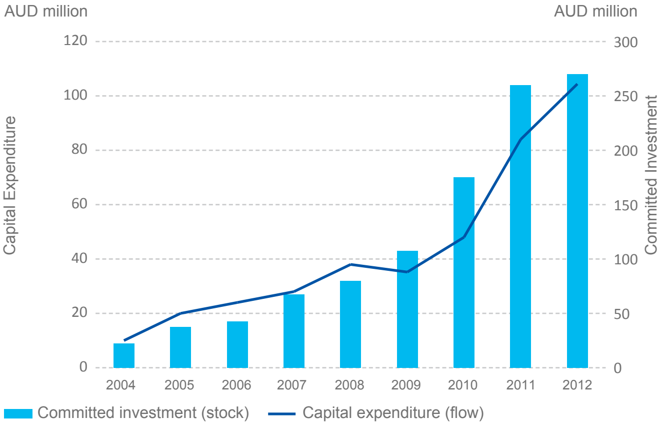
Australia's exports continue to drive development of mining and port infrastructure and increased demand for harbour towage services. Despite the forecast for some volatility in all-important Chinese demand for raw materials, Australia's competitive advantage (in terms of product quality, delivered cost and favourable exchange rates) continues to support a positive long-term growth outlook. Container ports are also showing continued steady growth in volumes.

Competitive Landscape

The relatively high cost of operating in Australia continues to represent a barrier to entry for new entrants in the Australian domestic market. However, we see would-be new competitors are currently more keen on breaking into the surrounding Southeast Asian markets where demand is increasing as are opportunities for longer-term charter employment. Nevertheless, domestic competition is increasing with Australian operators investing in new vessels.

International tug and barge project transportation into Australia is also competitive, as it is not subject to the same labour and legislative controls that characterise the domestic market.

Australian resources and energy project investment



Source: Australian Bureau of Statistics

PB Towage
How we performed in 1H2013

Our PB Towage division generated a net profit of US$12.6 million (2012: US$14.1 million) reflecting our competitive position in the active offshore support and harbour towage markets in Australia.

PB Towage net profit

US$12.6m

EBITDA

US$19.8m

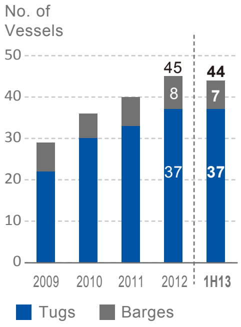
KEY PERFORMANCE INDICATORS

Number of Vessels Operated

44 vessels

average

↓ 2%



Excludes 1 bunker tanker

PERFORMANCE

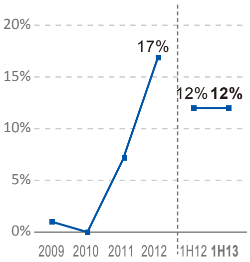
We operated one less barge during the period, reducing to 44 the average number of towage vessels we operated in the first half of 2013

Return on Net Assets

12%

annualised

→ 0%



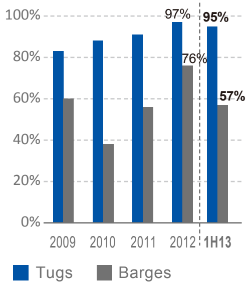
Reduced net profits of US$12.6 million generated a return on net assets of 12% in the period

Percentage of Fleet Deployed

95%

tug fleet

↓ 2% YOY



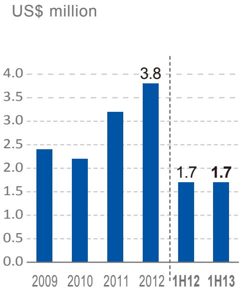
Utilisation of our deployed tug fleet remained healthy at 95% on strong harbour job numbers and continuing offshore project work, while barge deployment reduced due to downtime between charters

Vessel Revenue

US$1.7m

per vessel

→ 0% YOY



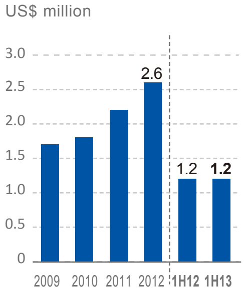
Our fleet of deployed tugs and barges generated average revenue of US$1.7 million per vessel in the first half of 2013 on similar vessel utilisation and job numbers

Vessel Costs

US$1.2m

per vessel

→ 0% YOY



Our vessel costs averaged US$1.2 million in the half year – substantially unchanged year on year

Page 22
Further analysis of performance

PB Towage
Business Highlights

We have been pursuing a number of initiatives for PB Towage which are serving to enhance further our presence and penetration in the Australian market.

Offshore support activity

Our fleet of offshore construction support vessels remained active across a number of LNG projects with a strong focus on the Gorgon project. PB Towage has increased its shareholding in the OMSA joint venture to 50% reflecting our confidence in the prospects for the OMSA business in Australia's offshore gas sector.

Having completed project work in Gladstone, we are now tendering – directly or through the OMSA joint venture – for a number of Gorgon, Wheatstone and Ichthys LNG related projects in Western Australia and the Northern Territories.

We are researching nearby markets which demonstrate long-term growth potential and offer an opportunity to reduce our reliance on the Australian market.

We are also working on opportunities to provide more cost-effective and operationally efficient solutions to fill gaps in the market for project cargo transportation services.

Expansion in harbour towage

Our harbour towage business logged 6% more tug jobs in the first half of the year compared to the same period last year reflecting both market growth and our expanded market share.

In July, PB Towage commenced a new harbour towage operation in Newcastle where we are one of only two operators. Newcastle is a major dry bulk port – and the world's largest coal exporting port – with significant plans for further growth. PB Towage has deployed four tugs to Newcastle, has signed a major Japanese line as a customer and is targeting to achieve a significant and sustainable market share within a year of operation. Although mobilisation and other start-up costs will impact the financial performance of our Newcastle operation in its first year, we expect it to generate a strong return in the medium term.

Challenging Middle East market

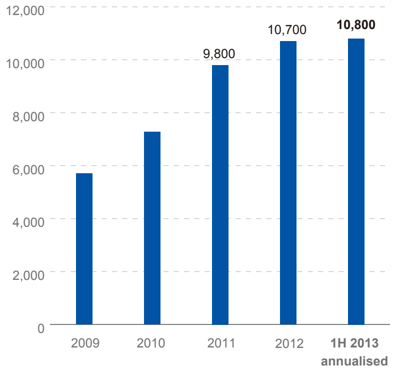
We have redeployed two harbour tugs from the Middle East to Australia where we believe they can generate sustained returns over the longer term.

We have maintained good utilisation of our remaining assets in the Middle East despite continued over-supply in the region. We have secured a two year charter for one tug operating in oilfields off the UAE, while two tugs and three barges are deployed in the transportation of aggregate to Qatar and other spot market opportunities.

Organisational initiatives

PB Towage's HR and Quality, Health, Safety & Environment departments have been strengthened to better address the Australian industrial relations environment and further enhance the Company's focus on health and safety. PB Towage has expanded its technical function in Fremantle to support the management of the entire OMSA fleet.

PB Towage Harbour Job Numbers



MARKET OUTLOOK – TOWAGE

OPPORTUNITIES

- Growth in Australian bulk exports and port infrastructure development supporting continued growth of our harbour towage activity
- Exclusive licences in a number of bulk ports up for tender in 2015 onwards
- Potential for long-term LNG terminal towage contracts as projects move from the construction to production phase
- Growth in international and domestic project cargo movements in the LNG and mining sectors

THREATS

- Volatile global markets and hesitation in global economic recovery, amplified by a credit squeeze in China, impacting growth in dry bulk trades and Australian port activity
- Labour market shortages and cost pressures in Australia impacting returns from capital investment projects and oil companies' appetite for investment
- Exchange rate movements affecting business drivers including Australia's export competitiveness, imports and balance of trade

OUTLOOK FOR OUR TOWAGE BUSINESS

The medium-term outlook for the towage sector in Australia is positive as construction on a number of major offshore gas projects ramps up while others move into the production phase, and as Australian seaborne exports and imports continue to support growing port volumes and, in turn, harbour towage job numbers.

PB Towage has developed a good reputation as a safe and quality-conscious operator with a strong customer base and we consider our towage business well positioned to compete for both Australian domestic and international opportunities going forward.

STRATEGY

PB Towage will continue to pursue opportunities in the offshore sector and expand its harbour towage income base.

We will focus on current opportunities for offshore support in the Australian resources sector, both directly and through the OMSA joint venture, while continuing with longer-term initiatives to develop modular project cargo transportation solutions and potential expansion into neighbouring geographic and niche markets.

Our harbour towage business will focus in the medium term on competing for exclusive ports and towage jobs in open competition ports where such activity is deemed to add value to our business and provide sustainable returns.

Financial Review

First Half 2013

Group net profit
US$0.3m

Underlying profit
US$13.6m

Basic EPS
HK cents 0.1

Shareholders' equity
0% return

EBITDA increased to
US$59.4m

Our results for the period were affected by:

- the value of our cargo book and business model enabling our outperformance of the Handysize market by 32% during the weakest dry bulk market since 1986
- a reduction of 16% and 18% in our daily Handysize and Handymax vessel costs respectively, mainly due to lower chartered-in vessel costs and the increased number of index-linked chartered ships
- a solid US$12.6 million contribution from PB Towage
- a non-cash loss of US$8.3 million attributable to the sale of our RoRo vessels
- the US$6.1 million one-off cost of breaking finance leases on the exercise of five vessel purchase options

We have deployed US$227 million of cash resources into attractively priced vessels in the year to date.

We retain healthy cash liquidity sufficient to maintain our loan-to-value covenants and invest in further vessels beyond our existing capital commitments of US$298 million, and we plan to secure new bank facilities in due course.

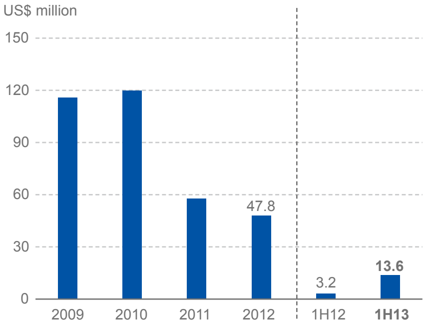
Monitoring the Health of our Group

GROUP KEY PERFORMANCE INDICATORS

Underlying Profit

US$13.6m

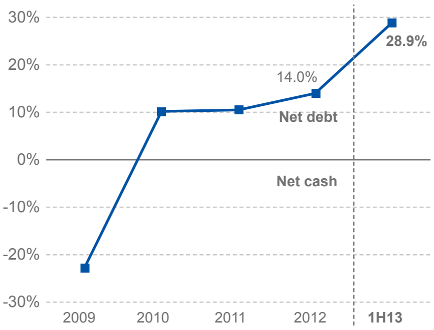
↑ 325%



Net borrowings to Net Book Value of property, plant and equipment

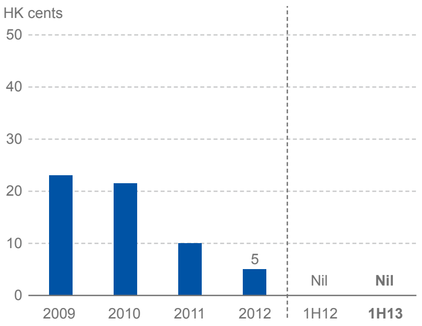
29%

↑ 14.9%



Dividend per Share

Interim: Nil



PERFORMANCE

Underlying profit increased 325% year on year mainly due to i) a reduced loss from our discontinued RoRo operations, and ii) a stronger contribution from Pacific Basin Dry Bulk.

28.9% remains well below our net gearing limit of no greater than 50%. The increase represents deployment of cash into dry bulk vessel purchases with additional debt funding delayed until later in the year.

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.

Consolidated Group Performance

GROUP PERFORMANCE REVIEW

	Six months ended 30 June		
US$ Million	2013	2012	Change
Revenue	766.8	691.0	+11%
Direct costs	(741.1)	(673.7)	-10%
Gross profit	25.7	17.3	+49%
Segment net profit	25.8	18.2	+42%
Treasury	(4.3)	(0.9)	-378%
Discontinued operations – RoRo	(0.8)	(8.5)	+91%
Indirect general and administrative expenses	(7.1)	(5.6)	-27%
Underlying profit	13.6	3.2	+325%
Unrealised derivative expenses	(3.5)	(9.1)	+62%
RoRo exchange loss & vessel impairment	(8.3)	(190.0)	+96%
Expenses relating to exercising five finance lease purchase options	(6.1)	–	–
Towage exchange gain	4.6	–	–
Profit/(loss) attributable to shareholders	0.3	(195.9)	–
EBITDA (excluding impairment)	59.4	53.7	+11%
Net profit margin	0%	-28%	+28%
Return on average equity employed	0%	-26%	+26%

The main influences on our results in the first six months of 2013 were as follows:

- **Revenue** increased 11% mainly due to increases in our Handysize and Handymax revenue days.
- **Direct costs** increased 10% mainly due to increases in bunkers and port disbursements attributable to the additional Handysize and Handymax revenue days.
- **Segment net profit** was up mainly due to a stronger Handymax contribution compared to 1H 2012.
- **Treasury costs** increased 378% mainly due to increase in expense from revaluation of foreign currency cash.
- **Indirect general and administrative expenses** increased 27% mainly due to reclassifications from direct overheads following the wind-down of certain non-core operations.
- **Underlying profit** was up mainly due to increased dry bulk segment net profits and reduced loss from the discontinued RoRo operations.
- **Result attributable to shareholders** turned from a loss to a profit mainly due to a US$190.0 million RoRo vessels impairment affecting last year.
- **EBITDA** increased 11% to US$59.4 million (2012: US$53.7 million) contributing to a positive operating cash flow which resulted in the Group having cash and deposits at the period end of US$442.3 million (31 December 2012: US$753.5 million).

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 is reclassified as a discontinued operation following the sale of the 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

Page 53
See Financial Statements Note 16
for more on general and administration
expenses and other expenses

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See Financial Statements Note 4
for more on balance sheet
segment information

CONSOLIDATED GROUP PERFORMANCE CONTINUED

PACIFIC BASIN DRY BULK SEGMENT

Segment Operating Performance

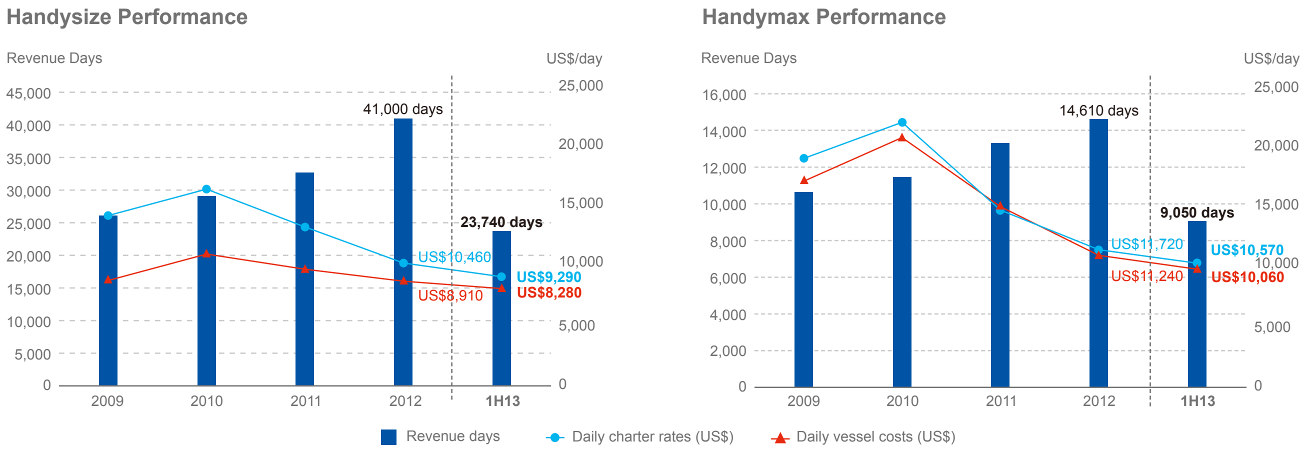
	Six months ended 30 June		
US$ Million	**2013**	2012	Change
Handysize contribution	**22.4**	22.8	-2%
Handymax contribution	**4.3**	(1.4)	+407%
Post-Panamax contribution	**2.9**	2.8	+4%
Segment operating performance before overheads	**29.6**	24.2	+22%
Direct overheads	**(18.3)**	(16.7)	-10%
Segment net profit	**11.3**	7.5	+51%
Segment EBITDA	**50.7**	39.1	+30%
Segment net assets	**885.1**	767.5	+15%
Annualised return on net assets (%)	**3%**	2%	+1%

Dry bulk net profit increased 51% to US$11.3 million (2012: US$7.5 million) due mainly to:

a) a 24% and 30% increase in our Handysize and Handymax vessels revenue days respectively;

b) the benefit of lower Handymax daily vessel costs as expensive inward charters expired or were renewed at lower hire rates; and

c) our increased number of lower-cost, owned Handymax ships to mirror our Handysize business model.



Revenue generated by our expanded dry bulk fleet increased 13% to US$704.1 million (2012: US$625.3 million) which represents 92% (2012: 91%) of our Group's total revenue.

Our Handysize and Handymax operations grew significantly during the past 12 months. Handysize revenue days increased 24% to 23,740 days (2012: 19,210 days) while Handymax revenue days increased 30% to 9,050 days (2012: 6,940 days) due mainly to the increased number of vessels chartered in on a short-term basis, including index-linked charters.

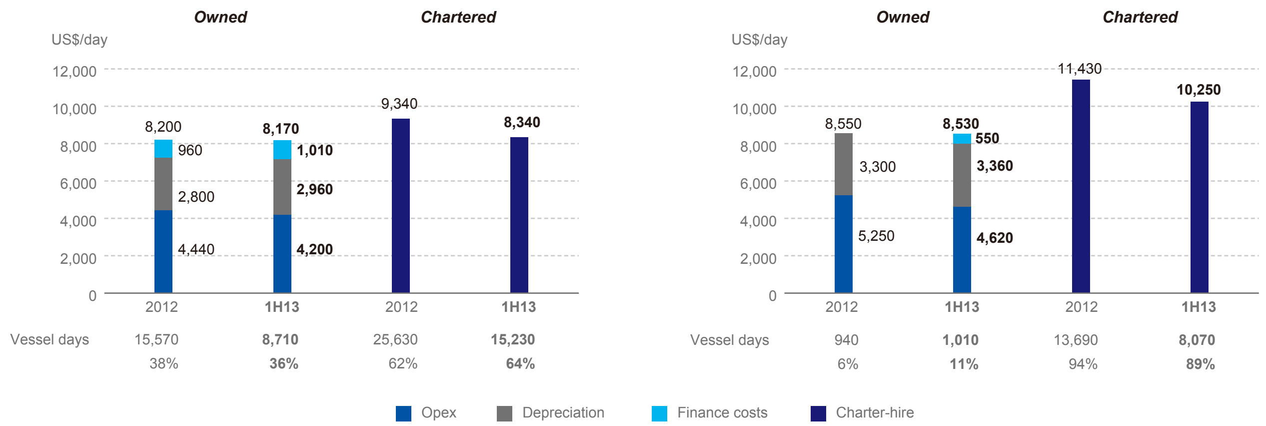
Our daily charter rates for both our Handysize and Handymax vessels were lower than in 2012 due to the oversupply of vessels in the global market and the resulting weaker spot market rates.

Handysize Daily Vessel Costs

Blended US$8,280 *(FY2012: US$8,910)*

Handymax Daily Vessel Costs

Blended US$10,060 *(FY2012: US$11,240)*



Our dry bulk fleet incurred direct costs (including bunkers and port disbursements) of US$683.5 million (2012: US$610.6 million) representing 92% (2012: 91%) of total direct costs.

The depressed market's negative impact on our dry bulk segment net profit was partly mitigated by an increase in our spot market operating activities using chartered third-party vessels at lower daily charter rates, which has reduced our blended daily costs.

The reduction in chartered-in vessel costs was the main contributor to the 16% and 18% reduction in our Handysize and Handymax blended daily costs.

The decrease in daily opex was mainly due to lower repairs and maintenance expenses.

The increase in daily depreciation was due to the addition of vessels with higher average net book value than our existing vessels.

The increase in daily finance costs was due to the increased allocation of borrowings and associated interest from treasury to the segment as more owned vessels delivered.

Direct overheads reduced to US$550 per day (2012: US$620 per day) for our dry bulk ships. Such decrease was mainly because direct overheads increased at a slower pace compared to the expansion of our dry bulk fleet.

Our Handysize chartered-in days increased 29% to 15,230 days (2012: 11,780 days) while our Handymax chartered-in days increased 22% to 8,070 days (2012: 6,610 days). Chartered days represented 64% and 89% of our total Handysize and Handymax vessel days respectively, an increase of 3% and a decrease of 6% respectively over the same period last year.

During the period, 5,040 Handysize vessel days (2012: 1,220 days) and 1,070 Handymax vessel days (2012: 780 days) were secured on variable rate inward charters where rates were linked to the Baltic Handysize Index and Baltic Supramax Index. These represented 21% and 12% of our total first half Handysize and Handymax vessel days, and helped reduce our vessel chartered-in costs in the period.

Our fleet of owned and finance-leased dry bulk vessels experienced an average 1.3 days off-hire (2012: 1.4 days) per vessel during the period.

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See Financial Statements Note 4
for more on dry bulk segment analysis

CONSOLIDATED GROUP PERFORMANCE CONTINUED

PB TOWAGE SEGMENT

Segment Operating Performance

	Six months ended 30 June		
US$ Million	**2013**	2012	Change
Offshore & Infrastructure projects	**15.3**	15.2	+1%
Harbour towage	**6.2**	6.4	-3%
Middle East & others	**0.8**	0.5	+60%
Segment operating performance before overheads	**22.3**	22.1	+1%
Direct overheads	**(9.7)**	(8.0)	-21%
Segment net profit	**12.6**	14.1	-11%
Segment EBITDA	**19.8**	23.2	-15%
Segment net assets	**210.6**	244.6	-14%
Annualised return on net assets (%)	**12%**	12%	+0%

Results from offshore and infrastructure projects are comparable to the same period last year but have decreased compared to the second half of 2012 due to the completion of existing projects.

Harbour towage results and direct overheads were affected by startup costs relating to our entry into the port of Newcastle.

The Segment's EBITDA amounted to US$19.8 million (2012: US$23.2 million) for the period.

The decrease in segment net assets was mainly due to the weaker Australian Dollar resulting in lower translation value.

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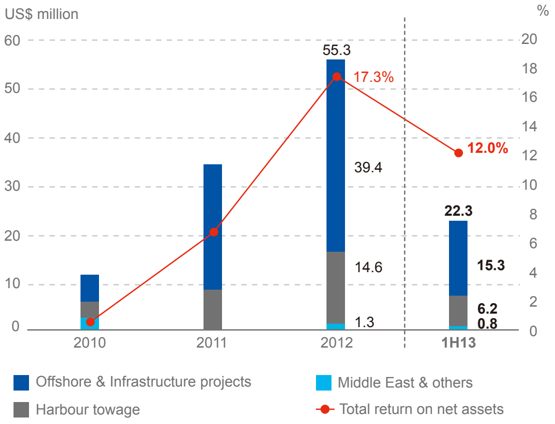
See Financial Statements Note 4
for more on towage segment analysis

Operating Performance before Overheads



DISCONTINUED OPERATIONS – PB RORO

On 6 September 2012, we entered into an agreement to sell all of our six RoRo vessels with forward delivery for an aggregate consideration of €153 million. The buyer is obliged to complete the purchase of at least one vessel by the end of each of the six month periods ending 30 June 2013 through 31 December 2015. Simultaneously with the signing of the sale agreements, the Group signed bareboat charterparties to charter the vessels to the buyer at agreed charter rates. These charters expire with the purchase and delivery of the vessels to the buyer.

As at 30 June 2013, the bareboat charters for five vessels had commenced, of which ownership of one passed to the buyer in June 2013. The Group expects the bareboat charter of the final vessel to commence in March 2014.

On the date of the sale agreement, the vessels' carrying values were reclassified in the balance sheet as assets held for sale. At the bareboat charter commencement date, the value of assets held for sale of each of the vessels are de-recognised from the balance sheet and corresponding trade receivables recognised in the balance sheet representing the present value of the sale proceeds and charter-hire receipts. The difference between the gross receivables and the present value of the receivables is recognised as interest income reflecting the time value of money over the periods of the bareboat charters and until the expected date of settlement of the sale consideration. The bareboat interest income of US$3.5 million in 2013 (2012: Nil) is shown under Treasury. As at 30 June 2013, the remaining five owned RoRo vessels had a combined asset value of US$156.3 million, represented by four RoRo vessels on bareboat charter with a value of US$125.1 million shown in other receivables under Treasury, and one with a value of US$31.2 million shown in assets held for sale under discontinued operations – RoRo.

The operating loss of US$0.8 million (2012: US$8.5 million loss) for the period ended 30 June 2013 represents the operating results of these vessels prior to the bareboat charter commencement dates. As at 30 June 2013, only one vessel had yet to commence its bareboat charter and hence the operating costs in the second half of 2013 will reduce to reflect the operating costs of this one vessel and the direct overheads of the RoRo operation.

The Group maintains a foreign exchange reserve for the translation to US Dollars of the Euro-denominated net asset value of the vessel owning companies. Each vessel disposal will result in the release of the cumulative foreign exchange reserve relating to each vessel owning company to the consolidated income statement at the bareboat commencement date. The amount realised in 2013 was a loss of US$8.3 million (2012: Nil).

The currently estimated future financial effect of the RoRo disposal transaction is as follows:

US$ Million	2H13	2014	2015	Total
Interest Income – Treasury	3.8	6.1	2.9	12.8
Exchange Losses – Unallocated	–	(5.0)	–	(5.0)
Total	3.8	1.1	2.9	7.8

Note: The exchange losses relate to the foreign exchange reserve for the translation to US Dollars of the Euro-denominated net asset value of the RoRo companies. Such cumulative foreign exchange reserve will be released to the consolidated income statement at the bareboat charter commencement dates. The estimated Euro-denominated interest income is translated into US Dollars at the 2013 period-end rate of EUR 1 to US$ 1.3043.

Funding and Commitments

CASH FLOW AND CASH

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

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

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 the net book value of property, plant and equipment – which we believe is sustainable over different stages of the shipping cycle.

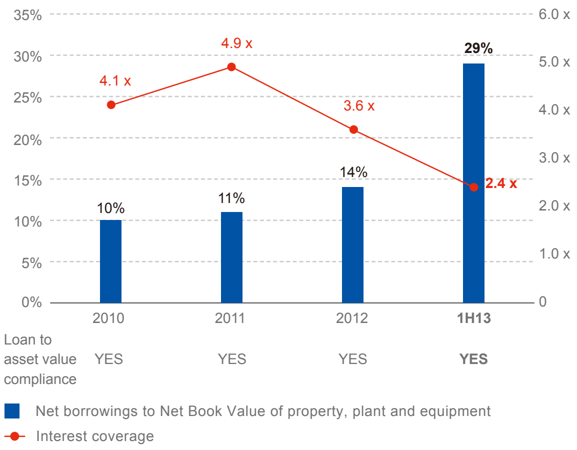
As at 30 June 2013, the Group had a strong cash position of US$442.3 million resulting in a 29% net gearing ratio. The Group has sufficient cash resources on hand to fund its capital commitments of US$298 million.

We have deployed US$227 million of cash resources into attractively priced vessels. We plan to secure new bank facilities in due course.

Cash Flow

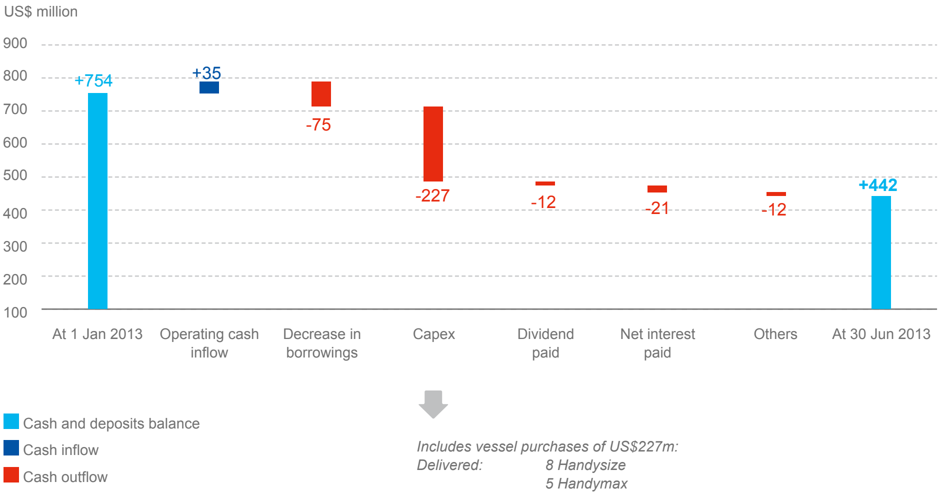
The major factors influencing future cash balances are expected to be operating cash flows, purchases of dry bulk vessels, sale of assets, and drawdown and repayment of borrowings.

Net Borrowings to NBV and Interest Coverage



Liquidity	US$442.3 million of total cash and deposits (principally denominated in US$) US$72.4 million of unutilised bank borrowing facilities
Net working capital	US$459.8 million

1H2013 Sources and Uses of Group Cash Flow



Includes vessel purchases of US$227m:

Delivered:	*8 Handysize* *5 Handymax*
Instalments:	*9 Handysize* *3 Handymax*

Cash and Deposits

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

Treasury enhances Group income through investing in a mix of financial products, based on the perceived balance of risk, return and liquidity, while ensuring that cash can be readily deployed to meet the Group's commitments and needs.

Cash, deposits and investment products are placed with a range of leading banks, mainly in Hong Kong. Restricted bank deposits relate to collateral pledged to maintain i) dry bulk loan covenants and ii) guarantees issued for offshore and infrastructure projects in the Towage segment.

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

US$ Million	30 June 2013	31 December 2012	Change
Restricted bank deposits - non-current	1.3	50.2	
Restricted bank deposits - current	47.9	70.2	
Cash and deposits	393.1	633.1	
Total cash and deposits	442.3	753.5	-41%
Current portion of long term borrowings	(128.3)	(77.8)	
Long term borrowings	(728.6)	(853.7)	
Total borrowings	(856.9)	(931.5)	+8%
Net borrowings	(414.6)	(178.0)	-133%
Net borrowings to Net Book Value of property, plant and equipment	28.9%	14.0%	
Net borrowings to shareholders' equity	32.0%	13.4%	

The decrease in cash and deposits mainly represents deployment of cash into dry bulk vessel purchases.

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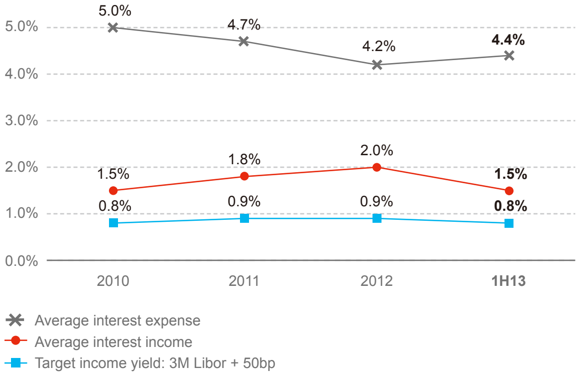
See Financial Statements Note 4 for more on treasury information in the income statement

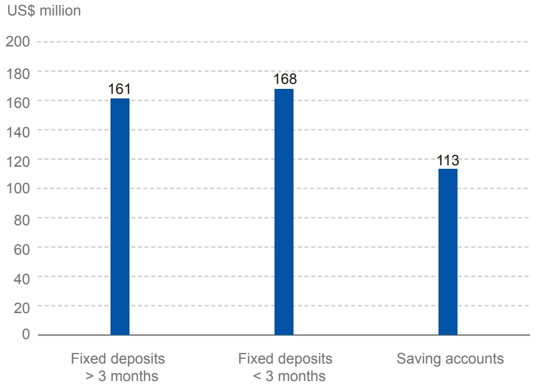
During the period, Treasury achieved 1.5% return on the Group's cash. Interest income is benchmarked against a target yield of 50 basis points above 3-month US Dollar LIBOR.

Interest Rates and Benchmark Income



The Group's cash and deposits at 30 June 2013 of US$442.3 million comprised US$406.5 million in USD, US$24.1 million in AUD and US$11.7 million in other currencies. There are invested in the following investment products:

Cash and Deposits Investments



FUNDING AND COMMITMENTS CONTINUED

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. Borrowings comprise:

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

The aggregate borrowings of the Group amounted to US$856.9 million (31 December 2012: US$931.5 million). They are principally denominated in United States Dollars, except for bank loans equivalent to US$24.8 million (31 December 2012: US$31.1 million) which are denominated in Australian Dollars.

Bank Borrowings

Bank borrowings (net of deferred loan arrangement fees) were US$449.8 million (31 December 2012: US$465.1 million) at 30 June 2013.

Bank borrowings are in the functional currency of the business segment to which they relate.

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 to them.

As at 30 June 2013:

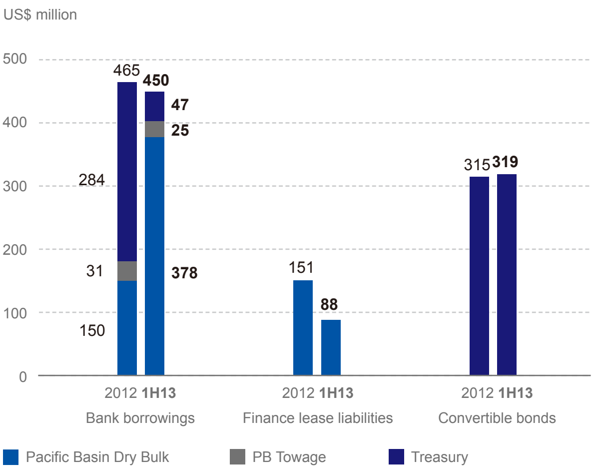
i) The Group's bank borrowings were secured by mortgages over 49 (31 December 2012: 45) vessels with a total net book value of US$816.1 million (31 December 2012: US$695.6 million) and an assignment of earnings and insurances in respect of these vessels. The Group had 50 (31 December 2012: 42) unmortgaged vessels with a total net book value of US$506.4 million (31 December 2012: US$383.2 million) split into 23 dry bulk ships with a net book value of US$374.9 million and 27 Towage tugs and barges with a net book value of US$131.5 million.

ii) The Group was in compliance with all its loans to asset value requirements.

iii) The Group had unutilised bank borrowing facilities of US$72.4 million (31 December 2012: US$6.9 million) including US$66.8 million from a Japanese export credit loan arranged in the period.

P/L impact: Interest on bank borrowings (after capitalisation) remained at US$4.8 million (2012: US$4.7 million). Bank borrowings are subject to floating interest rates but the Group manages these exposures by way of entering into interest rate swap contracts.

Borrowings by Source and Segment



Finance Lease Liabilities

Finance lease liabilities decreased following the exercise in June 2013 of purchase options on five finance leases for five Handysize vessels, and scheduled repayments during the period. Subsequent to the reporting period, a further five purchase options were exercised in July 2013, which further eliminated US$62.6 million of finance lease liabilities at 30 June 2013.

Finance lease liabilities are allocated to the segment in which the assets are owned.

Aggregate current and long term finance lease liabilities at 30 June 2013 were US$87.8 million (31 December 2012: US$151.4 million) relating to 8 (31 December 2012: 13) Handysize vessels whose bareboat charters expire between 2015 and 2017. 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$4.7 million (2012: US$5.6 million) represent interest payments on the 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 were US$319.4 million (31 December 2012: US$315.0 million) at 30 June 2013.

P/L impact: The US$7.6 million (2012: US$4.8 million) interest expense of the convertible bonds is calculated at an effective interest rate of 4.9%.

FINANCE COSTS

Total finance costs of US$24.9 million resulted from the dry bulk and towage operations and no finance costs were attributable to our discontinued RoRo operations. Total finance costs for the same period last year of US$19.0 million comprised finance costs from continued operations of US$17.9 million and finance costs from the discontinued RoRo operations of US$1.1 million. Exercising the five purchase options on finance leased vessels during the period ended 30 June 2013 resulted in the embedded fixed interest rate swap contract being terminated at a cost of US$6.1 million. Exercising a further five purchase options after the reporting period resulted in an additional expense of US$9.8 million to be reflected in the results of the second half of 2013.

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

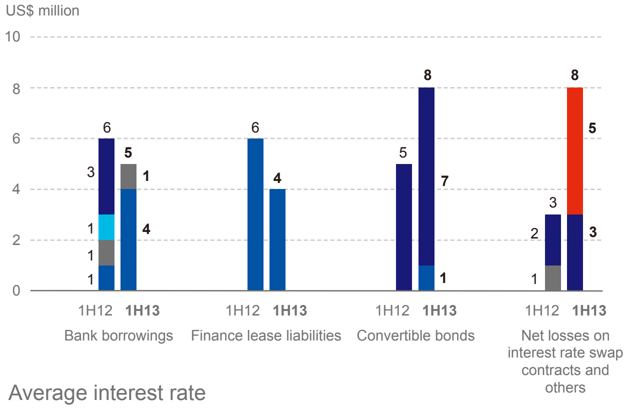
- Average interest rates for the sources of borrowings (see “Finance Costs by Source and Segment” below)

	1H13	1H12
• Group Interest Coverage	**2.4x**	2.8x

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

The Group aims to achieve a balance between floating and fixed interest rates on its long term borrowings, using interest rate swap contracts where appropriate. US$2.9 million of interest rate swap contract costs were realised and US$1.4 million of unrealised gains arose resulting in a net US$1.5 million swap contract charge in the first half of the year. As at 30 June 2013, 9% of the Group’s long term borrowings were subject to floating rates. The Group monitors this to maintain an appropriate floating to fixed interest rate ratio which is adjusted from time to time depending on the shipping and interest rate cycles.

Finance Costs by Source and Segment



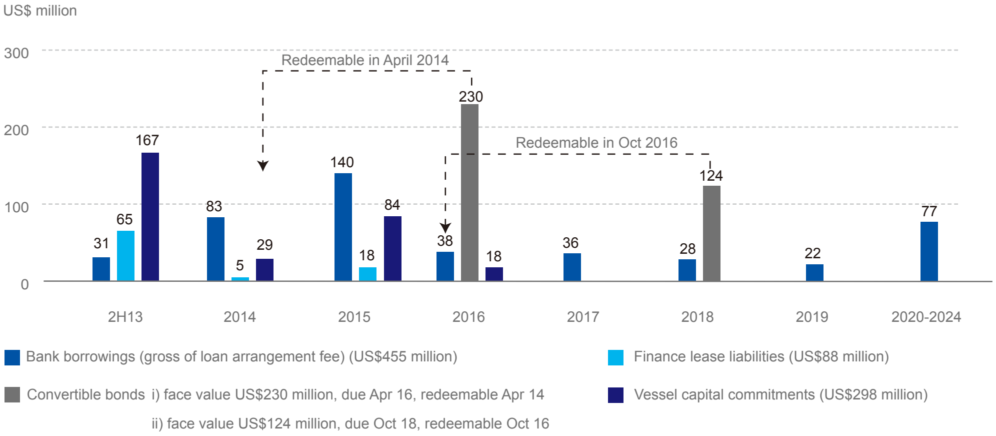
Average interest rate			
P/L	2.5% **2.0%**	6.8% **6.8%**	4.7% **4.9%**
Cash	2.5% **2.0%**	6.8% **6.8%**	1.8% **1.8%**

🟦 Pacific Basin Dry Bulk ⬛ PB Towage 🟦 PB RoRo 🟦 Treasury 🟥 Unallocated

Finance Costs by Nature

(US$ Million)	Average interest rate P/L	Cash	Finance Costs
Bank borrowings including realised interest rate swap	3.2%	3.2%	8.0
Finance lease liabilities	6.8%	6.8%	4.6
Convertible bonds	4.9%	1.8%	7.6
	4.4%	3.4%	20.2
Finance leases purchase option termination expenses			6.1
Unrealised interest rate swap income			(1.4)
Total finance costs			24.9

Schedule of Repayments and Vessel Capital Commitments



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See Financial Statements Note 13(c) for the terms and details of two Convertible Bonds

Page 29
Vessel Commitments

FUNDING AND COMMITMENTS CONTINUED

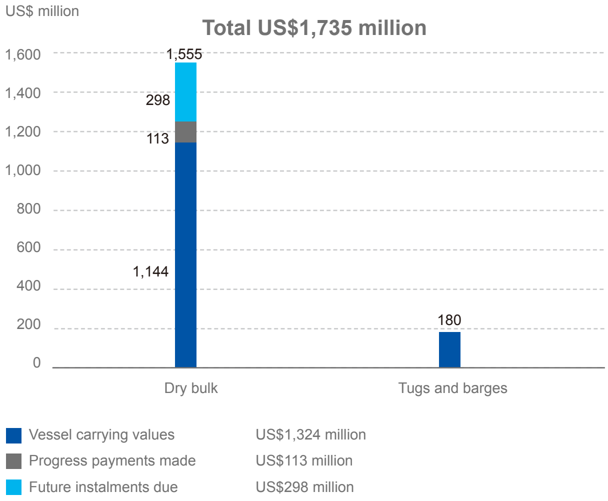
DELIVERED VESSELS

As at 30 June 2013, the Group had property, plant and equipment with a net book value of US$1,435.5 million, related to the following delivered vessels:

		Number	Average net book value (US$ Million)
Dry Bulk	Handysize	52	16.7
Dry Bulk	Handymax	9	24.8
Dry Bulk	Post-Panamax	1	52.3
Towage	Tugs & Barges	37	4.8

Handysize vessels continued to dominate the Group's assets with an average age of 8 years for the delivered owned vessels, whilst Handymax had an average age of 5 years. Tugs and barges are denominated in their functional currencies of the Australian Dollar, and hence their US Dollar carrying values and commitments are subject to exchange rate fluctuations.

A Combined View of Vessel Carrying Values and Vessel Commitments



VESSEL COMMITMENTS

As at 30 June 2013, the Group had vessel commitments of US$235.8 million. Subsequent to the period end, the Group further committed to four Handysize vessel purchases of US$62.0 million. The vessels are scheduled to deliver to the Group between July 2013 and May 2016.

	Number of Vessels	US$ Million 2013	2014	2015	2016	Total
Contracted and authorised commitments						
Handysize vessels	11	53.1	26.1	63.8	17.9	160.9
Handymax vessels	4	51.9	2.6	20.4	–	74.9
	15	105.0	28.7	84.2	17.9	235.8
Commitments after the period end						
Handysize vessels	4	62.0	–	–	–	62.0
Total commitments at 31 July 2013	**19**	**167.0**	**28.7**	**84.2**	**17.9**	**297.8**

These commitments, along with other 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 (there were no such commitments as at 30 June 2013), the Group would enter into forward foreign exchange contracts to purchase the currencies at predetermined rates.

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 existing purchase options for the Group's vessels 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 2013 Finance lease	Operating lease	Average age of vessels (years)	Average purchase option exercise price[1] (US$ Million)
2013	Handysize (exercised in July 13)	5	–	11	12.9
	Handysize	3	3	12	14.4
	Tug & barge	–	5	4	4.1
2016	Handysize	–	2	5	31.0
	Handymax	–	1	5	30.0
	Post-Panamax	–	1	5	53.7
2017	Handysize	–	2	9	19.6
2021	Handysize	–	1	7	30.2
2022	Handysize	–	1	7	31.3
Total		8	16		

Note 1: Includes certain purchase options priced in Japanese Yen.

Estimated fair market values published by Clarksons are US$18.0 million and US$21.5 million for 5 year old 32,000 dwt Handysize and 56,000 dwt Handymax vessels respectively.

FUNDING AND COMMITMENTS CONTINUED

VESSEL LEASE COMMITMENTS

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

Handysize and Handymax Vessel Lease Commitments

	Handysize Operating leases		**Handysize Finance leases**		**Handymax Operating leases**	
Year	**Average daily rate** (US$)	**Vessel days**	**Average daily rate** (US$)	**Vessel days**	**Average daily rate** (US$)	**Vessel days**
2H13	8,990	8,110	5,670	700	10,190	5,030
2014	10,080	7,800	5,580	1,100	12,880	2,170
2015	10,520	6,720	5,570	1,030	13,720	1,490
2016	10,390	5,410	–	–	13,750	1,460
2017	10,420	5,030	–	–	13,750	1,460
2018	10,490	4,360	–	–	13,810	1,460
2019	10,740	3,700	–	–	13,820	1,460
2020	12,560	1,420	–	–	13,860	1,270
2021	14,000	310	–	–	11,940	260
Total		42,860		2,830		16,060
Aggregate operating lease commitments		US$438.6m				US$200.9m

Vessel operating lease commitments stood at US$702.8 million (31 December 2012: US$573.2 million), comprising: US$438.6 million for Handysize; US$200.9 million for Handymax; US$52.5 million for Post-Panamax vessels; and US$10.8 million for tugs. Our Handysize operating lease committed days increased 15.9% to 42,860 days (31 December 2012: 36,980 days) while our Handymax operating lease committed days increased 72.5% to 16,060 days (31 December 2012: 9,310 days). The increases were mainly due to the increased volume of cargoes carried by the Group.

The carrying value of the vessels under finance lease are included as part of property, plant and equipment.

In addition to the above, there are vessel operating lease commitments that are on variable charter rates, linked to the Baltic Handysize Index for Handysize vessels and the Baltic Supramax Index for Handymax vessels.

Handysize and Handymax Index-Linked Vessel Lease Commitments

Year	**Handysize Vessel days**	**Handymax Vessel days**
2H13	5,810	890
2014	6,790	440
2015	2,480	–
2016	120	–
Total	15,200	1,330

Page 11
Future earnings and cargo cover

Corporate Governance

High standards of corporate governance are central to achieve sustainable value for our investors. In setting our standards, the Board considers the needs and requirements of the business, its stakeholders and the Corporate Governance Code (the "Code") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Throughout the six months ended 30 June 2013, the Group has complied with all code provisions of the Code as set out in Appendix 14 of the Rules Governing the Listing of the Securities on the Stock Exchange (the "Listing Rules"). Furthermore, on 1 August 2013 the Board has adopted the Board Diversity Policy, details of which can be found on the Company's website.

www.pacificbasin.com
about us > corporate responsibilities
> corporate governance

DIRECTORS' SECURITIES TRANSACTIONS

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

The Board confirms that, having made specific enquiry, the Directors have complied in full with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions during the six months ended 30 June 2013.

SENIOR MANAGEMENT AND STAFF SECURITIES TRANSACTIONS

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

No incident of non-compliance by these senior managers and staff was noted by or reported to the Company during the six months ended 30 June 2013.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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 or convertible bonds of the Company.

SHAREHOLDERS' RIGHTS

Shareholders are encouraged to maintain direct communication with the Company and if they have any questions for the Board, they may send an e-mail or letter to:

Company Secretary

Pacific Basin Shipping Limited.
7th Floor, Hutchison House
10 Harcourt Road
Central, Hong Kong

E-mail: companysecretary@pacificbasin.com

www.pacificbasin.com
about us > corporate responsibilities > corporate governance
> shareholders/communication > shareholders' rights

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.

This Interim Report is printed in English and Chinese languages, and will be available on our website on or around 20 August 2013 when it is sent to those shareholders who have elected to receive a printed copy.

The interim results and this Interim Report have been reviewed by the Audit Committee of the Company.

NO 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.

DIRECTORS

As at the date of this report, the executive Directors of the Company are David Muir Turnbull, Mats Henrik Berglund, Jan Rindbo, Andrew Thomas Broomhead and Chanakya Kocherla, and the Independent Non-executive Directors of the Company are Patrick Blackwell Paul, Robert Charles Nicholson, Alasdair George Morrison and Daniel Rochfort Bradshaw.

Other Information

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

At 30 June 2013, the discloseable interests and short positions of each Director and the Chief Executive in shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the Securities and Future Ordinance (”SFO”), which: (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or (b) were required to be entered in the register maintained by the Company under Section 352 of the SFO, or (c) were required pursuant to the Model Code, were as follows:

Name of Director	Personal interests	Corporate or Family interests/ Trust & similar interests	Long/Short position	Number of underlying Shares under equity derivatives	Total Share interests	Approximate percentage of the issued share capital of the Company 30 June 2013	31 Dec 2012
David M. Turnbull[1]	1,559,000	3,621,873[2]	Long	–	5,180,873	0.27%	0.24%
Mats H. Berglund[1]	3,904,651[3]	–	Long	–	3,904,651	0.20%	0.16%
Jan Rindbo[1]	5,162,370	–	Long	–	5,162,370	0.27%	0.23%
Andrew T. Broomhead[1]	1,995,000	2,309,528[4]	Long	–	4,304,528	0.22%	0.19%
Chanakya Kocherla[1]	2,388,667	–	Long	–	2,388,667	0.12%	0.10%
Patrick B. Paul	120,000	–	Long	–	120,000	less than 0.01%	less than 0.01%
Daniel R. Bradshaw	–	386,417[5]	Long	–	386,417	0.02%	0.02%

Notes:

1. *Restricted awards were granted under the 2013 Share Award Scheme and the Long Term Incentive Scheme and have been disclosed on page 33 in this Report.*
2. *3,621,873 shares are in the form of convertible bonds due 2016 at nominal value of US$3,350,000, held by a Trust named Bentley Trust (Malta) Limited, of which Mr. Turnbull is the founder.*
3. *Mr. Berglund's interest includes 421,651 shares held in the form of convertible bonds due 2016 at nominal value of US$390,000.*
4. *2,309,528 shares are held via Paulatim Investments Limited which is jointly owned by Mr. Broomhead and his wife, of which 1,297,387 shares are in the form of convertible bonds due 2016 at nominal value of US$1,200,000 and 316,437 shares are in the form of convertible bonds due 2018 at nominal value of US$200,000.*
5. *Mr. Bradshaw is a shareholder holding 100% and 50% of the issued share capital, respectively, of Cormorant Shipping Limited and Goldeneye Shipping Limited. He beneficially owns 353,241 shares via Cormorant Shipping Limited and is taken to be interested in the 33,176 shares held by Goldeneye Shipping Limited.*

All the interests stated above represent long positions. No short positions were recorded in the register maintained by the Company under section 352 of the SFO as at 30 June 2013.

Save as disclosed, at no time during the period was the Company, its subsidiaries, or its associated companies a party to any arrangement to enable the Directors and Chief Executive of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations.

2013 SHARE AWARD SCHEME (“SAS”) AND LONG TERM INCENTIVE SCHEME (“LTIS”)

The Company’s LTIS will expire in July 2014 and the Board adopted the SAS on 28 February 2013 to replace the LTIS. This section should be read in conjunction with the section titled “2013 Share Award Scheme” on page 76 of the Company’s 2012 Annual Report.

The Board also resolved on 28 February 2013 that no further grants of share options or share awards will be made under the LTIS. However all unvested awards granted under the LTIS shall remain valid until they are fully vested or lapsed in accordance with the rules of the LTIS.

Restricted awards and share options are granted to Executive Directors, senior management and other employees under the above schemes.

Details of the grant of long term incentives and the movements of the outstanding incentives during the six months ended 30 June 2013 under both the SAS and the LTIS on a combined basis are as follows:

(i) HISTORY AND MOVEMENT OF RESTRICTED AWARDS GRANTED

’000 shares/units	Date of first award	Total awarded	Vested to date	At 30 June 2013	At 1 January 2013	Granted during the period	Vested or lapsed	Vested in July 2013	Vesting in July of		
									2014	2015	2016
Directors											
David M. Turnbull	05-Aug-08	2,060	(963)	1,410	965	445	–	313	352	300	445
Mats H. Berglund	01-Jun-12	3,483	(876)	3,483	2,628	855	–	876	876	876	855
Jan Rindbo	11-May-07	4,221	(2,112)	2,557	1,885	672	–	448	503	934	672
Andrew T. Broomhead	11-May-07	2,854	(1,163)	1,995	1,445	550	–	304	377	764	550
Chanakya Kocherla	11-May-07	1,866	(771)	1,278	868	410	–	183	257	428	410
Wang Chunlin (retired)	09-Mar-06	3,176	(1,892)	–	1,284	–	(1,284)[1]	–	–	–	–
		17,660	(7,777)	10,723	9,075	2,932	(1,284)	2,124	2,365	3,302	2,932
Senior Management		3,713	(1,935)	2,122	1,566	556	–	344	449	773	556
Other Employees				21,960	14,975	7,904	(919)[2]	3,610	4,628	7,462	6,260
				34,805	25,616	11,392	(2,203)	6,078	7,442	11,537	9,748

Notes:

1. *1,284,000 shares lapsed following Mr. Wang’s retirement on 19 April 2013.*
2. *688,000 shares vested due to the passing away of two employees and 231,000 shares lapsed due to resignation of three employees during the period.*

The closing price of the shares of the Company immediately before the grant of 11,392,000 restricted awards on 15 March 2013 was HK$4.80.

(ii) SHARE OPTIONS

Share options were granted on 14 July 2004 under the LTIS at an exercise price of HK$2.5 per share. As at 1 January 2013 and 30 June 2013, 400,000 fully vested share options of Other Employees had not been exercised.

Based on a report prepared by Watson Wyatt Hong Kong Limited, the fair market values of the share options granted on 14 July 2004 based on the binomial option pricing model for the exercise period from 14 July 2005 to 13 July 2014 is HK$0.834 per share option.

Note: Key assumptions included an expected dividend yield of 8% per annum, volatility of the Company’s share price of 50% per annum, a risk-free rate of interest of 4% and 4.1% per annum on the respective grant dates, that the employees will exercise their share options if the share price is 100% above the exercise price, and an expected rate of leaving service of eligible employees after the vesting date of 0.4% per annum.

Save as disclosed above, no right to subscribe for the securities of the Company nor its associated corporations within the meaning of the SFO, has been granted by the Company to, nor have any rights been exercised by, any person during the period.

OTHER INFORMATION CONTINUED

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders maintained under Section 336 of the SFO shows that, as at 30 June 2013, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital:

Name	Capacity/ Nature of interest	Long/Short Position	Number of Shares	Approximate percentage of the issued share capital of the Company 30 June 2013	31 Dec 2012
Aberdeen Asset Management Plc and its Associates (together the "Group") on behalf of accounts managed by the Group	Investment manager	Long	347,618,536	17.95%	16.02%
Canadian Forest Navigation Co. Ltd./ Compagnie De Navigation Canadian Forest Ltee.[1]	Beneficial owner and Interest in corporation controlled	Long	252,703,500	13.05%	13.05%
Michael Hagn	Interest in corporation controlled	Long	252,703,500	13.05%	13.05%
Mihag Holding Ltd.	Interest in corporation controlled	Long	252,703,500	13.05%	13.05%
Total Investments Inc.	Interest in corporation controlled	Long	103,256,654	5.33%	5.33%
Total Banking Corporation	Beneficial owner	Long	103,256,654	5.33%	5.33%
JP Morgan Chase & Co.[2]	Beneficial owner, Investment manager and Custodian corporation/ approved lending agent	Long Short Lending Pool	117,389,743 1,000,000 96,664,854	6.06% 0.05% 4.99%	6.99% 0.23% 5.89%
Mondrian Investment Partners Limited	Investment manager	Long	115,813,000	5.98%	6.01%

(1) The shares held by Canadian Forest Navigation Co. Ltd./Compagnie De navigation Canadian Forest Ltee are held in the capacities of Beneficial owner (relating to 149,446,846 shares) and Interest in corporation controlled (relating to 103,256,654 shares).

(2) The long position in shares held by JP Morgan Chase & Co. is held in the capacities of Beneficial owner (relating to 14,689,800 shares), Investment manager (relating to 6,035,089 shares) and Custodian corporation/approved lending agent (relating to 96,664,854 shares).

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, as at 30 June 2013, no other person (other than a Director or Chief Executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept by the Company under section 336 of the SFO.

Unaudited Condensed Consolidated Balance Sheet

	Note	**30 June 2013 US$'000**	31 December 2012 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	**1,435,520**	1,270,202
Investment properties		**2,688**	2,675
Land use rights		**3,767**	3,767
Goodwill	5	**25,256**	25,256
Interests in jointly controlled entities		**38,277**	22,118
Investments in associates		**1,332**	1,332
Available-for-sale financial assets	6	**6,254**	4,729
Derivative assets	7	**972**	5,075
Trade and other receivables	9	**59,735**	58,039
Restricted bank deposits	10	**1,302**	50,192
Other non-current assets		**7,217**	5,322
		1,582,320	1,448,707
Current assets			
Inventories		**106,132**	79,102
Derivative assets	7	**423**	1,747
Structured notes	8	**15,058**	–
Trade and other receivables	9	**170,271**	106,044
Restricted bank deposits	10	**47,881**	70,148
Cash and deposits	10	**393,086**	633,118
		732,851	890,159
Assets of discontinued operations classified as held for sale	12(a)	**32,178**	131,409
		765,029	1,021,568
Total assets		**2,347,349**	2,470,275
EQUITY			
Capital and reserves attributable to shareholders			
Share capital	14	**193,523**	193,605
Retained profits		**525,324**	537,456
Other reserves		**577,336**	600,960
Total equity		**1,296,183**	1,332,021

Unaudited Condensed Consolidated Balance Sheet continued

	Note	30 June 2013 US$'000	31 December 2012 US$'000
LIABILITIES			
Non-current liabilities			
Derivative liabilities	7	**17,421**	22,684
Long term borrowings	13	**728,556**	853,651
		745,977	876,335
Current liabilities			
Derivative liabilities	7	**3,942**	2,449
Trade and other payables	11	**167,282**	174,884
Current portion of long term borrowings	13	**128,347**	77,820
Taxation payable		**2,540**	2,509
		302,111	257,662
Liabilities of discontinued operations classified as held for sale	12(a)	**3,078**	4,257
		305,189	261,919
Total liabilities		**1,051,166**	1,138,254
Net current assets		**459,840**	759,649
Total assets less current liabilities		**2,042,160**	2,208,356

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See Note 4(b) for more on balance sheet segment information

Unaudited Condensed Consolidated Income Statement

	Note	Six months ended 30 June 2013 US$'000	 2012 US$'000 (restated)
Continuing operations			
Revenue		**766,793**	690,998
Direct costs		**(741,126)**	(673,744)
Gross profit		**25,667**	17,254
General and administrative expenses		**(9,495)**	(5,588)
Other income and gains		**5,581**	1,298
Other expenses		**(320)**	(1,752)
Finance costs, net	15	**(16,322)**	(8,278)
Share of profits less losses of jointly controlled entities		**2,785**	1,672
Share of profits less losses of associates		**2,226**	216
Profit before taxation	16	**10,122**	4,822
Taxation	17	**(710)**	(2,300)
Profit for the period		**9,412**	2,522
Discontinued operations			
Loss for the period	12(b)	**(9,147)**	(198,454)
Profit/(loss) attributable to shareholders		**265**	(195,932)
Dividends	18	**–**	–
Earnings per share for profit/(loss) attributable to shareholders (in US cents)			
Basic earnings per share	19(a)		
From continuing operations		**0.48**	0.13
From discontinued operations		**(0.47)**	(10.28)
From profit/(loss) attributable to shareholders		**0.01**	(10.15)
Diluted earnings per share	19(b)		
From continuing operations		**0.48**	0.13
From discontinued operations		**(0.47)**	(10.28)
From profit/(loss) attributable to shareholders		**0.01**	(10.15)

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See Note 4(a) for more on income statement segment information. Comparatives on income statement are restated due to the discontinued RoRo operations classified as held for sale.

Unaudited Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June 2013 US$'000	 2012 US$'000
Profit/(loss) attributable to shareholders	**265**	(195,932)
Other comprehensive income		
Currency translation differences	**(25,177)**	(11,348)
Release of exchange loss from reserve upon disposal of property, plant and equipment	**8,331**	–
Release of exchange gain from reserve upon repayment of shareholder loans	**(4,559)**	–
Cash flow hedges:		
– fair value losses	**(3,147)**	(1,075)
– transferred to finance costs in income statement	**2,982**	1,720
Fair value gains/(losses) on available-for-sale financial assets	**1,525**	(1,061)
Total comprehensive income attributable to shareholders	**(19,780)**	(207,696)

Unaudited Condensed Consolidated Cash Flow Statement

	Six months ended 30 June	
	2013 **US$'000**	2012 US$'000
Net cash from operating activities	**34,460**	47,971
Net cash used in investing activities	**(72,709)**	(177,468)
Net cash (used in)/from financing activities	**(116,521)**	44,247
Net decrease in cash and cash equivalents	**(154,770)**	(85,250)
Cash and cash equivalents at 1 January	**390,502**	378,501
Exchange losses on cash and cash equivalents	**(2,846)**	(5,920)
Cash and cash equivalents at 30 June	**232,886**	287,331
Term deposits at 30 June	**160,200**	313,127
Cash and deposits at 30 June	**393,086**	600,458

Unaudited Condensed Consolidated Statement of Changes in Equity

	Capital and reserves attributable to shareholders									
US$'000	**Share capital**	**Share premium**	**Merger reserve**	**Convertible bonds reserve**	**Staff benefits reserve**	**Hedging reserve**	**Investment valuation reserve**	**Exchange reserve**	**Retained profits**	**Total**
Balance at 1 January 2013	**193,605**	**599,846**	**(56,606)**	**51,620**	**(3,107)**	**(9,055)**	**1,705**	**16,557**	**537,456**	**1,332,021**
Total comprehensive income attributable to shareholders	**–**	**–**	**–**	**–**	**–**	**(165)**	**1,525**	**(21,405)**	**265**	**(19,780)**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(12,397)**	**(12,397)**
Shares purchased by trustee of the LTIS & SAS *(Note 14)*	**(6,514)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(6,514)**
Share-based compensation	**–**	**–**	**–**	**–**	**2,853**	**–**	**–**	**–**	**–**	**2,853**
Restricted share awards granted or lapsed during the period *(Note 14)*	**6,432**	**–**	**–**	**–**	**(6,432)**	**–**	**–**	**–**	**–**	**–**
Balance at 30 June 2013	**193,523**	**599,846**	**(56,606)**	**51,620**	**(6,686)**	**(9,220)**	**3,230**	**(4,848)**	**525,324**	**1,296,183**
Balance at 1 January 2012	193,658	597,124	(56,606)	32,302	2,207	(11,432)	7,292	11,907	708,463	1,484,915
Total comprehensive income attributable to shareholders	–	–	–	–	–	645	(1,061)	(11,348)	(195,932)	(207,696)
Dividends paid	–	–	–	–	–	–	–	–	(12,479)	(12,479)
Shares purchased by trustee of the LTIS *(Note 14)*	(7,370)	–	–	–	–	–	–	–	–	(7,370)
Share-based compensation	–	–	–	–	2,229	–	–	–	–	2,229
Restricted share awards granted or lapsed during the period *(Note 14)*	7,160	–	–	–	(7,160)	–	–	–	–	–
Shares fully vested	–	–	–	–	56	–	–	–	(56)	–
Balance at 30 June 2012	193,448	597,124	(56,606)	32,302	(2,668)	(10,787)	6,231	559	499,996	1,259,599

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

1 GENERAL INFORMATION

Pacific Basin Shipping Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the provision of dry bulk shipping services internationally, and towage services to the harbour and offshore sectors in Australia and New Zealand. In addition, the Group is engaged in the management and investment of the Group's cash and deposits through its treasury activities.

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

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

These unaudited condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 1 August 2013.

2 BASIS OF PREPARATION

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 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2012.

The following new standards and amendments to standards are mandatory for the accounting period beginning 1 January 2013 and are relevant to the Group's operation.

HKAS 1 (Amendments)	Presentation of financial statements
HKAS 27 (Amendments)	Separate financial statements
HKAS 28 (Revised 2011)	Associates and joint ventures
HKFRS 7 (Amendments)	Financial instruments: Disclosures
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interest in other entities
HKFRS 13	Fair value measurement
HKFRS 10, 11 and 12 (Amendments)	Transition guidance

The adoption of these new standards and amendments to standards has not resulted in any substantial change to the Group's accounting policies.

4 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.

The results of the port projects and maritime services activities are included in the "All Other Segments" column as they do not meet the quantitative thresholds suggested by HKFRS.

"Treasury" manages the Group's cash and borrowings. As such, the related finance income and expenses are allocated under "Treasury".

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.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements continued

4 SEGMENT INFORMATION (continued)

(a) Income statement segment information

For the period ended 30 June 2013 US$'000	Pacific Basin Dry Bulk	PB Towage	All Other Segments	Total Segments	Unallocated			Total	Reclassification	Per Financial Statements
					Treasury	PB RoRo	Others			
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									
Direct costs	(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[4]	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 jointly controlled entities	–	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)[6]	(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

(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 direct costs. The related derivative assets and liabilities are under "Unallocated Others".

(3) "Others" represents corporate overheads.

(4) "Others" represents the exchange gain arising from the repayment of shareholder loans by PB Towage amounting to US$4.6 million (2012: Nil).

(5) "Others" represents net unrealised interest rate swap contract benefits of US$1.4 million (2012: US$0.1 million) and the expenses relating to the repayment of the finance leases liabilities upon the exercise of five purchase options under finance leases amounting to US$6.1 million (2012: Nil).

(6) Comparatives are restated due to the discontinued operations of PB RoRo classified as held for sale. "Others" in 2013 represents the release from foreign exchange reserve amounting to US$8.3 million (2012: Nil) in relation to three RoRo vessels whose bareboat charters to the purchaser commenced in 2013. The amount for 2012 represents the impairment charge of US$190.0 million of the RoRo vessels (see also Note 12).

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See Pacific Basin Dry Bulk and PB Towage KPIs

Notes to the Unaudited Condensed Consolidated Interim Financial Statements continued

For the period ended 30 June 2012 (restated) US$'000	Pacific Basin Dry Bulk	PB Towage	All Other Segments	Total Segments	Unallocated			Total	Reclass-ification	Per Financial Statements
					Treasury	PB RoRo	Others			
Continuing operations										
Revenue	625,345	64,913	481	690,739	–	–	246	690,985	13	690,998
Freight and charter-hire	625,345 [1]	60,712	–	686,057	–	–	246 [1]	686,303	13 [1]	686,316
Maritime management services	–	4,201	481	4,682	–	–	–	4,682	–	4,682
Bunkers & port disbursements	(335,600)[2]	(2,017)	–	(337,617)	–	–	(9,494)[2]	(347,111)	347,111 [2]	–
Time charter equivalent earnings	289,745									
Direct costs	(275,031)	(49,160)	(2,442)	(326,633)	–	–	–	(326,633)	(347,111)	(673,744)
Bunkers & port disbursements	–	–	–	–	–	–	–	–	(347,111)[2]	(347,111)
Charter-hire expenses for vessels	(197,505)	(4,599)	–	(202,104)	–	–	–	(202,104)	–	(202,104)
Vessel operating costs	(36,389)	(29,858)	–	(66,247)	–	–	–	(66,247)	–	(66,247)
Depreciation of vessels	(24,390)	(6,695)	–	(31,085)	–	–	–	(31,085)	–	(31,085)
Direct overheads	(16,747)	(8,008)	(2,442)	(27,197)	–	–	–	(27,197)	–	(27,197)
Gross profit	14,714	13,736	(1,961)	26,489	–	–	(9,248)	17,241	13	17,254
General and administrative expenses	–	–	–	–	–	–	(5,588)[3]	(5,588)	–	(5,588)
Other income and expenses, net	–	–	(473)	(473)	32	–	–	(441)	(13)[1]	(454)
Finance costs, net	(7,201)	(614)	390	(7,425)	(926)	–	73 [5]	(8,278)	–	(8,278)
Share of profits less losses of jointly controlled entities	–	2,515	(843)	1,672	–	–	–	1,672	–	1,672
Share of profits less losses of associates	–	216	–	216	–	–	–	216	–	216
Profit/(loss) before taxation	7,513	15,853	(2,887)	20,479	(894)	–	(14,763)	4,822	–	4,822
Taxation	–	(1,753)	(547)	(2,300)	–	–	–	(2,300)	–	(2,300)
Profit/(loss) for the period	7,513	14,100	(3,434)	18,179	(894)	–	(14,763)	2,522	–	2,522
Discontinued operations										
Loss for the period	–	–	–	–	–	(8,454)[6]	(190,000)[6]	(198,454)	–	(198,454)
Profit/(loss) attributable to shareholders	7,513	14,100	(3,434)	18,179	(894)	(8,454)	(204,763)	(195,932)	–	(195,932)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements continued

4 SEGMENT INFORMATION (continued)

(b) Balance sheet segment information

At 30 June 2013 US$'000	Pacific Basin Dry Bulk	PB Towage	All Other Segments	Total Segments	Unallocated Treasury	 PB RoRo	 Others	Per Financial Statements
Total assets	**1,501,068**	**249,474**	**16,231**	**1,766,773**	**543,662**	**32,178**	**4,736**[1,2]	**2,347,349**
Including:								
Property, plant and equipment	**1,250,005**	**180,654**	**4,861**	**1,435,520**	**–**	**–**	**–**	**1,435,520**
– Include additions to PP&E	**225,105**	**915**	**652**	**226,672**	**–**	**–**	**–**	**226,672**
Interests in jointly controlled entities	**–**	**34,936**	**–**	**34,936**	**–**	**–**	**3,341**	**38,277**
– Include additions to interests in JCE	**–**	**17,999**	**–**	**17,999**	**–**	**–**	**–**	**17,999**
Investments in associates	**–**	**–**	**1,332**	**1,332**	**–**	**–**	**–**	**1,332**
Total cash and deposits	**26,357**	**15,477**	**112**	**41,946**	**400,323**	**–**	**–**	**442,269**
Total liabilities	**616,009**	**38,863**	**754**	**655,626**	**373,122**	**3,078**	**19,340**[1,2]	**1,051,166**
Including:								
Long term borrowings	**466,136**	**24,755**	**–**	**490,891**	**366,012**	**–**	**–**	**856,903**

- 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

- Bank loans

Group general facilities includes:
- Convertible bonds
- Loans secured on vessels for future expansion

- Derivative liabilities

At 31 December 2012 US$'000	Pacific Basin Dry Bulk	PB Towage	All Other Segments	Total Segments	Unallocated Treasury	 PB RoRo	 Others	Per Financial Statements
Total assets	1,292,280	273,161	18,677	1,584,118	744,585	131,409	10,163[1,2]	2,470,275
Including:								
Property, plant and equipment	1,056,981	207,777	5,444	1,270,202	–	–	–	1,270,202
– Include additions to PP&E	170,677	3,574	1,733	175,984	–	19,366	–	195,350
Interests in jointly controlled entities	–	18,777	–	18,777	–	–	3,341	22,118
Investments in associates	–	1,332	–	1,332	–	–	–	1,332
Total cash and deposits	50,088	23,500	109	73,697	679,761	–	–	753,458
Total liabilities	437,013	55,276	1,597	493,886	617,827	4,257	22,284[1,2]	1,138,254
Including:								
Long term borrowings	301,272	31,079	–	332,351	599,120	–	–	931,471

Notes to the Unaudited Condensed Consolidated Interim Financial Statements continued

5 PROPERTY, PLANT AND EQUIPMENT ("PP&E") AND GOODWILL

US$'000	Property, plant and equipment 2013	2012	Goodwill 2013 & 2012
Net book amounts			
At 1 January	**1,270,202**	1,525,185	**25,256**
Additions	**219,455**	73,279	**–**
Transfer from other non-current assets	**5,322**	4,400	**–**
Disposals	**(2,137)**	(59)	**–**
Depreciation	**(37,700)**	(38,691)	**–**
Impairment	**–**	(190,000)	**–**
Exchange differences	**(19,622)**	(14,099)	**–**
At 30 June	**1,435,520**	1,360,015	**25,256**

6 AVAILABLE-FOR-SALE FINANCIAL ASSETS

US$'000	Valuation method	30 June 2013	31 December 2012
Listed equity securities *(Note a)*	**Level 1**	**5,725**	4,200
Unlisted equity securities *(Note b)*	**Level 3**	**529**	529
		6,254	4,729

Note:

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

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

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

Fair value levels

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

There is no movement in Level 3 financial instruments, unlisted equity securities, for the six months ended 30 June 2013.

7 DERIVATIVE ASSETS AND LIABILITIES

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

- forward freight agreements ("FFA");
- bunker swap contracts;
- interest rate swap contracts; and
- forward foreign exchange contracts.

Amongst the derivative assets and liabilities held by the Group, the fair values of forward foreign exchange contracts, interest rate swap contracts and bunker swap contracts are quoted by dealers at the balance sheet date. The forward freight agreements are traded through a clearing house and its fair value is determined using forward freight rates at the balance sheet date. The rest of the derivative assets and liabilities are over-the-counter derivatives which are not traded in an active market.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements continued

7 DERIVATIVE ASSETS AND LIABILITIES (continued)

Derivative assets and liabilities have been analysed by valuation method. Please refer to Note 6 Fair value levels for the definitions of different levels.

		30 June 2013			31 December 2012	
US$'000	Level 1	Level 2	Total	Level 1	Level 2	Total
Derivative assets						
Cash flow hedges						
Forward foreign exchange contracts *(Note d(i))*	–	907	907	–	4,447	4,447
Derivative assets do not qualify for hedge accounting						
Bunker swap contracts *(Note b)*	–	422	422	–	2,273	2,273
Forward freight agreements *(Note c)*	66	–	66	96	–	96
Forward foreign exchange contracts *(Note d(ii))*	–	–	–	–	6	6
Total	66	1,329	1,395	96	6,726	6,822
Less: non-current portion of						
Forward foreign exchange contracts *(Note d(i))*	–	(907)	(907)	–	(4,447)	(4,447)
Bunker swap contracts *(Note b)*	–	(65)	(65)	–	(628)	(628)
Non-current portion	–	(972)	(972)	–	(5,075)	(5,075)
Current portion	66	357	423	96	1,651	1,747
Derivative liabilities						
Cash flow hedges						
Interest rate swap contracts *(Note a(i))*	–	7,858	7,858	–	10,190	10,190
Forward foreign exchange contracts *(Note d(i))*	–	2,439	2,439	–	5,014	5,014
Derivative liabilities do not qualify for hedge accounting						
Bunker swap contracts *(Note b)*	–	5,536	5,536	–	2,354	2,354
Interest rate swap contracts *(Note a(ii))*	–	5,530	5,530	–	6,907	6,907
Forward foreign exchange contracts *(Note d(ii))*	–	–	–	–	488	488
Forward freight agreements *(Note c)*	–	–	–	180	–	180
Total	–	21,363	21,363	180	24,953	25,133
Less: non-current portion of						
Interest rate swap contracts *(Note a(i))*	–	(7,839)	(7,839)	–	(9,974)	(9,974)
Interest rate swap contracts *(Note a(ii))*	–	(5,530)	(5,530)	–	(6,907)	(6,907)
Forward foreign exchange contracts *(Note d(i))*	–	(2,045)	(2,045)	–	(4,894)	(4,894)
Bunker swap contracts *(Note b)*	–	(2,007)	(2,007)	–	(909)	(909)
Non-current portion	–	(17,421)	(17,421)	–	(22,684)	(22,684)
Current portion	–	3,942	3,942	180	2,269	2,449

Notes to the Unaudited Condensed Consolidated Interim Financial Statements continued

7 DERIVATIVE ASSETS AND LIABILITIES (continued)

(a) Interest rate swap contracts

The Group has bank borrowings exposed to floating interest rates. In order to hedge against the fluctuations in interest rates related to the bank borrowings, the Group entered into interest rate swap contracts with banks to manage exposure to 3-month and 6-month floating rate LIBOR, and 3-month floating rate Bank Bill Swap Reference Rate ("BBSW").

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

Effective date	Notional amount	Swap details	Expiry
For 2013			
28 March 2013 & 30 April 2013	A$5.4 million	3-month floating rate BBSW swapped to a fixed rate of approx. 3.2% per annum	Contracts expire through April 2014
For 2013 & 2012			
2 January 2007	US$20 million	6-month floating rate LIBOR swapped to a fixed rate of approx. 5.6% per annum	Contract expires in January 2017
31 March 2009	US$100 million	3-month floating rate LIBOR swapped to fixed rates of approx. 2.9% to 3.0% per annum	Contracts expire through March 2016
For 2012			
30 June 2009	A$19 million	3-month floating rate BBSW swapped to a fixed rate of approx. 5.2% per annum	Contract expired in June 2013

(ii) Interest rate swap contracts do not qualify for hedge accounting

Starting on 2 January 2007, a notional amount of US$40 million with the 6-month floating rate LIBOR swapped to a fixed rate of approximately 5.0% per annum so long as the 6-month floating rate LIBOR remains below the agreed cap strike level of 6.0%. This fixed rate switches to a discounted floating rate (discount is approximately 1.0%) for the 6-month fixing period when the prevailing 6-month floating rate LIBOR is above 6.0% and reverts back to the fixed rate should the 6-month floating rate LIBOR subsequently drop below 6.0%. This contract expires in January 2017.

(b) Bunker swap contracts

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

At 30 June 2013, the Group had outstanding bunker swap contracts to buy approximately 183,837 (31 December 2012: 201,150) metric tonnes of bunkers. These contracts expire through December 2018 (31 December 2012: December 2017).

(c) Forward freight agreements

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

At 30 June 2013, the Group had outstanding forward freight agreements as follows:

Contract Type	Index[1]	Quantity (days)	Contract Daily Price	Expiry through
For 2013				
Buy	**BSI**	**90**	**US$7,800 to US$7,900**	**September 2013**
Sell	**BSI**	**135**	**US$8,250 to US$9,000**	**December 2013**
Buy	**BHSI**	**180**	**US$7,350**	**December 2013**
For 2012				
Buy	BSI	90	US$9,000	March 2013
Sell	BSI	135	US$6,950 to US$9,250	March 2013

Note:

(1) "BSI" represents "Baltic Supramax Index" and "BHSI" represents "Baltic Handysize Index"

(d) Forward foreign exchange contracts

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

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

At 30 June 2013, the Group had outstanding forward foreign exchange contracts with banks to buy approximately DKK 1,370.1 million (31 December 2012: DKK 1,442.7 million) and simultaneously sell approximately US$247.6 million (31 December 2012: US$260.8 million), which expire through August 2023.

At 30 June 2013, the Group had outstanding forward foreign exchange contracts with banks to buy approximately US$161.4 million (31 December 2012: US$181.1 million) and simultaneously sell approximately EUR 125.0 million (31 December 2012: EUR 140.0 million) for the sales proceeds of our five (31 December 2012: six) RoRo vessels that are denominated in Euros. These contracts expire through December 2015.

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

At 31 December 2012, the Group had outstanding forward foreign exchange contracts with banks to buy approximately US$79.6 million and simultaneously sell approximately EUR 60.7 million for our cash that are denominated in Euros. These contracts expired in the first half of 2013.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements continued

7 DERIVATIVE ASSETS AND LIABILITIES (continued)

(e) Analysis of derivative income and expense

During the period ended 30 June 2013, the Group recognised net derivative expenses of US$5.6 million, as follows:

			Six months ended 30 June	
US$ Million	Realised	Unrealised	2013	2012
Income				
Forward freight agreements	–	0.2	0.2	1.1
Bunker swap contracts	1.6	0.7	2.3	14.7
Interest rate swap contracts	–	1.4	1.4	0.1
Forward foreign exchange contracts	–	0.5	0.5	–
	1.6	2.8	4.4	15.9
Expenses				
Forward freight agreements	(0.2)	(0.1)	(0.3)	(1.2)
Bunker swap contracts	(1.1)	(5.7)	(6.8)	(18.3)
Interest rate swap contracts	(2.9)	–	(2.9)	(2.6)
	(4.2)	(5.8)	(10.0)	(22.1)

Presentation in the Segment Information:	Net					Presentation in the Financial Statements:
Revenue	Forward freight agreements	(0.2)	0.1	(0.1)	(0.1)	*Revenue* *Bunkers & port disbursements*
Bunkers & port disbursements	Bunker swap contracts	0.5	(5.0)	(4.5)	(3.6)	*Direct costs*
Direct costs *Other income/Other expenses*						*Other income/Other expenses*
Finance costs	Interest rate swap contracts	(2.9)	1.4	(1.5)	(2.5)	*Finance costs*
General and administration	Forward foreign exchange contracts	–	0.5	0.5	–	*General and administration*
Profit for the period		(2.6)	(3.0)	(5.6)	(6.2)	*Profit for the period*

- *Cash settlement of contracts completed in the period*
- *Included in segment results*

- *Contracts to be settled in future periods*
- *Accounting reversal of earlier period contracts now completed*
- *Not part of segment results*

The application of HKAS 39 "Financial Instruments: Recognition and Measurement" has the effect of shifting to this period the estimated results of these derivative contracts that expire in future periods. On 30 June 2013, this created a net unrealised non-cash expense of US$3.0 million (2012: US$9.1 million). The cash flows of these contracts will occur in future reporting periods.

8 STRUCTURED NOTES

Structured notes are investments under the Group Treasury Policy that are classified as financial assets at fair value through profit or loss.

Fair value as at 30 June 2013 is measured according to the Level 3 of the fair value hierarchy defined in HKFRS 7: Financial Instruments: Disclosures. Please refer to Note 6 Fair value levels for the definitions of different levels.

Movements for the six months ended 30 June 2013 are as follows:

US$'000	30 June 2013
At 1 January	–
Additions	15,000
Fair value changes	58
At 30 June	15,058

Notes to the Unaudited Condensed Consolidated Interim Financial Statements continued

9 TRADE AND OTHER RECEIVABLES

US$'000	**30 June 2013**	31 December 2012
Non-current receivables		
Other receivables from disposal of RoRos *(Note a)*	**59,735**	58,039
Current receivables		
Finance lease receivables – gross	**–**	5,392
Less: unearned finance lease income	**–**	(217)
Finance lease receivables – net *(Note b)*	**–**	5,175
Trade receivables – gross	**42,421**	40,765
Less: provision for impairment	**(1,150)**	(1,331)
Trade receivables – net *(Note c)*	**41,271**	39,434
Other receivables	**41,863**	37,687
Prepayments	**21,672**	21,103
Other receivables from disposal of RoRos *(Note a)*	**65,384**	1,699
Amounts due from jointly controlled entities	**81**	946
Total	**170,271**	106,044

(a) Other receivables from disposal of RoRos

The current and non-current balances represent the net purchase consideration for the four (31 December 2012: two) RoRo vessels that have commenced their bareboat charters to the purchaser in 2013. These balances represent the fair value based on their cash flows discounted at a borrowing rate of 6%. The discount rate represents the Euro borrowing rate at inception including the appropriate credit spread (see also Note 12).

(b) Finance lease receivables

Finance lease receivables in 2012 related to the outward bareboat charter with a purchase obligation by a third party for a Handysize vessel and this expired in May 2013.

(c) Trade receivables

At 30 June 2013, the ageing of net trade receivables is as follows:

US$'000	**30 June 2013**	31 December 2012
< 30 days	**29,666**	27,468
31-60 days	**4,890**	5,257
61-90 days	**2,934**	1,547
> 90 days	**3,781**	5,162
	41,271	39,434

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.

10 CASH AND DEPOSITS

US$'000	**30 June 2013**	31 December 2012
Cash at bank and on hand	**113,323**	166,296
Short term bank deposits	**328,946**	587,162
Total cash and deposits	**442,269**	753,458
Cash and cash equivalents	**232,886**	390,502
Term deposits	**160,200**	242,616
Cash and deposits	**393,086**	633,118
Restricted bank deposits included in non-current assets *(Note)*	**1,302**	50,192
Restricted bank deposits included in current assets *(Note)*	**47,881**	70,148
Total cash and deposits	**442,269**	753,458

Note: The balances were held as securities with banks in relation to certain performance guarantees and as collateral for certain bank loans.

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See Funding and Commitments analysis

11 TRADE AND OTHER PAYABLES

US$'000	**30 June 2013**	31 December 2012
Trade payables	**81,107**	67,197
Accruals and other payables	**49,170**	62,914
Receipts in advance	**33,202**	40,970
Amounts due to jointly controlled entities	**3,803**	3,803
	167,282	174,884

At 30 June 2013, the ageing of trade payables is as follows:

US$'000	**30 June 2013**	31 December 2012
< 30 days	**77,774**	61,970
31-60 days	**441**	213
61-90 days	**160**	829
> 90 days	**2,732**	4,185
	81,107	67,197

Notes to the Unaudited Condensed Consolidated Interim Financial Statements continued

12 ASSETS AND LIABILITIES OF DISCONTINUED OPERATIONS CLASSIFIED AS HELD FOR SALE

In September 2012, the Group entered into an agreement to sell six RoRo vessels. The assets and liabilities related to the RoRo business have been presented as "held for sale". In October 2012, two RoRo vessels commenced their bareboat charters and in February 2013, three RoRo vessels commenced their bareboat charters. The disposal transaction will be fully completed when the remaining one RoRo vessel commences its bareboat charter which is expected to be in March 2014.

(a) Assets and liabilities of discontinued operations

US$'000	30 June 2013	31 December 2012
Assets held for sale *(Note)*	**31,166**	128,078
Inventory	**57**	240
Other current assets	**955**	3,091
Assets of discontinued operations classified as held for sale	**32,178**	131,409
Trade and other payable	**(3,041)**	(4,219)
Other current liabilities	**(37)**	(38)
Liabilities of discontinued operations classified as held for sale	**(3,078)**	(4,257)
Net assets	**29,100**	127,152

Note: 2013 figures relate to one (31 December 2012: four) RoRo vessel which has not commenced its bareboat charter at 30 June 2013.

(b) Analysis of the result of the discontinued operations

US$'000	Six months ended 30 June 2013	2012
Operating results Revenue	**3,771**	12,158
Direct costs *(Note)*	**(4,406)**	(18,232)
Gross profit	**(635)**	(6,074)
Finance costs, net	**–**	(1,117)
Share of profit less losses of jointly controlled entities and associates	**2**	(1,260)
Other expenses	**(177)**	–
Tax	**(6)**	(3)
	(816)	(8,454)
RoRo vessel impairment	**–**	(190,000)
RoRo exchange loss	**(8,331)**	–
	(9,147)	(198,454)

Note: Direct costs in 2012 included the depreciation charges for RoRo vessels of US$6.8 million. Depreciation ceased from the sale agreement date in 2012 and hence there is no depreciation for RoRo vessels in 2013.

(c) Cumulative expense recognised in other comprehensive income relating to discontinued operations

US$'000	Six months ended 30 June 2013	2012
Release of exchange reserve	**8,331**	–

(d) The net cash flows attributable to discontinued operations

US$'000	Six months ended 30 June 2013	2012
Operating cash flows	**(1,254)**	(274)
Investing cash flows	**–**	(18,228)
Financing cash flows	**–**	(3,649)
	(1,254)	(22,151)

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See Financial Review
Discontinued operations – PB RoRo

Notes to the Unaudited Condensed Consolidated Interim Financial Statements continued

13 LONG TERM BORROWINGS

US$'000	30 June 2013	31 December 2012
Non-current		
Finance lease liabilities *(Note a)*	20,665	133,146
Secured bank loans *(Note b)*	388,534	405,516
Convertible bonds *(Note c)*	319,357	314,989
	728,556	853,651
Current		
Finance lease liabilities *(Note a)*	67,090	18,287
Secured bank loans *(Note b)*	61,257	59,533
	128,347	77,820
Total long term borrowings	856,903	931,471

(a) Finance lease liabilities

The Group purchased ten vessels in June 2013 through exercising purchase options on ten finance leases for ten chartered vessels. Five purchases were completed by the end of June 2013 and five will have been completed by the end of July 2013. The consolidated balance sheet of the Group continues to show the same net carrying value of the first five vessels which are depreciated over their remaining useful lives in the same manner as when they were on finance leases. The exercise of the second five purchase options resulted in the US$62.6 million finance lease liabilities for these vessels being reclassified as a current liability.

The maturities of the Group's finance lease liabilities are as follows:

US$'000	30 June 2013	31 December 2012
Within one year	67,090	18,287
In the second year	4,838	19,588
In the third to fifth year	15,827	113,558
	87,755	151,433

(b) Maturity of the Group's bank loans

US$'000	30 June 2013	31 December 2012
Within one year	61,257	59,533
In the second year	174,934	60,384
In the third to fifth year	100,014	229,162
After the fifth year	113,586	115,970
	449,791	465,049

The bank loans as at 30 June 2013 are secured, inter alia, by the following:

- Mortgages over certain owned vessels of net book values of US$816.1 million (31 December 2012: US$695.6 million);
- Assignment of earnings and insurances compensation in respect of the vessels;
- Fixed and floating charges over all of the assets of certain subsidiaries of the Group's towage business; and
- Cash and deposits totaling US$15.1 million (31 December 2012: US$60.0 million).

(c) Convertible bonds

	30 June 2013		31 December 2012	
US$'000	Face value	Liability component	Face value	Liability component
1.75% coupon due 2016	230,000	213,482	230,000	210,584
1.875% coupon due 2018	123,800	105,875	123,800	104,405
Total	353,800	319,357	353,800	314,989

Notes to the Unaudited Condensed Consolidated Interim Financial Statements continued

13 LONG TERM BORROWINGS (continued)

(c) Convertible bonds (continued)

(i) Convertible bonds – 1.75% coupon convertible bonds due 2016

Issue size	US$230 million
Issue date	12 April 2010
Maturity date	12 April 2016 (6 years from issue)
Coupon – cash cost	1.75% p.a. payable semi-annually in arrears on 12 April and 12 October
Effective interest rate	4.70% charged to income statement
Redemption Price	100%
Initial Conversion Price into shares[1]	HK$7.98 (Current conversion price: HK$7.18 with effect from 24 April 2013)
Conversion at bondholders' options	(i) Until 11 January 2014, conversion can only take place if the closing price of the Company's shares is at least at a 20% premium to the conversion price then in effect for five consecutive trading days. (ii) After 11 January 2014, conversion can take place at any time at no premium.
Bondholder put date and price	On 12 April 2014 (4 years from issue), each bondholder will have the right to require the Group to redeem all or some of the bonds at 100% of the principal amount.
Issuer call date and price	On or after 12 April 2014, the Group may redeem the bonds in whole at a redemption price equal to 100% of their principal amount if the closing price of the Company's shares is at least at a 30% premium to the conversion price then in effect for thirty consecutive trading days.

(ii) Convertible bonds – 1.875% coupon convertible bonds due 2018

Issue size	US$123.8 million
Issue date	22 October 2012
Maturity date	22 October 2018 (6 years from issue)
Coupon – cash cost	1.875% p.a. payable semi-annually in arrears on 22 April and 22 October
Effective interest rate	5.17% charged to income statement
Redemption Price	100%
Initial Conversion Price into shares[1]	HK$4.96 (Current conversion price: HK$4.90 with effect from 24 April 2013)
Conversion at bondholders' options	Bondholders may exercise the conversion right at any time on or after 2 December 2012.
Bondholder put date and price	On 22 October 2016 (4 years from issue), each bondholder will have the right to require the Group to redeem all or some of the bonds at 100% of the principal amount.
Issuer call date and price	On or after 22 October 2016, the Group may redeem the bonds in whole at a redemption price equal to 100% of their principal amount if the closing price of the Company's shares is at least at a 30% premium to the conversion price then in effect for thirty consecutive trading days.

(1): The conversion price is subject to an adjustment arising from the cash dividends paid by the Company according to a pre-determined adjustment factor. Such adjustment becomes effective on the first date on which the Shares are traded ex-dividend.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements continued

14 SHARE CAPITAL

	2013		2012	
	Number of shares of US$0.1 each	**US$'000**	Number of shares of US$0.1 each	US$'000
Authorised	**3,600,000,000**	**360,000**	3,600,000,000	360,000
Issued and fully paid				
At 1 January	**1,936,049,119**	**193,605**	1,936,576,305	193,658
Shares purchased by trustee of the LTIS and SAS *(Note a)*	**(10,692,000)**	**(6,514)**	(13,955,186)	(7,370)
Shares granted to employees *(Note a)*	**11,392,000**	**6,584**	14,010,000	7,375
Shares transferred back to trustee upon lapse of restricted share awards *(Note a)*	**(1,515,000)**	**(152)**	(2,153,000)	(215)
At 30 June	**1,935,234,119**	**193,523**	1,934,478,119	193,448

The issued share capital of the Company as at 30 June 2013 was 1,936,577,119 shares (30 June 2012: 1,936,577,119 shares). The difference from the number of shares in the table above of 1,343,000 (30 June 2012: 2,099,000) shares are held by the trustee, amounting to US$134,300 (30 June 2012: US$209,900) as a debit to share capital.

(a) Restricted share awards

Restricted share awards under the Company's Long Term Incentive Scheme ("LTIS") and 2013 Share Award Scheme ("SAS") adopted on 28 February 2013 were granted to Executive Directors, senior management and certain employees. The LTIS and SAS under HKFRS are regarded as special purpose entities of the Company.

Movements of the number of unvested restricted share awards during the period are as follows:

'000	**2013**	2012
At 1 January	**25,616**	20,518
Granted	**11,392**	14,010
Vested	**(688)**	(1,923)
Lapsed	**(1,515)**	(2,153)
At 30 June	**34,805**	30,452

During the period, a total of 11,392,000 (2012: 14,010,000) restricted share awards were granted to certain employees. The market prices of the restricted share awards on the grant date represented the fair values of those shares.

The sources of the shares granted and the related movements between share capital and staff benefit reserve are as follows:

	Six months ended 30 June			
	2013		2012	
Sources of shares granted	**Number of granted shares awards**	**Related movement US$'000**	Number of granted shares awards	Related movement US$'000
Shares purchased by the trustee of the LTIS and SAS on the Stock Exchange	**10,692,000**	**6,514**	13,955,186	7,370
Shares held by trustee	**700,000**	**70**	54,814	5
	11,392,000	**6,584**	14,010,000	7,375

Notes to the Unaudited Condensed Consolidated Interim Financial Statements continued

14 SHARE CAPITAL (continued)

(a) Restricted share awards (continued)

The vesting periods and grant dates of the unvested restricted share awards are as follows:

Date of grant	Number of unvested share awards	Vesting periods 14 July 2013	14 July 2014	14 July 2015	14 July 2016
14 May 2010	3,837,000	3,837,000	–	–	–
20 May 2011	4,786,000	159,000	4,627,000	–	–
4 November 2011	70,000	70,000	–	–	–
30 December 2011	68,000	68,000	–	–	–
1 June 2012	12,541,000	1,383,000	1,383,000	9,775,000	–
22 June 2012	257,000	–	257,000	–	–
28 September 2012	2,078,000	461,000	515,000	1,102,000	–
15 March 2013	11,168,000	100,000	660,000	660,000	9,748,000
	34,805,000	6,078,000	7,442,000	11,537,000	9,748,000

(b) Share options

55,500,000 share options under the LTIS were granted to Executive Directors, senior management and certain employees on 14 July 2004 at an exercise price of HK$2.5 per share. They were fully vested on 14 July 2007 and will expire on 14 July 2014. At 30 June 2013 and 31 December 2012, all of the 400,000 outstanding share options were exercisable. There was no movement in the number of share options outstanding during the period.

15 FINANCE INCOME AND COSTS

US$'000	Six months ended 30 June **2013**	2012 (restated)
Finance income		
Bank interest income	**(4,804)**	(9,261)
Finance lease interest income	**(217)**	(370)
Other interest income	**(3,526)**	–
Total finance income	**(8,547)**	(9,631)
Finance costs		
Borrowings wholly repayable within five years		
Interest on bank loans	**2,103**	1,609
Interest on finance leases	**4,662**	3,166
Interest on convertible bonds	**4,910**	4,779
Borrowings wholly repayable after five years		
Interest on bank loans	**5,159**	4,309
Interest on finance leases	**–**	2,467
Interest on convertible bonds	**2,651**	–
Other finance charges *(Note)*	**6,310**	284
Net losses on interest rate swap contracts	**1,540**	2,541
	27,335	19,155
Less: amounts capitalised as PP&E	**(2,466)**	(1,246)
Total finance costs	**24,869**	17,909
Finance costs, net	**16,322**	8,278

Note: Other finance changes included the expenses relating to the repayment of the finance leases liabilities upon the exercise of five purchase options under finance leases amounting to US$6.1 million (2012: Nil) (See also Note 13(a)).

Notes to the Unaudited Condensed Consolidated Interim Financial Statements continued

16 PROFIT BEFORE TAXATION

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

US$'000	Six months ended 30 June **2013**	 2012 (restated)
Bunkers consumed	**243,640**	225,340
Operating lease expenses		
– vessels	**215,832**	202,104
– land and buildings	**1,881**	1,789
Depreciation		
– owned vessels	**29,658**	25,060
– finance leased vessels	**7,195**	6,025
– other owned property, plant and equipment	**847**	781
– investment properties	**33**	33
Amortisation of land use rights	**58**	58
Employee benefit expenses including Directors' emoluments	**26,782**	23,136
Losses on derivative instruments do not qualify for hedge accounting		
– bunker swap contracts	**6,744**	18,307
– forward freight agreements	**320**	1,152
Gains on derivative instruments do not qualify for hedge accounting		
– bunker swap contracts	**(2,225)**	(14,667)
– forward freight agreements	**(276)**	(1,139)
– forward foreign exchange contracts	**(481)**	–
Lubricating oil consumed	**3,123**	3,022
Gain on disposal of PP&E	**688**	–
Provision for/(write-back of) impairment losses		
– Trade receivables	**88**	(1,408)
– Available-for-sale financial assets	**–**	600
Fair value gains on structured notes	**(58)**	(32)
Gains on disposal of subsidiaries	**–**	(126)

General and administrative expenses

US$' Million	Six months ended 30 June **2013**	 2012 (restated)
Direct overheads	**28.0**	27.2
General and administrative expenses	**9.5**	5.6
Total administrative expenses	**37.5**	32.8

The increase of US$3.9 million in general and administrative expenses was primarily due to the loss arising from the revaluation of foreign currencies held by Treasury and the reclassification from direct overheads following the wind-down of certain non-core operations.

Operating lease expenses

Contingent lease payments made amounted to US$48.8 million (2012: US$18.6 million). These related to dry bulk vessels chartered-in on an index-linked basis.

Depreciation

Owned vessels depreciation of US$25.1 million in 2012 excludes an amount of US$6.8 million in relation to the RoRo vessels as this has been reclassified as part of the loss for the period on discontinued operations. There is no depreciation for RoRo vessels in 2013.

Other expenses

Movements in the fair value and payments for forward freight agreements amounted to US$0.3 million (2012: US$1.2 million). Taking into account the movements in fair value and receipts of US$0.2 million (2012: US$1.1 million) included in other income, the net movement in the fair value and payments for forward freight agreements resulted in an expense of US$0.1 million (2012: US$0.1 million).

17 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 to the consolidated income statement represents:

US$'000	Six months ended 30 June **2013**	 2012 (restated)
Current taxation		
Hong Kong profits tax, provided at the rate of 16.5% (2012:16.5%)	**310**	407
Overseas tax, provided at the rates of taxation prevailing in the countries	**422**	2,003
Overprovision of prior year	**(22)**	(110)
Tax charges	**710**	2,300

18 DIVIDENDS

No interim dividends in respect of the periods ended 30 June 2013 and 2012 were declared. The 2012 final dividend of HK 5 cents or US 0.6 cents per share, totaling US$12,397,000 was paid during the period.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements continued

19 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 LTIS and SAS (Note 14(a)).

		Six months ended 30 June 2013	2012 (restated)
Profit from continuing operations	(US$'000)	**9,412**	2,522
Loss from discontinued operations	(US$'000)	**(9,147)**	(198,454)
Profit/(loss) attributable to shareholders	(US$'000)	**265**	(195,932)
Weighted average number of ordinary shares in issue	('000)	**1,935,722**	1,930,262
Basic earnings per share			
– continuing operations	(US cents)	**0.48**	0.13
– discontinued operations	(US cents)	**(0.47)**	(10.28)
	(US cents)	**0.01**	(10.15)
Equivalent to			
– continuing operations	(HK cents)	**3.78**	1.02
– discontinued operations	(HK cents)	**(3.67)**	(79.80)
	(HK cents)	**0.11**	(78.78)

(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 after adjusting for the number of potential dilutive ordinary shares granted under the Company's LTIS and SAS but excluding the shares held by the trustee of the Company's LTIS and SAS (Note 14(a)).

		Six months ended 30 June 2013	2012 (restated)
Profit from continuing operations used to determine diluted earnings per share	(US$'000)	**9,412**	2,522
Loss from discontinued operations	(US$'000)	**(9,147)**	(198,454)
Profit/(loss) attributable to shareholders	(US$'000)	**265**	(195,932)
Weighted average number of ordinary shares in issue	('000)	**1,935,722**	1,930,262
Adjustment for share options	('000)	**179**	137
Weighted average number of ordinary shares for diluted earnings per share	('000)	**1,935,901**	1,930,399
Diluted earnings per share			
– continuing operations	(US cents)	**0.48**	0.13
– discontinued operations	(US cents)	**(0.47)**	(10.28)
	(US cents)	**0.01**	(10.15)
Equivalent to			
– continuing operations	(HK cents)	**3.78**	1.01
– discontinued operations	(HK cents)	**(3.67)**	(79.79)
	(HK cents)	**0.11**	(78.78)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements continued

20 COMMITMENTS

(a) Capital commitments

US$'000	**30 June 2013**	31 December 2012
Contracted but not provided for – vessel acquisitions and shipbuilding contracts	**189,796**	201,171
Authorised but not contracted for – vessel acquisitions and shipbuilding contracts	**46,000**	34,700
	235,796	235,871

Capital commitments that fall due in not later than one year amounted to US$131.3 million (31 December 2012: US$215.0 million).

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See vessel commitments and vessel lease commitments

(b) Commitments under operating leases

(i) The Group as the lessee – payments

The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

US$'000	**Dry bulk vessels**	**Tugs**	**Vessels total**	**Land and buildings**	**Total**
At 30 June 2013					
Within one year	**187,322**	**10,166**	**197,488**	**3,034**	**200,522**
In the second to fifth year	**349,917**	**707**	**350,624**	**3,962**	**354,586**
After the fifth year	**154,732**	**–**	**154,732**	**104**	**154,836**
	691,971	**10,873**	**702,844**	**7,100**	**709,944**
At 31 December 2012					
Within one year	135,753	2,525	138,278	3,508	141,786
In the second to fifth year	295,360	475	295,835	3,339	299,174
After the fifth year	139,046	–	139,046	324	139,370
	570,159	3,000	573,159	7,171	580,330

The Group's operating leases have varying terms ranging from 1 year to 11 years. Certain of the leases have escalation clauses, renewal rights and purchase options.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements continued

20 COMMITMENTS (continued)

(b) Commitments under operating leases (continued)

(ii) The Group as the lessor – receipts

The Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

US$'000	Dry bulk vessels [a]	Tugs	Vessels total	Investment properties	Total
At 30 June 2013					
Within one year	**18,799**	**10,004**	**28,803**	**–**	**28,803**
In the second to fifth year	**63,619**	**3,744**	**67,363**	**–**	**67,363**
After the fifth year	**79,414**	**–**	**79,414**	**–**	**79,414**
	161,832	**13,748**	**175,580**	**–**	**175,580**
At 31 December 2012					
Within one year	19,426	17,571	36,997	89	37,086
In the second to fifth year	63,619	1,852	65,471	–	65,471
After the fifth year	87,295	–	87,295	–	87,295
	170,340	19,423	189,763	89	189,852

Note:

(a) Operating lease commitments of the Group as the lessor for dry bulk vessels mainly include the commitments from two Post-Panamax vessels of US$158.9 million (31 December 2012: US$166.8 million).

The Group's operating leases have varying terms ranging from less than 1 year to 16 years.

21 SIGNIFICANT RELATED PARTY TRANSACTIONS

Significant related party transactions carried out in the normal course of the Group's business and on an arm's length basis, were as follows:

(a) Sales of services

US$'000	Six months ended 30 June 2013	2012
Charter-hire income received from OMSA *(Note i)*	**13,343**	11,411
Management service fee received from OMSA *(Note ii)*	**3,876**	3,379

Note:

(i) The Group leased out certain vessels to Offshore Marine Services Alliance Pty Ltd ("OMSA"), a jointly controlled entity.

(ii) The Group performed technical and other management services to OMSA.

(b) Key management compensation (including Directors' emoluments)

US$'000	Six months ended 30 June 2013	2012
Directors' fees	**176**	186
Salaries and bonus	**3,263**	2,721
Retirement benefit costs	**99**	125
Share-based compensation	**944**	381
	4,482	3,413

22 EVENT AFTER THE BALANCE SHEET DATE

Subsequent to the balance sheet date, the authorised commitment as disclosed in Note 20(a) has been contracted for.

The Group further entered into vessel acquisitions for an aggregate consideration of approximately US$62.0 million.

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Total Group vessel commitments

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