Pacific Basin Shipping Limited

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

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

The Board of Directors (the "Board") of Pacific Basin Shipping Limited ("Pacific Basin" or the "Company") is pleased to announce the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2015 as follows:

BUSINESS HIGHLIGHTS

INCREASED EBITDA & REDUCED NET LOSS

- EBITDA increased to a positive US$88 million, and we made a net loss of US$18.5 million
- Freight rates fell further in 2015 in one of the weakest years for dry bulk shipping
- Our Handysize daily TCE earnings outperformed the market index by 54%
- We reduced costs and intensified our efforts to maximise our vessel and fleet utilisation
- We turned around our Supramax performance to a positive contribution
- We issued a new US$125 million convertible bond repayable in 2021
- Our exit from RoRo and most of our towage business was completed in 2015 generating cash of US$140 million
- Our cash position stood at US$358 million with net gearing at 35%
- US$375 million of undrawn loan facilities exceeds US$274 million of remaining newbuilding capital commitments

	Year Ended 31 December	
US$ million	2015	2014
Revenue	1,260.3	1,718.5
Underlying Loss	(27.8)	(55.5)
EBITDA #	87.7	82.2
Loss Attributable to Shareholders	(18.5)	(285.0)
Basic Earnings per share (HK cents)	(7.5)	(115.8)
Proposed Final and Full Year Dividend per share (HK cents)	–	5

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

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

FULLY FOCUSED ON DRY BULK

- We are now fully focused on dry bulk: substantially all our long-term assets are invested in our market leading "Handy bulk" business
- We reduced our owned Handysize and Supramax operating costs to US$4,210 and US$4,060 per day through scale benefits and good cost control
- We are operating more owned ships and redelivering expiring medium and long-term chartered ships to further reduce our daily vessel costs while enabling greater control and service quality
- We now operate 206 dry bulk ships of which 86 are owned
- 13 owned newbuildings will join our fleet in the next two years
- We have covered 44% of our 37,080 Handysize revenue days for 2016 at US$7,800/day net

CHALLENGING MARKET CONDITIONS

- The market was undermined by continued oversupply and reduced dry bulk demand
- Very low fuel prices drove increased ship operating speeds in the third quarter thus further increasing effective shipping supply
- Dry bulk indices have declined further in early 2016, posting several record lows in the year to date
- Current market rates are below industry operating cash costs which is unsustainable, leading to increased scrapping which will contribute to a healthier market in time
- We are managing our business for a continued weak market in the medium term and are prioritising safety and staying power

CHAIRMAN'S STATEMENT

Safeguarding our health and service delivery in testing times

A TOUGHER YEAR IN DRY BULK

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

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

DIVIDEND

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

EFFECTIVE PLATFORM FOR A SUSTAINABLE BUSINESS

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

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

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

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

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

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

We remain committed to our effective strategy. We will not be complacent, and it is our nature to always look for ways to refine and improve what we do and how we do it. Staying true to our corporate values – such as dedication and teamwork, customer attention and solutions focus, responsiveness and reliability, safety and care, and integrity and accountability – is key to the longer-term sustainability of our business, irrespective of the market.

A commitment to strong corporate governance – sound internal controls, transparency and accountability to all stakeholders – continues to underpin all components of our business and seeks to enhance stakeholder confidence in Pacific Basin as a partner and a place to invest. I would like to thank our Board of Directors for their valuable contributions in all aspects of the Company’s oversight in the challenging shipping and economic environment. In 2015, we started the process of identifying an additional Independent Non-executive Director and I hope to be able to announce an appointment to our Board in the coming few months.

David Turnbull
Chairman

Hong Kong, 29 February 2016

CHIEF EXECUTIVE'S REVIEW

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

FINANCIAL RESULTS

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

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

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

PERFORMANCE OVERVIEW

DRY BULK

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

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

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

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

OUR ABILITY TO OUTPERFORM

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

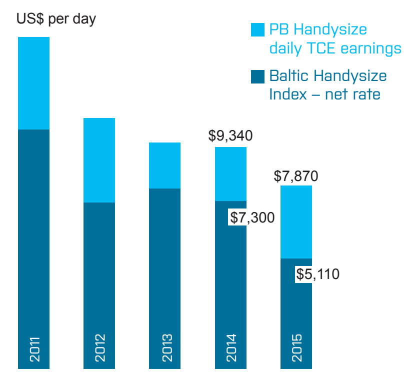
This premium is due to our high laden/low ballast ratio and therefore high utilisation, capitalising on:

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

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

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

Our TCE outperformance compared to market



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

TOWAGE & RORO

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

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

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

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

STRATEGY AND POSITION

INCREASED FOCUS ON DRY BULK

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

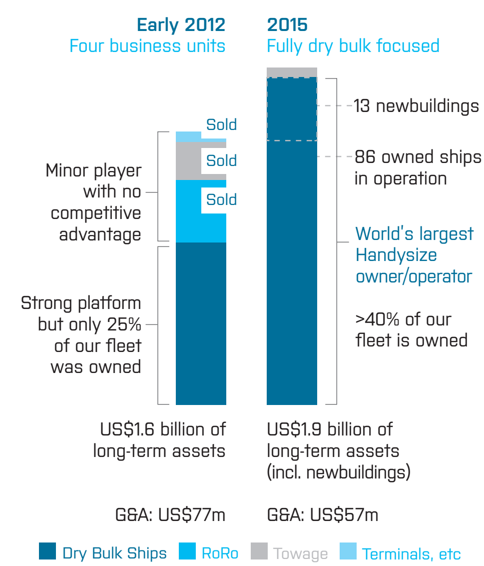
In addition to generating cash, this focusing has contributed to a US$19 million reduction in our G&A expenses compared to 2014 despite growing our owned fleet.

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

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

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

OUR INCREASED FOCUS ON DRY BULK



EXPANSION OF OUR OWNED FLEET

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

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

Our Fleet – 225 Ships

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

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

FLEET DEPLOYMENT DEVELOPMENTS

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

MARKET DEVELOPMENTS LEADING TO THE CURRENT CHALLENGING ENVIRONMENT

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

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

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

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

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

MANAGING FOR CONTINUED WEAKNESS IN THE MEDIUM TERM

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

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

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

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

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

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

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

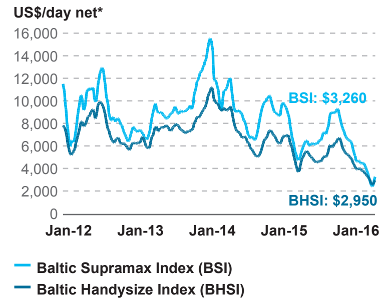
With experienced staff and a strong business model, we are well positioned to navigate this very weak market and to benefit from a cyclical upturn when it comes. We thank you for your continued support.

Mats Berglund
Chief Executive Officer

MARKET & BUSINESS REVIEW

FREIGHT MARKET SUMMARY

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



* excluded 5% commission

Source: Baltic Exchange, date as at 25 Feb 2016

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

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

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

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

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

KEY SUPPLY DEVELOPMENTS

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

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

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

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

KEY DEMAND DEVELOPMENTS

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

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

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

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

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

SHIP VALUES

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

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

ORDERBOOK

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

New ship ordering in 2015 amounted to 2.3% of existing capacity, its lowest in 18 years as secondhand ships represented better investment value than newbuildings. Shipbuilders face difficulty as they cannot feasibly reduce their prices especially as new environmental regulations require more costly ship equipment.

We expect current market pressures to result in actual deliveries continuing to fall well short of the orderbook schedule and this may lead to a reduction in shipbuilding capacity.

DRY BULK MARKET OUTLOOK

POSSIBLE MARKET DRIVERS IN THE MEDIUM TERM

Opportunities

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

Threats

- Further reduction in Chinese industrial growth impacting demand for dry bulk shipping
- Slower economic growth and large stockpiles in the US
- Increased protectionism favouring domestic supplies over foreign imports
- Increased new ship ordering if subsidies support shipbuilding at loss-making prices
- Insufficient scrapping to offset new ship deliveries and weaker demand
- Continued low fuel prices supporting faster ship operating speeds which increases supply

OUR PERFORMANCE IN 2015

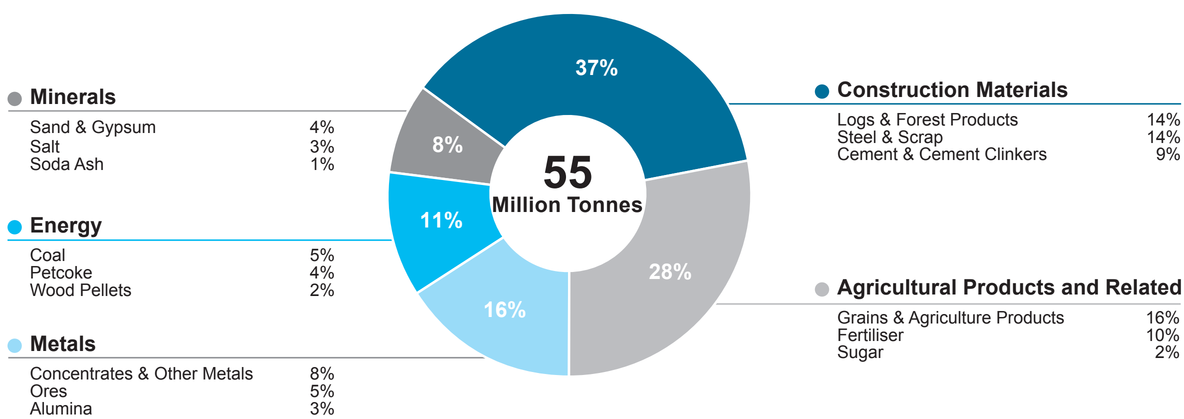
Our core dry bulk business generated a reduced net loss of US$33.8 million (2014: net loss US$39.4 million) despite one of the weakest years ever for dry bulk market rates. Our positive dry bulk EBITDA of US$80.3 million in this challenging environment was again driven by our ability to generate daily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

DRY BULK OPERATING PERFORMANCE

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

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

OUR DRY BULK CARGO VOLUMES IN 2015

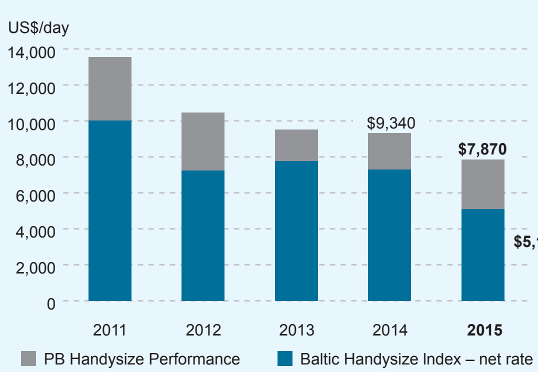


KEY PERFORMANCE INDICATORS KPI

Performance vs Market

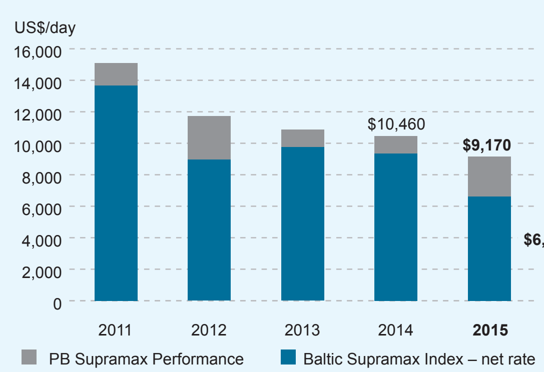
Handysize

54% outperformance compared to market



Supramax

39% outperformance compared to market

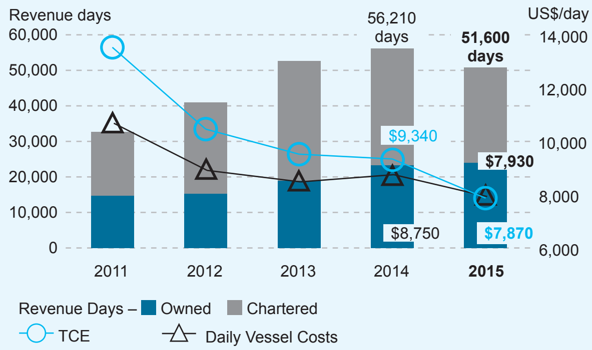


- Our 54% and 39% outperformance in 2015 compared to spot market indices reflects the value of our fleet scale and cargo book, and our ability to optimise cargo combinations and match the right ships with the right cargoes to maximise our utilisation and vessel earnings.

Profitability

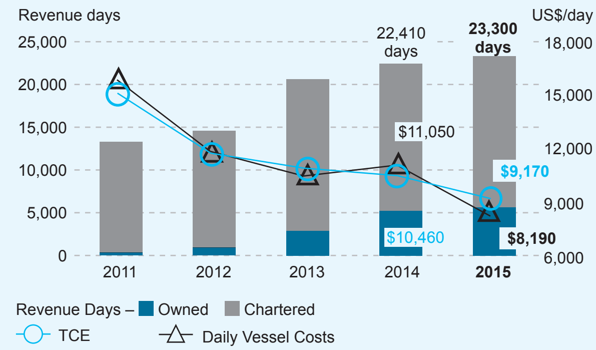
Handysize

US$(8.4)m contribution



Supramax

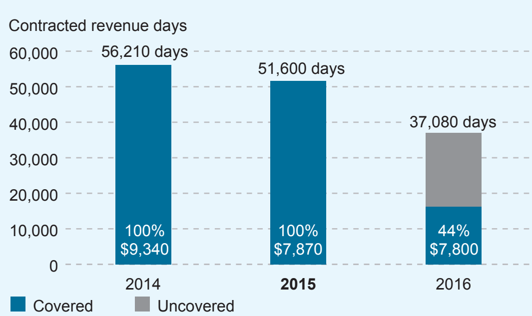
US$22.6m contribution



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

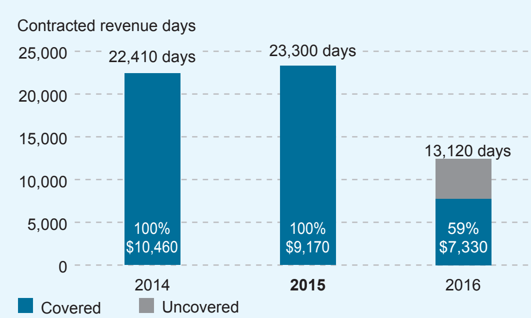
Future Earnings and Cargo Cover

Handysize



Currency: US$ per day

Supramax



Currency: US$ per day

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

  (Cargo cover excludes revenue days related to inward-chartered vessels on variable, index-linked rates.)
- While ship operators such as ourselves typically face significant exposure to the spot market, our contract cover provides a degree of earnings visibility.

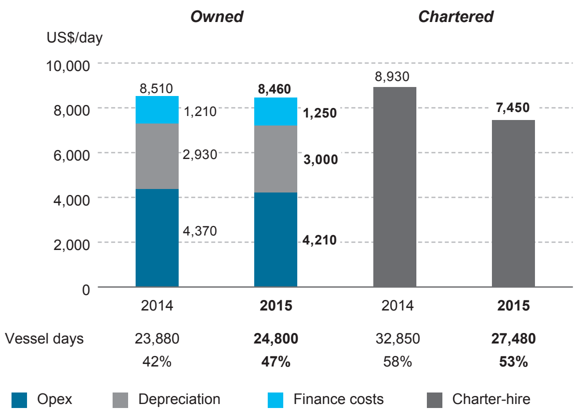
ANALYSIS OF DAILY VESSEL COSTS

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

Handysize Daily Vessel Costs

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

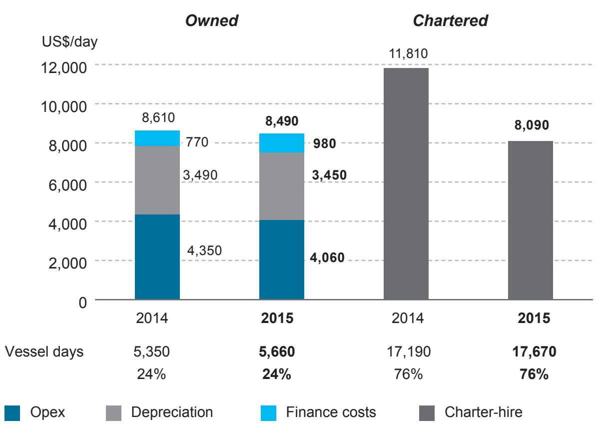
(excluding overheads)



Supramax Daily Vessel Costs

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

(excluding overheads)



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

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

Finance costs – Our owned Handysize vessels' daily P/L and cash finance costs were US$1,250 and US$880 respectively, and our Supramax daily P/L and cash finance costs were US$980 and US$930 respectively. The difference between the P/L and cash finance costs reflects the difference in the coupon and effective interest rate of our convertible bonds. Our Handysize daily finance costs were substantially unchanged compared to 2014 while Supramax daily finance costs increased due to the allocation of higher finance costs to this vessel type.

Charter-hire – Our chartered Handysize vessels' daily P/L and cash charter-hire costs were US$7,450 and US$7,900 respectively, and our Supramax daily P/L and cash charter-hire costs were US$8,090 and US$8,600 respectively. The difference between the P/L and cash charter-hire costs reflects the write-back of onerous contract provisions made in 2014 relating to the 2015 element of our charter commitments.

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

Daily cash cost – Our average owned and chartered daily cash cost excluding overheads was US$6,570 (2014: US$7,360) for our Handysize fleet and US$7,720 (2014: US$10,220) for our Supramax fleet.

Overheads – Our dry bulk direct staff overheads and office costs, along with all overheads categorised as indirect overheads, amounted to US$53.5 million (2014: US$58.5 million). Spread across our vessel days, the aggregate overheads translated into a daily cost of US$710 per ship per day (2014: US$740 per day). In previous years, indirect overheads were excluded.

The Group's total administrative expenses amounted to US$56.6 million (2014: US$75.7 million). The year-on-year saving of US$19.1 million reflects the reduction in costs after the disposal of most of our non-dry bulk operations and a range of cost savings initiatives undertaken during the year.

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

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

FUNDING

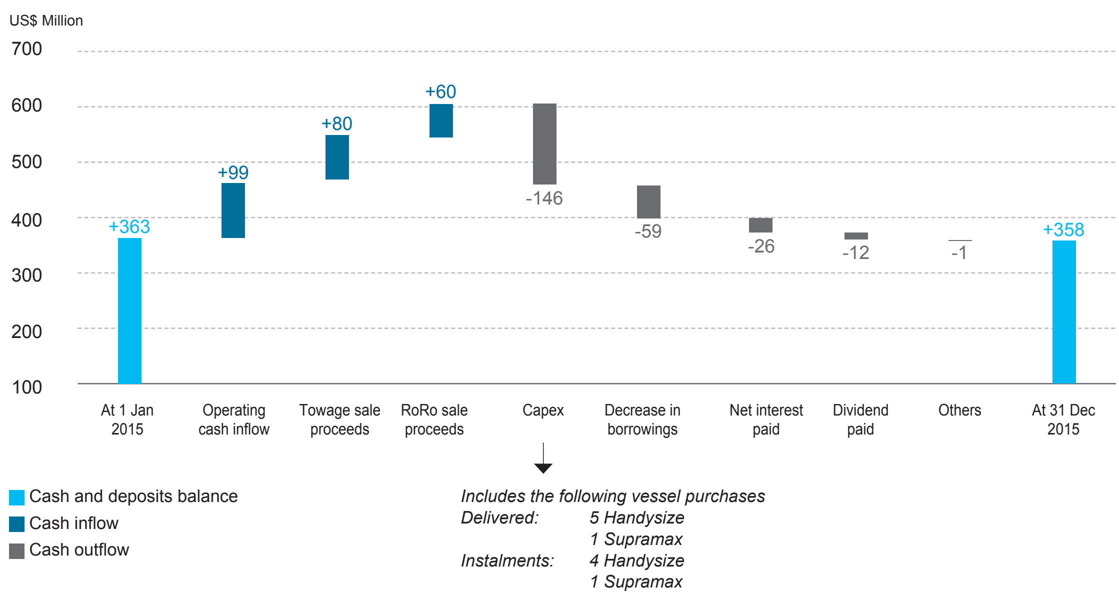
CASH FLOW AND CASH

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

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

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

Sources and Uses of Group Cash Flow in 2015



CURRENT POSITION AND OUTLOOK

During year 2015:

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

As at 31 December 2015:

- The Group's cash and deposits were US$358 million reflecting a 35% net gearing ratio.
- Our undrawn committed bank borrowing facilities were US$375 million, including US$311 million of Japanese export credit facilities for our newbuilding commitments of US$274 million payable in 2016 to 2017.
- Our unmortgaged vessels comprised towage assets with a net book value of US$33 million and two dry bulk vessels.
- Cash and deposits, undrawn committed bank borrowing facilities and operating cash flows will enable us to fund the following payment obligations:
  - US$74 million of our bank borrowings due in 2016.
  - The 2016 convertible bond principal repayment of US$106 million due in April 2016.
  - The 2018 convertible bond principal repayment of US$124 million in October 2016 if all bondholders exercise their rights to redeem the bonds at 100% of the principal amount.

CASH AND DEPOSITS

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

US$ Million	2015	2014	Change
Cash and deposits	358.3	361.7	
Restricted bank deposits			
– non-current	0.1	0.1	
– current	–	1.6	
Total cash and deposits	358.4	363.4	–1%
Current portion of long-term borrowings	(292.7)	(179.1)	
Long-term borrowings	(633.3)	(820.6)	
Total borrowings	(926.0)	(999.7)	+7%
Net borrowings	(567.6)	(636.3)	+11%
Net borrowings to net book value of property, plant and equipment KPI	35%	40%	
Net borrowings to shareholders' equity	59%	64%	
Net working capital	40.8	294.7	–86%

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

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

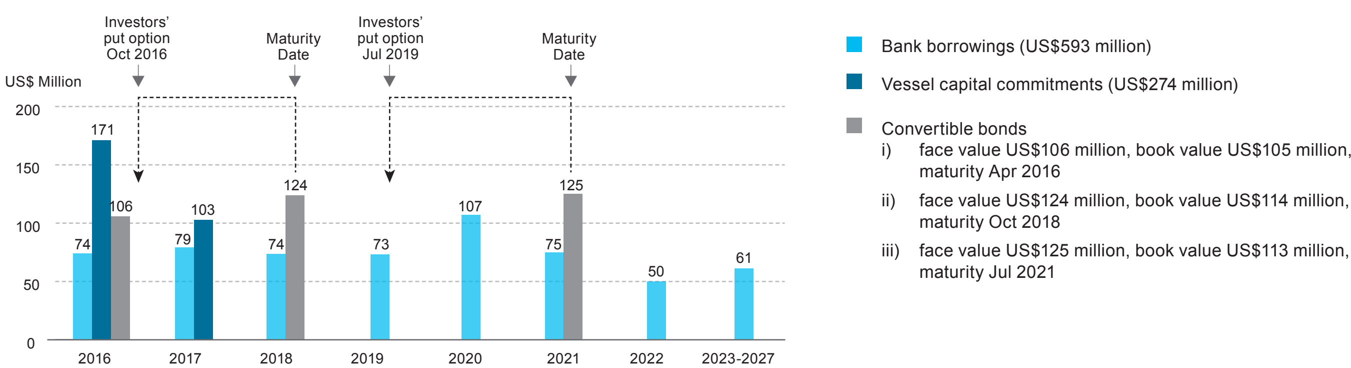
The Group's cash and deposits at 31 December 2015 comprised US$352.5 million in United States Dollars and US$5.9 million in other currencies. They are primarily placed in liquid deposits of three months or less and saving accounts to maintain the liquidity to meet the Group's vessel purchase commitments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

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

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

BORROWINGS

Schedule of Repayments and Vessel Capital Commitments



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

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

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

BANK BORROWINGS – US$593.5 MILLION (2014: US$668.0 MILLION) Bank borrowings are in the functional currency of the business segment to which they relate. The overall reduction in bank borrowings is mainly due to loan amortisation. In the first half of 2015, we put in place total new bank borrowing facilities of US$134.4 million – secured on 22 vessels – which included the refinancing of US$89 million of loans that became due in the same period. These new bank borrowings have consistent terms with our existing facilities, including the requirement to satisfy the loans-to-asset value requirements and for the Company to remain listed on the Stock Exchange of Hong Kong Limited. In the second half of 2015, we drew down US$39.1 million secured on two vessels under our committed Japanese export credit facilities, leaving loans of US$171.4 million and US$139.7 million which are expected to be drawn in 2016 and 2017 respectively. The Group monitors the loans-to-asset value requirements on its bank borrowings. If the market values of the Group's mortgaged assets fall below the level prescribed by our lenders, the Group may pledge additional cash or offer other additional collateral unless the banks offer waivers for technical breaches. As at 31 December 2015: ■ The Group's bank borrowings were secured by mortgages over 84 (2014: 69) vessels with a total net book value of US$1,470.2 million (2014: US$1,246.1 million) and an assignment of earnings and insurances in respect of these vessels. ■ Our unmortgaged vessels comprised towage assets with a net book value of US$33.2 million and two dry bulk vessels. ■ The Group was in compliance with all its loans-to-asset value requirements. ■ Our undrawn committed bank borrowing facilities were US$375.1 million (2014: US$350.2 million).	P/L impact: The decrease in interest (after capitalisation) to US$21.5 million (2014: US$27.8 million) was mainly due to a decrease in average bank borrowings to US$525.6 million (2014: US$647.3 million). Certain bank borrowings are subject to floating interest rates but the Group manages these exposures by using interest rate swap contracts.
CONVERTIBLE BONDS – LIABILITY COMPONENT IS US$332.5 MILLION (2014: US$313.4 MILLION) In June 2015, the Group issued US$125 million, 3.25% p.a. coupon, guaranteed convertible bonds maturing in July 2021. The new bonds are convertible into ordinary shares of the Company at a current conversion price of HK$4.08. The issue of the new convertible bonds enabled the Group to pro-actively manage its upcoming liabilities, including the potential exercise by bondholders of the 2018 convertible bonds in October 2016 of their rights to redeem the bonds at 100% of the principal amount. At 31 December 2015, the liability components of the 1.75% p.a. coupon April 2016 convertible bonds, 1.875% p.a. coupon October 2018 convertible bonds and the 2021 convertible bonds are US$105.1 million, US$113.9 million and US$113.5 million respectively (2014: US$202.8 million, US$110.6 million and nil). The decrease in the liability component of the 2016 convertible bonds is mainly due to the buyback and cancellation with an aggregate face value of US$104.0 million at a discount to face value saving US$2.3 million of principal repayments and related coupon payments in the period before maturity. At 31 December 2015, the remaining outstanding principal amount of the 2016 convertible bonds was US$105.6 million.	P/L impact: The US$17.1 million (2014: US$15.0 million) interest expense of the convertible bonds is calculated at an effective interest rate of 4.9% (2014: 4.8%).
FINANCE LEASE LIABILITIES – NIL (2014: US$18.3 MILLION) Finance lease liabilities in relation to three Handysize vessels were extinguished upon the expiry of the bareboat charters and return of these vessels to the lessors in December 2015. The vessels were treated as disposed of by the Group at their net book values and no disposal gains or losses were recorded.	P/L impact: Finance charges of US$1.0 million (2014: US$1.4 million) represent interest payments on Handysize vessels under finance leases.

FINANCE COSTS

FINANCE COSTS BY NATURE

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

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

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

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

The Group aims to achieve a balance between floating and fixed interest rates on its long-term borrowings. This is adjusted from time to time, depending on the interest rate cycle, using interest rate swap contracts where appropriate. During the year, US$6.5 million of interest rate swap contract costs were realised and US$1.6 million of unrealised gains arose resulting in a net US$4.9 million swap contract charge. As at 31 December 2015, 16% (2014: 12%) of the Group's long-term borrowings were subject to floating interest rates. As at 31 December 2016 and 2017, we expect about 30% of the Group's existing and committed long-term borrowings will be subject to floating interest rates.

DELIVERED VESSELS

As at 31 December 2015, the Group had delivered vessels with a net book value of US$1,560 million as follows:

		Number	Average size (dwt tonnes)	Average age (years)	Average net book value (US$ Million)	Total net book value (US$ Million)
Dry Bulk	Handysize	69	32,000	8.4	16.2	1,116
Dry Bulk	Supramax	16	55,400	6.4	22.7	364
Dry Bulk	Post-Panamax	1	115,500	4.0	47.3	47
Towage	Tugs & Barges	12	N/A	6.8	2.8	33

Precise vessel market values are difficult to determine when buying interest is limited in uncertain shipping markets. Latest estimated fair market values published by Clarksons Platou are US$9.5 million and US$12.0 million for 5-year old 32,000 dwt Handysize and 56,000 dwt Supramax vessels respectively.

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

VESSEL COMMITMENTS

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

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

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

At 31 December 2015, the Group had options to purchase 11 Handysize, 3 Supramax and 1 Post-Panamax vessels at predetermined times and prices during the period of their leases. These options are not expected to be exercised under the current market conditions.

VESSEL OPERATING LEASE COMMITMENTS

Vessel operating lease commitments stood at US$675.4 million (2014: US$877.8 million), comprising US$455.7 million for Handysize, US$183.9 million for Supramax and US$35.8 million for Post-Panamax.

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

Onerous Contract Provisions

US$ Million

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

The Group wrote back US$12.3 million and US$9.0 million for Handysize and Supramax onerous contract provisions in 2015 following the utilisation of this elements of the charters. At 31 December 2015, there remains a provision of US$63.6 million for Handysize and US$16.0 million for Supramax time charter contracts substantially expiring during a four-year period and whose charter rates are higher than the expected earnings for the remaining charter periods. The provisions will be released back to the income statement in the periods in which the charter payments for these vessels are due (see table above).

COMMITMENTS EXCLUDING INDEX-LINKED VESSELS

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

	Handysize			Supramax		
		Average daily rate			Average daily rate	
Year	Vessel days	Before provision write-back (US$)	After provision write-back (US$)	Vessel days	Before provision write-back (US$)	After provision write-back (US$)
2016	10,030	9,870	7,920	4,630	10,510	8,750
2017	8,290	10,370	7,910	2,920	12,970	10,820
2018	6,940	10,930	8,530	2,770	13,140	12,570
2019	6,430	11,000	9,910	2,190	13,170	N/A
2020	4,000	11,060	N/A	1,650	13,110	N/A
2021+	7,290	10,980	N/A	850	12,130	N/A
Total	42,980			15,010		
Aggregate operating lease commitments		US$455.7m			US$183.9m	

COMMITMENTS INCLUDING INDEX-LINKED VESSELS

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

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

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

GROUP PERFORMANCE REVIEW

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

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

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

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

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

EBITDA was US$87.7 million (2014: US$82.2 million) contributing to a positive operating cash flow and cash and deposits at the year end of US$358.4 million (2014: US$363.4 million).

CONSOLIDATED INCOME STATEMENT

	Note	For the year ended 31 December 2015 US$'000	2014 US$'000
Continuing operations			
Revenue		**1,260,291**	1,718,454
Cost of services		**(1,264,402)**	(1,758,078)
Gross loss		**(4,111)**	(39,624)
General and administrative expenses		**(5,954)**	(9,353)
Vessel impairment and provision		**–**	(161,301)
Other income and gains		**31,576**	6,209
Other expenses		**(3,724)**	(32,000)
Finance income		**4,469**	10,789
Finance cost		**(39,795)**	(43,552)
Share of profits less losses/impairment of investments accounted for using the equity method		**178**	(9,693)
Loss before taxation	4	**(17,361)**	(278,525)
Taxation	5	**(1,179)**	(1,217)
Loss for the year		**(18,540)**	(279,742)
Discontinued operations			
Loss for the year		**–**	(5,222)
Loss attributable to shareholders		**(18,540)**	(284,964)
Basic and diluted earnings per share for loss attributable to shareholders (in US cents)	7		
From continuing operations		**(0.97)**	(14.66)
From discontinued operations		**–**	(0.27)
From loss attributable to shareholders		**(0.97)**	(14.93)

Please see Note 3(A) for income statement segment information.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2015 US$'000	2014 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,611,000**	1,584,924
Investment properties		**2,400**	2,605
Land use rights		**2,686**	2,894
Goodwill		**25,256**	25,256
Investments accounted for using the equity method		**–**	682
Available-for-sale financial assets		**2,135**	4,126
Derivative assets		**–**	46
Trade and other receivables	8	**5,559**	8,936
Restricted bank deposits		**58**	89
		1,649,094	1,629,558
Current assets			
Inventories		**50,785**	79,524
Derivative assets		**–**	3,670
Assets held for sale		**–**	5,749
Trade and other receivables	8	**87,486**	225,679
Restricted bank deposits		**–**	1,605
Cash and deposits		**358,370**	361,731
		496,641	677,958
Total assets	3(B)	**2,145,735**	2,307,516
EQUITY			
Capital and reserves attributable to shareholders			
Share capital		**194,480**	191,781
Retained profits		**213,233**	231,086
Other reserves		**563,225**	578,879
Total equity		**970,938**	1,001,746
LIABILITIES			
Non-current liabilities			
Derivative liabilities		**33,797**	22,326
Long-term borrowings		**633,226**	820,645
Provision for onerous contracts		**51,918**	79,582
		718,941	922,553
Current liabilities			
Derivative liabilities		**16,655**	23,524
Trade and other payables	9	**117,364**	157,698
Current portion of long-term borrowings		**292,739**	179,099
Taxation payable		**1,434**	1,572
Provision for onerous contracts		**27,664**	21,324
		455,856	383,217
Total liabilities	3(B)	**1,174,797**	1,305,770

Please see Note 3(B) for balance sheet segment information.

Notes:

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

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

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

2. ADOPTION OF NEW/REVISED HKFRS

Certain amendments to standard are mandatory for the accounting period beginning 1 January 2015. However, the adoption of these amendments to standard does not result in any substantial change to the Group's accounting policies.

3. SEGMENT INFORMATION

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

The Group's revenue has been primarily derived from the provision of dry bulk shipping services internationally, and towage services to the offshore sectors in the Middle East.

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

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

3. SEGMENT INFORMATION (CONTINUED)

(A) Income Statement Segment Information

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

Notes:

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

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

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

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

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

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

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

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

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

3. SEGMENT INFORMATION (CONTINUED)

(A) Income Statement Segment Information (Continued)

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

3. SEGMENT INFORMATION (CONTINUED)

(B) Balance Sheet Segment Information

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

- Vessels delivered & under construction
- Goodwill

- Mainly tugs and barges in ME

- China properties

- Group unallocated cash

- Bank loans
- Convertible bonds

- Derivative liabilities

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

4. LOSS BEFORE TAXATION

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

US$'000	2015	2014
Bunkers consumed	278,279	509,778
Depreciation		
– owned vessels	91,931	93,887
– leased vessels	6,391	6,577
– other owned property, plant and equipment	1,624	1,978
– investment properties	66	67
Amortisation of land use rights	73	74
Utilisation of provision for onerous contracts	(21,324)	(662)
Provision for onerous contracts	–	100,906
Provision for impairment losses		
– trade receivables	1,934	1,477
– available-for-sale financial assets	889	–
– vessels	–	58,892
Interest on borrowings		
– convertible bonds	17,149	15,010
– bank loans	15,861	19,306
– finance leases	1,030	1,411
Net losses on interest rate swap contracts	4,893	6,881
Other finance charges	1,826	1,102
Finance income		
– bank interest income	(2,925)	(4,014)
– other interest income	(1,544)	(6,149)
– finance lease interest income	–	(626)
Net losses on bunker swap contracts	18,879	39,488
Net (gains)/losses on forward foreign exchange contracts	(87)	87
Net losses on forward freight agreements	304	3,673
Lubricating oil consumed	7,901	8,646
Loss on disposal of harbour towage business	–	19,295
Gain on disposal of bunker barge joint venture	(3,514)	–
Loss on disposal of OMSA joint venture	–	1,987
Losses/(gains) on disposal of property, plant and equipment	307	(362)

5. TAXATION

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

US$'000	2015	2014
Current taxation		
Hong Kong profits tax, provided at the rate of 16.5% (2014: 16.5%)	665	636
Overseas tax, provided at the rates of taxation prevailing in the countries	438	596
Adjustments in respect of prior year	76	(15)
Tax charges	1,179	1,217

6. DIVIDENDS

	2015			2014		
	HK cents per share	US cents per share	US$'000	HK cents per share	US cents per share	US$'000
Proposed final dividend	–	–	–	5.0	0.6	12,368
Dividend paid during the year	5	0.6	12,368	5.0	0.6	12,385

7. EARNINGS PER SHARE

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

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

		Basic & Diluted EPS 2015	Basic & Diluted EPS 2014
Loss from continuing operations	(US$'000)	**(18,540)**	(279,742)
Loss from discontinued operations	(US$'000)	**–**	(5,222)
Loss attributable to shareholders	(US$'000)	**(18,540)**	(284,964)
Weighted average number of ordinary shares in issue	('000)	**1,914,024**	1,908,712
Earnings per share			
– continuing operations	(US cents)	**(0.97)**	(14.66)
– discontinued operations	(US cents)	**–**	(0.27)
	(US cents)	**(0.97)**	(14.93)
Equivalent to			
– continuing operations	(HK cents)	**(7.51)**	(113.66)
– discontinued operations	(HK cents)	**–**	(2.12)
	(HK cents)	**(7.51)**	(115.78)

Diluted earnings per share for the year ended 31 December 2015 is the same as the basic earnings per share since the potential ordinary shares from convertible bonds and unvested restricted shares have antidilutive effect.

8. TRADE AND OTHER RECEIVABLES

(a) Trade receivables

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

US$'000	**2015**	2014
< 30 days	**21,824**	30,446
31-60 days	**3,270**	5,543
61-90 days	**2,988**	3,192
> 90 days	**6,575**	4,279
	34,657	43,460

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.

(b) Other receivables from disposals

At 31 December 2014, other receivables included the following receivables from disposals:

(i) US$58.0 million net sale proceeds for the last two RoRo vessels which were settled in August 2015,

(ii) US$57.8 million receivables from the disposal of harbour towage business which was settled in February 2015, and

(iii) US$5.7 million receivables from the disposal of OMSA joint venture which was settled in January 2015.

9. TRADE AND OTHER PAYABLES

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

US$'000	2015	2014
< 30 days	**25,338**	48,247
31-60 days	**372**	987
61-90 days	**833**	1,279
> 90 days	**4,023**	3,945
	30,566	54,458

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

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

COMPLIANCE WITH THE CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the year, the Group has been fully compliant with all code provisions of the Corporate Governance Code as contained in Appendix 14 of the Listing Rules.

REVIEW BY AUDIT COMMITTEE AND AUDITORS

The Audit Committee of the Company has reviewed this annual results announcement and the Annual Report of the Company for the year ended 31 December 2015.

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2015 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

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

This announcement of annual results containing all the information required by paragraphs 45(1) to 45(8) of Appendix 16 of the Listing Rules has been published on the Stock Exchange's website at www.hkexnews.hk and on the Company's website at www.pacificbasin.com.

The Company's 2015 Annual Report will be available on the Company's website at www.pacificbasin.com no later than the date on which it is sent to those shareholders who have elected to receive a printed copy on or around 15 March 2016.

DIRECTORS

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

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

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

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