Pacific Basin Shipping Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 2343)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

The Board of Directors (the "Board") of Pacific Basin Shipping Limited ("Pacific Basin" or the "Company") are pleased to announce the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2011 as follows:

FINANCIAL HIGHLIGHTS

	Year Ended 31 December	
US$ million	**2011**	2010
Revenue	**1,342.5**	1,268.5
Underlying Profit	**57.8**	119.8
Profit Attributable to Shareholders	**32.0**	104.3
Operating Cash Flow	**159.4**	198.6
Basic Earnings per share (HK cents)	**13**	42
Proposed final dividend per share (HK cents)	**5**	16.5

BUSINESS HIGHLIGHTS

Respectable Performance in Difficult Market Conditions

2011 was a profitable year in which our dry bulk and towage businesses supported respectable though weaker Group results undermined by a depressed RoRo market:

- Our Handysize earnings outperformed the deteriorating spot market by 35% amidst mounting challenges for dry bulk
- Our Towage business demonstrated its ability to capitalise on improved markets for tugs in Australasia
- Our RoRo business faced continued depression in the freight ferry market leading to an unsatisfactory performance
- Despite weaker underlying profits, a strong operating cash flow has again augmented our balance sheet

Continued Fleet Growth

- We operated an average of 131 dry bulk ships, and our fleet (including newbuildings) now comprises 169 dry bulk ships, 43 tugs and barges and 6 RoRos
- We have fully funded vessel capital commitments of US$322 million, substantially all in dry bulk vessels
- Our balance sheet retains substantial buying power to execute our dry bulk-focused growth strategy with US$618 million in cash and deposits and net borrowings of US$161 million

Expanded Office Network and New Trades Enhance Our Revenue Generation

- Chartering offices across 6 continents, increased operation of short term chartered ships and expanded parcelling and project cargo activity have broadened business opportunities for our dry bulk fleet

Strong Environmental Performance and Enhanced Corporate Profile

- Our brand was significantly enhanced with prestigious regional and global awards for excellence in ship operating, ship management, environment and safety, CSR, investor relations and governance

Outlook

Dry Bulk

- Freight rates are expected to be weaker overall in 2012 as the market struggles to absorb a continued influx of newbuilding deliveries at a time of global economic uncertainty
- We have contract cover in place for 54% of our 2012 Handysize revenue days at US$11,480 per day net, and for 25% of our 2013 Handysize revenue days at US$12,920 per day net

Towage

- Positive outlook for PB Towage due to continued improvement in the Australasian offshore project and harbour towage markets

RoRo

- Charter market for RoRo ships is expected to remain weak, resulting in another loss-making year for PB RoRo

Group Strategy

- Dry bulk shipping is in crisis, facing excess ship supply and a significant contraction in funding for secondhand and newbuilding purchases, which may generate fleet expansion opportunities at attractive prices for cash rich owners like ourselves
- Our strategy is to direct new investment predominantly towards expansion of our dry bulk fleet – patiently awaiting the right opportunities at the right price – and invest further in our towage fleet as specific projects materialise

CHAIRMAN'S STATEMENT

Financial Results & Dividend

The Group produced a net profit of US$32 million (2010: US$104 million) from an underlying profit of US$58 million. Basic EPS was HK$0.13 and return on shareholders' equity was 2%. Our operating cash flow remained strong at US$159 million (2010: US$199 million).

Our results for the year were impacted by:

1. weaker Handysize spot rates which drove a 19% decrease in our Handysize daily earnings and a 23% decrease in operating cash flow;
2. improved towage markets and a strong US$15 million contribution from PB Towage;
3. a significant US$80 million non-cash impairment of our RoRo investment as reported in our interim results; and
4. a partially offsetting net profit of US$56 million on the sale of a non-core asset (Green Dragon Gas) in the first half of the year.

The Board has recommended a final dividend of HK 5 cents per share bringing the total for 2011 to HK 10 cents per share (2010: HK 21.5 cents), representing a payout ratio of 78% of profits.

Performance Overview

Our core dry bulk shipping business delivered a respectable performance in 2011 against the backdrop of a significantly weaker market.

Our average Handysize daily earnings outperformed the market, falling only 19% year on year to US$13,530 per day, as compared to spot freight rates which fell 36% to US$10,025 per day. Our performance was enhanced by the value of our cargo book throughout the period and by our business model which continues to ensure a world-class service for customers while delivering value for our shareholders and other stakeholders.

While our Handymax earnings outperformed the market by 10%, our Handymax results were disappointing due mainly to our reliance on relatively expensive short term chartered ships and the cost of repositioning ships into more favourable areas in response to the Queensland floods in early 2011.

PB Energy & Infrastructure Services (now renamed "PB Towage") had a much improved year led by our towage activity despite losses on the closure of our Fujairah infrastructure business. Our towage team demonstrated its ability to capitalise on improved markets for offshore and harbour tugs in Australasia to generate a strong contribution to Group results.

However, continued depression in the Euro-centric RoRo market and suspension of the Nafta Gulf Bridge service have led to another disappointing year for our RoRo division, which has significantly impacted our results following the impairment in the middle of the year.

Investment and Balance Sheet

As at 31 December 2011, we had cash and deposits of US$618 million and net borrowings of US$161 million. During the year, six new dry bulk purchase commitments were made. Our vessel capital expenditure obligations currently amount to US$322 million payable in the next three years in respect of 16 ships, leaving substantial buying power on our balance sheet for further fleet expansion.

Vision and Strategy

In 2011, we formalised our Company's vision, mission and a collection of business principles which have defined Pacific Basin for many years. Those business principles speak of commitment, motivation, diligence, respectfulness and other traits that make Pacific Basin what it is today.

Strategically, we seek to achieve sustainable growth through optimisation of our fleet of ships, and through a continuous drive for efficiency, responsibility and professionalism in the way we run our business. We are confident that we have positioned ourselves appropriately to grow and weather these challenging times.

We continue to direct new investment predominantly towards our core dry bulk activity – patiently growing our owned fleet and equipping ourselves with improved tools to support our increased scale – thereby further strengthening our leading market position in our segments.

We took a significant step forward last year in equipping ourselves with an upgraded maritime operating system and new processes to match. These are already generating meaningful efficiencies, enabling our existing team to manage more ships and optimise our service to customers.

In the drive towards our vision, we have made progress on a number of other strategic business areas focusing on what we believe matters most to Pacific Basin: our Business, our People and our Brand.

Corporate Profile

For almost 25 years, Pacific Basin has built a strong name as a specialist Handysize bulk carrier owner and, since 1998, has evolved into an industrial provider of freight services directly to producers and end-users of raw materials and commodities.

Our performance and market share in our minor bulks focus area have earned us a strong reputation, allowing us to engage closely with excellent partners and stakeholders, including customers, ship owners, shipyards, suppliers and some of the best people in our industry. Our reputation and track record, supported by our strong balance sheet, set us apart as a preferred counterparty for cargo customers and tonnage providers, affording us access to long term business opportunities.

Governance, Environment and CSR

We believe good corporate governance and the rigour it brings to our decision-making process is central to a professionally managed company. Since our listing on the Hong Kong Stock Exchange in 2004, we have developed a solid corporate governance structure to underpin all other core components of our business and to enhance stakeholder confidence in Pacific Basin as a place to invest.

We target high standards of corporate social responsibility in the areas of Environment, Workplace and Community. While we have touched on these in our past annual reports, we now incorporate a CSR Report with a more detailed account of our environmental performance and other initiatives for a sustainable future.

Our standards of corporate governance and commercial, technical, safety, investor relations and CSR management have been increasingly recognised in recent years, with Pacific Basin winning prominent awards in all these areas.

I am happy to report that our efforts in the field of environmental responsibility were rewarded with the Environment Award at Lloyd's List Global 2011.

Our People and Business Principles

Our Captain Zhu Qianchun's receipt of Lloyd's List's "Seafarer of the Year" award perhaps says most about our Company: we are only as good as our staff at sea and ashore, and we believe our team comprises some of the best people in shipping. That team does not come together overnight, but is the result of considered investment in our staff and their workplace. Our diverse staff represent over 30 nationalities and it is they – combined with the quality of our management and governance standards – who make our vision possible.

Outlook

Notwithstanding – and in part because of – the prevailing challenging markets, the Board continues to be confident in our current strategy, objectives and business model and our ability to deliver a world-class service, sustainable long term growth and shareholder value.

We expect dry bulk freight rates will be weaker overall in 2012. The dry bulk shipping market is in crisis, facing excess ship supply and a significant contraction in funding for secondhand and newbuilding purchases. For banks, this is in part due to tighter regulatory requirements and to covenant defaults by some clients requiring loans to be restructured or repaid. This crisis may generate fleet expansion opportunities at attractive prices for cash rich owners like ourselves.

With upgraded systems and processes in place to complement our business model and strong balance sheet, we have a unique framework on which to build our dry bulk fleet organically through the acquisition of ships or fleets at the right time and price.

The outlook for the towage market and our PB Towage business in Australasia is promising for the year ahead, but demand and supply side challenges are expected to drive continued severe weakness in the RoRo charter market.

Therefore, our key strategic objectives for the Group in 2012 are to:

- Direct new investment predominantly towards expansion of our owned fleet of dry bulk ships, patiently awaiting and capitalising on acquisition opportunities we expect to arise
- Grow our dry bulk customers and cargo contract portfolio in tandem with expansion of our core fleet in order to manage our market exposure
- Invest further in our towage business and fleet as specific projects materialise in the increasingly active offshore projects market
- Enhance our towage organisation with the aim of improving the execution efficiency of our project towage business
- Secure best possible charters and utilisation for our RoRo fleet in what will be another very challenging year, with no plans to invest in expansion of our RoRo fleet
- Consider opportunities for further divestment of non-core businesses

In Closing

We bid a sad farewell to our outgoing CEO Klaus Nyborg whom we thank for managing our business so capably during his tenure and for inspiring so many of us here at Pacific Basin. We wish him well for the future back home in Denmark. Klaus will be leaving us on 15 March and we expect to announce his successor by the end of March.

On a final note, the Board joins me in thanking our conscientious staff and loyal customers and other stakeholders for their commitment to the Company over the past year and their continued support in the future.

David M. Turnbull
Chairman

Hong Kong, 1 March 2012

BUSINESS REVIEW AND OUTLOOK

Pacific Basin Dry Bulk

2011 Dry Bulk Market Review

FREIGHT MARKET SUMMARY

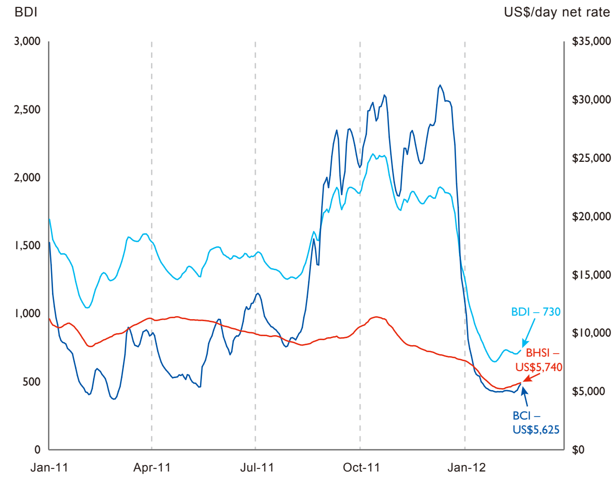
The dry bulk freight market was weaker and less volatile in 2011.

The market for Handysize and Handymax bulk carriers got off to a poor start and, despite some recovery in the second quarter, remained largely flat over the remainder of the year. Handysize spot rates traded in a narrow band and averaged US$10,025 per day in 2011 – down 36% year on year. Average Supramax rates also decreased 36% to US$13,680.

By contrast, average earnings for larger Capesize ships fell 53% and were more volatile, once again reflecting their greater sensitivity to market influences and a diminished correlation with earnings of other dry bulk segments since 2008.

2012 has again started poorly with a sharp decline in freight rates to 26-year lows attributable to the traditional rush of newbuilding deliveries in the new year, and the magnified impact on the dry bulk market of seasonal disruptions in increasingly influential dry bulk trade areas: monsoons in India and Southeast Asia, heavy rainfall in Brazil, cyclones in Australia, and winter and the Lunar New Year in China.

Baltic Dry Index (BDI) Versus Baltic Handysize Index (BHSI) & Baltic Capesize Index (BCI)



Source: The Baltic Exchange, date as at 27 February 2012

KEY DEMAND DEVELOPMENTS

Dry bulk transportation demand in 2011 is estimated by R.S. Platou to have increased by 10% reflecting the relatively healthy state of dry bulk activity last year, albeit offset by excessive expansion of supply.

Seasonal disruptions affected demand and rates for bulk carriers early in the year, though the market then benefited from a resurgence in imports to China which continued to dominate dry bulk developments:

- Chinese minor bulk imports increased significantly
  - 37% more logs and forestry products imported and proportionally more sourced from further afield compounding demand for our logs-fitted ships
  - 92% more nickel and 49% more bauxite driving a five-fold increase in the bauxite volumes we carried
  - 12% more manganese and 11% more fertilisers
- Seaborne iron ore and coal imports experienced a slow first half and record-breaking second half to grow 11% and 10% respectively in the year overall; increased ore imports from less traditional sources benefitted demand for smaller vessel types
- Domestic dry bulk activity continued to grow strongly at around 20% absorbing capacity otherwise competing in international trades

India also played a more prominent role in 2011:

- Reduced Indian ore exports caused Far Eastern buyers to source from non-traditional exporters further afield, thereby increasing tonne-mile demand and benefiting smaller vessels not normally engaged in ore trades
- Indian coal imports increased 11% and we noted over 30% growth in Indian imports of logs from New Zealand

The relatively stable freight market (BDI) ended the year 3% higher than it began – evidencing the strength of dry bulk demand when the global fleet expanded at a record pace.

KEY SUPPLY DEVELOPMENTS

The global fleet of 25,000-40,000 dwt Handysize ships in which we specialise expanded by 7% net during 2011.

Overall dry bulk capacity expanded by 14% net during the year. This was driven by the delivery of 96 million deadweight tonnes of new capacity – 30% below the scheduled orderbook at the start of 2011, but still 20% more than the previous record deliveries of 2010.

The heavy influx of newbuildings was moderated by record-high scrapping with 22 million tonnes of dry bulk capacity sold for demolition (largely during the weaker freight market in the first half of the year) of which 15% (3.4 million tonnes) was attributable to the Handysize segment.

The freight market was in part also supported by increased inefficiencies in the trading of the dry bulk fleet as the East-West trade imbalance resulted in ships spending more time in ballast. High fuel prices exacerbated the uneven availability of ships by increasing the cost of ballasting to Atlantic load ports from the dominant discharge regions in the Pacific, and combined with lower earnings to stimulate slower steaming of the fleet.

SHIP VALUES

Clarksons estimates the current value of their benchmark five year old Handysize (now defined as 32,000 dwt) to have fallen 22% year on year to US$19.5 million, which is now down to the levels seen in early 2009. Newbuilding prices fell to a similar degree and, at current prices, shipyards are struggling to remain profitable – especially as their costs increase – hence we expect to see more shipyard closures.

ORDERBOOK

Challenging market conditions led to a more than 80% reduction in new ship ordering activity in 2011 which, combined with the heavy influx of new ship deliveries, has resulted in a significant reduction in the overhang of dry bulk ships on order. As at 1 February 2012, the orderbook for Handysize vessels stood at 23% – down by over one third year on year – as compared with 30.5% for dry bulk overall.

How Did Pacific Basin Dry Bulk Perform in 2011?

Our core Pacific Basin Dry Bulk division generated a significantly reduced but still respectable net profit of US$81 million, an 11% return on net assets and a relatively strong operating cash flow of US$138 million.

This weaker performance year on year mainly reflected a 19% decrease in our average Handysize daily earnings, but represented a good performance in the context of a significantly weaker market in which average Handysize spot rates fell 36%.

Once again, our ability to outperform the market was shaped by an increase in the number of ships we operated, the value of our cargo book throughout the period, and our strong, global organisation.

Business Highlights

We took several successful steps in our core dry bulk business in 2011 to move us closer to our vision for the Group. They relate mainly to the expansion of our dry bulk fleet and global presence, growing our customer base and relationships, and enhancing our efficiency both on shore and at sea.

- **Scale of our fleet** – We operated an average of 131 dry bulk ships (up from 114 in 2010), operating more short term chartered-in Handysize ships to profitably supplement our core fleet activity and to service our growing customer base. Since this time last year, we committed to purchase or long term charter in another 11 dry bulk ships, and we now await the delivery of one secondhand bulk carrier and 14 owned and nine chartered newbuildings in 2012 to 2014.

  Reflecting well on our strategic priority to grow our dry bulk fleet, the benefits of increasing scale continue to be apparent in our business and now enable us to provide customers with a truly global service. We do not see a limitation to what constitutes the optimum fleet size.
- **Strong global presence and customer relationships** – We now have 14 dry bulk offices (including ten chartering offices) across six continents, having opened new offices in Stamford and Durban to boost our growing Atlantic platform and a new presence in Beijing to enhance our Pacific network. This expansion of office network positions our chartering staff even closer to our North American, African and Chinese customers as we expand our fleet and activity globally, and generated an almost immediate effect on our long term cargo book. Approximately 40% of our business is now in the Atlantic, where the spot market generally has been stronger due to tighter availability of ships.

  We increased our activity in the parcelling and project cargo trades generating access to new customers and business opportunities for our ships, differentiating us from many of our bulk-focused competitors.
- **Efficiency initiatives** – Our new maritime operating system was implemented on time and within budget, and is already proving its value as an appropriately advanced IT platform to support our continued future fleet growth. We have achieved significant fuel savings through the in-house development and implementation of our Right Speed Programme to determine optimal operating speeds based on prevailing freight rates and fuel prices. Other such initiatives included cylinder lubrication optimisation, negotiation of block agreements with dry docks and the more economic bulk purchase of stores.
- **Other projects** – Our 115,000 dwt Post-Panamax newbuilding delivered in July and promptly commenced her 15-year charter to one of China's largest power producers. A 95,000 dwt Post-Panamax bulk carrier delivered into our long term chartered fleet in May and is relet on a back-to-back profit-share basis for the full 10-year charter period.
- **Handymax** – While our Handymax business is building a strong long term forward book and our earnings outperformed the market by 10%, our Handymax results were disappointing due to our reliance on relatively expensive short term chartered ships to perform lower priced long term cargo contracts. Results, particularly in the first half of the year, were also negatively impacted by the cost of repositioning a number of our vessels into more favourable locations, partly in response to the floods in Australia. We have started the process of growing our core fleet of low cost Handymax ships and expect to improve our Handymax margins as we become less reliant on short term chartered ships.

2012 Market Outlook – Dry Bulk

OPPORTUNITIES

- China's significant albeit slowing economic and industrial growth to support continued dependence on imported minor bulks
- Growth in China's dominant share of global bulk imports, driving further trade imbalance and fleet utilisation inefficiencies
- Continued high fuel prices and weak market to lead to increased adoption of slower steaming
- Increased levels of scrapping of older dry bulk capacity
- Severe bank lending constraints limit funding for ship acquisitions, raising barriers to entry and increasing opportunities for cash rich owners

THREATS

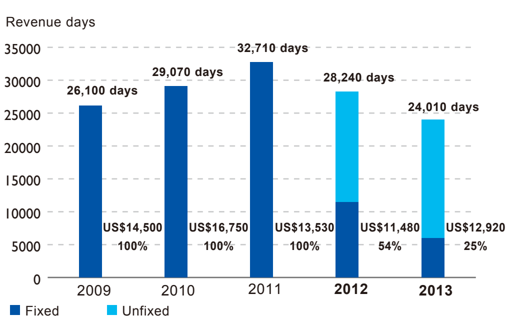
- Continued excessive newbuilding deliveries for a third year in succession, despite expectations of a 35% delivery shortfall attributable to non-deliveries of expensive ships ordered in 2007/08 and shipyards slowing production to save costs
- Hesitant global economic recovery impacted by continued crisis in Europe
- Potentially weaker growth in Chinese economy and industrial production

Outlook for Our Dry Bulk Business

We anticipate the dry bulk market to remain weak during the first half of the year until a revival in activity provides scope for buoyancy in the second half. We expect freight rates will be weaker overall in 2012 as the market will likely struggle to absorb the continued influx of newbuilding deliveries at a time of uncertainty in the World economy.

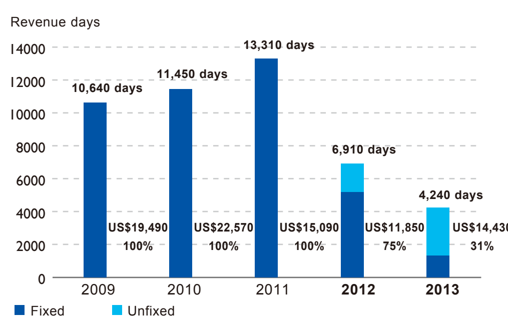
Our exposure to a potentially weaker freight market is partly limited by our cargo book. We have contract cover in place for 54% and 25% of our Handysize revenue days in 2012 and 2013 respectively, and we currently expect the majority of our uncovered 2012 revenue days will generate revenue from the spot market. We continue to build our forward cargo book for 2012 and beyond.

Handysize Contract Cover and Daily TCE



As at 27 February 2012

Handymax Contract Cover and Daily TCE



As at 27 February 2012

We remain committed to our strategy of directing new investment towards the further expansion of our dry bulk fleet – patiently awaiting the right opportunities at the right price – and we have the platform on which to grow organically through the acquisition of individual ships or fleets.

That platform draws its strength from:

- our growing global customer base
- our newly enhanced operating system and processes
- various on-going efficiency initiatives
- our expanded network of offices
- our strong balance sheet
- the value of our cargo book
- the leverage of our fleet's scale and flexibility

We are therefore well positioned to maximise our performance in the challenging period ahead whilst also well equipped to capitalise on opportunities that we expect to arise and eventual improvements in market conditions ahead.

Our market outlook for the longer term is positive, as we believe expanding wealth in emerging economies will generally strengthen demand for dry bulk commodities for some years while the newbuilding orderbook becomes less onerous from 2013 onwards. This combination should provide the dry bulk market with a more favourable supply/demand balance in the future.

PB Energy & Infrastructure Services

(Now Renamed "PB Towage")

2011 Towage Market Review

The challenging market for both offshore and harbour towage services in 2010 gave way to significantly improved conditions in 2011.

OFFSHORE AND INFRASTRUCTURE SUPPORT

The growth in Australian energy and resources development increased demand for offshore tug and barge activity during 2011. New coastal gas infrastructure projects commenced and existing projects such as the Gorgon offshore gas project were expanded, buoying requirements for marine logistics resources.

The Middle East markets remained difficult due to an excess supply of vessels and the impact of regional economic conditions and political instability on infrastructure development.

HARBOUR TOWAGE

Improved container line activity impacted positively on demand for harbour towage services at Australian container ports. Generally strong Chinese demand for resources sustained dry bulk port calls, although throughput at Townsville where we have an exclusive license was impacted by disruptions due to Cyclone Yasi and related floods early in the year.

SUPPLY

The global fleet of tugs grew 3.6% in 2011, down from 4.3% in 2010 due to an 18% decline in newbuilding deliveries.

How Did PB EIS Perform in 2011?

Our PB Energy & Infrastructure Services (PB EIS) division (now renamed "PB Towage") generated a net profit of US$10.8 million and an operating cash flow of US$29.0 million, reflecting a turnaround year for our towage business which contributed a net profit of US$15.2 million – more than offsetting the operating loss generated early in the year by our FBSL joint venture in the Middle East.

Business Highlights

Our energy and infrastructure services division had a much better year with its main business, PB Towage, progressing strongly and demonstrating the increasing value of our strategic diversification into the harbour and offshore towage support sectors pre-2008.

- **Australasian offshore and infrastructure projects on the rise** – Having positioned itself as a leading sub-contractor to the Australasian offshore construction markets, PB Towage was able to capitalise on a buoyant projects market, including increased activity from the Chevron-led Gorgon offshore gas project in Western Australia, commencement of activities on BG's Queensland Curtis LNG (QCLNG) project in Gladstone and various coastal projects. We now have nine vessels committed to Gorgon and six vessels deployed on QCLNG.

- **Middle East market challenges** – Our FBSL joint venture successfully completed the Northern Project in the first half of the year and, in view of the severely limited prospects for profitable new projects, closed its operations in June and sold its assets. PB Towage's secondary activities in the Middle East recovered quicker than expected from the loss of FBSL business, achieving respectable utilisation despite a generally unfavourable Middle East market and strong competition.

- **Harbour towage improves on increased market share** – Despite early service disruptions in Townsville following Cyclone Yasi, PB Towage's harbour business moved into profitability primarily due to increased market share in Australian container ports following customer successes and increased charter opportunities despite strong competition. PB Towage vessels including our bunker tanker "Awanuia" supported salvors with the removal of fuel and containers from the containership "Rena" which ran aground near Tauranga in October. We are proud and privileged to have assisted in significantly limiting the oil pollution caused by this incident which was declared New Zealand's worst maritime environmental disaster.

- **Initiatives to strengthen its organisation** – PB Towage implemented initiatives during the year to optimise its vessels' deployment and enhance its human resources, operations and safety, quality, health and environment (SQHE) systems and processes.

- **PacMarine sold** – Our marine surveying and consultancy subsidiary PacMarine Services expanded its global network in 2011. Since the year end, we have sold the business to PacMarine management.

Division name change – In view of the closure of FBSL, the sale of PacMarine and the new exclusive focus on its towage activities, the name of this Pacific Basin division has been changed from "PB Energy & Infrastructure Services" to "PB Towage" with effect from 1 January 2012.

2012 Market Outlook – Towage

OPPORTUNITIES

- High oil prices buoying demand for new fuel sources
- Demand for cleaner, safer fuels
- Continued recovery in the Australian projects market as Australia strives to become a major LNG exporter
- Further improvement in Australian port activity

THREATS

- Hesitant global economic recovery casts uncertainty over commodity exports and port activity
- Potential decline in Chinese industrial production impacting Australian commodity exports and port activity
- Expanding competition especially in the Middle East
- Ongoing labour market cost pressures

Outlook for our Towage Business

We anticipate last year's improvement in the Australasian offshore project and harbour towage markets will continue in 2012, and we consider ourselves well placed to participate in the increasing activity in this sector, drawing on:

- our now well established profile and reputation in our main Australasian market
- on-going enhancements to our organisation in areas of human resources, SQHE, operations and systems
- access to Pacific Basin's strong balance sheet allowing for further investment in our towage fleet as specific projects materialise
- our growing fleet of well-specified vessels supported by a high-quality team
- a new business alliance with US-based Crowley Solutions Group to broaden our activities into Southeast Asia and Oceania

PB Towage has started the year with good earnings cover for 2012.

PB RoRo

2011 RoRo Market Review

The muted recovery in European freight activity in 2010 and early 2011 has since stalled due to the severe and ongoing economic problems in the Eurozone. Seaborne trailer volumes remain well below pre-recession levels and demand from freight ferry operators for additional chartered RoRo ships is limited.

Underlying demand varied between areas with some recovery apparent during 2011 in the Baltic trades and more recently across the Irish Sea. Demand in cross-Mediterranean trades was restricted early in the year by political events in North Africa but has since recovered in some countries – notably Tunisia – on renewed stability.

While overall supply of freight RoRo capacity shrank by a marginal 0.6% during 2011, the fleet of large RoRo ships of the type we operate (over 2,700 lane metres) grew by a significant 11%, driven by the influx of some 44,300 lane metres of new capacity ordered prior to the financial crisis. Of 53,600 lane metres of capacity scrapped, only 15,400 lane metres were large RoRos due in part to relatively few such vessels reaching critical special survey deadlines during the year.

The net effect was further weakening in the market for large RoRo vessels, with rates falling and surplus tonnage competing strongly for the limited employment opportunities that arose.

As in the previous two years, very few RoRo newbuildings were ordered in 2011 – limited to specialised vessels intended for specific deep-sea or niche trades rather than for deployment on mainstream trailer services. As at 1 January 2012, the total RoRo orderbook amounted to 96,300 lane metres, or about 11% of the existing fleet. Of these, 77,200 lane metres were attributable to large RoRo (with a 21% orderbook), but this will decline rapidly over the coming 18 months when most of these vessels deliver.

How Did PB RoRo Perform in 2011?

Our PB RoRo division generated a net loss of US$10.6 million (2010: US$1.1 million loss) and an operating cash flow of US$7.5 million in a very difficult year due to continued depression in the Euro-centric RoRo market and the suspension of the NGB service.

Business Highlights

Our RoRo division faced challenging circumstances, with the last three of our RoRo newbuildings delivering into a very weak charter market.

- **Completion of RoRo newbuilding programme** – Our final two RoRo ships delivered from Odense Steel Shipyard in Denmark in August 2011 and January 2012 respectively, bringing the fleet to six large, modern, fuel-efficient vessels.
- **Employment of our earlier ships** – Our first RoRo is still operating in the North Sea on charter to DFDS at a strong rate negotiated prior to the recession, and will continue to do so until the third quarter 2012. Her sistership which delivered in March 2011 traded satisfactorily in the Mediterranean on a one year time charter which has since been renewed, albeit at a low rate reflecting the weak market.

- **Nafta Gulf Bridge suspended** – Despite its potential, the Nafta Gulf Bridge service between Mexico and the US Gulf failed to generate sufficient cargo support, resulting in the suspension of the service in early October. We were able to redeploy our two US Gulf-based RoRo's on short term business in the region, but longer term employment for these remains a challenge.
- **Full focus given to chartering effort** – Our RoRo team was engaged in a major drive to secure satisfactory employment for our fleet in 2011, but underlying trailer freight demand remained insufficient to revive the weak RoRo charter market. With our final two ships seeking employment and charters for three of our other RoRo's expiring this year, our priority for 2012 is to secure the best possible employment for our ships.
- **Reassessment of RoRo prospects led to impairment in mid-2011** – In the second quarter, the much weaker outlook for the RoRo charter market gave us concern about the ability to deploy our RoRo vessels profitably, which reduced their value-in-use to below their carrying values on our balance sheet. Consequently, an impairment of US$80 million for all six vessels was charged to our Group results. In calculating the value-in-use, we conservatively assumed that the RoRo charter market will continue to be weak for the coming two to three years before improving to and stabilising at rates still below pre-financial crisis levels. After the impairment charge in mid-2011, carrying values of our RoRo's were adjusted with reference to brokers' indicative market value estimates. This impairment is not allocated to PB RoRo segment results as it does not relate to the division's underlying operations. However, the impairment does reduce the carrying value of the Group's assets.

2012 Market Outlook — RoRo

OPPORTUNITIES

- Increased levels of scrapping of older ships to reduce over capacity
- High fuel prices to make our modern fuel-efficient vessels more attractive
- Continued albeit limited development of new RoRo trades both in Europe and elsewhere

THREATS

- Continuing economic crisis and increased austerity in Europe, albeit moderated by positive steps to repair economy later in the year
- Weak intra-European trade
- Limited growth in trailer volumes
- Significant deliveries of large freight RoRo newbuildings scheduled in 2012
- Excess capacity among most European RoRo operators leading to only limited requirement for chartering third-party vessels
- Hesitant global economic recovery

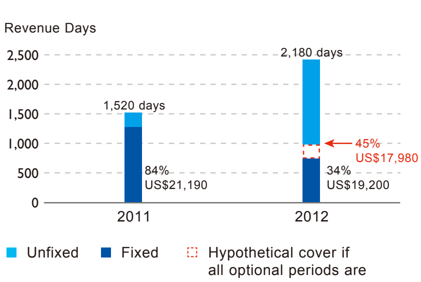
Outlook for our RoRo Business

We expect the charter market for RoRo ships to remain weak throughout 2012 due to the further influx of newbuilding deliveries, overall muted growth in freight volumes and an anaemic European economy.

We therefore anticipate another very challenging loss-making year for our RoRo business. Our priority for 2012 is to secure best possible charters, improve utilisation and implement stringent cost control to minimise losses until the market recovers, with no plans to invest in expansion of our RoRo fleet.

Looking further ahead, an end to the current wave of newbuilding deliveries in 2013, coupled with eventual European economic recovery and the development of new RoRo trades support a much more positive outlook for our RoRo business in the longer term.

PB RORO EMPLOYMENT COVER



Charter rates earned in Euros are translated to US Dollars at an indicative rate of EUR1.00 to US$1.295

Note: As at 27 February 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Note	2011 US$'000	2010 US$'000
Revenue	3(a)	**1,342,535**	1,268,542
Direct costs		**(1,234,889)**	(1,109,213)
Gross profit		**107,646**	159,329
General and administrative expenses		**(10,754)**	(12,945)
Other income and gains		**67,173**	47,176
Other expenses		**(91,070)**	(59,189)
Finance costs, net		**(31,332)**	(31,193)
Share of profits less losses of jointly controlled entities		**508**	1,805
Share of profits less losses of associates		**(9,992)**	(192)
Profit before taxation	4	**32,179**	104,791
Taxation	5	**(197)**	(453)
Profit attributable to shareholders	3(a)	**31,982**	104,338
Dividends	6	**24,896**	53,441
Earnings per share for profit attributable to shareholders			
Basic	7(a)	**US 1.65 cents**	US 5.41 cents
Diluted	7(b)	**US 1.65 cents**	US 5.41 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011 US$'000	2010 US$'000
Profit attributable to shareholders	**31,982**	104,338
Other comprehensive income		
Release of investment valuation reserve upon disposal of available-for-sale financial assets	**(60,502)**	(5,441)
Fair value gains on available-for-sale financial assets	**22,884**	29,320
Impairment of available-for-sale financial assets charged to income statement	**910**	–
Cash flow hedges:		
– fair value losses	**(7,196)**	(2,543)
– transferred to finance costs in consolidated income statement	**3,598**	(3,698)
– transferred to property, plant and equipment	**–**	(15,431)
Currency translation differences	**(953)**	8,871
Total comprehensive income attributable to shareholders	**(9,277)**	115,416

CONSOLIDATED BALANCE SHEET

As at 31 December 2011

	Note	**2011**	2010
		US$'000	*US$'000*
Non-current assets			
Property, plant and equipment		**1,525,185**	1,518,632
Investment properties		**2,734**	2,664
Land use rights		**3,874**	3,815
Goodwill		**25,256**	25,256
Interests in jointly controlled entities		**44,403**	56,125
Investments in associates		**4,411**	4,098
Available-for-sale financial assets		**11,533**	74,476
Derivative assets		**361**	1,672
Trade and other receivables	*8*	**5,175**	6,792
Restricted bank deposits		**8,566**	10,280
Other non-current assets		**4,400**	–
		1,635,898	1,703,810
Current assets			
Inventories		**66,873**	39,911
Derivative assets		**5,303**	7,066
Structured notes		**12,913**	–
Trade and other receivables	*8*	**101,110**	111,444
Restricted bank deposits		**11,154**	3,421
Cash and deposits		**598,501**	689,736
		795,854	851,578
Current liabilities			
Derivative liabilities		**1,298**	3,972
Trade and other payables	*9*	**144,798**	127,248
Current portion of long term borrowings		**65,323**	165,696
Taxation payable		**2,139**	3,059
Provision for onerous contracts		**–**	2,031
		213,558	302,006
Net current assets		**582,296**	549,572
Total assets less current liabilities		**2,218,194**	2,253,382
Non-current liabilities			
Derivative liabilities		**19,563**	14,721
Long term borrowings		**713,716**	693,770
		733,279	708,491
Net assets		**1,484,915**	1,544,891
Equity			
Capital and reserves attributable to shareholders			
Share capital		**193,658**	193,164
Retained profits		**708,463**	720,809
Other reserves		**582,794**	630,918
Total equity		**1,484,915**	1,544,891

Note:

1. General information and basis of preparation

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

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

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements have been prepared under 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

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2010.

The following revised standards, amendments and improvements to standard are mandatory for the accounting period beginning 1 January 2011 and are relevant to the Group's operation.

HKAS 1 (Amendment)	Presentation of financial statements
HKAS 24 (Revised)	Related party disclosures
HKAS 27 (Amendment)	Consolidated and separate financial statements
HKAS 34 (Amendment)	Interim financial reporting
HKFRS 3 (Amendment)	Business combinations
HKFRS 7 (Amendment)	Financial instruments: Disclosures

The adoption of the above do not have a significant effect on the financial statements or result in any significant changes to the Group's principal 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 is primarily derived from the provision of dry bulk shipping services, services to the energy and infrastructure sectors and RoRo shipping services.

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, 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, preclude a meaningful allocation of operating profit to specific geographical segments.

(a) Income Statement Segment Information

For the year ended 31 December 2011 US$'000	Pacific Basin Dry Bulk	PB Energy & Infrastructure Services	PB RoRo	All Other Segments	Total Segments	Unallocated Treasury	Unallocated Others	Total	Reclass-ification	Per Financial Statements
Revenue	1,194,971	116,263	29,746	915	1,341,895	–	900	1,342,795	(260)	1,342,535
Freight and charter-hire	1,194,971 [1]	93,837	29,599	–	1,318,407	–	900 [1]	1,319,307	(260)[1]	1,319,047
Maritime management services	–	22,426	147	915	23,488	–	–	23,488	–	23,488
Bunkers & port disbursements	(536,180)[2]	(2,843)	(2,817)	–	(541,840)	–	(1,159)[2]	(542,999)	542,999 [2]	–
Time charter equivalent earnings	658,791									
Direct costs	(562,300)	(97,531)	(27,720)	(2,308)	(689,859)	–	–	(689,859)	(545,030)	(1,234,889)
Bunkers & port disbursements	–	–	–	–	–	–	–	–	(542,999)[2]	(542,999)
Charter-hire expenses for vessels	(420,951)	(3,508)	–	–	(424,459)	–	–	(424,459)	(2,031)	(426,490)
Vessel operating costs	(63,395)	(48,684)	(14,927)	–	(127,006)	–	–	(127,006)	–	(127,006)
Depreciation of vessels	(45,808)	(15,061)	(11,042)	–	(71,911)	–	–	(71,911)	–	(71,911)
Direct overheads	(32,146)	(30,278)	(1,751)	(2,308)	(66,483)	–	–	(66,483)	–	(66,483)
Gross profit	96,491	15,889	(791)	(1,393)	110,196	–	(259)	109,937	(2,291)	107,646
General and administrative expenses	–	–	–	–	–	(2,479)	(8,275)	(10,754)	–	(10,754)
Other income and expenses	–	(85)	–	(1,885)	(1,970)	(21)	(24,197)[3]	(26,188)	2,291 [1]	(23,897)
Finance costs, net	(15,071)	(2,882)	(2,547)	873	(19,627)	(10,320)	(1,385)[4]	(31,332)	–	(31,332)
Share of profits less losses of jointly controlled entities	–	758	283	(533)	508	–	–	508	–	508
Share of losses of associates	–	(2,468)	(7,524)	–	(9,992)	–	–	(9,992)	–	(9,992)
Profit before taxation	81,420	11,212	(10,579)	(2,938)	79,115	(12,820)	(34,116)	32,179	–	32,179
Taxation	–	(434)	(19)	256	(197)	–	–	(197)	–	(197)
Profit attributable to shareholders	81,420	10,778	(10,598)	(2,682)	78,918	(12,820)	(34,116)	31,982	–	31,982

Note 1. Net unrealised forward freight agreements 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, net realised and unrealised forward freight agreement benefits and expenses are reclassified to other income and other expenses. The related derivative assets and liabilities are also under "Unallocated Others".

Note 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 also under "Unallocated Others".

Note 3. "Others" represents the impairment charge of US$80 million of the RoRo vessels, net of gains on disposal of investment of US$55.8 million in Green Dragon Gas Limited.

Note 4. "Others" represents net unrealised interest rate swap contract benefits and expenses.

(a) Income Statement Segment Information (Continued)

For the year ended 31 December 2010 US$'000	Pacific Basin Dry Bulk	PB Energy & Infrastructure Services	PB RoRo	All Other Segments	Total Segments	Unallocated		Total	Reclass-ification	Per Financial Statements
						Treasury	Others			
Revenue	1,169,405	78,744	14,572	2,473	1,265,194	–	(3,380)	1,261,814	6,728	1,268,542
Freight and charter-hire	1,169,405 [1]	50,956	14,408	–	1,234,769	–	(3,380)[1]	1,231,389	6,728 [1]	1,238,117
Maritime management services	–	27,788	164	2,473	30,425	–	–	30,425	–	30,425
Bunkers & port disbursements	(418,308)[2]	(4,051)	(2,085)	–	(424,444)	–	(8,195)[2]	(432,639)	432,639 [2]	–
Time charter equivalent earnings	751,097									
Direct costs	(592,969)	(69,559)	(10,665)	(3,381)	(676,574)	–	–	(676,574)	(432,639)	(1,109,213)
Bunkers & port disbursements	–	–	–	–	–	–	–	–	(432,639)[2]	(432,639)
Charter-hire expenses for vessels	(471,711)	(1,170)	(320)	–	(473,201)	–	–	(473,201)	–	(473,201)
Vessel operating costs	(53,973)	(32,994)	(4,532)	–	(91,499)	–	–	(91,499)	–	(91,499)
Depreciation of vessels	(39,935)	(12,864)	(3,758)	–	(56,557)	–	–	(56,557)	–	(56,557)
Direct overheads	(27,350)	(22,531)	(2,055)	(3,381)	(55,317)	–	–	(55,317)	–	(55,317)
Gross profit	158,128	5,134	1,822	(908)	164,176	–	(11,575)	152,601	6,728	159,329
General and administrative expenses	–	–	–	–	–	(4,936)	(8,009)	(12,945)	–	(12,945)
Other income and expenses	–	(521)	(96)	(888)	(1,505)	(651)	(3,129)	(5,285)	(6,728)[1]	(12,013)
Finance costs, net	(13,186)	(2,727)	(2,628)	1,029	(17,512)	(12,880)	(801)[4]	(31,193)	–	(31,193)
Share of profits less losses of jointly controlled entities	–	2,181	79	(455)	1,805	–	–	1,805	–	1,805
Share of profits less losses of associates	–	100	(292)	–	(192)	–	–	(192)	–	(192)
Profit before taxation	144,942	4,167	(1,115)	(1,222)	146,772	(18,467)	(23,514)	104,791	–	104,791
Taxation	–	726	(6)	(1,173)	(453)	–	–	(453)	–	(453)
Profit attributable to shareholders	144,942	4,893	(1,121)	(2,395)	146,319	(18,467)	(23,514)	104,338	–	104,338

(b) Balance Sheet Segment Information

At 31 December 2011 US$'000	Pacific Basin Dry Bulk	PB Energy & Infrastructure Services	PB RoRo	All Other Segments	Total Segments	Unallocated Treasury	Unallocated Others	Per Financial Statements
Total assets	1,106,582	291,464	375,226	53,714	1,826,986	595,774	8,992 [1, 2]	2,431,752
Total assets include:								
Property, plant and equipment	936,136	213,678	369,989	5,382	1,525,185	–	–	1,525,185
– Include additions to property, plant and equipment	120,244	8,982	38,366	2,528	170,120	–	–	170,120
Interests in jointly controlled entities	–	13,974	594	26,507	41,075	–	3,328	44,403
Investments in associates	–	4,411	–	–	4,411	–	–	4,411
– Include additions to investment in an associate	–	–	6,968	–	6,968	–	–	6,968
Total liabilities	406,436	59,393	52,299	2,822	520,950	400,876	25,011 [1, 2]	946,837
Total liabilities include:								
Long term borrowings	297,682	34,362	48,392	–	380,436	398,603	–	779,039

Pacific Basin Dry Bulk total assets 1,106,582:
- Vessels delivered & under construction
- Goodwill

PB RoRo total assets 375,226:
- Vessels delivered & under construction

Unallocated Treasury total assets 595,774:
- Group unallocated cash

Unallocated Others total assets 8,992:
- Derivative assets

PB Energy & Infrastructure Services investments in associates 4,411:
- Gold River Marine Terminal, Canada

PB Energy & Infrastructure Services interests in jointly controlled entities 13,974:
- OMSA
- Bunker tanker, N.Z.

All Other Segments interests in jointly controlled entities 26,507:
- Longtan Tianyu Terminal

Pacific Basin Dry Bulk long term borrowings 297,682:
- Bank loans
- Finance lease liabilities

PB Energy & Infrastructure Services long term borrowings 34,362:
- Bank loans

PB RoRo long term borrowings 48,392:
- Bank loans

Unallocated Treasury long term borrowings 398,603:
Group general facilities includes:
- Convertible bonds
- Loans secured on vessels for future expansion

Unallocated Others total liabilities 25,011:
- Derivative liabilities

At 31 December 2010 US$'000	Pacific Basin Dry Bulk	PB Energy & Infrastructure Services	PB RoRo	All Other Segments	Total Segments	Unallocated Treasury	Unallocated Others	Per Financial Statements
Total assets	978,462	291,421	443,669	153,634	1,867,186	679,940	8,262 [1, 2]	2,555,388
Total assets include:								
Property, plant and equipment	828,667	223,633	429,148	37,184	1,518,632	–	–	1,518,632
– Include additions to property, plant and equipment	250,998	55,308	195,339	21,851	523,496	–	642	524,138
Interests in jointly controlled entities	–	26,360	641	29,600	56,601	–	(476)	56,125
– Include additions to interests in jointly controlled entities	–	–	1,000	13,189	14,189	–	–	14,189
Investments in associates	–	3,442	656	–	4,098	–	–	4,098
Total liabilities	288,372	62,009	59,237	6,360	415,978	575,826	18,693 [1, 2]	1,010,497
Total liabilities include:								
Long term borrowings	184,458	44,975	54,718	–	284,151	575,315	–	859,466

4. Profit before taxation

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

US$'000	**2011**	2010
Bunkers consumed	**368,123**	263,380
Provision for impairment losses on property, plant and equipment	**80,000**	–
Depreciation		
– owned vessels	**60,478**	45,082
– leased vessels	**11,433**	11,475
– other owned property, plant and equipment	**1,503**	1,386
– investment properties	**64**	61
Amortisation of land use rights	**113**	108
Gain on disposal of available-for-sale financial assets	**(55,816)**	(15,984)
Net (gains)/losses on bunker swap contracts	**(14,906)**	2,200
Interest on borrowings		
– bank loans	**15,348**	9,787
– finance lease	**12,129**	13,186
– convertible bonds	**10,009**	20,716
Net losses on interest rate swap contracts	**6,931**	6,274
Lubricating oil consumed	**5,900**	4,920
Net (gains)/losses on forward freight agreements	**(259)**	6,728
Fair value losses on structured notes	**32**	–

5. Taxation

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

US$'000	**2011**	2010
Current taxation		
Hong Kong profits tax, provided at the rate of 16.5% (2010: 16.5%)	**469**	1,047
Overseas tax, provided at the rates of taxation prevailing in the countries	**1,313**	745
Overprovision of prior year	**(1,585)**	(1,339)
	197	453

6. Dividends

	2011			2010		
	HK cents per share	**US cents per share**	**US$'000**	HK cents per share	US cents per share	US$'000
Interim dividend	**5.0**	**0.6**	**12,416**	5.0	0.6	12,422
Proposed final dividend	**5.0**	**0.6**	**12,480**	16.5	2.1	41,019
	10.0	**1.2**	**24,896**	21.5	2.7	53,441
Dividend paid during the year	**21.5**	**2.7**	**53,435**	20.0	2.5	49,694

The proposed final dividend is subject to approval by the shareholders at the Annual General Meeting on 19 April 2012.

7. Earnings per share

(a) Basic Earnings Per Share

Basic earnings per share are calculated by dividing the Group's profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year, excluding the shares held by the trustee of the Company's Long Term Incentive Scheme ("LTIS").

		2011	2010
Profit attributable to shareholders	(US$'000)	**31,982**	104,338
Weighted average number of ordinary shares in issue	('000)	**1,934,084**	1,929,463
Basic earnings per share	(US cents)	**1.65**	5.41
Equivalent to	(HK cents)	**12.88**	42.01

(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 year after adjusting for the number of potential dilutive ordinary shares granted under the Company's LTIS but excluding the shares held by the trustee of the Company's LTIS.

		2011	2010
Profit attributable to shareholders	(US$'000)	**31,982**	104,338
Weighted average number of ordinary shares in issue	('000)	**1,934,084**	1,929,463
Adjustments for share options	('000)	**161**	224
Weighted average number of ordinary shares for diluted earnings per share	('000)	**1,934,245**	1,929,687
Diluted earnings per share	(US cents)	**1.65**	5.41
Equivalent to	(HK cents)	**12.88**	42.00

8. Trade and other receivables

Included in trade and other receivables are net trade receivables and their ageing is as follows:

US$'000	2011	2010
Less than 30 days	**31,371**	19,536
31-60 days	**8,212**	4,280
61-90 days	**2,069**	1,164
Over 90 days	**3,361**	3,069
	45,013	28,049

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 normally will not grant any credit terms to its customers.

9. Trade and other payables

Included in trade and other payables are trade payables and their ageing is as follows:

US$'000	2011	2010
Less than 30 days	**45,314**	27,414
31-60 days	**201**	859
61-90 days	**75**	272
Over 90 days	**6,010**	5,131
	51,600	33,676

FINANCIAL REVIEW

Group Performance Review

US$ Million	2011	2010	Change
Revenue	1,342.5	1,268.5	+6%
Direct costs	(1,234.9)	(1,109.2)	+11%
Gross profit	107.6	159.3	-32%
Segment net profit	78.9	146.3	-46%
Underlying profit	57.8	119.8	-52%
Profit attributable to shareholders	32.0	104.3	-69%
Operating cash inflow	159.4	198.6	-20%
Net profit margin	2%	8%	-6%
Return on average equity employed	2%	7%	-5%

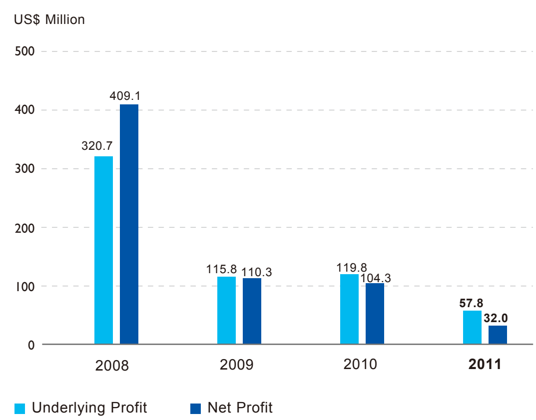
Underlying profit

Includes:	Excludes:
• Segment results • Treasury results • Indirect general and administrative expenses	• Disposal gains and losses • Unrealised non-cash portion of results from derivative instruments relating to future periods

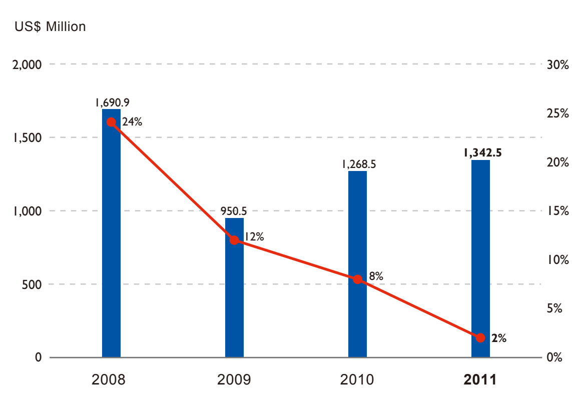
The main influences on our 2011 results were as follows:

- **Revenue** increased 6% mainly due to improved performance of our harbour towage and offshore and project supply activities.
- **Underlying profit** was down mainly due to a 24% decrease in daily charter rates of our dry bulk vessels, only partly offset by a 17% decrease in blended daily vessel operating costs.
- **Profit attributable to shareholders** was lower mainly due to:
  i) an US$80 million impairment of our RoRo vessels;
  ii) unrealised derivative expenses of US$1.6 million (2010: US$12.4 million) from reduced average oil prices applicable to our forward bunker commitments; offset by
  iii) a US$55.8 million (2010: US$16.0 million) gain from the sale of our remaining shares in Green Dragon Gas Limited.
- **Operating cash inflow** was US$159.4 million (2010: US$198.6 million). The Group used a net US$201.4 million (2010: US$558.7 million) of cash after funding capex and net debt flows, leaving US$618.2 million (2010: US$703.4 million) of cash and deposits at the year end.

Group Underlying and Net Profit



Group Revenue and Net Profit Margin



Segments Review

Reconciliation of segment net profit to profit attributable to shareholders

US$ Million	2011	2010
Segment net profit	**78.9**	146.3
Treasury	**(12.8)**	(18.5)
Indirect general and administrative expenses	**(8.3)**	(8.0)
Underlying profit	**57.8**	119.8
Unrealised derivative expenses	**(1.6)**	(12.4)
Fujairah Bulk Shipping impairment charge	**–**	(19.1)
RoRo vessels impairment charge	**(80.0)**	–
Gain from sale of shares in Green Dragon Gas	**55.8**	16.0
Profit attributable to shareholders	**32.0**	104.3

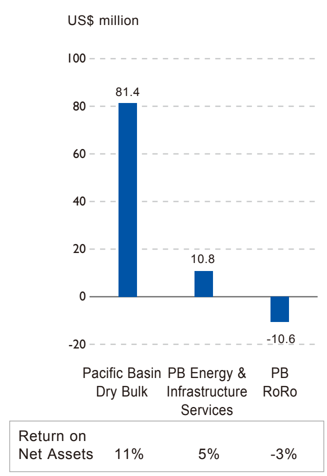
Management analyses the Group's performance in three shipping-related reporting segments:

- Pacific Basin Dry Bulk
- PB Energy & Infrastructure Services
- PB RoRo

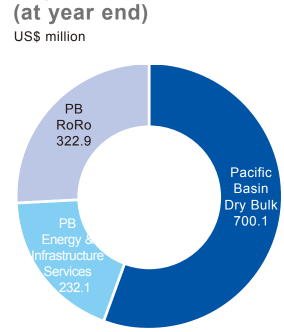
Non-segment activities mainly comprise Treasury.

Pacific Basin Dry Bulk continues to dominate the Group's activities. The following sections provide further analysis of the Group's results and net assets.

2011 Segment Net Profit



Segment Net Assets (at year end)



Pacific Basin Dry Bulk Segment

Segment operating performance

		1H11	2H11	2011	2010	Change
Handysize						
Revenue days		14,620	18,090	32,710	29,070	+13%
Daily charter rates earned	(US$)	13,660	13,420	13,530	16,750	-19%
Daily vessel operating costs	(US$)	10,640	10,710	10,680	11,970	-11%
(US$ Million)						
Net profit		42.9	46.9	89.8	136.1	-34%
Operating cash flow		67.0	76.4	143.4	186.8	-23%
Net assets		655.9	564.1	564.1	619.1	-9%
Return on net assets	(% p.a.)	13%	17%	16%	22%	-6%
Handymax						
Revenue days		6,390	6,920	13,310	11,450	+16%
Daily charter rates earned	(US$)	15,130	15,050	15,090	22,570	-33%
Daily vessel operating costs	(US$)	16,190	15,520	15,840	21,690	-27%
(US$ Million)						
Handymax net (loss)/profit		(7.5)	(3.9)	(11.4)	8.8	-228%
Contribution from Post Panamax		0.3	2.7	3.0	–	–
Net (loss)/profit		(7.2)	(1.2)	(8.4)	8.8	-194%
Operating cash flow		(5.5)	0.2	(5.3)	11.5	-146%
Net assets		133.7	136.0	136.0	104.0	+31%
Return on net assets	(% p.a.)	(11%)	(2%)	(6%)	8%	-14%

Note: The above Handymax revenue days and daily rates exclude two vessels which are on long term charter at a daily rate of US$8,750 and for which the daily vessel cost at US$9,480.

INCOME

Revenue generated by our dry bulk fleet increased 2.2% to US$1,195.0 million (2010: US$1,169.4 million) which represents 89.1% (2010: 92.4%) of our Group's total segment revenue.

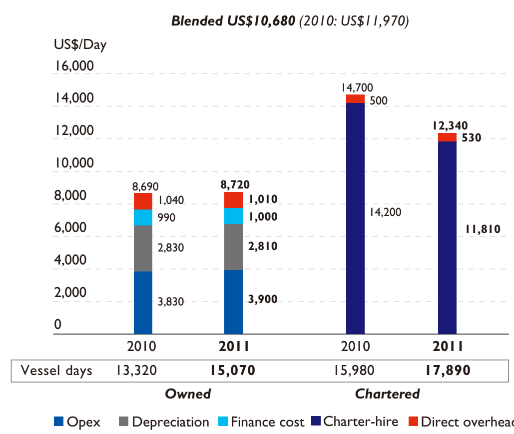
Our fleet of owned and finance leased dry bulk vessels experienced average off-hire of 1.2 days (2010: 1.6 days) per vessel during the year.

DIRECT COSTS

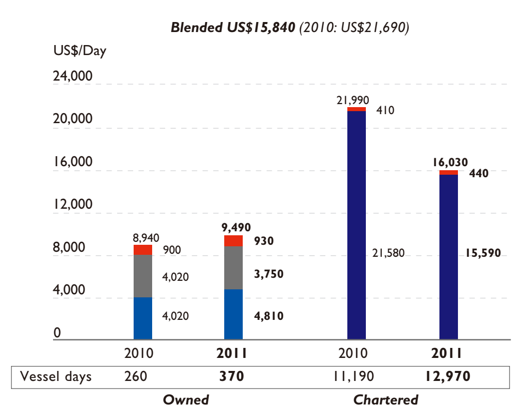
Our dry bulk fleet incurred direct costs of US$562.3 million (2010: US$593.0 million) representing 81.5% (2010: 87.6%) of total segment direct costs. The majority of the decrease in direct costs was attributable to charter-hire expenses for operating lease vessels which decreased to US$421.0 million (2010: US$471.7 million), reflecting a 22.3% decrease in the average daily charter rate of Handysize and Handymax vessels chartered in by the Group under operating leases.

The blended daily operating cost of owned and chartered vessels decreased by 10.8% for Handysize and by 27.0% for Handymax due to lower market chartered-in costs. Owned vessel daily operating costs for Handysize and Handymax increased mainly due to increases in crew wages and, for Handymax, also due to higher maintenance costs. Owned vessel daily operating costs relate to crew, spares, lubricating oil and insurance. Direct overheads represent shore-based staff, office and related expenses directly attributable to the management of the Pacific Basin Dry Bulk segment.

Daily Vessel Costs – Handysize



Daily Vessel Costs – Handymax



PB Energy & Infrastructure Services Segment

The Group's PB Energy & Infrastructure Services segment was primarily engaged through PB Towage in offshore and project supply and harbour towage.

		1H11	2H11	2011	2010	Change
PB Towage						
Vessels operated	(Number)	39.2	41.0	40.1	35.9	+12%
Revenue per vessel	(US$ Million)	1.4	1.7	3.1	2.2	+40%
Cost per vessel	(US$ Million)	1.1	1.1	2.2	1.8	+23%
(US$ Million)						
PB Towage		3.5	11.7	15.2	1.0	+1,420%
PacMarine Service		0.5	0.2	0.7	1.0	-30%
Fujairah Bulk Shipping		(5.2)	0.1	(5.1)	2.9	-276%
Segment net (loss)/profit		(1.2)	12.0	10.8	4.9	+120%
Segment operating cash flow		10.9	18.1	29.0	16.8	+73%
Segment net assets		234.0	232.1	232.1	229.4	+1%
Return on net assets		-1%	+10%	+5%	+2%	+3%

PB Towage's results improved significantly due to increased liner port calls in the harbour towage sector and growth in offshore and project supply activities.

PacMarine Services engages in the business of ship survey and inspection service and it's results reflected a decrease in the number of ship inspections.

Fujairah Bulk Shipping is a joint venture with the Government of Fujairah in the Middle East. Due to continuing difficult market conditions, the board of Fujairah Bulk Shipping decided in 2011 to close its operations, and all its assets have now been sold.

PB RoRo Segment

The Group's first RoRo vessel began generating revenue in September 2009. The second vessel trades in the Mediterranean, while the third and fourth RoRo vessels are operating in the US Gulf albeit at disappointing rates reflecting the weak market. We are still seeking employment for our final two RoRo vessels which delivered in August 2011 and January 2012.

The US$80 million vessel impairment is estimated to reduce daily depreciation by approximately EUR850 or US$1,200 in 2012 for each of the six RoRo vessels.

		1H11	2H11	2011	2010	Change
Revenue days		620	650	1,270	430	+195%
Vessel days		660	860	1,520	480	+217%
Daily charter rates earned	(US$)	21,240	21,140	21,190	29,350	-28%
Daily vessel operating costs	(US$)	22,080	18,210	19,890	27,810	-28%
(US$ Million)						
Vessel operating loss		(1.4)	(2.0)	(3.4)	(0.8)	+325%
Share of loss of associate		(4.1)	(3.4)	(7.5)	(0.3)	–
Share of profit of jointly controlled entity		0.2	0.1	0.3	–	–
Segment net loss		(5.3)	(5.3)	(10.6)	(1.1)	+864%
Segment operating cash flow		4.5	3.0	7.5	2.8	+168%
Segment net assets		347.6	322.9	322.9	384.4	-16%
Return on net assets		-3%	-3%	-3%	0%	-3%

Cash Flow and Cash

The Group actively manages its cash, borrowings and commitments closely 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.

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

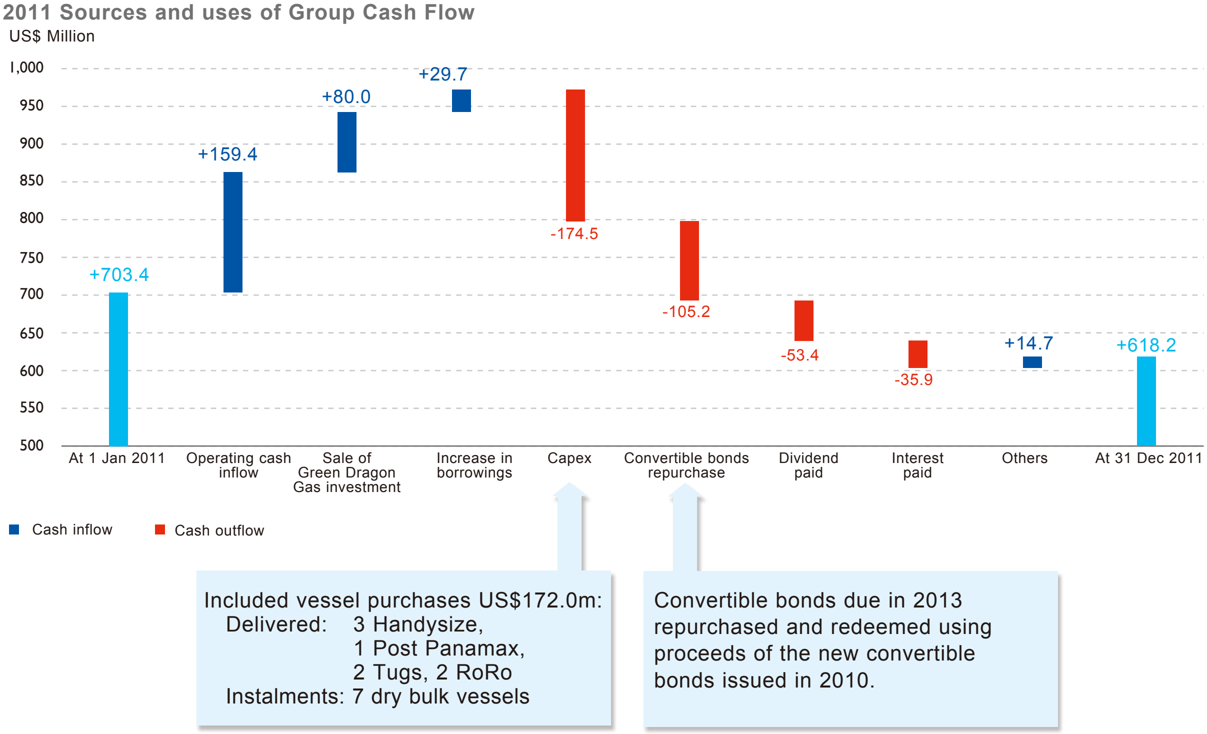
As at 31 December 2011, the Group had a strong cash position of US$618.2 million resulting in a 10.5% gearing ratio of net borrowings to Net Book Value of property, plant and equipment. Based on existing capital commitments of US$322.4 million, the Group has sufficient cash resources on hand to fund these commitments.

Over the long term, the Group aims to maintain group net gearing at no greater than 50%, which represents a conservative balance of borrowings and equity that is sustainable over different stages of the shipping cycle.

Cash Flow

Liquidity	US$618.2 million of cash and deposits (principally denominated in US$) US$116.6 million of unutilised bank borrowing facilities
Net working capital	US$582.3 million

2011 Sources and uses of Group Cash Flow



Purchase and sale of vessels, and drawdown and repayment of borrowings shall continue to be the major factors influencing future cash flows.

Cash and Deposits

The Group's cash resources are managed by the treasury function as part of the Group's ordinary activities.

Treasury's objective is to enhance 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 deployed to meet the Group's commitments and needs. Cash and deposits are placed with a range of leading banks, mainly in Hong Kong.

Treasury may invest in products and up to amounts 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.

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

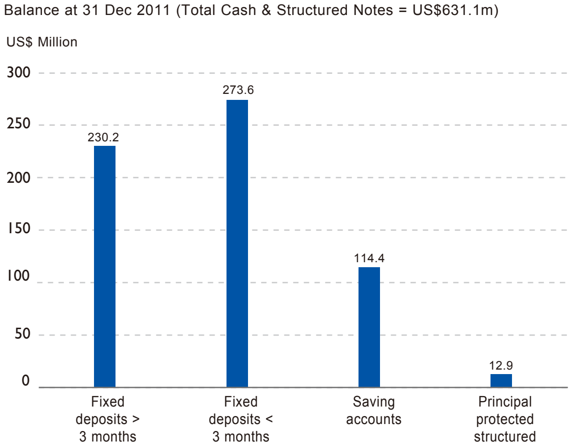
US$ Million	2011	2010	Change
Restricted bank deposits – non-current assets	8.6	10.3	
Restricted bank deposits – current assets	11.2	3.4	
Cash and deposits	598.4	689.7	
Total cash and deposits	618.2	703.4	-12%
Current portion of long term borrowings	(65.3)	(165.7)	
Long term borrowings	(713.7)	(693.8)	
Total borrowings	(779.0)	(859.5)	-9%
Net borrowings	(160.8)	(156.1)	+3%
Net borrowings to Net Book Value of property, plant and equipment	10.5%	10.2%	
Net borrowings to shareholders' equity	10.8%	10.1%	

During the year, Treasury achieved an average return of 1.8% (2010: 1.5%) per annum on the Group's cash.

At 31 December 2011, the Group's cash and deposits and structured notes were placed in the following investment products:

Cash and Deposits Investments

Balance at 31 Dec 2011 (Total Cash & Structured Notes = US$631.1m)



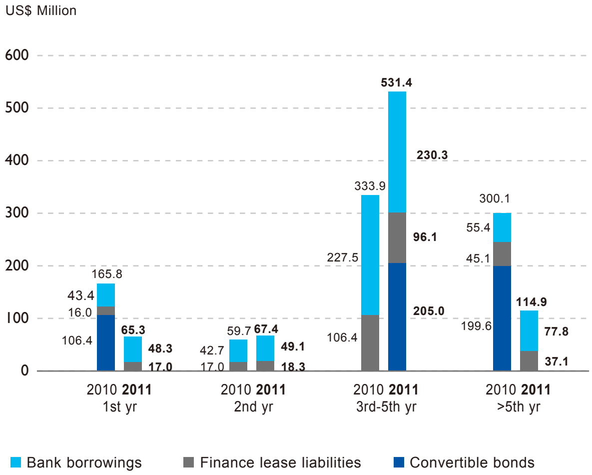
Borrowings

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

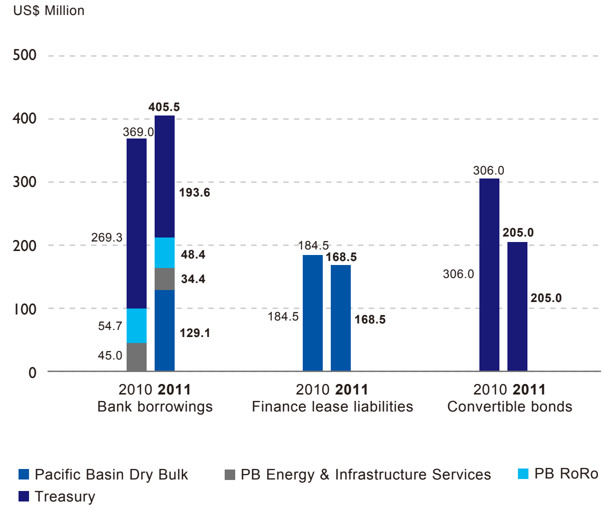
- Bank borrowings
- Finance lease liabilities
- The debt element of convertible bonds

The aggregate borrowings of the Group amounted to US$779.0 million (2010: US$859.5 million). They are principally denominated in United States Dollars, except for bank loans equivalent to US$106.0 million (2010: US$54.7 million) and US$34.4 million (2010: US$39.7 million) which are denominated in Euro and Australian Dollars respectively.

Borrowings by Maturity & Source



Borrowings by Source and Segment



Bank Borrowings

Bank borrowings (net of deferred loan arrangement fees) were US$405.5 million (2010: US$369.0 million) at 31 December 2011. It increased as loans secured on RoRo vessels were drawndown during the year.

The Group's bank borrowings were secured by mortgages over 32 vessels with a total net book value of US$548.5 million and an assignment of earnings and insurances in respect of these vessels.

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 unmortagaged vessels as collateral to them. As at 31 December 2011, the Group was in compliance with all its loans to asset value requirements.

At 31 December 2011, the Group has unutilised bank borrowing facilities of US$116.6 million.

P/L impact: The increase of US$4.3 million in interest on bank borrowings to US$14.1 million in 2011 was due to an increase in average bank borrowings to US$465.6 million (2010: US$374.2 million). Bank borrowings are subject to floating interest rates but the Group manages these exposures by way of entering into interest rate swap contracts.

Finance Lease Liabilities

Finance lease liabilities decreased following scheduled repayments during the year. Finance lease liabilities are allocated to the segment in which the asset is owned.

Aggregate current and long term finance lease liabilities at 31 December 2011 were US$168.5 million relating to 13 Handysize vessels expiring 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$12.1 million (2010: US$13.2 million) represent interest payments on Handysize vessels under finance leases.

Convertible Bonds

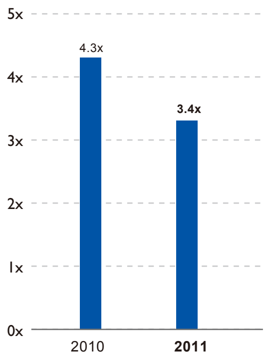
The debt component of the Group's convertible bonds decreased as a result of the repurchase and cancellation during the year of the original 3.3% coupon 2013 convertible bonds, leaving only the 1.75% coupon 2016 convertible bond on the balance sheet at 31 December 2011.

P/L impact: The decrease of US$10.7 million in interest for convertible bonds to US$10.0 million in 2011 was due to their lower aggregate outstanding value at the year end.

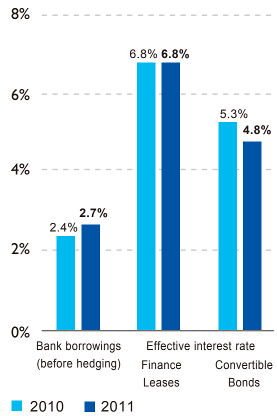
Finance Costs

The key indicators on which Management focuses to assess the cost of borrowings are: i) group interest coverage and ii) average interest rates on borrowing sources.

Group Interest Coverage



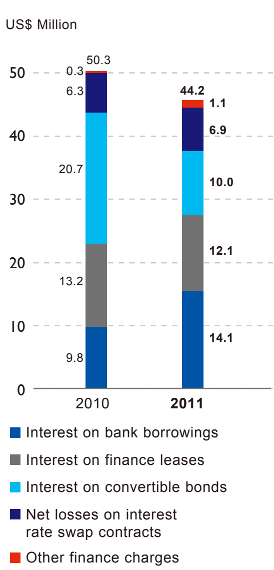
Average Interest Rates on Borrowings



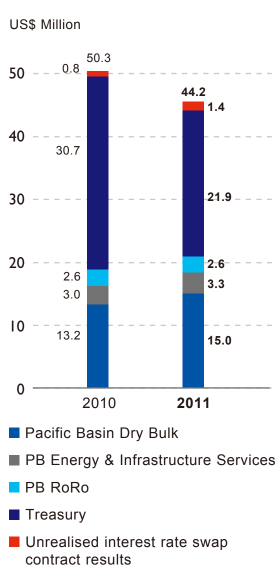
The Group aims to achieve a balance between floating and fixed interest rates on its long term borrowings. As at 31 December 2011, 15% of the Group's long term borrowings were in floating rates. The Group monitors this to maintain an appropriate floating to fixed interest rate ratio which is adjusted from time to time depending on the shipping and interest rate cycles.

Borrowings resulted in finance costs of US$44.2 million (2010: US$50.3 million) which are analysed as follows:

Finance Costs by Source



Finance Costs by Segment



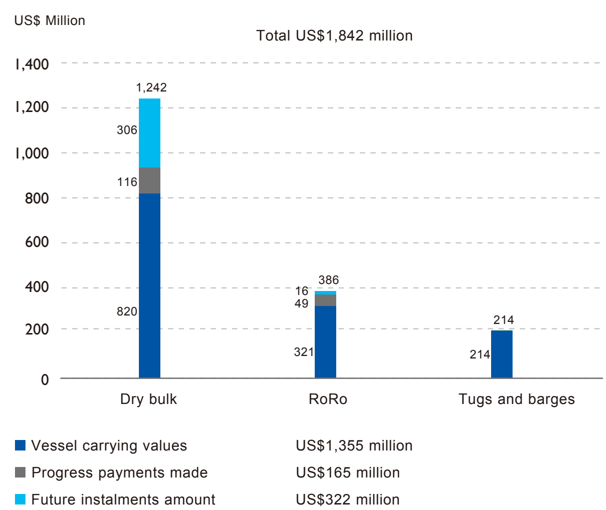
Delivered Vessels

At 31 December 2011, the Group had property, plant and equipment with net book value (after RoRo impairment) of US$1,525.2 million, of which mostly related to:

- 42 delivered Handysize vessels;
- 2 Handymax vessels;
- 1 Post Panamax vessel;
- 38 tugs and barges; and
- 5 RoRo vessels.

Handysize vessels continued to dominate the Group's assets with an average net book value of US$17.3 million and an average age of 7.6 years for those delivered. Tugs, barges and RoRo vessels are denominated in their functional currencies of Australian Dollar and Euro. As such, their United States Dollar carrying values and commitments are subject to exchange rate fluctuations.

A Combined View of Vessel Carrying Values and Commitments



Vessel Commitments

As at 31 December 2011, the Group had non-cancellable vessel commitments of US$322.4 million. The vessels are scheduled to deliver to the Group between January 2012 and January 2014 as shown in the table.

US$ Million	Number	2012	2013	2014	Total
Handysize vessels	8	80.4	28.8	20.9	130.1
Handymax vessels	7	73.7	102.0	–	175.7
RoRo vessels	1	16.6	–	–	16.6
Commitments at 31 December 2011	16	170.7	130.8	20.9	322.4

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

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 31 December 2011 Finance lease	Operating lease	Average age of vessels (years)	Average purchase option exercise price[1] (US$ Million)
2012	Handysize	13	4	9	15.5
	Handymax	–	1	7	14.0
	Tug & barge	–	3	4	2.3
2016	Handysize	–	2	5	43.3
	Handymax	–	1	5	30.0
	Post Panamax	–	1	5	74.5
2017	Handysize	–	1	5	36.6
2020	Handysize	–	1	7	38.7
2021	Handysize	–	1	7	39.6
Total		13	15		

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

Estimated fair market values are US$19.5 million and US$24.0 million for 5 year old 32,000 dwt Handysize and 56,000 dwt Handymax vessels respectively.

Vessel Lease Commitments

The following table shows the average contracted daily charter rates and total number of vessel days of our Handysize and Handymax vessels 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
2012	11,150	10,440	5,960	4,750	13,070	5,030
2013	11,630	4,700	5,950	4,750	13,200	1,470
2014	11,820	4,060	5,940	4,750	13,150	1,000
2015	12,000	3,660	5,910	2,590	13,720	440
2016	11,860	2,810	5,970	1,830	14,000	370
2017	11,960	2,560	5,840	610	14,000	370
2018	11,900	2,200	–	–	14,000	370
2019	12,830	1,460	–	–	14,000	10
2020	13,020	1,100	–	–	–	–
2021	14,000	310	–	–	–	–
Total		33,300		19,280		9,060
Aggregate operating lease commitments:		US$390.2 m				US$119.7 m

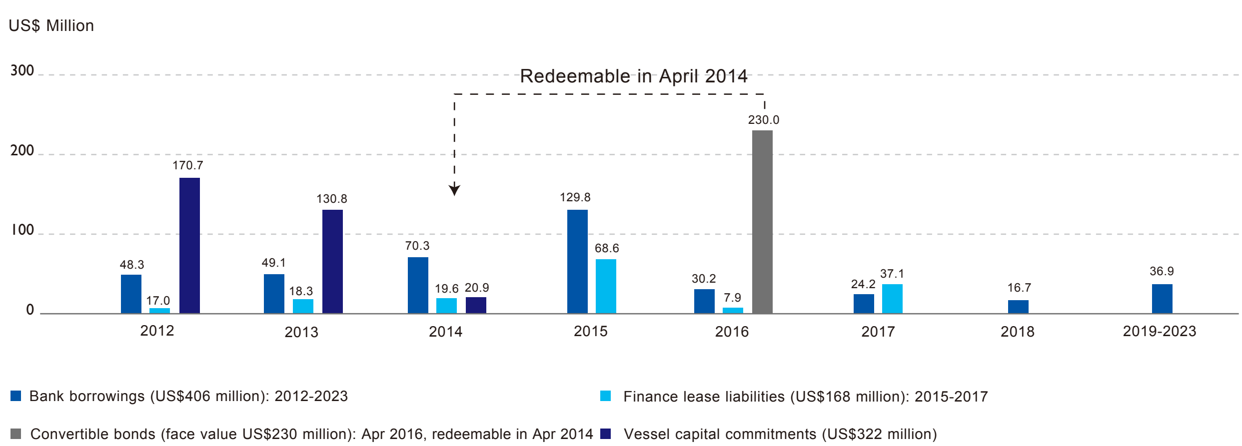
Vessel operating lease commitments stood at US$540.0 million (2010: US$362.0 million), comprising: US$390.2 million for Handysize; US$119.7 million for Handymax; US$1.0 million for tugs; and US$29.1 million for Post Panamax vessels. The increase in operating lease commitments was mainly due to the higher number of medium term (1-3 years) Handysize and Handymax contracted days.

Vessel finance lease commitments are included as part of property, plant and equipment.

Schedule of Repayments and Vessel Capital Commitments

The repayments of borrowings and vessel capital commitments by year are shown below:

Repayments and Vessel Capital Commitments



Share Capital and Convertible Bonds – Purchase, Sale or Redemption of Securities

On 1 February 2011, an aggregate of 8,092 units of the Group's convertible bonds due 2013 at face value of US$10,000 each and with total principal value of US$80.92 million were redeemed and cancelled, following the relevant bondholders who had exercised put option for redemption of their convertible bonds on 31 December 2010. On the same day, the Group exercised the option to redeem all the Group's remaining 2,428 units of convertible bonds due 2013 at face value of US$10,000 each, together with accrued but unpaid interest to 4 March 2011. Redemption and cancellation of these 2,428 units was completed on 4 March 2011.

Saved as disclosed above and other than for satisfying restricted share awards granted under the Company's Long Term Incentive Scheme, neither the Company nor any of its subsidiaries has, during the year, purchased, sold or redeemed any of the share capital or convertible bonds of the Company.

Compliance with the Code of Conduct Regarding Directors' Securities Transactions

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

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

Compliance with the Code on Corporate Governance Practices

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

Review by Audit Committee

The audit committee of the Company has reviewed this annual results announcement and the 2011 Annual Report of the Company for the year ended 31 December 2011.

Final Dividend and Book Closure

The Board has proposed a final dividend of HK 5 cents per share for the year ended 31 December 2011 and, if such dividend is approved by the shareholders at the 2012 Annual General Meeting of the Company, it is expected to be paid on or about 10 May 2012 to those shareholders whose names appear on the Company's register of members on 30 April 2012.

The register of members of the Company will be closed from 26 April to 30 April 2012 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch registrar, Computershare Hong Kong Investor Services Limited, at Rooms, 17M Floor, Hopewell Centre, 183 Queen's Road, Wanchai, Hong Kong, not later than 4:30 p.m. on 25 April 2012. The ex-dividend date for the final dividend will be on 24 April 2012.

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 2011 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 16 March 2012.

Directors

As at the date of this announcement, the executive Directors of the Company are David Muir Turnbull, Klaus Nyborg, Jan Rindbo, Andrew Thomas Broomhead and Wang Chunlin, the non-executive Director of the Company is Richard Maurice Hext, and the independent non-executive Directors of the Company are Patrick Blackwell Paul, Robert Charles Nicholson, Alasdair George Morrison and Daniel Rochfort Bradshaw.

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