Pacific Basin Shipping Limited

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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

The Board of Directors (the "Board") of Pacific Basin Shipping Limited ("Pacific Basin" or the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2012 as follows:

HIGHLIGHTS

	Six Months Ended 30 June	
US$ Million	**2012**	2011
Revenue	**703**	610
Underlying Profit	**3**	19
(Loss)/profit Attributable to Shareholders	**(196)**	3
Operating Cash Flow	**48**	69
Basic Earnings per share *(HK cents)*	**(79)**	1

Group

- Results were impacted by i) a US$190 million impairment of our RoRo investment, ii) a weaker dry bulk spot market and iii) a strong US$14 million contribution from PB Towage
- Our balance sheet retains substantial buying power with cash and deposits of US$657 million and net borrowings of US$196 million
- We have fully funded vessel capital commitments of US$262 million, all in dry bulk

Fleet

- Contract cover is in place for 85% of our contracted 33,060 Handysize revenue days in 2012 at US$10,910 per day net (54% of 28,240 days at US$11,480 as at 27 February 2012)
- Two dry bulk vessels have been chartered in on a long-term basis so far this year, with no vessel purchases
- Our fleet currently numbers 232 vessels (including newbuildings) comprising 182 dry bulk ships, 44 towage vessels and 6 RoRos

Outlook

- Handysize freight rates are expected to remain range-bound over the second half, and weaker overall in 2012 than 2011 due to capacity expansion, slower Chinese growth and uncertainty in global trade
- Towage outlook remains positive, while RoRo earnings outlook is downgraded
- Protracted dry bulk market weakness and significant contraction in funding are expected to generate opportunities for cash-rich ship owners
- We will selectively capitalise on dry bulk fleet expansion opportunities at the right time and price
- We remain committed to our towage business, but no longer regard RoRo as a core activity

CHIEF EXECUTIVE'S REVIEW

Financial Results & Dividend

The Group produced a net loss of US$196 million (2011: US$3 million profit) for the six months ended 30 June 2012 from an underlying profit of US$3 million (2011: US$19 million).

Basic EPS was negative HK 79 cents and return on shareholders' equity was negative 26%. Our operating cash flow remained positive at US$48 million (2011: US$69 million).

Our results for the period were impacted by:

- a US$190 million non-cash impairment of our RoRo investment as announced on 18 June;
- weaker Handysize and Handymax spot rates which reduced our vessel operating margins, particularly of our relatively expensive fleet of chartered Handymax ships; and
- improved towage markets and a strong US$14 million contribution from PB Towage.

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

Performance Overview

Our core dry bulk shipping business has again delivered a respectable performance in the context of the on-going poor market which we outperformed.

Our average Handysize daily earnings fell 23% year on year to US$10,540 per day, though still outperformed the market by 38% in the period, benefitting from the value of our industrial and customer-focused business model and the cargo book that it affords us.

Our Handymax earnings outperformed the market by 22%, but our reliance on relatively expensive medium-term chartered ships in the weak market resulted in disappointing Handymax results overall.

PB Towage has delivered increasingly profitable results. The strong towage performance accounted for the largest segment contribution to Group results during the period.

The supply-demand balance in the RoRo sector has continued to weaken in the past few months, impacting our RoRo division's utilisation and performance.

RoRo Impairment

The protracted debt crisis and continued macro-economic and political uncertainties in Europe are significantly delaying prospects of a recovery in the Euro-centric RoRo market. Weaker demand for RoRo shipping compounded by the influx of newbuildings into an already over-supplied large RoRo segment (ships over 2,700 lane metres) is resulting in a growing number of idle ships globally. We do not have our own route network to fall back on for employment of our RoRos and we are therefore fully exposed to the current period of severe weakness in this sector. These immediate and mounting challenges have led us to reassess the prospects for the large RoRo segment and for our RoRo business, with a particular focus on the likely future earnings of our six RoRo ships and the consequential impact on their valuations.

In view of these factors, we have downgraded our outlook for the short and long-term earnings of our RoRo fleet and consequently our RoRo business. This conclusion has resulted in a non-cash impairment charge of US$190 million which has been reflected in the Company's consolidated results for the six months ended 30 June 2012.

Investment and Balance Sheet

As at 30 June 2012, we had cash and deposits of US$657 million and net borrowings of US$196 million. No new dry bulk purchase commitments were made during the half year. Our vessel capital expenditure obligations currently amount to US$262 million payable in the next two years in respect of 14 dry bulk ships, leaving substantial buying power on our balance sheet for further fleet expansion.

Outlook

We expect the Handysize and Handymax spot markets to remain range-bound over the second half of the year. Rates could be impacted by reduced US grain exports if the current drought in the US Midwest persists and if Chinese demand for minor bulks slows further. There also remains scope for seasonal demand improvements to lift freight rates temporarily later in the year.

We still expect dry bulk freight rates will be weaker overall in 2012 than in 2011 due mainly to the impact of on-going capacity expansion at a time of slowing Chinese growth and uncertainty in global trade.

The outlook for the towage market and our PB Towage business in Australasia remains positive, while we have downgraded our outlook for both short and long-term earnings of our RoRo fleet and business.

Strategy

Since joining the Company on 1 June, I have had the pleasure of seeing the Pacific Basin team and business in action.

I also see a company with a robust core dry bulk shipping business underpinned by:

- a tremendously effective cargo and customer-focused, industrial dry bulk business model;
- a valuable “second leg” in the form of PB Towage;
- a lot of good, talented, team-focused people who share a sensible set of business values;
- a strong cash position and balance sheet; and
- solid corporate governance structures.

The combination of our effective business model and our chosen core Handysize dry bulk segment – with its lower volatility – really works and shows its greatest value in difficult times. In the first six months of the year, average market earnings for Capesize bulk carriers were US$6,200 per day while, by comparison, our own Handysize ships (five times smaller than Capesize vessels) generated average earnings of US$10,540 per day. This highlights the value of our cargo book and the scheduling and utilisation leverage that comes from operating a large fleet of interchangeable and versatile ships.

We continue to evolve our Handymax business towards the same model we adopt for Handysize, with owned ships making up more of our fleet from 2013 onwards.

The above characteristics equip our business for growth and success. They also position us well to weather the continued market turmoil and to emerge from the weak market larger and more competitive because of our ability to selectively capitalise on dry bulk fleet expansion opportunities at the right time and price.

We believe we are now closer to seeing those opportunities, as the protracted dry bulk market weakness and significant contraction in funding continue to challenge ship owners. Many face severely impacted corporate earnings, are in negotiation with creditors, and are struggling to realise their rehabilitation plans.

The protracted market weakness also generates the benefit of increased scrapping, much reduced new ship ordering and thus, in due course, the return of a healthier balance to the Handysize market which demonstrates significantly more favourable fundamentals than other dry bulk segments. We expect the current severe funding shortage to limit the ability of shipyards and ship owners to revive significant newbuilding activity in the medium term.

As a consequence of our reassessment of the prospects for our RoRo business, we no longer regard RoRo shipping as a core activity of the Pacific Basin group. However, in view of the dysfunctional conditions in the sale and purchase market for RoRo vessels, a full exit from this segment in the near term is unlikely. Accordingly, we will look to manage our RoRo investment and will exit the sector in an economically rational manner that realises the maximum possible value for our shareholders over the medium term. This will take time, patience and may also require some investment in initiatives and ventures to unlock trading opportunities for our RoRos until such time as we can realise our investment on acceptable terms.

We remain committed to our towage business which is performing well and in line with our expectations. We reaffirm that the majority of our future investments will be in the dry bulk shipping sector where our long-standing expertise lies and where we are most confident of delivering a world-class service and sustainable growth and shareholder value over the long term.

In closing, I am delighted to be a part of the Pacific Basin team and I embrace the challenges and the opportunities that the current market environment present for our Company. I look forward to getting to know you – our customers, business partners, shareholders, staff and other stakeholders – further, and to working with you in the coming months and years.

Mats Berglund
Chief Executive Officer

Hong Kong, 1 August 2012

Dry Bulk Market Review 1H2012

Freight Market Summary

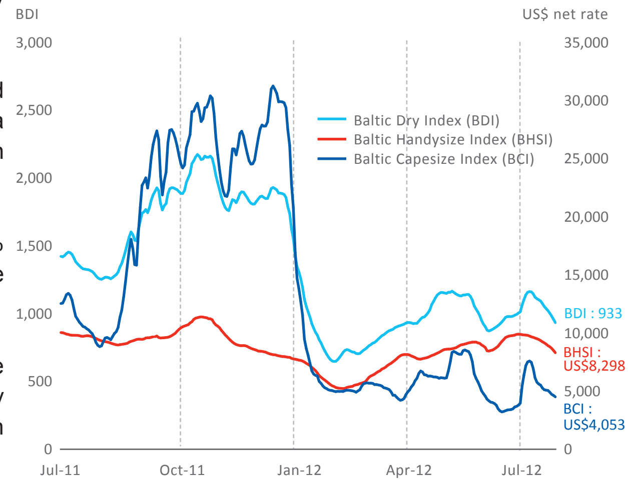
The dry bulk freight market in the first half of 2012 was 31% weaker and significantly more volatile than in the same period last year. The Baltic Dry Index ("BDI") averaged 940 points – its lowest first-half average since 1999.

Despite this weaker market, earnings for the smaller Handysize and Handymax bulk carriers in which we specialise once again traded within a narrower band and were supported by a higher earnings floor than much larger bulk carriers.

Market freight rates for Handysize and Handymax ships declined by 34% and 49% respectively in the first six weeks of 2012 to three-year lows before steadily recovering to US$8,298 and US$10,618 per day net (see graph).

The initial sharp decline across all bulk carrier segments was attributable to a surge of newbuilding deliveries after the new year, compounded by seasonal weather-related cargo disruptions in influential trade areas and an early Lunar New Year holiday in China.

Baltic Dry Bulk Earnings Indices



Source: The Baltic Exchange, data as at 27 July 2012

Whereas Handysize and Handymax rates have gradually recovered since early February due to the revival in minor bulk cargo flows – particularly in the Pacific – rates for much larger Capesize bulk carriers have traded below Handysize rates since mid-January. Some Capesize owners are now placing their ships into cold lay-up for extended periods. The situation once again illustrates the weak correlation between the smaller and larger dry bulk segments.

Key Demand Developments

Dry bulk transportation demand in the first quarter of 2012 is estimated by R.S. Platou to have increased by 6.5% year on year. This reflects resilience in international commodity demand and domestic Chinese coastal trade despite weak global economic conditions, the Eurozone crisis and slowing Chinese economic growth.

Influential Chinese imports of iron ore and coal during the first half of 2012 increased 10% and 82% year on year respectively.

Bulk trade volumes were also robust despite the unusually sharp seasonal drop in activity at the start of the year.

The relative buoyancy in the market for geared Handysize and Handymax bulk carriers was driven by record imports of minor bulks into China. Our own cargo volumes into or out of China during the period increased 2% year on year and comprised 11% of our volumes overall.

Chinese imports of seven important minor bulks increased 20% year on year in the first six months of 2012.

Specific examples include the import of bauxite and nickel ore which increased over 23% and 61% year on year respectively, with much increased nickel imports attributable to a surge in trade volumes ahead of a new 20% export tax on Indonesian ore. Such tax may drive increased Chinese tonne-mile demand for ores from further afield or which have lower nickel content and so must be imported in larger volumes, thus benefiting minor bulk shipping.

The above positive demand factors were weighed down by excessive expansion of supply during the period.

Key Supply Developments

Dry bulk newbuildings have continued to deliver at a fast pace and, despite record high scrapping of older ships, overall capacity expanded by 6.4% net during the half year and by 14.5% net year on year thus undermining bulk carrier earnings. Newbuilding deliveries of 56 million deadweight tonnes were 34% below the scheduled orderbook at the start of the year – in line with our shortfall expectations for the full year.

Scrapping accelerated at a record high rate of 32 million tonnes (annualised), or 5% of the existing fleet, which would be 39% higher than the previous record of 23 million tonnes in 2011, but still insufficient to offset the heavy influx of newbuilding deliveries.

The global fleet of 25,000-40,000 dwt Handysize ships in which we specialise expanded by only 2.4% net during the period, benefitting from a more favourable global fleet age profile and deliveries.

Ship Values

Clarksons estimates the current value of their benchmark five year old Handysize (defined as 32,000 dwt) to have fallen 29% in the year to date to US$16.0 million – a level not seen since before the dry bulk boom started in 2003. Ship values remain under downward pressure which is encouraging for our fleet expansion plans.

Newbuilding prices have also decreased to pre-boom levels, as competition increases among shipyards struggling to secure new contracts to replenish their orderbooks.

Orderbook

New bulk carrier ordering activity in the first half of the year was down approximately 60% year on year, and was equivalent to only 10% of full-year 2011 deliveries.

The orderbook for Handysize vessels has fallen from 34% a year ago to 23% today, while the orderbook for dry bulk vessels overall has fallen more dramatically from 44% a year ago to 25% today.

Pacific Basin Dry Bulk – How We Performed in 1H2012

Our core Pacific Basin Dry Bulk division generated a net profit of US$7.5 million, a 2% return on net assets and a positive operating cash flow of US$38.1 million.

This significantly weaker performance year on year mainly reflected:

- Handymax losses due to our reliance on relatively expensive medium-term chartered ships chartered in last year for which our cargo book was unable to provide adequate cover leaving us exposed to the weaker market, especially in the first quarter of the year; and

- a 23% year on year decrease in our average Handysize daily earnings and corresponding squeeze in operating margins.

We consider this to be a relatively sound performance in the context of a significantly weaker Handysize spot market which we outperformed by 38% in the period, reflecting the value of our industrial and customer-focused business model and the cargo book that it affords us, backed by one of the largest, most competitive Handysize fleets in the world.

Pacific Basin Dry Bulk – Business Highlights

Our core dry bulk business has focused on two key objectives for 2012: to grow our dry bulk fleet, primarily in the Handysize segment; and to grow our customer and cargo contract portfolio globally to manage our market exposure.

- **Strong global presence and customer relationships** – Our recently expanded network of 10 commercial dry bulk offices across six continents has generated new customers, new long-term cargo contracts and new business to supplement our traditional bulk-based activity. By increasing our activity in the parcelling and project cargo trades, we have generated new business opportunities for our ships, providing alternative source of revenue and differentiating us further from many of our bulk-focused competitors.

- **Scale of our fleet** – We operated an average of 148 dry bulk ships (up from 116 in the first half of 2011), operating more short-term chartered Handysize ships to profitably supplement our core fleet activity and to service our growing global customer base. In the year to date, we have committed to the long-term charter of one Handysize newbuilding and one secondhand Handymax, and we now await the delivery of 14 owned and eight chartered newbuildings in 2012 to 2015.

  Our Handymax business is entering a transitional period in which our chartered fleet will shrink and be replaced by owned Handymax ships delivering from late 2012. That planned growth of our owned fleet is complemented by increasing long-term cargo cover.

  Our two Post Panamax vessels continue to operate satisfactorily under long-term charters.

- **Efficiency** – Our new maritime operating system and processes were implemented on time and within budget, and have provided us with a strong platform for future growth. This has enabled us to operate the highest number of ships in Pacific Basin's history during the first half of 2012 without expanding the size of our dry bulk organisation.

Market Outlook – Dry Bulk

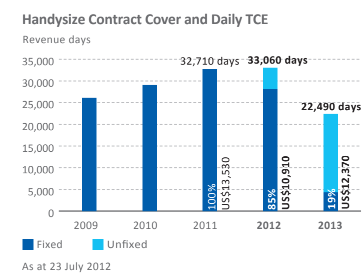
Opportunities

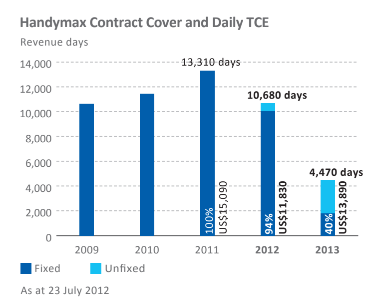
- Strong Chinese demand for minor bulk commodities despite slower economic and industrial growth
- Growth in China's dominant share of global bulk imports, driving continued trade imbalance and fleet utilisation inefficiencies
- Scope for stronger recovery in the United States
- Increased levels of scrapping 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, despite shipyards slowing production to save costs
- Hesitant global economic recovery impacted by continued crisis in Europe
- Potential reduction in US grain exports if the current US drought persists
- Falling fuel prices reversing slow steaming trend and releasing further tonnage capacity in the market
- Potentially weaker growth in Chinese economy, industrial production and minor bulk imports

Outlook for our Dry Bulk Business





We expect the Handysize and Handymax spot markets to remain range-bound over the second half of the year. Rates could be impacted by reduced US grain exports if the current drought in the US Midwest persists and if Chinese demand for minor bulks slows further. There also remains scope for seasonal demand improvements to lift freight rates temporarily around the end of the third quarter.

We do not anticipate a significantly stronger second half, due mainly to the impact of on-going capacity expansion at a time of slowing Chinese growth and uncertainty in global trade. Therefore we still expect dry bulk freight rates will be weaker overall in 2012 than in 2011 and for 2012 to be a tough year for our dry bulk business.

Our exposure to the weak freight market is partly limited by our cargo book (see contract cover graphs). We currently expect the majority of our uncovered 2012 capacity will generate revenue from the spot market and we continue to build our forward cargo book for 2013 and beyond.

Strategy

We remain committed to our strategy of directing new investment towards the further expansion of our dry bulk fleet.

We believe we are now closer to seeing those opportunities, as the protracted dry bulk market weakness and contraction in funding continue to challenge ship owners, many of whom face severely impacted corporate earnings, negative cash flow and potential insolvency. The protracted market weakness also generates the benefit of increased scrapping, much reduced new ship ordering and thus, in due course, the return of a healthier balance to the dry bulk market – especially in the Handysize segment, which demonstrates more favourable fundamentals than other dry bulk segments.

We continue to draw on our customer-focused business model, the scale and flexibility of our fleet, our drive for efficiency and our strong balance sheet to ensure we are best positioned to maximise our performance in the challenging period ahead and to capitalise on opportunities and eventual improvements in market conditions ahead.

Towage – Market Review 1H2012

The Australian towage sector in which we mainly operate has grown on the back of expanding resources exploration and production by oil and gas companies and solid volumes in the harbour sector, despite continued weakness in the global towage market overall.

Offshore and Infrastructure Support

Continued growth in demand for offshore support services on the Australian coast has been mainly driven by increased activity in Western Australia as the Gorgon Project's construction phase intensifies and in Queensland where three gas projects have commenced. Marine construction and dredging works have also increased along the coast due to port and greenfield site developments.

Harbour Towage

Australian harbour towage activity has been helped by modest growth in container port traffic. Growth in Chinese demand for resources continues – albeit at a lower rate – to sustain dry bulk port calls and drive initiatives to enhance existing dry bulk facilities or build new ports and terminals.

Supply

The Australian towage market benefits from favourable supply-side fundamentals, influenced by barriers to entry in the form of strict QHSE standards and local manpower shortages. However, we are seeing increased competition from new entrants due to the greater earnings potential in Australia compared to the Middle East or Southeast Asia.

PB Towage – How We Performed in 1H2012

Our PB Towage division generated a net profit of US$14.1 million and an operating cash flow of US$18.9 million, reflecting our increasingly competitive position in the improving offshore support and harbour towage markets in Australasia.

PB Towage – Business Highlights

PB Towage results have continued to strengthen based on favourable market conditions and improved market presence and penetration.

- **Increased infrastructure development activity in Australasia** – this sector has been the growth driver for PB Towage, which is well positioned in this market. Highlights this year include:

  - increased vessel deployment in the Chevron-led Gorgon offshore gas project with two additional chartered-in vessels and one owned vessel redeployed from the Middle East being readied to enter service. This brings to eleven (eight owned and three chartered) the number of our tugs supporting marine logistics in Western Australia;
  - continued activity on BG's Queensland Curtis LNG (QCLNG) project in Gladstone where six of our vessels are deployed;
  - securing a new contract to provide services to the Australia Pacific LNG project in Gladstone, which commenced in the second half of 2012;
  - a new business alliance with US-based Crowley Solutions Group to expand our capability and range of marine logistics, ocean towing, offshore support and salvage support services into South East Asia and Oceania; and
  - participation in various coastal projects.

- **Growth in harbour towage** – Our growing market share in the main liner ports and the increased vessel calls in bulk ports such as Townsville have led to improved performance from our harbour towage business. We have entered into a cooperation agreement with BOLUDA Towage & Salvage to jointly pursue Australian LNG terminal towage contract opportunities.

- **Challenging towage environment in the Middle East** – Market conditions in the Middle East remain challenging. While our vessels in the region enjoy good utilisation, our daily rates continue to be under pressure from over-supply, which has led us to redeploy one vessel to Australia.

- **Salvage support** – Our vessels have been called on to assist distressed vessels on the Australian coast, and continue to support the recovery of containers from the containership "Rena" which ran aground near Tauranga, New Zealand in October last year.

- **Organisation strengthening initiatives** – We have expanded our PB Towage team by 17% in the year to date to 56 staff to meet the operational needs of our customers and the growth in our business volume.

Market Outlook – Towage

Opportunities

- New projects expected to commence in Australasia towards year end in both oil and gas and mining sectors
- Continued improvement in Australian port activity with a relatively strong domestic economy and Chinese demand for primary resources

Threats

- Potential further slowdown in Chinese industrial growth impacting Australian commodity exports and port activity
- On-going labour market supply and cost pressures
- Increased supply and pricing competition as new entrants seek to redeploy assets from Asia

Outlook for our Towage Business

We expect Australian towage market activity to be maintained over the rest of the year and to improve further in the medium term. We consider PB Towage to be well placed to participate in that improvement.

PB Towage will benefit from recently secured additional business, which commenced in the second half of 2012 in the form of the Australia Pacific LNG project in Gladstone and expanded requirements of the Gorgon Project.

Strategy

PB Towage has established itself as a professional and reliable supplier of towage services with a growing portfolio of blue chip customers in both the harbour and project support fields. We consider PB Towage to be well placed to participate in the increasing activity in this sector.

We are strategically committed to our towage business and to growing this division through carefully considered investments in both the project and harbour sectors.

PB Towage has delivered increasingly profitable results since we diversified into this business, and is expected to continue to be an important contributor to the Group's results in the years ahead.

RoRo – Market Review 1H2012

Demand

The protracted debt crisis and continued macro-economic and political uncertainties in Europe have delayed prospects of a recovery in seaborne trailer volumes leading to severe weakness in the Euro-centric RoRo sector. RoRo ships are trading at less than full capacity, which in the past few months has led to significantly reduced demand for long, medium and short-term chartered RoRo vessels.

In the second quarter, charter periods reduced to just a few months and the number of idle large RoRo vessels increased. European charter rates have dropped 25% below levels we had expected to achieve.

Supply

The demand-side weakness is further exacerbated by the influx of newbuildings delivering into the already over-supplied large RoRo sector in which we operate (vessels over 2,700 lane metres), as evidenced by the growing number of idle vessels globally.

Since the beginning of the year, the global fleet of large RoRos grew by 5.1%, driven by the influx of some 21,058 lane metres of new capacity. Only 2,723 lane metres of large RoRo capacity were scrapped during the period due to the relatively young age profile of this segment of the fleet.

The orderbook of large RoRos now stands at 16% of the fleet afloat, all of which is scheduled to deliver by the end of 2014. A new order for one pure RoRo was placed in the year to date, and the global fleet of large RoRos is expected to continue to grow until the current orderbook fully delivers by 2014.

PB RoRo – How We Performed in 1H2012

Our PB RoRo division generated a net loss of US$8.5 million in the first half of the year (2011: US$5.3 million loss) and an operating cash flow of negative US$0.8 million.

This poor result reflects the increasingly severe weakness in the Euro-centric RoRo sector and its impact on the earnings performance of our RoRo fleet.

PB RoRo – Business Highlights

- **Completion of PB RoRo's newbuilding programme** – Our final RoRo ship delivered from Odense Steel Shipyard in Denmark in January 2012, thus completing our fleet of six modern, fuel-efficient RoRos on the water.

- **Employment** – Our first two Odense-built ships are employed in Northern Europe and the Mediterranean, though these charters will currently expire in September 2012 and March 2013 respectively. Our two Hyundai-built ships are trading in the Caribbean on intermittent short-term business.

- **Ships in lay-up** – We are still actively seeking charters for our final two ships which are currently in cold lay-up in the United Kingdom. In the meantime every effort is being made to minimise operating costs until acceptable employment materialises for these vessels.

- **Downgraded outlook leads to further impairment in June 2012** – The immediate and mounting RoRo demand and supply-side challenges (see RoRo Market Review) has led us to reassess the prospects for the larger RoRo sector. This resulted in a downgrade of our outlook for the earnings of our RoRo fleet and consequently our RoRo business. Our current best assessment of the vessels' value-in-use over their expected useful life necessitates a non-cash impairment charge of US$190 million which has been reflected in our consolidated Group results. The PB RoRo segment is expected to remain loss making in 2012 and 2013.

- **RoRo management rationalisation** – In view of our downgraded outlook and the resulting changes in the Group's RoRo strategy, we will shortly be closing our RoRo management joint venture Meridian. We have brought the commercial management functions in-house and we are planning to outsource technical management of the vessels to a large, reputable and experienced third-party RoRo manager. While this will entail some one-time termination and wind-down costs, this new structure will give us full control and greater flexibility in pursuing various strategic employment and exit alternatives commercially, and expected savings in management costs due to economies of scale.

Market Outlook – RoRo

Opportunities

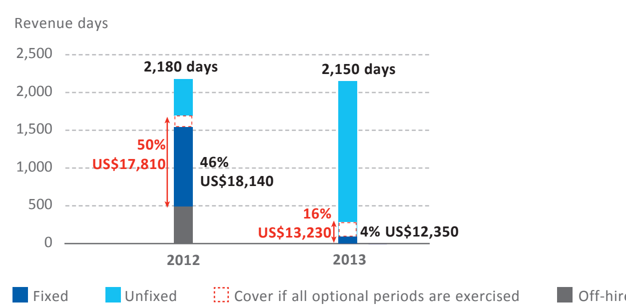
- Potential development of new RoRo trades within and outside Europe
- Increased levels of scrapping of older albeit smaller ships to reduce over-capacity

Threats

- Prolonged economic stagnation – possible recession – in Europe resulting in weak intra-European trade and a further fall in trailer volumes
- Overcapacity in operator fleets resulting in lack of demand for chartered ships
- Uncertain new regional low-sulphur fuel regulations expected to be implemented from January 2015 may impact economic competitiveness of RoRo trades (compared to land transportation) especially in the Eurozone area

Outlook For Our RoRo Business

The outlook for the RoRo charter market remains very poor through 2012 and 2013. We do not have our own route network to fall back on for employment of our RoRos and we are therefore fully exposed to the current period of severe weakness in this sector. In view of the immediate and mounting RoRo market challenges, we have downgraded our outlook for the short and long-term earnings of our fleet of larger, specialised RoRos and consequently our RoRo business. We now expect a flatter recovery in charter rates that are not likely to exceed 75% of the earnings peak of 2008. We expect PB RoRo will make larger losses this year as employment prospects for our ships coming off charter look increasingly difficult.



Strategy

The Board recognises that the original premise for diversifying into the RoRo sector as a tonnage provider is no longer compelling. Our commitment to the RoRo business has changed and we no longer regard RoRo shipping as a core activity of the Group.

However, in view of the dysfunctional conditions in the sale and purchase market for RoRo vessels, a full exit from this segment in the near term is unlikely. We will therefore look to manage our RoRo investment and exit the sector in an economically rational manner that realises the maximum possible value for our shareholders over the medium term.

This will take time, patience and may also require some investment in initiatives and ventures to unlock trading opportunities for our RoRos until such time as we can realise our investment on acceptable terms.

In the meantime, securing the best possible utilisation for our RoRo fleet and implementing cost savings measures remain key objectives.

Shareholders and investors are reminded that this announcement of interim results for the six months ended 30 June 2012 is based on the Group's internal records and management accounts. Shareholders and investors are cautioned not to rely unduly on this announcement of interim results and are advised to exercise caution when dealing in the shares of the Company.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six months ended 30 June 2012 US$'000	2011 US$'000
Revenue		**703,156**	610,159
Direct costs		**(691,976)**	(558,433)
Gross profit		**11,180**	51,726
General and administrative expenses		**(5,588)**	(4,204)
Other income and gains		**1,298**	63,254
Other expenses		**(191,752)**	(85,443)
Finance costs, net		**(9,395)**	(15,256)
Share of profits less losses of jointly controlled entities		**412**	(3,404)
Share of profits less losses of associates		**216**	(4,150)
(Loss)/profit before taxation	4	**(193,629)**	2,523
Taxation	5	**(2,303)**	428
(Loss)/profit attributable to shareholders		**(195,932)**	2,951
Dividends	6	**–**	12,416
Earnings per share for (loss)/profit attributable to shareholders			
Basic	7(a)	**US(10.15) cents**	US 0.15 cents
Diluted	7(b)	**US(10.15) cents**	US 0.15 cents

Please see Note 3(a) for more on income statement segment information.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2012 US$'000	2011 US$'000
(Loss)/profit attributable to shareholders	**(195,932)**	2,951
Other comprehensive income		
Currency translation differences	**(11,348)**	35,104
Cash flow hedges:		
– transferred to finance costs in consolidated income statement	**1,720**	1,813
– fair value losses	**(1,075)**	(3,549)
Fair value (losses)/gains on available-for-sale financial assets	**(1,061)**	29,475
Release of investment valuation reserve upon disposal of available-for-sale financial assets	**–**	(60,502)
Total comprehensive income attributable to shareholders	**(207,696)**	5,292

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30 June 2012 US$'000	31 December 2011 US$'000
Non-current assets			
Property, plant and equipment		**1,360,015**	1,525,185
Investment properties		**2,691**	2,734
Land use rights		**3,804**	3,874
Goodwill		**25,256**	25,256
Interests in jointly controlled entities		**44,284**	44,403
Investment in associates		**4,677**	4,411
Available-for-sale financial assets		**10,052**	11,533
Derivative assets		**1,000**	361
Trade and other receivables	8	**–**	5,175
Restricted bank deposits		**51,369**	8,566
Other non-current assets		**–**	4,400
		1,503,148	1,635,898
Current assets			
Inventories		**78,060**	66,873
Derivative assets		**2,261**	5,303
Structured notes		**–**	12,913
Trade and other receivables	8	**116,695**	101,110
Restricted bank deposits		**4,972**	11,154
Cash and deposits		**600,458**	598,501
		802,446	795,854
Current liabilities			
Derivative liabilities		**5,884**	1,298
Trade and other payables	9	**162,554**	144,798
Current portion of long term borrowings		**75,367**	65,323
Taxation payable		**3,682**	2,139
		247,487	213,558
Net current assets		**554,959**	582,296
Total assets less current liabilities		**2,058,107**	2,218,194
Non-current liabilities			
Derivative liabilities		**21,105**	19,563
Long term borrowings		**777,403**	713,716
		798,508	733,279
Net assets		**1,259,599**	1,484,915
Equity			
Capital and reserves attributable to shareholders			
Share capital		**193,448**	193,658
Retained profits		**499,996**	708,463
Other reserves		**566,155**	582,794
Total equity		**1,259,599**	1,484,915

Please see Note 3(b) for more on balance sheet segment information.

NOTE:

1. General information and basis of preparation

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

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

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

2. Adoption of new/revised HKAS

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2011. Certain new standards, amendments and improvements to standards are mandatory for the accounting period beginning 1 January 2012. However, the adoption of these new standards, amendments and improvements to standards 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 is primarily derived from the provision of dry bulk, towage and RoRo shipping services.

The results of the port projects and maritime services activities are included in "All Other Segments" 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.

3. Segment information (continued)

(a) Income statement segment information

For the period ended 30 June 2012 US$'000	Pacific Basin Dry Bulk	PB Towage[1]	PB RoRo	All Other Segments	Total Segments	Unallocated Treasury	Unallocated Others	Total	Reclass-ification	Per Financial Statements
Revenue	625,345	64,913	12,158	481	702,897	–	246	703,143	13	703,156
Freight and charter-hire	625,345[2]	60,712	12,089	–	698,146	–	246[2]	698,392	13[2]	698,405
Maritime management services	–	4,201	69	481	4,751	–	–	4,751	–	4,751
Bunkers & port disbursements	(335,600)[3]	(2,017)	(448)	–	(338,065)	–	(9,494)[3]	(347,559)	347,559[3]	–
Time charter equivalent earnings	289,745									
Direct costs	(275,031)	(49,160)	(17,784)	(2,442)	(344,417)	–	–	(344,417)	(347,559)	(691,976)
Bunkers & port disbursements	–	–	–	–	–	–	–	–	(347,559)[3]	(347,559)
Charter-hire expenses for vessels	(197,505)	(4,599)	–	–	(202,104)	–	–	(202,104)	–	(202,104)
Vessel operating costs	(36,389)	(29,858)	(10,851)	–	(77,098)	–	–	(77,098)	–	(77,098)
Depreciation of vessels	(24,390)	(6,695)	(6,825)	–	(37,910)	–	–	(37,910)	–	(37,910)
Direct overheads	(16,747)	(8,008)	(108)	(2,442)	(27,305)	–	–	(27,305)	–	(27,305)
Gross profit	14,714	13,736	(6,074)	(1,961)	20,415	–	(9,248)	11,167	13	11,180
General and administrative expenses	–	–	–	–	–	–	(5,588)	(5,588)	–	(5,588)
Other income and expenses	–	–	–	(473)	(473)	32	(190,000)[4]	(190,441)	(13)[2]	(190,454)
Finance costs, net	(7,201)	(614)	(1,117)	390	(8,542)	(926)	73[5]	(9,395)	–	(9,395)
Share of profits less losses of jointly controlled entities	–	2,515	(1,260)	(843)	412	–	–	412	–	412
Share of profit less losses of associates	–	216	–	–	216	–	–	216	–	216
Profit/(loss) before taxation	7,513	15,853	(8,451)	(2,887)	12,028	(894)	(204,763)	(193,629)	–	(193,629)
Taxation	–	(1,753)	(3)	(547)	(2,303)	–	–	(2,303)	–	(2,303)
Profit/(loss) attributable to shareholders	7,513	14,100	(8,454)	(3,434)	9,725	(894)	(204,763)	(195,932)	–	(195,932)

Note:

1. PB Towage, formerly known as PB Energy & Infrastructure Services, was renamed following the sale of PacMarine and closure of FBSL. Results for PacMarine and FBSL are under "All Other Segments".

2. 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 also under "Unallocated Others".

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

4. "Others" represents the impairment charge of US$190 million of the RoRo vessels for the period ended 30 June 2012. The amount for 2011 represents the impairment charge of US$80 million of the RoRo vessels, net of gains of US$55.8 million on disposal of investment in Green Dragon Gas Limited. The impairment reduces the carrying value of the PB RoRo segment assets.

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

3. Segment information (continued)

(a) Income statement segment information (continued)

For the period ended 30 June 2011 US$'000	Pacific Basin Dry Bulk	PB[1] Towage	PB RoRo	All Other Segments	Total Segments	Unallocated Treasury	Unallocated Others	Total	Reclass-ification	Per Financial Statements
Revenue	544,573	43,638	13,943	7,352	609,506	–	920	610,426	(267)	610,159
Freight and charter-hire	544,573[2]	37,617	13,870	–	596,060	–	920[2]	596,980	(267)[2]	596,713
Maritime management services	–	6,021	73	7,352	13,446	–	–	13,446	–	13,446
Bunkers & port disbursements	(244,026)[3]	(1,732)	(806)	–	(246,564)	–	7,845[3]	(238,719)	238,719[3]	–
Time charter equivalent earnings	300,547									
Direct costs	(258,669)	(38,692)	(12,581)	(7,742)	(317,684)	–	–	(317,684)	(240,749)	(558,433)
Bunkers & port disbursements	–	–	–	–	–	–	–	–	(238,719)[3]	(238,719)
Charter-hire expenses for vessels	(190,518)	(824)	–	–	(191,342)	–	–	(191,342)	(2,030)	(193,372)
Vessel operating costs	(31,098)	(22,058)	(6,462)	–	(59,618)	–	–	(59,618)	–	(59,618)
Depreciation of vessels	(21,986)	(8,200)	(5,249)	–	(35,435)	–	–	(35,435)	–	(35,435)
Direct overheads	(15,067)	(7,610)	(870)	(7,742)	(31,289)	–	–	(31,289)	–	(31,289)
Gross profit	41,878	3,214	556	(390)	45,258	–	8,765	54,023	(2,297)	51,726
General and administrative expenses	–	–	–	–	–	–	(4,204)	(4,204)	–	(4,204)
Other income and expenses	–	(84)	–	–	(84)	(203)	(24,199)[4]	(24,486)	2,297[2]	(22,189)
Finance costs, net	(6,151)	(1,603)	(1,936)	480	(9,210)	(5,589)	(457)[5]	(15,256)	–	(15,256)
Share of profits less losses of jointly controlled entities	–	2,058	248	(5,710)	(3,404)	–	–	(3,404)	–	(3,404)
Share of profits less losses of associates	–	18	(4,168)	–	(4,150)	–	–	(4,150)	–	(4,150)
Profit/(loss) before taxation	35,727	3,603	(5,300)	(5,620)	28,410	(5,792)	(20,095)	2,523	–	2,523
Taxation	–	(80)	–	508	428	–	–	428	–	428
Profit/(loss) attributable to shareholders	35,727	3,523	(5,300)	(5,112)	28,838	(5,792)	(20,095)	2,951	–	2,951

3. Segment information (continued)

(b) Balance sheet segment information

At 30 June 2012 US$'000	Pacific Basin Dry Bulk	PB[1] Towage	PB RoRo	All Other Segments	Total Segments	Unallocated Treasury	Unallocated Others	Per Financial Statements
Total assets	1,191,845	298,986	183,571[4]	52,245	1,726,647	572,345	6,602[2, 3]	2,305,594
Total assets include:								
Property, plant and equipment	968,908	207,074	178,226[4]	5,807	1,360,015	–	–	1,360,015
– Include additions to property, plant and equipment	52,762	1,644	17,728	1,145	73,279	–	–	73,279
Interests in jointly controlled entities	–	15,293	–	25,650	40,943	–	3,341	44,284
Investments in associates	–	4,677	–	–	4,677	–	–	4,677
Total liabilities	424,319	54,420	47,941	2,189	528,869	490,508	26,618[2, 3]	1,045,995
Total liabilities include:								
Long term borrowings	289,311	32,048	44,355	–	365,714	487,056	–	852,770

Total assets – Pacific Basin Dry Bulk (1,191,845):
- *Vessels delivered & under construction*
- *Goodwill*

Total assets – Unallocated Treasury (572,345):
- *Group cash unallocated*

Total assets – Unallocated Others (6,602):
- *Derivative assets*

Interests in jointly controlled entities – PB Towage (15,293):
- *OMSA, Australia*
- *Bunker tanker, N.Z.*

Investments in associates – PB Towage (4,677):
- *Gold River Marine Terminal, Canada*

Interests in jointly controlled entities – All Other Segments (25,650):
- *Longtan Tianyu Terminal, P.R.C*

Total liabilities – Unallocated Others (26,618):
- *Derivative liabilities*

Long term borrowings – Pacific Basin Dry Bulk (289,311):
- *Bank loans*
- *Finance lease liabilities*

Long term borrowings – PB Towage (32,048):
- *Bank loans*

Long term borrowings – PB RoRo (44,355):
- *Bank loans*

Long term borrowings – Unallocated Treasury (487,056):
Group general facilities include:
- *Convertible bonds*
- *Loans secured on vessels for future expansion*

At 31 December 2011 US$'000	Pacific Basin Dry Bulk	PB[1] Towage	PB RoRo	All Other Segments	Total Segments	Unallocated Treasury	Unallocated Others	Per Financial Statements
Total assets	1,106,582	289,512	375,226[4]	55,666	1,826,986	595,774	8,992[2,3]	2,431,752
Total assets include:								
Property, plant and equipment	936,136	213,565	369,989[4]	5,495	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	57,751	52,299	4,464	520,950	400,876	25,011[2,3]	946,837
Total liabilities include:								
Long term borrowings	297,682	34,362	48,392	–	380,436	398,603	–	779,039

4. (Loss)/profit before taxation

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

US$'000	Six months ended 30 June 2012	2011
Bunkers consumed	225,340	168,536
Provision for impairment losses on property, plant and equipment	190,000	80,000
Depreciation – owned vessels	31,885	29,749
– leased vessels	6,025	5,686
– other owned property, plant and equipment	781	700
– investment properties	33	32
Amortisation of land use rights	58	56
Interest on borrowings – bank loans	7,034	6,226
– finance leases	5,633	6,152
– convertible bonds	4,779	5,294
Net losses/(gains) on bunker swap contracts	3,640	(14,662)
Lubricating oil consumed	3,022	3,011
Net losses on interest rate swap contracts	2,541	3,195
Gain on disposal of subsidiaries	(126)	–
Fair value (gains)/losses on structured notes	(32)	203
Net losses/(gains) on forward freight agreements	13	(267)

5. Taxation

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

US$'000	Six months ended 30 June 2012	2011
Current taxation Hong Kong profits tax, provided at the rate of 16.5% (2011:16.5%)	407	361
Overseas tax, provided at the rates of taxation prevailing in the countries	2,003	324
Overprovision of prior year	(107)	(1,113)
Tax charges/(credits)	2,303	(428)

6. Dividends

	Six months ended 30 June 2012 HK cents per share	2012 US cents per share	2012 US$'000	2011 HK cents per share	2011 US cents per share	2011 US$'000
Interim dividend	–	–	–	5.0	0.6	12,416

No interim dividend in respect of the period ended 30 June 2012 was declared. The 2011 final dividend of HK 5 cents or US 0.6 cents per share, totaling US$12,479,000 was paid during the period.

7. Earnings per share

(a) Basic earnings per share

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

		Six months ended 30 June 2012	2011
(Loss)/profit attributable to shareholders	(US$'000)	**(195,932)**	2,951
Weighted average number of ordinary shares in issue	('000)	**1,930,262**	1,931,674
Basic earnings per share	(US cents)	**(10.15)**	0.15
Equivalent to	(HK cents)	**(79)**	1

(b) Diluted earnings per share

Diluted earnings per share are calculated by dividing the Group's (loss)/profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period after adjusting for the number of potential dilutive ordinary shares granted under the Company's LTIS but excluding the shares held by the trustee of the Company's LTIS.

		Six months ended 30 June 2012	2011
(Loss)/profit attributable to shareholders	(US$'000)	**(195,932)**	2,951
Weighted average number of ordinary shares in issue	('000)	**1,930,262**	1,931,674
Adjustments for share options	('000)	**137**	192
Weighted average number of ordinary share for diluted earnings per share	('000)	**1,930,399**	1,931,866
Diluted earnings per share	(US cents)	**(10.15)**	0.15
Equivalent to	(HK cents)	**(79)**	1

8. Trade and other receivables

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

US$'000	30 June 2012	31 December 2011
< 30 days	**27,213**	31,371
31-60 days	**6,780**	8,212
61-90 days	**1,657**	2,069
> 90 days	**4,117**	3,361
	39,767	45,013

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 the 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 and trade receivables at the balance sheet date are all past due.

9. Trade and other payables

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

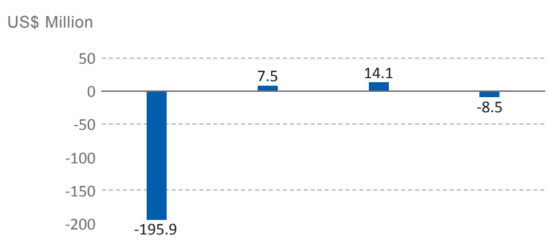
US$'000	30 June 2012	31 December 2011
< 30 days	**61,589**	45,314
31- 60 days	**114**	201
61- 90 days	**443**	75
> 90 days	**6,968**	6,010
	69,114	51,600

Group Performance Review

US$ Million	Six months ended 30 June 2012	2011	Change
Revenue	703.2	610.2	+15%
Direct costs	(692.0)	(558.5)	-24%
Gross profit	11.2	51.7	-78%
Segment net profit	9.7	28.8	-66%
Treasury	(0.9)	(5.8)	+86%
Indirect general and administrative expenses	(5.6)	(4.2)	-33%
Underlying profit	3.2	18.8	-83%
Unrealised derivative (expenses)/income	(9.1)	8.4	-208%
RoRo vessel impairment	(190.0)	(80.0)	-138%
Gain from sale of shares in Green Dragon Gas	–	55.8	-100%
(Loss)/profit attributable to shareholders	(195.9)	3.0	-6,630%
Operating cash inflow	48.0	69.4	-31%
EBITDA	53.7	125.7	-57%
Net profit margin	-28%	0%	-28%
Return on average equity employed	-26%	0%	-26%

EBITDA is defined as profit/(loss) attributable to shareholders less net finance costs, taxation, depreciations and amortisations. It also excludes unrealised derivative income/(expenses) and vessel impairments.

1H2012 Principal Segment Net Profit and Return on Net Assets



	Group	Pacific Basin Dry Bulk	PB Towage	PB RoRo
Net assets at period end	1,259.6	767.5	244.6	135.6
Return on net assets (annualised)		2%	12%	-12%
Operating cash inflow/(outflow)	48.0	38.1	18.9	(0.8)

Segments

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

- Pacific Basin Dry Bulk
- PB Towage
- PB RoRo

Non-segment activities mainly comprise Treasury.

Underlying profit

Includes:

- Segment results
- Treasury results
- Indirect general and administrative expenses

Excludes:

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

The main influences on our results in the first six months of 2012 were as follows:

- **Revenue** increased 15% mainly due to a 25% increase in our Handysize and Handymax revenue days.

- **Direct costs** increased 24% mainly due to increases in bunkers and port disbursements attributable to the additional Handysize and Handymax revenue days.

- **Underlying profit** was down mainly due to a 23% decrease in daily charter rates of our Handysize vessels, offset in part by 7% lower blended daily vessel costs.

- **Profit attributable to shareholders** was lower mainly due to:
  - a US$190 million impairment of our RoRo vessels; and
  - unrealised derivative expenses of US$9.1 million (2011: income of US$8.4 million) from reduced average values for our forward bunker fuel commitments.

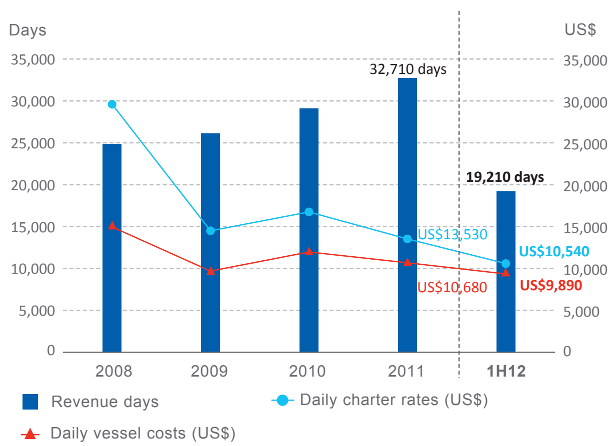
- **Operating cash inflow** was US$48.0 million (2011: US$69.4 million). Combined with capex and net debt flows this resulted in Group cash and deposits at the period end of US$656.8 million (31 December 2011: US$618.2 million).

Pacific Basin Dry Bulk Segment

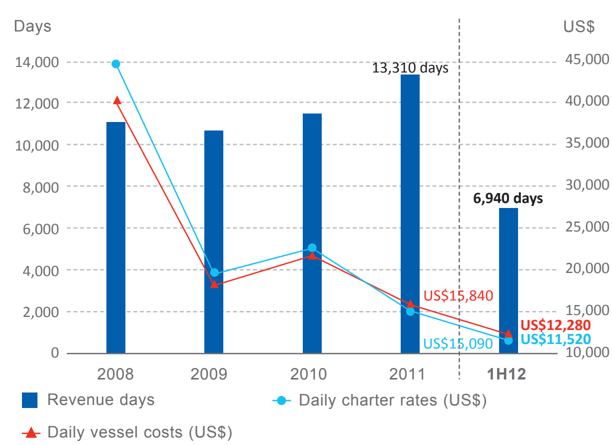
Segment operating performance

US$ Million	Six months ended 30 June 2012	2011	Change
Handysize			
Net profit	10.3	42.9	-76%
Operating cash inflow	38.1	67.0	-43%
Net assets	611.3	655.9	-7%
Return on net assets (annualised %)	3%	13%	-10%
Handymax			
Handymax net loss	(5.6)	(7.5)	+25%
Contribution from Post Panamax	2.8	0.3	+833%
Net loss	(2.8)	(7.2)	+61%
Operating cash outflow	0.0	(5.5)	+100%
Net assets	156.2	133.7	+17%
Return on net assets (annualised %)	-4%	-11%	+7%

Handysize Performance

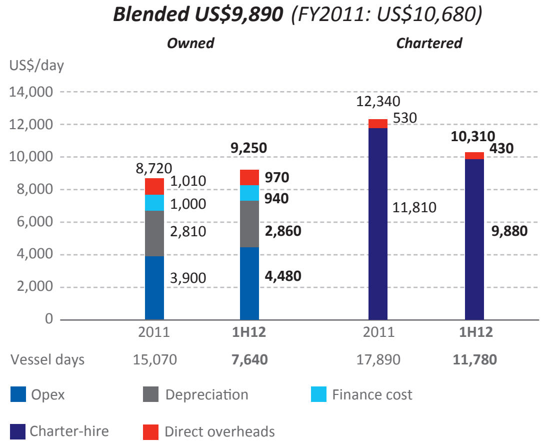


Handymax Performance



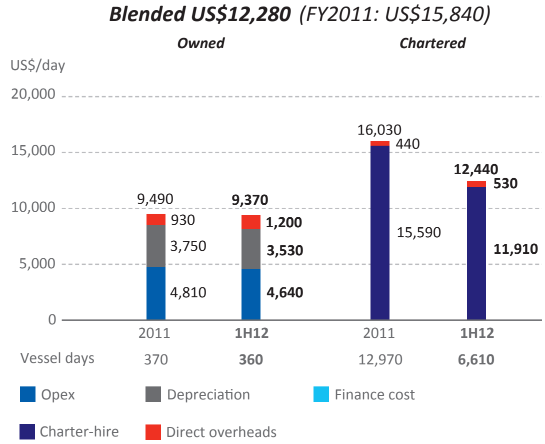
Handysize Daily Vessel Costs

Blended US$9,890 *(FY2011: US$10,680)*



Handymax Daily Vessel Costs

Blended US$12,280 *(FY2011: US$15,840)*



Income

Revenue generated by our dry bulk fleet increased 14.8% to US$625.3 million (2011: US$544.6 million) which represents 88.9% (2011: 89.3%) of our Group's total revenue. The increase was mainly due to a 25% increase in our Handysize and Handymax revenue days. Bunkers and port disbursements increased accordingly.

Our fleet of owned and finance leased dry bulk vessels experienced average off-hire of 1.4 days (2011: 1.9 days) per vessel during the period.

Direct costs

Our dry bulk fleet incurred direct costs of US$275.0 million (2011: US$258.7 million) representing 79.9% (2011: 81.4%) of total direct costs. The majority of the increase in direct costs was attributable to charter-hire expenses for operating lease vessels which increased to US$197.5 million (2011: US$190.5 million), reflecting a 34.7% increase in the average number of chartered-in Handysize and Handymax vessels, partly offset by a 23.3% decrease in the average daily charter rate of Handysize and Handymax vessels chartered in by the Group under operating leases.

The blended daily cost of owned and chartered vessels decreased by 7.0% for Handysize and by 24.2% for Handymax due to lower market chartered-in costs. Owned vessel daily costs for Handysize increased mainly due to an 11% increase in crew wages and a 20% increase in maintenance costs. Owned vessel daily costs for Handymax decreased mainly due to higher maintenance costs incurred last year. 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.

PB Towage Segment

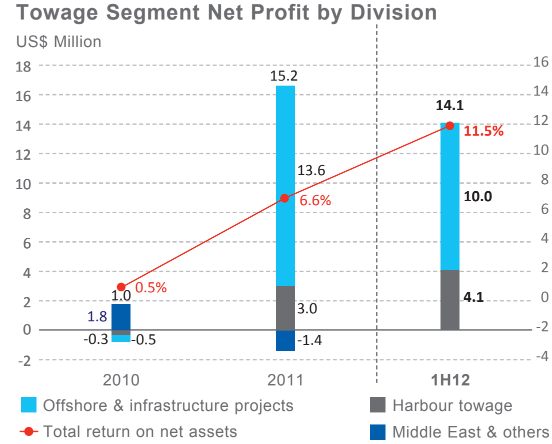
Segment operating performance

US$ Million	Six months ended 30 June 2012	2011	Change
Segment net profit	**14.1**	3.5	+303%
Segment operating cash inflow	18.9	10.6	+78%
Segment net assets	244.6	230.3	+6%
Return on net assets (annualised %)	12%	3%	+9%

Results from offshore and infrastructure projects improved significantly due to the expansion of existing projects and consequent increased demand for offshore tugs and barges.

Harbour towage results improved due to increased port calls at Australian container ports.

Towage Segment Net Profit by Division

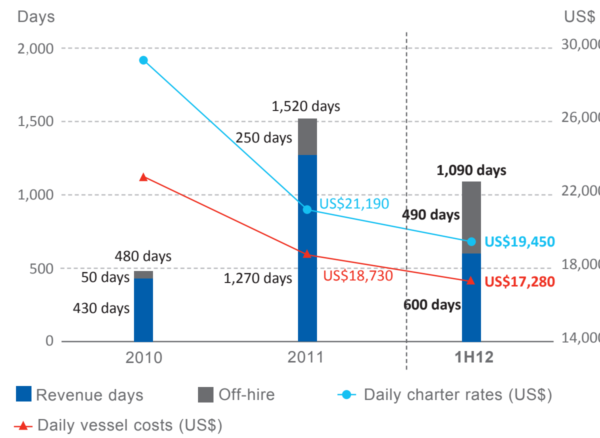


PB RoRo Segment

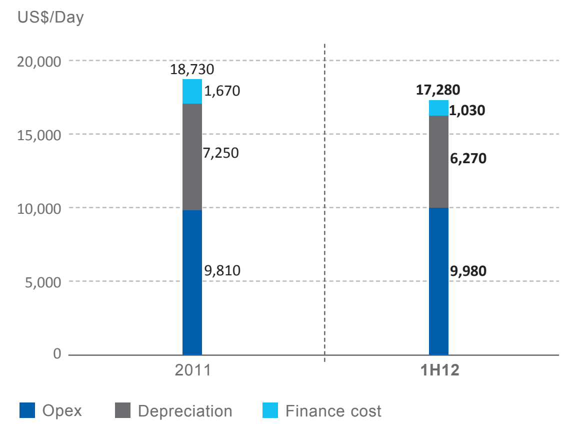
Segment operating performance

US$ Million	Six months ended 30 June 2012	2011	Change
Vessels operating loss before direct overheads	(7.1)	(0.5)	-1,420%
Share of loss of associates	–	(4.1)	+100%
Share of (loss)/profit of jointly controlled entities	(1.3)	0.2	-750%
Direct overheads	(0.1)	(0.9)	+89%
Segment net loss	(8.5)	(5.3)	-60%
Segment operating cash (outflow)/inflow	(0.8)	4.5	-118%
Segment net assets	135.6	347.6	-61%
Return on net assets (annualised %)	-12%	-3%	-9%

RoRo Performance



RoRo Daily Vessel Costs



Two of the Group's Odense-built RoRo vessels are employed in Northern Europe and the Mediterranean. Our two Hyundai-built RoRo vessels are trading in the Caribbean on intermittent short term business at rates reflecting the ongoing weak market. We are still actively seeking employment for our remaining two vessels which are currently in cold lay-up in the United Kingdom.

Our daily charter rates decreased 8% to US$19,450 (FY2011: US$21,190) mainly due to weaker demand in Europe and the weakly performing Euro currency in which part of our revenue is generated.

Daily vessel costs decreased 7.7% to US$17,280 (FY 2011: US$18,730) mainly due to the full period effect of the reduced depreciation of our RoRo vessels following the US$80 million vessel impairment in mid-2011, and a lower daily finance costs associated with the delivery of the final two RoRo vessels.

The US$190 million vessel impairment announced in June 2012 is estimated to further reduce the daily depreciation by approximately US$3,000 for each of the six RoRo vessels starting from the second half of this year.

Direct overheads decreased mainly due to exchange difference on charter income denominated in United States Dollars

FUNDING AND COMMITMENTS

Cash Flow and Cash

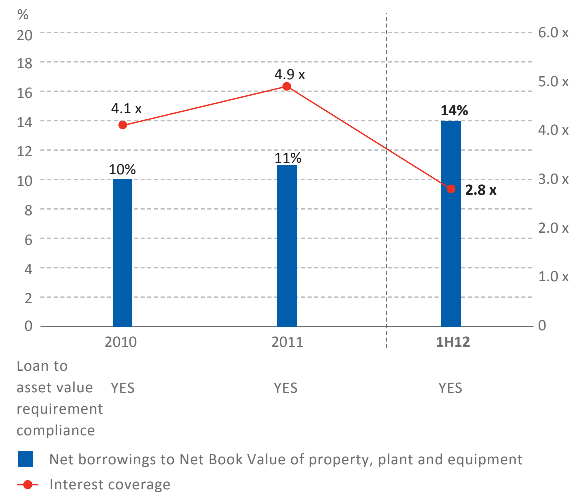
The Group's four main sources of capital are equity, convertible bonds, bank loans and operating cash flows.

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

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

As at 30 June 2012, the Group had a strong cash position of US$656.8 million resulting in a 14.3% gearing ratio of net borrowings to Net Book Value of property, plant and equipment. Based on existing capital commitments of US$262.0 million, the Group has sufficient cash resources on hand to fund these commitments.

Net Borrowings to NBV and Interest Coverage

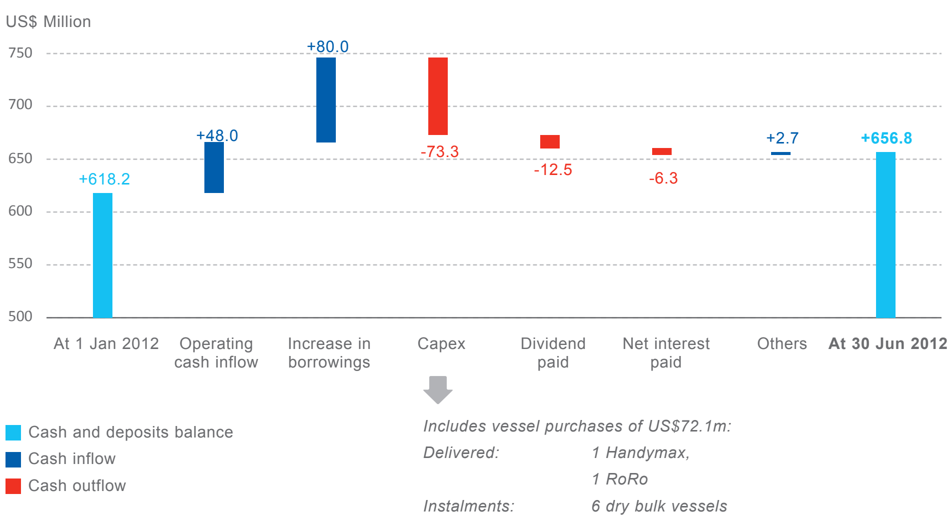


Liquidity	US$656.8 million of cash and deposits (principally denominated in US$) US$5.2 million of unutilised bank borrowing facilities
Net working capital	US$555.0 million

Cash Flow

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

1H2012 Sources and Uses of Group Cash Flow



Cash and Deposits

Treasury is permitted to invest in a range of cash and investments products 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.

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

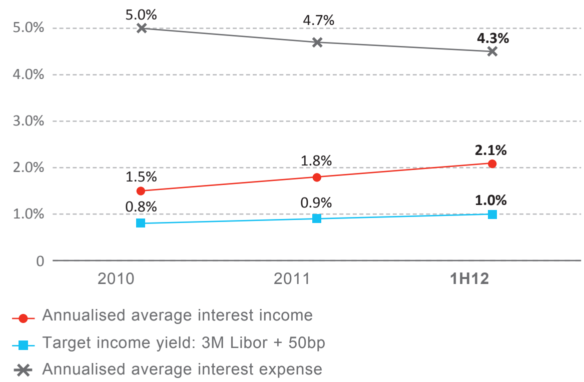
Cash and deposits are placed with a range of leading banks, mainly in Hong Kong. Restricted bank deposits relate to i) additional collateral pledged to maintain dry bulk bank lending covenants and ii) guarantees issued for offshore and infrastructure projects in the Towage segment.

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

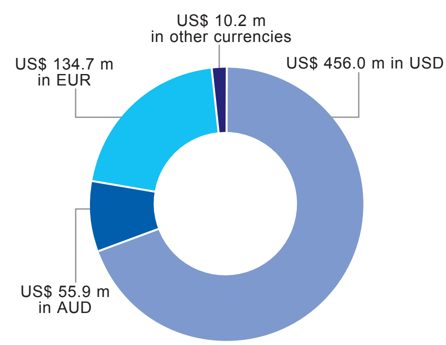
US$ Million	30 June 2012	31 December 2011	Change
Restricted bank deposits - non-current	51.3	8.6	
Restricted bank deposits - current	5.0	11.2	
Cash and deposits	600.5	598.4	
Total cash and deposits	656.8	618.2	+6%
Current portion of long term borrowings	(75.4)	(65.3)	
Long term borrowings	(777.4)	(713.7)	
Total borrowings	(852.8)	(779.0)	+9%
Net borrowings	(196.0)	(160.8)	+22%
Net borrowings to Net Book Value of property, plant and equipment	14.3%	10.5%	+3.8%
Net borrowings to shareholders' equity	15.6%	10.8%	+4.8%

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

Interest Rates and Benchmark Income

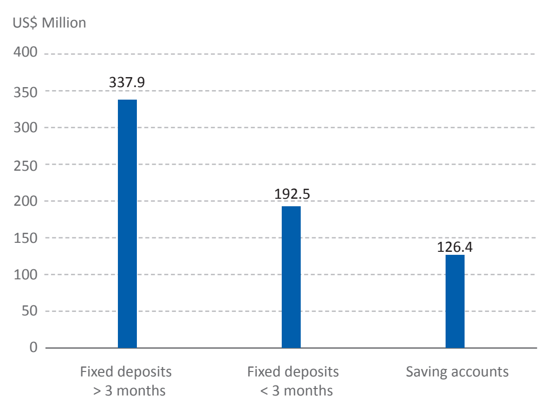


US$ Value of Currencies at 30 June 2012



At 30 June 2012, the Group's US$656.8 million cash and deposits were placed in the following investment products:

Cash and Deposits Investments



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$852.8 million (31 December 2011: US$779.0 million). They are principally denominated in United States Dollars, except for bank loans equivalent to US$210.1 million (31 December 2011: US$106.0 million) and US$32.0 million (31 December 2011: US$34.4 million) which are denominated in Euro and Australian Dollars respectively.

Bank Borrowings

Bank borrowings (net of deferred loan arrangement fees) were US$484.9 million (31 December 2011: US$405.5 million) at 30 June 2012. It increased as loans secured on RoRo vessels were drawndown during the period.

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

The Group monitors the loans to asset value requirements on its bank borrowings. If the market values of the Group's mortgaged assets fall below the level prescribed by our lenders, the Group pledges additional cash or offers additional unmortgaged vessels as collateral to them.

As at 30 June 2012:

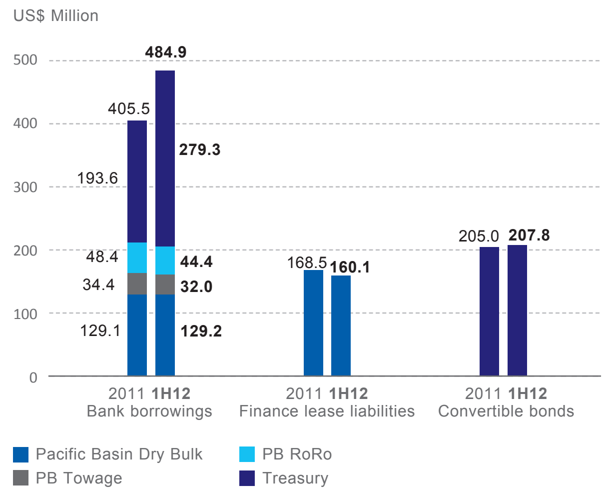
i) The Group's bank borrowings were secured by mortgages over 41 vessels with a total net book value of US$667.5 million and an assignment of earnings and insurances in respect of these vessels. The Group has 36 unmortgaged vessels with a total net book value of US$381.3 million.

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

iii) The Group has unutilised bank borrowing facilities of US$5.2 million.

P/L impact: The decrease of US$0.4 million in interest on bank borrowings (after capitalisation) to US$5.8 million was due to lower interest rates. Bank borrowings are subject to floating interest rates but the Group manages these exposures by way of entering into interest rate swap contracts.

Borrowings by Source and Segment



Finance Lease Liabilities

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

Aggregate current and long term finance lease liabilities at 30 June 2012 were US$160.1 million (31 December 2011: US$168.5 million) relating to 13 Handysize vessels whose bareboat charters expire between 2015 and 2017. The fixed, equal, quarterly charter-hire payments are accounted for as a combination of repayments of finance lease liabilities on the balance sheet and finance charges in the income statement. Finance charges can be expressed as interest rates, fixed for the period of the leases.

P/L impact: Finance charges of US$5.6 million (2011: US$6.2 million) represent interest payments on the Handysize vessels under finance leases.

Convertible Bonds

The debt component of the Group's 1.75% p.a. coupon April 2016 convertible bond at 30 June 2012 was US$207.8 million (31 December 2011: US$205.0 million).

P/L impact: The US$4.8 million interest expense is calculated using the 4.7% effective interest rate of the convertible bonds.

Finance Costs

Borrowings resulted in finance costs of US$19.0 million (2011: US$21.4 million). The key indicators on which management focuses to assess the cost of borrowings are:

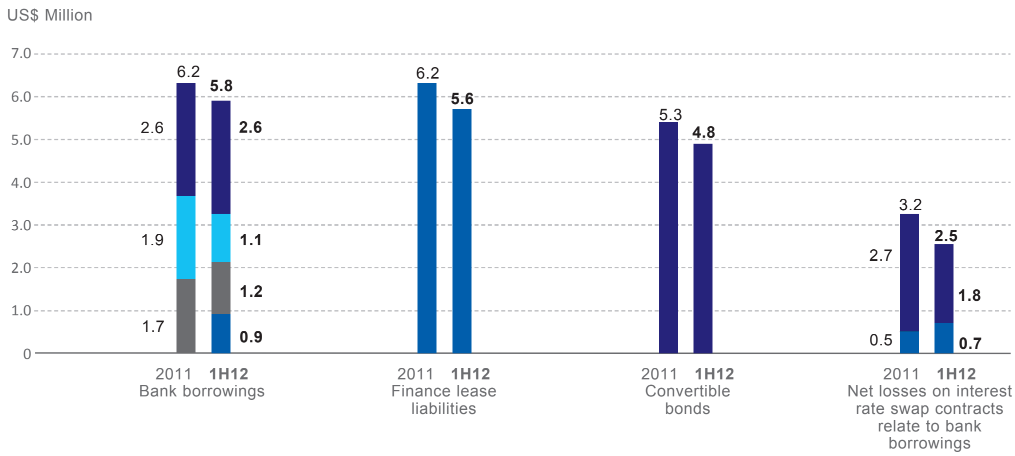
- Average interest rates for the sources of borrowings (See "Finance costs by Source and Segment" below)

	1H12	2011
Group Interest Coverage	2.8x	4.9x

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

The Group aims to achieve a balance between floating and fixed interest rates on its long term borrowings, using interest rate swap contracts where appropriate. As at 30 June 2012, 11% 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.

Finance Costs by Source and Segment

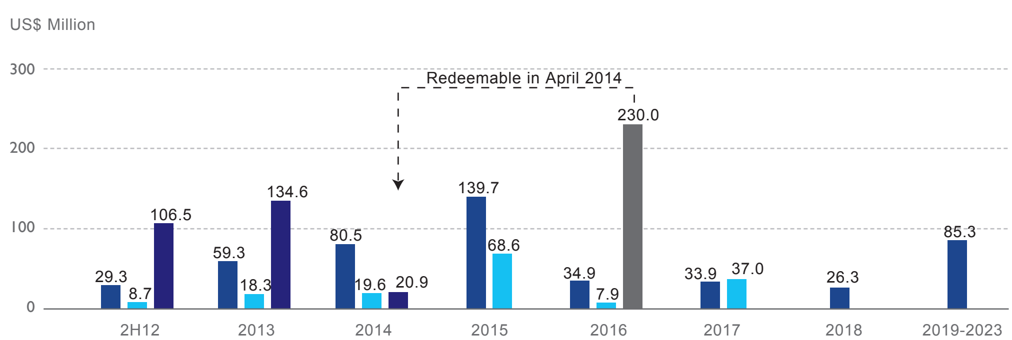


Average interest rate			
Profit & loss	2.6% 2.5%	6.8% 6.8%	4.9% 4.7%
Cash	2.6% 2.5%	6.8% 6.8%	1.8% 1.8%

Pacific Basin Dry Bulk | PB Towage | PB RoRo | Treasury

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

Schedule of Repayments and Vessel Capital Commitments



- Bank borrowings (gross of loan arrangement fee) (US$489 million): expire between 2014-2023
- Finance lease liabilities (US$160 million): expire between 2015-2017
- Convertible bonds (face value US$230 million): Due Apr 2016, redeemable in Apr 2014
- Vessel capital commitments (US$262 million)

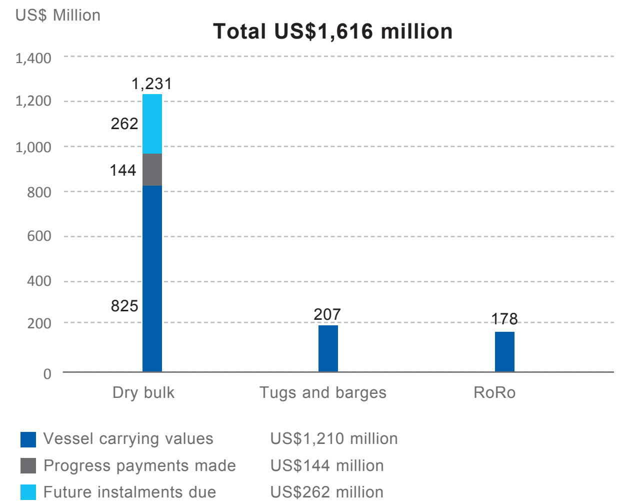
Delivered Vessels

At 30 June 2012, the Group had property, plant and equipment with a net book value (after RoRo impairment) of US$1,360.0 million, related to the following delivered vessels:

		No.	Average net book value (US$ Million)
Dry Bulk	Handysize	42	16.9
Dry Bulk	Handymax	3	19.7
Dry Bulk	Post Panamax	1	54.3
Towage	Tugs & Barges	38	5.4
RoRo	RoRo	6	29.7

Handysize vessels continued to dominate the Group's assets with an average age of 8.1 years for the delivered owned vessels. Tugs, barges and RoRo vessels are denominated in their functional currencies of the Australian Dollar and the Euro; hence their US Dollar carrying values and commitments are subject to exchange rate fluctuations.

A Combined View of Vessel Carrying Values and Vessel Commitments



Vessel Commitments

As at 30 June 2012, the Group had non-cancellable vessel commitments of US$262.0 million. The vessels are scheduled to deliver to the Group between September 2012 and February 2014 as shown in the table.

US$ Million	Number	2H12	2013	2014	Total
Handysize vessels	**8**	**53.6**	**32.7**	**20.9**	107.2
Handymax vessels	**6**	**52.9**	**101.9**	**-**	154.8
Commitments at 30 June 2012	**14**	**106.5**	**134.6**	**20.9**	262.0

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 30 June 2012** Finance lease	Operating lease	**Average age of vessels** (years)	**Average purchase option exercise price[1]** (US$ Million)
2H12	Handysize	13	3	10	14.3
	Tug & barge	–	3	4	2.2
2013	Tug	–	2	2	7.2
2016	Handysize	–	2	5	39.1
	Handymax	–	1	5	30.0
	Post Panamax	–	1	5	67.9
2017	Handysize	–	1	5	33.4
2020	Handysize	–	1	7	35.9
2021	Handysize	–	1	7	36.6
Total		13	15		

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

Estimated fair market values published by Clarksons are US$16.0 million and US$22.5 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 remaining for 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
2H12	10,150	6,830	5,960	2,370	11,600	3,160
2013	10,930	5,240	5,950	4,750	12,840	1,700
2014	11,650	4,380	5,940	4,750	13,150	1,000
2015	11,820	4,020	5,910	2,590	13,800	420
2016	11,650	3,180	5,970	1,830	14,000	370
2017	11,720	2,920	5,840	610	14,000	370
2018	11,630	2,560	–	–	14,250	370
2019	12,580	1,600	–	–	14,280	370
2020	13,020	1,100	–	–	14,500	370
2021	14,000	310	–	–	–	–
Total		32,140		16,900		8,130
Aggregate operating lease commitments		US$364.9 m				US$103.3 m

Vessel operating lease commitments stood at US$501.7 million (31 December 2011: US$540.0 million), comprising: US$364.9 million for Handysize; US$103.3 million for Handymax; US$25.8 million for Post Panamax vessels; and US$7.7 million for tugs. The decrease in operating lease commitments was mainly due to lower charter rates for chartered-in Handysize and Handymax vessels.

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

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

Handysize and Handymax Index Linked Vessel Lease Commitments

	Handysize	Handymax
Year	Vessel days	Vessel days
2H12	2,380	590
2013	4,560	170
2014	2,200	–
2015	540	–
Total	9,680	760

CORPORATE GOVERNANCE AND OTHER INFORMATION

Purchase, Sale or Redemption of Securities

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

The Board confirms that, having made specific enquiry, the Directors have complied in full with the required standards set out in the Model Code and its code of conduct during the six months ended 30 June 2012.

Compliance with the Corporate Governance Code

Throughout the six months ended June 2012, the Group has complied with all code provisions of the Corporate Governance Code as contained in Appendix 14 of the Listing Rules as well as the former Code on Corporate Governance Practices.

Review of Audit Committee

The audit committee of the Company has reviewed this interim results announcement and the 2012 Interim Report of the Company for the six months ended 30 June 2012.

Interim Dividend and Book Closure

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

Interim Report and Disclosure of Information on Stock Exchange's Website

This announcement of interim results containing all the information required by paragraphs 46(1) to 46(9) of Appendix 16 of the Listing Rules has been published on the Stock Exchange's website at www.hkexnews.hk and on the Company's website at www.pacificbasin.com.

The Company's 2012 Interim Report will be available on the Company's website no later than the date on which it is sent to those shareholders who have elected to receive a printed copy on or around 20 August 2012.

Directors

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

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