Pacific Basin




Passionate about service

Interim Report 2012

Business Highlights

Our core dry bulk business again outperformed in a significantly poorer market
PB Towage has delivered increasingly profitable results
PB RoRo has been hard hit by severe weakness in Europe

Group

Results were impacted by
- a US$190 million impairment of our RoRo investment,
- a weaker dry bulk spot market and
- 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

Pacific Basin Dry Bulk

PB Towage

PB RoRo

Contents

Financial Summary

	2012 30 June US$ Million	2011 30 June US$ Million	2011 31 December US$ Million
Results			
Revenue	703.2	610.2	1,342.5
Gross profit	11.2	51.7	107.6
Finance costs, net	(9.4)	(15.3)	(31.3)
Underlying profit	3.2	18.8	57.8
EBITDA (excluding RoRo vessel impairment)	53.7	125.7	218.7
(Loss)/profit attributable to shareholders	(195.9)	3.0	32.0
Balance Sheet			
Total assets	2,305.6	2,524.2	2,431.8
Net borrowings/(cash)	196.0	214.4	160.8
Shareholders' equity	1,259.6	1,509.7	1,484.9
Cash and deposits	656.8	630.5	618.2
Capital commitments	273.7	361.2	334.5
Cash Flows			
Operating	48.0	69.4	159.4
Investing	(84.3)	(33.4)	(35.0)
Financing	44.2	(85.3)	(166.3)
Change in cash	7.9	(49.3)	(42.0)
Per Share Data	HK cents	HK cents	HK cents
Basic EPS	(79)	1	13
Dividends	–	5	10
Operating cash flows	19	28	64
Net book value	505	607	597
Share price at period end	330	444	311
Market capitalisation at period end	HK$6.4bn	HK$8.6bn	HK$6.0bn
Ratios			
Net profit %	(28%)	0%	2%
Eligible profit payout ratio	–	421%	78%
Return on average equity	(26%)	0%	2%
Total shareholders' return	8%	(11%)	(36%)
Net borrowings/(cash) to Net Book Value of property, plant and equipment	14%	14%	11%
Net borrowings/(cash) to shareholders' equity	16%	14%	11%
Interest coverage (excluding RoRo vessel impairment)	2.8X	5.9X	4.9X

Page 22
See Financial Review for definitions of underlying profit, EBITDA and interest coverage and further analysis

Key to navigation symbols

linkage to related details within the interim report

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

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

Passionate about service

What do you see? A ship? We see a team of people passionate about delivering excellent service












Despite the steel and mechanical hardware that we operate, our business is a people business. Our success hinges on the engagement of our staff as a team, our interface with customers and our understanding of their needs, and the quality of our relationship with suppliers and other business partners.

So when one of our ships arrives in port, we don't see just a ship... We see a team of people that have made things happen – from the customer to our partners and our people – all driven by a team spirit, and taking us a step closer to achieving our vision.

Our vision

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

Our mission

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

Our strategy

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

To direct new investment towards our core dry bulk activity thereby further strengthening our leading market position in the Handysize and Handymax segments.

To invest further in our towage business and fleet as specific projects materialise.

What we stand for

We are committed to our business, our people and our brand, so what matters to us most is:

- finding the right solutions to challenges faced by our customers
- honouring our commitments and operating to the highest standards of diligence, care, safety and reliability
- the value of long-term relationships over short-term gain
- a nimble and dynamic organisation capable of quick decision making
- our hard-earned, preeminent reputation

Our Group & Our Fleet

Pacific Basin is headquartered and listed in Hong Kong, we have 2,000 seafarers and 300 shore-based staff in 19 offices, and we operate globally in three maritime sectors under the banners of:

Pacific Basin Dry Bulk

Our core dry bulk shipping business is customer focused, providing industrial users and producers of raw materials and other commodities with a high-quality, reliable and competitive freight service through spot and long term cargo contracts.

PB Towage

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

PB RoRo

PB RoRo owns a new fleet of modern Roll-on Roll-off ships of efficient, high-capacity design particularly suited to the freight routes of Europe and the Mediterranean.

Our Worldwide Network

19 offices globally

14 dry bulk offices

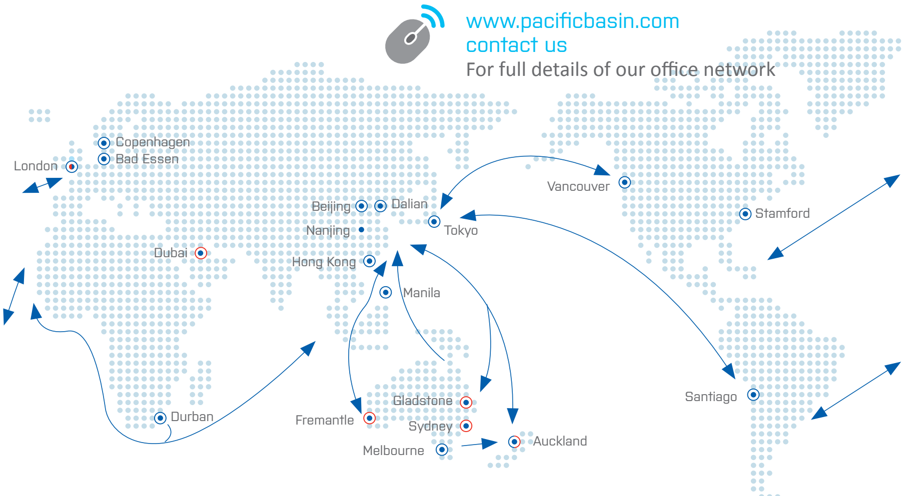
10 chartering offices

on 6 continents

positioning us close to customers

- Pacific Basin global offices
- Dry bulk offices
- Towage offices
- RoRo offices
- Sample dry bulk trade routes

www.pacificbasin.com
contact us
For full details of our office network



Our Fleet as at 23 July 2012

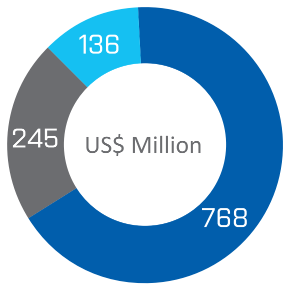
www.pacificbasin.com
fleet > summary
For full fleet list and vessel descriptions

		Vessels on water	Newbuildings on order	Total
Dry Bulk	Handysize	121	14	135
	Handymax	37	8	45
	Post Panamax	2	–	2
Towage	Tugs & Barges	44*	–	44
RoRo	Roll-on Roll-off	6	–	6
	Total	210	22	232

*Including 35 tugs, 7 barges, 1 passenger/supply vessel and 1 bunker tanker

Sector Net Assets

as at 30 June 2012



- Pacific Basin Dry Bulk
- PB RoRo
- PB Towage

Confidence and opportunity in challenging times

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

Mats Berglund
Chief Executive Officer
Hong Kong, 1 August 2012

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.

Page 8 & 22
See Business Review and Financial Review for more on our three divisions

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.

www.pacificbasin.com
investor relations > news
See our announcement of 18 June for more on this impairment and its financial effects

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.

> What I see is a team of people passionate about delivering excellent service

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.

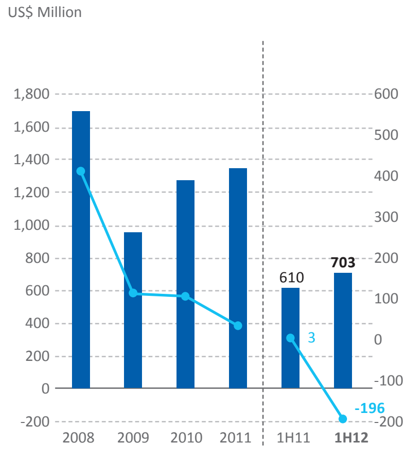
We remain committed to our towage business which is performing well and in line with our expectations. We reaffirm that the majority of our future investments will be in the dry bulk shipping sector where our long-standing expertise lies and where we are most confident of delivering a world-class service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

Performance Highlights: Group

Revenue and Net Profit

US$(196)m net loss 1H11: 3m

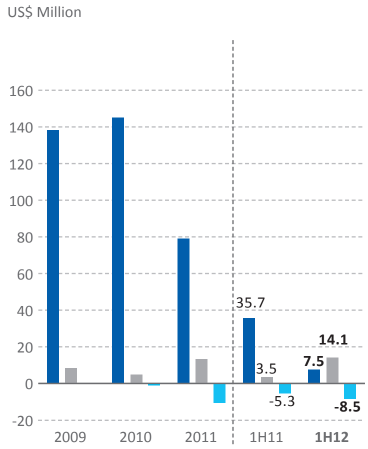


Revenue

Net profit

Segment Net Profit

US$9.7m 66% YOY



Divisional Contributions:

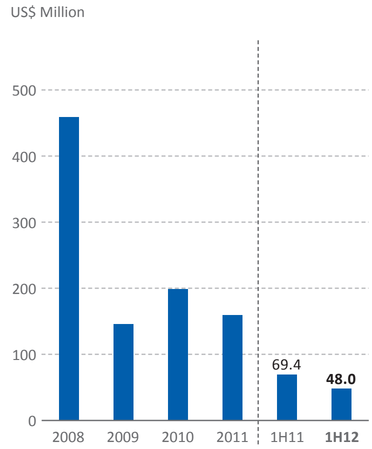
Pacific Basin Dry Bulk

PB Towage

PB RoRo

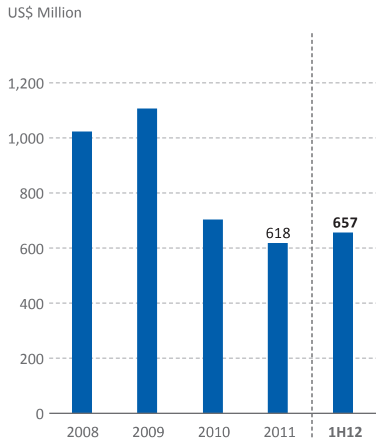
Operating Cash Flow

US$48m 31% YOY



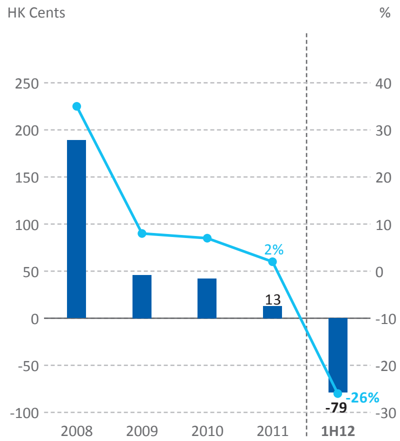
Cash and Deposits

US$657m



EPS and ROE

HK¢(79)EPS

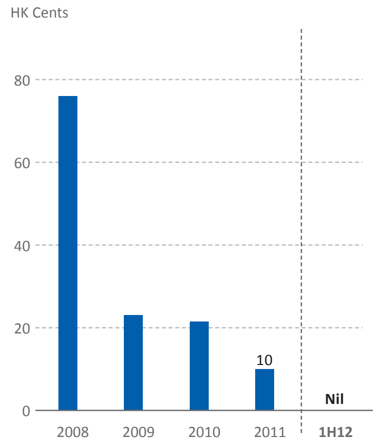


Earnings per share

Return on average equity

Dividend Per Share

Interim: Nil

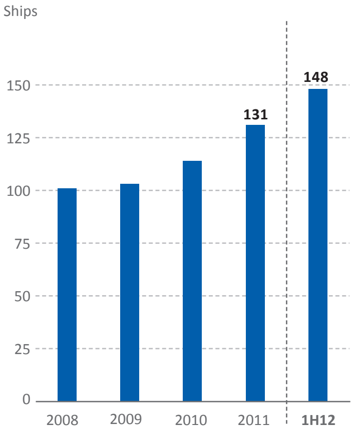


Dry Bulk

Our Dry Bulk Fleet Size

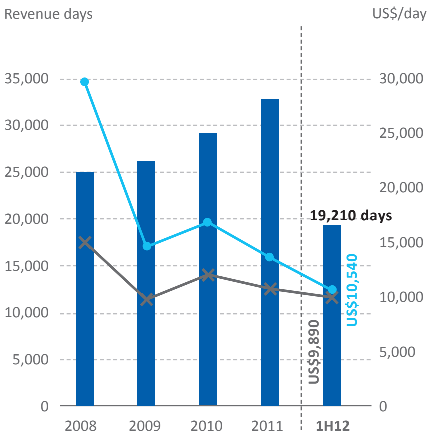
Average number of ships on the water

148ships



Handysize Revenue Days & Daily Rates

US$10,540per day



Revenue days

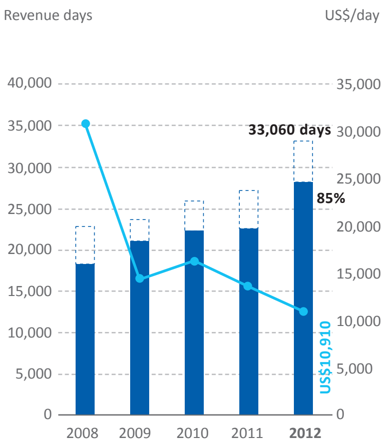
Time charter equivalent earnings (TCE)

Cost

Handysize Contract Cover

as at interim results announcement date

85%



Fixed days

Unfixed days

TCE

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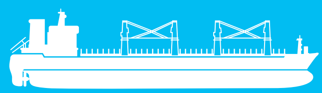
Group KPIs – monitoring the health of our Group

www.pacificbasin.com
investor relations > presentation
Download our investor relations presentation covering the Group's interim results and performance in 1H2012

Business Review

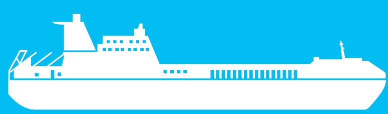


Our Bulk Carriers

- Our modern Handysize and Handymax ships respectively carry 25,000-40,000 and 40,000-65,000 metric tonnes of cargo
- Their "handy" proportions allow them to access ports restricted by shallow water, locks, narrow channels and tight river bends
- Four cranes with 30-ton lifting capacity enable self-loading and discharging in regions lacking sophisticated cargo-handling infrastructure
- They are versatile workhorses well suited to carrying a broad range of commodities, mainly in bulk but also in bagged or bundled form
- The average age of our dry bulk core fleet is 6.4 years

Our Tugs

- PB Towage operates a modern fleet of versatile tugs with an average age of 7.5 years
- Our project vessels are well suited to support the marine logistics requirements of the burgeoning resources sectors in Australia and Oceania
- Harbour activities are supported by our young fleet of powerful harbour tugs of up to 69 tons bollard pull



Our RoRos

- Our "pure RoRo" ships transport trailerised "roll-on/roll-off" freight, have a cargo capacity of 3,660-3,810 lane metres, and offer excellent speed, fuel economics and manoeuvrability
- Each transports up to 200 trailers, typically carrying fruit, vegetables and other perishable goods, spare parts, machinery and other high value products
- While these ships can trade globally, they are particularly suited to the freight routes of Northern Europe and the Mediterranean

Dry Bulk Market Review 1H2012

IMPACTING SHIP VALUES

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.

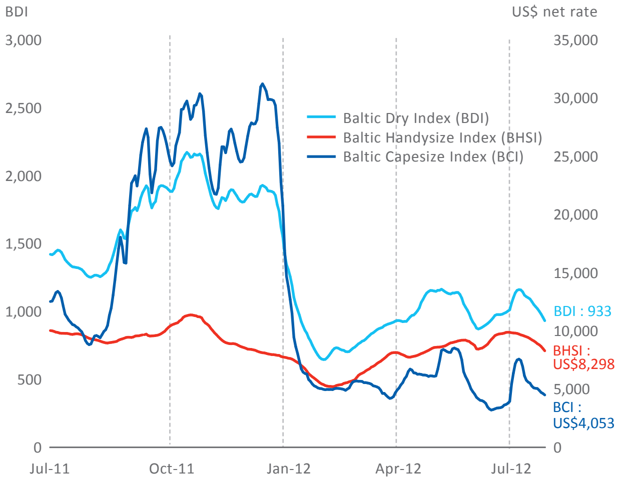
Despite this weaker market, earnings for the smaller Handysize and Handymax bulk carriers in which we specialise once again traded within a narrower band and were supported by a higher earnings floor than much larger bulk carriers.

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.

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.

Baltic Dry Bulk Earnings Indices



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

DEMAND DRIVERS

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.

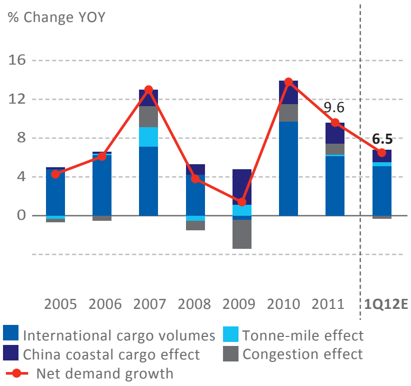
The relative buoyancy in the market for geared Handysize and Handymax bulk carriers was driven by record imports of minor bulks into China. Our own cargo volumes into or out of China during the period increased 2% year on year and comprised 11% of our volumes overall.

Chinese imports of seven important minor bulks increased 20% year on year in the first six months of 2012 (see "China Imports of Minor Bulks" graph).

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.

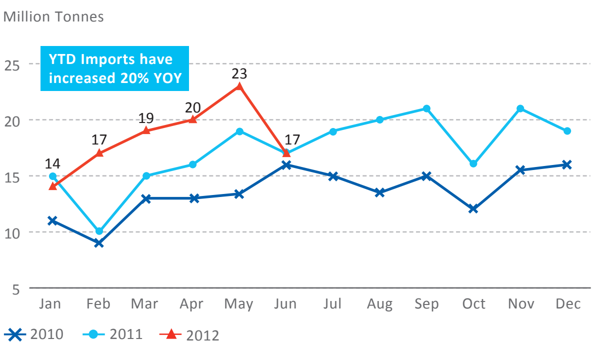
The above positive demand factors were weighed down by excessive expansion of supply during the period.

Dry Bulk Fleet Demand



Source: R.S. Platou, Clarksons

China Imports of Minor Bulks



Source: China Customs, Bloomberg

This graph shows Chinese imports of a basket of 7 important minor bulks including:

logs, soyabean, fertiliser, bauxite, nickel, copper concentrates and manganese ore.

Together these commodities represent about 33% of the cargo volumes we carried during the period.

SUPPLY DRIVERS

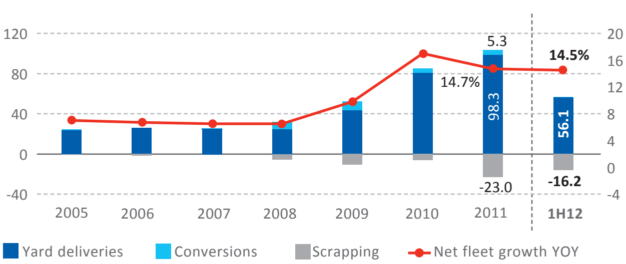
KEY SUPPLY DEVELOPMENTS

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.

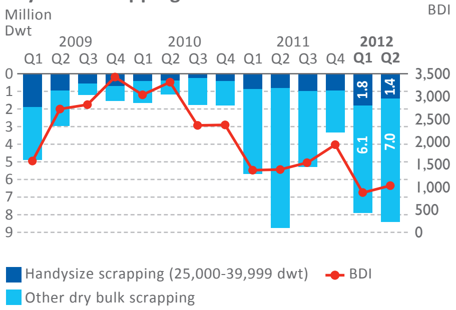
The global fleet of 25,000-40,000 dwt Handysize ships in which we specialise expanded by only 2.4% net during the period, benefitting from a more favourable global fleet age profile and deliveries.

Global Dry Bulk Fleet Development



Source: Clarksons

Dry Bulk Scrapping Versus BDI



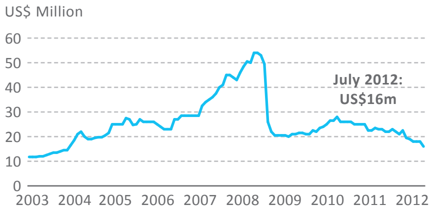
Source: Clarksons, Bloomberg, as at 4 Jul 2012

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.

Secondhand Handysize Vessel Values (5-year old 32,000 Dwt)



Source: Clarksons

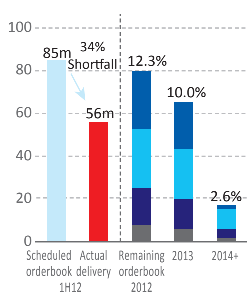
NEW SHIP ORDERING

ORDERBOOK

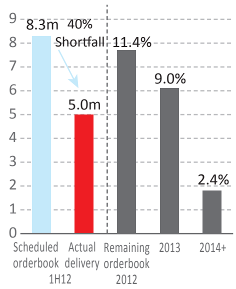
New bulk carrier ordering activity in the first half of the year was down approximately 60% year on year, and was equivalent to only 10% of full-year 2011 deliveries.

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.

Dry Bulk Orderbook by Year

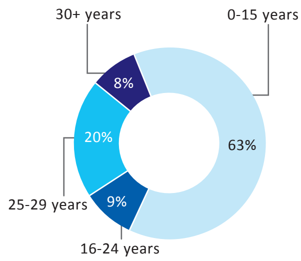


Handysize Orderbook by Year



Handysize Age Profile

2,110 Vessels (67.7 Million Dwt)



Source: Clarksons, data as at 1 July 2012

	Orderbook as % of existing fleet	Average age	Over 25 years old	Scrapping as % of existing fleet (annualised)
Handysize (25,000 – 39,999 dwt)	23%	13	28%	9%
Handymax (40,000 – 64,999 dwt)	25%	10	12%	5%
Panamax & Post-Panamax (65,000 – 119,999 dwt)	36%	9	4%	3%
Capesize (120,000+ dwt)	20%	8	2%	5%
Total Dry Bulk (10,000+ dwt)	25%	11		5%

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.

Dry Bulk net profit

US$7.5m

Operating cash flow

US$38.1m

DRY BULK KPIs

Revenue Days and TCE (vs Market Indices)

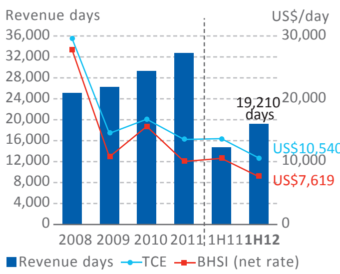
38% outperformance compared to market
Handysize

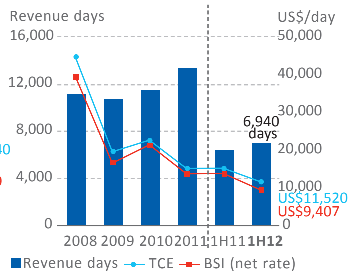
22% outperformance compared to market
Handymax

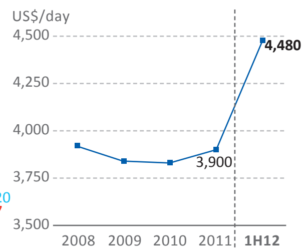
Daily Opex Costs

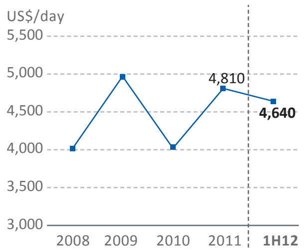
US$4,480 per day ↑15%
Handysize

US$4,640 per day ↓4%
Handymax









PERFORMANCE

Our average Handysize daily earnings in the first half of 2012 outperformed the market index by 38%.

We operated an average of 107 Handysize and 39 Handymax ships, resulting in a 31% and 9% increase year on year in our Handysize and Handymax ship revenue days respectively.

Our owned Handysize daily operating costs increased mainly due to an 11% increase in crew wages and a 20% increase in maintenance costs.

Our owned Handymax daily operating costs decreased mainly due to higher maintenance costs incurred last year.

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Our dry bulk business model

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Further analysis of performance

Cargo Cover and Rates

85%
cover for 2012
at US$10,910 per day
Handysize

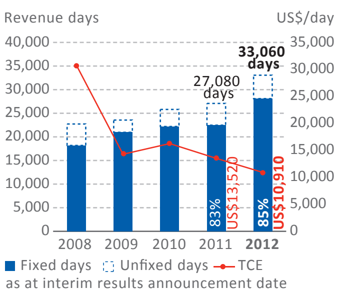
94%
cover for 2012
at US$11,830 per day
Handymax

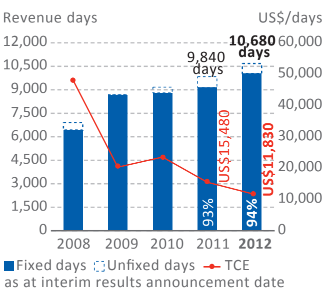
Return on Net Assets

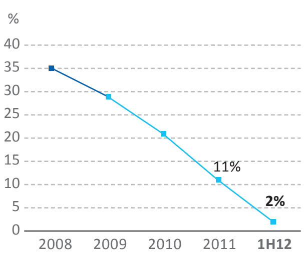
2% annualised
9%

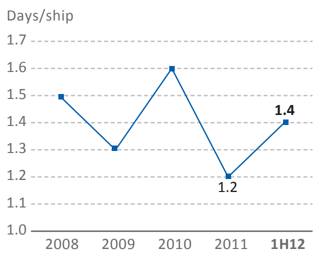
Off-hire

1.4 days
17%









PERFORMANCE

We have covered 85% of our Handysize revenue days and 94% of our Handymax revenue days currently contracted for 2012

This 2012 cover has been secured at average rates of US$10,910 and US$11,830 respectively

Cargo cover excludes chartered-in vessel commitments that are on a variable charter rate linked to relevant Baltic dry bulk indices

A significantly weaker dry bulk market impacted the division's net profits resulting in a 2% return on net assets

We achieved an annualised off-hire rate of 1.4 days per ship in the period

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.

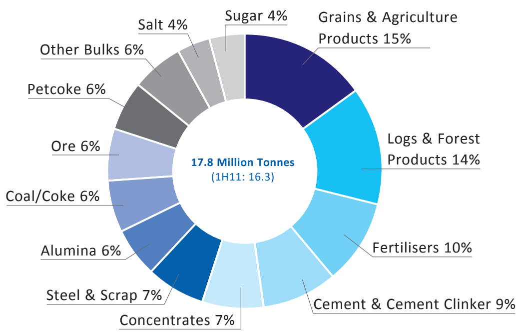
- **Scale of our fleet** – We operated an average of 148 dry bulk ships (up from 116 in the first half of 2011), operating more short-term chartered Handysize ships to profitably supplement our core fleet activity and to service our growing global customer base. In the year to date, we have committed 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.

Our Handysize and Handymax Cargo Volumes in 1H12



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

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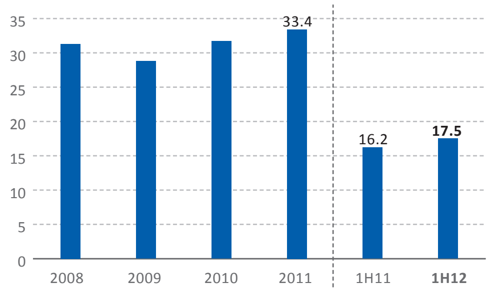
Our dry bulk divisional strategic objectives (as at 1 March 2012)

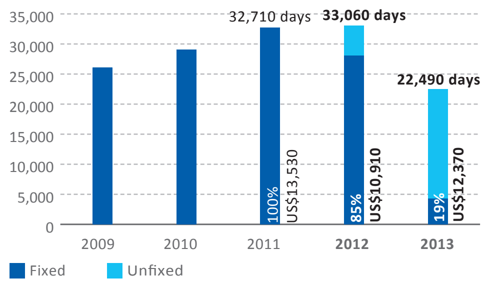
Pacific Basin Cargo Volumes 2008 - 1H12

Million Tonnes



Handysize Contract Cover and Daily TCE

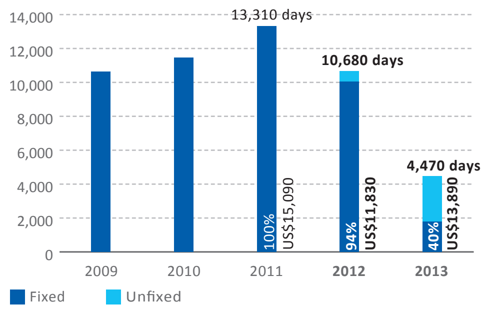
Revenue days



As at 23 July 2012

Handymax Contract Cover and Daily TCE

Revenue days



As at 23 July 2012

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 flows 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.

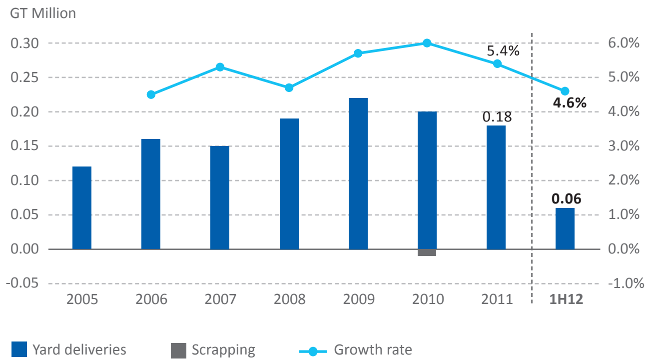
HARBOUR TOWAGE

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.

Global Tug Fleet Development



Source: Clarksons, data as at 1 July 2012

PB Towage
How we performed in 1H2012

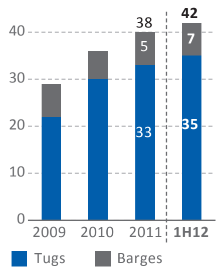
Our PB Towage division generated a net profit of US$14.1 million and an operating cash flow of US$18.9 million, reflecting our increasingly competitive position in the improving offshore support and harbour towage markets in Australasia.

PB Towage net profit
US$14.1m

Operating cash flow
US$18.9m

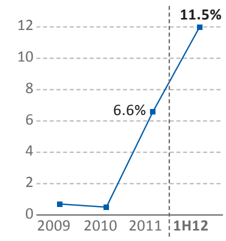
TOWAGE KPIS

Vessel number operated
42 vessels average
▲11%

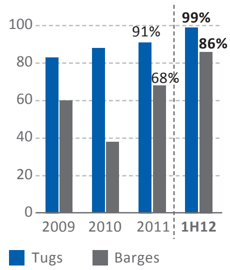


Excludes 1 bunker tanker

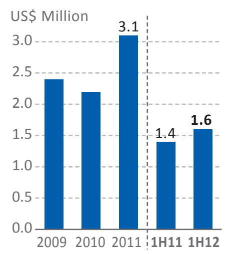
Return on Net Assets
11.5% annualised
▲4.9%



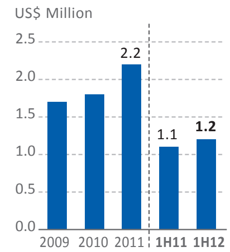
Percentage of Fleet Deployed
99% tug fleet
▲10% YOY



Vessel Revenue
US$1.6m per vessel
▲14% YOY



Vessel Costs
US$1.2m per vessel
▲9% YOY



PERFORMANCE

We deployed an additional chartered-in vessel in Western Australia, increasing to 42 the average number of towage vessels we operated during the period from 41 in the previous half year and 38 in full year 2011

Improved net profits of US$14.1 million generated a return on net assets of 11.5% in the period

Deployment of PB Towage's tugs increased from 91% in 2011 to 99% in the first half of 2012 while barge deployment increased from 68% to 86%

Our fleet of deployed tugs and barges generated average revenue of US$1.6 million per vessel in the first half of 2012 on increased vessel utilisation and job numbers

Our vessel costs averaged US$1.2 million in the half year reflecting the cost of additional chartered-in vessels and increased crewing costs

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Further analysis of performance

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

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Our towage divisional strategic objectives
(as at 1 March 2012)

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.

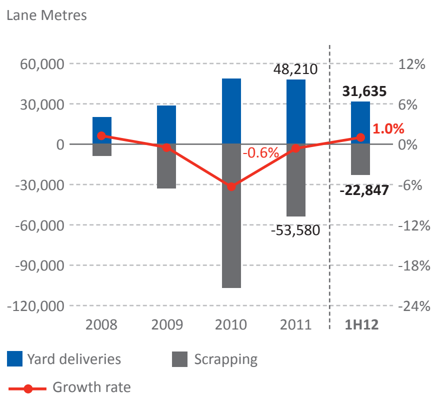
SUPPLY

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.

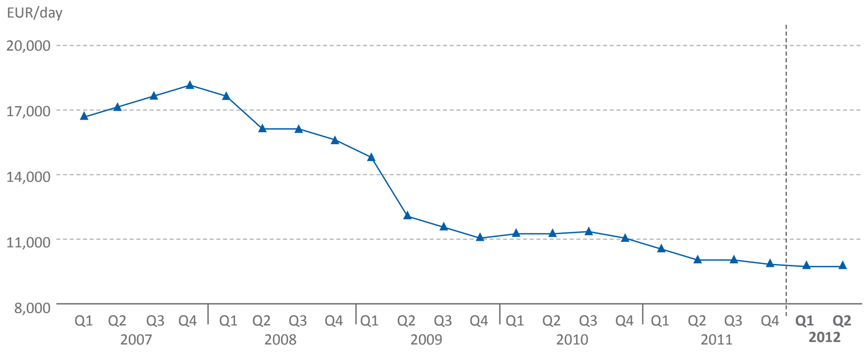
The orderbook of large RoRos now stands at 16% of the fleet afloat, all of which is scheduled to deliver by the end of 2014. A new order for one pure RoRo was placed in the year to date, and the global fleet of large RoRos is expected to continue to grow until the current orderbook fully delivers by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

RoRo Fleet Development



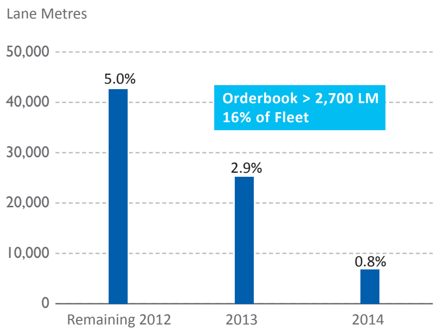
Company sourced data as at 1 July 2012

Estimated 6-12 month RoRo Charter Rates (2,500-3,000 LM)



Source: Fearnleys

RoRo Orderbook: 8.7%
25 Vessels (74,648 Lane Metres)



Company sourced data as at 1 July 2012

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.

RoRo net loss

US$(8.5)m

Operating cash flow

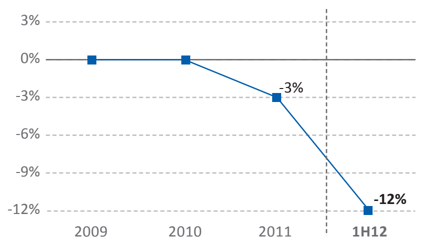
US$(0.8)m

RORO KPIs

Return on Net Assets

(12)%

Annualised



Fleet Utilisation

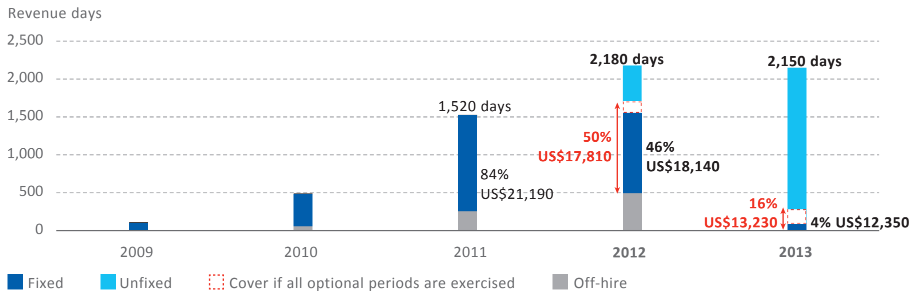
55%

Utilisation in 1H2012

Earnings Cover

46%

Cover for FY2012



PERFORMANCE

Severe weakness in the RoRo charter market resulted in an operating loss of US$8.5 million and an annualised return on net assets of negative 12%

Our RoRo fleet recorded 55% utilisation in the first half of 2012 with its ships on charter for 600 out of a total 1,090 ship revenue days and generating average daily charter rates of US$19,450 in a very weak charter market

Earnings cover is currently in place for 46% of our RoRo capacity in 2012 at an average rate of US$18,140 per day

If all optional charter periods are exercised, earnings cover would increase to 50% at an average rate of US$17,810 per day

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Further analysis of performance

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.

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See our announcement of 18 June for more on this impairment and its financial effects

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See "Outlook for our RoRo Business" for implications on our future strategy

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

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Our RoRo divisional strategic objectives
(as at 1 March 2012)

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.

Financial Review

Group net loss
US$(195.9)m
in the first half of 2012

Underlying profit
US$3.2m

Basic EPS
HK$(0.79)

Shareholders' equity
(26%) return

Operating cash flow remained positive at
US$48m

Our results for the period were impacted by:

- Weaker dry bulk spot rates which had the biggest influence on our underlying performance, although our contract cover continues to help reduce volatility
- A strong contribution from PB Towage which is achieving our objective of producing profits and cash flows to compensate for the cyclical lows in dry bulk
- The difficulties in the European RoRo market which have led to an additional US$190 million impairment

  Significant management judgement of long-term vessel earnings was required in concluding on the amount of the impairment which was adjusted by approximately US$30 million for every US$1,000-equivalent decrease or increase in the daily vessel earnings assumption

Maintaining cash liquidity on the balance sheet remains a key priority:

- With vessel values falling, we have maintained our loan-to-value covenants using our unpledged vessels as collateral
- We are well placed to grow our owned fleet by investing in further vessels beyond our existing capital commitments

Monitoring the Health of our Group

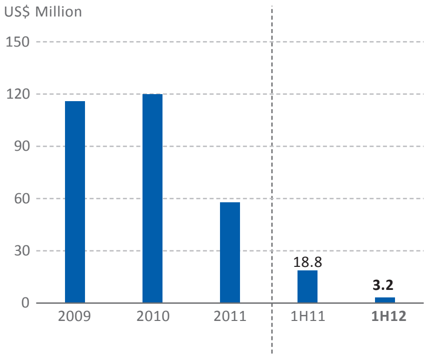
GROUP KPIs

We measure our Group's progress in part through three financial Key Performance Indicators aligned to our strategy.

Underlying Profit

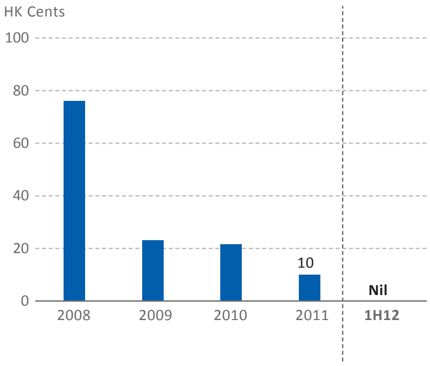
US$3.2m

↓ 83%



Dividend per Share

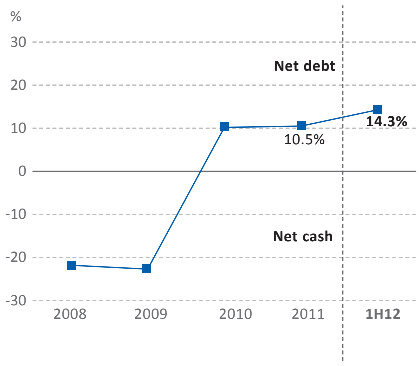
Interim: Nil



Net Gearing on NBV

14.3%

↑ 3.8%



PERFORMANCE

Underlying profit decreased 83% mainly due to a 23% decrease in daily charter earnings of our Handysize vessels, offset in part by 7% lower blended daily vessel operating costs

No interim dividend has been declared in view of the RoRo impairment and difficult dry bulk market conditions

14.3% is well below our target net gearing of no greater than 50%, mainly due to our substantial cash resources

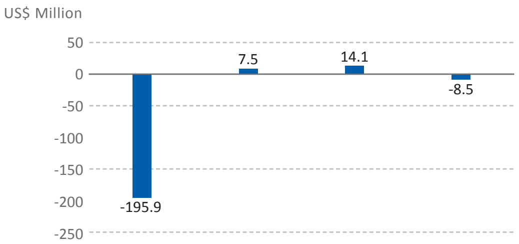
Consolidated Group Performance

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)	+84%
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)

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

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).

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See Financial Statements Note 7 for more on derivative assets and liabilities

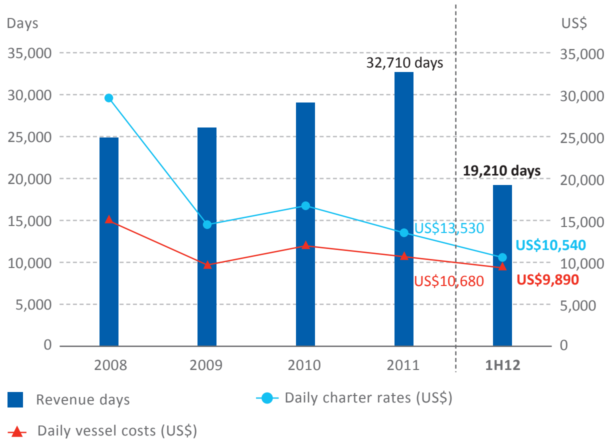
CONSOLIDATED GROUP PERFORMANCE CONTINUED

PACIFIC BASIN DRY BULK SEGMENT

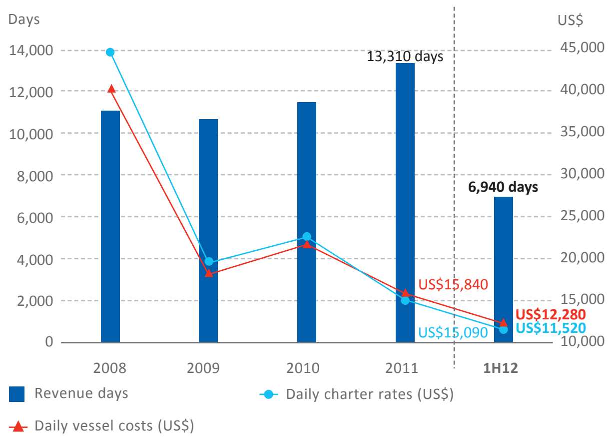
Segment operating performance

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

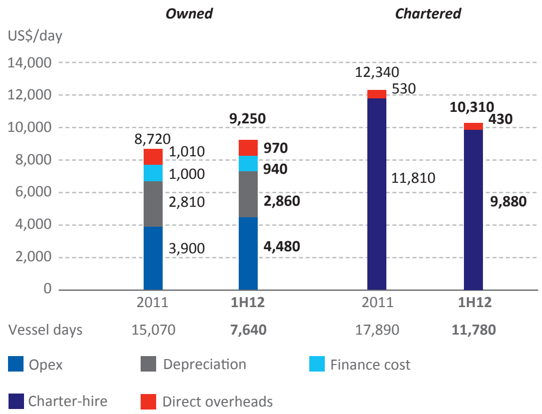


Handymax Performance



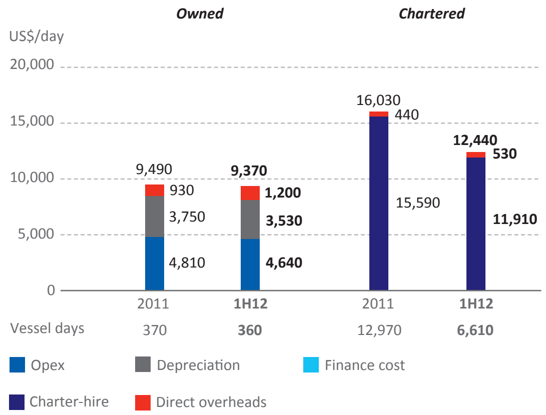
Handysize Daily Vessel Costs

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.

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

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.

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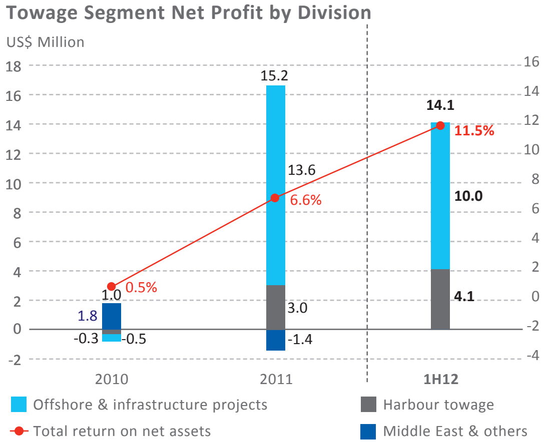
See Financial Statements Note 4(a) for more on Towage segment analysis



CONSOLIDATED GROUP PERFORMANCE CONTINUED

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)	-1,320%
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%

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.

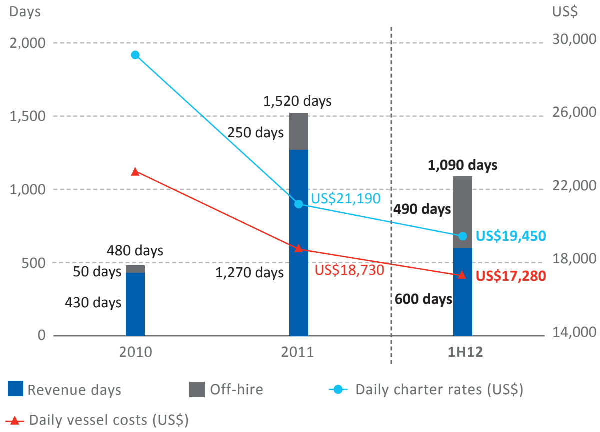
Our daily charter rates decreased 8% to US$19,450 (FY2011: US$21,190) mainly due to weaker demand in Europe and the weakly performing Euro currency in which part of our revenue is generated.

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.

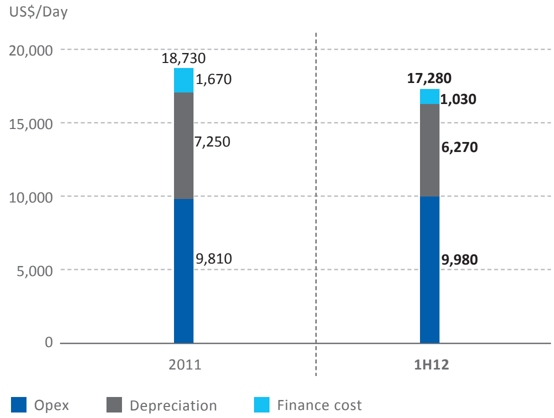
The US$190 million vessel impairment announced in June 2012 is estimated to further reduce the daily depreciation by approximately US$3,000 for each of the six RoRo vessels starting from the second half of this year.

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

RoRo Performance



RoRo Daily Vessel Costs



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See Financial Statements Note 4(a) for more on RoRo segment analysis

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See Financial Statements Note 14 for more on general and administration expenses and other expenses

Funding and Commitments

CASH FLOW AND CASH

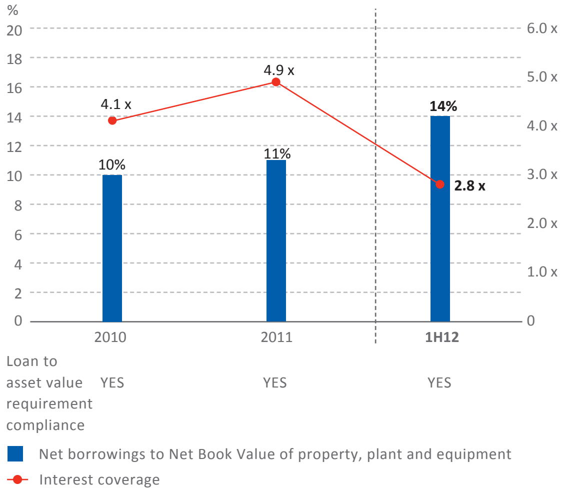
The Group's four main sources of capital are equity, convertible bonds, bank loans and operating cash flows.

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

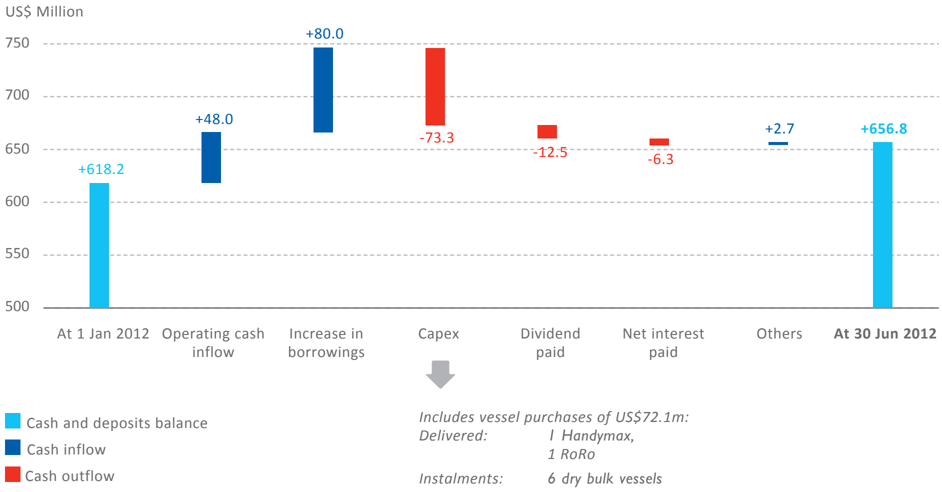


CASH FLOW

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.

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

1H2012 Sources and Uses of Group Cash Flow



FUNDING AND COMMITMENTS CONTINUED

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%

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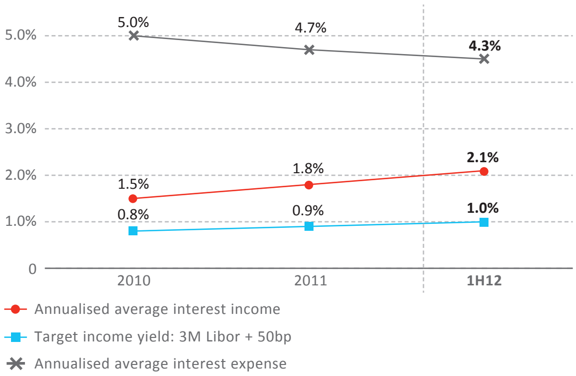
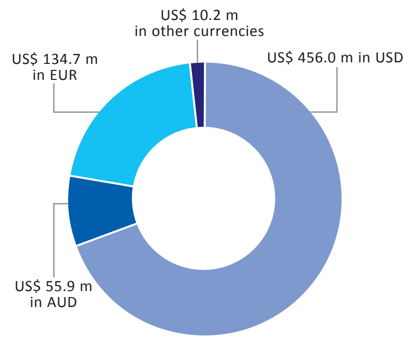
See Financial Statements Note 4(a) for more on treasury information in the income statement

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

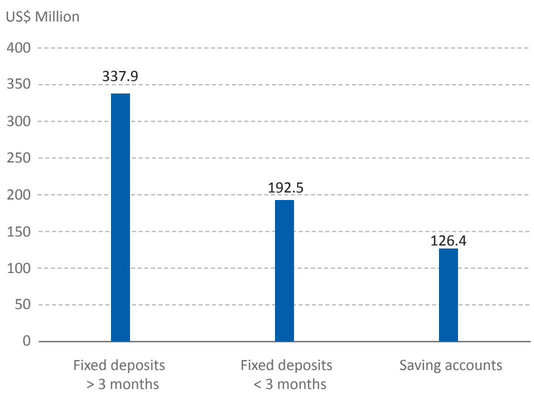


US$ Value of Currencies at 30 June 2012



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:

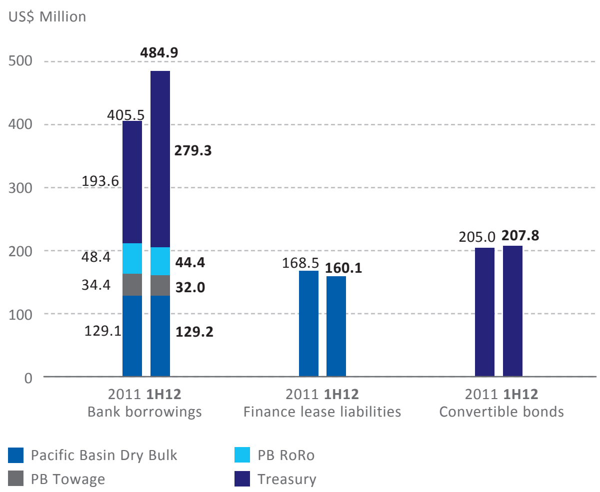
i) The Group's bank borrowings were secured by mortgages over 41 vessels with a total net book value of US$667.5 million and an assignment of earnings and insurances in respect of these vessels. The Group has 36 unmortgaged vessels with a total net book value of US$381.3 million.

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.

FUNDING AND COMMITMENTS CONTINUED

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)

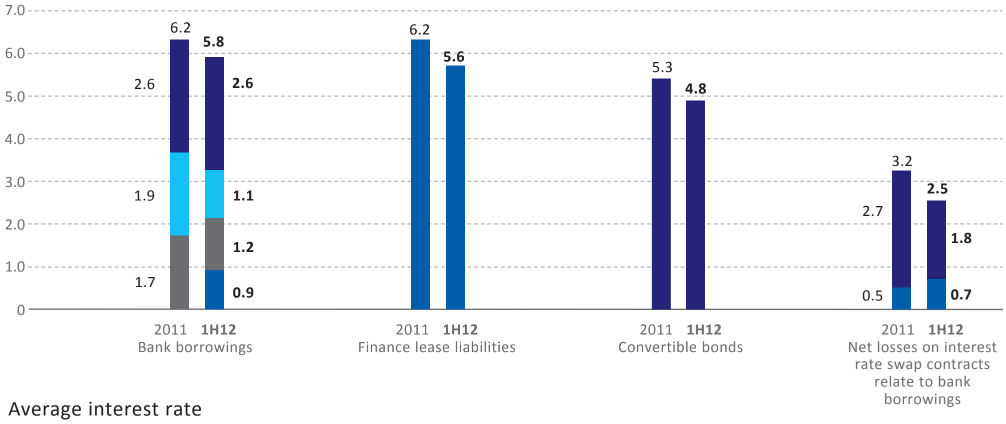
	1H12	2011
Group Interest Coverage	2.8x	4.9x

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

US$ Million



Average interest rate

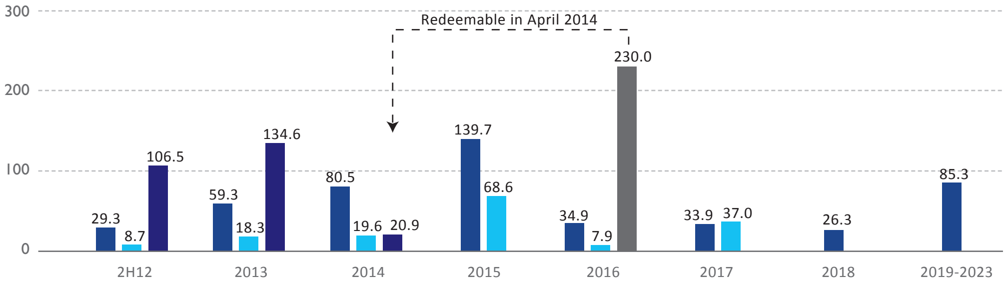
	Bank borrowings 2011	Bank borrowings 1H12	Finance lease liabilities 2011	Finance lease liabilities 1H12	Convertible bonds 2011	Convertible bonds 1H12
Profit & loss	2.6%	2.5%	6.8%	6.8%	4.9%	4.7%
Cash	2.6%	2.5%	6.8%	6.8%	1.8%	1.8%

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

US$ Million



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)

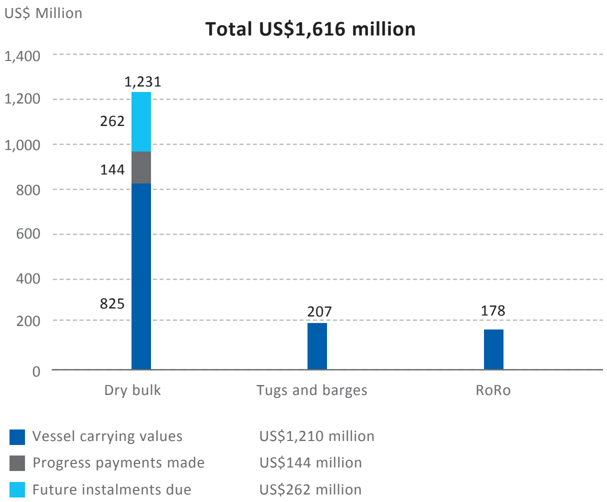
DELIVERED VESSELS

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:

		Number	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



FUNDING AND COMMITMENTS CONTINUED

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

The Board of Pacific Basin retains its strong belief in corporate governance and is committed to achieving and maintaining high standards of corporate governance consistent with the needs and requirements of the business, its stakeholders, and the Corporate Governance Code (the "Code") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Subsequent to the announcement of the Stock Exchange's amendments to the Code in October 2011, the Group has taken steps to comply with the revised Code which came into effect on 1 April 2012. The Board has been provided suitable training on the new requirements under the revised Code.

Throughout the six months ended 30 June 2012, the Group has complied with all code provisions of the Code, as set out in Appendix 14 of The Rules Governing the Listing of the Securities on the Stock Exchange (the "Listing Rules"), as well as the former Code on Corporate Governance Practices.

www.pacificbasin.com
corporate governance
For details of the composition and terms of reference of the Audit, Remuneration, Nomination and Executive Committees

DIRECTORS' SECURITIES TRANSACTIONS

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

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

SENIOR MANAGEMENT AND STAFF SECURITIES TRANSACTIONS

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

No incident of non-compliance by these senior managers and staff was noted during the six months ended 30 June 2012.

SHAREHOLDERS' RIGHTS

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

Company Secretary

Address: Pacific Basin Shipping (HK) Ltd.
7th Floor, Hutchison House
10 Harcourt Road
Central, Hong Kong

E-mail: companysecretary@pacificbasin.com

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

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

This Interim Report is printed in English and Chinese languages, and is available on our 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.

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

NO CLOSURE OF REGISTER OF MEMBERS

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

DIRECTORS

As at the date of this report, the executive Directors of the Company are David Muir Turnbull, Mats Henrik Berglund, Jan Rindbo, Andrew Thomas Broomhead, 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.

Other Information

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

At 30 June 2012, the discloseable interests and short positions of each Director and the Chief Executive in Shares, underlying Shares and debentures of the Company and its associated corporations within the meaning of Part XV of the Securities and Future Ordinance ("SFO"), which: (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or (b) were required to be entered in the register maintained by the Company under Section 352 of the SFO, or (c) were required pursuant to the Model Code, were as follows:

Name of Director	Corporate interests	Personal interests	Family interests/ Trust & similar interests	Long/Short Position	Number of underlying Shares under equity derivatives	Total Share interests	Approximate percentage of the issued share capital of the Company
David M. Turnbull[1]	–	1,264,000	801,931[2]	Long	–	2,065,931	0.11%
Mats H. Berglund[1]	–	2,777,693[3]	–	Long	–	2,777,693	0.14%
Jan Rindbo[1]	–	4,490,370	–	Long	–	4,490,370	0.23%
Andrew T. Broomhead[1]	–	2,140,704	1,283,090[4]	Long	–	3,423,794	0.18%
Wang Chunlin[1]	–	1,751,000	–	Long	–	1,751,000	0.09%
Chanakya Kocherla[1]	–	1,978,667[5]	–	Long	–	1,978,667	0.01%
Patrick B. Paul	–	50,000	–	Long	–	50,000	< 0.01%
Daniel R. Bradshaw	386,417[6]	–	–	Long	–	386,417	0.02%

Notes:

1. Restricted share awards were granted under the Long Term Incentive Scheme ("LTIS") and have been disclosed on page 36 under the LTIS disclosure in this Report.

2. 801,931 Shares are in the form of 75 units of convertible bonds due 2016 at face value of US$10,000 each, held by a Trust named Bentley Trust (Malta) Limited, of which Mr. Turnbull is the founder.

3. Mr. Berglund's appointment as Executive Director was effected on 1 June 2012. 149,693 Shares out of 2,777,693 Shares are held in the form of 14 units of convertible bonds due 2016 at face value of US$10,000 each.

4. 1,283,090 Shares are in the form of 120 units of convertible bonds due 2016 at face value of US$10,000 each, held jointly by Mr. Broomhead and his wife.

5. Mr. Kocherla was appointed as an Executive Director on 25 June 2012. The total includes 428,000 Shares granted under the LTIS and will be awarded to Mr. Kocherla in August 2012.

6. Mr. Bradshaw is a shareholder holding 100% and 50% of the issued share capital, respectively, of Cormorant Shipping Limited and Goldeneye Shipping Limited. He beneficially owns 353,241 Shares via Cormorant Shipping Limited and is taken to be interested in the 33,176 Shares held by Goldeneye Shipping Limited.

All the interests stated above represent long positions. No short positions were recorded in the register maintained by the Company under section 352 of the SFO as at 30 June 2012.

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

OTHER INFORMATION CONTINUED

LONG TERM INCENTIVE SCHEME

Share awards and share options are granted to Executive Directors, senior management and other employees under the Company's Long Term Incentive Scheme ("LTIS").

Details of the grant of long term incentives and a summary of the movements of the outstanding incentives during the six months ended 30 June 2012 under the LTIS are as follows:

(i) HISTORY AND MOVEMENT OF RESTRICTED SHARE AWARDS GRANTED

'000 Shares	Date of first award	Total awarded	Vested to date	At 30 June 2012	At 1 January 2012	Granted during the period	Vested or lapsed	Vested in July 2012	Vesting in July of 2013	Vesting in July of 2014	Vesting in July of 2015
Directors											
David M. Turnbull	5-Aug-08	1,615	(351)	1,264	964	300[1]	–	299	313	352	300
Mats H. Berglund	1-Jun-12	2,628	–	2,628	–	2,628[2]	–	–	876	876	876
Jan Rindbo	11-May-07	3,549	(1,179)	2,370	1,436	934	–	485	448	503	934
Andrew T. Broomhead	11-May-07	2,304	(630)	1,674	910	764	–	229	304	377	764
Wang Chunlin	9-Mar-06	3,176	(1,425)	1,751	1,136	615	–	467	315	354	615
Chanakya Kocherla[3]	11-May-07	1,028	(394)	634	377	257	–	194	183	257	–
Klaus Nyborg (resigned)	19-Sep-06	4,624	(2,500)	–	2,124	–	(2,124)[4]	–	–	–	–
		18,924	(6,479)	10,321	6,947	5,498	(2,124)	1,674	2,439	2,719	3,489
Senior Management		2,900	(1,147)	2,010	1,237	773	–	444	344	449	773
Other Employees				18,121	12,334	7,739	(1,952)[5]	4,180	3,481	3,820	6,640
				30,452	20,518	14,010	(4,076)	6,298	6,264	6,988	10,902

Notes:

1. Mr. Turnbull voluntarily requested a reduction of his 2012 approved restricted share awards from 618,000 Shares to 300,000 Shares.

2. 2,628,000 Shares were granted to Mr. Berglund on 1 June 2012 when he joined the Company as Chief Executive Officer and an Executive Director.

3. 428,000 additional Shares will be granted to Mr. Kocherla in August 2012 which will vest on 14 July 2015.

4. 2,124,000 Shares lapsed following Mr. Nyborg's resignation on 15 March 2012.

5. 1,882,000 Shares vested due to a management buyout of a subsidiary of the Company in February 2012.
41,000 Shares vested due to retirement of an employee and 29,000 Shares lapsed due to resignation of an employee.

The closing price of the Shares of the Company immediately before the grant of (i) 13,753,000 restricted share awards on 1 June 2012 was HK$3.47; and (ii) 257,000 restricted share awards on 22 June 2012 was HK$3.20.

(ii) SHARE OPTIONS AND SHARE VALUATION

Share options were granted on 14 July 2004 under the LTIS at an exercise price of HK$2.5 per Share. There were fully vested 400,000 share options of Other Employees not exercised as at 1 January 2012 and 30 June 2012.

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

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

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

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

The register of substantial shareholders required to be kept under Section 336 of the SFO shows that as at 30 June 2012, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital:

Name	Capacity/ Nature of interest	Long/Short Position	Number of Shares	Approximate percentage of the issued share capital of the Company
Canadian Forest Navigation Co. Ltd./ Compagnie De Navigation Canadian Forest Ltee.[1]	Beneficial owner and Interest in corporation controlled	Long	252,703,500	13.05%
Michael Hagn	Interest in corporation controlled	Long	252,703,500	13.05%
Mihag Holding Ltd.	Interest in corporation controlled	Long	252,703,500	13.05%
Total Investments Inc.	Interest in corporation controlled	Long	103,256,654	5.33%
Total Banking Corporation	Beneficial owner	Long	103,256,654	5.33%
Aberdeen Asset Management Plc and its Associates (together the "Group") on behalf of accounts managed by the Group	Investment manager	Long	214,921,536	11.10%
JP Morgan Chase & Co.[2]	Beneficial owner, Investment manager and Custodian corporation/ approved lending agent	Long Short Lending Pool	154,193,394 2,718,000 101,774,854	7.96% 0.14% 5.26%
Mondrian Investment Partners Limited	Investment manager	Long	116,026,000	5.99%

Notes:

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

2. The long position in Shares held by JP Morgan Chase & Co. are held in the capacities of Beneficial owner (relating to 10,925,540 Shares), Investment manager (relating to 41,493,000 Shares) and Custodian corporation/approved lending agent (relating to 101,774,854 Shares).

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, as at 30 June 2012, no other person (other than a Director or Chief Executive of the Company) had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which was recorded in the register required to be kept by the Company under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Other than for satisfying restricted share awards granted under the LTIS as disclosed earlier, 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.

Unaudited Condensed Consolidated Balance Sheet

	Note	30 June 2012 US$'000	31 December 2011 US$'000
Non-current assets			
Property, plant and equipment	5	**1,360,015**	1,525,185
Investment properties		**2,691**	2,734
Land use rights		**3,804**	3,874
Goodwill	5	**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	6	**10,052**	11,533
Derivative assets	7	**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	7	**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	9	**600,458**	598,501
		802,446	795,854
Current liabilities			
Derivative liabilities	7	**5,884**	1,298
Trade and other payables	10	**162,554**	144,798
Current portion of long term borrowings	11	**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	7	**21,105**	19,563
Long term borrowings	11	**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	12	**193,448**	193,658
Retained profits		**499,996**	708,463
Other reserves		**566,155**	582,794
Total equity		**1,259,599**	1,484,915

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

Unaudited Condensed Consolidated Income Statement

	Note	Six months ended 30 June 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	13	(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	14	(193,629)	2,523
Taxation	15	(2,303)	428
(Loss)/profit attributable to shareholders		(195,932)	2,951
Dividends	16	–	12,416
Earnings per share for (loss)/profit attributable to shareholders			
Basic	17(a)	US (10.15) cents	US 0.15 cents
Diluted	17(b)	US (10.15) cents	US 0.15 cents

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See Note 4(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 Cash Flow Statement

	Six months ended 30 June 2012 US$'000	2011 US$'000
Net cash from operating activities	**47,971**	69,404
Net cash used in investing activities	**(84,341)**	(33,439)
Net cash from/(used in) financing activities	**44,247**	(85,314)
Net increase/(decrease) in cash and cash equivalents	**7,877**	(49,349)
Cash and cash equivalents at 1 January	**598,501**	639,736
Exchange (losses)/gains on cash and cash equivalents	**(5,920)**	3,068
Cash and cash equivalents at 30 June	**600,458**	593,455

Unaudited Condensed Consolidated Statement of Changes in Equity

	Capital and reserves attributable to shareholders									
US$'000	Share capital	Share premium	Merger reserve	Convertible bonds reserve	Staff benefits reserve	Hedging reserve	Investment valuation reserve	Exchange reserve	Retained profits	Total
Balance at 1 January 2012	**193,658**	**597,124**	**(56,606)**	**32,302**	**2,207**	**(11,432)**	**7,292**	**11,907**	**708,463**	**1,484,915**
Total comprehensive income attributable to shareholders	–	–	–	–	–	645	(1,061)	(11,348)	(195,932)	(207,696)
Dividends paid	–	–	–	–	–	–	–	–	(12,479)	(12,479)
Shares purchased by trustee of the LTIS *(Note 12)*	(7,370)	–	–	–	–	–	–	–	–	(7,370)
Share-based compensation	–	–	–	–	2,229	–	–	–	–	2,229
Shares transferred upon granting and lapse of restricted share awards *(Note 12)*	7,160	–	–	–	(7,160)	–	–	–	–	–
Shares fully vested	–	–	–	–	56	–	–	–	(56)	–
Balance at 30 June 2012	**193,448**	**597,124**	**(56,606)**	**32,302**	**(2,668)**	**(10,787)**	**6,231**	**559**	**499,996**	**1,259,599**
Balance at 1 January 2011	193,164	594,727	(56,606)	41,409	2,362	(7,834)	44,000	12,860	720,809	1,544,891
Dividends paid	–	–	–	–	–	–	–	–	(41,019)	(41,019)
Total comprehensive income attributable to shareholders	–	–	–	–	–	(1,736)	(31,027)	35,104	2,951	5,292
Share-based compensation	–	–	–	–	1,905	–	–	–	–	1,905
Shares purchased by trustee of the LTIS	(1,367)	–	–	–	–	–	–	–	–	(1,367)
Shares transferred upon granting and lapse of restricted share awards	1,847	–	–	–	(1,847)	–	–	–	–	–
Derecognition of the equity component upon repurchase and cancellation of convertible bonds	–	–	–	(9,107)	–	–	–	–	9,107	–
Balance at 30 June 2011	193,644	594,727	(56,606)	32,302	2,420	(9,570)	12,973	47,964	691,848	1,509,702

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

1 GENERAL INFORMATION

Pacific Basin Shipping Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the provision of dry bulk, towage and RoRo shipping services, which are carried out internationally. In addition, the Group is engaged in the management and investment of the Group's cash and deposits through its treasury activities.

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

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

These unaudited condensed consolidated interim financial statements were approved for issue by the Board of Directors on 1 August 2012.

2 BASIS OF PREPARATION

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

3 ACCOUNTING POLICIES

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.

4 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.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements continued

4 SEGMENT INFORMATION (continued)

(a) Income statement segment information

For the period ended 30 June 2012 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	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 profits 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.

Page 10, 11, 15, 19
See the KPIs of dry bulk, towage and RoRo

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

Notes to the Unaudited Condensed Consolidated Interim Financial Statements continued

4 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**

• Vessels delivered & under construction
• Goodwill

• Group cash unallocated

• Derivative assets

• Gold River Marine Terminal, Canada

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

• Longtan Tianyu Terminal, P.R.C

• Bank loans
• Finance lease liabilities

• Bank loans

• Bank loans

Group general facilities include:
• Convertible bonds
• Loans secured on vessels for future expansion

• Derivative liabilities

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

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. The impairment charge for RoRo vessels reduces the carrying value of the PB RoRo segment assets.

5 PROPERTY, PLANT AND EQUIPMENT AND GOODWILL

US$'000	Property, plant and equipment 2012	2011	Goodwill 2012 & 2011
Net book amounts			
At 1 January 2012/2011	**1,525,185**	1,518,632	**25,256**
Additions	**73,279**	111,346	–
Transfer from other non-current assets	**4,400**	–	–
Disposals	**(59)**	(3,260)	–
Depreciation	**(38,691)**	(36,135)	–
Impairment	**(190,000)**	(80,000)	–
Exchange differences	**(14,099)**	37,893	–
At 30 June 2012/2011	**1,360,015**	1,548,476	**25,256**

The impairment charge of US$190 million in 2012 relates to the RoRo vessels. Our six RoRo vessels were considered as a single cash-generating unit ("CGU") as they are operated on a portfolio basis and are interchangeable. The recoverable amount of the CGU was determined using a value-in-use calculation over its useful life. Key assumption in calculating the impairment included long term daily vessel earnings, with an approximately US$30 million adjustment for every US$1,000 equivalent decrease or increase in the daily vessel earnings assumption. The discount rate applied to the cash flow projection was based on the estimated 6.6% per annum weighted average cost of capital for the PB RoRo segment.

6 AVAILABLE-FOR-SALE FINANCIAL ASSETS

US$'000	30 June 2012	31 December 2011
Listed equity securities, at fair value *(Note a)*	**8,726**	9,786
Unlisted equity securities, at fair value *(Note b)*	**1,326**	1,747
	10,052	11,533

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

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

7 DERIVATIVE ASSETS AND LIABILITIES

US$'000	30 June 2012	31 December 2011
Derivative assets		
Cash flow hedges		
Forward foreign exchange contracts *(Note d)*	**831**	–
Derivative assets that do not qualify for hedge accounting		
Bunker swap contracts *(Note b)*	**1,924**	5,262
Forward freight agreements *(Note c)*	**506**	402
Total	**3,261**	5,664
Less: non-current portion of		
Forward foreign exchange contracts *(Note d)*	**(831)**	–
Bunker swap contracts *(Note b)*	**(169)**	(361)
Non-current portion	**(1,000)**	(361)
Current portion	**2,261**	5,303
Derivative liabilities		
Cash flow hedges		
Interest rate swap contracts *(Note a(i))*	**11,213**	11,278
Forward foreign exchange contracts *(Note d)*	**405**	154
Derivative liabilities that do not qualify for hedge accounting		
Interest rate swap contracts *(Note a(ii))*	**7,283**	7,355
Bunker swap contracts *(Note b)*	**7,530**	1,374
Forward freight agreements *(Note c)*	**558**	700
Total	**26,989**	20,861
Less: non-current portion of		
Interest rate swap contracts *(Note a(i))*	**(10,843)**	(11,278)
Interest rate swap contracts *(Note a(ii))*	**(7,283)**	(7,355)
Bunker swap contracts *(Note b)*	**(2,574)**	(776)
Forward foreign exchange contracts *(Note d)*	**(405)**	(154)
Non-current portion	**(21,105)**	(19,563)
Current portion	**5,884**	1,298

Notes to the Unaudited Condensed Consolidated Interim Financial Statements continued

7 DERIVATIVE ASSETS AND LIABILITIES (continued)

(a) Interest rate swap contracts

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

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

Start date	Notional amount	Swap details	Expiry
2 January 2007	US$20 million	6-month floating rate LIBOR swapped to a fixed rate of approximately 5.6% per annum	Contract expires in January 2017
31 March 2009	US$100 million	3-month floating rate LIBOR swapped to fixed rates of approximately 2.9% to 3.0% per annum	Contracts expire through March 2016
30 June 2009	A$19 million	3-month floating rate BBSW swapped to a fixed rate of approximately 5.2% per annum	Contract expires in June 2013

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

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

(b) Bunker swap contracts

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

At 30 June 2012, the Group had outstanding bunker swap contracts to buy approximately 158,000 (31 December 2011: 140,000) metric tonnes of bunkers. These contracts expire through October 2016 (31 December 2011: June 2016).

(c) Forward freight agreements

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

At 30 June 2012, the Group had outstanding forward freight agreements as follows:

Contract Type	Index	Quantity (days)	Contract Daily Price	Expiry thru
At 30 June 2012				
Buy	**BSI**	**405**	**US$9,000 to US$12,700**	**Mar 2013**
Sell	**BSI**	**360**	**US$10,000 to US$12,750**	**Dec 2012**
Buy	**BHI**	**90**	**US$9,550**	**Dec 2012**
At 31 December 2011				
Buy	BSI	360	US$11,925 to US$12,700	Dec 2012
Sell	BSI	360	US$12,000 to US$12,750	Dec 2012
Buy	BHI	270	US$9,000 to US$9,550	Dec 2012

Note: "BSI" represents "Baltic Supramax Index" and "BHI" represents "Baltic Handysize Index"

(d) Forward foreign exchange contracts

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

At 30 June 2012, the Group had outstanding forward foreign exchange contracts with banks to buy approximately DKK 1,500.9 million (31 December 2011: DKK 615.8 million) and simultaneously sell approximately EUR 202.8 million (31 December 2011: EUR 82.7 million), which expire through August 2023.

(e) Analysis of derivative income and expense

During the period ended 30 June 2012, the Group recognised net derivative expenses of US$6.2 million, as follows:

			Six months ended 30 June	
US$ Million	Realised	Unrealised	2012	2011
Income				
Forward freight agreements	0.5	0.6	1.1	5.4
Bunker swap contracts	14.0	0.7	14.7	17.0
Interest rate swap contracts	–	0.1	0.1	–
	14.5	1.4	15.9	22.4
Expenses				
Forward freight agreements	(0.8)	(0.4)	(1.2)	(5.2)
Bunker swap contracts	(8.2)	(10.1)	(18.3)	(2.4)
Interest rate swap contracts	(2.6)	–	(2.6)	(3.2)
	(11.6)	(10.5)	(22.1)	(10.8)
Net				
Forward freight agreements	(0.3)	0.2	(0.1)	0.2
Bunker swap contracts	5.8	(9.4)	(3.6)	14.6
Interest rate swap contracts	(2.6)	0.1	(2.5)	(3.2)
	2.9	(9.1)	(6.2)	11.6

Presentation in the Segment Information:

Revenue
Bunkers & port disbursements
Direct costs
Other income and gains
Other expenses
Finance costs
Profit for the period

Presentation in the Financial Statements:

Revenue
Bunkers & port disbursements
Direct costs
Other income and gains
Other expenses
Finance costs
Profit for the period

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

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

The application of HKAS 39 "Financial Instruments: Recognition and Measurement" has the effect of shifting to this period the estimated results of these derivative contracts that expire in future periods. On 30 June 2012, this created a net unrealised non-cash expense of US$9.1 million (2011: expense of US$8.4 million). The cash flows of these contracts will occur in future reporting years.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements continued

8 TRADE AND OTHER RECEIVABLES

US$'000	30 June 2012	31 December 2011
Non-current receivables		
Finance lease receivables – gross	–	5,392
Less: unearned finance lease income	–	(217)
Finance lease receivables – net	–	5,175
Current receivables		
Finance lease receivables – gross	6,556	2,315
Less: unearned finance lease income	(545)	(697)
Finance lease receivables – net *(Note a)*	6,011	1,618
Trade receivables – gross	41,610	45,628
Less: provision for impairment	(1,843)	(615)
Trade receivables – net *(Note b)*	39,767	45,013
Other receivables	42,760	34,302
Prepayments	25,756	17,837
Amounts due from jointly controlled entities	2,401	2,340
	116,695	101,110

(a) Finance lease receivable

Finance lease receivables relate to the bareboat charter out with a purchase obligation by a third party for a handysize vessel.

(b) Trade receivables

At 30 June 2012, the ageing of net trade receivables 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 CASH AND DEPOSITS

US$'000	30 June 2012	31 December 2011
Cash and cash equivalents	600,458	598,501

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See Funding and Commitments analysis

10 TRADE AND OTHER PAYABLES

US$'000	30 June 2012	31 December 2011
Trade payables	69,114	51,600
Accruals and other payables	57,891	61,309
Receipts in advance	31,745	28,085
Amounts due to jointly controlled entities	3,804	3,804
	162,554	144,798

At 30 June 2012, the ageing of trade payables 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

11 LONG TERM BORROWINGS

US$'000	30 June 2012	31 December 2011
Non-current		
Finance lease liabilities *(Note a)*	142,417	151,432
Secured bank loans *(Note b)*	427,233	357,297
Convertible bonds *(Note c)*	207,753	204,987
	777,403	713,716
Current		
Finance lease liabilities *(Note a)*	17,694	17,050
Secured bank loans *(Note b)*	57,673	48,273
	75,367	65,323
Total long term borrowings	852,770	779,039

(a) Maturity of the Group's finance lease liabilities

US$'000	30 June 2012	31 December 2011
Within one year	17,694	17,050
In the second year	18,933	18,286
In the third to fifth year	90,574	96,057
After the fifth year	32,910	37,089
	160,111	168,482

(b) Maturity of the Group's bank loans

US$'000	30 June 2012	31 December 2011
Within one year	57,673	48,273
In the second year	59,292	49,065
In the third to fifth	246,469	230,330
After the fifth year	121,472	77,902
	484,906	405,570

The bank loans as at 30 June 2012 are secured, inter alia, by the following:

- Mortgages over certain owned vessels of net book values of US$667,474,000 (31 December 2011: US$548,532,000);
- Assignment of earnings and insurances compensation in respect of the vessels; and
- Fixed and floating charges over all of the assets of certain subsidiaries of the Group's towage business.

(c) Convertible bonds

Issue size	US$230 million
Issue date	12 April 2010
Maturity date	12 April 2016 (6 years from issue)
Coupon – cash cost	1.75% p.a. payable semi-annually in arrears on 12 April and 12 October
Effective interest rate (charged to income statement)	4.70%
Redemption Price	100%
Conversion Price into shares	HK$7.26 (with effect from 24 April 2012) *(Note)*
Conversion at bondholders' options	i) until 11 January 2014, conversion can only take place if the closing price of the Company's shares is at least at a 20% premium to the conversion price then in effect for five consecutive trading days. ii) After 11 January 2014 conversion can take place at no premium.
Bondholder put date and price	On 12 April 2014 (4 years from issue), each bondholder will have the right to require the Group to redeem all or some of the bonds at 100% of the principal amount.
Issuer call date and price	On or after 12 April 2014, the Group may redeem the bonds in whole at a redemption price equal to 100% of their principal amount if the closing price of the Company's shares is at least at a 30% premium to the conversion price then in effect for thirty consecutive trading days.

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

Notes to the Unaudited Condensed Consolidated Interim Financial Statements continued

12 SHARE CAPITAL

	2012 Number of shares of US$0.1 each	2012 US$'000	2011 Number of shares of US$0.1 each	2011 US$'000
Authorised	3,600,000,000	360,000	3,600,000,000	360,000
Issued and fully paid				
At 1 January	1,936,576,305	193,658	1,931,641,305	193,164
Shares transferred to employees upon granting of restricted share awards *(Note b)*	14,010,000	7,375	2,757,000	1,414
Shares purchased by trustee of the LTIS *(Note b)*	(13,955,186)	(7,370)	(2,286,000)	(1,367)
Shares transferred back to trustee upon lapse of restricted share awards *(Note b)*	(2,153,000)	(215)	(370,000)	(37)
Shares issued and transferred to employees upon granting of restricted share awards *(Note b)*	–	–	4,699,000	470
At 30 June	1,934,478,119	193,448	1,936,441,305	193,644

(a) Share options

55,500,000 share options under the Company's Long Term Incentive Scheme ("LTIS") were granted to Directors, senior management and certain employees on 14 July 2004 at an exercise price of HK$2.5 per share. They were fully vested on 14 July 2007 and will expire on 14 July 2014. At 30 June 2012 and 31 December 2011, all of the 400 (2011: 400) outstanding share options were exercisable and their average exercise price was HK$2.50. There was no movement in the number of share options outstanding during the period.

(b) Restricted share awards

Restricted share awards under the LTIS were granted to Directors, senior management and certain employees. The LTIS under HKFRS is regarded as a special purpose entity of the Company.

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

'000	2012	2011
At 1 January	20,518	16,831
Granted	14,010	7,456
Vested	(1,923)	(445)
Lapsed	(2,153)	(370)
At 30 June	30,452	23,472

During the period, a total of 14,010,000 (30 June 2011: 7,456,000) restricted share awards were granted and transferred to certain employees. The market price of the restricted share awards on the grant date represented the fair value of those shares.

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

Sources of shares granted	Six months ended 30 June 2012 Number of granted shares awards	2012 Related movement US$'000	2011 Number of granted shares awards	2011 Related movement US$'000
Shares purchased by the trustee of the LTIS on the Stock Exchange	13,955,186	7,370	2,286,000	1,367
Shares transferred from the shares held by trustee	54,814	5	471,000	47
Shares issued at nominal value of US$0.1 each	–	–	4,699,000	470
	14,010,000	7,375	7,456,000	1,884

12 SHARE CAPITAL (continued)

(b) Restricted share awards (continued)

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

Date of grant	Number of unvested share awards	Vesting periods 14 July 2012	14 July 2013	14 July 2014	14 July 2015
9 June 2009	5,786,000	5,786,000	–	–	–
14 May 2010	4,666,000	152,000	4,514,000	–	–
20 May 2011	5,716,000	199,000	199,000	5,318,000	–
4 November 2011	138,000	68,000	70,000	–	–
30 December 2011	136,000	68,000	68,000	–	–
1 June 2012	13,753,000	25,000	1,413,000	1,413,000	10,902,000
22 June 2012	257,000	–	–	257,000	–
	30,452,000	6,298,000	6,264,000	6,988,000	10,902,000

At 30 June 2012, there remained 2,099,000 (30 June 2011: 135,814) shares held by the trustee, amounting to US$209,900 (30 June 2011: US$13,581) as a debit to share capital.

13 FINANCE INCOME AND COSTS

US$'000	Six months ended 30 June 2012	2011
Finance income		
Bank interest income	(9,261)	(5,698)
Finance lease interest income	(370)	(451)
Total	(9,631)	(6,149)
Finance costs		
Borrowings wholly repayable within five years		
Interest on bank loans	2,725	2,700
Interest on finance leases	3,166	3,500
Interest on convertible bonds	4,779	5,294
Borrowings wholly repayable after five years		
Interest on bank loans	4,309	3,526
Interest on finance leases	2,467	2,652
Other finance charges	285	538
Net losses on interest rate swap contracts	2,541	3,195
	20,272	21,405
Less: amounts capitalised	(1,246)	–
Total	19,026	21,405
Finance costs, net	9,395	15,256

Notes to the Unaudited Condensed Consolidated Interim Financial Statements continued

14 (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
Operating lease expenses – vessels	202,104	193,372
– land and buildings	1,789	1,848
Provision for/(write-back of) impairment losses – Property, plant and equipment	190,000	80,000
– Available-for-sales financial assets	600	–
– Trade receivables	(1,408)	(1,128)
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
Employee benefit expenses including Directors' emoluments	23,136	24,277
Losses on derivative instruments not qualifying as hedges – bunker swap contracts	18,307	2,439
– forward freight agreements	1,152	5,156
Gains on derivative instruments not qualifying as hedges – bunker swap contracts	(14,667)	(17,101)
– forward freight agreements	(1,139)	(5,423)
Lubricating oil consumed	3,022	3,011
Gains on disposal of subsidiaries	(126)	–
Fair value (gains)/losses on structured notes	(32)	203
Gains on disposal of available-for-sale financial assets	–	(55,801)
Utilisation of provision for onerous contracts	–	(2,031)

General and administrative expenses

US$ Million	Six months ended 30 June 2012	2011
Direct overheads	27.3	31.3
General and administrative expenses	5.6	4.2
Total administrative expenses	32.9	35.5

The decrease of US$4.0 million in direct overheads was primarily due to the disposal of our marine surveying and consultancy subsidiary PacMarine Services to PacMarine management.

The increase of US$1.4 million in general and administrative expenses was primarily due to gains arising from the revaluation of foreign currencies held by Treasury in the same period last year.

Other expenses

An impairment of US$190 million for the Group's RoRo vessels has been provided for in other expenses. The much weaker outlook for the RoRo charter market has given us concern about the ability to deploy our RoRo vessels profitably. This has reduced the value-in-use of our RoRo vessels to below their carrying values. This impairment is not allocated to the PB RoRo segment results as this does not relate to the underlying operations of the segment. However, the impairment reduces the carrying value of the PB RoRo segment assets.

Movements in the fair value and payments for forward freight agreements amounted to US$1.2 million (2011: US$5.2 million). Taking into account the movements in fair value and receipts of US$1.1 million included in other income, the net movement in the fair value and payments for forward freight agreements resulted in an expense of US$0.1 million (2011: income of US$0.2 million).

15 TAXATION

Shipping income from international trade is either not subject to or exempt from taxation according to the tax regulations prevailing in the countries in which the Group operates. Shipping income from towage and non-shipping income is subject to tax at prevailing rates in the countries in which these businesses operate.

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

	Six months ended 30 June	
US$'000	**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)

16 DIVIDENDS

	Six months ended 30 June					
	2012			2011		
	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

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.

17 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 LTIS *(Note 12(b))*.

		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 *(Note 12(b))*.

		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

Notes to the Unaudited Condensed Consolidated Interim Financial Statements continued

18 COMMITMENTS

(a) Capital commitments

US$'000	30 June 2012	31 December 2011
Contracted but not provided for – vessel acquisitions and shipbuilding contracts	262,021	322,428
– investment in unlisted equity securities	11,685	12,100
	273,706	334,528

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See vessel commitment and vessel lease commitment table

Capital commitments that fall due in not later than one year amounted to US$210,616,000 (31 December 2011: US$181,200,000).

(b) Commitments under operating leases

(i) The Group as the lessee – payments

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

US$'000	Dry bulk	Tugs	Vessels total	Land and buildings	Total
At 30 June 2012					
Within one year	155,596	6,577	162,173	3,382	165,555
In the second to fifth year	234,316	1,083	235,399	4,362	239,761
After the fifth year	104,160	–	104,160	574	104,734
	494,072	7,660	501,732	8,318	510,050
At 31 December 2011					
Within one year	188,665	973	189,638	3,615	193,253
In the second to fifth year	246,003	–	246,003	5,404	251,407
After the fifth year	104,405	–	104,405	822	105,227
	539,073	973	540,046	9,841	549,887

The maximum lease term is 11 years. Certain of the leases have escalation clauses, renewal rights and purchase options.

Contingent lease payment made amounted to US$18,586,000 (30 June 2011: US$12,767,000). These related to chartered-in dry bulk vessels on an index linked basis.

(ii) The Group as the lessor – receipts

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

US$'000	Dry bulk	RoRo	Tug	Vessels total	Investment properties	Total
At 30 June 2012						
Within one year	19,769	6,596	11,495	37,860	208	38,068
In the second to fifth year	53,044	–	–	53,044	–	53,044
After the fifth year	59,238	–	–	59,238	–	59,238
	132,051	6,596	11,495	150,142	208	150,350
At 31 December 2011						
Within one year	24,626	10,226	7,266	42,118	117	42,235
In the second to fifth year	57,667	–	–	57,667	–	57,667
After the fifth year	62,496	–	–	62,496	–	62,496
	144,789	10,226	7,266	162,281	117	162,398

The maximum lease term is 16 years.

19 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

(a) Purchases of services

US$'000	Six months ended 30 June 2012	2011
Management fee and commission paid to Meridian Shipping *(Note i)*	715	516
Management fee and commission paid to Meridian Marine *(Note ii)*	664	463

Note:

(i) The Group paid Meridian Shipping Limited ("Meridian Shipping"), a jointly controlled entity, for provision of commercial management services.

(ii) The Group paid Meridian Marine Management Limited ("Meridian Marine"), a jointly controlled entity, for provision of technical management services.

(b) Sales of services

US$'000	Six months ended 30 June 2012	2011
Charter-hire income received from OMSA *(Note i)*	11,411	8,844
Service fee received from OMSA	2,916	5,230
Charter-hire income received from NGB *(Note ii)*	–	6,067

Note:

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

(ii) The Group leased out certain vessels to NGB Express Lines, S.A.P.I. de C.V. ("NGB"), an associate.

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

US$'000	Six months ended 30 June 2012	2011
Directors' fees	186	196
Salaries and bonus	2,721	2,735
Retirement benefit costs	125	77
Share-based compensation	381	784
	3,413	3,792

Notes

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