INTERIM REPORT 2011

Pacific Basin

Dry Bulk • Energy and Infrastructure Services • RoRo

Stock Code : 2343

RESULTS HIGHLIGHTS

GROUP

- **Group profit was US$3 million** (2010: US$52 million) in a lacklustre market environment in the first half of 2011
- **Results were impacted** by i) an US$80 million impairment of our RoRo investment, ii) a US$56 million profit on the sale of a non-core asset and iii) US$8 million unrealised mark-to-market non-cash net derivative income
- **Underlying profit was US$19 million** (2010: US$66 million)
- **Operating cash flow remained strong at US$69 million** (2010: US$83 million)
- **Balance sheet retains substantial cash and deposits of US$631 million** with net borrowings of US$214 million
- **Fully funded vessel capital commitments** of US$285 million in dry bulk vessels and US$34 million in RoRo vessels
- **Basic earnings per share were HK$0.01** (2010: HK$0.21)
- **Interim dividend of HK 5 cents per share** (2010: HK 5 cents)

FLEET

- **Contract cover in place for 83% of our contracted 27,080 handysize revenue days in 2011 at US$13,520 per day net** (47% of 22,950 days at US$13,340 as at 17 February 2011)
- **Purchased 4 and long term chartered another 4 dry bulk vessels** year to date
- **Fleet now numbers 212 vessels** (including newbuildings) comprising 163 dry bulk ships, 42 tugs and barges, 1 bunker tanker and 6 RoRos

OUTLOOK

- **We expect dry bulk to remain lacklustre for the rest of the year**, with near term weakness giving way to a seasonal uptick in activity in the fourth quarter, resulting in an unsatisfactory and overall weaker freight market this year than in 2010
- **Our dry bulk core fleet remains cost competitive** and, from end 2012 onwards, will benefit from 23 newbuildings on order
- **Positive outlook for energy and infrastructure services** due to continued improvement in the Australian offshore and harbour towage markets and the closure of FBSL in June 2011
- **Charter market for RoRo ships is expected to remain weak and challenging for longer** resulting in increased losses through 2012 for PB RoRo
- **We anticipate an improved dry bulk supply/demand balance next year due mainly to reduced capacity growth**, although such improvement may be hindered by a potentially weaker global economy
- **Continuing pressure on ship values in the meantime are expected to generate further opportunities** to acquire modern dry bulk ships at reasonable cost
- **Our strategic goals remain unchanged** as we seek to expand further our dry bulk fleet

CONTENTS

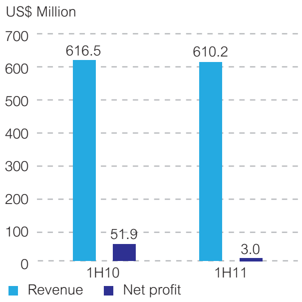
A glossary covering many of the terms in this document is available on our website at www.pacificbasin.com

This symbol signifies availability of more detailed information on our website

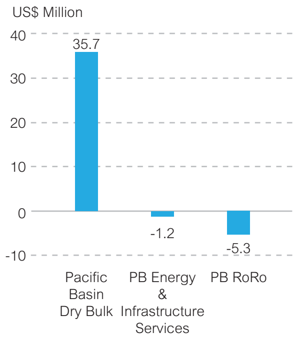
	2011 30 June US$ Million	2010 30 June US$ Million	2010 31 December US$ Million
Results			
Revenue	610.2	616.5	1,268.5
Gross profit	51.7	79.7	159.3
Finance costs, net	(15.3)	(14.5)	(31.2)
Underlying profit	18.8	65.6	119.8
Net profit attributable to shareholders	3.0	51.9	104.3
Balance Sheet			
Total assets	2,524.2	2,470.8	2,555.4
Net (borrowings)/cash#	(214.4)	96.3	(156.0)
Shareholders' equity	1,509.7	1,451.0	1,544.9
Cash and deposits#	630.5	969.8	703.4
Capital commitments	361.2	223.6	426.9
Cash Flows			
Operating	69.4	83.0	198.6
Investing	(33.4)	(142.4)	(462.2)
Financing	(85.3)	(31.1)	(96.5)
Change in cash	(49.3)	(90.5)	(360.1)
Per Share Data	HK cents	HK cents	HK cents
Basic EPS	1	21	42
Dividends	5	5	21.5
Operating cash flows	28	33	81
Net book value	607	584	621
Share price at period end	444	489	517
Market capitalisation at period end	HK$8.6bn	HK$9.4bn	HK$10.0bn
Ratios			
Net profit %	0%	8%	8%
Eligible profit payout ratio	421%	24%	51%
Return on average assets	0%	4%	4%
Return on average equity	0%	7%	7%
Total shareholders' return	(11%)	(10%)	(5%)
Net (borrowing)/cash to book value of property, plant and equipment	(14%)	9%	(10%)
Net (borrowing)/cash to shareholders' equity	(14%)	7%	(10%)
Interest coverage	2.8X	4.4X	4.3X

analysed on page 27 of the Financial Review

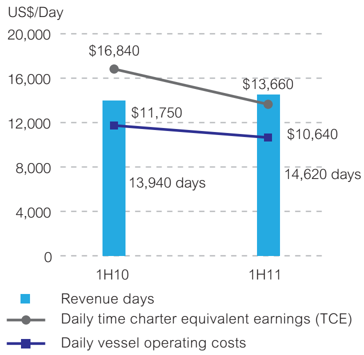
REVENUE AND NET PROFIT



SEGMENT NET PROFIT



HANDYSIZE: REVENUE DAYS, DAILY TCE & DAILY VESSEL OPERATING COSTS



2 WHO WE ARE AND WHAT WE DO

OUR GROUP

Pacific Basin is one of the world's leading owners and operators of modern handysize and handymax dry bulk ships. We are also engaged in the owning and operating of off-shore and harbour tugs and roll-on roll-off freight ferries.

Our company is listed and headquartered in Hong Kong, we have 2,000 seafarers and 380 shore-based staff in 22 offices, and we operate globally in our three main maritime segments under the banners of:

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

OUR VISION

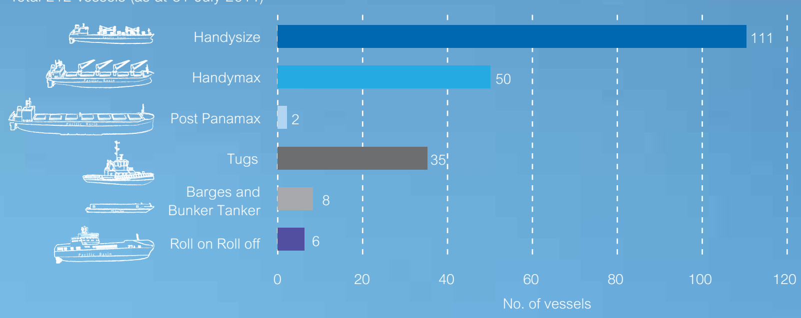
We aspire to be a shipping industry leader and the partner of choice for customers, staff, shareholders and other stakeholders.

WHERE WE ARE HEADING

We will continue our group strategy of directing new investment predominantly towards our cornerstone dry bulk activity to further strengthen our leading market position in the handysize and handymax segments, which is where our expertise lies. We anticipate that these segments will continue to outperform larger dry bulk ships.

OUR FLEET

Total 212 vessels (as at 31 July 2011)



	Delivered		New buildings on order		
	Owned	Chartered [1]	Owned	Chartered [1]	Total
Dry Bulk Fleet					
Handysize	30	66	7	8	**111**
Handymax	2	40	6	2	**50**
Post Panamax	1	1	–	–	**2**
Total Dry Bulk Vessels	**33**	**107**	**13**	**10**	**163**
Towage					
Tugs	33	2	–	–	**35**
Barges	6	1	–	–	**7**
Bunker Tanker	1[2]	–	–	–	**1**
Total towage vessels	**40**	**3**	**–**	**–**	**43**
Roll on Roll off	**4**	**–**	**2**	**–**	**6**
Grand Total	**77**	**110**	**15**	**10**	**212**

Please see Fleet > Summary & download on our website for a table detailing our fleet development during the first half of 2011

Please see Fleet > Dry Bulk on our website for details of our owned and chartered ships

Note:

1 Dry bulk chartered fleet comprises 13 vessels under finance leases and 104 vessels under operating leases, including 17 and 60 non-core vessels chartered in for medium term and short term periods

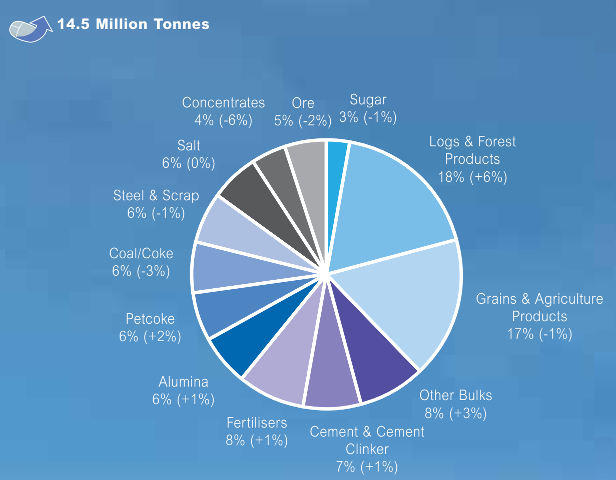
2 The Group has a 50% interest in the bunker tanker

PACIFIC BASIN DRY BULK

Pacific Basin Dry Bulk

Our dry bulk team and business model are truly customer focused, providing industrial users and producers of raw materials and other dry bulk commodities with a professional, high-quality, reliable and competitive freight service, predominantly under long term contracts of affreightment or on a spot basis. Our service is enhanced by round-the-clock support from experienced freight and operations professionals in eight chartering offices around the world.

PACIFIC BASIN DRY BULK CARGO VOLUMES 1H 2011



( )% changes in proportion since 1H10

WHAT ARE HANDYSIZE AND HANDYMAX SHIPS?

Handysize and Handymax bulk carriers are highly versatile ocean-going ships with five cargo holds, four cranes and a carrying capacity of 25,000-40,000 and 40,000-65,000 metric tonnes deadweight ("dwt") respectively. Whilst still large ships, they draw a depth of only 10-12 metres when loaded and have a length of 170-190 metres. Their relatively "handy" proportions compared to much larger Panamax and Capesize bulk carriers allow them to access a vast number of ports all around the world including those whose entry is restricted by shallow water, locks, narrow channels and tight river bends. Their cranes enable them to self-load and discharge and thus service regions lacking sophisticated cargo handling infrastructure, such as the ecologically sensitive logging rivers of the Pacific North West and lightly equipped ports in parts of the developing world. The ships' size and equipment make them well suited to the carriage of a broad range of commodities, mainly in bulk, such as grains, metal ores, fertilisers, steels and logs.

PB ENERGY & INFRASTRUCTURE SERVICES

PB Towage

Our PB Energy & Infrastructure Services division provides marine and logistics services to the energy and infrastructure sectors mainly through our towage logistics business, PB Towage, and through our global marine surveying and consultancy subsidiary, PacMarine Services. PB Towage operates a fleet of modern, high-quality tugs which provide harbour towage services and offshore support services for energy and construction projects, operating mainly in Australasia under the banners of PB Towage Australia and PB Sea-Tow.

PB RORO

PB RoRo

Our PB RoRo business owns a new fleet of advanced roll-on roll-off ships of efficient, environmentally-friendly and high-capacity design suited to the deep-sea freight ferry routes of Europe, the Mediterranean and an increasing number of other regions around the world. PB RoRo specialises in tonnage supply through chartering its ships to RoRo operators.

'Tiwai Point' departing Bundaberg, Australia with a cargo of sugar

BUSINESS REVIEW

GROUP OVERVIEW

The market for bulk carriers got off to a weak start in 2011 with demand and supply respectively impacted by weather-related commodity export bottlenecks and excessive newbuilding deliveries. Despite some recovery in the second quarter on strong Chinese imports, the market has remained largely flat and uninspiring over the first half of the year. Even so, our dry bulk business has performed comparatively well due partly to the relative strength of our cargo book coming into the year and record high Chinese demand for a number of minor bulks and other key commodities.

Our Australasia-focused towage business has experienced a turning point having achieved increased rates, activity and market share during the period. However, our energy and infrastructure services division as a whole generated disappointing results due to losses of our Middle East infrastructure business, FBSL, which was operationally closed in June 2011.

The charter market for RoRo ships continued to be depressed despite the on-going though very gradual increase in freight volumes. Our four delivered RoRo's are employed albeit at generally disappointing rates reflecting the weak market.

FINANCIAL RESULTS SUMMARY

In this lacklustre market environment, Pacific Basin's unaudited net profit for the six months ended 30 June 2011 was US$3 million (2010: US$52 million) with an underlying profit of US$19 million (2010: US$66 million).

Our results for the period were impacted by:

1. a 41% year on year drop in average handysize market spot rates in the period driving a 19% decrease in our average handysize daily earnings to US$13,660 per day (2010: US$16,840) and operating cash flow to US$69 million (2010: US$83 million);

2. a significant US$80 million non-cash impairment of our RoRo investment; and

3. a partially offsetting net profit of US$56 million on the sale of a non-core asset and US$8 million unrealised mark-to-market non-cash net derivative income mainly due to increased bunker prices.

Due to the decreased cost of chartered ships, our handysize breakeven cost reduced to US$10,640 per day for the half year (2010: US$11,750). We continue to add short and long term ships to our fleet, mindful not to inflate our core fleet cost which remains competitive.

As at 30 June 2011, we had cash and deposits of US$631 million and net borrowings of US$214 million following payments relating to ship acquisitions, including four new dry bulk commitments made in the year to date. Our remaining vessel capital expenditure obligations currently amount to US$319 million payable in the next three years in respect of 13 dry bulk and two RoRo ships.

RORO IMPAIRMENT & NON-CORE ASSETS DISPOSAL

We currently see limited prospects for employment of our last two RoRo ships delivering in August and November this year, and for a breakthrough in cargo support that our Nafta Gulf Bridge joint venture urgently needs. These immediate challenges mean we now expect PB RoRo to be loss-making this year and next, leading us to reassess the prospects for the RoRo sector, resulting in what we now see as a much weaker outlook for the RoRo charter market and consequently our RoRo business. This conclusion has resulted in the above-mentioned impairment charge of US$80 million to our Group results.

Our readiness to dispose of certain mainly non-core assets resulted in the profitable sale of our entire remaining holding in Green Dragon Gas Limited in April generating gross proceeds of US$81 million and a net gain of US$56 million. Aggregated with shares we sold in December 2010, our disposals of Green Dragon Gas shares have generated a combined net gain of US$72

million. We are considering opportunities for further divestment of non-core businesses.

In view of the limited prospects for profitable new projects in the Middle East, Fujairah Bulk Shipping closed its operations in June and has sold substantially all its assets. Whilst a regrettable outcome, we have largely eliminated our risk exposure to the Middle East infrastructure sector, and can focus the resources of our PB Energy & Infrastructure Services division on its main towage businesses in Australasia.

DIVIDEND

The Board has declared an interim dividend of HK 5 cents per share and, for the full year, remains committed to our existing dividend policy of paying out a minimum of 50% of profits excluding vessel disposal gains.

GROUP OUTLOOK

We expect the dry bulk market to remain generally lacklustre for the rest of this year, and for 2011 to be weaker overall than 2010. Our view reflects the continued influx of newbuilding deliveries and the impact on demand of a hesitant global recovery and mildly reduced though still healthy economic growth in China. Generally better supply and demand dynamics in our minor bulk segments are unlikely to measurably boost handysize rates, and this unsatisfactory market will to a large extent dictate our full year performance. However, we should benefit meaningfully from the value of our dry bulk cargo book and the earnings leverage generated by the scale and flexibility of our fleet.

Clearly our Group's biggest challenge in the second half of the year will be Nafta Gulf Bridge and the employment of our two remaining RoRo newbuildings and the broader effort to stem our RoRo division's operating losses this year and in 2012.

We anticipate the current adjustment of ship values to generate opportunities for us to further expand our fleet at a reasonable cost (see "Who we are" for our fleet summary). We therefore remain committed to our strategy of directing new investment predominantly towards our cornerstone dry bulk activity as appropriate opportunities arise, making use of the substantial buying power remaining on our balance sheet.

'Castle Island' arriving Porsgrunn, Norway with a cargo of manganese ore

PACIFIC BASIN DRY BULK

MARKET REVIEW

Freight market

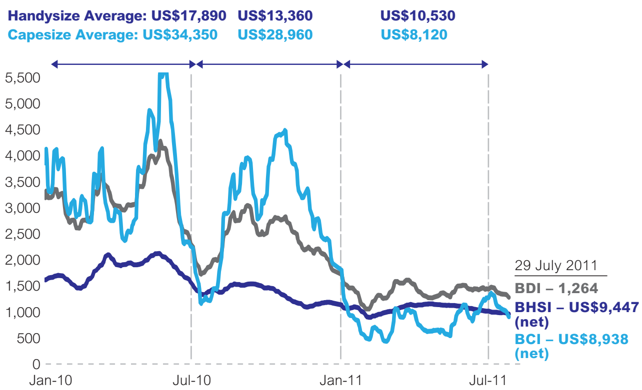
The market for handysize and handymax bulk carriers got off to a weak start in 2011 with demand and supply respectively impacted by weather-related commodity export bottlenecks and excessive newbuilding deliveries. Despite some recovery in the second quarter on strong Chinese demand for imported minor bulk commodities, the market has remained largely flat and uninspiring over the first half of the year. Even so, for the first time, these smaller ship types outperformed much larger bulk carriers for a protracted period, once again demonstrating their relative resilience and the much diminished correlation between large and small bulk carrier earnings.

Handysize spot rates traded between US$8,900 and US$11,400 per day, averaging US$10,530 per day over the period representing a 41% decrease year on year. By contrast, rates for much larger capesize ships averaged only US$8,120 per day (down 76% year on year) reflecting the greater sensitivity of larger bulk carriers – and resilience of smaller vessels – to surges in dry bulk supply and reduced major bulk exports.

Demand development

R.S. Platou's analysis of dry bulk transportation demand in the first half of 2011 was not available for this report, but their full year estimate of 9% growth this year compared to 14% in 2010 reflects the relative weakness that characterised the year to date and is expected in the remainder of the year.

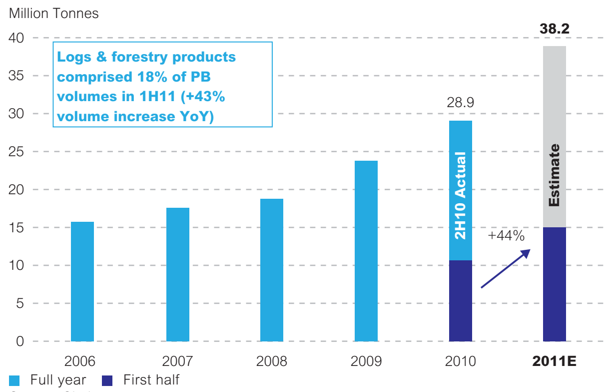
BALTIC DRY INDEX (BDI) VERSUS BALTIC HANDYSIZE INDEX (BHSI) & BALTIC CAPESIZE INDEX (BCI)



Source: The Baltic Exchange, Data as at 29 July 2011

Global steel production in the period expanded 7% year on year with over half of the increase attributable to China, although Chinese steel has relied more on domestic raw material resources this year, thus reducing growth in seaborne iron ore and coal imports from the highs of 2009 and 2010. Weather-related disruptions impacted Australian coal and Brazilian iron ore exports early in the year, which also affected dry bulk freight rates for large bulk carriers in particular.

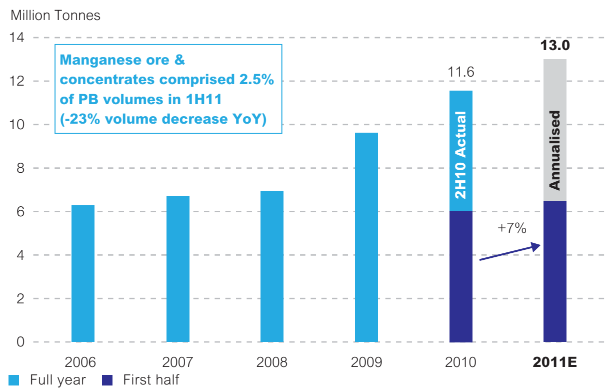
CHINA IMPORTS OF LOGS & FORESTRY PRODUCTS



Source: Clarksons

Note: Clarksons estimate China will import 38.2 million tonnes in 2011

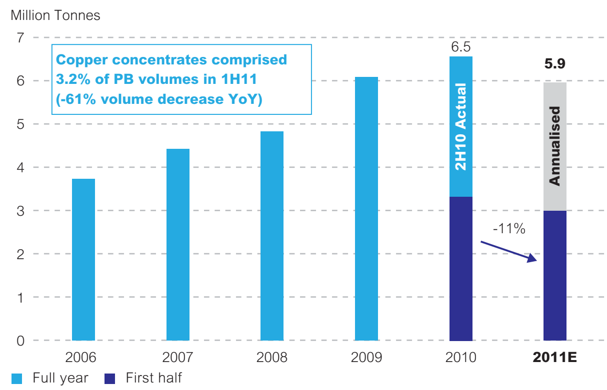
CHINA IMPORTS OF MANGANESE ORE & CONCENTRATES



Source: Bloomberg

Note: 2011 full year annualised figure is based on 1H11 actual

CHINA IMPORT OF COPPER CONCENTRATES



Source: Bloomberg

Note: 2011 full year annualised figure is based on 1H11 actual

Trade in a number of minor bulk and other key commodities increased in the first half of the year to lend some buoyancy to handysize and handymax rates. In particular:

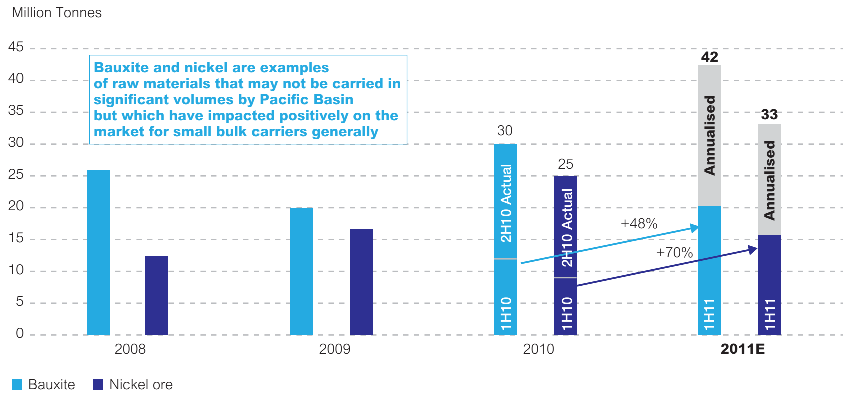
- Chinese import of some ores such as bauxite and nickel grew as much as 70% year on year; and
- increased Chinese demand for logs combined with reduced domestic supply and unchanged import volumes from Russia – mainly over land – drove Chinese seaborne log imports to record highs, particularly from New Zealand and North America.

However, the effect of tightening policy in China became apparent in our business towards the end of the period as Chinese demand for raw materials and other commodities softened, albeit relatively slightly, to what remains a high level.

Supply development

The global fleet of 25,000-40,000 dwt handysize ships in which we specialise expanded by 4% net in the first half of 2011. Dry bulk capacity overall saw the delivery of 44 million deadweight tonnes of new capacity – 40% below the scheduled orderbook, but 15% more than the record deliveries in the same period last year. The heavy influx of newbuildings was moderated by much increased scrapping of 13 million tonnes in the half-year of which 10% (1.3 million tonnes) was attributable to the handysize segment. Overall dry bulk capacity expanded by 15% net in the first half of 2011.

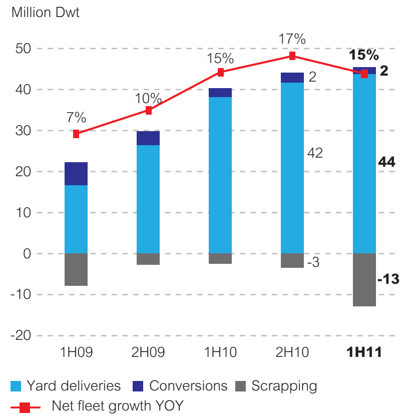
CHINA IMPORTS OF BAUXITE & NICKEL ORE



Source: Bloomberg

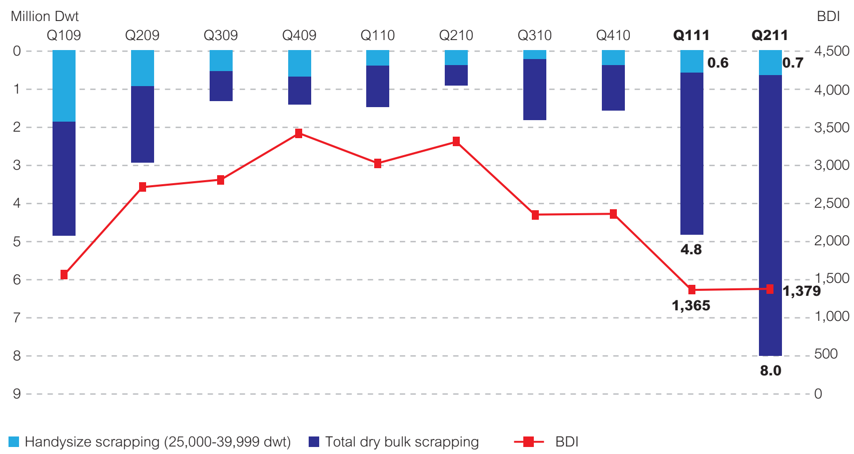
Note: 2011 full year annualised figure is based on 1H11 actual

GLOBAL DRY BULK FLEET DEVELOPMENT



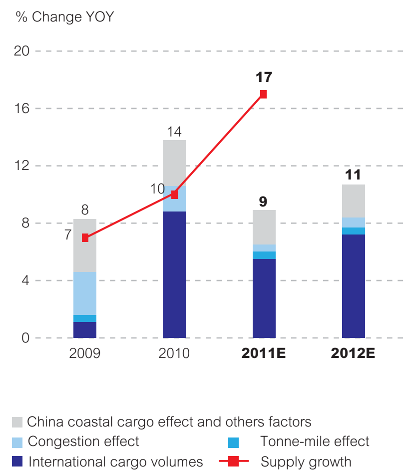
Source: Clarksons

DRY BULK SCRAPPING VERSUS BDI



Source: Clarksons, Bloomberg

DRY BULK FLEET DEMAND AND SUPPLY

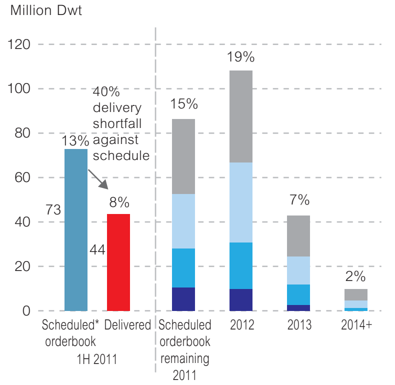


Source: RS Platou Markets, Clarksons

DRY BULK ORDERBOOK ANALYSIS

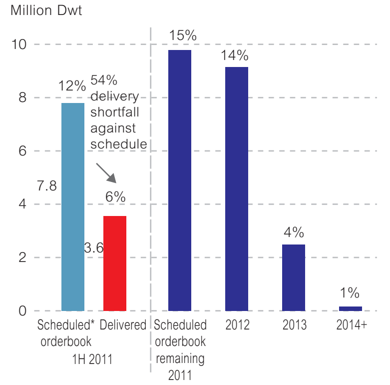
TOTAL DRY BULK ORDERBOOK

2,954 vessels (247 million dwt) – 43%



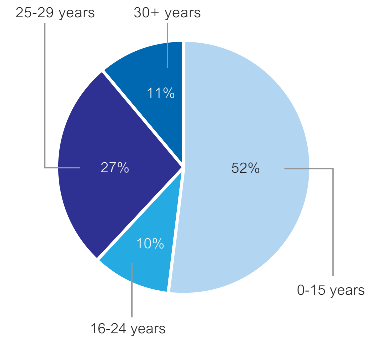
HANDYSIZE ORDERBOOK

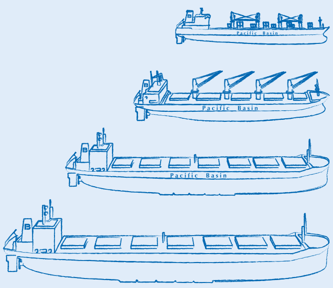
634 vessels (21.7 million dwt) – 34%



HANDYSIZE AGE PROFILE

2,030 vessels (64.5 million dwt)





	Orderbook as % of Existing Fleet	Average Age	Over 25 years
Total Dry Bulk > 10,000 dwt	43%		
Handysize (25,000-39,999 dwt)	34%	16	38%
Handymax (40,000-64,999 dwt)	39%	10	17%
Panamax and Post-Panamax (65,000-119,999 dwt)	56%	10	6%
Capesize (120,000+ dwt)	45%	9	4%

Source: Clarksons, data as at 1 July 2011
* Scheduled orderbook as at 1 Jan 2011

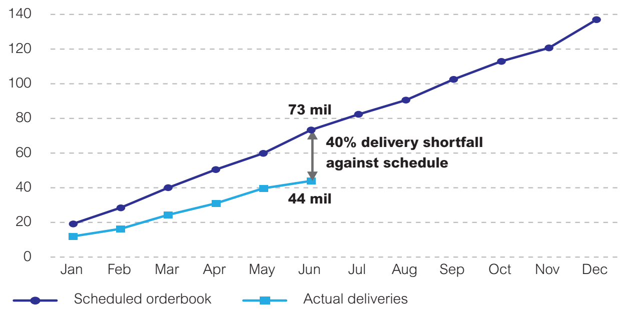
Orderbook

Discouraged by weak market conditions, ship owners ordered over 60% less new dry bulk capacity than in the same period last year and, as at 1 July 2011, the orderbook for handysize vessels stood at 34% as compared with 45% for capesize vessels and 43% for dry bulk overall.

Ship values

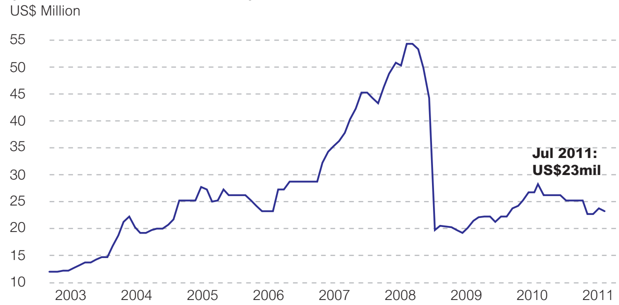
Clarksons estimates the value of a benchmark five year old handysize to have fallen to US$23 million, albeit based on little recent transaction volume. Newbuilding prices are also under pressure although are better supported by high steel prices and a general strengthening of currencies against the US Dollar in the main shipbuilding nations of China, Japan and Korea.

DRY BULK FLEET DELIVERIES 2011



Source: Clarksons, Morgan Stanley

SECOND HAND VESSEL VALUES (5 YEAR OLD 28,000 DWT)



Source: Clarksons

BUSINESS REVIEW

Our Pacific Basin Dry Bulk division generated a net profit of US$35.7 million (2010: US$78.5 million), return on net assets of 10% (2010: 27%) and operating cash flow of US$61.5 million (2010: US$97.5 million) mainly reflecting a 19% decrease in Pacific Basin's average handysize daily earnings#.

	Handysize		Handymax	
	1H 2011	1H 2010	**1H 2011**	1H 2010
Average number of ships operated	**81**	78	**35**	31
Cargo volume (Million tonnes)	**9.3**	9.6	**5.2**	6.0
Market indices (US$ net, average BHSI/BSI)	**10,530**	17,890	**13,750**	25,080
Daily charter rates earned (US$)	**13,660**	16,840	**15,130**	23,680
Daily vessel operating costs (US$)	**10,640**	11,750	**16,190**	22,050
Net profit (US$ Million)	**42.9**	69.7	**(7.5)**	8.8
Operating cash flow (US$ Million)	**67.0**	88.2	**(5.6)**	9.3
Return on net assets (annualised)	**13%**	26%	**-19%**	32%

Pacific Basin Dry Bulk segment results include contributions from a long term chartered 95,000 dwt bulk carrier which delivered on 13 May and has been relet for the full 10-year charter period

At US$13,660 per day net, our handysize daily earnings in the first half of the year compared favourably to the spot market (US$10,530), and were positively impacted by:

- Our cargo book

  As announced in our 2011 outlook, by 17 February we had secured 47% cargo cover for our handysize fleet in 2011 at a daily rate that was over 25% higher than the average spot rate in the first half of the year, reflecting the benefit of a comparatively strong cargo book going into a challenging market. We have since increased our daily rates by US$180 per day.

- The scale and quality of our fleet

  We operated an average of 116 dry bulk ships during the period (2010: 109 ships) when three owned and five long term chartered ships delivered into our core fleet on the water.

  Our dry bulk core fleet has a young average ship age of 6.8 years. In the year to date, we committed to purchase four and long term charter another four dry bulk ships, and we await 23 owned or chartered newbuilding bulk carriers delivering between 2012 to 2014.

- Our strong customer relationships

  We have further expanded our global network of offices with chartering staff now also based in Stamford, Connecticut to position ourselves even closer to our US customers as we seek to expand our fleet and presence in the Atlantic region as we have previously in the Pacific.

  Our cargo contracts performed as expected with no counterparty defaults, reflecting the strength of our counterparties and the minimal exposure we have to long term outward time charters.

- Other cost saving and efficiency initiatives

  We have pursued a range of other cost-saving initiatives such as negotiating block agreements with dry docks and the more economic purchase of stores. After a detailed review of our systems and processes, we have decided on and commenced the roll-out of a new maritime operating system allowing for more efficient internal processes and an appropriately advanced IT platform to support our continued future growth.

- Healthy minor bulk demand

  The growth in minor bulk trade volumes in the period directly benefited handysize spot earnings.

'Cape Nelson' discharging sugar in Vancouver

Our handymax results in the first half were less positive due to the relatively expensive cost of some vessels which completed their charters to Pacific Basin during the period, heavy flooding in one of our key markets in Australia leading to force majeure events and cargo rescheduling, and our decision to bear the cost of repositioning a number of our vessels into more favourable locations. We anticipate we will be less affected by these factors in the second half of this year.

We are in the process of growing our core fleet of handymax ships adopting the same successful business model as we already have in handysize, though to a smaller scale, thus becoming less reliant on short term chartered ships. Having started that process at a relatively low cost, we expect to significantly improve our handymax margins in the future when our newbuildings deliver from 2013 onwards.

Our 115,000 dwt post-panamax newbuilding delivered in July and promptly commenced her 15-year charter to China Huaneng Group, China's largest power producer. A 95,000 dwt post-panamax bulk carrier delivered into our long term chartered fleet in May and has been relet on a largely back-to-back basis for the full 10-year charter period.

We have covered 86% of our contracted combined dry bulk ship revenue days in 2011, and we currently expect the majority of our uncovered 2011 revenue days will generate revenue from the spot market. We continue to build our forward cargo book for 2012 and beyond.

'Tiwai Point' discharging petcoke in Bluff, New Zealand

		Handysize		Handymax	
As at 25 July 2011	Unit	**FY 2011**	FY 2012	**FY 2011**	FY 2012
Cargo Commitments					
Revenue days	days	**22,680**	6,820	**9,330**	1,490
Net paper contracts	days	**(270)**	–	**(130)**	–
Equivalent revenue days	days	**22,410**	6,820	**9,200**	1,490
Daily TCE	US$	**13,520#**	14,010	**15,480**	14,580
Ship Commitments					
Revenue days	days	**27,080**	22,880	**9,840**	1,530
Net Position		2011 Combined Cover: 86%			
Cargo as % of ship commitments	%	**83%#**	30%	**93%**	97%
FFA Activity Summary					
FFA paper sold	days	**330**	–	**1,170**	360
FFA paper bought	days	**(720)**	–	**(1,480)**	(360)
Net realised paper exposure	days	**120**	–	**180**	–
Net FFA paper sold/(bought)	days	**(270)**	–	**(130)**	–

By comparison, our Annual Report 2010 reported 47% of 22,950 handysize revenue days in 2011 had been covered at US$13,340 per day net as at 17 February 2011

OUTLOOK

Market-related factors we expect to have most influence on the dry bulk sector in the remainder of 2011:

POSITIVE

- China's continued dependence on imported minor bulks, impacting volumes, trade imbalance and capacity utilisation efficiency
- High fuel prices and weak market leading to increased slow steaming
- Increased levels of scrapping of older dry bulk capacity
- Revival of Japan industrial production requiring increased import of raw materials

NEGATIVE

- Continued excessive newbuilding deliveries
- Faltering global economic recovery and stimulus withdrawal
- Tightening policy in China impacting the pace of commodity imports
- High commodity prices favour China switching to domestic production at the expense of imports
- Dry bulk shipping demand stifled by mining capacity shortfall and commodity supply bottlenecks

OUTLOOK FOR PACIFIC BASIN DRY BULK

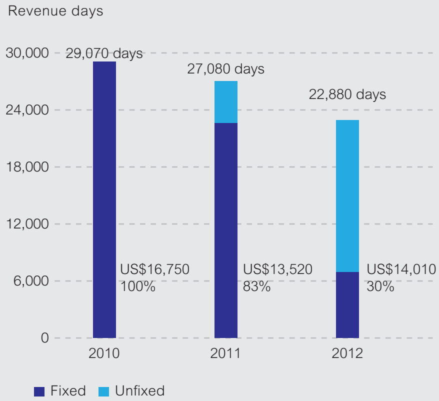
We expect the end of the second round of quantitative easing by central banks (QE2), Euro-zone troubles and the mild Chinese slowdown to cause hesitant commodity trading and a weaker dry bulk market in the third quarter. A seasonal uptick in trade volumes provides potential for improvement in the final quarter, and so we expect the dry bulk market to remain generally lacklustre in the rest of 2011 resulting in an unsatisfactory and overall weaker freight market this year than in 2010.

We believe new ship deliveries are now peaking, high scrapping levels will continue, and high commodity prices support our view that underlying cargo demand remains generally strong. The consequent reduction in dry bulk capacity growth should result in an improved supply/demand balance next year, although such improvement may be hindered by a potentially weaker global economy.

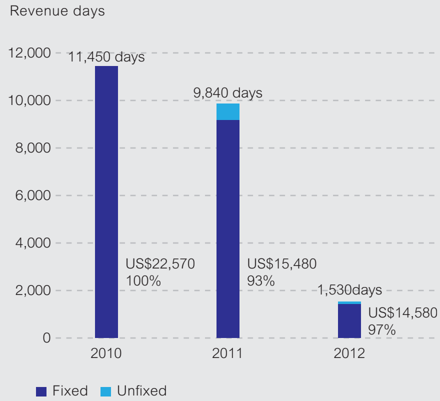
We expect continued greater resilience in the market for smaller bulk carriers and we anticipate benefitting from the value of our cargo book and the earnings leverage generated by the scale and flexibility of our fleet.

Continuing pressure on ship values in the meantime is expected to generate opportunities to acquire modern ships at reasonable cost. We therefore remain committed to our strategy of directing new investment towards the further expansion of our dry bulk fleet.

HANDYSIZE CONTRACT COVER



HANDYMAX CONTRACT COVER



PB ENERGY & INFRASTRUCTURE SERVICES

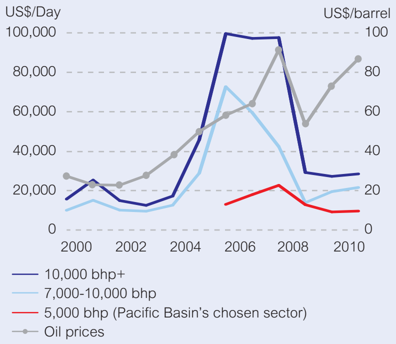
MARKET REVIEW

The challenging market for both offshore and harbour towage services in 2010 has given way to markedly improved conditions in the first half of 2011.

Offshore and infrastructure support

A revival in Australian energy and resources development activity has increased demand for offshore tug and barge activity. New gas infrastructure projects are commencing and existing projects, such as the Gorgon Project in which we are engaged, are expanding and buoying requirements for marine logistics resources. The Middle East markets remain difficult primarily due to excess supply of tonnage and the severe impact that regional economic conditions and political instability have had on the prospects for profitable provision of infrastructure development services.

TOWAGE VESSEL CHARTER RATES VERSUS OIL PRICE



Source: Clarksons, Energy Information Administration
Data as at July 2011

Harbour Towage

Improved container line activity and therefore more containership calls have impacted positively on harbour towage business at Australian container ports. Continued strong Chinese demand for resources sustained exports through dry bulk ports generally although throughput in Queensland ports was impacted by the floods early in the year.

BUSINESS REVIEW

The PB Energy & Infrastructure Services division generated a net loss in the first half of 2011 of US$1.2 million (2010: US$4.0 million profit) and an annualised return on net assets of negative 1% (2010: positive 4%) – a less than satisfactory result due to the operating loss generated by our FBSL joint venture in the Middle East.

Offshore and infrastructure support

PB Towage has continued to position itself as a leading sub-contractor to the Australasian offshore construction markets, drawing on Pacific Basin strengths in the areas of customer relations, effective operations, efficient technical and marine support and a robust health, safety and environment culture.

In February, we began servicing the Queensland Curtis Island LNG project in Gladstone with the deployment of four tugs and three further vessels.

We have increased from six to eight our vessels committed to the Gorgon Project to satisfy the expanded requirements of this large offshore gas development. Our involvement in Gorgon has recently been extended for a further two years from completion of the base contract in April 2012.

Utilisation of our six tugs and two barges in the Middle East has improved in 2011, though this market continued to be difficult with charter rates depressed by surplus tonnage in the region.

Our FBSL joint venture successfully completed the Northern Project in the first half of this year and, in view of the severely limited prospects for profitable new projects, the company closed its operations in June and has sold substantially all its assets, allowing us to focus the resources of our PB Energy & Infrastructure Services division on our main towage businesses in Australasia.

Our PacMarine Services subsidiary continued to cement its position as a leader in the field of marine surveying and consultancy. With inspections and consultancy offered from new locations such as Panama, Argentina and Norway, PacMarine now provides services from 15 countries and 22 locations across four continents.

Harbour Towage

After taking delivery of a number of new, state-of-the-art harbour tugs in 2010, our focus this year has been to optimise the deployment of our vessels and increase our market share in ports around Australia, which we have achieved despite strong competition.

Improved performance from our core container port towage operations in Sydney, Brisbane and Melbourne was partially offset by weaker than anticipated activity in Townsville following the Queensland floods.

OUTLOOK

Market-related factors we expect to have most influence on the towage and infrastructure services sectors in the remainder of 2011:

POSITIVE

- High oil prices buoying demand for new fuel sources
- Demand for cleaner, safer fuels
- Australia striving to become a major LNG exporter
- Continued commodity supply recovery in Queensland

NEGATIVE

- Faltering global economic recovery
- Tightening policy in China negatively impacting growth in Australian commodity exports and port activity
- High commodity prices impacting especially Chinese imports
- Expanding competition especially in the Middle East
- Economic and political instability impacting offshore projects in the Middle East

OUTLOOK FOR PB ENERGY & INFRASTRUCTURE SERVICES

We expect to see continued growth in the Australian offshore construction sector in the near to medium term and have tendered for a number of new LNG and minerals development projects off the North West Shelf of Western Australia, Gladstone in South Australia and Papua New Guinea which commence between 2012 to 2014. We aim to build on our initial investments and efforts in offshore and harbour towage to share in that further growth, leveraging our local expertise and growing reputation in the sector.

1. *'PB Cook' hooking up to 'Murray River'*
2. *'PB Darling' in action in Port Botany near Sydney*
3. *PB Sea-Tow operating in Gladstone, Australia*
4. *PB Towage crew in operation*

PB RORO

MARKET REVIEW

The European-centric RoRo freight market has shown limited improvement in the year to date with increased trade in the core European economy largely offset by continued weakness in a number of peripheral European countries. Seaborne trailer volumes are still below pre-recession levels and this underlying demand for capacity remains insufficient for most major RoRo operators in Northern Europe to require additional chartered ships.

Fortunes in peripheral markets have differed over the period. For example, trade in the Baltic is recovering whilst Irish Sea trades have been particularly weak due to the deeply depressed Irish economy and severe over-capacity, resulting in some consolidation activity among major Northern European operators and the termination of routes. A number of services in the Mediterranean remain fragile.

On the supply side, a heavy influx of newbuilding deliveries continued with some 28,400 lane metres of new capacity (3%) joining the global RoRo fleet in the first half of the year alone. Scrapping also continued, albeit at a lower rate than in 2010, with 27,300 lane metres of old capacity (3%) removed in the half year compared to 107,000 lane metres over the whole of last year.

No RoRo newbuildings were ordered in the six months to June continuing the pattern of very limited RoRo ordering activity since January 2009. The orderbook as at the end of June amounted to 100,400 lane metres, about 12% of the existing fleet, but it is due to decline rapidly over the next 18 months as these new ships deliver.

BUSINESS REVIEW

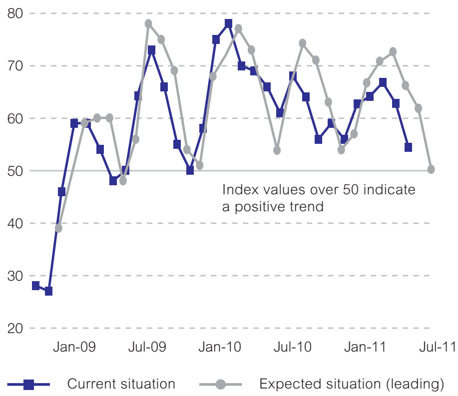
The PB RoRo division generated a net loss in the first half of 2011 of US$5.3 million (2010: US$0.5 million profit) and an annualised return on net assets of negative 3% (2010: positive 1%).

Four of our large freight RoRos have delivered and are for now employed on time charters despite the challenging market. The first continues to operate in the North Sea while her sistership which delivered from Odense Steel Shipyard in March is trading satisfactorily in the Mediterranean under a one year time charter, albeit at a disappointing rate reflecting the weak market. Our two Hyundai-built vessels are employed in the Nafta Gulf Bridge RoRo service – between Veracruz and Mobile in the US Gulf – in which Pacific Basin holds a minority shareholding.

While the Nafta Gulf Bridge service was positively received on its launch, cargo volumes have been disappointingly weak despite the fast growth in land-based cargo movements between Mexico and the United States, and take-up by potential customers remains uncertain.

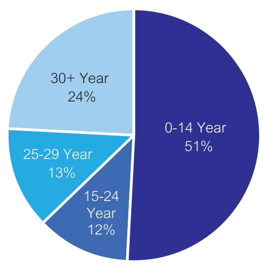
We currently see limited prospects for employment at acceptable rates of our last two RoRo ships delivering in August and November this year but continue to work on securing employment as a matter of urgency.

EUROPEAN FREIGHT FORWARDING INDEX



Source: Danske Bank

WORLD RORO FLEET
438 VESSELS (862,453 LANE METRES)



Source: Navitaship, data as at July 2011

OUTLOOK

Market-related factors we expect to have most influence on the RoRo sector in the remainder of 2011:

POSITIVE

- Growth, albeit slow, in European exports and intra-European trade overall
- Gradual growth in trailer volumes, albeit modest
- Scrapping of older ships to reduce overcapacity
- Higher fuel prices making modern vessels more attractive

NEGATIVE

- Significant RoRo newbuilding deliveries scheduled in the remainder of the year
- Most European RoRo operators still have excess capacity and are not chartering new vessels
- Short to medium term prospects of some European economies remain uncertain
- Increased austerity in Europe
- Hesitant global economic recovery and reduced stimulus
- Weak support for RoRo services in US Gulf

OUTLOOK FOR PB RORO

We expect the charter market for RoRo ships to remain weak and challenging throughout the rest of 2011 and into 2012 due to the further influx of newbuilding deliveries, overall muted growth in freight volumes and a potentially weaker European economy.

Our biggest challenge in the second half of the year will be securing employment for our two remaining newbuildings and generating the breakthrough in cargo support that our Nafta Gulf Bridge joint venture urgently needs. An unsatisfactory outcome in these two areas would lead to increased operating losses for PB RoRo this year and in 2012.

These immediate challenges and a poor medium term outlook have led us to reassess the prospects for the RoRo sector. This exercise resulted in what we now see as a much weaker outlook for the RoRo charter market and consequently our RoRo business, and an impairment charge of US$80 million to our Group results.

As at 25 July 2011	Unit	**FY 2011**	FY 2012
Revenue days	days	**1,570**	2,200
Daily charter rates	US$	**20,580**	28,980
% days covered	%	**77%**	16%

Charter rates earned in Euros is translated to US Dollars at an indicative rate of EUR1.00 to US$1.43

Klaus Nyborg
Chief Executive Officer

Hong Kong, 3 August 2011

'Strait of Dover', our second RoRo vessel, is now operating between Mobile, United States and Veracruz, Mexico

CONSOLIDATED GROUP PERFORMANCE

The key drivers that management focuses on to assess the performance of the Group's businesses are: revenue growth, direct costs control, segment net profit, underlying profit, profit attributable to shareholders, operating cash flow and return on average equity.

US$ Million	Six months ended 30 June 2011	2010	Change
Revenue	610.2	616.5	-1%
Direct costs	(558.5)	(536.8)	+4%
Gross profit	51.7	79.7	-35%
Segment net profit	28.8	81.1	-64%
Underlying profit	18.8	65.6	-71%
Profit attributable to shareholders	3.0	51.9	-94%
Operating cash inflow	69.4	83.0	-16%
Net profit margin	0%	8%	-8%
Return on average equity employed	0%	7%	-7%

'Castle Island' arriving Prosgrunn, Norway with a cargo of manganese ore

Management considers underlying profit to include segment results, treasury results and indirect general and administrative expenses. It excludes disposal gains and losses and the unrealised non-cash portion of results from derivative instruments relating to future reporting periods. The exclusion of items from underlying profit requires management judgement.

- Revenue decreased 1% mainly due to a decrease in daily charter rates of our dry bulk vessels.
- Underlying profit was down for the same reason, only partly offset by lower blended daily vessel operating costs.
- Profit attributable to shareholders was down mainly due to:

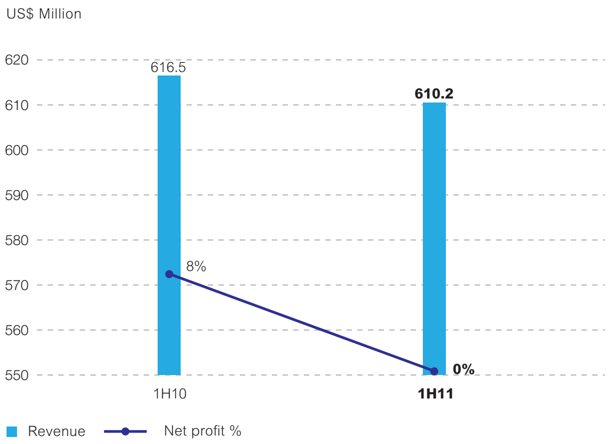
  i) the impairment on our RoRo vessels of US$80.0 million; offset by

  ii) a gain of US$55.8 million from the sale of our remaining shares in Green Dragon Gas Limited; and

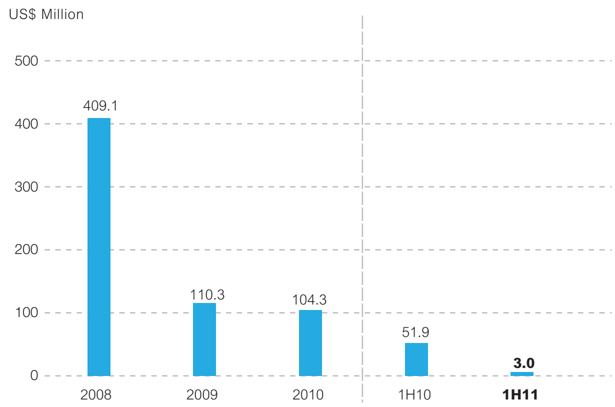
  iii) the unrealised derivative income of US$8.4 million (2010: expense of US$13.7 million) from an increase in average oil prices for our forward bunker commitments.

- Operating cash flow was US$69.4 million (2010: US$83.0 million). The Group used a net US$118.7 million (2010: US$173.5 million) of cash after funding capex and net debt flows, leaving US$630.5 million (31 December 2010: US$703.4 million) of cash and deposits at mid year.

GROUP REVENUE AND NET PROFIT MARGIN



GROUP NET PROFIT



Segment net profit and underlying profit can be reconciled to profit attributable to shareholders as follows:

US$ Million	Six months ended 30 June 2011	2010
Segment net profit	28.8	81.1
Treasury	(5.8)	(11.8)
Non direct general and administrative expenses	(4.2)	(3.7)
Underlying profit	18.8	65.6
Unrealised derivative income/(expenses) (note)	8.4	(13.7)
Gain from sale of shares in Green Dragon Gas	55.8	–
RoRo vessels impairment charge	(80.0)	–
Profit attributable to shareholders	3.0	51.9

Note: Details are set out in the "Financial Instruments" section of this Financial Review.

SEGMENTS REVIEW

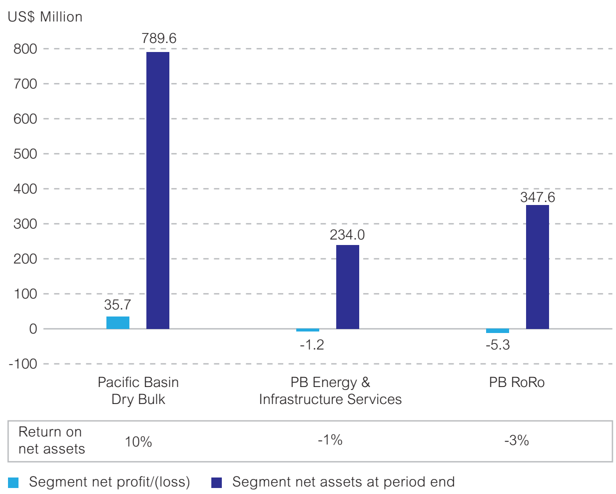
The Group derives its revenue primarily from the provision of shipping related services which are analysed by management under three reporting segments:

i) Pacific Basin Dry Bulk
ii) PB Energy & Infrastructure Services
iii) PB RoRo

Other non segment activities mainly comprise Treasury.

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

SEGMENT NET PFOFIT/(LOSS) AND NET ASSETS



PACIFIC BASIN DRY BULK SEGMENT

The Group's dry bulk fleet generated US$35.7 million (2010: US$78.5 million) of segment net profit, down 55%.

INCOME

The Group's dry bulk fleet generated US$544.6 million (2010: US$572.4 million) or 89.3% (2010: 93.5%) of total segment revenue.

The table below outlines the segment's operating performance during the period, split between handysize and handymax vessels:

	Six months ended 30 June 2011	2010	Change
Handysize			
Revenue days	14,620	13,940	+5%
Daily charter rates (US$)	13,660	16,840	-19%
Daily vessel operating costs (US$)	10,640	11,750	-9%
Segment net profit (US$ Million)	42.9	69.7	-38%
Segment net assets (US$ Million)	655.9	528.1	+24%
Return on net assets (annualised %)	13%	26%	-13%
Handymax			
Revenue days	6,390	5,570	+15%
Daily charter rates (US$)	15,130	23,680	-36%
Daily vessel operating costs (US$)	16,190	22,050	-27%
Segment net (loss)/profit (US$ Million)	(7.5)	8.8	-185%
Segment net assets (US$ Million)	78.8	54.9	+44%
Return on net assets (annualised %)	-19%	32%	-51%

Note: The above handymax revenue days and daily rates exclude two vessels which are on long term charter at a daily rate of US$8,460 and have a daily vessel cost of US$8,530.

Revenue and vessel days of our dry bulk vessels are analysed in the following table. The fleet of owned and finance leased vessels experienced average annualised off-hire of 1.9 days (2010: 1.7 days) per vessel in the six months ended 30 June 2011.

	Six months ended 30 June					
	2011			2010		
	Owned & Finance leased	Chartered	Total	Owned & Finance leased	Chartered	Total
Handysize						
Vessel days	7,350	7,370	14,720	6,320	7,740	14,060
Drydocking	(60)	–	(60)	(90)	–	(90)
Off-hire	(40)	–	(40)	(30)	–	(30)
Revenue days	7,250	7,370	14,620	6,200	7,740	13,940
Handymax						
Vessel days	180	6,210	6,390	80	5,490	5,570
Drydocking	–	–	–	–	–	–
Off-hire	–	–	–	–	–	–
Revenue days	180	6,210	6,390	80	5,490	5,570

DIRECT COSTS

The Group's dry bulk fleet incurred US$258.7 million (2010: US$284.6 million) or 81.4% (2010: 88.1%) of total segment direct costs.

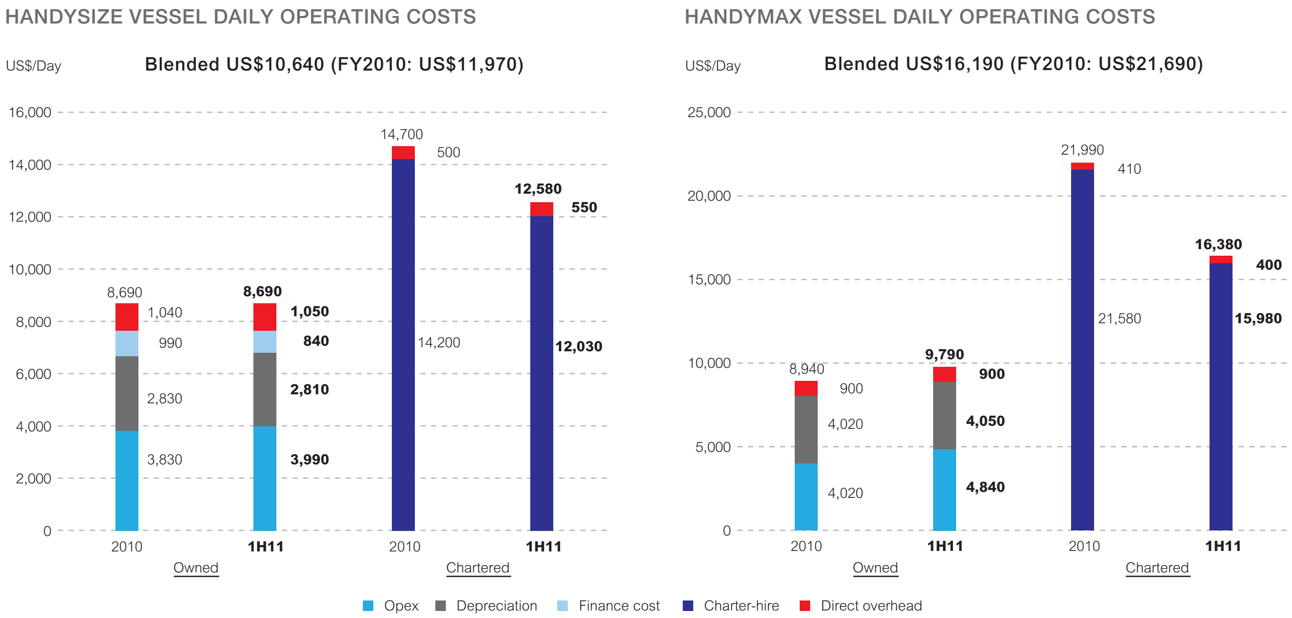
BREAKDOWN OF DIRECT COSTS

US$ Million	Six months ended 30 June 2011	2010	Change
Charter-hire expenses for vessels	**190.5**	229.0	-17%
Vessel operating costs	**31.1**	24.4	+27%
Depreciation of vessels	**22.0**	18.9	+16%
Direct overheads	**15.1**	12.3	+23%
Total	**258.7**	284.6	-9%

- Owned vessel operating costs include costs related to crew, spares, lubricating oil and insurance.
- Increases in owned vessel operating costs and depreciation are mainly due to the increase in the average number of owned and finance leased vessels from 35 to 42.
- Increases in direct overheads are mainly due to changes to shore based staff, office and related expenses directly attributable to the management of the Pacific Basin Dry Bulk segment.

The majority of the decrease in direct costs was attributable to charter-hire expenses for operating lease vessels which decreased to US$190.5 million (2010: US$229.0 million), reflecting a 19.5% decrease in the average daily charter rate of handysize and handymax vessels chartered by the Group under operating leases.

Blended daily vessel operating costs for our handysize fleet decreased 11.1% from last year mainly due to lower charter-hire cost of vessels sourced from the market. The equivalent daily cost for our handymax fleet decreased 25.4% from last year for the same reason. Blended daily vessel operating costs include direct overheads and can be analysed between owned and chartered vessels as follows:



PB ENERGY & INFRASTRUCTURE SERVICES SEGMENT

The Group's PB Energy & Infrastructure Services segment continues to seek growth opportunities in offshore and project supply, harbour towage and ship survey and inspection services.

US$ Million	Six months ended 30 June 2011	2010	Change
PB Towage (offshore and project supply and harbour towage services)	3.5	(1.2)	+392%
PacMarine Services (ship survey and inspection services)	0.5	0.7	-29%
Fujairah Bulk Shipping (rock aggregate production and transportation)	(5.2)	4.5	-216%
Segment net (loss)/profit	(1.2)	4.0	-130%
Segment net assets	234.0	218.8	+7%
Return on net assets	-1%	4%	-5%

PB Towage's results improved mainly due to the increase in liner port calls in the harbour towage sector and offshore and project supply jobs.

PacMarine Services' results decreased mainly due to decrease in the number of ship inspections.

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

PB RORO SEGMENT

The Group's first RoRo vessel began generating revenue in mid-September 2009. Our second and third RoRo vessels delivered in the fourth quarter of 2010 and have been deployed in the new Nafta Gulf Bridge RoRo service between the US Gulf and Mexico. Our fourth RoRo vessel delivered in March and is trading in the Mediterranean albeit at a disappointing rate reflecting the weak market. The vessel impairment is estimated to reduce daily depreciation on all six vessels by approximately EUR850 or US$1,200 in 2012.

	Six months ended 30 June 2011	2010	Change
Revenue days	620	180	+244%
Vessel days	660	180	+267%
Daily charter rates (US$)	21,240	32,220	-34%
Daily vessel operating costs (US$)	22,080	29,440	-25%
(US$ Million)			
Vessel operating (loss)/profit	(1.4)	0.5	-380%
Share of loss of associate	(4.1)	–	–
Share of profit of jointly controlled entity	0.2	–	–
Segment net (loss)/profit	(5.3)	0.5	–
Segment net assets	347.6	186.4	+86%
Return on net assets	-3%	1%	-4%

OTHER INCOME STATEMENT ITEMS

OTHER INCOME

Movements in the fair value and receipts from forward freight agreements amounted to US$5.4 million (2010: US$19.5 million).

During the period, the Group sold its remaining shareholdings in Green Dragon Gas Limited realising a gain of US$55.8 million.

OTHER EXPENSES

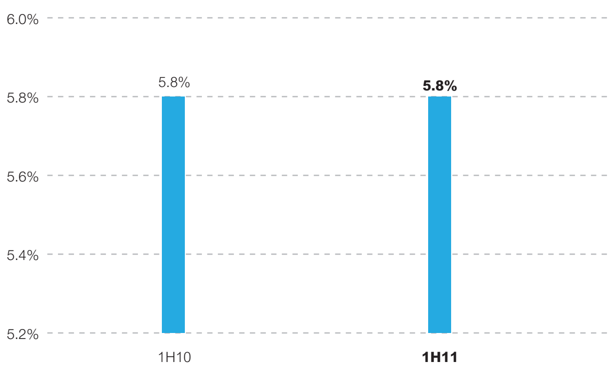
An impairment of US$80.0 million for the Group's RoRo vessels has been provided for in other expenses. The much weaker outlook for the RoRo charter market has given us concern about the ability to deploy our RoRo vessels profitably. This has reduced the value-in-use of our RoRo vessels to below their 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. 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$5.2 million (2010: US$25.3 million). Taking into account the movements in fair value and receipts of US$5.4 million included in other income above, the net movement in the fair value and payments for forward freight agreements resulted in an income of US$0.2 million (2010: expense of US$5.8 million).

GENERAL AND ADMINISTRATIVE EXPENSES

The Group's total administrative expenses of US$35.5 million (2010: US$36.0 million) were similar to the same period last year. Total administrative expenses comprised direct overheads of US$31.3 million (2010: US$25.4 million) and general and administrative expenses of US$4.2 million (2010: US$10.6 million). The increase of US$5.9 million in direct overheads was primarily due to a profit share with management in a subsidiary and additional employees employed in our towage services. The decrease of US$6.4 million in general and administrative expenses was primarily due to a US$4.9 million expense arising from the revaluation of Euros held by treasury in the same period last year.

ADMINISTRATIVE EXPENSES AS A PERCENTAGE OF REVENUE



'Koombana Bay' loading logs in Tauranga, New Zealand

SHARE OF PROFITS LESS LOSSES OF JOINTLY CONTROLLED ENTITIES

This represents the Group's share of losses of US$0.6 million (2010: US$0.3 million) in Nanjing Longtan Tianyu Terminal Co. Ltd. In addition, there are jointly controlled entities included in the segment results for PB Energy & Infrastructure Services and PB RoRo.

FINANCE INCOME

Finance income of US$6.1 million (2010: US$9.9 million) represents primarily US$5.7 million (2010: US$9.3 million) of interest income.

FINANCING

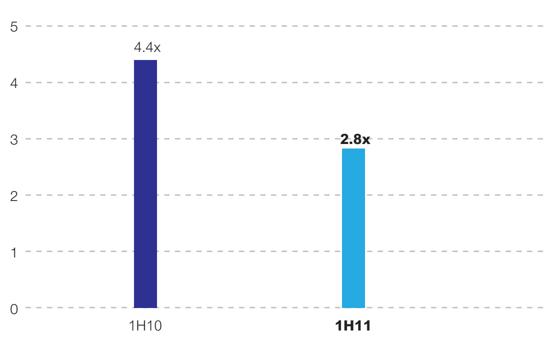
Finance costs of US$21.4 million (2010: US$24.4 million) can be analysed as follows:

- The increase of US$1.6 million in interest on bank borrowings was primarily due to the increase in the average bank borrowings outstanding to US$430.1 million (2010: US$368.5 million). Bank borrowings are subject to floating interest rates but the Group manages these exposures by way of interest rate swap contracts.
- Finance charges of US$6.2 million (2010: US$6.7 million) represent interest payments on the Group's finance leased vessels. Aggregate current and long term finance lease liabilities at 30 June 2011 were US$176.6 million. 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.
- The decrease of US$3.4 million in interest on convertible bonds was due to the lower outstanding amount of convertible bonds during the period.

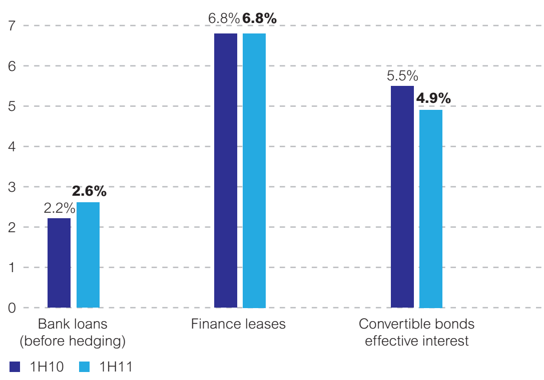
TAX

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.

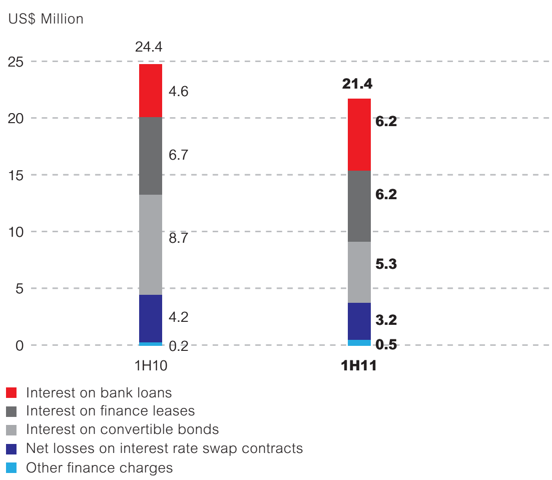
GROUP INTEREST COVERAGE



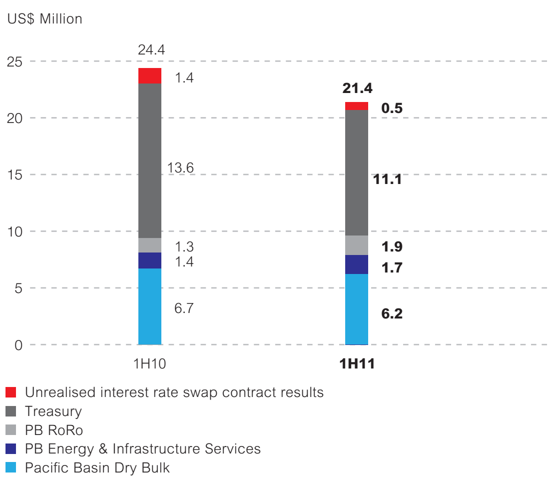
AVERAGE INTEREST RATES ON BORROWINGS



FINANCE COSTS BY SOURCE



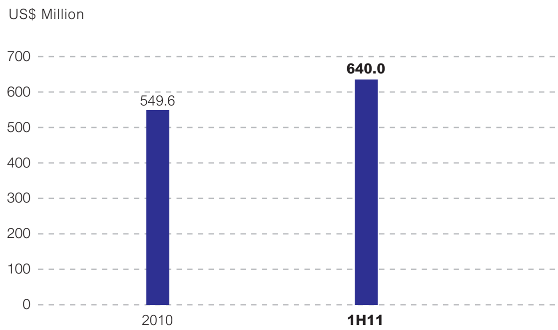
FINANCE COSTS BY SEGMENT



CASH FLOW

The primary sources of liquidity comprised cash and deposits of US$630.5 million, principally denominated in US dollar, and unutilised bank borrowing facilities of US$193.2 million. The Group's primary liquidity needs are to fund general working capital requirements (including lease and other short term financing commitments), fleet expansion and other capital expenditure. Dividends are funded from net cash generated from operating activities.

NET WORKING CAPITAL



US$ Million	Six months ended 30 June 2011	2010
Net cash from operating activities	69.4	83.0
Purchases of property, plant and equipment	(111.3)	(186.7)
Disposal of available-for-sale financial assets	80.5	–
Investments in jointly controlled entities	–	(14.2)
Dividends received from jointly controlled entities	8.7	1.4
Decrease in restricted and pledged bank deposits	2.0	45.3
Net increase in structured notes and notes receivable	(20.8)	–
Others	7.5	11.8
Net cash used in investing activities	(33.4)	(142.4)
Proceeds from issuance of convertible bonds	–	227.4
Payment for repurchase and cancellation of convertible bonds	(105.2)	(194.0)
Net drawdown of borrowings	89.0	2.3
Repayment of finance lease payables capital element	(7.9)	(7.4)
Interest and other finance charges paid	(18.9)	(20.9)
Dividends paid to shareholders of the Company	(41.0)	(37.3)
Others	(1.3)	(1.2)
Net cash used in financing activities	(85.3)	(31.1)
Cash and deposits at 30 June	630.5	969.7

FINANCIAL INSTRUMENTS

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

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

The treatment of these financial instruments in the financial statements depends on whether they qualify for hedge accounting.

QUALIFYING FOR HEDGE ACCOUNTING

At 30 June 2011, the forward foreign exchange contracts and all except one of the interest rate swap contracts qualified as cash flow hedges. Accordingly, the change in the fair value of these instruments during the period was recognised directly in the hedging reserve.

NOT QUALIFYING FOR HEDGE ACCOUNTING

Bunker swap contracts and forward freight agreements do not qualify for hedge accounting mainly because the contract periods, which are in calendar months, do not coincide with the periods of the physical contracts. The terms of one of the interest rate swap contracts also did not qualify for hedge accounting.

During the six months ended 30 June 2011, the Group recognised net derivative income of US$11.6 million, as follows:

			Six months ended 30 June	
US$ Million	Realised	Unrealised	2011	2010
Income				
Forward freight agreements	2.3	3.1	5.4	19.5
Bunker swap contracts	8.4	8.6	17.0	6.3
Interest rate swap contracts	–	–	–	–
	10.7	11.7	22.4	25.8
Expenses				
Forward freight agreements	(3.0)	(2.2)	(5.2)	(25.3)
Bunker swap contracts	(1.7)	(0.7)	(2.4)	(14.7)
Interest rate swap contracts	(2.8)	(0.4)	(3.2)	(4.2)
	(7.5)	(3.3)	(10.8)	(44.2)
Net				
Forward freight agreements	(0.7)	0.9	0.2	(5.8)
Bunker swap contracts	6.7	7.9	14.6	(8.4)
Interest rate swap contracts	(2.8)	(0.4)	(3.2)	(4.2)
	3.2	8.4	11.6	(18.4)

Presentation in the Segment Information

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

Presentation in the Financial Statements

Revenue
Bunkers & port disbursements
Direct costs
Other income
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 periods*
- *Accounting reversal of earlier period contracts now completed*
- *Not part of segment results*

The application of HKAS 39 "Financial Instruments: Recognition and Measurement" has the effect of shifting to this period the estimated results of these derivative contracts that expire in future periods. In 2011 this created a net unrealised non-cash income of US$8.4 million. The cash flows of these contracts will occur in future reporting periods.

BALANCE SHEET SEGMENT ANALYSIS

The following table seeks to connect the balance sheet segment disclosure information to the different elements of our business.

- *Vessels delivered & under construction*
- *Goodwill*

- *Vessels delivered & under construction*

- *Group unallocated cash*

- *Derivative assets*

US$ Million	Total	PB Dry Bulk	PB EIS	PB RoRo	All Other Segments	Treasury	Unallocated Others
Total assets	**2,524.2**	1,095.5	286.9	407.8	65.3	653.5	15.2
Includes:							
Property, plant and equipment	**1,548.5**	925.8	221.8	395.1	5.8	–	–
Interests in jointly controlled entities	**43.4**	–	13.4	0.9	29.6	–	(0.5)
Investments in associates	**3.6**	–	3.5	0.1	–	–	–
Total liabilities	**1,014.5**	305.9	52.9	60.2	6.0	575.6	13.9
Includes:							
Long term borrowings	**844.9**	176.6	37.5	56.1	–	574.7	–

- *Gold River Marine Terminal, Canada*

- *Bunker tanker, N.Z.*

- *Longtan Tianyu Terminal*

- *Finance lease liabilities*

- *Bank loans*

- *Bank loans*

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

- *Derivative liabilities*

Note: PB Dry Bulk = Pacific Basin Dry Bulk
PB EIS = PB Energy & Infrastructure Services

BORROWINGS

The indebtedness of the Group amounted to US$844.9 million (31 December 2010: US$859.5 million).

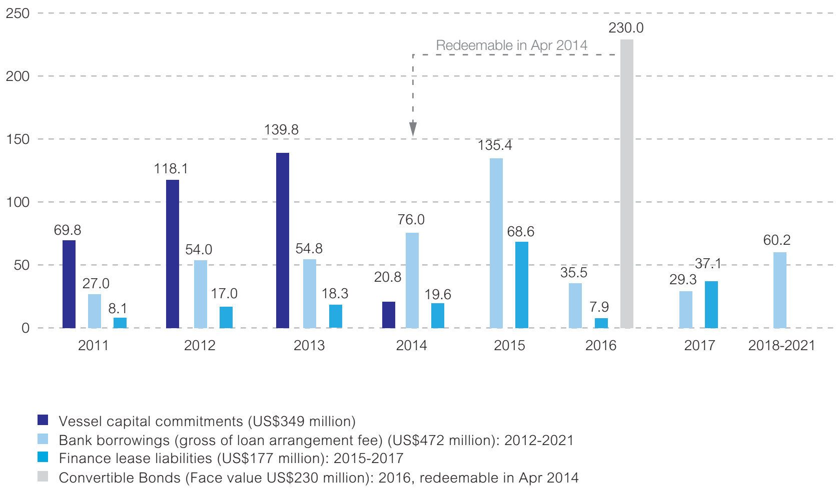
- Bank borrowings (net of deferred loan arrangement fees) increased as a result of drawdown during the period. The Group's bank borrowings were secured by mortgages over 32 vessels with a total net book value of US$626.4 million and an assignment of earnings and insurances in respect of these vessels.
- Bank borrowings are in the functional currency of the business segment to which they relate.
- Finance lease liabilities decreased following repayments during the period.
- The debt component of the Group's convertible bonds decreased as a result of the repurchase and cancellation of the old convertible bonds maturing in 2013 during the period.

In addition to the cash generated from the Group's operations, existing cash, and additional long term borrowings that may be arranged when required, the Group had unutilised bank borrowing facilities of US$193.2 million available to finance the Group's existing vessel and other capital commitments, along with other potential vessel acquisitions.

The Group, through its treasury function, arranges financing by leveraging the Group's balance sheet so as to optimise the availability of cash resources to the Group. Finance lease liabilities are allocated to the segment where the asset is owned.

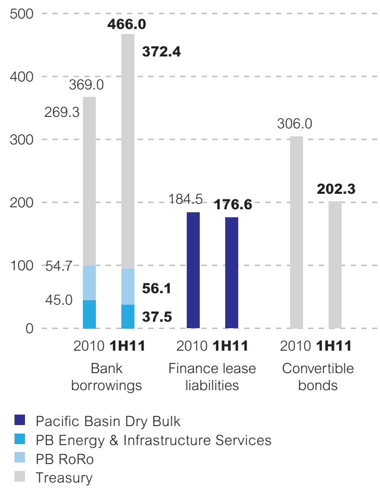
REPAYMENTS AND VESSEL CAPITAL COMMITMENTS SCHEDULE

US$ Million



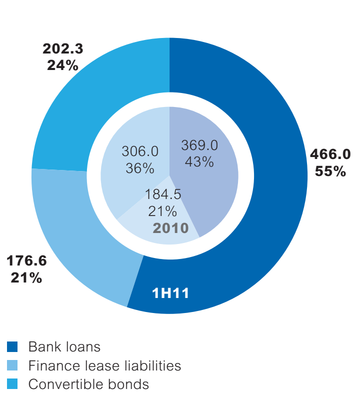
BY SOURCE & SEGMENT

US$ Million



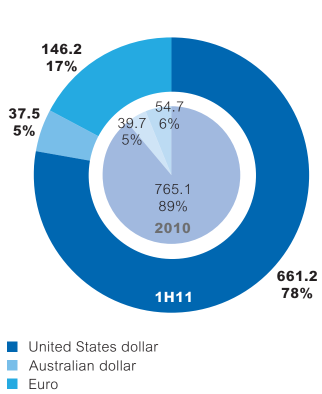
BY SOURCE

US$ Million



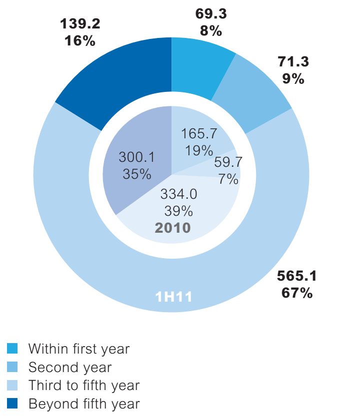
BY CURRENCY

US$ Million



BY MATURITY

US$ Million



CASH AND DEPOSITS

As part of the Group's ordinary activities, the treasury function seeks to enhance the income from the Group's cash resources through a mix of financial products, based on the perceived balance of risk, return and liquidity in accordance with the Group's treasury policy. These products include overnight and term deposits, money market funds, liquidity funds, structured notes and currency linked deposits and shown in the balance sheet as cash and deposits, and structured notes.

US$ Million	30 June 2011	31 December 2010	Change
Restricted bank deposits – non-current assets	6.4	10.3	
Restricted bank deposits – current assets	5.6	3.4	
Cash and deposits	618.5	689.7	
Total cash and deposits	630.5	703.4	–10%
Current portion of long term borrowings	(69.3)	(165.7)	
Long term borrowings	(775.6)	(693.8)	
Total borrowings	(844.9)	(859.5)	–2%
Net borrowings	(214.4)	(156.1)	+37%
Net borrowings to book value of property, plant and equipment	14%	10%	
Net borrowings to shareholders' equity	14%	10%	

Cash and deposits decreased as a result of payments for the purchase of vessels.

LEASE COMMITMENTS

Vessel operating lease commitments stood at US$358.5 million (31 December 2010: US$362.0 million). These commitments exclude vessels under finance leases which are included as part of property, plant and equipment. The decrease in lease commitments was mainly due to lower average contracted daily charter rates.

The Group has commitments of 21,660 vessel days under handysize finance leases and 27,040 vessel days under handysize and handymax operating leases. The following table shows the average contracted daily charter rates and total number of vessel days of our handysize and handymax vessels under operating leases and finance leases in each year of the lease term, assuming the purchase options will not be exercised until the expiry of the charter-hire agreements.

HANDYSIZE AND HANDYMAX VESSEL LEASE COMMITMENTS

	Handysize Operating leases		Handysize Finance leases		Handymax Operating leases	
Year	Average daily rate (US$)	Vessel days	Average daily rate (US$)	Vessel days	Average daily rate (US$)	Vessel days
2H11	11,690	4,560	5,920	2,380	13,980	2,820
2012	11,350	5,140	5,960	4,750	13,930	620
2013	11,400	2,940	5,950	4,750	13,830	370
2014	12,020	2,190	5,940	4,750	13,830	370
2015	11,930	2,190	5,910	2,590	13,830	370
2016	11,010	1,560	5,970	1,830	13,860	370
2017	11,380	1,460	5,840	610	13,830	370
2018	11,040	1,120	–	–	13,830	160
2019	13,000	370	–	–	–	–
2020	13,000	60	–	–	–	–
Total		21,590		21,660		5,450

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 (includes certain purchase options priced in currencies other than US dollars) of the existing purchase options for the Group's dry bulk 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 2011 Finance lease	Operating lease	Average age of vessels (years)	Average purchase option exercise price (US$ Million)
2011	Handysize	13	4	9	16.0
	Handymax	–	1	6	14.6
	Tug	–	1	2	3.1
2012	Tug & barge	–	2	5	2.3
2016	Handysize	–	2	5	42.8
	Handymax	–	1	5	30.0
	Post Panamax	–	1	5	73.6
2017	Handysize	–	1	5	36.4
2020	Handysize	–	1	7	40.2
2021	Handysize	–	1	7	41.3
Total		13	15		

CAPITAL EXPENDITURE AND PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, vessel capital expenditure amounted to US$109.2 million resulting from the addition of three handysize vessels, one post panamax vessel, two tugs and one RoRo vessels.

At 30 June 2011, the Group had property, plant and equipment with net book value after RoRo impairment of US$1,548.5 million, of which US$1,345.8 million related to 42 delivered handysize vessels, two handymax vessels, one post panamax vessel, 38 tugs and barges and four RoRo vessels. Handysize vessels continued to dominate the Group's assets with an average net book value of US$17.7 million. Tugs, barges and RoRo vessels are denominated in their functional currencies such as Australian dollar and Euro. As such, their United States dollar carrying values and commitments are subject to exchange rate fluctuation.

VESSEL COMMITMENTS

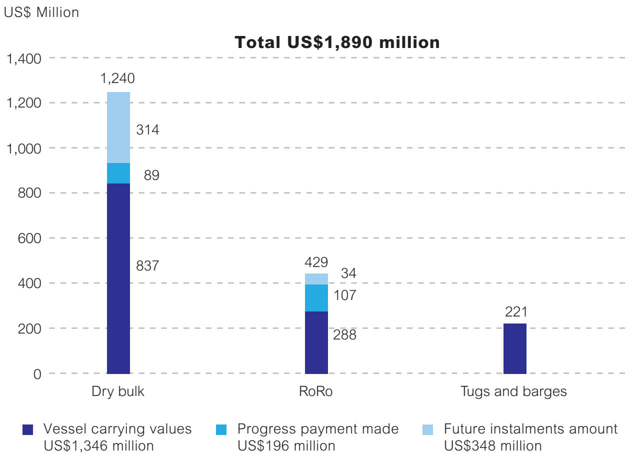
At 30 June 2011, the Group had non-cancellable vessel commitments of US$286.3 million and authorised commitments of US$62.2 million. The vessels are for delivery to the Group between August 2011 and January 2014.

US$ Million	Number	2011	2012	2013	2014	Total
Handysize	7	22.8	79.1	19.1	–	121.0
Handymax	5	3.2	32.5	95.3	–	131.0
RoRo	2	34.3	–	–	–	34.3
Commitments at 30 June 2011	14	60.3	111.6	114.4	–	286.3
Authorised commitments						
Handysize	1	3.0	–	5.9	20.8	29.7
Handymax	1	6.5	6.5	19.5	–	32.5
	2	9.5	6.5	25.4	20.8	62.2
	16	69.8	118.1	139.8	20.8	348.5

These commitments will be financed by cash generated from the Group's operations, existing cash 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.

A combined view of the carrying value of owned vessels, vessels under construction and committed vessel expenditure is shown below:

A COMBINED VIEW OF VESSEL CARRYING VALUES AND COMMITMENTS



STAFF

- At 30 June 2011, the Group employed a total of 380 full time shore based staff (30 June 2010: 360).
- The Group incurred total staff costs (included in direct overheads and general and administrative expenses as described earlier) of approximately US$24.3 million (2010: US$17.7 million), representing 4.0% of the Group's revenue (2010: 2.9%). Please see the paragraph headed "General and Administration Expenses" for more details.
- Remuneration of the Group's employees includes fixed basic salaries, discretionary cash bonuses (based on both the Group's and individuals' performance for the year) and long term incentives through the Company's Long Term Incentive Scheme ("LTIS"). The LTIS allows the Company to award eligible participants with restricted shares and share options. More details of the LTIS can be found in the "Other Information" of this Interim Report.
- The Group's principal retirement benefit scheme is the Mandatory Provident Fund Scheme, a defined contribution scheme provided under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those staff employed under the jurisdiction of the Hong Kong Employment Ordinance.






UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30 June 2011 US$'000	31 December 2010 US$'000
Non-current assets			
Property, plant and equipment	5	**1,548,476**	1,518,632
Investment properties		**2,689**	2,664
Land use rights		**3,834**	3,815
Goodwill	5	**25,256**	25,256
Interests in jointly controlled entities		**43,439**	56,125
Investments in associates		**3,598**	4,098
Available-for-sale financial assets	6	**18,779**	74,476
Derivative assets	7	**2,852**	1,672
Trade and other receivables	8	**6,011**	6,792
Restricted bank deposits		**6,418**	10,280
		1,661,352	1,703,810
Current assets			
Inventories		**65,264**	39,911
Derivative assets	7	**12,848**	7,066
Structured notes		**45,544**	–
Trade and other receivables	8	**115,131**	111,444
Restricted bank deposits		**5,636**	3,421
Cash and deposits	9	**618,455**	689,736
		862,878	851,578
Current liabilities			
Derivative liabilities	7	**2,994**	3,972
Trade and other payables	10	**148,229**	127,248
Current portion of long term borrowings	11	**69,290**	165,696
Taxation payable		**2,280**	3,059
Provision for onerous contracts	12	**–**	2,031
		222,793	302,006
Net current assets		**640,085**	549,572
Total assets less current liabilities		**2,301,437**	2,253,382
Non-current liabilities			
Derivative liabilities	7	**16,090**	14,721
Long term borrowings	11	**775,645**	693,770
		791,735	708,491
Net assets		**1,509,702**	1,544,891
Equity			
Capital and reserves attributable to shareholders			
Share capital	13	**193,644**	193,164
Retained profits		**691,848**	720,809
Other reserves		**624,210**	630,918
Total equity		**1,509,702**	1,544,891

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six months ended 30 June 2011 US$'000	2010 US$'000
Revenue	4	**610,159**	616,486
Direct costs		**(558,433)**	(536,811)
Gross profit		**51,726**	79,675
General and administrative expenses		**(4,204)**	(10,544)
Other income and gains		**63,254**	20,856
Other expenses		**(85,443)**	(28,022)
Finance costs, net	14	**(15,256)**	(14,494)
Share of profits less losses of jointly controlled entities		**(3,404)**	6,417
Share of profits less losses of associates		**(4,150)**	73
Profit before taxation	15	**2,523**	53,961
Taxation	16	**428**	(2,068)
Profit attributable to shareholders	4	**2,951**	51,893
Dividends	17	**12,433**	12,422
Earnings per share for profit attributable to shareholders			
Basic	18(a)	**US 0.15 cents**	US 2.69 cents
Diluted	18(b)	**US 0.15 cents**	US 2.69 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2011 **US$'000**	2010 US$'000
Profit attributable to shareholders	**2,951**	51,893
Other comprehensive income		
Currency translation differences	**35,104**	(31,181)
Cash flow hedges:		
– fair value losses	**(3,549)**	(6,215)
– transferred to property, plant and equipment	**–**	1,687
– transferred to finance costs in consolidated income statement	**1,813**	(1,913)
Release of investment valuation reserve upon disposal of available-for-sale financial assets	**(60,502)**	–
Fair value gains/(losses) on available-for-sale financial assets	**29,475**	(3,722)
Total comprehensive income attributable to shareholders	**5,292**	10,549

	Capital and reserves attributable to shareholders									
	Share capital US$'000	Share premium US$'000	Merger reserve US$'000	Convertible bonds reserve US$'000	Staff benefits reserve US$'000	Hedging reserve US$'000	Investment valuation reserve US$'000	Exchange reserve US$'000	Retained profits US$'000	Total US$'000
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
Shares purchased by trustee of the LTIS (Note 13)	(1,367)	–	–	–	–	–	–	–	–	(1,367)
Shares transferred upon granting and lapse of restricted share awards (Note 13)	1,847	–	–	–	(1,847)	–	–	–	–	–
Derecognition of the equity component upon repurchase and cancellation of convertible bonds	–	–	–	(9,107)	–	–	–	–	9,107	–
Share-based compensation	–	–	–	–	1,905	–	–	–	–	1,905
Dividends paid	–	–	–	–	–	–	–	–	(41,019)	(41,019)
Total comprehensive income attributable to shareholders	–	–	–	–	–	(1,736)	(31,027)	35,104	2,951	5,292
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
Balance at 1 January 2010	192,708	586,741	(56,606)	27,180	8,257	13,838	20,121	3,989	659,339	1,455,567
Shares issued upon exercise of share options	18	58	–	–	(19)	–	–	–	–	57
Shares purchased by trustee of the LTIS	(1,294)	–	–	–	–	–	–	–	–	(1,294)
Shares transferred upon granting and lapse of restricted share awards	1,678	59	–	–	(2,059)	–	–	–	322	–
Equity component of convertible bonds issued	–	–	–	32,302	–	–	–	–	–	32,302
Derecognition of the equity component upon repurchase and cancellation of convertible bonds	–	–	–	(16,788)	–	–	–	–	5,907	(10,881)
Share-based compensation	–	–	–	–	1,935	–	–	–	–	1,935
Dividends paid	–	–	–	–	–	–	–	–	(37,272)	(37,272)
Total comprehensive income attributable to shareholders	–	–	–	–	–	(6,441)	(3,722)	(31,181)	51,893	10,549
Balance at 30 June 2010	193,110	586,858	(56,606)	42,694	8,114	7,397	16,399	(27,192)	680,189	1,450,963

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Note	Six months ended 30 June 2011 US$'000	2010 US$'000
Net cash from operating activities		**69,404**	82,984
Net cash used in investing activities		**(33,439)**	(142,438)
Net cash used in financing activities		**(85,314)**	(31,026)
Net decrease in cash and cash equivalents		**(49,349)**	(90,480)
Cash and cash equivalents at 1 January		**639,736**	999,095
Exchange gains on cash and cash equivalents		**3,068**	705
Cash and cash equivalents at 30 June	9	**593,455**	909,320

1 GENERAL INFORMATION

Pacific Basin Shipping Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the provision of dry bulk and RoRo shipping services and services to the energy and infrastructure sectors, 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 3 August 2011.

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 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3 ACCOUNTING POLICIES

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

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

HKAS 1 (Amendment)	Clarification of statement of changes in equity
HKAS 24 (Revised)	Related party disclosures
HKAS 27 (Amendment)	Consolidated and separate financial statements
HKAS 34 (Amendment)	Interim financial reporting
HKFRS 3 (Amendment)	Business combination
HKFRS 7 (Amendment)	Financial instruments: Disclosures

4 SEGMENT INFORMATION

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

The Group's revenue is primarily derived from the provision of dry bulk and RoRo shipping services, and services to the energy and infrastructure sectors.

	Pacific Basin Dry Bulk US$'000	PB Energy & Infrastructure Services US$'000	PB RoRo US$'000	All Other Segments US$'000	Total Segments US$'000
For the period ended 30 June 2011					
Revenue	544,573	50,477	13,943	513	609,506
Freight and charter-hire	544,573	37,617	13,870	–	596,060
Maritime management services	–	12,860	73	513	13,446
Bunkers & port disbursements	(244,026)	(1,732)	(806)	–	(246,564)
Time charter equivalent earnings	300,547				
Direct costs	(258,669)	(45,145)	(12,581)	(1,289)	(317,684)
Bunkers & port disbursements	–	–	–	–	–
Charter-hire expenses for vessels	(190,518)	(824)	–	–	(191,342)
Vessel operating costs	(31,098)	(22,058)	(6,462)	–	(59,618)
Depreciation of vessels	(21,986)	(8,200)	(5,249)	–	(35,435)
Direct overheads	(15,067)	(14,063)	(870)	(1,289)	(31,289)
Gross profit	41,878	3,600	556	(776)	45,258
General and administrative expenses	–	–	–	–	–
Other income and expenses	–	(84)	–	–	(84)
Finance costs, net	(6,151)	(1,576)	(1,936)	453	(9,210)
Share of profits less losses of jointly controlled entities	–	(3,050)	248	(602)	(3,404)
Share of profits less losses of associates	–	18	(4,168)	–	(4,150)
Profit before taxation	35,727	(1,092)	(5,300)	(925)	28,410
Taxation	–	(110)	–	538	428
Profit attributable to shareholders	35,727	(1,202)	(5,300)	(387)	28,838
At 30 June 2011					
Total assets	1,095,544	286,927	407,805	65,260	1,855,536
Total assets include:					
Property, plant and equipment ("PP&E")	925,813	221,834	395,117	5,712	1,548,476
– Include additions to PP&E	86,099	4,598	18,482	2,167	111,346
Interests in jointly controlled entities	–	13,435	909	29,571	43,915
Investments in associates	–	3,494	104	–	3,598
– Include additions to investments in associates	–	–	1,200	–	1,200
Total liabilities	305,877	52,944	60,178	6,063	425,062
Total liabilities include:					
Long term borrowings	176,576	37,526	56,146	–	270,248

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

Treasury manages the Group's cash and borrowings which are not considered to be an operating segment. As such, related finance income and expenses are allocated under "Treasury".

The Directors consider that the nature of the provision of shipping services, which are carried out internationally, and the way in which costs are allocated, preclude a meaningful allocation of operating profit to specific geographical segments. Accordingly, geographical segment information is not presented.

Unallocated					
Treasury US$'000	Others US$'000	Total US$'000	Reclass-ification US$'000	Per Financial Statements US$'000	*Note*
–	920	610,426	(267)	610,159	
–	920	596,980	(267)	596,713	*1*
–	–	13,446	–	13,446	
–	7,845	(238,719)	238,719	–	*2*
–	–	(317,684)	(240,749)	(558,433)	
–	–	–	(238,719)	(238,719)	*2*
–	–	(191,342)	(2,030)	(193,372)	
–	–	(59,618)	–	(59,618)	
–	–	(35,435)	–	(35,435)	
–	–	(31,289)	–	(31,289)	
–	8,765	54,023	(2,297)	51,726	
–	(4,204)	(4,204)	–	(4,204)	*3*
(203)	(24,199)	(24,486)	2,297	(22,189)	*1, 4*
(5,589)	(457)	(15,256)	–	(15,256)	*5*
–	–	(3,404)	–	(3,404)	
–	–	(4,150)	–	(4,150)	
(5,792)	(20,095)	2,523	–	2,523	
–	–	428	–	428	
(5,792)	(20,095)	2,951	–	2,951	
653,470	15,224	2,524,230	–	2,524,230	*1, 2*
–	–	1,548,476	–	1,548,476	
–	–	111,346	–	111,346	
–	(476)	43,439	–	43,439	
–	–	3,598	–	3,598	
–	–	1,200	–	1,200	
					1, 2
575,627	13,839	1,014,528	–	1,014,528	
574,687	–	844,935	–	844,935	

4 SEGMENT INFORMATION (continued)

	Pacific Basin Dry Bulk US$'000	PB Energy & Infrastructure Services US$'000	PB RoRo US$'000	All Other Segments US$'000	Total Segments US$'000
For the period ended 30 June 2010					
Revenue	572,432	32,483	5,816	1,225	611,956
Freight and charter-hire	572,432	19,351	5,721	–	597,504
Maritime management services	–	13,132	95	1,225	14,452
Bunkers & port disbursements	(202,659)	–	–	–	(202,659)
Time charter equivalent earnings	369,773				
Direct costs	(284,588)	(32,632)	(4,016)	(1,812)	(323,048)
Bunkers & port disbursements	–	–	–	–	–
Charter-hire expenses for vessels	(229,014)	(454)	–	–	(229,468)
Vessel operating costs	(24,422)	(14,583)	(1,506)	–	(40,511)
Depreciation of vessels	(18,897)	(7,190)	(1,565)	–	(27,652)
Direct overheads	(12,255)	(10,405)	(945)	(1,812)	(25,417)
Gross profit	85,185	(149)	1,800	(587)	86,249
General and administrative expenses	–	–	–	–	–
Other income and expenses	–	169	–	(1,000)	(831)
Finance costs, net	(6,667)	(1,346)	(1,302)	529	(8,786)
Share of profits less losses of jointly controlled entities	–	6,650	–	(233)	6,417
Share of profits of associates	–	73	–	–	73
Profit before taxation	78,518	5,397	498	(1,291)	83,122
Taxation	–	(1,352)	–	(716)	(2,068)
Profit attributable to shareholders	78,518	4,045	498	(2,007)	81,054
At 31 December 2010					
Total assets	978,462	291,421	443,669	153,634	1,867,186
Total assets include:					
Property, plant and equipment	828,667	223,633	429,148	37,184	1,518,632
– Include additions to PP&E	250,998	55,308	195,339	21,851	523,496
Interests in jointly controlled entities	–	26,360	641	29,600	56,601
– Include additions to interests in jointly controlled entities	–	–	1,000	13,189	14,189
Investments in associates	–	3,442	656	–	4,098
Total liabilities	288,372	62,009	59,237	6,360	415,978
Total liabilities include:					
Long term borrowings	184,458	44,975	54,718	–	284,151

Unallocated					
Treasury	Others	Total	Reclass-ification	Per Financial Statements	
US$'000	US$'000	US$'000	US$'000	US$'000	*Note*
–	(1,228)	610,728	5,758	616,486	
–	(1,228)	596,276	5,758	602,034	*1*
–	–	14,452	–	14,452	
–	(11,104)	(213,763)	213,763	–	*2*
–	–	(323,048)	(213,763)	(536,811)	
–	–	–	(213,763)	(213,763)	*2*
–	–	(229,468)	–	(229,468)	
–	–	(40,511)	–	(40,511)	
–	–	(27,652)	–	(27,652)	
–	–	(25,417)	–	(25,417)	
–	(12,332)	73,917	5,758	79,675	
(6,847)	(3,697)	(10,544)	–	(10,544)	*3*
(577)	–	(1,408)	(5,758)	(7,166)	*1*
(4,322)	(1,386)	(14,494)	–	(14,494)	*5*
–	–	6,417	–	6,417	
–	–	73	–	73	
(11,746)	(17,415)	53,961	–	53,961	
–	–	(2,068)	–	(2,068)	
(11,746)	(17,415)	51,893	–	51,893	
679,940	8,262	2,555,388	–	2,555,388	*1, 2*
–	–	1,518,632	–	1,518,632	
–	642	524,138	–	524,138	
–	(476)	56,125	–	56,125	
–	–	14,189	–	14,189	
–	–	4,098	–	4,098	
575,826	18,693	1,010,497	–	1,010,497	*1, 2*
575,315	–	859,466	–	859,466	

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

Note 2. Net unrealised bunker swap contract benefits and expenses are under "Unallocated Others". Net realised benefits and expenses are under "Pacific Basin Dry Bulk". For the presentation of the financial statements, bunkers & port disbursements are reclassified to direct costs. The related derivative assets and liabilities are also under "Unallocated Others".

Note 3. "Others" represents corporate overheads.

Note 4. "Others" represents the impairment charge of US$80 million of the RoRo vessels, net of the gains on disposal of investment of US$55.8 million in Green Dragon Gas Limited.

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

5 PROPERTY, PLANT AND EQUIPMENT AND GOODWILL

	Property, plant and equipment US$'000	Goodwill US$'000
Net book amounts		
At 1 January 2011	1,518,632	25,256
Additions	111,346	–
Disposals	(3,260)	–
Depreciation	(36,135)	–
Impairment	(80,000)	–
Exchange differences	37,893	–
At 30 June 2011	1,548,476	25,256

	Property, plant and equipment US$'000	Goodwill US$'000
Net book amounts		
At 1 January 2010	997,961	25,256
Additions	186,662	–
Transfer from other non-current assets	7,110	–
Disposals	(108)	–
Depreciation	(28,328)	–
Exchange differences	(41,548)	–
At 30 June 2010	1,121,749	25,256

The impairment charge of US$80 million in 2011 was in relation 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 interchangeable. The recoverable amount of the CGU was determined using a value-in-use calculation over its useful life. Key assumptions were based on management's expectations for market developments and general inflation. The discount rate applied to the cash flow projection was based on the estimated 7.1% per annum weighted average cost of capital for the PB RoRo segment.

6 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2011 US$'000	31 December 2010 US$'000
Listed equity securities, at fair value (Note a)	16,378	72,176
Unlisted equity securities, at fair value (Note b)	2,401	2,300
	18,779	74,476

(a) This represents the Group's investment in Greka Drilling Limited (31 December 2010: Green Dragon Gas Limited), a company listed on the London AIM market.

(b) This represents the Group's investment in an unlisted renewable energy equity fund. The change in balance represents additions to the investment.

7 DERIVATIVE ASSETS AND LIABILITIES

	30 June 2011 US$'000	31 December 2010 US$'000
Derivative assets		
Cash flow hedges		
Interest rate swap contracts (Note a(i))	10	184
Derivative assets that do not qualify for hedge accounting		
Bunker swap contracts (Note b)	13,069	5,484
Forward freight agreements (Note c)	2,621	3,070
Total	15,700	8,738
Less: non-current portion of		
Interest rate swap contracts (Note a(i))	(10)	(184)
Bunker swap contracts (Note b)	(2,766)	(1,488)
Forward freight agreements (Note c)	(76)	–
Non-current portion	(2,852)	(1,672)
Current portion	12,848	7,066
Derivative liabilities		
Cash flow hedges		
Forward foreign exchange contracts (Note d)	487	534
Interest rate swap contracts (Note a(i))	9,093	7,483
Derivative liabilities that do not qualify for hedge accounting		
Interest rate swap contracts (Note a(ii))	6,428	5,971
Bunker swap contracts (Note b)	177	437
Forward freight agreements (Note c)	2,899	4,268
Total	19,084	18,693
Less: non-current portion of		
Interest rate swap contracts (Note a(i))	(9,093)	(7,483)
Interest rate swap contracts (Note a(ii))	(6,428)	(5,971)
Forward foreign exchange contracts (Note d)	(487)	(534)
Bunker swap contracts (Note b)	(7)	(35)
Forward freight agreements (Note c)	(75)	(698)
Non-current portion	(16,090)	(14,721)
Current portion	2,994	3,972

7 DERIVATIVE ASSETS AND LIABILITIES (continued)

(a) Interest rate swap contracts

(i) 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 as follows:

- Effective from 2 January 2007, a notional amount of US$20 million with the 6-month floating rate LIBOR swapped to a fixed rate of approximately 5.6% per annum. This contract expires in January 2017;

- Effective from 31 March 2009, notional amounts of US$100 million in total with the 3-month floating rate LIBOR swapped to fixed rates of approximately 2.9% to 3.0% per annum. These contracts expire through March 2016;

- Effective from 30 June 2009, a notional amount of A$19 million with the 3-month floating rate BBSW swapped to a fixed rate of approximately 5.2% per annum. This contract expires in June 2013; and

- Effective from 4 May 2010, a notional amount of A$9 million with 3-month floating rate BBSW swapped to a fixed rate of approximately 4.8% per annum. This contract expires in May 2012.

These interest rate swap contracts qualify for hedge accounting as cash flow hedges.

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

(b) Bunker swap contracts

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

At 30 June 2011, the Group had outstanding bunker swap contracts to buy approximately 112,600 (31 December 2010: 133,000) metric tonnes of bunkers. These contracts expire through June 2016 (31 December 2010: 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 2011, the Group had outstanding forward freight agreements as follows:

(i) buy approximately 1,040 (31 December 2010: 810) days of the Baltic Supramax Index at prices of US$11,950 to US$19,000 per day (31 December 2010: US$16,000 to US$21,750), which expire through December 2012 (31 December 2010: December 2011);

(ii) sell approximately 900 (31 December 2010: 1,050) days of the Baltic Supramax Index at prices of US$12,000 to US$21,500 per day (31 December 2010: US$12,000 to US$21,500), which expire through December 2012 (31 December 2010: December 2012);

(iii) buy approximately 360 (31 December 2010: 360) days of the Baltic Handysize Index at prices of US$10,000 to US$12,500 per day (31 December 2010: US$11,750 to US$14,000), which expire through December 2011 (31 December 2010: December 2011); and

(iv) sell approximately 90 (31 December 2010: 270) days of the Baltic Handysize Index at prices of US$14,000 per day (31 December 2010: US$14,000 to US$15,000), which expire through December 2011 (31 December 2010: December 2011).

7 DERIVATIVE ASSETS AND LIABILITIES (continued)

(d) Forward foreign exchange contracts

The Group has long term bank borrowings in Danish Kroner ("DKK") with maturity in September 2021. 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 2011, the Group had outstanding forward foreign exchange contracts with banks to buy approximately DKK293.9 million (31 December 2010: DKK307.9million) and simultaneously sell approximately EUR39.5 million (31 December 2010: EUR41.4 million), which expire through September 2021, related to the long term bank borrowings denominated in Danish Kroner.

8 TRADE AND OTHER RECEIVABLES

	30 June 2011 US$'000	31 December 2010 US$'000
Non-current receivables		
Finance lease receivables – gross	**6,556**	7,706
Less: unearned finance lease income	**(545)**	(914)
Finance lease receivables – net	**6,011**	6,792
Current receivables		
Finance lease receivables – gross	**2,315**	2,309
Less: unearned finance lease income	**(787)**	(869)
Finance lease receivables – net	**1,528**	1,440
Trade receivables – gross	**45,339**	31,052
Less: provision for impairment	**(1,258)**	(3,003)
Trade receivables – net	**44,081**	28,049
Other receivables	**30,408**	46,487
Prepayments	**24,023**	16,548
Amounts due from jointly controlled entities	**15,091**	12,785
Loan to a jointly controlled entity	**–**	6,135
	115,131	111,444

8 TRADE AND OTHER RECEIVABLES (continued)

At 30 June 2011, the ageing analysis of net trade receivables is as follows:

	30 June 2011 US$'000	31 December 2010 US$'000
Less than 30 days	33,126	19,536
31-60 days	6,569	4,280
61-90 days	509	1,164
Over 90 days	3,877	3,069
	44,081	28,049

Trade receivables consist principally of voyage-related trade receivables. It is industry practice that 95% to 100% of freight is paid upon completion of loading, with 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

	30 June 2011 US$'000	31 December 2010 US$'000
Cash and cash equivalents	593,455	639,736
Notes receivables	25,000	50,000
	618,455	689,736

10 TRADE AND OTHER PAYABLES

	30 June 2011 US$'000	31 December 2010 US$'000
Trade payables	39,526	33,676
Accruals and other payables	71,989	56,471
Receipts in advance	32,909	27,215
Amounts due to jointly controlled entities	3,805	9,886
	148,229	127,248

10 TRADE AND OTHER PAYABLES (continued)

At 30 June 2011, the ageing analysis of trade payables is as follows:

	30 June 2011 US$'000	31 December 2010 US$'000
Less than 30 days	31,194	27,414
31-60 days	1,161	859
61-90 days	1,108	272
Over 90 days	6,063	5,131
	39,526	33,676

11 LONG TERM BORROWINGS

	30 June 2011 US$'000	31 December 2010 US$'000
Non-current		
Finance lease liabilities (Note a)	160,111	168,482
Secured bank loans (Note b)	413,250	325,646
Convertible bonds (Note c(ii))	202,284	199,642
	775,645	693,770
Current		
Finance lease liabilities (Note a)	16,465	15,976
Secured bank loans (Note b)	52,825	43,350
Convertible bonds (Note c(i))	–	106,370
	69,290	165,696
Total long term borrowings	844,935	859,466

(a) The maturity of the Group's finance lease liabilities is as follows:

	30 June 2011 US$'000	31 December 2010 US$'000
Not later than one year	16,465	15,976
Later than one year but not later than two years	17,694	17,049
Later than two years but not later than five years	101,299	106,425
Later than five years	41,118	45,008
	176,576	184,458

11 LONG TERM BORROWINGS (continued)

(b) The bank loans at 30 June 2011 are secured, inter alia, by the following:

(i) Mortgages over certain owned vessels of net book value totalling US$626,367,000 (31 December 2010: US$493,624,000);

(ii) Assignment of earnings, insurances and requisition compensation in respect of the vessels;

(iii) Fixed and floating charges over all of the assets of certain subsidiaries of the Group's towage business; and

(iv) Cash and deposits totalling US$5,722,000 (31 December 2010: US$5,323,000).

The maturity of the Group's bank loans is as follows:

	30 June 2011 US$'000	31 December 2010 US$'000
Within one year	52,825	43,350
In the second year	53,619	42,650
In the third to fifth year	261,501	227,531
After the fifth year	98,130	55,465
	466,075	368,996

(c) Convertible bonds

(i) 3.3% coupon convertible bonds due 2013

On 20 December 2007, the Group issued 3.3% coupon convertible bonds with an aggregate principal amount of US$390 million.

Following the exercise of the put option by bondholders on 31 December 2010, 3.3% coupon convertible bonds with an aggregate nominal value of US$80.9 million were redeemed and cancelled on 1 February 2011 at 100% of their principal amount. The Group exercised the call option on 1 February 2011 to redeem the remaining outstanding bonds with nominal value of US$24.3 million. These remaining outstanding bonds were redeemed and cancelled on 4 March 2011, thereby cancelling the 3.3% coupon convertible bonds in full.

(ii) 1.75% coupon convertible bonds due 2016

On 12 April 2010, the Group issued 1.75% coupon convertible bonds with an aggregate principal amount of US$230 million. The bonds mature on 12 April 2016 at their nominal value of US$230 million or can be converted into shares at the holder's option at a conversion price which is currently HK$7.44 per share on or after 12 January 2011. However, from 12 January 2011 and 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, and after 11 January 2014 conversion can take place at no premium. On 12 April 2014, each bondholder will have the right to require the Group to redeem all or some of the bonds at 100% of the principal amount. The Group may redeem the bonds in whole at a redemption price equal to 100% of their principal amount on or after 12 April 2014 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.

12 PROVISION FOR ONEROUS CONTRACTS

	2011 US$'000	2010 US$'000
At 1 January	2,031	2,031
Utilised during the period	(2,031)	–
At 30 June	–	2,031
Analysis of provisions		
Current	–	2,031
Non-current	–	–
	–	2,031

Provision for onerous contracts represents provision for non-cancellable operating charter agreements in relation to the Group's chartered-in vessels where the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be received under them. Provision for onerous contracts is recognised based on the difference between the charter revenue and freight expected to be earned and the value of future charter payments that the Group is presently obligated to make.

13 SHARE CAPITAL

	2011 Number of shares of US$0.1 each	2011 US$'000	2010 Number of shares of US$0.1 each	2010 US$'000
Authorised	3,600,000,000	360,000	3,600,000,000	360,000
Issued and fully paid				
At 1 January	1,931,641,305	193,164	1,927,078,305	192,708
Shares issued upon exercise of share options (Note a)	–	–	178,000	18
Shares purchased by trustee of the LTIS (Note b)	(2,286,000)	(1,367)	(1,698,000)	(1,294)
Shares transferred to employees upon granting of restricted share awards (Note b)	2,757,000	1,414	4,192,000	1,543
Shares issued and transferred to employees upon granting of restricted share awards (Note b)	4,699,000	470	2,254,000	225
Shares transferred back to trustee upon lapse of restricted share awards (Note b)	(370,000)	(37)	(901,000)	(90)
At 30 June	1,936,441,305	193,644	1,931,103,305	193,110

13 SHARE CAPITAL (continued)

(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. Movements in the number of share options outstanding during the period and their related weighted average exercise prices are as follows:

	2011 '000	2010 '000
At 1 January	**400**	1,178
Exercised (Note)	–	(178)
At 30 June	**400**	1,000

Note: The related weighted average price of the Company's shares at the time of exercise in 2010 was HK$5.27 per share.

At 30 June 2011 and 31 December 2010, all outstanding share options were exercisable.

(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.

During the period, a total of 7,456,000 (30 June 2010: 6,446,000) restricted share awards were granted and transferred to certain employees on 20 May 2011, of which:

(i) 2,286,000 (30 June 2010: 1,698,000) shares were purchased by the trustee of the LTIS on the Stock Exchange at a total cost of US$1,367,000 (30 June 2010: US$1,294,000);

(ii) 4,699,000 (30 June 2010: 2,254,000) shares were issued by the Company at nominal value of US$0.10 each; and

(iii) 471,000 (30 June 2010: 2,494,000) shares were transferred from the share held by the trustee.

The above transfers of shares resulted in movements between share capital and staff benefit reserve of US$1,367,000, US$470,000 and US$47,000 (30 June 2010: US$1,294,000, US$225,000 and US$249,000) respectively. 370,000 (30 June 2010: 901,000) shares amounting to US$37,000 (30 June 2010: US$90,000) formerly transferred to certain employees lapsed. At 30 June 2011, there remained 135,814 (30 June 2010: 174,814) shares held by the trustee, amounting to US$13,581 (30 June 2010: US$17,000) as a debit to share capital.

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

Date of grant	Number of unvested share awards	Vesting periods
21 July 2006	40,000	on 23 August 2011
19 September 2006	500,000	on 4 September 2011
5 August 2008	1,746,000	117,000, 1,596,000 and 33,000 shares on 2 July 2011, 14 July 2011 and 24 July 2011 respectively
9 June 2009	7,666,000	494,000 and 7,172,000 shares on 14 July 2011 and 2012 respectively
14 May 2010	6,064,000	191,000, 191,000 and 5,682,000 on 14 July 2011, 2012 and 2013 respectively
20 May 2011	7,456,000	317,000, 317,000 and 6,822,000 on 14 July 2012, 2013 and 2014 respectively
	23,472,000	

13 SHARE CAPITAL (continued)

(b) Restricted share awards (continued)

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

	2011 '000	2010 '000
At 1 January	16,831	17,286
Granted	7,456	6,446
Vested	(445)	(1,303)
Lapsed	(370)	(901)
At 30 June	23,472	21,528

The market price of the restricted share awards on the grant date represented the fair value of those shares.

14 FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2011 US$'000	2010 US$'000
Finance income		
Bank interest income	(5,698)	(9,335)
Finance lease interest income	(451)	(526)
	(6,149)	(9,861)
Finance costs		
Interest on bank loans wholly repayable within five years	2,700	2,235
Interest on bank loans not wholly repayable within five years	3,526	2,331
Interest on finance leases wholly repayable within five years	3,500	–
Interest on finance leases not wholly repayable within five years	2,652	6,667
Interest on convertible bonds wholly repayable within five years	5,294	6,721
Interest on convertible bonds not wholly repayable within five years	–	1,991
Other finance charges	538	197
Net losses on interest rate swap contracts	3,195	4,213
	21,405	24,355
Finance costs, net	15,256	14,494

15 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2011 US$'000	2010 US$'000
Amortisation of land use rights	**56**	54
Bunkers consumed	**168,536**	128,154
Depreciation		
– owned vessels	**29,749**	22,030
– leased vessels	**5,686**	5,622
– investment properties	**32**	30
– other owned PP&E	**700**	676
Employee benefit expenses including Directors' emoluments	**24,277**	17,732
Fair value losses on structured notes	**203**	–
Gains on disposal of available-for-sale financial assets	**(55,801)**	–
Gains on derivative instruments not qualifying as hedges		
– bunker swap contracts	**(17,101)**	(6,315)
– forward freight agreements	**(5,423)**	(19,495)
Losses on derivative instruments not qualifying as hedges		
– bunker swap contracts	**2,439**	14,708
– forward freight agreements	**5,156**	25,253
Lubricating oil consumed	**3,011**	2,371
Operating lease expenses		
– vessels (Note)	**193,372**	229,468
– land and buildings	**1,848**	1,681
Provision for impairment of PP&E	**80,000**	–
Provision net of write-back for impairment of trade receivables	**(1,128)**	484
Utilisation of provision for onerous contracts	**(2,031)**	–
Write-back of provision for impairment of other receivables	**–**	(1,361)

Note: The amount includes contingent lease payments of US$12,767,000 (30 June 2010: US$7,039,000).

16 TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the period.

Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

	Six months ended 30 June	
	2011 US$'000	2010 US$'000
Current taxation		
Hong Kong profits tax	**361**	563
Overseas tax	**324**	1,599
Over-provision of prior year	**(1,113)**	(94)
Tax (credits)/charges	**(428)**	2,068

17 DIVIDENDS

	Six months ended 30 June	
	2011 US$'000	2010 US$'000
Interim dividend of HK 5 cents or US 0.6 cents per share (2010: 5 cents or US 0.6 cents per share)	**12,433**	12,422

An interim dividend in respect of the year ending 31 December 2011 of HK 5 cents or US 0.6 cents per share, amounting to a total dividend of US$12,433,000 was declared on 3 August 2011. These condensed consolidated interim financial statements do not reflect this dividend payable. A 2010 final dividend of HK 16.5 cents or US 2.1 cents per share, totalling US$41,019,000 was paid during the period ended 30 June 2011.

18 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share are calculated by dividing the Group's profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period, excluding the shares held by the trustee of the Company's LTIS (Note 13(b)).

	Six months ended 30 June	
	2011	2010
Profit attributable to shareholders (US$'000)	**2,951**	51,893
Weighted average number of ordinary shares in issue ('000)	**1,931,674**	1,927,742
Basic earnings per share	**US 0.15 cents**	US 2.69 cents
Equivalent to	**HK 1 cents**	HK 21 cents

(b) Diluted earnings per share

Diluted earnings per share are calculated by dividing the Group's profit attributable to shareholders by the weighted average number of ordinary shares 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 13(b)).

	Six months ended 30 June	
	2011	2010
Profit attributable to shareholders (US$'000)	**2,951**	51,893
Weighted average number of ordinary shares in issue ('000)	**1,931,674**	1,927,742
Adjustment for share options ('000)	**192**	574
Weighted average number of ordinary shares for diluted earnings per share ('000)	**1,931,866**	1,928,316
Diluted earnings per share	**US 0.15 cents**	US 2.69 cents
Equivalent to	**HK 1 cents**	HK 21 cents

19 COMMITMENTS

(a) Capital commitments

	30 June 2011 US$'000	31 December 2010 US$'000
Contracted but not provided for:		
– vessel acquisitions and shipbuilding contracts	286,339	321,361
– investment in unlisted equity securities	12,609	12,879
– investment in an associate	–	2,516
	298,948	336,756
Authorised but not contracted for:		
– vessel acquisitions and shipbuilding contracts	62,230	90,100
	361,178	426,856

Capital commitments that fall due in not later than one year amounted to US$111.5 million (31 December 2010: US$170.7 million).

(b) Commitments under operating leases

(i) The Group as the lessee

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

	Handysize US$'000	Handymax US$'000	Tug US$'000	Post Panamax US$'000	Vessels Total US$'000	Other PP&E US$'000	Total US$'000
At 30 June 2011							
Not later than one year	88,739	45,501	1,242	6,602	142,084	3,760	145,844
Later than one year but not later than five years	117,959	20,242	41	25,469	163,711	6,939	170,650
Later than five years	42,579	10,092	–	–	52,671	1,120	53,791
	249,277	75,835	1,283	32,071	358,466	11,819	370,285
At 31 December 2010							
Not later than one year	62,376	52,840	935	3,319	119,470	3,233	122,703
Later than one year but not later than five years	129,106	20,497	505	26,353	176,461	7,160	183,621
Later than five years	50,150	12,608	–	3,283	66,041	1,341	67,382
	241,632	85,945	1,440	32,955	361,972	11,734	373,706

The leases have varying terms ranging from less than 1 year to 11 years. Certain of these leases have escalation clauses, renewal rights and purchase options.

19 COMMITMENTS (continued)

(b) Commitments under operating leases (Continued)

(ii) The Group as the lessor

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

	Vessels US$'000	Investment properties US$'000	Total US$'000
At 30 June 2011			
Not later than one year	**67,951**	**212**	**68,163**
Later than one year but not later than five years	**93,780**	**–**	**93,780**
Later than five years	**65,808**	**–**	**65,808**
	227,539	**212**	**227,751**
At 31 December 2010			
Not later than one year	61,650	232	61,882
Later than one year but not later than five years	129,714	88	129,802
Later than five years	50,616	–	50,616
	241,980	320	242,300

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

20 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

	Six months ended 30 June	
	2011 US$'000	2010 US$'000
Management fee and commission paid to Isis (Note i)	**516**	–
Management fee and commission paid to Meridian (Note ii)	**463**	–

Note:

(i) The Group paid to Isis RoRo Management Limited ("Isis"), a jointly controlled entity, management fees and commissions in relation to commercial management services.

(ii) The Group paid to Meridian Marine Management Limited ("Meridian"), a jointly controlled entity, management fees and commissions in relation to technical management services.

(b) Sales of services

	Six months ended 30 June	
	2011 US$'000	2010 US$'000
Charter-hire income received from OMSA (Note i)	**8,844**	4,804
Service fee received from OMSA	**5,230**	–
Charter-hire income received from NGB (Note ii)	**6,067**	–
Management fee income received from FBSL	**–**	3,608
Charter-hire income received from FBSL (Note iii)	**–**	2,028
Termination fee received from FBSL	**–**	3,300

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.

(iii) The Group leased out certain vessels to Fujairah Bulk Shipping L.L.C. ("FBSL"), a jointly controlled entity.

20 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

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

	Six months ended 30 June	
	2011 US$'000	2010 US$'000
Directors' fees	**196**	180
Salaries and bonus	**2,735**	2,306
Retirement benefit costs	**77**	95
Share-based compensation	**784**	880
	3,792	3,461

21 SIGNIFICANT POST BALANCE SHEET EVENT

Subsequent to 30 June 2011, the Group has contracted with a third party to acquire one handymax vessel with a consideration of approximately US$32.5 million which is included in the capital commitment under "authorised but not contracted for" category as at 30 June 2011.

22 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.

CORPORATE GOVERNANCE

The business environment continues to evolve in many parts of the world where our ships operate. The board of Pacific Basin retains its strong belief in corporate governance and is committed to achieving and maintaining the highest standards of corporate governance consistent with the needs and requirements of the business and its stakeholders, and the Code on Corporate Governance Practices (the "Code") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Group has considered the Code and has put in place corporate governance practices to meet all of the code provisions.

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") throughout the six months ended 30 June 2011.

Details of the composition and terms of reference of the Audit, Remuneration, Nomination and Executive Committees can be found on the Company's website at www.pacificbasin.com.

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 2011.

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 for Securities Transactions by Directors (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 2011.

SHAREHOLDERS' RIGHTS

Shareholders are encouraged to maintain direct communication with the Company. Shareholders who have any questions for the Board may write directly to the Company Secretary at the Company's Hong Kong registered office of 7/F, Hutchison House, 10 Harcourt Road, Central, Hong Kong, or they may send an email to companysecretary@pacificbasin.com.

'Cook Strait' loading logs in Bluff, New Zealand

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 2011, 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]	–	1,081,000	–	–	Long	–	1,081,000	0.06%
Klaus Nyborg[1]	–	2,624,000	–	–	Long	–	2,624,000	0.14%
Jan Rindbo[1]	–	3,556,370	–	–	Long	–	3,556,370	0.18%
Andrew T. Broomhead[1]	–	1,625,827[2]	–	–	Long	–	1,625,827	0.08%
Wang Chunlin[1]	–	1,281,000	–	–	Long	–	1,281,000	0.07%
Richard M. Hext	–	871,501	–	–	Long	–	871,501	0.05%
Patrick B. Paul	–	30,000	–	–	Long	–	30,000	0.00%
Daniel R. Bradshaw	386,417[3]	–	–	–	Long	–	386,417	0.02%

Notes:

(1) Restricted share awards were granted under the LTIS and have been disclosed on page 58 under the Long Term Incentive Scheme of this Report.

(2) 249,123 Shares out of 1,625,827 Shares held by Mr. Broomhead are in the form of 25 units of convertible bonds due 2016 at face value of US$10,000 each.

(3) 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 2011.

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.

LONG TERM INCENTIVE SCHEME

Share options and share awards 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 2011 under the LTIS are as follows:

(A) SHARE OPTIONS

Share options were granted on 14 July 2004 at an exercise price of HK$2.5 per Share. There were 400,000 share options of Other Employees not exercised during the six months period ended 30 June 2011. They were fully vested and will expire on 14 July 2014.

(B) RESTRICTED SHARE AWARDS

	At 1 January 2011	Movement of quantity of restricted share awards during the period: Granted on 20 May	Vested	Lapsed [8]	At 30 June 2011
Directors					
David M. Turnbull [1]	729,000	352,000	–	–	1,081,000
Klaus Nyborg [2]	1,924,000	700,000	–	–	2,624,000
Jan Rindbo [3]	1,082,000	503,000	–	–	1,585,000
Andrew T. Broomhead [4]	603,000	377,000	–	–	980,000
Wang Chunlin [5]	1,037,000	354,000	(110,000)	–	1,281,000
	5,375,000	2,286,000	(110,000)	–	7,551,000
Senior Management [6]	1,784,000	631,000	(80,000)	–	2,335,000
Other Employees [7]	9,671,500	4,539,000	(254,500)	(370,000)	13,586,000
	16,830,500	7,456,000	(444,500)	(370,000)	23,472,000

Notes:

(1) An aggregate of 1,315,000 Shares have been granted to Mr. Turnbull since 5 August 2008, of which (i) 351,000 Shares have vested (inclusive of 117,000 Shares vested on 2 July 2011); (ii) 299,000 Shares will vest on 14 July 2012; (iii) 313,000 Shares will vest on 14 July 2013; and (iv) 352,000 Shares will vest on 14 July 2014.

(2) An aggregate of 4,624,000 Shares have been granted to Mr. Nyborg since 19 September 2006, of which (i) 2,000,000 Shares have vested; (ii) 500,000 Shares will vest on 4 September 2011; (iii) 802,000 Shares will vest on 14 July 2012; (iv) 622,000 Shares will vest on 14 July 2013; and (v) 700,000 Shares will vest on 14 July 2014.

(3) An aggregate of 2,615,000 Shares have been granted to Mr. Rindbo since 11 May 2007, of which (i) 1,179,000 Shares have vested (inclusive of 149,000 Shares vested on 14 July 2011); (ii) 485,000 Shares will vest on 14 July 2012; (iii) 448,000 Shares will vest on 14 July 2013; and (iv) 503,000 Shares will vest on 14 July 2014.

(4) An aggregate of 1,540,000 Shares have been granted to Mr. Broomhead since 11 May 2007, of which (i) 630,000 Shares have vested (inclusive of 70,000 Shares vested on 14 July 2011); (ii) 229,000 Shares will vest on 14 July 2012; (iii) 304,000 Shares will vest on 14 July 2013; and (iv) 377,000 Shares will vest on 14 July 2014.

(5) An aggregate of 2,561,000 Shares have been granted to Mr. Wang since 9 March 2006, of which (i) 1,425,000 Shares have vested (inclusive of 110,000 Shares vested on 1 March 2011 and 145,000 Shares vested on 14 July 2011); (ii) 467,000 Shares will vest on 14 July 2012; (iii) 315,000 Shares will vest on 14 July 2013; and (iv) 354,000 Shares will vest on 14 July 2014.

(6) The 2,335,000 Shares held by Senior Management at 30 June 2011 have vested or will vest as follow:
(i) 251,000 Shares on 14 July 2011;
(ii) 783,000 Shares on 14 July 2012;
(iii) 670,000 Shares on 14 July 2013; and
(iv) 631,000 Shares on 14 July 2014.

(7) The 13,586,000 Shares held by Other Employees at 30 June 2011 have vested or will vest as follow:
(i) 1,691,000 Shares on 14 July 2011;
(ii) 33,000 Shares on 24 July 2011;
(iii) 40,000 Shares on 23 August 2011;
(iv) 4,615,000 Shares on 14 July 2012;
(v) 3,327,000 Shares on 14 July 2013; and
(vi) 3,880,000 Shares on 14 July 2014.

(8) 370,000 Shares lapsed due to resignation of four Employees during the reporting period.

The closing price of the Shares of the Company immediately before the grant of 7,456,000 restricted share awards on 20 May 2011 was HK$4.70.

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 2011, 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	236,346,000	12.20%
Michael HAGN	Interest in corporation controlled	Long	236,346,000	12.20%
MIHAG Holding Ltd.	Interest in corporation controlled	Long	236,346,000	12.20%
Total Investments Inc.	Interest in corporation controlled	Long	103,256,654	5.33%
Total Banking Corporation	Beneficial owner	Long	103,256,654	5.33%
JP Morgan Chase & Co. [2]	Beneficial owner, Investment manager and Custodian corporation/approved lending agent	Long Short Lending Pool	135,274,551 4,982,000 82,236,160	6.99% 0.26% 4.25%
Aberdeen Asset Management Plc and its Associates (together the "Group") on behalf of accounts managed by the Group	Investment manager	Long	118,696,536	6.13%
Mondrian Investment Partners Limited	Investment manager	Long	116,732,000	6.03%
Baillie Gifford & Co [3]	Investment manager and Interest in corporation controlled	Long	115,726,240	5.98%
Alex CALLANDER	Interest in corporation controlled	Long	115,726,240	5.98%
Elaine MORRISON	Interest in corporation controlled	Long	115,726,240	5.98%
Charles PLOWDEN	Interest in corporation controlled	Long	115,726,240	5.98%
Anthony TAIT	Interest in corporation controlled	Long	115,726,240	5.98%
Andrew TELFER	Interest in corporation controlled	Long	115,726,240	5.98%
Alison WARDEN	Interest in corporation controlled	Long	115,726,240	5.98%
UBS AG[4]	Beneficial owner, Person having a security interest in Shares, and Interest in corporation controlled	Long Short	103,282,290 12,119,253	5.33% 0.63%
Prudential Plc	Interest in corporation controlled	Long	97,894,000	5.06%

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 133,089,346 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 9,118,391 Shares), Investment manager (relating to 43,920,000 Shares) and Custodian corporation/approved lending agent (relating to 82,236,160 Shares).

(3) The long position in Shares held by Baillie Gifford & Co are held in the capacities of Investment manager (relating to 50,854,100 Shares) and Interest in corporation controlled (relating to 64,872,140 Shares).

(4) The long position in Shares held by UBS AG are held in the capacities of Beneficial owner (relating to 81,320,280 Shares), Person having a security interest in Shares (relating to 7,608,000 Shares) and Interest in corporation controlled (relating to 14,354,010 Shares).

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, as at 30 June 2011, 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

At 31 December 2010, bondholders holding an aggregate of 8,092 units of the Group's convertible bonds due 2013 at face value of US$10,000 each have exercised put option for redemption of their convertible bonds. On 1 February 2011, these convertible bonds with total principal value of US$80.9 million were redeemed and cancelled. On the same day, the Group exercised the option to redeem all the Group's remaining 2,428 units of convertible bonds due 2013 at face value of US$10,000 each. The redemption and cancellation of these remaining 2,428 units were completed on 4 March 2011.

Saved as disclosed above and 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 securities of the Company.

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 at www.pacificbasin.com no later than the date on which it is sent to those shareholders who have elected to receive a printed copy on or around 19 August 2011.

The interim results have been reviewed by the Audit Committee of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 18 to 19 August 2011 (both days inclusive) during which period no transfer of Shares will be effected. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 17 August 2011. The ex-dividend date for the interim dividend will be on 16 August 2011.

DIRECTORS

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

Pacific Basin Shipping Limited

7/F, Hutchison House, 10 Harcourt Road, Central, Hong Kong

Telephone: +852 2233 7000 Facsimile: +852 2865 2810

www.pacificbasin.com