Pacific Basin Shipping Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 2343)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

The Board of Directors (the "Board") of Pacific Basin Shipping Limited ("Pacific Basin" or the "Company") are pleased to announce the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2012 as follows:

FINANCIAL HIGHLIGHTS

	Year Ended 31 December	
US$ million	**2012**	2011
Revenue*	**1,443.1**	1,312.8
Underlying Profit	**47.8**	57.8
(Loss)/Profit Attributable to Shareholders	**(158.5)**	32.0
Operating Cash Flow	**148.7**	159.4
Basic Earnings per share (HK cents)	**(64)**	13
Proposed Final (and Full Year) Dividend per share (HK cents)	**5 (5)**	5 (10)

* *relates to continuing operations (2011 figure restated)*

BUSINESS HIGHLIGHTS

GROUP

- Our positive underlying result and healthy cash flow represent a respectable performance in the weakest dry bulk market since 1987
- Results were impacted by
  - a US$199 million write-off for our RoRo business
  - very weak dry bulk market spot rates
  - a strong US$38 million contribution from PB Towage
- Our balance sheet retains substantial buying power with total cash and deposits of US$753 million and net borrowings of US$178 million
- We currently have fully funded vessel capital commitments of US$236 million relating to 16 dry bulk vessels

FLEET

- Contract cover is in place for 55% of our contracted 29,760 Handysize revenue days in 2013 at US$9,340 per day net (54% of 28,240 days at US$11,480 as at 27 February 2012)
- We have acquired eight dry bulk vessels (including one newbuilding resale) since September 2012
- Our fleet currently numbers 239 vessels (including newbuildings) comprising 189 dry bulk ships, 44 towage vessels and 6 RoRos

OUTLOOK

- Dry bulk market weakness is expected to continue through 2013 though healthier fundamentals should limit further downside in Handysize
- Dry bulk market conditions overall are likely to remain challenging and generate further vessel acquisition opportunities
- Towage outlook remains positive and we aim to grow our towage businesses in 2013
- Our RoRo charter market exposure has been eliminated and our RoRo business is discontinued

WE HAVE CREATED A STRONG PLATFORM FOR PROFITABLE GROWTH...

2012 was an important year in Pacific Basin's evolution towards becoming a more focused company and towards achieving our vision for the future.

While the dry bulk market was very weak, we continued to significantly outperform the freight market indices, benefiting from the value of an effective business model and the right people and tools to realise economies of scale for the benefit of our customers and other stakeholders alike. We are committed to our proven strategy to build shareholder value over the long term by fleet optimisation through the market cycles, and by empowering our employees with the tools and processes to improve our levels of service and efficiency and to run our business professionally and responsibly.

I see that strategy in action and, while we benefit immensely from the diversity that comes from staff of 30 nationalities, it is comforting to observe across the Group a collective determination to improve what we do through a common set of sensible business values and a shared mission. For that, I am extremely grateful to all Pacific Basin staff at sea and ashore.

...WHICH HAS DELIVERED POSITIVE UNDERLYING RESULTS AND A HEALTHY CASH FLOW

The Group produced a net loss of US$158 million (2011: US$32 million profit) from an underlying profit of US$48 million (2011: US$58 million).

Basic EPS on continuing operations was a positive HK 21 cents while total EPS was a negative HK 64 cents, and the associated return on shareholders' equity was negative 11%. Our operating cash flow remained positive at US$149 million (2011: US$159 million).

Results for the year were impacted by:

- a US$199 million write-off for our RoRo business which is discontinued;
- very weak Handysize and Handymax market spot rates which reduced our vessel operating margins; and
- continued growth of our towage business which delivered a strong contribution of US$38 million.

Positive underlying results and a healthy cash flow were partly attributable to the significant outperformance of our dry bulk business during the weakest dry bulk market since 1987.

Our average Handysize daily earnings fell 23% year on year to US$10,460 per day, still beating the market index earnings of US$7,245 by 44% in 2012 and continuing to demonstrate the value of our industrial and customer-focused business model and the cargo book this brings.

Our Handymax earnings outperformed the market by 31%, but our reliance on relatively expensive medium-term chartered ships in the depressed market resulted in a modest albeit positive Handymax contribution overall.

Group results also benefited from the robust performance of our PB Towage business centred in the active Australian market.

As we had expected, our RoRo business had another loss-making year due to the protracted weak RoRo charter market. In September, following the significant impairment of our RoRo investment at the interim and our decision to exit the sector over the medium term, we secured the forward sale of all six of our RoRo ships to the Grimaldi Group who are taking the ships on bareboat charter in the intervening period, thus eliminating our exposure to the RoRo spot charter market.

In line with our strategic objective of considered divestment of non-core businesses, we disposed of our minority interest in a cargo terminal in Nanjing, cancelled our undrawn commitment to a clean-tech fund and, as announced in March, sold our marine surveying company PacMarine Services, all of which allows us to concentrate more of our resources on our core activities.

DIVIDEND

In view of the Group's positive operating cash flow and, despite the loss-making result for 2012, the Board has recommended a final dividend of HK 5 cents per share (2011: HK 5 cents final, HK 10 cents full year).

THE MARKET REMAINS WEAK AND WE ANTICIPATE A SLOW RECOVERY

We expect the dry bulk market weakness of 2012 to continue through 2013 and that it will take some time before a sustained recovery becomes apparent. While supply-side fundamentals are improving, the market needs longer to absorb the over-supply of mainly larger ships generated by the newbuilding deliveries of recent years. More restrained ordering of Handysize newbuildings has resulted in a healthier balance in our market segment, and 2013 deliveries are expected to be substantially offset by scrapping which should limit further downside in the Handysize spot freight market.

Dry bulk demand in 2012 grew by 7% year on year and the Handysize segment should continue to be reasonably well supported, particularly by healthy growth in Chinese imports of raw materials. However, conditions overall are likely to remain challenging and to generate further vessel acquisition opportunities.

The outlook for the towage market and our PB Towage business in Australasia remains positive for 2013. Our harbour towage job numbers are still on the rise, the offshore construction market remains active, and currently contracted business indicates a continued high degree of utilisation of our tug fleet during the year.

OUR FURTHER INVESTMENT IN DRY BULK

The protracted dry bulk market weakness further impacted ship values over 2012 as we had anticipated. After a one-year pause, we returned to the ship acquisitions market in September, at which time vessel prices had softened to pre-boom levels. In the past six months we have acquired six secondhand Handysize vessels, one Handysize newbuilding resale and one secondhand Handymax vessel.

We believe the timing is right to acquire our preferred types of Handysize and Handymax ships and, as a priority, we are initially focused on secondhand ships which currently offer us better value than newbuildings at today's prices. Availability of the right ships remains tight, but we are well positioned to access both on-market and off-market opportunities as our acquisitions of the past few months have shown.

In October we raised US$124 million through a convertible bond issue on terms that represent an attractive cost of additional funding to further enhance our ability to grow our Handysize and Handymax fleet and to partly refinance our existing convertible bond.

As at 31 December 2012, we had total cash and deposits of US$753 million and net borrowings of US$178 million. Our vessel capital expenditure obligations currently amount to US$236 million payable in the next two years in respect of 16 ships, leaving substantial buying power on our balance sheet for further fleet expansion.

A CLEAR FOCUSED STRATEGY

We reached out for formal feedback from our customers and investors in 2012, the findings of which served to support and refine the direction we are heading while also providing comments on where we can improve and how we can advance our business to the next level. That valuable feedback has resulted in enhancements to the tools and processes with which we arm our staff, and is reflected in a number of new departmental objectives for this year.

On a Group level, our focus will be on five key strategic objectives for 2013, which are to:

1. continue to purchase Handysize and Handymax ships at attractive prices, thereby growing further our fleet of high-quality, owned bulk carriers, selectively capitalising on opportunities that have recently started to emerge;

2. expand our dry bulk customer and cargo portfolio in tandem with our core fleet expansion;

3. enhance the customer experience through decentralised operational support;

4. grow our towage businesses; and

5. consider opportunities for divestment of our remaining non-core activities.

Last year the Pacific Basin team rose to the business challenges and strategic objectives set by the Board and, with the recent purchase of eight dry bulk ships and significant long-term cargo volumes contracted for 2013 and beyond, I am confident that our staff will draw on this momentum and again make similar strides in meeting our objectives for this year.

WE TAKE OUR RESPONSIBILITIES SERIOUSLY

Our platform for creating long-term value is based on good corporate governance and sustainable business practices.

- Corporate governance brings structure and credibility to our decision-making and communications processes, and so we are committed to maintaining our sound internal controls, transparency and accountability to all stakeholders. We believe a solid corporate governance structure underpins all components of our business and enhances stakeholder confidence in Pacific Basin as a partner and a place to invest.

- Sustainable business practices involve good corporate social responsibility. Our CSR initiatives involve commitments to sound operating and business practices, minimising the impact our operations have on the environment at sea and on shore, engaging with the communities where our employees live and work and creating workplace conditions that allow our people to thrive.

We continue to improve our corporate governance and CSR structures not only because of the moral obligation we feel we have to do so, but also because we believe they make our business competitively stronger and positively impact long-term shareholder value.

Once again our standards of corporate governance, investor relations, and safety and CSR management were recognised through a number of awards in all these areas, including the International Bulk Journal's Environmental Protection Award, and The Asset's Gold Awards for Investor Relations and for Social And Environmental Responsibility.

STRENGTH IN OUR SENIOR MANAGEMENT TEAM

Mats Berglund has settled in well as CEO and is proving to be an excellent fit for Pacific Basin. Under Mats, the day-to-day running of the Company is in excellent hands.

OUTLOOK

Despite the disappointing RoRo outcome, we can be satisfied with the respectable underlying results that we achieved in 2012 through a lot of hard work in a very weak market. We can expect similarly tough conditions to characterise much of 2013, and I am confident that we have the business model, strategy, systems, reputation, financial strength and – most importantly – the people required to make the most of the continued market turmoil and to emerge from it larger and more competitive.

The Board joins me in thanking our conscientious staff and loyal customers and other stakeholders for their support of the Company over the past year and in the future.

David M. Turnbull
Chairman

Hong Kong, 28 February 2013

PACIFIC BASIN DRY BULK

DRY BULK MARKET REVIEW 2012

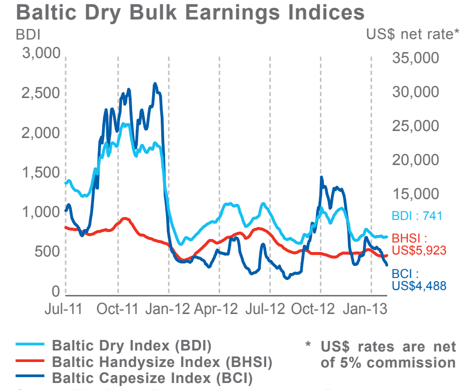
Freight Market Summary

Excessive newbuilding deliveries in 2012 impacted freight rates across all dry bulk segments and drove the Baltic Dry Index (BDI) to its lowest annual average since 1987.

Handysize and Handymax daily market spot rates averaged US$7,245 and US$8,980 in 2012 representing a year-on-year decline of 28% and 34% respectively.

As in the previous year, the market for smaller bulk carriers declined less and demonstrated lower volatility than their larger, more expensive and less versatile siblings. Quite extraordinarily, Capesize and Panamax ships generated substantially the same average earnings as Handysize ships.

Baltic Dry Bulk Earnings Indices



Source: The Baltic Exchange, data as at 26 Feb 2013

Following a fourth quarter rally in 2011, dry bulk freight rates fell sharply to 26-year lows at the beginning of 2012 as a surge of newbuilding deliveries after the new year coincided with seasonal weather-related cargo disruptions and the Lunar New Year holidays in China.

In the second and third quarters Handysize and Handymax rates benefited from more buoyant conditions while large bulk carrier earnings remained depressed. Small bulk carrier rates tapered off in the fourth quarter, whereas Capesize earnings rallied temporarily from a very low base on increased Chinese iron ore imports and a seasonal slowdown in new ship deliveries, only to collapse again in December to sub-Handysize levels.

Key Supply Developments

Newbuilding deliveries were only partly offset by scrapping, resulting in a significant 10% year-on-year net expansion of the dry bulk fleet. 98 million deadweight tonnes of new capacity delivered and a record 34 million tonnes – 5% of the existing fleet – was sold for scrap. It was this excessive net supply growth that undermined bulk carrier earnings overall in 2012.

By contrast, the global fleet of 25,000-40,000 dwt Handysize ships in which we specialise expanded by only 3% net, benefitting from a significantly lower rate of deliveries, a high volume of scrapping and, overall, a more favourable global fleet age profile.

A rapid influx of new ship deliveries gave way to markedly reduced deliveries in the fourth quarter, representing the first sign of slowing since the start of 2010. We are confident that the peak year for deliveries is now passed.

Widespread slow-steaming reduced effective dry bulk shipping capacity in 2012.

Ship Values

Clarksons' valuation of their benchmark five year old 32,000 dwt Handysize fell to US$15.5 million at the end of 2012 – a level not seen since before the dry bulk boom started in 2004 – and currently stands at US$17 million (down 13% from a year ago).

Newbuilding prices are also now at pre-boom levels, having reduced 7% year on year to US$21 million due to competition among shipyards struggling to secure new contracts.

Key Demand Developments

In the context of global economic uncertainty and low GDP growth, dry bulk transportation demand is estimated by R.S. Platou to have increased by a healthy 7% in 2012 year on year. Major bulk trade volumes expanded by over 5% with high-volume trade routes such as Chinese iron ore and coal imports setting new records.

Chinese imports of seven important minor bulks increased 7% YOY in 2012 thus lending strong support to global demand for Handysize and Handymax ships. However, the logs trade was impacted by a slowdown in the Chinese property sector.

Orderbook

New bulk carrier ordering activity in 2012 decreased by 55% year on year, equivalent in capacity terms to 19% of actual deliveries in 2012. This limited new ordering, combined with the heavy influx of new ship deliveries, has resulted in a significant reduction in the dry bulk orderbook from 30% a year ago to 19% today.

The Handysize orderbook now stands at 17% - down from 23% a year ago.

The shipbuilding industry faces: i) shipyard capacity well in excess of requirements; ii) reduced access to bank funding curbing new ship ordering; iii) shipowners struggling with excessive borrowings; and iv) declining ship values and low freight rates.

PACIFIC BASIN DRY BULK – HOW WE PERFORMED IN 2012

Our Pacific Basin Dry Bulk division generated a net profit of US$39.3 million and an operating cash flow of US$114.1 million despite very weak market conditions and despite a number of relatively expensive chartered ships remaining in our fleet. Our average Handysize and Handymax daily earnings outperformed their corresponding markets by approximately US$3,000 per day or 44% and 31% respectively.

This respectable performance reflects the value of our industrial and customer-focused business model and the associated valuable cargo book, backed by one of the largest, high-quality Handysize and Handymax fleets in the world. It also reflects our global dry bulk team's careful combination of the right ships with the right cargoes, ensuring our competitiveness in the market place while securing respectable fleet earnings in the market downturn.

PACIFIC BASIN DRY BULK – BUSINESS HIGHLIGHTS

Our dry bulk business has been primarily focused on two key objectives for 2012: i) to grow our dry bulk fleet through inward charters and secondhand purchases of high-quality ships at attractive rates and price; and ii) to grow our customer and cargo contract portfolio globally to manage our market exposure.

Our Fleet Investment, Composition & Deployment

- Backed by customer demand, we expanded our operated fleet to an average of 155 dry bulk ships in 2012 – up from 131 in 2011 – cementing our position as the world's largest operator of high-quality Handysize tonnage with a significant Handymax presence.
- This expansion was primarily due to more chartered-in ships, including several on market-index-linked leases which align our cost base to the market while increasing our fleet scale and the synergies from better ship and cargo combinations. A larger fleet of interchangeable ships enables us to further improve customer satisfaction by increasing our flexibility in voyage timing and frequency as well as our scheduling reliability through ship substitutions in case of delays.
- A better performance in the second half of 2012 was due to a stronger third quarter and partly attributable to improved Handymax results when inward charters were renewed or replaced at lower rates in line with the weak market, gradually reducing the cost of our chartered fleet.
- We returned to the ship acquisitions market in September 2012, at which time vessel prices had softened by about 30% compared to the beginning of the year. Initially focused on secondhand ships, we have acquired six Handysize vessels and one Handymax vessel, of which one joined our fleet in fourth quarter 2012 and the balance are scheduled to join in first half 2013. We have also acquired one Handysize newbuilding resale which is due to deliver in May.
- We have also entered into agreements to long-term charter several Handysize ships for periods up to seven years.
- We now await the delivery of 16 owned and five chartered ships (including 17 newbuildings) in 2013 to 2015.

Deepening Our Relationships

- Our two newest chartering offices in Beijing and Durban have now been operational for over a year and have generated new customers, new long-term cargo contracts and new parcelling and project cargo business to supplement our traditional bulk-based activity. Our network of 10 commercial dry bulk offices across six continents allows us to develop and nurture strong customer relationships, and to develop additional cargo opportunities to complement the planned growth of our fleet.

Investing in our People

- We formalised our dry bulk trainee programme in 2012, and three recruitment intakes in recent months will serve to prepare seven talented young individuals for postings in our Hong Kong, Stamford, Santiago, Melbourne, Auckland and London offices to enhance our strong talent pool in Pacific Basin Dry Bulk.

MARKET OUTLOOK – DRY BULK

Opportunities

- China's continued strong demand for minor bulk commodities
- Global trade imbalances and fleet utilisation inefficiencies stemming from China's dominant share of global bulk imports
- Stronger than anticipated US economic recovery and revived industrialisation in North America
- Fewer newbuilding deliveries as shipyards slow production to stretch out their orderbooks
- Continued high levels of scrapping of dry bulk capacity
- Bank lending constraints limit funding for ship acquisitions, raising barriers to entry and increasing opportunities for shipowners with available cash

Threats

- Still excessive albeit reduced overhang of dry bulk vessel supply and excessive shipbuilding capacity
- Global economic recovery negatively impacted by further shocks relating to European finances and US government spending
- Premature shipowner optimism resulting in less scrapping, increased ordering activity and increased vessel prices
- Increased national protectionism impacting raw materials trade
- Potentially weaker growth in Chinese minor bulk imports depending on extent of economic and industrial slow down

OUTLOOK FOR OUR DRY BULK BUSINESS

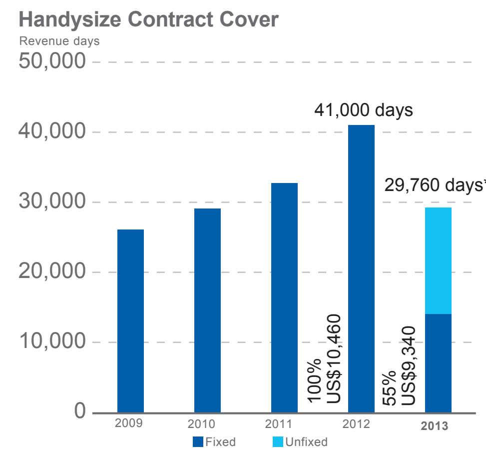
We expect the dry bulk market to remain weak overall in 2013 with seasonal variations prompting annual lows in the first quarter followed by modest recovery in the second.

Despite continued global economic weakness, dry cargo demand is likely to be similarly healthy as last year.

Supply-side fundamentals are improving, especially in the Handysize segment where we expect substantially no net fleet growth this year. However it will take some time for the market to absorb the over-supply of larger dry bulk ships generated by the newbuilding boom in recent years, and before a sustained recovery becomes apparent.

Conditions overall are likely to remain challenging, thereby generating further vessel acquisition opportunities for shipowners with available cash. However, premature shipowner optimism may result in increased vessel prices thus impacting the availability of attractively priced ships and undermining our key strategic objective for the year.

We remain optimistic about the longer term. We expect high levels of ship scrapping and limited new ship ordering to moderate dry bulk ship supply expansion while demand remains relatively robust as emerging economies continue to industrialise and grow.



* 2013 Cover excludes revenue days chartered in on index - linked basis

Strategy

As a highest priority, we will seek further opportunities to invest in high-quality Handysize and Handymax ships to expand our owned fleet.

We aim also to expand our dry bulk customer and cargo portfolio in tandem with our core fleet expansion.

Our exposure to the weak freight market will be partly limited by our cargo book which currently provides cover for 55% of our Handysize revenue days in 2013.

We are working on initiatives to further improve our customer service, such as through decentralised operational support and increased customer engagement at a local level to ensure best-in-class service, and to take us a step closer to our industry leadership vision.

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

PB TOWAGE

TOWAGE MARKET REVIEW 2012

The Australian towage sector in which we mainly operate continued to grow in 2012. Demand for marine logistics from oil and gas construction projects remained strong with a number of LNG projects in various stages of construction. The harbour towage sector demonstrated good growth.

Offshore Towage and Infrastructure Support

Major Australian oil and gas developments in Western Australia and Queensland continued to drive a surge in demand for offshore marine logistics in 2012. Other North West Shelf LNG projects have also progressed further into their construction stage thus also contributing to growing demand. The Middle East market saw some increase in demand but remains difficult due to excessive supply.

Harbour Towage

Australian harbour towage activity in 2012 was supported by increased volumes and market share in the main liner ports as well as by an increase in commodity exports through the bulk ports we serve.

Supply

The relatively high cost of operating in Australia continues to represent a barrier to entry for new entrants in the Australian domestic market. However, increased domestic competition was apparent in 2012 as existing operators invested in new vessels. Competition also characterised the market for international tug and barge project transportation into Australia.

PB TOWAGE – HOW WE PERFORMED IN 2012

Our PB Towage division generated a net profit of US$37.7 million and an operating cash flow of US$52.1 million reflecting our increasingly competitive position in the offshore support and harbour towage markets in Australasia.

PB TOWAGE – BUSINESS HIGHLIGHTS

PB Towage results have continued to strengthen due to improved market conditions and our increased market presence and penetration.

Increased Offshore Towage and Support Activity in Australasia

The offshore energy infrastructure sector has been the main growth driver for PB Towage over recent years, and our 2012 highlights include:

- increased involvement in the West Australian offshore gas sector principally through our OMSA joint venture, with one repositioned owned tug and two additional chartered-in tugs deployed in Western Australia;
- continued support to construction work on two projects in Gladstone, Queensland, where we deployed an average of two additional vessels; and
- formation of a marketing alliance with US-based Crowley Solutions allowing the two companies to combine their capabilities and jointly target marine logistics projects in South East Asia and Oceania.

Growth in Harbour Towage Markets

Our harbour towage business showed improved results on an 11% increase in tug jobs reflecting market growth and our expanded market share.

We have entered a cooperation agreement with European-based Boluda Towage and Salvage to target LNG terminal towage opportunities combining Boluda’s LNG terminal experience and PB Towage’s local expertise.

We have recently finalised plans to open a harbour towage operation in the port of Newcastle in the middle of 2013.

Challenging Towage Environment in the Middle East

Despite some improvement in the general towage segment in the Middle East, this market remains challenging due to an oversupply. PB Towage has nevertheless maintained good utilisation of its Middle East assets.

Salvage Support

Our tugs and barges have been called on to assist distressed vessels on the Australasian coast and were involved in supporting the salvors of the “Rena” in the initial phase of her salvage operation.

Organisation Strengthening Initiatives

We expanded our PB Towage team in 2012 to meet the operational needs of our customers and the growth in our business volume.

MARKET OUTLOOK – TOWAGE

Opportunities

- Growing project activity in Australasia and related demand for transportation of project cargoes and construction support both domestically in Australia and internationally
- Increased exploration and production leading to demand for platform support services
- Continued growth in Australian bulk export volumes offering scope for increased harbour towage jobs in bulk ports
- International transportation into Australia driving increased harbour towage jobs in container ports

Threats

- Hesitation in global economic recovery – and especially a Chinese slowdown – impacting Australian port activity
- Labour market shortages and cost pressures
- Exchange rate movements affecting Australia’s global competitiveness

OUTLOOK FOR OUR TOWAGE BUSINESS

PB Towage has established itself as a safe and quality-conscious operator with a strong customer base in both harbour and offshore project towage sectors. We consider PB Towage to be well positioned competitively to participate in the opportunities in these sectors as the market develops further in Australia and internationally.

PB Towage has delivered increasingly profitable results since we diversified into this business and is expected to continue to be an important contributor to the Group's results in 2013.

Strategy

We believe PB Towage has the capacity to expand. Offshore development activity and increasing bulk port volumes are expected to provide opportunities for growth, and they therefore represent the main focus of our towage operations in 2013.

PB RORO

PB RORO – BUSINESS HIGHLIGHTS

Now considered a discontinued operation, our PB RoRo business generated a segment net loss of US$12.1 million in 2012 (2011: US$10.6 million loss), an operating cash flow of US$3.1 million and an impairment and exchange loss of US$198.6 million reflecting the severe weakness in the Euro-centric RoRo sector.

Our RoRo business was primarily focused on three key objectives in 2012: i) to secure best possible charters and improve utilisation; ii) to implement stringent cost control and rationalise our RoRo operation; and iii) to generate opportunities to exit the sector in an economically rational manner.

Change in RoRo Strategy

Our strategic priorities for PB RoRo took a major turn in 2012 after a reassessment of the prospects for our RoRo business in the middle of the year resulted in a significant non-cash impairment charge of US$190.4 million and a decision to exit the sector in the medium term.

RoRo Management Rationalisation

In view of our downgraded outlook and the resulting changes in the Group's RoRo strategy, our Meridian RoRo management joint venture was wound down, we brought the commercial and operational management functions in-house and we outsourced technical management to an experienced third-party ship manager.

Agreement Reached to Exit RoRo

In September, we agreed to sell all of our six RoRo ships to the Grimaldi Group with forward delivery and with the buyer chartering the vessels on a bareboat basis in the intervening period. Under the sale agreement, the buyer is required to purchase at least one of the vessels by the end of June 2013, followed by at least one vessel in each 6-month period thereafter until the end of 2015.

Our small in-house PB RoRo team worked hard on securing this definite exit from the sector, and will continue overseeing the technical management and commercial employment of our final RoRo vessel prior to delivery onto Grimaldi's bareboat charter.

Employment

Our two RoRo ships previously in lay-up in the United Kingdom delivered onto their bareboat charters in October 2012, and the three ships previously trading in the North Sea and Caribbean delivered onto their bareboat charters in February 2013. Our sixth ship has been extended for another year under charter in the Mediterranean after which she is due to enter the buyer's bareboat chartered fleet in March 2014. Our RoRo fleet recorded 68% utilisation in 2012 with its ships on charter for 1,490 out of a total 2,190 ship revenue days.

Financing

We converted our existing EUR162 million, 12-year RoRo loan facility to a dry bulk loan facility of approximately US$210 million, thus further enhancing our dry bulk vessel buying power.

OUTLOOK FOR OUR RORO BUSINESS

Continued weakness is expected to persist in the RoRo charter market in 2013. However, with the exception of the time and cost of repositioning two vessels from the Caribbean to the Mediterranean, our RoRo disposal agreement substantially eliminates our exposure in the RoRo charter market in 2013 and beyond.

CONSOLIDATED GROUP PERFORMANCE

GROUP PERFORMANCE REVIEW

US$ Million	2012	2011	Change
Revenue	1,443.1	1,312.8	+10%
Direct costs	(1,361.2)	(1,204.4)	-13%
Gross profit	81.9	108.4	-24%
Segment net profit	74.5	89.5	-17%
Treasury	(6.1)	(12.8)	+53%
Discontinued operations – RoRo	(12.1)	(10.6)	-14%
Indirect general and administrative expenses	(8.5)	(8.3)	-2%
Underlying profit	47.8	57.8	-17%
Unrealised derivative expenses	(3.3)	(1.6)	-106%
RoRo vessel impairment & exchange loss	(198.6)	(80.0)	-148%
Other impairments	(4.4)	–	-100%
Gain from sale of shares in Green Dragon Gas	–	55.8	-100%
(Loss)/profit attributable to shareholders	(158.5)	32.0	-595%
Operating cash inflow	148.7	159.4	-7%
EBITDA (excluding impairments)	145.1	218.7	-34%
Net profit margin	-11%	2%	-13%
Return on average equity employed	-11%	2%	-13%

The main influences on our results in 2012 were as follows:

- **Revenue** increased 10% due to 21% increase in our Handysize and Handymax revenue days.
- **Direct costs** increased 13% due to increases in bunkers and port disbursements attributable to the additional Handysize and Handymax revenue days.
- **Segment net profit** was down due to i) a 23% decrease in daily charter rates of our Handysize vessels, offset in part by 11% lower blended daily vessel costs, and ii) a strong US$37.7 million contribution from PB Towage.
- **Treasury costs** reduced 53% due to increased interest capitalised on undelivered newbuild vessels and increased interest income on higher cash balance.
- **Underlying profit** was down due to decreased segment net profits and an increased loss from the discontinued RoRo operations in the difficult RoRo market.
- **Loss attributable to shareholders** arose due to a US$190.4 million impairment and US$8.2 million exchange loss, both in relation to our RoRo vessels.
- **Operating cash inflow** was US$148.7 million (2011: US$159.4 million). Combined with capex and net debt flows, this resulted in Group cash and deposits at the year end of US$753.5 million (2011: US$618.2 million).

Segments

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

- Pacific Basin Dry Bulk
- PB Towage

Non-segment activities mainly comprise:

- Treasury
- PB RoRo, which is reclassified as a discontinued operation following the vessel sales in September 2012

Underlying profit

Includes:

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

Excludes:

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

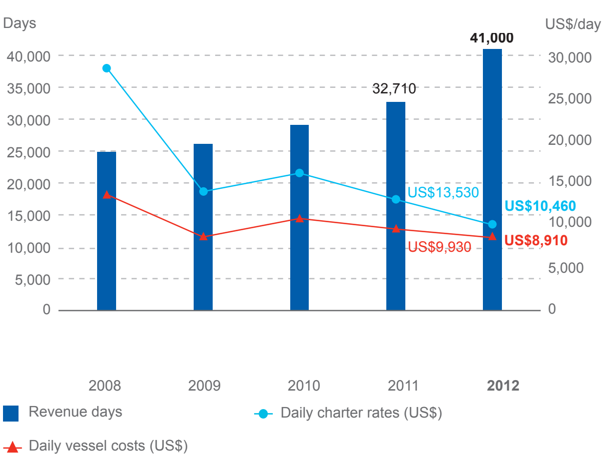
PACIFIC BASIN DRY BULK SEGMENT

Segment Operating Performance

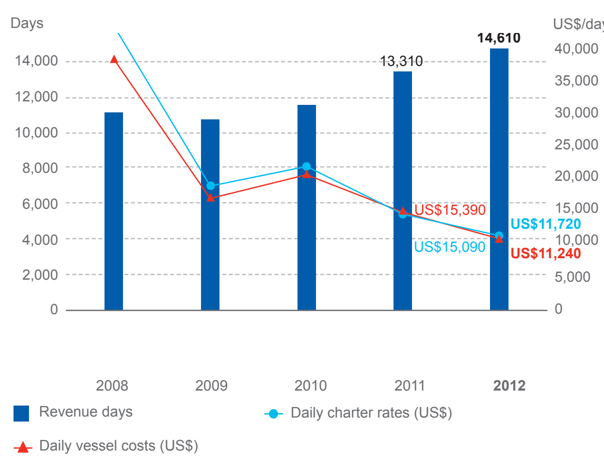
US$ Million	1H12	2H12	2012	2011	Change
Handysize contribution	22.8	39.2	62.0	115.2	-46%
Handymax contribution	(1.4)	8.1	6.7	(4.7)	+243%
Post-Panamax contribution	2.8	3.1	5.9	3.0	+97%
Segment operating performance before overheads	24.2	50.4	74.6	113.5	-34%
Direct overheads	(16.7)	(18.6)	(35.3)	(32.1)	-10%
Segment net profit	7.5	31.8	39.3	81.4	-52%
Segment operating cash inflow	38.1	76.0	114.1	138.1	-17%
Segment net assets	767.5	855.3	855.3	700.1	+22%
Return on net assets (%)	2%	7%	5%	11%	-6%

Dry bulk net profit decreased 51.7% to US$39.3 million (2011: US$81.4 million) as the dry bulk freight market suffered from over-supply and remained depressed throughout 2012. However, our second half performance recovered from a weak first half due to stronger TCE earnings coupled with reducing fleet costs as expensive inward charters expired or were renewed at lower hire rates during the year.

Handysize Performance



Handymax Performance

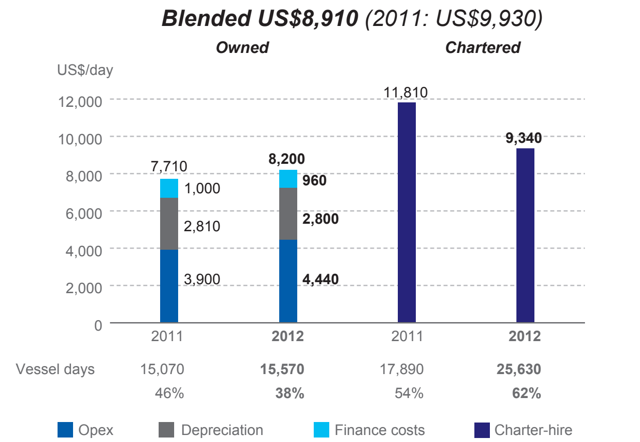


Revenue generated by our expanded dry bulk fleet increased 8.2% to US$1,292.4 million (2011: US$1,195.0 million) which represents 89.6% (2011: 91.0%) of our Group's total revenue.

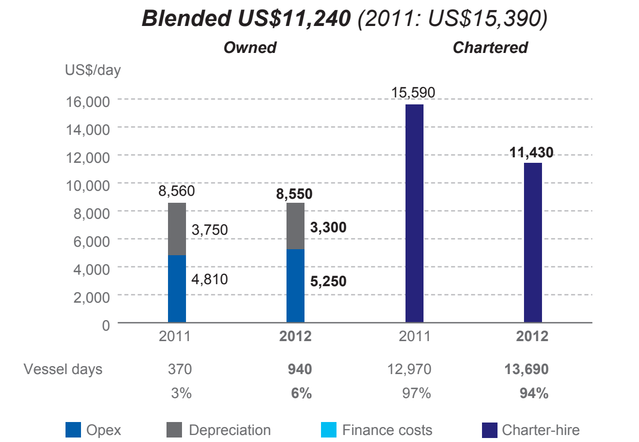
This year saw a substantial growth in the scale of our Handysize and Handymax operations. Handysize revenue days increased 25.3% to 41,000 days (2011: 32,710 days) while Handymax revenue days increased 9.8% to 14,610 days (2011: 13,310 days). This increase was due to the increased number of vessels chartered in on a short term basis.

Daily charter rates for both our Handysize and Handymax vessels were lower than in 2011 due to the continued oversupply of vessels in the global market.

Handysize Daily Vessel Costs



Handymax Daily Vessel Costs



Our dry bulk fleet incurred direct costs (including bunkers and port disbursements) of US$1,238.2 million (2011: US$1,098.5 million) representing 91.0% (2011: 91.2%) of total direct costs.

The depressed market's negative impact on our dry bulk segment net profit was somewhat mitigated by an increase in our spot market operating activities using chartered third-party vessels at lower daily charter rates, hence reducing our blended daily costs.

The reduction in chartered-in costs was the main contributor to the reduction in blended daily costs by 10.3% for Handysize and by 27.0% for Handymax vessels. However, daily opex costs for Handysize vessels increased by 13.8% and for Handymax vessels increased by 9.1% due to increased crew wages and travel costs, and higher maintenance costs.

In 2012, we operated 3,850 Handysize vessel days (2011: 670 days) and 1,870 Handymax vessel days (2011: 780 days) on variable chartered-in rates, linked to the Baltic Handysize Index and Baltic Supramax Index.

In 2012, our Handysize chartered-in days increased 43.3% to 25,630 days (2011: 17,890 days) while our Handymax chartered-in days increased 5.6% to 13,690 days (2011: 12,970 days). Chartered days represented 62.2% and 93.6% of our total Handysize and Handymax vessel days respectively, an increase of 7.9% and a decrease of 3.7% year on year respectively.

Our fleet of owned and finance leased dry bulk vessels experienced an average 1.6 days off-hire (2011: 1.2 days) per vessel during the year.

PB TOWAGE SEGMENT

Segment Operating Performance

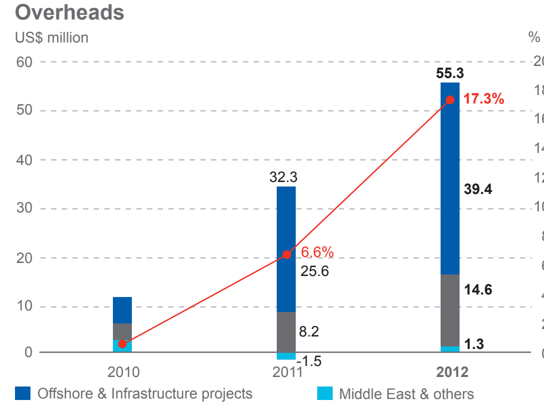
US$ Million	1H12	2H12	2012	2011	Change
Offshore & Infrastructure projects	15.2	24.2	39.4	25.6	+54%
Harbour towage	6.4	8.2	14.6	8.2	+78%
Middle East & others	0.5	0.8	1.3	(1.5)	+187%
Segment operating performance before overheads	22.1	33.2	55.3	32.3	+71%
Direct overheads	(8.0)	(9.6)	(17.6)	(17.1)	-3%
Segment net profit	14.1	23.6	37.7	15.2	+148%
Segment operating cash inflow	18.9	33.2	52.1	28.4	+83%
Segment net assets	244.6	217.9	217.9	231.8	-6%
Return on net assets (%)	12%	22%	17%	7%	+11%

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

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

The Segment's EBITDA (before impairments) amounted to US$53.4 million (2011: US$36.0 million) for the year, which was in line with the operating cash flow.

Towage Segment Operating Performance before Overheads



DISCONTINUED OPERATIONS – PB RORO

Operating Performance

US$ Million	1H12	2H12	2012	2011	Change
PB RoRo operating results	(8.5)	(3.6)	(12.1)	(10.6)	-15%
RoRo vessel impairment	(190.0)	(0.4)	(190.4)	(80.0)	-138%
RoRo vessel exchange loss	–	(8.2)	(8.2)	–	-100%
	(190.0)	(8.6)	(198.6)	(80.0)	-148%
Net loss	(198.5)	(12.2)	(210.7)	(90.6)	-133%
Operating cash flow	(0.8)	3.9	3.1	7.5	-59%
Net assets	135.6	127.2	127.2	322.9	-61%

Due to the RoRo market challenges and the consequent downgrade in our RoRo earnings and business outlook, a non-cash impairment charge of US$190.4 million was reflected in the results.

On 6 September 2012, all of our six RoRo vessels were sold for an aggregate consideration of €153 million. The buyer is obliged to purchase at least one vessel by the end of each of the six month periods ending 30 June 2013 through 31 December 2015.

Simultaneously with the signing of the sale agreements, the Group signed bareboat charterparties to charter the vessels to the buyer at agreed charter rates. These charters expire with the purchase and delivery of the vessels to the buyer. The bareboat charters for two vessels commenced in October 2012 and for three vessels commenced in February 2013. The Group expects the bareboat charter of the final vessel to commence in March 2014.

On the date of the sale agreements, the vessels' carrying values were reclassified in the balance sheet as assets held for sale. At the bareboat charter commencement date, the value of assets held for sale of each of the vessels are de-recognised from the balance sheet and corresponding trade receivables recognised in the balance sheet representing the present value of the sale proceeds and charter-hire receipts. At 31 December 2012, the six RoRo vessels had a combined asset value of US$187.8 million, represented by two RoRo vessels on bareboat charter with a value of US$59.7 million shown in other receivables under Treasury, and four RoRo vessels with a value of US$128.1 million shown in assets held for sale under discontinued operations – RoRo. The difference between the gross receivables and the present value of the receivables is recognised as interest income reflecting the time value of money over the periods of the bareboat charters and until the expected date of settlement of the sale consideration by the buyer. The bareboat interest income of US$0.7 million in 2012 is shown under Treasury.

The Group maintains a foreign exchange reserve for the translation to US Dollars of the Euro-denominated net asset value of the vessel owning companies. Each vessel disposal will result in the release of the cumulative foreign exchange reserve relating to each vessel owning company to the consolidated income statement at the bareboat commencement date. The amount realised in 2012 was US$8.2 million.

The current estimated future financial effect of the RoRo disposal transaction is as follows:

US$ Million	2013	2014	2015
Interest Income – Treasury	7.5	6.1	2.8
Exchange Losses – Unallocated	(8.3)	(5.0)	–
Total	(0.8)	1.1	2.8

Note: The exchange losses relate to the foreign exchange reserve for the translation to US Dollars of the Euro-denominated net asset value of the RoRo companies. Such cumulative foreign exchange reserve will be released to the consolidated income statement at the bareboat commencement dates. The estimated Euro-denominated interest income is translated into US Dollars at the 2012 year-end rate of EUR 1 to US$ 1.3231.

FUNDING AND COMMITMENTS

CASH FLOW AND CASH

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

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

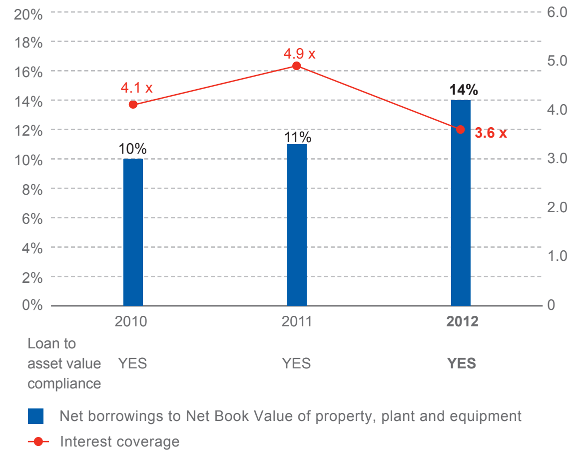
Over the long term, the Group aims to maintain a conservative consolidated net gearing of no greater than 50% – defined as the ratio of net borrowings to the Net Book Value of property, plant and equipment – which we believe is sustainable over different stages of the shipping cycle.

As at 31 December 2012, the Group had a strong cash position of US$753.5 million resulting in a 14.0% net gearing ratio. The Group has sufficient cash resources on hand to fund its capital commitments at 31 December 2012 of US$235.9 million.

Cash Flow

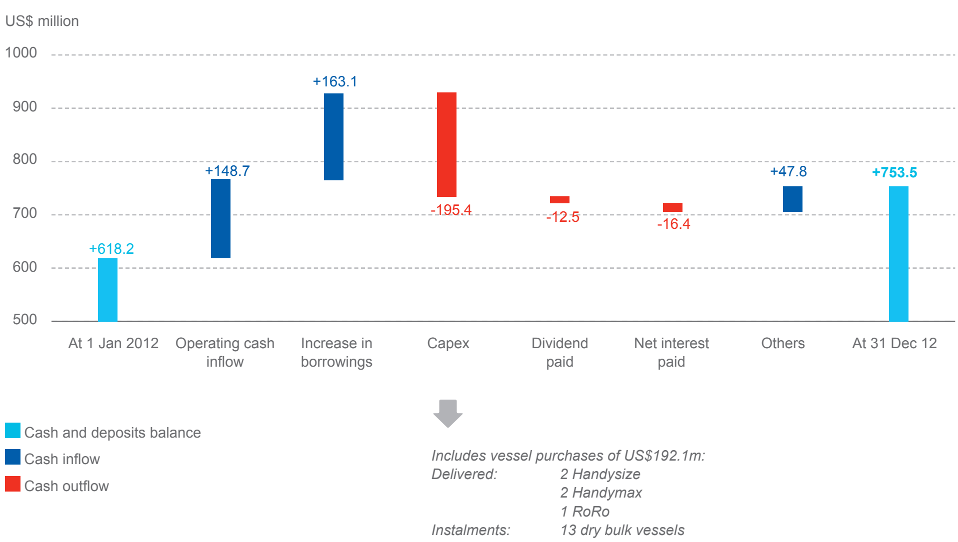
The major factors influencing future cash balances are expected to be operating cash flows, purchases of dry bulk vessels, sale of assets, and drawdown and repayment of borrowings.

Net Borrowings to NBV and Interest Coverage



Liquidity	US$753.5 million of total cash and deposits (principally denominated in US$) US$6.9 million of unutilised bank borrowing facilities
Net working capital	US$759.6 million

2012 Sources and Uses of Group Cash Flow



Cash and Deposits

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

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

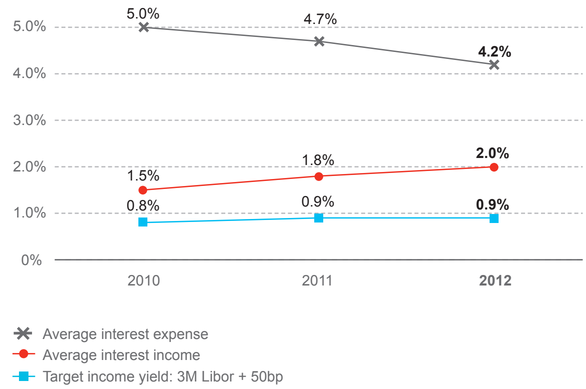
Cash, deposits and investment products are placed with a range of leading banks, mainly in Hong Kong. Restricted bank deposits relate to i) additional collateral pledged to maintain dry bulk bank lending covenants and ii) guarantees issued for offshore and infrastructure projects in the Towage segment.

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

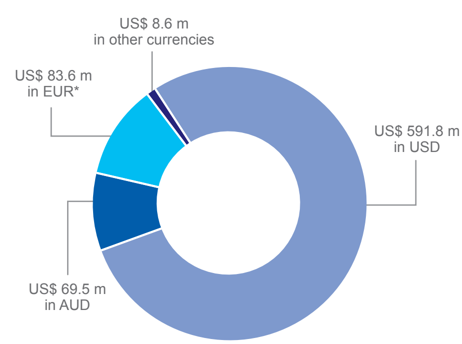
US$ Million	2012	2011	Change
Restricted bank deposits - non-current	50.2	8.6	
Restricted bank deposits - current	70.2	11.2	
Cash and deposits	633.1	598.4	
Total cash and deposits	**753.5**	618.2	+22%
Current portion of long term borrowings	(77.8)	(65.3)	
Long term borrowings	(853.7)	(713.7)	
Total borrowings	**(931.5)**	(779.0)	-20%
Net borrowings	(178.0)	(160.8)	-11%
Net borrowings to Net Book Value of property, plant and equipment	14.0%	10.5%	
Net borrowings to shareholders' equity	13.4%	10.8%	

During the year, Treasury achieved 2.0% return on the Group's cash. Interest income is benchmarked against a target yield of 50 basis points above 3 month US Dollar LIBOR.

Interest Rates and Benchmark Income



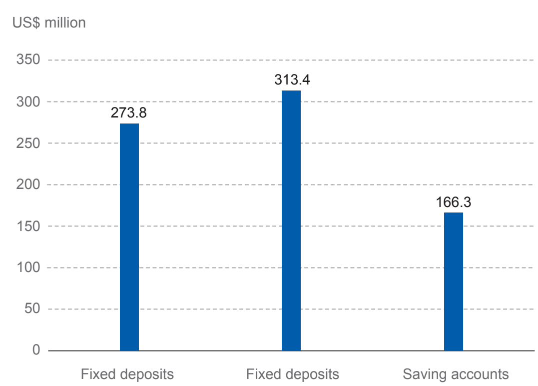
US$ Value of Currencies at 31 December 2012



* *US$79.6 million in EUR is hedged to USD*

At 31 December 2012, the Group's US$753.5 million total cash and deposits were placed in the following investment products:

Cash and Deposits Investments



BORROWINGS

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

- bank borrowings;
- finance lease liabilities; and
- the debt element of convertible bonds.

The aggregate borrowings of the Group amounted to US$931.5 million (2011: US$779.0 million). They are principally denominated in United States Dollars, except for bank loans equivalent to US$31.1 million (2011: US$34.4 million) which are denominated in Australian Dollars.

Bank Borrowings

Bank borrowings (net of deferred loan arrangement fees) were US$465.1 million (2011: US$405.5 million) at 31 December 2012, having increased as loans secured on Handysize vessels were drawndown during the year.

Bank borrowings are in the functional currency of the business segment to which they relate. Subsequent to the sale of our RoRo vessels, the existing EUR162 million, 12-year RoRo loan facility was converted to a dry bulk loan facility of approximately US$210 million, thus further enhancing our dry bulk vessel buying power.

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

As at 31 December 2012:

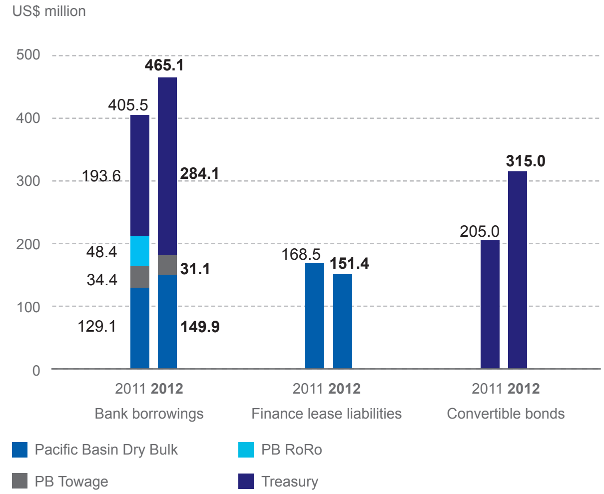
i) The Group's bank borrowings were secured by mortgages over 45 vessels with a total net book value of US$695.6 million and an assignment of earnings and insurances in respect of these vessels. The Group had 42 unmortgaged vessels with a total net book value of US$383.2 million.

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

iii) The Group had unutilised bank borrowing facilities of US$6.9 million.

P/L impact: The decrease of US$3.5 million in interest on bank borrowings (after capitalisation) to US$10.6 million was mainly due to an increase in interests capitalised to undelivered newbuild vessels from US$1.3 million to US$3.6 million. Bank borrowings are subject to floating interest rates but the Group manages these exposures by way of entering into interest rate swap contracts.

Borrowings by Source and Segment



Finance Lease Liabilities

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

Aggregate current and long term finance lease liabilities at 31 December 2012 were US$151.4 million (2011: US$168.5 million) relating to 13 Handysize vessels whose bareboat charters expire between 2015 and 2017. The fixed, equal, quarterly charter-hire payments are accounted for as a combination of repayments of finance lease liabilities on the balance sheet and finance charges in the income statement. Finance charges can be expressed as interest rates, fixed for the period of the leases.

P/L impact: Finance charges of US$11.1 million (2011: US$12.1 million) represent interest payments on the Handysize vessels under finance leases.

Convertible Bonds

In September 2012, the Group issued convertible bonds of US$123.8 million with 1.875% per annum coupon maturing in 2018. The new bonds are convertible into ordinary shares of the Company at a current conversion price of HK$4.96.

The debt components of the Group's 1.75% p.a. coupon April 2016 convertible bonds and 1.875% p.a. coupon October 2018 convertible bonds were US$315.0 million (2011: US$205.0 million) at 31 December 2012.

P/L impact: The US$10.6 million interest expense of the convertible bonds is calculated at an effective interest rate of 4.8%.

FINANCE COSTS

Total finance costs of US$40.1 million (2011: US$44.2 million) comprised finance costs from continued operations of US$36.0 million (2011: US$41.6 million) and finance costs from discontinued RoRo operation of US$4.1 million (2011: US$2.6 million).

The key indicators on which management focuses to assess the cost of borrowings are:

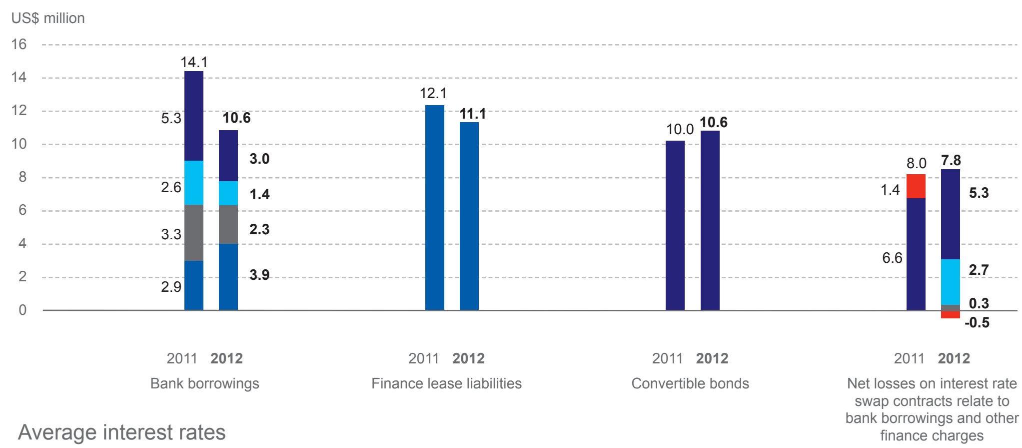
- Average interest rates for the sources of borrowings (See "Finance Costs by Source and Segment" below)

	2012	2011
• Group Interest Coverage	**3.6x**	4.9x

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

The Group aims to achieve a balance between floating and fixed interest rates on its long term borrowings, using interest rate swap contracts where appropriate. As at 31 December 2012, 8% of the Group's long term borrowings were subject to floating rates. The Group monitors this to maintain an appropriate floating to fixed interest rate ratio which is adjusted from time to time depending on the shipping and interest rate cycles.

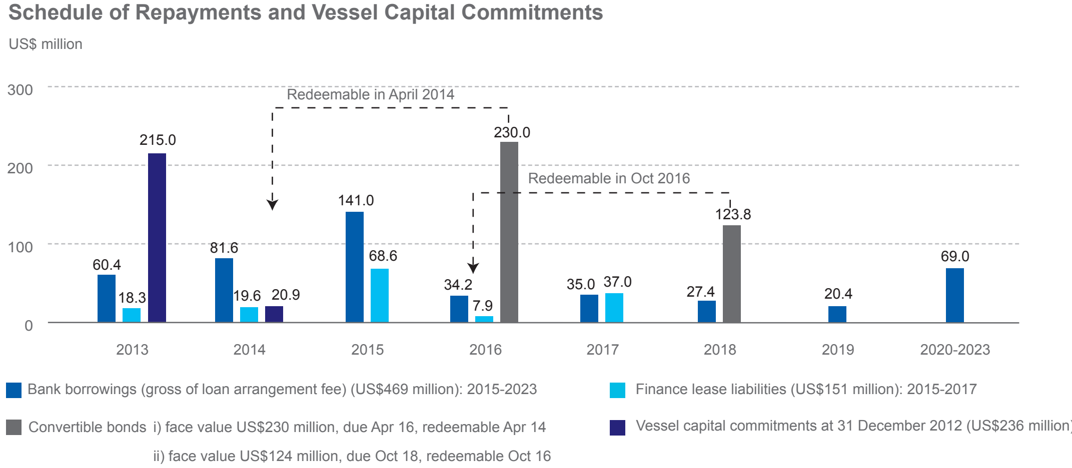
Finance Costs by Source and Segment



Average interest rates						
Profit & loss	2.7%	**2.8%**	6.8%	**6.8%**	4.8%	**4.8%**
Cash	2.7%	**2.8%**	6.8%	**6.8%**	1.8%	**1.9%**

Pacific Basin Dry Bulk · PB Towage · PB RoRo · Treasury · Unrealised interest rate swap contract results

Schedule of Repayments and Vessel Capital Commitments



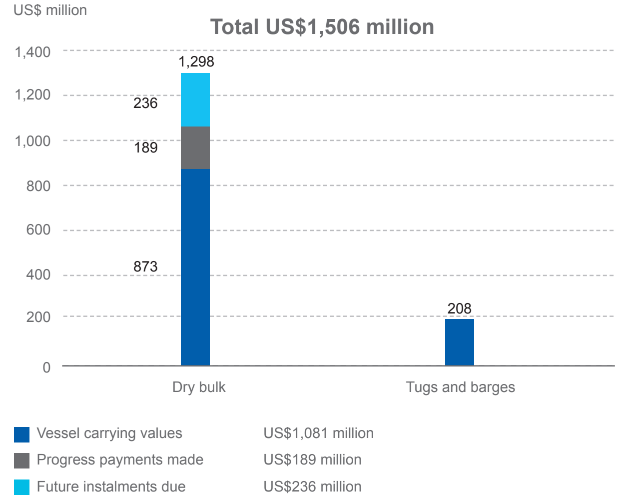
DELIVERED VESSELS

At 31 December 2012, the Group had property, plant and equipment with a net book value (after RoRo impairment) of US$1,270.2 million, related to the following delivered vessels:

		Number	Average net book value (US$ Million)
Dry Bulk	Handysize	44	16.6
Dry Bulk	Handymax	4	22.9
Dry Bulk	Post-Panamax	1	53.3
Towage	Tugs & Barges	38	5.4

Handysize vessels continued to dominate the Group's assets with an average age of 8.4 years for the delivered owned vessels. Tugs and barges are denominated in their functional currencies of the Australian Dollar, and hence their US Dollar carrying values and commitments are subject to exchange rate fluctuations.

A Combined View of Vessel Carrying Values and Vessel Commitments at 31 December 2012



VESSEL COMMITMENTS

As at 31 December 2012, the Group had non-cancellable vessel commitments of US$201.2 million and authorised commitments of US$34.7 million. This reflects the cost of the eight dry bulk vessels purchased since September 2012 for US$121.8 million. The vessels are scheduled to deliver to the Group between January 2013 and January 2014 as shown in the table.

US$ Million	**Number**	**2013**	**2014**	**Total**
Contracted commitments				
Handysize vessels	10	78.2	20.9	99.1
Handymax vessels	5	102.1	–	102.1
	15	180.3	20.9	201.2
Authorised commitments				
Handysize vessels	2	34.7	–	34.7
Commitments at 31 December 2012	17	215.0	20.9	235.9
Changes to commitments after the year end				
Handysize vessels	(2)	(12.0)	–	(12.0)
Handymax vessel	1	12.4	–	12.4
Total commitments at 25 February 2013	**16**	**215.4**	**20.9**	**236.3**

These commitments, along with other potential vessel acquisitions, will be financed by a combination of cash generated by 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.

VESSEL PURCHASE OPTIONS

Certain lease agreements provide the Group with options to purchase the related vessels at predetermined times and prices during the lease periods. The average price of the existing purchase options for the Group's vessels in the earliest years in which these options may be exercised, along with the number of vessels and the average age of such vessels in those years, are as follows:

Earliest year in which options may be exercised	Vessel type	Number of vessels at 31 December 2012 Finance lease	Operating lease	Average age of vessels (years)	Average purchase option exercise price[1] (US$ Million)
2013	Handysize	13	3	10	13.7
	Tug & barge	–	5	4	4.1
2016	Handysize	–	2	5	35.7
	Handymax	–	1	5	30.0
	Post-Panamax	–	1	5	61.8
2017	Handysize	–	1	5	30.2
2021	Handysize	–	2	7	33.3
Total		13	15		

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

Estimated fair market values published by Clarksons are US$17.0 million and US$18.5 million for 5 year old 32,000 dwt Handysize and 56,000 dwt Handymax vessels respectively.

VESSEL LEASE COMMITMENTS

The following table shows the average contracted daily charter rates and total number of vessel days remaining for our Handysize and Handymax vessels chartered in 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
2013	9,460	9,380	5,950	4,750	11,510	3,500
2014	10,710	6,270	5,940	4,750	13,720	1,360
2015	10,800	5,700	5,910	2,590	14,500	780
2016	10,660	4,310	5,970	1,830	14,650	730
2017	10,710	3,960	5,840	610	14,650	730
2018	10,810	3,290	–	–	14,780	730
2019	11,150	2,640	–	–	14,790	730
2020	12,920	1,120	–	–	14,900	730
2021	14,000	310	–	–	15,120	20
Total		36,980		14,530		9,310
Aggregate operating lease commitments		US$389.9m				US$124.5m

Vessel operating lease commitments stood at US$573.2 million (2011: US$573.4 million), comprising: US$389.9 million for Handysize; US$124.5 million for Handymax; US$55.8 million for Post-Panamax vessels; and US$3.0 million for tugs. Operating lease commitments remained largely unchanged as lower charter rates for chartered-in Handysize and Handymax vessels were offset by the increase in the number of charter days. Our Handysize operating lease committed days increased 11.1% to 36,980 days (2011: 33,300 days) while our Handymax operating lease committed days increased 2.8% to 9,310 days (2011: 9,060 days).

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

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

Handysize and Handymax Index-Linked Vessel Lease Commitments

Year	Handysize Vessel days	Handymax Vessel days
2013	7,970	1,270
2014	3,400	180
2015	1,080	–
Total	12,450	1,450

CONSOLIDATED INCOME STATEMENT

	Note	For the year ended 31 December 2012 US$'000	2011 US$'000 (restated)
Continuing operations			
Revenue		**1,443,086**	1,312,789
Direct costs		**(1,361,219)**	(1,204,352)
Gross profit		**81,867**	108,437
General and administrative expenses		**(10,838)**	(10,754)
Other income and gains		**2,644**	67,173
Other expenses		**(4,095)**	(11,070)
Finance costs, net		**(18,474)**	(28,785)
Share of profits less losses of jointly controlled entities		**5,508**	225
Share of profits less losses of associates		**(2,767)**	(2,468)
Profit before taxation	*4*	**53,845**	122,758
Taxation	*5*	**(1,624)**	(178)
Profit for the year		**52,221**	122,580
Discontinued operations			
Loss for the year		**(210,693)**	(90,598)
(Loss)/profit attributable to shareholders		**(158,472)**	31,982
Dividends	*6*	**12,482**	24,895
Earnings per share for (loss)/profit attributable to shareholders (in US cents)			
Basic earnings per share	*7(A)*		
From continuing operations		**2.70**	6.33
From discontinued operations		**(10.90)**	(4.68)
From (loss)/profit attributable to shareholders		**(8.20)**	1.65
Diluted earnings per share	*7(B)*		
From continuing operations		**2.70**	6.33
From discontinued operations		**(10.69)**	(4.68)
From (loss)/profit attributable to shareholders		**(7.99)**	1.65

Please see Note 3(A) for more on income statement segment information.
Comparatives on income statement are restated due to the discontinued RoRo operations classified as held for sale.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December 2012 US$'000	2011 US$'000
(Loss)/profit attributable to shareholders	**(158,472)**	31,982
Other comprehensive income		
Release of exchange reserve upon disposal of:		
– property, plant and equipment	**8,183**	–
– a jointly controlled entity	**(3,131)**	–
Cash flow hedges:		
– transferred to finance costs in income statement	**5,608**	3,598
– fair value losses	**(3,231)**	(7,196)
Fair value (losses)/gains on available-for-sale financial assets	**(5,587)**	22,884
Currency translation differences	**(402)**	(953)
Release of investment valuation reserve upon disposal of available-for-sale financial assets	**–**	(60,502)
Impairment of available-for-sale financial assets charged to income statement	**–**	910
Total comprehensive income attributable to shareholders	**(157,032)**	(9,277)

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2012 US$'000	2011 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		1,270,202	1,525,185
Investment properties		2,675	2,734
Land use rights		3,767	3,874
Goodwill		25,256	25,256
Interests in jointly controlled entities		22,118	44,403
Investments in associates		1,332	4,411
Available-for-sale financial assets		4,729	11,533
Derivative assets		5,075	361
Trade and other receivables	*8*	58,039	5,175
Restricted bank deposits		50,192	8,566
Other non-current assets		5,322	4,400
		1,448,707	1,635,898
Current assets			
Inventories		79,102	66,873
Derivative assets		1,747	5,303
Structured notes		–	12,913
Trade and other receivables	*8*	106,044	101,110
Restricted bank deposits		70,148	11,154
Cash and deposits		633,118	598,501
		890,159	795,854
Assets of discontinued operations classified as held for sale		131,409	–
		1,021,568	795,854
Total assets		2,470,275	2,431,752
EQUITY			
Capital and reserves attributable to shareholders			
Share capital		193,605	193,658
Retained profits		537,456	708,463
Other reserves		600,960	582,794
Total equity		1,332,021	1,484,915
LIABILITIES			
Non-current liabilities			
Derivative liabilities		22,684	19,563
Long term borrowings		853,651	713,716
		876,335	733,279
Current liabilities			
Derivative liabilities		2,449	1,298
Trade and other payables	*9*	174,884	144,798
Current portion of long term borrowings		77,820	65,323
Taxation payable		2,509	2,139
		257,662	213,558
Liabilities of discontinued operations classified as held for sale		4,257	–
		261,919	213,558
Total liabilities		1,138,254	946,837
Net current assets		759,649	582,296
Total assets less current liabilities		2,208,356	2,218,194

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

Note:

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

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

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

2. ADOPTION OF NEW/REVISED HKFRS

Certain new standards, amendments and improvements to standard are mandatory for the accounting period beginning 1 January 2012. However, the adoption of these new standard, amendments and improvements to standard does not result in any substantial change to the Group's accounting policies.

3. SEGMENT INFORMATION

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

The Group's revenue is primarily derived from the provision of dry bulk shipping services internationally, and Towage services to the harbour and offshore sectors in Australia and New Zealand.

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

"Treasury" manages the Group's cash and borrowings. As such, related finance income and expenses are allocated under "Treasury".

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

3. SEGMENT INFORMATION (CONTINUED)

(A) INCOME STATEMENT SEGMENT INFORMATION

For the year ended 31 December 2012 US$'000	Pacific Basin Dry Bulk	PB[1] Towage	All Other Segments	Total Segments	Unallocated Treasury	Unallocated PB RoRo	Unallocated Others	Total	Reclass-ification	Per Financial Statements
Continuing operations										
Revenue	1,292,417	149,516	805	1,442,738	–	–	214	1,442,952	134	1,443,086
Freight and charter-hire	1,292,417[2]	140,409	–	1,432,826	–	–	214[2]	1,433,040	134[2]	1,433,174
Maritime management services	–	9,107	805	9,912	–	–	–	9,912	–	9,912
Bunkers & port disbursements	(679,285)[3]	(3,582)	–	(682,867)	–	–	(3,969)[3]	(686,836)	686,836[3]	–
Time charter equivalent earnings	613,132									
Direct costs	(558,927)	(112,008)	(3,448)	(674,383)	–	–	–	(674,383)	(686,836)	(1,361,219)
Bunkers & port disbursements	–	–	–	–	–	–	–	–	(686,836)	(686,836)
Charter-hire expenses for vessels	(400,152)	(12,150)	–	(412,302)	–	–	–	(412,302)	–	(412,302)
Vessel operating costs	(74,580)	(68,372)	–	(142,952)	–	–	–	(142,952)	–	(142,952)
Depreciation of vessels	(48,910)	(13,864)	–	(62,774)	–	–	–	(62,774)	–	(62,774)
Direct overheads	(35,285)	(17,622)	(3,448)	(56,355)	–	–	–	(56,355)	–	(56,355)
Gross profit	54,205	33,926	(2,643)	85,488	–	–	(3,755)	81,733	134	81,867
General and administrative expenses	–	–	–	–	(2,289)	–	(8,549)[4]	(10,838)	–	(10,838)
Other income and expenses	–	–	51	51	32	–	(1,400)[5]	(1,317)	(134)[2]	(1,451)
Finance costs, net	(14,930)	(953)	741	(15,142)	(3,781)	–	449[6]	(18,474)	–	(18,474)
Share of profits less losses of jointly controlled entities	–	5,384	124	5,508	–	–	–	5,508	–	5,508
Share of profits less losses of associates	–	233	–	233	–	–	(3,000)[7]	(2,767)	–	(2,767)
Profit/(loss) before taxation	39,275	38,590	(1,727)	76,138	(6,038)	–	(16,255)	53,845	–	53,845
Taxation	–	(880)	(744)	(1,624)	–	–	–	(1,624)	–	(1,624)
Profit/(loss) for the year	39,275	37,710	(2,471)	74,514	(6,038)	–	(16,255)	52,221	–	52,221
Discontinued operations										
Loss for the year	–	–	–	–	–	(12,112)[9]	(198,581)[9]	(210,693)	–	(210,693)
Profit/(loss) attributable to shareholders	39,275	37,710	(2,471)	74,514	(6,038)	(12,112)	(214,836)	(158,472)	–	(158,472)

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

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

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

(4) *Represents corporate overheads.*

(5) *Represents the impairment charge of US$1.4 million on unlisted equity securities*

(6) *Represents net unrealised interest rate swap contract benefits and expenses.*

(7) *Represents the impairment charge of US$3.0 million on the Gold River Terminal Project.*

(8) *Represents gains on disposal of investment of US$55.8 million in Green Dragon Gas Limited in 2011.*

(9) *Comparatives are restated due to the discontinued RoRo operations classified as held for sale. The amount under "Unallocated Others" represents an impairment charge of US$190.4 million (2011: US$80.0 million) and an exchange loss arising from the disposal amounting to US$8.2 million (2011: Nil).*

3. SEGMENT INFORMATION (CONTINUED)

(A) INCOME STATEMENT SEGMENT INFORMATION (CONTINUED)

For the year ended 31 December 2011 (restated) US$'000	Pacific Basin Dry Bulk	PB[1] Towage	All Other Segments	Total Segments	Unallocated Treasury	Unallocated PB RoRo	Unallocated Others	Total	Reclass-ification	Per Financial Statements
Continuing operations										
Revenue	1,194,971	102,513	14,665	1,312,149	–	–	900	1,313,049	(260)	1,312,789
Freight and charter-hire	1,194,971[2]	93,837	–	1,288,808	–	–	900[2]	1,289,708	(260)[2]	1,289,448
Maritime management services	–	8,676	14,665	23,341	–	–	–	23,341	–	23,341
Bunker & port disbursements	(536,180)[3]	(2,843)	–	(539,023)	–	–	(1,159)[3]	(540,182)	540,182[3]	–
Time charter equivalent earnings	658,791									
Direct costs	(562,300)	(84,391)	(15,448)	(662,139)	–	–	–	(662,139)	(542,213)	(1,204,352)
Bunkers & port disbursements	–	–	–	–	–	–	–	–	(540,182)	(540,182)
Charter-hire expenses for vessels	(420,951)	(3,508)	–	(424,459)	–	–	–	(424,459)	(2,031)	(426,490)
Vessel operating costs	(63,395)	(48,684)	–	(112,079)	–	–	–	(112,079)	–	(112,079)
Depreciation of vessels	(45,808)	(15,061)	–	(60,869)	–	–	–	(60,869)	–	(60,869)
Direct overheads	(32,146)	(17,138)	(15,448)	(64,732)	–	–	–	(64,732)	–	(64,732)
Gross profit	96,491	15,279	(783)	110,987	–	–	(259)	110,728	(2,291)	108,437
General and administrative expenses	–	–	–	–	(2,479)	–	(8,275)[4]	(10,754)	–	(10,754)
Other income and expenses	–	(85)	(1,885)	(1,970)	(21)	–	55,803[8]	53,812	2,291[2]	56,103
Finance costs, net	(15,071)	(2,950)	941	(17,080)	(10,320)	–	(1,385)[6]	(28,785)	–	(28,785)
Share of profits less losses of jointly controlled entities	–	5,783	(5,558)	225	–	–	–	225	–	225
Share of profits less losses of associates	–	(2,468)	–	(2,468)	–	–	–	(2,468)	–	(2,468)
Profit/(loss) before taxation	81,420	15,559	(7,285)	89,694	(12,820)	–	45,884	122,758	–	122,758
Taxation	–	(371)	193	(178)	–	–	–	(178)	–	(178)
Profit/(loss) for the year	81,420	15,188	(7,092)	89,516	(12,820)	–	45,884	122,580	–	122,580
Discontinued operations										
Loss for the year	–	–	–	–	–	(10,598)[9]	(80,000)[9]	(90,598)	–	(90,598)
Profit/(loss) attributable to shareholders	81,420	15,188	(7,092)	89,516	(12,820)	(10,598)	(34,116)	31,982	–	31,982

3. SEGMENT INFORMATION (CONTINUED)

(B) BALANCE SHEET SEGMENT INFORMATION

At 31 December 2012 US$'000	Pacific Basin Dry Bulk	PB[1] Towage	All Other Segments	Total Segments	Unallocated Treasury	 PB RoRo	 Others	Per Financial Statements
Total assets	1,292,280	273,161	18,677	1,584,118	744,584	131,409	10,164[2,3]	2,470,275
include:								
Property, plant and equipment	1,056,981	207,777	5,444	1,270,202	–	–	–	1,270,202
– Include additions to PP&E	170,677	3,574	1,733	175,984	–	19,366	–	195,350
Interests in jointly controlled entities	–	18,777	–	18,777	–	–	3,341	22,118
Investments in associates	–	1,332	–	1,332	–	–	–	1,332
Total cash and deposits	50,088	23,500	64	73,652	679,761	–	45	753,458
Total liabilities	437,013	55,276	1,597	493,886	617,827	4,257	22,284[2,3]	1,138,254
include:								
Long term borrowings	301,272	31,079	–	332,351	599,120	–	–	931,471

Pacific Basin Dry Bulk total assets (1,292,280):
- *Vessels delivered & under construction*
- *Goodwill*

All Other Segments total assets (18,677):
- *Properties*
- *Finance lease receivables*

Treasury total assets (744,584):
- *Group unallocated cash*

Others total assets (10,164):
- *Derivative assets*

PB Towage interests in jointly controlled entities (18,777):
- *Gold River Marine Terminal, Canada*

PB Towage investments in associates (1,332):
- *OMSA*
- *Bunker tanker, N.Z.*

Pacific Basin Dry Bulk long term borrowings (301,272):
- *Bank loans*
- *Finance lease liabilities*

PB Towage long term borrowings (31,079):
- *Bank loans*

Treasury long term borrowings (599,120):
Group general facilities include:
- *Convertible bonds*
- *Loans secured on vessels for future expansion*

Others total liabilities (22,284):
- *Derivative liabilities*

At 31 December 2011 US$'000	Pacific Basin Dry Bulk	PB[1] Towage	All Other Segments	Total Segments	Unallocated Treasury	 PB RoRo	 Others	Per Financial Statements
Total assets	**1,106,582**	**289,512**	**55,666**	**1,451,760**	**595,774**	**375,226**	**8,992[2,3]**	**2,431,752**
include:								
Property, plant and equipment	936,136	213,565	5,495	1,155,196	–	369,989	–	1,525,185
– Include additions to PP&E	120,244	8,982	2,528	131,754	–	38,366	–	170,120
Interests in jointly controlled entities	–	13,974	26,507	40,481	–	594	3,328	44,403
Investments in associates	–	4,411	–	4,411	–	–	–	4,411
– Include additions to investment in an associate	–	–	–	–	–	6,968	–	6,968
Total cash and deposits	3,843	33,529	69	37,441	580,735	–	45	618,221
Total liabilities	**406,436**	**57,751**	**4,464**	**468,651**	**400,876**	**52,299**	**25,011[2,3]**	**946,837**
include:								
Long term borrowings	297,682	34,362	–	332,044	398,603	48,392	–	779,039

4. PROFIT BEFORE TAXATION

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

US$'000	2012	2011 (restated)
Bunkers consumed	445,275	367,120
Depreciation		
– owned vessels	50,845	49,436
– leased vessels	11,929	11,433
– other owned property, plant and equipment	1,612	1,503
– investment properties	65	64
Amortisation of land use rights	115	113
Interest on borrowings		
– bank loan	12,817	12,784
– finance leases	11,034	12,129
– convertible bonds	10,626	10,009
Lubricating oil consumed	5,931	5,900
Net losses on interest rate swap contracts	4,977	6,931
Net gains on bunker swap contracts	(4,566)	(14,906)
Net losses on forward foreign exchange contracts	482	–
Net losses/(gains) on forward freight agreements	134	(259)
Fair value changes on structured notes	(32)	32

5. TAXATION

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

US$'000	2012	2011 (restated)
Current taxation		
Hong Kong profits tax, provided at the rate of 16.5% (2011: 16.5%)	476	469
Overseas tax, provided at the rates of taxation prevailing in the countries	1,389	1,296
Overprovision of prior year	(241)	(1,587)
	1,624	178

6. DIVIDENDS

	2012			2011		
	HK cents per share	US cents per share	US$'000	HK cents per share	US cents per share	US$'000
Interim dividend	–	–	–	5.0	0.6	12,416
Proposed final dividend	5.0	0.6	12,482	5.0	0.6	12,479
	5.0	0.6	12,482	10.0	1.2	24,895
Dividend paid during the year	5.0	0.6	12,479	21.5	2.7	53,435

The proposed final dividend is subject to the approval of the shareholders at the Annual General Meeting on 19 April 2013.

7. EARNINGS PER SHARE

(A) BASIC EARNINGS PER SHARE

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

		2012	2011 (restated)
Profit from continuing operations	(US$'000)	52,221	122,580
Loss from discontinued operations	(US$'000)	(210,693)	(90,598)
(Loss)/profit attributable to shareholders	(US$'000)	(158,472)	31,982
Weighted average number of ordinary shares in issue	('000)	1,932,750	1,934,084
Basic earnings per share			
– continuing operations	(US cents)	2.70	6.33
– discontinued operations	(US cents)	(10.90)	(4.68)
	(US cents)	(8.20)	1.65
Equivalent to			
– continuing operations	(HK cents)	20.96	49.36
– discontinued operations	(HK cents)	(84.57)	(36.48)
	(HK cents)	(63.61)	12.88

(B) DILUTED EARNINGS PER SHARE

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

		2012	2011 (restated)
Profit from continuing operations	(US$'000)	52,221	122,580
Interest expense on convertible bonds	(US$'000)	1,003	–
Profit used to determine diluted earnings per share	(US$'000)	53,224	122,580
Loss from discontinued operations	(US$'000)	(210,693)	(90,598)
(Loss)/profit attributable to shareholders	(US$'000)	(157,469)	31,982
Weighted average number of ordinary shares in issue	('000)	1,932,750	1,934,084
Adjustment for:			
– assumed conversion of convertible bonds	('000)	37,538	–
– share options	('000)	137	161
Weighted average number of ordinary shares for diluted earnings per share	('000)	1,970,425	1,934,245
Diluted earnings per share			
– continuing operations	(US cents)	2.70	6.33
– discontinued operations	(US cents)	(10.69)	(4.68)
	(US cents)	(7.99)	1.65
Equivalent to			
– continuing operations	(HK cents)	20.96	49.36
– discontinued operations	(HK cents)	(82.96)	(36.48)
	(HK cents)	(62.00)	12.88

8. TRADE AND OTHER RECEIVABLES

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

US$'000	2012	2011
Less than 30 days	27,468	31,371
31-60 days	5,257	8,212
61-90 days	1,547	2,069
Over 90 days	5,162	3,361
	39,434	45,013

Other receivables include US$59,738,000 in relation to the disposal of RoRo vessels in 2012 and represent the net purchase consideration for the two RoRo vessels that have commenced their bareboat charters to the purchaser. The other receivables will have been repaid by December 2015. The fair value of the other receivables is based on discounted cash flows based on a borrowing rate of 6%. The discount rate represents the Euro borrowing rate at inception including the appropriate credit spread.

9. TRADE AND OTHER PAYABLES

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

US$'000	2012	2011
Less than 30 days	61,970	45,314
31-60 days	213	201
61-90 days	829	75
Over 90 days	4,185	6,010
	67,197	51,600

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

COMPLIANCE WITH THE CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the year, the Company has been fully compliant with all code provisions of the Corporate Governance Code (effective from 1 April 2012) as contained in Appendix 14 of the Listing Rules, as well as the former Code on Corporate Governance Practices (effective until 31 March 2012).

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company has reviewed this annual results announcement and the 2012 Annual Report of the Company for the year ended 31 December 2012.

FINAL DIVIDEND AND BOOK CLOSURE

The Board has proposed a final dividend for the year ended 31 December 2012 of HK 5 cents per share and, if such dividend is approved by the shareholders at the 2013 Annual General Meeting of the Company, it is expected be paid on or about 8 May 2013 to those shareholders whose names appear on the Company's register of members on 30 April 2013.

The register of members of the Company will be closed from 26 April 2013 to 30 April 2013 (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to qualify for the proposed final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 25 April 2013. The ex-dividend date for the final dividend will be on 24 April 2013.

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

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

The Company's 2012 Annual Report will be available on the Company's website at www.pacificbasin.com no later than the date on which it is sent to those shareholders who have elected to receive a printed copy on or around 15 March 2013.

DIRECTORS

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

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