INTERIM REPORT 2010

Stock Code: 2343

Pacific Basin Shipping Limited

Dry Bulk • Energy and Infrastructure Services • RoRo

Contents

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

Results Highlights

Group

- **Group profit was US$52 million** (2009: US$75 million) in the first half of 2010
- **Underlying profit was US$66 million** (2009: US$57 million) increasing 16% in a much improved half year for dry bulk shipping relative to first half 2009 due to growth in global industrial production and Chinese commodities imports
- Results were reduced by a net US$14 million non-cash derivative expense (2009: US$15 million non-cash derivative income) mainly due to a fall in bunker prices
- **Basic earnings per share were HK$0.21** (2009: HK$0.32), return on average equity was 7% and return on average assets was 4%
- **Operating cash flow was US$83 million** (2009: US$60 million)
- **Issued in April US$230 million of new 1.75% convertible bonds** in part to refinance a portion of our existing 3.3% convertible bonds
- **Balance sheet remains robust with US$970 million cash** and US$96 million net cash
- **Fully funded vessel capital commitments** of US$119 million in dry bulk vessels and US$235 million in RoRo vessels
- **Interim dividend of HK 5 cents per share** (2009: HK 8 cents)

Fleet

- **Contract cover in place for 89% of our combined handysize and handymax revenue days in 2010** and 33% of our combined revenue days in 2011. 86% of our contracted 25,810 handysize revenue days in 2010 are covered at US$16,260 per day net
- **Purchased 9 dry bulk vessels and long term chartered another 5** since reviving our fleet expansion activity in December 2009
- **Fleet now totals 171 vessels** (including newbuildings) comprising 125 dry bulk vessels, 39 tugs and barges, 1 bunker tanker and 6 RoRos

Divisions

- **Pacific Basin Dry Bulk** made a profit of US$79 million (2009: US$64 million) and remains primed to further expand its fleet and business
- **Core fleet remains cost competitive** despite handysize fleet daily breakeven costs increasing 25% year on year at a time when average short term charter rates increased over 100%
- **PB Energy & Infrastructure Services** made a profit of US$4 million (2009: US$6.6 million) in a quieter and weaker market than we expected thus impacting the utilisation of our tug capacity
- **PB RoRo** made a profit of US$0.5 million (2009: loss of US$0.4 million) with its first vessel operating satisfactorily. 5 remaining RoRo newbuildings are scheduled to deliver in late 2010 and 2011

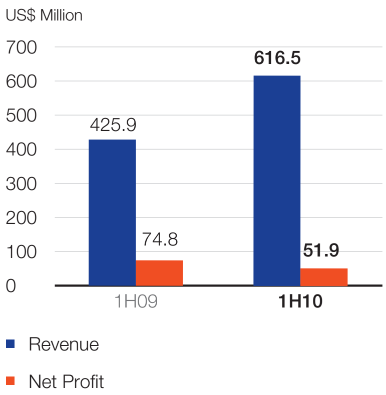
Outlook

- **Our dry bulk market outlook for the remainder of 2010 remains neutral** as we expect a reversal of recent weakness since June to be driven by a seasonal demand rebound and resumed buying and restocking in China later in the year. This should result in a half year that is on balance somewhat weaker than the first half
- **Less than satisfactory outlook for energy and infrastructure services** in expectation of continued weak towage and infrastructure markets in Australasia and the Middle East with limited scope for improvement in 2010
- **RoRo market is expected to remain depressed** and, despite recent marginal improvement, should not see any measurable recovery until later in 2011 or 2012 assuming the slow resurgence in European trade continues. Fundamentals continue to look positive for the long term
- **Our strategic goals remain unchanged as we seek to expand further our dry bulk fleet and business**, a programme which we embarked on in December 2009

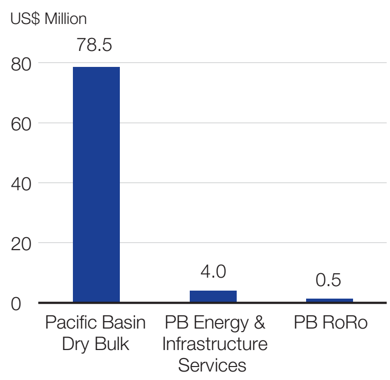
Financial Summary

	2010 30 June US$'000	2009 30 June US$'000	2009 31 December US$'000
Results			
Revenue	**616,486**	425,913	950,477
Gross profit	**79,675**	83,766	152,796
Finance costs, net	**(14,494)**	(9,568)	(27,321)
Underlying profit	**65,611**	56,814	115,815
Net profit attributable to shareholders	**51,893**	74,829	110,278
Balance Sheet			
Total assets	**2,470,842**	2,406,087	2,469,893
Net cash	**96,314**	313,868	229,084
Shareholders' equity	**1,450,963**	1,423,608	1,455,567
Cash and deposits	**969,758**	1,140,778	1,105,662
Capital commitments	**223,583**	315,121	310,261
Cash Flows			
Operating	**82,984**	60,480	145,337
Investing	**(142,438)**	13,387	(177,776)
Financing	**(31,026)**	56,478	55,718
Change in cash	**(90,480)**	130,345	23,279
Per Share Data	**HK cents**	HK cents	HK cents
Basic EPS	**21**	32	46
Dividends	**5**	8	23
Operating cash flows	**33**	26	61
Net book value	**584**	576	585
Share price at period end	**489**	495	563
Market capitalisation at period end	**HK$9.4bn**	HK$9.5bn	HK$10.9bn
Ratios			
Net profit %	**8%**	18%	12%
Eligible profit payout ratio	**24%**	26%	51%
Annualised return on average assets	**4%**	7%	5%
Annualised return on average equity	**7%**	12%	8%
Total shareholders' return	**(10%)**	41%	62%
Net cash to book value of property, plant and equipment	**9%**	34%	23%
Net cash to shareholders' equity	**7%**	22%	16%
Interest coverage	**4.4X**	6.7X	5.1X

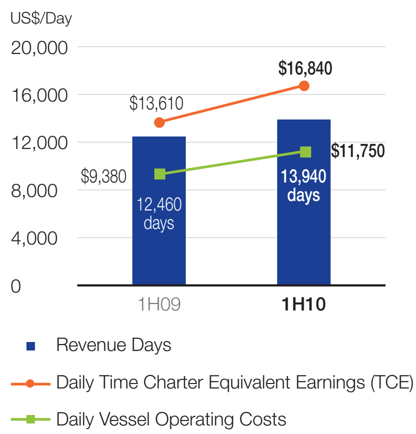
Revenue and Net Profit



Segment Net Profit



Handysize:
Revenue Days, Daily TCE
& Daily Vessel Operating Costs



2 Interim Report of the Directors

Overview

In line with our March 2010 outlook, handysize and handymax bulk carriers enjoyed a much improved half year outperforming all other dry bulk segments relative to the preceding six months. Average handysize spot rates for the period more than doubled year on year and increased 39% compared to the second half of 2009.

Pacific Basin's unaudited net profit for the six months ended 30 June 2010 was US$52 million (2009: US$75 million) with basic earnings per share of HK$0.21. Annualised return on average shareholders' equity during the period was 7%.

However, before the negative impact of unrealised non-cash adjustments mainly due to a fall in bunker prices, our underlying profit for the period was US$66 million. This represented a 16% improvement over our underlying profit of US$57 million in the first half of 2009 when results benefitted from US$15 million non-cash derivative income:

Our improved underlying earnings and strong operating cash flow of US$83 million (2009: US$60.5 million) reflect an increase in Pacific Basin's average handysize daily earnings to US$16,840 per day (2009: US$13,610). Due to the increased cost of short term chartered ships, our handysize breakeven cost has risen to US$11,750 per day for the half year (2009: US$9,380). However, we continue to be mindful of not inflating our core fleet breakeven cost which remains competitive.

As at 30 June 2010, we have cash and bank balances of US$970 million and net cash of US$96 million following various payments in respect of ship acquisition commitments. These include new dry bulk commitments of US$210 million since embarking on our fleet expansion efforts in December 2009. We remain committed to our strategy of directing new investment predominantly towards our cornerstone dry bulk activity.

	Six months ended 30 June		
US$ Million	**2010**	2009	Change
Underlying profit[1]	**65.6**	56.8	+16%
Non-cash derivative (expense)/income	**(13.7)**[2]	15.0	
Provision write-backs	**–**	5.5	
Vessel disposal losses	**–**	(2.5)	
Net profit	**51.9**	74.8	-31%

1 for an explanation of underlying profit, please see page 22
2 analysed on page 31

We continue to specialise in three core areas:

Pacific Basin Dry Bulk

In line with our expectations, commodity transport demand, especially for handysize and handymax capacity, generally kept pace with significant dry bulk fleet growth in the first half of 2010, as manifested in the firm freight market over the period. This buoyancy was largely a result of growth in world industrial production and restocking, continued strengthening in Chinese commodities imports, increased Chinese domestic bulk transportation, and reduced efficiency of global fleet utilisation as importers sourced commodities from further afield.

However, the dry bulk market has fallen significantly since the end of May primarily because of seasonally reduced activity in June and into the third quarter. The market has also been considerably undermined by a fall in Chinese commodities imports due to reduced government-backed stimulus commitments, measures taken to cool the Chinese property market (the largest user of steel in China) and reduced margins for steel producers, at a time of unprecedented dry bulk fleet expansion especially in the capesize segment.

Pacific Basin's dry bulk focus in the period was on the strategic expansion, at reasonable cost, of our fleet of handysize and handymax ships. Since December, we have purchased nine vessels and chartered in on a long term basis another five, of which only eight will have delivered and contributed to our earnings in 2010. Driven by the relatively strong freight market, ship values increased strongly to US$28 million for a benchmark five year old handysize vessel at the end of June. Values have since fallen to US$26 million in the wake of the third-quarter freight market slump, though this still represents an increase of approximately 18% over December 2009 values, which supports significantly increased asset values for our existing fleet, including our recent acquisitions.

In line with our policy to secure future earnings, we have increased our forward cargo cover for our expanded handysize and handymax fleet which, as at 26 July 2010, stood at 89% for 2010 and 33% for 2011 in terms of handysize-equivalent days. We expect the majority of our current uncovered 2010 revenue days will generate revenue from the spot market, though we are building further our cover for 2011 and beyond.

PB Energy & Infrastructure Services

The towage and infrastructure markets in Australia and the Middle East remained weaker than we had expected thus impacting the utilisation of our offshore towage fleet over the second quarter, particularly in the Middle East, which saw reduced construction activity in the wake of the Dubai debt crisis. Meanwhile, our Fujairah Bulk Shipping joint venture has adjusted the pace of production on the 54 million tonne Fujairah Northern Land Reclamation project to complete approximately three months ahead of schedule, and we are exploring new infrastructure and offshore opportunities to pursue when this project is concluded in 2011. Our harbour towage business in Australia continues to be negatively impacted by rationalisation in containership operations into Australia (using larger but fewer vessels) resulting in fewer jobs and therefore lower utilisation of our harbour tugs.

PB RoRo

Our one delivered RoRo vessel is operating satisfactorily in the North Sea. Our five remaining RoRo newbuildings are scheduled to deliver in late 2010 and 2011, and we continue to expect a challenging trading environment for them in the immediate future as sluggish trade in Europe continues to undermine the RoRo market. However, we anticipate a slow recovery over the next few years once the resumption of underlying demand growth in the European freight forwarding and road haulage sectors combines with a tightening of supply after the current orderbook has delivered. In the meantime, we are actively exploring a wide range of employment opportunities for our fleet both within and outside Europe. We have entered into a commercial management joint venture with our existing ship management partner, who controls several additional ferries, in order to enhance our marketing capability and offer our customers a wider choice of RoRo tonnage.

Financing

As reported in our first quarter 2010 trading update, on 12 April 2010 we issued US$230 million of new convertible bonds (due in 2016) to refinance a portion of our outstanding convertible bonds (due in 2013) of US$314 million as at 31 December 2009. In the first half of 2010, we repurchased an aggregate of US$194 million of our 2013 convertible bonds at or below face value, leaving only US$120 million remaining. This amount is fully covered by our recent 2016 convertible bonds at a lower coupon of 1.75% with the additional cash available for future dry bulk investments.

Fleet Development

As at 31 July 2010, the Group's fleet (including newbuildings) numbered 171 vessels comprising 125 dry bulk ships, 39 tugs and barges, one bunker tanker and six RoRos. In the year to date, our core fleet on the water expanded by four bulk carriers and 11 tugs, and we still await 12 bulk carriers and five RoRos delivering in the second half of 2010, 2011 and 2012. Our dry bulk core fleet on the water has an average vessel age of less than seven years.

Dividend

The Board has declared an interim dividend of HK 5 cents per share, representing a payout ratio of 24% at the interim, and for the full year remains committed to our existing dividend policy of paying out a minimum of 50% of profits excluding disposal gains.

Outlook

Our view remains neutral for the dry bulk market in the second half of 2010. We expect to see a relatively weak third quarter due to seasonally quieter activity and currently reduced Chinese demand for commodity imports. However, we believe the market will improve later in the year on the back of a seasonal demand rebound and resumed buying and restocking in China. Much rides on the degree to which demand factors – some of which have been exceptional in nature during the financial crisis – will absorb expanded supply. Hopes pivot on China where questions remain over the impact on demand of reduced steel production margins and economic stimulus. Nevertheless, we expect a half-year period that is on balance somewhat weaker than the first half, though still generating profitable rates for our ships and thus supporting our aim to grow our fleet further while maintaining a competitive cost base.

We see continued challenges in 2010 for PB Energy & Infrastructure Services due to hesitant new demand for towage and infrastructure support services in Australasia and the Middle East and sluggish container-related demand for our harbour towage. However, we consider this division to be well positioned to grow on the back of increasing activity and new opportunities in our target regions in the medium to longer term.

Assuming the slow recovery in European trade continues, we expect the challenging trading environment for RoRos to persist throughout 2010 and into 2011, with any measurable recovery deferred until later in 2011 or 2012. However, we remain positive for the more distant future with the revival of European economic and trade growth, continued political and social pressure to move freight from road to sea, and the development of new trades in the Mediterranean and Asia, combined with potentially tightening supply.

Strategically our focus remains unchanged as we press on with efforts to expand our core dry bulk fleet. Pacific Basin is in a unique position to leverage its business model with a robust balance sheet that will allow us to further increase the scale of our cornerstone dry bulk business as appropriate opportunities arise.

Pacific Basin Dry Bulk

Market Review

- The market for handysize and handymax bulk carriers in first half of 2010 was largely characterised by consistent strong earnings. Handysize spot rates trended upwards between approximately US$15,000 at the start of the year to US$21,000 per day net, though they fell steadily over the month of June to close the half year at approximately US$16,000, and they have since fallen further to approximately US$14,000. Average handysize spot rates for the period were up by over 100% year on year and 39% compared to the second half of 2009.

- In contrast to the relative resilience and stability of the handysize and handymax markets, freight rates for the largest bulk carriers were far more volatile with the vacillating capesize market trending downwards until mid April when capesize vessels generated lower spot earnings than handymax ships. They then surged 150% by the end of June due to short term buoyancy on the back of increased imports to China.

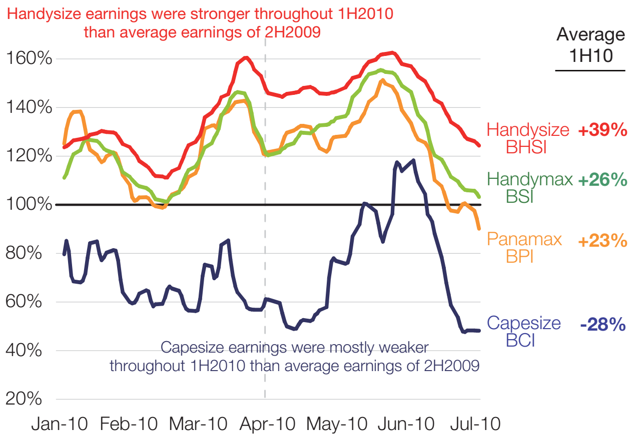
- Significantly influenced by capesize fortunes, the Baltic Dry Index ("BDI") traded from a low of 2,566 points in mid February to a high of 4,209 points at the end of May since which time it has fallen 53% to 1,967 points due primarily to the onset of the low season for grain exports and due to lower steel and higher commodity prices impacting the profitability of steel production and in turn curbing growth in raw material imports.

- A comparison of the first half 2010 performance of the various dry bulk segments relative to their average earnings in the second half of 2009 shows that handysize has again outperformed all other dry bulk segments (see graph below). This strengthening was accompanied by reduced volatility across the sector with the BDI trading within a narrower band than it did in both halves of last year.

Baltic Dry Index

Source: The Baltic Exchange

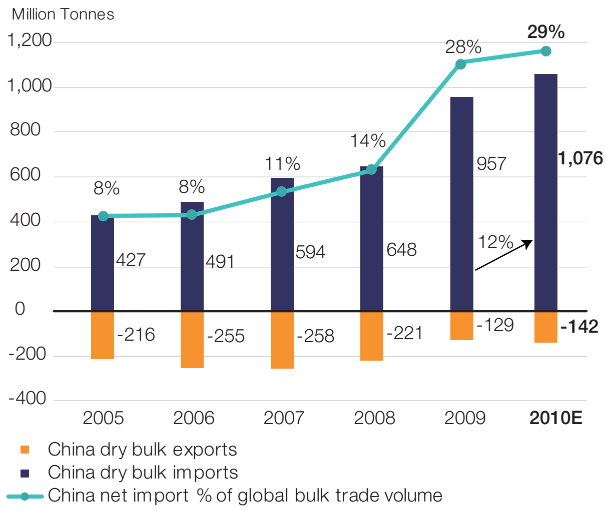
Sector Earnings Performance 1H2010 versus Average 2H2009



Source: The Baltic Exchange, data as at 30 June 2010

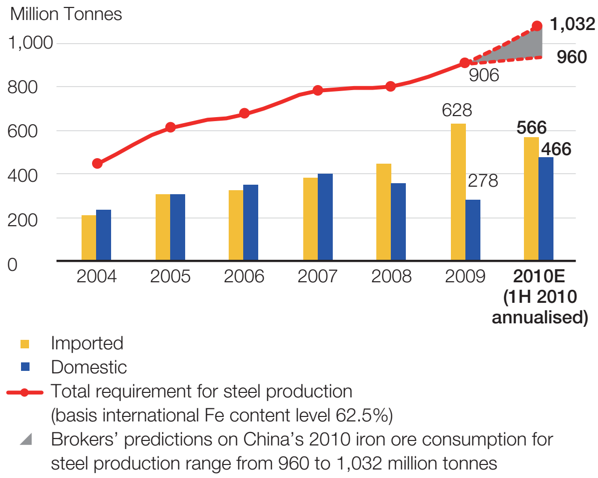
- While the general trend for the various segments remains similar, we are beginning to see differing supply and demand characteristics across the sector:
  - o smaller ship segments – smaller orderbooks, older age profiles, higher scrapping potential and a diverse range of commodities carried
  - o larger ship segments – larger orderbooks, younger age profiles and lower scrapping potential
- Remarkably, this positive dry bulk market trend took place at a time of increased vessel deliveries and very limited scrapping (although some scrapping continued in the handysize segment) driving a doubling in the rate of dry bulk net fleet growth year on year.
- We attribute the positive supply/demand balance and the overall improved freight rates in the first half 2010 to the following main factors:
  - o growth in Chinese import of raw materials, though not at the same unprecedented pace as in 2009;
  - o increased Chinese domestic coastal transportation in bulk carriers – especially of iron ore and coal;
  - o growth in industrial production driving gradual recovery in demand from the rest of the world following the financial crisis; and
  - o widening East-West trade imbalance.

Chinese Dry Bulk Trade Volume



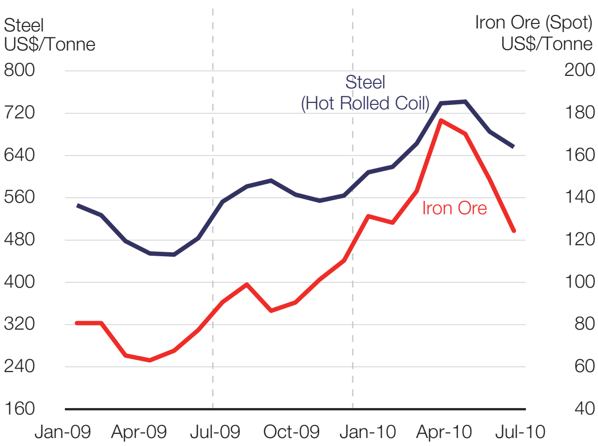
Source: Clarksons

China Iron Ore Sourcing for Steel Production



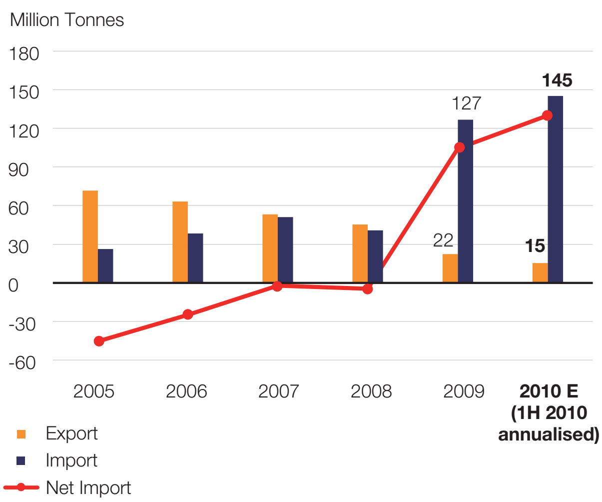
Source: Bloomberg LP

Chinese Steel & Iron Ore Prices



Source: Steel Business Briefing, Pareto Securities

China is a Net Importer of Coal



Source: Bloomberg LP

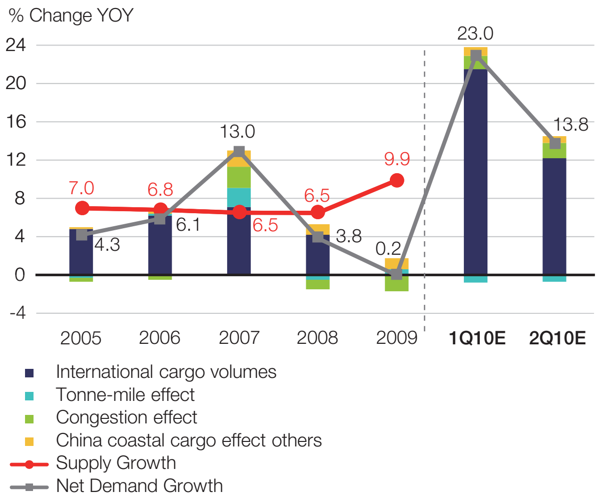
- R.S. Platou estimate demand to have grown 23% and 14% year on year in the first and second quarters respectively, reflecting the significantly improved trading conditions compared to the dysfunctional market at the start of 2009. We expect year on year demand growth will moderate to a more normal level in the second half of this year as demand growth aligns with that of an improved second half of 2009.

- The East-West trade imbalance has widened causing the deployment of the global dry bulk fleet to become increasingly inefficient. It is driven by accelerated Chinese import growth and the resultant widening gap between China's dry bulk commodity imports and exports. Net imports rose gradually over much of the past decade before increasing dramatically in 2009 when they represented 28% of global dry bulk trade. Clarksons estimates that figure will increase to 29% for full year 2010. The imbalance has had the effect of attracting more laden vessels (loaded with cargo) into an area where there are fewer opportunities to load a return cargo. This causes more of the dry bulk fleet to steam out of the area in ballast (empty) to load new cargoes in loading areas further afield. As a result, utilisation of the global dry bulk fleet is less efficient, thus further tilting the supply-demand balance in favour of a stronger freight market.

- As at the end of June, the dry bulk fleet was approximately 14% larger than a year before, representing a degree of fleet expansion not seen since the early 1970s. Newbuilding deliveries in the first half of 2010 were 26% greater than in the previous half year (and more than double that of the first half of 2009) with only very limited scrapping. Much of the dry bulk fleet growth is attributable to the capesize fleet (+22% net year on year) whereas the handysize fleet has by comparison remained relatively unchanged with net fleet expansion of 5% year on year following a year of contraction in 2009 when handysize scrapping exceeded new ship deliveries.

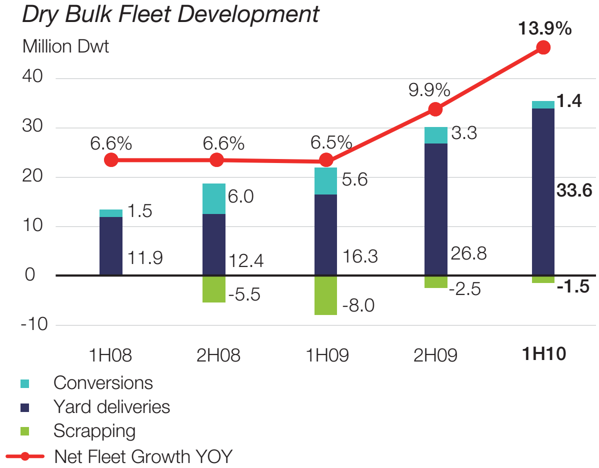
- While newbuilding deliveries have accelerated, recorded deliveries in the first half of 2010 fell short of the scheduled orderbook at the start of the year by over 40% – similar to the amount we predicted and in line with that observed last year. We expect a similarly large shortfall in deliveries for the full year.

Dry Bulk Fleet Demand and Supply



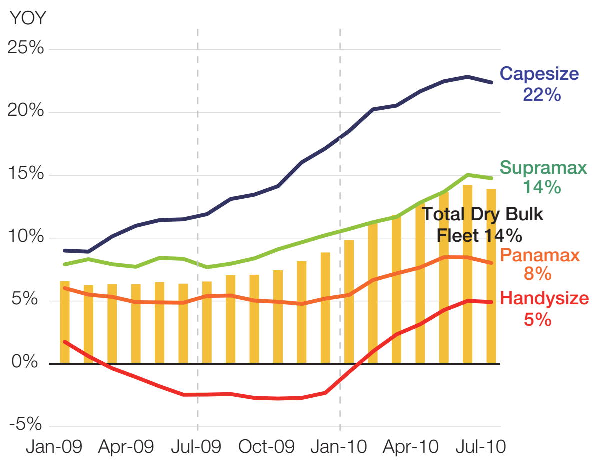
Source: R.S. Platou, Clarksons

Dry Bulk Fleet Development



Source: Clarksons, data as at July 2010

Dry Bulk Fleet Growth By Sector

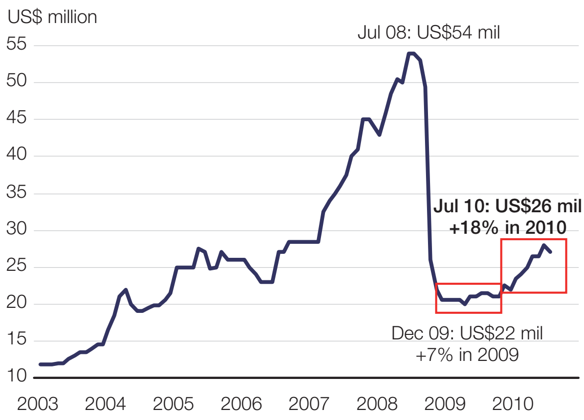


Source: Clarksons

- In the longer term, we expect handysize and handymax vessels to fare better than other dry bulk segments as the orderbook for large dry bulk ships is significantly larger. However, dry bulk vessel contracting in the first half of 2010 increased 61% over the previous half year thus partly replenishing the decreasing orderbook.

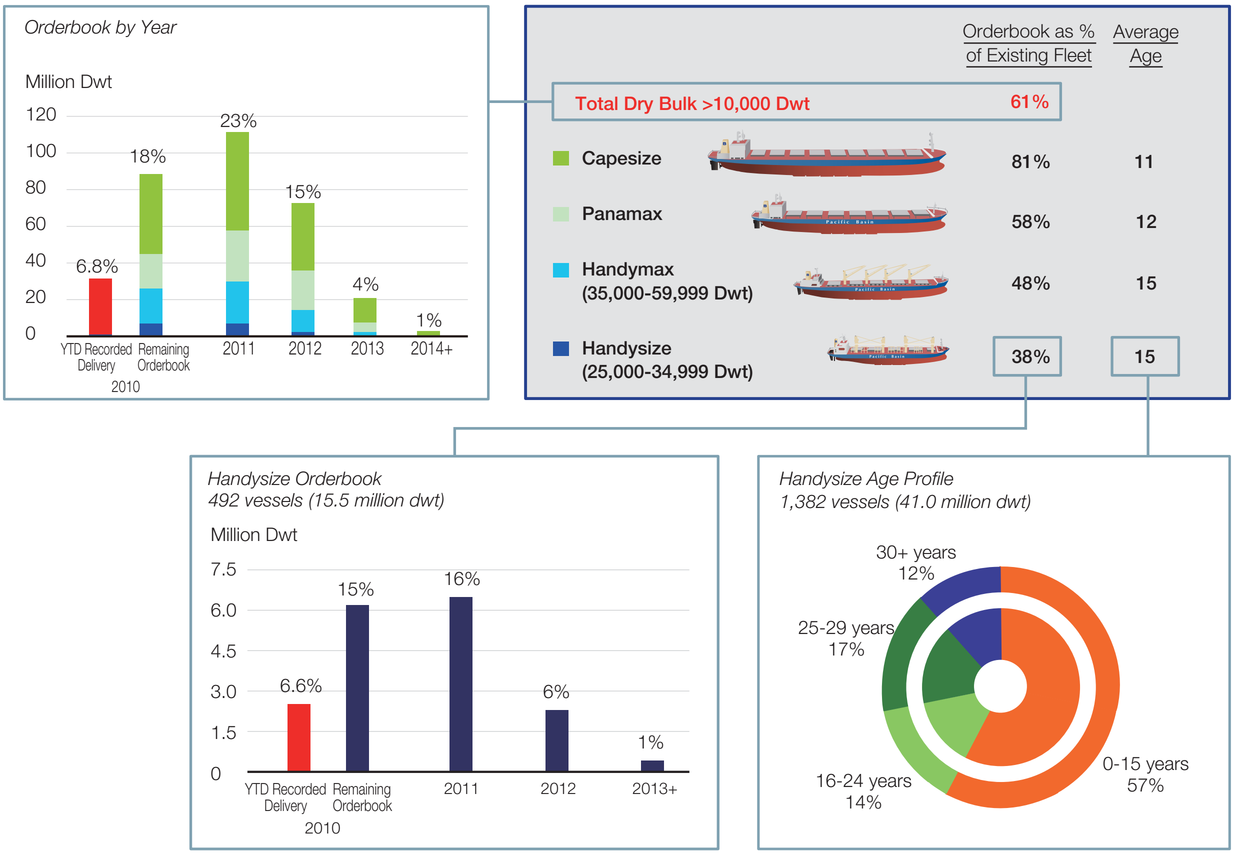
- Driven by the relatively strong freight market and improved outlook, ship values also increased strongly. Clarksons currently estimates the value of a benchmark five year old handysize at US$26 million following a recent decline from US$28 million in June. This still represents an improvement of approximately 18% over December 2009 values, which supports significantly increased asset values for our existing fleet, including our recent acquisitions.

5 Year Old 28,000 Dwt Vessel Values



Source: Clarksons

Dry Bulk Orderbook Analysis



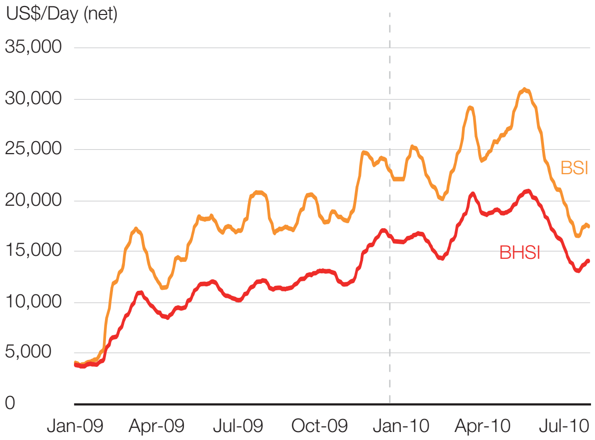
Source: Clarksons, data as at 1 July 2010

Business Review

Our cornerstone Pacific Basin Dry Bulk division continues to operate one of the world's largest and most modern fleets of uniform handysize and handymax ships and year to date has performed well in an improved dry bulk market.

	Handysize		Handymax	
	1H 2010	1H 2009	**1H 2010**	1H 2009
Average number of ships	**78**	69	**31**	29
Net profit (US$)	**69.7 million**	52.1 million	**8.8 million**	11.5 million
Daily charter rates earned (US$)	**16,840**	13,610	**23,680**	19,840
Daily vessel operating costs (US$)	**11,750**	9,380	**22,050**	17,580
Indices (US$ net, average BHSI/BSI)	**17,892**	8,637	**25,082**	13,005
Cargo volume (Million tonnes)	**9.6**	8.5	**6.0**	5.0
Main cargoes	**logs & forest products, metal concentrates, grain & agriculture products**	logs & forest products, metal concentrates, cement, steel & scrap	**grain & agriculture products, coal/ coke, ore**	coal/coke, ore, grain & agriculture products

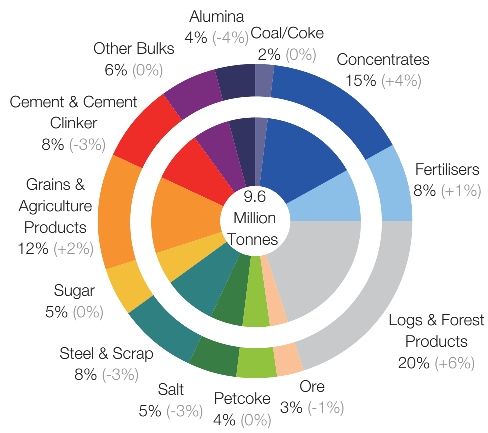
Baltic Handysize Index (BHSI) versus Baltic Supramax Index (BSI)



Source: The Baltic Exchange

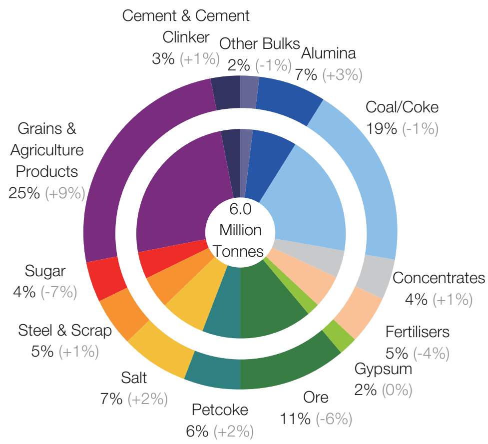
- Pacific Basin Dry Bulk generated first half 2010 net profits of US$78.5 million (2009: US$63.6 million) and annualised return on net assets of 27% (2009: 30%).
- We operated an average of 109 dry bulk ships during the period (2009: 98 ships).
- We have purchased nine vessels and chartered in on a long term basis a further five since December 2009.
- We carried 67% more logs than in the first half of 2009 due to increased Chinese demand for seaborne log imports – especially from New Zealand, the United States and Canada – which are cost competitive against logs imported from Russia by land.
- We are also transporting more copper concentrates from South America and Indonesia to North Asia, trades which are complemented by our growing cargo volumes in the opposite direction which allow for a more efficient utilisation of our fleet.
- In line with our strategy to secure forward cargo cover, we have covered 89% of our 2010 contracted combined dry bulk ship revenue days as at 26 July 2010, and we expect the majority of our current uncovered 2010 capacity will generate revenue from the spot market. We are also focused on building our forward cargo book for 2011 and beyond.

Handysize Cargo Volume 1H 2010



( ) % Change against 2009

Handymax Cargo Volume 1H 2010

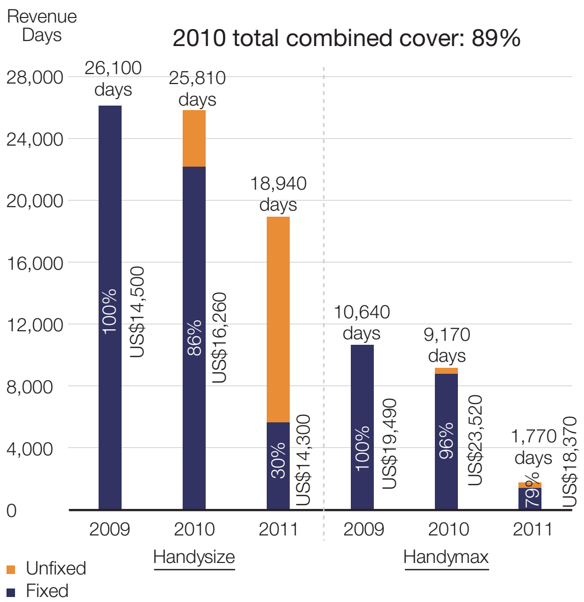


( ) % Change against 2009

Vessel Activity Summary
(as at 26 July 2010)

		Handysize		Handymax	
	Unit	FY 2010	FY 2011	FY 2010	FY 2011
Cargo Commitments					
Revenue days	days	21,520	5,700	8,630	1,030
Net paper contracts	days	720	–	130	370
Equivalent revenue days	days	22,240	5,700	8,760	1,400
Daily TCE	US$	16,260	14,300	23,520	18,370
Ship Commitments					
Vessel days	days	25,810	18,940	9,170	1,770
Net Position					
Cargo as % of ship commitments	%	86%	30%	96%	79%
FFA Activity Summary					
FFA paper sold	days	1,590	–	3,170	730
FFA paper bought	days	(140)	–	(3,070)	(360)
Net realised paper exposure	days	(730)	–	30	–
Net FFA paper sold/(bought)	days	720	–	130	370

Contract Cover and Daily TCE



Outlook

The following market-related factors are expected to most influence the dry bulk sector in the remainder of 2010:

Positive Factors

- Seasonal demand recovery in the fourth quarter as the grain market activity returns
- Revival in Chinese raw material imports and restocking in the fourth quarter largely driven by new quarterly iron ore pricing mechanism which will see fourth quarter prices decline as determined by lower third quarter spot prices
- Continued global economic recovery, albeit slow and variable, leading to increased commodity demand
- Strong growth in developing countries, especially the BRICs, resulting in increased infrastructure building and therefore increased steel demand and commodity consumption
- China's increasing dependence on imported commodities compounded by growth in its domestic and international trade
- Continued slippage and non-realisation of scheduled 2010 newbuilding deliveries leading to less than scheduled new ship supply (over 40% shortfall to date)

Negative Factors

- Heightened risk of unprecedented vessel supply growth
- Unwinding of economic stimulus, especially in China where cooling measures impact on the property market (the largest driver of commodity demand in China)
- Reduced Chinese demand for imported iron ore due to high ore prices and low steel prices causing margins squeeze
- Flatter than expected recovery in USA and slow, hesitant growth in developed countries, especially in Europe where austerity measures are stifling demand

Weighing these factors, our view remains neutral for the dry bulk market in the second half of 2010. Whilst we expect to see a relatively weak third quarter, we believe the market will improve later in the year on the back of a seasonal demand rebound and resumed buying and restocking in China. On balance, we expect a half-year period that is somewhat weaker than the first half, though still generating profitable rates for our ships and with the handysize segment continuing to outperform other dry bulk segments at least until the year end. Strategically our focus remains unchanged as we press on with our measured expansion of our dry bulk fleet whilst being mindful to maintain our competitive breakeven cost when evaluating acquisition opportunities.

PB Energy & Infrastructure Services

PB Energy & Infrastructure Services encompasses:

- PB Towage – our towage logistics business which engages in:
    - o offshore support services for construction and energy projects, mainly through our PB Sea-Tow brand and our activities in the Middle East
    - o harbour towage under the banner of PB Towage Australia

- Fujairah Bulk Shipping LLC ("FBSL") – our infrastructure joint venture in the United Arab Emirates

- PacMarine Services – our marine surveying and consultancy business

Market Review

The segments of the highly fragmented towage sector and infrastructure services business in which we are engaged have seen the difficulties of 2009 continue throughout the first half of 2010.

Offshore Towage and Infrastructure Support:

- Despite some recovery in oil price and demand for large platform supply vessels, demand for offshore exploration and production support services remained sluggish relative to the market peak of 2008 particularly in the Middle East. This weakness in demand combined with excessive supply of sophisticated offshore support vessels following high levels of newbuilding ordering activity pre-2008 has resulted in a continued low charter market in 2010.

- Our main market in Australia remained weaker than we had expected. Despite a number of long term energy projects in the region, some recent slowdown in demand for offshore services compounded by increased competition from operators placed additional downward pressure on earnings.

Harbour Towage:

- Container shipping improved in the second quarter, with volumes recovering to pre-crisis levels in the areas in which we operate. This would normally have lead to increased ship movements and therefore increased demand for harbour towage services. However, rationalisation of services by the container lines such as through the deployment of larger ships has resulted in fewer port calls despite improved trade volumes. Towage activity in bulk ports was less affected than in container ports due to continued strong commodity exports over the period, mainly to China.

Business Review

The PB Energy & Infrastructure Services division made a net profit in the first half of 2010 of US$4.0 million (2009: US$6.6 million) and an annualised return on net assets of 4% (2009: 10%), which we consider less than satisfactory due to a poor result for our towage sub-division.

PB Towage

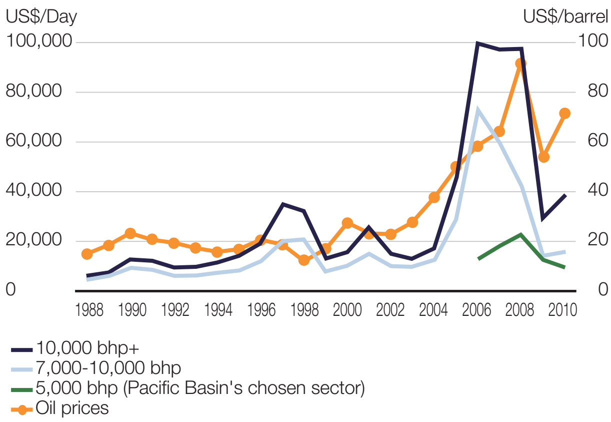
- PB Towage continued to expand its profile and market position in the first half of the year, particularly in Australasia following the commencement of our harbour towage service in the Port of Townsville. Although results were disappointing due to challenging trading conditions, the division is better placed to benefit from future upswings in the market. Expansion of the PB Towage fleet and business continued over the period, and we now operate a modern fleet of 33 tugs, six barges and one bunker tanker.

- PB Towage's joint venture in Perth continues to profitably provide towage logistics services to support the Gorgon Project which is the largest ever infrastructure project in Australia.

- Elsewhere, our offshore towage businesses continue to engage in energy and construction logistics work in Western Australia and the Arabian Gulf, though demand and supply challenges in Australasia in particular have impacted on the utilisation and profitability of our fleet of offshore tugs that are not deployed on the Gorgon Project.

- Our Australian harbour towage business PB Towage Australia maintained its market share in container ports and commenced new services under long term exclusive service licenses at three bulk ports. We expect these to provide our harbour towage business with greater resilience in view of the sluggish demand in container ports.

Charter Rates for Towage Vessels versus Oil Price



Source: Clarksons, Energy Information Administration (EIA), Pacific Basin

Fujairah Bulk Shipping

- Due to the much reduced demand for infrastructure services in the region in 2009 and the first half of 2010, FBSL has adjusted the pace of production on the Fujairah Northern Land Reclamation to originally budgeted levels to complete this project approximately three months ahead of schedule when regional economic conditions will more likely enable FBSL to secure new projects.

- With the construction of the Abu Dhabi Crude Oil Pipeline to Fujairah and a number of other upcoming infrastructure projects in the region, FBSL remains well positioned for growth.

PacMarine Services

- Our marine surveying and consultancy business has recently expanded its network to South America and North East United States. It now operates from 16 locations around the world, reinforcing its position as a leader in the field of marine services provided primarily to oil majors, P&I clubs, underwriters, lawyers, loss adjusters, etc.

Outlook

The following market-related factors are expected to have most influence on the energy and infrastructure services sectors in the remainder of 2010:

Positive Factors

- Noticeable, albeit slow, global economic recovery to sustain trade growth and therefore drive vessel movements in Australian ports
- Increasing oil and energy prices gradually leading to more offshore projects and related infrastructure development activities
- Resumption of infrastructure and offshore projects in the Middle East following recovery from the Dubai debt crisis
- Perseverance leading to better recognition of brand and quality of service

Negative Factors

- Rationalisation of containership tonnage indicates increased volumes on larger ships leading to slower than desired recovery rate in port calls
- US moratorium on deep-water drilling exerting downward pressure on rates
- Lower rates due to newbuilding deliveries driving net fleet expansion at a time of reduced activity in the oil and gas market.
- Cessation in the export of aggregates in the Middle East due to much reduced demand for construction materials

Our outlook for PB Energy & Infrastructure Services in 2010 is less than satisfactory overall due to an expected weaker contribution from our towage division and only a budgeted contribution from FBSL.

PacMarine is well placed to continue to expand regular survey and consultancy services to its established and growing customer base. However, we anticipate hesitant new demand for offshore towage support services in Australia and the Middle East in the short term, and only marginal improvement in Australian harbour towage demand in the balance of 2010. Given the slowdown in the Middle East and the uncertainty of the speed of recovery in its infrastructure market, we also take a cautious view for FBSL in the remainder of the year.

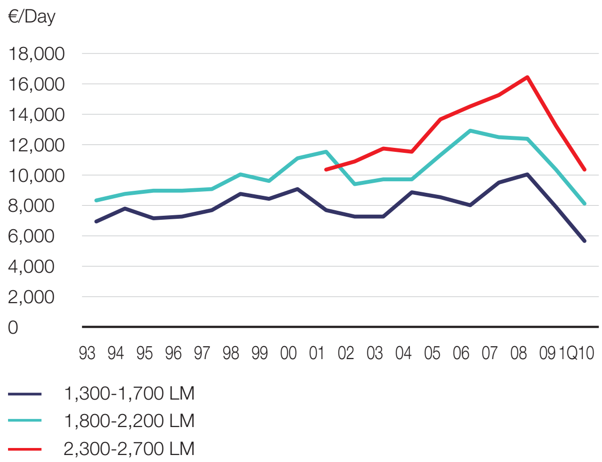
Weighing these factors, we see continued challenges in 2010 for PB Energy & Infrastructure Services. However, with potential new oil, gas and infrastructure development projects on the horizon in Australasia and the Middle East, and gradually increasing vessel movements in Australian ports, we consider the division to be well positioned to grow on the back of a recovery in activity and new opportunities in the longer term. We remain open to the possibility of expanding the business and acquiring further assets against specific, high-return projects.

PB RoRo

Market Review

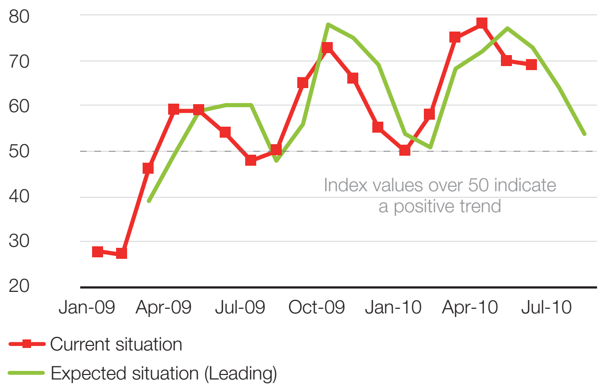
- The RoRo sector remains weak with the effects of the financial crisis and the economic recession still apparent in the lack of charter demand for freight RoRo vessels. Operators have surplus capacity and, as a consequence, time charter rates continue to trend downwards. Maersk Broker data shows the one year moving average time charter rate for large RoRo vessels to have fallen by approximately 35%-40% since the onset of the recession.
- However underlying freight demand within the core European market is now showing signs of recovery. The European Freight Forwarding Index produced by Danske Bank from a regular survey of European forwarders has shown increased volumes since the start of 2010 and forecasts continued recovery in trade over the next few months. The number of trailers carried on the main North European RoRo routes have increased significantly since the beginning of the year although they are still running some 10%-15% below pre-recession levels. The development of new trades, notably from Turkey to the Western Mediterranean, offers the prospect of greater demand for tonnage in the future.
- Supply side statistics for the RoRo sector remain favourable. The orderbook is relatively small at 15% of the current fleet and the high average age of the fleet (20 years) combined with the weak market is now leading to a significant level of scrapping with some 53,100 lane meters of capacity (5.9% of the fleet) removed in the year to date – almost three times the rate seen in 2009. With an almost complete lack of newbuilding orders since the end of 2008, Maersk Broker project a declining world fleet from 2010 onwards, although the significant number of newbuildings yet to be delivered will delay the start of any fleet contraction in our large freight RoRo sector until 2011.

RoRo 1-Year Moving Average Time Charter Rates (1,300-2,700 Lane Metres)



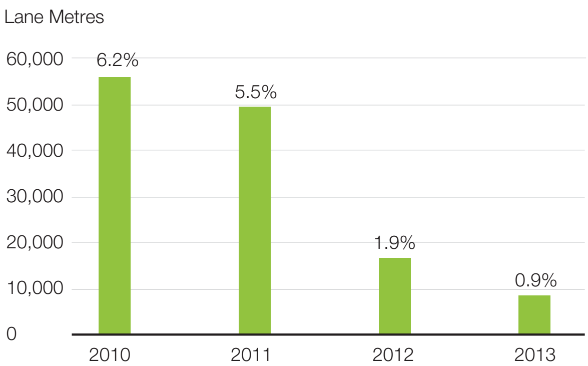
Source: Maersk Broker, data as at June 2010

European Freight Forwarding Index



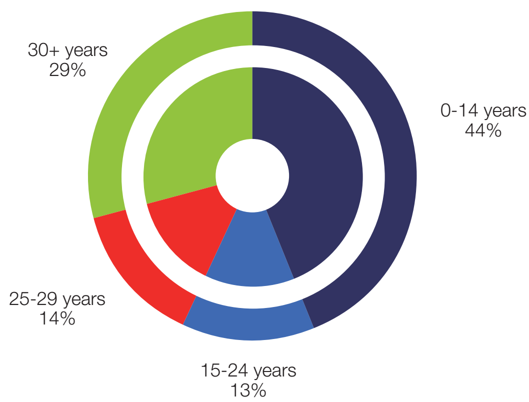
Source: Danske Bank, data as at July 2010

RoRo Orderbook: 15% of Existing Fleet
41 Vessels (130,000 Lane Metres)



Source: Maersk Broker, data as at June 2010

World RoRo Fleet
460 Vessels (896,000 Lane Metres)



Source: Maersk Broker, data as at June 2010

Business Review

- The RoRo division made a net profit of US$0.5 million in the first half of the year (2009: loss of US$ 0.4 million), broadly in line with budget. Annualised return on net assets was 1%.

- Since her delivery in September last year, the "Humber Viking" – our first newbuilding from Odense Steel Shipyard in Denmark – has been trading successfully between ports in Holland and the United Kingdom under a three-year time charter to Norfolk Line.

- Our two chartered-in Korean-built RoRo newbuildings (for which we hold purchase options exercisable 30 days after delivery) are currently scheduled to deliver into our chartered fleet in September and November 2010. As announced last year, delivery of our remaining three Odense newbuildings has been deferred until 2011 and so we have a relatively limited exposure to the current weak market in 2010.

- Our aim remains to become a leading supplier of high quality, fuel efficient and operationally attractive freight RoRo to major operators. We are confident that in the longer term, as the freight market recovers, this will prove to be a profitable strategy. In the meanwhile, we are exploring a wider range of employment opportunities within and outside Europe for our next vessel delivering in September. Although there remains a risk that the ship may not be immediately deployed on delivery, this would have only limited effect on our 2010 results given the timing of her delivery so late in the year.

- In order to enhance our marketing efforts and offer charterers an improved service, we have expanded our RoRo ship management joint venture to include a new commercial management capability comprising the combined ferry expertise of the joint venture partners. In view of the current market conditions, we consider this to be a timely arrangement which, supported by an experienced in-house technical management team, will enable us to offer our customers a wider choice of high-quality, reliable ships of uniform and environmentally-friendly design and meet their frequent requirement for multiple sister vessels suitable for trading in tandem on the same route.

Outlook

The following market-related factors are expected to have most influence on the large RoRo sector during the rest of 2010:

Positive Factors

- Global and in particular European economic recovery is expected to support modest growth in trailer volumes and short-sea RoRo trades
- Significant benefit of a weaker Euro to the European export sector
- Some scrapping is expected to limit the degree of overcapacity, though net contraction of the global fleet of large RoRos is expected to take effect later in 2011 following delivery of the majority of the current orderbook

Negative Factors

- A significant number of large RoRo newbuildings remain scheduled to deliver in 2010 and 2011
- RoRo operators in the core European market still have overcapacity and so are reluctant to charter new vessels
- Implementation of austerity measures in Europe, and fall-out from the sovereign debt crisis
- Sluggish recovery in USA impacting global trade and slow, hesitant growth in developed countries
- Slow take-up of RoRo trades in regions outside of Europe

Despite recent marginal improvement in volumes, we expect the challenging trading environment for RoRos to persist throughout 2010 and into 2011, with any measurable recovery deferred until later in 2011 or 2012 assuming the slow recovery in European trade continues. However, we remain positive for the more distant future with the revival of European economic and trade growth, continued political and social pressure to move freight from road to sea, and the development of new trades in the Mediterranean and Asia, combined with potentially tightening supply. We are confident that our fuel efficient, high quality vessels will prove increasingly attractive to charterers.

Klaus Nyborg
Chief Executive Officer

Hong Kong, 3 August 2010

Corporate Citizenship

We at Pacific Basin remain intent on growing and improving our business, strengthening our market position, and securing our place as the dry bulk operator of choice for our customers, investors, employees and stakeholders at large. We recognise that such ambition comes with responsibility in a large number of areas. In this vein, we are committed to maintaining high standards of excellence within the Company, in particular on environmental, social, staffing and safety matters.

Environment

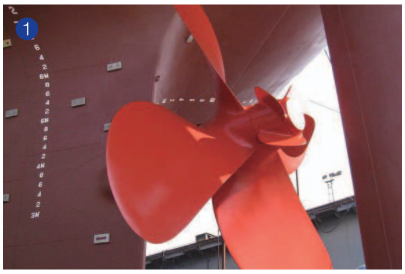
Pacific Basin seeks to minimise its impact on the environment and we operate our vessels in strict adherence to applicable environmental legislation, exceeding regulatory requirements where practically possible.

We own a modern fleet of dry bulk, towage and RoRo vessels which consume less fuel and produce fewer emissions than the average vessel in the sectors in which we are engaged. With a focus on our cornerstone dry bulk fleet, we strive for continual, further improvement on our vessels' environmental performance through a range of efforts predominantly involving:

- monitoring and analysis of our ships' emissions such as carbon dioxide (CO_2), sulphur content of fuel as well as operational and household wastes;
- review and adjustment of our operational practices and adoption of technical measures to reduce such output;
- monitoring and reviewing of industry developments to minimise the environmental impact from ships; and
- continual renewal of our fleet for environmental and economic reasons, with a focus on fuel-efficient hull and machinery.

We are constantly pursuing initiatives designed to increase our vessels' fuel efficiency and otherwise reduce our emissions and discharges at sea. Environmental protection is pursued at sea and ashore through a range of practices that reduce our consumption of electricity, water and materials and we recycle our waste where possible.

Whilst some of our initiatives might make a relatively modest positive impact on the environment, we believe that every effort counts. Many of the initiatives that we pursue at sea and ashore go well beyond what is required of us under law. Most of our environmental efforts have also resulted in significant cost savings.

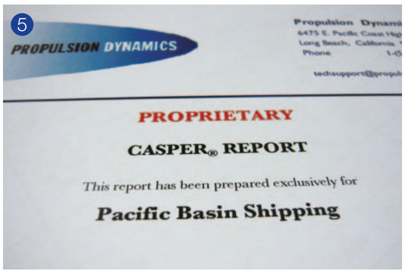


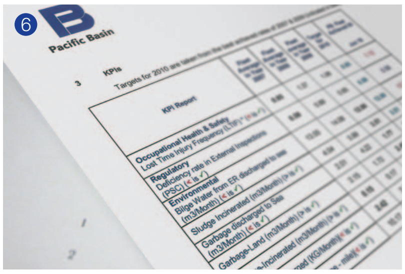
1 we fit boss cap fins to all our ships' propellers to reduce shaft torque and improve fuel efficiency

2 we apply low-friction anti-fouling paints to our ships' hulls as far up as the summer load line to reduce drag

3 we adopt fuel-efficient voyage planning, speed reduction programming and other operational measures to achieve increased fuel savings

4 we fit and use garbage compactors on our ships to facilitate easy storage and handling of all our domestic operational garbage for disposal at shore-side facilities





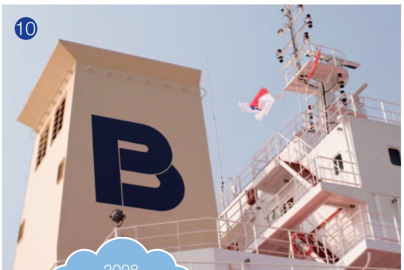
5 we use the Computerised Analysis of Ship Performance (CASPER) system to monitor hull performance over time allowing us maximise fuel efficiency

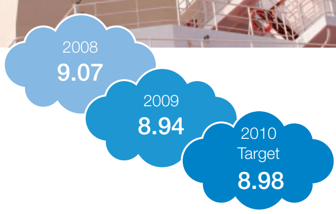
6 we record Environmental Key Performance Indicators (KPIs) in our monthly Environmental Management System (EMS) Report allowing for effective performance tracking

7 we monitor and engage in regulatory debate via various industry bodies, particularly regarding climate change, in preparation for eventual carbon emissions abatement measures to be imposed on international shipping

7 香港船東會 HONG KONG SHIPOWNERS ASSOCIATION · INTERNATIONAL CHAMBER OF SHIPPING · INTERCARGO

8 PROJECT KAISEI CAPTURING THE PLASTIC VORTEX





Our fleet's CO_2 emissions in grams per tonne-mile

8 we support marine-related environmental causes such as Project Kaisei, a non-profit organisation established to increase understanding of the scale and impact of debris in our oceans and how we can introduce solutions for both prevention and clean-up

9 our environmental performance and initiatives have earned us awards from various organisations including the Port of Long Beach and, most recently, the Green Awareness Award 2010 from the Hong Kong Marine Department

10 our GHG emissions data has been published via the Carbon Disclosure Project

Health and Safety

The safety of our staff and seafarers and the environment is a responsibility that we take very seriously and our prescribed processes aimed to prevent injury, loss of life and damage to the environment are encompassed in our Pacific Basin Management System (PBMS). Our proactive implementation of the PBMS ashore and at sea conform to the mandatory International Safety Management (ISM) Code and a number of voluntary safety and environmental management standards as certified by Lloyd's Register Quality Assurance (LRQA), including:

- ISO 14001:2004 for our environmental management system;
- OHSAS 18001:2007 for our occupational health & safety management system; and
- ISO 9001:2008 for our quality management system.

Standards and Training

We recognise the importance of training to promote safe operations and to provide employees with a fulfilling and healthy work environment.

For our staff at sea, we employ a number of Fleet Training Superintendents to sail on vessels and offer on-the-job training in safety and key operational areas. Our technical department provides advice and counsel on correct safety and operating procedures to ensure a high level of performance amongst our seafarers. Through the commitment we make to our crews' safety, training and overall job fulfilment, we benefit in return with increased retention of high-quality, loyal seafarers and safe ship operation.

On shore, we also conduct half-yearly training seminars for our senior officers at our crew training centres in Dalian and Manila so that they are kept fully abreast of regulatory requirements, experience feedback and other developments affecting our industry and their areas of focus. Shore staff attend relevant industry seminars and are also encouraged to undertake higher education courses, for which the Company will provide financial assistance where appropriate.

We have operated a cadet recruitment and training scheme in China since 2005, and this has been extended to the Philippines with the launch of an officer cadet training programme in June 2010.




In-house safety training seminar in Dalian and Manila

We have demonstrated a good track record in external inspections and won the Hong Kong Marine Department's "Best Performing Ship Management Company in Port State Control Inspections" awards in 2008, 2009 and again in 2010.

The Community

We recognise our obligations as a responsible member of the community both in Hong Kong and the cities and ports where Pacific Basin carries out its worldwide trades.

We are active contributors within the shipping community through our membership of maritime organisations and bodies such as Intercargo, BIMCO, the Baltic Exchange and the Hong Kong Shipowners Association, as well as via our participation on the Shipping Consultative Committee of the Hong Kong Administration, Technical Committees of Lloyd's Register and ClassNK, and the Safety and Loss Advisory board of Standard (Asia) P&I Class. We are members of the Hong Kong delegation to the IMO's STCW Convention Manila Amendments Conference and, from August 2010, will sit on the Hong Kong Marine Department's Seafarer Advisory Board.

As one of the largest foreign employers of Chinese crew, we continue to be a major supporter of the Chinese seafaring community and the training of Chinese officers and ratings. We also employ a large number of Filipino crew, and have invested in recruiting, training and crew retention in the Philippines as we have in China. Our strong presence in and commitment to these major crew resource pools enables us to man our fleet with experienced crew despite the ever present shortage of maritime personnel in the industry. To counter the shortage of qualified and experienced officers, we launched an officer cadet training programme in June 2010 and recruited ten cadets from the Philippine Merchant Marine Academy.

We make contributions to charity and community programmes, recognising the need to be supportive of maritime industry projects and other causes as a measure of giving back to the community.

For more detailed information on our commitment to the environment, health and safety, the community, and other areas of corporate citizenship, please see our 2009 Annual Report or go to **www.pacificbasin.com** and click on Corporate Social Responsibility.

Consolidated Group Performance

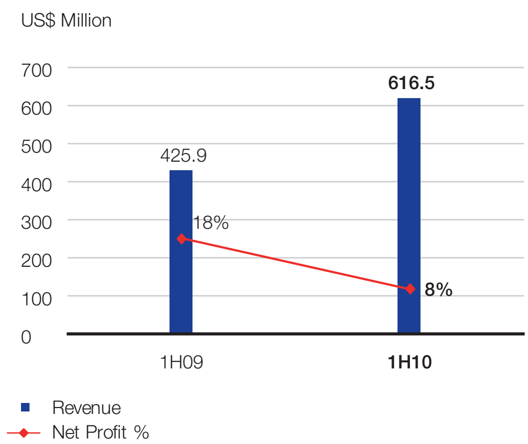
The key drivers that management focuses on to assess the performance of the Group's businesses are revenue growth, direct costs controls, segment net profit, profit attributable to shareholders and return on average equity.

	Six months ended 30 June		
US$ Million	**2010**	2009	Change
Revenue	**616.5**	425.9	+45%
Direct costs	**(536.8)**	(342.1)	+57%
Gross profit	**79.7**	83.8	-5%
Segment net profit	**81.1**	65.7	+23%
Underlying profit	**65.6**	56.8	+16%
Profit attributable to shareholders	**51.9**	74.8	-31%
Net profit margin (%)	**8%**	18%	-10%
Return on average equity employed (%)	**7%**	12%	-5%

Management considers "underlying profit" to include segment results, treasury results and non direct general and administrative expenses. It excludes disposal gains and losses, impairment charges or their reversal, onerous contract provisions and the unrealised non-cash portion of results from derivative instruments relating to future reporting periods. The identification of items excluded from underlying profit requires judgement by management.

Underlying profit was up mainly due to an increase in daily charter rates of the dry bulk vessels, balanced only in part by higher blended vessel daily operating costs. However, profit attributable to shareholders was down mainly due to the unrealised derivative expense of US$13.7 million (2009: income of US$15.0 million) which arose from a reduction in oil prices for our forward bunker commitments.

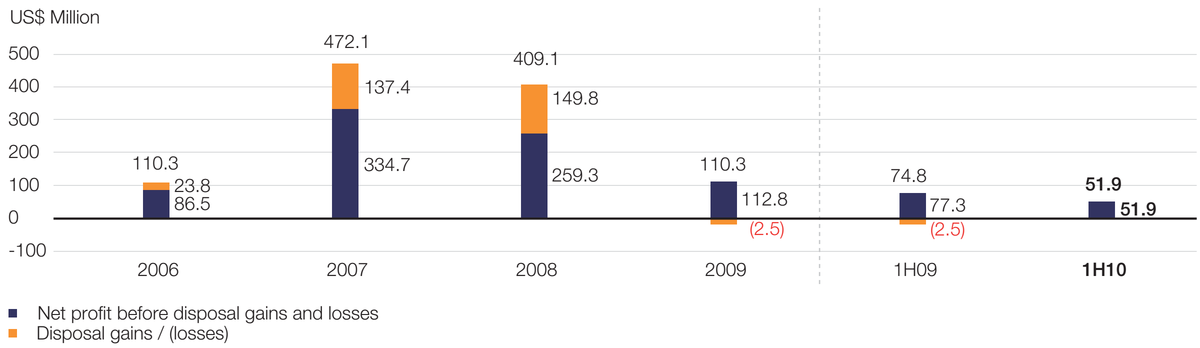
Group Revenue versus Net Profit Margin



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

	Six months ended 30 June	
US$ Million	**2010**	2009
Segment net profit	**81.1**	65.7
Treasury	**(11.8)**	(4.4)
Non direct general and administrative expenses	**(3.7)**	(4.5)
Underlying profit	**65.6**	56.8
Unrealised derivative (expense) / income	**(13.7)**	15.0
Future onerous contracts – net provision write-back	**–**	5.5
Net dry bulk vessel disposal losses	**–**	(2.5)
Profit attributable to shareholders	**51.9**	74.8

Group Net Profit



Segments Review

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

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

Other non segment activities mainly comprise Treasury.

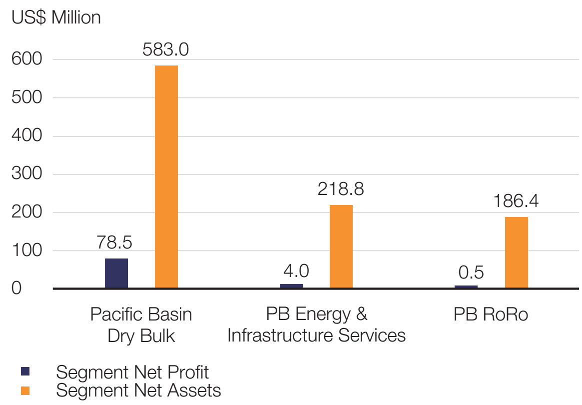
Pacific Basin Dry Bulk continues to dominate the Group's activities. The following sections provide further analysis of the Group results and net assets.

Pacific Basin Dry Bulk Segment Net Profit

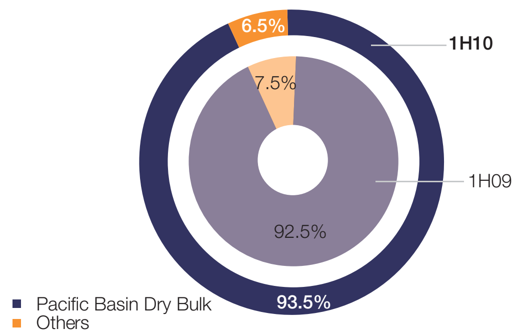
Income

The Group's dry bulk fleet generated US$572.4 million (2009: US$411.6 million) or 93.5% (2009: 92.5%) of total segment revenue.

Segment Net Profit versus Net Assets



Pacific Basin Dry Bulk revenue as a percentage of total segment revenue



The table below outlines the Pacific Basin Dry Bulk segment operating performance during the period, split between handysize and handymax vessels:

	Six months ended 30 June		
	2010	2009	Change
Handysize			
Revenue days	**13,940**	12,460	+12%
Daily charter rates (US$)	**16,840**	13,610	+24%
Daily vessel operating costs (US$)	**11,750**	9,380	+25%
Segment net profit (US$ Million)	**69.7**	52.1	+34%
Segment net assets (US$ Million)	**528.1**	397.8	+33%
Return on net assets (annualised %)	**26%**	26%	–
Handymax			
Revenue days	**5,570**	5,150	+8%
Daily charter rates (US$)	**23,680**	19,840	+19%
Daily vessel operating costs (US$)	**22,050**	17,580	+25%
Segment net profit (US$ Million)	**8.8**	11.5	-23%
Segment net assets (US$ Million)	**54.9**	22.5	+144%
Return on net assets (annualised %)	**32%**	102%	-70%

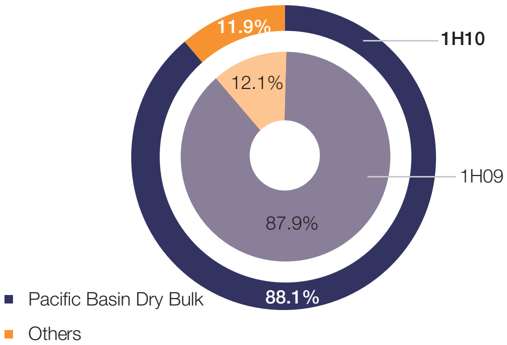
Note: The above handymax revenue days and daily rates exclude two vessels which are on long term charter at a daily rate of US$8,460 and for which the daily vessel cost is US$8,530.

Revenue and vessel days of our dry bulk vessels are analysed in the following table. The fleet of owned vessels experienced average off-hire of 1.7 days (2009: 1.9 days) per vessel in the period ended 30 June 2010.

	Six months ended 30 June					
	2010			2009		
	Owned & Finance leased	**Chartered**	**Total**	Owned & Finance leased	Chartered	Total
Handysize						
Vessel days	**6,320**	**7,740**	**14,060**	5,490	7,040	12,530
Drydocking	**(90)**	**–**	**(90)**	(50)	–	(50)
Off-hire	**(30)**	**–**	**(30)**	(20)	–	(20)
Revenue days	**6,200**	**7,740**	**13,940**	5,420	7,040	12,460
Handymax						
Vessel days	**80**	**5,490**	**5,570**	110	5,050	5,160
Drydocking	**–**	**–**	**–**	–	–	–
Off-hire	**–**	**–**	**–**	(10)	–	(10)
Revenue days	**80**	**5,490**	**5,570**	100	5,050	5,150

Direct Costs

Pacific Basin Dry Bulk direct costs as a percentage of total segment direct costs



The Group's dry bulk fleet incurred US$284.6 million (2009: US$204.3 million) or 88.1% (2009: 87.9%) of total segment direct costs.

Breakdown of Direct Costs

	Six months ended 30 June		
US$ Million	**2010**	2009	Change
Charter-hire expenses for vessels	**229.0**	156.2	+47%
Vessel operating costs	**24.4**	21.9	+11%
Depreciation of vessels	**18.9**	14.9	+27%
Direct overheads	**12.3**	11.3	+8%
Total	**284.6**	204.3	+39%

Vessel operating costs include costs related to crew, spares, lubricating oil and insurance.

Increases in vessel operating costs and depreciation of vessels is mainly due to the increase in the average number of owned and finance leased vessels from 31 to 35.

Direct overheads represent shore based staff, office and related expenses directly attributable to the management of the Pacific Basin Dry Bulk segment.

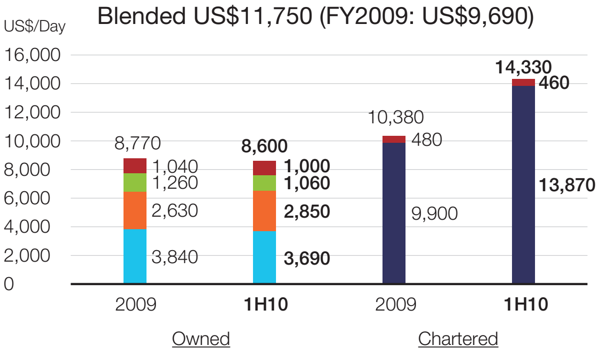
The majority of the increase was represented by charter-hire expenses for vessels under operating leases which increased to US$229.0 million (2009: US$156.2 million), reflecting:

a) a 34.6% increase in the average daily charter rate of vessels chartered by the Group under operating leases; and

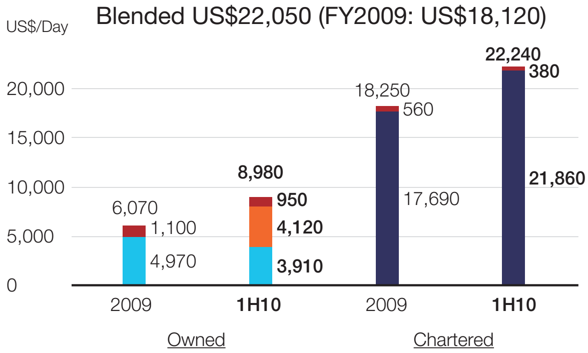
b) a 9.4% rise in the average number of vessel days chartered by the Group under operating leases.

Blended vessel daily operating cost for handysize increased 25.3% from the same period last year mainly due to higher charter-hire costs of vessels sourced from the market. The equivalent daily cost for handymax increased 25.4% from the same period last year for the same reason. Blended vessel daily operating costs include direct overheads and can be analysed between owned and chartered costs as follows:

Handysize Vessel Daily Operating Costs



Handymax Vessel Daily Operating Costs



Note 1: 2009 and 1H10 daily operating costs of owned handymax vessel relate to only one vessel.

Note 2: 2009 depreciation was nil as vessel was sold in the period. 2010 depreciation relates to one newly acquired vessel.

■ Opex ■ Depreciation ■ Finance Cost ■ Charter-hire ■ Direct overhead

PB Energy & Infrastructure Services Segment Net Profit

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

US$ Million	Six months ended 30 June 2010	2009	Change
PB Towage (offshore and project supply and harbour towage services)	(1.2)	1.6	–
Fujairah Bulk Shipping (rock aggregate production and transportation)	4.5	4.1	+10%
PacMarine Services (ship survey and inspection services)	0.7	0.9	-22%
Segment net profit	4.0	6.6	-39%
Segment net assets	218.8	136.5	+60%
Return on net assets (annualised %)	4%	10%	-6%

PB Towage's results were affected by the low number of liner port calls in the harbour towage sector compounded by fewer offshore and project supply jobs.

Fujairah Bulk Shipping is a joint venture with the Government of Fujairah in the Middle East. Results improved mainly due to higher rates of rock movement than budgeted in the reclamation project.

PacMarine Services' results decreased mainly due to the increase in ship inspection-related costs.

PB RoRo Segment Net Profit

The Group's first RoRo vessel began generating revenue from mid-September 2009.

US$ Million	Six months ended 30 June 2010	2009	Change
Segment revenue	5.8	–	–
Segment operating costs	(5.3)	(0.4)	–
Segment net profit	0.5	(0.4)	–
Segment net assets	186.4	222.0	-16%
Return on net assets (annualised %)	1%	0%	–

Other Income Statement Items

Other Income

Movements in the fair value of receipts from forward freight agreements amounted to US$19.5 million (2009: US$32.3 million).

Other Expenses

Movements in the fair value of payments for forward freight agreements amounted to US$25.3 million (2009: US$44.6 million). Taking into account the movements in fair value of receipts of US$19.5 million included in other income above, the net movement in the fair value of forward freight agreements was an expense of US$5.8 million (2009: US$12.3 million).

General and Administrative Expenses

The Group's total administrative expenses of US$36.0 million (2009: US$27.1 million) include an unrealised US$6.8 million (2009: nil) expense arising mainly from the revaluation of Euros held by treasury at the period end. Total administrative expenses are split into direct overheads of US$25.4 million (2009: US$22.6 million) and general and administrative expenses of US$10.6 million (2009: US$4.5 million).

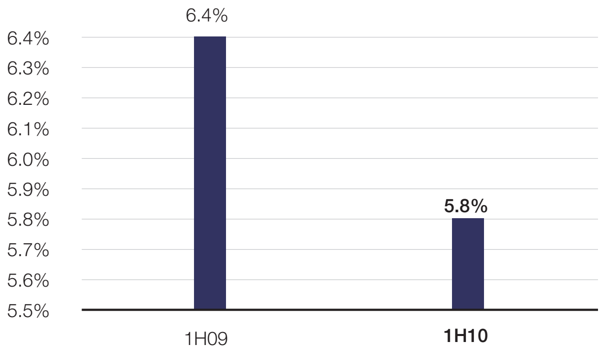
Share of Profits Less Losses of Jointly Controlled Entities

In addition to the jointly controlled entities included in the segment results of PB Energy & Infrastructure Services, the Group's share of profits less losses of jointly controlled entities also included the share of losses of US$0.3 million (2009: US$1.3 million losses) in Nanjing Longtan Tianyu Terminal Co. Ltd.

Finance Income

Finance income of US$9.9 million (2009: US$7.5 million) represented primarily US$9.3 million (2009: US$7.0 million) of bank interest income.

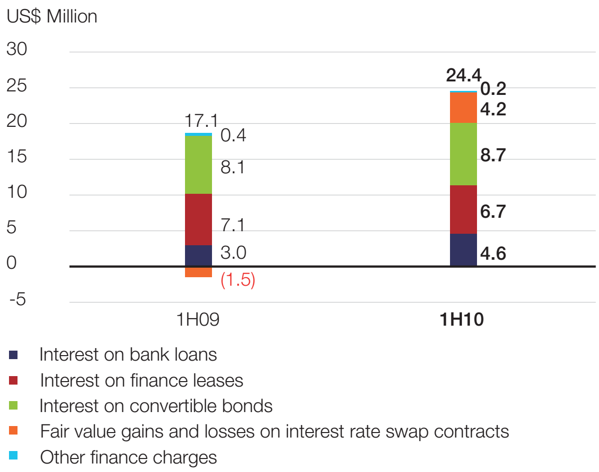
Administrative Expenses as a Percentage of Revenue



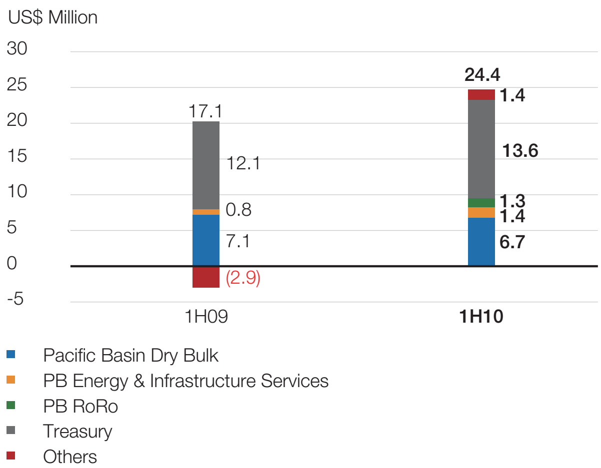
Financing

Finance costs of US$24.4 million (2009: US$17.1 million) can be analysed as follows:

By Source

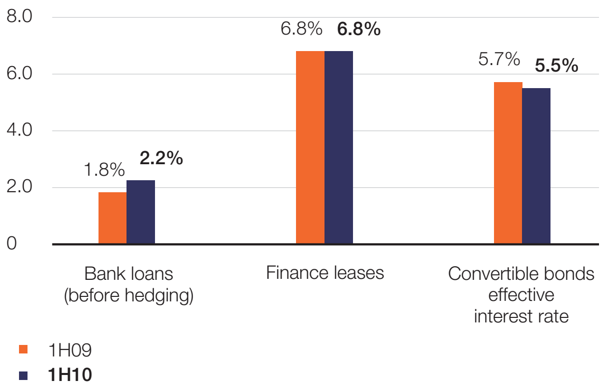


By Segment

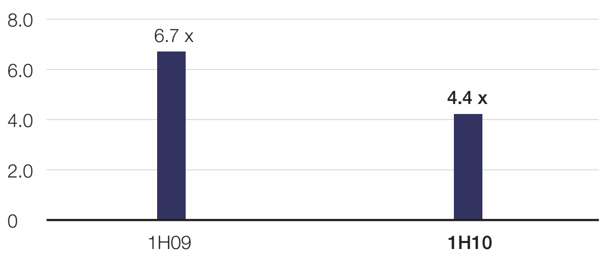


- The increase of US$1.6 million in interest on bank borrowings was primarily due to the increase in the average bank borrowings outstanding to US$368.5 million (2009: US$333.9 million). Bank borrowings are subject to floating interest rates but the Group manages these exposures by way of interest rate swap contracts.
- Finance charges of US$6.7 million (2009: US$7.1 million) represented interest payments on the Group's finance leased vessels. Aggregate current and long term finance lease liabilities at 30 June 2010 were US$192.0 million. The fixed equal quarterly charter-hire payments are accounted for as a combination of repayments of finance lease liabilities in 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.
- In December 2007, the Group issued US$390 million, 3.3% per annum coupon, guaranteed convertible bonds maturing in 2013, which can be redeemed by bondholders in February 2011. During the period, the Group repurchased convertible bonds with an aggregate face value of US$193.9 million, in addition to the repurchases made in 2008 and 2009 with face value of US$65.7 million and US$10.4 million. After these transactions, convertible bonds with a face value of US$120.0 million remained outstanding at 30 June 2010.
- In April 2010, the Group issued US$230 million, 1.75% per annum coupon, guaranteed convertible bonds due 2016. Part of the proceeds have been used to repurchase the convertible bonds maturing in 2013. The new bonds are convertible into ordinary shares of the Company at a current conversion price of HK$7.79. However, between 12 January 2011 and 11 January 2014, conversion can only take place if the closing price of the Company shares is at least at a 20% premium to the conversion price then in effect for five consecutive trading days.

Average Interest Rates on Borrowings



Group Interest Coverage



- The increase of US$0.6 million in interest on convertible bonds was due to the higher outstanding amount of convertible bonds during the period.

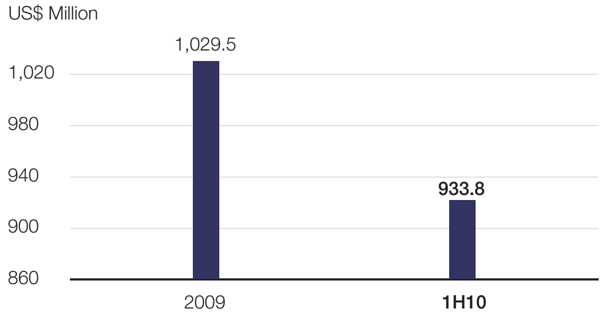
Tax

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.

Cash flow

The primary sources of liquidity comprised cash and bank balances of US$969.7 million, principally denominated in US dollar, and unutilised committed and secured bank borrowing facilities of US$38.7 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 2010	2009
Net cash from operating activities	**83.0**	60.5
– Purchase of property, plant and equipment and assets held for sale	**(186.7)**	(171.4)
– Disposal of property, plant and equipment and assets held for sale	**–**	105.2
– Investments in jointly controlled entities	**(14.2)**	–
– Net repayment of loans to jointly controlled entities	**1.4**	25.0
– Dividends received from jointly controlled entities	**–**	15.2
– Net receipts from forward foreign exchange contracts	**–**	17.3
– Decrease in restricted and pledged bank deposits	**45.3**	13.3
– Others	**11.8**	8.8
Net cash (used in)/from investing activities	**(142.4)**	13.4
– Proceeds from issuance of convertible bonds	**227.4**	–
– Payment for repurchase and cancellation of convertible bonds	**(194.0)**	(8.6)
– Net drawdown/(repayment) of borrowings	**2.3**	(6.9)
– Repayment of finance lease payables capital element	**(7.4)**	(6.9)
– Interest and other finance charges paid	**(20.9)**	(16.9)
– Proceeds from shares issued upon placing of new shares	**–**	97.1
– Dividends paid to shareholders of the Company	**(37.3)**	–
– Others	**(1.2)**	(1.3)
Net cash (used in)/from financing activities	**(31.1)**	56.5
Cash and deposits at 30 June	**969.7**	1,140.8

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 2010, 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 exactly 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 period ended 30 June 2010, the Group recognised net derivative expense of US$18.4 million, as follows:

			Six months ended 30 June	
US$ Million	Realised	Unrealised	2010	2009
Income				
Forward freight agreements	11.9	7.6	19.5	32.3
Bunker swap contracts	6.0	0.3	6.3	43.7
Interest rate swap contracts	–	–	–	2.9
	17.9	7.9	25.8	78.9
Expenses				
Forward freight agreements	(16.5)	(8.8)	(25.3)	(44.6)
Bunker swap contracts	(3.3)	(11.4)	(14.7)	(10.7)
Interest rate swap contracts	(2.8)	(1.4)	(4.2)	(1.5)
	(22.6)	(21.6)	(44.2)	(56.8)
Net				
Forward freight agreements	(4.6)	(1.2)	(5.8)	(12.3)
Bunker swap contracts	2.7	(11.1)	(8.4)	33.0
Interest rate swap contracts	(2.8)	(1.4)	(4.2)	1.4
	(4.7)	(13.7)	(18.4)	22.1

Presentation in the Segment Information

Revenue
Bunker & port disbursements
Direct costs
Other income
Other expenses
Finance costs

Profit for the period

Presentation in the Financial Statements

Revenue
Bunker & 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 2010 this created a net unrealised non-cash expense of US$13.7 million. The cash flows of these contracts will occur in future reporting periods.

Balance Sheet Segment Analysis

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

Total Assets

US$ Million	Total	Pacific Basin Dry Bulk	PB Energy & Infrastructure Services	PB RoRo	All other segments	Treasury	Unallocated Others
Total assets	2,470.8	874.0	264.2	241.4	127.2	950.3	13.7
Includes:							
Property, plant and equipment	1,121.7	724.9	176.8	193.8	26.2	–	–
Interests in jointly controlled entities	69.7	–	40.5	–	29.2	–	–
Investment in associates	3.3	–	3.3	–	–	–	–

- Vessels delivered & under construction
- Goodwill
- Restricted cash for asset maintenance

- Delivered (1)
- Under construction (4)
- Purchase options (2)

- Group unallocated cash

- Derivative assets

- Includes shares in Green Dragon Gas

- Gold River Marine Terminal, Canada

- Bunker tanker, N.Z.
- Fujairah Bulk Shipping

- Longtan Tianyu Terminal

- Post Panamax
- Properties

Total Liabilities

US$ Million	Total	Pacific Basin Dry Bulk	PB Energy & Infrastructure Services	PB RoRo	All other segments	Treasury	Unallocated Others
Total liabilities	1,020.0	291.0	45.4	55.0	6.4	597.0	25.2
Includes:							
Long term borrowings	873.4	192.0	35.0	52.5	–	593.9	–

- Derivative liabilities

- Finance lease liabilities

- Specific bank loans for tugs and barges

- Specific bank loans for RoRos

Group general facilities includes:
- Convertible bonds
- Loans secured on dry bulk ships for future expansion

Indebtedness

The indebtedness of the Group amounted to US$873.4 million (31 December 2009: US$876.6 million).

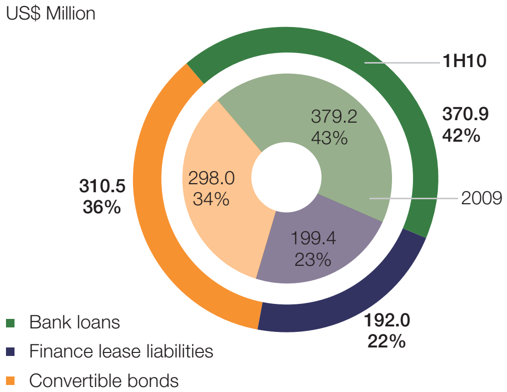
Bank borrowings (net of deferred loan arrangement fees) decreased as a result of repayments during the period. The Group's bank borrowings were secured by mortgages over 34 vessels with a total net book value of US$533.0 million and an assignment of earnings and insurances in respect of these vessels.

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

Finance lease liabilities decreased as a result of repayments during the period.

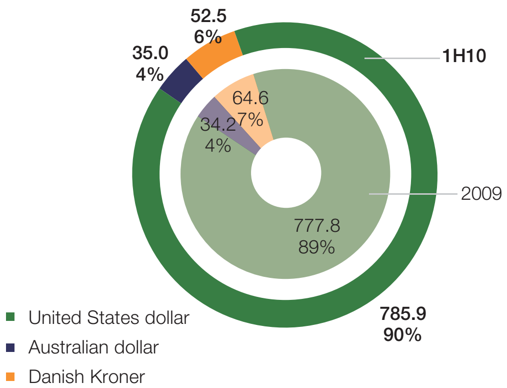
The debt component of the Group's convertible bonds increased primarily as a result of the debt component of the new convertible bonds, partially offset by the repurchase and cancellation of a portion of the old convertible bonds during the period.

By Source
US$ Million

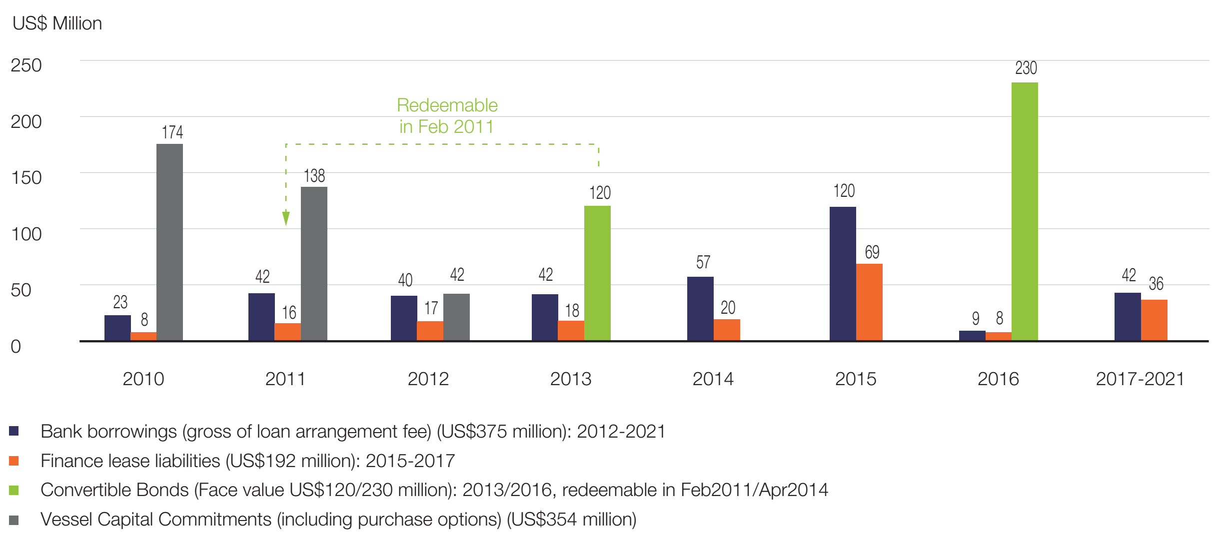


Note: The convertible bonds are the aggregate of the liability components as opposed to the face value

By Currency
US$ Million



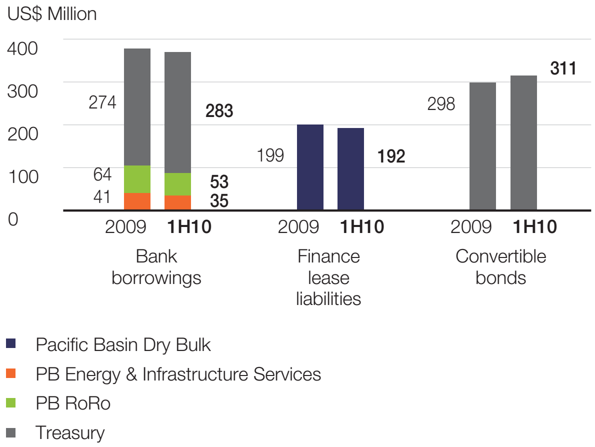
Borrowings and Vessel Capital Commitments



In addition to the cash generated from the Group's operations, existing cash and additional long term borrowings to be arranged as required, the Group had unutilised committed and secured bank borrowing facilities of US$38.7 million available to finance the Group's existing vessel and other capital commitments and other vessel acquisitions.

The Group, through its treasury function, procures 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.

By Source & Segment



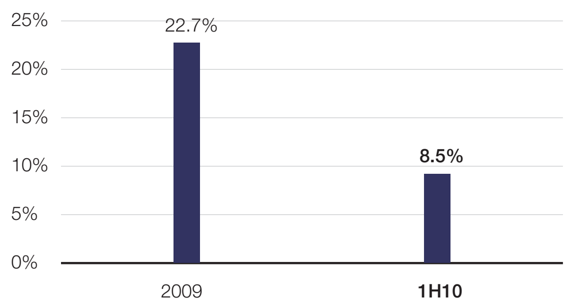
Net Cash

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. These products include overnight and term deposits; money market funds; liquidity funds; structured notes; and currency linked deposits.

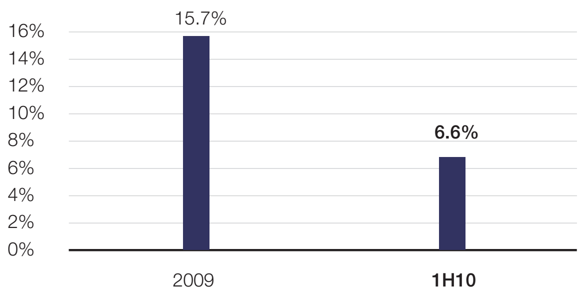
US$ Million	**30 June 2010**	31 December 2009	Change
Cash and deposits	**969.7**	1,105.7	-12%
Borrowings	**(873.4)**	(876.6)	–
Net cash	**96.3**	229.1	-58%

Cash and deposits decreased as a result of payments for the purchase of vessels and the repurchase and cancellation of a portion of the convertible bonds expiring in 2013, partially offset by the issuance of the new convertible bonds expiring in 2016.

Net Cash to Book Value of Property, Plant and Equipment



Net Cash to Shareholders' Equity



Lease Commitments

Vessel operating lease commitments stood at US$447.7 million (31 December 2009: US$424.8 million). These commitments exclude vessels under finance leases which are included as part of property, plant and equipment. The increase in lease commitments was mainly due to the higher number of dry bulk chartered days.

The Group has commitments of 26,410 vessel days under handysize finance leases and 28,740 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
2H10	13,830	5,080	5,960	2,370	22,010	2,820
2011	10,720	3,870	5,920	4,760	22,280	590
2012	10,910	3,920	5,960	4,750	–	–
2013	11,270	2,980	5,950	4,750	–	–
2014	11,500	2,560	5,940	4,750	–	–
2015	11,530	2,480	5,910	2,590	–	–
2016	11,280	1,800	5,970	1,830	–	–
2017	11,000	1,120	5,840	610	–	–
2018	11,000	1,090	–	–	–	–
2019	13,000	370	–	–	–	–
2020	13,000	60	–	–	–	–
Total		25,330		26,410		3,410

At 30 June 2010, a provision of US$2.0 million has been made against the handymax time charter contracts expiring in 2010 and 2011. The above average yearly charter rates reflect this provision.

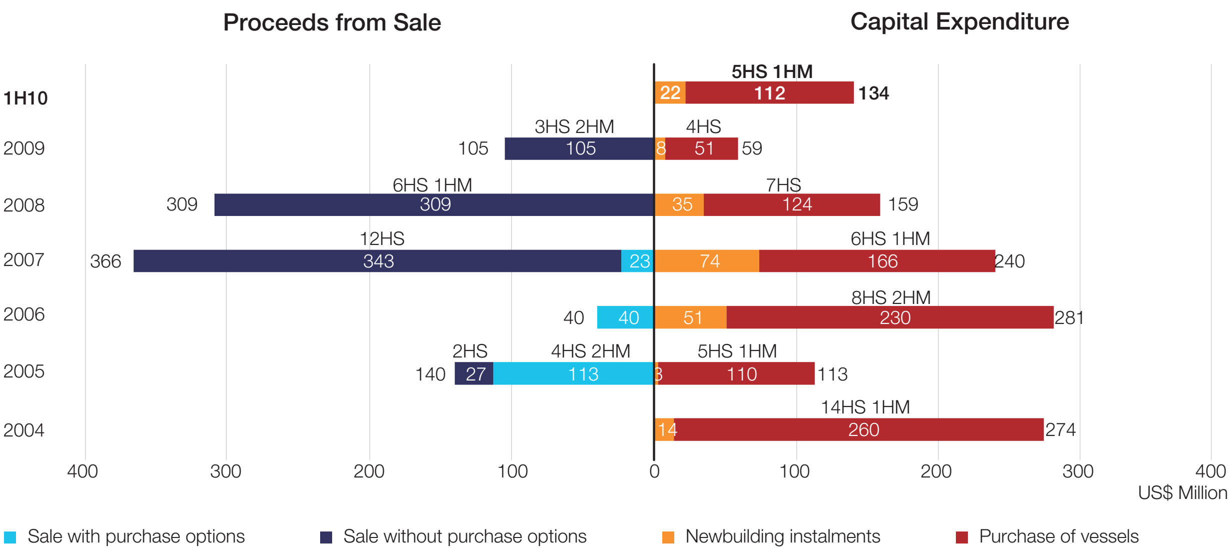
Certain lease agreements provide the Group with options to purchase the related vessels at predetermined times and prices during the lease periods. The average prices of the existing purchase options for the Group's dry bulk vessels in the earliest years in which these options may be exercised, along 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 2010: Finance lease	Number of vessels at 30 June 2010: Operating lease	Average age of vessels (years)	Average purchase option exercise price (US$ Million)
2010	Handysize	13	8	8	17.6
	Handymax	–	1	5	17.3
	Tug	–	1	1	2.9
	RoRo	–	1	0	86.8
2011	RoRo	–	1	0	86.8
2012	Tug	–	1	4	3.1
2016	Handysize	–	2	5	38.8
	Handymax	–	1	5	30.0
	Post Panamax	–	1	5	66.8
2017	Handysize	–	1	5	32.6
Total		13	18		

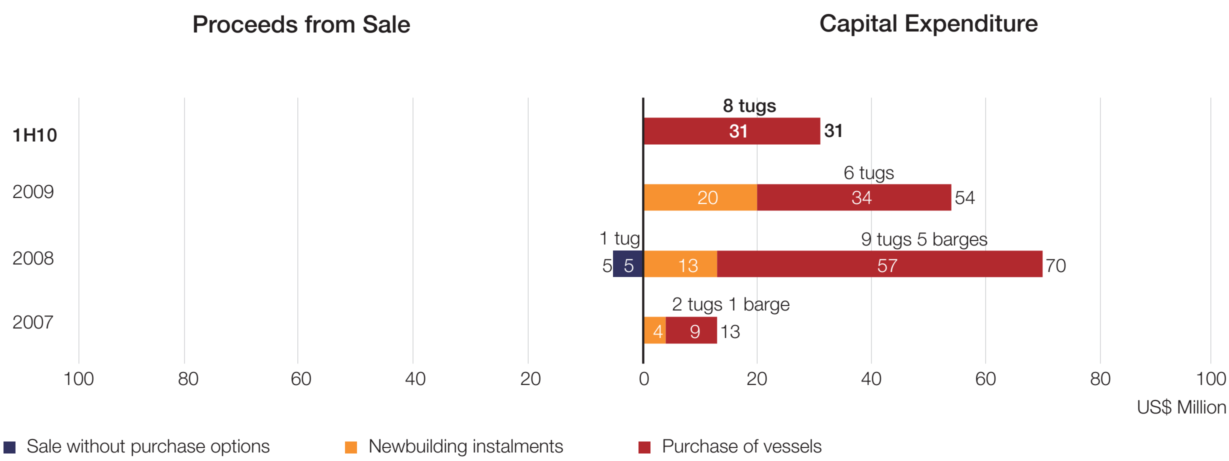
Capital Expenditure and Property, Plant and Equipment

During the period ended 30 June 2010, capital expenditure amounted to US$186.7 million resulting from the addition of five handysize vessels, one handymax vessel and eight tugs as well as instalment payments on four vessels, including handysize, handymax, post panamax and RoRo vessels. Cash used for the purchase of vessels and proceeds from the sale of vessels are illustrated below.

Dry Bulk Vessels



Tugs & Barges



At 30 June 2010, the Group had property, plant and equipment with net book value of US$1,121.7 million, of which US$966.3 million related to 37 delivered handysize vessels with an average net book value of US$18.2 million, two handymax vessels with an average net book value of US$20.6 million, 35 tugs and barges with an average net book value of US$5.0 million and one RoRo vessel with net book value of US$76.7 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 2010, the Group had non-cancellable vessel commitments of US$179.2 million and a further US$133.6 million payable under purchase options. The vessels are for delivery to the Group between October 2010 and October 2012.

US$ Million	Number	2010	2011	2012	Total
Handysize vessel	1	18.9	–	–	18.9
Handymax vessel	1	–	3.3	22.6	25.9
Post panamax vessel	1	10.9	22.1	–	33.0
RoRo vessels	3	58.1	43.3	–	101.4
Commitments at 30 June 2010	6	87.9	68.7	22.6	179.2
Handysize commitments after period end	2	19.5	2.4	19.2	41.1
	8	107.4	71.1	41.8	220.3

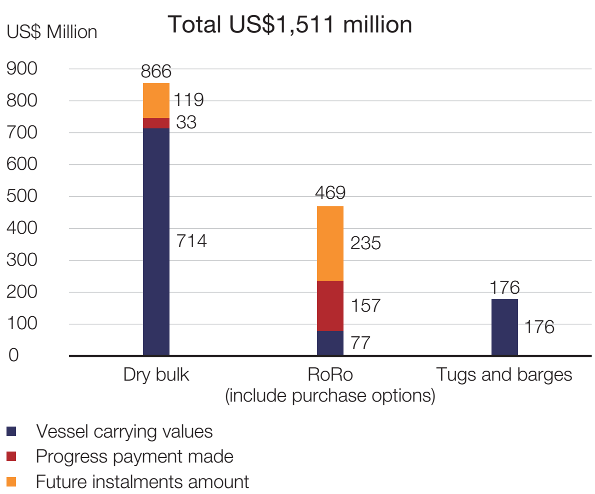
If options to purchase are being exercised, capital expenditure would be as follows:

	Number	2010	2011	2012	Total
RoRo vessels	2	66.8	66.8	–	133.6
	10	174.2	137.9	41.8	353.9

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 (including purchase option) is shown opposite:

A Combined View of Vessel Carrying Values and Commitments



Staff

At 30 June 2010, the Group employed a total of 362 full time shore based staff (31 December 2009: 356) in offices in Hong Kong, Shanghai, Beijing, Dalian, Nanjing, Manila, Tokyo, Seoul, Singapore, Auckland, Sydney, Melbourne, Fremantle, Fujairah, Dubai, Bad Essen, London, Liverpool, Houston, Santiago and Vancouver.

The Group incurred total staff costs (included in direct overheads and general and administrative expenses as described earlier) of approximately US$17.7 million (2009: US$17.1 million), representing 2.9% of the Group's revenue (2009: 4.0%). 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 individual's 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.

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.

Details of restricted share awards and share options granted under the LTIS are set out in the "Other Information" section of this Interim Report.

Unaudited Condensed Consolidated Balance Sheet

	Note	30 June 2010 US$'000	31 December 2009 US$'000
Non-current assets			
Property, plant and equipment	5	**1,121,749**	997,961
Investment properties		**2,628**	2,600
Land use rights		**3,784**	3,864
Goodwill	5	**25,256**	25,256
Interests in jointly controlled entities		**69,674**	49,615
Investment in associates		**3,321**	3,249
Available-for-sale financial assets	6	**57,454**	62,016
Derivative assets	7	**2,766**	6,879
Trade and other receivables	8	**7,539**	8,232
Restricted bank deposits		**4,934**	40,084
Other non-current assets		**52,353**	59,887
		1,351,458	1,259,643
Current assets			
Inventories		**40,170**	33,858
Derivative assets	7	**10,898**	20,336
Trade and other receivables	8	**103,492**	90,478
Restricted bank deposits		**5,504**	16,483
Cash and deposits	9	**959,320**	1,049,095
		1,119,384	1,210,250
Current liabilities			
Derivative liabilities	7	**8,355**	10,505
Trade and other payables	10	**112,691**	111,740
Current portion of long term borrowings	11	**57,799**	54,728
Taxation payable		**4,864**	3,737
Provision for onerous contracts	12	**1,831**	–
		185,540	180,710
Net current assets		**933,844**	1,029,540
Total assets less current liabilities		**2,285,302**	2,289,183
Non-current liabilities			
Derivative liabilities	7	**18,494**	9,735
Long term borrowings	11	**815,645**	821,850
Provision for onerous contracts	12	**200**	2,031
		834,339	833,616
Net assets		**1,450,963**	1,455,567
Equity			
Capital and reserves attributable to shareholders			
Share capital	13	**193,110**	192,708
Retained profits		**680,189**	659,339
Other reserves		**577,664**	603,520
Total equity		**1,450,963**	1,455,567

Unaudited Condensed Consolidated Income Statement

	Note	Six months ended 30 June 2010 *US$'000*	 2009 *US$'000*
Revenue	4	**616,486**	425,913
Direct costs		**(536,811)**	(342,147)
Gross profit		**79,675**	83,766
General and administrative expenses		**(10,544)**	(4,487)
Other income		**20,856**	55,848
Other expenses		**(28,022)**	(47,544)
Losses on disposal of property, plant and equipment		**–**	(2,532)
Finance costs, net	14	**(14,494)**	(9,568)
Share of profits less losses of jointly controlled entities		**6,417**	1,414
Share of profits/(losses) of associates		**73**	(119)
Profit before taxation	15	**53,961**	76,778
Taxation	16	**(2,068)**	(1,949)
Profit attributable to shareholders	4	**51,893**	74,829
Dividends	17	**12,428**	19,912
Earnings per share for profit attributable to shareholders			
Basic	18(a)	**US 2.69 cents**	US 4.19 cents
Diluted	18(b)	**US 2.69 cents**	US 4.19 cents

Unaudited Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2010	2009
	US$'000	*US$'000*
Profit for the period	**51,893**	74,829
Other comprehensive income, net of tax:		
Currency translation differences	**(31,181)**	11,441
Cash flow hedges:		
– fair value (losses)/gains	**(6,215)**	4,741
– transferred to property, plant and equipment	**1,687**	(433)
– transferred to finance costs in consolidated income statement	**(1,913)**	810
Fair value (losses)/gains on available-for-sale financial assets	**(3,722)**	15,967
Gains on repurchase and cancellation of convertible bonds (Note 11(c))	**5,907**	325
Total comprehensive income for the period	**16,456**	107,680

Unaudited Condensed Consolidated Statement of Changes in Equity

	Capital and reserves attributable to shareholders									
	Share capital	Share premium	Merger reserve	Convertible bonds reserve	Staff benefits reserve	Hedging reserve	Investment valuation reserve	Exchange reserve	Retained profits	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
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 (Note 13)	18	58	–	–	(19)	–	–	–	–	57
Shares purchased by trustee of the LTIS (Note 13)	(1,294)	–	–	–	–	–	–	–	–	(1,294)
Shares transferred upon granting and lapse of restricted share awards (Note 13)	1,678	59	–	–	(2,059)	–	–	–	322	–
Equity component of convertible bonds issued	–	–	–	32,302	–	–	–	–	–	32,302
Repurchase and cancellation of convertible bonds	–	–	–	(16,788)	–	–	–	–	–	(16,788)
Share-based compensation	–	–	–	–	1,935	–	–	–	–	1,935
Dividends paid	–	–	–	–	–	–	–	–	(37,272)	(37,272)
Total comprehensive income for the period	–	–	–	–	–	(6,441)	(3,722)	(31,181)	57,800	16,456
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**
Balance at 1 January 2009	174,714	507,160	(56,606)	28,067	4,697	12,982	–	(20,960)	568,648	1,218,702
Shares purchased by trustee of the LTIS	(1,296)	–	–	–	–	–	–	–	–	(1,296)
Shares transferred upon granting and lapse of restricted share awards	1,994	–	–	–	(1,994)	–	–	–	–	–
Shares issued upon placing of new shares, net of issuing expenses	17,473	79,581	–	–	–	–	–	–	–	97,054
Repurchase and cancellation of convertible bonds	–	–	–	(887)	–	–	–	–	–	(887)
Share-based compensation	–	–	–	–	2,355	–	–	–	–	2,355
Total comprehensive income for the period	–	–	–	–	–	5,118	15,967	11,441	75,154	107,680
Balance at 30 June 2009	192,885	586,741	(56,606)	27,180	5,058	18,100	15,967	(9,519)	643,802	1,423,608

Unaudited Condensed Consolidated Statement of Cash Flow

	Note	Six months ended 30 June 2010 US$'000	2009 US$'000
Net cash from operating activities		**82,984**	60,480
Net cash (used in)/from investing activities		**(142,438)**	13,387
Net cash (used in)/from financing activities		**(31,026)**	56,478
Net (decrease)/increase in cash and cash equivalents		**(90,480)**	130,345
Exchange gains on cash and cash equivalents		**705**	–
Cash and cash equivalents at 1 January		**999,095**	974,876
Cash and cash equivalents at 30 June	9	**909,320**	1,105,221

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

1 General Information

Pacific Basin Shipping Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the provision of dry bulk 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 2010.

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 2009 which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3 Accounting Policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2009.

Certain new standards, amendments and interpretations to the published standards (collectively "New Standards") are mandatory for the accounting period beginning 1 January 2010. The New Standards relevant to the Group are as follows:

- HKFRS 3 (revised), "Business combinations", and consequential amendments to HKAS 27, "Consolidated and separate financial statements", HKAS 28, "Investments in associates", and HKAS 31, "Interests in joint ventures", are effective prospectively to business combination for which the acquisition date is on or after the beginning of the first annual reporting period starting on or after 1 July 2009.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. When a business combination is achieved in stages, the acquirer should measure its previously held interest in the acquiree at its fair value at the date control is obtained, recognising a gain/loss in the income statement. All acquisition-related costs are expensed.

  As the Group has adopted HKFRS 3 (revised), it is required to adopt HKAS 27 (revised) at the same time. HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost; any remaining interest in the entity is re-measured at fair value, and a gain or loss is recognised in the income statement.

- HKFRS 2 (Amendment), "Group cash-settled share-based payment transaction". The amendment incorporates HK(IFRIC)-Int 8, "Scope of HKFRS 2", and HK(IFRIC) – Int 11, "HKFRS 2 – Group and treasury share transactions". The amendment clarifies that an entity that receives goods or services in a share-based payment arrangement must recognise, in its separate financial statements, an expense for those goods or services regardless of which entity in the group settles the transaction and the form of settlement (ie, in shares or in cash).

4. Segment Information

	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
Bunker & port disbursements	(202,659)	–	–	–	(202,659)
Time charter equivalent earnings	369,773				
Direct costs	(284,588)	(32,632)	(4,016)	(1,812)	(323,048)
Bunker & 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 for the period	78,518	4,045	498	(2,007)	81,054
At 30 June 2010					
Total assets	874,053	264,159	241,431	127,216	1,506,859
Total assets include:					
Property, plant and equipment *	724,881	176,761	193,784	26,323	1,121,749
Interests in jointly controlled entities	–	40,485	–	29,189	69,674
Investment in associates	–	3,321	–	–	3,321
Total liabilities	291,008	45,406	55,039	6,267	397,720
Total liabilities include:					
Long term borrowings	192,031	34,960	52,508	–	279,499
* Include additions to property, plant and equipment	119,310	32,256	23,879	11,217	186,662

Unallocated					
Treasury US$'000	Others US$'000	Total US$'000	Reclass-ification US$'000	Per Financial Statements US$'000	*Note*
–	(1,228)	610,728	5,758	616,486	
–	(1,228)	596,276	5,758	602,034	*a*
–	–	14,452	–	14,452	
–	(11,104)	(213,763)	213,763	–	*b*
–	–	(323,048)	(213,763)	(536,811)	
–	–	–	(213,763)	(213,763)	*b*
–	–	(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)	*c*
(577)	–	(1,408)	(5,758)	(7,166)	*a, d*
(4,322)	(1,386)	(14,494)	–	(14,494)	*f*
–	–	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	
950,319	13,664	2,470,842	–	2,470,842	*a, b*
–	–	1,121,749	–	1,121,749	
–	–	69,674	–	69,674	
–	–	3,321	–	3,321	
596,917	25,242	1,019,879	–	1,019,879	*a, b*
593,945	–	873,444	–	873,444	
–	–	186,662	–	186,662	

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 on this page are consistent with the way in which information is presented to the division heads and the Board, which in 2010 has changed slightly from previous year to better reflect how the Group's businesses are managed.

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.

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.

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 2009					
Revenue	411,561	32,223	–	1,062	444,846
Freight and charter-hire	411,561	24,087	–	–	435,648
Maritime management services	–	8,136	–	1,062	9,198
Bunker & port disbursements	(136,595)	–	–	–	(136,595)
Time charter equivalent earnings	274,966				
Direct costs	(204,253)	(25,297)	(420)	(2,424)	(232,394)
Bunker & port disbursements	–	–	–	–	–
Charter-hire expenses for vessels	(156,189)	(1,023)	–	–	(157,212)
Vessel operating costs	(21,907)	(12,804)	–	–	(34,711)
Depreciation of vessels	(14,850)	(3,000)	–	–	(17,850)
Direct overheads	(11,307)	(8,470)	(420)	(2,424)	(22,621)
Gross profit	70,713	6,926	(420)	(1,362)	75,857
General and administrative expenses	–	–	–	–	–
Other income and expenses	–	(341)	–	(2,613)	(2,954)
Losses on disposal of PP&E	–	–	–	–	–
Finance costs, net	(7,149)	(47)	–	634	(6,562)
Share of profits less losses of jointly controlled entities	–	1,422	–	(8)	1,414
Share of losses of associates	–	(119)	–	–	(119)
Profit before taxation	63,564	7,841	(420)	(3,349)	67,636
Taxation	–	(1,229)	–	(720)	(1,949)
Profit for the period	63,564	6,612	(420)	(4,069)	65,687
At 31 December 2009					
Total assets	767,123	271,006	258,569	110,220	1,406,918
Total assets include:					
Property, plant and equipment *	610,588	160,147	211,318	15,908	997,961
Interests in jointly controlled entities	–	33,382	–	16,233	49,615
Investment in associates	–	3,249	–	–	3,249
Total liabilities	294,881	57,007	66,467	5,255	423,610
Total liabilities include:					
Long term borrowings	199,386	40,773	64,589	–	304,748
* Include additions to property, plant and equipment	64,674	63,139	144,235	2,843	274,891

Unallocated					
Treasury US$'000	Others US$'000	Total US$'000	Reclass-ification US$'000	Per Financial Statements US$'000	Note
–	(31,272)	413,574	12,339	425,913	
–	(31,272)	404,376	12,339	416,715	a
–	–	9,198	–	9,198	
–	43,357	(93,238)	93,238	–	b
–	5,523	(226,871)	(115,276)	(342,147)	
–	–	–	(93,238)	(93,238)	b
–	5,523	(151,689)	(22,038)	(173,727)	
–	–	(34,711)	–	(34,711)	
–	–	(17,850)	–	(17,850)	
–	–	(22,621)	–	(22,621)	
–	17,608	93,465	(9,699)	83,766	
–	(4,487)	(4,487)	–	(4,487)	c
1,559	–	(1,395)	9,699	8,304	a, d
–	(2,532)	(2,532)	–	(2,532)	e
(5,945)	2,939	(9,568)	–	(9,568)	f
–	–	1,414	–	1,414	
–	–	(119)	–	(119)	
(4,386)	13,528	76,778	–	76,778	
–	–	(1,949)	–	(1,949)	
(4,386)	13,528	74,829	–	74,829	
1,036,035	26,940	2,469,893	–	2,469,893	a, b
–	–	997,961	–	997,961	
–	–	49,615	–	49,615	
–	–	3,249	–	3,249	
572,164	18,552	1,014,326	–	1,014,326	a, b
571,830	–	876,578	–	876,578	
–	–	274,891	–	274,891	

Note (related to both 2009 and 2010):

a. Net unrealised forward freight agreements benefits and expenses are under unallocated others. Net realised benefits and expenses are allocated under Pacific Basin Dry Bulk. For the presentation of the financial statements, net realised and unrealised forward freight agreements benefits and expenses are reclassified to other income and other expenses. The related derivative assets and liabilities are also allocated under unallocated others.

b. Net unrealised bunker swap contracts benefits and expenses are under unallocated others. Net realised benefits and expenses are allocated 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 allocated under unallocated others.

c. Others represent corporate overheads.

d. Treasury represents the gains and losses on repurchase and cancellation of the Group's convertible bonds during the period.

e. Others represent the Group's gains and losses on disposal of property, plant and equipment which are not considered to be an operating segment.

f. Others represent net unrealised interest rate swap contracts 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 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**

	Property, plant and equipment *US$'000*	Goodwill *US$'000*
Net book amounts		
At 1 January 2009	794,622	25,256
Additions	149,657	–
Disposals	(20,048)	–
Depreciation	(18,548)	–
Exchange differences	8,667	–
Transfer to investment properties	(2,394)	–
At 30 June 2009	911,956	25,256

6 Available-for-sale Financial Assets

	30 June 2010 *US$'000*	31 December 2009 *US$'000*
Listed equity securities, at fair value (Note a)	**54,092**	57,813
Unlisted equity securities, at fair value (Note b)	**3,362**	4,203
	57,454	62,016

(a) This represents the Group's investment in 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 return of capital.

7 Derivative Assets and Liabilities

	30 June 2010 US$'000	31 December 2009 US$'000
Derivative assets		
Cash flow hedges		
Interest rate swap contracts (Note a(i))	**15**	1,055
Derivative assets that do not qualify for hedge accounting		
Bunker swap contracts (Note b)	**5,494**	14,166
Forward freight agreements (Note c)	**8,155**	11,994
Total	**13,664**	27,215
Less: non-current portion of		
Interest rate swap contracts (Note a(i))	**(15)**	(1,055)
Bunker swap contracts (Note b)	**(1,660)**	(3,300)
Forward freight agreements (Note c)	**(1,091)**	(2,524)
Non-current portion	**(2,766)**	(6,879)
Current portion	**10,898**	20,336
Derivative liabilities		
Cash flow hedges		
Forward foreign exchange contracts (Note d)	**1,607**	1,688
Interest rate swap contracts (Note a(i))	**8,129**	2,647
Derivative liabilities that do not qualify for hedge accounting		
Interest rate swap contracts (Note a(ii))	**6,556**	5,170
Bunker swap contracts (Note b)	**3,356**	923
Forward freight agreements (Note c)	**7,201**	9,812
Total	**26,849**	20,240
Less: non-current portion of		
Interest rate swap contracts (Note a(i))	**(8,129)**	(2,647)
Interest rate swap contracts (Note a(ii))	**(6,556)**	(5,170)
Forward foreign exchange contracts (Note d)	**(1,607)**	(541)
Bunker swap contracts (Note b)	**(455)**	(279)
Forward freight agreements (Note c)	**(1,747)**	(1,098)
Non-current portion	**(18,494)**	(9,735)
Current portion	**8,355**	10,505

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 manage the fluctuations in interest rates related to the bank borrowings, the Group entered into interest rate swap contracts with banks to hedge against 3-month and 6-month floating rate LIBOR, and 3-month floating rate Bank Bill Swap Reference Rate (Australian finance market) ("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 subsequently the 6-month floating rate LIBOR 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 2010, the Group had outstanding bunker swap contracts to buy approximately 144,300 (31 December 2009: 169,600) metric tonnes of bunkers. These contracts expire through December 2012 (31 December 2009: December 2012).

(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 2010, the Group had outstanding forward freight agreements as follows:

(i) buy approximately 1,350 (31 December 2009: 1,400) days of the Baltic Supramax Index at prices of US$12,750 to US$24,250 per day (31 December 2009: US$12,800 to US$22,500), which expire through December 2011 (2009: December 2010);

(ii) sell approximately 2,120 (31 December 2009: 2,440) days of the Baltic Supramax Index at prices of US$12,000 to US$31,300 per day (31 December 2009: US$11,100 to US$31,300), which expire through December 2012 (31 December 2009: December 2012); and

(iii) sell approximately 410 (31 December 2009: 910) days of the Baltic Handysize Index at prices of US$8,100 to US$18,000 per day (31 December 2009: US$8,100 to US$11,000), which expire through December 2010 (31 December 2009: December 2010).

7 Derivative Assets and Liabilities (continued)

(d) Forward foreign exchange contracts

The Group had 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 2010, the Group had outstanding forward foreign exchange contracts with banks to buy approximately DKK321.9 million (31 December 2009: DKK 335.9 million) and simultaneously sell approximately EUR43.3 million (31 December 2009: EUR 45.1 million), which expire through September 2021, related to the long term bank borrowings denominated in Danish Kroner.

8 Trade and Other Receivables

	30 June 2010 ***US$'000***	31 December 2009 *US$'000*
Non-current receivables		
Finance lease receivables – gross	**8,871**	10,015
Less: unearned finance lease income	**(1,332)**	(1,783)
Finance lease receivables – net	**7,539**	8,232
Current receivables		
Finance lease receivables – gross	**2,309**	2,309
Less: unearned finance lease income	**(950)**	(1,025)
Finance lease receivables – net	**1,359**	1,284
Trade receivables – gross	**26,515**	28,277
Less: provision for impairment	**(1,911)**	(1,548)
Trade receivables – net	**24,604**	26,729
Other receivables	**46,395**	38,695
Prepayments	**24,801**	16,147
Amounts due from jointly controlled entities	**893**	174
Loans to jointly controlled entities	**5,440**	7,449
	103,492	90,478

At 30 June 2010, the ageing analysis of net trade receivables is as follows:

	30 June 2010 ***US$'000***	31 December 2009 *US$'000*
Less than 30 days	**18,300**	20,258
31-60 days	**3,616**	3,395
61-90 days	**1,224**	623
Over 90 days	**1,464**	2,453
	24,604	26,729

8 Trade and Other Receivables (continued)

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 2010 *US$'000*	31 December 2009 *US$'000*
Cash and cash equivalents	**909,320**	999,095
Notes receivables	**50,000**	50,000
	959,320	1,049,095

10 Trade and Other Payables

	30 June 2010 *US$'000*	31 December 2009 *US$'000*
Trade payables	**26,669**	29,949
Accruals and other payables	**51,254**	52,063
Receipts in advance	**31,894**	27,056
Amounts due to jointly controlled entities	**2,874**	2,672
	112,691	111,740

At 30 June 2010, the ageing analysis of trade payables is as follows:

	30 June 2010 *US$'000*	31 December 2009 *US$'000*
Less than 30 days	**19,908**	22,806
31-60 days	**1,900**	2,024
61-90 days	**639**	314
Over 90 days	**4,222**	4,805
	26,669	29,949

11 Long Term Borrowings

	30 June 2010 US$'000	31 December 2009 US$'000
Non-current		
Finance lease liabilities (Note a)	**176,577**	184,458
Secured bank loans (Note b)	**328,548**	339,382
Convertible bonds (Note c)	**310,520**	298,010
	815,645	821,850
Current		
Finance lease liabilities (Note a)	**15,454**	14,928
Secured bank loans (Note b)	**42,345**	39,800
	57,799	54,728
Total long term borrowings	**873,444**	876,578

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

	30 June 2010 US$'000	31 December 2009 US$'000
Not later than one year	**15,454**	14,928
Later than one year but not later than two years	**16,466**	15,976
Later than two years but not later than five years	**56,857**	54,924
Later than five years	**103,254**	113,558
	192,031	199,386

(b) The bank loans at 30 June 2010 are secured, inter alia, by the following:

(i) Mortgages over certain owned vessels of net book value totalling US$533,031,000 (31 December 2009: US$479,884,000);

(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$4,884,000 (31 December 2009: US$10,348,000).

11 Long Term Borrowings (continued)

(b) (continued)

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

	30 June 2010 US$'000	31 December 2009 US$'000
Within one year	**42,345**	39,800
In the second year	**41,638**	39,100
In the third to fifth year	**142,146**	143,832
After the fifth year	**144,764**	156,450
	370,893	379,182

(c) Convertible bonds

On 20 December 2007, the Group issued 3.3% coupon convertible bonds with an aggregate principal amount of US$390 million. The bonds mature on 1 February 2013 at their nominal value of US$390 million or can be converted into shares at the holder's option at a conversion price which is currently HK$19.21 per share. However, until 3 November 2010, 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. On 1 February 2011, 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 after 1 February 2011 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.

During the period, 3.3% coupon convertible bonds with nominal value of US$193.9 million (31 December 2009: US$10.3 million) were repurchased and cancelled at a consideration of US$195.9 million including commission and accrued interest (31 December 2009: US$8.6 million). Losses of US$0.6 million (31 December 2009: gains of US$1.5 million) (Note 15) and gains of US$5.9 million (31 December 2009: gains of US$0.3 million) were recognised in the income statement and retained profits upon derecognition of the respective liability component and equity component. The outstanding nominal value for the 3.3% coupon convertible bonds at 30 June 2010 was US$120.0 million.

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$7.79 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. 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

	2010 **US$'000**	2009 US$'000
At 1 January	**2,031**	53,932
Write-back for the period	**–**	(5,523)
Utilisation for the period	**–**	(16,514)
At 30 June	**2,031**	31,895

	30 June 2010 **US$'000**	31 December 2009 US$'000
Analysis of provisions		
Current	**1,831**	–
Non-current	**200**	2,031
	2,031	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 on the charter and the value of future charter payments that the Group is presently obligated to make.

13 Share Capital

	2010 Number of shares of US$0.1 each	**2010** US$'000	2009 Number of shares of US$0.1 each	2009 US$'000
Authorised	**3,600,000,000**	**360,000**	3,600,000,000	360,000
Issued and fully paid				
At 1 January	**1,927,078,305**	**192,708**	1,747,136,295	174,714
Shares issued upon exercise of share options (Note a)	**178,000**	**18**	–	–
Shares purchased by trustee of the LTIS (Note b)	**(1,698,000)**	**(1,294)**	(2,943,000)	(1,296)
Shares transferred to employees upon granting of restricted share awards (Note b)	**4,192,000**	**1,543**	3,335,000	1,336
Shares issued and transferred to employees upon granting of restricted share awards (Note b)	**2,254,000**	**225**	6,805,000	680
Shares transferred back to trustee upon lapse of restricted share awards (Note b)	**(901,000)**	**(90)**	(219,000)	(22)
Shares issued upon placing of new shares	**–**	**–**	174,731,010	17,473
At 30 June	**1,931,103,305**	**193,110**	1,928,845,305	192,885

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:

	2010	2009
	'000	*'000*
At 1 January	**1,178**	1,178
Exercised (Note)	**(178)**	–
At 30 June	**1,000**	1,178

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

At 30 June 2010 and 31 December 2009, 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 6,446,000 (30 June 2009: 10,140,000) restricted share awards were granted and transferred to certain employees on 14 May 2010, of which:

(i) 1,698,000 (30 June 2009: 2,943,000) shares were purchased by the trustee of the LTIS on the Stock Exchange at a total cost of US$1,294,000 (30 June 2009: US$1,296,000);

(ii) 2,254,000 (30 June 2009: 6,805,000) shares were issued by the Company at nominal value of US$0.10 each; and

(iii) 2,494,000 (30 June 2009: 392,000) 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$1,294,000, US$225,000 and US$249,000 (30 June 2009: US$1,296,000, US$680,000 and US$39,000) respectively. 901,000 (30 June 2009: 219,000) shares amounting to US$90,000 (30 June 2009: US$22,000) formerly transferred to certain employees lapsed. At 30 June 2010, there remained 174,814 (30 June 2009: 814) shares held by the trustee, amounting to US$17,000 (30 June 2009: US$100) as a debit to share capital.

13 Share Capital (continued)

(b) Restricted share awards (continued)

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

Date of grant	Number of outstanding share awards	Vesting periods
9 March 2006	292,500	on 1 March 2011
15 March 2006	40,000	on 1 March 2011
21 July 2006	80,000	in equal amounts on 23 August 2010 and 2011
19 September 2006	1,000,000	in equal amounts on 4 September 2010 and 2011
11 May 2007	2,951,500	on 14 July 2010
1 April 2008	77,000	on 1 April 2011
5 August 2008	1,327,000	on 14 July 2011
5 August 2008	636,000	301,000 on 14 July 2010 and 335,000 on 14 July 2011
5 August 2008	234,000	in equal amounts on 2 July 2010 and 2011
5 August 2008	66,000	in equal amounts on 24 July 2010 and 2011
9 June 2009	6,866,000	on 14 July 2012
9 June 2009	1,562,000	514,000, 520,000 and 528,000 shares on 14 July 2010, 2011 and 2012 respectively
14 May 2010	5,618,000	on 14 July 2013
14 May 2010	778,000	254,000, 254,000 and 270,000 shares on 14 July 2011, 2012 and 2013 respectively
	21,528,000	

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

	2010 **'000**	2009 '000
At 1 January	**17,286**	14,490
Granted	**6,446**	10,140
Vested	**(1,303)**	(1,324)
Lapsed	**(901)**	(219)
At 30 June	**21,528**	23,087

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	
	2010	2009
	US$'000	*US$'000*
Finance income		
Bank interest income	**(9,335)**	(6,953)
Finance lease interest income	**(526)**	(593)
	(9,861)	(7,546)
Finance costs		
Interest on bank loans wholly repayable within five years	**2,235**	107
Interest on bank loans not wholly repayable within five years	**2,331**	3,102
Interest on finance leases not wholly repayable within five years	**6,667**	7,149
Interest on convertible bonds wholly repayable within five years	**6,721**	8,098
Interest on convertible bonds not wholly repayable within five years	**1,991**	–
Other finance charges	**197**	136
Net losses/(gains) on interest rate swap contracts	**4,213**	(1,478)
	24,355	17,114
Finance costs, net	**14,494**	9,568

15 Profit Before Taxation

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

	Six months ended 30 June	
	2010	2009
	US$'000	*US$'000*
Amortisation of land use rights	**54**	21
Bunkers consumed	**128,154**	77,004
Depreciation		
– owned vessels	**22,030**	12,068
– leased vessels	**5,622**	5,782
– investment properties	**30**	28
– other owned property, plant and equipment	**676**	698
Employee benefit expenses including Directors' emoluments	**17,732**	17,149
Lubricating oil consumed	**2,371**	2,057
Operating lease expenses		
– vessels	**229,468**	173,726
– land and buildings	**1,681**	1,713
Provision net of write-back for impairment of trade receivables	**484**	(1,237)
Provision for onerous contracts		
– write-back	**–**	(5,523)
– utilisation	**–**	(16,514)
Losses/(gains) on repurchase and cancellation of convertible bonds	**577**	(1,546)
Gains on derivative instruments not qualifying as hedges		
– bunker swap contracts	**(6,315)**	(43,651)
– forward freight agreements	**(19,495)**	(32,251)
Losses on derivative instruments not qualifying as hedges		
– bunker swap contracts	**14,708**	10,679
– forward freight agreements	**25,253**	44,590
Write-back of provision for impairment of other receivables	**(1,361)**	–

16 Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 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	
	2010	2009
	US$'000	*US$'000*
Current taxation		
Hong Kong profits tax	**563**	368
Overseas tax	**1,599**	1,581
Over-provision of prior year	**(94)**	–
	2,068	1,949

17 Dividends

	Six months ended 30 June	
	2010	2009
	US$'000	*US$'000*
Interim dividend of HK 5 cents or US 0.6 cents per share (2009: HK 8 cents or US 1.0 cents per share)	**12,428**	19,912

An interim dividend in respect of the year ending 31 December 2010 of HK 5 cents or US 0.6 cents per share, amounting to a total dividend of US$12,428,000 was declared on 3 August 2010. These condensed consolidated interim financial statements do not reflect this dividend payable. A 2009 final dividend of HK 15 cents or US 1.9 cents per share, totalling US$37,272,000 was paid during the period ended 30 June 2010.

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	
	2010	2009
Profit attributable to shareholders (US$'000)	**51,893**	74,829
Weighted average number of ordinary shares in issue ('000)	**1,927,742**	1,785,864
Basic earnings per share	**US 2.69 cents**	US 4.19 cents
Equivalent to	**HK 21 cents**	HK 32 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	
	2010	2009
Profit attributable to shareholders (US$'000)	**51,893**	74,829
Weighted average number of ordinary shares in issue ('000)	**1,927,742**	1,785,864
Adjustment for share options ('000)	**574**	493
Weighted average number of ordinary shares for diluted earnings per share ('000)	**1,928,316**	1,786,357
Diluted earnings per share	**US 2.69 cents**	US 4.19 cents
Equivalent to	**HK 21 cents**	HK 32 cents

19 Commitments

(a) Capital commitments

	30 June 2010 US$'000	31 December 2009 US$'000
Contracted but not provided for:		
– vessel acquisitions and shipbuilding contracts	**179,198**	244,219
– investment in unlisted equity securities	**11,985**	11,229
	191,183	255,448
Authorised but not contracted for:		
– vessel acquisitions and shipbuilding contracts	**32,400**	41,630
– investment in a jointly controlled entity	**–**	13,183
	32,400	54,813
	223,583	310,261

Capital commitments that fall due within one year amounted to US$147.1 million (31 December 2009: US$234.6 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	RoRo US$'000	Tug US$'000	Post Panamax US$'000	Vessels Total US$'000	Land and Buildings US$'000	Total US$'000
At 30 June 2010								
Not later than one year	**93,289**	**77,069**	**17,901**	**858**	**–**	**189,117**	**2,803**	**191,920**
Later than one year but not later than five years	**138,727**	**320**	**21,519**	**896**	**26,353**	**187,815**	**7,608**	**195,423**
Later than five years	**64,199**	**–**	**–**	**–**	**6,602**	**70,801**	**1,548**	**72,349**
	296,215	**77,389**	**39,420**	**1,754**	**32,955**	**447,733**	**11,959**	**459,692**
At 31 December 2009								
Not later than one year	104,384	71,347	8,181	1,010	–	184,922	2,803	187,725
Later than one year but not later than five years	109,039	7,746	31,293	1,555	23,088	172,721	2,416	175,137
Later than five years	57,257	–	–	–	9,867	67,124	457	67,581
	270,680	79,093	39,474	2,565	32,955	424,767	5,676	430,443

Contingent lease payments made, including payments to other pool members of the handysize and handymax pools, amounted to US$7,039,000 (for six months ended 30 June 2009: US$3,665,000).

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 2010			
Not later than one year	**34,787**	**224**	**35,011**
Later than one year but not later than five years	**86,089**	**199**	**86,288**
Later than five years	**61,826**	**–**	**61,826**
	182,702	**423**	**183,125**
At 31 December 2009			
Not later than one year	61,110	215	61,325
Later than one year but not later than five years	106,515	310	106,825
Later than five years	88,836	–	88,836
	256,461	525	256,986

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, which were carried out in the normal course of the Group's business, were as follows:

(a) Purchases of services

	Six months ended 30 June	
	2010 *US$'000*	2009 *US$'000*
Insurance premium paid to Sun Hing Insurance Brokers Limited ("Sun Hing")	**–**	371

The Group entered into certain insurance contracts through Sun Hing, a related company in which approximately 36% of its shareholding was held indirectly by the late Dr. Lee Kwok Yin, Simon, an ex-Director and an ex-shareholder of the Company.

20 Significant Related Party Transactions (continued)

(b) Sales of services

	Six months ended 30 June	
	2010	2009
	US$'000	*US$'000*
Charter-hire income received from FBSL (Note i)	**2,028**	2,395
Charter-hire income received from OMSA (Note ii)	**4,804**	–
Management fee income received from FBSL (Note iii)	**3,608**	2,255
Termination fee received from FBSL (Note iv)	**3,300**	–
Interest income received from FBSL (Note v)	**–**	628

Note:

(i) The Group leased out certain vessels to FBSL, a jointly controlled entity.

(ii) The Group leased out certain vessels to OMSA, a jointly controlled entity.

(iii) The Group provided certain management and commercial services to FBSL.

(iv) The Group received a termination fee from FBSL.

(iv) The Group provided short term loans to FBSL.

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

	Six months ended 30 June	
	2010	2009
	US$'000	*US$'000*
Directors' fees	**180**	163
Salaries and bonus	**2,306**	2,316
Retirement benefit costs	**95**	63
Share-based compensation	**880**	1,056
	3,461	3,598

21 Significant Post Balance Sheet Event

Subsequent to 30 June 2010, the Group has

(a) contracted with a third party to acquire one handysize vessel with a consideration of approximately US$24 million which is included in the capital commitment under authorised but not contracted for category as at 30 June 2010; and

(b) exercised a purchase option to acquire one handysize vessel with a consideration of approximately US$17.1 million.

22 Comparative Figures

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

Pacific Basin continues to maintain the highest standards of corporate governance consistent with the needs and requirements of the business and its stakeholders, and consistent with the Code on Corporate Governance Practices (the "Code") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 2010.

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 standard set out in the Model Code and its code of conduct, except that a Director traded in the Company's securities during a period when no trading restrictions were in place but without written approval from the Company. The Board has formally reminded all Directors that the Model Code stipulates written approval must be received before such transactions can proceed.

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 by or reported to the Company throughout the six months ended 30 June 2010.

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 e-mail to companysecretary@pacificbasin.com.

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 2010, 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 Futures 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 issued share capital of the Company
David M. Turnbull[1]	–	846,000	–	502,629[2]	Long Position	–	1,348,629	0.07%
Klaus Nyborg[1]	–	2,424,000	–	–	Long Position	–	2,424,000	0.13%
Jan Rindbo[1]	–	3,053,370	–	–	Long Position	–	3,053,370	0.16%
Wang Chunlin[1]	–	2,017,000	–	–	Long Position	–	2,017,000	0.10%
Daniel R. Bradshaw	386,417[3]	–	–	–	Long Position	–	386,417	0.02%
Richard M. Hext[1]	160,000[4]	871,501	–	–	Long Position	–	1,031,501	0.05%
Alasdair G. Morrison	–	608,019[5]	–	–	Long Position	–	608,019	0.03%

Notes:

(1) Restricted share awards were granted to the executives Directors under the LTIS and have been disclosed from page 68 to page 69 under the Long Term Incentive Scheme of this Report.

(2) 502,629 Shares are held by the Pacific 08 Trust, of which Mr. Turnbull is a founder, in the form of 124 units of convertible bonds 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.

(4) Mr. Hext , via his wholly owned company namely Lady Margaret Hall Limited, beneficially owns 160,000 Shares.

(5) Mr. Morrison's personal interests of 608,019 Shares are held in the form of 150 units of convertible bonds at face value of US$10,000 each.

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 2010.

Save as disclosed above, 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 2010 under the LTIS are as follows:

(a) Share options

Share options were granted on 14 July 2004 at an exercise price of HK$2.50 per Share. They are fully vested and will expire on 14 July 2014.

	Number of share options		
	At 1 January 2010	Exercised during the period	At 30 June 2010
Other Employees	1,178,000	(178,000)	1,000,000

(b) Restricted share awards

	Number of restricted share awards				
	At 1 January 2010	Granted during the period (on 14 May)	Vested during the period	Lapsed during the period	At 30 June 2010
Directors					
David M. Turnbull [1]	533,000	313,000	–	–	846,000
Klaus Nyborg [2]	1,802,000	622,000	–	–	2,424,000
Jan Rindbo [3]	984,000	448,000	–	–	1,432,000
Wang Chunlin [4]	1,082,000	315,000	(110,000)	–	1,287,000
Richard M. Hext [5]	870,754	–	(870,754)	–	–
	5,271,754	1,698,000	(980,754)	–	5,989,000
Senior Management [6]	2,229,000	757,000	(157,000)	(448,000)	2,381,000
Other Employees [7]	9,785,500	3,991,000	(165,500)	(453,000)	13,158,000
	17,286,254	6,446,000	(1,303,254)	(901,000)[8]	21,528,000

Notes:

(1) An aggregate of 963,000 Shares have been granted to Mr. Turnbull since 5 August 2008, of which (i) 117,000 Shares have vested on 2 July 2009; (ii) 117,000 Shares have vested on 2 July 2010; (iii) 117,000 Shares will vest on 2 July 2011; (iv) 299,000 Shares will vest on 14 July 2012; and (v) 313,000 Shares will vest on 14 July 2013.

(2) An aggregate of 3,924,000 Shares have been granted to Mr. Nyborg since 19 September 2006, of which (i) 1,500,000 Shares have vested; (ii) an equal amount of 500,000 Shares will vest on each of 4 September 2010 and 2011; (iii) 802,000 Shares will vest on 14 July 2012; and (iv) 622,000 Shares will vest on 14 July 2013.

(3) An aggregate of 2,112,000 Shares have been granted to Mr. Rindbo since 11 May 2007, of which (i) 680,000 Shares have vested; (ii) 350,000 Shares have vested on 14 July 2010; (iii) 149,000 Shares will vest on 14 July 2011; (iv) 485,000 Shares will vest on 14 July 2012; and (v) 448,000 Shares will vest on 14 July 2013.

(4) An aggregate of 2,207,000 Shares have been granted to Mr. Wang since 9 March 2006, of which (i) 920,000 Shares have vested (inclusive of 11,000 Shares vested on 1 March 2010); (ii) 250,000 Shares have vested on 14 July 2010; (iii) 110,000 Shares will vest on 1 March 2011; (iv) 145,000 Shares will vest on 14 July 2011; (v) 467,000 Shares will vest on 14 July 2012; and (vi) 315,000 will vest on 14 July 2013.

(5) An aggregate of 5,560,741 Shares have been granted to Mr. Hext since 8 June 2005, of which (i) 4,353,741 Shares have vested (inclusive of 870,754 Shares vested on 5 April 2010); and (ii) 1,207,000 Shares lapsed on 31 December 2009 upon his resignation as an executive Director.

(6) The 2,381,000 Shares held by Senior Management at 30 June 2010 have vested or will vest on the following dates:
    (i) 400,000 Shares on 14 July 2010;
    (ii) 80,000 Shares on 1 March 2011;
    (iii) 77,000 Share on 1 April 2011;
    (iv) 237,000 Shares on 14 July 2011;
    (v) 830,000 Shares on 14 July 2012; and
    (vi) 757,000 Shares on 14 July 2013.

(7) The 13,158,000 Shares held by Other Employees at 30 June 2010 have vested or will vest on the following dates:
    (i) 2,766,500 Shares on 14 July 2010;
    (ii) an equal amount of 33,000 Shares on each of 24 July 2010 and 2011;
    (iii) an equal amount of 40,000 Shares on each of 23 August 2010 and 2011;
    (iv) 142,500 Shares on 1 March 2011;
    (v) 1,651,000 Shares on 14 July 2011;
    (vi) 4,511,000 Shares on 14 July 2012; and
    (vii) 3,941,000 Shares on 14 July 2013.

(8) 901,000 Shares lapsed due to the resignation of a member of Senior Management and three Employees during the reporting period.

The closing price of the Shares of the Company immediately before the grant of 6,446,000 restricted share awards on 14 May 2010 was HK$5.78 per Share.

Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company

As at 30 June 2010, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, the following persons (other than a Director or Chief Executive of the Company disclosed above) who had interests and short positions 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 were as follows:

Name	Capacity/ Nature of interest	Long/Short Position	Number of Shares	Approximate percentage of the issued share capital of the Company
UBS AG [1]	Beneficial owner, person having a security interest in Shares and interest in corporation controlled	Long Position Short Position	266,021,375 6,060,053	13.77% 0.31%
Compagnie de Navigation Canadian Forest Ltee. Canadian Forest Navigation Co. Ltd.	Beneficial owner	Long Position	212,354,000	11.00%
JP Morgan Chase & Co. [2]	Beneficial owner, investment manager and custodian corporation/approved lending agent	Long Position Short Position	133,285,634 7,031,000	6.90% 0.36%
Baillie Gifford & Co [3]	Investment manager and Interest in corporation controlled	Long Position	98,150,640	5.08%
Callander Alex	Interest in corporation controlled	Long Position	98,150,640	5.08%
Plowden Charles	Interest in corporation controlled	Long Position	98,150,640	5.08%
Telfer Andrew	Interest in corporation controlled	Long Position	98,150,640	5.08%
Warden Alison	Interest in corporation controlled	Long Position	98,150,640	5.08%
Whitley Sarah	Interest in corporation controlled	Long Position	98,150,640	5.08%

Notes:

(1) The Shares held by UBS AG are held in the capacities of beneficial owner (relating to 101,561,412 Shares), person having a security interest in Shares (relating to 12,832,830 Shares) and Interest in corporation controlled (relating to 151,627,133 Shares).

(2) The Shares held by JP Morgan Chase & Co. are held in the capacities of beneficial owner (relating to 11,478,500 Shares), investment manager (relating to 57,844,557 Shares) and custodian corporation/approved lending agent (relating to 63,962,577 Shares).

(3) The Shares held by Baillie Gifford & Co are held in the capacities of Investment manager (relating to 50,818,640 Shares) and Interest in corporation controlled (relating to 47,332,000 Shares).

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, as at 30 June 2010, 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

The Group purchased a total of 19,392 units of the Group's convertible bonds at face value of US$10,000 between April and June 2010 at an average price of US$10,005 per unit (includes related cost). The purchase involved a total cash outlay of US$194,021,070 excluding accrued interest of US$1,878,466 and was for the purpose of saving related coupon payments on the convertible bonds in the period before maturity. The repurchase has resulted in a reduction of long term liabilities from the cancellation of the convertible bonds repurchased and a loss in the income statement.

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 will be available on our website at www.pacificbasin.com no later than the date on which it is sent to the shareholders who have elected to receive a printed copy, which is on or around 19 August 2010.

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 2010 (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 2010. The ex-dividend date for the interim dividend will be on 16 August 2010.

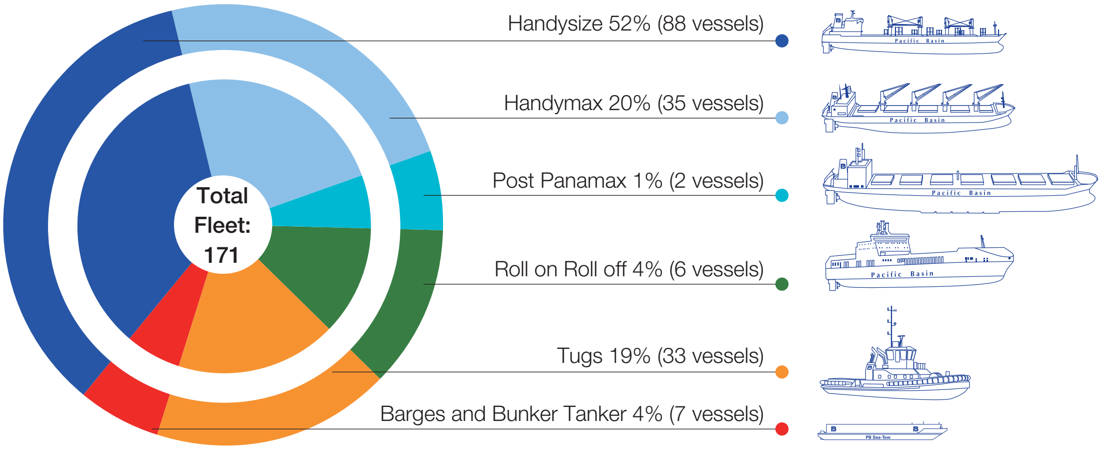
Directors

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

Fleet Summary

At 31 July 2010

Pacific Basin Fleet Distribution



	Delivered		Newbuildings on order		
	Owned	Chartered[1]	Owned	Chartered[1]	Total
Dry Bulk					
Handysize	26	55	2	5	88
Handymax	2	30	1	2	35
Post Panamax	–	–	1	1	2
Total Dry Bulk Vessels	28	85	4	8	125
Towage					
Tugs	30[2]	3	–	–	33
Barges	6	–	–	–	6
Bunker Tanker	1[2]	–	–	–	1
Total Towage Vessels	37	3	–	–	40
Roll on Roll off	1	–	5[3]	–	6
Grand Total	66	88	9	8	171

Notes:

1 The dry bulk chartered fleet comprises 13 vessels under finance leases and 80 vessels under operating leases. It also includes non-core dry bulk vessels chartered in for shorter term periods.

2 The Group has a 50% interest in one of the tugs and in the bunker tanker through its 50% owned joint ventures.

3 Includes 2 RoRo newbuilding vessels which can be acquired by the Group within approximately 2 months of their delivery from the shipyard subject to the exercise of purchase options.

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