Pacific Basin Shipping Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 2343)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

The Board of Directors (the "Board") of Pacific Basin Shipping Limited ("Pacific Basin" or the "Company") are pleased to announce the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2010 as follows:

Highlights

US$ million	Year Ended 31 December **2010**	2009
Revenue	**1,268.5**	950.5
Underlying Profit	**119.8**	115.8
Profit Attributable to Shareholders	**104.3**	110.3
Operating Cash Flow	**198.6**	145.3
Basic Earnings per share *(US cents)*	**5.4**	5.9
Basic Earnings per share *(HK cents)*	**42**	46

Results Highlights

Group

- **Group profit was US$104 million** (2009: US$110 million) in a relatively strong year for our dry bulk operation, although not a fully satisfactory year for the Group overall
- **Underlying profit was US$120 million** (2009: US$116 million) before the impact of unrealised non-cash adjustments and the scaling down of two investments
- **Basic earnings per share were HK$0.42** (2009: HK$0.46). Return on average equity was 7%
- **Operating cash flow increased strongly to US$199 million** (2009: US$145 million)
- **Issued US$230 million of new 1.75% convertible bonds** in April to refinance the majority of our original 3.3% convertible bonds all of which will have been cancelled during first quarter 2011
- **Balance sheet retains substantial buying power with US$703 million in cash and deposits** and net borrowings of US$156 million
- **Fully funded vessel capital commitments** of US$364 million in dry bulk vessels and US$47 million in RoRo vessels
- **Full year dividend of HK 21.5 cents per share** (2009: HK 23 cents) including a proposed final dividend of HK 16.5 cents

Fleet

- **Contract cover in place for 56% of our combined handysize and handymax revenue days in 2011**. 47% of our contracted 22,040 handysize revenue days in 2011 are covered at US$13,450 per day net (at 22 February 2010: 59% of 22,630 days at US$14,290)
- **Purchased 22 dry bulk vessels and long term chartered another 10** since reviving our fleet expansion activity in December 2009
- **Fleet now numbers 184 vessels** (including newbuildings) comprising 136 dry bulk vessels, 41 tugs and barges, 1 bunker tanker and 6 RoRos

Outlook

- **Handysize dry bulk market in 2011 is expected to be weaker than 2010**, with near term demand recovery being eclipsed by continued newbuilding deliveries. However, we remain encouraged by prospects for the longer term
- **Dry bulk core fleet remains cost competitive** and, from end 2012 onwards, will benefit from newbuildings we contracted in 2010
- **Mixed outlook for energy and infrastructure services** with encouraging signs of improvement in the Australian offshore towage market offset by expected negative contribution from the Middle East
- **Charter market for RoRo vessels is expected to remain depressed** resulting in a loss-making year for PB RoRo, despite ongoing marginal improvement in freight volumes for the sector
- **Our strategic goals remain unchanged** as we seek to expand further our dry bulk fleet and business whilst considering divestment of certain non-core assets

CHAIRMAN'S STATEMENT

Overview

Our cornerstone dry bulk business benefitted from a good start for the handysize and handymax markets in early 2010. Despite a much weaker second half of the year, average handysize spot rates in 2010 increased significantly, once again outperforming other dry bulk segments relative to their average earnings in 2009. We consider 2010 to have been a relatively strong year for our dry bulk operation notwithstanding the exceptional market of 2007 and 2008.

Even so, and despite some encouraging developments in our other core markets, 2010 was not a fully satisfactory year for Pacific Basin overall. Furthermore, many of the negative influences on the dry bulk, energy and infrastructure, and RoRo markets remain present as we progress further into 2011.

Pacific Basin produced net profits of US$104 million in 2010 (2009: US$110 million), basic earnings per share of HK$0.42, and a return on average shareholders' equity of 7%. Operating cash flow increased strongly to US$199 million (2009: US$145 million).

Our underlying profit for the year was US$120 million before the impact of unrealised non-cash adjustments and the scaling down of two investments. This represented a 3% improvement over our underlying profit of US$116 million in 2009.

As at 31 December 2010, we had cash and deposits of US$703 million. We returned to a net borrowing position of US$156 million following payments relating to ship acquisitions, including new dry bulk commitments made since embarking on our fleet expansion efforts in December 2009. After eight dry bulk vessel deliveries in 2010, our current remaining vessel capital expenditure obligations amount to US$411 million payable between 2011 and 2014 in respect of 20 ships. We continue our strategy of directing new investment predominantly towards our dry bulk activity and, considering our current capital commitments and cash position, still have substantial buying power on our balance sheet.

Pacific Basin Dry Bulk

The handysize and handymax bulk carrier markets got off to a good start in 2010 with strong commodity transport demand generally keeping pace with fleet growth in the first half of the year. As we anticipated, rates weakened over the second half, although sliding lower and for longer than we expected following a series of exceptional circumstances. Even so, looking at 2010 as a whole, handysize and handymax average spot rates increased 45% and 30% respectively year on year. This increase was not fully reflected in our earnings due to the lower value of our cargo book coming into 2010 which no longer benefitted from higher rate cover that we had secured ahead of the financial crisis.

Buoyancy early in the year was largely due to strong growth in minor bulk commodity demand from China and other emerging economies, a normalisation of demand in OECD countries leading to restocking and, in turn, reduced availability of foreign raw materials supply causing China to source from its domestic resources thus increasing Chinese coastal bulk transportation.

Weakness in the second half was initially triggered by seasonally reduced activity in the middle of the year followed by a fall in Chinese commodities imports due to government policy moves related to energy consumption targets, reduced margins for steel producers and a normalisation of inventory management – all at a time of unprecedented dry bulk fleet expansion especially in the larger bulk carrier segments. The depressed market at the end of the year has since been exacerbated by severe flooding in Australia, Brazil and Colombia – all major raw materials exporters – and consequently the seasonal upswing that we expected to see from November 2010 and into early 2011 did not materialise. The market continued to fall further resulting in early February 2011 seeing the lowest rates since the dysfunctional start to 2009.

The strategic focus of our Pacific Basin Dry Bulk division in 2010 remained trained on the continued expansion of our fleet of handysize and handymax ships at reasonable cost. Since reviving our fleet expansion activity in December 2009, we have purchased 22 vessels and chartered in on a long term basis another ten, of which only eight had delivered and partly contributed to our earnings in 2010. Our new acquisitions included six 35,000 dwt ships of enhanced, fuel-efficient design that we contracted with Jiangmen Nanyang Ship Engineering ("JNS") in China, as well as five 58,100 dwt ships from Tsuneishi Group's Chinese yard, all delivering between mid-2012 and the end of 2013.

By mid-2010, ship values had increased strongly to US$28 million for a benchmark five year old handysize vessel, though they have since fallen to US$25 million in the wake of the recent freight market slump. This still represents an improvement of approximately 14% since the end of 2009 and, whilst last year's significant increase in asset values has now diminished, we expect the current downward pressure on values to generate interesting vessel acquisition opportunities during 2011.

Our cargo volumes increased 9% in 2010 with significant growth in the carriage of minor bulks and soft commodities offsetting a reduction in coal and ore volumes. Contracts performed as expected with again no counterparty defaults reflecting the strength of our customers and our minimal exposure to long term outward time charters – a valuable advantage at a time when the survival of some dry bulk operators may be in question.

In line with our policy to secure future earnings to provide a degree of protection if demand proves unable to absorb significant fleet growth, we have locked in forward cargo cover of 56% for our expanded handysize and handymax fleet as at 17 February 2011.

PB Energy & Infrastructure Services

The towage and infrastructure services markets in Australia and the Middle East continued to be adversely affected by difficult conditions following the global economic crisis. The offshore charter market in Australia remained weak until late in 2010 because of project deferrals due to pre-election politics, and financial and environmental considerations. This was compounded by surplus supply of offshore support vessels caused by recent new vessel deliveries. Our FBSL joint venture endured continuing difficult market conditions resulting in the need to scale down the business and make a sizeable impairment of this investment. On a more positive note, PB Towage's Australian offshore logistics operations continued to perform well, and our Australian harbour towage business increased its market share on the back of new contracts and has benefitted from strong commodity exports mainly to China. In 2010, we took delivery of seven harbour tugs and two offshore support tugs, which brings our total PB Towage fleet to 42 vessels, with currently no more to deliver.

PB RoRo

The RoRo market continued to suffer in 2010 with only slow and fragile recovery in the sector's core European economy proving insufficient to spur RoRo operators to charter additional vessels at a time of relatively significant new ship deliveries. Our first RoRo vessel continued to trade successfully in the North Sea and we took delivery later in the year of two Hyundai Mipo newbuildings. These are now deployed in the new Nafta Gulf Bridge RoRo service between Veracruz and Mobile, a start-up in which we invested in December, which offers shippers of trailers a faster, safer and more reliable route between the Eastern United States and Southern Mexico. Earlier in the year, we expanded our specialist ship management joint venture in the United Kingdom to include a significant commercial management function in order to enhance our RoRo marketing capability. Our remaining three newbuildings are scheduled to deliver from Odense Steel Shipyard over 2011 and, with employment secured for four of our vessels, we are actively engaged in developing employment for the last two.

Financing

On 12 April 2010 we issued US$230 million of new convertible bonds (due in 2016) with a 1.75% coupon to refinance the majority of our 3.3% coupon original convertible bonds (due in 2013) amounting to US$314 million as at 31 December 2009. Over the full year we repurchased US$209 million of the original 2013 convertible bonds at or below face value. The remaining US$105 million of the original 2013 convertible bonds will have been redeemed and cancelled by 4 March 2011 following the exercise of put options by investors and call options by the Company.

Fleet Development

As at 25 February 2011, the Group's fleet (including newbuildings) numbered 184 vessels comprising 136 dry bulk ships, 41 tugs and barges, one bunker tanker and six RoRos. We await the delivery of 23 owned or long term chartered bulk carriers and three RoRos in 2011 to 2014.

Dividend

The Board has recommended a final dividend of HK 16.5 cents per share bringing the total for 2010 to HK 21.5 cents per share (2009: HK 23 cents), representing a payout ratio of 51% of profits excluding disposal gains.

Outlook

2011 started poorly for the dry bulk market with the Baltic Dry Index ("BDI") in early February at its lowest level since January 2009. We anticipate a stronger second quarter due to a recovery in flood-affected Brazilian and Australian exports and the onset of the South American peak grain export season. However, we anticipate that the market for our dry bulk ships in 2011 will be weaker than in 2010 as positive forces such as recovery from regional export disruptions and increased scrapping are ultimately overshadowed by continued significant newbuilding deliveries during the year. Even so, we still expect to benefit from our core fleet's competitive breakeven costs which for 2011 are currently lower than they were last year.

We remain encouraged by prospects for the minor bulk segments in the longer term on the back of expected measurable improvement in the supply/demand balance. This positive outlook is based on our customers' optimism about their own shipping needs, and our expectations of increased scrapping and the unblocking of commodity supply bottlenecks through new infrastructure investment allowing dry bulk transportation demand to catch up with much expanded supply.

We are encouraged by the improved outlook for PB Towage in 2011 as we anticipate a measurable improvement in the Australian market and therefore better prospects for our offshore towage business. However, due to the progress that still needs to be made in harbour towage and expected negative contributions from our Middle East activities this year, our outlook for PB Energy & Infrastructure Services in 2011 remains less than satisfactory overall. We still believe, however, that this division is well positioned to benefit from increasing activity and new opportunities in our focus region of Australasia.

We expect the charter market for RoRo vessels to remain depressed resulting in a loss-making year for PB RoRo, despite ongoing marginal improvement in freight volumes for the sector. We recognise also that developing the new Nafta Gulf Bridge trade in the current climate will present many challenges for Pacific Basin and our joint venture partners. However, we remain positive on the longer term prospects for our RoRo business.

Strategically our focus remains unchanged as we press on with efforts to expand our core dry bulk fleet and equip our business with the tools to support our increased scale and provide the best possible service to our customers. We expect current weakness in the dry bulk freight market will generate interesting opportunities to continue the expansion of our fleet. Following the successful partial sale of our shares in Green Dragon Gas, we will consider further divestment of certain non-core assets in 2011 and beyond.

In closing, I am confident that we have positioned ourselves appropriately to grow and perform well in these challenging times, building on past successes attributable largely to our diligent staff and loyal customers whom I thank for their continued commitment and support in the future.

David M. Turnbull
Chairman

Hong Kong, 1 March 2011

BUSINESS REVIEW AND OUTLOOK

Pacific Basin Dry Bulk

Dry Bulk Market Review

The handysize and handymax bulk carrier markets got off to a good start in 2010 with freight rates continuing their upward trend of the previous year. As we anticipated, rates weakened over the second half of the year, though sliding lower and for longer than we expected towards the year end on the back of a series of exceptional circumstances such as severe flooding and Chinese policy moves related to energy consumption targets. By the end of December, freight rates had reached their lowest levels in 18 months. Even so, looking at the year as a whole, handysize and handymax spot rates averaged US$15,600 and US$21,300 per day net, representing a 45% and 30% increase respectively over average rates in 2009. This increase was not fully reflected in our earnings due to the lower value of our cargo book coming into 2010 which no longer benefitted from higher rate cover that we had secured ahead of the financial crisis.

By contrast, the market for the largest bulk carriers started the year on a downward trajectory culminating in a 30% decrease in average freight rates year on year. This was despite twice surging over 100% during 2010 on short term buoyancy generated by increased Chinese imports, again illustrating the greater volatility in this large ship segment. The Baltic Dry Index ("BDI") traded between 4,200 and 1,700 points, with the annual average BDI increasing only 5.4% year on year to 2,750 points, which is consistent with our neutral 2010 outlook stated a year ago.

The freight market has continued to fall since the start of 2011 exacerbated by the Queensland floods and the annual rush of new ship deliveries at the start of the year. As at 25 February, handysize spot rates stood at US$9,700 and the BDI at 1,245 points – the latter having recovered somewhat since early February when it was down to depressed levels last seen in January 2009. Australian and Brazilian exports have started to recover in the aftermath of the January floods, and an increase in scrapping of older capacity and lay up of large bulk carriers should provide some further relief.

Handysize and handymax again faired better than other dry bulk segments in 2010 relative to their average earnings in the previous year. Despite a similar general trend across the various segments in part due to the effect of broader market sentiment, we see a decreasing correlation between our handysize market and the market for capesize bulk carriers which we attribute to differing supply and demand characteristics.

We consider the following developments to have had significant influence on our handysize and handymax dry bulk markets in 2010:

- Buoyancy early in the year was largely due to strong growth in minor bulk commodity demand from China and other emerging economies, a normalisation of demand in OECD countries leading to restocking and, in turn, reduced availability of foreign raw materials causing China to source from its domestic resources thus increasing Chinese coastal bulk transportation.
- Weakness in the second half was initially triggered by seasonally reduced activity in June followed by a fall in Chinese commodities imports due to reduced margins for steel producers, a normalisation of inventory management, and government policy moves related to energy consumption targets – all at a time of unprecedented dry bulk fleet expansion especially in the large bulk carrier segment.
- The depressed market in the final quarter was exacerbated by severe flooding in Australia, Brazil and Colombia – all major raw materials exporters and, consequently, the seasonal upswing that we expected to see towards the year end did not materialise.
- Significantly increased imports of grains (such as wheat and soya bean) and minor bulks into China, whose imports accounted for 31% of global bulk trade in 2010.
- Increased inefficiency in global dry bulk fleet utilisation, which we believe will persist in the longer term, due to:
  - China and other emerging economies assuming a greater share of worldwide dry bulk imports, combined with much smaller dry bulk exports, further driving East-West trade imbalances and, in turn, inefficiency in fleet utilisation;
  - significantly higher fuel costs making repositioning of ships between the Pacific and Atlantic increasingly expensive, thus contributing to a less flexible dry bulk fleet and, consequently, a measurable earnings differential between the two oceans; and
  - new vessel categories, such as post-panamax and the very largest new supramax designs frequently not being loaded to their maximum capacity, thereby introducing a new form of fleet inefficiency.
- Weather-related phenomena such as droughts in Russia and India, and flooding in Australia and Brazil have affected crop and mining output, trade patterns and, in turn, demand for dry bulk shipping. Flooding related disruptions in Australia and Brazil alone are estimated by analysts to have cut dry bulk exports in January 2011 by 13 million tonnes. Whilst not expected to be long term, these disruptions have had an immediate effect on freight rates for small as well as large bulk carriers, which in some cases fell to levels last seen in the dysfunctional market in late 2008 and early 2009.
- Self-imposed export bans on Russian grain and Indian iron ore had a significant negative impact on handymax earnings during 2010.
- The accelerated pace of newbuilding deliveries continued throughout 2010 which, combined with only very limited scrapping, contributed to excessive, record high net fleet growth. The delivery of most new capacity from Chinese and other Asian shipyards into the Pacific impacted Pacific market earnings in particular, with this regional over-supply exacerbated by a reduced readiness by owners to reposition ships to the Atlantic due to high fuel costs.

R.S. Platou estimates demand for dry bulk transportation in 2010 grew 13.4% year on year – the highest level of growth since 2003 – reflecting the strong global appetite for commodities compared to 2009 which was let down by the dysfunctional market at the start of that year.

79 million tonnes of new dry bulk capacity delivered in 2010, driving dry bulk net fleet growth of 17% during the year. This is significantly above the 7% level of 2004-2008 and the 10% fleet expansion of 2009, and we believe represents a degree of year on year fleet expansion not seen in 40 years. Newbuilding deliveries were 84% greater than in the previous year with only very limited scrapping. The handysize fleet grew by 11% net year on year whereas the capesize fleet experienced more punishing growth of 22% accounting for much of total dry bulk fleet expansion in 2010.

While newbuilding deliveries have accelerated, recorded deliveries in 2010 fell short of the scheduled orderbook at the start of the year by 38% – similar to the shortfall observed in 2009.

Encouraged by the improved market conditions, ship owners ordered 130% more new dry bulk capacity in 2010 than in 2009 and, as at 1 February 2011, the orderbook for handysize vessels stood at 39% as compared with 50% for the total dry bulk fleet and 55% for capesize vessels.

Whilst we believe yard deliveries are unlikely to accelerate from current levels, 2011 will again be difficult with 137 million dwt of new dry bulk capacity scheduled to deliver this year, before considering the potential delivery shortfall which we expect will be approximately 30-40%. Such shortfall or delays in deliveries are more likely to benefit the handysize segment as smaller, newer yards face greater financial difficulty than well established, larger yards which are generally engaged in the more profitable construction of larger ships.

Most burdened by the orderbook are major bulk vessels for which the outlook is bleak throughout 2011 and into 2012. The less onerous orderbook for minor bulk ships – handysize in particular – combined with the segment's older age profile and diverse range of cargoes, leads us to expect handysize vessels to fare better than other dry bulk segments over the longer term, with a challenging outlook for 2011 giving way to an improved demand/supply balance in 2012.

Driven by the relatively strong freight market of the first half of 2010, ship values surged to US$28 million in June before softening over the remainder of the year. Clarksons currently estimates the value of a benchmark five year old handysize at US$25 million, albeit based on little recent transaction volume. This still represents an improvement of 22% since values bottomed out in mid-2009, and 14% since we revived our fleet expansion in December 2009. Whilst last year's significant increase in asset values has now been partly eradicated, we expect the current downward pressure on values to generate interesting opportunities for vessel acquisitions during 2011.

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 which we deploy under contracts of affreightment ("COAs"), spot market fixtures and, occasionally, period time charters to meet our customers' transportation needs.

Pacific Basin Dry Bulk generated a net profit of US$145 million (2009: US$138 million), return on net assets of 21% (2009: 29%) and strongly increased operating cash flow of US$199 million (2009: US$157 million) mainly reflecting a 16% increase in Pacific Basin's average handysize daily earnings and a larger number of ships operated. These improved results were generated despite a 38% decrease in the profitability of our handymax activities due to the increased cost of short term chartered in ships and a corresponding reduction in profit margins, offset by a less significant increase in revenue days.

	Handysize		Handymax	
	2010	2009	**2010**	2009
Average number of ships operated	**80**	72	**34**	31
Cargo volume (Million tonnes)	**19.7**	18.1	**12.0**	10.8
Net profit (US$)	**136 million**	124 million	**9 million**	14 million
Operating cash flow (US$)	**187 million**	140 million	**12 million**	17 million
Daily charter rates earned (US$)	**16,750**	14,500	**22,570**	19,490
Indices (US$ net, av. BHSI/BSI)	**15,600**	10,775	**21,300**	16,471
Daily vessel operating costs (US$)	**11,970**	9,690	**21,690**	18,120
Return on net assets	**22%**	28%	**12%**	64%

We operated an average of 114 dry bulk ships during the year (2009: 103 ships) and have added 22 purchased ships and ten long term chartered ships to our core dry bulk fleet since reviving our fleet expansion activity in December 2009. These new acquisitions include six 35,000 dwt ships of enhanced, fuel-efficient design that, as previously announced, we contracted with JNS shipyard in China, as well as five 58,100 dwt ships from Tsuneishi Group's Zhoushan yard also in China.

Our cargo contracts performed as expected in 2010 with no counterparty defaults, reflecting the strength of our counterparties and minimal exposure we have to long term outward time charters.

Our cargo volumes increased 9% in 2010. While we carried less ore and coal than in 2009, thus further disconnecting us from larger bulk carrier segments, we carried significantly more minor bulks and soft commodities. In particular, we transported:

- 50% more logs from New Zealand, the United States and Canada on increased Chinese demand for seaborne log imports at the expense of logs imported from Russia by land;
- 80% more copper concentrates from South America and Indonesia to North Asia;
- 40% more grain and agriculture products with a growing proportion destined for China;
- 20% more fertilisers;
- 34% more minor bulks into the United States; and
- more cargoes out of China and more into South America and the United States, complementing our traditional front-haul cargo volumes thereby increasing the utilisation of our fleet.

We have commenced an internal project to review our systems and business processes with a view to upgrading our business software and streamlining the way we work. We intend to implement these changes within 2011, which will give us an appropriately advanced platform to support Pacific Basin's continued future growth.

Our in-house technical operations team provided the highest quality of maintenance and crewing of our ships, meeting or exceeding the most stringent regulatory requirements with minimal off-hire averaging 1.6 days per vessel. The team had an exemplary external inspection record, excelling in areas of safety, care of cargo and the environment, thus underpinning the world-class service we provide to our customers.

In line with our strategy to secure forward cargo cover, we have covered 56% of our 2011 contracted combined dry bulk ship revenue days, and we currently expect the majority of our uncovered 2011 revenue days will generate revenue from the spot market. We are also focused on building our forward cargo book for 2012 and beyond.

		Handysize		Handymax	
	Unit	**FY 2010**	FY 2011	**FY 2010**	FY 2011
Vessel Activity Summary (as at 17 February 2011)					
Cargo Commitments					
Revenue days	days	**29,070**	10,960*	**11,450**	4,330
Net paper contracts	days	**–**	(90)	**–**	(120)
Equivalent revenue days	days	**29,070**	10,870	**11,450**	4,210
Daily TCE	US$	**16,750**	13,340	**22,570**	15,820
Ship Commitments					
Revenue days	days	**29,070**	22,950	**11,450**	4,940
Net Position					
Cargo as % of ship commitments	%	**100%**	47%**	**100%**	85%
FFA Activity Summary					
FFA paper sold	days	**1,590**	330	**3,530**	840
FFA paper bought	days	**(225)**	(450)	**(3,600)**	(990)
Net realised paper exposure	days	**(1,365)**	30	**70**	30
Net FFA paper sold/(bought)	days	**–**	(90)	**–**	(120)

* *Includes 1,010 revenue days from vessels chartered in on an index basis.*

** *By comparison, as at this time last year (22 February 2010), we had covered 59% of our contracted 22,630 handysize revenue days in 2010 at US$14,290 per day net.*

Outlook

We expect the following market-related factors to be amongst the most influential drivers of the dry bulk sector in 2011:

Positive Factors

- **China's continued dependence on imported minor bulks from further afield, exacerbating trade imbalance and inefficient utilisation of shipping capacity**
- Strong growth in developing countries resulting in increased construction and greater steel and raw materials demand
- Increased restocking and trading inefficiencies in the aftermath of Brazil and Queensland floods, and harsh northern hemisphere winter driving demand for commodities such as coal and salt
- Tougher times for shipbuilding (due to higher steel cost, weaker US Dollar, poorer shipping market and reduced bank lending and ship ordering) may lead to slippage in 2011 deliveries as yards decelerate production
- Increased scrapping of older capacity due to the significant dry bulk capacity over 25 years old
- Generally increased congestion due to recent dry bulk fleet expansion overshadowing global port capacity growth
- Increasing fuel prices impacting on operating speeds and utilisation efficiency

Negative Factors

- **Continued excessive newbuilding deliveries**
- Dry bulk shipping demand stifled by shortfall in mining capacity and other commodity supply bottlenecks
- High commodity prices leading to reduced speculative buying for stock building
- Higher iron ore price favours Chinese switch to domestic production in lieu of import
- Wet weather and flooding in Australia, Brazil and Colombia to impact first half 2011 exports

We anticipate seeing a number of positive forces come into play in 2011, though the single most influential factor is likely to again be the high level of newbuilding deliveries throughout the year. We expect dry bulk to benefit from a stronger second quarter as demand improves on the recovery in flood-affected Brazilian and Australian exports and the onset of the South American peak grain export season, and as the annual rush of new ship deliveries at the start of the year eases. Nevertheless, we anticipate that 2011 will be weaker than 2010. Even so, we still expect to benefit from our core fleet's competitive breakeven costs which for 2011 are currently lower than they were last year.

Despite our dampened view for the year, we remain encouraged by prospects for the minor bulk segments in the longer term with a measurably improved supply/demand balance expected in 2012 and beyond. This positive long term outlook is based on our customers' optimism about their own shipping needs, and our expectations of increased scrapping and the unblocking of commodity supply bottlenecks through new infrastructure investment allowing dry bulk transportation demand to catch up with much expanded supply.

Our recent fleet expansion activities have favoured the acquisition of newbuilding vessels most of which are scheduled to deliver from late 2012 onwards, which fits well with our expectations for a much healthier market in the longer term. Strategically, therefore, our focus remains substantially unchanged: we will continue to evaluate acquisition and inward charter opportunities with a view to further expanding our dry bulk fleet whilst mindful of maintaining our competitive breakeven cost. We also aim to build our forward cargo book for 2012 and beyond whilst employing the majority of our uncovered 2011 capacity in the spot market.

PB Energy & Infrastructure Services

Market & Business Review

The PB Energy & Infrastructure Services division generated a net profit in 2010 of US$4.9 million (2009: US$8.2 million), a return on net assets of 2% and an operating cash flow of US$22.6 million (2009: US$11.6 million).

- PB Towage made a net profit in 2010 of US$1.0 million (2009: US$1.0 million)

- Fujairah Bulk Shipping L.L.C. ("FBSL"), our joint venture with the Government of Fujairah, contributed a profit of US$2.9 million (2009: US$6.3 million) to Pacific Basin's results, before making for a US$19 million impairment

The difficult market conditions of 2009 continued in 2010 with businesses engaged in the infrastructure and offshore support and harbour towage sectors adversely affected by fall out from the global economic crisis.

Offshore Towage and Infrastructure Support Services

The offshore charter market remained weak until late in 2010 due to sluggish growth in oil production and limited investment in oil and gas exploration globally, including in our main market in Australia where pre-election politics and environmental issues caused several energy projects to be deferred. The market was also affected by a surplus supply of offshore support vessels following recent excessive newbuilding deliveries. Similarly, protracted difficult economic conditions in the Middle East were not able to support the revival in infrastructure projects that had been expected to commence in the region last year.

In such market conditions, it is gratifying that PB Towage's Australian offshore logistics operations continued to perform well despite the deferral of Australian projects negatively impacting the utilisation of some of our assets. Towards the end of the year, we secured a contract to transport aggregates for the Queensland Curtis LNG project at Gladstone for which shipments commenced in February 2011, and we have tendered for a number of further projects expected to take place this year. PB Towage's utilisation levels in the Middle East increased on the back of a slight pick-up in oil and gas sector activity, though excess supply has kept charter rates depressed in the region.

With most of our towage businesses in and around Australia, we relocated the head office of PB Towage from Hong Kong to Perth last year in order to consolidate the company's management activities closer to its main operations.

Our FBSL joint venture did well last year to stay ahead of schedule on the Northern Project which is drawing to a close. Unfortunately, however, protracted difficult economic conditions resulted in the need to scale down the business and make a US$19 million impairment.

PacMarine Services, our marine surveying and consultancy business, continued its expansion with the launch of new operations in South America and North East United States and the enlargement of regional teams in Asia, Europe and the Middle East. PacMarine now operates from 16 locations across four continents and continues to add major global oil groups to its customer base, reinforcing its position as the leading service provider in the marine services segment.

Harbour Towage

Container shipping to Australia improved in the second half of 2010 from a weak start to the year due to a combination of seasonal trends and a more general recovery, though the expanded container volumes are now increasingly satisfied by larger ships and fewer port calls.

Our Australian harbour towage business PB Towage Australia secured new contracts, most notably in the Port of Townsville, thus increasing its market share in Australia's main ports. Towage activity in bulk ports benefitted from strong commodity exports mainly to China, and our entry into the bulk port towage sector with two exclusive licenses has helped to offset the difficulties of the more competitive container sector.

In 2010, we took delivery of seven harbour tugs and two offshore support tugs for the Gorgon Project. This brings our total PB Towage fleet to 34 tugs, seven barges and one bunker tanker, with currently no further towage vessels on order or scheduled to deliver.

Outlook

The following market-related factors are expected to have most influence on the towage and infrastructure services sectors during 2011:

Positive Factors

- **Increasing oil and energy prices gradually leading to more offshore projects and related infrastructure development activities with potential start-up in 2011, especially in Australasia**

- Further economic recovery to sustain Australian trade growth thereby driving vessel movements in Australian ports

- The shift to larger container ships will drive demand for more powerful harbour tugs of the types we operate, thus allowing PB Towage to increase its market share

Negative Factors

- **Following the Dubai debt crisis, resumption of infrastructure and offshore projects in the Middle East is more hesitant than it had appeared, resulting in continued weak demand for construction materials and aggregates**

- **Excessive offshore fleet expansion impacting rates in the energy and offshore infrastructure markets especially in the Middle East**

- Some further delays to new project timelines

- New competition from Southeast Asian operators targeting the Australian sector

We are encouraged by the improved outlook for PB Towage in 2011 mainly because of better prospects for our offshore towage business. However, due to the progress that still needs to be made in harbour towage and an expected negative contribution from our Middle East activities this year, our outlook for PB Energy & Infrastructure Services in 2011 remains less than satisfactory overall.

The flooding in Queensland caused some port closure resulting in temporary disruption to vessel calls in January, but normal operations were soon restored. As long as such flooding does not return to the region, we do not expect this recent weather-related phenomenon to have a significant impact on our 2011 performance.

We anticipate a measurable improvement in the Australian market where PB Towage is now better positioned to benefit from upcoming commercial opportunities, though we are mindful of the risk of further delays to project timelines and the threat of competition from Southeast Asian operators breaking in to the Australian market.

Our greater concern is with our second market in the Middle East where we expect to see only a marginal improvement for PB Towage in 2011.

PacMarine is well placed to continue to consolidate its survey and consultancy services globally.

PB RoRo

Market & Business Review

The PB RoRo division generated a net loss of US$1.1 million (2009: profit of US$0.1million), a return on net assets of 0% and an operating cash flow of US$2.8 million.

The slow export-led recovery in the RoRo sector's core European economy was and remains somewhat fragile due in part to slow economic recovery and negative growth in Ireland, Mediterranean countries and the Baltic States. In this context, overall freight demand has experienced some, albeit hesitant, growth but has not yet reached a level at which RoRo operators require additional tonnage, leaving charter demand for freight RoRo vessels still very weak and well below what we had expected a year ago. Newbuilding deliveries, particularly in the larger vessel sector in which we are invested, added to the freight market pressures of last year and, despite relatively high levels of scrapping over the past 12 months, further new ship deliveries are likely to result in continued surplus capacity in the established Northern Europe and Mediterranean trades for the balance of 2011. Time charter rates have therefore continued to weaken.

The Danske Bank European Freight Forwarding Index has consistently shown increased volumes since the start of 2010 and forecasts continued growth in freight over the next few months. However, the recovery in the number of trailers carried on the main North European RoRo routes has stalled in recent months and remains somewhat below pre-recession levels, with encouraging increases on some North European and North Sea routes offset by continued weakness in the Irish Sea and elsewhere.

Outside the core European market, new trades have opened in the Eastern Mediterranean and the Americas. East Asia also offers great potential for the development of new RoRo services, although their introduction is expected to take some time and, initially, RoPax vessels with significant passenger capacity will likely be better suited to these emerging trades than pure freight RoRo ships.

On the supply side, 2010 saw the delivery of 49,000 lane meters of new capacity into the market (amounting to 5.6% of the year-end fleet of vessels over 800 lane meters), but also a substantial level of scrapping with 106,900 lane meters of old capacity (approximately 12%) removed from the fleet. With some 38% of existing capacity already over 25 years old, there is good potential for further scrapping, while newbuildings on order continue to be limited. However, reflecting the trend towards use of larger vessels on mainstream trades, the orderbook is biased towards ships of more than 3,000 lane meters of the type we own, and so the fleet in this segment is unlikely to start shrinking until 2012. Encouragingly, the very small number of vessels ordered in the last two years supports the case for a significant decline in fleet size thereafter.

Three of the six vessels in our newbuilding programme have now delivered. The "Humber Viking" continues to trade successfully between ports in Holland and the United Kingdom, her three-year time charter having transferred to leading ferry operator DFDS following their recent acquisition of Norfolk Line from the A.P. Moller-Maersk Group. Our two Korean-built RoRo newbuildings delivered from Hyundai Mipo shipyard in September and November.

In December, we invested in NGB Express Lines, a joint venture established to operate the new Nafta Gulf Bridge RoRo service between Veracruz in Mexico and Mobile, USA. This service offers shippers of trailers between the Eastern United States and Southern Mexico (including Mexico City and the surrounding area) substantial reductions in cost, reduced wear and tear on equipment and improved security of transit compared to the overland route through Northern Mexico and the land border with the United States. Our two recently delivered Korean-built ships are deployed in this service for up to four years at escalating charter rates. We recognise that developing this new trade will present many challenges for Pacific Basin and our partners, but we believe that initiating new services of this nature can create additional demand for RoRo shipping.

Our remaining three Odense newbuildings are scheduled to deliver over 2011, their previously announced 8-12 month deferrals having proved well justified in the context of the market weakness in 2010. Four of our vessels have now been employed and we are now actively engaged in developing employment for the remaining vessels but take a realistic view that rate levels, at least initially, will be poor.

All three of our delivered RoRo vessels are operating satisfactorily. Technical, marine and crewing operations as well as newbuilding supervision of our RoRo fleet are provided by our specialist ship management joint venture in the United Kingdom which, as previously reported, was expanded last year to include a significant commercial management capability comprising the combined ferry expertise of the joint venture partners. The joint venture is projected to control a substantial fleet of nine RoRo and six RoPax vessels, enabling us to meet operators' frequent requirement for modern sister vessels trading in tandem.

PB RoRo's goal remains to be a leading supplier of high quality, fuel efficient and operationally attractive freight RoRo capacity to major operators. We will also actively seek to create business in new regions outside the traditional European RoRo market and are confident that in the longer term, as demand recovers, this will prove to be a profitable strategy.

Outlook

The following market-related factors are expected to have most influence on the large RoRo sector during 2011:

Positive Factors

- **Global and especially European economic recovery is expected to support modest growth in trailer volumes and short-sea RoRo trades, driven by continued strengthening European exports**
- Scrapping will continue to erode the degree of overcapacity, and net contraction of the global fleet of large RoRos is expected to take effect from 2012 following the delivery of most of the current orderbook
- New RoRo routes will emerge in the Mediterranean, the Americas and East Asia, although these will generally take some years to come to fruition

Negative Factors

- **A significant number of large RoRo newbuildings remain scheduled to deliver in 2011**
- **RoRo operators in the core European market still have excess capacity and so are reluctant to charter new vessels**
- The medium term prospects of some European economies remain uncertain, given the continued sovereign debt crisis and the likely need for further cuts in government spending

We have been wrong on the timing of a marked and sustainable improvement in the RoRo market, and our rate levels and returns have been unsatisfactory. The charter market for RoRo vessels is expected to remain depressed resulting in a loss-making year for PB RoRo, despite ongoing marginal improvement in freight volumes for the sector.

However, we remain positive on the longer term prospects for our RoRo business, driven by tightening supply and the eventual recovery of European trades and the future development of new trades in the Mediterranean, the Americas and Asia. High earnings sensitivity which is characteristic of an illiquid market should give rise to a measurable rebound in rates when demand returns, and our high quality fleet of newbuildings is well placed to take advantage of this eventual market recovery.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Note	2010 *US$'000*	2009 *US$'000*
Revenue	*3*	**1,268,542**	950,477
Direct costs		**(1,109,213)**	(797,681)
Gross profit		**159,329**	152,796
General and administrative expenses		**(12,945)**	(12,292)
Other income and gains		**47,176**	110,477
Other expenses		**(59,189)**	(118,802)
Finance costs, net		**(31,193)**	(27,321)
Share of profits less losses of jointly controlled entities		**1,805**	7,246
Share of profits less losses of associates		**(192)**	(103)
Profit before taxation	*4*	**104,791**	112,001
Taxation	*5*	**(453)**	(1,723)
Profit attributable to shareholders	*3*	**104,338**	110,278
Dividends	*6*	**53,372**	57,184
Earnings per share for profit attributable to shareholders			
Basic	*7(a)*	**US 5.41 cents**	US 5.94 cents
Diluted	*7(b)*	**US 5.41 cents**	US 5.93 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010 *US$'000*	2009 *US$'000*
Profit attributable to shareholders	**104,338**	110,278
Other comprehensive income		
Currency translation differences	**8,871**	24,949
Cash flow hedges:		
– fair value losses	**(2,543)**	(146)
– transferred to property, plant and equipment	**(15,431)**	(1,729)
– transferred to finance costs in consolidated income statement	**(3,698)**	2,731
Fair value gains on available-for-sale financial assets	**29,320**	20,121
Release of investment valuation reserve upon disposal of available-for-sale financial assets	**(5,441)**	–
Total comprehensive income attributable to shareholders	**115,416**	156,204

CONSOLIDATED BALANCE SHEET

As at 31 December 2010

	Note	2010 US$'000	2009 US$'000
Non-current assets			
Property, plant and equipment		**1,518,632**	997,961
Investment properties		**2,664**	2,600
Land use rights		**3,815**	3,864
Goodwill		**25,256**	25,256
Interests in jointly controlled entities		**56,125**	49,615
Investments in associates		**4,098**	3,249
Available-for-sale financial assets		**74,476**	62,016
Derivative assets		**1,672**	6,879
Trade and other receivables	8	**6,792**	8,232
Restricted bank deposits		**10,280**	40,084
Other non-current assets		**–**	59,887
		1,703,810	1,259,643
Current assets			
Inventories		**39,911**	33,858
Derivative assets		**7,066**	20,336
Trade and other receivables	8	**111,444**	90,478
Restricted bank deposits		**3,421**	16,483
Cash and deposits		**689,736**	1,049,095
		851,578	1,210,250
Current liabilities			
Derivative liabilities		**3,972**	10,505
Trade and other payables	9	**127,248**	111,740
Current portion of long term borrowings		**165,696**	54,728
Taxation payable		**3,059**	3,737
Provision for onerous contracts		**2,031**	–
		302,006	180,710
Net current assets		**549,572**	1,029,540
Total assets less current liabilities		**2,253,382**	2,289,183
Non-current liabilities			
Derivative liabilities		**14,721**	9,735
Long term borrowings		**693,770**	821,850
Provision for onerous contracts		**–**	2,031
		708,491	833,616
Net assets		**1,544,891**	1,455,567
Equity			
Capital and reserves attributable to shareholders			
Share capital		**193,164**	192,708
Retained profits		**720,809**	659,339
Other reserves		**630,918**	603,520
Total equity		**1,544,891**	1,455,567

Note:

1. General information and basis of preparation

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

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

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

2. Adoption of new/revised HKFRS

The accounting policies and methods of computation used in the preparation of these financial statements are consistent with those used in the 2009 annual financial statements except that the Group has changed certain of its accounting policies following its adoption of new/revised standards and interpretations to the published standards, which are relevant to its operation.

Except for certain changes in the presentation and disclosure of financial information as described below, the adoption of the above new and amended standards, interpretations and improvements do not have a significant effect on the financial statements or result in any significant changes to the Group’s significant accounting policies.

- 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 commencing or 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. For the accounting of non-controlling interest, it should be considered on an acquisition-by-acquisition basis. There is a choice to measure the non-controlling interest in the acquiree 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 fair value on the date control is obtained, recognising a gain or 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 give rise to any goodwill or gains or losses. The standard also specifies the accounting treatment when control is lost whereby 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).

3. Segment information

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

	Pacific Basin Dry Bulk	PB Energy & Infrastructure Services	PB RoRo	All Other Segments	Total Segments	Unallocated		Total	Reclass-ification	Per Financial Statements	
						Treasury	Others				
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*Note*
For the year ended 31 December 2010											
Revenue	1,169,405	78,744	14,572	2,473	1,265,194	–	(3,380)	1,261,814	6,728	1,268,542	
Freight and charter-hire	1,169,405	50,956	14,408	–	1,234,769	–	(3,380)	1,231,389	6,728	1,238,117	*1*
Maritime management services	–	27,788	164	2,473	30,425	–	–	30,425	–	30,425	
Bunker & port disbursements	(418,308)	(4,051)	(2,085)	–	(424,444)	–	(8,195)	(432,639)	432,639	–	*2*
Time charter equivalent earnings	751,097										
Direct costs	(592,969)	(69,559)	(10,665)	(3,381)	(676,574)	–	–	(676,574)	(432,639)	(1,109,213)	
Bunker & port disbursements	–	–	–	–	–	–	–	–	(432,639)	(432,639)	*2*
Charter-hire expenses for vessels	(471,711)	(1,170)	(320)	–	(473,201)	–	–	(473,201)	–	(473,201)	
Vessel operating costs	(53,973)	(32,994)	(4,532)	–	(91,499)	–	–	(91,499)	–	(91,499)	
Depreciation of vessels	(39,935)	(12,864)	(3,758)	–	(56,557)	–	–	(56,557)	–	(56,557)	
Direct overheads	(27,350)	(22,531)	(2,055)	(3,381)	(55,317)	–	–	(55,317)	–	(55,317)	
Gross profit	158,128	5,134	1,822	(908)	164,176	–	(11,575)	152,601	6,728	159,329	
General and administrative expenses	–	–	–	–	–	(4,936)	(8,009)	(12,945)	–	(12,945)	*3*
Other income and expenses	–	(521)	(96)	(888)	(1,505)	(651)	(3,129)	(5,285)	(6,728)	(12,013)	*1, 4*
Finance costs, net	(13,186)	(2,727)	(2,628)	1,029	(17,512)	(12,880)	(801)	(31,193)	–	(31,193)	*5*
Share of profits less losses of jointly controlled entities	–	2,181	79	(455)	1,805	–	–	1,805	–	1,805	
Share of profits less losses of associates	–	100	(292)	–	(192)	–	–	(192)	–	(192)	
Profit before taxation	144,942	4,167	(1,115)	(1,222)	146,772	(18,467)	(23,514)	104,791	–	104,791	
Taxation	–	726	(6)	(1,173)	(453)	–	–	(453)	–	(453)	
Profit attributable to shareholders	144,942	4,893	(1,121)	(2,395)	146,319	(18,467)	(23,514)	104,338	–	104,338	
At 31 December 2010											
Total assets	978,462	291,421	443,669	153,634	1,867,186	679,940	8,262	2,555,388	–	2,555,388	*1. 2*
Total assets include:											
Property, plant and equipment	828,667	223,633	429,148	37,184	1,518,632	–	–	1,518,632	–	1,518,632	
– Include additions to property, plant and equipment	250,998	55,308	195,339	21,851	523,496	–	642	524,138	–	524,138	
Interests in jointly controlled entities	–	26,360	641	29,600	56,601	–	(476)	56,125	–	56,125	
– Include additions to interests in jointly controlled entities	–	–	1,000	13,189	14,189	–	–	14,189	–	14,189	
Investments in associates	–	3,442	656	–	4,098	–	–	4,098	–	4,098	
Total liabilities	288,372	62,009	59,237	6,360	415,978	575,826	18,693	1,010,497	–	1,010,497	*1, 2*
Total liabilities include:											
Long term borrowings	184,458	44,975	54,718	–	284,151	575,315	–	859,466	–	859,466	

	Pacific Basin Dry Bulk US$'000	PB Energy & Infrastructure Services US$'000	PB RoRo US$'000	All Other Segments US$'000	Total Segments US$'000	Unallocated		Total US$'000	Reclass-ification US$'000	Per Financial Statements US$'000	Note
						Treasury US$'000	Others US$'000				
For the year ended 31 December 2009											
Revenue	904,481	68,414	3,271	2,683	978,849	–	(54,026)	924,823	25,654	950,477	
Freight and charter-hire	904,481	48,842	3,271	–	956,594	–	(54,026)	902,568	25,654	928,222	1
Maritime management services	–	19,572	–	2,683	22,255	–	–	22,255	–	22,255	
Bunker & port disbursements	(312,543)	(1,723)	–	–	(314,266)	–	46,566	(267,700)	267,700	–	2
Time charter equivalent earnings	591,938										
Direct costs	(439,510)	(55,788)	(2,413)	(5,537)	(503,248)	–	27,200	(476,048)	(321,633)	(797,681)	
Bunker & port disbursements	–	–	–	–	–	–	–	–	(267,700)	(267,700)	2
Charter-hire expenses for vessels	(337,899)	(2,482)	–	–	(340,381)	–	27,200	(313,181)	(53,933)	(367,114)	
Vessel operating costs	(45,549)	(24,575)	(742)	–	(70,866)	–	–	(70,866)	–	(70,866)	
Depreciation of vessels	(30,546)	(8,021)	(894)	–	(39,461)	–	–	(39,461)	–	(39,461)	
Direct overheads	(25,516)	(20,710)	(777)	(5,537)	(52,540)	–	–	(52,540)	–	(52,540)	
Gross profit	152,428	10,903	858	(2,854)	161,335	–	19,740	181,075	(28,279)	152,796	
General and administrative expenses	–	–	–	–	–	–	(12,292)	(12,292)	–	(12,292)	3
Other income and expenses	–	(8,578)	–	–	(8,578)	1,547	(29,573)	(36,604)	28,279	(8,325)	1, 4
Finance costs, net	(14,175)	(1,168)	(801)	1,239	(14,905)	(15,376)	2,960	(27,321)	–	(27,321)	5
Share of profits less losses of jointly controlled entities	–	8,239	–	(2,329)	5,910	–	1,336	7,246	–	7,246	
Share of losses of associates	–	(103)	–	–	(103)	–	–	(103)	–	(103)	
Profit before taxation	138,253	9,293	57	(3,944)	143,659	(13,829)	(17,829)	112,001	–	112,001	
Taxation	–	(1,072)	(2)	(649)	(1,723)	–	–	(1,723)	–	(1,723)	
Profit attributable to shareholders	138,253	8,221	55	(4,593)	141,936	(13,829)	(17,829)	110,278	–	110,278	
At 31 December 2009											
Total assets	767,123	271,006	258,569	110,220	1,406,918	1,036,035	26,940	2,469,893	–	2,469,893	1, 2
Total assets include:											
Property, plant and equipment	610,588	160,147	211,318	15,908	997,961	–	–	997,961	–	997,961	
– Include additions to property, plant and equipment	64,674	63,139	144,235	2,843	274,891	–	–	274,891	–	274,891	
Interests in jointly controlled entities	–	33,382	–	16,233	49,615	–	–	49,615	–	49,615	
Investment in associates	–	3,249	–	–	3,249	–	–	3,249	–	3,249	
Total liabilities	294,881	57,007	66,467	5,255	423,610	572,164	18,552	1,014,326	–	1,014,326	1, 2
Total liabilities include:											
Long term borrowings	199,386	40,773	64,589	–	304,748	571,830	–	876,578	–	876,578	

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

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

Note 3. "Others" represents corporate overheads.

Note 4. "Treasury" represents the gains and losses on repurchase and cancellation of the Group's convertible bonds.

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

4. Profit before taxation

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

	2010	2009
	US$'000	*US$'000*
Amortisation of land use rights	**108**	59
Bunkers consumed	**263,380**	178,029
Depreciation		
– owned vessels	**45,082**	28,152
– leased vessels	**11,475**	11,309
– investment properties	**61**	87
– other owned property, plant and equipment	**1,386**	1,371
Lubricating oil consumed	**4,920**	4,136
Net losses/(gains) on bunker swap contracts	**2,200**	(45,670)
Net losses on forward freight agreements	**6,728**	25,654
Net losses on interest rate swap contracts	**6,274**	1,220
Interest on borrowings		
– bank loans	**9,787**	6,778
– finance leases	**13,186**	14,175
– convertible bonds	**20,716**	16,233

5. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year.

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

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

	2010	2009
	US$'000	*US$'000*
Current taxation		
Hong Kong profits tax	**1,047**	961
Overseas tax	**745**	1,834
Overprovision of prior year	**(1,339)**	(1,072)
	453	1,723

6. Dividends

	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)	**12,422**	19,912
Proposed final dividend of HK 16.5 cents or US 2.1 cents per share (2009: HK 15 cents or US 1.9 cents)	**40,950**	37,272
	53,372	57,184

The dividends paid in 2010 and 2009 were US$49,694,000 (HK 20 cents or US 2.5 cents per share) and US$19,912,000 (HK 8 cents or US 1.0 cents per share) respectively. The Directors recommend the payment of a 2010 final dividend of HK 16.5 cents or US 2.1 cents per share amounting to a total dividend of US$40,950,000. Such dividend is to be approved by the shareholders at the Annual General Meeting on 19 April 2011. These financial statements do not reflect this dividend payable.

7. Earnings per share

(a) Basic earnings per share

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

	2010	2009
Profit attributable to shareholders (US$'000)	**104,338**	110,278
Weighted average number of ordinary shares in issue ('000)	**1,929,463**	1,857,902
Basic earnings per share	**US 5.41 cents**	US 5.94 cents
Equivalent to	**HK 42.01 cents**	HK 46.01 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 in issue 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.

	2010	2009
Profit attributable to shareholders (US$'000)	**104,338**	110,278
Weighted average number of ordinary shares in issue ('000)	**1,929,463**	1,857,902
Adjustments for share options ('000)	**224**	588
Weighted average number of ordinary shares for diluted earnings per share ('000)	**1,929,687**	1,858,490
Diluted earnings per share	**US 5.41 cents**	US 5.93 cents
Equivalent to	**HK 42.00 cents**	HK 45.99 cents

8. Trade and other receivables

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

	2010	2009
	US$'000	*US$'000*
Less than 30 days	**19,536**	20,258
31-60 days	**4,280**	3,395
61-90 days	**1,164**	623
Over 90 days	**3,069**	2,453
	28,049	26,729

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 as at balance sheet date are all past due.

9. Trade and other payables

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

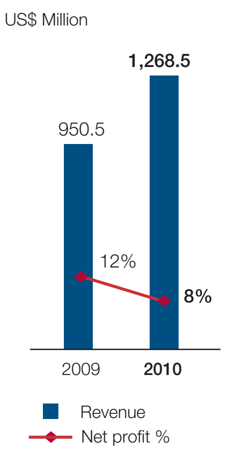
	2010	2009
	US$'000	*US$'000*
Less than 30 days	**27,414**	22,806
31-60 days	**859**	2,024
61-90 days	**272**	314
Over 90 days	**5,131**	4,805
	33,676	29,949

FINANCIAL REVIEW

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; underlying profit; profit attributable to shareholders; operating cash flow and return on average equity.

Group Revenue and Net Profit Margin



US$ Million	**2010**	2009	Change
Revenue	**1,268.5**	950.5	+33%
Direct costs	**(1,109.2)**	(797.7)	+39%
Gross profit	**159.3**	152.8	+4%
Segment net profit	**146.3**	141.9	+3%
Underlying profit	**119.8**	115.8	+3%
Profit attributable to shareholders	**104.3**	110.3	-5%
Operating cash inflow	**198.6**	145.3	+37%
Net profit margin	**8%**	12%	-4%
Return on average equity employed	**7%**	8%	-1%

Management considers "underlying profit" to include segment results, treasury results and indirect 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 exclusion of items from underlying profit requires management judgement.

- Revenue increased 33% mainly due to additional dry bulk vessels operated by the Group and an increase in daily charter rates of the dry bulk vessels.

- 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 daily vessel operating costs.

- Profit attributable to shareholders was down mainly due to:

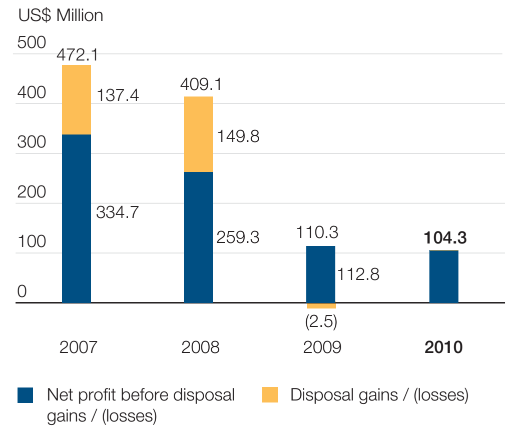
  i) the unrealised derivative expense of US$12.4 million (2009: US$4.5 million) which arose from a reduction in average oil prices for our forward bunker commitments; and

  ii) the impairment on our investment in Fujairah Bulk Shipping of US$19.1 million (2009: nil); offset by

  iii) a partially balancing gain from the sale of some of the shares in Green Dragon Gas Limited of US$16.0 million (2009: nil).

- Operating cash flow was US$198.6 million (2009: US$145.3 million). The Group used a net US$558.7 million (2009: US$122.1 million) of cash after funding capex and net debt flows, leaving the Group with US$703.5 million (2009: US$1,105.7 million) of cash and deposits.

Group Net Profit



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

US$ Million	2010	2009
Segment net profit	**146.3**	141.9
Treasury	**(18.5)**	(13.8)
Non direct general and administrative expenses	**(8.0)**	(12.3)
Underlying profit	**119.8**	115.8
Unrealised derivative expenses (note)	**(12.4)**	(4.5)
Impairment of Fujairah Bulk Shipping	**(19.1)**	–
Gain from sale of part of our holdings in Green Dragon Gas	**16.0**	–
Future onerous contracts – net provision write-back	**–**	25.2
RoRo vessel impairment charges	**–**	(25.0)
Net dry bulk vessel disposal losses	**–**	(1.2)
Profit attributable to shareholders	**104.3**	110.3

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

Segments Review

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

i) Pacific Basin Dry Bulk;

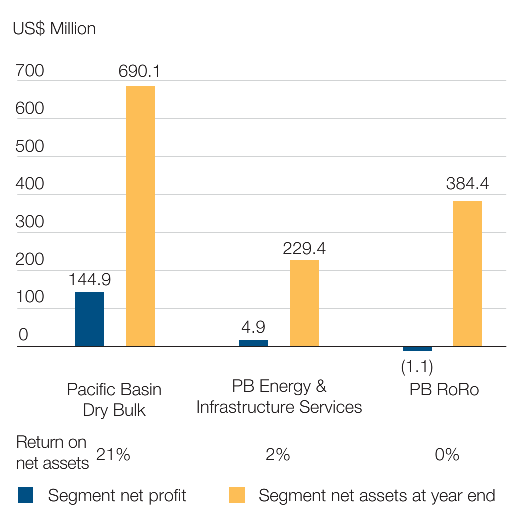
ii) PB Energy & Infrastructure Services; and

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.

Segment Net Profit and Net Assets



Pacific Basin Dry Bulk Segment

Income

The Group's dry bulk fleet generated US$1,169.4 million (2009: US$904.5 million) or 92.4% (2009: 92.4%) of total segment revenue.

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

	1H10	2H10	2010	2009	Change
Handysize					
Revenue days	**13,940**	**15,130**	**29,070**	26,100	+11%
Daily charter rates (US$)	**16,840**	**16,670**	**16,750**	14,500	+16%
Daily vessel operating costs (US$)	**11,750**	**12,170**	**11,970**	9,690	+24%
Segment net profit (US$ Million)	**69.7**	**66.4**	**136.1**	124.1	+10%
Segment net assets (US$ Million)	**528.1**	**619.1**	**619.1**	450.2	+38%
Return on net assets (annualised %)	**26%**	**21%**	**22%**	28%	-6%
Handymax					
Revenue days	**5,570**	**5,880**	**11,450**	10,640	+8%
Daily charter rates (US$)	**23,680**	**21,520**	**22,570**	19,490	+16%
Daily vessel operating costs (US$)	**22,050**	**21,350**	**21,690**	18,120	+20%
Segment net profit (US$ Million)	**8.8**	**(0.0)**	**8.8**	14.1	-38%
Segment net assets (US$ Million)	**54.9**	**71.0**	**71.0**	22.0	+223%
Return on net assets (annualised %)	**32%**	**0%**	**12%**	64%	-52%

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 and finance leased vessels experienced average off-hire of 1.6 days (2009: 1.3 days) per vessel in the year ended 31 December 2010.

	2010			2009		
	Owned & Finance leased	**Chartered**	**Total**	Owned & Finance leased	Chartered	Total
Handysize						
Vessel days	**13,320**	**15,980**	**29,300**	11,230	15,010	26,240
Drydocking	**(170)**	**–**	**(170)**	(100)	–	(100)
Off-hire	**(60)**	**–**	**(60)**	(40)	–	(40)
Revenue days	**13,090**	**15,980**	**29,070**	11,090	15,010	26,100
Handymax						
Vessel days	**260**	**11,190**	**11,450**	110	10,530	10,640
Drydocking	**–**	**–**	**–**	–	–	–
Off-hire	**–**	**–**	**–**	–	–	–
Revenue days	**260**	**11,190**	**11,450**	110	10,530	10,640

Direct Costs

The Group's dry bulk fleet incurred US$593.0 million (2009: US$439.5 million) or 87.6% (2009: 87.3%) of total segment direct costs.

Breakdown of Direct Costs

US$ Million	2010	2009	Change
Charter-hire expenses for vessels	**471.7**	337.9	+40%
Vessel operating costs	**54.0**	45.5	+19%
Depreciation of vessels	**39.9**	30.6	+30%
Direct overheads	**27.4**	25.5	+7%
Total	**593.0**	439.5	+35%

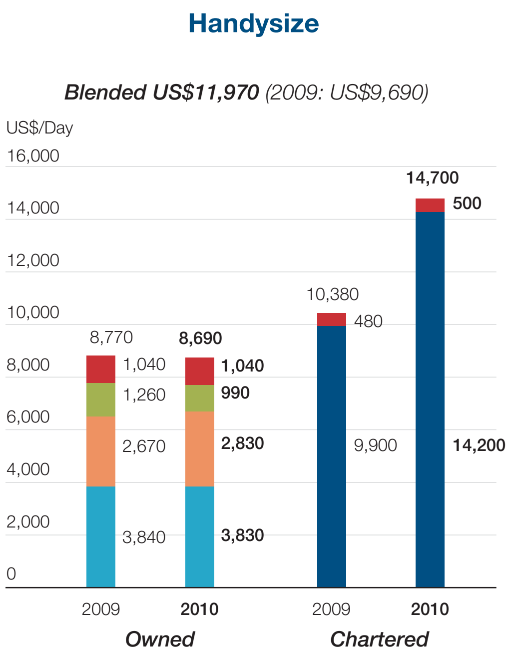
- Owned vessel operating costs include costs related to crew, spares, lubricating oil and insurance.
- Increases in owned vessel operating costs and depreciation is mainly due to the increase in the average number of owned and finance leased vessels from 31 to 37.
- Direct overheads represent shore based staff, office and related expenses directly attributable to the management of the Pacific Basin Dry Bulk segment.

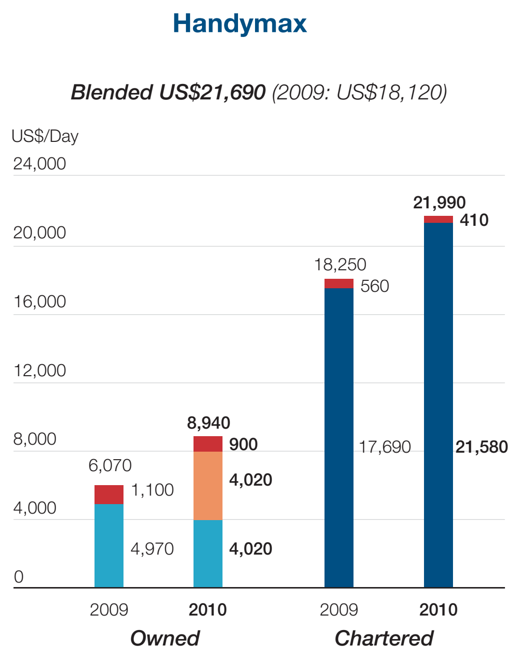
The majority of the increase was represented by charter-hire expenses for vessels under operating leases which increased to US$471.7 million (2009: US$337.9 million), reflecting:

a) a 31.5% increase in the average daily charter rate of vessels chartered by the Group under operating leases; and

b) a 6.4% rise in the average number of vessel days chartered by the Group under operating leases.

Blended daily vessel operating costs for handysize increased 23.5% from last year mainly due to higher charter-hire costs of vessels sourced from the market. The equivalent daily cost for handymax increased 19.7% from last year for the same reason. Blended daily vessel operating costs include direct overheads and can be analysed between owned and chartered vessels as follows:





Opex Depreciation Finance cost Charter-hire Direct overhead

PB Energy & Infrastructure Services Segment

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

US$ Million	2010	2009	Change
PB Towage (offshore and project supply and harbour towage services)	**1.0**	1.0	–
PacMarine Services (ship survey and inspection services)	**1.0**	0.9	+11%
Fujairah Bulk Shipping (rock aggregate production and transportation)	**2.9**	6.3	-54%
Segment net profit	**4.9**	8.2	-40%
Segment net assets	**229.4**	214.0	+7%
Return on net assets	**2%**	4%	-2%

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

PacMarine Services' results increased mainly due to the growth in the number of ship inspections.

Fujairah Bulk Shipping is a joint venture with the Government of Fujairah in the Middle East. Results were affected by the reduced volume of rock required by the reclamation project compared to 2009 and continuing difficult market conditions. In early 2011, management of Fujairah Bulk Shipping decided to scale-down the operation upon completion of its land reclamation project. As a result, the Group has made an impairment on part of its investment in Fujairah Bulk Shipping amounting to US$19.1 million. The impairment has been excluded from the segment results as it did not relate to the underlying operations of Fujairah Bulk Shipping.

PB RoRo Segment

The Group's first RoRo vessel began generating revenue from mid-September 2009. The second and third RoRo vessels were delivered to the Group in the fourth quarter of 2010 and have since been deployed in the new Nafta Gulf Bridge RoRo service between US Gulf and Mexico.

US$ Million	2010	2009	Change
Segment revenue	**14.6**	3.3	+342%
Segment operating costs	**(15.7)**	(3.2)	+391%
Segment net (loss)/profit	**(1.1)**	0.1	
Segment net assets	**384.4**	192.1	+100%
Return on net assets	**0%**	0%	-0%

Other Income Statement Items

Other Income

Movements in the fair value and receipts from forward freight agreements amounted to US$29.8 million (2009: US$55.0 million).

During the year, the Group sold 26% of its shareholdings in Green Dragon Gas Limited realising a gain of US$16.0 million.

Other Expenses

Movements in the fair value and payments for forward freight agreements amounted to US$36.6 million (2009: US$80.7 million). Taking into account the movements in fair value and receipts of US$29.8 million included in other income above, the net movement in the fair value and payments for forward freight agreements resulted in an expense of US$6.8 million (2009: US$25.7 million).

The Group has made an impairment on part of its investment in Fujairah Bulk Shipping amounting to US$19.1 million due to the scaling down of its operations.

General and Administrative Expenses

The Group's total administrative expenses of US$68.3 million (2009: US$64.8 million) were similar to last year after excluding unrealised expenses of US$4.9 million (2009: nil) arising mainly from the revaluation of Euros held by treasury. Total administrative expenses comprised direct overheads of US$55.3 million (2009: US$52.5 million) and general and administrative expenses of US$13.0 million (2009: US$12.3 million).

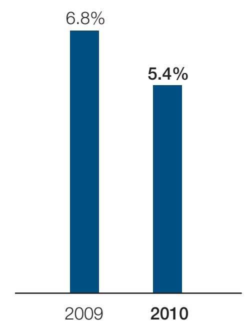
Share of Profits Less Losses of Jointly Controlled Entities

This represents the Group's share of losses of US$0.5 million (2009: US$2.5 million) in Nanjing Longtan Tianyu Terminal Co. Ltd. In addition, there are jointly controlled entities included in the segment results for PB Energy & Infrastructure Services and PB RoRo.

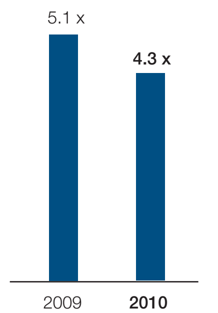
Finance Income

Finance income of US$19.1 million (2009: US$11.4 million) represents primarily US$18.1 million (2009: US$10.3 million) of interest income.

Administrative Expenses as a Percentage of Revenue



Group Interest Coverage



Financing

Finance costs of US$50.3 million (2009: US$38.8 million) can be analysed as follows:

- The increase of US$3.0 million in interest on bank borrowings was primarily due to the increase in the average bank borrowings outstanding to US$374.2 million (2009: US$333.5 million). Bank borrowings are subject to floating interest rates but the Group manages these exposures by way of interest rate swap contracts.

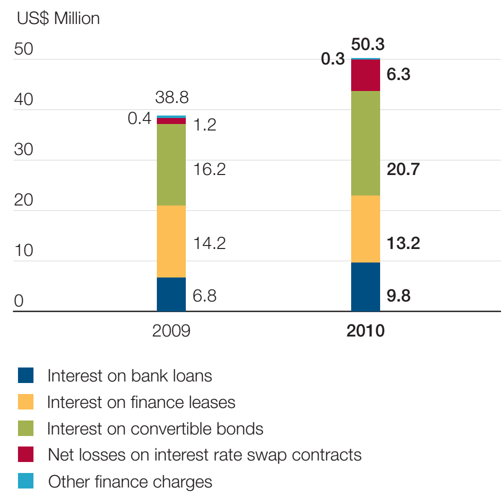
- Finance charges of US$13.2 million (2009: US$14.2 million) represents interest payments on the Group's finance leased vessels. Aggregate current and long term finance lease liabilities at 31 December 2010 were US$184.5 million. The fixed equal quarterly charter-hire payments are accounted for as a combination of repayments of finance lease liabilities on the balance sheet and finance charges in the income statement. Finance charges can be expressed as interest rates, fixed for the period of the leases.

- In December 2007, the Group issued US$390 million, 3.3% per annum coupon, guaranteed convertible bonds maturing in 2013, which were redeemable by bondholders in February 2011. During the year, the Group repurchased convertible bonds with an aggregate face value of US$208.8 million, in addition to the repurchases made in 2008 and 2009 with face value of US$65.7 million and US$10.3 million respectively. After these transactions, convertible bonds with a face value of US$105.2 million remained outstanding at 31 December 2010. As at the reporting date, certain bondholders have exercised the put option as stipulated in the convertible bonds agreement. Furthermore, the Group has exercised the option to redeem the remaining convertible bonds outstanding in whole at par value. As a result, all of the 2013 convertible bonds will have been redeemed in full in the first quarter of 2011.

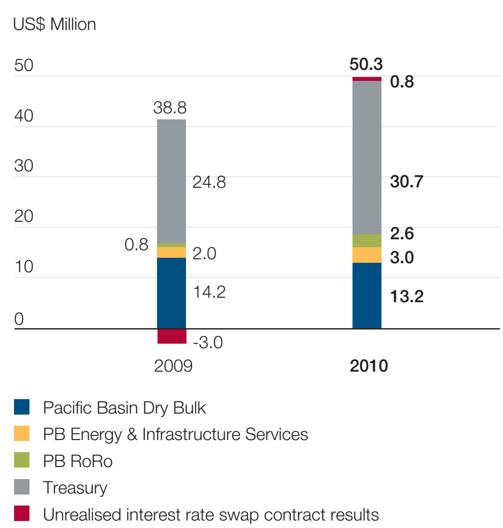
- In April 2010, the Group issued US$230 million, 1.75% per annum coupon, guaranteed convertible bonds maturing in 2016. Part of the proceeds have been used to repurchase the convertible bonds maturing in 2013. The new bonds are convertible into ordinary shares of the Company at a current conversion 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's shares is at least at a 20% premium for five consecutive trading days to the conversion price then in effect.

- The increase of US$4.5 million in interest on convertible bonds was due to the higher outstanding amount of convertible bonds during the year.

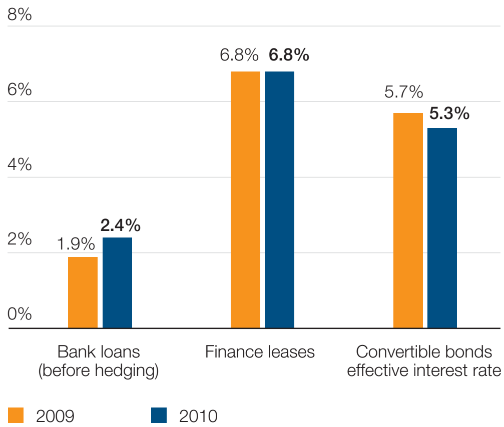
Finance Costs By Source



Finance Costs By Segment



Average Interest Rates on Borrowings



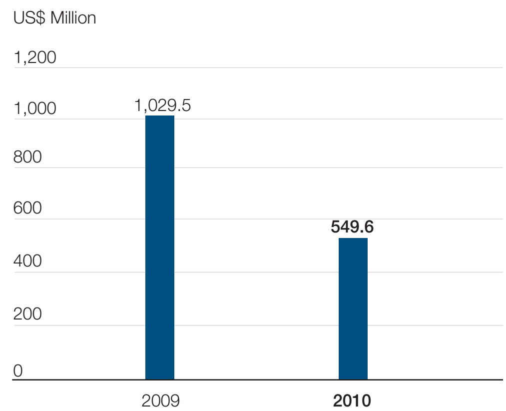
Tax

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 deposits of US$703.5 million, principally denominated in US dollar, and unutilised bank borrowing facilities of US$302.1 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



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 31 December 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 year was recognised directly in the hedging reserve.

Not qualifying for hedge accounting

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

During the year ended 31 December 2010, the Group recognised net derivative expenses of US$15.3 million, as follows:

US$ Million	Realised	Unrealised	2010	2009
Income				
Forward freight agreements	20.6	9.2	29.8	55.0
Bunker swap contracts	10.4	2.5	12.9	62.6
Interest rate swap contracts	–	–	–	3.0
	31.0	11.7	42.7	120.6
Expenses				
Forward freight agreements	(24.0)	(12.6)	(36.6)	(80.7)
Bunker swap contracts	(4.4)	(10.7)	(15.1)	(16.9)
Interest rate swap contracts	(5.5)	(0.8)	(6.3)	(4.2)
	(33.9)	(24.1)	(58.0)	(101.8)
Net				
Forward freight agreements	(3.4)	(3.4)	(6.8)	(25.7)
Bunker swap contracts	6.0	(8.2)	(2.2)	45.7
Interest rate swap contracts	(5.5)	(0.8)	(6.3)	(1.2)
	(2.9)	(12.4)	(15.3)	18.8

Presentation in the Segment Information:

Revenue
Bunker & port disbursements
Direct costs
Other income
Other expenses
Finance costs
Profit for the year

Presentation in the Financial Statements:

Revenue
Bunker & port disbursements
Direct costs
Other income
Other expenses
Finance costs
Profit for the year

- Cash settlement of contracts completed in the year
- Included in segment results

- Contracts to be settled in future years
- Accounting reversal of earlier year 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 year the estimated results of these derivative contracts that expire in future periods. In 2010 this created a net unrealised non-cash expense of US$12.4 million. The cash flows of these contracts will occur in future reporting periods.

Balance Sheet Segment Analysis

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

US$ Million	Total	PB Dry Bulk	PB EIS	PB RoRo	All other segments	Treasury	Unallocated Others
Total assets	2,555.4	978.5	291.4	443.7	153.6	679.9	8.3
Includes:							
Property, plant and equipment	1,518.6	828.7	223.6	429.1	37.2	–	–
Interests in jointly controlled entities	56.1	–	26.4	0.6	29.6	–	(0.5)
Investments in associates	4.1	–	3.4	0.7	–	–	–

PB Dry Bulk total assets:
- Vessels delivered & under construction
- Goodwill

PB RoRo total assets:
- Vessels delivered & under construction

Treasury total assets:
- Group unallocated cash

Unallocated Others total assets:
- Derivative assets

All other segments total assets:
- Includes shares in Green Dragon Gas

All other segments property, plant and equipment:
- Post Panamax
- Properties

All other segments interests in jointly controlled entities:
- Longtan Tianyu Terminal

PB EIS investments in associates:
- Gold River Marine Terminal, Canada

PB EIS interests in jointly controlled entities:
- Bunker tanker, N.Z.
- Fujairah Bulk Shipping

US$ Million	Total	PB Dry Bulk	PB EIS	PB RoRo	All other segments	Treasury	Unallocated Others
Total liabilities	1,010.5	288.4	62.0	59.2	6.4	575.8	18.7
Includes:							
Long term borrowings	859.5	184.5	45.0	54.7	–	575.3	–

Unallocated Others total liabilities:
- Derivative liabilities

PB Dry Bulk long term borrowings:
- Finance lease liabilities

PB EIS long term borrowings:
- Specific bank loans for tugs and barges

PB RoRo long term borrowings:
- Specific bank loans for RoRos

Treasury long term borrowings:

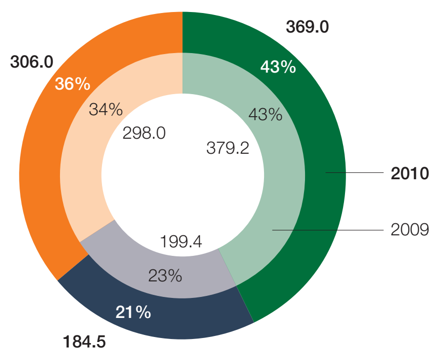
Group general facilities includes:
- Convertible bonds
- Loans secured on dry bulk ships for future expansion

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

Borrowings

By Source

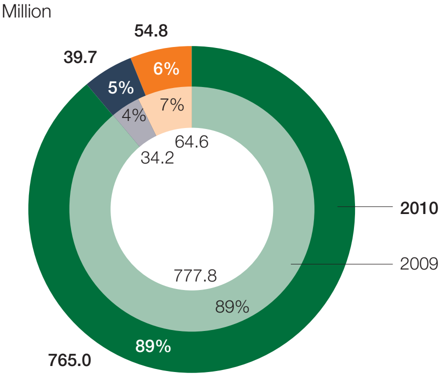
US$ Million



- Bank loans
- Finance lease liabilities
- Convertible bonds

By Currency

US$ Million



- United States dollars
- Australian dollars
- Danish Kroner

The indebtedness of the Group amounted to US$859.5 million (2009: US$876.6 million).

- Bank borrowings (net of deferred loan arrangement fees) decreased as a result of repayments during the year. The Group's bank borrowings were secured by mortgages over 32 vessels with a total net book value of US$493.6 million and an assignment of earnings and insurances in respect of these vessels.

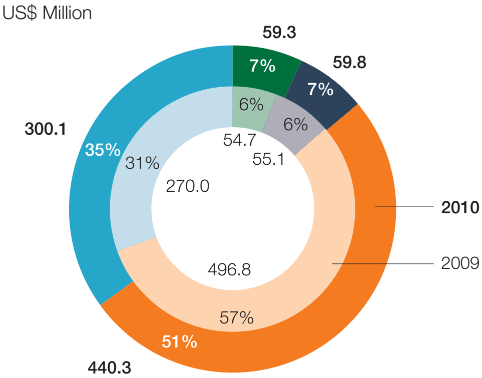
- Bank borrowings are in the functional currency of the business segment to which they relate.

- Finance lease liabilities decreased following repayments during the year.

- The debt component of the Group's convertible bonds increased primarily as a result of the issuance of the new convertible bonds, partially offset by the repurchase and cancellation of a portion of the old convertible bonds during the year. As at the reporting date, the Group has received notices from certain holders of the 2013 convertible bonds to exercise the put option as stipulated in the 2013 convertible bonds agreement. Furthermore, the Group has exercised the option to redeem the remaining 2013 convertible bonds outstanding in whole at par value, resulting in the bonds being fully redeemed in the first quarter of 2011.

By Maturity

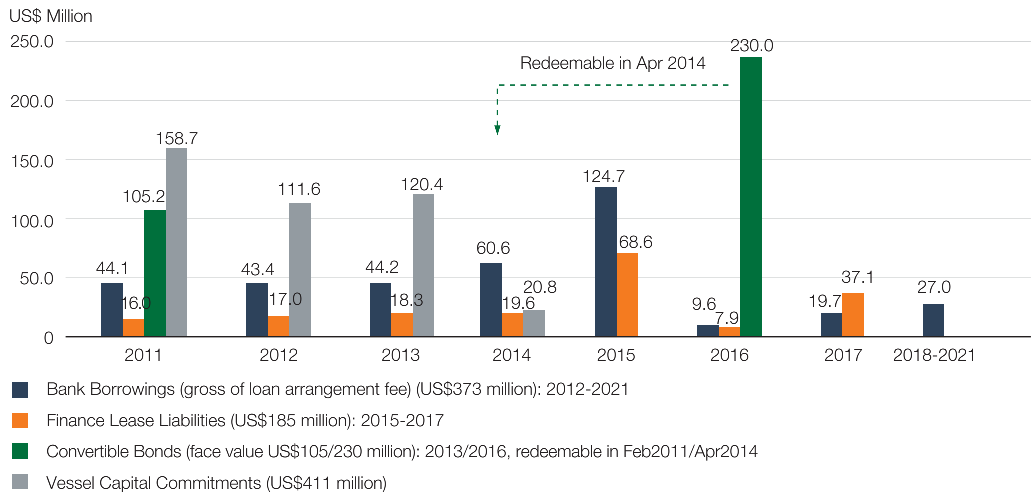
US$ Million



- Not later than one year
- Later than one year but not later than two years
- Later than two years but not later than five years
- Later than five years

In addition to the cash generated from the Group's operations, existing cash, and additional long term borrowings that may be arranged when required, the Group had unutilised bank borrowing facilities of US$302.1 million available to finance the Group's existing vessel and other capital commitments, along with other potential vessel acquisitions.

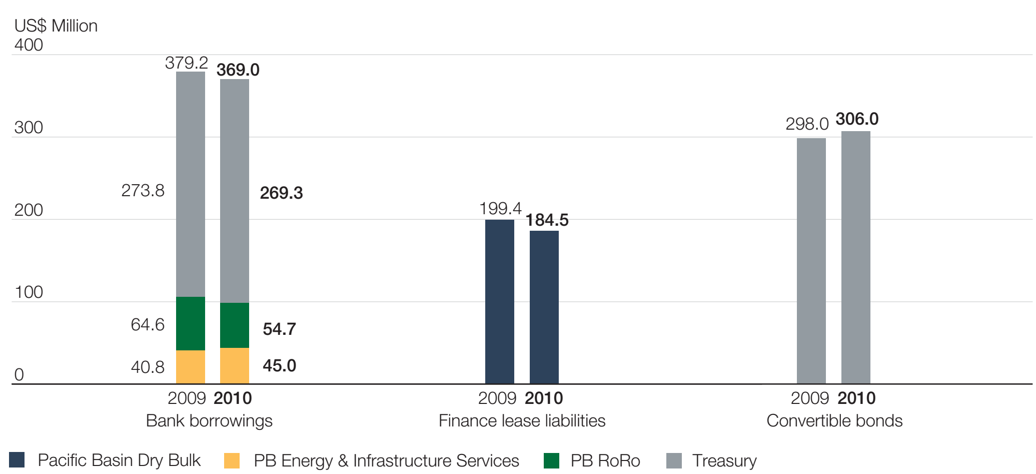
Repayments and Vessel Capital Commitments Schedule



Note: *Of the remainder of the 2013 convertible bonds with a face value of US$105.2 million, US$80.9 million has already been redeemed and cancelled on 1 February 2011 while the remaining US$24.3 million will have been redeemed and cancelled on or around 4 March 2011.*

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

By Source and Segment



Cash and Deposits

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

US$ Million	2010	2009	Change
Restricted bank deposits – non-current assets	**10.3**	40.1	
Restricted bank deposits – current assets	**3.5**	16.5	
Cash and deposits	**689.7**	1,049.1	
Total cash and deposits	**703.5**	1,105.7	-36%
Current portion of long term borrowings	**(165.7)**	(54.7)	
Long term borrowings	**(693.8)**	(821.9)	
Total borrowings	**(859.5)**	(876.6)	-2%
Net (borrowings)/cash	**(156.0)**	229.1	
Net (borrowings)/cash to book value of property, plant and equipment	**(10.2)%**	22.7%	
Net (borrowings)/cash to shareholders' equity	**(10.1)%**	15.7%	

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

Lease Commitments

Vessel operating lease commitments stood at US$362.0 million (2009: US$424.8 million). These commitments exclude vessels under finance leases which are included as part of property, plant and equipment. The decrease in lease commitments was mainly due to lower average contracted daily charter rates.

The Group has commitments of 24,040 vessel days under handysize finance leases and 26,300 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
2011	11,570	5,390	5,920	4,760	16,630	3,050
2012	11,480	4,030	5,960	4,750	13,530	400
2013	11,650	2,610	5,950	4,750	13,830	370
2014	12,020	2,190	5,940	4,750	13,830	370
2015	11,930	2,190	5,910	2,590	13,830	370
2016	11,280	1,800	5,970	1,830	13,830	370
2017	11,000	1,120	5,840	610	13,830	370
2018	11,000	1,090	–	–	13,830	150
2019	13,000	370	–	–	–	–
2020	13,000	60	–	–	–	–
Total		20,850		24,040		5,450

At 31 December 2010, a provision against the handymax time charter contracts expiring in 2011 of US$2.0 million remains. It has been reflected in the above annual average daily charter rates.

Certain lease agreements provide the Group with options to purchase the related vessels at predetermined times and prices during the lease periods. The average price of the existing purchase options for the Group's 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 31 December 2010 Finance lease	Operating lease	Average age of vessels (years)	Average purchase option exercise price (US$ Million)
2011	Handysize	13	7	8	17.0
	Handymax	–	1	6	15.2
	Tug	–	1	2	2.8
2012	Tug & barge	–	2	5	2.0
2016	Handysize	–	2	5	38.8
	Handymax	–	1	5	30.0
	Post Panamax	–	1	5	66.8
2017	Handysize	–	1	5	32.6
2020	Handysize	–	1	7	36.2
2021	Handysize	–	1	7	36.5
Total		13	18		

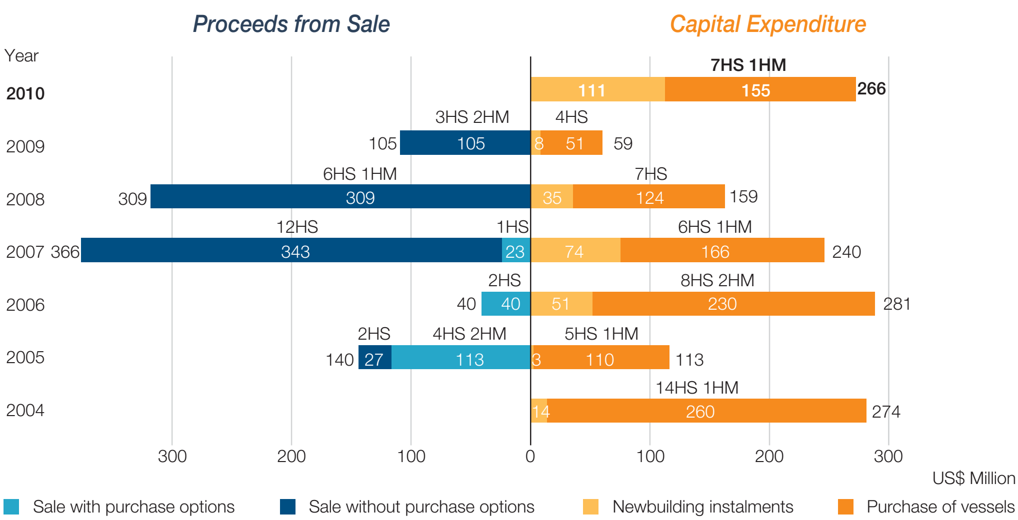
Note: Includes certain purchase options priced in currencies other than US dollars.

During 2010, the Group exercised a purchase option to purchase one handysize vessel which was delivered to the Group during the year. Subsequent to the year end, the Group exercised purchase options to purchase three more handysize vessels which will be delivered to the Group in the first half of 2011.

Capital Expenditure and Property, Plant and Equipment

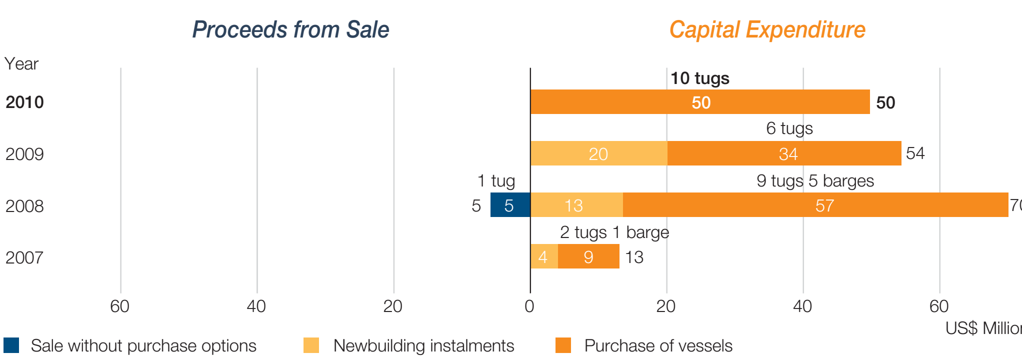
During the year ended 31 December 2010, capital expenditure amounted to US$523.5 million resulting from the addition of seven handysize vessels, one handymax vessel, 10 tugs and two RoRo vessels as well as instalment payments on 16 vessels, including handysize, handymax, post panamax and RoRo vessels. Cash used for the purchase of vessels and proceeds from the sale of vessels are illustrated below.

Dry Bulk Vessels

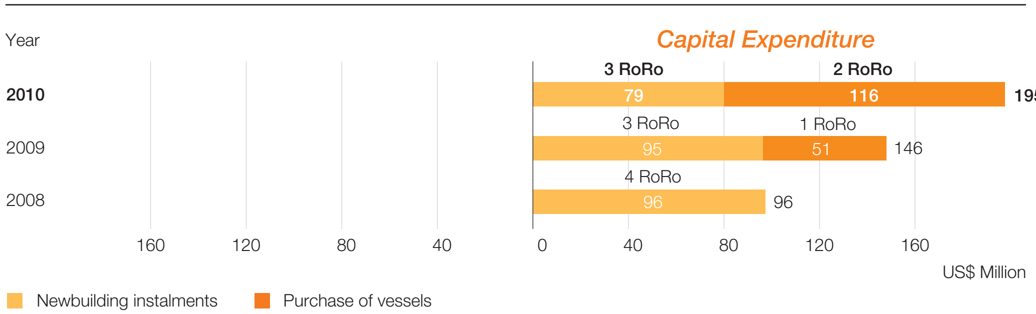


Note: *In 2005, the Group sold and chartered back 17 handysize vessels for US$318.0 million. These were classified as finance lease and remained on the balance sheet as property, plant and equipment.*

Tugs & Barges



RoRo vessels



At 31 December 2010, the Group had property, plant and equipment with net book value of US$1,518.6 million, of which US$1,200.2 million related to 39 delivered handysize vessels, two handymax vessels, 37 tugs and barges and three RoRo vessels. Handysize vessels continued to dominate the Group's assets with an average net book value of US$17.9 million and an average insurable value of US$27.3 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

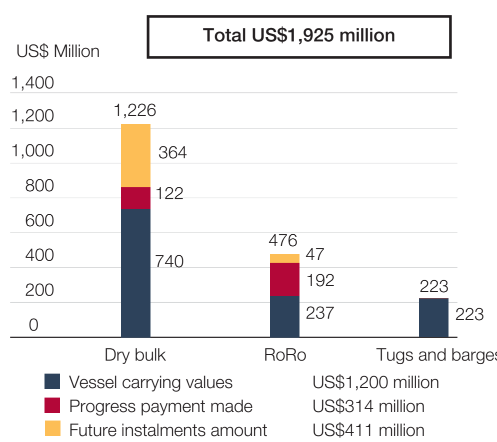
At 31 December 2010, the Group had non-cancellable vessel commitments of US$321.4 million and authorised commitments of US$90.1 million. The vessels are for delivery to the Group between March 2011 and January 2014.

US$ Million	Number	2011	2012	2013	2014	Total
Handysize vessels	7	22.9	79.1	19.1	–	121.1
Handymax vessels	5	3.2	32.5	95.3	–	131.0
Post panamax vessel	1	22.1	–	–	–	22.1
RoRo vessels	3	47.2	–	–	–	47.2
Commitments at 31 December 2010	16	95.4	111.6	114.4	–	321.4
Authorised commitments						
Handysize vessels	4	63.3	–	6.0	20.8	90.1
	20	158.7	111.6	120.4	20.8	411.5

These commitments will be financed by cash generated from the Group's operations, existing cash and additional long term borrowings to be arranged as required. Where the commitments are in currencies other than the functional currencies of the underlying assets, the Group has entered into forward foreign exchange contracts to purchase the currencies at predetermined rates.

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

A Combined View of Vessel Carrying Values and Commitments



Staff

- At 31 December 2010, the Group employed a total of 375 full time, shore based staff (2009: 356).

- The Group incurred total staff costs (included in direct overheads and general and administrative expenses as described earlier) of approximately US$41.5 million (2009: US$43.8 million), representing 3.3% of the Group's revenue (2009: 4.6%). Please see the paragraph headed "General and Administration Expenses" for more details.

- Remuneration of the Group's employees includes fixed basic salaries, discretionary cash bonuses (based on both the Group's and individuals' performance for the year) and long term incentives through the Company's Long Term Incentive Scheme ("LTIS"). The LTIS allows the Company to award eligible participants with restricted shares and share options.

- 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.

Purchase, Sale or Redemption of Securities

The Company purchased a total of 20,875 units of the Group's convertible bonds due 2013 with a face value of US$10,000 each during the year at an average price of US$10,006.85 per unit. The purchase involved a total cash outlay of US$208.9 million including commission but excluding accrued interest of US$1.9 million and was for the purpose of saving 3.3 per cent per annum coupon payments on the convertible bonds in the period before redemption or maturity. The repurchase and cancellation of the convertible bonds has resulted in a reduction in long term liabilities and a loss in the income statement.

At 31 December 2010, bondholders holding an aggregate of 8,092 units of the Group's convertible bonds due 2013 with a face value of US$10,000 each had exercised the put option for redemption of their convertible bonds. On 1 February 2011, these convertible bonds with total principal value of US$80.92 million were redeemed and cancelled. On the same day, the Group issued a notice to all bondholders of the Group's convertible bonds due 2013 exercising the call option right for the remaining balance of US$24.28 million or 24,280 units with a face value of US$10,000 each. The relevant redemption and cancellation of the 24,280 units will have been completed on or around 4 March 2011.

Save as disclosed above and other than for satisfying restricted share awards granted under the Company's Long Term Incentive Scheme, neither the Company nor any of its subsidiaries has, during the year, purchased, sold or redeemed any of the securities of the Company.

Compliance with the Code of Conduct Regarding Directors' Securities Transactions

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

The Board confirms that, having made specific enquiry, the Directors have complied in full with the required standard set out in the Model Code and its code of conduct during the reporting year, except that a Director traded in the Company's securities without written approval from the Company during a period when no trading restrictions were in place. The Board has formally reminded all Directors that the Model Code stipulates written approval must be received before such transactions can proceed.

Compliance with the Code on Corporate Governance Practices

Throughout the year, the Company has been fully compliant with all code provisions of the Code on Corporate Governance Practices as contained in Appendix 14 of the Listing Rules.

Review of Audit Committee

The audit committee of the Company has reviewed this annual results announcement and the 2010 Annual Report of the Company for the year ended 31 December 2010.

Final Dividend and Book Closure

The Board has proposed a final dividend of HK 16.5 cents per share for the year ended 31 December 2010 and, if such dividend is approved by the shareholders at the 2011 Annual General Meeting of the Company, it is expected to be paid on or about 29 April 2011 to those shareholders whose names appear on the Company's register of members on 19 April 2011.

The register of members of the Company will be closed from 15 April 2011 to 19 April 2011 (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to qualify for the proposed final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch registrar, Computershare Hong Kong Investor Services Limited, at Rooms, 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road, Wanchai, Hong Kong, no later than 4:30 p.m. on 14 April 2011. The ex-dividend date for the final dividend will be on 13 April 2011.

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

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

The Company's 2010 Annual Report will be available on the Company's website at www.pacificbasin.com no later than the date it is sent to those shareholders who have elected to receive a printed copy on or around 18 March 2011.

Directors

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

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