Pacific Basin Shipping Limited

(incorporated in Bermuda with limited liability)
(Stock Code: 2343)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

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 2009 as follows:

Highlights

US$ million	Year Ended 31 December 2009	2008
Revenue	**950.5**	1,690.9
Gross Profit	**152.8**	358.6
Profit Attributable to Shareholders	**110.3**	409.1
Basic Earnings per share *(US cents)*	**5.9**	24.3
Basic Earnings per share *(HK cents)*	**46**	189

Group

- **Group profits were US$110 million** (2008: US$409 million) in a better year for dry bulk than expected due to a strong recovery in commodity demand from China
- Results incorporate a net US$25 million write-back of onerous dry bulk contracts for future periods and a US$25 million impairment of our RoRo investment
- **Basic earnings per share were HK$0.46** (2008: HK$1.89), return on average equity was 8% and return on average assets was 5%
- **Operating cash flow of US$145 million** (2008: US$459 million)
- **Reduced handysize fleet daily breakeven costs by 35%** and total administrative expenses by 14%
- **Robust balance sheet with US$1,106 million cash** and US$229 million net cash; **fully funded capital commitments** of US$306 million in non-dry bulk vessels and US$151 million in dry bulk vessels
- **Full year dividend of HK 23 cents per share** (2008: HK 76 cents) including a proposed final dividend of HK 15 cents

Fleet

- **Contract cover in place for 64% of our combined handysize and handymax revenue days in 2010**. 59% of our contracted 22,630 handysize revenue days in 2010 are covered at US$14,290 per day net
- **Acquired 5 dry bulk vessels and chartered in another 3 on a long term basis** since reviving our fleet expansion activity in December 2009
- **Fleet (including newbuildings) now totals 167 vessels** comprising 121 dry bulk vessels, 39 tugs and barges, 1 bunker tanker and 6 RoRos

Divisions

- **Pacific Basin Dry Bulk** made a profit of US$138 million and, through proactive management of cargo book, fleet composition and overhead costs, is well prepared to weather further volatility and expand in scale over the long term

- **PB Energy & Infrastructure Services** comprising mainly PB Towage and Fujairah Bulk Shipping made a profit of US$8 million and continues to make good progress despite challenging times

- **PB RoRo's first vessel delivered in September 2009** resulting in a profit of US$0.1 million. The Group also incurred a US$25 million impairment charge reflecting concerns we now have about deploying RoRo vessels profitably in the next two years

Outlook

- **Our dry bulk market outlook** for the year improves from negative to neutral in expectation of better, albeit still volatile, demand/supply balance

- **Our cargo book today** has relatively lower value compared to early 2009 thus reducing secured underlying revenue for 2010

- **Mixed outlook for energy and infrastructure services** with expectations of marked strengthening in demand for offshore towage but continued sluggish demand for harbour towage

- **RoRo market remains depressed and is expected to see limited short term improvement** due to fragile European economic recovery. Fundamentals continue to look positive for the long term

- **Ambitions recalibrated and goals set** to significantly expand our dry bulk operations and energy and infrastructure services in the years ahead

CHAIRMAN'S STATEMENT

Overview

After an unprecedented collapse in 2008, the dry bulk market in 2009 saw an unexpectedly positive though volatile recovery. Handysize spot earnings and the Baltic Dry Index increased approximately fourfold over the year from an extreme low as much improved demand outweighed the effect of record high new ship deliveries. Our strong book of forward cargo cover coming into 2009 offered valuable protection against low freight rates early in the year.

Our other main segments experienced more mixed fortunes. Pacific Basin's energy and infrastructure services segment (mainly comprising PB Towage and Fujairah Bulk Shipping) saw a significant weakening in harbour towage activity but relatively robust demand for offshore and other infrastructure services. PB RoRo successfully deployed its first vessel. The RoRo market, however, continued to languish due to much reduced trade volumes in European waters.

We took measures in the first half of 2009 to strengthen our resilience to the challenging market, such as a group-wide cost saving exercise that reduced total administrative expenses by 14% year on year and contributed to a 35% reduction in our handysize fleet daily breakeven costs. We gave much effort in the second half of the year to refining and recalibrating our ambitions. Planning ahead, we have set ourselves the following key goals for 2010 and beyond:

- Significantly expand our dry bulk fleet subject to price and market developments
- Grow our energy and infrastructure services operations in specialised markets with high entry barriers, focusing on Australasia and the Middle East
- Secure employment for our remaining RoRo newbuildings which deliver in the second half of 2010 and 2011

Our focus remains on our three core businesses with new investment predominantly directed towards our cornerstone dry bulk activity due to the increasing availability of assets at relatively low prices and a reasonably promising longer-term outlook after 2011.

Results Summary

Pacific Basin produced net profits of US$110 million in 2009 (2008: US$409 million) and basic earnings per share of HK 46 cents. The results were after a net US$25 million write-back of onerous dry bulk contracts for future periods and a US$25 million impairment of our RoRo investment. The Group made a return on average equity of 8%. While the lower profit mainly reflected a reduction in our average handysize daily earnings from US$29,600 per day to US$14,500 per day, these were still 35% above average handysize spot rates in 2009, reflecting the value of our strong cargo book.

The Board has recommended a final dividend of HK 15 cents per share bringing the total for 2009 to HK 23 cents per share (2008: HK 76 cents), representing a payout of 51% of profits excluding disposal gains.

Our balance sheet remained robust throughout the year. As at 31 December 2009 we had US$1.1 billion in cash and bank balances and our net cash was US$229 million, which positions us well to weather volatility and take advantage of the opportunities ahead.

Dry Bulk Shipping

At the start of 2009, the world was struggling with a difficult recession, dry bulk freight rates were at their lowest levels since 1986, and a record large orderbook pointed to potentially three times more dry bulk newbuilding deliveries in 2009 than in any previous year. Most industry analysts were predicting a bearish year for the sector. What transpired was somewhat unexpected: far fewer newbuildings delivered during the year than had been scheduled, and stimulus packages and general global economic recovery spurred much increased commodity demand, especially in China, with a consequent improvement in trading conditions and freight rates. Nevertheless, the much depressed market in the early months of 2009 was unforgiving towards ship owners exposed to the spot freight market.

We have seen the relatively strong commodity demand continue into 2010 and expect that it will generally keep pace with dry bulk fleet growth in the first half of the year. For the remainder of 2010 and 2011, our dry bulk market view is tempered by caution due mainly to the unpredictable impact of accelerating newbuilding deliveries. Overall, however, our view of the sector for the next one to two years has shifted from negative to neutral. Our outlook for the longer term beyond 2011 is more positive in the expectation that Asia's sustained industrialisation will support continued strong demand growth, and a declining orderbook overhang will lead to a more favourable demand/supply balance.

We expect the dry bulk market to continue to be characterised by an increasing dependence on China's growing commodity consumption and the volatility generated by its fluctuating demand for raw material imports. Currently, some 35% of global dry bulk cargoes are China bound, which makes the market more prone to large distortions than it has been historically. We believe our business model allows us to manage such variable conditions in a number of ways, including through adjustments in our mix of owned, long term chartered and short term chartered ships, and through use of a full range of chartering tools, thereby affording ourselves the agility to adapt to make the most of market changes.

We continue to maintain our policy of prudently locking in forward cargo cover, which positions us well to weather the volatility ahead and provides a degree of protection if dry bulk shipping demand proves unable to absorb excessive fleet growth. As at 22 February 2010, our combined dry bulk fleet had forward cargo cover of 64% for 2010 in terms of handysize-equivalent days, and we are now focused on building our forward cargo book for 2011 and beyond.

With our changed outlook, we have revived our dry bulk fleet expansion efforts from December 2009 with the purchase of five ships at some of the lowest prices of the past five years and through the long term charter of a further three ships.

Our growth ambition for our cornerstone dry bulk business is to significantly expand our fleet over the long term through a measured programme of purchasing and chartering in ships at the right price and time. We remain especially conscious of the ever-changing market conditions and mindful not to substantially increase our fleet breakeven costs. The majority of the Group's new investment will be in this sector.

Energy and Infrastructure Services

We have now categorised our PB Towage and Fujairah Bulk Shipping businesses under a new division called "PB Energy & Infrastructure Services" to better reflect the mandate they have to provide services to governments, energy groups and construction companies for large offshore and infrastructure projects.

In 2009, the division did not deliver the financial results which we had hoped for due to difficult conditions affecting the areas in which we operate. However, we made significant strides in the expansion of our towage fleet, human resources and systems and processes during the year, and secured valuable service contracts that we believe will open the door for us to develop our business in this sector.

We anticipate continued challenges in the markets for the division in 2010, although growing demand for offshore activity in Australasia and the Middle East gives reason for optimism. We continue to believe in the longer-term growth prospects for this division which operates in specialist sectors and is well positioned to capitalise on opportunities to grow when we see further and more palpable recovery in the markets.

In view of this positive outlook, the ambition for our energy and infrastructure services division is to become a major regional player and preferred operator of young, versatile offshore and towage vessels, and to grow the business significantly subject to acceptable returns on investment. With vast oil and gas and infrastructure development in Asia, Australasia and the Middle East, we see potential to build a strategic, competitive business in a market with high barriers to entry and where high quality service is required and rewarded with superior returns.

RoRo Shipping

We took delivery of our first of six RoRo newbuildings in September 2009 and she has since performed well in the North Sea under charter to the established RoRo operator Norfolk Line. Our RoRo team is focused on developing preferred employment opportunities for the remainder of our RoRo ships delivering between September 2010 and December 2011.

The RoRo market was severely depressed throughout last year, but increased freight forwarding activity in Europe in the fourth quarter of 2009 signals possible improvement ahead. Nevertheless, we expect this sector to face continued difficulties in the next two years, and so have charged to our 2009 results an impairment of US$25 million reflecting our concern about the current limited employment potential for unfixed RoRo vessels. However, we continue to have a more positive outlook for the longer term as we believe the sector is compelling due to its relatively small orderbook and ageing fleet.

Outlook

Although 2009 was not one of our most profitable years, it was an important year for reinforcing our foundations in preparation for our future development plans. A recalibration of our ambitions towards the end of 2009 has primed the Company for growth as we set out to realise our expansion goals.

We believe that the global economy and international trade have begun a slow and gradual recovery supported by strong growth in China and the rest of Asia. We cannot ignore that there is some fragility in the outlook but we see 2010 as a year of opportunity to expand our dry bulk fleet and our energy and infrastructure services business.

In Closing

Regrettably, and as announced in December 2009, Richard Hext resigned as CEO of Pacific Basin to take up a new appointment, but we are fortunate in that he has agreed to remain as a Non-executive Director of the Company. Our former Deputy CEO, Klaus Nyborg, has assumed the position of CEO, and Executive Director Jan Rindbo has been appointed to the new position of Chief Operating Officer. I am confident that management and strategic continuity will prevail given their years of involvement on the Board and senior management team, and I look forward to working even more closely with them as we seek to realise Pacific Basin's ambitions in the years ahead.

I am also very sad to advise that Dr. Simon Lee, Non-executive Director of the Company, passed away at the age of 82 on 18 February 2010 following a long illness. He had made an enormous contribution to the development of Pacific Basin in its early days as a private company, and we continued to benefit from his valuable guidance and tremendous support until he fell ill early last year. His presence will be dearly missed.

I conclude by thanking our diligent and talented staff and loyal customers for the commitment and support that are key to our success.

David M. Turnbull
Chairman

Hong Kong, 2 March 2010

BUSINESS REVIEW AND OUTLOOK

Pacific Basin Dry Bulk

Market Review

The outlook for the dry bulk market was bleak coming into 2009. The combination of economic recession and an enormous dry bulk vessel orderbook suggested major challenges for the market in the year ahead. The freight market had collapsed, ship scrapping was seen as an attractive alternative for owners of older tonnage and questions about counterparty strength permeated the market.

In actuality, the market exceeded expectations. In the second half of 2009, the world started a process of economic recovery and the supply/demand balance shifted in favour of ship owners resulting in improved trading conditions and increasing freight rates. New ship deliveries were far fewer than scheduled at the start of 2009, yet the dry bulk fleet expanded more than in any previous year, and dry bulk demand recovered more strongly than anticipated.

- Newbuilding deliveries accelerated dry bulk net fleet growth to a new high of 10% – significantly above the 7% level of the previous five years.

- However, recorded deliveries over the year fell short of the scheduled orderbook at the start of 2009 by over 40%. This was due to a number of factors including: several yards' inability to deliver on time; ineffective orders stemming from unexercised options or difficulties in securing finance or refund guarantees for contracts booked in previous years; and some new yards that failed to become operational.

- Freight rates recovered strongly from a very low base over the first quarter and then increased less emphatically, albeit erratically, throughout the balance of the year. This was especially true during the second half despite the collapse of ship scrapping and the acceleration of newbuilding deliveries to a record 27 million dwt for the half year.

- Activity is returning to a sales and purchase market that had been stagnant for most of the year, giving greater visibility to vessel values. After 15 months, Clarksons resumed its publication of ship values in January 2010 showing an estimated US$23 million for a benchmark five-year old 28,000 dwt handysize vessel. This represents a US$1 million increase over R.S. Platou's estimate at the time of our Interim Report in August 2009.

- The unexpectedly strong freight market improvement in 2009 cannot easily be explained by the changes in dry bulk market fundamentals that occurred during the year. According to Clarksons, the dry bulk fleet expanded by 10% year on year whilst R.S. Platou estimates demand to have experienced zero net growth year on year – a combination that under more normal circumstances would place downward pressure on freight rates throughout the year.

- The explanation lies in the dysfunctional nature of the market at the start of 2009 following the extraordinary market behaviour at the end of 2008. The dramatic change in freight market sentiment in 2009 is indicative of a sharp improvement from that exceptionally low starting point culminating in an estimated 14.6% year on year change in demand in the fourth quarter of 2009.

- China's enormous commodity import volumes reflect its unmatched influence on the dry bulk market in 2009 when iron ore and coal imports increased 41% and 218% respectively year on year. However, its influence on the demand-side environment is not limited to absolute import volumes:

  - China's decision on where to import commodities from significantly impacts overall tonne-mile demand;

  - China's dry bulk requirements continue to strain the capacity of land based infrastructure, resulting in port congestion and waiting ships which are temporarily unavailable to transport cargoes in the market; and

  - China's domestic coastal dry bulk volumes (information on which is imprecise and not included in international trade data) reportedly grew by some 100 million tonnes, or 16%, per year from 2006 to 2008 and, by R.S. Platou estimates, accounted for up to 1.2% year on year global dry bulk shipping growth in 2009.

- Looking ahead, we take a neutral outlook for the dry bulk market in 2010 reflecting our view that strong but fluctuating demand combined with unpredictable but still significant supply growth in an elastic market will likely result in a continued firm but volatile market over the year. Economic recovery remains fragile, making it difficult to predict whether demand will be sufficient to absorb the expansion in dry bulk ship supply in 2010.

- Longer term, we remain positive on the prospects for dry bulk after 2011 due to strong demand from the continued industrialisation of China and the rest of Asia and recovery from the economic crisis of OECD countries coupled with more tempered supply growth.

Business Review

Overview

Our cornerstone Pacific Basin Dry Bulk division operates one of the world's largest and most modern fleets of uniform handysize and handymax ships, which enables us to offer our customers a reliable service with a high degree of flexibility in routes and timing.

We are committed to ensuring the highest levels of service performance which is made possible by:

- our modern fleet of owned and long term chartered vessels of flexible design suited to the transportation of a broad range of cargoes;
- the homogeneous nature of our fleet of interchangeable ships allowing scheduling flexibility to meet customer requirements;
- an experienced in-house technical ship management team to support our effort to provide reliable, quality ships to our customers; and
- our extensive global network of Pacific Basin offices bringing our professional, dedicated chartering and operations staff closer to our customers to better understand their needs.

We provide our customers with a variety of chartering options including, contracts of affreightment ("COAs"), spot market fixtures and, occasionally, period time charters to meet their transportation needs. In addition, we also manage our market exposure through the limited use of derivative instruments such as forward freight agreements ("FFAs") and bunker hedges.

With an excellent performance track record in the handysize sector supported by one of the strongest balance sheets in dry bulk shipping, Pacific Basin stands out as a preferred, blue-chip counterparty for cargo customers and tonnage providers in an otherwise heavily fragmented sector dominated by many smaller owners and operators.

Performance in 2009

- Pacific Basin Dry Bulk's fleet of handysize and handymax vessels performed well against the backdrop of a volatile market that started the year at a near historic low level.

Pacific Basin Dry Bulk Fleet

	Handysize		**Handymax**	
	2009	2008	**2009**	2008
Net profit (US$)	**124 million**	332 million	**14 million**	36 million
Daily charter rates earned (US$)	**14,500**	29,600	**19,490**	44,610
Daily vessel operating costs (US$)	**9,690**	14,960	**18,120**	40,070
Return on net assets	**28%**	86%	**64%**	52%
Indices (US$ net, average BHSI/BSI)	**10,775**	27,818	**16,471**	39,468
Cargo volume (Million tonnes)	**17.9**	19.6	**10.9**	11.7
Main cargoes	**logs & forest products, grain & agriculture products, metal concentrates**		**coal/coke, ore, grain & agriculture products**	

- We operated an average of 103 dry bulk ships during the year (2008: 101 ships)
- The division made a net profit of US$138 million (2008: US$368 million) and a return on net assets of 29% (2008: 81%).
- Our contracts performed as expected in 2009 and we experienced no counterparty defaults.
- Our fleet remains employed worldwide carrying a mix of contract and spot cargoes from a broad, diversified customer base that primarily comprises industrial companies in the mining, agricultural, and construction sectors.

- Through this employment mix we secure a relatively high degree of downside protection in case of falling freight rates whilst retaining significant upside in a rising market. This model enabled us to achieve superior earnings compared to average market levels in a volatile and challenging period for the dry bulk sector.

- Efforts to save costs across the Group reduced total administrative expenses by 14% and contributed to a 35% reduction in our handysize fleet daily breakeven costs from US$14,960 in 2008 to US$9,690 in 2009.

- In line with our strategy to secure forward cargo cover, we have so far covered 64% of our 2010 contracted combined dry bulk ship revenue days, and we currently expect the majority of our uncovered 2010 revenue days will generate revenue from the spot market. We are also focused on building our forward cargo book for 2011 and beyond.

		Handysize		Handymax	
	Unit	FY 2009	FY 2010	FY 2009	FY 2010
Vessel Activity Summary (as at 22 February 2010)					
Cargo Commitments					
Revenue days	days	**26,100**	12,490	**10,640**	4,600
Net paper contracts	days	**–**	860	**–**	(310)
Equivalent revenue days	days	**26,100**	13,350	**10,640**	4,290
Daily TCE	US$	**14,500**	14,290	**19,490**	24,220
Ship Commitments					
Revenue days	days	**26,100**	22,630	**10,640**	5,280
Net Position					
Cargo as % of ship commitments	%	**100%**	59%	**100%**	81%
FFA Activity Summary					
FFA paper sold	days	**2,810**	1,000	**2,250**	1,790
FFA paper bought	days	**(350)**	(30)	**(1,870)**	(2,120)
Net realised paper exposure	days	**(2,460)**	(110)	**(380)**	20
Net FFA paper sold/(bought)	days	**–**	860	**–**	(310)

Fleet Operations

We take pride in the quality of our fleet which is managed in-house by Pacific Basin's technical operations team. Through this hands-on approach to ship management, we are able to pay careful attention to the maintenance of our vessels and the selection and continued training of quality seafarers. We consider this to be an important ingredient in the provision of world-class service to our customers.

The safety of our seafarers, vessels, cargoes and the environment is of paramount concern to Pacific Basin. Our safety record has again been very good in 2009. Unscheduled vessel downtime due to technical reasons – another key benchmark for our fleet of owned ships – was also kept to a minimum with an average of only 1.3 off-hire days per vessel during the year.

Outlook

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

Positive Factors

- Continued global economic recovery, albeit slow and fragile, leading to increased commodity demand, further restocking, and therefore increased seaborne trade volumes
- Strong growth in developing countries, especially China
- China's increasing dependence on imported commodities
- Recovery in construction and industrial production resulting in increased world steel output and demand for iron ore shipments
- Increasing congestion as fast-growing dry bulk trade stretches shore based infrastructure
- Continued slippage and non-realisation of scheduled 2010 newbuilding deliveries leading to less than scheduled new ship supply

Negative Factors

- Some unwinding of economic stimulus, especially in China, resulting in lower growth
- Slow and hesitant growth in developed countries
- Orderbook for 2010 remains enormous with accelerating newbuilding deliveries over the year
- China is the major importer of raw materials and benefits from cheap freight from an oversupply of ships, giving China incentive to continue supporting its shipbuilding industry
- Increasing commodity prices, especially for iron ore and coal, favouring domestic production over import

Weighing these factors, we have adjusted our dry bulk market outlook from a negative to a neutral view for 2010. We have therefore resumed a measured expansion of our fleet, and will continue to be on the look out for further acquisition and long term charter opportunities. However, our key priority is to maintain a cost-competitive fleet and so we will remain particularly mindful of our breakeven cost when evaluating acquisition opportunities. We will also focus on building our forward cargo book for 2011 and beyond whilst employing the majority of our uncovered 2010 capacity in the spot market.

PB Energy & Infrastructure Services

Given the focus and nature of our towage and infrastructure businesses, we have categorised these under a single new business division called "Energy and Infrastructure Services", encompassing primarily:

- PB Towage – our towage logistics business which engages in:
  - offshore support services for construction and energy projects (mainly through our PB Sea-Tow brand); and
  - harbour towage (under the banner of PB Towage Australia)
- Fujairah Bulk Shipping L. L. C. ("FBSL") – our infrastructure joint venture in the United Arab Emirates

Market Review

Towage is a more fragmented sector than dry bulk, with almost 14,000 vessels of very different size, type and age (average 21 years) deployed in different ways around the world. Barriers to entry, cabotage regulations, specific market requirements and high redeployment costs impact supply and demand on a regional level.

Offshore towage market characteristics:

- The main demand side driver for offshore towage services is the price of oil and gas, which impacts offshore exploration and production activity.
- The world fleet of medium to large size, sophisticated vessels operating in deepwater oil and gas fields has expanded significantly since 2006 driven by increasing oil prices. The oil price collapse in 2008 and 2009 resulted in weakened demand and a steep decline in the charter market in 2009.
- The market in the Middle East is relatively open to competition and oil and gas output is highly sensitive to demand. As a result, decreasing oil prices had an immediate downward impact on oil production and offshore requirements.

- Our main market in Australia has been more resilient with new long term energy projects in the region driving demand for offshore services. In addition, Australia is a relatively closed market due to its cabotage laws, labour regulations, environmental legislation and the requirement for added value technical and operational skills (such as specialised cargo handling ability), which together limit competition and volatility in the local market and create opportunities for high-skilled and specialised niche players.

Harbour towage market characteristics:

- Harbour towage activity is closely linked to global economic conditions which drive seaborne trade volumes. The economic crisis of 2008 and 2009 negatively affected shipping traffic and thus demand for harbour towage services.

- Ship movements in container ports serviced by PB Towage Australia fell approximately 20% in 2009 generally limiting the ability to increase service contract tariffs above 2008 levels.

- Towage activity in bulk ports was less affected than in container ports due to strong commodity exports – mainly to China – despite the economic downturn.

Business Review

Overview

PB Towage expanded its fleet and business in 2009 and, in particular, strengthened its position in the Australian towage market through its PB Sea-Tow and PB Towage Australia brands. We have focused on premium markets requiring high quality and added value services and those demonstrating greater stability. As such, we continued to pursue opportunities to provide tug and barge support especially to the offshore sector in Australasia, the Middle East and India.

Performance in 2009

- The PB Energy & Infrastructure Services division made a net profit in 2009 of US$8.2 million (2008: loss of US$14.4 million relating mainly to goodwill write-offs) and a return on net assets of 4%.

- Our PB Towage business successfully expanded its profile and market position in 2009 – particularly in Australasia – although results were somewhat disappointing due to challenging trading conditions.

- PB Towage made a net profit in 2009 of US$1.0 million (2008: loss of US$16.0 million relating mainly to goodwill write-offs) which included a prudent write-down of US$1.4 million representing in full an amount currently under dispute.

Offshore Support Services

- Our offshore towage businesses comprising PB Sea-Tow based in New Zealand and PB Towage Middle East in the United Arab Emirates are mainly engaged in energy and construction logistics work in Western Australia and the Arabian Gulf.

- In May 2009, PB Towage formed a joint venture called Offshore Marine Services Alliance ("OMSA") and secured a A$350 million contract to provide towage logistics services to support the Gorgon Project, a major new LNG gas field project offshore Western Australia developed by a consortium of oil majors and operated by Chevron.

Harbour Towage Services

- Our Australian harbour towage business, PB Towage Australia, maintained its market share in container ports, and secured new long term exclusive service licenses at three bulk ports which are expected to provide our business with greater resilience to market downturns.

- In June 2009, we acquired the outstanding minority interests in PB Towage Australia, thus increasing our holding in the company to 100%.

Fleet Operations

During the year, PB Towage established a central engineering office in Perth, Western Australia, which is responsible for the provision of technical management support for our expanding towage fleet across all regions, and to ensure that systems are introduced to more readily meet our customers' exacting requirements.

We dry-docked several vessels in 2009 and undertook a number of vessel upgrades in preparation for specialised employment requiring project-specific capabilities.

Fujairah Bulk Shipping

- Fujairah Bulk Shipping L.L.C. ("FBSL"), our joint venture with the Government of Fujairah in the United Arab Emirates, continued to perform well in 2009.

- In a difficult year, FBSL made a gratifying contribution of US$6.3 million (2008: US$0.3 million) to Pacific Basin's results and a return on net assets of 10.4% after netting off final payments associated with earn-out arrangements that expired at the end of 2009.

- 2009 was characterised by very contrasting stories for the company:

  The rock and aggregate export business, which had accounted for the majority of FBSL's activity until March 2009, faced cancelled or suspended export related projects – casualties of the global economic crisis. This business activity has therefore been successfully scaled down.

  However, excellent progress has been made on the Fujairah Northern Land Reclamation which requires 54 million tonnes of rock and aggregate for the development of an industrial site in Fujairah and is ahead of schedule.

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

Outlook

The following market-related factors are expected to have most influence on the offshore and harbour towage and infrastructure services sectors in 2010:

Positive Factors

- Gradual, albeit slow, global economic recovery to stimulate trade and therefore drive vessel movements in Australian ports
- Continued minerals demand growth expected to drive potential for exclusive port service licenses thus providing greater revenue stability
- Local cabotage, labour and environmental regulations and requirement for value-added capabilities continue to act as high barriers to entry
- Increasing oil and energy prices leading to more offshore projects and related infrastructure development activities
- Resumption of infrastructure and offshore projects in the Middle East following recovery from the Dubai debt crisis
- Orderbook for new tugs expected to become less onerous following a reduction in orders, and more older vessels will likely be scrapped

Negative Factors

- Modest trade growth means container-related harbour towage market will still be relatively weak

Our outlook for our offshore energy services activity in 2010 is positive due to markedly strengthening demand for towage support services in Australia and the Middle East arising from potential new oil and gas development projects scheduled to commence later this year.

We expect a slow, volatile recovery to pose a continued challenge for our harbour towage business, but aim to lessen our dependence on the sluggish container industry by expanding into mainly bulk-related ports offering exclusive licence arrangements.

We are mindful of the need for PB Towage to build scale, realise synergies and optimise systems and processes before it can reap the full advantage of its position in the sector.

FBSL is poised to benefit from a number of new infrastructure projects in the Middle East and so we expect to see good further progress for this business.

Weighing these factors, we consider PB Energy & Infrastructure Services to be well positioned to grow on the back of increasing activity and new opportunities in Australia and the Middle East, and we intend to expand the business and acquire further assets against specific, high-return projects.

PB RoRo

Market Review

- The RoRo sector faced challenging conditions in 2009 brought on by the financial crisis and resulting recession in its core European market. Underlying trailer demand in Europe fell sharply in late 2008 but stabilised over 2009 at approximately 20-25% below pre-recession levels. This has inevitably led to weak demand for RoRo tonnage and therefore reduced charter rates. Maersk Broker data shows the one year moving average time charter rate for large RoRo vessels to have fallen by approximately 35% since the onset of the recession.

- The lack of representative sale transactions and the varied specifications of vessels make a valuation of RoRo vessels very difficult but, by brokers' estimations, values for large, modern vessels have declined between 10% and 15% since we contracted our Odense ships in early 2008 – significantly less than the fall in values in other main shipping segments.

- Growth in the major European economies has resumed – albeit hesitantly – since the third quarter of 2009, and forwarders across Europe are experiencing increased traffic. The European Freight Forwarding Index produced by Danske Bank from a regular survey of European forwarders substantiates this and forecasts continued recovery in trade volumes in the first half of 2010.

- On the supply side, the underlying statistics for the RoRo sector are favourable. The orderbook remains small at 16% and the average age of the RoRo fleet (21 years) is older than that of all other main cargo ship sectors. 44% of RoRo capacity in vessels over 800 lane meters is now aged 25 years or older and 30% is over 30 years old. The picture is slightly less favourable for the 2,600+ lane meter subsector in which Pacific Basin competes: 36% of the capacity is over 25 years old, matched by an orderbook of 36% of the existing fleet.

- Encouragingly, practically no newbuilding orders have been placed in the past 12 months, and a number of larger, old vessels are now being scrapped, including some previously deployed in the North European market.

- Maersk Broker's analysis of the orderbook and likely rate of scrapping suggests the size of the world RoRo fleet will start to contract in 2010.

Business Review

Overview

We invested in six large freight RoRo newbuildings in early 2008 with the aim of becoming a tonnage supplier to major European freight service operators, and our vessels are specifically designed for their trades which favour:

- relatively high speed
- low fuel consumption
- optimal deck heights
- wide fixed ramps
- high degree of manoeuvrability

To date, only one of our RoRo newbuildings has delivered and entered service. The remainder are scheduled to deliver late in 2010 and 2011.

Performance in 2009

The "Humber Viking", our first newbuilding from Odense Steel Shipyard in Denmark, delivered in September and immediately commenced trading between ports in Holland and the United Kingdom under a three-year timecharter to Norfolk Line.

As reported in June 2009, we negotiated the deferred delivery of our remaining three newbuildings from Odense Steel Shipyard into 2011 due to the prevailing weakness in the RoRo market. As part of this agreement we made early payment of 10% of the contract price, but benefit from a corresponding reduction in – and deferral of – the final payments. The total consideration for these ships therefore remains unchanged.

Our two chartered-in Korean-built RoRo newbuildings, for which we hold purchase options, are currently scheduled to deliver in September and November 2010 respectively and thus our exposure to the likely weak market in 2010 is limited.

The RoRo division made a net profit in 2009 of US$0.1 million. In addition, the Group incurred a US$25 million impairment reflecting our concern about the ability to deploy the vessels profitably in 2010 and 2011.

Fleet Operations

Technical, marine and crew management of our RoRo fleet are provided by Meridian Marine Management, our joint venture specialist ship management company in the United Kingdom. Meridian is also responsible for the technical supervision of our RoRo newbuilding projects. The "Humber Viking" is operating well, with technical running costs to date below budget levels.

Outlook

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

Positive Factors

- Global and in particular European economic recovery, whilst slow, is expected to support modest growth in trailer volumes and therefore tonne-mile demand for short-sea RoRo trades
- Basic demand recovery combined with increasing environmental regulation and initiatives driving the trend towards use of larger, more fuel efficient RoRo tonnage
- An ageing RoRo fleet is expected to see continued scrapping of capacity in the coming years
- The orderbook beyond 2010 is expected to look increasingly favourable following cessation of newbuilding orders in 2009

Negative Factors

- A significant number of large RoRo newbuildings are scheduled to deliver in 2010 and 2011
- RoRo operators are suffering thus limiting employment potential
- Indebtedness of UK economy (serviced by a significant proportion of world RoRo fleet) affecting customer and industrial demand would limit the improvement in trailer traffic volumes

Overall, we expect a challenging but only moderately improving trading environment for RoRos in 2010, assuming slow recovery in European trade. However, we remain positive for the long term with the revival of European economic and trade growth, tighter supply, and continued political and social pressure to move freight from road to sea. We are confident that our vessels will prove increasingly attractive to charterers as the European economy recovers. We are actively exploring a number of employment opportunities for our planned fleet within and outside of Europe. In the longer term, we expect to see opportunities for RoRo vessels in the rapidly expanding Asian economies and elsewhere. We do not anticipate investing in any further RoRo ships until our existing orderbook has been profitably employed.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2009

	Note	**2009**	2008
		US$'000	*US$'000*
Revenue	*3*	**950,477**	1,690,948
Direct costs		**(797,681)**	(1,332,351)
Gross profit		**152,796**	358,597
General and administrative expenses		**(12,292)**	(11,787)
Other income		**110,477**	163,921
Other expenses		**(116,280)**	(229,297)
(Losses)/gains on disposal of property, plant and equipment		**(2,522)**	149,818
Finance costs, net		**(27,321)**	(22,125)
Share of profits less losses of jointly controlled entities		**7,246**	3,568
Share of losses of associates		**(103)**	(287)
Profit before taxation	*4*	**112,001**	412,408
Taxation	*5*	**(1,723)**	(3,618)
Profit for the year	*3*	**110,278**	408,790
Attributable to:			
Shareholders		**110,278**	409,119
Minority interests		**–**	(329)
		110,278	408,790
Dividends	*6*	**57,222**	170,142
Earnings per share for profit attributable to shareholders			
Basic	*7(a)*	**US 5.94 cents**	US 24.29 cents
Diluted	*7(b)*	**US 5.93 cents**	US 24.28 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	2009	2008
	US$'000	*US$'000*
Profit for the year	**110,278**	408,790
Other comprehensive income, net of tax:		
Currency translation differences	**24,949**	(21,207)
Cash flow hedges:		
– fair value (losses)/gains	**(146)**	21,760
– transferred to property, plant and equipment	**(1,729)**	(8,176)
– transferred to finance costs in consolidated income statement	**2,731**	337
Fair value gains on available-for-sale financial assets	**20,121**	–
Gains on repurchase and cancellation of convertible bonds	**325**	1,589
Total comprehensive income for the year	**156,529**	403,093
Attributable to:		
– Shareholders	**156,529**	403,510
– Minority interests	**–**	(417)
Total comprehensive income for the year	**156,529**	403,093

CONSOLIDATED BALANCE SHEET
As at 31 December 2009

	Note	2009 US$'000	2008 US$'000
Non-current assets			
Property, plant and equipment		**997,961**	794,622
Investment properties		**2,600**	–
Land use rights		**3,864**	3,035
Goodwill		**25,256**	25,256
Interests in jointly controlled entities		**49,615**	50,806
Investments in associates		**3,249**	2,864
Available-for-sale financial assets		**62,016**	43,454
Derivative assets		**6,879**	23,800
Trade and other receivables	*8*	**8,232**	9,517
Restricted bank deposits		**40,084**	4,757
Other non-current assets		**59,887**	56,238
		1,259,643	1,014,349
Current assets			
Inventories		**33,858**	24,291
Derivative assets		**20,336**	55,797
Assets held for sale		**–**	65,891
Trade and other receivables	*8*	**90,478**	151,193
Restricted bank deposits		**16,483**	44,108
Cash and deposits		**1,049,095**	974,876
		1,210,250	1,316,156
Current liabilities			
Derivative liabilities		**10,505**	30,917
Trade and other payables	*9*	**111,740**	154,691
Current portion of long term borrowings		**54,728**	58,679
Taxation payable		**3,737**	3,553
Provision for onerous contracts		**–**	28,179
		180,710	276,019
Net current assets		**1,029,540**	1,040,137
Total assets less current liabilities		**2,289,183**	2,054,486
Non-current liabilities			
Derivative liabilities		**9,735**	20,898
Long term borrowings		**821,850**	789,133
Provision for onerous contracts		**2,031**	25,753
		833,616	835,784
Net assets		**1,455,567**	1,218,702
Equity			
Capital and reserves attributable to shareholders			
Share capital		**192,708**	174,714
Retained profits		**659,339**	568,648
Other reserves		**603,520**	475,340
Total equity		**1,455,567**	1,218,702

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 Standards ("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 and amended HKFRS**

The accounting policies and methods of computation used in the preparation of these financial statements are consistent with those used in the 2008 annual financial statements except that the Group has changed certain of its accounting policies following its adoption of new and amended standards, interpretations to the published standards and the improvements to HKFRS, which are relevant to its operation.

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

- HKAS 1 (Revised), "Presentation of financial statements". The revised standard prohibits the presentation of income and expenses directly in the statement of changes in equity. All income and expenses are required to be shown in either one statement of comprehensive income or two statements (the income statement and the statement of comprehensive income). The Group has presented all income and expenses in two statements.

- HKAS 1 (Amendment), "Presentation of financial statements". The amendment clarifies that derivatives classified as held for trading should be presented to show current and non-current portions of the assets and liabilities. The Group has presented its trading derivatives as current or non-current according to their respective settlement dates. Comparative figures have been adjusted accordingly.

- HKFRS 7 (Amendments), "Improvement disclosure about financial instrument". The Group has adopted the disclosure requirement of three-level hierarchy for fair value measurement disclosures about financial instruments. The consolidated financial statements have been prepared under the amended disclosure requirements.

- HKFRS 8, "Operating segments". This standard replaces HKAS 14, "Segment reporting" by adopting a management approach under which segment information is presented on the same basis as that used for internal reporting provided to the chief operating decision-makers. In prior periods, the Group regarded its international dry bulk shipping segment as one dominant segment. The adoption of the standard has resulted in an increase in the number of reportable segments presented.

  Goodwill is allocated to groups of cash-generating units on a segment level. Comparatives for 2008 have been presented accordingly.

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 resource and assessing performance. The reportable operating segments below are consistent with the way in which information is presented.

The Group's revenue is primarily derived from the provision of dry bulk and RoRo shipping services, and services to the energy & infrastructure sector. Pacific Basin Dry Bulk is further segregated into handysize and handymax vessels and PB Energy & Infrastructure Services is further segregated into Towage, Fujairah Bulk Shipping ("FBSL") and PacMarine Services ("PacMarine").

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, precluded a meaningful allocation of operating profit to specific geographical segments. Accordingly, geographical segment information is not presented.

An analysis of the Group's reportable segment information for the year ended 31 December 2009 is as follows:

	Pacific Basin Dry Bulk			PB Energy & Infrastructure Services				PB RoRo	All Other Segments	Total Segments	Unallocated		Total	Reclass-ification	Per Financial Statements	
	Handysize	Handymax	Total	Towage	FBSL	PacMarine	Total				Treasury	Others				
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'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 2009																
Revenue	581,487	322,994	904,481	49,564	7,831	11,019	68,414	3,271	2,683	978,849	-	(54,026)	924,823	25,654	950,477	
Freight and charter-hire	581,487	322,994	904,481	48,842	-	-	48,842	3,271	-	956,594	-	(54,026)	902,568	25,654	928,222	1
Maritime management services	-	-	-	722	7,831	11,019	19,572	-	2,683	22,255	-	-	22,255	-	22,255	
Bunker & port disbursements	(202,983)	(109,560)	(312,543)	(1,723)	-	-	(1,723)	-	-	(314,266)	-	46,566	(267,700)	267,700	-	2
Time charter equivalent earnings	378,504	213,434	591,938				66,691	3,271								
Direct costs	(240,204)	(199,306)	(439,510)	(45,392)	(394)	(10,002)	(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	(148,579)	(189,320)	(337,899)	(2,482)	-	-	(2,482)	-	-	(340,381)	-	27,200	(313,181)	(53,933)	(367,114)	3
Vessel operating costs	(43,122)	(2,427)	(45,549)	(24,575)	-	-	(24,575)	(742)	-	(70,866)	-	-	(70,866)	-	(70,866)	
Depreciation of vessels	(29,565)	(981)	(30,546)	(8,021)	-	-	(8,021)	(894)	-	(39,461)	-	-	(39,461)	-	(39,461)	
Direct overheads	(18,938)	(6,578)	(25,516)	(10,314)	(394)	(10,002)	(20,710)	(777)	(5,537)	(52,540)	-	-	(52,540)	-	(52,540)	
Gross profits	138,300	14,128	152,428	2,449	7,437	1,017	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)	4
Other income and expenses	-	-	-	(1,710)	(6,868)	-	(8,578)	-	-	(8,578)	1,547	(27,051)	(34,082)	28,279	(5,803)	1, 3, 5, 6
Losses on disposal of PP&E	-	-	-	-	-	-	-	-	-	-	-	(2,522)	(2,522)	-	(2,522)	7
Finance costs, net	(14,175)	-	(14,175)	(1,867)	699	-	(1,168)	(801)	1,239	(14,905)	(15,376)	2,960	(27,321)	-	(27,321)	8
Share of profits less losses of jointly controlled entities	-	-	-	3,256	4,983	-	8,239	-	(2,329)	5,910	-	1,336	7,246	-	7,246	9
Share of losses of associates	-	-	-	(103)	-	-	(103)	-	-	(103)	-	-	(103)	-	(103)	
Profit before taxation	124,125	14,128	138,253	2,025	6,251	1,017	9,293	57	(3,944)	143,659	(13,829)	(17,829)	112,001	-	112,001	
Taxation	-	-	-	(1,009)	-	(63)	(1,072)	(2)	(649)	(1,723)	-	-	(1,723)	-	(1,723)	
Profit for the year	124,125	14,128	138,253	1,016	6,251	954	8,221	55	(4,593)	141,936	(13,829)	(17,829)	110,278	-	110,278	
Attributable to:																
Shareholders	124,125	14,128	138,253	1,016	6,251	954	8,221	55	(4,593)	141,936	(13,829)	(17,829)	110,278	-	110,278	
Minority interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	124,125	14,128	138,253	1,016	6,251	954	8,221	55	(4,593)	141,936	(13,829)	(17,829)	110,278	-	110,278	
At 31 December 2009																
Total assets	711,780	55,343	767,123	206,430	60,210	4,366	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*	593,838	16,750	610,588	160,070	-	77	160,147	211,318	15,908	997,961	-	-	997,961	-	997,961	
Investment in jointly controlled entities	-	-	-	10,164	23,218	-	33,382	-	12,905	46,287	-	3,328	49,615	-	49,615	9
Investment in associates	-	-	-	3,249	-	-	3,249	-	-	3,249	-	-	3,249	-	3,249	
Total liabilities	261,532	33,349	294,881	55,137	-	1,870	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	-	199,386	40,773	-	-	40,773	64,589	-	304,748	571,830	-	876,578	-	876,578	
* Include additions to property, plant and equipment	63,346	1,328	64,674	63,139	-	-	63,139	144,235	2,843	274,891	-	-	274,891	-	274,891	

	Pacific Basin Dry Bulk			PB Energy & Infrastructure Services				PB RoRo	All Other Segments	Total Segments	Unallocated		Total	Reclass-ification	Per Financial Statements	
	Handysize	Handymax	Total	Towage	FBSL	PacMarine	Total				Treasury	Others				
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'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 2008																
Revenue	1,005,088	642,894	1,647,982	27,977	2,403	10,492	40,872	–	7,335	1,696,189	–	71,752	1,767,941	(76,993)	1,690,948	
Freight and charter-hire	1,005,088	642,894	1,647,982	27,822	–	–	27,822	–	–	1,675,804	–	71,752	1,747,556	(76,993)	1,670,563	1
Maritime management services	–	–	–	155	2,403	10,492	13,050	–	7,335	20,385	–	–	20,385	–	20,385	
Bunker & port disbursements	(268,493)	(143,383)	(411,876)	(2,362)	–	–	(2,362)	–	–	(414,238)	–	(58,980)	(473,218)	473,218	–	2
Time charter equivalent earnings	736,595	499,511	1,236,106				38,510	–								
Direct costs	(358,826)	(450,149)	(808,975)	(25,799)	(732)	(9,208)	(35,739)	(1,732)	(12,687)	(859,133)	–	–	(859,133)	(473,218)	(1,332,351)	
Bunker & port disbursements	–	–	–	–	–	–	–	–	–	–	–	–	–	(473,218)	(473,218)	2
Charter-hire expenses for vessels	(262,731)	(434,076)	(696,807)	–	–	–	–	–	–	(696,807)	–	–	(696,807)	–	(696,807)	
Vessel operating costs	(43,853)	(4,313)	(48,166)	(14,653)	–	–	(14,653)	–	–	(62,819)	–	–	(62,819)	–	(62,819)	
Depreciation of vessels	(29,849)	(3,178)	(33,027)	(3,081)	–	–	(3,081)	–	–	(36,108)	–	–	(36,108)	–	(36,108)	
Direct overheads	(22,393)	(8,582)	(30,975)	(8,065)	(732)	(9,208)	(18,005)	(1,732)	(12,687)	(63,399)	–	–	(63,399)	–	(63,399)	
Gross profit	377,769	49,362	427,131	(184)	1,671	1,284	2,771	(1,732)	(5,352)	422,818	–	12,772	435,590	(76,993)	358,597	
General and administrative expenses	–	–	–	–	–	–	–	–	–	–	–	(11,787)	(11,787)	–	(11,787)	4
Other income and expenses	(28,843)	(12,986)	(41,829)	(12,728)	(3,292)	–	(16,020)	–	(31,301)	(89,150)	20,169	(73,388)	(142,369)	76,993	(65,376)	1, 6
Gains on disposal of PP&E	–	–	–	–	–	–	–	–	–	–	–	149,818	149,818	–	149,818	7
Finance costs, net	(16,990)	–	(16,990)	(1,528)	–	–	(1,528)	–	1,476	(17,042)	842	(5,925)	(22,125)	–	(22,125)	8
Share of profits less losses of jointly controlled entities	–	–	–	–	1,914	–	1,914	–	(3,165)	(1,251)	–	4,819	3,568	–	3,568	9
Share of losses of associates	–	–	–	(287)	–	–	(287)	–	–	(287)	–	–	(287)	–	(287)	
Profit before taxation	331,936	36,376	368,312	(14,727)	293	1,284	(13,150)	(1,732)	(38,342)	315,088	21,011	76,309	412,408	–	412,408	
Taxation	–	–	–	(1,267)	–	(4)	(1,271)	–	(2,347)	(3,618)	–	–	(3,618)	–	(3,618)	
Profit for the year	331,936	36,376	368,312	(15,994)	293	1,280	(14,421)	(1,732)	(40,689)	311,470	21,011	76,309	408,790	–	408,790	
Attributable to:																
Shareholders	331,936	36,376	368,312	(15,646)	293	1,280	(14,073)	(1,732)	(40,708)	311,799	21,011	76,309	409,119	–	409,119	
Minority interests	–	–	–	(348)	–	–	(348)	–	19	(329)	–	–	(329)	–	(329)	
	331,936	36,376	368,312	(15,994)	293	1,280	(14,421)	(1,732)	(40,689)	311,470	21,011	76,309	408,790	–	408,790	
At 31 December 2008																
Total assets	745,163	106,709	851,872	124,080	60,638	3,012	187,730	170,265	93,525	1,303,392	965,111	62,002	2,330,505	–	2,330,505	1, 2
Total assets include:																
Property, plant and equipment and assets held for sale*	612,318	49,840	662,158	91,426	–	87	91,513	89,671	17,171	860,513	–	–	860,513	–	860,513	
Investment in jointly controlled entities	–	–	–	–	18,122	–	18,122	–	15,440	33,562	–	17,244	50,806	–	50,806	9
Investment in associates	–	–	–	2,864	–	–	2,864	–	–	2,864	–	–	2,864	–	2,864	
Total liabilities	361,369	37,393	398,762	33,539	–	855	34,394	640	9,618	443,414	616,574	51,815	1,111,803	–	1,111,803	1, 2
Total liabilities include:																
Long term borrowings	213,349	–	213,349	19,395	–	–	19,395	–	–	232,744	615,068	–	847,812	–	847,812	
* Include additions to property, plant and equipment	155,030	11,629	166,659	54,481	–	–	54,481	95,897	4,957	321,994	–	–	321,994	–	321,994	

Note

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

2. Net unrealised bunker swap contracts benefits and expenses are under unallocated others. Net realised benefits and expenses are allocated under Pacific Basin Dry Bulk into handysize and handymax. For the presentation of the financial statements, bunkers & port disbursements are reclassified to direct costs. The related derivative assets and liabilities are also allocated under unallocated others.

3. Provision write-back of onerous contracts for future periods of contracts due to the increase in the economic benefits expected to be received under them are under unallocated others. Provision utilisation of the portion of contracts which lapsed during the year ended 31 December 2009 is allocated under Pacific Basin Dry Bulk into handysize. For the presentation of the financial statements, both of the above are reclassified to other income. The related liability is allocated under Pacific Basin Dry Bulk into handysize and handymax.

4. Others represent corporate overheads.

5. Provision for impairment in relation to the aggregate delivered RoRo vessel and vessels under construction are under unallocated others. Although the related vessels lie with the PB RoRo segment, this impairment is not allocated by management to the PB RoRo segment results as it does not form part of the segment's current period performance.

6. Treasury represents the gains on repurchase and cancellation of the Group's convertible bonds during the year.

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

8. Others represent net unrealised interest rate swap contracts benefits and expenses.

9. Others represent the Group's share of results and the net assets of a joint venture of which the Group is a joint venture partner. The joint venture disposed of its only vessel in 2009 resulting in a gain on disposal.

4. Profit before taxation

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

	2009	2008
	US$'000	*US$'000*
Amortisation of land use rights	**59**	32
Bunkers consumed	**178,029**	239,625
Depreciation		
– owned vessels	**28,152**	23,723
– leased vessels	**11,309**	12,385
– investment properties	**87**	–
– other owned property, plant and equipment	**1,371**	1,344
Gains on disposals and derecognition of financial assets at fair value through profit or loss	**–**	(9,328)
Losses on financial assets at fair value through profit or loss	**–**	4,369
Lubricating oil consumed	**4,136**	3,801
Net (gains)/losses on bunker swap contracts	**(45,670)**	48,553
Net losses/(gains) on forward freight agreements	**25,654**	(76,993)
Net losses on interest rate swap contracts	**1,220**	6,734
Interest on borrowings		
– bank loans	**6,778**	4,407
– finance leases	**14,175**	17,014
– convertible bonds	**16,233**	19,132

5. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 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:

	2009	2008
	US$'000	*US$'000*
Current taxation		
Hong Kong profits tax	**961**	1,943
Overseas tax	**1,834**	1,893
Overprovision of prior year	**(1,072)**	(218)
	1,723	3,618

6. Dividends

	2009	2008
	US$'000	*US$'000*
Interim dividend of HK 8 cents or US 1.0 cents per share (2008: HK 76 cents or US 9.7 cents per share)	**19,912**	170,142
Proposed final dividend of HK 15 cents or US 1.9 cents per share (2008: nil)	**37,310**	–
	57,222	170,142

The dividends paid in 2009 and 2008 were US$19,912,000 (HK 8 cents or US 1.0 cents per share) and US$322,967,000 (HK 151 cents or US 19.3 cents per share) respectively. A proposed final dividend in respect of the year ended 2009 of HK 15 cents or US 1.9 cents per share, amounting to a total dividend of US$37,310,000 was declared on 2 March 2010.

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").

	2009	2008
Profit attributable to shareholders (US$'000)	**110,278**	409,119
Weighted average number of ordinary shares in issue ('000)	**1,857,902**	1,684,034
Basic earnings per share	**US 5.94 cents**	US 24.29 cents
Equivalent to	**HK 46.01 cents**	HK 189.17 cents

7. **Earnings per share (Continued)**

(b) **Diluted earnings per share**

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

	2009	2008
Profit attributable to shareholders (US$'000)	**110,278**	409,119
Weighted average number of ordinary shares in issue ('000)	**1,857,902**	1,684,034
Adjustments for share options ('000)	**588**	867
Weighted average number of ordinary shares for diluted earnings per share ('000)	**1,858,490**	1,684,901
Diluted earnings per share	**US 5.93 cents**	US 24.28 cents
Equivalent to	**HK 45.99 cents**	HK 189.07 cents

8. **Trade and other receivables**

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

	2009	2008
	US$'000	*US$'000*
Less than 30 days	**20,258**	16,146
31-60 days	**3,395**	5,857
61-90 days	**623**	1,451
Over 90 days	**2,453**	4,296
	26,729	27,750

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:

	2009	2008
	US$'000	*US$'000*
Less than 30 days	**22,806**	11,591
31-60 days	**2,024**	846
61-90 days	**314**	320
Over 90 days	**4,805**	3,999
	29,949	16,756

FINANCIAL REVIEW

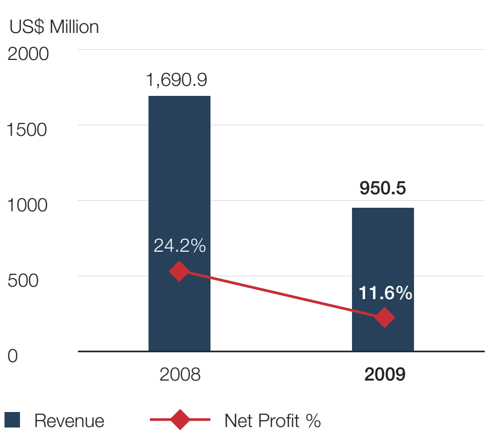
Consolidated Group Performance

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

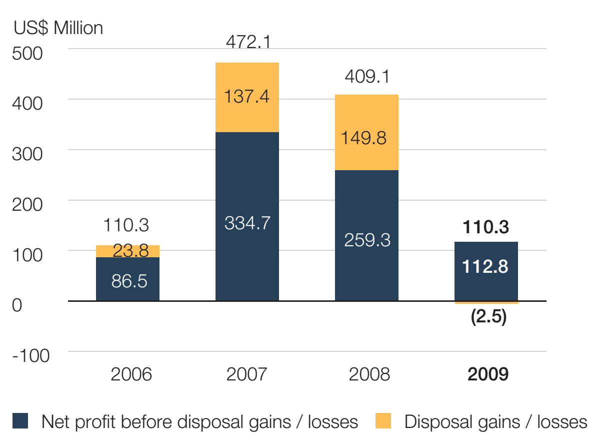
US$ Million	2009	2008	Change
Revenue	**950.5**	1,690.9	-44%
Direct costs	**(797.7)**	(1,332.3)	-40%
Gross profit	**152.8**	358.6	-56%
Segment net profit	**141.9**	311.5	-53%
Underlying profit	**115.8**	320.7	-64%
Profit attributable to shareholders	**110.3**	408.8	-73%
Net profit margin	**12%**	24%	-12%
Return on average equity (%)	**8%**	35%	-27%

Profit was down mainly due to a decrease in daily charter rates of the dry bulk vessels, balanced only in part by lower blended vessel daily operating costs.

Group Revenue versus Net Profit Margin



Group Net Profit



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

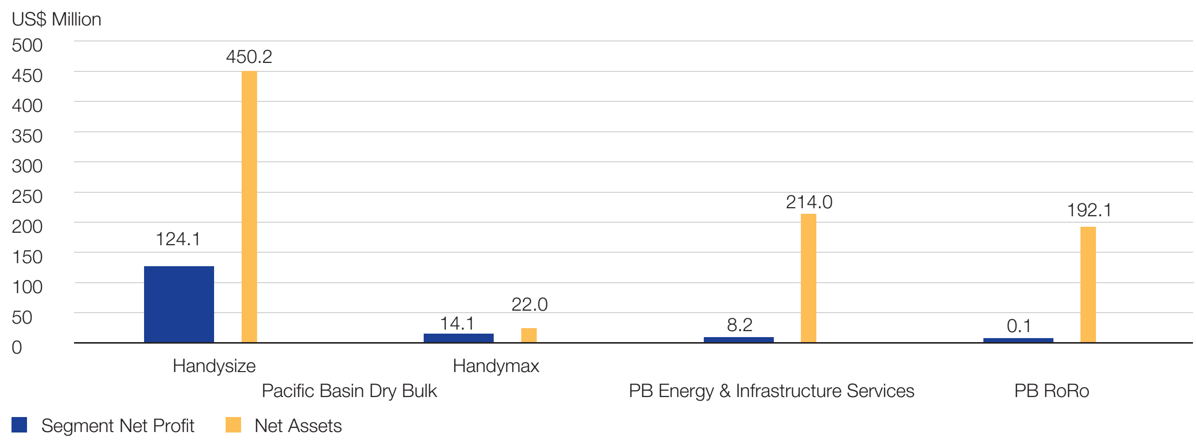
US$ Million	2009	2008
Segment net profit	**141.9**	311.5
Treasury	**(13.8)**	21.0
Non direct general and administrative expenses	**(12.3)**	(11.8)
Underlying profit	**115.8**	320.7
Vessel impairment charges – RoRo/Dry Bulk	**(25.0)**	(19.5)
Unrealised derivative (expenses)/income	**(4.5)**	6.9
Net dry bulk vessel disposal (losses)/gains	**(1.2)**	154.6
Future onerous contracts – net provision write-back /(provision)	**25.2**	(53.9)
Profit attributable to shareholders	**110.3**	408.8

Segments Review

2009 sees the adoption of the new accounting standard HKFRS 8 "Operating Segments", which provides a clearer understanding of the Group's performance based upon management's own internal analysis.

The Group derives its revenue primarily from the provision of shipping related services which management analyses under three reporting segments: Pacific Basin Dry Bulk (further split into handysize and handymax); the newly established PB Energy & Infrastructure Services (further split into Towage, Fujairah Bulk Shipping ("FBSL") and PacMarine services ("PacMarine")); and PB RoRo. Pacific Basin Dry Bulk continues to dominate the Group's activities.

Segment Net Profit versus Net Assets

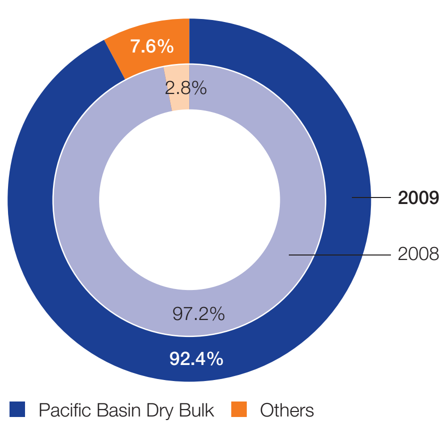


The following pages provide further analysis of the Group results with a review of segment gross profit and other financial information.

Pacific Basin Dry Bulk Segment Net Profit

Income

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



The Group's dry bulk fleet generated US$904.5 million (2008: US$1,648.0 million) or 92.4% (2008: 97.2%) 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:

	1H09	2H09	2009	2008	Change
Handysize					
Revenue days	**12,460**	**13,640**	**26,100**	24,890	+5%
Daily charter rates (US$)	**13,610**	**15,310**	**14,500**	29,600	-51%
Daily vessel operating costs (US$)	**9,380**	**9,970**	**9,690**	14,960	-35%
Segment net profit (US$ Million)	**52.1**	**72.0**	**124.1**	331.9	-63%
Segment net assets (US$ Million)	**397.8**	**450.2**	**450.2**	383.8	+17%
Return on net assets (annualised %)	**26%**	**32%**	**28%**	86%	-58%
Handymax					
Revenue days	**5,150**	**5,490**	**10,640**	11,050	-4%
Daily charter rates (US$)	**19,840**	**19,160**	**19,490**	44,610	-56%
Daily vessel operating costs (US$)	**17,580**	**18,630**	**18,120**	40,070	-55%
Segment net profit (US$ Million)	**11.5**	**2.6**	**14.1**	36.4	-61%
Segment net assets (US$ Million)	**22.5**	**22.0**	**22.0**	69.3	-68%
Return on net assets (annualised %)	**102%**	**24%**	**64%**	52%	+12%

Note 1: *The above vessel operating costs include the write-back of the provision for time charter contracts for periods which lapsed during the year ended 31 December 2009 but exclude the write-back of the provision relating to future periods.*

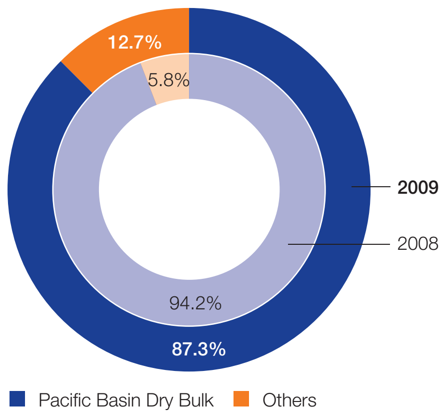
Note 2: *The above handymax revenue days and daily rates exclude two vessels which are on long term charter at a daily rate of US$8,460 and for which the daily vessel cost is US$8,530.*

Revenue and vessel days of our dry bulk vessels are analysed in the following table. The fleet of owned vessels experienced average off-hire of 1.3 days (2008: 1.5 days) per vessel in the year ended 31 December 2009.

	2009			2008		
	Owned & Finance leased	**Chartered**	**Total**	Owned & Finance leased	Chartered	Total
Handysize						
Vessel days	**11,230**	**15,010**	**26,240**	11,200	13,910	25,110
Drydocking	**(100)**	**–**	**(100)**	(170)	–	(170)
Off-hire	**(40)**	**–**	**(40)**	(50)	–	(50)
Revenue days	**11,090**	**15,010**	**26,100**	10,980	13,910	24,890
Handymax						
Vessel days	**110**	**10,530**	**10,640**	580	10,500	11,080
Drydocking	**–**	**–**	**–**	(30)	–	(30)
Off-hire	**–**	**–**	**–**	–	–	–
Revenue days	**110**	**10,530**	**10,640**	550	10,500	11,050

Direct Costs

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



The Group's dry bulk fleet incurred US$439.5 million (2008: US$809.0 million) or 87.3% (2008: 94.2%) of total segment direct costs.

Breakdown of Direct Costs

US$ Million	2009	2008	Change
Charter-hire expenses for vessels	**337.9**	696.8	-52%
Vessel operating costs	**45.5**	48.2	-5%
Depreciation of vessels	**30.6**	33.0	-8%
Direct overheads	**25.5**	31.0	-18%
Total	**439.5**	809.0	-46%

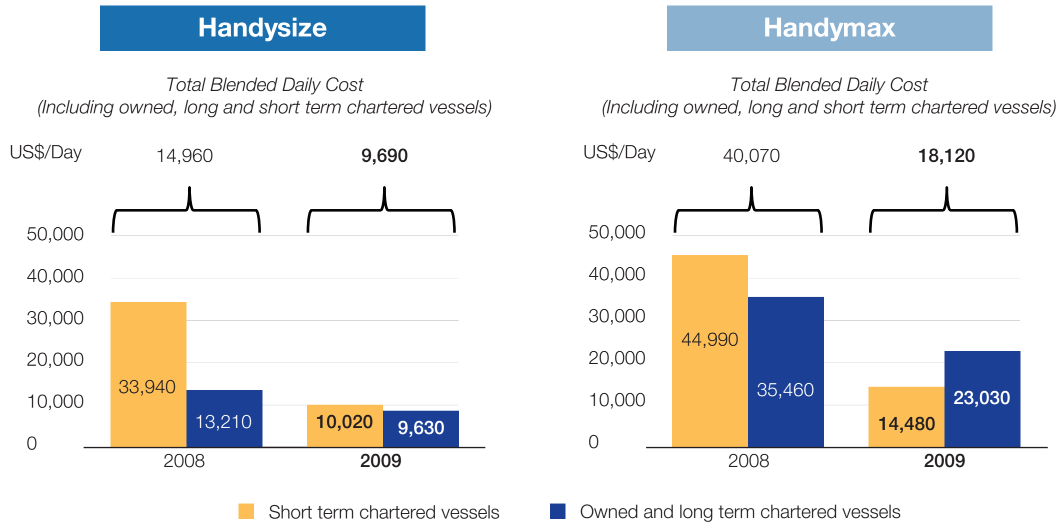
- Vessel operating costs include crew related, spares, lubricating oil and insurance costs.
- Decrease in depreciation of vessels is mainly due to the decrease in the average number of owned and finance leased vessels from 33 to 31.
- Direct overheads represent shore based staff, office and related expenses directly attributable to the management of the Pacific Basin Dry Bulk segment.

The majority of the decrease was represented by charter-hire expenses for vessels under operating leases (after provision for onerous contracts) which decreased to US$337.9 million (2008: US$696.8 million), reflecting:

a) a 53.9% decrease in the average daily charter rate of vessels chartered by the Group under operating leases;

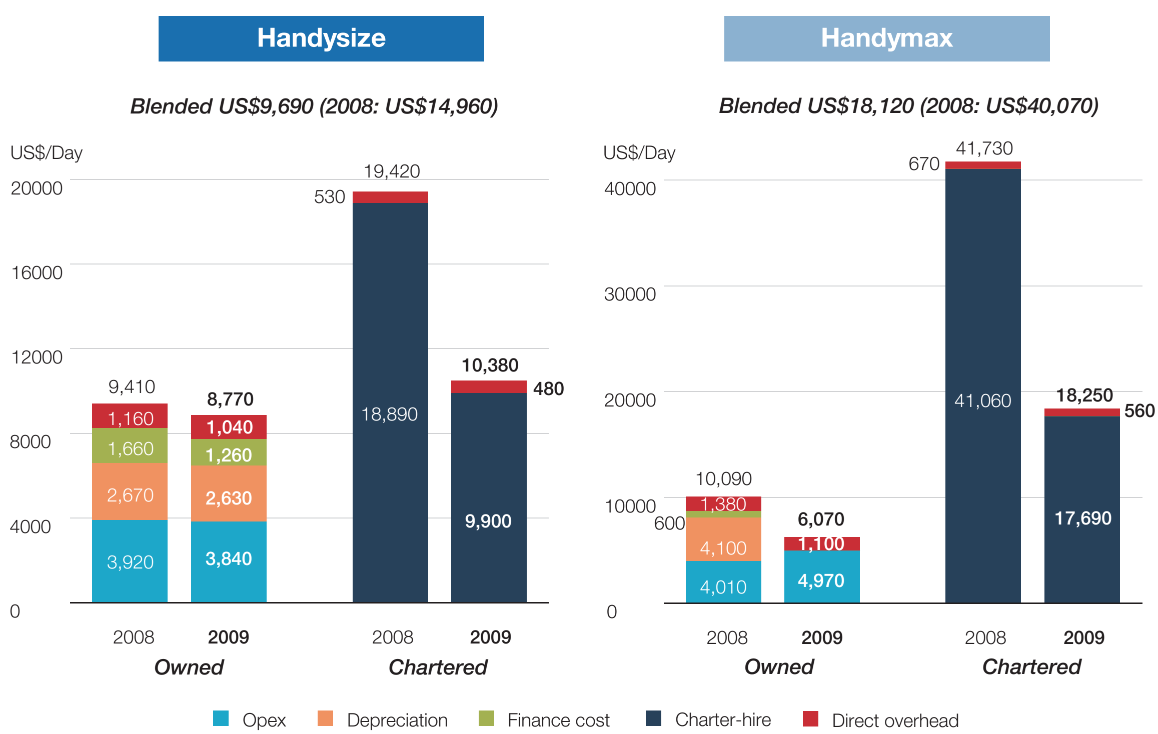
b) a 4.6% rise in the average number of vessel days chartered by the Group under operating leases; and

c) the inclusion of short term handysize and handymax vessel days chartered under operating leases of 3,980 (2008: 2,120) and 6,110 (2008: 5,360) respectively. The average rates for these short term chartered vessels were US$10,020 (2008: US$33,940) and US$14,480 (2008: US$44,990) respectively. Previously, these costs were classified as part of "bunker and port disbursements".



Blended vessel daily operating cost for handysize decreased 35.2% from the previous year mainly due to lower charter-hire costs of vessels sourced from the market and a US$26.7 million write-back of the provision for onerous contracts for the portion of time charter contracts which lapsed during the year ended 31 December 2009. The equivalent daily cost for handymax decreased 54.8% from the previous year for the same reason. Blended vessel daily operating costs include direct overheads and can be analysed between owned and chartered costs as follows:

Vessel Daily Operating Costs



PB Energy & Infrastructure Services Segment Net Profit

The Group's newly established PB Energy & Infrastructure Services segment (further split into Towage, FBSL and PacMarine) continues to seek growth opportunities and has expanded into offshore and project supply, harbour towage, rock aggregate production and transportation and ship survey and inspection services.

US$ Million	**2009**	2008	Change
Offshore and project supply and harbour towage services	**1.0**	(16.0)	–
Fujairah Bulk Shipping (aggregate production and transportation)	**6.3**	0.3	+2000%
PacMarine Services (ship survey and inspection services)	**0.9**	1.3	-31%
Segment net profit	**8.2**	(14.4)	–
Segment net assets	**214.0**	153.3	+40%
Return on net assets (%)	**4%**	-9%	+13%

- Offshore and project supply and harbour towage services' results are in line with the expansion of the Group's towage services since the start of the year. Fleet of tugs and barges grew from 20 to 28.
- Fujairah Bulk Shipping is a joint venture with the Government of Fujairah in the Middle East. Results improved mainly due to the commencement of a reclamation project.
- PacMarine Services' results decreased mainly due to the increase in ship inspection-related costs.

PB RoRo Segment Net Profit

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

US$ Million	**2009**	2008	Change
Segment revenue	**3.3**	-	–
Segment operating costs	**(3.2)**	(1.7)	–
Segment net profit	**0.1**	(1.7)	–
Segment net assets	**192.1**	169.6	+13%
Return on net assets (%)	**0%**	-1%	

Other Income Statement Items

Losses on Disposal of Property, Plant and Equipment

The Group's losses on disposal of property, plant and equipment totalled US$2.5 million (2008: gains of US$149.8 million). The Group disposed of a total of five vessels in early 2009 of which two were leased back. An additional vessel was sold and accounted for in the share of profits less losses of jointly controlled entities.

Proceeds from these sales of US$105.3 million were used to repay associated debt facilities of US$43.8 million, to fund investments and to increase general working capital.

In accordance with HKAS 17 "Leases", operating lease accounting has been adopted for these sale and lease back transactions with the vessels being treated as sold, the gains or losses on disposal being recognised immediately on completion, and subsequent charter-hire payments being recognised as expenses.

During the year, the Group also shared the results of a jointly controlled entity from the sale of the vessel "Captain Corelli" of US$1.3 million (2008: US$4.8 million).

Other Income

Movements in the fair value of receipts from forward freight agreements amounted to US$55.0 million (2008: US$132.9 million).

During the year, the Group repurchased some of its convertible bonds with an aggregate face value of US$10.3 million at a discount, realising a gain of US$1.5 million.

During 2008, the Group made a provision of US$53.9 million for handysize time charter contracts substantially expiring in a three year period and whose charter rates were higher than the expected earnings for the remaining charter periods. Included in this provision was an amount of US$26.7 million for the portion of time charter contracts which lapsed during the year ended 31 December 2009. This has been written back to the income statement and shown in the Pacific Basin Dry Bulk – Handysize segment results. In addition, the Group wrote back US$27.2 million of provisions for time charter contracts for future periods due to the increase in the economic benefits expected to be generated by these contracts. Although the related liabilities lie with the Pacific Basin Dry Bulk – Handysize and Handymax segment, this write-back is not allocated to a segment result as it relates to time charter contracts in future periods.

Other Expenses

Movements in the fair value of payments for forward freight agreements amounted to US$80.7 million (2008: US$55.9 million). Taking into account the movements in fair value of receipts of US$55.0 million included in other income above, the net movement in the fair value of forward freight agreements was an expense of US$25.7 million (2008: gain of US$77.0 million).

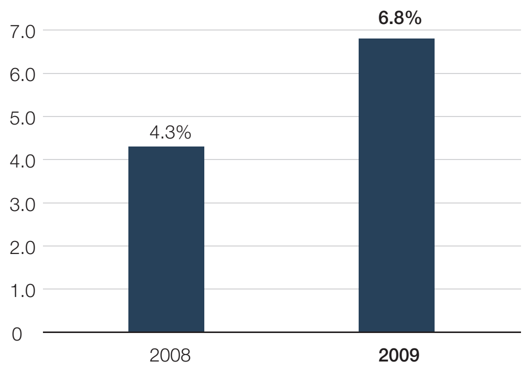
The Group made a US$2.0 million provision for handymax time charter contracts expiring in a three year period and whose charter rates were higher than the expected earnings for the remaining charter periods. Taking into account the write-back of the provision of US$53.9 million included in other income above, the net write-back of provisions was an income of US$51.9 million.

An impairment of US$25.0 million for the Group's RoRo fleet has been provided for in other expenses. Changes in the European RoRo market have given us concern about the ability to deploy newbuilding RoRo vessels profitably in the next two years. This has reduced the value-in-use of our six RoRo vessels to below their carrying value. This impairment is not allocated by management to the PB RoRo segment results as this does not form part of the segment's current period performance. The impairment reduces the carrying value of the PB RoRo segment assets.

General and Administrative Expenses

The Group's total administrative expenses of US$64.8 million (2008: US$75.2 million) are split between expenses for our direct overheads of US$52.5 million (2008: US$63.4 million) and general and administrative expenses of US$12.3 million (2008: US$11.8 million). The overall decrease was a result of our cost reduction exercises carried out at the end of 2008 and during the year which included a decrease in the number of staff engaged in maritime management services activities.

Administrative Expenses as a Percentage of Revenue



Share of Profits Less Losses of Jointly Controlled Entities

In addition to the jointly controlled entity included in the segment results of PB Energy & Infrastructure Services, the Group's share of profits less losses of jointly controlled entities also included the share of losses of US$2.5 million (2008: US$3.2 million) in Longtan Tianyu Terminal Co. Ltd., and the share of results from the sale of the vessel "Captain Corelli" of US$1.3 million (2008: US$4.8 million).

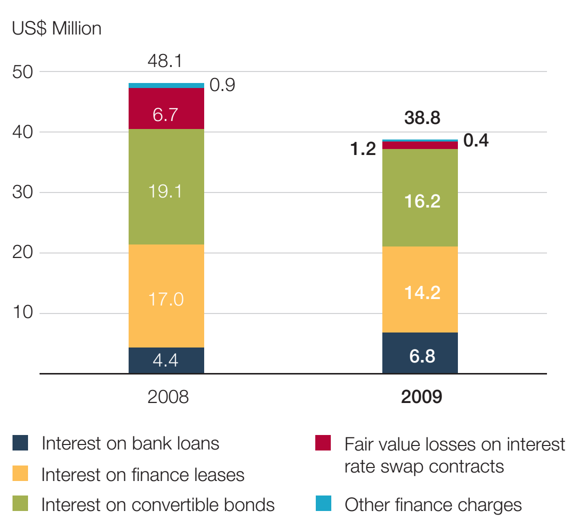
Finance Income

Finance income of US$11.4 million (2008: US$26.0 million) represented primarily US$10.3 million (2008: US$21.3 million) of bank interest income and the drop was in line with the reduction in deposit rates.

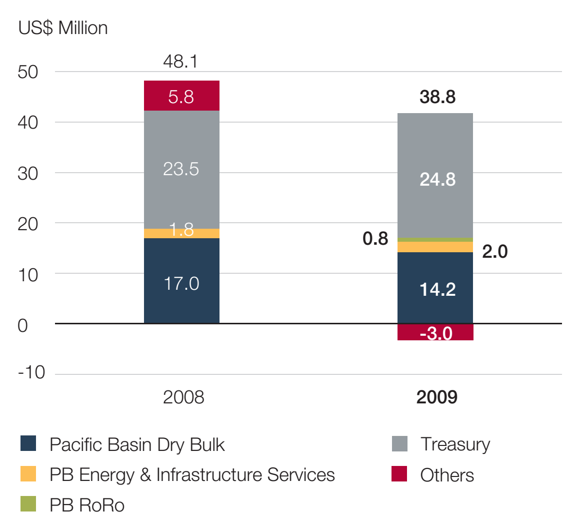
Financing

Finance costs of US$38.8 million (2008: US$48.1 million) can be analysed as follows:

By Source



By Segment

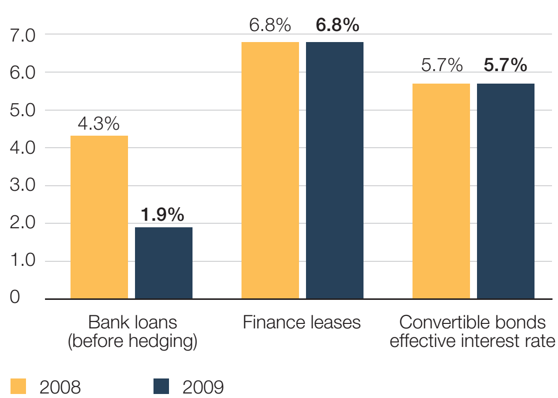


- The US$2.4 million increase in interest payments on bank borrowings was primarily due to the increase in the average bank borrowings outstanding to US$333.5 million (2008: US$95.8 million). Bank borrowings are subject to floating interest rates but the Group manages these exposures by way of interest rate swap contracts.

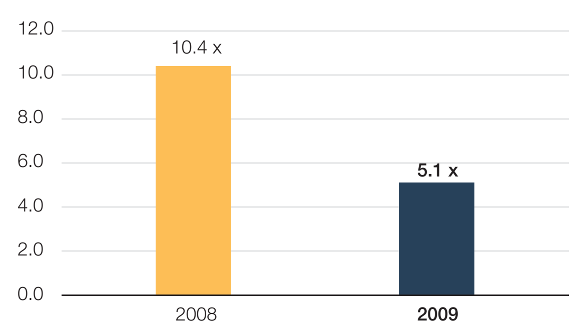
- Finance charges of US$14.2 million (2008: US$17.0 million) represented interest payments on the Group's finance leased vessels. Aggregate current and long term finance lease liabilities at 31 December 2009 were US$199.4 million. The fixed equal quarterly charter-hire payments are accounted for as a combination of repayments of finance lease liabilities in the balance sheet and finance charges in the income statement. Finance charges can be expressed as interest rates, fixed for the period of the leases.

- In December 2007, the Group issued US$390 million, 3.3% per annum coupon, guaranteed convertible bonds maturing in 2013. During the year, the Group repurchased convertible bonds with an aggregate face value of US$10.3 million, in addition to the repurchases made in 2008 with face value of US$65.7 million. After these transactions, convertible bonds with a face value of US$314.0 million remain outstanding at 31 December 2009.

Average Interest Rates on Borrowings



Group Interest Coverage



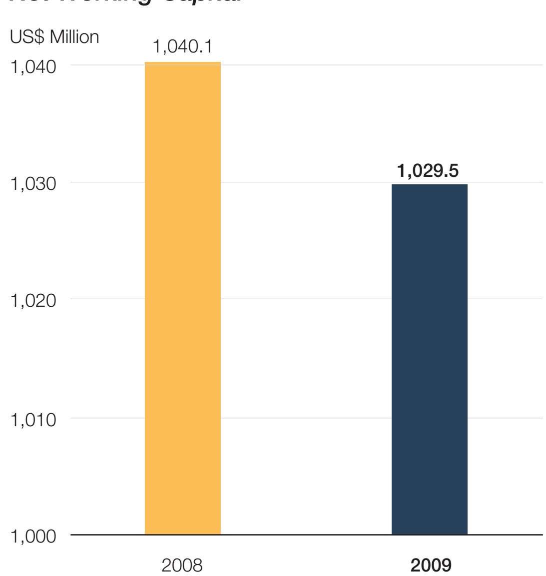
Tax

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.

Cashflow

The primary sources of liquidity comprised cash and bank balances of US$1,105.7 million, principally denominated in US$, and unutilised committed and secured bank borrowing facilities of US$18.0 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 foreign currencies. 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 2009, 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 exactly coincide with the periods of the physical contracts. The terms of one of the interest rate swap contracts also did not qualify for hedge accounting.

During the year ended 31 December 2009, the Group recognised net derivative income of US$18.8 million, as follows:

US$ Million	Realised	Unrealised	2009	2008
Income				
Forward freight agreements	45.2	9.8	55.0	132.9
Bunker swap contracts	15.8	46.8	62.6	25.2
Interest rate swap contracts	–	3.0	3.0	–
	61.0	59.6	120.6	158.1
Expenses				
Forward freight agreements	(16.9)	(63.8)	(80.7)	(55.9)
Bunker swap contracts	(16.6)	(0.3)	(16.9)	(72.4)
Interest rate swap contracts	(4.2)	–	(4.2)	(6.7)
	(37.7)	(64.1)	(101.8)	(135.0)
Net				
Forward freight agreements	28.3	(54.0)	(25.7)	77.0
Bunker swap contracts	(0.8)	46.5	45.7	(47.2)
Interest rate swap contracts	(4.2)	3.0	(1.2)	(6.7)
	23.3	(4.5)	18.8	23.1

Inclusion in consolidated income statement before reclassification
Revenue
Bunker & port disbursements
Direct costs
Other income
Other expenses
Finance costs
Profit for the year

Inclusion in consolidated income statement after reclassification
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 period contracts now completed
- Not part of segment results

The application of HKAS 39 "Financial Instruments: Recognition and Measurement" has the effect of shifting to this year the estimated results of these derivative contracts that expire in a future period. In 2009 this created a net unrealised non-cash expense of US$4.5 million. The cash flows of these contracts will occur in future reporting periods.

Balance Sheet Segment Analysis

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

Total Assets

US$ Million	Total	Pacific Basin Dry bulk	PB Energy & Infrastructure Services	PB RoRo	All other segments	Treasury	Unallocated Others
Total assets	2,469.9	767.1	271.0	258.6	110.3	1,036.0	26.9
Includes:							
Property, plant and equipment	998.0	610.6	160.2	211.3	15.9	–	–
Interests in jointly controlled entities	49.6	–	33.4	–	12.9	–	3.3
Investment in associates	3.2	–	3.2	–	–	–	–

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

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

Group cash

Derivative assets

Gold River Marine Terminal, Canada

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

Includes shares in Green Dragon Gas

- Post Panamax
- Properties

Longtan Tianyu Terminal

Total Liabilities

US$ Million	Total	Pacific Basin Dry Bulk	PB Energy & Infrastructure Services	PB RoRo	All other segments	Treasury	Unallocated Others
Total liabilities	1,014.3	294.9	57.0	66.5	5.1	572.2	18.6
Includes:							
Long term borrowings	876.6	199.4	40.8	64.6	–	571.8	–

Derivative liabilities

Finance lease liabilities

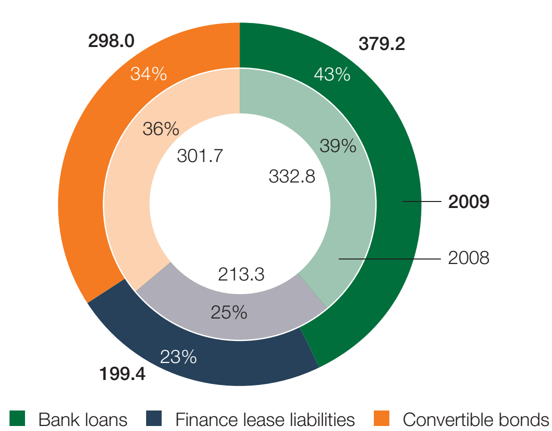
Specific bank loans for tugs

Specific bank loans for RoRos

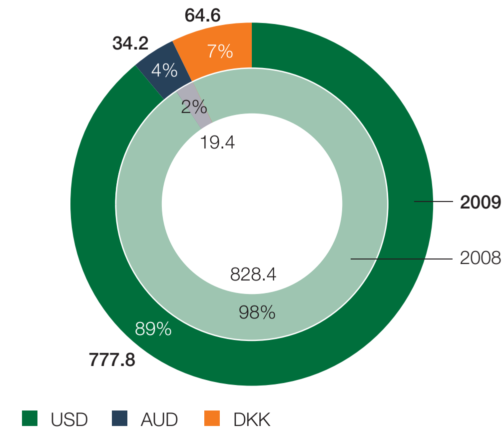
Group general facilities includes:
- Convertible bonds
- Loans secured on dry bulk ships for future expansion

Indebtedness

By Source
US$ Million

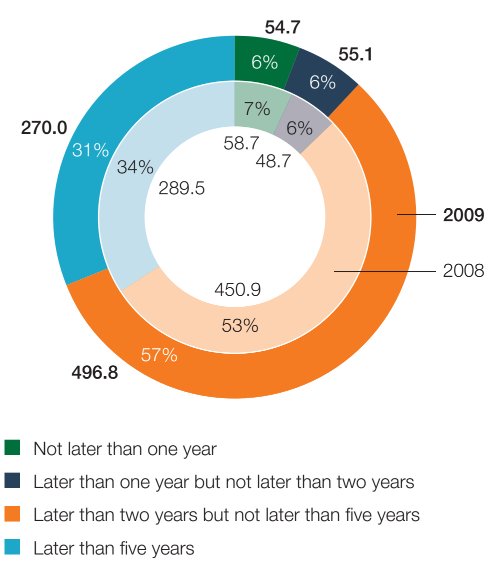


By Currency
US$ Million

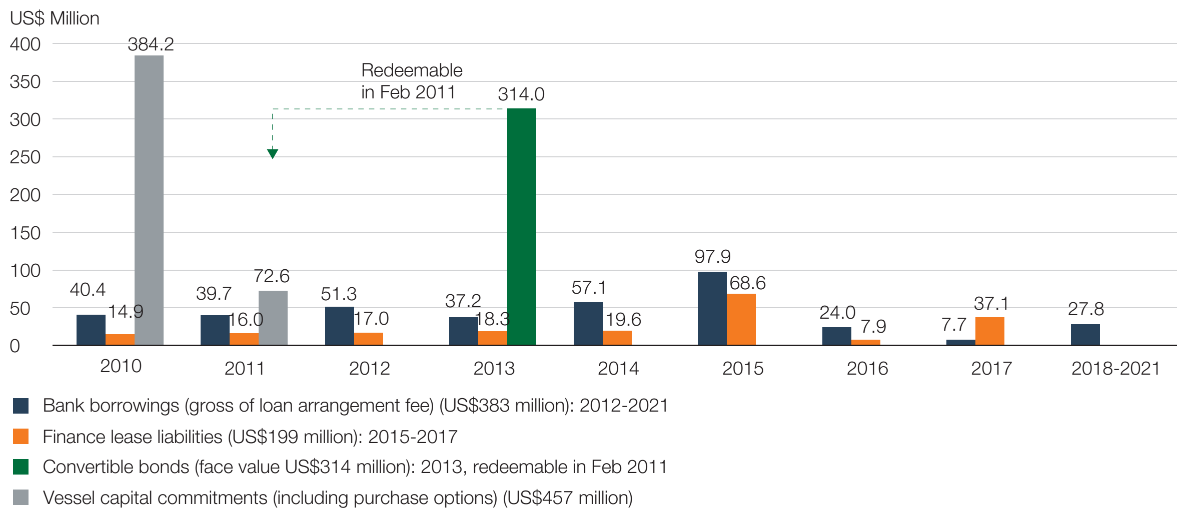


- The indebtedness of the Group amounted to US$876.6 million (2008: US$847.8 million).
- Bank borrowings (net of deferred loan arrangement fees) decreased as a result of repayments and prepayments following the sale of five vessels. The Group's bank borrowings were secured by mortgages over 29 vessels with a total net book value of US$479.9 million and an assignment of earnings and insurances in respect of these vessels.
- Bank borrowings are in the functional currency of the business segment to which they relate.
- Finance lease liabilities decreased as a result of repayments during the year.
- The debt component of the Group's convertible bonds decreased primarily as a result of the repurchase and cancellation of a portion of the bonds during the year.

By Maturity
US$ Million

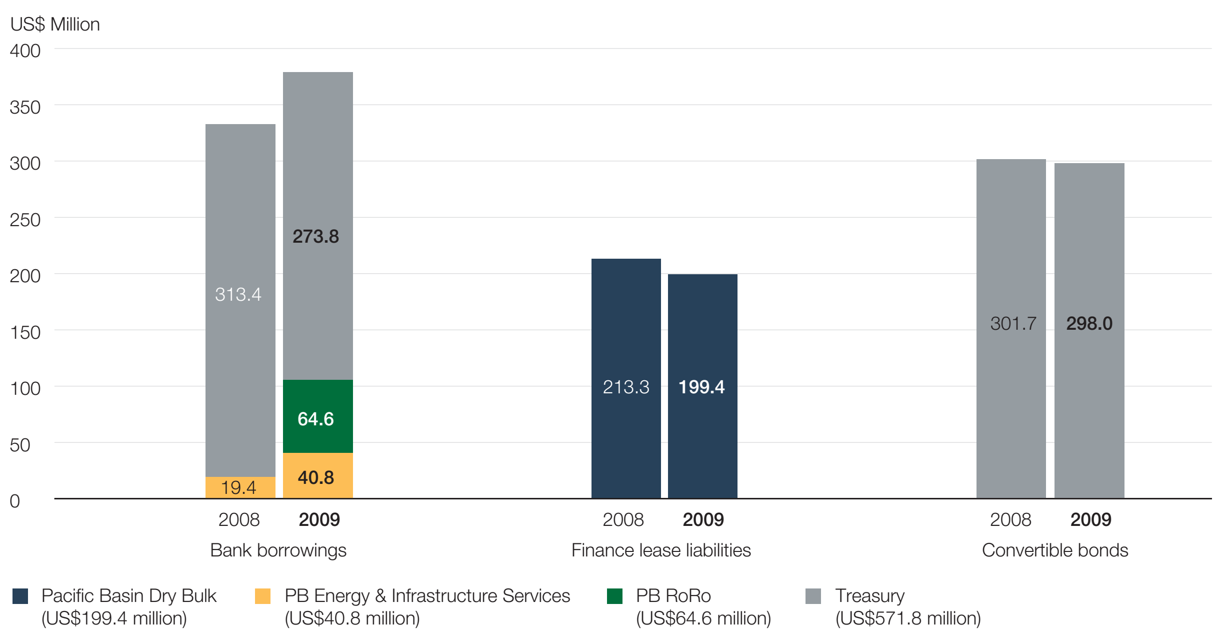


Borrowings and Vessel Capital Commitments



In addition to the cash generated from the Group's operations, existing cash and additional long term borrowings to be arranged as required, the Group had unutilised committed and secured bank borrowing facilities of US$18.0 million available to finance the Group's existing vessel and other capital commitments and other vessel acquisitions.

By Source and Segment



The Group, through its treasury function, procures indebtedness 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.

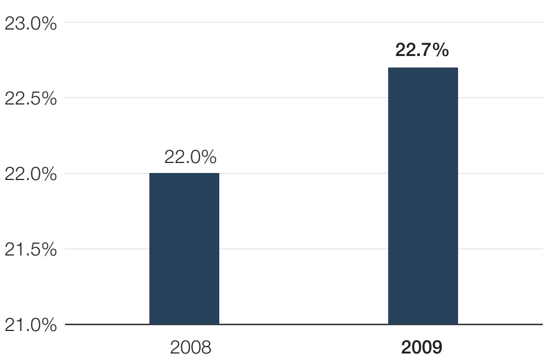
Net Cash

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

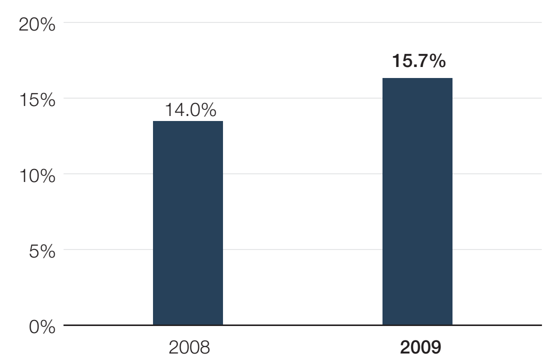
US$ Million	2009	2008	Change
Cash and deposits	**1,105.7**	1,023.7	+8%
Borrowings	**(876.6)**	(847.8)	+3%
Net cash	**229.1**	175.9	+30%

- Cash and deposits benefitted from the US$97.1 million net proceeds after the placement of 174,731,010 new shares in May 2009.

Net Cash to Book Value of Property, Plant and Equipment



Net Cash to Shareholders' Equity



Lease Commitments

Vessel operating lease commitments stood at US$424.8 million (2008: US$593.4 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 the lower number of dry bulk chartered days.

The Group has commitments of 28,790 days under handysize finance leases and 26,930 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, assuming the purchase options will not be exercised until the expiry of the charter-hire agreements.

Handysize and handymax vessel lease commitments

Year	Handysize Operating leases		Handysize Finance leases		Handymax Operating leases	
	Average daily rate (US$)	Vessel days	Average daily rate (US$)	Vessel days	Average daily rate (US$)	Vessel days
2010	12,320	8,480	5,960	4,750	20,580	3,470
2011	10,370	3,020	5,920	4,760	22,990	250
2012	10,970	2,820	5,960	4,750	–	–
2013	11,490	2,200	5,950	4,750	–	–
2014	11,850	1,830	5,940	4,750	–	–
2015	11,900	1,750	5,910	2,590	–	–
2016	11,680	1,190	5,970	1,830	–	–
2017	11,480	760	5,840	610	–	–
2018	11,500	730	–	–	–	–
2019	13,000	370	–	–	–	–
2020	13,000	60	–	–	–	–
Total		23,210		28,790		3,720

As part of other income and expenses in the year, the Group wrote back US$27.2 million of provisions for handysize time charter contracts relating to 2010 and 2011, primarily due to the increase in the economic benefits expected to be generated by them. At 31 December 2009, a provision of US$2.0 million has been made for handymax time charter contracts expiring in 2010 and 2011. The above average yearly charter rates reflect these changes in provisions.

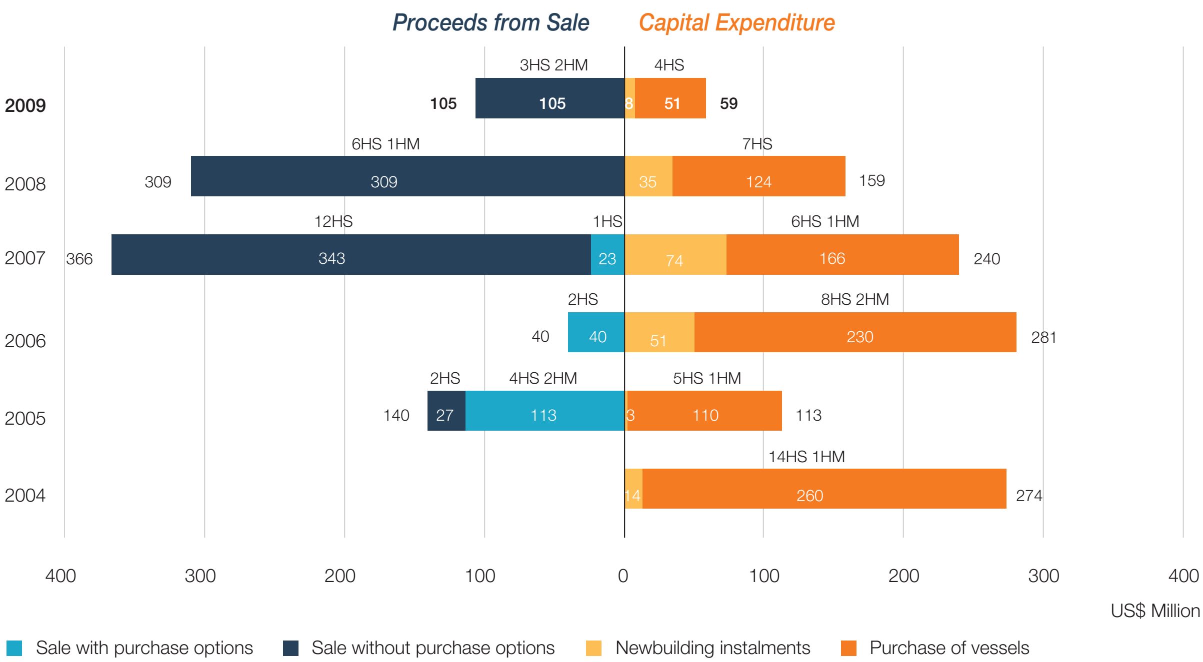
Certain lease agreements provide the Group with options to purchase the related vessels at predetermined times and prices during the lease periods. The average prices of the existing purchase options for the Group's dry bulk vessels in the earliest years in which these options may be exercised, along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

Earliest year in which options may be exercised	Vessel type	Number of vessels at 31 December 2009		Average age of vessels (years)	Average purchase option exercise price (US$ Million)
		Finance lease	Operating lease		
2009	Handysize	13	8	4	17.8
2010	Handysize	–	1	3	22.5
	Handymax	–	1	5	17.7
2016	Handysize	–	1	5	46.3
	Post Panamax	–	1	5	67.5
Total		13	12		

Capital Expenditure and Property, Plant and Equipment

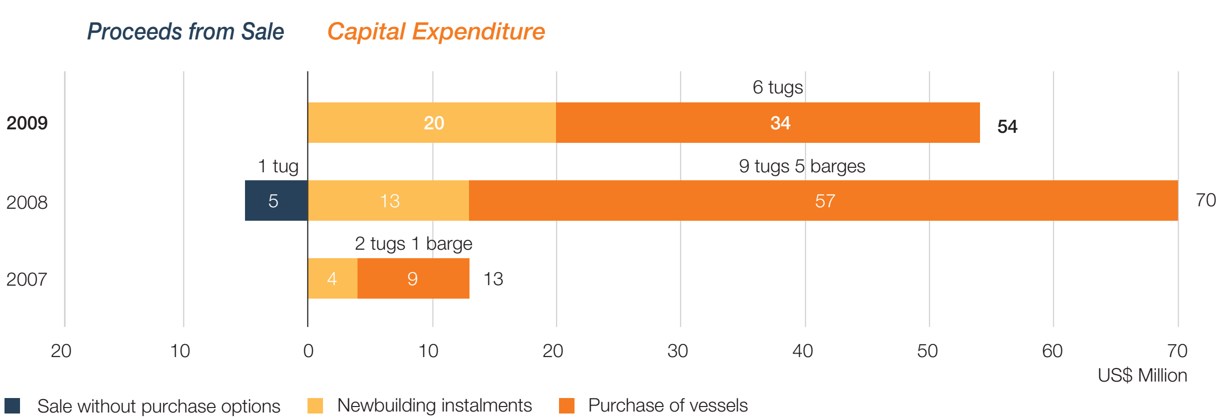
During the year ended 31 December 2009, capital expenditure amounted to US$274.9 million resulting from the addition of four handysize vessels, six tugs and 1 RoRo as well as instalment payments on 12 vessels, including handysize, post panamax, RoRo and tug vessels. Cash used for the purchase of vessels 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



At 31 December 2009, the Group had property, plant and equipment with net book value of US$998.0 million, of which US$801.2 million related to 32 delivered handysize vessels with an average net book value of US$17.8 million, one handymax vessel with net book value of US$16.8 million, 29 tugs and barges with an average net book value of US$4.2 million and one RoRo vessel with net book value of US$91.5 million.

Vessel Commitments

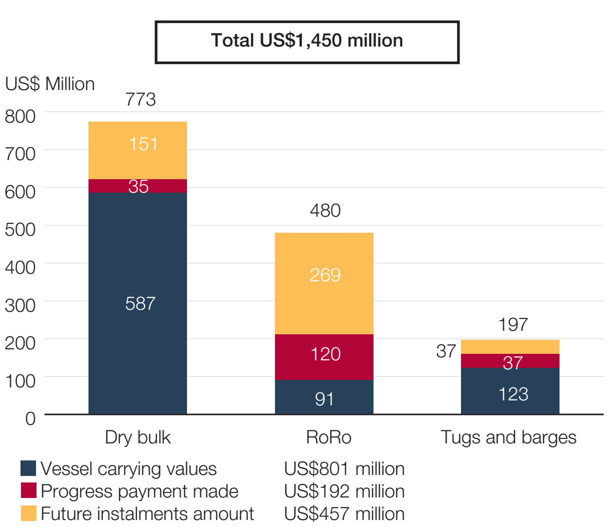
At 31 December 2009, the Group had non-cancellable vessel commitments of US$244.2 million and a further US$150.3 million payable under purchase options. The vessels are for delivery to the Group between January 2010 and November 2011.

US$ Million	Number	2010	2011	Total
Handysize vessels	2	22.4	-	22.4
Handymax vessel	1	22.6	-	22.6
Post panamax vessel	1	21.7	22.1	43.8
Tug vessels	7	20.0	-	20.0
RoRo vessels	3	84.9	50.5	135.4
Commitments at 31 December 2009	14	171.6	72.6	244.2
Recent Vessel Commitments				
Handysize vessels	3	62.3	–	62.3
	17	233.9	72.6	306.5
If options to purchase are being exercised, capital expenditure would be as follows:				
Tug vessels	2	16.7	–	16.7
RoRo vessels	2	133.6	–	133.6
	4	150.3	–	150.3
Combined total	21	384.2	72.6	456.8

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

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

A Combined View of Vessel Carrying Values and Commitments



Staff

- At 31 December 2009, the Group employed a total of 356 (2008: 363) full time shore based staff in offices in Hong Kong, Shanghai, Beijing, Dalian, Nanjing, Manila, Tokyo, Seoul, Singapore, Auckland, Sydney, Melbourne, Fremantle, Fujairah, Dubai, Bad Essen, London, Liverpool, Houston, Santiago and Vancouver.

- The Group incurred total staff costs (included in direct overheads and general and administrative expenses as described earlier) of approximately US$43.8 million (2008: US$51.7 million), representing 4.6% of the Group's revenue (2008: 3.1%). Please see the paragraph headed "General and Administration Expenses" for more details.

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

- The Group's principal retirement benefit scheme is the Mandatory Provident Fund Scheme, a defined contribution scheme provided under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those staff employed under the jurisdiction of the Hong Kong Employment Ordinance.

- Details of restricted share awards and share options granted under the LTIS are set out in the "Report of Directors" section of this Annual Report.

Purchase, Sale or Redemption of Securities

The Company purchased a total of 1,025 units of the Group's convertible bonds at face value of US$10,000 each in January 2009 at an average price of US$8,210 per unit. The purchase involved a total cash outlay of US$8,415,250 excluding accrued interest of US$153,702 and was for the purpose of saving potential repayments of US$1.8 million and related coupon payments on the convertible bonds in the period before maturity. The repurchase has resulted in a reduction of long term liabilities from the cancellation of the convertible bonds repurchased and a profit on cancellation in the income statement.

Saved as disclosed above and other than for satisfying restricted share awards granted under the LTIS, 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.

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 2009 Annual Report of the Company for the year ended 31 December 2009.

Final Dividend and Book Closure

The Board has proposed a final dividend for the year ended 31 December 2009 of HK 15 cents per share and, if such dividend is approved by the shareholders at the 2010 Annual General Meeting of the Company, it is expected be paid on or about 30 April 2010 to those shareholders whose names appear on the Company's register of members on 22 April 2010.

The register of members of the Company will be closed from 20 April 2010 to 22 April 2010 (all 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

East, Wanchai, Hong Kong, not later than 4:30 p.m. on 19 April 2010. The ex-dividend date for the final dividend will be on 16 April 2010.

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.com.hk and on the Company's website at www.pacificbasin.com.

The 2009 Annual Report is available on the Company's website at www.pacificbasin.com no later than the date on which it is sent to shareholders who have elected to receive a printed copy, i.e. 18 March 2010.

Directors

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

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