



# Pacific Basin

Stock Code: 2343

## Q307 Trading Update

November 2007

1 November 2007

# Q307 Trading Update Highlights

- ❖ Very strong dry bulk market with favourable outlook
- ❖ 37% of FY2008 handysize days covered at average TCE of almost US\$21,000 per day
- ❖ 58% of FY2008 handymax days covered at average TCE of almost US\$30,490 per day
- ❖ Revenue days continue to grow with a 16% increase in handysize to 23,450 days from 2007 to 2008.
- ❖ Our fleet profile comprise 88 'core' owned and long-term chartered vessels including 71 in operation plus 17 on order; and 26 short-term chartered vessels.

<b>Handysize</b>	<b>FY 2007</b>	<b>FY 2008</b>
Contract Cover	93%	37%
Revenue Days	20,140	23,450
Daily TCE	US\$21,920	US\$21,000

<b>Handymax</b>	<b>FY 2007</b>	<b>FY 2008</b>
Contract Cover	103%	58%
Revenue Days	5,610	4,600
Daily TCE	US\$27,120	US\$30,490

# What is Pacific Basin?

- ❖ World's largest modern handysize vessel owner/operator
- ❖ 18 offices worldwide, 280 shore-based staff, 1000 seafarers
- ❖ We carry the dry bulk commodities required for China's and Asia's growth
- ❖ Enjoying record high rate environment brought about by tight balance of ship supply and commodity demand

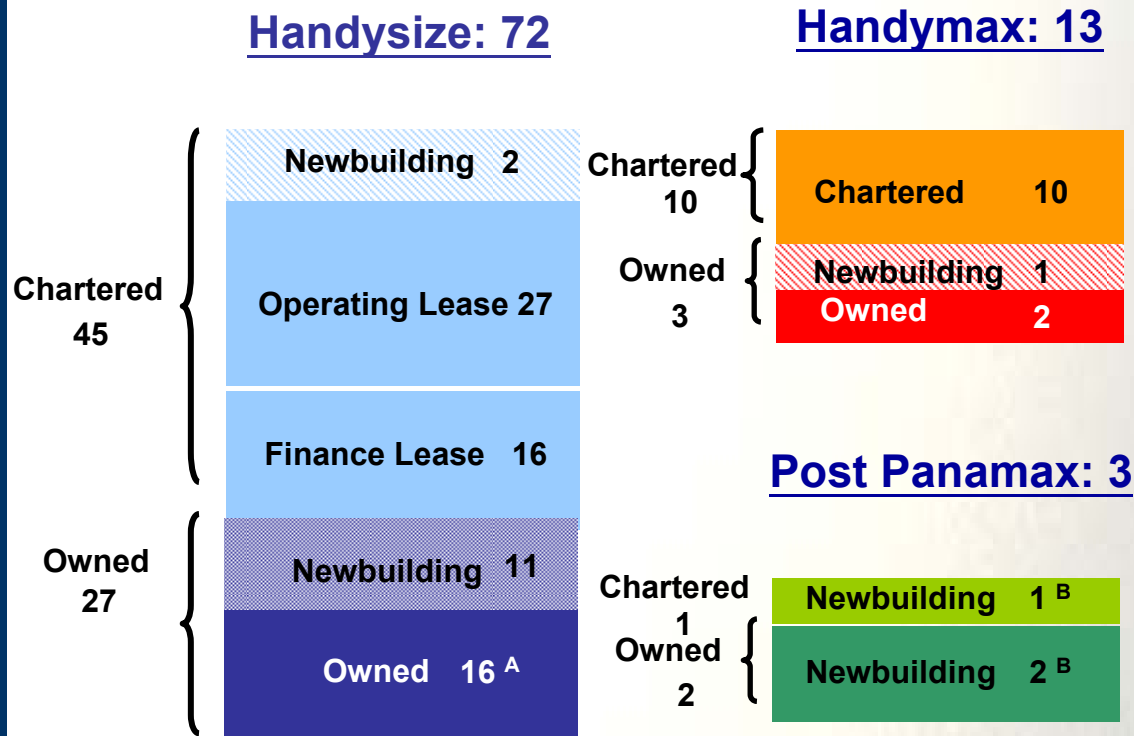


Pacific Basin

Pac Marine



# Fleet Profile



Core Fleet Profile as at 1 Nov 2007

**Core fleet totals  
88 ships**

**Core & short-term fleet  
totals 114 ships**

**Investment  
programme totals  
US\$225 million  
in 12 ships**

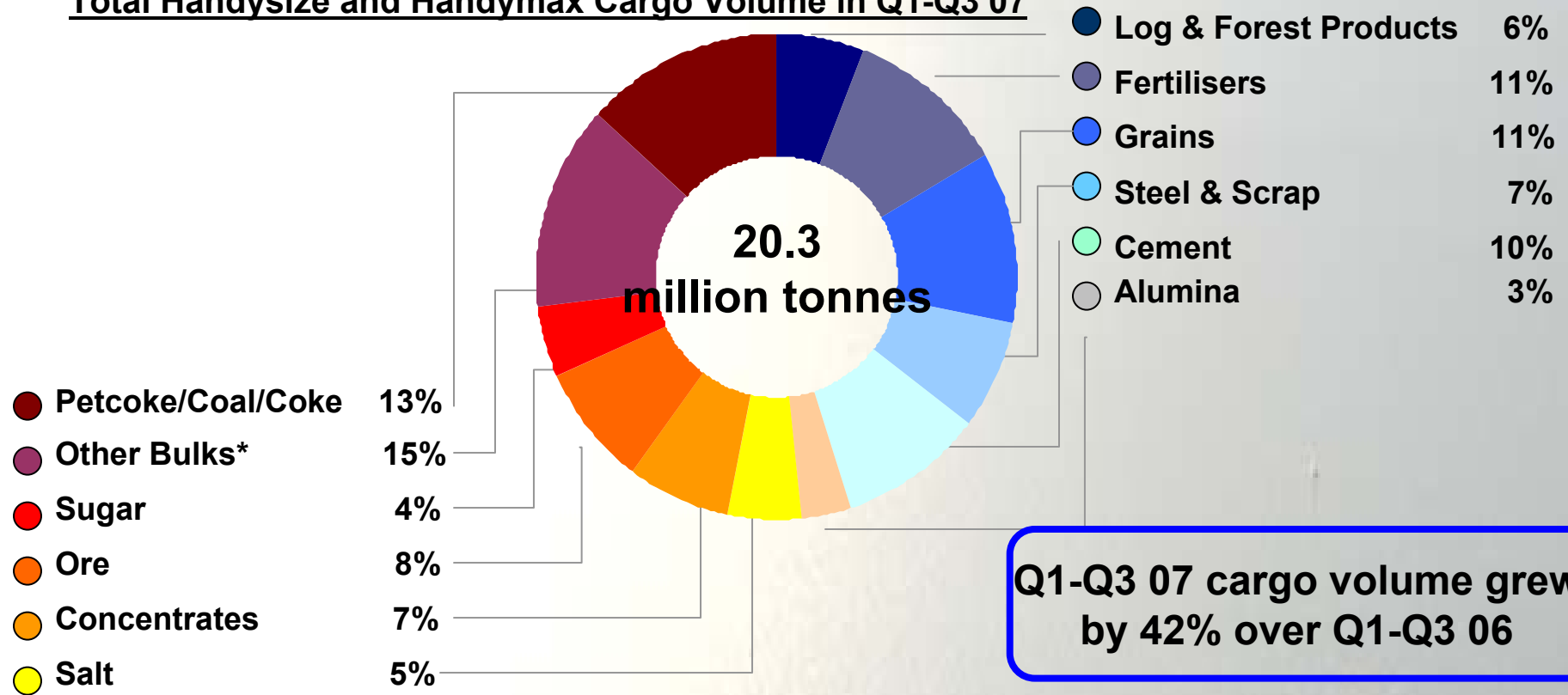
**2008 handysize  
revenue days to grow  
by 16% over 2007**

Note: <sup>A</sup>The Group has a 63.5% interest in 1 Owned vessel

<sup>B</sup> The Group has a 50% interest in 1 owned newbuilding and 1 chartered newbuilding through its joint venture, Pacific TimeShipping

# Diversified Cargo

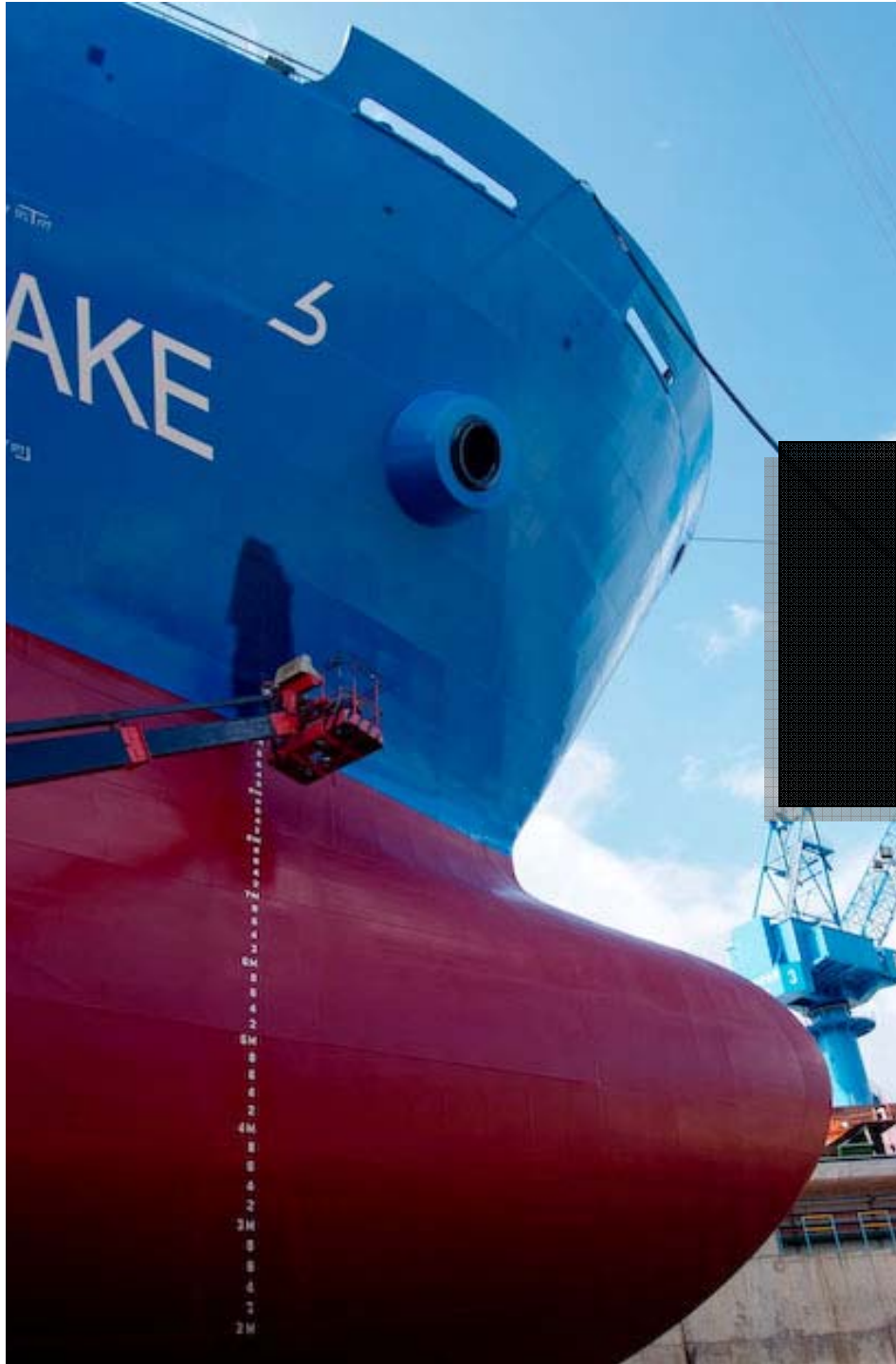
## Total Handysize and Handymax Cargo Volume in Q1-Q3 07



**Q1-Q3 07 cargo volume grew by 42% over Q1-Q3 06**

**Diversity of cargo types produces stable earnings versus major bulks**

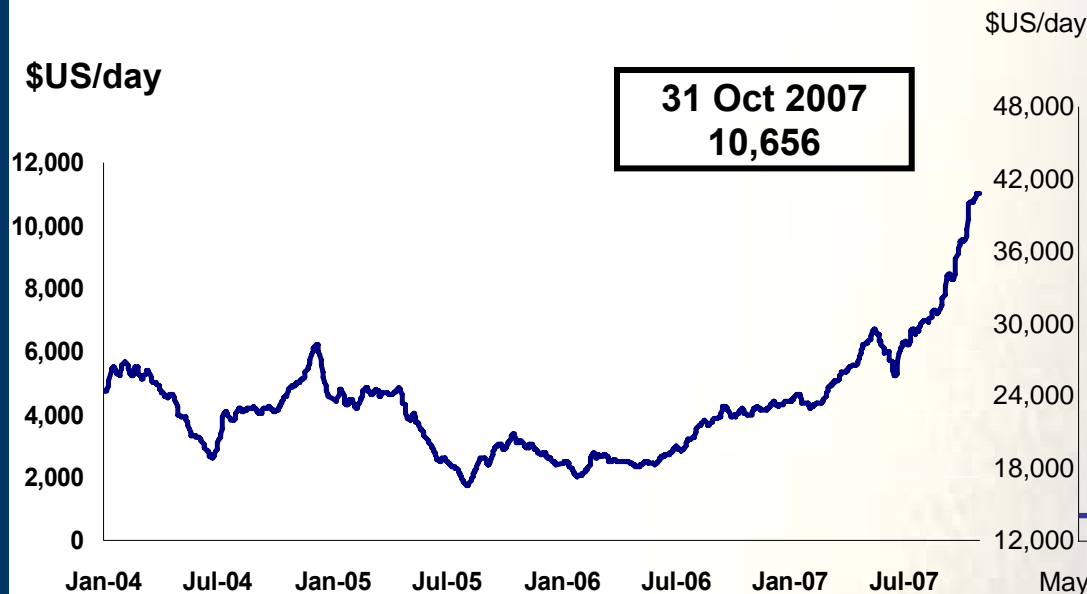
**B** \* Includes Cement Clinker, Gypsum, Sands, Soda Ash, Agricultural Products, Aggregates



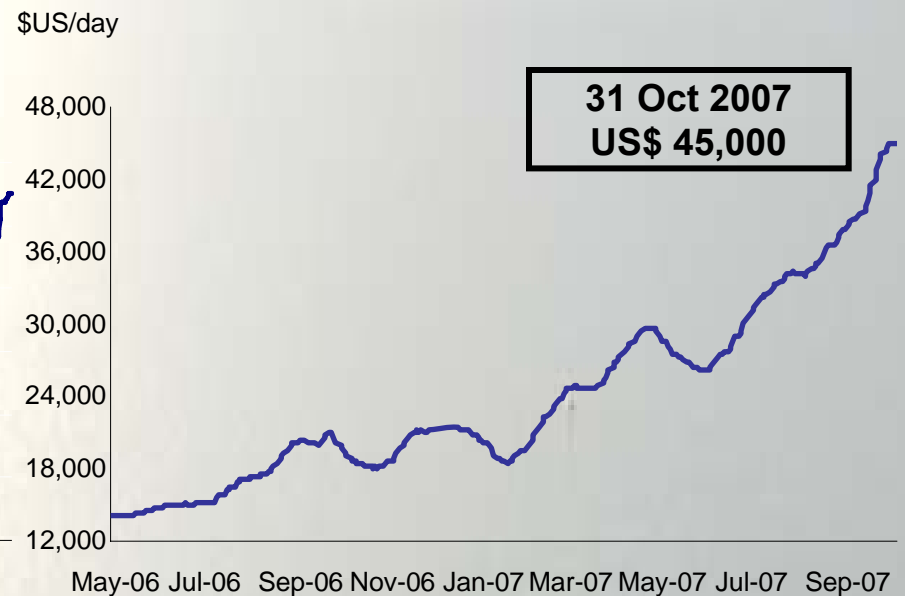
# Market Review

# Baltic Exchange Indices

The Baltic Dry Index (BDI)

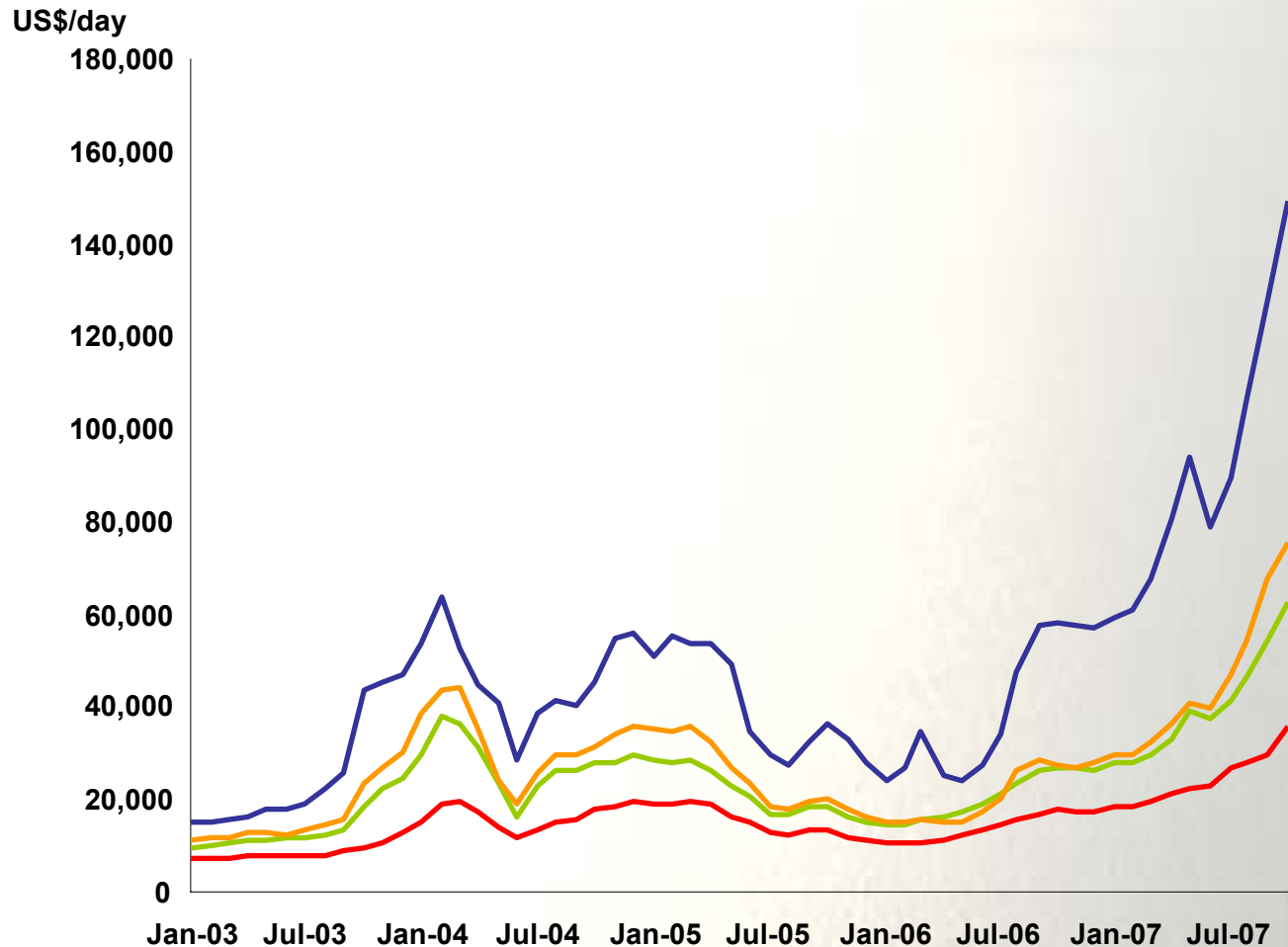


The Baltic Handysize Index



Note: BHSI is shown as Net rate i.e. gross after commission of approx. 5%  
Both BDI and BHSI as at 31 October 2007. BHSI officially started on 2Jan07  
Sources: The Baltic Exchange, Bloomberg LP

# Dry Bulk – 1 Year Time-Charter Rate



As at 26 October 2007

**Capesize**

**\$152,950 (Jan07: \$59,138)**

**Panamax**

**\$77,900 (Jan07: \$29,450)**

**Supramax**

**\$66,500 (Jan07: \$27,729)**

**Handysize**

**1-Year: \$39,425 (Jan07: \$18,169)**

**3-Year: \$27,313 (Jan07: \$15,854)**

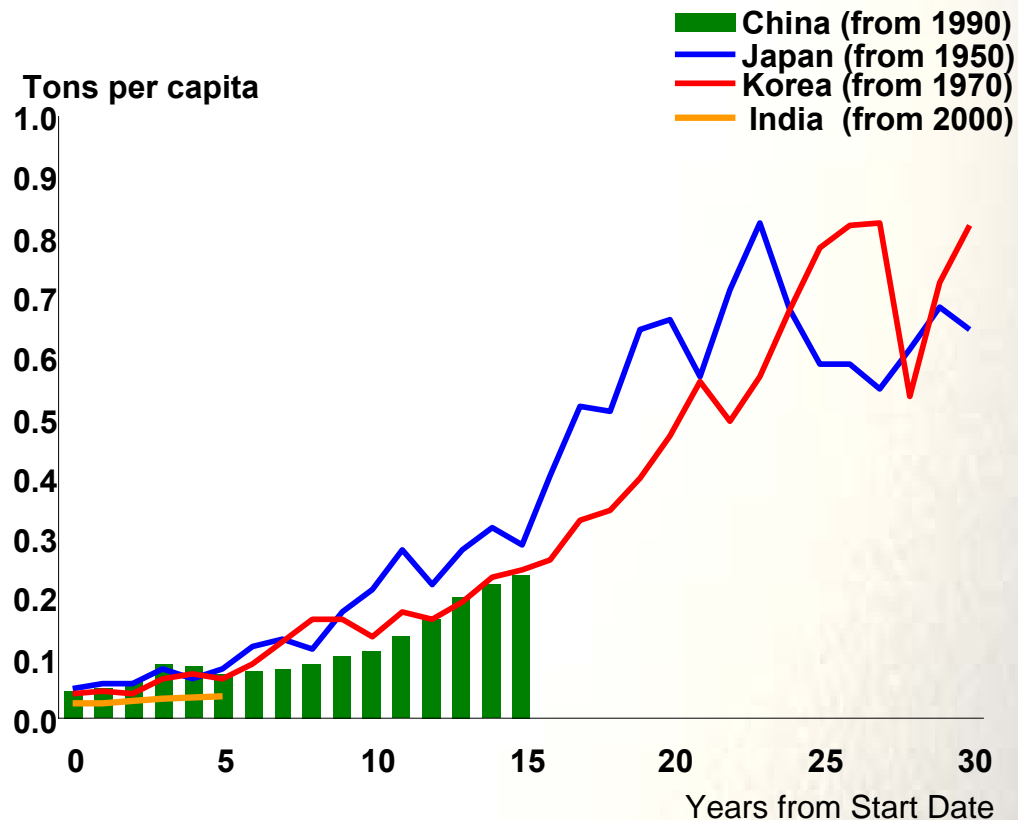
Note: Net Rate  
Source: Clarkson





# China at Mid-Industrialization Stage

Steel Consumption Per Capita



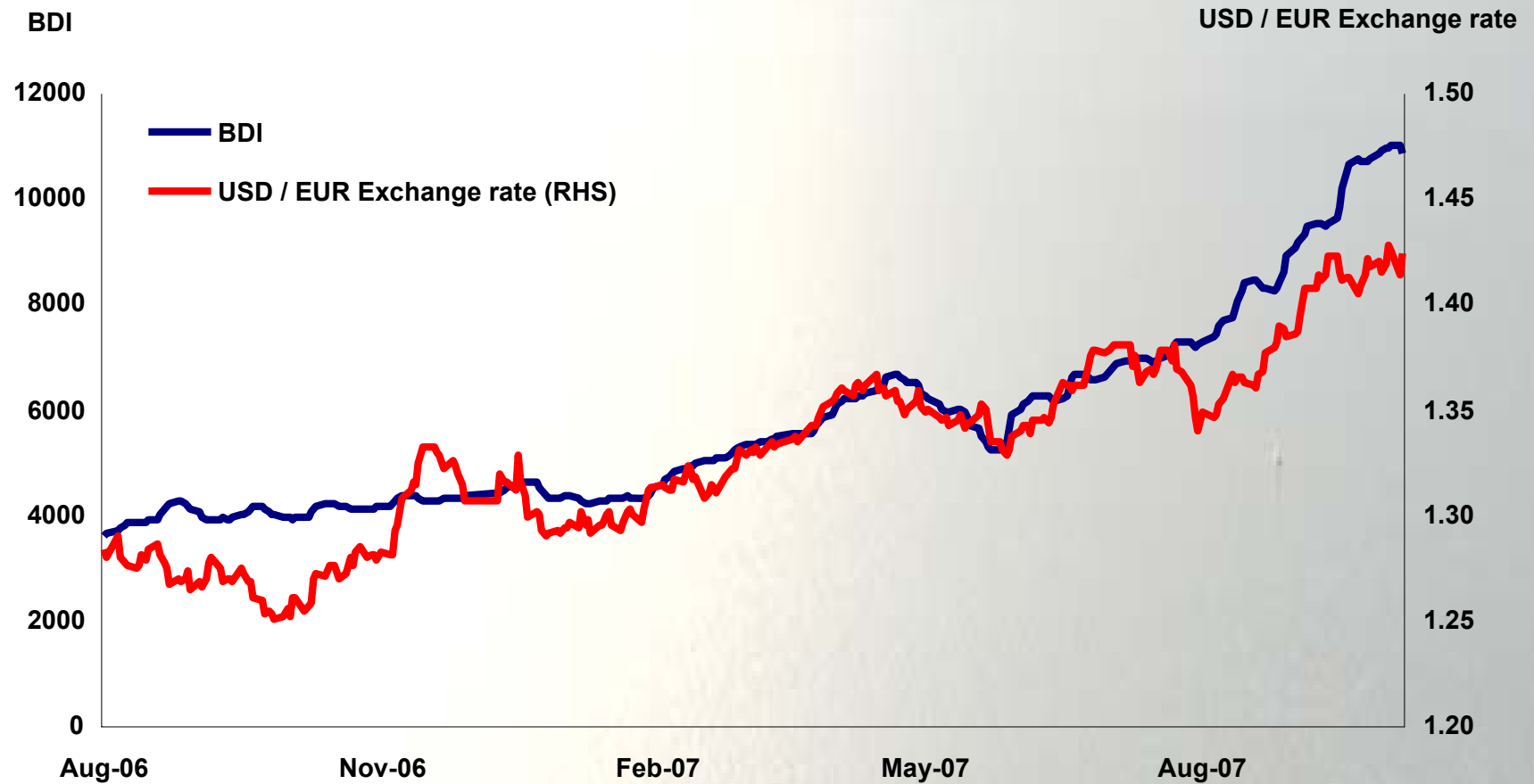
**Same growth as historical trend in Japan and Korea**

**Indicating long term dry bulk strong growth**

**Same trend for other commodities – electricity & cement**

Source: UBS

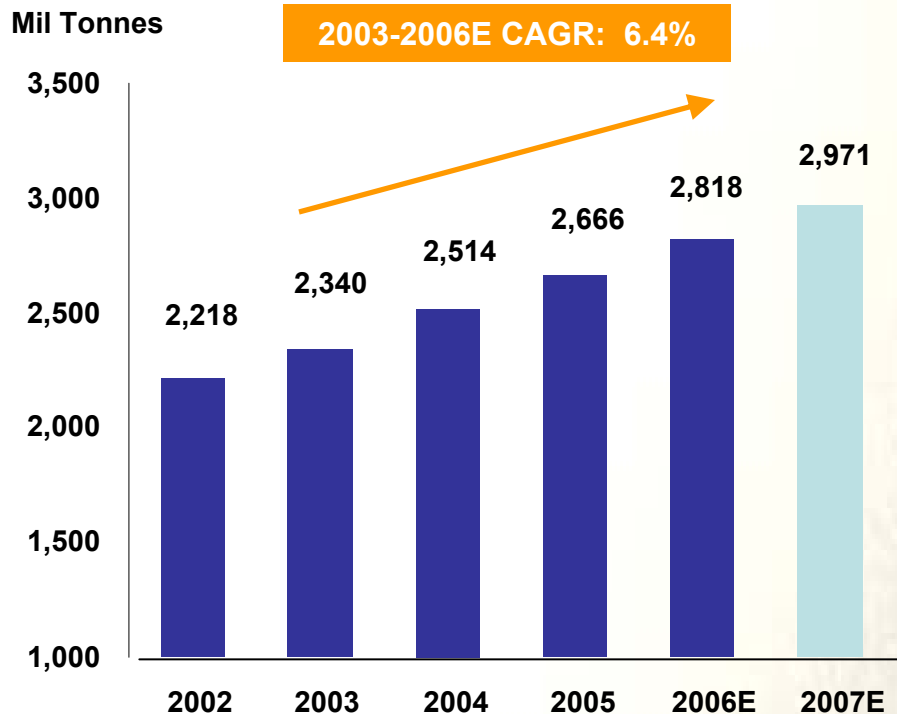
# BDI and US\$ go in Opposite Direction



Source: Bloomberg LP  
As at 31 Oct 2007

# Strong Growth in Dry Bulk Trade

Global Trade in Dry Bulks



Long term historical growth of approx. 2%...

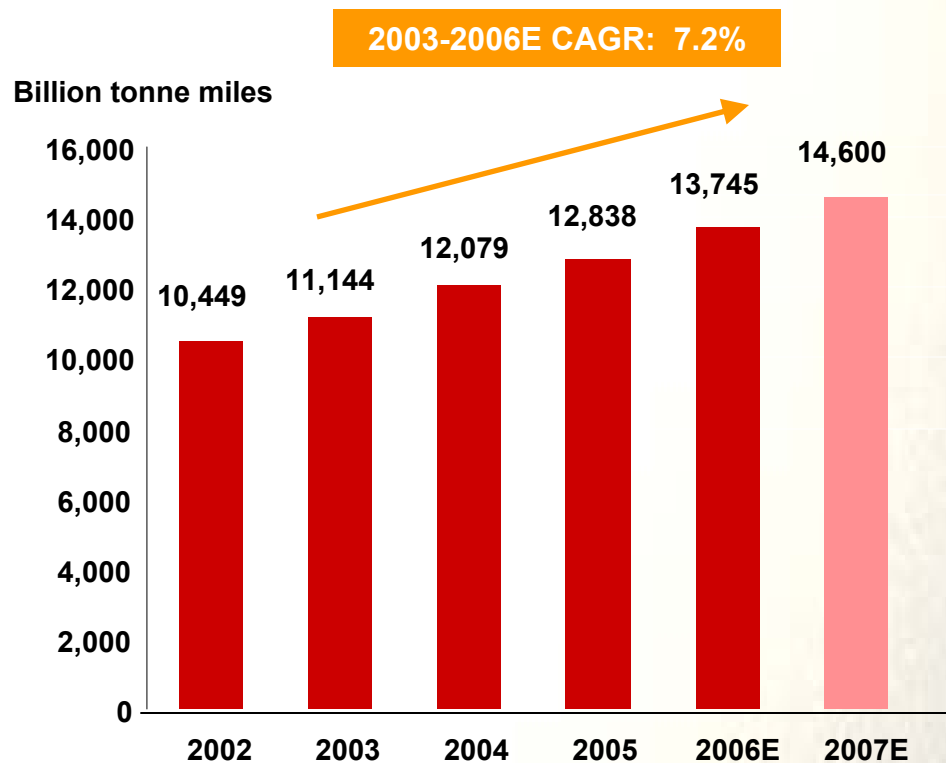
...but pace has quickened in last 5 years

Dry bulk trade volume highly correlated with world GDP growth

Source: Fearnleys

# Tonne-Mile Effect

Global Trade in Dry Bulks in Tonne-miles



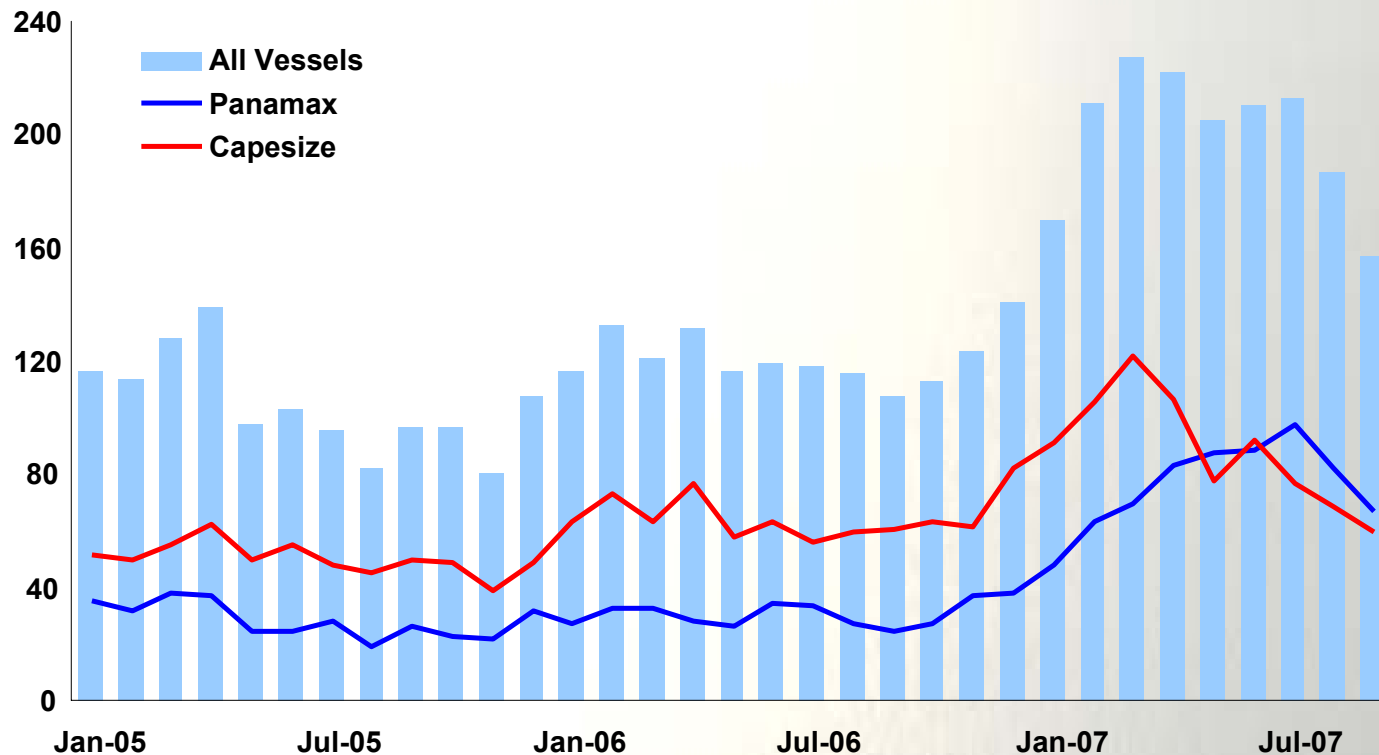
**Voyage distances  
have grown...  
and continue to do so**

**7% real growth  
driver for  
dry bulk ship demand**

# Port Congestion Squeezing Supply

Total Vessel Congestion at Australian Ports

No. of Vessels



**Coal demand the dominant cause**





**Direct impact on handysize rates**

As at Sep 2007  
Source: Monson Agencies Australia



# Low Orderbook in Handysize

Type of Vessels	Orderbook as % of Existing Fleet (dwt)
Container	55%
Tanker	39%
Others	12%
Dry Bulk	48%

Vessel Type	Orderbook as % of Existing Fleet (dwt)	Ave. Age
Capesize 100K + 	73%	11.1
Panamax 60-100K 	38%	11.7
Handymax 40K-60K 	50%	11.7
Handysize 25-35K 	25%	17.9

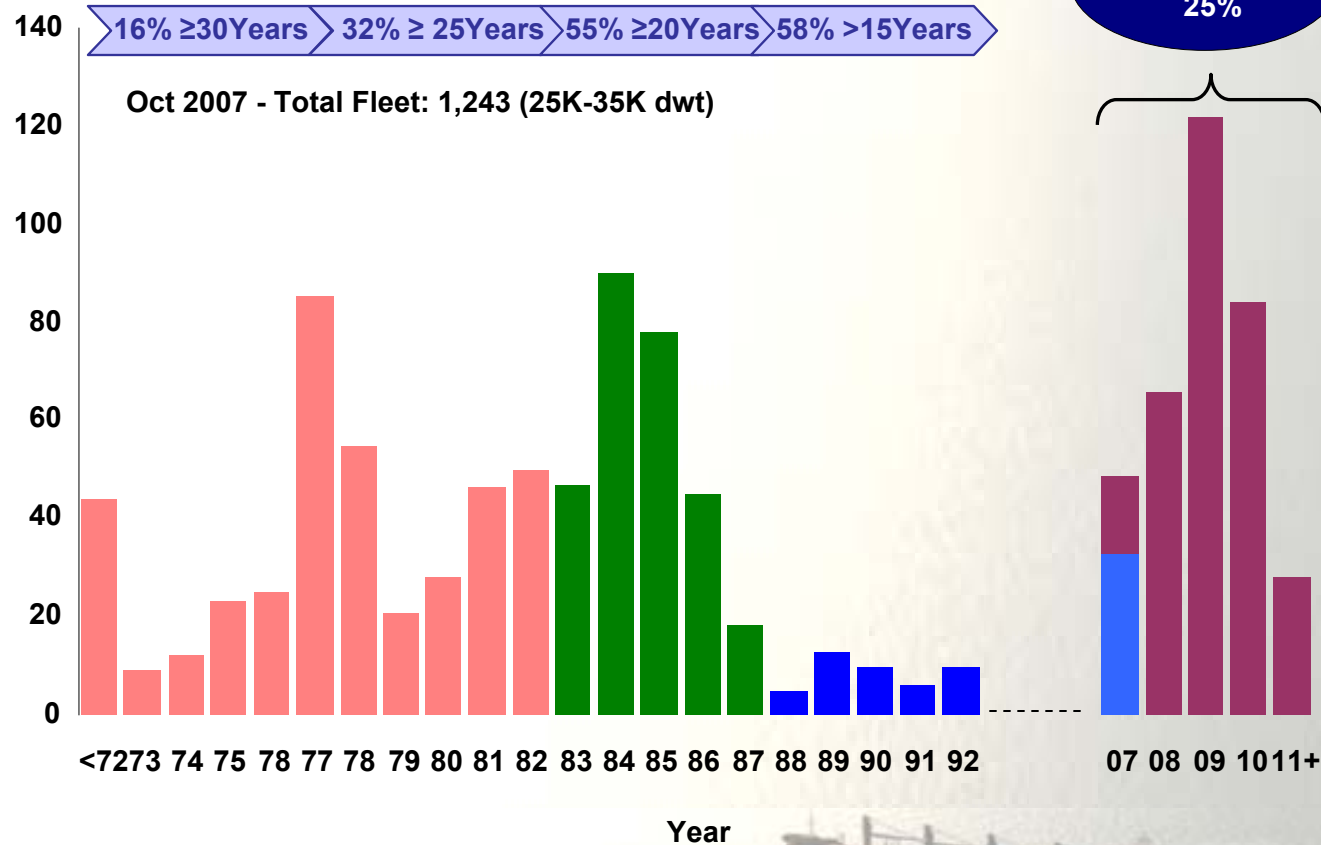
All yards are almost full until 2010

Yards starting to take more dry bulk orders

But still limited supply in dry bulk, particularly handysize

# Ageing World Fleet Points to Scrapping

No. of Vessel



More than 32% older than 25 years

Uncertainty over 'real' deliveries from 2009

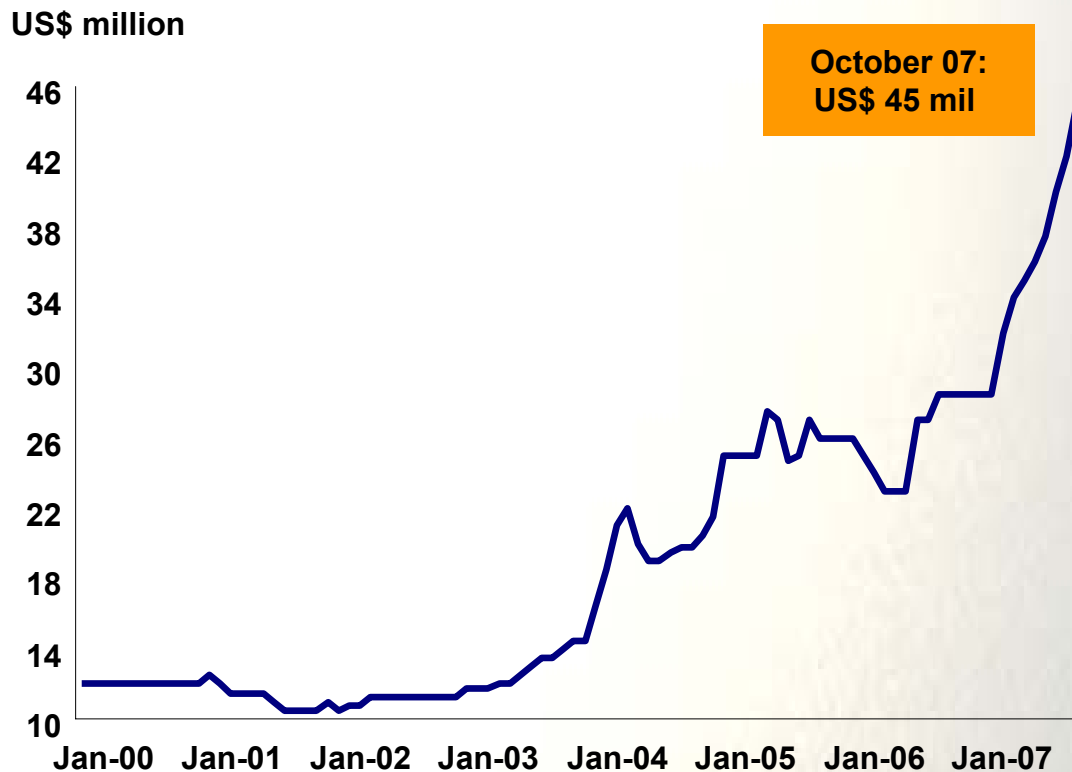
Low supply of handysize despite growing demand

Source: Clarkson



# Dry Bulk Carrier Sale & Purchase Market

2nd-hand 5-year old handysize vessel price (25K-35K dwt)



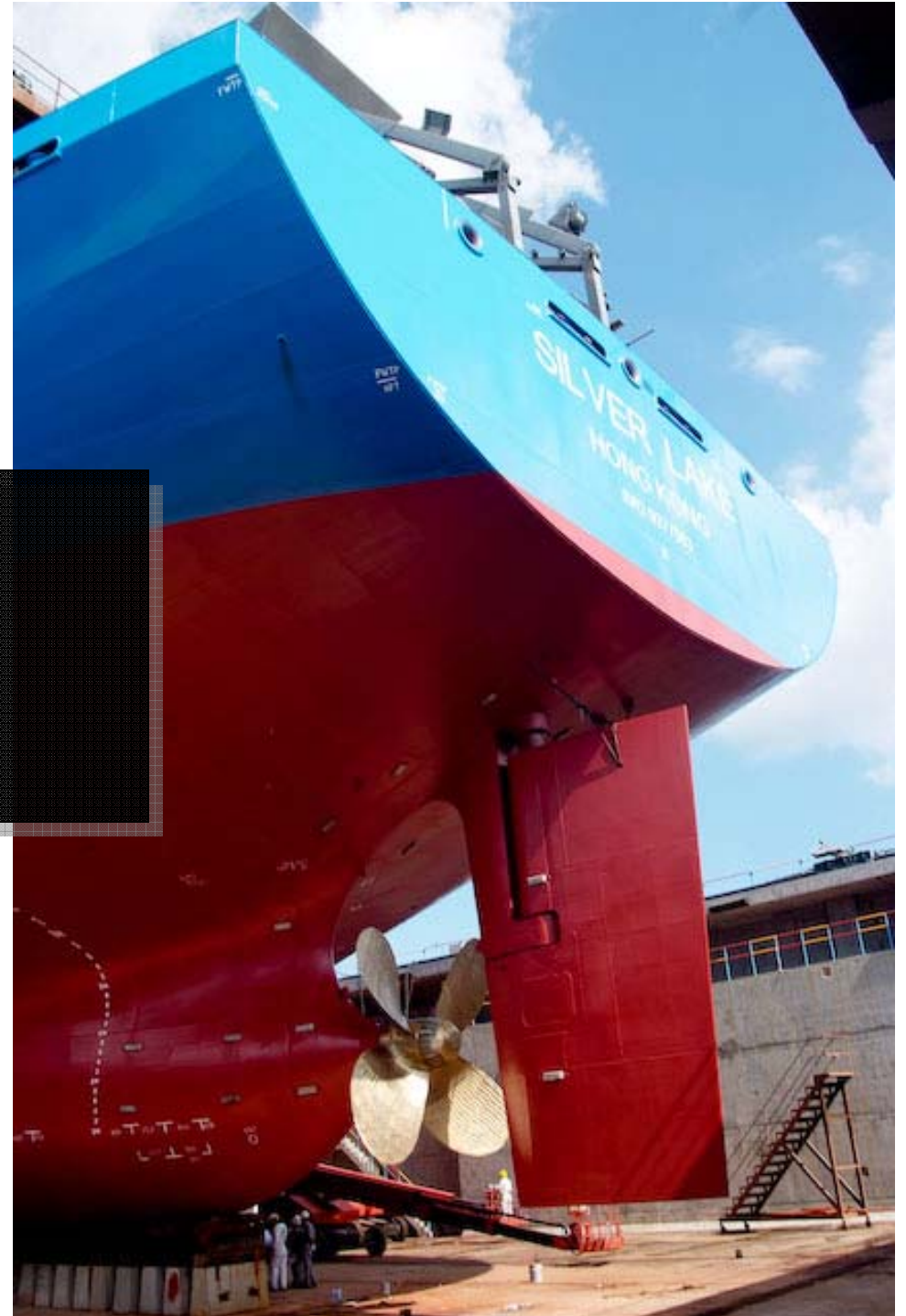
Now worth approx.  
US\$45m (Clarkson),  
but US\$47 million  
by our estimates

Our asset value moves  
in line with rising  
market values

Source: Clarkson



# Financial Review



# 1H07 Financial Highlights

	1H07	1H06
<b>TCE Earnings (US\$m)</b>	<b>269.2</b>	<b>140.4</b>
Vessel disposal gains	50.2	-
<b>Reported net profit</b>	<b>162.9</b>	<b>36.4</b>
Return on average shareholders' equity	63%	25%
<b>Basic EPS (HK¢)</b>	<b>81</b>	<b>22</b>
Dividends (HK¢ per share)	45.0	20.0
<b>Payout ratio</b>	<b>55%</b>	<b>92%</b>

# Results – Handysize Freight & Charter-hire

## Drivers of the results

		1H07	1H06	% Change
Revenue days	(days)	9,590	7,570	+27%
TCE earnings	(US\$/day)	19,750	14,400	+37%
Owned + chartered cost	(US\$/day)	9,370	8,540	+10%
Contribution	(US\$m)	99.5	44.4	+124%

Deliveries of 2006 purchases increase revenue days

1H07 TCE rates strengthened

Blended cost reflects more chartered in vessels

# Results – Handymax Freight & Charter-hire

## Drivers of the results

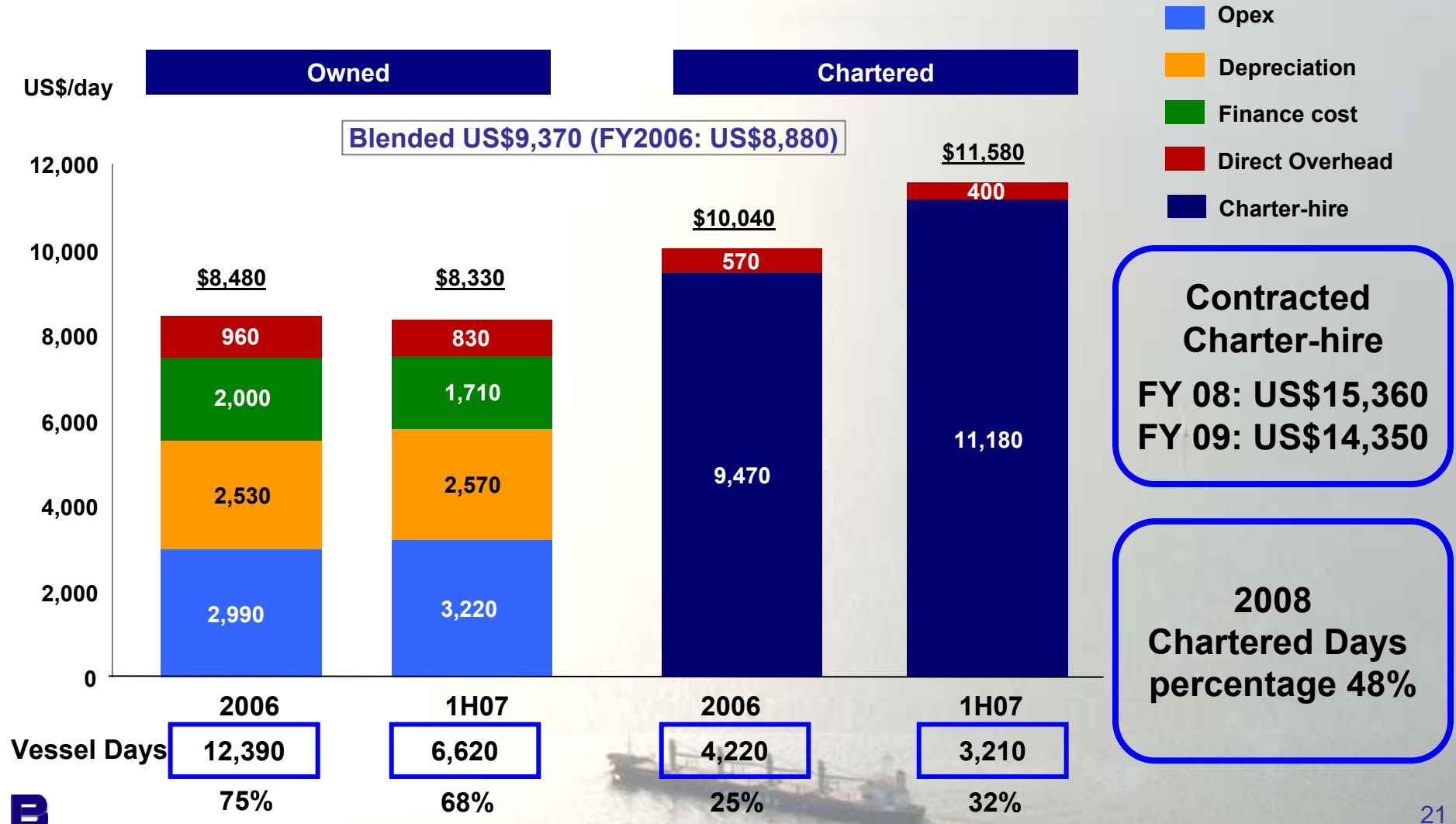
		1H07	1H06	% Change
Revenue days	(days)	2,260	1,320	+71%
TCE earnings	(US\$/day)	25,180	15,690	+60%
Owned + chartered cost	(US\$/day)	20,580	17,710	+16%
Contribution	(US\$m)	10.0	(3.0)	

Division fully operational  
compared to 1H06

Exceptional 2Q07 TCE rates

# Daily Vessel Costs - Handysize

As at 2007 Interim Result



# Balance Sheet

US\$mil

Net book value of fixed assets <sup>1</sup>

Gross borrowings

Cash

Net borrowings

Shareholder's equity

Net borrowings / Fixed assets

Net borrowings / Shareholder's equity

30 Jun 07

763.5

319.5

83.3

236.2

599.5

30.4%

39.4%

31 Dec 06

741.0

350.5

63.2

287.3

485.0

38.1%

59.2%

Note 1

37 Delivered vessels:

NBV = US\$675.6m, average US\$18.3m

Insured value = US\$1.5bn (4 Jul 07)

Insured values of all  
vessels with ownership  
interest US\$2.4bn

Capital commitments  
30Jun07: US\$225.3m

# Cashflow

US\$m

## Operating cash inflows

## Investing cash outflows

- Payments for property, plant and equipment
- Sales of vessels
- Purchase of shares of other listed shipping companies
- Others

## Financing cash outflows

- Net (repayment) / drawdown of borrowings
- Repayment of finance lease payables – capital element
- Payment of interest and other finance charges
- Dividend paid
- Others

## Cash at 30 June

**1H07**

**1H06**

**131.3**

**57.3**

**(24.1)**

**(91.4)**

**(167.6)**

**(97.5)**

**176.0**

**-**

**(37.8)**

**-**

**5.3**

**6.1**

**(87.2)**

**(5.5)**

**(23.0)**

**71.0**

**(7.9)**

**(7.4)**

**(10.2)**

**(11.2)**

**(45.0)**

**(58.1)**

**(1.1)**

**0.2**

**83.3**

**42.6**

# Dividend

Continue to payout at least 50% of annual attributable profits

Actual payout ratio has consistently exceeded the stated policy

Year	Dividend	US\$mil	HK ¢ per share	Payout Ratio
2006	Interim (paid 7Sep06)	33.4	22.0	
	Final (paid 17Apr07)	45.1	22.5	
	Total for year	78.5	42.5	71%
1H07	Interim (ex div 20Aug07) (pay 31Aug07)	90.3	45.0	55%

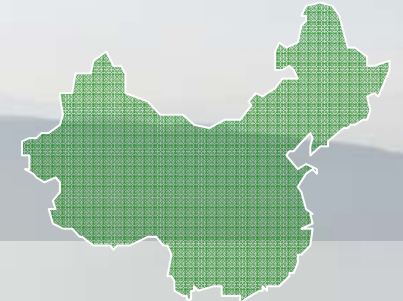




**Jiangmen Nanyang  
Shipyard – Hull 101**

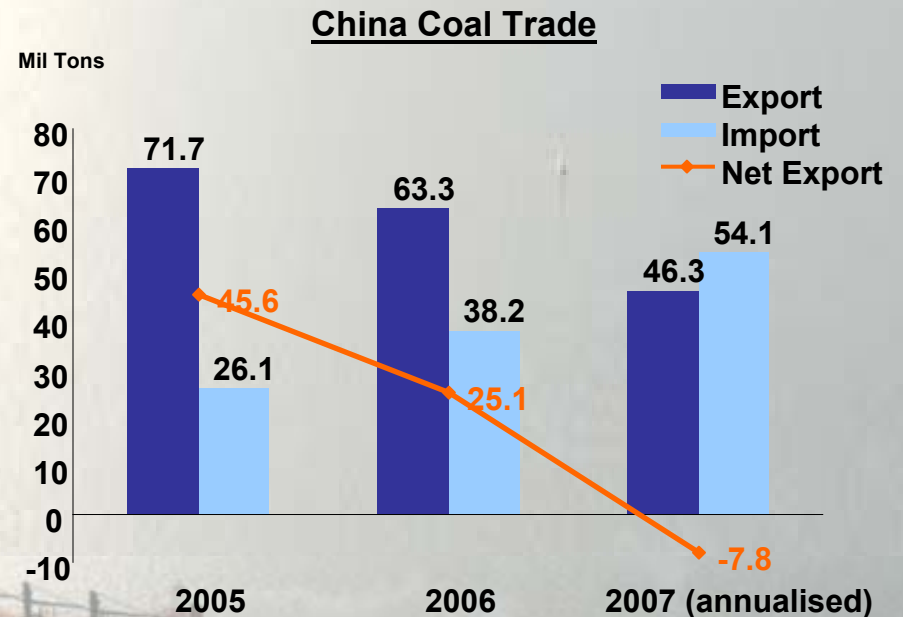
# **New Developments & Outlook**

# Other Operations in China



- ❖ First co-investment in a Chinese bulk cargo terminal - with Nanjing Port Group
- ❖ Pacific Basin holds 45% interest with equity commitment of US\$16 million in 2007

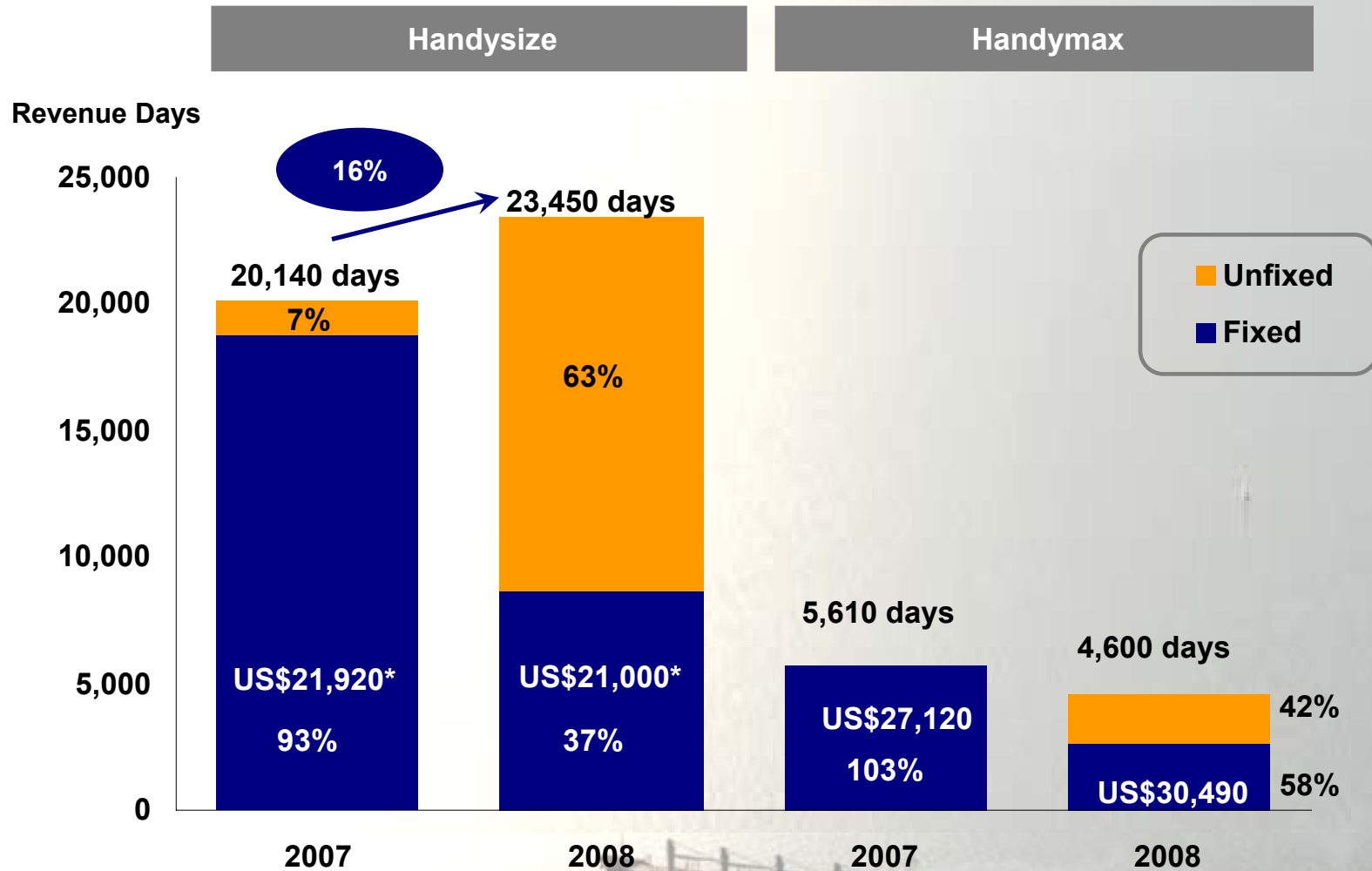
- ❖ Joint ship owning venture agreed with the shipping arm of China's largest power company
- ❖ JV will procure tonnage to service China's growing international coal needs
- ❖ 95k dwt tonne newbuilding bulker chartered from 2011



# Listed Shipping Investments

- ❖ **Q107 – Pacific Basin began investing a portion of cash reserves in a selection of other shipping equities**
- ❖ **Taking advantage of in house knowledge of the shipping market and excellent access to industry information flows**
- ❖ **Investments as of 30 June amounted to US\$34.9 million**
- ❖ **Actual return on investments since inception was US\$11.3 million (32%) as of 30 June**

# Earnings Coverage



\* includes an approximate US\$1,000/day anticipated uplift from efficient voyage execution

# Outlook

- ❖ **Handysize revenue days set to increase by 16% from 2007 to 2008**
- ❖ **37% of 2008 handysize days uncovered; current spot market at almost US\$45,000 per day net**
- ❖ **Record high vessel prices**
- ❖ **Active development of business model into complementary areas**
- ❖ **Industrial revolution in the world's most populous country continues to drive our markets**

# Disclaimer

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