Pacific Basin Shipping Limited
太平洋航運集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 2343)
www.pacbasin.com

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2005

The Directors of Pacific Basin Shipping Limited (the "Company") are pleased to announce the audited results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2005 as follows:

Key Highlights

	Year Ended 31 December	
		(restated)
US$ millions	**2005**	2004
Turnover	**433.7**	302.2
Time Charter Equivalent Earnings	**264.7**	188.9
Profit Attributable to Shareholders	**147.1**	103.6
Basic Earnings per share (US cents)	**11.58**	9.59
Basic Earnings per share (HK cents)	***89.72***	*74.80*

- Proposed final dividend of 35 HK cents per share, giving total dividend of 65 HK cents per share for the year ended 31 December 2005
- 2004 fleet expansion drives 43% growth in 2005 handysize vessel revenue days to 14,200 (2004: 9,900) with an average rate earned of US$17,100 per vessel per day (2004: US$17,900)
- The fleet today stands at 60 vessels, including newbuildings, with an average age of six years (Handysize: 17 owned; 28 on long-term charter; 4 managed; and 9 newbuildings. Handymax: 2 on long-term charter)
- Committed handysize fleet expansion in 2006 to 14,800 revenue days. Contract cover in place for 61% of these days at US$13,400 per day which is expected to yield over $14,400 per day on executing voyages. Potential for further expansion of 2006 revenue days

CHAIRMAN'S STATEMENT:

Results Summary

2005 witnessed another outstanding performance by the handysize drybulk market and successful further development of the Group's business model spearheaded by the IHC pool. Consequently, Pacific Basin achieved very good results for the year ended 31 December 2005, its first full year as a publicly listed company. Group profits increased by 42% over 2004 to US$147.1 million (including US$23.5million from seven sale and charterbacks and one lease-sale transaction) and turnover by 43% to US$433.7million. Basic earnings per share rose 20.8% to 11.58 US cents (89.72 HK cents).

Given these strong results, our Group's secure financial condition and the apparently satisfactory outlook for the world economy and our business, the Board has recommended a final dividend of 35 HK cents per share, bringing the total for the year to 65 HK cents per share. This represents a 73% payout ratio, a substantial increase on the 56% distribution in 2004. The Board has also reaffirmed that it expects to maintain its dividend policy at a minimum of 50% of distributable profits or higher if circumstances permit. Following the payment of the 2005 final dividend, the Group will still have distributable profits of US$68 million. Taking all these factors into account and with more than 60% of our 2006 revenue days covered at satisfactory levels, the Board currently expects to be able to propose to pay in aggregate at least 40 HK cents per share by way of interim and final dividends for 2006.

The composition of the profit figure includes transaction gains totalling US$23.5million which arose from the sale of six ships taken back on long term charters at reasonable rates and with purchase options. A seventh ship was finance-leased to a customer in China but accounted for as sold and an eighth (the smallest and oldest in our fleet) was disposed of with a shorter-term charterback. Without these gains, the increase in profits over 2004 (when there were no gains) was 19.4% - a function of the benefits of additional revenue days being moderated by slightly lower average income and higher overheads. The ships remaining under our long term control are now owned by Japanese companies with whom we have good relationships. Their appetite for very cheap yen finance combined with the tax benefits of ownership produced reasonably good sale prices linked, more importantly, to competitive charterback rates.

Market Review

Total dry bulk cargo volumes in 2005 are estimated to have risen by approximately 5%, with the major cargoes (led by iron ore) outpacing the 2% increase in the less volatile, minor cargoes which are predominantly carried by our handysize ships. Dry bulk freight rates and ship values opened the year at exceptionally high levels and ended much lower but were nonetheless still high historically. Significantly, this was in the face of substantial newbuilding deliveries, at close to 7% of the total fleet, leading us to believe that considerable momentum exists in the market overall and, we believe, in our handysize sector in particular.

China's growing industrial production was once again the most important factor behind the remarkable resilience of the dry bulk market, with their iron ore import volumes increasing by almost a third year on year. To illustrate the effect of this trend, in 2000 China's iron ore imports were approximately half those of Japan, then the largest in the world. By 2005, Chinese volumes were more than double those of Japan and 2006 is likely to see further growth, although probably at a slightly slower pace. Dry bulk movements involving other Asian countries also grew encouragingly. Having our Group headquarters and largest office in Hong Kong positions us well to take advantage of the many shipping opportunities, to and from China and the other recovering and expanding economies of the region including Japan, South Korea and India.

With deliveries of all classes of new dry bulk vessels set to peak this year at just over 7% and given shipping's historical susceptibility to cycles, the less than optimistic market sentiment discernible at times has been understandable. The BDI, however, at 2,708 points (as at 1 March 2006) is still, for good reason, approximately double its long term average and companies which bought their ships in earlier, lower markets continue to enjoy very profitable margins whilst the strong demand for bulk commodities persists.

In our sector, the total number of new vessels on order for delivery from 2006 to 2009 represents just 9% of the existing fleet - much lower than the order-books for capesize, panamax and handymax ships which range from 19% to 24%. Almost a quarter of the handysize fleet is 27 years old or more, the age at which such ships in the past have been scrapped, and any sustained weakness in the market should see significant deletions. The limited newbuilding orderbook and advanced age profile of tonnage in this sector mean that owners of modern tonnage (Pacific Basin's handysize fleet average is less than six years old) should benefit from supply constraints for the foreseeable future.

Business Review

In this environment sale and purchase prices in 2005 remained firm in our sector, leading us to adopt a cautious approach to fleet expansion. We nevertheless grew from 51 owned, chartered and managed ships at the start of the year to 60 at the end of the year (including our orderbook of new vessels). With limited opportunities for asset purchases in 2005, we instead took some advantage of the strong market and low long term fixed interest rates to strengthen our Group's balance sheet by selling and leasing back 17 ships in addition to the seven which we sold and time-chartered back. These transactions have considerably reduced our exposure to operating risk on the seven vessels, and to possible future interest rate increases on all 24 vessels. They also raised proceeds which in part were used to repay all of our conventional bank borrowings. As a result, our year end 2005 balance sheet shows cash of US$84 million (before the anticipated final dividend of US$58 million) and a long term liability of US$317 million in respect of the 17 ships which we sold and leased back. The 17 owned vessels are debt free.

We now have the financial resources to meet capital expenditure commitments of US$162 million on the purchase of a second hand ship due for delivery in the third quarter of 2006 and on our six newbuildings under construction, to continue our policy of declaring substantial dividends and to acquire additional tonnage at the appropriate time.

Average revenue in 2005 for our handysize vessels, operated in the IHC pool, was US$17,100 per day compared with US$17,900 per day in 2004. Although this represents a small decline, it would have outperformed time charter rates for the same period. We believe strongly in the merits of dealing directly with end-users of our ships and of the commodities that they carry, rather than foregoing operational margins by time-chartering our vessels to other operators, who then on-charter to such end-users. By focusing largely on the handysize sector and by adopting a disciplined approach to booking and executing cargo contracts, we believe we can achieve greater earnings stability (and operational consistency for our customers) than by endeavouring to exploit very short term market movements. These are the key tenets of the IHC pool which we formed in 2001 and continue to manage via our network of offices around the world. The sophistication of our operation requires more intensive management, which in turn entails higher overheads. Providing competent representatives to engage in constructive dialogue with our customers to reach optimal freighting solutions leads to a superior service - in some cases even resulting in making new trades viable for them. Our aim must be to limit expenses overall by controlling the costs associated with our modus operandi without any significant loss of service and revenue.

We rely upon very high operational standards at sea as well as ashore and believe that we should be able to improve further our performance and cost controls in this area, too. Our fleet offhire days due to technical and crewing issues in 2005 were higher than we had hoped and remedying this has been made a key priority for management to address.

Outlook and Prospects

In a freight market that was a little weaker in the last quarter of 2005 than expected, we nevertheless made good progress in building our cargo book. Based on our current fleet and scheduled deliveries, we expect to have approximately 14,800 handysize revenue days in 2006 (compared to 14,200 in 2005) and we now have cargo contracts in place for 61% of these days at an average rate of US$13,400 per day. As we execute the voyages for these cargoes in 2006, we should be able to improve this figure to yield an effective rate in excess of US$14,400 per day by combining fronthaul and backhaul cargoes, reducing ballast voyages and by taking in supplementary tonnage to optimize returns on our dedicated fleet. There must also be future fleet expansion if suitable opportunities arise. We therefore look ahead to the remainder of the year with some confidence, whatever may be in store in terms of short term rates on the balance of the days. For 2007, we have 20% of our revenue days covered at satisfactory levels and we are expecting to add to this and to our 2008 contracts as the year progresses (The revenue days quoted are handysize only as these days are, for the time being, the primary drivers of our Group profits).

It is our objective to develop our business model and apply it successfully to other sectors. We are therefore encouraged that our efforts to deliver high quality handysize freight execution seem to have been recognised by some of our customers who now want a similar service for their handymax shipments. We have accordingly assembled a team of seasoned handymax professionals in our Hong Kong, London and Shanghai offices and are finding that this new activity dovetails well with, and introduces new clients to, our existing handysize business. This represents an area of significant growth potential, although in the short term we are likely to develop it as an operating activity rather than investing in asset ownership. Following the success of our IHC pool concept, we have decided to launch a handymax pool under the brand name "IHX". This has already generated interest from a number of owners.

Our efforts to develop new business in China have also borne fruit with the signing of an agreement with a Chinese shipping company, backed by one of the largest domestic power producers, to manage jointly a handysize bulker (the vessel, referred to earlier, which we sold under a finance lease) for the carriage of coastal coal. We see very significant potential in China and have recently reinforced our already highly qualified team by hiring Mr. C. L. Wang, age 42, formerly Assistant President at Sinotrans, one of China's largest shipping and logistics Groups. Mr. Wang, whom we know well, will lead our business development programme. Following his appointment, in Hong Kong, a number of new initiatives and projects in China are under consideration.

In January 2006, we commenced a new operation in the Arabian Gulf to participate in the carriage of aggregates from Fujairah to ports in the Northern Gulf. This is a joint venture with the Government of Fujairah, among others. In view of the rapid economic development in this region, we are optimistic about the prospects for this venture.

In Conclusion

Pacific Basin in its various manifestations has had relatively few changes in senior management over the years but, as announced in January 2006, Mr. Mark Harris, our Chief Financial Officer from 1994 to 1996, Regional Chief Executive from 2000 to 2002 and since then Group Chief Executive, will be leaving us at the forthcoming Annual General Meeting in April. His departure is in line with his and our longer term planning and he remains a shareholder. We would like to express our sincere thanks for his valuable contribution to the development of Pacific Basin, especially through our Public Listings in 1994 and 2004. Investor relations, on which we place considerable emphasis, is one of his areas of special interest and the Group is now covered by 13 equity research departments of international banks and broking companies who issue regular updates on Pacific Basin to their customers. We wish Mark well for the future.

Our Executive Deputy Chairman, Mr. Richard Hext, who has already been responsible for our operating and commercial activities for almost a year, will take on the title of Chief Executive Officer and direct responsibility for our investor relations. We have every confidence that he is the right man to lead the Group through the next phase of its growth and development. He is a highly experienced shipping professional, has spent many years in Asia in senior management and he is very enthusiastic about his role and the Group's prospects.

Mr. Hext will be succeeded as Deputy Chairman by Mr. Daniel Bradshaw, who is a former partner of Johnson Stokes and Master, a leading Hong Kong law firm, and was vice-chairman of the Hong Kong Ship Owners Association for nine years. Mr. Bradshaw shall be appointed as Deputy Chairman and as a non-executive Director at the conclusion of the Group's Annual General Meeting in April. We warmly welcome Mr. Bradshaw to the Group.

Pacific Basin's style of shipping is intensive and time-consuming and we would like to thank our staff for their hard work, dedication and commitment which once more have been responsible for so much of what we have done well. We are most fortunate to enjoy their exceptional loyalty and endeavour. There are still areas in which we can improve our performance and we shall be looking hard at refining and developing existing practices. We are confident that our management team will invest the effort required to achieve our goals.

In conclusion, we should like to thank you for your support during the year and to affirm our positive outlook for the future. We look forward with some confidence to the remainder of 2006.

Christopher R. Buttery
Chairman

Hong Kong, 6 March 2006

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2005

	Note	**2005** *US$'000*	(restated) 2004 *US$'000*
Turnover	3	**433,704**	302,244
Bunkers, port disbursements and amounts payable to other pool members	3	**(169,021)**	(113,361)
Time charter equivalent earnings	3	**264,683**	188,883
Other income		**735**	431
Direct costs		**(114,752)**	(69,012)
General and administrative expenses		**(11,811)**	(8,541)
Gain on disposal of fixed assets		**23,516**	–
Operating profit		**162,371**	111,761
Finance costs		**(17,940)**	(10,215)
Share of profits less losses of jointly controlled entities		**3,491**	2,494
Profit before taxation	4	**147,922**	104,040
Taxation	5	**(779)**	(485)
Profit attributable to shareholders		**147,143**	103,555
Dividends	6	**107,430**	88,797
Basic earnings per share	7(a)	**US 11.58 cents**	US 9.59 cents
Diluted earnings per share	7(b)	**US 11.46 cents**	US 9.55 cents

CONSOLIDATED BALANCE SHEET

As at 31 December 2005

	Note	**2005** **US$'000**	(restated) 2004 US$'000
Non-current assets			
Fixed assets		**504,309**	544,128
Goodwill		**25,256**	25,256
Interests in jointly controlled entities		**8,138**	8,838
Investment securities		**–**	200
Derivative assets		**3,382**	–
Trade and other receivables	8	**13,333**	–
Restricted bank deposits		**1,200**	4,150
		555,618	582,572
Current assets			
Available-for-sale financial assets		**200**	–
Inventories		**9,138**	6,564
Derivative assets		**1,607**	–
Trade and other receivables	8	**25,043**	20,108
Bank balances and cash			
– pledged/restricted		**430**	1,910
– unpledged		**82,081**	41,651
		118,499	70,233
Current liabilities			
Derivative liabilities		**180**	–
Trade and other payables	9	**44,567**	35,315
Current portion of long term borrowings		**14,912**	36,021
Dividend payable		**–**	12,995
Taxation payable		**1,851**	1,801
		61,510	86,132
Net current assets/(liabilities)		**56,989**	(15,899)
Total assets less current liabilities		**612,607**	566,673
Non-current liabilities			
Derivative liabilities		**1,360**	–
Long term borrowings		**301,973**	334,103
		303,333	334,103
Net assets		**309,274**	232,570
Equity			
Share capital		**128,184**	126,701
Retained profits		**126,308**	54,967
Other reserves		**54,782**	50,902
Total equity		**309,274**	232,570

Notes:

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

2 Adoption of new/revised HKFRS

The accounting policies and methods of computation used in the preparation of these consolidated accounts are consistent with those used in the 2004 annual accounts except that the Group has changed certain of its accounting policies following its adoption of new or revised HKFRS and Hong Kong Accounting Standards ("HKAS") (collectively "new HKFRS"), which are effective for accounting periods commencing on or after 1 January 2005.

As a result, significant accounting policies have been changed to comply with HKAS 16 "Property, Plant and Equipment", HKAS 32 "Financial Instruments: Disclosure and Presentation", HKAS 36 "Impairment of Assets" and HKAS 39 "Financial Instruments: Recognition and Measurement", HKFRS 2 "Share-based Payment", HKFRS 3 "Business Combinations" and Amendment to HKAS-Int 12 "Consolidation – Special Purpose Entities".

The impact on our activities of these new HKFRS and the changes in the Group's accounting policies have resulted in an increase in the profit attributable to shareholders for the year by US$4.3 million (2004: US$0.04 million) and an increase in net assets of US$6.5 million (2004: decrease of US$0.07 million).

3. Turnover and segment information

The Group is principally engaged in the provision of dry bulk shipping services through the operation of a fleet of vessels. Turnover recognised during the year is as follows:

	2005	(restated) 2004
	US$'000	*US$'000*
Turnover		
Freight and charter-hire	**422,638**	292,740
Ship management income	**11,066**	9,504
	433,704	302,244
Bunkers, port disbursements and other charges	**(131,492)**	(61,033)
Amounts payable to other pool members[1]	**(37,529)**	(52,328)
Time charter equivalent earnings	**264,683**	188,883

[1] This is net of bunkers, port disbursements and other charges of US$19.6 million (2004: US$15.7 million).

On 1 January 2005, the Group adopted the Amendment to HKAS-Int 12 "Consolidation – Special Purpose Entities" resulting in a change in the Group's accounting for the IHC pool. Previously, revenues from the IHC pool were based on the number of pool points attributable to the Group's owned and chartered-in vessels participating in the pool, whereas now the Group consolidates such activities in full. This change is applied to previous accounting periods but there is no change in the way time charter equivalent earnings are calculated.

In arriving at time charter equivalent earnings, the IHC pool paid to other pool members freight and charter hire, net of bunkers, port disbursement and other charges which were calculated based on the number of pool points attributable to the vessels participating in the pool owned by the other pool members.

Primary reporting format – business segments

The Group previously presented two major segments: ship chartering and ship management. However, for the year ended 31 December 2005, the Group no longer presents a ship management segment as the Group's business is dominated by the provision of dry bulk shipping services. Ship management no longer forms a significant part of the Group's business.

Secondary reporting format – geographical segments

The Directors consider that the nature of the provision of dry bulk shipping services, which are carried out internationally, and the way in which costs are allocated, preclude a meaningful allocation of operating profit to specific geographical segments. Accordingly, geographical segment information is not presented.

4. Profit before taxation

Profit before taxation is stated after charging the following:

	2005	(restated) 2004
	US$'000	*US$'000*
Amortisation of goodwill	–	1,329
Bunkers consumed	**48,894**	22,882
Depreciation for		
– owned vessels	**26,241**	18,276
– leased vessels	**2,460**	–
– other owned fixed assets	**863**	394

5. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) 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 to the consolidated profit and loss account represents:

	2005	2004
	US$'000	*US$'000*
Current taxation		
Hong Kong profits tax	**548**	406
Overseas tax	**231**	79
	779	485

6. Dividends

	2005	2004
	US$'000	*US$'000*
Dividends attributable to the previous year, approved and paid during the year:		
Final dividend paid in 2005 in respect of the year ended 31 December 2004 of 16 HK cents (equivalent to 2 US cents) per share	**–**	25,990
Dividends attributable to the year:		
Proposed final dividend declared and payable after the year ended 31 December 2005 of 35 HK cents (equivalent to 4.5 US cents) per share *(Note a)*	**57,948**	–
Interim dividends declared and:		
– paid in 2005 of 30 HK cents (equivalent to 3.9 US cents) per share	**49,482**	–
– paid in 2005 of 8 HK cents (equivalent to 1 US cent) per share	**–**	12,995
– paid in 2004 to shareholders of the Company immediately prior to listing of 2 US cents per share *(Note b)*	**–**	18,347
Dividend declared and paid in 2004 by companies now comprising the Group to the then shareholders prior to listing	**–**	31,465
	107,430	88,797

Notes:

(a) The dividend, which was declared on 6 March 2006, was not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained profits for the year ending 31 December 2006.

(b) On 14 July 2004, the Directors declared an interim dividend of 2 US cents per share to the Company's shareholders on the morning of the date of listing, not including the public shareholders.

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").

	2005	(restated) 2004
Profit attributable to shareholders (US Dollars in thousands)	**147,143**	103,555
Weighted average number of ordinary shares in issue (in thousands)	**1,270,944**	1,079,319
Basic earnings per share	**US 11.58 cents**	US 9.59 cents
Equivalent to	**HK 89.72 cents**	HK 74.80 cents

(b) Diluted earnings per share

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

	2005	(restated) 2004
Profit attributable to shareholders (US Dollars in thousands)	**147,143**	103,555
Weighted average number of ordinary shares in issue (in thousands)	**1,270,944**	1,079,319
Adjustments for share options (in thousands)	**12,483**	4,925
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	**1,283,427**	1,084,244
Diluted earnings per share	**US 11.46 cents**	US 9.55 cents
Equivalent to	**HK 88.79 cents**	HK 74.49 cents

5,000,000 share options under LTIS were not included in the calculation of diluted earnings per share as they are antidilutive for the year.

8. Trade and other receivables

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

	2005	2004
	US$'000	*US$'000*
Less than 30 days	**7,636**	4,717
31 – 60 days	**603**	1,978
61 – 90 days	**593**	347
Over 90 days	**858**	613
	9,690	7,655

No credit terms are normally given to customers. In relation to voyage-related trade receivables, the due date depends on the date of completion of the voyage and the finalisation of port disbursements and other voyage-related charges.

9. Trade and other payables

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

	2005	2004
	US$'000	*US$'000*
Less than 30 days	1,437	2,225
31 – 60 days	248	346
61 – 90 days	326	392
Over 90 days	858	767
	2,869	3,730

MANAGEMENT DISCUSSION AND ANALYSIS

Introduction

On 1 January 2005, a number of new HKFRS came into effect. The resulting changes in accounting treatment and presentation of various profit and loss and balance sheet items may render certain comparative figures not strictly comparable.

The Company undertook a reorganisation during 2004 in the preparation for the listing of the shares of the Company. The Group's profit and loss account for the twelve months ended 31 December 2004 therefore consists of:

a) Results for the twelve months ended 31 December 2004 in the case of the companies pursuant to the transfer of PB Vessels Holding Limited and all its subsidiaries into the Company through an exchange of shares, as detailed in the prospectus of the Company dated 30 June 2004 (the "Prospectus"); and

b) Consolidated results for the nine month period from 1 April to 31 December 2004 for certain vessel holding companies and ship management companies as set out in the Prospectus.

Review of Income

The Group is principally engaged in the provision of dry bulk shipping services through the operation of a fleet of vessels. During the year ended 31 December 2005, turnover was US$433.7 million as compared with 2004 of US$302.2 million. Time charter equivalent earnings were US$264.7 million as compared with 2004 of US$188.9 million. Net profit attributable to shareholders increased to US$147.1 million from US$103.6 million in 2004.

Turnover includes revenues earned from all the vessels in the IHC Pool, including the managed vessels, and is shown gross of voyage-related expenses. Approximately 97.4% of turnover was generated from the employment of the Group's owned and chartered fleet and the remaining 2.6% was generated from the provision of commercial and technical management services for third party vessels and revenues from marine services businesses. Voyage-related expenses relate primarily to commissions, ships' bunkers, port-related costs and short term hire expenses of chartered-in vessels. IHC pool paid to other pool members freight and charter hire net of voyage-related expenses which were calculated based on the number of pool points attributable to the vessels participating in the pool owned by the other pool members. The total amount of voyage-related expenses and the amounts payable to other pool members deducted from turnover was US$169.0 million (2004: US$113.4 million), resulting in time charter equivalent earnings for the Group of US$264.7 million (2004: US$188.9 million).

In 2005, the Group achieved an average daily charter rate from its fleet of owned and chartered handysize vessels of approximately US$17,100, compared with approximately US$17,900 in 2004.

The average number of owned and finance leased vessels increased to 32 in 2005 from 22 in 2004. The average number of long term chartered-in vessels in 2005 was nine as compared to six in 2004.

Direct Costs

Direct costs in 2005 were US$114.8 million (2004: US$69.0 million). Direct costs include charter hire expenses of vessels held under operating leases, vessel operating costs for owned and finance leased vessels, cost of marine products sold, cost of marine services, and an overhead allocation of US$20.7 million (2004: US$11.0 million) representing shore-based costs of staff, offices and related expenses directly attributable to both the employment and operation of the owned and chartered fleet and the generation of marine service businesses.

Vessel charter-hire expenses increased to US$29.5 million in 2005 from US$18.7 million in 2004. This increase was a result of the increase in the average number of vessels chartered-in under operating leases in 2005.

Depreciation expenses increased to US$28.7 million in 2005 from US$18.3 million in 2004 primarily from the increase in the average number of vessels in the Group's owned fleet between 2004 and 2005. As a result of the adoption of HKAS 16 "Property, Plant & Equipment" which became effective 1 January 2005, the Group has changed the accounting policy in relation to drydocking costs. Drydocking costs were previously charged to the profit and loss account when incurred but are now treated as component costs of vessels and are depreciated over their estimated useful lives. This policy applies to previous accounting periods and led to an increase in depreciation expenses in 2005 and 2004 of US$5.1 million and US$2.8 million respectively.

The effect of the increase in the average number of vessels in the Group's owned (including finance leased) fleet, between 2004 and 2005, is also reflected in the increase in vessel operating costs, including crew expenses, insurance, repairs and maintenance and other miscellaneous running costs to US$31.9 million in 2005 from US$19.3 million in 2004.

General and Administrative Expenses

General and administrative expenses were US$11.8 million in 2005 as compared with US$8.5 million in 2004. The increase was largely due to the Group's reorganisation effective 31 March 2004 which resulted in the acquisition of the management companies and which gave rise in 2005 to a full year costs (2004: nine months), coupled with managing an expanded fleet and a larger international presence. These expenses include Directors, senior management, key staff and administrative staff costs of US$8.0 million (2004: US$5.2 million) and other administrative and office expenses of US$3.8 million (2004: US$2.0 million). With the adoption of HKFRS 3 "Business Combinations" which became effective 1 January 2005, there was no amortisation of goodwill in 2005 (2004: US$1.3 million).

Finance Costs

Finance costs of US$17.9 million consist of interest payments and other finance charges of US$18.9 million, offset by unrealised gains on interest rate swaps of US$1.0 million, the recognition of which is in accordance with the new HKFRS. Interest payments of US$15.7 million consist of interest payments on bank borrowings used to finance the Group's vessels of US$11.5 million (2004: US$8.7 million) and finance lease charges of US$4.2 million (2004: US$Nil). The increase in interest payments on bank borrowings in 2005 was in part attributable to the higher average bank borrowings outstanding which increased to US$266.1 million in 2005 from US$229.3 million in 2004, although bank borrowings had been reduced to nil by the year end. Average interest rates on bank borrowings were approximately 4.3% in 2005 as compared to approximately 3.7% in 2004.

Finance lease charges in 2005 were US$4.2 million as compared to nil in 2004. During 2005, the Group sold and bareboat leased back 17 of its vessels for periods of 10 to 12 years. Proceeds from the sales of US$318.0 million were used to repay bank borrowings on those vessels and to prepay other bank debts. Following the prepayments, the Group had no outstanding bank borrowings on all its remaining owned vessels at 31 December 2005. In accordance with HKAS 17 "Leases", finance lease accounting has been adopted for these transactions, which means that the balance sheet continues to show the net carrying value of these vessels, and the current and long term liabilities in aggregate include finance lease obligations of US$318.0 million. There is no recognition of any gain or loss on the disposal of the 17 vessels. The charter hire payments, made every quarter, arising under the bareboat charterparties will be accounted for as a combination of repayments of finance lease obligations in the balance sheet and finance lease charges in the profit and loss account. Finance lease charges can be expressed as interest rates, fixed for the period of the leases. Average interest rates on finance leases were approximately 6.7% in 2005.

Gains on Disposal of Fixed Assets

Gains on disposal of fixed assets of US$23.5 million were recognised in 2005 (2004: US$Nil). The Group sold and leased back seven of its vessels. Proceeds from these sales of US$139.5 million were used to repay bank borrowings on those vessels and to prepay other bank debts. In accordance with HKAS 17 "Leases", operating lease accounting has been adopted for these transactions with the vessels being treated as sold, the gain or loss on disposal being recognised immediately and subsequent charter hire receipts being recognised as revenue. In addition, the Group long term leased out one of its owned vessels. In accordance with HKAS 17 "Leases", finance lease accounting has been adopted for this transaction, which means that the vessel was treated as sold with a gain on disposal recognised in the profit and loss account. The finance lease receivables of US$15.1 million are included in current and non-current trade and other receivables in the balance sheet. The charter hire payments, receivable every quarter, under the long term lease charterparty will be accounted for as a combination of settlement of finance lease receivables in the balance sheet and finance lease interest income in the profit and loss account.

Cash Flow

Net cash generated from operating activities in 2005 amounted to US$173.3 million (2004: US$130.2 million).

Net cash generated from investing activities was US$24.7 million in 2005, primarily as a result of the proceeds from the sale of vessels of US$139.5 million, offset by payments for vessels of US$121.2 million. Net cash used in investing activities was US$273.2 million in 2004, primarily as a result of purchases of vessels of US$274.4 million.

Net cash used in financing activities was US$157.5 million in 2005, primarily as a result of the repayment and voluntary prepayment of bank borrowings of US$420.0 million, the payment of dividends of US$88.5 million, partially offset by the sale proceeds under finance leases of US$318.0 million and draw down of additional bank borrowings for the acquisition of vessels of US$48.2 million. In 2004, net cash generated from financing activities was US$178.9 million, primarily as a result of net additional bank borrowings for the acquisition of vessels of US$188.4 million, partly offset by the payment of dividends by companies now comprising the Group to the then shareholders prior to the Group's reorganisation in March 2004.

At 31 December 2005, the Group had net working capital of US$71.9 million excluding long term lease liabilities repayable within one year of US$14.9 million. The primary sources of liquidity comprised bank balances and cash of US$83.7 million and unutilised committed and secured bank borrowing facilities of US$111.7 million. The Group's primary liquidity needs are to fund general working capital requirements (including lease commitments), fleet expansion and other capital expenditure.

Indebtedness

The indebtedness of the Group solely comprises lease liabilities of US$316.9 million, US$14.9 million of which represents the current portion that is repayable within one year from the balance sheet date. Bank borrowings decreased from US$370.1 million at 31 December 2004 to nil at 31 December 2005. The decrease is because the Group both repaid and prepaid bank borrowings following the sale and charter back of vessels during the year. At 31 December 2005, all outstanding lease liabilities will expire between 2015 and 2017.

At 31 December 2005, the Group had unutilised committed bank borrowing facilities of US$111.7 million. These facilities are available to finance the Group's newbuilding commitments and other vessel acquisitions to which the Group may be committed in the future.

At 31 December 2005, the Group's gearing ratio expressed as borrowings and lease liabilities, net of cash, as a percentage of fixed assets (based on net book values) and vessel finance lease receivables was 46.2% (2004: 59.3%).

Hedging

In 2005, the Group hedged its exposure to interest rate fluctuations by way of interest rate swaps and cap arrangements with banks. In accordance with HKAS 39 "Financial Instruments: Recognition and Measurement", the aforesaid arrangements did not qualify for hedge accounting and as a result, gains or losses arising from a change in the fair value are recognised in the profit and loss account.

At 31 December 2005, the Group had bunker swap and forward contracts to buy approximately 82,900 metric tonnes of bunkers at fixed prices. These contracts will expire through December 2008. These commitments were made to hedge the Group's exposure to fluctuations in bunker prices in connection with the Group's long term cargo contract commitments. In accordance with HKAS 39 "Financial Instruments: Recognition and Measurement", the aforesaid contracts did not qualify for hedge accounting and as a result, gains or losses arising from a change in the fair value are recognised in the profit and loss account.

At 31 December 2005, the Group had outstanding forward foreign exchange contracts with a bank to buy approximately Yen2.5 billion and simultaneously to sell US$24.8 million for the acquisition of a vessel denominated in Japanese Yen. In accordance with HKAS 39 "Financial Instruments: Recognition and Measurement", the aforesaid contract is part of a hedging relationship and as a result, a change in the fair value is recognised directly in reserves.

Lease Commitments

The Group's charter in commitments under operating leases as at 31 December 2005 stood at US$223.1 million as compared with US$34.3 million at 31 December 2004. The increase was mainly due to the sale and charter back of seven vessels during the year treated as operating leases.

Capital Expenditure

In 2005, capital expenditure, mainly comprising vessel acquisitions and instalments on newbuildings, was US$121.2 million.

At 31 December 2005, the Group had non-cancellable commitments for the construction of six new handysize vessels and one second-hand handysize vessel for delivery to the Group between July 2006 and January 2009, with an aggregate unpaid cost of approximately US$158.9 million. Unpaid costs are net of progress payments and prepayments. Finance for such vessel commitments will come from cash generated from the Group's operations, existing unutilised bank facilities and additional long term borrowings to be arranged, as required.

Directors' Opinion on the Working Capital Available to the Group

The Directors are of the opinion that, taking into consideration the financial resources available to the Group, including internally generated funds and the available bank facilities, the Group has sufficient working capital to satisfy its present requirements.

Staff

As at 31 December 2005, the Group employed a total of 219 full time shore-based staff in offices in Hong Kong, Shanghai, Singapore, London, Dalian, Seoul, Tokyo, Beijing, Melbourne, Vancouver, Mumbai, Bad Essen and Karachi.

The Group incurred total staff costs of approximately US$23.4 million for the year ended 31 December 2005, representing 5.4% of the Group's turnover for the year.

Remuneration of the Group's employees includes basic salaries, bonuses and long term incentives. Employees are remunerated on a fixed salary basis and are eligible for a discretionary bonus (based on both the Group's and individual's performance for the year) and performance-related bonuses if certain financial and other targets, which are set annually by the Board, are achieved.

The Group's principal retirement benefit scheme is the Mandatory Provident Fund Scheme (the "MPF Scheme") provided under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those staff employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution scheme under which the employer and its employees are each required to make contributions to the scheme of 5% to 10% of the employees' relevant income, with the employees' contributions subject to a cap of monthly relevant income of HK$20,000. The Group's contributions to the scheme are expensed as incurred. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

Following the approval of shareholders at a special general meeting convened on 8 June 2005, the Company's share option scheme (now called the "Long Term Incentive Scheme") was amended to allow the Company to award restricted shares and restricted units as an alternative, or in addition, to granting share options.

Purchase, Sale or Redemption of Shares

During the year, neither the Company nor any of its subsidiaries had sold or redeemed any of the Company's shares.

Compliance with Code of Conduct Regarding Directors' Securities Transactions

The Board of Directors has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code").

The Board confirms that, having made specific enquiry of all Directors, the Directors of the Company have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions.

Compliance with the Code on Corporate Governance Practices

Throughout the year, the Company has complied with all code provisions of the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules. Please refer to the Corporate Governance Report of the Annual Report.

Review of Audit Committee

The audit committee of the Company has reviewed this annual results announcement and the annual report of the Company for the year ended 31 December 2005.

Final Dividends and Book Closure

The Board has recommended a final dividend for the year ended 31 December 2005 of 35 HK cents per share and if such dividend is approved by the shareholders at the Annual General Meeting, it is expected to be paid on or about 13 April 2006 to those shareholders whose names appear on the register of shareholders on 7 April 2006.

The register of shareholders will be closed from 4 April 2006 to 7 April 2006 (both days inclusive) during which period no transfer of shares will be registered. 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 4:00 p.m. on 3 April 2006. The ex-dividend date for the final dividend will be on 31 March 2006.

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 will be published on the Stock Exchange's website at www.hkex.com.hk and on the Pacific Basin website at www.pacbasin.com.

The Company's 2005 Annual Report will be circulated to shareholders by 16 March 2006. An electronic copy of the Annual Report will also be available on the Company's website at www.pacbasin.com from the date when the printed copy is dispatched to shareholders.

Directors

As at the date of this announcement, the executive Directors of the Company are Christopher Richard Buttery, Richard Maurice Hext, Mark Malcolm Harris and Paul Charles Over, the non-executive Directors of the Company are Lee Kwok Yin, Simon, and Brian Paul Friedman, and the independent non-executive Directors of the Company are Robert Charles Nicholson, Patrick Blackwell Paul and The Earl of Cromer.

* *For identification purpose only.*

Please also refer to the published version of this announcement in South China Morning Post.