Pacific Basin Shipping Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 2343)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

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 2007 as follows:

Highlights

	Year Ended 31 December	
US$ million	**2007**	2006
Revenue	**1,177.3**	620.4
Time Charter Equivalent Earnings	**700.5**	344.8
Profit Attributable to Shareholders	**472.1**	110.3
Basic Earnings per share (US cents)	**30.1**	8.3
Basic Earnings per share (HK cents)	*234*	*65*

- **Group profits for the year rose by 328% to US$472.1 million** (2006: US$110.3 million) as a result of increased revenue days and strong dry bulk market conditions, and which include disposal gains of US$137.4 million (2006: US$23.8 million). **Basic earnings per share were HK$2.34** (2006: HK 64.69 cents)

- **Highest ever full year dividend of HK$1.20 per share**, up 182% on 2006 (HK 42.5 cents) including a proposed final dividend of HK 75 cents

- **Strong balance sheet** with total assets of US$1,654.3 million and shareholders' equity of US$867.6 million. Return on average equity was 78.0% (2006: 36.4%)

- **Cash position** of US$649.5 million and net debt to equity ratio of 1.2%

- **Handysize revenue days increased by 22% to 20,100** (2006: 16,420) due to expanded owned and long term chartered fleet. Handysize daily rate increased by 50% to US$23,200 (2006: US$15,420)

- **Growth in handysize revenue days expected to be 16% in 2008**, based on commitments to date

- **Ship expenditure totalled US$257.5 million** (2006: US$285.1 million)

- **Ship sales generated disposal gains of US$137.4 million** (2006: US$23.8 million) comprising 13 vessels of which 12 were chartered back

- **Core dry bulk fleet, including newbuildings, now totals 95 ships** (February 2007: 77), of which 33 are owned or on finance lease and 62 are chartered (including 12 with purchase options)

- **Contract cover** is in place for 57% of current 23,310 handysize revenue days in 2008 at an expected yield of about US$27,360 per day net. 25% of 2009 handysize revenue days are covered. Baltic Handysize spot index on 28 February 2008 stood at US$32,578 per day net

- **Continued development** of businesses in related areas, including bulk ports, towage, and roll on roll off vessels

- **Positive dry bulk market outlook** for 2008 despite risk of US recession, based on continued industrial growth of developing countries, altered trading patterns and modest net fleet growth

CHAIRMAN'S STATEMENT

Pacific Basin enjoyed a booming dry bulk market in 2007 and delivered its best results since listing in 2004. Group profits increased by 328% to US$472 million and basic earnings per share by 262% to HK$2.34. Revenue increased by 90% to US$1.18 billion and cargo carried by 38% to 29 million tonnes. Our Group's main activity was the operation of ships to service cargo contracts for our industrial customers.

The Board has recommended a final dividend of HK 75 cents per share bringing the total for 2007 to HK$1.20 per share (2006: HK 42.5 cents), representing a 52% payout. The Board has reaffirmed that it will continue its policy of paying out a minimum of 50% of distributable profits for at least the first half of 2008. Thereafter the percentage payout will depend principally on the Group's investment plans - although in any case a generous dividend policy will be maintained.

In 2007 the dry bulk market soared. The Baltic Dry Index ("BDI") averaged 7070 points against an average of 2100 points during the previous ten years. The dry bulk market strength reflected ship supply growth of 6.5% in a year when the demand for shipments of raw materials, powered by the rapid industrialisation of China, India and other developing economies, grew by an estimated 13%. Although the BDI, at 7332 points on 28 February, is down by about a third from its brief November 2007 peak – mainly due to market uncertainty over iron ore shipments – current freight rates are still very healthy by any historical standards, and exceed the full year average for 2007.

Pacific Basin's results benefited from the rising market in respect of the 42% of our total revenue days which were unfixed at the beginning of the year. Our handysize revenue days grew by 22% in 2007 year on year and are anticipated to grow by a further 16% in 2008 based only on commitments to date.

Our core dry bulk fleet now comprises 95 vessels including 15 newbuildings on order, of which three are post panamax vessels targeted at China's international coal trades. Including additional ships on short term charter, our total controlled dry bulk fleet numbers 120. Our fleet size gives us three key benefits of scale: we can provide our customers with more flexible, reliable and frequent services; we can secure more attractive charter-in rates from other owners; and we minimise our ballast time by combining cargoes efficiently, thereby allowing us to provide our customers with competitive freight rates. Our fleet operating model also makes us less reliant on owning ships: our handymax division operated with over 90% chartered tonnage in 2007 and generated a profit of US$34 million, compared with a loss of US$4.1 million in 2006, its first year of operation.

During the year we sold thirteen vessels, realising total disposal gains of US$137 million. We chartered back twelve of these vessels, allowing us to maintain scale and to continue enjoying the rising freight market.

In the course of building our dry bulk business, we have come across a number of valuable opportunities to invest in related areas. We are pursuing several port opportunities where our dry bulk cargo base qualifies us as a potential investor: our first such investment in 2007 was a new general cargo terminal at Nanjing, the highest point on the Yangtze River navigable by handysize vessels. We have also invested in port services through our acquisition of 90.1% of Australian Maritime Services, Australia's

second largest tug operator, and are now in the process of re-equipping and expanding this business. This followed our first towage investment in early 2007 when we acquired a tug and barge for operation by Fujairah Bulk Shipping (to be renamed Fujairah Mining and Shipping), complementing its existing handysize and handymax operations for the transport of rock and aggregates into very shallow draft waters in the northern Arabian Gulf.

In February 2008, we announced the acquisition of four roll on roll off vessels to be built at A.P. Moller - Maersk's Odense Steel Shipyard in Denmark with contracted delivery to us between 2009 and 2011. This purchase gives Pacific Basin a foothold in a very interesting shipping sector which displays a number of the characteristics which first attracted us to the handysize business: a low orderbook, an ageing fleet, and exciting long term demand growth prospects.

The mood of uncertainty permeating the financial markets thus far in 2008 has threatened to undermine shipping market sentiment and we continue to take a conservative approach towards booking forward cover for our fleet. Nevertheless, the encouraging performance of the 'real' economy, and the supply and demand signs for the dry bulk business in 2008 – low deliveries, port and infrastructure bottlenecks, and continued high demand from China – all point to another good year for Pacific Basin. Whilst it is always difficult to predict the future, present indications are that demand for shipments of dry bulk cargoes – exemplified by China's recent coal shortages and the 65% increase in the price of 2008 contract iron ore exported by Brazil – will continue to be strong for some time to come. Optimism must be tempered by the increased orderbook of newbuilding dry bulk tonnage, now at an estimated 57% of the operating fleet, although tightened credit market conditions and difficulties for shipyards in finding key ship components such as main engines suggest that many reported orders will either deliver late or not at all. Meanwhile, Pacific Basin's recent investments in ports, port services and in the roll on roll off business will lessen any adverse impact on our earnings from a weaker dry bulk market.

We have a strong balance sheet – a cash balance of US$650 million and a net debt to shareholders' equity ratio of only 1.2% – including US$390 million raised in December 2007 by the issuance of convertible bonds. This puts us in a strong position to capitalise on available opportunities.

I am delighted to have commenced my role as Chairman of Pacific Basin. My predecessor, Christopher Buttery, has signaled that he would like to step off the Board from 30 June but he has agreed to remain closely associated with the Company by way of a long term consultancy agreement. Christopher has done a remarkable job of building a company whose brand name is synonymous with growth, innovation and vision in shipping: we are all very grateful to him. I look forward to continuing to grow Pacific Basin in the years ahead.

It remains for me to thank the talented, hard working and loyal staff of Pacific Basin: it is their commitment that is primarily responsible for our success.

David M. Turnbull
Chairman

Hong Kong, 3 March 2008

BUSINESS REVIEW AND OUTLOOK

The Dry Bulk Market

The BDI rose to record highs in 2007 due mainly to relentless growth in demand for raw materials from China and other industrialising nations, a relatively small increase in new ship deliveries, port congestion and widespread inland transport and infrastructure failures. These factors contributed to a virtually uninterrupted rise in the BDI from 4421 points on 1 January to a 13 November peak of 11039 points. The BDI average for the year was 7070 points, a 237% increase on the previous ten year average of 2100 points.

The capesize segment again led the market and, as these ships were fully utilised in the iron ore and coal trades, the supply shortage spilled over to increase the pressure on smaller vessels. Whilst total cargo volumes grew by a healthy 7% year on year, the average distance travelled by each tonne of cargo magnified effective vessel demand. The main reason was that the strength of demand from China for a variety of commodities has forced a change in traditional trading patterns with cargoes being imported from increasingly further afield. China's domestic demand for coal and resultant reduced exports forced Japan and Taiwan to import more coal from Indonesia, Australia and South Africa. China's iron ore imports from Brazil, which travel around three times the distance as from Australia, registered year on year growth of 28%. In the grain trades, supply shifted in favour of long-haul South American grain due to poor weather conditions affecting crops in Australia and Europe.

At the same time, effective vessel supply was reduced by port congestion in Australia and Brazil which left a significant proportion of capesize and panamax tonnage underutilised: at its peak in March, up to 17% of the total capesize fleet (number of vessels) lay idle outside Australian ports. Port congestion was compounded by the failure of inland transport networks to cope with the strength of cargo demand.

An estimated incremental 70 million tonnes of coal[1] was transported along the China coast during the year, absorbing tonnage which would otherwise have serviced the international trades.

Taking all these factors into account, the effective demand for ships rose by an estimated 13%[2] year on year. Of the minor bulks, fertiliser, scrap, bauxite, and nickel ore were the main growth drivers for the smaller ships. To illustrate, nickel ore volumes grew from virtually nothing in 2005 to 15.7 million tonnes shipped in 2007.

On the supply side, the total dry bulk fleet grew by a modest 6.5% (3.4% for handysize), the lowest rate for three years, with this growth easily absorbed by demand. Fleet growth is calculated as newbuilding tonnage delivered less scrapping which almost disappeared as the strong earnings potential for older vessels encouraged owners to keep them in service beyond the historical average scrapping age of 28 years.

1. Source: Howe Robinson
2. Source: R.S. Platou

Since November, the BDI has fallen to around 7300 points (above the 2007 average) as cargoes ran short due mainly to the seasonal iron ore negotiations but also to operational delays, weather disruptions and, most recently, to the Chinese New Year holidays. Recent reports of agreement to a 65% increase in the price of contract Brazilian ore from 1 April should assist market sentiment.

Handy Bulk Business Overview

Pacific Basin's dry bulk chartering business, operating under the brand names "Pacific Basin-IHC" (handysize) and "Pacific Basin-IHX" (handymax), operates one of the largest fleets of modern handysize and handymax ships in the world. This fleet serves the bulk transportation needs of a wide range of mainly blue chip customers across a range of industries including agriculture, forestry, mining, manufacturing and construction.

Close contact with our customers is essential and we have a comprehensive network of regional offices staffed by experienced freight professionals who provide our customers with local sales and operational services. During 2007 we added offices in Auckland and Santiago to existing locations in Hong Kong, Shanghai, Tokyo, Melbourne, Vancouver, London and Dubai.

Handysize

The Group's handysize activities under the "Pacific Basin-IHC" brand continued to grow in 2007, expanding the core fleet of owned and long term chartered tonnage on the water to 63 ships by 28 February 2008 – up from 53 ships as of 1 January 2007, resulting in a revenue day growth of 22% to 20,100 days. In addition, as at 28 February, Pacific Basin-IHC had six ships on short term charter and so had a total fleet in operation of 69 ships.

With a large, modern and uniform fleet, Pacific Basin-IHC offers its customers reliable and frequent services. In addition, Pacific Basin's strong, visible balance sheet enables us to attract customers seeking a "bankable" counterparty who can be relied on to perform future, multiple-year contractual obligations. Few other ship operators provide the same visibility and security. Our fleet is operated in a mix of spot and contract business covering periods of between one and ten years. It is engaged in worldwide trading, but with a focus on the Pacific Rim, where our cargo contract portfolio is concentrated. The high volume of ships and contract cargoes in this region produces synergies in terms of reduced ballast time, which accounted for only 13.2% of total operated days in 2007. This allows us to offer our customers competitive rates whilst extracting additional value from our business.

Our expanded handysize fleet carried 17.7 million tonnes of cargo in 2007, up 11% from 2006. Key commodities carried included cement, steel (including scrap metal), fertilisers and grain. We have seen particular growth in the volume of scrap metal carried from Australia and the US West Coast to South East Asia, where the scrap is recycled for low grade steel production. We also recorded strong growth in

fertiliser shipments, fueled by stronger demand for corn used in ethanol production. Our handysize ships carry a very broad range of bulk commodities and consequently experience far less volatility of earnings than capesize and panamax dry bulk ships, which carry relatively few cargo types.

Pacific Basin-IHC achieved a contribution of US$260.5 million in 2007 on net earnings of US$23,200 per day over our 20,100 handysize revenue days – an increase in earnings of 124% from 2006.

Our customers are increasingly asking us to enter into multiple-year contracts as they seek to manage their forward freight exposures and to secure reliable shipping services. We are thus expanding our forward portfolio of contracts well beyond 2008, and have already made a good start on building our cargo cover for 2009 and 2010. The following table sets out Pacific Basin-IHC's fleet revenue days and cover rates in 2007 to 2008, as at 22 February 2008:

Handysize Vessel Activity Summary	Unit	FY 2007	**FY 2008**
Cargo Commitments			
Revenue days	days	20,100	**12,270**
Net paper contracts	days	–	**1,100**
Equivalent revenue days	days	20,100	**13,370**
Daily TCE	US$	23,200	**27,360**
Ship Commitments			
Revenue days	days	20,100	**23,310**
Net Position			
Cargo as % of ship commitments	%	100%	**57%**

Handysize FFA Activity Summary	Unit	FY 2007	**FY 2008**
FFA paper sold	days	2,340	**1,540**
FFA paper bought	days	(150)	**(360)**
Net realised paper exposure	days	(2,190)	**(80)**
Net FFA paper sold as at 31 December 2007 / 22 February 2008	days	–	**1,100**

Handymax

Pacific Basin-IHX was established in 2006 in response to customer requests for us to cover their handymax as well as their handysize freight transportation needs. We expanded the business aggressively during 2007 building Pacific Basin-IHX's customer relationships, its book of cargo contracts, and its controlled tonnage. Cargo volumes more than doubled from 5.3 million tonnes in 2006 to 11.3 million tonnes in 2007.

Like Pacific Basin-IHC, Pacific Basin-IHX combines front and back haul routes in order to minimise vessel ballast time (13.4% in 2007), thereby maximising its returns. Pacific Basin-IHX also makes limited use of FFAs to hedge its freight market exposure, especially when suitable cargo cover is not immediately available.

The top five commodities transported by Pacific Basin-IHX in 2007 were coal, ore, fertilisers, grains, and cement/clinker. About 55% of these cargoes were loaded within the Pacific and 45% within the Atlantic. The largest load and discharge regions were the Indian Ocean and the Middle East, although significant volumes of cargo were also loaded in Australia and discharged in China and in South East Asia.

As at 28 February 2008 Pacific Basin-IHX controlled a total of 33 vessels including 2 owned vessels, 12 vessels on long term charter and 19 vessels on short term charter. The Pacific Basin-IHX Pool includes tonnage from two external owners. The total fleet operated is up from 22 vessels as of February last year and, subject to market conditions, will be further increased during the next twelve months.

Pacific Basin-IHX achieved a contribution of US$34.0 million in 2007 (2006: loss of US$4.1 million) on net earnings of US$30,040 per day over 4,870 handymax revenue days.

The following table sets out Pacific Basin-IHX's fleet revenue days and cover rates in 2007 to 2008, as at 22 February 2008:

Handymax Vessel Activity Summary	Unit	FY 2007	**FY 2008**
Cargo Commitments			
Revenue days	days	4,870	**4,130**
Net paper contracts	days	–	**180**
Equivalent revenue days	days	4,870	**4,310**
Daily TCE	US$	30,040	**44,210**
Ship Commitments			
Revenue days	days	4,870	**4,630**
Net Position			
Cargo as % of ship commitments	%	100%	**93%**

Handymax FFA Activity Summary	Unit	FY 2007	**FY 2008**
FFA paper sold	days	1,737	**700**
FFA paper bought	days	(1,798)	**(520)**
Net realised paper exposure	days	61	**–**
Net FFA paper sold as at 31 December 2007 / 22 February 2008	days	–	**180**

Bulk Fleet Development

Second hand bulk carrier prices, which were already at all time highs at the beginning of 2007, rose further during the majority of the year before leveling off in line with freight rates. Clarkson's value for a five year old handysize stood at US$28.5 million in January 2007 and, just over a year later, stands at US$44 million, up by over 50%.

Our core fleet on the water grew by 20 vessels to 80 vessels and will be augmented by six newbuildings to be delivered in 2008, six in 2009, and a further three in 2010 and 2011. The first of our series of eight newbuildings from Jiangmen Nanyang Shipyard in China delivered at the end of January 2008. During the year we placed orders for a further seven vessels, including two post panamax ships, at prices which now look favourable compared to the market.

In 2007 we sold thirteen handysize vessels, generating disposal gains of US$137.4 million. Twelve of these vessels were chartered back for periods averaging three years, which has filled a mid-term gap between our existing charters which were either long (around eight years) or short term (less than one year).

Fleet Development (excluding short term charters) [6]

	Number of vessels						
	Delivered fleet			Newbuildings on Order			
	Owned	Chartered[1]	Total	Owned	Chartered[1]	Total	Total fleet including newbuildings
Handysize Fleet							
As at 1 January 2007	22	32	54	11	1	12	66
New orders	–	–	–	4	–	4	4
Second hand purchase	1	–	1	–	–	–	1
New charters[2]	–	5	5	–	2	2	7
Newbuildings delivered	5	2	7	(5)	(2)	(7)	–
Exercise of purchase option of a bareboat chartered in vessel	1	(1)	–	–	–	–	–
Sale and time charter back[3, 4]	(11)	10	(1)	–	–	–	(1)
Disposal	(1)	–	(1)	–	–	–	(1)
Expiry of charter	–	(1)	(1)	–	–	–	(1)
As at 28 February 2008	**17**	**47**	**64**	**10**	**1**	**11**	**75**
Handymax Fleet							
As at 1 January 2007	2	4	6	–	–	–	6
New order	–	–	–	1	–	1	1
Second hand purchase	1	(1)	–	–	–	–	–
New charters[2]	–	10	10	–	1	1	11
Newbuilding delivered	–	1	1	–	(1)	(1)	–
Expiry of charter	–	(1)	(1)	–	–	–	(1)
As at 28 February 2008	**3**	**13**	**16**	**1**	**–**	**1**	**17**
Post Panamax Vessels							
New orders[5]	–	–	–	2	–	2	2
New charter[5]	–	–	–	–	1	1	1
As at 28 February 2008	**–**	**–**	**–**	**2**	**1**	**3**	**3**
Total dry bulk fleet as at 28 February 2008	**20**	**60**	**80**	**13**	**2**	**15**	**95**
Roll on Roll off Vessels							
New orders	–	–	–	4	–	4	4
As at 28 February 2008	**–**	**–**	**–**	**4**	**–**	**4**	**4**
Tugs							
Acquisition of Australian Maritime Services	–	6	6	–	–	–	6
New orders	–	–	–	7	–	7	7
Second hand purchase	1	–	1	–	–	–	1
Newbuilding delivered	1	–	1	(1)	–	(1)	–
As at 28 February 2008	**2**	**6**	**8**	**6**	**–**	**6**	**14**
Barge							
New order	–	–	–	1	–	1	1
Newbuilding delivered	1	–	1	(1)	–	(1)	–
As at 28 February 2008	**1**	**–**	**1**	**–**	**–**	**–**	**1**
Total other vessel type as at 28 February 2008	**3**	**6**	**9**	**10**	**–**	**10**	**19**

1 Includes 26 handysize, 1 handymax and 1 post panamax vessels with purchase options
2 Includes 1 vessel which is expected to join our chartered fleet in the first half of 2008
3 Excludes “Port Angeles” which has been treated as our chartered newbuilding at the time when we entered into sale and charter back agreements for this vessel during 2005. For accounting purposes, “Port Angeles” was treated as sold upon its delivery in May 2007
4 Includes the sale of “Christine O” (ex. Abbot Point). “Christine O” has been chartered back to us for two years at a variable, market-related rate and it is treated as our managed vessel instead of a chartered vessel since we earn management fees for operating her
5 The Group has a 50% interest in one of the owned newbuildings and the chartered newbuilding through a 50/50 joint venture
6 Excludes purely managed vessels

Other Operations and Business Development

Pacific Basin has a number of important investments in areas outside our core dry bulk ship owning and operating business. These include bulk ports, port services (towage), the sourcing, transport and selling of certain dry bulk commodities, and roll on roll off vessels. We have made investments, following careful evaluation, only where we can contribute as a result of our experience in our core business, and where there is potential for significant scale and future contribution to the Group’s results.

Asia Pacific Maritime & Infrastructure Group (“APMIG”)

Pacific Basin’s wholly owned subsidiary APMIG pursues bulk port projects and other maritime infrastructure opportunities in China and elsewhere. By developing strategic alliances with port groups and with minerals and commodity interests, APMIG broadens Pacific Basin’s presence in the supply chain for bulk commodities at a time of strong and growing demand for these commodities. APMIG is considered a valuable partner because of Pacific Basin’s international shipping experience, cargo connections and insight into finance and capital markets. To this APMIG adds its own unique network of senior shipping, commodities and political connections in China. APMIG is led by Mr. CL Wang who is a main board Director of Pacific Basin.

In January 2008, APMIG injected capital of US$17 million into its Nanjing Longtan Tianyu Terminal joint venture company, as part of our initial capital commitment. The terminal’s business license was issued in February, allowing commercial activities formally to commence. Trial operations saw 160,000 tonnes of general cargo being successfully handled in 2007 and the terminal’s throughput looks set to grow steadily once formal operations begin under the supervision of our joint venture management team.

Efforts are being made to conclude more transactions in other strategically important locations on the Yangtze River and the Chinese coast.

Other Business in China

Under the direction of Mr. Ben Lee, President of Pacific Basin's operations in China, major progress has been made in building our relations with China Huaneng Group ("CHG"), one of China's largest power producers. Pacific Time Shipping Limited, the joint venture between Pacific Basin and Time Shipping, CHG's shipping arm, has contracted one post panamax newbuilding to be built for delivery in 2011. Two further post panamax newbuildings were contracted directly by Pacific Basin, again for delivery in 2011. These ships are expected to participate in the transportation of CHG's coal requirements.

PB Towage

Pacific Basin's ships make thousands of port calls each year, part of a wider trend of rising port calls as the world's fleet of cargo vessels grows and emerging market trades expand. Port throughput and associated services (such as towage) therefore look set for sustained growth, in particular at dry bulk and general cargo terminals which have not yet seen the same level of capital investment as have container facilities but which look set to follow suit. Similarly, the harbour tug sector has seen insufficient investment in modern tonnage capable of serving the increased number of large cargo vessels now on order. In November 2007 we announced the acquisition of Australian Maritime Services, a harbour towage business which owns and operates seven modern tugs based in Brisbane, Port Botany (Sydney), Melbourne and Western Australia. From this base we have already ordered an additional six tugs and are seeking to further grow our fleet – either through direct purchases in the newbuilding and second hand markets, or through the acquisition of existing operating businesses.

Fujairah Bulk Shipping

Fujairah Bulk Shipping L.L.C. was incorporated in the United Arab Emirates in January 2006, and is to be renamed Fujairah Mining and Shipping ("FMS") to reflect more accurately the development of its business. Over the past two years FMS has significantly improved its profits, of which Pacific Basin enjoyed US$4.3 million in 2007 (2006: US$0.9 million) according to its one third share in the joint venture. The Company is forecasting further profit growth over the coming years. FMS' strategy is to be the market leader in sourcing and transporting aggregates from Fujairah to a number of chosen markets in the Gulf region. FMS has created a fully integrated mining and shipping organisation, which combines production, supply, local transport, marine transport and delivery of rock and aggregates to end user customers predominately in the Arabian Gulf. FMS' opportunity is to integrate the currently fragmented supply chain from production through to supply to the end user.

Roll On Roll Off ("RoRo") Vessels

RoRo vessels allow the swift load and discharge of wheeled cargoes (mainly trailers) over a ramp, and are ideally suited to "short-sea" and coastal trades, for which demand is projected to grow in Asia Minor, Europe, and eventually east Asia over the coming years.

In February 2008, Pacific Basin announced that it had agreed to take over resale contracts for two RoRo cargo vessels to be built at A.P. Moller - Maersk's Odense Steel Shipyard and had contracted for two more such vessels direct from the same yard. The total consideration for all four vessels, which deliver in 2009 (one vessel), 2010 (two vessels) and 2011 (one vessel), is approximately US$375 million.

The dynamics of the RoRo shipping sector are similar to those which attracted Pacific Basin to the handysize sector some years ago, namely a high average fleet age (44% over 25 years old), a modest orderbook (17% of existing fleet), good demand prospects and a requirement for premium service levels. One of the resales purchased has already been fixed for three years (plus an optional two year period) to an established operator.

Equity Investments

Since March 2007, the Group has taken a limited number of long positions in listed dry bulk equities, following a Board mandate to invest up to US$50 million in this activity. Our proximity to shipping market developments through our active participation in the charter markets around the world and the strong performance of the dry bulk market have contributed to an encouraging result. We reduced our positions significantly during the fourth quarter of 2007, and closed out all remaining investments in January 2008, booking an absolute return of 113% (US$25.2 million) on average funds invested of US$22.3 million since inception. We will continue to invest in selected shipping equities within the existing mandate when we see value opportunities. Any such investments are actively managed within the Group and guided by stringent risk management controls.

Dividend

The Company's stated dividend policy is to distribute not less than 50% of annual profits. In accordance with this policy, the Board has proposed a final dividend of HK 75 cents per share, which will be paid on 16 April 2008. This is the highest dividend ever proposed by the Group, and, combined with the interim payment, represents a 52% payout. The Board will continue its policy of recommending a payout of a minimum of 50% of distributable profits for at least the first half of this year. Thereafter the Board will review the policy in light of the Group's investment plans. However, the precedent of generous distributions will be maintained.

The register of members will be closed from 3 to 8 April 2008 (both days inclusive), during which period no transfer of shares 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 2 April 2008.

Following the payment of the 2007 final dividend, Pacific Basin will have retained earnings of over US$328.6 million available for distribution.

Outlook

We believe that 2008 will be another good year for the dry bulk market. Industrial production growth in the developing Asian nations powered ahead in 2007, led by China (with an increase estimated at 18% year on year) and most forecasters anticipate continued robust growth.

The fortunes of the bulk market will be dominated by the extent to which the supply of larger ships is absorbed by demand for iron ore and coal; indeed the vagaries of the iron ore pricing negotiation process have had a significant softening effect on rates so far this year. Increased volatility has come to characterise freight rate movements due to the nearly 100% utilisation of the dry bulk fleet, which causes rates to spike (or plummet) in response to relatively slight changes in port congestion levels, weather, or short term commodity demand. Nevertheless, the handysize segment is shielded from the more extreme volatility suffered by the capesize market due to its much broader cargo base and range of trade routes. Last year, shipments of the 'minor bulks' bauxite, alumina, fertiliser, and nickel beat expectations, and we anticipate more upside surprises this year.

We are paying close attention to the fortunes of the wider financial markets and the US economy in particular, as resultant negative sentiment has threatened to spill over into the shipping market. In particular, the potential effect of a US slowdown on the engine of the dry bulk boom – China's economy – has been widely reported. We take comfort from the strength of China's domestic market, meaning that a fall in US demand is likely to have a relatively small impact on Chinese GDP growth.

Another cause for concern lies in the increase in the orderbook of dry bulkers to 57% of the operating fleet as of 31 January 2008, up from 22% in January last year. These ships are due to deliver between 2008 and 2013. We estimate that the rise in delivered tonnage in 2008 will be kept at a manageable 7.5%, maintaining a tight balance with expected projected demand growth. Thereafter actual ship supply will be affected by a chronic shortage of crucial components such as main engines, crankshafts and crane bearings, the availability of which can hold up construction schedules quite severely, especially at the newer and less experienced Chinese yards. The tighter credit market may also prevent the funding of a number of newbuilding projects and in particular the declaration of options. These factors mean that many of these ships will be delivered late and some will never deliver.

Meanwhile the handysize orderbook is the lowest of any dry bulk segment at 35% as of 31 January 2008, albeit up from 15% in January last year. With 20% of the handysize fleet over 30 years old, we can also expect an increase in forced scrapping, as ageing vessels become too expensive to keep in commission, especially if rates soften. Scrapping provides a self-regulating buffer against market weakness. Its relatively small orderbook and aged fleet makes handysize the most attractive segment for a dry bulk shipowner.

In summary, having made a strong start to 2008, we look forward with confidence. We have a nimble, proven operating model in our core business, a high quality customer base and a very strong balance sheet with available cash of US$650 million and minimal net debt. Our core business is in good health and we anticipate a growing contribution from the new businesses that we have developed over the past two years.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2007

	Note	**2007** **US$'000**	2006 US$'000
Revenue	3	**1,177,292**	620,444
Bunkers, port disbursements, other charges and amounts payable to other pool members	3	**(476,819)**	(275,668)
Time charter equivalent earnings	3	**700,473**	344,776
Direct costs		**(315,951)**	(215,807)
General and administrative expenses		**(17,798)**	(12,291)
Other operating income		**87,907**	13,699
Other operating expenses		**(103,228)**	(18,930)
Gains on disposal of property, plant and equipment		**137,437**	23,787
Operating profit		**488,840**	135,234
Finance costs		**(24,103)**	(26,831)
Share of profits less losses of jointly controlled entities		**8,284**	3,024
Profit before taxation	4	**473,021**	111,427
Taxation	5	**(889)**	(1,135)
Profit for the year		**472,132**	110,292
Attributable to			
Shareholders		**472,125**	110,292
Minority interest		**7**	–
		472,132	110,292
Dividends	6	**243,571**	78,407
Earnings per share for profit attributable to shareholders			
Basic	7(a)	**US 30.05 cents**	US 8.33 cents
Diluted	7(b)	**US 30.00 cents**	US 8.28 cents

CONSOLIDATED BALANCE SHEET

As at 31 December 2007

	Note	**2007** **US$'000**	2006 US$'000
Non-current assets			
Property, plant and equipment		**755,865**	741,014
Land use rights		**419**	427
Goodwill		**36,426**	25,256
Interests in jointly controlled entities		**19,543**	15,299
Derivative assets		**10,885**	11
Trade and other receivables	*8*	**10,662**	11,968
		833,800	793,975
Current assets			
Inventories		**27,312**	15,643
Derivative assets		**25,327**	1,481
Financial assets at fair value through profit or loss		**20,046**	–
Trade and other receivables	*8*	**98,316**	45,554
Cash and cash equivalents		**649,535**	63,242
		820,536	125,920
Current liabilities			
Derivative liabilities		**28,582**	11,209
Trade and other payables	*9*	**96,374**	69,894
Current portion of long term borrowings		**23,627**	23,881
Taxation payable		**1,548**	1,698
		150,131	106,682
Net current assets		**670,405**	19,238
Total assets less current liabilities		**1,504,205**	813,213
Non-current liabilities			
Derivative liabilities		**–**	1,636
Long term borrowings		**636,638**	326,584
		636,638	328,220
Net assets		**867,567**	484,993
Equity			
Capital and reserves attributable to shareholders			
Share capital		**158,403**	155,785
Retained profits		**480,907**	145,048
Other reserves		**227,826**	184,160
		867,136	484,993
Minority interest		**431**	–
Total equity		**867,567**	484,993

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 the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

2. Adoption of new/revised HKFRS

The accounting policies and methods of computation used in the preparation of these financial statements are consistent with those used in the 2006 annual financial statements except that the Group has changed certain of its accounting policies following its adoption of new/revised standards and interpretations to the published standards, which are relevant to its operation. The adoption of these new/revised standards and interpretations did not result in any substantial changes to the Group's accounting policies, except for new disclosures relating to financial instruments made in the financial statements.

3. Revenue and segment information

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

	2007	2006
	US$'000	*US$'000*
Revenue		
Freight and charter-hire	**1,167,388**	609,802
Ship management income	**9,904**	10,642
	1,177,292	620,444
Bunkers, port disbursements and other charges	**(221,518)**	(183,565)
Charter-hire expenses *(Note a)*	**(222,292)**	(73,813)
Amounts payable to other pool members *(Note b)*	**(33,009)**	(18,290)
	(476,819)	(275,668)
Time charter equivalent earnings	**700,473**	344,776

(a) Charter-hire expenses were for vessels directly chartered by the IHC Pool and the IHX Pool.

(b) Amounts payable to other pool members represented contingent lease payments in relation to freight and charter-hire, net of bunkers, port disbursements and other charges of US$25.2 million (2006: US$14.4 million) and 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's business is dominated by the provision of dry bulk shipping services, accordingly business segment information is not presented.

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/(crediting) the following:

	2007	2006
	US$'000	*US$'000*
Depreciation		
– owned vessels	**21,395**	17,158
– leased vessels	**14,645**	15,063
– other owned property, plant and equipment	**1,274**	1,178
Amortisation of land use rights	**8**	–
Bunkers consumed	**126,502**	91,396
Lubricating oil consumed	**4,219**	3,156
Gains on disposal of financial assets at fair value through profit or loss	**24,070**	–
Fair value gains on financial assets at fair value through profit or loss	**4,369**	–
Net (gains)/losses on bunker swap contracts	**(37,285)**	4,621
Net losses on forward freight agreements	**51,865**	8,279

5. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 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/(credited) to the consolidated income statement represents:

	2007	2006
	US$'000	*US$'000*
Current taxation		
Hong Kong profits tax	**1,131**	585
Overseas tax	**495**	309
(Overprovision)/underprovision of prior years	**(737)**	241
	889	1,135

6. Dividends

	2007	2006
	US$'000	*US$'000*
Interim dividend of HK 45 cents or US 5.8 cents per share (2006: HK 20 cents or US 2.6 cents per share)	**91,302**	33,443
Proposed final dividend of HK 75 cents or US 9.6 cents per share (2006: HK 22.5 cents or US 2.9 cents per share)	**152,269**	44,964
	243,571	78,407

The dividends paid in 2007 and 2006 were US$136,266,000 (HK 67.5 cents or US 8.7 cents per share) and US$91,552,000 (HK 55 cents or US 7.1 cents per share) respectively. A proposed final dividend in respect of the year ended 31 December 2007 of HK 75 cents (equivalent to US 9.6 cents) per share, amounting to a total dividend of US$152,269,000, was declared on 3 March 2008. These financial statements do not reflect this dividend payable.

7. Earnings per share

(a) Basic earnings per share

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

	2007	2006
Profit attributable to shareholders (US Dollars in thousand)	**472,125**	110,292
Weighted average number of ordinary shares in issue (in thousand)	**1,571,375**	1,323,282
Basic earnings per share	**US 30.05 cents**	US 8.33 cents
Equivalent to	**HK 234.21 cents**	HK 64.69 cents

(b) Diluted earnings per share

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

	2007	2006
Profit attributable to shareholders (US Dollars in thousand)	**472,125**	110,292
Weighted average number of ordinary shares in issue (in thousand)	**1,571,375**	1,323,282
Adjustments for share options (in thousand)	**2,496**	7,999
Weighted average number of ordinary shares for diluted earnings per share (in thousand)	**1,573,871**	1,331,281
Diluted earnings per share	**US 30.00 cents**	US 8.28 cents
Equivalent to	**HK 233.84 cents**	HK 64.30 cents

8. Trade and other receivables

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

	2007	2006
	US$'000	*US$'000*
Less than 30 days	**18,280**	18,682
31-60 days	**5,858**	2,361
61-90 days	**3,694**	369
Over 90 days	**2,815**	1,520
	30,647	22,932

Trade receivables consisted 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 and other voyage-related charges. The Group normally will not grant any credit terms to its customers.

9. Trade and other payables

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

	2007	2006
	US$'000	*US$'000*
Less than 30 days	**18,367**	10,621
31-60 days	**1,002**	1,315
61-90 days	**806**	482
Over 90 days	**2,287**	1,243
	22,462	13,661

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue in 2007 was US$1,177.3 million (2006: US$620.4 million), up 89.8%. Time charter equivalent earnings and ship management income were US$700.5 million (2006: US$344.8 million), up 103.2%. Net profit before gains on disposal of vessels was US$334.7 million (2006: US$86.5 million), up 286.9%. Net profit attributable to shareholders was US$472.1 million (2006: US$110.3 million), up 328.0%. The increase in net profit was mainly due to higher daily charter rates; an increase in the number of vessels controlled in the fleet; and gains on disposal of vessels. Return on average equity of US$605.3 million (2006: US$303.0 million) was 78.0% (2006: 36.4%).

Income

The Group's owned and chartered fleet generated US$1,167.4 million (2006: US$609.8 million) or 99.2% (2006: 98.3%) of revenue and the remaining 0.8% was derived from commercial and technical management services for third party pool and non-pool vessels and marine services businesses. Revenue is shown gross of voyage-related expenses, amounts payable to other pool members (based on the number of pool points attributable to their vessels) and changes in the fair value of bunker swap contracts. Voyage-related expenses related primarily to commissions, bunkers, port-related costs and hire expenses of short term chartered vessels.

The change in the time charter equivalent earnings can be summarised in the table below:

US$ million	**Handysize**	**Handymax**	**Management and other income**	**Total**
2006	248.0	86.1	10.7	344.8
Change in revenue days	56.7	9.7	–	66.4
Change in daily charter rates	215.6	71.9	–	287.5
Other	–	–	1.8	1.8
2007	**520.3**	**167.7**	**12.5**	**700.5**

The table below shows the handysize and handymax performance during the year:

	2006	**1H07**	**2H07**	**2007**	Year on year % change
Handysize					
Revenue days	16,420	**9,590**	**10,510**	**20,100**	+ 22%
Daily charter rates (US$)	15,420	**19,750**	**26,350**	**23,200**	+ 50%
Daily vessel operating costs (US$)	8,880	**9,370**	**11,040**	**10,240**	+ 15%
Handymax					
Revenue days	4,320	**2,260**	**2,610**	**4,870**	+ 13%
Daily charter rates (US$)	17,660	**25,180**	**34,250**	**30,040**	+ 70%
Daily vessel operating costs (US$)	18,600	**20,580**	**25,200**	**23,050**	+ 24%

Note: The above handymax performance excludes two vessels which are on long term charter at a daily rate of US$8,460 whilst the daily vessel cost is US$8,540.

Direct Costs

Direct costs in 2007 were US$316.0 million (2006: US$215.8 million). The bulk of the increase was represented by charter-hire expenses for vessels under operating leases which increased to US$202.2 million (2006: US$120.0 million) reflecting a 45.6% rise in the average number of vessels chartered under operating leases, and a 21.4% increase in the average daily charter rate.

Depreciation expenses increased to US$36.0 million (2006: US$32.2 million) primarily due to an increase in the average number of owned and finance leased vessels from 35 to 37.

Vessel operating costs for owned and finance leased vessels increased to US$45.1 million (2006: US$38.4 million). This was mainly due to an increase in the average number of owned vessels, an increase in crew wages and higher lubricant costs.

Direct costs also include the cost of marine services, and an overhead allocation of US$30.4 million (2006: US$23.5 million) representing shore based staff costs, office and related expenses directly attributable to the management of the owned and chartered fleet and the generation of marine services businesses.

Revenue days and vessel days can be analysed as follows:

	2006			**2007**		
	Owned	Chartered	Total	**Owned**	**Chartered**	**Total**
Handysize						
Vessel days	12,390	4,220	16,610	**12,560**	**7,730**	**20,290**
Drydocking	(180)	–	(180)	**(160)**	**–**	**(160)**
Off-hire	(10)	–	(10)	**(30)**	**–**	**(30)**
Revenue days	12,200	4,220	16,420	**12,370**	**7,730**	**20,100**
Handymax						
Vessel days	390	3,930	4,320	**730**	**4,140**	**4,870**
Drydocking	–	–	–	**–**	**–**	**–**
Off-hire	–	–	–	**–**	**–**	**–**
Revenue days	390	3,930	4,320	**730**	**4,140**	**4,870**

The off-hire for the total fleet of owned vessels represented 0.8 (2006: 0.3) days per vessel per year.

Blended vessel daily operating costs for handysize was US$10,240 (2006: US$8,880), an increase of 15.3% over the previous year, and for handymax was US$23,050 (2006: US$18,600), an increase of 23.9% over the previous year.

Gains on Disposal of Property, Plant and Equipment

Gains on disposal of property, plant and equipment totalled US$137.4 million (2006: US$23.8 million). The Group completed the sale and lease back of 12 of its vessels and sold 1 of its vessels. Proceeds from the sale of US$365.9 million were used 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.

Other Operating Income

Movements in the fair value of receipts from forward freight agreements amounted to US$50.9 million (2006: US$10.6 million).

The Group invested in the shares of other listed shipping companies which are held as current assets. Increases in the fair value, dividends and gains from the sale of these financial assets amounted to US$29.7 million (2006: Nil).

In addition, bank interest and finance lease income amounted to US$6.3 million (2006: US$3.1 million).

Other Operating Expenses

Movements in the fair value of payments for forward freight agreements amounted to US$102.8 million (2006: US$18.9 million). Taking into account the movements in fair value of receipts of US$50.9 million as shown above, the net movements in the fair value of forward freight agreements was an expense of US$51.9 million (2006: US$8.3 million).

General and Administrative Expenses

The Group's total administrative expenses of US$48.2 million (2006: US$35.8 million) consisted of shore based overhead costs of US$30.4 million (2006: US$23.5 million) included as part of direct expenses, and general and administrative expenses of US$17.8 million (2006: US$12.3 million). The increase was largely due to the increase in the number of staff directly involved in the management of the expanded fleet and the increase in long term share-based compensation to US$5.3 million (2006: US$2.5 million).

Total administrative expenses as a percentage of revenue decreased from 5.8% to 4.1%. In addition, the number of full time shore based staff per owned, chartered and managed vessel decreased from 2.8 to 2.5. This excludes the staff who are engaged in the provision of surveying and consulting services and not in the management of these vessels.

Share of Profits Less Losses of Jointly Controlled Entities

The Group's share of profits less losses of jointly controlled entities totalled US$8.3 million (2006: US$3.0 million). This mainly represented the share of results of the vessel "Captain Corelli" of US$3.6 million (2006: US$2.0 million), and the Group's one third share of US$4.3 million (2006: US$0.9 million) in Fujairah Bulk Shipping L.L.C., a business involved in the production, supply and transportation of aggregates in the Middle East.

Financing

Finance costs of US$24.1 million (2006: US$26.8 million) included interest payments of US$1.9 million (2006: US$3.8 million) in relation to bank borrowings used to finance the Group's owned vessels, finance charges of US$19.9 million (2006: US$21.2 million) in relation to vessels under finance lease arrangements and interest expenses of US$0.6 million in relation to convertible bonds.

Interest Payments on Bank Borrowings

The decrease in interest payments on bank borrowings of US$1.9 million was primarily due to the decrease in the average bank borrowings outstanding to US$30.1 million in 2007 (2006: US$62.2 million). The bank borrowings' interest cost amounted to approximately US$290 per day in 2007 (2006: US$600). Bank borrowings are subject to floating interest rate but the Group manages these exposures by way of interest rate swap contracts. The average interest rate after hedging on bank borrowings was approximately 5.7% for the year (2006: 5.9%).

Finance Charges

Finance charges of US$19.9 million (2006: US$21.2 million) represented interest payments on the Group's finance leased vessels. The aggregate current and long term finance leased liabilities as at 31 December 2007 was US$289.6 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. The finance charges for the finance lease vessels amounted to approximately US$3,230 per day in 2007 (2006: US$3,410). This daily charge will reduce each year as the finance lease liabilities in the balance sheet are repaid. Finance charges can be expressed as interest rates, fixed for the period of the leases. The average interest rate on finance leases was approximately 6.7% during the year (2006: 6.7%).

Interest Expenses on Convertible Bonds

During December 2007, the Group issued US$390 million, 3.3% per annum coupon, guaranteed convertible bonds due 2013 to fund its existing capital commitments and finance possible new investments. The bonds are convertible into ordinary shares of the Company at an initial conversion price of HK$19.28. However between 20 September 2008 and 3 November 2010, conversion can only take place if the closing price of the Company shares is at least at a 20% premium to the HK$19.28 conversion price for five consecutive trading days, being HK$23.14 per share or above. Interest expense on the bonds of US$0.6 million represented fair value interest at a fixed rate of 5.7% to service these bonds.

Tax

Shipping income is either not subject to or exempted from taxation according to the tax regulation prevailing in the countries in which the Group operates.

Cashflow

At 31 December 2007, the Group had net working capital of US$670.4 million. The primary sources of liquidity comprised bank balances and cash of US$649.5 million (principally denominated in US dollars) and unutilised committed and secured bank borrowing facilities of US$101.8 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.

US$ million	2006	**2007**
Net cash from operating activities	148.2	**314.0**
– Purchase of property, plant and equipment	(286.6)	**(259.4)**
– Sale of property, plant and equipment	39.9	**365.9**
– Others	5.6	**(4.5)**
Net cash (used in)/from investing activities	(241.1)	**102.0**
– Proceeds from issuance of convertible bonds, net of issuing expenses	–	**384.2**
– Proceeds from shares issued upon placing of new shares, net of issuing expenses	154.3	**–**
– Net drawdown/(repayment) of bank loans	48.5	**(29.0)**
– Repayment of finance leases payables – capital element	(14.9)	**(30.8)**
– Interest and other finance charges paid	(25.4)	**(22.0)**
– Dividends paid to shareholders of the Company	(91.6)	**(136.3)**
– Others	3.1	**4.2**
Net cash from financing activities	74.0	**170.3**
Cash at 31 December	63.2	**649.5**

Financial Instruments

The Group is exposed to fluctuations in interest rates, bunker prices, freight rates and foreign currencies in relation to contracts designated in foreign currencies. The Group manages these exposures by way of interest rate swap contracts, bunker swap contracts, forward freight agreements, and forward foreign exchange contracts respectively.

At 31 December 2007, the forward foreign exchange contracts and one of the interest rate swap contracts qualified as cashflow hedges. Accordingly, the change in the fair value of these instruments during the year then ended was recognised directly in the hedging reserve.

Hedge accounting has neither been adopted for bunker swap contracts nor for forward freight agreements. This is mainly because the contract periods, which are in calendar months, do not exactly coincide with the periods of the physical contracts. Hedge accounting has also not been adopted for one of the other interest rate swap contracts as its terms do not qualify for hedge accounting. Income or expenses arising from a change in the fair value of these contracts were recognised in the income statement under (i) finance costs for interest rate swap contracts; (ii) bunkers, port disbursements and other charges for bunker swap contracts; and (iii) other operating income and other operating expenses for forward freight agreements. The adoption of HKAS 39 "Financial Instruments: Recognition and Measurement" has the effect of shifting the estimated results of these future contracts into the current year, which in 2007 created unrealised non-cash income of US$14.6 million, whereas the cashflows of these contracts will occur in future reporting periods.

In 2007, the Group recognised net realised derivative expenses of US$32.5 million and net unrealised derivative income of US$14.6 million. This resulted in a total expense for the year of US$17.9 million. These are further analysed as follows:

US$ million	2006	Realised	Unrealised	**2007**
Income				
– Interest rate swap contracts	0.2	0.1	–	**0.1**
– Bunker swap contracts	4.2	8.7	29.3	**38.0**
– Forward freight agreements	10.6	34.4	16.5	**50.9**
	15.0	43.2	45.8	**89.0**
Expenses				
– Interest rate swap contracts	(1.5)	–	(1.5)	**(1.5)**
– Bunker swap contracts	(8.3)	(1.2)	(1.4)	**(2.6)**
– Forward freight agreements	(18.9)	(74.5)	(28.3)	**(102.8)**
	(28.7)	(75.7)	(31.2)	**(106.9)**
Net				
– Interest rate swap contracts	(1.3)	0.1	(1.5)	**(1.4)**
– Bunker swap contracts	(4.1)	7.5	27.9	**35.4**
– Forward freight agreements	(8.3)	(40.1)	(11.8)	**(51.9)**
	(13.7)	(32.5)	14.6	**(17.9)**

Indebtedness

The indebtedness of the Group, principally denominated in US dollars, comprised finance lease liabilities of US$289.6 million, bank borrowings of US$19.6 million and liability component of convertible bonds of US$351.1 million, of which US$16.6 million of finance lease liabilities and US$7.0 million of bank borrowings represented the current portion that were repayable within one year from the balance sheet date.

Finance lease liabilities decreased to US$289.6 million (2006: US$302.0 million) as a result of repayments during the year. Bank borrowings decreased to US$19.6 million (2006: US$48.5 million) as a result of the Group's repayment and prepayment of bank borrowings following the sale and charter back of vessels during the year. In December 2007, the Group issued US$390 million, 3.3% per annum coupon, guaranteed convertible bonds due 2013 to fund its existing capital commitments and finance possible new investments. The bonds are convertible into ordinary shares of the Company at an initial conversion price of HK$19.28. However between 20 September 2008 and 3 November 2010, conversion can only take place if the closing price of the Company shares is at least at a 20% premium to the HK$19.28 conversion price for five consecutive trading days, being HK$23.14 per share or above.

At 31 December 2007, all outstanding finance lease liabilities will expire between 2015 and 2017, all outstanding secured bank borrowings will expire in 2014 and all outstanding convertible bonds will expire in 2013.

The Group's bank borrowings were secured by mortgages over 5 vessels with a total net book value of US$116.1 million and an assignment of earnings and insurances in respect of these vessels.

The Group had unutilised committed bank borrowing facilities of US$101.8 million available to finance the Group's newbuilding commitments and other vessel acquisitions.

The Group's gearing ratio expressed as bank borrowings, finance lease liabilities and convertible bonds, net of cash, as a percentage of property, plant and equipment (based on net book values) and vessel finance lease receivables was 1.4% (2006: 38.1%).

Lease Commitments

Lease commitments include vessels chartered by the Group directly and by the Pacific Basin-IHC and IHX Pools. Operating lease commitments stood at US$678.5 million (2006: US$285.1 million). These commitments excluded vessels under finance leases which were included as part of property, plant and equipment. The increase in lease commitments was mainly due to the higher average daily rates of the vessels under operating leases and an average increase of 12 chartered vessels during the year. Of these commitments, US$440.2 million related to handysize vessels and US$238.3 million related to handymax vessels, as follows:

Lease Commitments (US$ million)	**No later than one year**	**Later than one year but no later than five years**	**Later than five years**	**Total**
PB Handysize	167.0	246.0	21.9	434.9
Pacific Basin-IHC Pool	5.3	–	–	5.3
Handysize subtotal	172.3	246.0	21.9	440.2
PB Handymax	116.2	69.1	–	185.3
Pacific Basin-IHX Pool	53.0	–	–	53.0
Handymax subtotal	169.2	69.1	–	238.3
Total	341.5	315.1	21.9	678.5

Lease Commitments (days)	**No later than one year**	**Later than one year but no later than five years**	**Later than five years**	**Total**
PB Handysize	11,280	18,860	2,100	32,240
Pacific Basin-IHC Pool	190	–	–	190
Handysize subtotal	11,470	18,860	2,100	32,430
PB Handymax	3,360	2,240	–	5,600
Pacific Basin-IHX Pool	910	–	–	910
Handymax subtotal	4,270	2,240	–	6,510
Total	15,740	21,100	2,100	38,940

Note: "PB Handysize" and "PB Handymax" represent those vessels directly chartered by the Group while "Pacific Basin-IHC Pool" and "Pacific Basin-IHX Pool" represent those vessels directly chartered by the Pools.

The Group has commitments to 46,420 days under finance leases and 37,840 days under operating leases. The average daily charter rates and total number of vessel days of our PB handysize and PB 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, are as follows:

Year	PB Handysize Operating leases		PB Handysize Finance leases		PB Handymax Operating leases	
	Average daily rate *(US$)*	Vessel days	Average daily rate *(US$)*	Vessel days	Average daily rate *(US$)*	Vessel days
2008	14,800	11,280	5,900	5,840	34,600	3,360
2009	14,100	9,260	5,900	5,840	32,900	1,530
2010	13,500	5,820	5,900	5,840	26,400	680
2011	9,500	2,200	5,800	5,860	25,700	30
2012	9,700	1,580	5,900	5,840	–	–
2013	9,800	1,100	5,900	5,840	–	–
2014	11,400	360	5,900	5,840	–	–
2015	11,000	370	5,800	3,080	–	–
2016	10,900	270	6,000	1,830	–	–
2017	–	–	5,800	610	–	–
Total		32,240		46,420		5,600

Certain lease agreements provide the Group with the option to purchase the related vessels at predetermined times and exercise prices during the lease periods. The average exercise prices of the existing purchase options for both handysize vessels and handymax 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 that year, are as follows:

Earliest year in which options may be exercised	Vessel type	Number of vessels		Average age of vessels *(years)*	Average option exercise price *(US$ milion)*
		Finance lease	Operating lease		
2008	Handysize	16	6	6	18.3
2009	Handysize	–	3	3	22.8
2010	Handysize	–	1	3	22.5
	Handymax	–	1	5	17.7
Total		16	11		

Capital Expenditure, Property, Plant and Equipment and Commitments

In 2007, capital expenditure amounted to US$259.4 million, mainly comprised 6 handysize and 1 handymax acquisitions and instalments on 13 newbuildings, amounted to US$252.7 million and capitalised expenditure on drydocking of US$4.8 million.

At 31 December 2007, the Group had property, plant and equipment of US$755.9 million, of which US$601.7 million related to 30 delivered handysize vessels and 3 delivered handymax vessels with average net book values of US$17.6 million and US$24.2 million per vessel respectively.

At 31 December 2007, the Group had non-cancellable commitments of US$274.2 million for the construction of 11 handysize vessels, 1 handymax vessel, 1 post panamax vessel and 2 tugs. These vessels are for delivery to the Group between January 2008 and July 2011. After the year end, the Group committed to US$405.9 million of other vessels as shown in the table below.

Vessel Capital Commitments

(US$ million)	**2008**	**2009**	**2010**	**2011**	**Total**
11 handysize newbuilding vessels	137.6	49.3	–	–	186.9
1 handymax newbuilding vessel	32.1	–	–	–	32.1
1 post panamax newbuilding vessel	–	–	21.7	22.1	43.8
2 tugs	11.4	–	–	–	11.4
	181.1	49.3	21.7	22.1	274.2
Recent Vessel Commitments					
4 roll on roll off newbuilding vessels	92.2	119.0	137.7	25.9	374.8
4 tugs	9.4	19.4	2.3	–	31.1
	101.6	138.4	140.0	25.9	405.9
Total	282.7	187.7	161.7	48.0	680.1

Finance for such vessel commitments will come from cash generated from the Group's operations, existing cash, unutilised committed bank borrowing facilities and additional long term borrowings to be arranged, as required. Where the commitments are in currencies other than US Dollars, the Group has entered into forward foreign exchange contracts to purchase the currencies at predetermined rates.

Staff

At 31 December 2007, the Group employed a total of 292 full time shore based staff in offices in Hong Kong, Shanghai, Beijing, Dalian, Nanjing, Tokyo, Seoul, Singapore, Mumbai, Karachi, Dubai, Fujairah, Melbourne, Auckland, London, Bad Essen, Houston, Vancouver and Santiago. The largest office is in Hong Kong with 160 employees.

The Group incurred total staff costs (included in total administrative expenses) of approximately US$36.0 million in 2007 (2006: US$25.5 million), representing 3.1% of the Group's revenue for the year (2006: 4.1%).

Remuneration of the Group's employees includes fixed basic salaries, discretionary bonuses (based on both the Group's and individual's performance for the year), and long term incentives.

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% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. The Group also makes voluntary contribution. The Group's contributions to the scheme are expensed as incurred. When employees leave the scheme prior to the full vesting of the employer's voluntary contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

The Company's Long Term Incentive Scheme allows the Company to award eligible participants with share options and restricted share awards.

Purchase, Sale or Redemption of Securities

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

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 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 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 2007 Annual Report of the Company for the year ended 31 December 2007.

Final Dividend and Book Closure

The Board of Directors has proposed a final dividend for the year ended 31 December 2007 of HK 75 cents per share and, if such dividend is declared by the shareholders at the 2008 Annual General Meeting of the Company, it is expected to be paid on or about 16 April 2008 to those shareholders whose names appear on the Company's register of members on 8 April 2008.

The register of members of the Company will be closed from 3 April 2008 to 8 April 2008 (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to qualify for the proposed final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 2 April 2008. The ex-dividend date for the final dividend will be on 1 April 2008.

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 Company's website at www.pacbasin.com.

The Company's 2007 Annual Report will be posted to shareholders on or around 17 March 2008 and available on the Company's website at www.pacbasin.com no later than that date.

Directors

As at the date of this announcement, the executive Directors of the Company are Christopher Richard Buttery, Richard Maurice Hext, Klaus Nyborg, Wang Chunlin and Jan Rindbo, the non-executive Directors of the Company are Daniel Rochfort Bradshaw and Dr. Lee Kwok Yin, Simon, and the independent non-executive Directors of the Company are David Muir Turnbull, 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.