Pacific Basin Shipping Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 2343)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

The Board of Directors (the "Board") of Pacific Basin Shipping Limited ("Pacific Basin" or the "Company") are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2008 as follows:

Highlights

		Six Months Ended 30 June	
US$ million		**2008**	2007
Revenue		**909.9**	455.4
Time Charter Equivalent Earnings		**586.4**	269.2
Profit Attributable to Shareholders		**337.6**	162.9
Basic Earnings per Share	(US$)	**0.21**	0.10
Basic Earnings per Share	*(HK$)*	***1.62***	*0.81*

- **Group profits rose by 107% to US$337.6 million** and profits before disposal gains by 165% to US$299 million mainly as a result of our larger fleet and a stronger dry bulk market
- **Basic earnings per share were HK$1.62**
- **Return on average equity was 68%**
- **Record interim dividend of HK$0.76 per share**, representing a payout ratio of 50%. Future dividend policy is to continue to pay out a minimum of 50% of profits but excluding vessel disposal gains
- **Cash of US$804.3 million** and net cash of US$192 million
- **Strong balance sheet** with total assets of US$2,101.7 million and shareholders' equity of US$1,333.2 million
- **Handysize revenue days increased by 20% to 11,540** (2007: 9,590) and handymax revenue days by 28% to 2,900 (2007: 2,260) due to the expansion of our chartered in fleet
- **Handysize daily rate increased by 64% to US$32,460** (2007: US$19,750) and handymax daily rate by 83% to US$46,100 (2007: US$25,180)

- **Total vessel capital commitments** stand at US$721.2 million

- **Ship sales generated disposal gains of US$38.6 million** comprising two vessels, one of which was chartered back

- **Core dry bulk fleet now totals 93 ships** (2007: 83) of which 29 are owned and 64 are chartered. The total comprises 63 handysize and 17 handymax vessels on the water and 13 newbuildings on order

- **Contract cover** is in place for 83% of the current 22,730 handysize revenue days in 2008 at an expected rate of about US$31,000 per day upon execution of voyages. Cover for 2009 is in place for 37% of our contracted 21,970 revenue days at an average of US$24,200 per day net. The Baltic Handysize spot index on 28 July 2008 stood at US$36,330 per day net

- **Continued development** into sectors complementary to our core dry bulk business in roll on roll off vessels, ports and port services

- **Positive dry bulk market outlook** for the next 12 months due to continued strong demand despite a weaker global outlook. Continued volatility in freight rates is expected as dry bulk fleet utilisation remains high

INTERIM REPORT OF THE DIRECTORS

SUMMARY

Pacific Basin Group's unaudited net profit for the six months ended 30 June 2008 was US$337.6 million including US$38.6 million of disposal gains. Profit before disposal gains was US$299 million, up 165% on the US$112.7 million earned in the first half of 2007. Basic earnings per share were HK$1.62 (2007: HK$0.81). The increased profit was mainly driven by increased revenue days (up 22%) and higher daily charter rates (up 69%).

The Group delivered a return on average shareholders' equity during the period of 68% (2007: 63%).

The Board has declared an interim dividend of HK 76 cents per share (2007: HK 45 cents) which represents a payout ratio of 50% of earnings (2007: 55%). The Board's objective continues to be to pay a generous dividend to shareholders whilst reinvesting sufficiently in the Group's businesses to ensure their development. To that end, the Board has decided to continue the Company's policy of paying out a minimum of 50% of profits attributable to shareholders but, in future, to exclude vessel disposal gains. This change will allow for the reinvestment of disposal gains, which had previously been included in dividend distributions, to enable Pacific Basin to take advantage of appropriate growth opportunities.

The dry bulk market has been much stronger during this period than in the first half of 2007 as a result of continued robust demand for commodities and limited supply of new vessels. However, freight rate volatility has been high as a result of the global fleet of dry bulk vessels operating very close to full capacity.

We have so far witnessed few signs of a slow-down in demand for dry bulk shipping services, despite the weakening global economy. Under these very strong market conditions, we have continued to raise our cover for 2008 which currently stands at 83% of handysize revenue days for the full year at an average rate of about US$31,000, some 34% above our 2007 full year average rate. Anticipated 2008 handysize days now total 22,730, 13% more than in 2007. Pacific Basin's established presence and reliable service coupled with a strong, visible balance sheet provides security for the increasing number of customers seeking long term contracts. As a result we now have 37% of our 2009 handysize days covered at an average rate of US$24,200, and we have continued to build cover for 2010 and beyond.

The Group has taken delivery of four newbuildings and has completed the sale of one vessel and the sale and charter back of another vessel during the first half of 2008. Three further vessel sales and two sale and charter backs are scheduled to complete in the second half of 2008. Pacific Basin now operates a core fleet of 80 dry bulk vessels and has a dry bulk newbuilding programme of a further 13 owned or long-term chartered vessels which deliver to us over the next three years.

As well as developing our core dry bulk business, during the period, we entered the roll on roll off ("RoRo") shipping sector, increased our share in Fujairah Bulk Shipping Limited ("FBSL") from 33% to 50%, and built our new towage business. In February Pacific Basin agreed to purchase four RoRo freight vessels and in July we acquired an option to purchase an additional two such vessels. If this option is exercised, our commitment in respect of these six vessels, which deliver to us between 2009 and 2011, will total US$577 million. FBSL continued to deliver impressive results due to unabated demand for aggregates and rocks in the Middle East. This business has been supported by a number of tug and barge units and handysize vessels, and is expected to expand rapidly over the coming years.

The Group currently has total vessel capital commitments of US$721 million in respect of nine bulk carriers, six RoRo vessels, eight tugs and two barges, which are all due to deliver to our fleet before the end of 2011.

We are increasingly focused on environmental issues relating to shipping. We have set ambitious fleet emission reduction targets which surpass the requirements of existing shipping regulations. We have also commenced preparations for the (possible) day when our operations are required by law to be carbon neutral.

Pacific Basin's Board takes a positive outlook on the dry bulk shipping market over the next twelve months, although we expect continued high volatility. A substantial increase in expected dry bulk (notably capesize) newbuilding deliveries from 2010 leads us to be more cautious thereafter although we take some comfort from the fact that about a third of the dry bulk deliveries which were anticipated by Clarkson for the first half of 2008 appear to have been delayed or cancelled due to shipyard difficulties, compounded by much tighter credit market conditions. Given the large number of yards building vessels for the first time, delays and cancellations are likely to be significant for some time to come.

The Board would like to thank the staff of Pacific Basin for their exceptional commitment which continues to underpin the Company's performance.

DRY BULK MARKET REVIEW

2008 opened with a softening of freight rates following the market peaks of late October and early November 2007. By the end of January the Baltic Dry Index ("BDI") had almost halved from its level two and a half months earlier to 5,615 points. An equally steep rise followed over the next four months, culminating in a new all time high in May when the BDI reached 11,793 points. This spectacular rise was led predominantly by capesize vessels which, in early June, could command record daily spot earnings in excess of US$230,000 per day.

The average BDI level for the first half of 2008 was 8,557 points, 61% above the same period in 2007, and 3% below the 8,830 point BDI average of the second half of 2007. These averages mask very volatile trading as a consequence of a tight market in which small changes in supply and demand lead to large variations in freight rates. The index stood at 8,513 points on 28 July 2008.

At a time of extraordinary cargo demand there has been almost no scrapping. Deliveries of newbuilding dry bulk vessels combined with the conversion of tankers into ore carriers has led to annualised year to date dry bulk fleet growth of about 6%. Meanwhile, cargo demand is estimated by RS Platou to have grown by an annualised 7.5%, reflecting increased cargo volumes and average voyage distances.

Increased iron ore movements were a major contributor to the strength of the freight market in the first half of 2008. China imported 10% more iron ore in the first quarter of 2008 than in the same period in 2007 and preliminary customs data suggests that imports in the second quarter were up by 36%, taking the increase in volumes in the first half to 22%. Iron ore importers, led by the Chinese steel mills, recently agreed to a 96.5% increase in the price for contract iron ore lump imported from Australia, demonstrating the underlying strength of demand for industrial raw materials.

China's demand for coal continues to grow. Surging coal prices have been temporarily capped by some local governments, exacerbating coal supply tightness; most visibly, there have been widespread reports of power shortages due to a lack of coal. China looks likely to continue to increase its imports of international coal and to restrict its exports, forcing Japan, Korea and Taiwan to import from further afield. Both these factors increase the demand for dry bulk tonnage.

High oil prices are considered a likely cause of lower global economic growth via "demand destruction". There is, however, some countervailing compensation for the shipping market in respect of the increased incentive for owners to save fuel by slowing down their ships. When this happens, more ships are needed to carry the same amount of cargo, reducing effective supply. Container operators are already slowing their fleets, which is positive for dry bulk in that, as a result, they need more ships, reducing yard availability for bulkers. In respect of the dry bulk fleet afloat, we are not yet at the point where slowing down makes economic sense. However, if bulk freight rates reduce then the incentive to slow steam will increase, reducing ship supply and cushioning rate declines.

The total dry bulk orderbook now stands at around 64% and the handysize orderbook at around 40% of the trading fleet, threatening excess supply before scrapping is taken into account. However many of these orders are with yards whose financing is under threat from the global tightening of credit, who are having difficulty sourcing critical ship components, or have little shipbuilding experience. Yard delays are indeed an increasing issue: according to Clarkson's preliminary data, some 35% of ship deliveries which were scheduled to take place in the first half of 2008 have been postponed or cancelled, compared to only 9% of anticipated deliveries failing in 2007. All this leads us to suspect the deferral of any potential oversupply of capacity.

Whereas improving market conditions in 2007 led to a high level of dry bulk contracting, the fall in spot freight rates in January/February and worsened worldwide credit market conditions have led to a major reduction (available data suggests by about 50%) in the level of newbuilding orders in the first half of 2008 relative to the last six months of 2007.

Dry bulk ship values softened a little at the start of the year but the resurgence in the freight market has pushed second hand vessel prices to record highs. Clarkson now value a five year old, 28,000 deadweight tonne ("dwt") handysize vessel at US$54 million, representing an increase of US$11 million or 26% since the start of the year. Similarly a three year old, 52,000 dwt handymax vessel is now valued by Clarkson at US$76 million, US$6 million more than at the start of the year. The smaller increase compared to handysize is due to handymax values seeing greater gains in the latter part of 2007.

BUSINESS REVIEW

Handysize

Pacific Basin's handysize business achieved a contribution of US$226.4 million in the first half of 2008 on net earnings of US$32,460 per day over 11,540 handysize revenue days (excluding short term charters). This is a 64% increase compared to the same period last year and is due to a very strong freight market in the first six months of 2008. We expect favourable freight market conditions to continue into the second half of 2008, albeit with significant volatility.

This contribution excludes a total net gain of US$38.2 million in respect of the unrealised mark to market value of derivatives, of which US$37.1 million pertains to the bunker derivatives which we use to hedge the cost of our forward fuel purchases.

We strive to provide our customers with a reliable, punctual and competitive service using a large, uniform fleet of modern ships operated through a global network of offices staffed by dedicated shipping professionals.

Pacific Basin operates one of the largest fleets of modern handysize ships in the world. During the first six months of 2008 our fleet averaged 70 ships including eight ships on short term charter. Pacific Basin's handysize ships are typically between 28,000 and 33,000 dwt with an average age of six years against a world handysize (25,000-35,000 dwt) fleet average age of 18 years. In addition to standard handysize features such as shallow draft and deck cranes, we own a number of shore-based grabs for use in underequipped ports to maximize the trading capabilities of our versatile fleet.

During the first six months of 2008 our handysize fleet carried 9.9 million tonnes of cargo, up 18% on the same period in 2007. Our top five commodities carried were steel/scrap metal, fertilisers, forest products, concentrates and grain. We saw a considerable growth in the movement of coal and coke. The majority of our ships trade in the Pacific, where Australia and South East Asia were the most frequently visited regions in the period. We continue to expand our customer base, which primarily consists of industrial end users from the mining, construction, forestry/agricultural and industrial sectors.

As of 21 July 2008, we had covered 83% of our handysize revenue days for 2008 at an average daily rate of about US$31,000. Furthermore, we had covered 37% of our 21,970 contracted revenue days in 2009 at about US$24,200 per day. We expect to build our forward cover for 2009 and beyond during the remainder of the year, which is traditionally the peak season for cargo contract renewals.

We make limited use of forward freight agreements (or "FFAs") to help us manage our exposure to physical handysize ships and cargoes. Liquidity in the market for handysize FFAs increased significantly during the period, enhancing their usefulness to us.

The following table sets out our handysize revenue days and cover in 2008 – 2009 as at 21 July 2008:

Handysize Vessel Activity Summary

	Unit	FY 2008	**FY 2009**
Cargo Commitments			
Revenue days	days	17,920	**7,300**
Net FFA contracts	days	990	**720**
Equivalent revenue days	days	18,910	**8,020**
Daily TCE	US$	31,000	**24,200**
Ship Commitments			
Revenue days	days	22,730	**21,970**
Net Position			
Cargo as % of ship commitments	%	83%	**37%**

Handysize FFA Activity Summary

	Unit	FY 2008	**FY 2009**
FFA sold	days	1,940	**720**
FFA bought	days	(360)	–
Net realised FFA exposure	days	(590)	–
Net FFA sold	days	990	**720**

Handymax

Pacific Basin's handymax business made a contribution during the period of US$38.2 million, an increase of 282% on the US$10 million earned in the first half of 2007. Net earnings over the period were US$46,100 per day over 2,900 handymax revenue days, an 83% increase compared to the same period last year. Our first half 2008 profit compares with a full year 2007 profit of US$34 million.

This contribution excludes a total net gain of US$5.4 million in respect of the unrealised mark to market value of derivatives, which includes a gain of US$7.8 million in the bunker derivatives which we use to hedge the cost of our forward fuel purchases.

Pacific Basin's handymax business is now half way through its third year of operations. The market has shown considerable volatility but the combination of a solid market presence, a uniform and stable fleet size, and an established handymax team in key destinations has enabled us to deliver profitable growth over the period.

As with our handysize business, we have a young fleet with an average age of just over seven years. Our ships are typically between 45,000 and 58,000 dwt; all are fitted with cranes, and most are fitted with grabs to allow the vessels flexibility to self load and discharge. The fleet consists of a mix of Pacific Basin owned (two) and long term chartered (15) ships complemented by a number of short term chartered (16) ships.

Our cargo volumes have increased by 20% to 5.7 million tonnes in the first half of 2008. The top five commodities transported were bauxite and iron ore, grains, fertilisers, cement clinker, and petcoke. Our main customers are large commodity, industrial and mining companies. About 60% of our cargoes moved within the Atlantic and 40% within the Pacific with the primary load regions being the resource rich areas of Australia, the West Coast of the United States and India. Over 15% of our cargo volumes were discharged in China.

During the first half of 2008, we achieved net daily earnings of US$46,100 in respect of 2,900 revenue days (excluding short term charters). As of 21 July 2008, we had covered 93% of our 6,910 handymax revenue days for 2008 at an average daily rate of US$48,070, and 75% of our 3,360 contracted revenue days in 2009, based on our existing fleet. We continue to make good progress in building cargo cover for 2009 and beyond.

As in our handysize business, we make limited use of FFAs to help us hedge our forward book of physical ships and cargoes.

The following table sets out our handymax revenue days and cover in 2008 – 2009 as at 21 July 2008:

Handymax Vessel Activity Summary

	Unit	FY 2008	**FY 2009**
Cargo Commitments			
Revenue days	days	5,800	**2,040**
Net FFA contracts	days	610	**460**
Equivalent revenue days	days	6,410	**2,500**
Daily TCE	US$	48,070	**43,260**
Ship Commitments			
Revenue days	days	6,910	**3,360**
Net Position			
Cargo as % of ship commitments	%	93%	**75%**

Handymax FFA Activity Summary

	Unit	FY 2008	**FY 2009**
FFA sold	days	1,470	**460**
FFA bought	days	(980)	**–**
Net realised FFA exposure	days	120	**–**
Net FFA sold	days	610	**460**

Post Panamax

Our relationship with China's largest power producer China Huaneng Group ("CHG") continues to develop positively.

In an approach to Jiangnan shipyard in 2007 jointly with CHG, we acquired contracts to build two 115,000 dwt bulk carriers for delivery in the first half of 2011. In addition we also secured, under a ten year time charter with purchase option, a 95,000 dwt bulk carrier for delivery in 2011.

During the period we agreed terms for a ten year time charter of the 95,000 dwt vessel to a blue chip counterparty. We are also close to an agreement on the ownership and employment of the two 115,000 dwt vessels.

We continue to discuss a number of new areas in which to develop our cooperation with CHG.

OTHER OPERATIONS AND BUSINESS DEVELOPMENT

Pacific Basin's total committed vessel capital expenditure is currently US$721.2 million which includes US$165.3 million on dry bulk vessels and the balance on a number of investments which either complement the Group's core dry bulk business, or strengthen Pacific Basin's position in our other shipping or shipping related businesses.

Our growth strategy means that we are constantly assessing investment opportunities. We have, to date, invested in businesses which exhibit very favourable supply/demand characteristics and which fit well with our core dry bulk business. Pacific Basin will periodically re-evaluate the merits of each of these businesses to determine which should be further developed or sold or separately listed, depending on what brings the best long term value to shareholders.

Ports and Port Services

Pacific Basin's China ports and infrastructure unit continues to lay the foundations for success in this challenging field. The Asia Pacific Maritime & Infrastructure Group ("APMIG") is networking and prospecting intensively in the Yangtze Delta and Bohai Bay, as well as in Fujian, Guangdong and Hainan, and has generated several opportunities, some of which have the potential to become exciting projects.

Our Nanjing Longtan Tianyu Terminal (in which we hold a 45% interest) handled over 600,000 tonnes of general cargo in the first half of the year, following commencement of trial operations at the end of 2007 and formal operations in February 2008. As anticipated, the business recorded a small loss. The main commodities handled were cement, fertilisers and chemicals.

Pacific Basin is also actively engaged in the development of ports outside China in the Asia Pacific-Middle East region. In particular, we have seen an increased quantity of rock and aggregate move over Fujairah Bulk Shipping's leased wharf facility. We have also taken a share in the ownership and operating rights of a major terminal in the port of Gold River in Canada. In addition we are at various stages of progress in respect of a number of other major dry bulk port projects.

The activities of PB Towage are principally concentrated in Australia where six tugs, located in Port Botany (Sydney), Melbourne and Brisbane, carry out harbour work for major shipping lines. An additional new building tug has recently delivered into North Western Australia and is bareboat chartered to Rio Tinto. Acquisition opportunities are now being developed to expand PB Towage's project and offshore towage presence in Australasia and South East Asia. In the Middle East, Fujairah Bulk Shipping charters a total of ten sets of tugs and barges of which one tug and one barge is owned by Pacific Basin. We are in the process of procuring a further two sets of tugs and barges for this business.

PB Towage seeks to maintain and grow a fleet of modern, high quality tugs and barges to service shipping lines and the energy and construction sectors. During the period three new tugs have delivered and PB Towage has six new-building tugs on order from reputable yards for delivery between 2008 and 2010.

Fujairah Bulk Shipping Limited

Our joint venture in the Middle East for supplying rock and aggregates from Fujairah to end users in Qatar and Kuwait has continued its very strong performance, growing profits significantly in 2007 from start up in 2006. In April FBSL became a 50:50 joint venture between Pacific Basin and the Government of Fujairah. FBSL continues to build a strong export market for rock and aggregates, utilizing a fleet of tugs and barges and handysize ships. FBSL now employs over 200 people and has hired a number of key executives to help the business achieve its growth goals.

Roll On Roll Off

Pacific Basin has identified the market for freight RoRos as an attractive shipping sector with good demand prospects, an ageing world fleet (42% of vessels are aged 25 years or over), a small order book (comprising less than 20% of the existing fleet) and a requirement for premium service levels.

In the first half of this year the Company acquired contracts for four 3,663 lane metre RoRo newbuildings to be built at Odense Steel Shipyard ("Odense") for delivery between August 2009 and February 2011 at a total cost of €257.3 million (US$403.6 million). In July purchase option contracts were agreed with the Grimaldi Group for two 3,810 lane metre RoRo newbuildings to be built at Hyundai Mipo in Korea for delivery in the second and fourth quarters of 2010 at a total cost of US$173.6 million, assuming the options are exercised as the Company intends. Our current plan is to charter these vessels out to existing operators and we have so far fixed out one vessel for an initial period of three years with two one year options.

These ships are of a versatile design with good manoeuvrability, efficient loading and discharging configuration and efficient bunker consumption, and are suitable for deployment by major operators in a wide range of short sea RoRo services in Europe, Asia Minor and, in the longer term, Asia.

PB Maritime Services

In March of this year, PB Maritime Services was established as a new division engaged in the provision of third party ship management and associated marine management services. Pacific Basin has engaged a number of talented staff and, in doing so, has also gained immediate commercial and technical expertise in the management of sophisticated vessel types. Our access to capable crew so crucial in today's shipping market, has also been greatly strengthened as a result. The managed fleet encompasses a broad range of vessel types, size and complexity such as freight RoRo, Passenger RoRo ("RoPax") and LPG tankers. This business builds on our existing marine services activities, including PacMarine.

Fleet Insurable Value

At the end of June, the insurable value of vessels in which we have an ownership interest, including vessels under construction and chartered in vessels with purchase options, stood at around US$3.7 billion represented by 44 dry bulk vessels owned and under construction (US$2.3 billion), 12 dry bulk vessels under operating leases with purchase options (US$0.7 billion), six RoRo vessels (US$0.6 billion) and 20 tugs and barges (US$0.1 billion).

Core Fleet Development (excluding short term charters)[5]

	Number of Vessels						
	Delivered Fleet			Newbuildings on Order			
	Owned	Chartered[1]	Total	Owned	Chartered[1]	Total	Total Fleet
Handysize Fleet							
As at 1 January 2008	16	48	64	11	1	12	76
Newbuildings delivered	4	–	4	(4)	–	(4)	–
Exercise of purchase options of bareboat chartered in vessels	3	(3)	–	–	–	–	–
Sale and time charter back[2]	(3)	3	–	–	–	–	–
Disposals	(3)	–	(3)	–	–	–	(3)
Expiry of charters	–	(2)	(2)	–	–	–	(2)
As at 31 July 2008	**17**	**46**	**63**	**7**	**1**	**8**	**71**
Handymax Fleet							
As at 1 January 2008	3	12	15	1	–	1	16
New charters	–	4	4	–	1	1	5
Disposal	(1)	–	(1)	–	–	–	(1)
Expiry of charter	–	(1)	(1)	–	–	–	(1)
As at 31 July 2008	**2**	**15**	**17**	**1**	**1**	**2**	**19**
Post Panamax Vessels							
As at 1 January 2008 and 31 July 2008[3]	**–**	**–**	**–**	**2**	**1**	**3**	**3**
Total Dry Bulk Fleet as at 31 July 2008	**19**	**61**	**80**	**10**	**3**	**13**	**93**
Roll On Roll Off Vessels							
New orders[4]	–	–	–	6	–	6	6
As at 31 July 2008	**–**	**–**	**–**	**6**	**–**	**6**	**6**
Tugs							
As at 1 January 2008	2	6	8	2	–	2	10
New orders	–	–	–	7	–	7	7
Newbuildings delivered	3	–	3	(3)	–	(3)	–
Exercise of purchase options of chartered tugs	6	(6)	–	–	–	–	–
As at 31 July 2008	**11**	**–**	**11**	**6**	**–**	**6**	**17**
Barges							
As at 1 January 2008	1	–	1	–	–	–	1
New orders	–	–	–	2	–	2	2
As at 31 July 2008	**1**	**–**	**1**	**2**	**–**	**2**	**3**
Total Other Vessel Types as at 31 July 2008	**12**	**–**	**12**	**14**	**–**	**14**	**26**
Total Fleet as at 31 July 2008	**31**	**61**	**92**	**24**	**3**	**27**	**119**

[1] Includes 23 handysize, 1 handymax and 1 post panamax chartered vessels with purchase options

[2] Includes "Benete Bay", the sale of which is expected to be completed in August 2008

[3] The Group has a 50% interest in one of the owned newbuildings and the chartered newbuilding through a 50/50 joint venture

[4] Includes 2 roll on roll off newbuilding cargo vessels which will be acquired by the Group within approximately 2 months of their delivery from the shipyard subject to the anticipated exercise of purchase options.

[5] Excludes purely managed vessels.

Our core fleet of handysize and handymax vessels on the water at the end of July comprised 80 vessels. In addition we had 13 ships on order and 21 ships on short term charter.

During the first half of 2008 we completed the sale of one vessel and the sale and charter back of another vessel. We also committed to the sale of one handymax and a further four handysize vessels for delivery in the second half of 2008. Two of the handysize vessels were then chartered back at favourable rates for periods of one and four years respectively. On this basis, total anticipated vessel disposal gains for 2008 are approximately US$149 million. We are due to take delivery of two handysize and one handymax newbuildings during the second half of the year.

Richard M. Hext
Chief Executive Officer

Hong Kong, 4 August 2008

Shareholders and investors are reminded that this announcement of interim results for the six months ended 30 June 2008 is based on the Group's internal records and management accounts. Shareholders and investors are cautioned not to rely unduly on this announcement of interim results and are advised to exercise caution when dealing in the shares of the Company.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2008	2007
	Note	***US$'000***	*US$'000*
Revenue	*3*	**909,872**	455,361
Bunkers, port disbursements, other charges and amounts payable to other pool members	*3*	**(323,442)**	(186,132)
Time charter equivalent earnings	*3*	**586,430**	269,229
Direct costs		**(257,850)**	(135,579)
General and administrative expenses		**(11,149)**	(6,369)
Other operating income		**21,628**	25,554
Other operating expenses		**(34,642)**	(35,336)
Gains on disposal of property, plant and equipment		**38,610**	50,247
Operating profit	*4*	**343,027**	167,746
Finance costs, net		**(6,914)**	(8,461)
Share of profits less losses of jointly controlled entities		**2,927**	3,552
Share of loss of an associate		**(11)**	–
Profit before taxation		**339,029**	162,837
Taxation	*5*	**(1,417)**	97
Profit for the period		**337,612**	162,934
Attributable to			
Shareholders		**337,587**	162,934
Minority interests		**25**	–
		337,612	162,934
Dividends	*6*	**170,000**	91,302
Earnings per share for profit attributable to shareholders			
Basic	*7(a)*	**US$0.21**	US$0.10
Diluted	*7(b)*	**US$0.21**	US$0.10

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30 June 2008 US$'000	31 December 2007 US$'000
Non-current assets			
Property, plant and equipment		**898,552**	755,865
Land use rights		**415**	419
Goodwill		**31,475**	36,426
Interests in jointly controlled entities		**49,374**	19,543
Investment in an associate		**6,956**	–
Derivative assets		**999**	329
Trade and other receivables	*8*	**10,111**	10,662
Restricted bank deposits		**2,916**	–
Other non-current assets		**13,417**	–
		1,014,215	823,244
Current assets			
Inventories		**34,364**	27,312
Derivative assets		**75,390**	35,883
Financial assets at fair value through profit or loss		**17,973**	20,046
Available-for-sale financial assets		**38,470**	–
Trade and other receivables	*8*	**119,930**	98,316
Cash and cash equivalents		**770,246**	649,535
Restricted bank deposits		**31,147**	–
		1,087,520	831,092
Current liabilities			
Derivative liabilities		**23,375**	28,582
Trade and other payables	*9*	**129,217**	96,374
Current portion of long term borrowings		**20,687**	23,627
Taxation payable		**2,782**	1,548
		176,061	150,131
Net current assets		**911,459**	680,961
Total assets less current liabilities		**1,925,674**	1,504,205
Non-current liabilities			
Derivative liabilities		**839**	–
Long term borrowings		**591,626**	636,638
		592,465	636,638
Net assets		**1,333,209**	867,567
Equity			
Capital and reserves attributable to shareholders			
Share capital		**173,612**	158,403
Retained profits		**665,669**	480,907
Other reserves		**493,372**	227,826
		1,332,653	867,136
Minority interests		**556**	431
Total equity		**1,333,209**	867,567

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").

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2007, which have been prepared in accordance with Hong Kong Financial Reporting Standards.

2. **Accounting policies**

Except for the following two items not previously disclosed, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2007.

2.1 Associates

Associates are all entities over which the Group has significant influence but no control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.2 Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories under financial assets. They are included in non-current assets unless management intends to dispose of them within twelve months from the balance sheet date. Assets in this category are initially recognised at fair value plus transaction costs and are subsequently carried at fair value. Gains and losses arising from changes in the fair value are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of finance income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

Certain new standards, amendments and interpretations to the published standards (collectively "New Standards") are mandatory for accounting period ending 31 December 2008. However, the adoption of these New Standards does not result in any substantial change to the Group's accounting policies.

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 period was as follows:

	Six months ended 30 June	
	2008	2007
	US$'000	*US$'000*
Revenue		
Freight and charter-hire	**899,726**	450,701
Maritime management services	**10,146**	4,660
	909,872	455,361
Bunkers, port disbursements and other charges	**(162,978)**	(99,269)
Charter-hire expenses (Note a)	**(154,371)**	(72,430)
Amounts payable to other pool members (Note b)	**(6,093)**	(14,433)
	(323,442)	(186,132)
Time charter equivalent earnings	**586,430**	269,229

(a) Charter-hire expenses were for vessels directly short term chartered by the pools for Pacific Basin – IHC and Pacific Basin – IHX.

(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$4.0 million (2007: US$10.3 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. Operating profit

Operating profit is stated after charging/(crediting) the following:

	Six months ended 30 June	
	2008	2007
	US$'000	*US$'000*
Bunkers consumed	**108,713**	50,227
Depreciation for		
– owned vessels	**10,538**	11,342
– leased vessels	**7,549**	7,374
– other owned property, plant and equipment	**652**	588
Lubricating oil consumed	**1,945**	2,171
Gains on financial assets at fair value through profit or loss	**(4,863)**	(11,325)
Gains on derivative instruments not qualifying as hedges		
– bunkers swap contracts	**(60,396)**	(8,022)
– forward freight agreements	**(10,826)**	(13,580)
Losses on derivative instruments not qualifying as hedges		
– bunkers swap contracts	**5,748**	1,965
– forward freight agreements	**22,488**	35,021

5. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profit for the period.

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

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

	Six months ended 30 June	
	2008	2007
	US$'000	*US$'000*
Current taxation		
Hong Kong profits tax	**1,100**	436
Overseas tax	**317**	263
Overprovision of prior year	**–**	(796)
	1,417	(97)

6. Dividends

	Six months ended 30 June	
	2008	2007
	US$'000	*US$'000*
Interim dividend of HK$0.76 or US$0.10 per share (2007: HK$0.45 or US$0.06 per share)	**170,000**	91,302

An interim dividend in respect of the year ending 31 December 2008 of HK$0.76 or US$0.10 per share, amounting to a total dividend of US$170,000,000, was declared on 4 August 2008. These condensed consolidated interim financial statements do not reflect this dividend payable. A 2007 final dividend of HK$0.75 or US$0.10 per share (2006: HK$0.23 or US$0.03 per share), totalling US$152,825,000 (2006: US$44,964,000) was paid during the period.

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 period, excluding the shares held by the trustee of the Company's Long Term Incentive Scheme ("LTIS").

	Six months ended 30 June	
	2008	2007
Profit attributable to shareholders (US$'000)	**337,587**	162,934
Weighted average number of ordinary shares in issue ('000)	**1,620,734**	1,561,657
Basic earnings per share	**US$0.21**	US$0.10
Equivalent to	**HK$1.62**	HK$0.81

(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.

	Six months ended 30 June	
	2008	2007
Profit attributable to shareholders (US$'000)	**337,587**	162,934
Weighted average number of ordinary shares in issue ('000)	**1,620,734**	1,561,657
Adjustment for share options ('000)	**933**	11,710
Weighted average number of ordinary shares for diluted earnings per share ('000)	**1,621,667**	1,573,367
Diluted earnings per share	**US$0.21**	US$0.10
Equivalent to	**HK$1.62**	HK$0.81

8. Trade and other receivables

The ageing analysis of trade receivables included in trade and other receivables is as follows:

	30 June 2008 *US$'000*	31 December 2007 *US$'000*
Less than 30 days	**18,386**	18,280
31-60 days	**5,457**	5,858
61-90 days	**1,953**	3,694
Over 90 days	**2,581**	2,815
	28,377	30,647

Trade receivables consist principally of voyage-related trade receivables. It is industry practice that 95% to 100% of freight is paid upon completion of loading, with the balance paid after completion of discharge and the finalisation of port disbursements and other voyage-related charges. The Group does not normally grant any credit terms to its customers and trade receivables as at the balance sheet date are all past due.

9. **Trade and other payables**

The ageing analysis of trade payables included in trade and other payables is as follows:

	30 June 2008	31 December 2007
	US$'000	*US$'000*
Less than 30 days	**25,601**	18,367
31-60 days	**3,708**	1,002
61-90 days	**752**	806
Over 90 days	**3,967**	2,287
	34,028	22,462

MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30 June 2008, revenue was US$909.9 million (2007: US$455.4 million), up 99.8%. Time charter equivalent earnings and maritime management services income were US$586.4 million (2007: US$269.2 million), up 117.8%.

Net profit before gains on disposal of vessels was US$299.0 million (2007: US$112.7 million), up 165.3%. Net profit attributable to shareholders was US$337.6 million (2007: US$162.9 million), up 107.2%. 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 an increase in the unrealised bunker swap contracts income, balanced by an increase in blended vessel daily operating costs.

Return on average equity of US$986.7 million (31 December 2007: US$605.3 million) was 68.4% during the six months ended 30 June 2008 (FY2007: 78.0%).

Income

The Group's dry bulk fleet generated US$891.2 million (2007: US$450.7 million) or 97.9% (2007: 99.0%) of revenue and the remaining 2.1% was derived from ports, towage and maritime management services activities. 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 primarily related to commissions, bunkers, results of bunker swap contracts, port-related costs and charter-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	Other	Total
During the six months ended 30 June 2007	**198.7**	**65.8**	**4.7**	**269.2**
Change in revenue days	38.5	16.1	–	54.6
Change in daily charter rates	183.9	64.7	–	248.6
Other	–	–	14.0	14.0
During the six months ended 30 June 2008	**421.1**	**146.6**	**18.7**	**586.4**

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

	Six months ended 30 June		
	2007	**2008**	% change
Handysize			
Revenue days	9,590	**11,540**	+ 20 %
Daily charter rates (US$)	19,750	**32,460**	+ 64 %
Daily vessel operating costs (US$)	9,370	**12,840**	+ 37 %
Handymax			
Revenue days	2,260	**2,900**	+ 28 %
Daily charter rates (US$)	25,180	**46,100**	+ 83 %
Daily vessel operating costs (US$)	20,580	**32,940**	+ 60 %

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$8,110.

Direct Costs

Direct costs during the six months ended 30 June 2008 were US$257.9 million (2007: US$135.6 million). The bulk of the increase was represented by charter-hire expenses for vessels under operating leases which increased to US$185.7 million (2007: US$80.0 million) reflecting a 68.7% rise in the average number of vessels chartered under operating leases, and a 41.3% increase in the average daily charter rate.

Depreciation expenses decreased slightly to US$18.1 million (2007: US$18.7 million).

Operating costs for owned and finance leased vessels include crew related, spares, lubricants and insurance costs and increased to US$28.7 million (2007: US$22.8 million). This was mainly due to an increase in crew wages and higher lubricant costs.

Direct costs also included the cost of maritime management services, and an overhead allocation of US$24.0 million (2007: US$13.1 million) representing shore based staff costs, office and related expenses directly attributable to the management of the dry bulk fleet, ports, towage and maritime management services activities.

Revenue days and vessel days of our dry bulk vessels can be analysed as follows:

	Six months ended 30 June					
	2007			**2008**		
	Owned	Chartered	Total	**Owned**	**Chartered**	**Total**
Handysize						
Vessel days	6,620	3,120	9,740	**5,710**	**5,900**	**11,610**
Drydocking	(140)	–	(140)	**(40)**	**–**	**(40)**
Off-hire	(10)	–	(10)	**(30)**	**–**	**(30)**
Revenue days	6,470	3,120	9,590	**5,640**	**5,900**	**11,540**
Handymax						
Vessel days	360	1,900	2,260	**360**	**2,570**	**2,930**
Drydocking	–	–	–	**(30)**	**–**	**(30)**
Off-hire	–	–	–	**–**	**–**	**–**
Revenue days	360	1,900	2,260	**330**	**2,570**	**2,900**

The off-hire for the total fleet of owned vessels represented 1.8 (FY2007: 0.8) days per vessel per year.

Blended vessel daily operating costs for handysize were US$12,840 (FY2007: US$10,240), an increase of 25.4% over the previous year mainly due to higher charter-hire costs due in part to the sale and charter back of 12 vessels in 2007. The equivalent costs for handymax were US$32,940 (FY2007: US$23,050), an increase of 42.9% over the previous year mainly due to the higher charter-hire cost of vessels sourced from the market.

Gains on Disposal of Property, Plant and Equipment

Gains on disposal of property, plant and equipment totalled US$38.6 million (2007: US$50.2 million). The Group completed the sale and lease back of 1 vessel and sold another vessel. Proceeds from these sales of US$80.6 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 this sale and lease back transaction with the vessels being treated as sold, the gains or losses on disposal being recognised immediately on completion, and subsequent charter-hire payments being recognised as expenses.

During the period, contracts were entered into to sell 5 further vessels of which 2 were lease back, which are expected to complete in the second half of 2008 with an estimated disposal gain of about US$110 million.

Other Operating Income

Movements in the fair value of receipts from forward freight agreements amounted to US$10.8 million (2007: US$13.6 million).

The Group invested in the shares of other listed shipping companies which are held as current assets. Most of these were sold in the first month of 2008. In addition, the Group has established a long term relationship with and investment in Green Dragon Gas Limited, a listed energy company with a fair value of US$56.4 million at 30 June 2008. The increase in the fair value, dividends and gains from the sale of these financial assets and investments amounted to a gain of US$9.6 million (2007: US$11.3 million).

Other Operating Expenses

Movements in the fair value of payments for forward freight agreements amounted to US$22.5 million (2007: US$35.0 million). Taking into account the movements in fair value of receipts of US$10.8 million as shown above, the net movement in the fair value of forward freight agreements was an expense of US$11.7 million (2007: US$21.4 million).

In addition, decrease in the fair value of shares of other listed shipping companies amounted to US$4.4 million.

General and Administrative Expenses

The Group's total administrative expenses of US$35.2 million (2007: US$19.5 million) consisted of shore based overhead costs of US$24.0 million (2007: US$13.1 million) included as part of direct expenses, and general and administrative expenses of US$11.2 million (2007: US$6.4 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 the number of staff who are engaged in ports, towage and maritime management services activities.

Total administrative expenses as a percentage of revenue decreased from 4.3% to 3.9%. The number of full time shore based staff per owned, chartered and managed vessel is maintained at 2.5. This excludes the staff who are engaged in ports, towage and maritime management services activities.

Share of Profits Less Losses of Jointly Controlled Entities

The Group's share of profits less losses of jointly controlled entities totalled US$2.9 million (2007: US$3.6 million). This mainly represented the share of results of the vessel "Captain Corelli" of US$2.8 million (2007: US$1.4 million), the Group's share of US$1.4 million (2007: US$2.1 million) in Fujairah Bulk Shipping L.L.C., a business involved in the production, supply and transportation of aggregates in the Middle East, and the share of losses of US$1.6 million in Longtan Tianyu Terminal Co. Ltd, a business involved in the operation of a dry bulk terminal in Nanjing.

Finance Income

Finance income of US$14.0 million (2007: US$1.8 million) represented primarily US$9.9 million (2007: US$1.0 million) of bank interest income and US$3.4 million (2007: nil) of interest from the debt portion of our investment in the convertible bonds issued by Green Dragon Gas Limited.

Financing

Finance costs of US$21.0 million (2007: US$10.2 million) included interest payments of US$0.5 million (2007: US$1.2 million) in relation to bank borrowings used to finance the Group's owned vessels, finance charges of US$9.5 million (2007: US$10.1 million) in relation to vessels under finance lease arrangements and interest expenses of US$9.9 million (2007: Nil) in relation to convertible bonds issued by the Group.

Interest Payments on Bank Borrowings

The decrease in interest payments on bank borrowings of US$0.7 million was primarily due to the decrease in the average bank borrowings outstanding to US$20.0 million during the six months ended 30 June 2008 (2007: US$37.7 million). 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 before hedging on bank borrowings was approximately 5.4% for the period (2007: 6.0%).

Finance Charges

Finance charges of US$9.5 million (2007: US$10.1 million) represented interest payments on the Group's finance leased vessels. Aggregate current and long term finance lease liabilities as at 30 June 2008 were US$239.8 million. The fixed equal quarterly charter-hire payments are accounted for as a combination of repayments of finance lease liabilities in the balance sheet and finance charges in the income statement. Finance charges can be expressed as interest rates, fixed for the period of the leases. The average interest rate on finance leases was approximately 6.8% during the period (2007: 6.7%).

Interest Expenses on Convertible Bonds

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. Interest expenses on the bonds of US$9.9 million represented effective interest at a fixed rate of 5.7% to service these bonds.

Tax

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

Cashflow

At 30 June 2008, the Group had net working capital of US$911.5 million. The primary sources of liquidity comprised bank balances and cash of US$804.3 million (principally denominated in US dollars) and unutilised committed and secured bank borrowing facilities of US$292.3 million. The Group's primary liquidity needs are to fund general working capital requirements (including lease and other short term financing commitments), fleet expansion and other capital expenditure. Dividends are funded from net cash generated from operating activities.

	Six months ended 30 June	
US$ million	2007	**2008**
Net cash from operating activities	97.0	**284.2**
– Purchase of property, plant and equipment	(167.6)	**(201.2)**
– Sale of property, plant and equipment	176.0	**80.6**
– Purchase of available-for-sale financial assets	–	**(40.3)**
– Investment in jointly controlled entities	–	**(37.4)**
– Interest received	1.8	**14.0**
– Increase in restricted and pledged bank deposits	–	**(34.1)**
– Others	–	**0.9**
Net cash from/(used in) investing activities	10.2	**(217.5)**
– Proceeds from shares issued upon placing of new shares, net of issuing expenses	–	**271.0**
– Net repayment of bank loans	(23.0)	**–**
– Repayment of finance leases payables – capital element	(7.9)	**(51.6)**
– Interest and other finance charges paid	(10.2)	**(10.7)**
– Dividends paid	(45.0)	**(152.8)**
– Others	(1.1)	**(1.9)**
Net cash (used in)/from financing activities	(87.2)	**54.0**
Cash and restricted bank deposits at 30 June	83.3	**804.3**

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 30 June 2008, 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 period then ended was recognised directly in the hedging reserve.

Bunker swap contracts and forward freight agreements do not qualify for hedge accounting mainly because the contract periods, which are in calendar months, do not exactly coincide with the periods of the physical contracts. Terms of one of the other interest rate swap contracts also 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 period, which during the six months ended 30 June 2008 created an unrealised non-cash income of US$43.2 million, whereas the cashflows of these contracts will occur in future reporting periods.

During the six months ended 30 June 2008, the Group recognised net realised derivative expenses of US$0.6 million and net unrealised derivative income of US$43.2 million. This resulted in a total income for the period of US$42.6 million. These are further analysed as follows:

	Six months ended 30 June			
US$ million	2007	**Realised**	**Unrealised**	**2008**
Income				
– Interest rate swap contracts	1.2	**–**	**–**	**–**
– Bunker swap contracts	7.6	**10.1**	**50.1**	**60.2**
– Forward freight agreements	13.6	**1.6**	**9.2**	**10.8**
	22.4	**11.7**	**59.3**	**71.0**
Expenses				
– Interest rate swap contracts	–	**(0.2)**	**(0.4)**	**(0.6)**
– Bunker swap contracts	(1.8)	**(0.1)**	**(5.2)**	**(5.3)**
– Forward freight agreements	(35.0)	**(12.0)**	**(10.5)**	**(22.5)**
	(36.8)	**(12.3)**	**(16.1)**	**(28.4)**
Net				
– Interest rate swap contracts	1.2	**(0.2)**	**(0.4)**	**(0.6)**
– Bunker swap contracts	5.8	**10.0**	**44.9**	**54.9**
– Forward freight agreements	(21.4)	**(10.4)**	**(1.3)**	**(11.7)**
	(14.4)	**(0.6)**	**43.2**	**42.6**

Indebtedness

The indebtedness of the Group, principally denominated in US dollars, comprised finance lease liabilities of US$239.8 million, bank borrowings of US$18.4 million and the debt component of convertible bonds of US$354.1 million. US$14.0 million of finance lease liabilities and US$6.6 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$239.8 million (31 December 2007: US$289.6 million) as a result of repayments and prepayments of finance lease liabilities following the sale of a vessel during the period. Bank borrowings (net of deferred loan arrangement fees) decreased to US$18.4 million (31 December 2007: US$19.6 million) as a result of repayments during the period. In December 2007, the Group issued US$390 million, 3.3% per annum coupon, guaranteed convertible bonds due 2013. The bonds are convertible into ordinary shares of the Company at the current conversion price of HK$19.21. 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$19.21 conversion price for five consecutive trading days, being HK$23.05 per share or above.

At 30 June 2008, 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$113.6 million and an assignment of earnings and insurances in respect of these vessels.

The Group had unutilised committed bank borrowing facilities of US$292.3 million available to finance the Group's newbuilding commitments and other vessel acquisitions.

The Group's cash, net of bank borrowings, finance lease liabilities and convertible bonds, expressed as a percentage of property, plant and equipment (based on net book values) and vessel finance lease receivables was 21.1% (31 December 2007: net borrowings 1.4%).

Lease Commitments

Lease commitments include vessels chartered by the Group directly and by the Pools, namely Pacific Basin-IHC and Pacific Basin-IHX. Operating lease commitments stood at US$703.1 million (31 December 2007: US$678.5 million). These commitments exclude vessels under finance leases which are 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. Of these commitments, US$421.5 million related to handysize vessels and US$281.6 million related to handymax vessels, as follows:

Lease Commitments	**No later than one year**	**Later than one year but no later than five years**	**Later than five years**	**Total**
(US$ million)				
PB Handysize	173.7	203.4	21.1	398.2
Pacific Basin – IHC	23.3	–	–	23.3
Handysize subtotal	197.0	203.4	21.1	421.5
PB Handymax	142.8	69.0	–	211.8
Pacific Basin – IHX	69.8	–	–	69.8
Handymax subtotal	212.6	69.0	–	281.6
Total	409.6	272.4	21.1	703.1

Lease Commitments	No later than one year	Later than one year but no later than five years	Later than five years	Total
(Days)				
PB Handysize	11,120	15,830	2,110	29,060
Pacific Basin – IHC	640	–	–	640
Handysize subtotal	11,760	15,830	2,110	29,700
PB Handymax	3,680	2,180	–	5,860
Pacific Basin – IHX	1,200	–	–	1,200
Handymax subtotal	4,880	2,180	–	7,060
Total	16,640	18,010	2,110	36,760

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

The Group has commitments to 46,410 days under finance leases and 34,920 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 Average daily rate (US$)	PB Handysize Operating leases Vessel days	PB Handysize Finance leases Average daily rate (US$)	PB Handysize Finance leases Vessel days	PB Handymax Operating leases Average daily rate (US$)	PB Handymax Operating leases Vessel days
2008	15,700	5,830	5,900	2,390	40,100	2,400
2009	15,100	9,900	6,000	4,750	35,000	2,130
2010	13,800	6,180	6,000	4,750	30,200	1,110
2011	10,200	2,560	5,900	4,750	34,400	220
2012	10,200	1,840	6,000	4,750	–	–
2013	9,800	1,100	5,900	4,750	–	–
2014	9,900	730	5,900	4,750	–	–
2015	9,900	650	5,900	2,590	–	–
2016	10,900	270	6,000	1,830	–	–
2017	–	–	5,800	610	–	–
Total		29,060		35,920		5,860

Certain lease agreements provide the Group with options to purchase the related vessels at predetermined time 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 at 30 June 2008** Finance lease	Operating lease	**Average age of vessels** (years)	**Average purchase option exercise price** (US$ million)
2008	Handysize	13	6	5	18.0
2009	Handysize	–	3	3	22.5
2010	Handysize	–	1	3	22.5
	Handymax	–	1	5	17.7
2016	Post Panamax	–	1	5	61.2
Total		13	12		

Capital Expenditure, Property, Plant and Equipment and Commitments

During the six months ended 30 June 2008, capital expenditure amounted to US$201.2 million, mainly comprised of the purchase of 4 handysize vessels and 1 tug and also instalments on 16 handysize vessels, roll on roll off and tug newbuildings.

At 30 June 2008, the Group had property, plant and equipment of US$898.6 million, of which US$706.9 million related to 32 delivered handysize vessels, 3 delivered handymax vessels and 10 tugs and barges with average net book values of US$18.6 million, US$23.9 million and US$4.0 million per vessel respectively.

At 30 June 2008, the Group had non-cancellable vessel commitments of US$536.3 million. These vessels are for delivery to the Group between July 2008 and July 2011. After the period end, the Group committed a further US$184.9 million on other vessels. They are shown in the table below.

Vessel Capital Commitments (US$ million)	**No.**	**2008**	**2009**	**2010**	**2011**	**Total**
Handysize newbuildings	7	43.7	49.2	–	–	92.9
Handymax newbuildings	1	28.6	–	–	–	28.6
Post panamax newbuildings	1	–	–	21.8	22.0	43.8
Tugs and barge newbuildings	6+1	11.7	17.9	7.6	–	37.2
Roll on roll off newbuildings	4	27.5	128.9	149.2	28.2	333.8
	20	111.5	196.0	178.6	50.2	536.3
Recent Vessel Commitments						
Roll on roll off newbuildings	2	40.0	–	133.6	–	173.6
Tugs and barge newbuildings	2+1	11.3	–	–	–	11.3
	5	51.3	–	133.6	–	184.9
Total	25	162.8	196.0	312.2	50.2	721.2

These commitments will be financed by 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 the functional currencies of the underlying assets, the Group has entered into forward foreign exchange contracts to purchase the currencies at predetermined rates.

Staff

At 30 June 2008, the Group employed a total of 489 (2007: 266) full time shore based staff mainly in offices in Hong Kong, Shanghai, Beijing, Dalian, Nanjing, Tokyo, Seoul, Singapore, Manila, Dubai, Fujairah, Melbourne, Sydney, Brisbane, Auckland, London, Liverpool, Bad Essen, Houston, Vancouver and Santiago.

The Group incurred total staff costs (included in direct costs and general and administrative expenses as described earlier) of approximately US$26.5 million during the six months ended 30 June 2008 (2007: US$14.7 million), representing 2.9% of the Group's revenue for the period (2007: 3.2%).

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"), a defined contribution scheme provided under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those staff employed under the jurisdiction of the Hong Kong Employment Ordinance.

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

PURCHASE, SALE AND REDEMPTION OF SHARES

During the reporting period, other than for satisfying restricted share awards granted under the LTIS, neither the Company nor any of its subsidiaries has 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 set out in Appendix 10 of The Rules Governing the Listing of the Securities on the Stock Exchange (the "Listing Rules") (the "Model Code").

The Board confirms that, having made specific enquiry, the Directors have complied in full with the required standard set out in the Model Code and its code of conduct, except that a Director traded in the Company's securities following the receipt of oral confirmation that no trading restrictions were in place, but before written approval from the Company. The Board has formally reminded all Directors that the Model Code stipulates written approval must be received before such transactions can proceed.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Group has complied with all code provisions of the Code on Corporate Governance Practices, as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2008.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the interim results of the Group for the six months ended 30 June 2008. In addition, the Company's external auditor, PricewaterhouseCoopers, has reviewed the interim financial information in accordance with the Hong Kong Standard of Review Engagements 2410 issued by the HKICPA.

INTERIM DIVIDEND AND BOOK CLOSURE

The Board has declared an interim dividend for the six months ended 30 June 2008 of HK 76 cents per share, which will be paid on 29 August 2008 to those shareholders whose names appear on the Company's register of members on 21 August 2008.

The register of members will be closed from 20 August 2008 to 21 August 2008 (both days inclusive) during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 19 August 2008. The ex-dividend date for the interim dividend will be on 18 August 2008.

INTERIM REPORT AND DISCLOSURE OF INFORMATION ON STOCK EXCHANGE'S WEBSITE

This announcement of interim results containing all the information required by paragraphs 46(1) to 46(9) of Appendix 16 of the Listing Rules has been published on the Stock Exchange's website at www.hkexnews.hk and on the Company's website at www.pacificbasin.com.

The Company's 2008 Interim Report will be posted to shareholders by 21 August 2008. An electronic copy of the Interim Report will also be available on the Stock Exchange's website at www.hkexnews.hk and on the Company's website at www.pacificbasin.com no later than the date when the printed copy is posted to shareholders.

DIRECTORS

As at the date of this announcement, the executive Directors of the Company are David Muir Turnbull, 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 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.