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

Press Release

Pacific Basin Shipping Limited Announces 2005 Interim Results

Hong Kong, September 5, 2005 – Pacific Basin Shipping Limited ("Pacific Basin" or "the Company"; SEHK: 2343), one of the world's leading dry bulk shipping companies, today announced the interim results of the Company and its subsidiaries (together "the Group") for six month ended June 30, 2005.

Key Highlights

	Six Months Ended June 30, 2005	
US$ millions	**2005**	2004
Total Turnover	**191.1**	81.7
Profit Attributable to Shareholders	**85.5**	43.6
Basic Earnings per share (US cents)	**6.75**	4.80
Basic Earnings per share (HK cents)	***52.65***	*37.44*
Proposed Interim Dividend per share (HK cents)	**30.0**	-

- The proposed interim dividend represents a payout ratio of 57%.
- Fleet expansion during the second half of 2004 and the first half of 2005 drives 78% growth in vessel revenue days to 6,750 (2004: 3,800) with an average rate earned of US$18,600 per vessel per day (2004: US$18,000)
- The fleet today (including newbuildings) stands at 56 vessels. We operate 50 vessels with an average age of 5 years (Handysize: 28 owned, 16 on long-term charter and 4 managed; Handymax: 2 on long-term charter) and have 6 Handysize on order.

*For identification purposes only.

Pacific Basin's expanded fleet and strong freight rate in the bulk shipping market sent turnover to US$191.1 million in the first six month ended June 30, 2005, representing a jump of 133.9% compared to the same period of last year. Net profit surged 96.1% year on year, reaching US$85.5 million during the period – including the US$12.2 million gains on disposal of vessels and the US$5.8 million income from bunker swap and forward contracts and interest-rate swaps.

Basic earnings per share were 6.75 US cents, equivalent to 52.65 HK cents, up more than 40 per cent compared to the same period of last year.

Commenting on the Group's interim results, Group Chairman Christopher Buttery said:

"We are pleased to present the unaudited financial results for the Group. The strong performance achieved in the first half of the year reflects the substantial fleet expansion implemented in the second half of 2004 following the completion of our initial public offering in July 2004. The attractive rates provided by our book of cargo contract covered shows the continued overall strength in the world's shipping markets."

Dividend

The dividend policy of Pacific Basin is to distribute each year not less than 50% of the available profit, with the potential to distribute more than this when the strength of the Group's results, business and prospects indicates that this is appropriate. For the six months ended June 30, 2005, the board of directors recommended an interim dividend of 30 HK cents per share, which will be paid on October 4 to shareholders of record on September 21, 2005.

The dividend declared represents a payout ratio of 57%, showing Pacific Basin's strong business performance in the first half and the level and value of the contract cover in place for the balance of this year and 2006. The Group's strategy of booking forward contract cover for a significant portion of its revenues is designed to add certainty to future revenues and cashflows, and therefore, to provide a degree of certainty in dividend distribution.

Following interim dividend payment this year, Pacific Basin will still have distributable profits of over US$66 million. The board of directors expects an additional 30 HK cents of final dividend will be distributed for the end of the year, bringing the total of the year to at least 60 HK cents.

Pacific Basin expects to adopt a generous approach continuously. If circumstances so permits, the Group plans to declare an interim and final dividend above the 50% minimum policy level. But it will be subject to the board's primary obligation to ensure the Group will have adequate resources to meet of its financial needs for developing its business.

Market Review

The movement in short term spot rates for dry bulk vessels in the first half this year is similar to the pattern of last year. The dry bulk shipping market continues to see high spot market rates driven by strong demand for commodities and limited supply of capacity. China, which saw GDP grew 9.5% per annum in the first half, also fuelled the demand for dry bulk.

The first quarter saw a continuation of the robust dry bulk freight rate experienced at the end of last year, supported by strong demand for iron ore and coal from China. Spot rate for handysize vessel remained at above US$20,000 per day throughout the first quarter, except for a short seasonal dip ahead of the Chinese New Year holiday. Dry bulk freight rates started to come down in the second quarter, led by larger-sized capesize and panamax vessels due to the built-up inventory made by Chinese buyers earlier in the year and the seasonal reductions in shipments for thermal coal and southern hemisphere grain. The industry saw a Pacific-led drop in earnings, with spot rates for handysize vessel lowered to US$14,000 per day by the end of June.

But the absolute level of demand remained high. In the first half of 2005, the iron ore import from China rose a comparative 18.5% to 21.8 million tonnes a month, despite the much publicised import licence system and a 70% increase in the cost of iron ore which became effective on April 1, this year.

Business Performance

Pacific Basin's International Handybulk Carriers ("IHC") Pool remained the major service provider in the Asia-Pacific region. The IHC Pool handled over 6.1 million tonnes of cargo during the reporting period, up from 4.7 million tonnes in the same period of last year. China, Japan and Korean continued to be its core front-haul delivery destinations.

Through careful matching of front-haul and back-haul cargoes, the time in ballest was reduced from 16% in the first half of 2004 to just 14% in the first half this year on an expanded fleet capacity that saw the vessel revenue days grew to 6,750 from 3,800 in the same period of last year. This effort was an important contributor to the improvement in Pacific Basin's average handysize earnings from just over US$18,000 per day in the first half of 2004 to just over US$18,600 per day in the first half this year, despite slightly lowered spot rate seen this year.

Besides, Pacific Basin increased its presence in Melbourne and Tokyo and added a new office in Vancouver to complement key functional centres in Hong Kong, Shanghai and London. The strengthened network offices allowed the Group to continue adding to the book of forward cargo cover. At July 31 this year, 62% of its 7,500 Handysize revenue days for the second half this year was covered at an average rate of about US$15,700 per day. For the whole year, 80% of its 14,240 handysize revenue days has been covered at an average rate of US$17,400 a day. Futhermore, 38% of the 15,000 revenue days for next year has been covered at US$13,700 a day and some of the revenue days of 2007 has been covered.

During the first half this year, Pacific Basin took delivery of three handysize vessels to its own fleet, though one vessel left the fleet after completing the charter. Besides, it also received a handymax new building.

The Group also continued the sale and charter back transactions. It sold but chartered back two handysize vessels, one handysize newbuilding and two handymax vessels during the reporting period. The ships have been chartered in at rates matching the outward charters, leaving the Group in a neutral cash flow position with no equity commitment or other exposure to them. Pacific Basin continues the programme and a further seven handysize vessels and one new building, including the deal announced on August 18 and August 31.

The transactions also allow the Group to access additional vessels at attractive prices though the market supply is tight at the moment. The Group purchased a 1996-built 28,000dwt vessel as announced on August 31, which will be delivered in October this year. It has placed an order to a 32,000dwt vessel due for delivery in 2007.

As of August 31, 2005, Pacific Basin has a fleet of 56 vessels, including six newbuildings (Handysize: 28 owned, 16 chartered, four managed; Handymax: two chartered and six handysize newbuildings, three delivering in each of 2006 and 2007). The Group employed a total of 231 full-time shore-based staff.

Liquidity and Financial Resources

Net cash generated from operating activities during the reporting period amounted to US$90.4 million, up 43.7% compared to US$62.9 million in the same period last year.

Net cash generated from investing activities was US$23.2 million in the first half this year, as a result of the proceeds from the sale of vessels of US$103.1 million, offset by the purchase of vessels of US$77.6 million. In the same period of 2004, net cash used in investing activities was US$22.9 million.

Net cash used in financing activities was US$126.7 million during the reporting period, due to the repayment and voluntary prepayment of bank borrowings of US$125.2 million, the payment of dividends of US$13.0 million in January 2005 and US$26.0 million in May this year, partially offset by the draw down of additional bank loans for the acquisition of vessels of US$49.0 million. The amount in the same period last year was US$1.2 million.

As at June 30, 2005, Pacific Basin had working capital of US$21.8 million excluding long-term bank loans repayable within one year of US$12.2 million. Bank balances and cash stood at US$28.6 million and unutilised committed bank facilities was US$95.4 million.

The Group's gearing ratio expressed as net borrowings as a percentage of fixed assets (based on net book values) was 50% at June 30, 2005.

Outlook

Pacific Basin is optimistic about the outlook and prospects for the second half of 2005 as spot market rates will remain high. The potential for rate "spikes" exists, with tight supply and demand balance coupled with increased port congestion. Dry bulk owners who have the right tonnage and market position will continue to achieve attractive results. But new delivery, especially the larger dry bulk vessels may keep rates below the peak in 2004. However, for the handysize market, almost 30% of the world's handysize vessels are over 25 year old, meaning fleet growth is the lowest, irrespective of scrapping and new supply of vessels remains modest.

With its present cover levels, Pacific Basin is building on its cargo base held for 2006 and 2007 and to start building its forward book for 2008 in order to achieve greater stability in its revenue and cashflows, whilst at the same time providing customers with longer term access to modern tonnage and certainty over their own freight cost. With an expectation of a strong fourth quarter, Pacific Basin believes a good proportion of 2006 and 2007 revenue locked in at attractive rates.

Although the vessel price shot up earlier in the year, there are initial signs that prices are easing. Within the next 12 months, there will be opportunities to acquire additional tonnage at more modest prices. With our strong financial position, Pacific Basin can act swiftly when vessel purchase opportunities arises.

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UNAUDITED CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Six months ended 30 June	
	2005	2004 (restated)
	US$'000	US$'000
Turnover	**191,112**	81,677
Bunkers, port disbursements and other charges	**(55,619)**	(10,057)
Turnover on a time charter equivalent basis	**135,493**	71,620
Other net gains	**12,328**	8
Direct costs	**(53,399)**	(23,789)
General and administrative expenses	**(6,443)**	(2,445)
Operating profit	**87,979**	45,394
Finance costs	**(2,371)**	(2,473)
Share of profits less losses of jointly controlled entities	**415**	800
Profit before taxation	**86,023**	43,721
Taxation	**(520)**	(147)
Profit attributable to shareholders	**85,503**	43,574
Dividends	**74,721**	49,812
Basic earnings per share	**US6.75 cents**	US4.80 cents
Diluted earnings per share	**US6.66 cents**	N/A

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	30 June 2005	31 December 2004 (restated)
	US$'000	US$'000
Non-current assets		
Fixed assets	**518,221**	545,096
Goodwill	**25,256**	25,256
Interests in jointly controlled entities	**12,903**	10,657
Interest in an associated Group	**1**	1
Available-for-sale financial assets	**200**	200
Derivative financial instruments	**3,659**	-
Restricted bank deposits	**3,250**	4,150
	563,490	585,360
Current assets		
Inventories	**7,788**	6,564
Derivative financial instruments	**1,860**	-
Trade and other receivables	**20,393**	18,288
Bank balances and cash		
- pledged/restricted	**2,179**	1,910
- unpledged	**28,583**	41,651
	60,803	68,413
Current liabilities		
Trade and other payables	**36,734**	35,315
Current portion of long-term bank loans	**12,218**	36,021
Dividend payable	**-**	12,995
Taxation payable	**2,265**	1,801
	51,217	86,132
Net current assets/(liabilities)	**9,586**	(17,719)
Total assets less current liabilities	**573,076**	567,641
Non-current liabilities		
Long-term bank loans	**281,088**	334,103
Net assets	**291,988**	233,538
Equity		
Share capital	**126,611**	126,701
Reserves	**165,377**	106,837
Total equity	**291,988**	233,538