Pacific Basin Shipping Limited

Press Release

Pacific Basin Shipping Limited Announces 2006 Annual Results

Hong Kong, March 5, 2007 – Pacific Basin Shipping Limited ("Pacific Basin" or the "Company"; SEHK: 2343), one of the world's leading dry bulk shipping companies, today announced the audited results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2006.

Highlights

	Year Ended 31 December	
US$ million	**2006**	2005
Turnover	**620.4**	433.7
Time Charter Equivalent Earnings	**344.8**	264.7
Profit Attributable to Shareholders	**110.3**	147.1
Basic Earnings per Share (HK cents)	***65***	*90*

- Proposed final dividend of HK 22.5 cents per share. Together with the interim dividend of HK 20 cents per share, this brings total dividends for the year to HK 42.5 cents per share, representing a payout ratio of 71%, and total shareholders' return (including share price capital gain and dividends paid during the year) of 51%

- A year of two halves saw Group profits more than double from US$36.4 million in the first half to US$73.9 million in the second half 2006

- 15% increase in handysize revenue days to 16,420 in 2006 (2005: 14,260) due to expanded owned and long term chartered fleet. A further 23% year on year increase to 20,190 handysize revenue days is already committed for 2007. In 2006 the Group earned an average US$15,420 (2005: US$17,100) per handysize revenue day

- Fleet now totals 77 vessels (February 2006: 60) comprising 35 owned, 38 long term chartered and 4 managed vessels. The total includes 58 handysize and 6 handymax vessels afloat, and 12 handysize and 1 handymax newbuildings

- Positive dry bulk market outlook for 2007 supported by a continued healthy global economy and a strong appetite for commodities which is expected to absorb slowing new ship deliveries

- Contract cover is in place for 58% of current 20,190 handysize revenue days in 2007 at an expected yield of about US$17,000 per day upon execution of voyages. Baltic Handysize spot index on 28 February 2007 stood at US$20,447 per day net

Commentary

The Group had a generally satisfactory 2006, although profits decreased by 25% to US$110.3 million and basic earnings per share by 28% to HK 65 cents from the very strong 2005 results. This was due to the quieter dry bulk shipping market in the opening months of the year, which produced a first half profit of only US$36.4 million compared to US$73.9 million in the second half. Turnover increased by 43% to US$620.4 million and cargo carried by 59% to 21.1 million tonnes, representing significant growth for our International Handybulk Carriers ("IHC") and International Handymax Carriers ("IHX") vessel pools.

The Board has recommended a final dividend of HK 22.5 cents per share, bringing the total for 2006 to HK 42.5 cents per share. This represents a 71.2% payout ratio (2005: 73.1%). With an encouraging start to 2007, the Board has reaffirmed that it expects to maintain its dividend policy at a minimum of 50% of annual distributable profits.

Highlights of the year included: (a) a reassessment of the direction of the market in the spring which led to the purchase of a number of vessels at reasonable price levels before the uptrend in demand became too apparent; (b) the subsequent development of a very robust bulk shipping market from the summer and; (c) the raising of US$154 million through a placement of new shares in November.

During 2006, the Baltic Exchange Dry Index rose 80%, reflecting the cyclical upturn in the freight market which began in the summer, and has continued since then, led mainly by increasing commodities demand from China and other developing economies.

The dry bulk freight rate outlook remains very positive as a result of this raw material demand and the increasing distances that cargoes are shipped as Asian economies look further afield to satisfy their appetite for raw materials. Dry bulk vessel values climbed during the year on the back of these improved freight market prospects, and by the end of 2006 prices for 5 year old handysize and handymax vessels were typically 30-40% higher than one year earlier.

The handysize dry bulk sector in which Pacific Basin predominantly operates continued to show some of the strongest fundamentals of any shipping sector in 2006. 23% of the world's 25,000-35,000 deadweight fleet is at or over the historical average scrapping age of 27 years old, so we can expect scrapping to increase. Against this, the handysize orderbook has risen year on year to 15% of the existing fleet, but most of the new orders are for delivery after 2009 because shipyards are full in the near term. As a result, handysize fleet growth in the next few years is expected to be very modest.

Pacific Basin continues to own and operate one of the most modern (average age just over six years) , shallow draft dry bulk fleets in the world. The Group has made commitments totalling US$354 million in 10 second hand vessels and five newbuildings during 2006. Of the current 13 committed newbuildings, four to be delivered in 2007, five in 2008, and a further four in 2009. During the year the Group sold two older vessels with three year charter backs in order to maintain the low average age and uniform quality of the fleet without sacrificing vessel days during the period 2007 to 2009.

Whilst still confident that favourable conditions will prevail in the sector, the Group has chosen to adopt an opportunistic approach to further acquisitions for the present, given current all time high ship prices. Beyond the tonnage portfolio, the Group is also evaluating maritime infrastructure investments including dry cargo terminals in China where potential longer term returns look attractive.

China and the Middle East are two key regions of great business potential. The Group's new office in Beijing has negotiated the contribution of tonnage by China's largest power producer to its IHX pool during the year. In Dubai, Pacific Basin has a new regional presence to add to its existing joint venture with the Government of Fujairah and others in the trading of aggregates and rocks using handysize and handymax bulkers and in addition, tugs and barges which are loaded over its own long-term leased wharf facilities.

Mr. Richard Hext, Chief Executive Officer of Pacific Basin concluded, "With dry bulk enjoying a cyclical upturn, and Pacific Basin benefiting from a fast-growing fleet of young vessels and a talented team delivering an increasing range of freight and related services to our customers, we have high earnings visibility for 2007 and are expecting a good year."

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<u>About Pacific Basin</u>

Pacific Basin Shipping Limited is one of the world's leading commercial dry bulk shipping companies with an owned, chartered and managed fleet under the name of Pacific Basin (www.pacbasin.com) and International Handybulk Carriers ("IHC") (www.handybulkpool.com). It commenced its handymax activity in December 2005 under the name of International Handymax Carriers ("IHX") (www.handymaxpool.com).

The company specializes in shipping a broad range of dry bulk commodities which include forestry products, cement, minerals, grains and fertilizers and scrap steel from resource-rich regions such as Australia, New Zealand, West Coast North America and South East Asia to high commodity consumption countries such as Japan, China, and Korea.

Pacific Basin has a global presence with its headquarters in Hong Kong and operating offices in Shanghai, Beijing, Dalian, Tokyo, Seoul, Singapore, Dubai, London, Vancouver, Melbourne and Fujairah.

Pacific Basin's fleet currently totals 99 vessels including a 'core' fleet of 77 vessels plus 22 vessels on short-term charter. The 'core' fleet comprises 58 handysize and 6 handymax vessels which are owned, long term chartered or managed, and 13 newbuildings on order, of which 12 are handysize and 1 is handymax.

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Consolidated Income Statement
For the year ended 31 December 2006

	2006 US$'000	2005 US$'000
Turnover	**620,444**	433,704
Bunkers, port disbursements and amounts payable to other pool members	**(275,668)**	(169,021)
Time charter equivalent earnings	**344,776**	264,683
Direct costs	**(215,807)**	(114,752)
General and administrative expenses	**(12,291)**	(11,811)
Other operating income	**13,699**	735
Other operating expenses	**(18,930)**	-
Gain on disposal of property, plant and equipment	**23,787**	23,516
Operating profit	**135,234**	162,371
Finance costs	**(26,831)**	(17,940)
Share of profits less losses of jointly controlled entities	**3,024**	3,491
Profit before taxation	**111,427**	147,922
Taxation	**(1,135)**	(779)
Profit attributable to shareholders	**110,292**	147,143
Dividends	**78,562**	107,591
Basic earnings per share	**US 8.33 cents**	US 11.58 cents
Diluted earnings per share	**US 8.28 cents**	US 11.46 cents

Consolidated Balance Sheet
As at 31 December 2006

	2006 US$'000	2005 US$'000
Non-current assets		
Property, plant and equipment	**741,014**	504,309
Land use rights	**427**	-
Goodwill	**25,256**	25,256
Interests in jointly controlled entities	**15,299**	8,138
Derivative assets	**11**	3,382
Trade and other receivables	**11,968**	13,333
Restricted bank deposits	**-**	1,200
	793,975	555,618
Current assets		
Available-for-sale financial assets	**-**	200
Inventories	**15,643**	9,138
Derivative assets	**1,481**	1,607
Trade and other receivables	**45,554**	25,043
Bank balances and cash		
- pledged/restricted	**-**	430
- unpledged	**63,242**	82,081
	125,920	118,499
Current liabilities		
Derivative liabilities	**11,209**	180
Trade and other payables	**69,894**	44,567
Current portion of long term borrowings	**23,881**	14,912
Taxation payable	**1,698**	1,851
	106,682	61,510
Net current assets	**19,238**	56,989
Total assets less current liabilities	**813,213**	612,607
Non-current liabilities		
Derivative liabilities	**1,636**	1,360
Long-term borrowings	**326,584**	301,973
	328,220	303,333
Net assets	**484,993**	309,274
Equity		
Share capital	**155,785**	128,184
Retained profits	**145,048**	126,308
Other reserves	**184,160**	54,782
Total equity	**484,993**	309,274