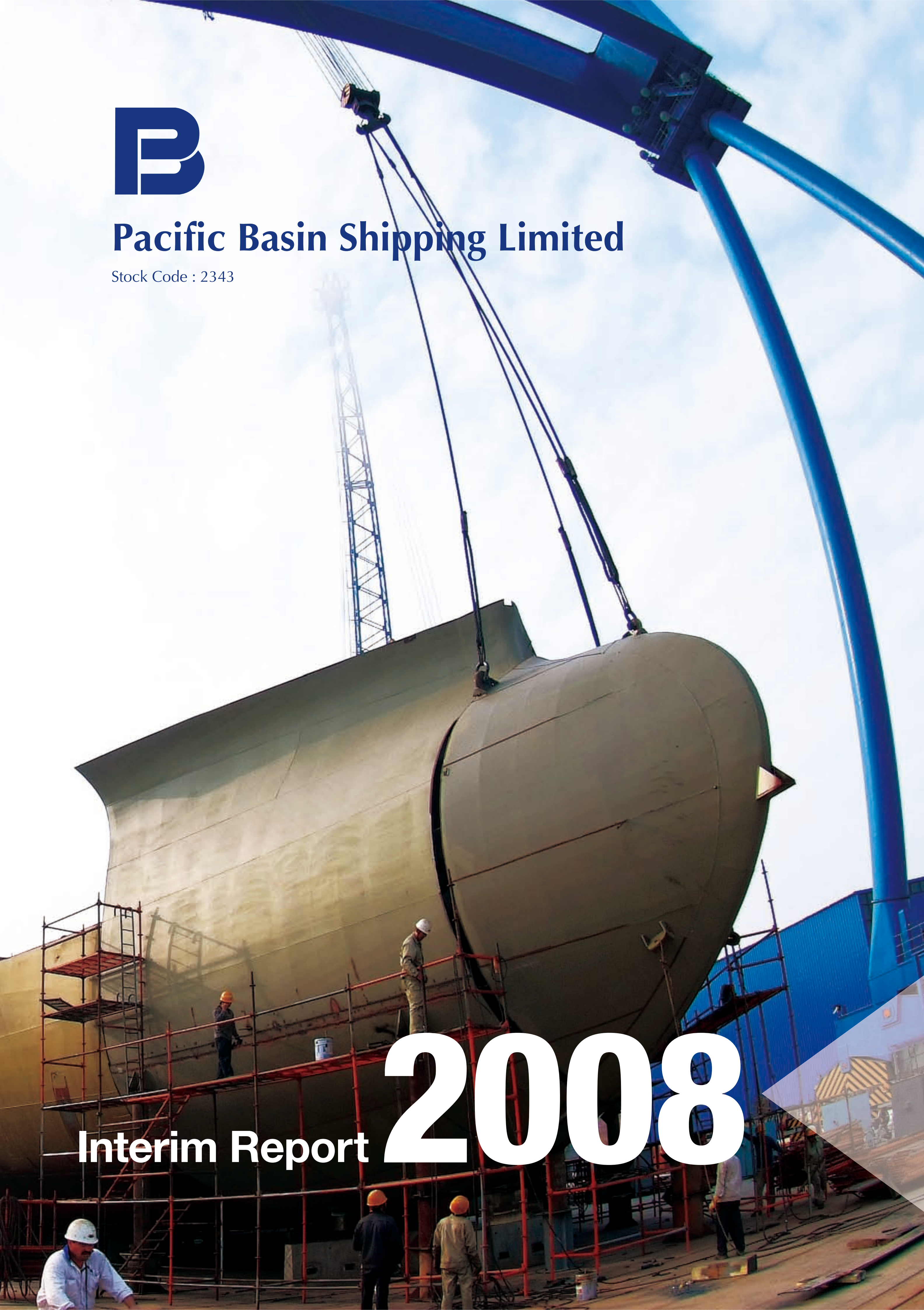
Pacific Basin Shipping Limited

Stock Code : 2343

Interim Report 2008

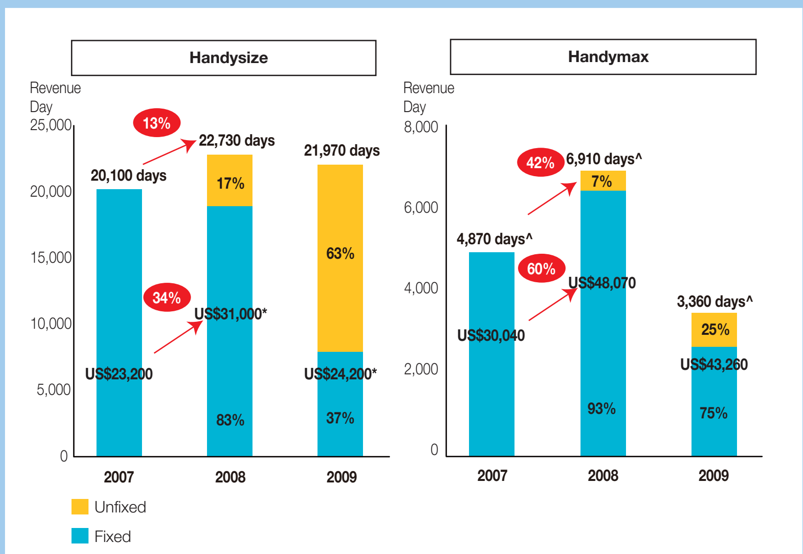


Contents

Highlights

- **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

Contract Cover and Daily TCE

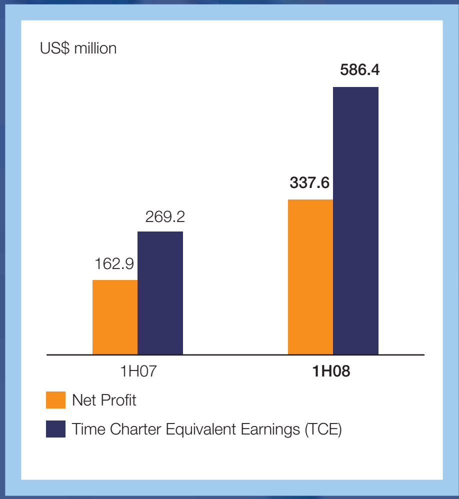


* includes an approximate US$1,000/day anticipated uplift from efficient voyage execution
^ Excludes 2 handymax vessels on long term charter

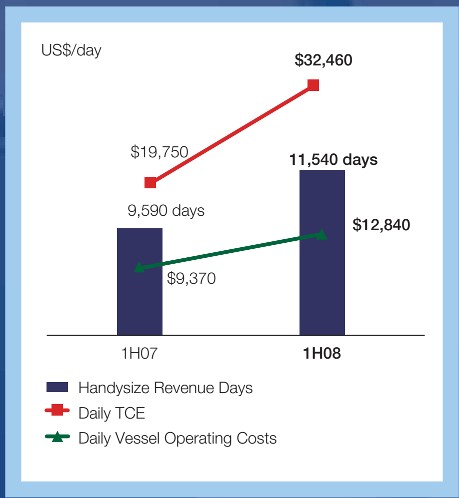
Financial Summary

	2008 30 June US$'000	2007 30 June US$'000	2007 31 December US$'000
Results			
Revenue	**909,872**	455,361	1,177,292
Time charter equivalent earnings	**586,430**	269,229	700,473
Gains on disposal	**38,610**	50,247	137,437
Operating profit	**343,027**	167,746	488,840
Finance costs	**(20,957)**	(10,244)	(24,103)
Net profit attributable to shareholders	**337,587**	162,934	472,125
Balance Sheet			
Total assets	**2,101,735**	1,036,235	1,654,336
Net cash/(borrowings)	**191,996**	(236,315)	(10,730)
Shareholders' equity	**1,333,209**	599,530	867,567
Cash	**804,309**	83,251	649,535
Capital commitments	**(547,568)**	(225,318)	(291,366)
Cash Flows			
Operating	**284,227**	97,017	313,979
Investing	**(217,547)**	10,195	101,982
Financing	**54,031**	(87,203)	170,332
Change in cash	**120,711**	20,009	586,293
Per Share Data	**HK dollars**	HK dollars	HK dollars
Basic EPS	**1.62**	0.81	2.34
Dividends	**0.76**	0.45	1.20
Operating cash flows	**1.37**	0.97	1.56
Net book value	**5.96**	2.98	4.27
Share price at period end	**11.14**	8.80	12.58
Market capitalisation at period end	**HK$19.4 bn**	HK$13.8 bn	HK$19.9 bn
Ratios			
Net profit %	**58%**	61%	67%
Payout ratio	**50%**	55%	52%
Return on average assets	**39%**	35%	46%
Return on average equity	**68%**	63%	78%
Total shareholders' return	**(5%)**	84%	171%
Number of full time shore based staff per vessel	**2.5**	2.5	2.5
Net cash/(borrowings) to book value of property, plant and equipment	**21%**	(30%)	(1%)
Net cash/(borrowings) to shareholders' equity	**14%**	(39%)	(1%)
Interest coverage	**18.1X**	18.8X	22.2X

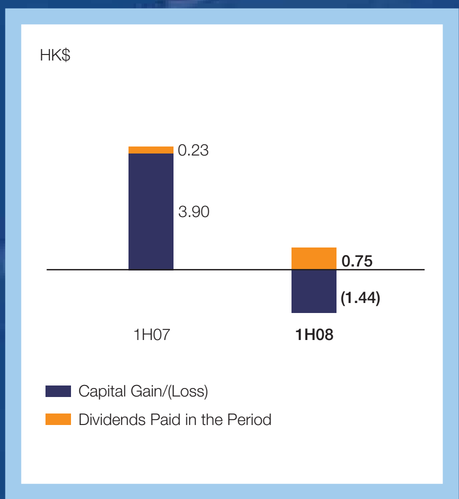
Time Charter Equivalent Earnings and Net Profit



Handysize Revenue Days, Daily TCE and Daily Vessel Operating Costs



Shareholders' Return



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.

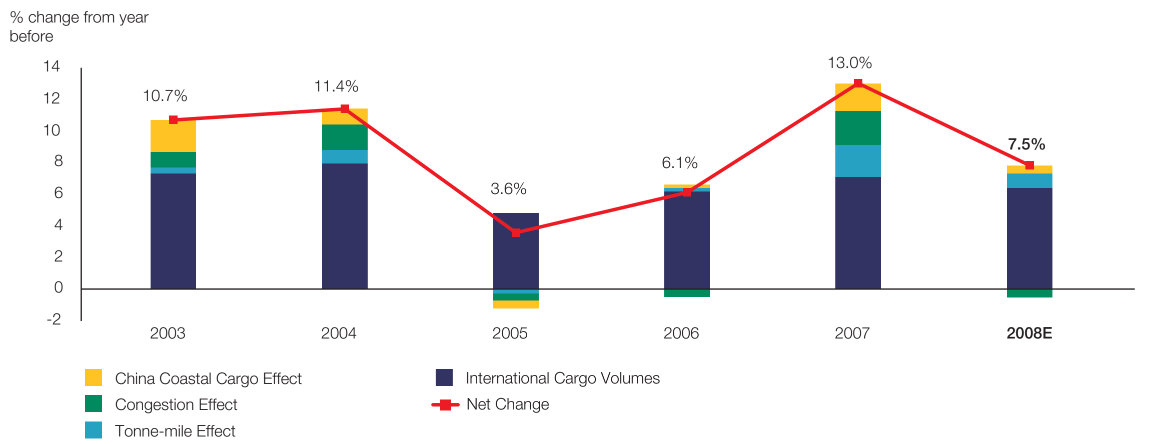
The average BDI level for the first half of 2008 was 8,557 points, 61% above the same period in 2007, and 3% below the 8,830 point BDI average of the second half of 2007. These averages mask very volatile trading as a consequence of a tight market in which small changes in supply and demand lead to large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

Baltic Dry Index

Source: The Baltic Exchange

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.

Changes in Tonnage Demand



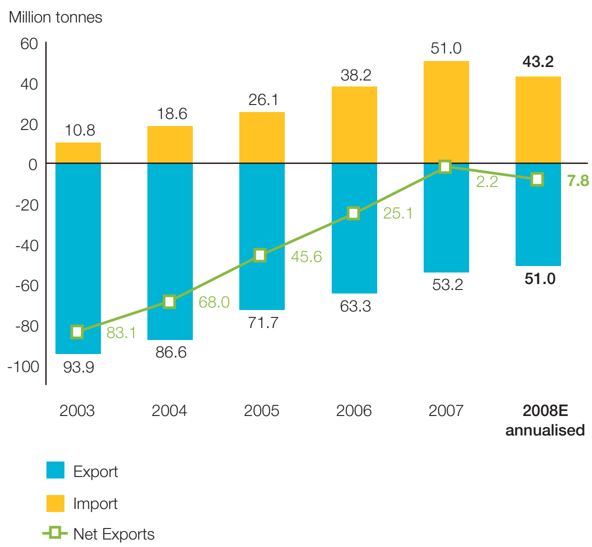
Source: R.S. Platou

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.

China Coal Trade

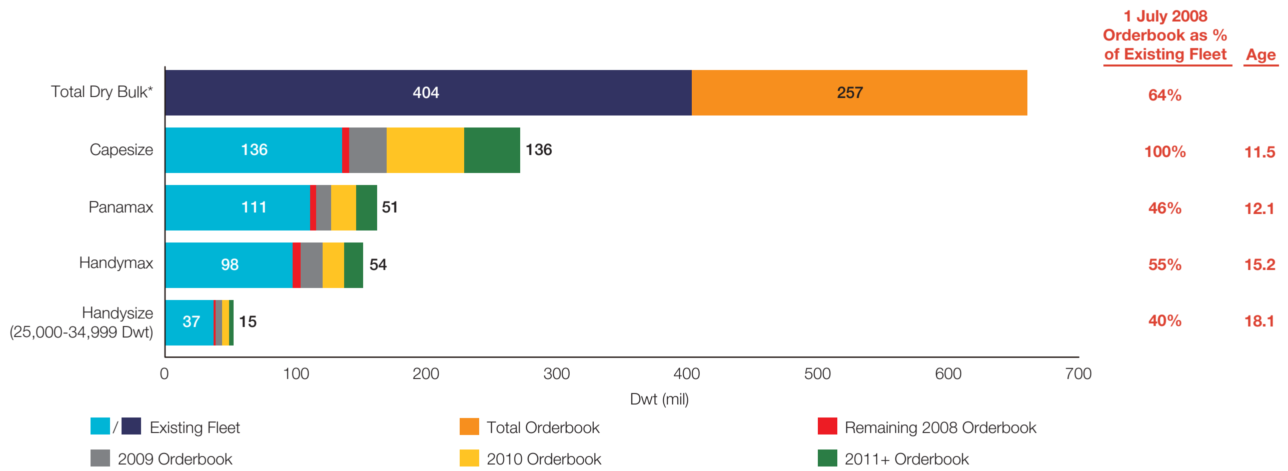


Source: Bloomberg LP, Pacific Basin

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.

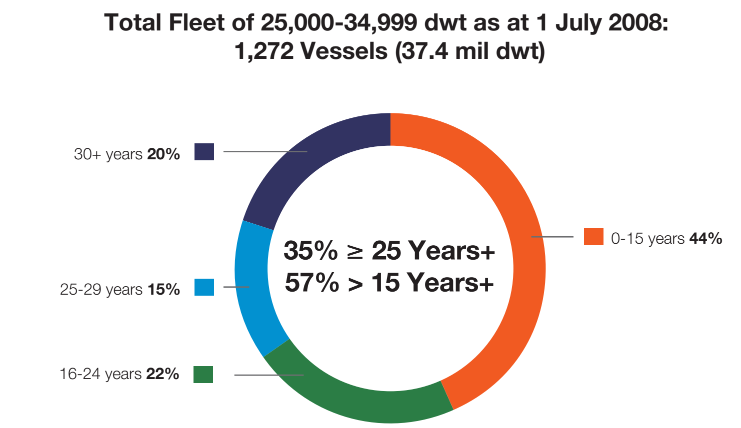
Dry Bulk Orderbook

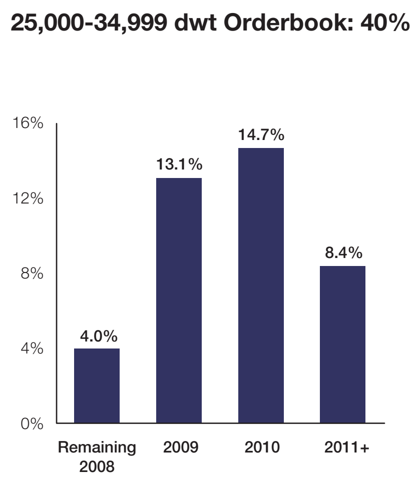


Source: Clarkson

Note: * > 10,000 dwt

Age Profile of Handysize Fleet (25,000-34,999 dwt)





Source: Clarkson

Note: % as of the existing fleet in dwt

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.

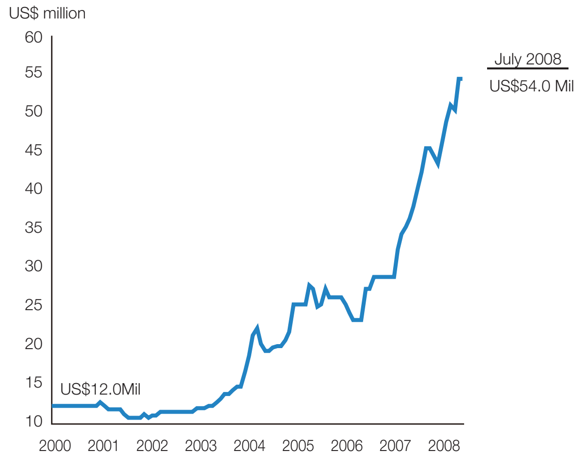
BUSINESS REVIEW

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.

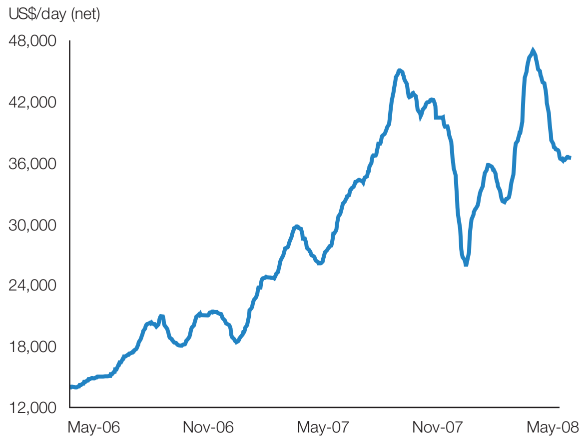
This contribution excludes a total net gain of US$38.2 million in respect of the unrealised mark to market value of derivatives, of which US$37.1 million pertains to the bunker derivatives which we use to hedge the cost of our forward fuel purchases.

5-Year old handysize vessel values



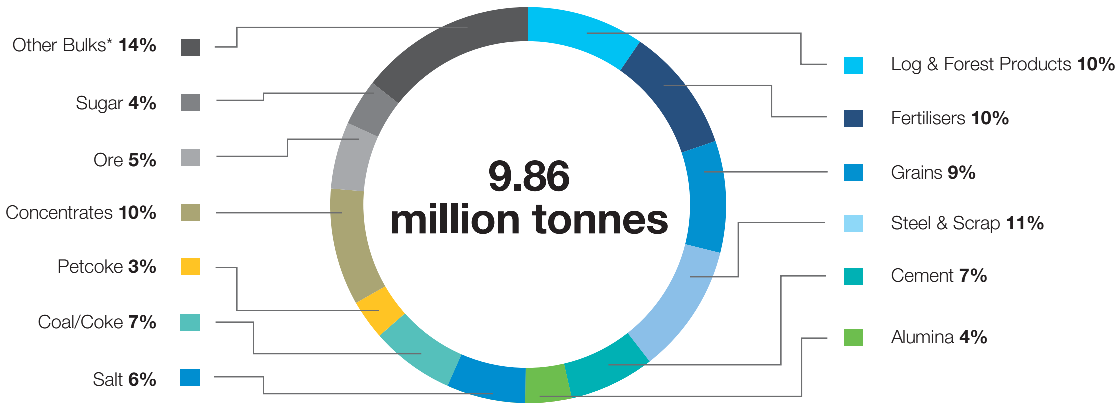
Source: Clarkson

The Baltic Handysize Index



Source: The Baltic Exchange

Handysize Cargo Mix 1H08



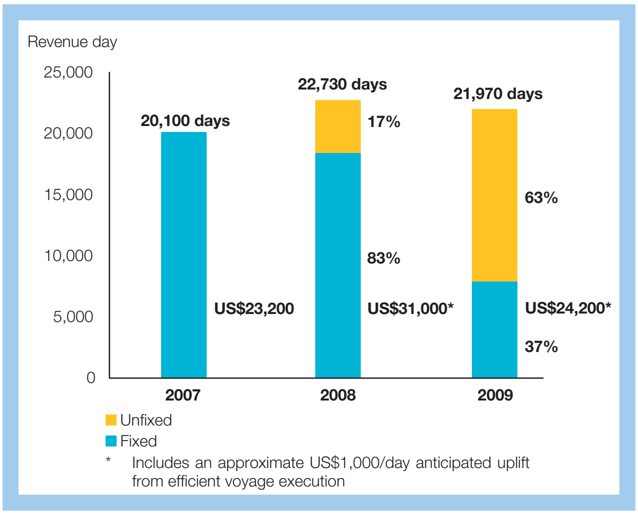
* Other bulks includes cement clinkers, gypsum, sands, soda ash, agriculture products and aggregates

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.

Contract Coverage and Daily TCE – Handysize



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

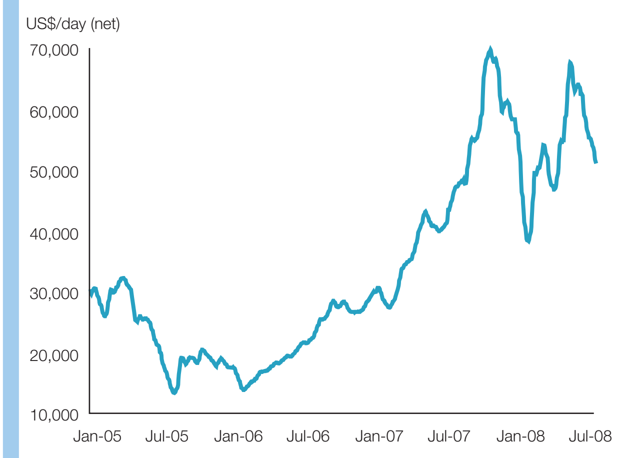
Pacific Basin's handymax business made a contribution during the period of US$38.2 million, an increase of 282% on the US$10 million earned in the first half of 2007. Net earnings over the period were US$46,100 per day over 2,900 handymax revenue days, an 83% increase compared to the same period last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

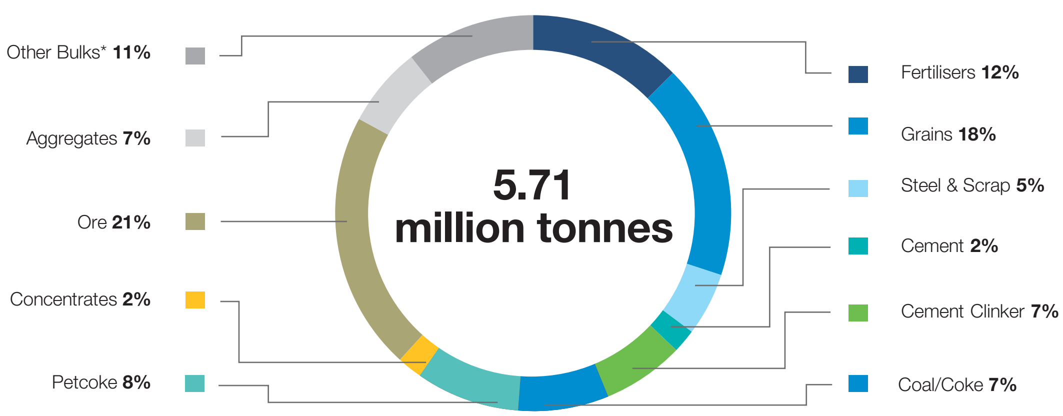
As with our handysize business, we have a young fleet with an average age of just over seven years. Our ships are typically between 45,000 and 58,000 dwt; all are fitted with cranes, and most are fitted with grabs to allow the vessels flexibility to self load and discharge. The fleet consists of a mix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

The Baltic Supramax Index



Source: The Baltic Exchange

Handymax Cargo Mix 1H08



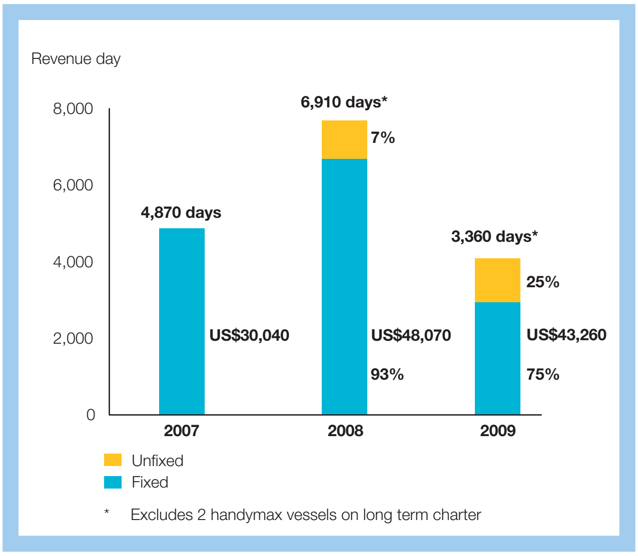
* Other bulks includes gypsum, alumina, salt, agriculture products and sugar

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.

Earnings Coverage – Handymax



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.

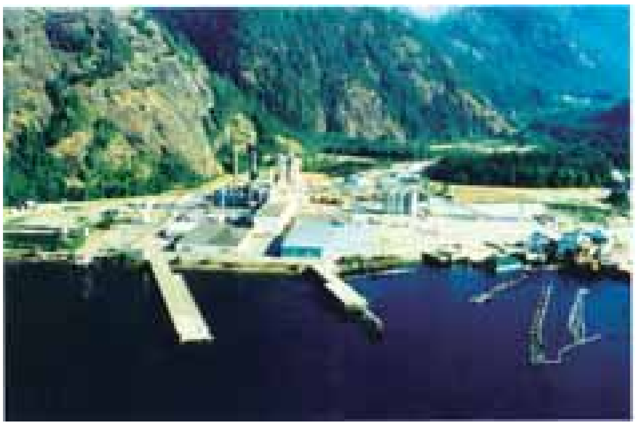
Our Nanjing Longtan Tianyu Terminal (in which we hold a 45% interest) handled over 600,000 tonnes of general cargo in the first half of the year, following commencement of trial operations at the end of 2007 and formal operations in February 2008. As anticipated, the business recorded a small loss. The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

Nanjing Longtan Tianyu Terminal

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.



Gold River in Canada

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.

Flinders 1 at Port of Melbourne

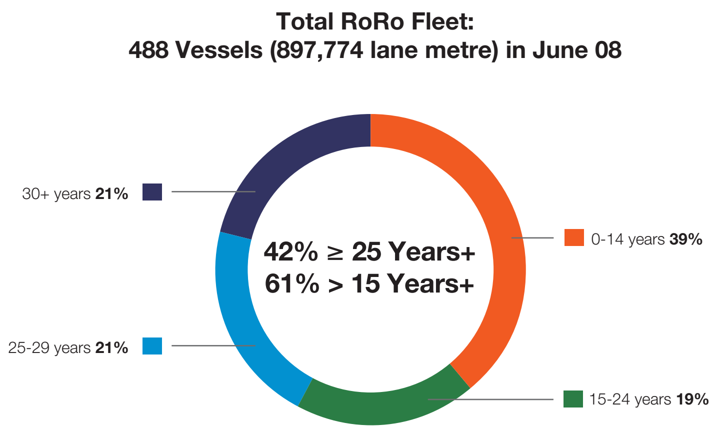
Roll On Roll Off

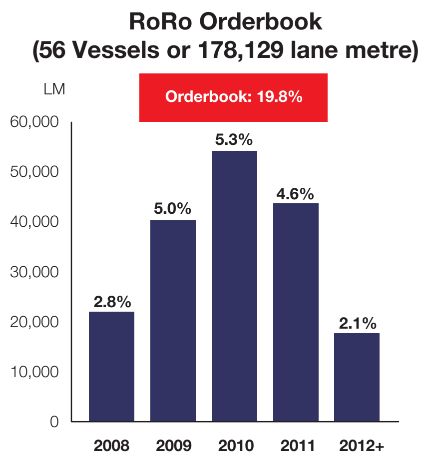
Pacific Basin has identified the market for freight RoRos as an attractive shipping sector with good demand prospects, an ageing world fleet (42% of vessels are aged 25 years or over), a small order book (comprising less than 20% of the existing fleet) and a requirement for premium service levels.

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,

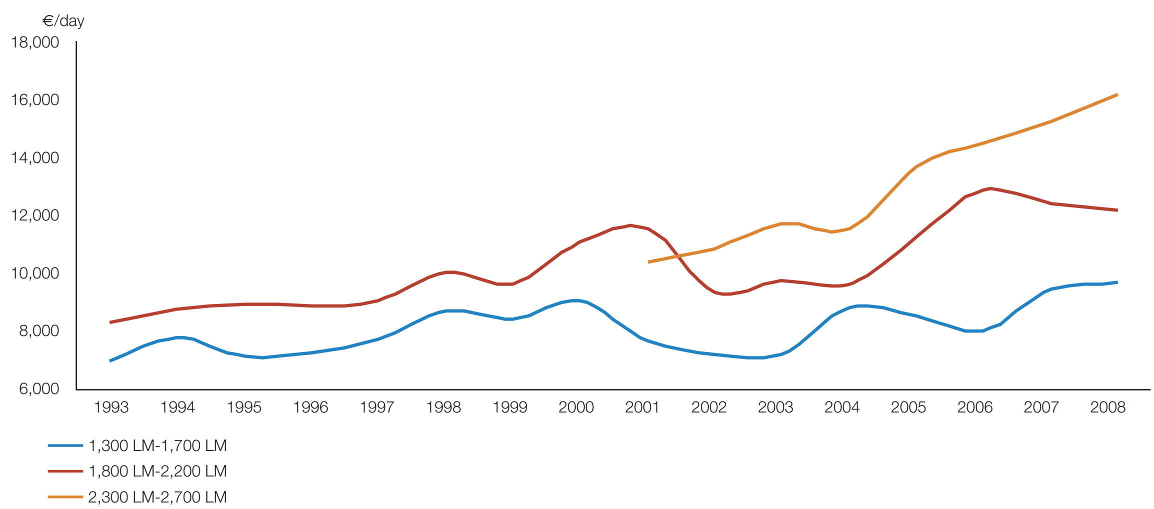
Age Profile of RoRo Fleet





Source: Maersk Broker
Note: % as of the existing fleet in lane metre

1,300-2,700 Lane Metre RoRo 1-Year Moving Average Time Charter Rates



Source: Maersk Broker June 2008

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).

Fleet Development

A table detailing fleet development since 1 January 2008 appears overleaf.

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

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

Environment

Boss Cap Fins

Pacific Basin is developing a comprehensive environmental programme which includes technical improvements to our vessels, burning cleaner fuel and making investments designed to make us among the most environmentally conscious shipping companies.

Fleet technical improvements to date include installing "boss cap fins" and "wake equalizing ducts" to improve water flow around our vessels' propellers enabling them to burn less fuel and, as a result, produce less harmful emissions. We are evaluating a number of other fleet projects with the same objective. We are installing garbage compactors fleet-wide to eliminate garbage disposal at

sea. We have initiated schemes to voluntarily reduce our sulphur dioxide emissions in port beyond what is required of us under law and to selectively reduce our vessel speeds (thereby reducing fuel consumption and production of harmful emissions) where we are able to do so without compromising contractual commitments. Whilst in general terms the escalating cost of fuel has meant a very rapid payback for projects whose original motivation was to make us more environmentally friendly, we are also prepared to spend money to provide services which are more beneficial to the communities we serve. We believe this makes good business sense.

Whilst doing everything we can to minimize our negative impact on the environment, we recognise that it is not possible at present, or for the foreseeable future, to economically transport bulk cargoes by sea without producing significant amounts of CO_2. Shipping is not yet required by law to offset its emissions but we expect this to change over time. We have therefore invested in and started working with Green Dragon Gas Limited ("GDG"), a major coal bed methane producer in China, to find projects which enable shipowners to present themselves as "carbon neutral". Our 2008 interim report includes a gain of some US$12.5 million in respect of our investment to date in GDG.

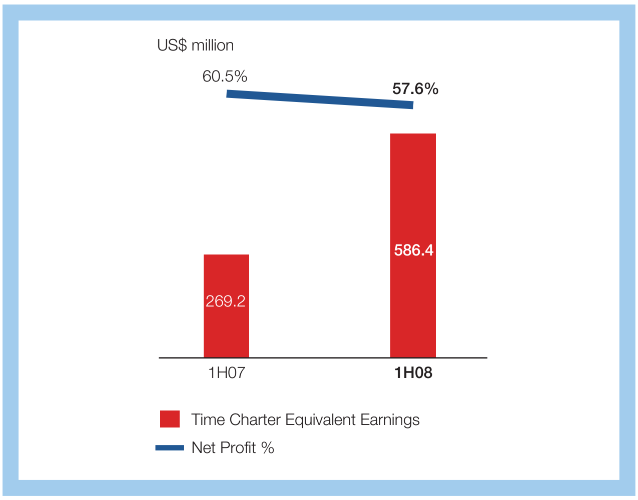
Management Discussion and Analysis

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%).

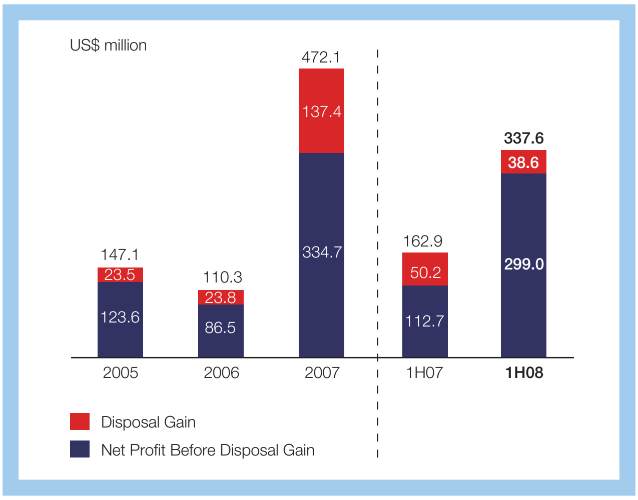
Time Charter Equivalent Earnings Versus Net Profit Percentage



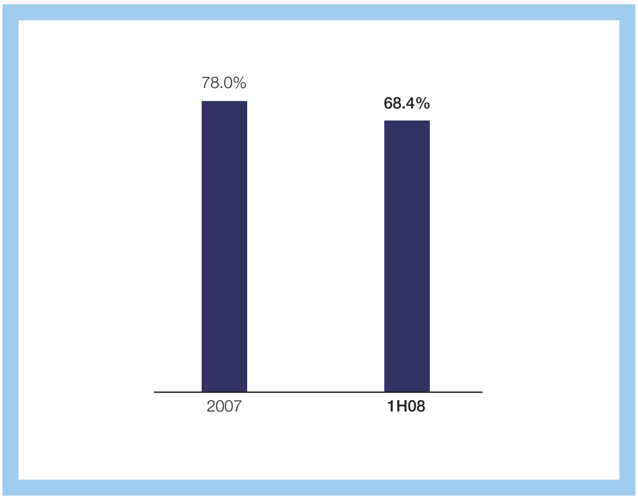
INCOME

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.

Net Profit



Annualised Return on Average Equity Employed during the Period



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.

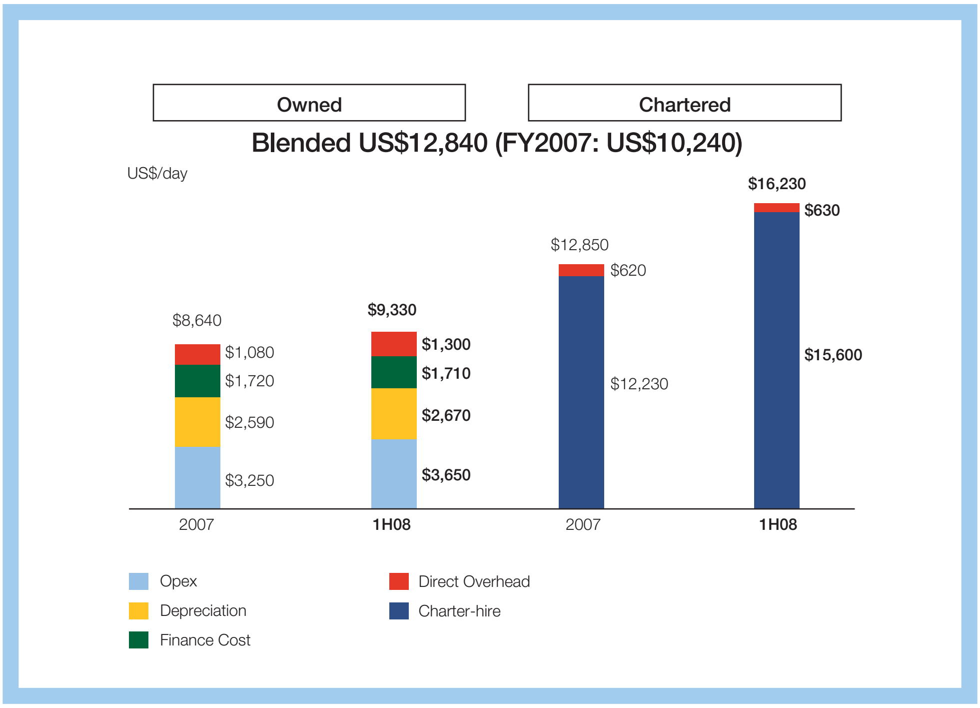
Revenue days and vessel days of our dry bulk vessels can be analysed as follows:

	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**

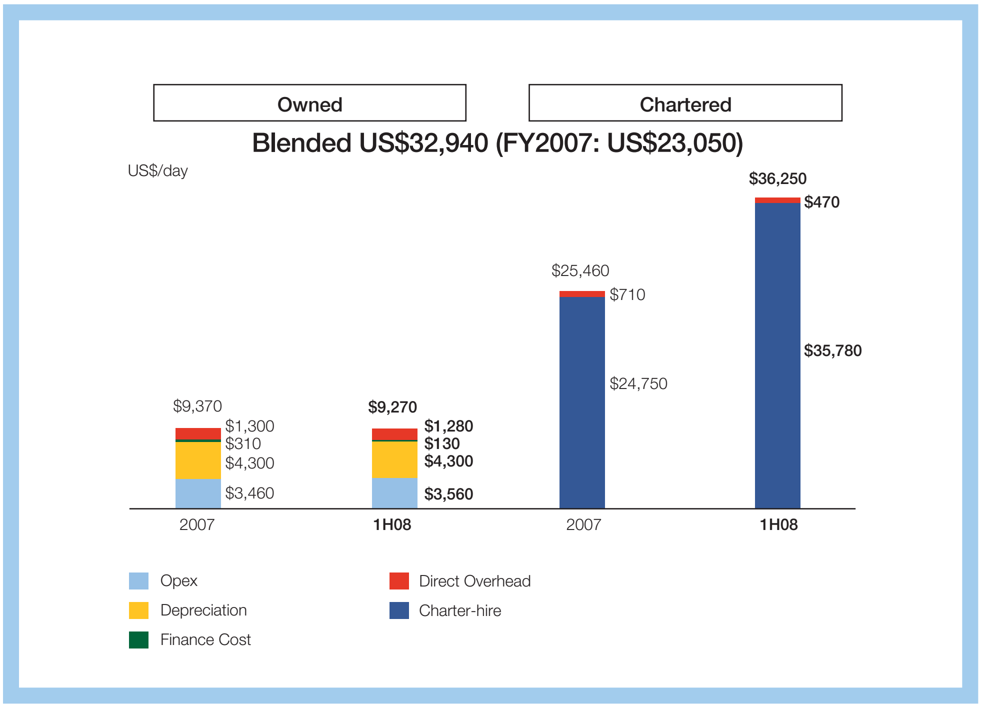
The off-hire for the total fleet of owned vessels represented 1.8 (FY2007: 0.8) days per vessel per year.

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. Blended vessel daily operating costs include an allocation of direct overheads and can be analysed between owned and chartered costs as follows:

Handysize Vessel Daily Operating Costs



Handymax Vessel Daily Operating Costs



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

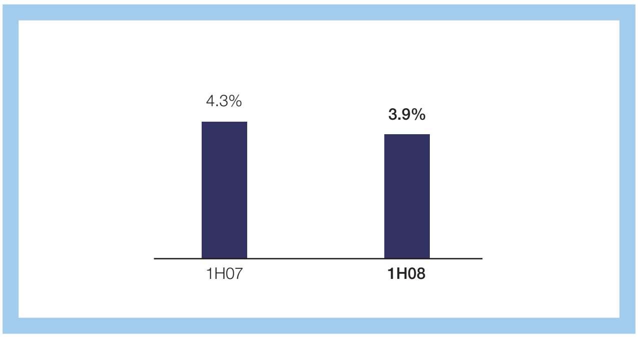
Movements in the fair value of payments for forward freight agreements amounted to US$22.5 million (2007: US$35.0 million). Taking into account the movements in fair value of receipts of US$10.8 million as shown above, the net movement in the fair value of forward freight agreements was an expense of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

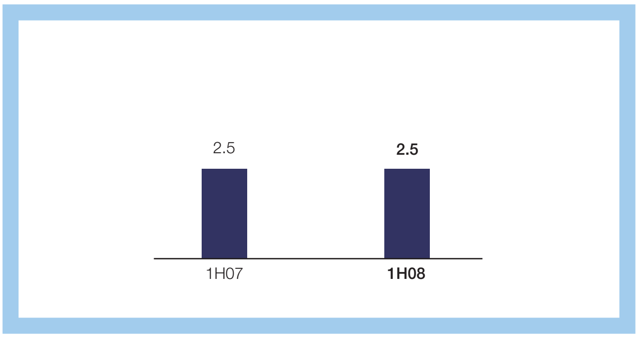
GENERAL AND ADMINISTRATIVE EXPENSES

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.

Administrative Expenses as a Percentage of Revenue



Number of Full Time Shore Based Staff per Vessel

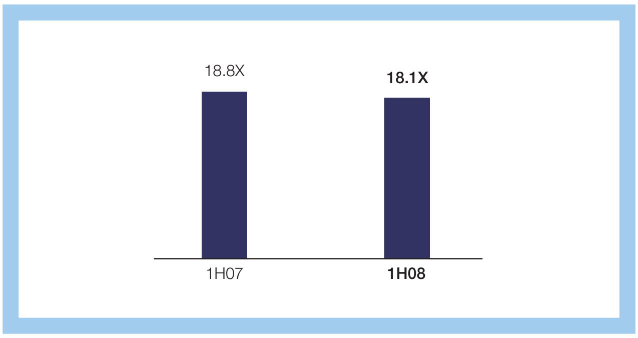


Total administrative expenses as a percentage of revenue decreased from 4.3% to 3.9%. The number of full time shore based staff per owned, chartered and managed vessel is maintained at 2.5. This excludes the staff who are engaged in ports, towage and maritime management services activities.

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.

Interest Coverage



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. Further details are included in Note 6 and Note 13 to the unaudited condensed consolidated interim financial statements of this Interim Report.

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.

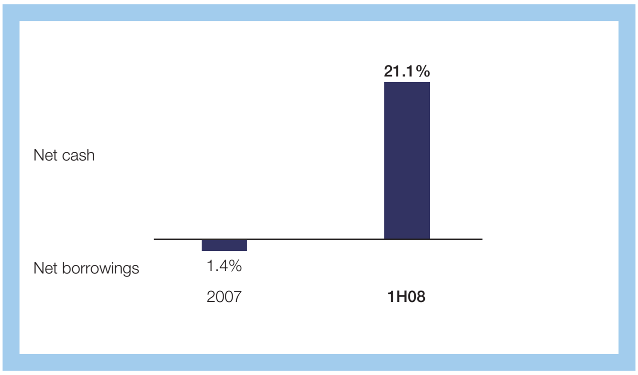
At 30 June 2008, all outstanding finance lease liabilities will expire between 2015 and 2017, all outstanding secured bank borrowings will expire in 2014 and all outstanding convertible bonds will expire in 2013.

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.

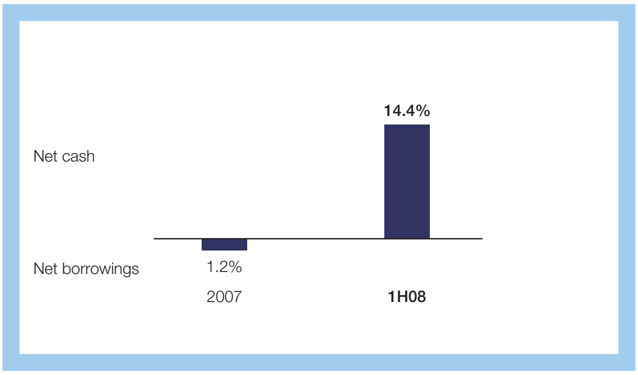
The Group had unutilised committed bank borrowing facilities of US$292.3 million available to finance the Group's newbuilding commitments and other vessel acquisitions.

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%).

Net Cash/Borrowings to Book Value of Property, Plant and Equipment



Net Cash/Borrowings to Shareholders' Equity



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
(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 35,920 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

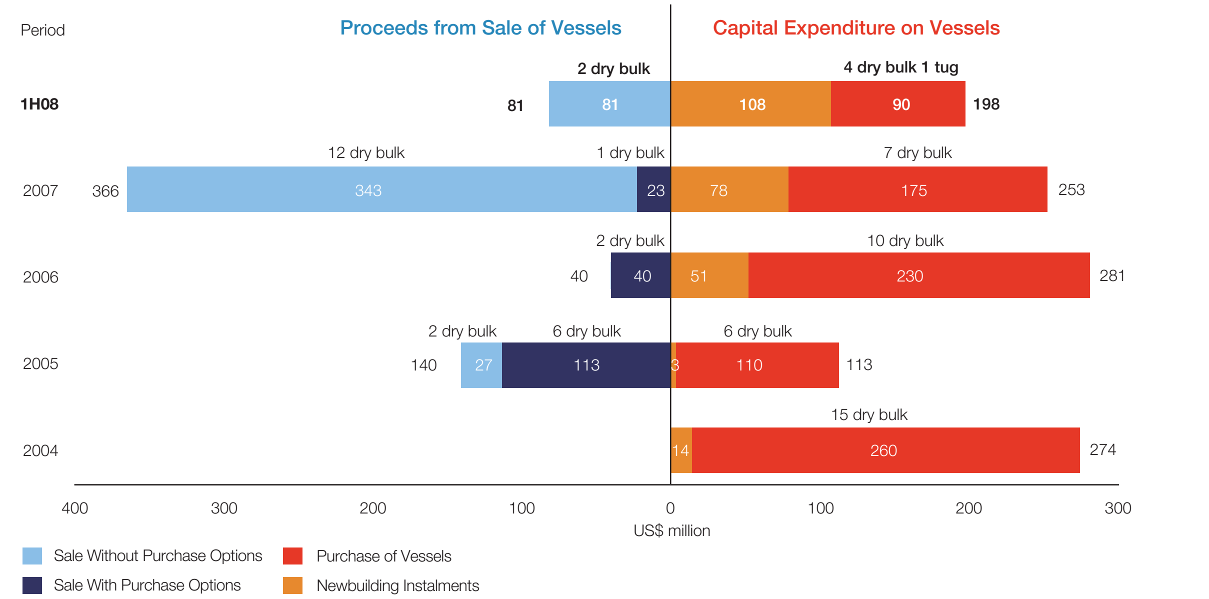
Certain lease agreements provide the Group with options to purchase the related vessels at predetermined time and exercise prices during the lease periods. The average exercise prices of the existing purchase options for both handysize vessels and handymax vessels in the earliest years in which these 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	Number of vessels at 30 June 2008 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. Cash used for the purchase of vessels and proceeds from the sale of vessels is illustrated in the graph below.

Proceeds from Sale of Vessels and Capital Expenditure on Vessels



Note: In 2005, the Group sold and chartered back 17 handysize vessels for US$318.0 million. These were classified as finance leases and remained on the balance sheet as property, plant and equipment.

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.

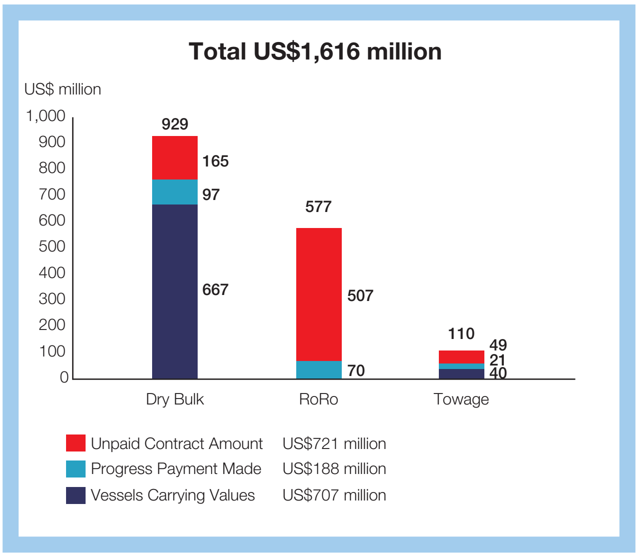
At 30 June 2008, the Group had non-cancellable vessel commitments of US$536.3 million. These vessels are for delivery to the Group between July 2008 and July 2011. After the period end, the Group committed a further US$184.9 million on other vessels. They are shown in the table below.

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.

A combined view of the carrying value of owned vessels, vessels under construction and committed vessel expenditure is shown in the following graph:

A Combined View of Vessel Carrying Values and Commitments



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.

Details of share options and restricted share awards granted under the Long Term Incentive Scheme are set out in the Other Information section of this Interim Report.

Unaudited Condensed Consolidated Balance Sheet

	Note	30 June 2008 US$'000	31 December 2007 US$'000
Non-current assets			
Property, plant and equipment	5	**898,552**	755,865
Land use rights		**415**	419
Goodwill	5	**31,475**	36,426
Interests in jointly controlled entities		**49,374**	19,543
Investment in an associate		**6,956**	–
Derivative assets	6	**999**	329
Trade and other receivables	7	**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	6	**75,390**	35,883
Financial assets at fair value through profit or loss		**17,973**	20,046
Available-for-sale financial assets	8	**38,470**	–
Trade and other receivables	7	**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	6	**23,375**	28,582
Trade and other payables	9	**129,217**	96,374
Current portion of long term borrowings	10	**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	6	**839**	–
Long term borrowings	10	**591,626**	636,638
		592,465	636,638
Net assets		**1,333,209**	867,567
Equity			
Capital and reserves attributable to shareholders			
Share capital	11	**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

Unaudited Condensed Consolidated Income Statement

	Note	Six months ended 30 June **2008** **US$'000**	 2007 US$'000
Revenue	4	**909,872**	455,361
Bunkers, port disbursements, other charges and amounts payable to other pool members	4	**(323,442)**	(186,132)
Time charter equivalent earnings	4	**586,430**	269,229
Direct costs	12	**(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	13	**343,027**	167,746
Finance costs, net	14	**(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	15	**(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	16	**170,000**	91,302
Earnings per share for profit attributable to shareholders			
Basic	17(a)	**US$0.21**	US$0.10
Diluted	17(b)	**US$0.21**	US$0.10

Unaudited Condensed Consolidated Statement of Changes in Equity

	Capital and reserves attributable to shareholders											
	Share capital US$'000	Share premium US$'000	Merger reserve US$'000	Convertible bonds reserve US$'000	Staff benefits reserve US$'000	Hedging reserve US$'000	Investment valuation reserve US$'000	Exchange reserve US$'000	Retained profits US$'000	Subtotal US$'000	Minority interests US$'000	Total US$'000
Balance at 1 January 2008	**158,403**	**251,382**	**(56,606)**	**33,764**	**66**	**(939)**	**-**	**159**	**480,907**	**867,136**	**431**	**867,567**
Currency translation differences	-	-	-	-	-	-	-	2,708	-	2,708	41	2,749
Cash flow hedges												
– fair value gains	-	-	-	-	-	6,347	-	-	-	6,347	-	6,347
– transferred to property, plant and equipment	-	-	-	-	-	(5,011)	-	-	-	(5,011)	-	(5,011)
– transferred to consolidated income statement	-	-	-	-	-	(95)	-	-	-	(95)	-	(95)
Fair value gains on available-for-sale financial assets	-	-	-	-	-	-	3,616	-	-	3,616	-	3,616
Net income recognised directly in equity	-	-	-	-	-	1,241	3,616	2,708	-	7,565	41	7,606
Profit for the period	-	-	-	-	-	-	-	-	337,587	337,587	25	337,612
Total recognised income for the period	-	-	-	-	-	1,241	3,616	2,708	337,587	345,152	66	345,218
Shares issued upon exercise of share options (Note 11)	210	688	-	-	(223)	-	-	-	-	675	-	675
Shares purchased by trustee of the LTIS (Note 11)	(1,247)	-	-	-	-	-	-	-	-	(1,247)	-	(1,247)
Shares transferred to employees upon granting of restricted share awards (Note 11)	390	-	-	-	(390)	-	-	-	-	-	-	-
Shares transferred back to trustee upon lapse of restricted share awards (Note 11)	(4)	-	-	-	4	-	-	-	-	-	-	-
Shares issued upon placing of new shares, net of issuing expenses (Note 11)	15,860	255,094	-	-	-	-	-	-	-	270,954	-	270,954
Share-based compensation	-	-	-	-	2,808	-	-	-	-	2,808	-	2,808
Dividends paid (Note 16)	-	-	-	-	-	-	-	-	(152,825)	(152,825)	-	(152,825)
Contribution from minority shareholders	-	-	-	-	-	-	-	-	-	-	59	59
Balance at 30 June 2008	**173,612**	**507,164**	**(56,606)**	**33,764**	**2,265**	**302**	**3,616**	**2,867**	**665,669**	**1,332,653**	**556**	**1,333,209**
Balance at 1 January 2007	155,785	245,517	(56,606)	–	(436)	(4,333)	–	18	145,048	484,993	–	484,993
Currency translation differences	–	–	–	–	–	–	–	46	–	46	–	46
Cash flow hedges												
– fair value losses	–	–	–	–	–	(4,656)	–	–	–	(4,656)	–	(4,656)
– transferred to property, plant and equipment	–	–	–	–	–	819	–	–	–	819	–	819
– transferred to consolidated income statement	–	–	–	–	–	(22)	–	–	–	(22)	–	(22)
Net loss recognised directly in equity	–	–	–	–	–	(3,859)	–	46	–	(3,813)	–	(3,813)
Profit for the period	–	–	–	–	–	–	–	–	162,934	162,934	–	162,934
Total recognised income for the period	–	–	–	–	–	(3,859)	–	46	162,934	159,121	–	159,121
Shares issued upon exercise of share options	303	994	–	–	(326)	–	–	–	–	971	–	971
Shares purchased by trustee of the LTIS	(2,033)	–	–	–	–	–	–	–	–	(2,033)	–	(2,033)
Shares transferred to employees upon granting of restricted share awards	2,033	–	–	–	(2,033)	–	–	–	–	–	–	–
Shares issued and transferred to employees upon granting of restricted share awards	825	–	–	–	(825)	–	–	–	–	–	–	–
Shares transferred back to trustee upon lapse of restricted share awards	(5)	–	–	–	5	–	–	–	–	–	–	–
Share-based compensation	–	–	–	–	1,442	–	–	–	–	1,442	–	1,442
Dividends paid (Note 16)	–	–	–	–	–	–	–	–	(44,964)	(44,964)	–	(44,964)
Balance at 30 June 2007	156,908	246,511	(56,606)	–	(2,173)	(8,192)	–	64	263,018	599,530	–	599,530

Unaudited Condensed Consolidated Cash Flow Statement

	Six months ended 30 June	
	2008	2007
	US$'000	US$'000
Net cash from operating activities	**284,227**	97,017
Net cash used in investing activities	**(217,547)**	10,195
Net cash from/(used in) financing activities	**54,031**	(87,203)
Net increase in cash and cash equivalents	**120,711**	20,009
Cash and cash equivalents at 1 January	**649,535**	63,242
Cash and cash equivalents at 30 June	**770,246**	83,251

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

1 GENERAL INFORMATION

Pacific Basin Shipping Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the provision of dry bulk shipping services, which are carried out internationally, through the operation of a fleet of vessels.

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 were approved for issue by the Board of Directors on 4 August 2008.

2 BASIS OF PREPARATION

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.

3 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.

3.1 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.

3.2 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.

3 ACCOUNTING POLICIES (Continued)

3.2 Available-for-sale financial assets (Continued)

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.

4 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.

4 REVENUE AND SEGMENT INFORMATION (Continued)

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.

5 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSET

	Property, plant and equipment US$'000	**Goodwill US$'000**
Net book amounts		
Balance at 1 January 2008	**755,865**	**36,426**
Acquisition of subsidiaries	**302**	**–**
Additions/adjustment for contingent considerations paid	**201,173**	**187**
Disposals	**(42,007)**	**–**
Depreciation	**(18,739)**	**–**
Impairment	**–**	**(6,200)**
Exchange differences	**1,958**	**1,062**
Balance at 30 June 2008	**898,552**	**31,475**

	Property, plant and equipment US$'000	Goodwill US$'000
Net book amounts		
Balance at 1 January 2007	741,014	25,256
Additions	167,597	–
Disposals	(125,759)	–
Depreciation	(19,304)	–
Balance at 30 June 2007	763,548	25,256

6 DERIVATIVE ASSETS AND LIABILITIES

	30 June 2008 US$'000	31 December 2007 US$'000
Derivative assets		
Cash flow hedge		
Forward foreign exchange contracts (Note a)	**2,844**	851
Derivative assets that do not qualify for hedge accounting		
Bunker swap contracts (Note b)	**71,551**	27,037
Forward freight agreements (Note c)	**1,994**	8,324
Total	**76,389**	36,212
Less: non-current portion of		
Forward foreign exchange contracts (Note a)	**(999)**	(329)
Current portion	**75,390**	35,883
Derivative liabilities		
Cash flow hedge		
Interest rate swap contract (Note (d)(i))	**1,533**	1,479
Forward foreign exchange contracts (Note a)	**1,009**	311
Derivative liabilities that do not qualify for hedge accounting		
Forward freight agreements (Note c)	**19,025**	24,541
Interest rate swap contract (Note (d)(ii))	**2,595**	2,206
Bunker swap contracts (Note b)	**52**	45
Total	**24,214**	28,582
Less: non-current portion of		
Forward foreign exchange contracts (Note a)	**(839)**	–
Current portion	**23,375**	28,582

(a) Forward foreign exchange contracts

At 30 June 2008, the Group had outstanding forward foreign exchange contracts with banks to buy approximately JPY 7.5 billion (31 December 2007: JPY 13.2 billion) and simultaneously sell US$68.6 million (31 December 2007: US$120.6 million) for the acquisition of certain vessels denominated in Japanese Yen. These contracts expire through July 2009 (31 December 2007: July 2009).

At 30 June 2008, the Group had outstanding forward foreign exchange contracts with banks to buy approximately EUR18.3 million (31 December 2007: nil) and simultaneously sell AUD32.2 million (31 December 2007: nil) for the acquisition of certain vessels denominated in Euros. These contracts expire through February 2010 (31 December 2007: nil)

6 DERIVATIVE ASSETS AND LIABILITIES (Continued)

(b) Bunker swap contracts

At 30 June 2008, the Group had outstanding bunker swap contracts to buy approximately 285,000 (31 December 2007: 312,000) metric tonnes of bunkers, and which expire through November 2012 (31 December 2007: November 2010). The commitments were entered into to manage the fluctuations in bunker prices in connection with the Group's long term cargo contract commitments.

(c) Forward freight agreements

At 30 June 2008, the Group had outstanding forward freight agreements to buy 215 (31 December 2007: 366) days of the Baltic Supramax Index at prices from US$52,000 to US$63,000 per day (31 December 2007: US$40,000 per day), and which expire through December 2008 (31 December 2007: December 2008). The Group had outstanding forward freight agreements to sell 2,016 (31 December 2007: 366) days of the Baltic Supramax Index at prices from US$31,250 to US$62,250 per day (31 December 2007: US$26,250), and which expire through December 2010 (31 December 2007: December 2008).

The Group had outstanding forward freight agreements to buy 184 (31 December 2007: 457) days of the Baltic Handysize Index at US$40,000 per day (31 December 2007: from US$34,000 to US$46,375 per day), which expire through December 2008 (31 December 2007: December 2008). The Group also had outstanding forward freight agreements to sell 1,282 (31 December 2007: 1,189) days of the Baltic Handysize Index at prices from US$26,250 to US$40,000 per day (31 December 2007: from US$31,500 to US$48,000 per day), which expire through December 2009 (31 December 2007: December 2008). The Group enters into forward freight agreements as a method of managing its exposure to its physical ships and cargos.

(d) Interest rate swap contracts

(i) The Group had bank borrowings exposed to floating rates. In order to hedge the fluctuations in interest rates related to the bank borrowings, the Group entered into an interest rate swap contract with a bank to manage against six-month floating rate LIBOR ("6-month Floating Rate"). Effective from 2 January 2007, a notional amount of approximately US$20 million with the 6-month Floating Rate was swapped to a fixed rate of approximately 5.6% per annum. This agreement expires in January 2017. This interest rate swap contract qualifies for hedge accounting as a cash flow hedge.

(ii) Effective from 2 January 2007, a notional amount of approximately US$40 million with the 6-month Floating Rate was swapped to a fixed rate of approximately 5.0% per annum so long as the 6-month Floating Rate remains below the agreed cap strike level of 6.0%. This fixed rate switches to a discounted floating rate (discount is approximately 1.0%) for the 6-month fixing period when the prevailing 6-month Floating Rate is above 6.0% and reverts back to the fixed rate should subsequently the 6-month Floating Rate drop below 6.0%. This agreement expires in January 2017.

7 TRADE AND OTHER RECEIVABLES

	30 June 2008 US$'000	31 December 2007 US$'000
Non-current receivables		
Finance lease receivables – gross	**13,488**	14,632
Less: unearned finance lease income	**(3,377)**	(3,970)
Finance lease receivables – net	**10,111**	10,662
Current receivables		
Finance lease receivables – gross	**2,422**	2,610
Less: unearned finance lease income	**(1,229)**	(1,304)
Finance lease receivables – net	**1,193**	1,306
Trade receivables – gross	**28,829**	31,158
Less: provision for impairment	**(452)**	(511)
Trade receivables – net	**28,377**	30,647
Other receivables	**48,834**	32,146
Prepayments	**35,949**	21,178
Amounts due from jointly controlled entities	**5,577**	8,013
Loans to jointly controlled entities	**–**	5,026
	119,930	98,316

At 30 June 2008, the ageing analysis of trade 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.

8 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2008 US$'000	31 December 2007 US$'000
Unlisted convertible bonds, at fair value	**38,470**	–

On 31 January 2008, the Group invested in unlisted zero coupon convertible bonds issued by Green Dragon Gas Limited, a company listed on the London AIM market. The bonds mature on 30 May 2009 at 118% of their principal outstanding amount or can be converted into ordinary shares at the bondholders' options at any day prior to the maturity date at US$5.56 per share.

At initial recognition, the fair value of the convertible option attached to these convertible bonds was separately recognised as a financial asset at fair value through profit or loss and the remaining balance was designated as available-for-sale financial asset. As at 30 June 2008, the financial asset at fair value through profit or loss wholly represents the fair value of the convertible option.

9 TRADE AND OTHER PAYABLES

	30 June 2008 US$'000	31 December 2007 US$'000
Trade payables	**34,028**	22,462
Accruals and other payables	**60,873**	50,006
Receipts in advance	**34,316**	23,530
Amounts due to jointly controlled entities	**–**	376
	129,217	96,374

At 30 June 2008, the ageing analysis of trade payables is as follows:

	30 June 2008 US$'000	31 December 2007 US$'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

10 LONG TERM BORROWINGS

	30 June 2008 US$'000	31 December 2007 US$'000
Non-current		
Finance lease liabilities (Note a)	**225,753**	273,054
Secured bank loans (Note b)	**11,733**	12,524
Convertible bonds (Note c)	**354,140**	351,060
	591,626	636,638
Current		
Finance lease liabilities (Note a)	**14,044**	16,592
Secured bank loans (Note b)	**6,643**	7,035
	20,687	23,627
Total long term borrowings	**612,313**	660,265

(a) The maturity of the Group's finance lease liabilities is as follows:

	30 June 2008 US$'000	31 December 2007 US$'000
Not later than one year	**14,044**	16,592
Later than one year but not later than two years	**15,115**	18,432
Later than two years but not later than five years	**51,957**	61,448
Later than five years	**158,681**	193,174
	239,797	289,646

(b) The bank loans as at 30 June 2008 are secured, inter alia, by the following:

(i) Mortgages over certain owned vessels of net book value totalling US$113,630,000 (31 December 2007: US$116,113,000); and

(ii) Assignment of earnings, insurances and requisition compensation in respect of the vessels.

The maturity of the Group's bank loans is as follows:

	30 June 2008 US$'000	31 December 2007 US$'000
Within one year	**6,643**	7,035
In the second year	**6,643**	7,035
In the third to fifth year	**5,090**	5,489
	18,376	19,559

10 LONG-TERM BORROWINGS (Continued)

(c) Convertible bonds

Pursuant to the terms and conditions of the convertible bonds (the "Bonds"), the conversion price of the Bonds has been adjusted from HK$19.28 per share to HK$19.21 per share with effect from 16 April 2008. Such adjustment was the result of the dividend payout ratio for the year ended 31 December 2007 exceeding 50% of the consolidated profit attributable to the shareholders. All the other terms of the Bonds remain unchanged.

11 SHARE CAPITAL

	2008 Number of shares of US$0.1 each	**2008** US$'000	2007 Number of shares of US$0.1 each	2007 US$'000
Authorised	**3,600,000,000**	**360,000**	3,600,000,000	360,000
Issued and fully paid				
At 1 January	**1,584,029,295**	**158,403**	1,557,851,795	155,785
Shares issued upon exercise of share options (Note a)	**2,100,000**	**210**	17,980,000	1,798
Shares purchased by trustee of the LTIS (Note b)	**(861,000)**	**(1,247)**	(1,760,000)	(2,033)
Shares transferred to employees upon granting of restricted share awards (Note b)	**300,000**	**390**	1,760,000	2,033
Shares issued and transferred to employees upon granting of restricted share awards (Note b)	**–**	**–**	8,247,500	825
Shares transferred back to trustee upon lapse of restricted share awards (Note b)	**(40,000)**	**(4)**	(50,000)	(5)
Shares issued upon placing of new shares (Note c)	**158,598,000**	**15,860**	–	–
At 30 June/31 December	**1,744,126,295**	**173,612**	1,584,029,295	158,403

(a) Share options

55,500,000 share options under the Company's Long Term Incentive Scheme ("LTIS") were granted to Directors, senior management and certain employees on 14 July 2004 at an exercise price of HK$2.5 per share. They were fully vested on 14 July 2007 and will expire on 14 July 2014. Movements in the number of share options outstanding during the period are as follows:

	2008 '000	2007 '000
At 1 January	**3,278**	21,258
Exercised	**(2,100)**	(17,980)
At 30 June/31 December	**1,178**	3,278

During the period, the weighted average price of the Company's shares at the time of exercise was HK$12.18 (31 December 2007: HK$10.69) per share.

As at 30 June 2008, all outstanding share options were exercisable (31 December 2007: 3,278,000).

11 SHARE CAPITAL (Continued)

(b) Restricted share awards

Restricted share awards under the LTIS were granted to Directors, senior management and certain employees. The LTIS under Hong Kong Financial Reporting Standards is regarded as a special purpose entity of the Company.

During the period, a total of 300,000 (31 December 2007: 10,007,500) restricted share awards were granted and transferred to certain employees on 20 March 2008 and 1 April 2008 and 40,000 (31 December 2007: 50,000) shares formerly transferred to an employee lapsed. During the period, 861,000 (31 December 2007: 1,760,000) shares were purchased by the trustee of the LTIS on the Stock Exchange at a total cost of US$1,247,000 (31 December 2007: US$2,033,000). The transfers of shares resulted in movements between share capital and staff benefit reserve of US$390,000 (31 December 2007: US$2,858,000). At 30 June 2008, there remained 651,814 (31 December 2007: 50,814) shares held by the trustee, amounting to US$866,000 (31 December 2007: US$5,500) as a debit to share capital.

The vesting periods of the unvested restricted share awards as at 30 June 2008 are as follows:

Date of grant	Number of unvested share awards	Vesting periods
8 June 2005	1,333,332	in equal amounts on 5 April 2009 and 2010
9 March 2006	877,500	in equal amounts on 1 March 2009, 2010 and 2011
15 March 2006	180,000	in equal amounts on 1 March 2009, 2010 and 2011
20 March 2006	408,168	in equal amounts on 5 April 2009 and 2010
21 July 2006	360,000	in equal amounts on 23 August 2008, 2009, 2010 and 2011
19 September 2006	2,000,000	in equal amounts on 4 September 2008, 2009, 2010 and 2011
11 May 2007	9,917,500	3,186,000, 3,186,000 and 3,545,500 shares on 14 July 2008, 2009 and 2010 respectively
20 March 2008	46,000	in equal amounts on 1 March 2009 and 2010
1 April 2008	231,000	in equal amounts on 1 April 2009, 2010 and 2011
	15,353,500	

Movements in the number of unvested restricted share awards during the period are as follows:

	2008 **'000**	2007 '000
At 1 January	**16,340**	8,086
Granted	**300**	10,008
Vested	**(1,246)**	(1,704)
Lapsed	**(40)**	(50)
At 30 June/31 December	**15,354**	16,340

The market price of the restricted share awards on the grant date represented the fair value of those shares.

(c) On 20 May 2008, the Company issued 158,598,000 new shares, with nominal value of US$0.10 each, at a price of HK$13.52 per share representing a discount of approximately 7.0% to the closing price of HK$14.54 per share as quoted on the Stock Exchange on 8 May 2008, being the date of the placing agreement. The proceeds of the placing, net of issuing expenses of approximately US$4,168,000, amounted to US$270,954,000 (or HK$2,111,764,000) or HK$13.32 net per share. The placing was fully underwritten by Goldman Sachs (Asia) L.L.C. as the placing agent to more than six independent individual, corporate, institutional or other professional investors. The purpose of placing was to raise capital for investments in vessels and other opportunities.

12 DIRECT COSTS

	Six months ended 30 June	
	2008	2007
	US$'000	US$'000
Charter-hire expenses for vessels	**185,650**	79,953
Vessel operating costs	**28,653**	22,755
Depreciation of vessels	**18,087**	18,716
Shore based overheads	**24,013**	13,134
Cost of consulting services	**1,447**	1,021
	257,850	135,579

13 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
Employee benefit expenses including Directors' emoluments	**26,549**	14,651
Lubricating oil consumed	**1,945**	2,171
Operating lease expenses for		
– vessels	**340,021**	152,383
– land and buildings	**1,506**	773
Provision for impairment of goodwill	**6,200**	–
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

14 FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2008	2007
	US$'000	US$'000
Finance income		
Bank interest income	**9,935**	1,042
Interest income from available-for-sale financial assets	**3,440**	–
Finance lease interest income	**668**	741
	14,043	1,783
Finance costs		
Interest on bank loans wholly repayable within five years	**(542)**	(1,154)
Interest on finance leases not wholly repayable within five years	**(9,483)**	(10,113)
Interest on convertible bonds not wholly repayable within five years	**(9,864)**	–
Other finance charges	**(509)**	(238)
Net losses/(gains) on interest rate swap contracts	**(559)**	1,261
	(20,957)	(10,244)
Finance costs, net	**(6,914)**	(8,461)

15 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)

16 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.

17 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 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

18 COMMITMENTS

(a) Capital commitments

	30 June 2008 US$'000	31 December 2007 US$'000
Contracted but not provided for in relation to		
– vessel acquisitions and shipbuilding contracts	**536,288**	274,226
– investment in a jointly controlled entity	**–**	17,140
Authorised but not contracted for in relation to		
– vessel acquisitions and shipbuilding	**11,280**	–
	547,568	291,366

Capital commitments that fall due not later than one year amounted to US$218.1 million (31 December 2007: US$ 198.3 million).

(b) Commitments under operating leases

(i) The Group as the lessee

The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings US$'000	Vessels US$'000	Total US$'000
At 30 June 2008			
Not later than one year	**3,416**	**409,574**	**412,990**
Later than one year but not later than five years	**6,048**	**272,374**	**278,422**
Later than five years	**604**	**21,102**	**21,706**
	10,068	**703,050**	**713,118**

	Land and buildings US$'000	Vessels US$'000	Total US$'000
At 31 December 2007			
Not later than one year	2,338	341,453	343,791
Later than one year but not later than five years	4,014	315,098	319,112
Later than five years	63	21,927	21,990
	6,415	678,478	684,893

18 COMMITMENTS (Continued)

(b) Commitments under operating leases (Continued)

(i) The Group as the lessee (Continued)

Contingent lease payments made, including payments to other pool members of the Pacific Basin – IHC and Pacific Basin – IHX pools, amounted to US$18,915,000 (for the 6 months ended 30 June 2007: US$19,120,000).

The leases have varying terms ranging from less than 1 year to 9 years. Certain of these leases have escalation clauses, renewal rights and purchase options.

(ii) The Group as the lessor

The Group had future aggregate minimum lease receipts under non-cancellable operating leases of vessels as follows:

	30 June 2008 US$'000	31 December 2007 US$'000
Not later than one year	**76,072**	42,730
Later than one year but not later than five years	**48,222**	21,054
	124,294	63,784

The Group's operating leases are for terms ranging from less than 1 year to 5 years.

19 BUSINESS COMBINATION

On 18 March 2008, the Group acquired 90.1% of the share capital of PB Maritime Services Holdings Limited and its subsidiaries collectively ("PBMS Group") and 100% of the share capital of Pacific Basin Holdings Limited and its subsidiaries and jointly controlled entities (collectively "PBHL Group") with the effective date of acquisition on 1 January 2008. PBMS Group is principally engaged in technical ship management. PBMS Group contributed revenue of US$2,279,000 and net profit of US$118,000 to the Group for the period since the date of acquisition. PBHL Group is principally engaged in commercial ship management. PBHL Group contributed revenue of US$924,000 and net loss of US$375,000 to the Group for the period since the date of acquisition.

Details of net assets acquired and goodwill are as follows:

	PBMS Group US$'000	PBHL Group US$'000
Cash paid	238	639
Consideration payable	201	–
Total purchase consideration	439	639
Less: fair values of net identified assets acquired	(439)	(639)
Goodwill	–	–

19 BUSINESS COMBINATION (Continued)

The assets and liabilities as of 1 January 2008 arising from the acquisition are as follows:

	PBMS Group US$'000	PBHL Group US$'000
Cash and cash equivalents	432	256
Property, plant and equipment	180	122
Interests in jointly controlled entities	–	382
Trade and other receivables	414	193
Trade and other payables	(462)	(314)
Taxation payable	(72)	–
Total net assets	492	639
Minority interest	(53)	–
Net assets acquired	439	639

The Group is in the process of finalising the fair values of the net identifiable assets acquired. The preliminary fair values of all assets and liabilities acquired as of 1 January 2008 approximate their carrying amounts.

	PBMS Group US$'000	PBHL Group US$'000
Analysis of net cash outflow on acquisition of subsidiaries:		
Purchase consideration settled in cash	238	639
Cash and cash equivalents in subsidiaries acquired	(432)	(256)
Net cash (inflow)/outflow on acquisition of subsidiaries	(194)	383

20 SIGNIFICANT RELATED PARTY TRANSACTIONS

Significant related party transactions, which were carried out in the normal course of the Group's business, were as follows:

(a) Purchase of services

	Six months ended 30 June	
	2008 **US$'000**	2007 US$'000
Insurance premium paid to Sun Hing Insurance Brokers Limited ("Sun Hing") (Note i)	**574**	254
Amounts payable to China Line Shipping Limited (Note ii)	**5,701**	3,526
Amounts payable to Fujairah Bulk Shipping L.L.C. (Note iii)	**2,784**	3,230

Note:

(i) The Group entered into certain insurance contracts through Sun Hing, a related company in which 35% of its shareholding was held indirectly by Dr. Lee Kwok Yin, Simon, a Director of the Company.

(ii) The Group paid to China Line Shipping Limited, a jointly controlled entity, freight and charter-hire, net of bunkers, port disbursements and other charges which were calculated based on the vessel's pool points.

(iii) The Group paid to Fujairah Bulk Shipping L.L.C., a jointly controlled entity, charter-hire in relation to the leasing of a vessel.

20 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) Sale of services

	Six months ended 30 June	
	2008	2007
	US$'000	US$'000
Charter-hire income received from Fujairah Bulk Shipping L.L.C. (Note i)	**8,390**	4,967
Management fee received from Fujairah Bulk Shipping L.L.C. (Note ii)	**1,614**	–

Note:

(i) The Group leased out certain vessels to Fujairah Bulk Shipping L.L.C., a jointly controlled entity.

(ii) The Group has provided management service to Fujairah Bulk Shipping L.L.C., a jointly controlled entity.

(c) Key management compensation (including Directors' emoluments)

	Six months ended 30 June	
	2008	2007
	US$'000	US$'000
Directors' fee	**212**	141
Salaries and bonus	**4,503**	2,755
Retirement benefit costs	**91**	75
Share-based compensation	**1,042**	744
	5,848	3,715

21 SIGNIFICANT POST BALANCE SHEET EVENTS

Subsequent to 30 June 2008, the Group has entered into agreements with a third party at an aggregate consideration of US$40 million to acquire the purchase options of two roll on roll off vessels to be constructed. The aggregate exercise price is US$133.6 million.

Corporate Governance

Pacific Basin is committed to achieving and maintaining the highest standards of corporate governance consistent with the needs and requirements of the business and its stakeholders, and consistent with the Code on Corporate Governance Practices (the "Code") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Group has considered the Code and has put in place corporate governance practices to meet all of the code provisions.

The Group has complied with all code provisions of the Code, as set out in Appendix 14 of The Rules Governing the Listing of the Securities on the Stock Exchange (the "Listing Rules") throughout the six months ended 30 June 2008.

Details of the composition and terms of reference of the Audit, Remuneration, Nomination and Executive committees can be found on the Company's website at www.pacificbasin.com.

Directors' Securities Transactions

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

The Board confirms that, having made specific enquiry, 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.

Senior Management and Staff Securities Transactions

The Company has adopted rules for senior managers and those staff who are more likely to be in possession of unpublished price-sensitive information or other relevant information in relation to the Group based on the Model Code for Securities Transactions by Directors (the "Dealing Rules"). These senior managers and staff have been individually notified and provided with a copy of the Dealing Rules.

Shareholders' Rights

Shareholders are encouraged to maintain direct communication with the Company. Shareholders who have any questions for the Board may write directly to the Company Secretary at the Company's Hong Kong registered office of 7/F, Hutchison House, 10 Harcourt Road, Central, Hong Kong, or they may send an email to companysecretary@pacificbasin.com.

Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation

At 30 June 2008, the discloseable interests and short positions of each Director and the Chief Executive in Shares, underlying Shares and debentures of the Company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), which: (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or (b) were required to be entered in the register maintained by the Company under Section 352 of the SFO or (c) were required pursuant to the Model Code were as follows:

Name of Director	Corporate interests	Personal interests	Family interests	Trust & similar interests	Long/Short position	Total Share interests	Approximate percentage of issued share capital of the Company
Christopher R. Buttery	–	–	–	950,000[1]	Long Position	950,000	0.05%
Richard M. Hext	–	1,962,994[2]	–	–	Long Position	1,962,994	0.11%
Klaus Nyborg	–	2,000,000[3]	–	–	Long Position	2,000,000	0.11%
Wang Chunlin	–	1,090,000[4]	–	–	Long Position	1,090,000	0.06%
Jan Rindbo	–	2,421,370[5]	–	–	Long Position	2,421,370	0.14%
Daniel R. Bradshaw	386,417[6]	–	–	–	Long Position	386,417	0.02%
Dr. Lee Kwok Yin, Simon	–	–	–	72,153,847[7]	Long Position	72,153,847	4.14%
	–	–	–	5,500,000	Short Position	5,500,000	0.32%

Notes:

(1) 950,000 Shares are owned by Turnwell Limited. Mr. Buttery is deemed to be interested in the entire share capital of Turnwell Limited under the SFO as its shares are held by a discretionary trust set up by him and the discretionary objects of which include himself and his family members.

(2) The personal interests of Mr. Hext constitute 221,494 Shares and 1,741,500 Shares in the form of restricted share awards granted to him pursuant to the LTIS. An aggregate of 4,353,741 Shares were granted to Mr. Hext (3,333,333 Shares were granted on 8 June 2005 and 1,020,408 Shares were granted on 20 March 2006), of which (i) 870,747 Shares have vested on each of 5 April 2006, 2007 and 2008, (ii) 870,746 Shares will vest on 5 April 2009 and (iii) 870,754 Shares will vest on 5 April 2010.

(3) Pursuant to the LTIS, 2,500,000 Shares in the form of restricted share awards were granted to Mr. Nyborg on 19 September 2006. 500,000 Shares have vested on 19 September 2006, and an equal amount of 500,000 Shares will vest on each of 4 September 2008, 2009, 2010 and 2011.

(4) The personal interests of Mr. Wang constitute 30,000 Shares and 1,060,000 Shares in the form of restricted share awards granted to him pursuant to the LTIS. On 9 March 2006, 550,000 Shares were granted of which 110,000 Shares have vested on each of 1 March 2007 and 2008, and an equal amount of 110,000 Shares will vest on each of 1 March 2009, 2010 and 2011. A further 730,000 Shares were granted on 11 May 2007, of which (i) 240,000 Shares will vest on each of 14 July 2008 and 2009, and (ii) 250,000 Shares will vest on 14 July 2010.

(5) The personal interests of Mr. Rindbo constitute 1,391,370 Shares and 1,030,000 Shares in the form of restricted share awards granted to him pursuant to the LTIS on 11 May 2007, of which (i) 340,000 Shares will vest on each of 14 July 2008 and 2009, and (ii) 350,000 will vest on 14 July 2010.

(6) Mr. Bradshaw is a shareholder holding 100% and 50% of the issued share capital, respectively, of Cormorant Shipping Limited and Goldeneye Shipping Limited. He beneficiary owns 353,241 Shares via Cormorant Shipping Limited and is taken to be interested in the 33,176 Shares held by Goldeneye Shipping Limited.

(7) Out of the 72,153,847 Shares, 21,973,536 Shares, 43,867,811 Shares, and 6,312,500 Shares are beneficially owned by Wellex Investment Limited, Fortress Eagle Investment Limited and Invest Paradise International Limited respectively. These companies are controlled by discretionary trusts established by Dr. Lee, the discretionary objects of which include his family members.

Save as disclosed above, at no time during the reporting period was the Company, its subsidiaries, or its associated companies a party to any arrangement to enable the Directors and Chief Executive of the Company to hold any interests or short positions in the Shares or underlying Shares in, or debentures of, the Company or its associated corporation.

Long Term Incentive Scheme

Details of the long term incentives granted and a summary of the movements of the outstanding incentives during the six months ended 30 June 2008 under the LTIS are as follows:

(a) Share options

	Date of grant	Exercise price per share (HK$)	Number of share options Held at 1 January 2008	Exercised during the period[2]	Held at 30 June 2008
Executive Directors			–	–	–
Senior Management	14 July 2004	2.50	600,000	(600,000)	–
Key Staff	14 July 2004	2.50	378,000	(200,000)	178,000
Other Employees	14 July 2004	2.50	2,300,000	(1,300,000)	1,000,000
			3,278,000 [1]	(2,100,000)	1,178,000

Notes:

(1) The share options granted on 14 July 2004 were fully vested on 14 July 2007 and will expire on 14 July 2014.

(2) The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$11.60.

(b) Restricted share awards

	Number of restricted share awards As at 1 January 2008	Granted during the period	Vested during the period	Lapsed during the period	As at 30 June 2008
Executive Directors					
Richard M. Hext	2,612,247 [1]	–	(870,747)[1]	–	1,741,500
Klaus Nyborg	2,000,000 [2]	–	–	–	2,000,000
Wang Chunlin	1,170,000 [3]	–	(110,000)[3]	–	1,060,000
Jan Rindbo	1,030,000 [4]	–	–	–	1,030,000
	6,812,247	–	(980,747)	–	5,831,500
Senior Management	1,790,000 [5]	–	(80,000)[5]	–	1,710,000
Key Staff	1,520,000 [6]	–	–	–	1,520,000
Other Employees	6,217,500 [7]	300,000 [7]	(185,500)[7]	(40,000)[8]	6,292,000
	16,339,747	300,000	(1,246,247)	(40,000)	15,353,500

Notes:

(1) An aggregate of 4,353,741 Shares (3,333,333 Shares and 1,020,408 Shares respectively granted on 8 June 2005 and on 20 March 2006) were granted, of which (i) 870,747 Shares have vested on each of 5 April 2006, 2007 and 2008, (ii) 870,746 Shares will vest on 5 April 2009 and (iii) 870,754 Shares will vest on 5 April 2010.

(2) 2,500,000 Share were granted on 19 September 2006 of which (i) 500,000 Shares have vested on 19 September 2006, and an equal amount of 500,000 Shares will vest on each of 4 September 2008, 2009, 2010 and 2011.

(3) 550,000 Shares were granted on 9 March 2006, of which 110,000 Shares have vested on each of 1 March 2007 and 2008, and an equal amount of 110,000 Shares will vest on each of 1 March 2009, 2010 and 2011.

730,000 Shares were granted on 11 May 2007, of which (i) 240,000 Shares will vest on 14 July 2008, (ii) 240,000 Shares will vest on 14 July 2009, and (iii) 250,000 Shares will vest on 14 July 2010.

(4) 1,030,000 Shares were granted on 11 May 2007, of which (i) 340,000 Shares will vest on 14 July 2008, (ii) 340,000 Shares will vest on 14 July 2009, and (iii) 350,000 Shares will vest on 14 July 2010.

(5) 400,000 Shares were granted on 9 March 2006, of which 80,000 Shares have vested on each of 1 March 2007 and 2008 and an equal amount of 80,000 Shares will vest on each of 1 March 2009, 2010 and 2011.

250,000 Shares were granted on 21 July 2006, of which 50,000 Shares have vested on 23 August 2007 and an equal amount of 50,000 Shares will vest on each of 23 August 2008, 2009, 2010 and 2011.

1,270,000 Shares were granted on 11 May 2007, of which (i) 410,000 Shares will vest on 14 July 2008, (ii) 410,000 Shares will vest on 14 July 2009, and (iii) 450,000 Shares will vest on 14 July 2010.

(6) 1,520,000 Shares were granted on 11 May 2007, of which (i) 490,000 Shares will vest on 14 July 2008, (ii) 490,000 Shares will vest on 14 July 2009, and (iii) 540,000 Shares will vest on 14 July 2010.

(7) 825,000 Shares were granted on 9 March and 15 March 2006, of which 175,000 Shares have vested on 1 March 2007, and 162,500 Shares have vested on 1 March 2008 and an equal amount of 162,500 Shares will vest on each of 1 March 2009, 2010 and 2011.

200,000 Shares were granted on 21 July 2006, of which 40,000 Shares have vested on 23 August 2007, and an equal amount of 40,000 Shares will vest on each of 23 August 2008, 2009, 2010 and 2011.

5,407,500 Shares were granted on 11 May 2007, of which (i) 1,719,000 Shares will vest on 14 July 2008, (ii) 1,719,000 Shares will vest on 14 July 2009, and (iii) 1,969,500 Shares will vest on 14 July 2010.

69,000 Shares were granted on 20 March 2008, of which 23,000 shares have vested immediately after grant and an equal amount of 23,000 Shares will vest on each of 1 March 2009 and 2010.

231,000 Shares were granted on 1 April 2008, and an equal amount of 77,000 Shares will vest on each of 1 April 2009, 2010 and 2011.

(8) 40,000 Shares granted on 11 May 2007 have lapsed due to termination of employment of an employee in June 2008.

The closing price of the Shares of the Company immediately before the 69,000 and 231,000 restricted share awards granted on 20 March 2008 and 1 April 2008 were HK$10.42 and HK$12.80 respectively.

Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30 June 2008, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

Name	Capacity/ Nature of interest		Number of Shares	Approximate percentage of the issued share capital of the Company
JP Morgan Chase & Co.[1]	Beneficial owner, investment manager and approved lending agent	Long Positions	140,246,750	8.04%
		Short Positions	8,897,000	0.51%
		Lending Pool	56,778,282	3.25%
Morgan Stanley	Interest of corporation controlled	Long Positions	110,413,090	6.33%
		Short Positions	58,740,655	3.37%

Notes:

(1) The Shares held by JP Morgan Chase & Co. are held in the capacities of beneficial owner (relating to 12,884,164 Shares), investment manager (relating to 70,584,304 Shares) and custodian corporation/approved lending agent (relating to 56,778,282 Shares).

Save as disclosed above, as at 30 June 2008, no person had registered an interest or short position in the Shares or underlying Shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

Purchase, Sale and Redemption of Shares

During the reporting period, other than for satisfying restricted share awards granted under the LTIS as disclosed earlier, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's Shares.

Interim Report and Disclosure of Information on Stock Exchange's Website

The 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.

This 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.

The interim results has been reviewed by the Audit Committee of the Company.

Closure of register of members

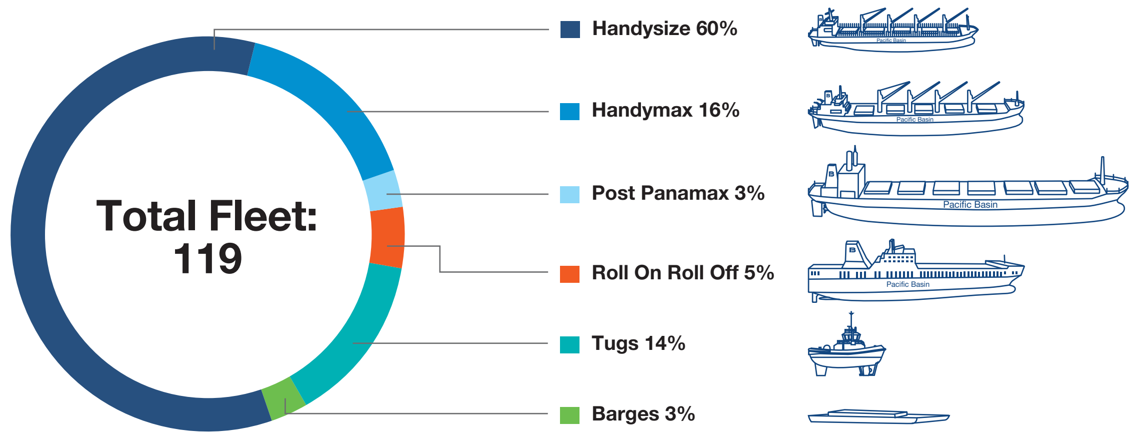
The register of members will be closed from 20 August 2008 to 21 August 2008 (both days inclusive) during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's 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.

Directors

As at the date of this report, 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.

Fleet List

Pacific Basin Fleet Distribution by Number of Vessels (excluding short term chartered vessels)



Newbuilding in Japan

The Pacific Basin Fleet as at 31 July 2008

	Delivered		Newbuildings on Order		Short Term	
	Owned	Chartered	Owned	Chartered	Chartered	Total
Dry Bulk Vessels						
Handysize	17	46	7	1	5	**76**
Handymax	2	15	1	1	16	**35**
Post Panamax	–	–	2	1	–	**3**
Total Dry Bulk Vessels	19	61	10	3	21	**114**
Other Vessel Types						
Roll On Roll Off	–	–	6	–	–	**6**
Tugs	11	–	6	–	–	**17**
Barges	1	–	2	–	–	**3**
Total Other Vessel Types	12	–	14	–	–	**26**
Grand Total	**31**	**61**	**24**	**3**	**21**	**140**

DRY BULK VESSELS

Handysize Fleet

Owned Fleet — 17 Vessels	Dwt	Year Built
1. Port Phillip	33,171	2008
2. Silver Lake	33,171	2008
3. Mount Owen	28,333	2008
4. Taihua Star	28,456	2007
5. Mount Rainier	32,815	2005
6. Mount Adams	28,442	2002
7. Willow Point	28,492	2001
8. Hawke Bay	28,460	2001
9. Tasman Sea	28,456	2001
10. Captain Corelli [1]	28,378	2001
11. Champion Bay	32,835	2000
12. English Bay	32,834	2000
13. Kiwi Trader	31,879	2000
14. Pacific Logger	31,877	2000
15. Prince Rupert	28,685	2000
16. Chatham Island	32,211	1997
17. Yin Xiu	28,730	1995
Subtotal:	**517,225**	

Chartered Fleet — 46 Vessels	Dwt	Year Built
18. Benete Bay [2]	28,342	2008
19. Crescent Harbour	32,256	2007
20. Pharos SW	32,027	2007
21. Matariki Forest	28,709	2007
22. Port Angeles *	28,448	2007
23. Union Bay *	32,355	2006
24. Shimanami Star	28,445	2006
25. Genco Champion	28,445	2006
26. Cape Knox *	28,442	2006
27. Duncan Bay *	28,414	2006
28. Port Alice *	31,871	2005
29. Genco Charger	28,398	2005
30. Danny Boy	28,386	2005
31. Great Dream	33,745	2004
32. Port Pegasus * ^	32,774	2004
33. Sun Ruby * ^	32,754	2004
34. Cook Strait * ^	31,894	2004
35. Timaru Star * ^	31,893	2004
36. Great Chance	28,701	2004
37. Port Kenny *	28,449	2004
38. Portland Bay *	28,446	2004
39. Cape Flattery * ^	28,433	2004
40. Black Forest * ^	32,751	2003
41. Genco Challenger	28,428	2003
42. Mount Travers * ^	28,484	2002
43. Mount Fisher *	28,470	2002
44. Ocean Exporter * ^	28,461	2002

Chartered Fleet (continued)	Dwt	Year Built
45. Albany Sound * ^	28,379	2002
46. Cape York *	28,471	2001
47. Port Botany *	28,470	2001
48. Cape Nelson * ^	28,438	2001
49. Nin	28,373	2000
50. Cape Spencer * ^	28,799	1997
51. Castle Island * ^	28,759	1997
52. Cape Scott * ^	28,747	1997
53. Bering ID	28,611	1997
54. Captain T	28,585	1997
55. Baltic ID	28,545	1997
56. Niki T	27,827	1997
57. Eleni T	27,802	1997
58. Arctic ID	28,251	1996
59. Caribbean ID	27,940	1996
60. ID Harbour	28,760	1995
61. Pacific ID	27,860	1995
62. Mediterranean ID	28,475	1994
63. Ocean ID	28,429	1994
Subtotal:	**1,347,742**	

Handymax Fleet

Owned Fleet – 2 Vessels	Dwt	Year Built
1. Pacific Sea	53,589	2004
2. Pacific Victory	52,394	2001
Subtotal:	**105,983**	

Chartered Fleet – 15 Vessels	Dwt	Year Built
3. Genco Hunter	58,479	2007
4. Ocean Diamond	53,503	2007
5. Xiamen Sky *	53,605	2005
6. Kestrel I	50,351	2004
7. Medi Osaka	53,098	2003
8. Heron	52,827	2001
9. Falcon	50,296	2001
10. Danos Z	46,492	2001
11. Medi Trader	48,225	1999
12. Tonghai	47,980	1999
13. Genco Prosperity	47,180	1997
14. Arion SB	45,917	1997
15. Furia R	46,664	1996
16. Ming Hai	45,593	1996
17. Vergo	45,320	1995
Subtotal:	**745,530**	

DRY BULK NEWBULDINGS ON ORDER

Handysize Newbuildings on Order

Owned Fleet – 7 Vessels	Dwt	Scheduled Delivery
1. Jiangmen Hull 103	32,500	2008
2. Jiangmen Hull 104	32,500	2009
3. Jiangmen Hull 105	32,500	2009
4. Jiangmen Hull 106	32,500	2009
5. Jiangmen Hull 113	32,000	2009
6. Jiangmen Hull 114	32,000	2009
7. Imabari Hull A–012	28,000	2009
	Subtotal: 222,000	

Chartered Fleet – 1 Vessel	Dwt	Scheduled Delivery
8. Kanda Hull 509	32,000	2008

Handymax Newbuildings on Order

Owned Fleet – 1 Vessel	Dwt	Scheduled Delivery
1. Oshima Hull 10546	54,000	2008

Chartered Fleet – 1 Vessel	Dwt	Scheduled Delivery
2. Guoyu Hull 437	57,000	2010

Post Panamax Newbuildings on Order

Owned Fleet – 2 Vessels	Dwt	Scheduled Delivery
1. Jiangnan Hull 1012A [3]	115,000	2011
2. Jiangnan Hull 1013A	115,000	2011
	Subtotal: 230,000	

Chartered Fleet – 1 Vessel	Dwt	Scheduled Delivery
3. Imabari Hull S–1565 * [3]	95,000	2011

Notes:

* *The Group has the option but is not committed to purchase 23 handysize, 1 handymax and 1 post panamax vessels under the terms of their charter.*

^ *Vessels on finance leases.*

1 *The Group has a 63.5% interest in Captain Corelli.*

2 *The delivery of "Benete Bay" from the owned fleet to the chartered fleet pursuant to the sale and charter back transaction is expected to be completed in August 2008.*

3 *The Group has 50% interest in both vessels through its 50/50 joint venture.*

OTHER VESSEL TYPES

Roll On Roll Off Newbuildings on Order

Owned Fleet – 6 Vessels	Lane Metre	Gross Tonnage	Scheduled Delivery
1. Odense Hull L218	3,663	28,870	2009
2. Odense Hull L220	3,663	28,870	2010
3. Hyundai Mipo Hull 8048 [4]	3,810	32,300	2010
4. Hyundai Mipo Hull 8049 [4]	3,810	32,300	2010
5. Odense Hull L233	3,663	28,870	2010
6. Odense Hull L234	3,663	28,870	2011

Barge Fleet

Owned Fleet – 1 Vessel	Dwt	Year Built
1. Fujairah Pearl 2	12,000	2007

Barge Newbuildings on Order

Owned Fleet – 2 Vessels	Dwt	Scheduled Delivery
2. Changrun Hull CRCC–2007–20	12,000	2008
3. Changrun Hull CRCC–2007–21	12,000	2008

Note:

4 *The two roll on roll off newbuilding vessels will be acquired by the Group within approximately 2 months of their delivery from the shipyard subject to the anticipated exercise of purchase options.*

Tug Fleet

Owned Fleet – 11 Vessels	Horse Power	Bollard Pull (Ton)	Year Built
1. PB Murray	5,600	62.0	2008
2. PB Darling	5,600	62.0	2008
3. PB Diamantina	5,000	65.0	2008
4. Fujairah Pearl 1	3,200	40.0	2007
5. PB Snowy	3,551	45.0	2006
6. Botany	4,000	54.4	2000
7. Hunter	4,000	54.4	2000
8. Flinders 1	3,200	43.0	1995
9. Yarra	3,200	43.0	1995
10. Gibson	4,300	57.4	1994
11. Cook	4,300	57.4	1994

Tug Newbuildings on Order

Owned Fleet – 6 Vessels	Horse Power	Bollard Pull (Ton)	Scheduled Delivery
12. PB Progress	3,200	40.0	2008
13. PB Provider	3,200	42.0	2008
14. Damen Hull 512230	5,500	68.0	2009
15. Damen Hull 512231	5,500	68.0	2009
16. Damen Hull 512232	5,500	68.0	2010
17. Damen Hull 512233	5,500	68.0	2010

This interim report
is printed on
recyclable paper

Concept & Design: EQUITY FINANCIAL PRESS LIMITED
www.equitygroup.com.hk

Pacific Basin Shipping Limited
7/F, Hutchison House, 10 Harcourt Road, Central, Hong Kong
Telephone: (852) 2233 7000 Facsimile: (852) 2865 2810
www.pacificbasin.com

This Interim report is printed on recyclable paper