Pacific Basin Shipping Limited

(incorporated in Bermuda with limited liability)
(Stock Code: 2343)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

The Board of Directors (the "Board") of Pacific Basin Shipping Limited ("Pacific Basin" or the "Company") are pleased to announce the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2008 as follows:

Highlights

	Year Ended 31 December	
US$ million	**2008**	2007
Revenue	**1,690.9**	1,177.3
Time Charter Equivalent Earnings	**909.4**	700.5
Profit Attributable to Shareholders	**409.1**	472.1
Basic Earnings per share *(US cents)*	**24.3**	30.1
Basic Earnings per share (HK cents)	***189***	*234*

- **Group profits for the year were US$409 million** (2007: US$472 million) in a volatile year that featured both all time record high and recent record low bulk shipping rates. **Basic earnings per share were HK$1.89** (2007: HK$2.34)

- **Charges of US$138 million** for one-off charter-hire payments, provision for chartered-in vessel contracts, impairment for vessels to be sold in 2009, and non-cash mark-to-market impairment of an equity investment

- **Group's adjusted profit before these charges was US$547 million**, its best performance since listing

- **Strong balance sheet** with **cash position of US$1,024 million** and **net cash of US$176 million**

- **Fully funded capital commitments** of US$433 million in non-dry bulk vessels and US$130 million in dry bulk vessels

- **Handysize revenue days increased by 13%** to 22,770 in 2008 (2007: 20,100) due to expanded owned and long term chartered fleet
- **Contract cover** is in place for 60% of the current 22,090 handysize revenue days in 2009 at US$16,950 per day net and 28% of the handysize revenue days in 2010. Baltic Handysize spot index on 25 February 2009 stood at US$8,212 per day net
- **Ship sales** generated disposal gains of US$150 million (2007: US$137 million)
- **Core fleet (including newbuildings) now totals 119 vessels** comprising 86 dry bulk vessels, 27 tugs and barges, and 6 RoRos. The dry bulk fleet comprises 68 handysize, 16 handymax, and 2 post panamax vessels
- **PB Towage has grown** to 17 tugs and 6 barges and expanded operations from Australia to New Zealand, India and the Middle East
- **PB RoRo established** with order of 4 RoRo newbuildings and options for 2 additional newbuildings. The first RoRo vessel delivers in August 2009
- **Continued development of FBSL joint venture**, which in 2008 won a reclamation contract involving the transport of 54 million tonnes of aggregates over the next three years
- **Well positioned to weather shipping crisis** through proactive management of our operations, strategic reorganisation and overheads reduction
- **Challenging, volatile and uncertain** bulk shipping market to continue in 2009

CHAIRMAN'S STATEMENT

In a quite extraordinary year that featured both all time record high and recent record low bulk shipping rates, Pacific Basin produced 2008 net profits of US$409 million and basic earnings per share of HK$1.89. These results were after charging US$138 million for one-off charter-hire payments, a provision for onerous chartered-in vessel contracts and a non-cash mark-to-market impairment of an equity investment. Prior to these charges, the Group's adjusted profit was US$547 million, its best performance since listing in 2004, whereas in 2007 the Group's profit was US$472 million.

As set out in the interim report, the Board's dividend policy was amended to pay out a minimum of 50% of profits excluding vessel disposal gains, whereas previously such gains were eligible for a dividend payment. For 2008 our interim dividend payout of HK 76 cents is equivalent to 57% of our full year profit eligible for a dividend payment. As such, and in accordance with the policy, the Board recommends not to pay out a final dividend for 2008. The Group will continue to husband its cash so as to be better able to invest in the right opportunities when they arise.

Pacific Basin has a strong balance sheet. At year end we had US$1 billion in cash and bank balances and our net cash position was US$176 million. Our capital expenditure commitments of US$433 million for non-dry bulk vessels and US$130 million for dry bulk vessels are fully covered by our existing cash balances. Our cash position reflects a number of initiatives over the past fifteen months including the issuance of convertible bonds for US$384 million in December 2007, the raising of US$271 million of fresh equity in May 2008 and the securing of some US$290 million of new bank facilities in June 2008. During the year, we repurchased convertible bonds with a face value of US$65.8 million giving rise to a US$21.9 million saving in repayments. In addition, we are now in the process of acquiring over US$200 million in additional long term vessel financing.

Our cash position has also been improved by the sale of vessels. During 2008 we sold seven dry bulk ships and one tug for a total consideration of US$313 million realising disposal gains of US$150 million. Towards the end of the year and in early 2009, we reached agreement on the sale (with delivery in 2009) of five more vessels.

The Baltic Dry Index reached an all-time high of 11,793 points on 20 May and a 22 year low of 663 points on 5 December 2008. In the first half of the year, dry cargo demand outpaced ship supply pushing handysize vessels' spot daily earnings up as high as US$50,000. In the second half of the year, the financial crisis and consequent disappearance of much trade credit led to a collapse in bulk cargo movements with calamitous consequences for spot market earnings, which fell below US$5,000 per day, the approximate level of daily cash operating costs for many dry bulk owners.

In this environment, Pacific Basin's policy of prudently locking in forward contract cover has positioned us relatively well to meet today's very adverse market conditions. As at 20 February 2009, we had covered some 60% of our 2009 handysize revenue days at US$16,950 per day net and 28% of our 2010 revenue days, whereas on 25 February the Baltic Handysize spot index stood at US$8,212 per day net. We had also covered over 100% of our handymax revenue day exposure in 2009 and 2010 at attractive rates.

This level of cargo cover reflects the appeal of our large fleet of modern, well-equipped and interchangeable ships to a broad range of customers whose daily needs are served by a network of Pacific Basin offices around the world. Our strong brand is reinforced by our visible financial strength and our record of reliable performance, both of which appeal to shippers who are (with good reason) increasingly nervous about counterparty performance. We, in turn, are certainly not immune from counterparty risk, but the fact that we mainly charter our ships to producers and end-users of industrial cargoes rather than to intermediate operators means that we are relatively well positioned.

Like most other market participants, we did not anticipate the timing and severity of the fall in the dry bulk market. However, our strategy for some time has been to prepare for a weaker dry bulk market by raising cash, selling and chartering back vessels and investing in businesses outside dry bulk. These businesses are developing satisfactorily. Our first Roll on Roll off vessel is set to deliver to PB RoRo in August 2009 and will trade under a three-year timecharter to an established and financially strong operator. In Australia, New Zealand and the Middle East, our PB Towage businesses are operating well. FBSL, our joint venture with the Government of Fujairah, has recently secured a significant land reclamation project which runs for three years from 2009. In the greater China region, we have developed strong relationships with both port authorities and shipping customers.

In addition, we have taken a number of other actions to help us weather the current difficult market and strengthen the Group:

- During the fourth quarter of 2008, we scaled back our non-core activities, including PB Tankers and PB Ports, so as to concentrate our efforts on Pacific Basin-IHC and -IHX, our core dry bulk businesses, PB RoRo and PB Towage, into which substantially all of our committed capital expenditure will be deployed.

- We have reduced our 2009 overhead cost by an anticipated 25% from 2008 levels as a result of the scale down of our non-core activities and resultant reduction in our headcount. Our most senior 11 executives have taken a 10% salary reduction.

- During November and December 2008 we made one-off handysize and handymax charter termination payments amounting to US$42 million and simultaneously entered into new charter-in contracts at lower rates. These arrangements have resulted in a US$5.2 million cash discount on the originally contracted amounts.

- We have provided US$54 million against our 2008 results for onerous chartered-in vessel contracts.

We expect the challenging, volatile and uncertain bulk shipping markets to continue in 2009. The worldwide economic outlook has deteriorated during the first quarter of 2009 and credit conditions remain extremely tight. Whilst some replenishment of depleted iron ore stockpiles may temporarily lift rates, slower industrial production and anaemic or negative economic growth will most likely depress trade. The difficulties of dry bulk owners in coping with reduced demand are compounded by an anticipated excess of ship supply given that the world dry bulk orderbook, delivering mainly in 2009 to 2011, comprises an enormous 70% of the fleet afloat. Two factors will help moderate supply. First, it is likely that a significant portion of the orderbook will be cancelled or delayed due to the collapse in ship values and limited availability of credit. Second, many ships will head for the scrapyards: in the three months ended 31 January 2009, some 6.4 million deadweight tonnes were scrapped, exceeding the scrapping of the previous five years combined, and we expect high levels of demolition to continue whilst the market remains depressed. Nevertheless, we expect ship supply to exceed demand for some time to come. Pacific Basin therefore intends to conserve its capital so as to be able to purchase assets – most likely dry bulk fleets or companies – at attractive prices at the right time.

I extend my thanks to the hard working and talented staff of Pacific Basin. Although we currently face an extremely difficult market, our Company has a strong management team and a very healthy balance sheet that will allow it to take full advantage of the many opportunities that will appear.

David M. Turnbull
Chairman

Hong Kong, 2 March 2009

BUSINESS REVIEW AND OUTLOOK

The Dry Bulk Market

Dry bulk shipping in 2008 was a tale of two markets.

During the first half of 2008, the BDI soared to all time high levels, reaching 11,793 points on 20 May, on the back of estimated 10% year on year ("YoY") growth in tonnage demand relative to 6% YoY growth in supply. Average daily spot earnings for handysize and supramax vessels reached approximately US$50,000 and US$70,000 per day respectively and, for a brief period, capesize vessels earned over US$230,000 per day. Demand was driven by the resource-hungry emerging economies of the Far East, particularly China, where increased steel production required larger volumes of iron ore to be transported over longer distances. Simultaneously, soaring commodity prices encouraged importers to raise their stock levels to avoid further price hikes, which in turn further increased shipments. Load and discharge ports operated at full capacity leading to more congestion, effectively reducing vessel supply. The dry bulk fleet continued to operate close to full utilisation until the middle of the year, keeping rates at record highs.

In stark contrast, the second half of the year saw freight rates plummet at a pace and to a degree unlike any previous fall. Cargo demand growth turned abruptly negative and, by early December, the BDI had dropped by 94% to 663 points, its lowest point in over 22 years. The larger capesize vessels were particularly hard hit with rates dropping as low as US$2,500 a day. By year end, many such ships were either idle or fixing cargoes at rates that generated earnings well below their daily cash operating cost. Smaller ships, which are less dependent on iron ore trades, fared slightly better but still only achieved approximately 10% of the record earnings they had generated six months earlier.

A number of factors contributed to this extraordinary drop in the market. Chinese crude steel production slowed towards the middle of the year following Chinese government action to cool the overheated property market. Meanwhile, the worsening global credit crisis hit the shipping markets in two ways: reduced trade finance stalled shipments, and the deteriorating global economic outlook caused consumers to cut spending and manufacturers to cut production. This situation was then exacerbated by a significant fall in commodity prices which prompted buyers holding large inventories to delay imports in anticipation of further price reductions. In addition, the slowdown in global trade reversed two other factors that had previously helped drive the bull freight market: long-distance ballast voyages reduced and port congestion significantly eased, both effectively increasing tonnage supply at a time of falling demand.

Demand for bulk shipping fell by an estimated 2% YoY in the second half of 2008 whilst the dry bulk fleet continued to grow steadily by an estimated 7% YoY. The most dramatic change occurred in the final quarter of 2008, when demand contracted by an estimated 10% YoY and the dry bulk fleet grew by 7% YoY resulting in a significant worsening in the supply/demand balance and an unprecedented decline in freight rates.

Note: Demand growth estimates provided by R. S. Platou; Supply growth estimates provided by Clarkson.

The delivery of newbuildings into the market remained relatively steady throughout 2008, but a surge of converted tankers (commissioned when the market was stronger) joined the dry bulk fleet in the second half of the year. This additional supply was partially offset by a revival in demolition as owners struggled to find employment for their ships or faced earnings well below daily operating costs. Demolition gathered pace towards the end of the year: 5 million tonnes of dry bulk capacity was scrapped in the second half of 2008, of which 4.4 million tonnes was scrapped in November and December alone. A further 2 million tonnes was scrapped in January, giving rise to the sale for demolition of a record-breaking 6.4 million tonnes of dry bulk capacity in the three months ended 31 January 2009, which exceeds the scrapping of the previous five years combined.

Although there has been some improvement in the freight market since early December, dry bulk freight earnings remain well below the previous lows of the past six years.

Handy Bulk Business Overview

Pacific Basin's core dry bulk chartering business operates one of the world's largest fleets of modern handysize and handymax ships under their respective brand names "Pacific Basin-IHC" and "Pacific Basin-IHX".

This fleet serves the bulk transportation needs of a wide range of mainly blue chip customers across a range of industries including agriculture, forestry, mining, manufacturing and construction. Our handysize and handymax ships carry a broad range of bulk commodities and consequently experience less earnings volatility than capesize and panamax dry bulk ships, which carry fewer cargo types. Our vessels are generally employed to carry cargoes directly for industrial commodity producers and end-users rather than by being chartered to intermediate ship operators, thereby minimising our counterparty risk. Similarly, we aim to secure the majority of our chartered-in vessels from head owners as opposed to intermediate ship operators, again to minimise counterparty risk.

We manage the volatile freight market by covering a substantial portion of our revenue days with contracts of affreightment. We also make limited use of time charters and forward freight agreements ("FFAs") to hedge our exposure, particularly when suitable cargo cover is not immediately available.

We strive to provide our customers with a professional, reliable service via round-the-clock support from experienced freight and operations professionals in our eight chartering offices around the world. Our strong balance sheet enables us to attract customers seeking a "safe" counterparty who can perform future, multiple-year contractual obligations. With a large fleet of modern and interchangeable ships we can offer our customers maximum scheduling flexibility and a more reliable performance in a dynamic shipping environment, where sudden outside influences such as weather or port delays can cause unforeseen changes to a vessel's schedule. Few of our competitors can provide the same visibility and reliability.

Handysize

The Group's handysize activities under the "Pacific Basin-IHC" brand continued to grow in 2008, with an expansion of the core fleet early in the year giving rise to a 13% YoY increase in ship revenue days from 20,100 days in 2007 to 22,770 days in 2008. We sold and chartered back a number of ships during the year to lock in significant disposal gains and to reduce our exposure to any decline in ship values. The division currently operates a core fleet of 62 owned and long term chartered ships plus a further 11 ships on short term charter giving a total fleet size of 73 ships.

Our handysize fleet operates a mix of spot and contract business covering periods of between one and ten years, and engages in worldwide trading with a primary focus on the Pacific Rim, around which much of our cargo contract portfolio is concentrated. The high volume of ships and cargoes in this region offers operational advantages, such as reduced ballast time, which accounted for only 14% of total operated days in 2008. This strategy allows us to offer customers competitive rates whilst extracting additional value from our business.

Our expanded handysize fleet carried 19.6 million tonnes of cargo in 2008, up 11% from 2007. Key commodities carried included logs and forestry products, steel (including scrap metal), grain, metal concentrates and fertilisers.

Pacific Basin-IHC achieved a contribution of US$282.5 million in 2008 (2007: US$260.5 million) on net earnings of US$29,250 per day over our 22,770 handysize revenue days – an increase in earnings of 8% on 2007.

The table below sets out Pacific Basin-IHC's fleet revenue days and cover rates in 2008 and 2009, as at 20 February 2009:

Handysize Vessel Activity Summary	Unit	FY 2008	**FY 2009**
Cargo Commitments			
Revenue days	days	22,770	**11,390**
Net paper contracts	days	–	**1,880**
Equivalent revenue days	days	22,770	**13,270**
Daily TCE	US$	29,250	**16,950**
Ship Commitments			
Revenue days	days	22,770	**22,090**
Net Position			
Cargo as % of ship commitments	%	100%	**60%**

Handysize FFA Activity Summary	Unit	FY 2008	**FY 2009**
FFA paper sold	days	1,980	**2,050**
FFA paper bought	days	(450)	**–**
Net realised paper exposure	days	(1,530)	**(170)**
Net FFA paper sold as at 31 December 2008/20 February 2009	days	–	**1,880**

Handymax

The Group's handymax activities under the "Pacific Basin-IHX" brand continued to grow in 2008. Despite volatile market conditions, Pacific Basin-IHX delivered a solid performance in terms of both profitability and market presence. The division's earnings capacity increased to 5,690 handymax revenue days in 2008 from 4,870 days in 2007, and we currently operate 32 vessels including two owned, 13 on long term charter and 17 on short term charter.

Our handymax activities continue to be concentrated on five core geographic regions combining front and back haul routes in order to minimise vessel ballast time (which accounted for only 12.8% of total operated days in 2008) and maximise returns. In contrast to Pacific Basin-IHC, which is more heavily focused in the Pacific, approximately 58% of Pacific Basin-IHX's cargoes were loaded within the Atlantic, Indian Ocean or Middle East, and 42% within the Pacific. The Indian Ocean and Middle East represented our largest load and discharge regions, although significant volumes of cargo were also loaded in Australia and East Coast South America and discharged in China and in South East Asia.

Working with existing and new customers, particularly via our regional offices, cargo volumes for 2008 increased to 11.7 million tonnes from 11.3 million tonnes in 2007. The top five commodities transported by Pacific Basin-IHX in 2008 were iron ore, grains, fertilisers, cement/clinker and coal.

Pacific Basin-IHX achieved a contribution of US$40.5 million in 2008 (2007: US$34.0 million) on net earnings of US$44,870 per day over 5,690 handymax revenue days (4,870 days in 2007).

We have to date secured significant forward contract cover and now have more cover in place than controlled tonnage. This positions us well in the event of a further weakening of the market. The following table sets out Pacific Basin-IHX's fleet revenue days and cover rates in 2008 and 2009, as at 20 February 2009:

Handymax Vessel Activity Summary	Unit	FY 2008	**FY 2009**
Cargo Commitments			
Revenue days	days	5,690	**3,660**
Net paper contracts	days	–	**860**
Equivalent revenue days	days	5,690	**4,520**
Daily TCE	US$	44,870	**30,000**
Ship Commitments			
Revenue days	days	5,690	**3,680**
Net Position			
Cargo as % of ship commitments	%	100%	**123%**

Handymax FFA Activity Summary	Unit	FY 2008	**FY 2009**
FFA paper sold	days	1,970	**1,450**
FFA paper bought	days	(1,870)	**(500)**
Net realised paper exposure	days	(100)	**(90)**
Net FFA paper sold as at 31 December 2008/20 February 2009	days	–	**860**

Post Panamax

We continue to value highly our relationship with China Huaneng Group ("CHG"), which is China's largest power producer. Having jointly secured contracts to build two 115,000 dwt bulk carriers for delivery in 2011, we have reorganised these contracts with CHG such that Pacific Basin retains ownership of one of these vessels and will bareboat charter it at a fixed rate from delivery for fifteen years to CHG. We also have a 95,000 dwt bulk carrier delivering to us in 2011 under a ten-year time charter with purchase option. We have relet this ship for ten years to a blue chip counterparty. As such, our operational exposure to the large bulk carrier market is substantially covered.

Fleet Operations

The safety of our seafarers, vessels, cargoes and the environment is given the highest priority, and our technical operations team maintained a very good safety and environmental record in 2008. Effective management also resulted in tight control of ship operating expenses and in minimal vessel downtime which is critical to providing reliable service to our customers.

Pacific Basin currently provides the chairman of the Technical Committee (CASTEC) of Intercargo, the International Association of Dry Cargo Shipowners. This committee advises the Association and its membership on safety, technical and environmental issues, and our chairmanship of the Committee is a reflection of our interest in these matters, and of the experience and reputation of our senior technical executives.

Piracy in the Gulf of Aden remains a worrying issue for the industry. While our ships do not regularly sail through the area, we have had two vessels pass without incident through the Gulf in convoys under naval protection. In future, we hope that the increased naval presence in the region will reduce the risk of attacks.

In recognition of the excellent attention to quality and safety on board our ships, the Hong Kong Marine Department honoured us with an award for our leading performance among Hong Kong flagged fleets in port state inspections.

Core Fleet Development

Second hand values of dry bulk vessels peaked in mid 2008 when Clarkson estimated the value of a five-year old handysize vessel to be in excess of US$50 million. The second half of the year saw a significant decline in vessel values as a result of the falling freight markets. Purchase interest disappeared and, in some cases, buyers forfeited their deposits – 10% or more of the total price – and declined to take delivery of ships to which they had previously committed. In the absence of transactions, the sale and purchase market froze and ship values became a matter for theoretical speculation. Many ship brokers ceased publication of generic values altogether. It was only in November 2008 that sale and purchase activity started to return as owners and operators adjusted to the lower market.

During the first half of the year we sold seven bulk carriers and one tug, which were all successfully delivered to their buyers. Towards the end of the year, we agreed to the sale (with delivery in 2009) of four further vessels, one of which we have chartered back for one year. In early 2009, we agreed to the sale of another vessel, which has also been chartered back for one year.

Our PB Towage fleet has grown significantly, with a net increase of 11 tugs and five barges from both single vessel and company acquisitions.

Our RoRo division also began operations with an order for four newbuilding vessels with an option to purchase another two.

Core Fleet Development (excluding short term charters) [4]

	Delivered Fleet			Newbuildings on Order			Total
Number of vessels	**Owned**	**Chartered**[1]	**Total**	**Owned**	**Chartered**[1]	**Total**	**Fleet**
Handysize Fleet							
As at 1 January 2008	16	48	64	11	1	12	76
Newbuildings delivered	7	1	8	(7)	(1)	(8)	–
Exercise of purchase options	4	(4)	–	–	–	–	–
New charters	–	–	–	–	2	2	2
Sale and time charter back	(4)	4	–	–	–	–	–
Disposals	(5)	–	(5)	–	–	–	(5)
Expiry of charters	–	(5)	(5)	–	–	–	(5)
As at 28 February 2009	**18**	**44**	**62**	**4**	**2**	**6**	**68**
Handymax Fleet							
As at 1 January 2008	3	12	15	1	–	1	16
Newbuilding delivered	1	–	1	(1)	–	(1)	–
New charters	–	5	5	–	1	1	6
Sale and time charter back	(1)	1	–	–	–	–	–
Disposal	(1)	–	(1)	–	–	–	(1)
Expiry of charters	–	(5)	(5)	–	–	–	(5)
As at 28 February 2009[2]	**2**	**13**	**15**	**–**	**1**	**1**	**16**
Post Panamax Vessels							
As at 1 January 2008	–	–	–	2	1	3	3
Disposal	–	–	–	(1)	–	(1)	(1)
As at 28 February 2009	**–**	**–**	**–**	**1**	**1**	**2**	**2**
Total Dry Bulk Fleet as at 28 February 2009	**20**	**57**	**77**	**5**	**4**	**9**	**86**
Roll on Roll off Vessels							
New orders[3]	–	–	–	6	–	6	6
As at 28 February 2009	**–**	**–**	**–**	**6**	**–**	**6**	**6**
Tugs							
As at 1 January 2008	2	6	8	2	–	2	10
New orders	–	–	–	7	–	7	7
Newbuildings delivered	5	–	5	(5)	–	(5)	–
Second hand purchases	3	–	3	–	–	–	3
Acquisition of Sea-Tow	2	–	2	–	–	–	2
Exercise of purchase options	6	(6)	–	–	–	–	–
Disposal	(1)	–	(1)	–	–	–	(1)
As at 28 February 2009	**17**	**–**	**17**	**4**	**–**	**4**	**21**
Barges							
As at 1 January 2008	1	–	1	–	–	–	1
Second hand purchase	1	–	1	–	–	–	1
Acquisition of Sea-Tow	4	–	4	–	–	–	4
As at 28 February 2009	**6**	**–**	**6**	**–**	**–**	**–**	**6**
Total Other Vessel Types as at 28 February 2009	**23**	**–**	**23**	**10**	**–**	**10**	**33**
Total Fleet as at 28 February 2009	**43**	**57**	**100**	**15**	**4**	**19**	**119**

1 Includes 23 handysize, 1 handymax and 1 post panamax chartered vessels and newbuildings with purchase options
2 Includes Pacific Victory, the sale and delivery of which is expected to be completed in April 2009
3 Includes 2 RoRo newbuilding vessels which can be acquired by the Group within approximately 2 months of their delivery from the shipyard subject to the exercise of purchase options
4 Excludes purely managed vessels

Other Operations and Business Development

In view of the severely depressed shipping markets and bleak outlook, during the fourth quarter of 2008 we undertook a detailed review of our various operations and, as a result, took steps to improve our ability to weather a protracted downturn and to position ourselves to take advantage of the extraordinary opportunities that we believe will arise from it.

Thus we have refocused our main efforts on three core areas comprising our handysize and handymax dry bulk cornerstone activity, operated under the "Pacific Basin-IHC" and "Pacific Basin-IHX" brands; our Roll on Roll off shipping business, operated as "PB RoRo"; and our tug and barge businesses, operated as "PB Towage". We believe that these three segments provide potential for significant scale and contribution to our results and that their combination will bring the best long term value to shareholders.

Meanwhile we have reduced the breadth of our maritime services and scaled back our China ports and infrastructure ambitions. However, Pacific Basin is fully committed to China as one of our most important geographical areas of focus.

PB Towage

Pacific Basin's towage activities, under the umbrella name "PB Towage", have expanded significantly during the year. From an initial presence in Australia's harbours at the end of 2007, PB Towage now operates a total of 17 tugs and six barges in Australasia, India and the Middle East, and has a further four tugs on order. These vessels undertake a wide variety of tasks.

PB Towage Australia (originally Australian Maritime Services), was acquired and renamed in November 2007, and provides ship assist harbour towage services in Melbourne, Port Botany (Sydney), Brisbane and Western Australia using a fleet of eight modern, sophisticated tugs. In the summer of 2008 Pacific Basin acquired Sea-Tow (since renamed PB Sea-Tow), a leading regional project towage operator with a fleet of heavy duty tugs and barges headquartered in Auckland, New Zealand. This acquisition has enabled PB Towage to undertake complex project cargo jobs as a service provider to the offshore energy and construction sectors. PB Sea-Tow controls five tugs, including a recently acquired multi-purpose vessel, the largest in our fleet, and four heavy lift barges. The remainder of the PB Towage tug and barge fleet is deployed in offshore work in India (one vessel), and on charter to Fujairah Bulk Shipping (three tugs and two barges) transporting aggregates within the Arabian Gulf.

Pacific Basin's strategy for towage has been to build a fleet of high quality, modern and standardised vessels in a sub-sector which has thus far suffered from under-investment, and to gather the associated commercial and operating expertise under one roof. Our existing strong brand, international presence, and strong capital base have facilitated the swift development of the PB Towage division in line with this strategy. The tug market fared well during 2008, proving more resistant than other shipping sectors to the changes in the financial and commodity markets in the latter half of the year. Continued expansion of port facilities and vessel traffic contributed to this, as did the roll-out of new energy-related projects requiring offshore construction and specialist transportation. Nevertheless, we expect a more challenging commercial environment for tugs in 2009, driven by difficult economic conditions. We aim to strengthen

PB Towage's resilience by building our position in the specialist project sector relating primarily to oil and gas-associated construction (which is expected to remain relatively robust), and by focusing on the provision of high quality tug operations to blue chip charterers in the Middle East, India and Asia, especially in harbours and offshore areas where many competitors provide lower service standards and operate older, less well maintained equipment.

Roll On Roll Off ("RoRo") Vessels

In February 2008, Pacific Basin entered the RoRo sector. We secured contracts for a total of four newbuildings from Odense Steel Shipyard in Denmark, and subsequently options for two further vessels from the Hyundai Mipo Shipyard in Korea. The first vessel is scheduled to deliver from Odense in August 2009 and the remainders in 2010 and 2011.

The vessels in which we are investing are designed for use on regular, high intensity, rapid turn-around and relatively short-haul services focused on the carriage of unaccompanied freight trailers and in particular perishable and high-value cargoes. They are also capable of carrying containers on trailers and other unaccompanied vehicles. As such they are well suited to the established RoRo services operated within Europe and the Mediterranean Sea, whose expansion is a key objective of European Union transport policy. This market sector is completely different from the pure car carrier and pure car and truck carrier sectors, which currently face serious over-supply. It is also separate from the long haul deep-sea multi-purpose RoRo trades which typically serve emerging and third world markets carrying a mix of vehicles, containers and project cargoes.

The contracts for the two Korean-built ships are structured in the form of two year time charters to Pacific Basin with options for us to acquire the ships after delivery. We can choose not to declare these options in which case the option price would not be refundable.

The total remaining consideration for all six vessels, on the basis that the options are declared, is approximately US$403 million, representing the majority of the Group's capital expenditure commitments. The vessel delivering in 2009 has already been chartered to an established operator for three years (with an option in the charterer's favour for a further two years), so the Group has no market exposure to vessels without employment until early 2010.

The ships on order for the Group offer operators substantial benefits compared to older tonnage due to their manoeuvrability, efficient layout for cargo operations and market leading fuel economy. The world RoRo fleet has a high average fleet age (41% of lane meter capacity is over 25 years old) and a modest orderbook (less than 20% of the existing fleet). There is thus a need for substantial fleet renewal, which our newbuildings will be well placed to meet.

Our strategy for the employment of these ships is to act as a tonnage supplier, time chartering them to existing RoRo operators to allow them to develop new trades, expand cargo volumes prior to delivery of their own tonnage, and achieve flexibility in their operations. In the short term we are looking for employment opportunities in Europe and Asia Minor; in the longer term, we will look to the rest of Asia as freight RoRo operations expand in the region. The current financial crisis, difficult global economic circumstances and weakness in our target European market have of course had a serious impact on demand for the transportation of freight trailers by sea, which has fallen by approximately 15% in the last six months. This is clearly a concern. However the current lack of bank credit and depressed trading conditions will probably discourage owners and operators from placing new orders in the near term, thereby further improving the demand for our vessels when freight volumes again pick up.

Fujairah Bulk Shipping

Fujairah Bulk Shipping L.L.C. ("FBSL"), our joint venture in the United Arab Emirates, continues to grow and perform satisfactorily. Following a shareholder reorganisation earlier in the year, it is now jointly owned by Pacific Basin and the Government of Fujairah. In 2008 Pacific Basin's attributable share of profits from FBSL was US$1.9 million (2007: US$4.3 million) after allowing for one-off restructuring costs resulting from an increase in our stake in the business to 50%. The core business of exporting rock and aggregates through a fully integrated supply chain continues to grow with 2008 export volumes increasing by 32% YoY.

In 2008 FBSL secured a land reclamation contract from the Municipality of Fujairah requiring the transportation of approximately 54 million metric tonnes of aggregates for an industrial site in northern Fujairah. Mobilisation work on the project commenced in the third quarter of 2008 and is now ahead of schedule. The project is due to be completed by the end of 2011 and is expected to further increase the revenues and profits of the business over the coming few years. A successful completion of this project is likely to lead to FBSL taking on more projects of a similar nature in coming years.

We expect FBSL to continue to grow in 2009 albeit at a slightly slower pace due to the global economic slowdown's effect on the Gulf region. In the meantime FBSL's reputation as a reliable supplier of top quality aggregates in the region continues to grow, which we believe will generate many opportunities for the Group.

PB Ports

Our China ports and infrastructure unit has been scaled back to focus on the management of our investment in the Nanjing Longtan Tianyu Terminal in which we hold a 45% interest. In its first year of operation, the terminal handled over 1.2 million tonnes of general cargo, in line with our original expectations. We do not intend to pursue new port investments inside or outside China. However, as a consequence of the Group's involvement in a tug and barge project on the west coast of Canada, Pacific Basin also has an interest in a wharf facility in the Port of Gold River, which is expected to become operational later this year.

PB Maritime Services and PB Tankers

Following our fourth quarter 2008 review of the Group's activities, we sold the activities of PB Tankers and PB Maritime Services in Singapore, which mainly provide commercial and technical services in respect of tankers and gas ships. We also closed PB Maritime Services, office in Cyprus and relocated its headquarters to Hong Kong.

The company now provides technical management services from Hong Kong and Liverpool for Pacific Basin's owned fleet and for select clients. PB Maritime Services, Hong Kong, mainly manages dry bulk tonnage whilst Meridian Marine, Liverpool, is primarily engaged in the management of RoRo, offshore and other specialist vessels. Meridian's expertise in the management of RoRo tonnage is a critical element in the strategy of PB RoRo.

PB Maritime Services also maintains crewing offices in Manila and Dalian giving us direct control over the recruiting and training of seafarers, which is critical to the proper running of ships. We are also building a presence in Eastern Europe to secure reliable RoRo crews for the long term.

PB Maritime Services' broad marine management capability will enable the Group to offer effective support to clients who require asset management solutions in the current difficult economic environment.

Dividend

As set out in the interim report, the Board's dividend policy was amended to pay out a minimum of 50% of profits excluding vessel disposal gains, whereas previously such gains were eligible for a dividend payment. For 2008 our interim dividend payout of HK 76 cents is equivalent to 57% of our full year profit eligible for a dividend payment. As such, and in accordance with the policy, the Board recommends not to pay out a final dividend for 2008. The Group will continue to husband its cash so as to be better able to invest in the right opportunities when they arise.

Outlook

We believe 2009 will be a very tough year for owners and operators of dry bulk tonnage, especially if the global economy deteriorates further. In the short term, some replenishment of depleted iron ore stockpiles may temporarily lift rates but we see little chance for a sustained revival in iron ore trades, the primary driver of the highly influential capesize sector, as importers anticipate further price reductions during the second quarter. Thereafter, an increase in ore movements (as marginal steel producers relying on low-grade domestic ores are pushed aside by more efficient mills relying on high-grade imports) combined with the start of the peak Latin American grain export season again raise hopes, but continued slower industrial production and minimal or negative economic growth will most likely depress activity. Better access to trade finance and governments' efforts to increase infrastructure spending and development might also provide some stimulus. However, on balance, we do not expect any increase in demand for dry bulk shipping in 2009.

The supply side picture, in the form of an orderbook comprising some 70% of the fleet afloat, offers no encouragement. Whilst we have recently seen a revival in demolition of older vessels and increased delays and cancellations of newbuilding vessels, the growth in vessel supply is expected to swamp demand.

There is some mitigation of the gloom on the supply side in the form of much higher scrapping: 6.4 million deadweight tonnes of older vessels were demolished in the three months from November 2008 to January 2009, more than was scrapped in the five years prior to November 2008. In addition, newbuilding orders in the last quarter of 2008 ground to a halt and significantly fewer newbuildings may deliver in the next few years than the orderbook would imply. Many shipyards are finding it difficult to construct and deliver newbuilding ships on schedule due to tight credit conditions. In addition, an increasing number of owners have chosen to avoid taking delivery where possible due to the drop in both earnings and vessel values. The financial crisis has also left many owners and shipbuilders without the necessary financing to be able to satisfy their newbuilding commitments and a number of shipyards have already been subject to restructuring and bankruptcy.

Despite these factors, however, we still expect vessel supply to remain too high and for rates to remain depressed for the foreseeable future.

Opportunities are expected to arise from the financial and shipping crises. A prolonged depressed market might lead to the failure of weaker owners and operators and offer the stronger ones the chance for industry consolidation via vessel and fleet management or acquisitions.

In conclusion, Pacific Basin faces the very challenging market with a strong balance sheet, a diverse range of shipping activities and a proven operating model in our core business. These attributes will help us to navigate the economic storm and take full advantage of the growth opportunities that will arise.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Note	**2008** **US$'000**	2007 US$'000
Revenue	3	**1,690,948**	1,177,292
Bunkers, port disbursements, other charges and amounts payable to other pool members	3	**(781,531)**	(476,819)
Time charter equivalent earnings	3	**909,417**	700,473
Direct costs		**(544,600)**	(315,951)
General and administrative expenses		**(18,007)**	(17,798)
Other income		**163,921**	81,651
Other expenses		**(229,297)**	(103,228)
Gains on disposal of property, plant and equipment		**149,818**	137,437
Finance costs, net		**(22,125)**	(17,847)
Share of profits less losses of jointly controlled entities		**3,568**	8,284
Share of losses of associates		**(287)**	–
Profit before taxation	4	**412,408**	473,021
Taxation	5	**(3,618)**	(889)
Profit for the year		**408,790**	472,132
Attributable to:			
Shareholders		**409,119**	472,125
Minority interests		**(329)**	7
		408,790	472,132
Dividends	6	**170,142**	244,127
Earnings per share for profit attributable to shareholders			
Basic	7(a)	**US 24.29 cents**	US 30.05 cents
Diluted	7(b)	**US 24.28 cents**	US 30.00 cents

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Note	2008 US$'000	2007 US$'000
Non-current assets			
Property, plant and equipment		**794,622**	755,865
Land use rights		**3,035**	419
Goodwill		**25,256**	36,426
Interests in jointly controlled entities		**50,806**	19,543
Investments in associates		**2,864**	–
Available-for-sale financial assets		**43,454**	–
Derivative assets		**10,915**	10,885
Trade and other receivables	*8*	**9,517**	10,662
Restricted bank deposits		**4,757**	–
Other non-current assets		**56,238**	–
		1,001,464	833,800
Current assets			
Inventories		**24,291**	27,312
Derivative assets		**68,682**	25,327
Financial assets at fair value through profit or loss		**–**	20,046
Assets held for sale		**65,891**	–
Trade and other receivables	*8*	**151,193**	98,316
Restricted bank deposits		**44,108**	–
Cash and cash equivalents		**974,876**	649,535
		1,329,041	820,536
Current liabilities			
Derivative liabilities		**51,815**	28,582
Trade and other payables	*9*	**154,691**	96,374
Current portion of long term borrowings		**58,679**	23,627
Taxation payable		**3,553**	1,548
Provision for onerous contracts		**28,179**	–
		296,917	150,131
Net current assets		**1,032,124**	670,405
Total assets less current liabilities		**2,033,588**	1,504,205
Non-current liabilities			
Long term borrowings		**789,133**	636,638
Provision for onerous contracts		**25,753**	–
		814,886	636,638
Net assets		**1,218,702**	867,567
Equity			
Capital and reserves attributable to shareholders			
Share capital		**174,714**	158,403
Retained profits		**568,648**	480,907
Other reserves		**475,340**	227,826
		1,218,702	867,136
Minority interests		**–**	431
Total equity		**1,218,702**	867,567

Note:

1. General information and basis of preparation

The Company was incorporated in Bermuda on 10 March 2004 as an exempted company with limited liability under the Companies Act 1981 of Bermuda.

The Company is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

2. Adoption of new/revised HKFRS

The accounting policies and methods of computation used in the preparation of these financial statements are consistent with those used in the 2007 annual financial statements except that the Group has changed certain of its accounting policies following its adoption of new/revised standards and interpretations to the published standards, which are relevant to its operation. The adoption of these new/revised standards and interpretations did not result in any substantial changes to the Group's accounting policies.

3. Revenue and segment information

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

	2008	2007
	US$'000	*US$'000*
Revenue		
Freight and charter-hire	**1,670,563**	1,167,388
Maritime management services	**20,385**	9,904
	1,690,948	1,177,292
Bunkers, port disbursements and other charges	**(463,909)**	(221,518)
Charter-hire expenses *(Note a)*	**(308,313)**	(222,292)
Amounts payable to other pool members *(Note b)*	**(9,309)**	(33,009)
	(781,531)	(476,819)
Time charter equivalent earnings	**909,417**	700,473

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

(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$7.8 million (2007: US$25.2 million) and were calculated based on the number of pool points attributable to the vessels participating in the pool owned by the other pool members.

Primary reporting format – business segments

The Group's business is dominated by the provision of dry bulk shipping services, accordingly business segment information is not presented.

Secondary reporting format – geographical segments

The Directors consider that the nature of the provision of dry bulk shipping services, which are carried out internationally, and the way in which costs are allocated, preclude a meaningful allocation of operating profit to specific geographical segments. Accordingly, geographical segment information is not presented.

4. Profit before taxation

Profit before taxation is stated after charging/(crediting) the following:

	2008	2007
	US$'000	*US$'000*
Depreciation		
– owned vessels	**23,723**	21,395
– leased vessels	**12,385**	14,645
– other owned property, plant and equipment	**1,344**	1,274
Amortisation of land use rights	**32**	8
Bunkers consumed	**239,625**	126,502
Lubricating oil consumed	**3,801**	4,219
Gains on disposal and derecognition of financial assets at fair value through profit or loss	**(9,328)**	(24,070)
Losses/(gains) on financial assets at fair value through profit or loss	**4,369**	(4,369)
Net losses/(gains) on bunker swap contracts	**48,553**	(37,285)
Net (gains)/losses on forward freight agreements	**(76,993)**	51,865
Net losses on interest rate swap contracts	**6,734**	1,374
Interests on borrowings		
– bank loans	**4,407**	1,913
– finance leases	**17,014**	19,907
– convertible bonds	**19,132**	593

5. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the year.

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

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

	2008	2007
	US$'000	*US$'000*
Current taxation		
Hong Kong profits tax	**1,943**	1,131
Overseas tax	**1,893**	495
Overprovision of prior year	**(218)**	(737)
	3,618	889

6. Dividends

	2008	2007
	US$'000	*US$'000*
Interim dividend of HK 76 cents or US 9.7 cents per share (2007: HK 45 cents or US 5.8 cents per share)	**170,142**	91,302
Proposed final dividend per share: nil (2007: HK 75 cents or US 9.6 cents per share)	**–**	152,825
	170,142	244,127

The dividends paid in 2008 and 2007 were US$322,967,000 (HK 151 cents or US 19.3 cents per share) and US$136,266,000 (HK 67.5 cents or US 8.7 cents per share) respectively. No final dividend was proposed in respect of the year ended 31 December 2008.

7. Earnings per share

(a) Basic earnings per share

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

	2008	2007
Profit attributable to shareholders (US'000)	**409,119**	472,125
Weighted average number of ordinary shares in issue ('000)	**1,684,034**	1,571,375
Basic earnings per share	**US 24.29 cents**	US 30.05 cents
Equivalent to	**HK 189.17 cents**	HK 234.21 cents

(b) Diluted earnings per share

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

	2008	2007
Profit attributable to shareholders (US$'000)	**409,119**	472,125
Weighted average number of ordinary shares in issue ('000)	**1,684,034**	1,571,375
Adjustments for share options ('000)	**867**	2,496
Weighted average number of ordinary shares for diluted earnings per share ('000)	**1,684,901**	1,573,871
Diluted earnings per share	**US 24.28 cents**	US 30.00 cents
Equivalent to	**HK 189.07 cents**	HK 233.84 cents

8. Trade and other receivables

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

	2008	2007
	US$'000	*US$'000*
Less than 30 days	**16,146**	18,280
31-60 days	**5,857**	5,858
61-90 days	**1,451**	3,694
Over 90 days	**4,296**	2,815
	27,750	30,647

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

9. Trade and other payables

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

	2008	2007
	US$'000	*US$'000*
Less than 30 days	**11,591**	18,367
31-60 days	**846**	1,002
61-90 days	**320**	806
Over 90 days	**3,999**	2,287
	16,756	22,462

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue in 2008 was US$1,690.9 million (2007: US$1,177.3 million), up 43.6%. Time charter equivalent earnings, ports, towage and maritime management services income was US$909.4 million (2007: US$700.5 million), up 29.8%.

Profit attributable to shareholders was US$409.1 million (2007: US$472.1 million), down 13.3% and includes gains on disposal of vessels of US$149.8 million (2007: US$137.4 million). The decrease in net profit was mainly due to an increase in blended vessel daily operating costs, one-off payments to early terminate certain time charter contracts, provision for chartered in vessel contracts that have average charter in rates above the likely earnings and the decrease in the fair value of other investments. These are balanced by higher daily charter rates, an increase in the number of vessels controlled in the fleet and an increase in gains on disposal of vessels.

Return on average equity of US$1,179.5 million (2007: US$605.3 million) was 34.7% (2007: 78.0%).

Income

The Group's dry bulk fleet generated US$1,642.7 million (2007: US$1,167.4 million) or 97.1% (2007: 99.2%) of revenue with the remaining 2.9% derived from ports, towage and maritime management services activities. Revenue is shown gross of voyage-related expenses, amounts payable to other pool members (based on the number of pool points attributable to their vessels) and changes in the fair value of bunker swap contracts. Voyage-related expenses primarily related to commissions, bunkers, results of bunker swap contracts, port-related costs and charter-hire expenses of short term chartered vessels.

The change in the time charter equivalent and other earnings is summarised in the table below:

US$ million	**Handysize**	**Handymax**	**Other**	**Total**
2007	520.3	167.7	12.5	700.5
Change in revenue days	61.9	24.6	–	86.5
Change in daily charter rates	45.0	44.0	–	89.0
Other	–	–	33.4	33.4
2008	**627.2**	**236.3**	**45.9**	**909.4**

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

	2007	**1H08**	**2H08**	**2008**	YOY % change
Handysize					
Revenue days	20,100	**11,540**	**11,230**	**22,770**	+ 13%
Daily charter rates (US$)	23,200	**32,460**	**25,950**	**29,250**	+ 26%
Daily vessel operating costs (US$)	10,240	**12,840**	**13,590**	**13,210**	+ 29%
Handymax					
Revenue days	4,870	**2,900**	**2,790**	**5,690**	+ 17%
Daily charter rates (US$)	30,040	**46,100**	**43,590**	**44,870**	+ 49%
Daily vessel operating costs (US$)	23,050	**32,940**	**38,120**	**35,460**	+ 54%

Note 1: The above vessel operating costs exclude the one-off payments to early terminate certain time charter contracts and the provision for chartered in vessel contracts.

Note 2: The above handymax performance excludes two vessels which are on long term charter at a daily rate of US$8,460 for which the daily vessel cost is US$8,530.

Direct Costs

Direct costs in 2008 were US$544.6 million (2007: US$316.0 million). The bulk of the increase was represented by charter-hire expenses for vessels under operating lease which increased to US$388.5 million (2007: US$202.2 million), which reflects a 42.6% rise in the average number of vessels chartered under operating leases, and a 38.7% increase in the average daily charter rate.

Depreciation expenses remained at US$36.1 million (2007: US$36.0 million).

Operating costs for owned and finance leased vessels, which includes crew related, spares, lubricating oil and insurance costs, increased to US$62.8 million (2007: US$45.1 million). This was mainly due to an increase in operating costs for the towage businesses of US$14.4 million as the Group continued to expand in this area, as well as an increase in crew wages and insurance costs for the dry bulk vessels.

Direct costs also included the cost of maritime management services, and an overhead allocation of US$54.0 million (2007: US$30.4 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. The increase was mainly due to the increase in the number of staff who are engaged in ports, towage and maritime management services activities.

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

		2007			**2008**	
	Owned	Chartered	Total	**Owned**	**Chartered**	**Total**
Handysize						
Vessel days	12,560	7,730	20,290	**11,200**	**11,790**	**22,990**
Drydocking	(160)	–	(160)	**(170)**	**–**	**(170)**
Off-hire	(30)	–	(30)	**(50)**	**–**	**(50)**
Revenue days	12,370	7,730	20,100	**10,980**	**11,790**	**22,770**
Handymax						
Vessel days	730	4,140	4,870	**580**	**5,140**	**5,720**
Drydocking	–	–	–	**(30)**	**–**	**(30)**
Off-hire	–	–	–	**–**	**–**	**–**
Revenue days	730	4,140	4,870	**550**	**5,140**	**5,690**

The off-hire for the total fleet of owned vessels represented 1.5 days (2007: 0.8 days) per vessel per year.

Blended vessel daily operating cost for handysize was US$13,210 (2007: US$10,240), an increase of 29.0% 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 daily cost for handymax was US$35,460 (2007: US$23,050), an increase of 53.8% over the previous year mainly due to the higher charter-hire cost of vessels sourced from the market.

Gains on Disposal of Property, Plant and Equipment

Gains on disposal of property, plant and equipment totalled US$149.8 million (2007: US$137.4 million). The Group completed the sale and lease back of 3 vessels and sold another 5 vessels. Proceeds from these sales of US$313.5 million were used to repay associated vessel debt facilities of US$72.3 million, to fund investments and to increase general working capital. In accordance with HKAS 17 "Leases", operating lease accounting has been adopted for these sale and lease back transactions with the vessels being treated as sold, the gains or losses on disposal being recognised immediately on completion, and subsequent charter-hire payments being recognised as expenses.

Towards the end of the year, contracts were entered into to sell 3 further vessels of which 1 is leased back. In addition, by the year end, negotiations commenced on the sale of 2 other vessels of which 1 has been agreed as at reporting date. 3 disposals have already been completed as at the reporting date while the remaining 2 are expected to complete in the first half of 2009. An impairment loss for these vessels of about US$19.5 million has been provided for in other expenses.

Other Income

Movements in the fair value of receipts from forward freight agreements amounted to US$132.9 million (2007: US$50.9 million).

During the year, the Group invested in convertible bonds and shares of Green Dragon Gas Limited, a UK, AIM market listed energy company. The Group subsequently exercised the conversion option of the bonds into shares and recognised a gain on fair value of the convertible bond of US$9.0 million.

During the year, the Group repurchased convertible bonds at a discount with an aggregate face value of US$65.8 million, making a gain of US$20.2 million.

The Group invested in the shares of other listed companies. The increase in the fair value, dividends and gains from the sale of these financial assets and investments amounted to a gain of US$0.7 million (2007: US$29.7 million).

Other Expenses

Movements in the fair value of payments for forward freight agreements amounted to US$55.9 million (2007: US$102.8 million). Taking into account the movements in fair value of receipts of US$132.9 million included in other income above, the net movement in the fair value of forward freight agreements was a benefit of US$77.0 million (2007: expenses US$51.9 million).

The decrease in the fair value of shares of other listed shipping companies amounted to US$4.4 million, arising from the sale in January 2008 of shares held at the start of the year. In addition, the Group made a provision for impairment of US$35.5 million for its equity investment in Green Dragon Gas Limited, based on the year end quoted value of this company. Taking into account the increase in the fair value of the convertible bonds of US$9.0 million included in other income, and interest income from the convertible bonds of US$3.4 million included in finance income, the net result was an expense of US$23.1 million. The investment in Green Dragon Gas Limited had a fair value of US$36.8 million as at 31 December 2008.

The Group made one-off payments in December 2008 of US$41.8 million (2007: nil) to certain shipowners from whom the Group has chartered in a number of handysize vessels (US$28.8 million) and handymax vessels (US$13.0 million) so as to early terminate their time charter contracts and simultaneously entered into new time charter contracts at market rates in respect of those vessels. Separately, the Group made a US$53.9 million (2007: nil) provision for the remaining charter periods of time charter contracts which substantially expire in the next three years and with charter rates higher than the expected earnings during those periods.

General and Administrative Expenses

The Group's total administrative expenses of US$72.0 million (2007: US$48.2 million) are split between direct expenses for our shore based overhead costs of US$54.0 million (2007: US$30.4 million) and general and administrative expenses of US$18.0 million (2007: US$17.8 million). The increase was largely due to the increase in the number of staff who are engaged in ports, towage and maritime management services activities and to a lesser extent the increase in the number of staff directly involved in the management of the expanded fleet and. It also included the cost of redundancy at the end of the year for a number of staff arising from the global economic slowdown.

Total administrative expenses as a percentage of revenue slightly increased to 4.3%. The number of full time shore based staff per owned, chartered and managed vessel decreased from 2.5 to 2.3. 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$3.6 million (2007: US$8.3 million). This mainly represented the share of results of the vessel "Captain Corelli" of US$4.8 million (2007: US$3.6 million), the Group's share of US$1.9 million after restructuring costs (2007: US$4.3 million) in Fujairah Bulk Shipping L.L.C., a joint venture with the Government of Fujairah involved in the production, supply and transportation of aggregates in the Middle East, and the share of losses of US$3.2 million in Longtan Tianyu Terminal Co. Ltd, a business involved in the operation of a dry bulk terminal in Nanjing that formally commenced operations in February 2008. Negotiations for the sale of the "Captain Corelli" had commenced by the year end and a contract has been subsequently entered into which has already been completed as at the reporting date.

Finance Income

Finance income of US$26.0 million (2007: US$6.3 million) represented primarily US$21.3 million (2007: US$6.3 million) of bank deposit 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$48.1 million (2007: US$24.1 million) included interest payments of US$4.4 million (2007: US$1.9 million) in relation to bank borrowings used to finance the Group's owned vessels, finance charges of US$17.0 million (2007: US$19.9 million) in relation to vessels under finance lease arrangements and interest expenses of US$19.1 million (2007: US$0.6 million) in relation to convertible bonds issued by the Group.

Financing – Interest Payments on Bank Borrowings

The US$2.5 million increase in interest payments on bank borrowings to US$4.4 million was primarily due to the increase in the average bank borrowings outstanding to US$95.8 million in 2008 (2007: US$30.1 million). Bank borrowings are subject to floating interest rates but the Group manages these exposures partially by way of interest rate swap contracts. The average interest rate before hedging on bank borrowings was approximately 4.3% for the year (2007: 5.7%).

Financing – Finance Charges

Finance charges of US$17.0 million (2007: US$19.9 million) represented interest payments on the Group's finance leased vessels. Aggregate current and long term finance lease liabilities as at 31 December 2008 were US$213.3 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 year (2007: 6.7%).

Financing – Interest Expenses on Convertible Bonds

In December 2007, the Group issued US$390 million, 3.3% per annum coupon, guaranteed convertible bonds due 2013. Interest expenses on the bonds of US$19.1 million (2007: US$0.6 million) represented the calculation of the effective interest rate of the bonds of 5.7%.

During the year, the Group repurchased convertible bonds with an aggregate face value of US$65.8 million. After the transactions, convertible bonds with a face value of US$324.2 million remain outstanding at 31 December 2008.

Tax

Shipping income from international trade is either not subject to or exempt from taxation according to the tax regulation prevailing in the countries in which the Group operates. Shipping income from towage and non-shipping income is subject to tax at prevailing rates in the countries in which these business operates.

Cashflow

At 31 December 2008, the Group had net working capital of US$1,032.1 million. The primary sources of liquidity comprised bank balances and cash of US$1,023.7 million (principally denominated in US dollars) and unutilised committed and secured bank borrowing facilities of US$35.2 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.

Financial Instruments

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

At 31 December 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 year 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 income and other 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 in 2008 created a net unrealised non-cash income of US$6.9 million, whereas the cashflows of these contracts will occur in future reporting periods.

In 2008, the Group recognised net realised derivative income of US$16.2 million and net unrealised derivative income of US$6.9 million. This resulted in a total income for the year of US$23.1 million. These are further analysed as follows:

US$ million	2007	**Realised**	**Unrealised**	**2008**
Income				
– Interest rate swap contracts	0.1	–	–	–
– Bunker swap contracts	38.0	**25.0**	**0.2**	**25.2**
– Forward freight agreements	50.9	**54.4**	**78.5**	**132.9**
	89.0	**79.4**	**78.7**	**158.1**
Expenses				
– Interest rate swap contracts	(1.5)	**(0.8)**	**(5.9)**	**(6.7)**
– Bunker swap contracts	(2.6)	**(13.2)**	**(59.2)**	**(72.4)**
– Forward freight agreements	(102.8)	**(49.2)**	**(6.7)**	**(55.9)**
	(106.9)	**(63.2)**	**(71.8)**	**(135.0)**
Net				
– Interest rate swap contracts	(1.4)	**(0.8)**	**(5.9)**	**(6.7)**
– Bunker swap contracts	35.4	**11.8**	**(59.0)**	**(47.2)**
– Forward freight agreements	(51.9)	**5.2**	**71.8**	**77.0**
	(17.9)	**16.2**	**6.9**	**23.1**

Indebtedness

The indebtedness of the Group at year end, principally denominated in US dollars, comprised finance lease liabilities of US$213.3 million, bank borrowings of US$332.8 million and the debt component of convertible bonds of US$301.7 million. The current portion of indebtedness included in this, repayable within one year from the balance sheet date, is US$14.0 million of finance lease liabilities and US$44.7 million of bank borrowings.

Finance lease liabilities decreased to US$213.3 million (2007: US$289.6 million) as a result of repayments and prepayments of finance lease liabilities following the sale of 3 finance leased vessels during the year. Bank borrowings (net of deferred loan arrangement fees) increased to US$332.8 million (2007: US$19.6 million) as a result of drawing down facilities during the second half of the year to ensure availability of cash. The debt component of convertible bonds decreased to US$301.7 million (2007: US$351.1 million) primarily as a result of the repurchase and cancellation of a portion of the bonds during the year.

As at 31 December 2008, all outstanding finance lease liabilities will expire between 2015 and 2017, all outstanding secured bank borrowings will expire between 2012 and 2018. All outstanding convertible bonds will expire in 2013, however bondholders have the option to redeem the bonds in February 2011.

The Group's bank borrowings were secured by mortgages over 26 vessels with a total net book value of US$391.4 million and an assignment of earnings and insurances in respect of these vessels.

The Group had unutilised committed bank borrowing facilities of US$35.2 million available to finance the Group's newbuilding commitments and other vessel acquisitions.

Net Cash

The Group had cash and bank balances of US$1,023.7 million at 31 December 2008 of which 50% benefited from government deposit insurance schemes and the balance in overnight deposits with A-rated financial institutions. The Group's cash benefited from the US$271.0 million net proceeds from the placement of 158,598,000 new shares in May 2008.

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 21.8% (2007: net borrowings 1.4%).

Lease Commitments

Lease commitments include handysize and handymax vessels chartered by the Group directly and by the Pools, namely Pacific Basin-IHC and Pacific Basin-IHX, and other vessels chartered by the Group directly, namely RoRo and post panamax vessels. Vessel operating lease commitments stood at US$593.4 million (2007: US$678.5 million), as illustrated in the table below. These commitments exclude vessels under finance leases which are included as part of property, plant and equipment. The decrease in lease commitments was mainly due to the lower number of dry bulk chartered days.

Lease Commitments (US$ million)	**No later than one year**	**Later than one year but no later than five years**	**Later than five years**	**Total**
PB Handysize	125.7	156.2	60.7	342.6
Pacific Basin – IHC	0.6	–	–	0.6
Handysize subtotal	126.3	156.2	60.7	343.2
PB Handymax	93.7	40.9	–	134.6
Pacific Basin – IHX	9.3	–	–	9.3
Handymax subtotal	103.0	40.9	–	143.9
Handysize and Handymax subtotal	229.3	197.1	60.7	487.1
RoRo	–	39.5	–	39.5
Post panamax	–	16.8	50.0	66.8
Total	229.3	253.4	110.7	593.4

Of these commitments, US$343.2 million related to handysize vessels and US$143.9 million related to handymax vessels, with their respective days broken down as follows:

Lease Commitments (days)	**No later than one year**	**Later than one year but no later than five years**	**Later than five years**	**Total**
PB Handysize	9,590	13,360	4,850	27,800
Pacific Basin – IHC	100	–	–	100
Handysize subtotal	9,690	13,360	4,850	27,900
PB Handymax	3,650	1,330	–	4,980
Pacific Basin – IHX	840	–	–	840
Handymax subtotal	4,490	1,330	–	5,820
Handysize and Handymax total	14,180	14,690	4,850	33,720

As part of other expenses, the Group made a US$53.9 million provision in the year ended 31 December 2008 for the remaining charter periods of handysize time charter contracts which substantially expire in the next three years as the average chartered in rates are higher than the likely average rate for time charter equivalent earnings during those charter periods. No provisions were made for handymax time charter contracts.

The provision will be released back to the profit and loss account in the periods in which the charter payments for these vessels are due, as follows:

Year	US$ million
2009	28.1
2010	21.1
2011	4.7
Total	53.9

The Group has commitments to 33,540 days under PB handysize finance leases and 32,780 days under PB handysize and PB handymax operating leases. The average contracted 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:

	PB Handysize Operating leases		**PB Handysize Finance leases**		**PB Handymax Operating leases**	
Year	**Average daily rate** *(US$)*	**Vessel days**	**Average daily rate** *(US$)*	**Vessel days**	**Average daily rate** *(US$)*	**Vessel days**
2009	10,130	9,590	5,960	4,750	25,710	3,650
2010	9,160	6,180	5,960	4,750	30,090	1,110
2011	8,620	2,840	5,920	4,760	34,380	220
2012	11,090	2,510	5,960	4,750	–	–
2013	11,790	1,830	5,950	4,750	–	–
2014	12,310	1,460	5,940	4,750	–	–
2015	12,400	1,380	5,910	2,590	–	–
2016	12,480	820	5,970	1,830	–	–
2017	12,850	390	5,840	610	–	–
2018	13,000	370	–	–	–	–
2019	13,000	370	–	–	–	–
2020	13,000	60	–	–	–	–
Total		27,800		33,540		4,980

These daily rates represent the average effective chartered in rate after the US$41.8 million one-off payments to early terminate certain time charter contracts and the release of the US$53.9 million provision for the chartered in vessel expenses in the year in which charter payments are due. The effect of these charges on the average daily charter rates is shown in the table below.

	PB Handysize Operating leases		**PB Handymax Operating leases**	
Year	**Before charges** *(US$)*	**After charges** *(US$)*	**Before charges** *(US$)*	**After charges** *(US$)*
2009	15,260	10,130	29,000	25,710
2010	13,870	9,160		
2011	10,800	8,620		
2012	11,250	11,090		

Certain lease agreements provide the Group with options to purchase the related vessels at predetermined times and exercise prices during the lease periods. The average exercise prices of the existing purchase options for both handysize vessels and handymax vessels in the earliest years in which these options may be exercised, along with the number of vessels and the average age of such vessels in that year, are as follows:

Earliest year in which options may be exercised	**Vessel type**	**Number of vessels**		**Average age of vessels**	**Average purchase option exercise price**
		Finance lease	**Operating lease**	*(years)*	*(US$ million)*
2009	Handysize	13	8	4	18.7
2010	Handysize	–	1	3	22.5
	Handymax	–	1	5	17.7
2016	Handysize	–	1	5	45.9
	Post Panamax	–	1	5	66.9
Total		13	12		

Capital Expenditure, Property, Plant and Equipment and Commitments

During 2008, capital expenditure amounted to US$338.1 million and mainly comprised the purchase of 7 handysize vessels and 14 tugs and barges as well as installments on 15 vessels, including handysize, handymax, RoRo and tug newbuildings.

At 31 December 2008, the Group had property, plant and equipment of US$794.6 million, of which US$607.6 million related to 29 delivered handysize vessels with an average net book value of US$17.7 million, 1 delivered handymax vessel and 22 tugs and barges.

At 31 December 2008, the Group had non-cancellable vessel commitments of US$429.3 million and other non-vessel capital commitments of US$16.5 million. The vessels are for delivery to the Group between January 2009 and July 2011. They are shown in the table below.

Vessel Capital Commitments (US$ million)	**No.**	**2009**	**2010**	**2011**	**Total**
Handysize newbuildings	5	59.9	–	–	59.9
Handymax newbuilding	1	26.0	–	–	26.0
Post panamax newbuilding	1	–	21.7	22.1	43.8
Tug newbuildings	5	25.4	4.8	–	30.2
RoRo newbuildings	4	113.7	131.1	24.6	269.4
	16	225.0	157.6	46.7	429.3

Note: Capital expenditure if options to purchase 2 RoRo newbuildings are exercised is as follows:

RoRo newbuildings	2	–	133.6	–	133.6
	18	225.0	291.2	46.7	562.9

These commitments will be financed by cash generated from the Group's operations, existing cash and additional long term borrowings to be arranged as required. Where the commitments are in currencies other than the functional currencies of the underlying assets, the Group has entered into forward foreign exchange contracts to purchase the currencies at predetermined rates.

Staff

At 31 December 2008, the Group employed a total of 363 (2007: 292) full time shore based staff mainly in offices in Hong Kong, Shanghai, Beijing, Dalian, Nanjing, Tokyo, Seoul, Singapore, Manila, Cebu, Mumbai, Karachi, Dubai, Fujairah, Melbourne, Sydney, Auckland, London, Liverpool, Bad Essen, Houston, Vancouver and Santiago. The increase was largely due to the increase in the number of staff who are engaged in ports, towage and maritime management services activities.

The Group incurred total staff costs (included in direct costs and general and administrative expenses as described earlier) of approximately US$51.7 million in 2008 (2007: US$36.0 million), representing 3.1% of the Group's revenue for the year (2007: 3.1%). The increase is discussed under general and administration expenses.

Remuneration of the Group's employees includes fixed basic salaries, discretionary cash bonuses (based on both the Group's and individual's performance for the year) and long term incentives through the Company's Long Term Incentive Scheme ("LTIS"). The LTIS allows the Company to award eligible participants with restricted share awards and share options.

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.

Purchase, Sale or Redemption of Securities

The Company purchased a total of 6,580 units of convertible bonds at face value of US$10,000 each between 13 October 2008 and 24 December 2008 at an average price of US$6,677 per unit on The Hong Kong Stock Exchange. The purchases involved a total cash outlay of US$43,935,295, excluding accrued interest of US$514,745 and were for the purpose of saving potential repayments of US$21.9 million and coupon payments on the convertible bonds in the period before maturity. The repurchase has resulted in a reduction of long term liabilities from the cancellation of the convertible bonds repurchased and a profit on cancellation in the income statement.

Saved as disclosed above, during the year, other than satisfying restricted share awards granted under the LTIS, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's Shares.

Compliance with the Code of Conduct Regarding Directors' Securities Transactions

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 of the Rules Governing the Listing of the Securities on the Stock Exchange (the "Listing Rules"), as amended and adopted with effect from 1 January 2009 (the "Model Code'').

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

Compliance with the Code on Corporate Governance Practices

Throughout the year, the Company has complied with all code provisions of the Code on Corporate Governance Practices, as contained in Appendix 14 of the Listing Rules.

Review of Audit Committee

The audit committee of the Company has reviewed this annual results announcement and the 2008 Annual Report of the Company for the year ended 31 December 2008.

Final Dividend and Book Closure

The Board of Directors has not proposed a final dividend for the year ended 31 December 2008.

The register of members of the Company will be closed from 17 April 2009 to 21 April 2009 (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to qualify for attending the annual general meeting, 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 16 April 2009.

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

This announcement of annual results containing all the information required by paragraphs 45(1) to 45(8) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website at www.hkexnews.hk and on the Company's website at www.pacificbasin.com.

The Company's 2008 Annual Report will be sent to shareholders on or around 17 March 2009 and available on the Company's website at www.pacificbasin.com no later than that date.

Directors

As at the date of this announcement, the executive Directors of the Company are David Muir Turnbull, Richard Maurice Hext, Klaus Nyborg, Wang Chunlin and Jan Rindbo, the non-executive Directors of the Company are Daniel Rochfort Bradshaw and Dr. Lee Kwok Yin, Simon, and the independent non-executive Directors of the Company are Robert Charles Nicholson, Patrick Blackwell Paul and Alasdair George Morrison.

Note: The English text of this announcement shall prevail over the Chinese text in case of any inconsistency.