Pacific Basin Shipping Limited

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

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The Board of Directors (the "Board") of Pacific Basin Shipping Limited ("Pacific Basin" or the "Company") is pleased to announce the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2021 as follows:

BUSINESS HIGHLIGHTS

Our Best Ever Financial Results

In 2021, we generated our best results in Pacific Basin's 34-year history, making an underlying profit of US$698 million, a net profit of US$845 million and EBITDA of US$890 million. This yielded an exceptionally strong return on equity of 58% and significantly strengthened our available committed liquidity to US$668 million with net gearing reduced to 7% at the year end while we continued to expand our owned fleet

The Board recommends a final basic dividend of HK42 cents per share and an additional special dividend of HK18 cents per share

US$ Million	Year Ended 31 December 2021	2020
Revenue	**2,972.5**	1,470.9
EBITDA #	**889.9**	184.7
Underlying Profit/(Loss)	**698.3**	(19.4)
Profit/(Loss) Attributable to Shareholders	**844.8**	(208.2)
Basic Earnings per share *(HK cents)*	**139.1**	(34.5)
Full Year Dividends per share, including HK18 cents Special Dividend *(HK cents)*	**74.0**	–

\# *EBITDA (earnings before interest, tax, depreciation and amortisation) is gross profit less indirect general and administrative overheads, excluding: depreciation and amortisation; exchange differences; share-based compensation; closed-out gains on fuel price hedges and unrealised derivative income and expenses*

Thriving in a Strong Market

2021 saw by far the strongest dry bulk freight market since 2008, driven by robust global demand for commodities and low fleet growth, aided by fleet inefficiencies. This was and remains the strong market that our people have worked hard over several years to set ourselves up for

Despite facing significant Covid-related crewing challenges, we deployed our enlarged core fleet, and drew on our experienced teams to capitalise on the strong market while continuing to deliver class-leading service to our customers

Our Fleet

	Vessels in operation: Owned[1]	Long-term Chartered	Short-term Chartered[2]	Total	Total Capacity (million DWT) Owned	Average Age Owned
Handysize	79	11	33	123	2.7	13
Supramax	42	4	79	125	2.4	10
Capesize[3]	1	–	–	1	0.1	11
Total	122	15	112	249	5.2	12

As at 31 January 2022

1 Including 1 vessel we committed to purchase in 2021 that delivered in January 2022

2 Average number of short-term and index-linked vessels operated in January 2022

3 Having redelivered a chartered 95,000 dwt Post-Panamax ship, we now refer to our owned 115,000 dwt bulker as a Capesize vessel, consistent with industry definitions

Delivering an Excellent Performance

- Our core business achieved Handysize and Supramax net daily TCE earnings of US$20,460 and US$29,350 respectively generating a total contribution of US$709 million before overheads
- Our operating activity achieved a strong daily margin of US$3,780 net over 18,240 operating days, generating a contribution of US$69 million before overheads
- Our P&L break-even was US$9,030 and US$10,290 per day for Handysize and Supramax respectively; our costs remain well controlled and competitive, though manning costs have increased across the industry during the pandemic
- Having delivered excellent returns in 2021, earnings remain robust in the first quarter of 2022, and the outlook remains positive for 2022 and beyond

Renewing our Fleet for the Future

- We grew our owned fleet during 2021, adding 11 modern second-hand ships and selling five of our smallest and oldest Handysize vessels
- We currently own 121 Handysize and Supramax ships and have around 250 owned and chartered ships on the water overall
- We remain committed to our long-term strategy of further growing our Supramax fleet and renewing our Handysize fleet with younger, larger and more efficient vessels, thereby further optimising our fleet to more easily meet tightening environmental regulations
- We are well prepared to comply with IMO carbon intensity reduction rules coming into force in 2023

CHAIRMAN'S STATEMENT

Having quadrupled the carrying capacity of our owned fleet over the previous nine years, 2021 was an outstanding year in which we continued to acquire ships and our teams leveraged our enlarged fleet in a very strong market to deliver our best results ever and an exceptionally strong return on equity.

Our balance sheet has been significantly strengthened with available committed liquidity of US$668 million and net borrowings amounting to only 7% of the net book value of our owned vessels.

In light of the extraordinary cash flow of the last year and our robust balance sheet and positive outlook, the Board is pleased to be able to recommend rewarding shareholders with a final basic dividend and an additional special dividend totalling HK60 cents per share. Combined with the HK14 cents per share interim dividend distributed in August, this implies a 2021 dividend yield of 51% based on the share price at the beginning of that year. Please refer to Martin's Chief Executive's Review for a more detailed analysis of our results, dividend and overall performance and developments.

Effective Platform for a Sustainable Business

Our ability to capitalise on the strong market while navigating crew movement restrictions and other pandemic-related challenges – and while still delivering a high-quality and seamless service to our customers – speaks volumes about the Pacific Basin platform that we have built over many years. It also reinforces my confidence in our preparedness for the future.

Experienced Board, Robust Governance and a Strong Senior Management Team

Our commitment to strong corporate governance – sound internal controls, transparency and accountability to all stakeholders – continues to underpin all components of our business and seeks to enhance stakeholder confidence in Pacific Basin.

Our Board and board-level committees have continued to evolve in recent months. With effect from our 2021 AGM, John Williamson assumed the position of Chairman of the Audit Committee, a role for which his considerable financial and governance experience makes him amply qualified.

We will bid a heartfelt farewell to our former Audit Committee Chairman, Patrick Paul as well as Alasdair Morrison who will retire from the Board with effect from our 2022 AGM in April. We thank them both for the excellent accounting, finance, management and general business expertise that they have brought to our Board since 2004 and 2008 respectively.

Alexander Cheung joined the Board as a new Non-executive Director in January 2022 and has been appointed as a member of the Audit, Remuneration and Nomination Committees. Alex's strong professional background in the legal, regulatory, commercial, governance and compliance fields, coupled with his intimate knowledge of our Company will be beneficial to Pacific Basin's business and development.

Our senior management team also evolved with the retirement of our CEO Mats Berglund in July 2021. On behalf of the Board, I thank Mats again for his contributions to Pacific Basin over nine years in which he led the Company's exit from all non-core business segments and guided the significant growth of our core Handysize and Supramax dry bulk business, leaving behind a strong and focused company with an outstanding team, efficient cost structure and a clear strategy.

Martin Fruergaard took over as our new CEO on 31 July 2021. He has settled in well and is proving to be a very good fit for Pacific Basin. Under Martin, the Company continues to be in excellent hands.

Sustainability Focus Reinforces our World-Class Industry Reputation

We take a thoughtful approach to how we run our business and care for our customers, employees and relationships and resources we rely on. Our active approach to sustainability has been rooted in our culture and embodied in our policies and systems for many years with a paramount focus on safety and environmental performance consistent with evolving industry best practice. We conduct an annual ESG (Environmental, Social and Governance) materiality assessment to better inform our selection of material sustainability topics on which to focus and report. The Board has oversight of ESG matters with regular engagement from the Sustainability Management Committee comprising several of our most senior managers. This engagement coupled with the recent formation of a dedicated sustainability team and other new initiatives serve to tighten up our sustainability thinking and set adequately ambitious KPI targets to ensure we are continuously refining our policies and practices and our conduct in everything we do.

Our sector-leading safety and environmental programmes have been driven by our comprehensive in-house fleet management division, whose technical, marine and crewing teams also enhance our service reliability for over 550 customers and support the wellbeing of our more than 4,600 seafarers.

The Company received a number of awards and commendations in 2021 in recognition of excellence in such areas as safety and port state control inspections, corporate governance, environmental positive impact and sustainability generally.

Notably, Pacific Basin was named among the Most Sustainable Companies at the HKICPA's Best Corporate Governance and ESG Awards 2021, and we won two Grand Awards for Excellence in Environmental Positive Impact and for Best ESG Report (mid-cap) at the 2021 Hong Kong ESG Reporting Awards. In investor relations, we won a Sector Award (Industrial) at the IR Magazine Awards and a Certificate of Excellence at the Hong Kong Investor Relations Association 7th IR Awards. We again received the Hong Kong Marine Department Award for Outstanding Performance in Port State Control Inspections.

These awards are indicative of the professionalism of our teams whose focus on ESG enhance the sustainability of our operations and the reputation of our Company in the eyes of customers, suppliers, staff and potential recruits, investors, financiers and other stakeholders.

Decarbonisation

Front and foremost on the industry agenda is decarbonisation and the incoming IMO rules on energy efficiency and carbon intensity, and tentative EU decarbonisation rules, most of which are due to take effect in 2023.

Our sustainability, optimisation, technical, commercial and senior management teams are well attuned to these and longer-term decarbonisation challenges. They have been collaborating internally and with other stakeholders for some years to ensure that we are already well prepared to comply with the 2023 rules and well informed and positioned to tackle the longer-term goal of complete decarbonisation involving entirely new ships and fuels. To enhance our focus on this effort, we have increased our decarbonisation ambition level with a new goal of achieving net zero emissions by 2050.

As an active participant in the working group meetings of the *Getting to Zero Coalition*, we believe the 2050 goal is achievable with the support of governments who we urge to deliver the policies that will accelerate the transition and make zero-emission-ready vessels the default choice by 2030. Pacific Basin is a signatory to the *Call to Action for Shipping Decarbonisation*, which urges world leaders to align shipping with the Paris Agreement temperature goal and calls for decisive government action to enable full decarbonisation of international shipping by 2050.

Focusing on high-quality, larger, modern second-hand ships, our fleet growth and renewal activity ensures we always have efficient ships for our trades, and we are constantly assessing and implementing energy-efficient operating measures to ensure our ships running on conventional fuel oil can continue to trade for the foreseeable future. In parallel, we are preparing ourselves to contract zero-emission-ready newbuilding vessels when commercially viable, well before 2030.

I encourage you to read our 2021 Sustainability Report for more discussion about decarbonising shipping and our own decarbonisation initiatives.

Safety and Wellbeing

Seafarers around the world continue to be impacted by crew-change restrictions, long periods of quarantine and other complications arising from governments' measure to manage the pandemic. We recognise the toll these measures have on our seafarers and so our shore-based staff and management are doing their utmost to provide our seafarers with financial and other support, encouragement, leisure and sports equipment, increased internet and communications access, and free access to mental health support to help safeguard our crews' health, safety and wellbeing on board. We are very grateful to our seagoing staff who throughout the pandemic have demonstrated patience and professionalism in maintaining safe operating practices and a reliable and substantially uninterrupted service to our customers.

With safety being so important, it is pleasing that our ships' crews recorded our lowest ever injury frequency KPIs – registering five lost-time injuries in 19.9 million man hours in 2021 – which we hope will mark a key step in our efforts to reach zero injuries in the future. This 2021 safety performance is particularly commendable in the context of the challenging pandemic period when seafarers' mental health has been strained by Covid-related restrictions.

Robust Strategy and Well Positioned for the Future

The remarkable strengthening of the dry bulk market through most of 2021 set us up for a healthy start to 2022 and, as Martin explains in the Chief Executive's Review, we expect tight fleet supply and steady demand for commodities to result in continued robust dry bulk freight earnings in 2022 and beyond.

Whatever market circumstances and industry regulations lie ahead, Pacific Basin has what it takes to navigate conditions adeptly. We have the excellent people, business model, strategies and financial health that position us well for the future and are key to enhancing our already competitive market position.

On behalf of the Board, I thank our exceptional team of senior executives, staff and ships' crews whose experience and dedication to delivering high-quality service help drive us towards our vision of being the first choice partner for customers and other stakeholders, and I thank all our stakeholders for your valued support of Pacific Basin.

David Turnbull
Chairman

Hong Kong, 24 February 2022

CHIEF EXECUTIVE'S REVIEW

Our Best Ever Results Merit a Strong Dividend

In 2021, we generated our best results in Pacific Basin's 34-year history, making an underlying profit of US$698 million, a net profit of US$845 million and EBITDA of US$890 million. This yielded an exceptionally strong return on equity of 58% with basic EPS of HK139 cents.

The net profit was positively impacted by a reversal of the vessel impairment provision we took in June 2020 of US$152 million as at 31 December 2021. The decision to reverse the impairment provision was taken in light of the significantly improved dry bulk market and the increase in ship values. The reversal will not impact our underlying profit, operating cash flows, EBITDA or available committed liquidity.

Our financial position is significantly strengthened with available committed liquidity increased to US$668 million as at 31 December 2021. We are closing in on being debt free on a net basis, with our net borrowings amounting to 7% of the net book value of our owned vessels – down from 37% a year before and our lowest ever net debt position. More than one quarter of our fleet is currently unmortgaged.

The Board recommends a final basic dividend of HK42 cents per share which, combined with the HK14 cents per share interim dividend distributed in August, represents 50% of our net profit for the full year, excluding the reversal of the vessel impairment provision, consistent with our dividend policy of paying out at least 50% of net profits. In light of the extraordinary cash flow of the last year and our robust balance sheet and positive outlook, the Board also recommends an additional special dividend of HK18 cents per share representing 16% of our net profit excluding the reversal of the vessel impairment provision. The proposed final basic dividend and the proposed special dividend together amount to a total final dividend of HK60 cents per share.

Excellent Performance Driven by Strong Revenue Generation and Competitive Cost Base

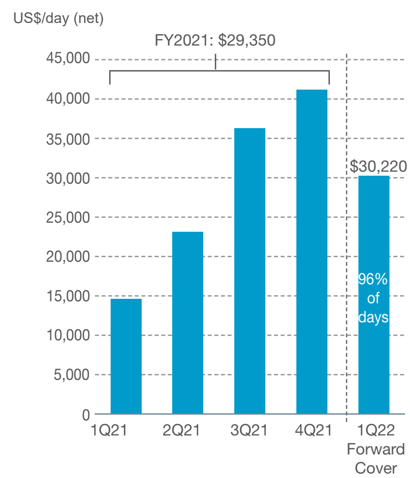
Our large **core business** with substantially fixed costs generated a contribution of US$709 million representing 91% of our Group performance before overheads. Our core fleet that we grew significantly over the past nine years generated average Handysize and Supramax daily time-charter equivalent ("TCE") earnings of US$20,460 and US$29,350 net per day in 2021, which is about 160% more than in 2020 and well above our P&L break-even level of US$9,030 and US$10,290 per day respectively. Over 40% of our core business contribution was generated by our Supramax activity which is the area we have grown most aggressively in recent years.

Our **operating activity** contributed US$69 million representing 9% of our Group performance before overheads. This activity improved with each quarter to generate a strong margin of US$3,780 net per day over 18,240 operating days. This is an excellent performance and testament to the commercial skills of the Pacific Basin team in a fast changing market.

Please refer to the "Our Performance" section for a reminder of how we define our core business and our operating activity.

Our overheads, financing costs and vessel operating expenses remain well controlled and competitive, though ship operating expenses have increased for the entire shipping industry due primarily to more expensive crew travel, quarantine and other pandemic-related manning costs.

PB Supramax Performance



* Indicative 1Q 2022 TCE only, voyages are still in progress

Robust Global Trade and Low Net Fleet Growth Support a Healthy Dry Bulk Market

The dry bulk freight market in 2021 was characterised by a strong upward trend until October and by far the highest annual average market freight rates for Handysize and Supramax ships since 2008. Rates corrected downwards during the fourth quarter, but were still at a strong US$25,000 per day for both Handysize and Supramax at the end of the year.

Global minor bulk demand expanded by a strong 5.6%, driven by construction materials such as cement and clinker, steels, aggregates and forest products. Our Handysize and Supramax segments also benefitted from healthy grain volumes and some spillover of usually containerised commodities into geared bulkers.

In contrast, the global fleet of Handysize and Supramax ships grew by only 2.8% net, and port and supply inefficiencies lead to even tighter supply conditions that drove freight rates up further especially in the second half of the year.

2022 started with the usual seasonal weakness in the weeks before the Lunar New Year – although at a much higher level than in past years – but we commenced the year with a good level of cover for the first quarter, and market activity has since resumed as expected with freight market indices recovering since early February.

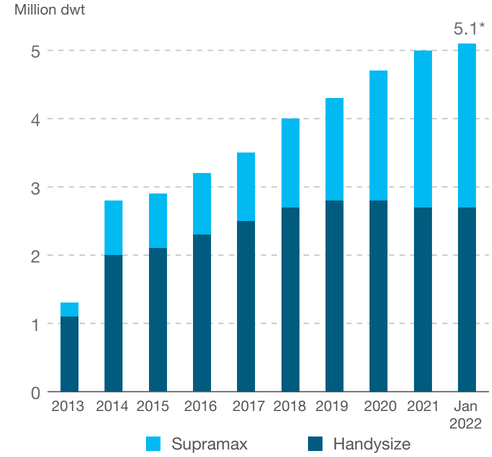
Benefiting from the Growth and Renewal of our Owned Fleet

We continued our strategy of growing our Supramax fleet and renewing our Handysize fleet, and our 2021 results evidence our successful execution of that strategy. We added 11 modern second-hand ships to our fleet during the year, including six large Supramax (commonly called "Ultramax") and five large Handysize bulk carriers, and we sold five of our smallest and oldest Handysize vessels. We have since taken delivery of another modern Ultramax in January 2022. Our vessel purchasing has slowed in recent months as asset prices approached historical highs, and there may even be periods when our owned fleet shrinks in the short term when we sell more ships than we buy, but we remain committed to further growing our Supramax fleet and renewing our Handysize fleet in the long term.

We currently own 121 quality Handysize and Supramax ships that are well suited for our customers and trades and are generating very attractive returns. Including chartered ships, we currently have around 250 ships on the water, and our annual average fleet size in 2021 was the largest we have ever controlled.

The average age of our owned ships is 12 years which we consider ideal for optimising our return on capital while minimising residual value risk in the transition over time to zero-carbon technology vessels.

Significant Growth of Our Owned Fleet and Supramax Proportion



** Including purchased and sold vessels in early of 2022*

Well Prepared to Comply with IMO Carbon Intensity Reduction Rules

In June 2021, IMO adopted global EEXI (energy efficiency existing ship index) and CII (carbon intensity index) regulations to drive technical and operational measures to ensure annual improvements in the carbon efficiency of existing ships over the course of this decade with effect from 2023. Shortly thereafter, the European Commission announced its intention to include shipping in the European Union Emissions Trading System (EU ETS), charge tax on bunker fuel and implement carbon intensity reduction requirements effective 2023 which, subject to further development, may help to drive a more ambitious pace of decarbonisation. A medium-term consequence of these global and regional rules will be slower average speeds and increased scrapping, with less fuel-efficient ships affected the most. We see this reduction in effective supply as a key driver of the dry bulk market ahead.

Renewing our fleet with younger, larger, more efficient ships is an important part of our strategy to meet these carbon intensity reduction rules and help to achieve our industry's greenhouse gas reduction goals. We will continue to trade our ships efficiently for high laden-to-ballast utilisation, and will constantly seek, assess and implement energy-efficient operating measures – including looking for collaborative solutions with our customers, tonnage providers, ports and other stakeholders – to ensure our existing ships running on conventional fuel oil maintain sound CII ratings and can continue to trade for the foreseeable future.

Targeting Net Zero by 2050

We are also collaborating and making preparations to achieve the longer-term goal of complete decarbonisation involving entirely new ships and fuels which are not yet available.

In line with a growing number of countries, industries and companies, our ambition is for Pacific Basin to achieve net zero emissions by 2050. We hope that the IMO will soon tighten its 2050 target to align with this more ambitious key goal of last November's COP26 designed to limit global warming to 1.5°C over pre-industrial levels. In 2021 we signed the *Call to Action for Shipping Decarbonisation*, which urges world leaders to align shipping with the Paris Agreement temperature goal and calls for decisive government action to enable full decarbonisation of international shipping by 2050.

To achieve that goal, we target that our fleet will comprise only zero-emission vessels by 2050, and we will not contract newbuildings until zero-emission-ready ships are available and commercially viable in our segments and the appropriate refuelling infrastructure is being built out globally. We are evaluating which of the possible replacement zero-carbon (or very-low-carbon) fuels and propulsion technologies will be right for us. We are actively involved in initiatives to develop and roll out commercially viable deep-sea zero-emission bulk carriers well before 2030.

Acknowledging that we will still be left with unavoidable voyage emissions for the foreseeable future, in November we launched the *PB Carbon Neutral Voyage Programme*, which offers our customers the option of voluntarily offsetting voyage emissions from the transportation of their cargoes on Pacific Basin ships.

For the second consecutive year, we offset carbon emissions from our global onshore operations in 2021, including all office activities, commuting and business and crew travel.

Crew Wellbeing and Other Pandemic Impacts on our Operations

Our wide-ranging business continuity initiatives have enabled our business to remain fully operational throughout the pandemic. Covid-related additional costs and delays are being carefully managed and our service to customers has continued substantially uninterrupted despite continued crew-change restrictions and despite travel restrictions and long quarantines impacting our seafarers and also many of our shore-based staff – especially those based in Hong Kong.

The Company is very grateful for the flexibility, dedication and cooperation that all our staff, both at sea and ashore, continue to show during the ongoing pandemic. We are especially grateful to our seagoing staff who throughout the pandemic have shown continued professionalism in maintaining safe operating practices while Covid restrictions sometimes keep them at sea for longer than expected.

Maintaining our Customer Focus Through the Pandemic

Deepening our customer relationships through constant engagement has long been a priority which we pursue mainly at the local level via our 10 commercial offices around the world that engage with our over 550 customers. Since the outbreak of the pandemic, our regional offices have maintained face-to-face meetings and customer events, where possible, and leveraged our IT and video communications platform to maintain close contact and host team-to-team strategic meetings to discuss industry, regulatory, company and other developments and challenges and collaborate on potential solutions and future business.

In our quest for meaningful, long-term customer partnerships, we strive for the best understanding of our customers' needs so that we can respond with a solution-driven and personalised service – ensuring accessibility, responsiveness and flexibility for customers – backed by best-in-class performance and reliability. In return, our close partnerships with customers generate enhanced access to cargo opportunities of mutual benefit which, combined with our comprehensive market intelligence, enables us to optimise how we position our fleet and combine our ships and cargoes.

In 2021, we conducted annual survey calls with customers accounting for over 60% of our cargo volumes. Feedback confirms that our customers are very satisfied with our operational reliability and quality service.

Utilising Technology and Data for Better Decision-Making, Processes and Interactions

Digitalisation has in recent years given us the extra operational and market intelligence to support better decision-making and continuous improvement in our business and competitiveness. Our digitalisation programme is further evolving and expanding with investments to be made in new digital solutions across our organisation that will help to leverage our large amount of data to optimise our business processes and interactions, and improve our decision-making. The aim of this programme is to generate value for our business and our customers and enhance the customer experience overall.

Positive Outlook for 2022

Despite the seasonal weakness since November 2021, rates have been much higher than usual at this time of year. Market activity has resumed since early February 2022, and we expect a continued strong dry bulk shipping market in 2022 and beyond due to broad based demand, especially for minor bulks and grain, supported by healthy economic growth with continued stimulus in many countries, coupled with low fleet growth and tight supply. Volatility is likely to be driven by seasonal developments and short-term impacts on demand and supply due to governments' measures to manage the pandemic and their economies.

In January 2022, the IMF moderated its global GDP growth forecast to 4.4% in 2022 and 3.8% in 2023, largely reflecting markdowns in the US and Chinese economies due mainly to increasing US inflation and the retrenchment in China's real estate sector.

We are optimistic that dry bulk supply will remain under control, giving further support to the dry bulk freight market in the longer term. With dry bulk ships now largely operating at full speed, supply cannot be further increased through higher speed, and IMO and EU fuel-efficiency rules are likely to start forcing slower speeds from 2024 – and even accelerate scrapping of the least efficient ships – which will reduce supply. Despite some new ordering in the very strong market, we expect that the dry bulk orderbook will remain at historically low levels due to decarbonisation-related regulatory uncertainty, the high cost of newbuildings and the shortage of shipyard capacity at a time when berths are fully booked with orders for non-dry bulk ship types.

As always, we will be monitoring all drivers of our market closely, ready to respond to changes. We have optionality in our fleet – including the ability to adjust its composition with timely disposals, acquisitions and charters – and we have a quality fleet and team with which to meet and exceed the decarbonisation requirements while continuing to provide a seamless and world-class service to our customers.

Well Positioned for the Future

In the eight months since I joined the Company as CEO, I have felt very welcomed by the many Pacific Basin colleagues and other stakeholders that I have engaged with, and I have been impressed by the quality and dedication that I see in our teams right across the Company and our fleet. I commend my colleagues for their professionalism, hard work and cooperation to deliver value to both our customers and shareholders, while facing tough challenges of severe and protracted pandemic-related restrictions.

I am confident that our excellent customer-focused business model, consistent strategic focus, strong team, large owned fleet, healthy balance sheet and competitive cost structure position us well to thrive in the current strong market and continue to deliver high returns on equity and return cash to shareholders. We have what it takes to embrace the decarbonisation-related regulatory, commercial and technological changes ahead, and to navigate whatever else the future holds for us.

I would like to thank all Pacific Basin stakeholders for your support over the past year, and I welcome your continued partnership with us in what we expect will be an interesting and fulfilling period ahead.

Martin Fruergaard
Chief Executive Officer

Hong Kong, 24 February 2022

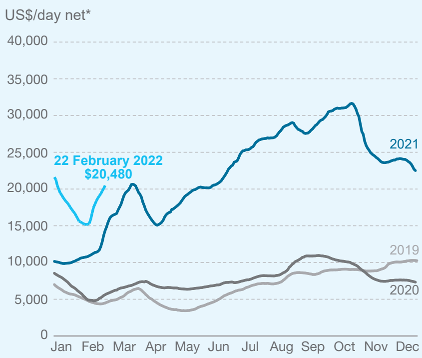
MARKET REVIEW

Strongest Dry Bulk Freight Market in 13 Years

US$21,760 net ⬆ 224%

BHSI 38K (tonnage adjusted) Handysize 2021 average market spot rate

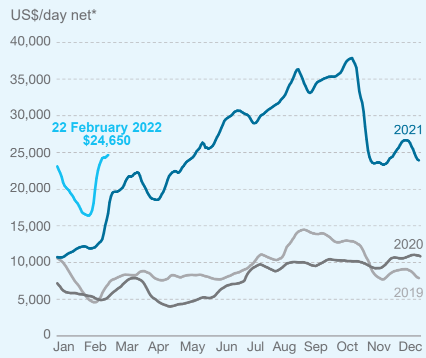
Handysize Market Spot Rates in 2019–2022



US$25,430 net ⬆ 227%

BSI 58K Supramax 2021 average market spot rate

Supramax Market Spot Rates in 2019–2022



* Excludes 5% commission

Source: Baltic Exchange (BHSI 38,000 dwt (tonnage adjusted) and BSI 58,000 dwt)

The dry bulk freight market in 2021 was characterised by a strong upward trend until October and by far the highest annual average market freight rates for Handysize and Supramax ships since 2008. Rates corrected downwards during the fourth quarter due to weaker industrial output in China and uncertainty over China's real estate market, steel production and energy curbs as well as the usual seasonal softening towards the end of the year. However rates were still at a strong level of around US$25,000 per day for both Handysize and Supramax at the end of the year.

2022 started with the usual seasonal weakness in the weeks before the Lunar New Year, but we commenced the year with a good level of cover for the first quarter, and market activity has resumed as expected with freight market indices recovering since early February.

Ship Values have Rebounded

US$27.5m ⬆ +69%

Second-hand Handysize YOY

Second-hand vessel values increased over the year, supported by the much stronger freight market, improved outlook and increasing newbuilding prices. Clarksons Research currently values a benchmark five-year old Handysize ship at US$27.5 million, up 69% compared to a year ago.

Newbuilding prices are still above second-hand prices, and shipyards have filled up with orders for non-dry bulk ship types, which limits scope for new ship ordering in our sector.

Source: Clarksons Research

DEMAND: Dry Bulk Demand in 2021 was Strong and Broad Based

Global demand for dry bulk shipping grew about 4.0% year on year supported by a broad-based increase in demand for commodities. Minor bulk demand expanded by a stronger 5.6% driven by construction materials such as cement and clinker, steels, aggregates and forest products.

Global grain demand increased by a modest 0.9% compared to 2020 when grain activity was exceptionally strong. After a strong first half, grain loadings reduced in the third quarter due to Hurricane Ida delaying the start of the US grain export season with volumes shifting into the fourth quarter instead.

Our Handysize and Supramax segments also benefitted from exceptionally high container rates which have resulted in some commodities and even containers being shipped in geared bulkers and have also driven multi-purpose vessels away from bulk cargoes in favour of containers.

Less relevant to our segment but still impacting dry bulk overall, coal demand recovered 7.1% compared to the previous year when coal exports were hard hit by lockdowns in key economies. Iron ore demand growth of 1.6% was limited by cargo availability in Brazil and Australia and by curbs on Chinese steel production in the second half of the year.

\# Cargo volume is different to tonne-mile demand. Tonne-miles is the primary measure of transport demand. A tonne-mile is defined as one tonne of freight shipped one mile, and therefore reflects both the volume shipped (tonnes) and distance shipped (miles).

2021 Global Cargo Loading Volumes#

Selected Minor Bulks*	⬆	+15%
Grain	➡	0%
Iron Ore	⬆	+2%
Coal	⬆	+7%

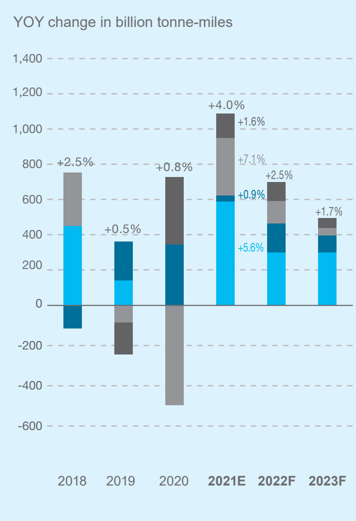
* Minerals, non-coal energy, metals and minor ores, fertiliser, sugar and non-grain agricultural products, cement and clinker, logs and forest products, steel and scrap

Source: Oceanbolt

Minor bulk demand is broad based and diverse both geographically and in terms of commodities and customers, and normally tracks growth in GDP. Hence with a 4.4% world GDP growth forecast and continued stimulus in many countries, the forecast for minor bulk demand in 2022 is positive.

Long-term grain demand is driven less by global economic growth and more by urbanisation a growing middle class and changing eating habits that drive demand for meat and hence animal feed.

Annual Change in Global Dry Bulk Tonne-mile Demand



Source: Clarksons Research data as at February 2022

SUPPLY: Low Net Fleet Growth and Supply Inefficiencies Drove Freight Rates Higher

Dry bulk net fleet growth moderated slightly from 3.8% in 2020 to 3.6% in 2021 because of the slower pace of newbuilding deliveries. Bulker scrapping was very low at only 0.6% of the fleet due to the healthy returns owners have been making by continuing to operate their oldest vessels in the very strong freight market.

The global fleet of Handysize and Supramax ships in which we specialise grew by only 2.8% net, pointing to even tighter fundamentals compared to the larger vessel sizes.

By the second half of the year, the global dry bulk fleet was operating at near maximum capacity with limited scope for ship owners to stretch supply further. Vessel operating speeds accelerated to practically full speed to meet cargo demand despite higher fuel prices.

Overall Dry Bulk Supply Development

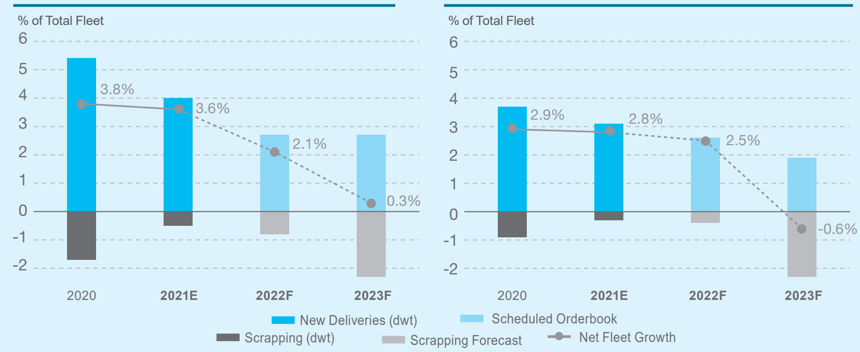
+3.6%

Overall dry bulk capacity 2021

Handysize/Supramax Supply Development

+2.8%

Global Handy/Supra capacity 2021



Source: Clarksons Research, data as at February 2022

In addition, the strain of increased cargo throughput combined with Covid-related protocols in ports resulted in congestion in many ports around the world, particularly in China, which further constrained the availability of tonnage to meet global demand for dry bulk shipping.

Only moderate net fleet growth is expected in the next few years due to minimal new ship ordering and potentially increased scrapping as the fleet ages and decarbonisation regulations tighten. From 2024, IMO and EU decarbonisation regulations are likely to start forcing slower vessel speeds which will also reduce supply, boding well for the market in the longer term.

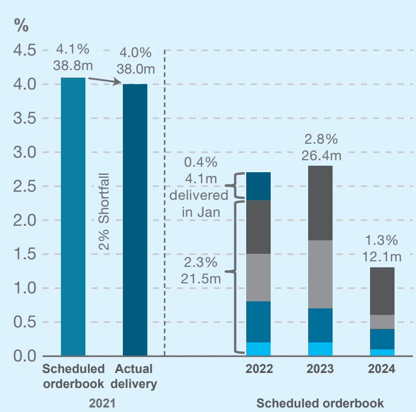
ORDERBOOK: Record Low Orderbook Bodes Well for the Future

The total dry bulk orderbook stands at 6.8% of the existing fleet, which is the smallest it has been in decades. The combined Handysize and Supramax orderbook is even lower at 5.6%, presenting the basis for continued low supply growth in the next few years.

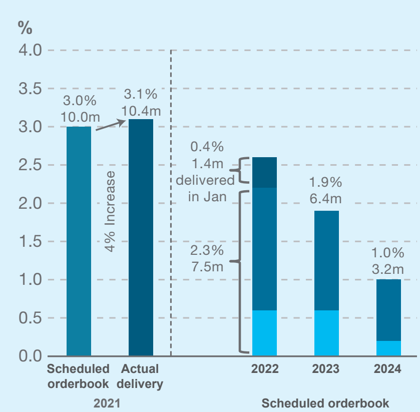
Despite the ongoing strong freight market and a slight recent uptick in newbuilding ordering, we expect that new ship ordering will remain restrained, discouraged by:

- uncertainty about the future fuels and technologies required to meet coming decarbonisation regulations; and
- the high cost of newbuildings, when lower priced second-hand ships with prompt delivery in today's strong market represent more attractive investment with lower residual value risk.

Overall Dry Bulk Orderbook



Handysize & Supramax Combined Orderbook

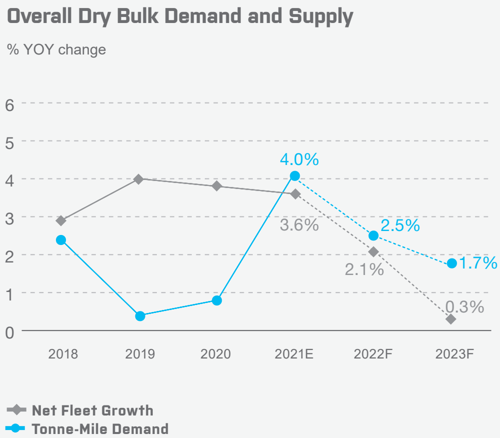


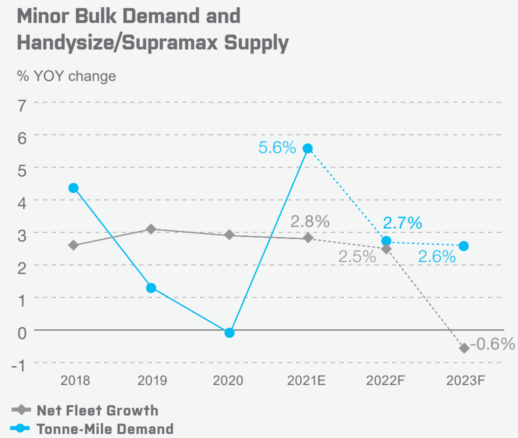
Source: Clarksons Research data as at February 2022; 2022 orderbook excludes YTD deliveries

	Orderbook as % of Existing Fleet	Average Age	Over 20 Years Old	2021 Scrapping as % of 1 January 2022 Existing Fleet
Handysize (10,000–40,000 dwt)	4.7%	12	13%	0.5%
Supramax (40,000–70,000 dwt)	6.0%	11	9%	0.3%
Panamax & Post-Panamax (70,000–100,000 dwt)	8.1%	11	12%	0.3%
Capesize (100,000+ dwt)	7.0%	9	2%	0.9%
Total	6.8%	11	7%	0.6%

Source: Clarksons Research, data as at February 2022

MARKET BALANCE: Positive Demand and Supply Balance Expected Ahead





Source: Clarksons Research

Despite the moderated global economic growth outlook, dry bulk demand growth is expected to outpace low supply growth in 2022 and 2023.

POSSIBLE MARKET DRIVERS IN THE MEDIUM TERM

OPPORTUNITIES

- Post-pandemic and stimulus-driven recovery in the US, China and rest of the world, driving demand for dry bulk commodities
- Slower vessel operating speeds due to emissions regulations and increased fuel cost
- Limited new ship ordering and deliveries due to decarbonisation regulations and uncertainty over future vessel designs and alternative fuels, leading to tighter supply
- Increased scrapping of older and less optimally designed tonnage facing onerous environmental regulations and expensive maintenance and upgrade costs

THREATS

- Expanding or renewed pandemic containment measures impacting global economic activity and the trade in dry bulk commodities
- Excessive new ship ordering in dry bulk driving increased net fleet growth
- Slowing Chinese economic growth due to economic rebalancing policies
- Tariffs and protectionism driving local production at the expense of global trade
- The marginal benefit that dry bulk demand is getting from temporary factors such as fleet inefficiencies and the very strong container market may reduce

OUR PERFORMANCE

Our business generated an underlying profit of US$698.3 million (2020: underlying loss of US$19.4 million) representing our strongest result ever. We delivered our best daily TCE earnings since 2008, generated strong operating activity margins, and continued to maintain good control of our vessel operating costs.

Operating Performance

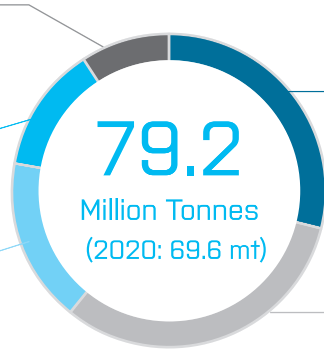
US$ Million	1H21	2H21	2021	2020	Change
Core business Handysize contribution	105.2	292.2	**397.4**	(3.7)	+>100%
Core business Supramax contribution	65.9	245.5	**311.4**	25.0	+>100%
Operating activity contribution	11.9	57.1	**69.0**	16.7	+>100%
Capesize contribution[1]	2.1	1.9	**4.0**	4.3	-7%
Performance before overheads	185.1	596.7	**781.8**	42.3	+>100%
Adjusted total G&A overheads	(34.1)	(47.9)	**(82.0)**	(61.2)	-34%
Tax and others	(0.6)	(0.9)	**(1.5)**	(0.5)	->100%
Underlying profit/(loss)	150.4	547.9	**698.3**	(19.4)	+>100%
Vessel net book value (incl. assets held for sale)	1,720.0	1,903.3	**1,903.3**	1,677.6	+13%

+/- Note: In our tabulated figures, positive changes represent an improving result and negative changes represent a worsening result

1 Having redelivered a chartered 95,000 dwt Post-Panamax ship, we now refer to our owned 115,000 dwt bulker as a Capesize vessel, consistent with industry definitions

Our Cargo Volumes in 2021

Minerals	**9%**
Salt	4%
Sand & Gypsum	3%
Soda Ash	2%
Energy	**13%**
Coal	9%
Petcoke	3%
Wood Pellets	1%
Metals	**17%**
Ores	8%
Concentrates	5%
Alumina	3%
Others	1%



Agricultural Products & Related	**29%**
Grains & Agricultural Products	16%
Fertiliser	10%
Sugar	3%
Construction Materials	**32%**
Cement & Cement Clinkers	12%
Steel & Scrap	11%
Logs & Forest Products	9%

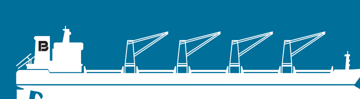
Our Commercial Activities

Core Business

Our core business is to optimally combine our owned and long-term chartered ships with multi-shipment contract cargoes and spot cargoes to achieve the highest daily TCE earnings. Our core business also uses short-term chartered ships to carry contract cargoes to maximise the utilisation and TCE of our owned and long-term chartered ships.

Operating Activity

Our operating activity complements our core business by matching our customers' spot cargoes with short-term chartered ships, making a margin and contributing to our group results regardless of whether the market is weak or strong. Through our operating activity, we provide a service to our customers even if our core ships are unavailable.

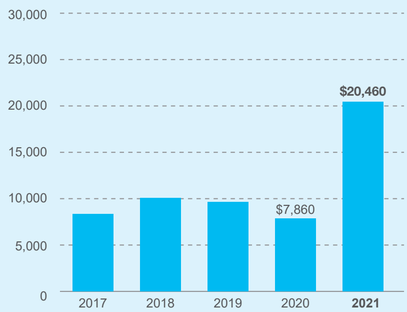


CORE BUSINESS

Handysize

TCE EARNINGS KPI

US$/day (net)

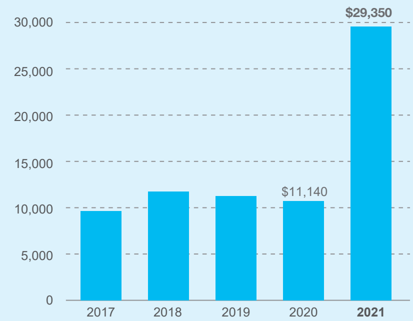


Note: Pre-2020 historical data has not been restated to split operating activity from core business

Supramax

TCE EARNINGS KPI

US$/day (net)



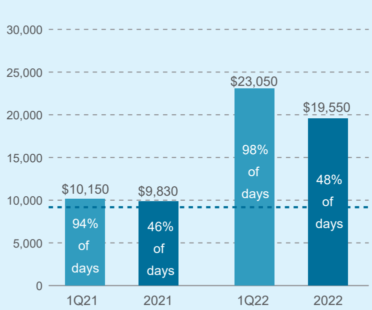
Note: Pre-2020 historical data has not been restated to split operating activity from core business

- Our core business generated:
  - Handysize daily earnings of US$20,460 on 32,080 revenue days
  - Supramax daily earnings of US$29,350 on 15,480 revenue days
- Our daily TCE earnings improved progressively every month in the year to October due to the much stronger minor bulk market which, together with our good cost control, has resulted in significantly increased Handysize and Supramax contributions
- In October we registered our strongest monthly underlying result ever of US$103 million

Handysize

FORWARD CARGO COVER

US$/day (net)

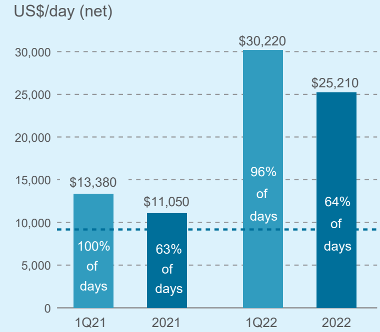


As at mid-February, indicative TCE only as voyages are still in progress.
---- Indicative core fleet P&L break-even level incl. G&A for 2021 = US$9,030

Supramax

FORWARD CARGO COVER

US$/day (net)



As at mid-February, indicative TCE only as voyages are still in progress, and excludes any scrubber benefit (currently about US$1,200 per day)
---- Indicative core fleet P&L break-even level incl. G&A for 2021 = US$10,290

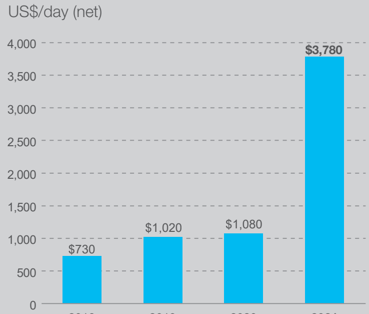
- There has been the usual seasonal weakness between November and the Lunar New Year, but we commenced 2022 with a good level of cover for the first quarter and market activity has since resumed
- We have covered 98% and 96% of our Handysize and Supramax vessel days for the first quarter of 2022 at US$23,050 and US$30,220 per day net respectively
- We have covered 48% and 64% of our 35,240 Handysize and 21,140 Supramax vessel days currently contracted for full year 2022 at US$19,550 and US$25,210 per day net respectively. (Cargo cover excludes operating activity)
- Our P&L break-even was US$9,030 and US$10,290 for Handysize and Supramax respectively in 2021; our costs remain well controlled and competitive

OPERATING ACTIVITY

Margin KPI

US$3,780 per day (net)

US$/day (net)



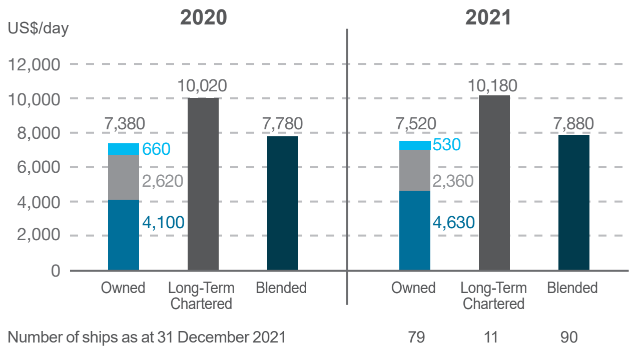
- Our operating activity generated a margin of US$3,780 net per day over 18,240 operating activity days in 2021 on short-term ships that we chartered specifically to carry spot cargoes
- Our operating activity complements our core business by matching our customers' spot cargoes with short-term chartered ships (when our core ships are unavailable), thereby making a margin and contributing to our Group's results regardless of whether the market is weak or strong

CORE BUSINESS VESSEL COSTS

Daily Vessel Costs

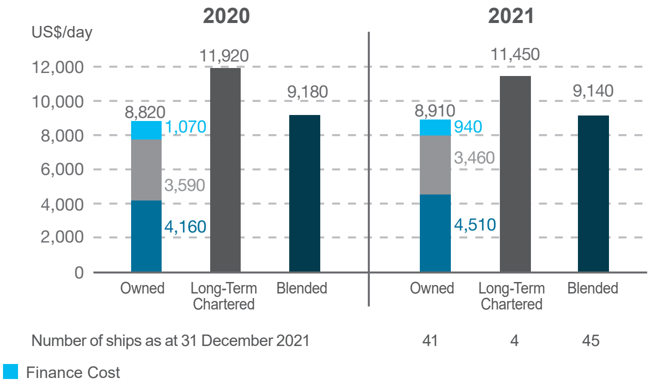
Handysize

US$7,880 per day (blended)



Supramax

US$9,140 per day (blended)



Owned Vessel Costs

Operating expenses

Our average Handysize and Supramax daily operating expenses ("Opex") increased by 11% to US$4,590 per day (2020: US$4,120). This was mainly due to more expensive crew travel, quarantine and other pandemic-related manning costs, which have affected the entire industry. Our Opex remained at competitive levels as a result of efficient management, good cost control and scale benefits, including operational and procurement cost efficiencies.

During the year, our fleet of owned vessels experienced on average 1.7 days (2020: 1.0 day) of unplanned technical off-hire per vessel of which 0.8 days were Covid related.

Depreciation

Our Handysize depreciation costs were reduced by 10% mainly due to the impairment taken in June 2020. Our Supramax depreciation costs were reduced by 4% principally due to the addition of lower cost acquisitions.

Finance costs

Our daily finance costs decreased by 20% and 12% compared to 2020 for Handysize and Supramax respectively, mainly due to lower borrowings. Our blended Handysize and Supramax finance costs averaged US$670 per day (2020: US$780).

Long-term Chartered Vessel Costs

Long-term chartered vessel daily costs are mainly accounted for as depreciation of right-of-use assets, interest expenses of lease liabilities and technical management service costs for leases over 12 months. Our Handysize long-term chartered vessel costs increased by 2% to US$10,180 primarily due to strong market conditions. Our Supramax long-term chartered vessel costs reduced by 4% to US$11,450 primarily due to the redelivery of more expensive vessels.

Blended Costs

Our daily blended costs for owned and long-term chartered vessels increased to US$7,880 for Handysize and reduced to US$9,140 for Supramax (2020: US$7,780 and US$9,180 respectively).

General and Administrative ("G&A") Overheads

Our adjusted total G&A overheads increased to US$82.0 million (2020: US$61.2 million) due primarily to an increase in staff costs during the year. Spread across our total vessel days, our daily G&A overheads remain competitive at US$870 (2020: US$730), comprising US$1,150 and US$630 (2020: US$940 and US$520) per day for owned and chartered ships respectively.

Vessel Days

The following table shows an analysis of our vessel days in 2021 and 2020:

	Handysize		Supramax	
Days	2020	**2021**	2020	**2021**
Core business revenue days	34,120	**32,080**	14,120	**15,480**
– Owned revenue days	28,830	**27,580**	12,450	**14,040**
– Long-term chartered days	5,290	**4,500**	1,670	**1,440**
Short-term core days[(1)]	6,070	**8,710**	12,520	**19,110**
Operating activity days	7,310	**4,910**	8,190	**13,330**
Owned off-hire days	820	**770**	280	**130**
Total vessel days	48,320	**46,470**	35,110	**48,050**

(1) Short-term chartered ships used to support our core business

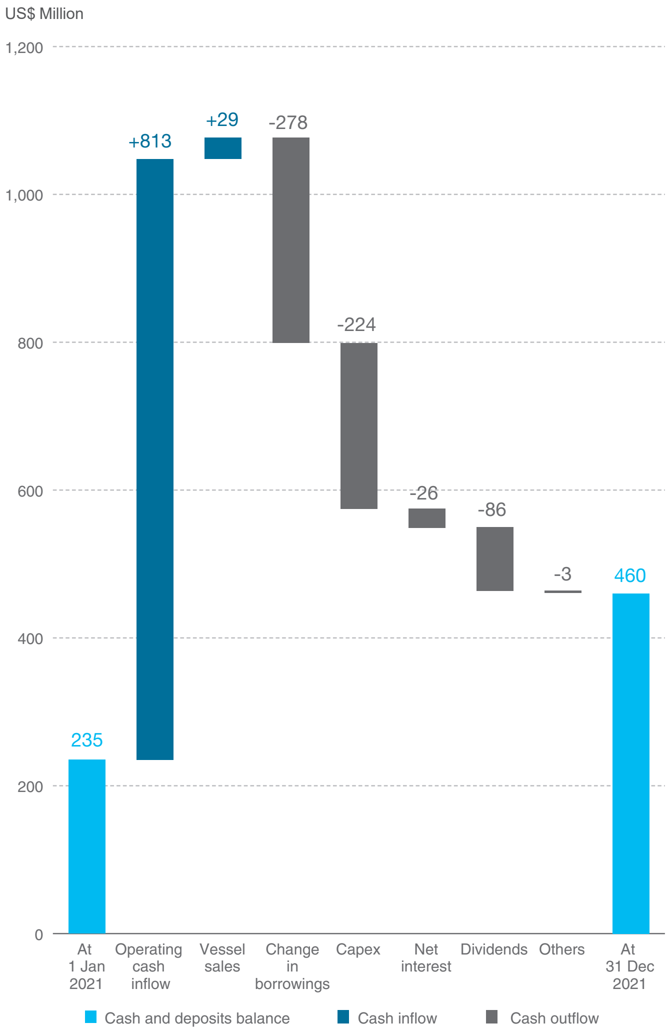
Future Long-term Chartered Vessel Costs

The following table shows the average daily charter costs for our long-term chartered-in Handysize and Supramax vessels during their remaining charter period by year:

	Handysize		Supramax	
Year	Vessel days	Average cost (US$)	Vessel days	Average cost (US$)
2022	4,240	10,190	1,170	13,250
2023	2,560	10,850	270	10,290
2024	2,400	11,390	–	–
2025	1,100	12,230	–	–
2026	370	12,730	–	–
Total	**10,670**		**1,440**	

CASH AND BORROWINGS

Cash Flow



To provide readers with a better understanding of our cash flow position, the presentation in this section considers charter-hire payment as operating cash flow, before applying the treatment under HKFRS 16 – Leases

Key Developments in 2021

- In April 2021 we closed a new US$45.0 million bilateral 6-year term loan secured against two unmortgaged vessels which was subsequently repaid in November
- In September 2021 we extended the tenor of our existing US$325.0 million secured syndicated revolving credit facility from 2025 to 2027 by removing 14 older vessels
- Our net cash outflow from borrowings was US$278.3 million in the year after we drew down US$45.0 million net under our committed facilities while making net repayments of US$323.3 million
- During the year we incurred capital expenditure of US$224.5 million, including:
  (a) US$187.6 million for six Ultramax and five Handysize vessels which delivered into our fleet in 2021 and one Ultramax which delivered in January 2022; and
  (b) US$36.9 million for dry dockings and the installation of ballast water treatment systems
- As at 31 December 2021, we had 32 unmortgaged vessels

Liquidity and Borrowings

US$ Million	31 Dec 2021	31 Dec 2020	Change
Cash and deposits (a)	**459.7**	234.8	+96%
Available undrawn committed facilities	**208.7**	127.7	+63%
Available committed liquidity	**668.4**	362.5	+84%
Current portion of borrowings	**(66.8)**	(88.7)	
Non-current portion of borrowings	**(521.3)**	(775.2)	
Total borrowings (b)	**(588.1)**	(863.9)	+32%
Net borrowings (b)-(a)	**(128.4)**	(629.1)	+80%
Net borrowings to shareholders' equity	**7%**	59%	
Net borrowings to net book value of owned vessels KPI	**7%**	37%	
Interest income KPI	**0.3%**	1.0%	

Borrowings and Undrawn Committed Facilities

Borrowings and Undrawn Committed Facilities – US$631.6 million (31 December 2020: US$828.7 million)

The overall decrease in secured borrowings is mainly due to repayments and scheduled loan amortisation, partially offset by the closing of one new bilateral term loan.

A decrease in interest to US$20.6 million (2020: US$27.0 million) was mainly due to a decrease in average borrowings to US$614.8 million (2020: US$815.8 million).

The Group monitors the loan-to-asset value requirements on its bank borrowings. If the market values of the Group's mortgaged assets fall below the level prescribed by our lenders, the Group may pledge additional cash or offer other additional collateral unless the banks offer waivers for technical breaches.

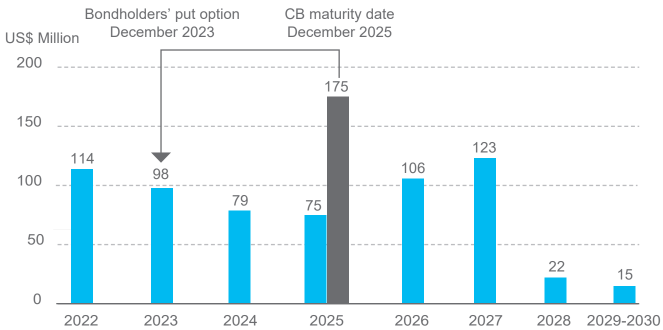
As at 31 December 2021:

- The Group's secured borrowings were secured by 89 vessels with a total net book value of US$1,476.1 million and by an assignment of earnings and insurances in respect of these vessels
- The Group was in compliance with all its loan-to-asset value requirements

Convertible Bonds Liability Component – US$165.2 million (31 December 2020: US$162.9 million)

As at 31 December 2021, there remained the 3.0% p.a. coupon December 2025 convertible bonds with an outstanding principal of US$175.0 million and a prevailing conversion price of HK$2.24 per share.

Schedule of Reduction in Borrowings and Undrawn Committed Facilities



We arrange financing by leveraging the Group's balance sheet to optimise the availability of cash resources of the Group. The aggregate borrowings and undrawn committed facilities of the Group at 31 December 2021, including the liability component of the convertible bonds, amounted to US$796.8 million (31 December 2020: US$991.6 million) and are mainly denominated in United States Dollars.

- Secured borrowings and undrawn committed facilities (US$631.6 million)
- Convertible bonds (face value US$175.0 million, book value US$165.2 million, bondholders' put option December 2023)

Finance Costs

US$ Million	Average interest rate P/L	Cash	Balance at 31 December 2021	Finance costs 2021	2020	Change
Borrowings (including realised interest rate swap contracts)	3.3%	3.3%	422.9	**20.6**	27.0	+24%
Convertible bonds (Note)	4.7%	3.0%	165.2	**7.5**	7.4	-1%
	3.6%	KPI 3.2%	588.1	**28.1**	34.4	+18%
Other finance charges				**1.5**	1.8	
Total finance costs				**29.6**	36.2	+18%
Interest coverage (calculated as EBITDA divided by total finance costs)				KPI **30.1x**	5.1x	

Note: The convertible bonds have a P/L cost of US$7.5 million and a cash cost of US$5.3 million.

The KPIs on which management focuses to assess the cost of borrowings are average interest rates for different types of borrowings and the Group's interest coverage.

The Group aims to achieve a balance between floating and fixed interest rates on its borrowings. As at 31 December 2021, 81% (31 December 2020: 65%) of the Group's borrowings were on fixed interest rates. We currently expect about 62% of the Group's existing borrowings will be on fixed interest rates as at both 31 December 2022 and 2023, assuming all revolving credit facilities are fully drawn.

Group Performance Review

This Group Performance Review comprises a presentation of our income statement adjusted to provide readers with a better understanding of the key dynamics of a shipping business, more consistent with the way we review our performance in our internal management reporting.

US$ Million	Note	2021	2020	Change*
Revenue		**2,972.4**	1,470.9	+>100%
Bunker, port disbursement & other voyage costs		**(881.0)**	(702.6)	-25%
Time-charter equivalent ("TCE") earnings	1	**2,091.4**	768.3	>+100%
Owned vessel costs				
Operating expenses	2	**(195.2)**	(174.6)	-12%
Depreciation	3	**(117.8)**	(125.3)	+6%
Net finance costs	4	**(28.9)**	(33.4)	+13%
Chartered vessel costs				
Non-capitalised charter costs	5	**(934.7)**	(358.8)	>-100%
Capitalised charter costs	5	**(33.0)**	(33.9)	+3%
Operating performance before overheads		**781.8**	42.3	>+100%
Adjusted total G&A overheads	6	**(82.0)**	(61.2)	-34%
Taxation and others		**(1.5)**	(0.5)	>-100%
Underlying profit/(loss)		**698.3**	(19.4)	>+100%
Reversal of/(provision for) vessel impairment	7	**151.7**	(199.6)	
Provisions	8	**(4.3)**	–	
Unrealised derivative (expenses)/income	9	**(0.5)**	4.3	
Net disposal loss of vessels	10	**(0.4)**	(1.8)	
Closed-out gains on fuel price hedges		**–**	8.3	
Profit/(loss) attributable to shareholders		**844.8**	(208.2)	>+100%
EBITDA		**889.9**	184.7	>+100%
Net profit margin		**28%**	(14%)	+42%
Return on average equity		**58%**	(18%)	+76%

* In our tabulated figures, positive changes represent an improving result and negative changes represent a worsening result.

EBITDA (earnings before interest, tax, depreciation and amortisation) is gross profit less indirect general and administrative overheads, excluding: depreciation and amortisation; exchange differences; share-based compensation; closed-out gains on fuel price hedges and unrealised derivative income and expenses.

Notes

1. Total time-charter equivalent ("TCE") earnings increased significantly mainly reflecting improving dry bulk freight rates during the year.
2. Total operating expenses of our owned vessels increased by 12% as a result of an expansion of our owned fleet and an increase in crew travel, quarantine and other pandemic-related costs, which have affected the entire shipping industry.
3. Depreciation of our owned vessels decreased by 6% mainly as a result of the impairment of our Handysize fleet made in June 2020.
4. Net finance costs decreased by 13% mainly due to lower borrowings.
5. Non-capitalised charter costs comprise the cost of short-term charters with a term of 12 months or less and the non-lease portion of long-term charters with a term of over 12 months. Capitalised charter costs comprise depreciation of right-of-use assets and interest expenses on lease liabilities relating to the lease portion of long-term charters with a term of over 12 months. Non-capitalised charter costs increased significantly due to strong market condition.
6. Adjusted total G&A overheads comprise the total G&A overheads and the interest on lease liabilities of other PP&E. The amount increased by 34% primarily due to increased staff costs.
7. In light of the significantly improved dry bulk market outlook and the consequent increase in ship values, the non-cash impairment provision on the Group's Handysize core fleet made in 2020 have been written back.
8. Provisions relate to potential operational costs and claims.
9. Unrealised derivative expenses mainly represent the negative mark-to-market on our regular bunker swap contracts.
10. The net disposal loss relates to the disposal of our smaller, older Handysize vessels.

Consolidated Income Statement

	Note	For the year ended 31 December 2021 US$'000	 2020 US$'000
Revenue	3	**2,972,514**	1,470,932
Cost of services		**(2,233,171)**	(1,434,059)
Gross profit		**739,343**	36,873
Reversal of/(provision for) vessel impairment		**151,658**	(199,604)
Indirect general and administrative overheads		**(8,462)**	(6,112)
Other income and gains		**336**	1,427
Other expenses		**(4,815)**	(2,100)
Finance income		**722**	2,979
Finance costs		**(32,434)**	(39,657)
Profit/(loss) before taxation	4	**846,348**	(206,194)
Tax charges	5	**(1,538)**	(2,034)
Profit/(loss) attributable to shareholders		**844,810**	(208,228)
Earnings per share for profit/(loss) attributable to shareholders (in US cents)			
Basic earnings per share	7(a)	**17.90**	(4.45)
Diluted earnings per share	7(b)	**15.73**	(4.45)

Consolidated Statement of Comprehensive Income

	For the year ended 31 December 2021 US$'000	 2020 US$'000
Profit/(loss) attributable to shareholders	**844,810**	(208,228)
Other comprehensive income Items that may be reclassified to income statement		
Cash flow hedges		
– fair value losses	**(267)**	(5,936)
– transferred to income statement	**5,610**	(1,738)
Currency translation differences	**(277)**	805
Total comprehensive income/(loss) attributable to shareholders	**849,876**	(215,097)

Consolidated Balance Sheet

	Note	As at 31 December 2021 US$'000	2020 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,906,019**	1,665,242
Right-of-use assets		**55,302**	65,778
Goodwill		**25,256**	25,256
Derivative assets		**496**	4,026
Trade and other receivables	8	**8,499**	4,947
Restricted bank deposits		**51**	51
		1,995,623	1,765,300
Current assets			
Inventories		**103,590**	78,095
Derivative assets		**14,710**	15,410
Trade and other receivables	8	**171,839**	77,898
Subleasing receivables		**–**	1,915
Assets held for sale		**–**	16,136
Cash and deposits		**459,670**	234,773
		749,809	424,227
Total assets		**2,745,432**	2,189,527
EQUITY			
Capital and reserves attributable to shareholders			
Share capital		**47,858**	47,490
Retained profits/(accumulated losses)		**744,553**	(11,330)
Other reserves		**1,038,815**	1,028,349
Total equity		**1,831,226**	1,064,509
LIABILITIES			
Non-current liabilities			
Borrowings		**521,363**	775,149
Lease liabilities		**29,270**	50,089
Derivative liabilities		**6,540**	13,564
Trade and other payables	9	**17**	895
		557,190	839,697
Current liabilities			
Borrowings		**66,793**	88,736
Lease liabilities		**31,159**	26,744
Derivative liabilities		**10,232**	7,667
Trade and other payables	9	**247,554**	161,366
Taxation payable		**1,278**	808
		357,016	285,321
Total liabilities		**914,206**	1,125,018

Notes:

1. General information and basis of preparation

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

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

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. The financial statements have been prepared under the historical cost basis, except for certain financial assets and financial liabilities (including derivative instruments) which are carried at fair value.

2. Adoption of new HKFRS

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2020.

The new standards and amendments that became effective in this accounting period do not have any significant impact on the Group's accounting policies and do not require any adjustments.

3. Revenue and segment information

US$'000	2021	2020
Freight	**2,355,111**	1,364,590
Charter-hire		
– lease component	**495,078**	54,650
– non-lease component	**122,322**	51,692
Other revenues	**3**	–
	2,972,514	1,470,932

The Group's revenue is substantially derived from the provision of dry bulk shipping services internationally and, accordingly, information is not presented by business segment.

Geographical segment information is not presented as the management considers that the nature of our shipping services, which are carried out internationally, precludes a meaningful allocation of operating profit to specific geographical segments.

4. Profit/(loss) before taxation

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

US$'000	2021	2020
Vessel charter costs	**934,744**	358,807
Bunkers consumed	**462,497**	336,285
Port disbursements and other voyage costs	**440,498**	352,724
Employee benefit expenses	**200,348**	160,101
(Reversal of)/provision for vessel impairment	**(151,658)**	199,604
Depreciation		
– owned vessels	**117,800**	125,314
– other property, plant and equipment	**1,635**	1,551
– right-of-use assets	**32,760**	33,215
Net (gains)/losses on bunker swap contracts	**(21,174)**	692
Provisions	**4,279**	–
Losses on disposal of vessels	**363**	1,818
Interest on borrowings		
– bank loans	**15,671**	22,907
– convertible bonds	**7,540**	7,438
– other borrowings	**2,168**	1,833
Interest on lease liabilities		
– vessels	**2,480**	2,983
– other property, plant and equipment	**343**	413

5. Taxation

Shipping income from international trade is either not subject to or exempt from income tax according to the tax regulations prevailing in the countries in which the Group operates. Income from non-shipping activities is subject to tax at prevailing rates in the countries in which these businesses operate.

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

US$'000	**2021**	2020
Hong Kong profits tax, provided at the rate of 16.5% (2020: 16.5%)	**930**	725
Overseas tax, provided at the rates of taxation prevailing in the countries	**612**	363
Adjustments in respect of prior year	**(4)**	946
Tax charges	**1,538**	2,034

6. Dividends

	2021			2020		
	HK cents per share	**US cents per share**	**US$'000**	HK cents per share	US cents per share	US$'000
Interim dividend	**14.0**	**1.8**	**86,473**	–	–	–
Proposed final basic dividend (a)	**42.0**	**5.4**	**259,684**	–	–	–
Proposed special dividend (a)	**18.0**	**2.3**	**111,376**	–	–	–
Total dividends for the year	**74.0**	**9.5**	**457,533**	–	–	–
Dividends paid during the year (b)	**14.0**	**1.8**	**86,473**	2.1	0.3	12,894

(a) The proposed final basic dividend and special dividend are subject to the approval of the shareholders at the Annual General Meeting on 19 April 2022 and not reflected in the financial statements.

(b) Dividends paid during the year represent any final dividend of the prior year and any interim dividend of the reporting year.

7. Earnings per share ("EPS")

(a) Basic earnings per share

Basic earnings per share are calculated by dividing the profit/(loss) attributable to shareholders by the weighted average number of shares in issue during the year, excluding the shares held by the trustee of the Company's 2013 Share Award Scheme ("SAS") and unvested restricted shares.

		2021	2020
Profit/(loss) attributable to shareholders	(US$'000)	**844,810**	(208,228)
Weighted average number of shares in issue	('000)	**4,719,323**	4,682,620
Basic earnings per share	(US cents)	**17.90**	(4.45)
Equivalent to	(HK cents)	**139.08**	(34.51)

(b) Diluted earnings per share

Diluted earnings per share are calculated by dividing the basic earnings, after adjusting for effect of interest on convertible bonds by the weighted average number of shares in issue during the year, excluding the shares held by the trustee of the Company's SAS and after adjusting for the dilutive effect of convertible bonds and unvested restricted shares.

		2021	2020
Profit/(loss) attributable to shareholders	(US$'000)	**844,810**	(208,228)
Effect of interest on convertible bonds	(US$'000)	**7,540**	–
Adjusted profit/(loss) attributable to shareholders	(US$'000)	**852,350**	(208,228)
Weighted average number of shares in issue	('000)	**4,719,323**	4,682,620
Effect of unvested restricted shares	('000)	**88,188**	–
Effect of convertible bonds	('000)	**612,195**	–
Diluted weighted average number of shares	('000)	**5,419,706**	4,682,620
Diluted earnings per share	(US cents)	**15.73**	(4.45)
Equivalent to	(HK cents)	**122.19**	(34.51)

Basic and diluted earnings per share for the year ended 31 December 2020 are the same as the potential shares from convertible bonds and unvested restricted shares are anti-dilutive when they would decrease the loss per share.

8. Trade and other receivables

Trade receivables are included in trade and other receivables and their ageing based on invoice date is as follows:

US$'000	**2021**	2020
≤ 30 days	**95,255**	32,207
31-60 days	**6,665**	3,844
61-90 days	**5,431**	1,475
> 90 days	**10,714**	4,462
	118,065	41,988

9. Trade and other payables

Trade payables are included in trade and other payables and their ageing based on due date is as follows:

US$'000	**2021**	2020
≤ 30 days	**66,034**	50,743
31-60 days	**732**	316
61-90 days	**93**	346
> 90 days	**3,654**	4,927
	70,513	56,332

Purchase, Sale or Redemption of Securities

Other than for satisfying restricted awards granted under the Company's 2013 Share Award Scheme, neither the Company nor any of its subsidiaries has during the year purchased, sold or redeemed any of the share capital or convertible bonds of the Company.

Directors' Securities Transactions

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

The Board confirms that, having made specific enquiry, the Directors have fully complied with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions during the year except that a Director traded in the Company's securities prior to obtaining written approval from the Company during a period when no trading restrictions were in place. The Board has given formal reminder to the said Director that the Model Code stipulates written approval must be received before any securities transactions can proceed.

Senior Management and Staff's Securities Transactions

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

The Board confirms that, having made specific enquiry, all senior managers and staff who have been notified and provided with the Dealing Rules have fully complied with the required standards as set out in the Dealing Rules during the year.

Compliance with the Corporate Governance Code

Throughout the year, the Group has been fully compliant with all code provisions of the Corporate Governance Code as contained in Appendix 14 to the Listing Rules.

Review by Audit Committee and Auditors

The Audit Committee of the Company has reviewed this annual results announcement and the Annual Report of the Company for the year ended 31 December 2021.

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

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(9) of Appendix 16 to the Listing Rules has been published on the Stock Exchange's website at www.hkexnews.hk and on the Company's website at www.pacificbasin.com.

The Company's 2021 Annual Report will be available on the Company's website at www.pacificbasin.com no later than the date on which it is sent to those shareholders who have elected to receive a printed copy on or around 11 March 2022.

Directors

As at the date of this announcement, the Directors of the Company are:

Executive Directors:
David Muir Turnbull, Martin Fruergaard and Peter Schulz

Independent Non-executive Directors:
Patrick Blackwell Paul, Robert Charles Nicholson, Alasdair George Morrison, Irene Waage Basili, Stanley Hutter Ryan, Kirsi Kyllikki Tikka and John Mackay McCulloch Williamson

Non-executive Director:
Alexander Howarth Yat Kay Cheung

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