Pacific Basin Shipping Limited

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

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022 as follows:

BUSINESS HIGHLIGHTS

Our Best Ever Financial Results

In 2022, Pacific Basin achieved record-breaking results in both underlying profit and EBITDA, with US$715 million and US$935 million respectively – exceptional in a historical context. This was further supported by our second-best net profit of US$702 million, resulting in a strong return on equity of 38%. Strong cash flows enabled us to end the year with net cash of US$65.3 million.

The Board recommends a final basic dividend of HK17 cents per share and an additional final special dividend of HK9 cents per share which, combined with the HK52 cents per share interim dividend distributed in August 2022, represents 75% of our net profit for the full year.

US$ Million	Year Ended 31 December 2022	2021
Revenue	3,281.6	2,972.5
EBITDA #	935.1	889.9
Underlying Profit	714.7	698.3
Profit Attributable to Shareholders	701.9	844.8
Basic Earnings per share *(HK cents)*	109.1	139.1
Full Year Dividends per share, including HK26.0 cents Special Dividends *(HK cents)*	78.0	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 and unrealised derivative income and expenses

Well Positioned For The Future

The dry bulk freight market in 2022 saw a continuation of strong freight rates in the first half driven by strong demand in minor bulks, port-related congestion and limited new supply. However, second-half freight rates came under pressure due to increasing inflation and interest rates resulting in slower global growth. Weakening construction activity, and a continuation of zero-Covid policies drove a further slowdown in the Chinese economy.

Given the supportive fundamentals of our industry, we are excited by the long-term prospects of dry bulk shipping despite any short-term headwinds. Our large and modern owned fleet of highly versatile Handysize and Supramax ships, combined with our close customer partnerships, enhanced access to cargo opportunities, and high vessel utilisation, makes us well positioned for the future.

Our Fleet

	Vessels in Operation: Owned[1]	Long-term Chartered	Short-term Chartered[2]	Total	Total Capacity (Million dwt) Owned	Average Age Owned
Handysize	72	9	29	110	2.5	13
Supramax/ Ultramax[3]	43	9	80	132	2.5	11
Capesize	1	–	–	1	0.1	12
Total	116	18	109	243	5.1	12

As at 31 January 2023

1 Including 1 Supramax vessel expected to be delivered within February 2023

2 Average number of short-term and index-linked vessels operated in January 2023

3 Supramax vessels in excess of 60,000 dwt are generally referred to as Ultramaxes

Delivering an Excellent Performance

- Our core business achieved Handysize and Supramax net daily TCE earnings of US$23,430 and US$28,120 respectively, generating a total contribution of US$747 million before overheads
- Our operating activity achieved a strong daily margin of US$2,840 net over 19,830 operating days, generating a contribution of US$56 million before overheads
- Our vessel costs remained competitive but we experienced increased vessel operating expenses mainly due to higher costs related to crew repatriation and other pandemic-related manning expenses. These cost increases moderated, and went into reverse, as China abandoned its zero-Covid policy
- Our P&L break-even was US$10,260 and US$10,950 per day for Handysize and Supramax vessels respectively

Renewing our Fleet for the Future

- We currently own 115 Handysize and Supramax ships and have around 243 owned and chartered ships on the water overall
- During 2022, we sold and delivered seven Handysize vessels, while also selling one Ultramax vessel. We acquired one Ultramax vessel, one Supramax vessel which we expect to be delivered within February 2023, and one Ultramax vessel expected to be delivered in March 2023
- 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. This is evidenced by our acquisition of four second-hand Ultramax vessels, one second-hand Supramax vessel and one second-hand Handysize vessel announced on 13 January 2023
- We are well positioned to comply with IMO carbon intensity reduction rules that came into force in 2023, through technical enhancements, operational measures and gradual fleet renewal
- We will invest in zero-emission-capable ships and are currently developing a design for a first generation of methanol-fuelled Ultramax

CHAIRMAN'S STATEMENT

Another Exceptional Performance in a Volatile Market

2022 delivered record underlying earnings for the Company largely due to continued strong dry bulk rates in the first half of the year. Second-half freight rates came under pressure due to increasing inflation and interest rates resulting in slower global growth. Weakening construction activity and zero-Covid policies drove a slowdown in the Chinese economy.

Pacific Basin's vessel earnings again outperformed the market and we generated positive operating cash flow. We maintain a strong balance sheet with available committed liquidity of US$615 million.

2022 Dividend

Due to our record underlying earnings and confidence in the longer-term fundamentals of the dry bulk market, the Board is pleased to recommend a final basic dividend of HK17 cents per share and an additional final special dividend of HK9 cents per share for 2022. The proposed final basic dividend and the proposed final special dividend together amount to a total dividend of HK26 cents per share which, combined with the HK52 cents per share interim dividend distributed in August 2022, represents 75% of our net profit for the full year. This implies a 2022 dividend yield of 27% based on the share price at the beginning of the year.

Investing in Our Fleet for a Sustainable Business

We have carefully considered opportunities to acquire quality Handysize and Supramax vessels which easily fit into our operating model and further improve our scale and ability to optimise our performance. Since 2008, we have grown our owned fleet deadweight carrying capacity from 0.5m for Handysize vessels and 0.2m for Supramax vessels, to 2.5m and 2.5m respectively. We now have a combined total deadweight carrying capacity of 5.0m implying a 14% compound annual growth rate over 15 years. Pacific Basin has built a platform over many years that continues to produce superior results throughout the cycles. It also reinforces my confidence in our preparedness for the future.

World-class Industry Reputation

Pacific Basin again received several awards in 2022, including the Bulk Ship Operator of the Year Award at IBJ Awards 2022 (International Bulk Journal) and the Shipping Company of the Year Award at the Seatrade Maritime Awards 2022. Pacific Basin also received awards relating to governance and sustainability including a Gold Award in the Most Sustainable Companies category at HKICPA's Best Corporate Governance and ESG Awards 2022, Hong Kong Marine Department's Award for Outstanding Performance Award in Port State Control Inspection for 2021, and a Grand Award for Excellence in Environmental Positive Impact at the 2022 Hong Kong ESG Reporting Awards.

These and other awards recognise our commitment to quality, safe and environmentally responsible operation of our vessels, transparency and sustainability, and a truly customer-focused business model.

We have continued to support several charities over the year, with donations to support projects in education, maritime, mental health and other deserving public welfare programmes.

Sustainability and Decarbonisation

Pacific Basin has continued to navigate well the introduction of new regulations and volatile freight rates which is a testament to our people and our business strategy.

Our sector-leading safety and environmental programmes are driven by our comprehensive in-house fleet management division, whose technical, marine, crewing and decarbonisation teams, with the support of a dedicated new sustainability function, continue to adopt the latest industry best practices.

In 2022 we embarked on a collaborative partnership with Nihon Shipyard Co. and Mitsui & Co. to assess potential green fuels and develop zero-emission-capable vessels. We continue to make good progress on our pledge to achieve investment in related bunkering infrastructure. Through this collaboration, we want to be at the forefront of development in our sector and help accelerate the transition and make zero-emission-capable vessels the default choice by 2030.

I encourage you to read our 2022 Sustainability Report for more discussion about decarbonising shipping and our own decarbonisation initiatives.

Safety and Wellbeing

The dismantling of pandemic-related controls has resulted in an easing of crew-change restrictions and a normalisation of onboard inspections, training and associated costs. We are very grateful to our seafarers and our shore-based staff for their efforts to maintain safe operating practices and a reliable and substantially uninterrupted service to our customers during the Covid years.

Throughout the pandemic, management ensured that all our staff received on-going support to help safeguard their safety and wellbeing, while integrating learnings and best practices into our processes.

Safety continues to be at the forefront of everything we do, as we target zero injuries and lost-time. We enhanced our safety culture with a more bottom-up approach which supported near record low injuries in 2022. Our ships' crews recorded six lost-time injuries in over 20.8 million man hours in 2022. The on-going efforts of our seafarers and shore-based staff continue to put the wellbeing of our employees first.

A Proven Board, Robust Governance and Solid Leadership Team

We are dedicated to upholding the highest standards of corporate governance and maintaining a commitment to transparency, accountability and strong internal controls. We recognise the importance of maintaining the trust of our stakeholders and continually strive to provide a level of confidence that our operations are conducted in a responsible and ethical manner.

Our Board and board-level committees have continued to evolve over time and, with effect from the conclusion of our 2023 Annual General Meeting, I will retire and Stanley Hutter Ryan will assume the position of Chairman of the Board.

It is with great confidence that I hand over this position knowing that with the support of our Board and senior management, Pacific Basin is ideally placed to further its sector-leading position.

Stanley has extensive experience across a range of multinational businesses, and has prior board experience with other large dry bulk shipping and commodity companies. Stanley has also been a member of our Board since 2016, giving him extensive experience in assisting to develop our strategy through the cycles.

I would like to take a moment to wish Stanley all the best in his new role, in which I believe he will safeguard the legacy of our Company.

Retirement of Board Members

At the conclusion of Pacific Basin's Annual General Meeting in April 2022, Patrick Blackwell Paul and Alasdair George Morrison stepped down from their roles as Independent Non-executive Director. They had held the positions since 2004 and 2008 respectively and provided invaluable knowledge and insight throughout the various dry bulk cycles. We are immensely grateful for their contributions to the Company and the guidance they provided in the development of our strategy.

Well Positioned for the Future

Over the past two years, we have been able to utilise our strong cash generation to significantly strengthen our balance sheet, while improving our fleet composition by acquiring high-quality, modern, second-hand vessels, and selling our older and less-efficient ships.

These developments combined with our proven business model and competitive cost structure enhance our sector-leading position in dry bulk and will continue to benefit our shareholders and other stakeholders.

I thank our loyal customers, staff and other stakeholders for your support throughout my tenure as Chairman. I am pleased to be bidding farewell as Pacific Basin records its best ever underlying profit, and is well equipped to navigate future challenges. Over the years we have built an exceptional team of senior executives, staff and seafarers who I am confident will continue to serve all our stakeholders exceptionally well.

David Turnbull
Chairman

Hong Kong, 23 February 2023

Another Record Year of Earnings

Our record underlying earnings in 2022 were largely due to continued strong dry bulk freight rates in the first half of the year. We generated an underlying profit of US$715 million, a net profit of US$702 million and EBITDA of US$935 million. This yielded an exceptionally strong return on equity of 38% with basic EPS of HK109.1 cents.

We have used our high level of cash generation to continue to pay down debt, with our net cash amounting to US$65.3 million at the end of the year. We continue to grow our list of unencumbered vessels, with 59 of our fleet currently unmortgaged.

The Board recommends a final basic dividend of HK17 cents per share, consistent with our dividend policy of paying out at least 50% of net profits. In addition a final special dividend totalling HK9 cents per share for 2022 will also be paid as a result of the exceptional year for the Company and management's confidence in the longer-term fundamentals of the industry, despite short-term headwinds.

The proposed final basic dividend and the proposed final special dividend together amount to a total dividend of HK26 cents per share which, combined with the HK52 cents per share interim dividend distributed in August 2022, represents 75% of our net profit for the full year.

Superior Earnings and Competitive Cost Base

Our **core business** generated US$747 million in 2022, with average Handysize and Supramax daily time-charter equivalent ("TCE") earnings of US$23,430 and US$28,120 net per day respectively. This represents a 15% increase for Handysize and a 4% decrease for Supramax compared to 2021. In the year we outperformed the average Handysize (BHSI 38k dwt tonnage-adjusted) and Supramax (BSI 58k dwt) indices by US$5,210 per day and US$7,080 per day respectively. Our outperformance over index earnings is driven by our vessels' high laden-to-ballast ratio whereby we utilise our experienced commercial and technical teams, extensive global office network and large fleet of high quality interchangeable ships.

Our **operating activity** contributed US$56 million, generating a margin of US$2,840 net per day over 19,830 operating days. While margins contracted in the latter part of the year, our earnings for the year were historically high.

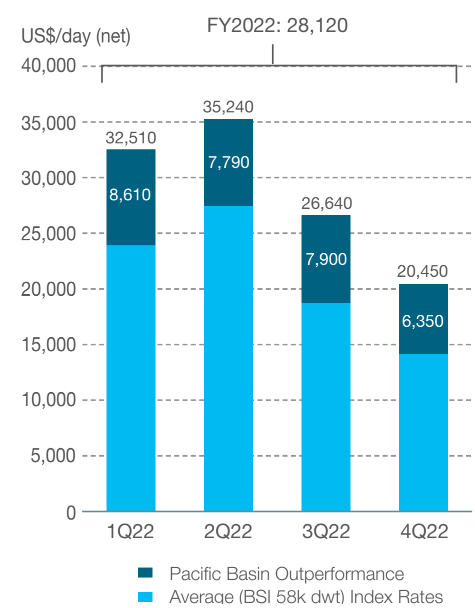
Due to strong earnings over the year we have deleveraged our balance sheet while also lowering finance costs. Through an incentivised conversion offer and various repurchases of the convertible bonds, our outstanding principal amount of convertible bonds have been reduced from US$175 million to US$34.1 million. Our optimised balance sheet allows us to invest over the cycle, while still distributing excess cash to shareholders through dividends.

Expenses related to crew travel, quarantine and other pandemic-related manning costs have continued to reduce over the year as Covid-related controls were relaxed. We expect manning costs to revert back to pre-Covid levels.

Our ship overheads and vessel operating expenses remain well controlled and competitive compared to our peers, with financing costs lower as a result of further debt repayments during the year and despite an increase in our floating interest rates.

We are also pleased that the approximately US$62 million scrubber investment we made in 2019, in anticipation of the IMO 2020 sulphur cap, has now been fully recovered – considerably faster than expected.

PB Supramax Performance



Healthy Dry Bulk Market Despite Short-term Headwinds

The dry bulk freight market in 2022 saw a continuation of strong freight rates in the first half driven by strong demand in minor bulks, port-related congestion and limited new supply. However, second-half freight rates came under pressure due to increasing inflation and interest rates resulting in slower global growth. Weakening construction activity, and a continuation of zero-Covid policies drove a further slowdown in the Chinese economy. Handysize and Supramax index rates averaged US$22,000 and US$25,630 respectively during the first half, while second-half Handysize and Supramax index rates averaged US$14,500 and US$16,490 respectively.

Full year global **minor bulk** loadings increased by 6%, driven by increased loadings of bauxite, forest products and salt. Minor bulk loadings rose 3% in the second half compared to last year, with forest products, agribulk and bauxite being the major drivers.

Despite a resumption of Black Sea **grain** exports from Ukraine in August, volumes loaded from Ukraine in 2022 were down approximately 55% compared to last year due to the operational limitations and risks associated with this trade. Global grain loadings were down 3% in 2022 as a result of the conflict in Ukraine, as well as lower crop yields in most major exporting countries in part due to adverse weather conditions, although Australian grain loadings increased by 20%. Expectations are for Ukraine's grain harvest to be lower than 2022 due to reduced land availability for farming, less sowing of winter crops, and lower crop yields as farmers reduce fertiliser use due to higher cost and limited availability.

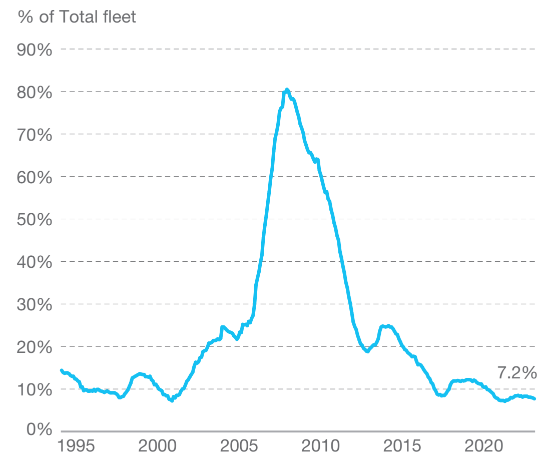
Coal loading volumes increased 2% compared to the previous year as a result of greater demand from European countries and India. European demand in particular had a positive effect on tonne-mile demand as coal volumes historically sourced from Russia were replaced by volumes from the United States, Australia, Colombia and South Africa.

Iron ore loadings decreased 1% due to seasonal weather in the first half of the year limiting cargo availability in both Brazil and Australia, as well as reduced demand in China as domestic property construction slowed, and economic growth was negatively impacted by continued Covid mitigation controls.

Benefitting from Reducing Fleet Growth

The global fleet of Handysize and Supramax ships grew by only 3% net in 2022 despite limited scrapping. Dry bulk ship owners have not materially increased new ship ordering and, according to Clarksons Research, the overall dry bulk orderbook is currently at a decades low of 7.2%, and ordering in 2022 was down 54% compared to 2021. High newbuild prices and strong ordering in other sectors, container shipping in particular, have helped to restrict ordering in our segments. We expect that ordering will remain restrained going forward, discouraged by uncertainty about the future fuels, vessel designs and technology that will be required to meet increasing decarbonisation regulations, and moderating earnings for the sector.

Overall Dry Bulk Orderbook Development



Port inefficiencies due to Covid-related controls and increased port utilisation led to even tighter supply conditions in 2022 that drove freight rates up further. These port inefficiencies and the associated benefit to supply have since reduced as countries around the world ease Covid controls and port congestion has reduced.

IMO's global EEXI (Energy Efficiency Existing Ship Index) and CII (Carbon Intensity Indicator) regulations came into effect in January 2023 and are expected to drive technical and operational measures to improve the carbon efficiency of existing ships. The consequences of these rules will include the progressive slowing of vessel speeds (and a commensurate reduction in carrying capacity) as well as increased scrapping as the rules encourage owners to phase out older, less-efficient ships.

Fleet Growth Strategy

We remain committed to our long-term strategy to grow our owned fleet of Supramax ships by acquiring high-quality, modern, second-hand vessels, and to sell our older and less-efficient Handysize ships and replace them with younger and larger Handysize vessels. During 2022 asset prices approached historical highs which allowed us to sell some of our smaller, older Handysize ships, thereby crystallising value and further optimising our fleet to meet tightening environmental regulations. In the year we sold and delivered seven Handysize vessels, while also selling one Ultramax vessel. We acquired one Ultramax vessel, one Supramax vessel which we expect to be delivered within February 2023, and one Ultramax vessel expected to be delivered in March 2023. We will continue to look for opportunities to divest these smaller older Handysize vessels depending on market conditions.

On 13 January 2023 we reaffirmed our growth strategy with the acquisition of four second-hand Ultramax vessels, one second-hand Supramax vessel and one second-hand Handysize vessel in an en bloc transaction. This return to growth is utilising our strong balance sheet to make counter-cyclical investments which we feel fit our longer-term strategy to continue to grow our fleet, with particular emphasis on Supramax (Ultramax) and larger Handysize vessels as values have softened.

We currently own 115 quality Handysize and Supramax ships that are well suited for our customers and trades as we continue to optimise our fleet to more easily meet tightening environmental regulations.

Well Positioned for IMO Carbon Intensity Reduction Rules

Over many years we have been adopting carbon efficiency enhancements and practices which position our ships well to comply with IMO global regulations from 2023, designed to drive technical and operational measures to improve the carbon efficiency of vessels. The European Union will include shipping in the European Union Emissions Trading System (EU ETS) from 2024, which we expect to drive a more ambitious suite of global decarbonisation measures from IMO.

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 to ensure that we are well prepared to comply with the 2023 IMO rules, for which:

- we are growing and renewing our fleet with younger, larger, more efficient ships which help to reduce our carbon intensity;
- we will continue to assess and adopt innovative energy-efficiency technical retrofits (such as fins, ducts and reshaped propellers) as we have done for several years;
- we will continue to trade our ships efficiently for high laden-to-ballast utilisation;
- we will constantly seek, assess and implement other energy-efficient operating measures.

We will pursue these initiatives – including looking for collaborative solutions with our customers, tonnage providers, ports and other stakeholders – to ensure our existing ships running on conventional fuel oil can continue to trade for the foreseeable future.

Decarbonisation

In addition to our initiatives to reduce the carbon intensity of our existing ships, we are collaborating and making preparations to achieve the longer-term goal of complete decarbonisation by transitioning to entirely new zero-emission-capable ships and fuels which are soon to become commercially available.

We target that our fleet will comprise only zero-emission vessels by 2050, and we will not contract newbuildings until zero-emission vessels ("ZEVs") are available and commercially viable in our segments and the appropriate refuelling infrastructure is being built out globally. To accelerate progress in this direction, we signed a memorandum of understanding with two Japanese partners Nihon Shipyard Co. and Mitsui & Co. to jointly investigate and develop ZEVs and with possible investment in related bunkering infrastructure.

Through our investigation we have concluded that green methanol is currently the best fuel around which to plan our first generation of ZEVs, and we are now collaborating with our partners to develop an efficient design for what we expect will be our first dual-fuel Ultramax ship able to run on either methanol or fuel oil. We should be ready to contract our first ZEV for delivery well ahead of our original 2030 target, and we believe that our example will help accelerate the transition to zero-emission shipping in our dry bulk sector.

Safety and Wellbeing

Seafarers continued to be impacted by crew-change restrictions, long periods of quarantine and other pandemic management measures in 2022. Despite a general easing of these measures and the efforts we made to mitigate their impact on our people, we recognise the difficulty they continue to create for our seafarers and their families. Our shore-based staff and management continue to do their utmost to provide our seafarers with financial and other support, 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 also provide support to the families of our seafarers, offering welfare seminars aimed at forging closer ties amongst Pacific Basin crews' families, particularly offering support while seafarers are away from home.

With safety being so important, we target zero injuries. In 2022, our ships' crews recorded 0.29 lost-time injuries per million man hours. We continue to encourage near-miss reporting through which officers and crew describe safety incidents and near-misses, however minor, which serves as a valuable tool for the prevention of injury and loss.

The security of our seafarers and ships is another concern, with piracy and the unjust criminalisation of seafarers requiring increased industry attention. Governments and organisations must take a firm stand against piracy and unjust criminalisation of seafarers in order to protect the safety and wellbeing of all those in the maritime industry.

Digitalisation

Our digitalisation team has continued its efforts to further evolve and expand our scope and investments in new digital solutions across our organisation, while utilising the internally generated data from our large fleet to make meaningful decisions for the operation, safety and decarbonisation efforts of the fleet. Leveraging this capability, we will explore scope for more efficient operation, scheduling and trading of our ships and optimal matching of our large fleet and cargo systems to maximise utilisation, availability and punctuality. Utilising data collected from our large owned and internally managed fleet, along with recently integrated systems, have allowed us to plan port arrival and loading and discharge timing to maximise our vessel availability and utilisation.

People and Organisation

The Company is immensely thankful for the flexibility, dedication and cooperation that all our staff, both at sea and ashore have shown over the past three years of the pandemic. Pacific Basin's business continuity initiatives have enabled our organisation, and the services we provide to remain substantially unchanged despite the numerous restrictions and complications faced.

Our permanent objective is to maintain safety, staff retention, productivity, job fulfilment and wellbeing for all staff, and I am proud of our achievements thus far. Learnings through the pandemic continue to shape our employee engagement practices and will continue to evolve as we work toward our goals.

Positive Outlook Despite Short-term Headwinds

According to the International Monetary Fund, global GDP growth is forecast to dip to 2.9% in 2023, a decrease from the 3.4% in 2022. This is likely to have a negative impact on the demand for dry bulk commodities.

These headwinds have had a negative effect on both dry bulk freight rates and second-hand vessel prices. This temporary weakness in asset prices has allowed us to utilise the strength of our balance sheet to make strategic counter-cyclical investments in both Supramax and Handysize vessels which allows us to grow opportunistically while also allowing us to benefit our decarbonisation strategy by buying larger, younger and more efficient vessels.

However, in the medium to longer term we are optimistic about the prospects of the dry bulk market despite these short-term headwinds. We expect demand will be supported by significant global infrastructure investment, particularly in emerging markets such as India and countries in the ASEAN region, as well as global food and energy security issues. China's post-Covid recovery will be a major catalyst to dry bulk demand as its economy reopens, with the government introducing policies to support economic growth. The Chinese government has announced ambitious plans to stimulate its economy by boosting domestic consumption, investment and providing support for private businesses. These efforts are intended to drive economic growth and development, with the property sector and infrastructure investments among the sectors to benefit from the enhanced support. As a result, we expect to see an increase in demand for dry bulk commodities in the second half of 2023.

We continue to believe that current environmental regulations, as well as new regulations to come, will continue to discourage any significant new ship ordering which will continue to support dry bulk rates. These same environmental regulations will likely start forcing slower speeds from 2024 – and accelerate scrapping of less efficient vessels.

Given the supportive fundamentals of our industry we are excited by the long-term prospects of dry bulk shipping despite any short-term headwinds. Our large and modern owned fleet of highly versatile Handysize and Supramax ships, combined with our close customer partnerships, enhanced access to cargo opportunities, and high vessel utilisation, makes us well positioned for the future.

Retirement of our Chairman

Our Chairman David Muir Turnbull will retire at the conclusion of our upcoming Annual General Meeting in April 2023, and, on behalf of the entire Company, I would like to thank him for his tireless efforts over the last 15 years. We are all grateful for the privilege of working with David, as his leadership and dedication has been instrumental in shaping Pacific Basin into the leading and preferred carrier in our industry. We wish him all the best in his future endeavours.

Resignation of our Chief Financial Officer

Our Chief Financial Officer Peter Schulz will step down on 31 March 2023 after five years in this position with the Company. Peter has been an integral part of our business and we are grateful for his contribution to Pacific Basin. I would like to extend our warmest wishes and gratitude to Peter and his family as they embark on their next journey.

The Company will undertake a global search for a successor, and we will update you once a suitable candidate is selected.

Well Positioned for the Future

2022 was another exceptional year which has allowed us to further improve our balance sheet through a significant reduction in our debt, further our strategy to optimise our fleet for a decarbonising future, while also returning capital to shareholders.

We believe that, despite short-term headwinds, the underlying demand and supply fundamentals of the minor bulk market will be supportive of rates that will allow us to generate steadier and more sustainable earnings over the long term.

We continue to position the Company for a decarbonising future through initiatives to reduce the carbon intensity of our existing ships, while we maintain our focus to achieve our longer-term goal of complete decarbonisation. Our efforts in digitalisation, fleet optimisation, sustainability, and collaborating on the development of zero-emission vessels and associated green fuels are all ways we continue to adapt our sustainable business strategy.

I would like to express my sincere gratitude to all our Pacific Basin seafarers and shore-based staff for your commitment to providing high-quality service to our customers. Your contribution has been instrumental in delivering on our on-going target to be the first-choice partner in dry bulk. I would also like to thank all Pacific Basin stakeholders for your support, and I am excited for the future of the dry bulk shipping segment.

Martin Fruergaard
Chief Executive Officer

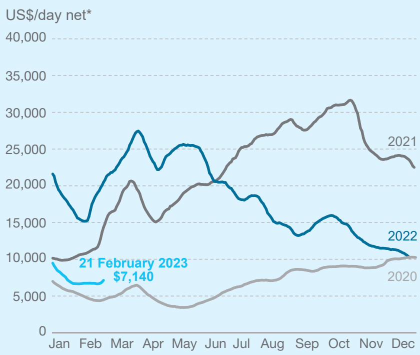
Hong Kong, 23 February 2023

Dry Bulk Freight Normalising with Lower Economic Growth

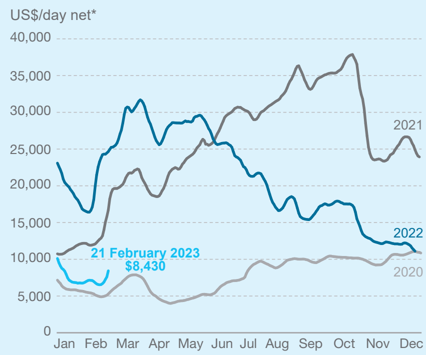
US$18,220 net ⬇ 16% YOY
BHSI 38K (tonnage adjusted) Handysize
2022 avg. market spot rate

US$21,040 net ⬇ 17% YOY
BSI 58K Supramax
2022 avg. market spot rate

Handysize Market Spot Rates in 2020–2023



Supramax Market Spot Rates in 2020–2023



* Excludes 5% commission
Source: Baltic Exchange (BHSI 38,000 dwt (tonnage adjusted) and BSI 58,000 dwt)

In 2022, the dry bulk freight market saw an increase in average market freight rates during the first half due to high demand for minor bulk commodities. However, the second half saw a decrease in freight rates due to a variety of factors, such as rising inflation and interest rates contributing to slower global growth, the Ukraine conflict restricting Black Sea grain exports, along with lower construction activity and restrictive Covid policies stifling the Chinese economy. Despite these occurrences, average market spot freight rates for Handysize and Supramax vessels were a healthy US$18,220 and US$21,040 per day respectively.

2023 freight rates began lower than 2022 levels as demand continues to suffer from lower global economic activity and typical seasonal weakness around Lunar New Year.

Ship Values Remain Elevated

US$28.5m ⬇ 7%
Second-hand Ultramax YOY

In the second half of the year, second-hand vessel values decreased as a result of rising inflation and interest rates negatively impacting global growth. Clarksons Research currently values a benchmark five-year old Ultramax ship at US$28.5 million, down 7% 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 data as at January 2023

DEMAND: Minor Dry Bulk Loadings Continue to Outperform

Global dry bulk loading volumes grew approximately 2% year on year supported by increased demand for minor bulks and coal. Minor bulk volumes expanded by a stronger 6% driven by increased loadings of bauxite, forest products and salt. Minor bulk loadings rose 3% in the second half compared to last year, with forest products, agribulk and bauxite being the major drivers.

Grain loadings decreased 3% as crop yields in most major exporting countries were impacted by adverse weather conditions, along with limited export of grain from the Black Sea due to the conflict in Ukraine.

Coal loading volumes increased 2% compared to the previous year, due to a significant increase in coal loadings to countries in Europe, as well as India, which also benefitted tonne-mile demand as coal was increasingly being sourced from non-Russian areas such as the United States, Australia, Colombia and South Africa.

Iron ore loadings decreased 1% due to seasonal weather in the first half of the year limiting cargo availability in both Brazil and Australia, as well as reduced demand in China as domestic property construction slowed, and economic growth was negatively impacted by continued Covid mitigation controls.

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).

2022 Global Cargo Loading Volumes#

Selected Minor Bulks*	⬆	+6%
Grain	⬇	–3%
Iron Ore	⬇	–1%
Coal	⬆	+2%

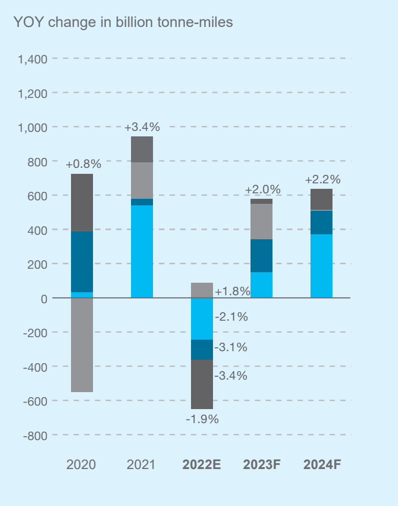
* Minerals, non-coal energy, metals and minor ores, fertiliser, sugar and non-grain agricultural products, cement and clinker, logs and forest products, steel and scrap

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 2.9% world GDP growth forecast and continued stimulus in many countries, the forecast for minor bulk demand in 2023 is positive.

Long-term grain demand is driven less by global economic growth and more by urbanisation of 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 December 2022

SUPPLY: Reducing Fleet Growth due to Low Orderbook and Impending Environmental Regulations

Dry bulk net fleet growth moderated slightly from 3.6% in 2021 to 2.8% in 2022 because of the slower pace of newbuilding deliveries. Bulker scrapping was very low at only 0.5% 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.

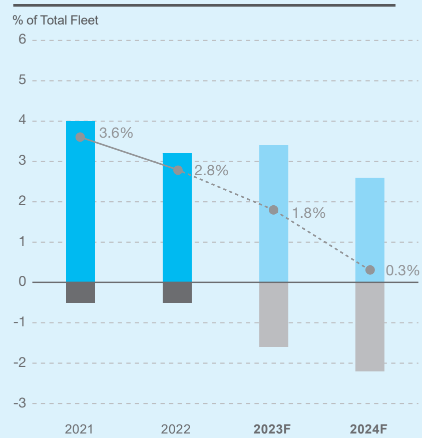
The global fleet of Handysize and Supramax ships in which we specialise grew by only 3.0% net, pointing to improving long-term supply fundamentals.

However, effective supply increased in 2022 through a gradual unwinding of port congestion, particularly in China, as Covid-related protocols were unwound. The market has however adjusted to weaker rates, particularly in the second half of the year as vessel operating speeds decreased due to lower TCE rates and high fuel prices.

Overall Dry Bulk Supply Development

2.8%

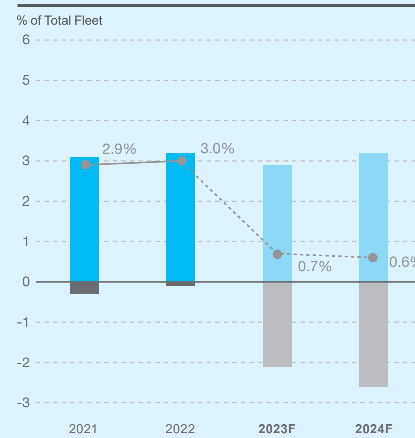
Overall dry bulk capacity 2022



Handysize/Supramax Supply Development

3.0%

Global Handysize/Supramax capacity 2022



New Deliveries | Scheduled Deliveries | Scrapping | Scrapping Forecast | Net Fleet Growth

Source: Clarksons Research, data as at December 2022

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.

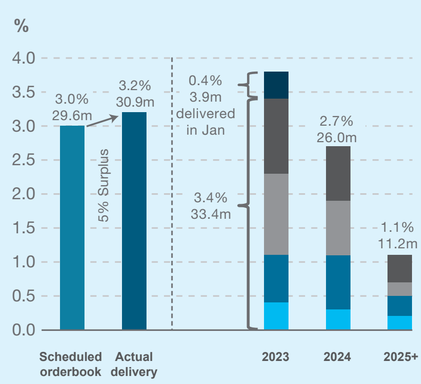
ORDERBOOK: Dry Bulk to Continue to Benefit from Record Low Orderbook

The total dry bulk orderbook stands at 7.2% of the existing fleet, which is the smallest it has been in decades. The combined Handysize and Supramax orderbook totals 7.6%, presenting the basis for continued low supply growth in the next few years. Dry bulk newbuild ordering in 2022 was 23.9 m dwt, compared to 51.6 m dwt in 2021, a reduction of 54%.

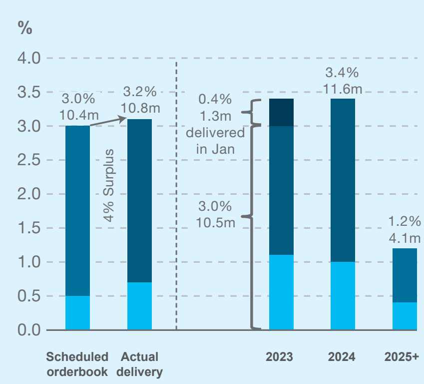
New ship ordering is expected to remain restrained, discouraged by:

- uncertainty about the future fuels and technologies required to meet decarbonisation regulations
- the high cost of newbuildings, when lower priced second-hand ships with prompt delivery represent more attractive investment with lower residual value risk
- limited yard capacity for newbuild orders until 2025, with Chinese mothballed yard capacity still remaining largely closed
- increased cost of capital further limits appetite for higher cost vessels, and large series of orders

Overall Dry Bulk Orderbook



Handysize & Supramax Combined Orderbook



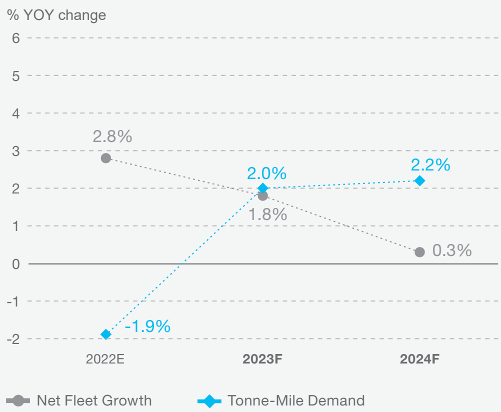
Source: Clarksons Research, data as at February 2023

	Orderbook as % of Existing Fleet	Average Age	Over 20 Years Old	2022 Scrapping as % of 1 January 2023 Existing Fleet
Handysize (10,000–40,000 dwt)	7.5%	13	14%	0.2%
Supramax & Ultramax (40,000–70,000 dwt)	7.7%	11	10%	0.2%
Panamax & Post-Panamax (70,000–100,000 dwt)	8.7%	11	13%	0.3%
Capesize (100,000+ dwt)	6.0%	10	2%	0.9%
Total	7.2%	12	8%	0.5%

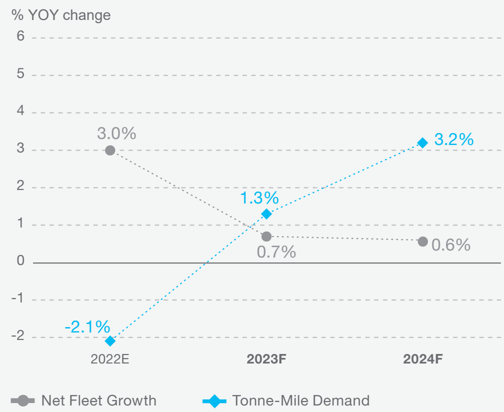
Source: Clarksons Research, data as at February 2023

MARKET BALANCE: Return to Positive Demand and Supply Balance Expected

Overall Dry Bulk Demand and Supply



Minor Bulk Demand and Handysize/Supramax Supply



Despite a slowing of global economic growth, dry bulk demand growth is expected to outpace low supply growth in 2023 and 2024.

Source: Clarksons Research, data as at December 2022

POSSIBLE MARKET DRIVERS IN THE MEDIUM TERM

OPPORTUNITIES

- Post-pandemic and stimulus-driven recovery in China, and recovery in global economic demand driving increased 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

THREATS

- Persistent high inflation and interest rates negatively impacting global economic activity and demand in dry bulk commodities
- Excessive new ship ordering in dry bulk driving increased net fleet growth
- Slow Chinese economic growth recovery post-pandemic
- Tariffs and protectionism driving local production at the expense of global trade

OUR PERFORMANCE

Our business generated an underlying profit of US$714.7 million (2021: underlying profit of US$698.3 million) representing our strongest underlying profit result ever. We delivered record TCE earnings, generated strong operating activity margins, and continued to maintain good control of our vessel operating costs.

Operating Performance

US$ Million	1H22	2H22	**2022**	2021	Change
Core business Handysize contribution	265.4	164.9	**430.3**	397.4	+8%
Core business Supramax contribution	202.8	113.5	**316.3**	311.4	+2%
Operating activity contribution	30.7	25.7	**56.4**	69.0	-18%
Capesize contribution[1]	0.7	0.9	**1.6**	4.0	-60%
Performance before overheads	499.6	305.0	**804.6**	781.8	+3%
Adjusted total G&A overheads	(41.8)	(48.1)	**(89.9)**	(82.0)	-10%
Taxation and others	(0.3)	0.3	**–**	(1.5)	+100%
Underlying profit	457.5	257.2	**714.7**	698.3	+2%
Vessel net book value (incl. assets held for sale)	1,840.3	1,790.3	**1,790.3**	1,903.3	-6%

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

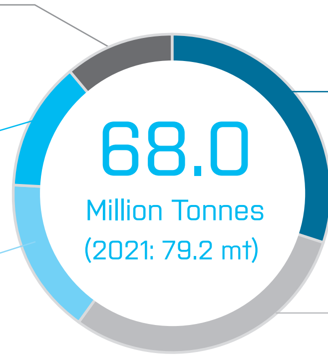
[1] Having redelivered a chartered 95,000 dwt Post-Panamax, we now refer to our owned 115,000 dwt bulker as a Capesize vessel, consistent with industry definitions

Our Cargo Volumes in 2022

Minerals	**11%**
Salt	6%
Sand & Gypsum	4%
Soda Ash	1%

Energy	**13%**
Coal	8%
Petcoke	4%
Wood Pellets	1%

Metals	**16%**
Ores	7%
Concentrates	5%
Alumina	2%
Others	2%



Agricultural Products & Related	**30%**
Grains & Agricultural Products	15%
Fertiliser	12%
Sugar	3%

Construction Materials	**30%**
Cement & Cement Clinkers	14%
Steel & Scrap	9%
Logs & Forest Products	7%

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

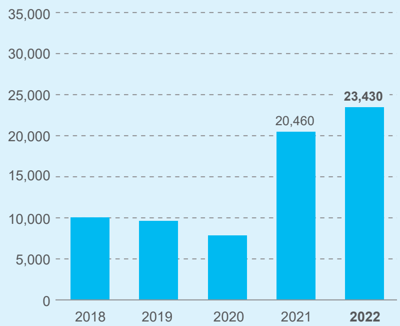
Our operating activity complements our core business by matching our customers' spot cargoes with short-term chartered ships, making a margin and contributing to our Group results regardless of whether the market is weak or strong. Through our operating activity, we provide a service to our customers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

CORE BUSINESS

Handysize

TCE EARNINGS KPI

US$/day (net)

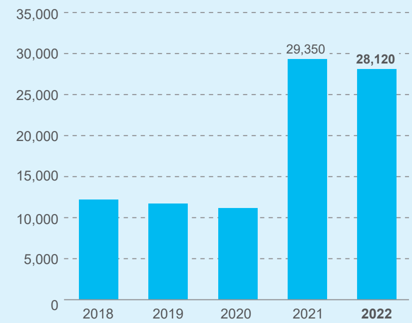


Note: Pre-2020 historical data has not been restated to split operating activity from core business

Supramax

TCE EARNINGS KPI

US$/day (net)



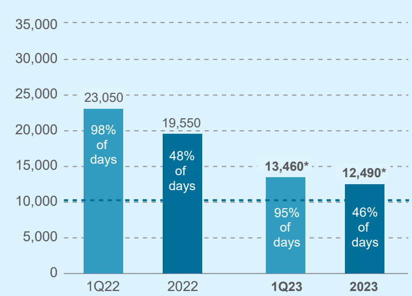
Note: Pre-2020 historical data has not been restated to split operating activity from core business

- Our core business generated:
  - Handysize daily earnings of US$23,430 on 30,310 revenue days
  - Supramax daily earnings of US$28,120 on 17,340 revenue days
- Our daily TCE earnings reduced from a peak in May 2022 due to lower dry bulk commodities demand as a result of higher inflation and interest rates slowing global economic demand
- In the year, we outperformed the average Handysize (BHSI 38k dwt tonnage-adjusted) and Supramax (BSI 58k dwt) indices by US$5,210 per day and US$7,080 per day, respectively. In the year, scrubbers fitted to our core Supramax vessels contributed US$2,510 per day to outperformance

Handysize

FORWARD CARGO COVER

US$/day (net)



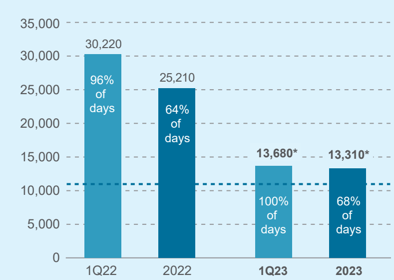
Indicative core fleet P&L break-even level incl. G&A for 2022 = US$10,260

* As at late February, indicative TCE only as voyages are still in progress, our Handysize cover for the rest of the year is backhaul heavy. When combined with better earning fronthaul voyages, the overall TCE will typically be higher

Supramax

FORWARD CARGO COVER

US$/day (net)



Indicative core fleet P&L break-even level incl. G&A for 2022 = US$10,950

* As at late February, indicative TCE only as voyages are still in progress, our Supramax cover excludes any scrubber benefit, currently about US$2,160 per day

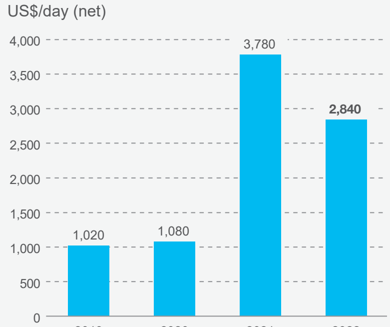
- We were proactive in the latter part of 2022 to take cover for the first quarter of 2023, which has positioned ourselves well as market activity slowed into the end of 2022, as well as ahead of the usual seasonal weakness around Lunar New Year
- We have covered 95% and 100% of our Handysize and Supramax vessel days for the first quarter of 2023 at US$13,460 and US$13,680 per day net respectively
- We have covered 46% and 68% of our 31,320 Handysize and 24,480 Supramax vessel days currently contracted for full year 2023 at US$12,490 and US$13,310 per day net respectively. (Cargo cover excludes operating activity)
- Our P&L break-even was US$10,260 and US$10,950 for Handysize and Supramax vessels respectively in 2022; our costs remain well controlled and competitive

OPERATING ACTIVITY

Margin KPI

US$2,840 per day (net)

US$/day (net)



- Our operating activity generated a margin of US$2,840 net per day over 19,830 operating activity days in 2022 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

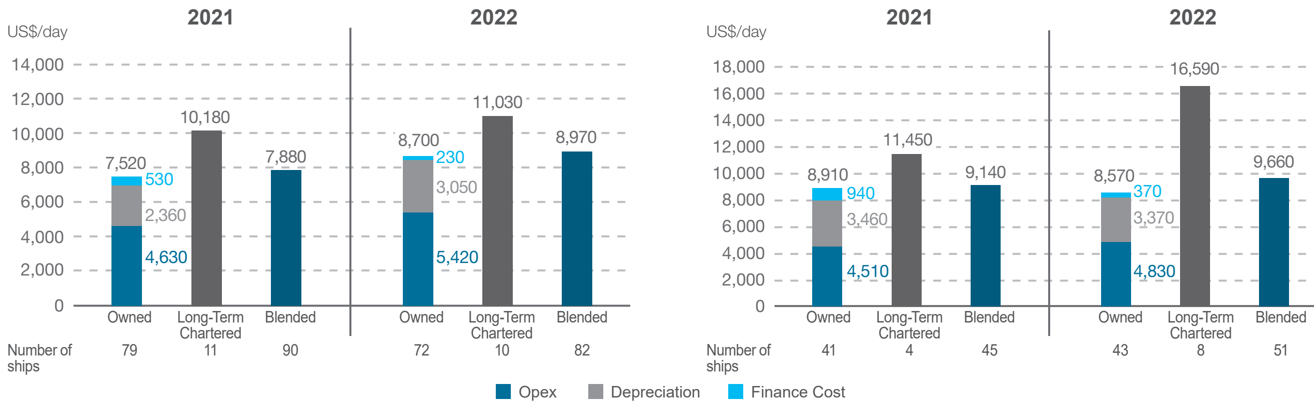
Daily Vessel Costs

Handysize

Blended US$8,970

Supramax

Blended US$9,660



Owned Vessel Costs

- **Operating expenses**
  Our average Handysize and Supramax daily operating expenses ("Opex") increased by 14% to US$5,210 per day (2021: US$4,590). This was mainly due to high crew repatriation cost and other pandemic-related manning expenses. However, our Opex remained at competitive levels in the industry 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 (2021: 1.7 days) of unplanned technical off-hire per vessel of which 0.6 days (2021: 0.8 day) were pandemic-related.

- **Depreciation**
  Our Handysize daily depreciation costs increased by 29% mainly due to the reversal of an impairment provision in December 2021. Our Supramax daily depreciation costs were substantially unchanged.

- **Finance costs**
  Our average Handysize and Supramax daily finance costs decreased by 58% to US$280 per day (2021: US$670), mainly due to lower borrowings.

Long-term Chartered Vessel Costs

Long-term chartered vessel costs mainly comprise depreciation of right-of-use assets, interest expenses of lease liabilities and technical management service costs for leases over 12 months. Our long-term chartered vessel daily costs increased by 8% to US$11,030 and 45% to US$16,590 for Handysize and Supramax vessels respectively, primarily due to higher charter costs on new chartered vessels due to strong market conditions.

Blended Costs

Our daily blended costs for owned and long-term chartered vessels increased to US$8,970 and US$9,660 for Handysize and Supramax vessels respectively (2021: US$7,880 and US$9,140 respectively).

General and Administrative ("G&A") Overheads

Our adjusted total G&A overheads increased to US$89.9 million (2021: US$82.0 million) primarily due to an increase in staff costs and travelling expenses during the year. Spread across our total vessel days, our daily G&A overheads remain competitive at US$990 (2021: US$870), comprising US$1,290 and US$730 (2021: US$1,150 and US$630) per day for owned and chartered ships respectively.

Vessel Days

The following table shows an analysis of our vessel days in 2022 and 2021:

	Handysize		Supramax	
Days	2021	**2022**	2021	**2022**
Core business revenue days	32,080	**30,310**	15,480	**17,340**
– Owned revenue days	27,580	**26,680**	14,040	**14,930**
– Long-term chartered days	4,500	**3,630**	1,440	**2,410**
Short-term core days[1]	8,710	**7,580**	19,110	**14,100**
Operating activity days	4,910	**5,720**	13,330	**14,110**
Owned off-hire days	770	**890**	130	**400**
Total vessel days	46,470	**44,500**	48,050	**45,950**

[1] Short-term chartered ships used to support our core business

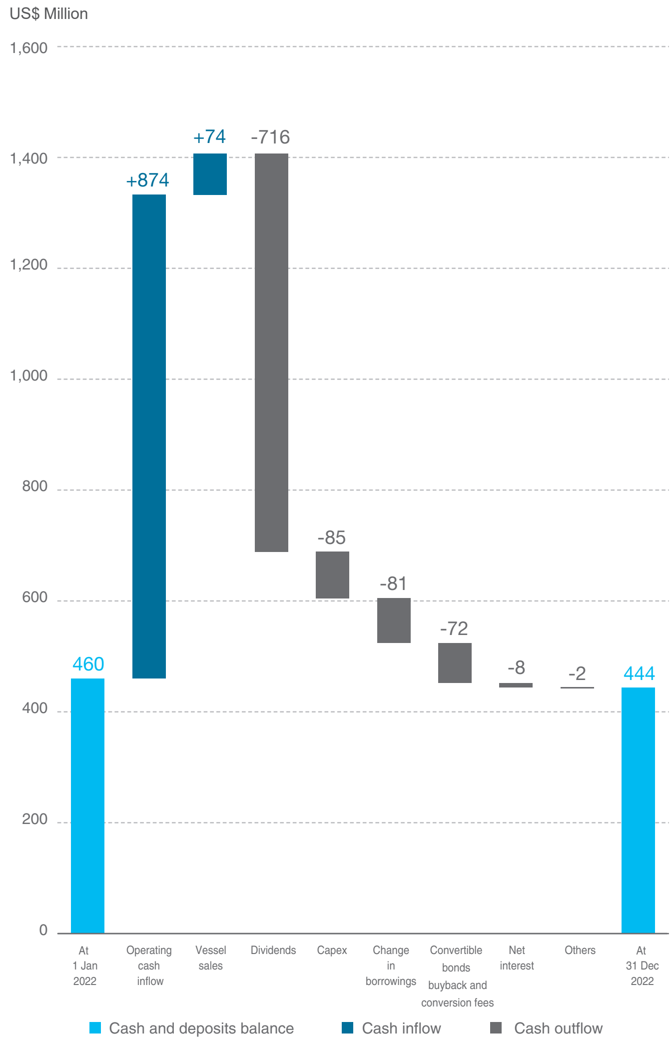
Future Long-term Chartered Vessel Costs

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

	Handysize		Supramax	
Year	Vessel days	Average cost (US$)	Vessel days	Average cost (US$)
2023	3,400	12,000	2,720	18,620
2024	3,180	12,290	700	21,140
2025	2,560	12,930	–	–
2026	1,830	13,030	–	–
2027+	3,710	12,430	–	–
Total	**14,680**		**3,420**	

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 2022

- During the year we achieved a US$140.9 million (80.5%) reduction in our US$175.0 million 3% coupon guaranteed convertible bonds due in 2025 to US$34.1 million resulting from our US$104.9 million conversion offer in May and the subsequent issue of 425,987,441 shares followed in July by a US$2.0 million bondholder conversion and the issue of 8,120,310 shares and thereafter in December we successfully completed an open market repurchase of US$34.0 million outstanding convertible bonds
- During the year we realised US$74.2 million from the sale of 7 Handysize vessels
- Our net cash outflow from borrowings was US$80.9 million in the year
- During the year we incurred capital expenditure of US$84.7 million, including:
  (a) US$38.1 million for two Ultramax vessels which delivered into our fleet in 2022; and
  (b) US$46.6 million for dry dockings and the installation of ballast water treatment systems
- As at 31 December 2022, we had 59 unmortgaged vessels

Liquidity and Borrowings

US$ Million	31 Dec 2022	31 Dec 2021	Change
Cash and deposits (a)	**443.9**	459.7	-3%
Available undrawn committed facilities	**171.1**	208.7	-18%
Available committed liquidity	**615.0**	668.4	-8%
Current portion of borrowings	**(97.8)**	(66.8)	
Non-current portion of borrowings	**(280.8)**	(521.3)	
Total borrowings (b)	**(378.6)**	(588.1)	+36%
Net cash/(borrowings) (a) + (b)	**65.3**	(128.4)	+>100%
Net cash/(borrowings) to shareholders' equity	**3%**	(7%)	
Net cash/(borrowings) to net book value of owned vessels KPI	**4%**	(7%)	

Borrowings and Undrawn Committed Facilities

Borrowings and Undrawn Committed Facilities – US$517.0 million (31 December 2021: US$631.6 million)

The overall decrease in secured borrowings is mainly due to repayments and scheduled loan amortisation.

A decrease in interest to US$16.0 million (2021: US$20.6 million) was mainly due to a decrease in average borrowings to US$398.3 million (2021: US$614.8 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.

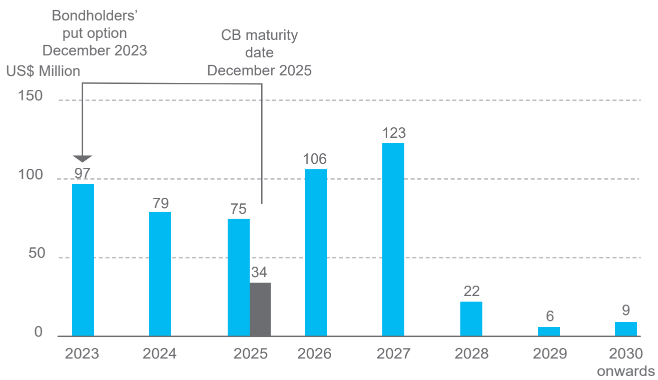
As at 31 December 2022:

- The Group's secured borrowings were secured by 57 vessels with a total net book value of US$1,032.4 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$32.7 million (31 December 2021: US$165.2 million)

As at 31 December 2022 further to the conversion offer completed in May 2022 and a subsequent bondholder conversion in July 2022 and the open market repurchase of convertible bonds in November and December, there remained the 3% coupon guaranteed convertible bonds due in 2025 with an outstanding principal amount of US$34.1 million and a prevailing conversion price of HK$1.63 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 2022, including the liability component of the convertible bonds, amounted to US$549.7 million (31 December 2021: US$796.8 million) and are mainly denominated in United States Dollars.

- Secured borrowings and undrawn committed facilities (US$517.0 million)
- Convertible bonds (face value US$34.1 million, book value US$32.7 million, bondholders' put option December 2023)

Finance Costs

US$ Million	Average interest rate P/L	Average interest rate Cash	Balance at 31 December 2022	Finance costs 2022	Finance costs 2021	Change
Borrowings (including realised interest rate swap contracts)	4.0%	4.0%	**345.9**	**16.0**	20.6	+22%
Convertible bonds (Note)	4.7%	3.0%	**32.7**	**4.5**	7.5	+40%
	4.1%	KPI 3.8%	**378.6**	**20.5**	28.1	+27%
Other finance charges				**0.1**	1.5	
Total finance costs				**20.6**	29.6	+30%
Interest coverage (calculated as EBITDA divided by total finance costs)				KPI **45.3x**	30.1x	

Note: The convertible bonds have a P/L cost of US$4.5 million and a cash cost of US$1.8 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 2022, 75% (31 December 2021: 81%) of the Group's borrowings were on fixed interest rates. We currently expect about 50% of the Group's borrowings will be on fixed interest rates as at both 31 December 2023 and 2024, 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	2022	2021	Change*
Revenue		**3,281.6**	2,972.4	+10%
Bunker, port disbursement & other voyage costs		**(1,064.9)**	(881.0)	-21%
Time-charter equivalent ("TCE") earnings	1	**2,216.7**	2,091.4	+6%
Owned vessel costs				
Operating expenses	2	**(223.5)**	(195.2)	-14%
Depreciation	3	**(140.6)**	(117.8)	-19%
Net finance costs	4	**(12.0)**	(28.9)	+58%
Chartered vessel costs				
Non-capitalised charter costs	5	**(978.6)**	(934.7)	-5%
Capitalised charter costs	5	**(57.4)**	(33.0)	-74%
Operating performance before overheads		**804.6**	781.8	+3%
Adjusted total G&A overheads	6	**(89.9)**	(82.0)	-10%
Taxation and others		**–**	(1.5)	+100%
Underlying profit		**714.7**	698.3	+2%
Net disposal gain/(loss) of vessels	7	**14.5**	(0.4)	
Incentives and fees for conversion of convertible bonds	8	**(15.8)**	–	
Provisions	9	**(7.2)**	(4.3)	
Unrealised derivative expenses	10	**(4.3)**	(0.5)	
Reversal of vessel impairment		**–**	151.7	
Profit attributable to shareholders		**701.9**	844.8	-17%
EBITDA		**935.1**	889.9	+5%
Net profit margin		**21%**	28%	-7%
Return on average equity		**38%**	58%	-20%

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

Notes

1. Total time-charter equivalent ("TCE") earnings increased mainly reflecting strong dry bulk freight rates during the first half of the year.
2. Total operating expenses of our owned vessels increased by 14% as a result of high crew repatriation cost and other pandemic-related manning expenses.
3. Depreciation of our owned vessels increased by 19% mainly as a result of the reversal of an impairment provision of our Handysize fleet in December 2021.
4. Net finance costs decreased by 58% 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. The increase in overall charter costs is in line with the strong market.
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 10% primarily due to increased staff costs and travelling expenses.
7. The net disposal gain relates to the disposal of our smaller, older Handysize vessels.
8. Incentives and fees relate to the incentivised conversion offer to our convertible bondholders in May 2022.
9. Provisions relate to potential operational costs and claims.
10. Unrealised derivative expenses mainly represent the negative mark-to-market on our regular bunker swap contracts.

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 and unrealised derivative income and expenses.

Consolidated Income Statement

	Note	For the year ended 31 December 2022 US$'000	2021 US$'000
Revenue	3	**3,281,626**	2,972,514
Cost of services		**(2,549,548)**	(2,233,171)
Gross profit		**732,078**	739,343
(Provision for)/reversal of vessel impairment		**(1,513)**	151,658
Indirect general and administrative overheads		**(8,129)**	(8,462)
Other income and gains		**18,586**	336
Other expenses		**(23,091)**	(4,815)
Finance income		**8,655**	722
Finance costs		**(24,089)**	(32,434)
Profit before taxation	4	**702,497**	846,348
Tax charges	5	**(641)**	(1,538)
Profit attributable to shareholders		**701,856**	844,810
Earnings per share for profit attributable to shareholders (in US cents)			
Basic earnings per share	7(a)	**13.93**	17.90
Diluted earnings per share	7(b)	**13.19**	15.73

Consolidated Statement of Comprehensive Income

	For the year ended 31 December 2022 US$'000	2021 US$'000
Profit attributable to shareholders	**701,856**	844,810
Other comprehensive income		
Items that are and may be reclassified subsequently to income statement		
Cash flow hedges		
– fair value gains/(losses)	**5,879**	(267)
– fair value gains transferred to income statement	**3,074**	5,610
Currency translation differences	**(1,465)**	(277)
Total comprehensive income attributable to shareholders	**709,344**	849,876

Consolidated Balance Sheet

	Note	As at 31 December 2022 US$'000	2021 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,772,168**	1,906,019
Right-of-use assets		**89,867**	55,302
Goodwill		**25,256**	25,256
Derivative assets		**6,120**	496
Trade and other receivables	8	**5,276**	8,499
Restricted bank deposits		**52**	51
		1,898,739	1,995,623
Current assets			
Inventories		**124,461**	103,590
Derivative assets		**4,421**	14,710
Trade and other receivables	8	**157,355**	171,839
Assets held for sale		**19,884**	–
Cash and deposits		**443,825**	459,670
		749,946	749,809
Total assets		**2,648,685**	2,745,432
EQUITY			
Capital and reserves attributable to shareholders			
Share capital		**52,464**	47,858
Retained profits		**705,625**	744,553
Other reserves		**1,149,266**	1,038,815
Total equity		**1,907,355**	1,831,226
LIABILITIES			
Non-current liabilities			
Borrowings		**280,803**	521,363
Lease liabilities		**33,389**	29,270
Derivative liabilities		**292**	6,540
Trade and other payables	9	**–**	17
		314,484	557,190
Current liabilities			
Borrowings		**97,805**	66,793
Lease liabilities		**59,902**	31,159
Derivative liabilities		**7,268**	10,232
Trade and other payables	9	**261,870**	247,554
Taxation payable		**1**	1,278
		426,846	357,016
Total liabilities		**741,330**	914,206

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 or revised HKFRS

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2021, except for the new or revised standards and amendments that became effective in this accounting period. The new or revised standards and amendments 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	**2022**	2021
Freight	**2,683,135**	2,355,111
Charter-hire		
– lease component	**476,079**	495,078
– non-lease component	**122,412**	122,322
Other revenues	**–**	3
	3,281,626	2,972,514

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 before taxation

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

US$'000	**2022**	2021
Vessel charter costs	**978,630**	934,744
Bunkers consumed	**644,301**	462,497
Port disbursements and other voyage costs	**448,512**	440,498
Employee benefit expenses	**225,444**	200,348
Depreciation		
– owned vessels	**140,616**	117,800
– other property, plant and equipment	**1,464**	1,635
– right-of-use assets	**56,475**	32,760
Net gains on bunker swap contracts	**(21,694)**	(21,174)
Net (gains)/losses on disposal of vessels	**(15,968)**	363
Incentives and fees for conversion of convertible bonds	**15,824**	–
Provisions	**7,187**	4,279
Provision for/(reversal of) vessel impairment	**1,513**	(151,658)
Interest on borrowings		
– bank loans	**13,972**	15,671
– convertible bonds	**4,497**	7,540
– other borrowings	**1,673**	2,168
Interest on lease liabilities		
– vessels	**3,135**	2,480
– other property, plant and equipment	**332**	343

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	**2022**	2021
Hong Kong profits tax, provided at the rate of 16.5% (2021: 16.5%)	**971**	930
Overseas tax, provided at the rates of taxation prevailing in the countries	**546**	612
Adjustments in respect of prior year	**(876)**	(4)
Tax charges	**641**	1,538

6. Dividends

	2022			2021		
	HK cents per share	**US cents per share**	**US$'000**	HK cents per share	US cents per share	US$'000
Interim basic dividend	**35.0**	**4.4**	**234,567**	14.0	1.8	86,473
Interim special dividend	**17.0**	**2.2**	**113,933**	–	–	–
Proposed final basic dividend (a)	**17.0**	**2.3**	**115,579**	42.0	5.4	257,387
Proposed final special dividend (a)	**9.0**	**1.1**	**61,140**	18.0	2.3	110,309
Total dividends for the year	**78.0**	**10.0**	**525,219**	74.0	9.5	454,169
Dividends paid during the year (b)	**112.0**	**14.3**	**716,196**	14.0	1.8	86,473

(a) The proposed final basic dividend and final special dividend are subject to the approval of the shareholders at the Annual General Meeting on 18 April 2023 and not reflected in the financial statements.

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

		2022	2021
Profit attributable to shareholders	(US$'000)	**701,856**	844,810
Weighted average number of shares in issue	('000)	**5,036,825**	4,719,323
Basic earnings per share	(US cents)	**13.93**	17.90
Equivalent to	(HK cents)	**109.12**	139.08

(b) Diluted earnings per share

Diluted earnings per share are calculated by dividing the basic earnings, after adjusting for effect of 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.

		2022	2021
Profit attributable to shareholders	(US$'000)	**701,856**	844,810
Effect of incentives and fees for conversion of convertible bonds	(US$'000)	**15,824**	–
Effect of interest on convertible bonds	(US$'000)	**4,497**	7,540
Effect of a gain on repurchase and cancellation of convertible bonds	(US$'000)	**(1,120)**	–
Adjusted profit attributable to shareholders	(US$'000)	**721,057**	852,350
Weighted average number of shares in issue	('000)	**5,036,825**	4,719,323
Effect of convertible bonds	('000)	**371,676**	612,195
Effect of unvested restricted shares	('000)	**59,719**	88,188
Diluted weighted average number of shares	('000)	**5,468,220**	5,419,706
Diluted earnings per share	(US cents)	**13.19**	15.73
Equivalent to	(HK cents)	**103.26**	122.19

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	**2022**	2021
≤ 30 days	**78,096**	95,255
31-60 days	**10,447**	6,665
61-90 days	**3,941**	5,431
> 90 days	**19,945**	10,714
	112,429	118,065

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	**2022**	2021
≤ 30 days	**73,432**	66,034
31-60 days	**286**	732
61-90 days	**574**	93
> 90 days	**6,501**	3,654
	80,793	70,513

Purchase, Sale or Redemption of Securities

During the period from 28 November to 12 December 2022, the Group bought back a total of US$34.0 million in principal amount of the Bonds at an average price of 164.7%. These Bonds have subsequently been cancelled. The purchase involved a total cash outlay of US$56.2 million, which was inclusive of accrued interest of US$0.2 million. The purpose of the buy back was aimed at further optimising the capital structure of the Company, by reducing total borrowings, thereby deleveraging the balance sheet, while lowering the finance costs. The remaining outstanding principal amount of the Bonds was reduced to US$34,110,000.

Saved as disclosed above and 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 (the "Model Code"), as set out in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules").

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.

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 complied with all code provisions of the Corporate Governance Code as set out in Part 2 of 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 2022.

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 2022 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.

Dividend

The Board has recommended the payment of a total final dividend of HK26 cents per share (comprising a basic dividend of HK17 cents per share and a special dividend of HK9 cents per share) for the year ended 31 December 2022. When this proposed final dividend is aggregated with the interim dividend of HK52 cents per share declared on 28 July 2022, the total of HK78 cents per share represents approximately 75% of the Group's net profits for the year ended 31 December 2022, which is in line with the dividend policy of paying out at least 50% of net profits.

The recommended final dividend of HK26 cents per share will be payable on 9 May 2023 to those shareholders whose names appear on the Company's register of members on 27 April 2023, subject to approval by the shareholders of the Company at the forthcoming annual general meeting to be held on 18 April 2023.

Closure of Register of Members

If the proposed final dividend is approved at the 2023 AGM, the register of members will be closed on 27 April 2023 when no transfer of shares will be effected. In order to qualify for the final dividend, all properly completed transfer forms, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 26 April 2023. The ex-dividend date for the final dividend will be on 25 April 2023.

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 2022 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 14 March 2023.

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:
Robert Charles Nicholson, 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.